

League City
TEXAS





LONG RANGE FINANCIAL FORECAST
FY 2014-2018

CITY OF LEAGUE CITY • 300 WEST WALKER• LEAGUE CITY, TX 77573
WWW.LEAGUECITY.COM

The photos on the cover of the Long Range Financial Forecast FY2014-2018 are as follows:

Top row, left: Ghirardi Oak
Top row, center: Amalfi Tuscan Lakes Apartments
Top row, right: Founder's Square shops

Side bar, top: View of water at Heritage Park
Side bar, bottom: South shore harbour office building

Bottom, left side: Runner at Countryside Park
Bottom, center & right: View of Tuscan Lakes homes

CITY OF LEAGUE CITY, TEXAS
LONG RANGE FINANCIAL FORECAST
FY2014 TO FY2018

April 16, 2013

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 Responsibility 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.

League City
TEXAS

CITY OF LEAGUE CITY, TEXAS

PRINCIPAL OFFICIALS

MAYOR

Tim Paulissen

CITY COUNCIL

Position 1	**Dan Becker**
Position 2	**Dennis OKeeffe**
Position 3	**Heidi Thiess**
Position 4	**Todd Kinsey**
Position 5	**Geri Bentley**
Position 6	**Andy Mann**
Position 7	**Joanna Sharp Dawson**

CITY MANAGER

Mike Loftin

CITY SECRETARY

Diana Stapp

CITY ATTORNEY

Arnold Polanco

ASST CITY MANAGER, PUBLIC WORKS

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FIRE CHIEF

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Acknowledgements

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

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April 15, 2013

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 2014-18. The purpose of the forecast is to provide long-term context for annual decisions that make up the FY 2014 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 begins a series of informational "pre-budget" meetings between Council and the leadership of individual 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 2014.

As the end goal of these pre-budget conversations, Council will be asked for structured feedback on specific priorities in each of three major areas of the budget:

1. General Fund: tax-supported operational programs
2. Tax-supported CIP programs and projects
3. Water and wastewater operations and CIP

City Council input will be utilized to develop the proposed FY 2014 Budget and CIP.

<u>Conditions and Considerations</u>

League City is experiencing a sudden surge in growth that is similar to the growth taking place in the Houston area at large. Accordingly, this forecast projects an increase in economic growth, from the 2.2-2.3% rate over the last two fiscal years to 3.3% in FY 2013, 3.1% in FY 2014, and a slight decline thereafter from 2.8% to 2.6% between FY 2015 and 2018. This surge in new home construction is the key indicator of growth in League City. The trend could easily extend into 2014 and beyond; however, out of an abundance of caution, this forecast only assumes a short-term growth spurt followed by a return to a growth rate that is steady and perhaps slightly faster than that seen of late.

Economic development is a top priority for League City, with the primary purpose being to diversify our tax base by adding commercial properties to the tax roll that can lighten the tax burden for homeowners. Towards that end, the level of commercial construction used to support the revenue projections in this forecast is minimal (e.g. $20 million in new construction

per year). This leaves potential major developments as sources of new revenue that can be used to reduce homeowner taxes.

As the city continues to grow, demand for basic services will also grow. This forecast projects that our population, currently estimated at 90,300 in FY 2013, will be 103,500 in FY 2018. We must be good stewards in anticipating the needs that the City will face as a result of continued growth. We must look for efficiencies that can be achieved through use of different service delivery mechanisms and technology. We must also realize that our already lean workforce is operating at a more efficient level than comparable cities our size.

It is also important to focus on broader strategies in addressing the need for infrastructure that serves growth, along with the all-important questions of who pays for this infrastructure, and how they pay for it. Water supply, wastewater capacity, public safety facilities, streets and traffic each present unique challenges that require the City to maintain a broad focus. But as we deal with the effects and demands of growth, we must also develop effective strategies to maintain and upgrade existing infrastructure in existing and established neighborhoods. The Budget and CIP should demonstrate a commitment to them as well.

Policy Framework for FY 2014

It might appear that the current growth surge is a one-year phenomenon, but we must begin to think of it as a potential source of new resources that must be applied wisely. And if we go through a prolonged growth surge like the 2002-2008 period, we must not be caught unawares and unprepared.

Important considerations in no particular order include:

1. **Keeping a lean, fairly compensated workforce** that is sufficient to the task of providing services: This will include a balance between funding adjustments that

address equity for specific jobs that are compensated at below-market levels in addition to performance based pay programs. It will also include a review of those benefit areas where the City is clearly above market (e.g. health benefits and certification pay for other than police officers and water and wastewater workers) to arrive at adjustments to these benefit programs that are fair to employees and market-based.

2. **Basic service needs** have to be considered in FY 2014, including police staffing as well as streets and traffic. The time required to recruit, train and prepare a police officer for patrol duty is about two years. Police staffing needs a careful review this year to consider specific areas of policing that need additional resources, as well as the potential need for additional staffing while the two-year preparation process is underway for future police officers. Street and traffic maintenance and operations also need a careful review this year to identify targets for major maintenance and/or upgrades in the street system. This includes placing more emphasis on street reconstruction using operating funds; this approach can be used to lengthen the life of roadways that may not require full replacement. The City also needs to consider implementing a more systematic street markings and signage program.
3. **Finding a balance between long-term financing and debt reduction** is also before the City Council this year. The forecast includes a look at how these two might work together as far a tax supported debt issuance and reduction are concerned. Water and wastewater debt, however, is only presented in the forecast in its support and continuation of the extensive water system improvement program underway. Equity to current taxpayers and ratepayers must also be a part of this discussion and consideration, as must capital improvement impact fees and public involvement in the capital financing process.

I trust that you will find this forecast helpful in considering the important choices ahead. Thank you for the opportunity to serve the City of League City.

Michael W. Loftin

Michael W. Loftin
City Manager

CITY OF LEAGUE CITY
LONG RANGE FINANCIAL FORECAST
FY 2014 to FY 2018

TABLE OF CONTENTS

LONG RANGE FINANCIAL FORECAST
ECONOMIC OUTLOOK

Economic Overview

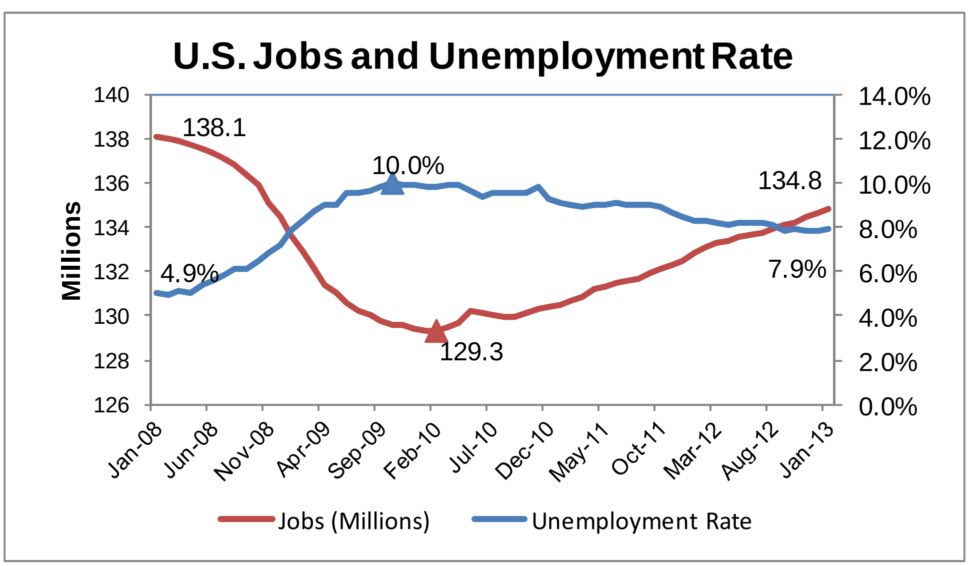
League City, like the region in which it is located, has been characterized by steady long-term growth, resilient economic performance in the face of national economic downturn, and a climate and geography considered attractive to families and businesses. Between 2002 and 2008, League City experienced growth significantly above its historical trend that coincided with the national housing boom and regional energy boom. Since that time, the national "Great Recession" occurred, slowing but not stopping growth in the region and in League City as well. The most salient concern in recent forecasts has been the job losses at NASA's Johnson Space Center that began in the spring of 2010 and continued through 2011, with most of the losses recorded when the shuttle program ended in mid-2011. These job losses appear to have slowed the League City growth rate by 1-1.5%, and concerns exist that a new round of local cuts may be coming in the near future if NASA budget cuts occur at the national level.

Now, in 2013, League City is experiencing a sudden upturn in new construction of all types of property as a result of strong, boom-like growth in the Houston area. This is reflected in this forecast tempered by concern that the sudden growth surge might be the result of little more than simple pent-up demand. Energy remains the region's predominant economic specialty and a robust growth rate remains in place prompted primarily by strong expansion and growth in the energy sector. Some observers note the cyclical nature of the energy industry and are projecting a slowdown in growth in 2014.

Beyond local concerns, 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. The local economy is strong but could easily be affected by national and international factors that could drive the demand for oil to lower levels and send the energy-driven boom into a contraction in the local economy.

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. While the downturn was much more severe than other recessions in recent memory, it was characterized by an underlying failure to recognize speculation and credit driven bubbles in property and securities values.

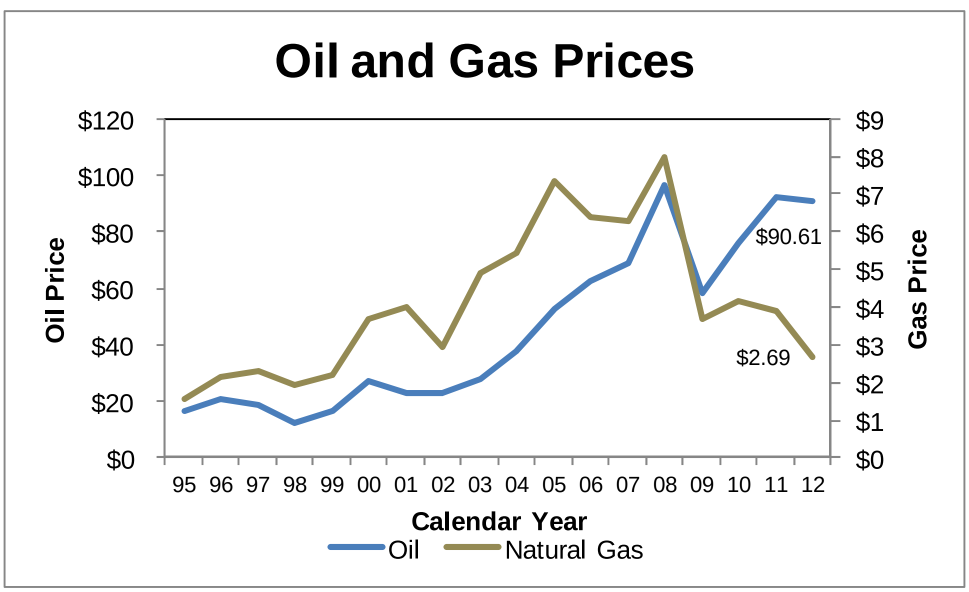


As 2013 begins, the national unemployment rate remains at 7.9%, a historically high level. Also, employment stands at 134.8 million jobs, still 3.3 million less than the peak reached in January 2008. Consider also that U.S. population has grown since that time and an estimated 125,000 new jobs per month would have been needed to just to keep up with population growth.

The last 24 months have seen ongoing battles in Washington over what is still an unacceptably large federal budget deficit that many consider the greatest threat to near-term and long-term economic growth and freedom. The fall elections essentially preserved the divided balance of power in Washington, and opposing sides continue to cast about for a solution to the deficit. Recent months have seen increases in payroll taxes, income taxes and forced reductions in discretionary spending without corresponding changes in mandatory federal programs that must come if the deficit is to be fully eliminated over any period of time.

During this same period of 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 at historically low levels, and there appears to be some pent up consumer demand that is driving slightly increased levels of consumption as a result. In many housing markets nationally, home values experienced deep losses in the Great Recession because of overinflated home prices driven by low interest rates and speculation. The recovery in these areas is still underway with many homeowners upside down in their mortgages and no quick solution to their plight. Major national economic indicators depict a mixed picture as 2013 begins.

- Economic growth as measured by U.S. Gross Domestic Product grew at an estimated rate of 2.2% in 2012, slightly more than the slower than the 1.8% rate for 2011 (Source: U.S. Bureau of Economic Analysis);
- The stock market's Dow Jones Industrial Average has recently grown back to eclipse its previous record and is in the 14,500 range, rising from 12,500 in mid-November ;
- Oil prices remain in the $90-100 per barrel range while natural gas prices remain below $3.00 per thousand cubic feet;
- Interest rates remain low (including conventional fixed mortgage rates in the 3.5% range), and are expected to remain low in the next 12 months; 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.

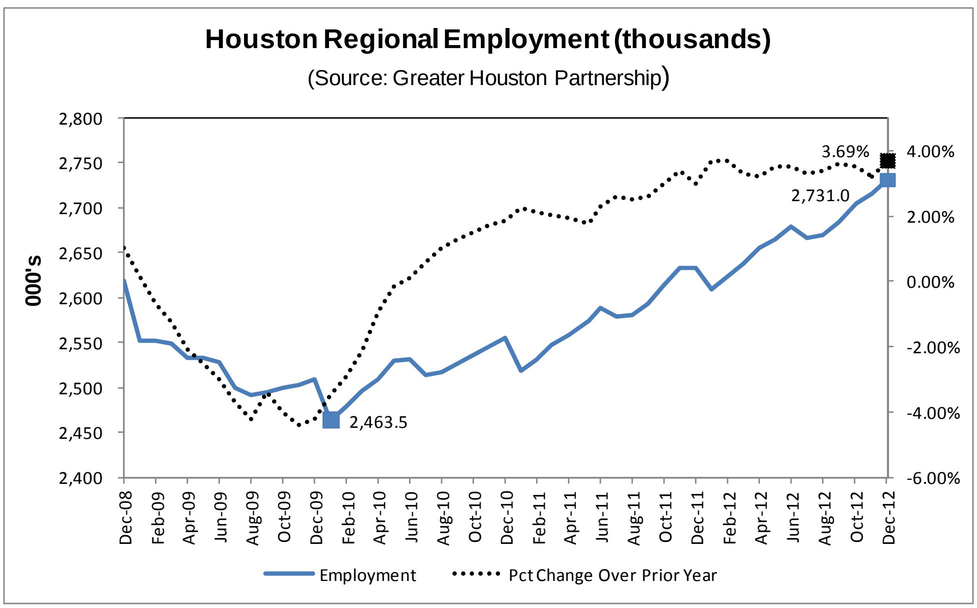


Several factors continue to dominate the national economic outlook. In light of the sluggish rate of job growth, the size of the federal deficit, and the continued difficulty in Washington to come to a bipartisan long-term solution, the prospects for anything better than a continuing long economic recovery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

State and Regional Economy

As reported in prior forecasts, 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. Since 2009, when Texas lost 3.8% of its employment base and the Houston area lost 4.2% of its jobs, the state and the region have recovered steadily. Texas regained its 2008 pre-recession employment levels by late 2011, and Houston recovered even more quickly.

In January 2010, the Houston metropolitan area was near the bottom 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, when we had 2,463,500 jobs, resulting in three successive years of job growth. Calendar year 2012 saw a 3.7% increase in regional employment, with increases across a broad area of economic sectors.



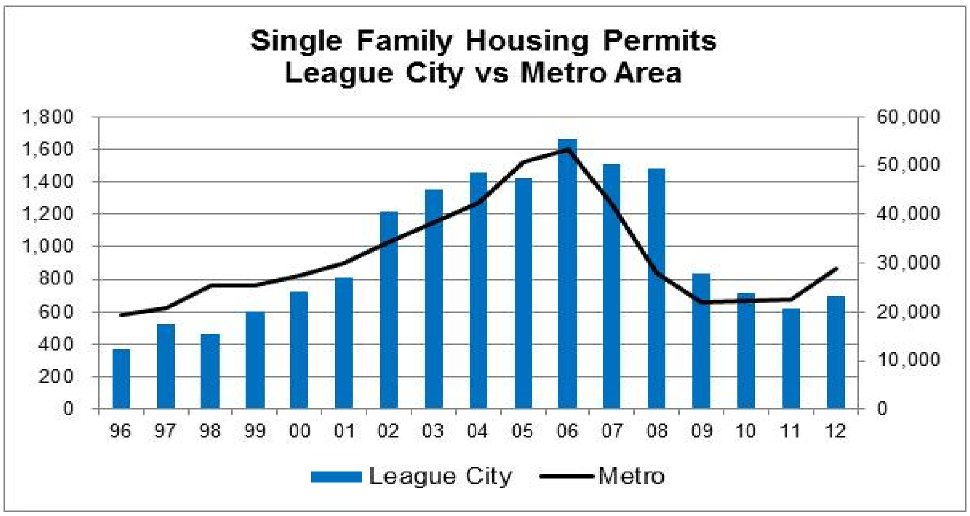
Local economists are predicting another year of expansion for the Houston region's economy in 2013. There are voices of concern that the continuing issues in Europe and Asia means a dampening of international demand for oil that will serve to slow the rapid growth rate of 2012 somewhat in 2013 and beyond. Clearly, oil prices, driven by worldwide demand, are in turn 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 is providing a boost to the entire south Texas area and the Houston area as well.

The League City Economy

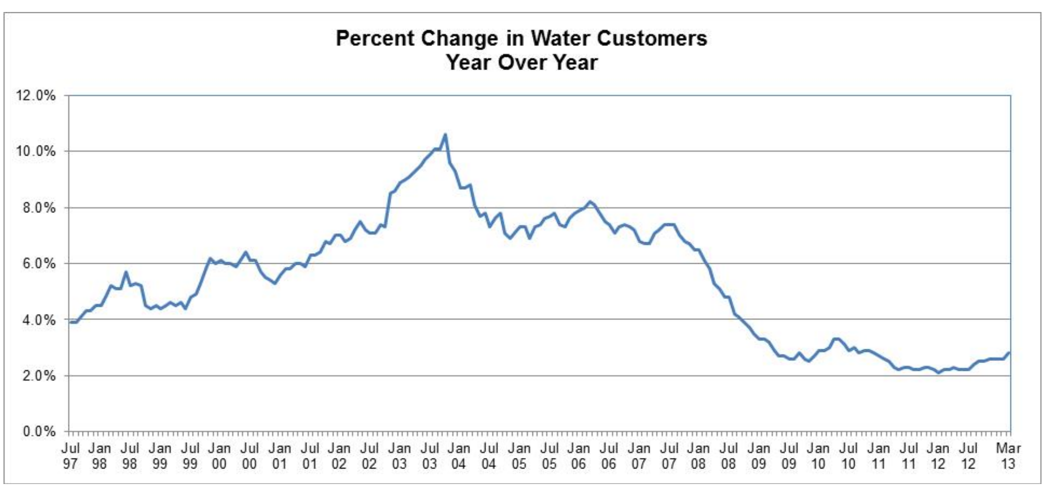
League City's population grew from 45,400 in 2000 to 83,560 in 2010 according to the U.S Census, and an estimated 90,900 in 2013. This rapid growth is illustrated by the change in single family housing units in the middle of the previous decade (see graph below). As a result of this rapid residential 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. Now, in 2013, the areas on either side of the freeway immediately next door to the I45/SH 646 intersection are beginning to develop with restaurants, offices and commercial development planned or underway, including a major expansion by UTMB of its facilities on the east side of I45.

The number of new single family homes has been a major indicator of growth in League City that underscores the population increase between 2000 and 2010. By September 2013, League City's population is estimated at approximately 90,000, supported by two key indicators: single family housing starts and new water customers.

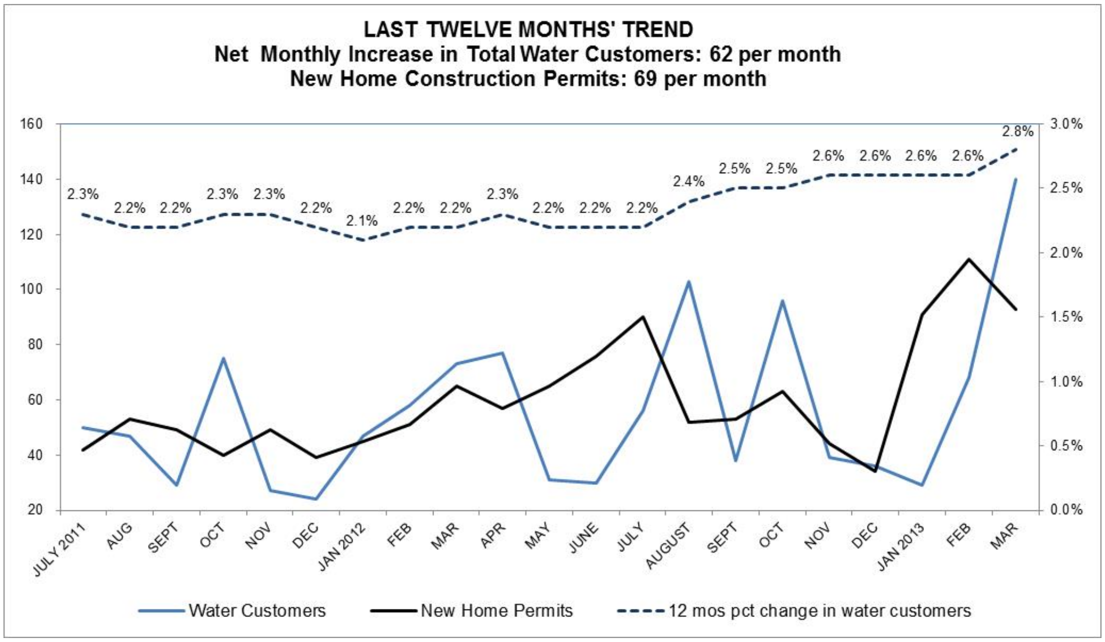
League City's new home construction has followed the Houston regional trend closely as demonstrated in the graph below. In 2012, 695 new homes were permitted by the City. In the first three months of 2013, however, almost 300 new homes have been permitted with three-fourths of the year remaining. Homebuilders contacted by the staff indicate that they currently expect this trend to hold, planning to build as many as 1,200 homes in calendar 2012.



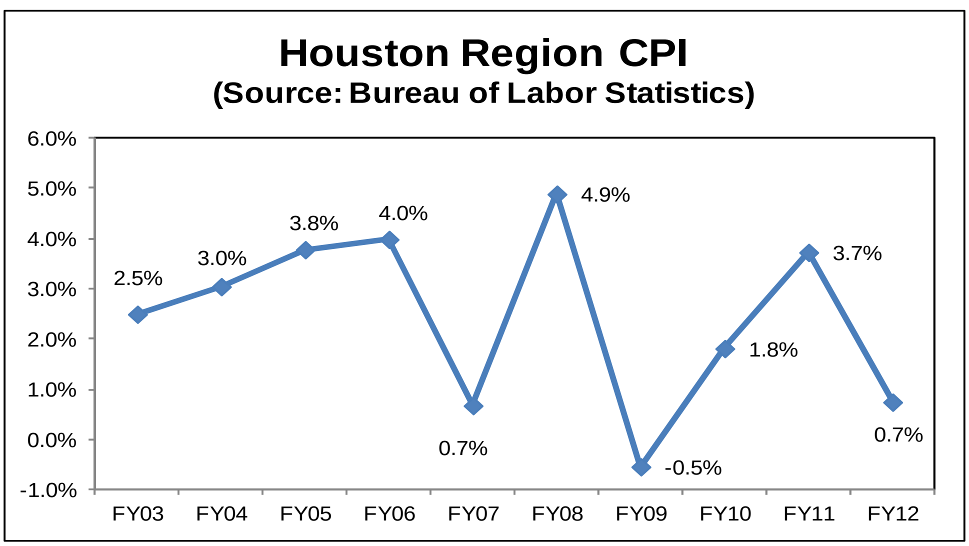
The growth in water customers seen below paralleled League City's growth in housing units and population over the last two years. The percent change in this important monthly leading indicator dropped below 3% in 2009 and settled into the 2.23% growth range for approximately 18 months. As of March, 2013, League City has 2.8% more water customers than it did a year before..



The next graph demonstrates what has happened to the aforementioned leading indicators since mid-2010. After the homebuyers tax credit program ended in June 2010, a period followed in which jobs were being lost at the Johnson Space Center. This depressed the year-over-year growth rate in water customers to 2.2%. Beginning last August, this rate increased and is currently at 2.8%. The dramatic increase in new home permits in early 2013 shown here is a potential leading indicator of growth in service demand as well as in revenue potential for the City.



Inflation in the Houston Region over the last ten years has seen wide variations that are at least partly explained by national trends. As depicted in the chart below, prices have increased slightly or declined in three of the last six years (FY07, FY09 and FY12). Inflation in the remaining three fiscal years averaged 3.5%. Most recent price information announced by the Bureau of Labor Statistics for the Houston region report a 0.7% increase in prices for all items, including food and energy, for the 12 month period ended in February 2013.



Major new developments in the entertainment district east of I45 along Walker, in the Pinnacle Park area, in the River Bend area at Clear Creek and I45, as well as on SH 96 east of SH 3 are expected to build out during the forecast period. A major development on Beacon Island involving upwards of 850 upscale residential units is also expected to get underway soon. The combined effect on the taxable property rolls cannot be gauged yet, but the cumulative effect could be between 3% and as much as 10% of the current tax roll.

General Economic Outlook for FY 2014 and Beyond

The economic outlook for the Forecast is based on strong local and regional growth for the balance of 2013 and lower, consistent growth thereafter. This assumption is applied to population, water customers and new home construction. Prices are assumed to be somewhat lower than the historical average and more consistent than recent past trend indicates. The major new real estate developments mentioned in the previous sections are not a part of the forecast assumptions because of the uncertainty associated with the timing of construction schedules.

BASELINE ECONOMIC ASSUMPTIONS

Area/Indicator	FY 2013 Est.	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Metropolitan Area						
Employment Annual Growth Rate	4.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Inflation Rate	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fuel Prices	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Health Care Inflation	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Investment Pool Earnings Rate	0.2%	0.2%	0.3%	0.5%	1.0%	1.5%
League City						
Population Growth Rate	3.3%	3.1%	2.8%	2.7%	2.7%	2.6%
City Water Customers Growth Rate	3.3%	3.1%	2.8%	2.7%	2.7%	2.6%
Population	90,300	93,100	95,700	98,300	100,900	103,500
New Homes (Prior CY)	695	1,000	800	800	800	800
New Construction ($Mil - Prior CY)	$158.7	$255.7	$192.5	$188.9	$190.6	$192.3
Tax Supported Bonds Interest Rate	3.25%	3.50%	3.75%	4.00%	4.25%	4.75%

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 forecast 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 and Harris County appraisal districts (GCAD and HCAD, respectively). The rate is composed of 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. Revenue is deposited accordingly.

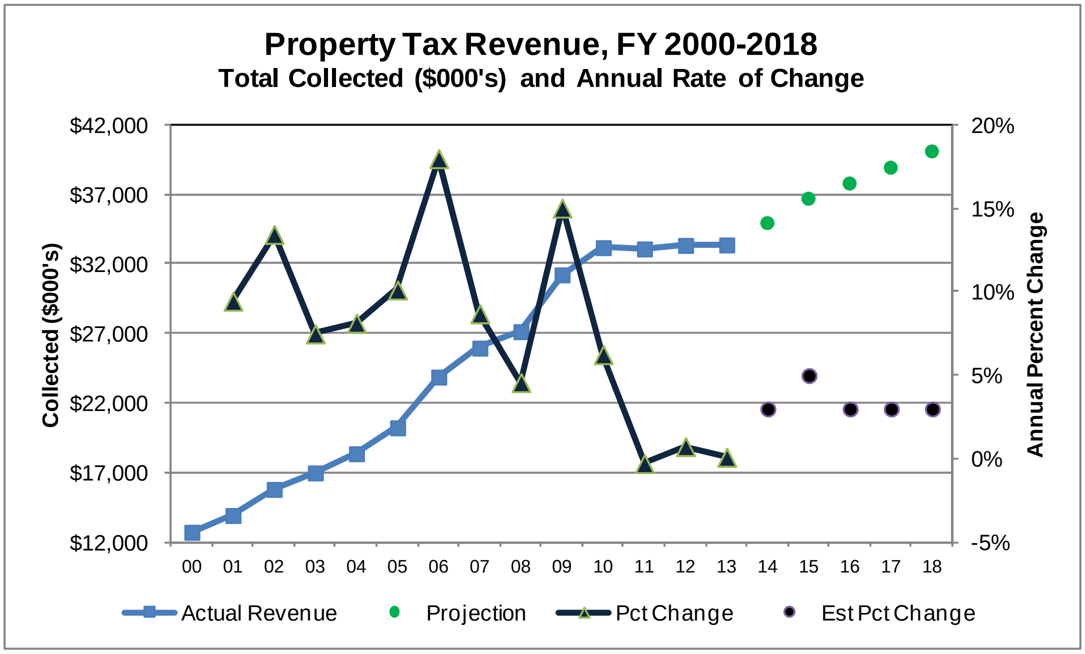
PROPERTY TAX RATES, FY08-FY13
TOTAL LEVIED AT $100 PER TAXABLE VALUE

	FY08	FY09	FY10	FY11	FY12	FY13
General Fund (M&O)	$0.404000	$0.413932	$0.408871	$0.394874	$0.385001	$0.375000
Debt Service Fund (I&S)	$0.204800	$0.216068	$0.221129	$0.221126	$0.224999	$0.222000
Total Tax Rate	$0.608800	$0.630000	$0.630000	$0.616000	$0.610000	$0.597000

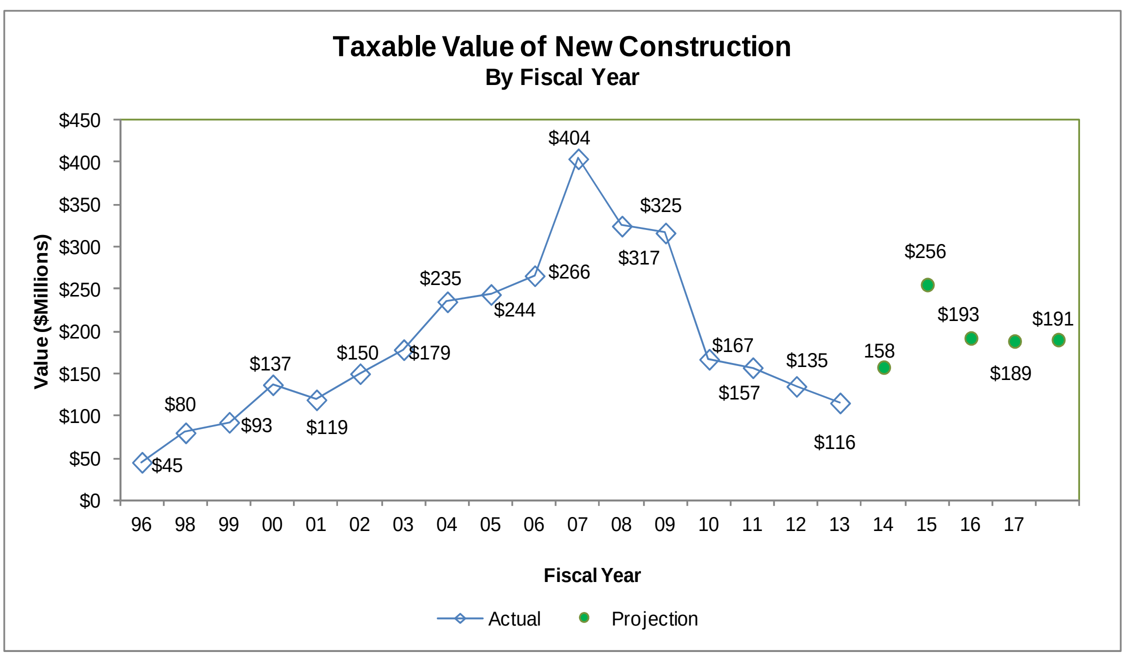
The timing of this revenue source is important to understand as well. For instance, property tax revenue in the next fiscal year, FY 2014 is based on property values as of January 1, 2013. This means that construction and real estate market forces during calendar year 2012 combined to provide the basis for the FY 2014 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 10 years, this important revenue source has been flat for four fiscal years, FY10-FY13. This is due to the combined effect of successive tax rate cuts in FY11, FY12 and FY13, and slow growth in taxable value. Also, based on preliminary information from GCAD, taxable value will grow at a similarly slow pace next fiscal year. Therefore, assuming a constant total tax rate of $0.597 per $100 of taxable value, this forecast projects property tax revenue to grow by 3% in FY14, 5% in FY15, and 3% each year thereafter.

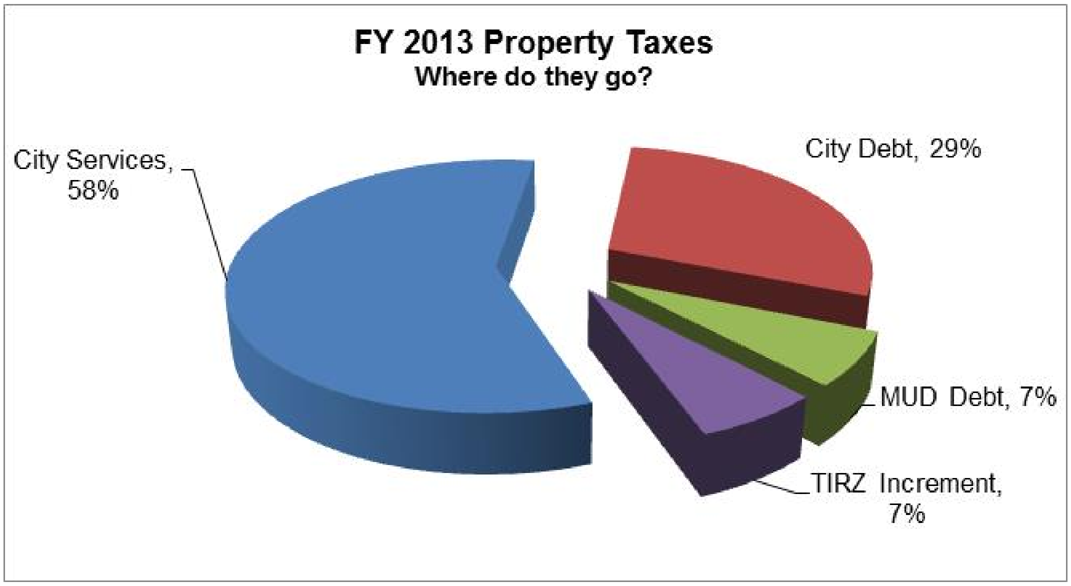
The estimates of new construction used to project the revenue growth shown in the graph below are based on the number of new homes built each year and minimal amounts for new construction of multifamily and commercial properties. Significant commercial and multifamily properties are projected to be built over the next several years that are **not** included in this forecast.



A major goal of the City is to achieve diversification of its taxable properties through selective use of economic development incentives and supportive policies that encourage businesses to locate and/or remain in League City. The collective effect of these policies, should additional commercial development occur, can be measured and/or anticipated annually in future forecasts. In this way, conservative long-term revenue estimates can remain the basis for projected financing of core services and additional growth can be viewed as the funding source for residential property tax relief or other high priorities of the City Council.

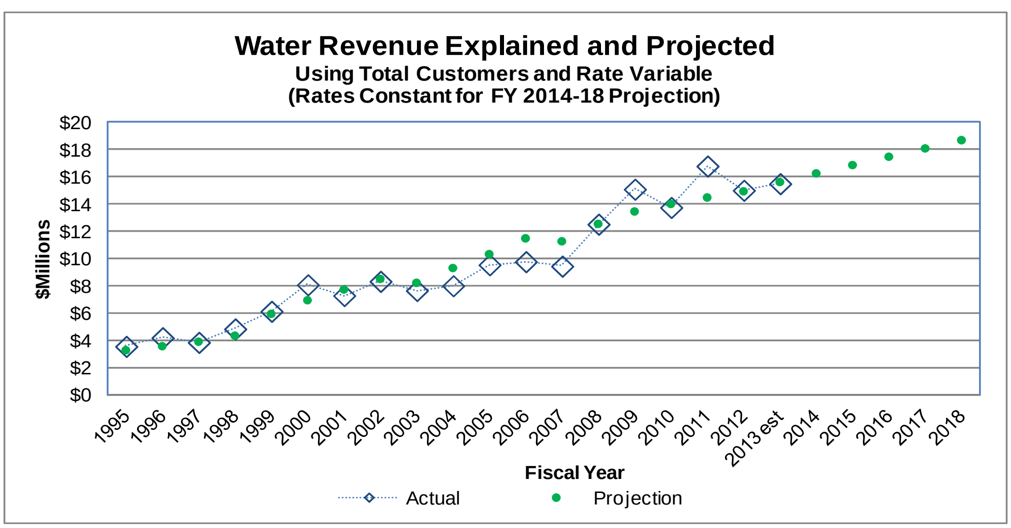


Property taxes collected by the City are not used strictly for City operations or debt issued by the City itself. The pie chart below illustrates that 14% of total property tax revenue goes to in-city Municipal Utility Districts (MUDs) and Tax Increment Reinvestment Zones (TIRZs) combined. During the five-year forecast period, this percentage of property tax revenue going to MUDs and TIRZs is projected to drop to approximately 10%. 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 2018. 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

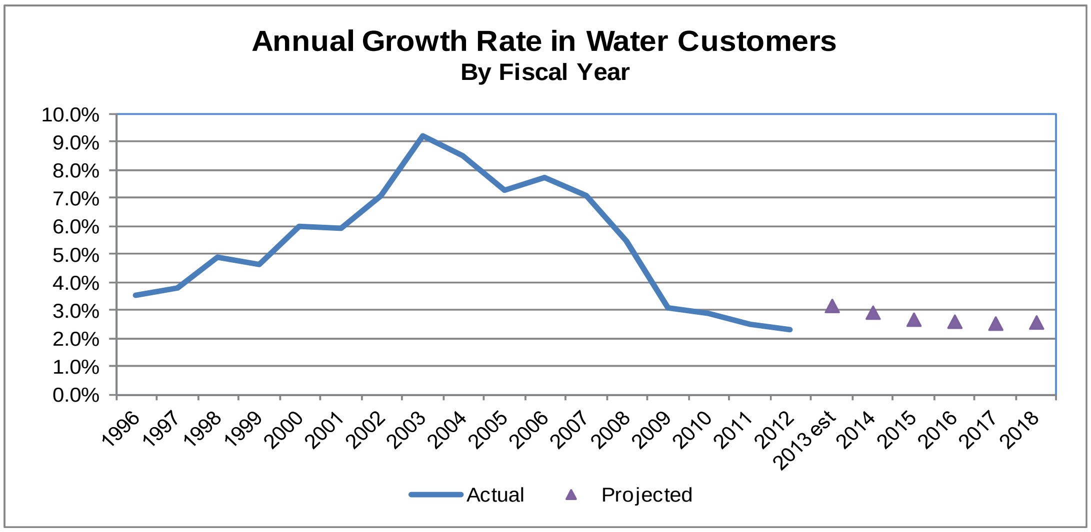
The City's second largest revenue source comes from monthly payments by the City's approximately 28,000 water system customers. It has grown at a steady pace during the last 10 years. The graph shows actual revenue explained largely by two factors: the number of total water and wastewater customers as 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, and (2) assumes the total number of water customers will grow at the same rate as new homes through FY 2018. The projections also assume no change in water rates during the FY 2014-2018 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.

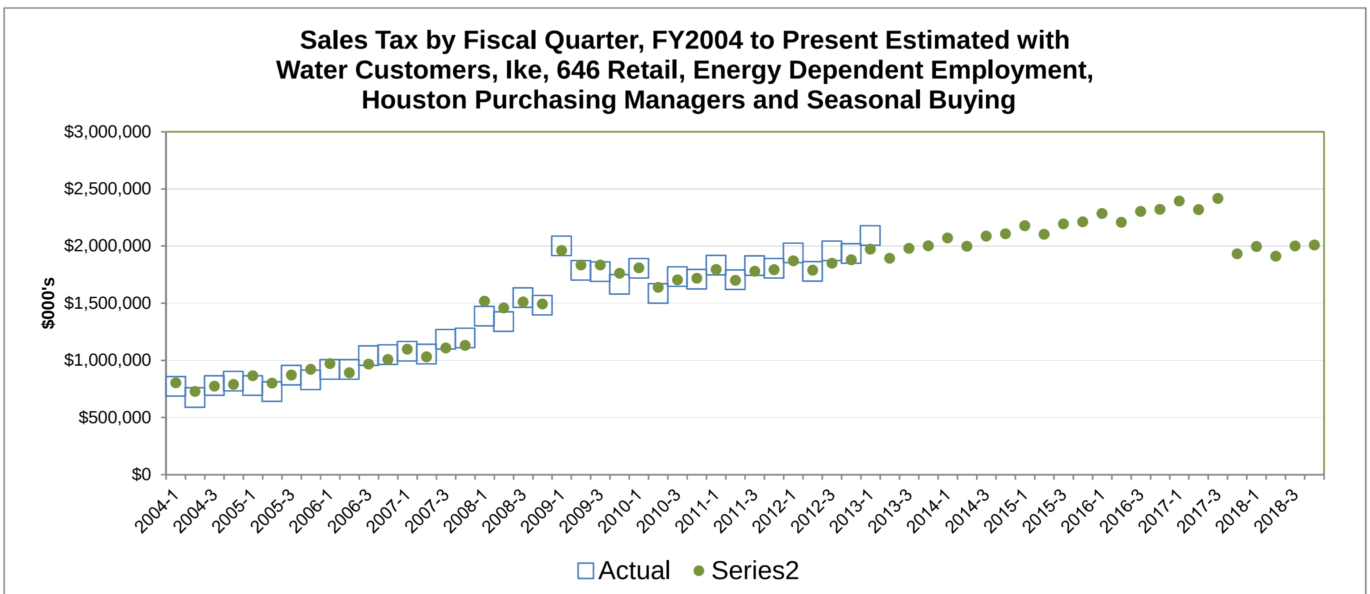
Sales taxes can be extremely volatile even in stable economic times, making it especially difficult to project revenue from this large, important source. Since 2008, sales taxes have been especially volatile and hard to explain because of the downturn, Hurricane Ike, the retail growth at I45 and SH 646,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

Since 2010, the City has had a sales tax model that uses local and regional economic and demographic variables to explain historical variations in sales tax collections. These same “independent” variables have been used to project future sales tax revenue based on projections of change in these factors over the next five years. Last year, we simplified the model so that it would (1) do the best job of explaining sales tax receipts in the previous four quarters, and (2) limit the number of independent or explanatory variables. The new model also utilized quarterly data beginning in FY 2004, capturing the dynamics of rapid growth that was just underway at that time.

Last year’s model also relied strictly on League City data including the following economic and demographic factors:

- First, League City’s water customer count, the most reliable indicator of the growth in sales tax receipts since FY 2004.
- Second, the major growth in retail business in the I45/SH646 corridor.
- Third, 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.

This year, a trend has developed whereby actual sales tax receipts are outstripping the predicted amount using the sales tax model (see last several quarters in the graph below). After running the model using every combination and permutation of the local and regional variables we have in our database, we have added regional energy based employment and the regional purchasing managers’ index. The resulting model is still unsuccessful in explaining actual sales tax results in three of the five most recent quarters.

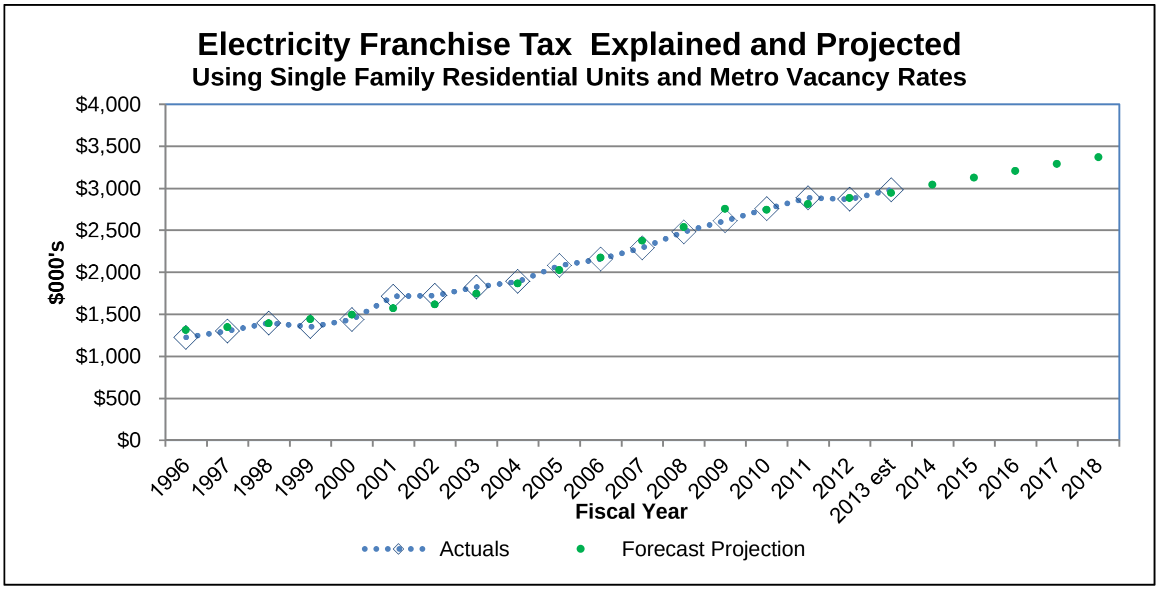


Therefore, we have decided to base the FY 13 or base year sales tax forecast on current trends and use the sales tax model as the underlying basis for projecting FY15-FY18. Fiscal year to date tax revenue is 11% ahead of last fiscal year. Adjusting for one time proceeds received in FY12, bring that year’s total revenue to $11.3 million, FY13 can be expected conservatively to be in the $12.25 million range. Thereafter, the model projects annual increases in the 5% range. The sales tax projections in the Forecast are based on a 4% annual growth rate.

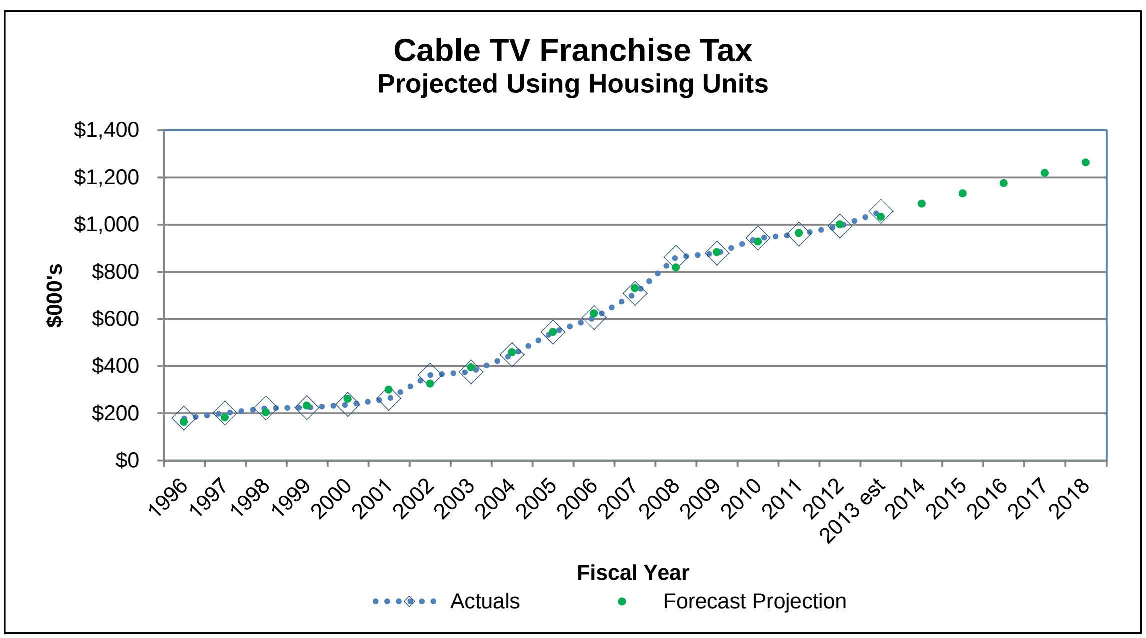
Franchise & Other Taxes

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 a key indicator of electricity usage: the number of housing units shown on the property tax roll by the appraisal districts. The forecast assumes the number of housing units built each year as shown in the Forecast Assumptions table. 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 $1.03 million estimated to be received in FY 2013, 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 remain at the current level of 0.2% through FY 2014 and then increase gradually beginning in FY 2015 recovering to 1.5% in FY 2018.
Miscellaneous revenue is projected at FY 2011 levels.

MAJOR REVENUE PROJECTIONS
($THOUSANDS)

Revenue Source	FY 2013 Estimate	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Based on Models						
Property Tax	$33,386.0	$34,924.0	$36,673.0	$37,770.0	$38,904.0	$40,074.0
Water & Wastewater Revenue	$28,096.0	$29,257.0	$30,353.0	$31,450.0	$32,546.0	$33,640.0
Sales Tax	$12,740.0	$12,740.0	$13,280.0	$13,860.0	$14,420.0	$15,020.0
Electricity Franchise	$2,983.1	$3,044.3	$3,125.8	$3,207.3	$3,288.8	$3,370.4
Cable TV Franchise	$1,055.0	$1,088.0	$1,131.0	$1,175.0	$1,218.0	$1,262.0
Based on Other Assumptions						
Other Franchise Taxes	$718.5	$751.4	$746.4	$740.2	$735.2	$729.1
Charges for Service	$4,756.7	$4,883.7	$5,003.2	$5,122.6	$5,242.1	$5,361.5
Fines and Forfeits	$1,392.4	$1,435.6	$1,475.8	$1,515.6	$1,556.5	$1,597.0
Licenses and Permits	$2,619.8	$2,434.1	$2,434.1	$2,434.1	$2,434.1	$2,434.1

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LONG RANGE FINANCIAL FORECAST
EXPENDITURE OVERVIEW

Baseline Forecast Methodology

Expenditures are forecasted for the City's three major funds: General, Utility and Debt Service. The baseline forecast presented herein includes expenditures already approved by and/or committed to by the Mayor and City Council, as well as those 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 2014 FORECAST	FY 2015 FORECAST	FY 2016 FORECAST	FY 2017 FORECAST	FY 2018 FORECAST
Personnel Services						
Salaries	Policy issue for City Council's consideration.	Baseline holds constant at FY 2012 Budgeted positions annualized w ith 1% per year allow ance 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	14.34%	14.79%	15.22%	15.35%	15.36%
Health and Life Insurance	Higher than core CPI.	5.00%	5.00%	5.00%	5.00%	5.00%
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.	2.00%	2.00%	2.00%	2.00%	2.00%
Maintenance Supplies	Influenced by energy CPI.	3.50%	3.50%	3.50%	3.50%	3.50%
Small Capital	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Services						
Maintenance Services	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Water purchases	Population grow th FY13, population plus core CPI thereafter	5.08%	4.81%	4.73%	4.66%	4.59%
Vehicle Maintenance	Core CPI	2.00%	2.00%	2.00%	2.00%	2.00%
Office Services	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Other Services	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Professional Services	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Utilities	Reflects electricity contract price for tw o years	0.00%	0.00%	3.50%	3.50%	3.50%
Utilities for w ater services	Population first tw o year and population plus energy CPI	3.08%	2.81%	7.73%	7.66%	7.59%
Refuse pickup services	Population plus contract price increses.	10.00%	10.00%	10.00%	10.00%	10.00%
Water Purchases	Population plus core CPI	5.08%	4.81%	4.73%	4.66%	4.59%
Capital Outlay						
Motor Pool Replacement	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Vehicles and Equipment	Core CPI.	2.00%	2.00%	2.00%	2.00%	2.00%
Transfers						
TIRZ increment payments		Property tax roll grow th 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 5% 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 gradually from its current 14% level over a three-year period to reach 15.21% in FY 2017. This issue was addressed in last year's forecast 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. The statutory maximum is now capped at 15.5% by virtue of Council action taken on December 11, 2012.

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 2013 Budget amount for each department and line item into summary amounts for the nineteen categories by department;
3. Adjust the FY 2013 Budget by category into the FY 2014 "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 FY2013-2017 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.

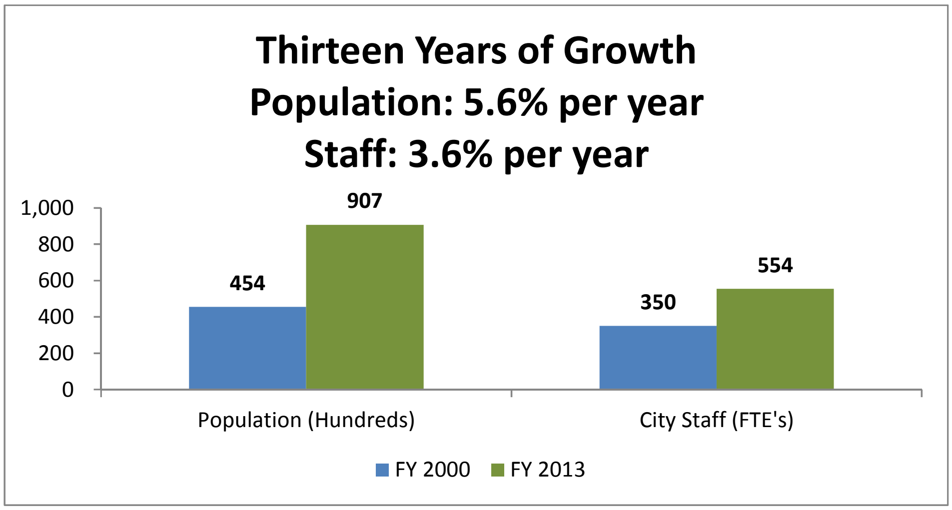
Beyond Baseline

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.



SPECIAL ISSUE: TOTAL COMPENSATION

Total compensation is a combination of salary/wages, comprehensive health care benefits, pension benefits, and other programs used to attract, retain and motivate employees. The forecast includes this analysis as a starting point for City Council's decisions regarding compensation in the FY 2014 Budget. In FY 2011, the City retained Public Sector Personnel Consultants (PSPC) to conduct a comprehensive compensation and benefits study resulting in a salary adjustment that was implemented in two phases. No other changes to compensation were effected as a result of this study which was completed two years ago.

In keeping with the practice of updating a market-based comparison of compensation every two years, the forecast includes this summary of the Human Resources Department's review of our salary and benefits with other cities. The chart on the next page presents the results of this review.

LEAGUE CITY TOTAL COMPENSATION COMPARED TO THE MARKET

COMPENSATION CATEGORY	COMPARISON TO THE MARKET
Salaries	League City is marginally ahead of the market overall with a wide range of variation in individual job categories. **(Slightly Above)**
Health Benefits	League City health benefits offerings exceed those of comparable cities. League City employee premiums, copays, deductibles and co-insurance are on average lower. **(Above)**
TMRS (Pension)	A comparison of League City pension benefits against comparable cities reveal equivalent plan provisions. **(Equal to)**
Other (Certification and Academic Education Pay, Tuition Assistance, Paid Time off)	It is common for cities provide paid time off and tuition assistance. Certification pay is generally reserved for police officers and certain public works positions. League City offers this benefit to all employees. **(Above)**

Employee Salaries

In FY 2012, the last compensation survey led to a two-step adjustment program based on comparison with the market. First, employees whose pay was below the minimum amount for their job's assigned pay grade received an increase in April 2012 to the minimum amount. Secondly, on October 2012, employees with at least five years of service in their current position received a pay adjustment to the midpoint pay rate of their position's assigned pay grade on October 1, 2012. On January 1, 2013 a performance pay program was implemented using a funding pool equal to 2% of salaries of eligible employees. This program considered each eligible employee's performance and current salary relative to the maximum for the employee's pay grade.

In spite of these adjustments, and because the labor market continues to change, a number of the City's positions still lag market pay or average pay rates for municipal organizations. A sample of 61 position pay rates for 2,883 workers in 16 comparable cities indicates that League City workers in 36 jobs are paid more than their counterparts in surveyed cities while workers in 25 of these jobs are paid less. The differences by position vary widely (see chart on next page).

SALARY SURVEY RESULTS
BY EXTENT OF DIFFERENCE WITH MARKET

League City Job/Employee Categories	Number of Jobs	Other Cities' Workers	League City Workers in Surveyed Jobs	Avg Pct LC Workers Over/ (Under) Other Cities Base Pay	Avg Pct LC Workers Over/ (Under) Other Cities Base Pay with Certification Pay	Surveyed Jobs with Workers Receiving Certification Pay
All categories and jobs	*61*	*2,883*	*265*	*0.7%*	*3.2%*	*40*
Jobs in which League City Workers are 10% or more ahead of counterparts	16	1,023	95	16.3%	19.5%	9
LC workers are 5-10% ahead of market	11	178	17	8.3%	11.6%	7
LC workers are 0-5% ahead of market	9	622	51	2.4%	5.8%	8
LC workers are 0-5% behind market	4	99	11	-2.3%	-1.7%	3
LC workers are 5-10% behind market	5	289	25	-7.6%	-6.4%	4
LC workers are 10% or more behind market	16	672	66	-17.7%	-16.1%	9

These results must be interpreted carefully because they are partial, but it appears that across-the-board increases are not appropriate if we wish to remain competitive with our counterparts because of the number of League City workers that appear to be paid more than market.

Conversely, a significant number of League City workers appear to be paid under market by percentage amounts that are greater than can be addressed through the performance pay program alone. Market-based equity adjustments may be in order for certain positions that lagged the market by the greatest percentage with multiple incumbents. This includes detention officers, maintenance workers, and utility plant operators.

In FY 2014, pay adjustments will be in order to continue to encourage performance commensurate with salary and for positions that significantly lag market pay rates and have multiple incumbents (as noted above, performance pay may not be sufficient to correct deficiencies versus market where those inequities are most pronounced). Even more, as the local and national economy continues to improve, market research suggests that organizations are forecasting pay adjustments ranging from 2-3%. In order to maintain market competitiveness, the City should give consideration to at least a 2% performance-based pay adjustment for FY2014.

Health Benefits

Since 2009, basic health benefits plan provisions for League City employees have remained unchanged. Annual comparisons with other plans show the City's plan benefits are significantly better than market. The chart below compares League City to other cities, and highlights the differences with other plans, including lower deductibles and higher co-insurance for League City's plan. A number of other medium-sized cities also have two or three plans that are accompanied by a cost sharing approach which is not depicted in the chart. The multi-plan model features a basic plan that has lower benefits and employee premiums. If an employee wants to pay higher premiums to participate in a better plan, they have an option to do so. We need to investigate and evaluate this approach, as well as reduced benefit levels for what would be our basic plan. Given this approach, it is inevitable that the current level of benefits would cost the employee more if retained as part of the multi-plan choice.

HEALTH PLAN PROVISIONS COMPARED WITH OTHER CITIES

City/Plan	Office Visit Co-Pay	Individual Deductible	Family Deductible	Co-insurance (in-network)	Co-insurance (non-network)
League City	***$15***	***$250***	***$500***	***90%***	***70%***
Alvin	$20	$500	$1,000	80%	50%
Deer Park	$0	$0	$0	70%	50%
Dickinson	$30	$500	$1,000	80%	60%
Friendswood	$30	$500	$1,000	80%	60%
Galveston	$35	$120	$5,000	80%	50%
LaPorte 500	$25	$500	$1,500	80%	50%
LaPorte 1000	$0	$1,000	$3,000	80%	50%
LaPorte 1500	$0	$1,500	$4,500	80%	50%
Pearland Basic	$20	$1,000	$2,000	80%	50%
Pearland Premium	$20	$1,000	$2,000	100%	70%
Pasadena A	$35	$0	$0	70%	50%
Pasadena B	$35	$1,000	$2,000	80%	60%
Texas City base	$30	$250	$750	80%	60%
Texas City Buy-Up	$15	$0	$0	90%	70%
Webster	$30	$500	$1,000	80%	60%

The City's current carrier has not raised its premiums in several years. We expect that trend will stop this year, especially in the face of rising claims by League City plan participants as illustrated in the following charts.

ANNUAL PLAN STATISTICS SHOW RISING COSTS

Calendar Year	Avg Covered Employees	Avg Persons Covered (Including Dependents)	Total Premiums Paid by City and Employees	Medical Claims Paid	Prescription Drug Claims Paid	Total Claims Paid
2010	460.7	906.8	$4,495,550	$2,312,056	$628,469	$2,940,525
2011	473.3	943.8	$4,667,342	$2,832,070	$686,747	$3,518,817
2012	476.8	981.6	$4,570,032	$3,308,357	$836,136	$4,144,493

Calendar Year	Claims as a % of Premiums	Annual Claims per Employee	Annual Claims per Covered Person
2010	65.4%	$6,383	$3,243
2011	75.4%	$7,435	$3,728
2012	90.7%	$8,692	$4,222

The insurance industry standard is to attempt to hold claims below 80% of premiums; the chart demonstrates how the three-year trend shown has taken us 10% above that threshold. And the increase in the cost per employee and per covered person, which includes dependents, has increased dramatically as well. Given the statistics above, it is reasonable to expect a rate increase for the calendar 2014 plan year; to mitigate potential increases, the City will need to evaluate and implement plan design options and wellness incentives designed to minimize cost, encourage consumer-driven decisions, and promote healthy lifestyle choices. Plan design changes are expected to be similar to those already offered by other cities in Galveston County as well as the Houston metro area.

Pension Contributions

As a member of the Texas Municipal Retirement System (TMRS), the City contributes an average of 14% of employees' salaries to a retirement investment account. Employees also contribute 7% of their salary to this account. An employee is vested after five years of service and is eligible to receive pension payments if they are age 60 or after 20 years of service at any age. Each retiree's annuity is based on the retiree's highest 36 months of pay during employment with a TMRS member city. Retirees currently receive cost of living adjustments equal to 70% of the Consumer Price Index. These plan provisions are equivalent to those provided by the majority of cities participating in the Texas Municipal Retirement System.

TEXAS MUNICIPAL RETIREMENT SYSTEM
PLAN DETAILS FOR LEAGUE CITY AND SURROUNDING CITIES

City	Employee Contribution	City Contribution	Updated Service Credit	Annual Cost of Living Increase for Retiree as Pct of CPI
League City	***7%***	***2:1***	***100%***	***70%***
Webster	7%	2:1	100%	70%
Friendswood	7%	2:1	100%	50%
Texas City	7%	2:1	100%	70%
Deer Park	7%	2:1	100%	50%
Pasadena	7%	2:1	100%	40%
La Porte	7%	2:1	100%	70%
Seabrook	7%	2:1	100%	70%
Kemah	7%	2:1	No USC	No COLA
Pearland	7%	2:1	100%	70%
Dickinson	7%	2:1	100%	No COLA

League City has a healthy retirement plan that is funded 77.6% (see page 95 of the 2012 CAFR), up from 66.8% in FY 2010. This funding ratio is on target for pension plans similar to ours, with the desired funding ratio being 75-85%. Our current plan projection has our funding ratio reaching 85.8% in 2019. The City could reach a higher funding ratio with additional ad hoc contributions.

The City contributes to the TMRS Plan at an actuarially determined rate that is effective in January of each year; as indicated above, over time this amount averages 14 percent of salaries paid. In 2008, TMRS changed its actuarial funding requirement calculation. The new calculation took into account an employee's projected future earnings versus current earnings. This resulted in a significant increase in every city's required percentage contribution rate. As a result, TMRS allowed cities to phase in the higher contribution rates. State law sets the statutory maximum contribution rate that TMRS can require a city to pay each year. In League City's case, that amount is capped at 15.5% of payroll. In December of 2012, City Council adopted an ordinance to raise the city's statutory maximum contribution from 13.5% to 15.5%. With the adoption of the ordinance, League City's January 1, 2013, contribution rate was increased to15.08% and the phase in rate to 13.96% which allows the City to continue down an affordable long-term path of adequate funding and maintains current retiree benefits.

Other Compensation

The City of League City offers a number of other benefits that include paid time off, tuition assistance, and certification and academic education pay. The Certification and Academic Education Pay policy was adopted by City Council in June 1997. Employees are eligible to receive certification and education after six months of service. Payouts are made annually in September for approved certifications and academic degrees. The certifications achieved and maintained must be at least one level above what is required to perform the employee's job as outlined in the requirements of the job description. Last year, 252 employees received a total of $626,350 in certification and academic education pay.

Although certification and academic pay is not uncommon in municipal organizations, consideration should be given to continuing the program for only police officers and those employees who are responsible for providing utility services. This change would be in line with what other cities are practicing, and we plan to evaluate League City's program to review the feasibility of implementing this change, and perhaps others as well. Other employees currently participating in the program would no longer receive annual payments but would instead receive their annual certification/education pay added to their base salary. All future hires would have relevant academic accomplishments reflected in their rate of pay at the time of hire.

LONG RANGE FINANCIAL FORECAST
GENERAL FUND OVERVIEW

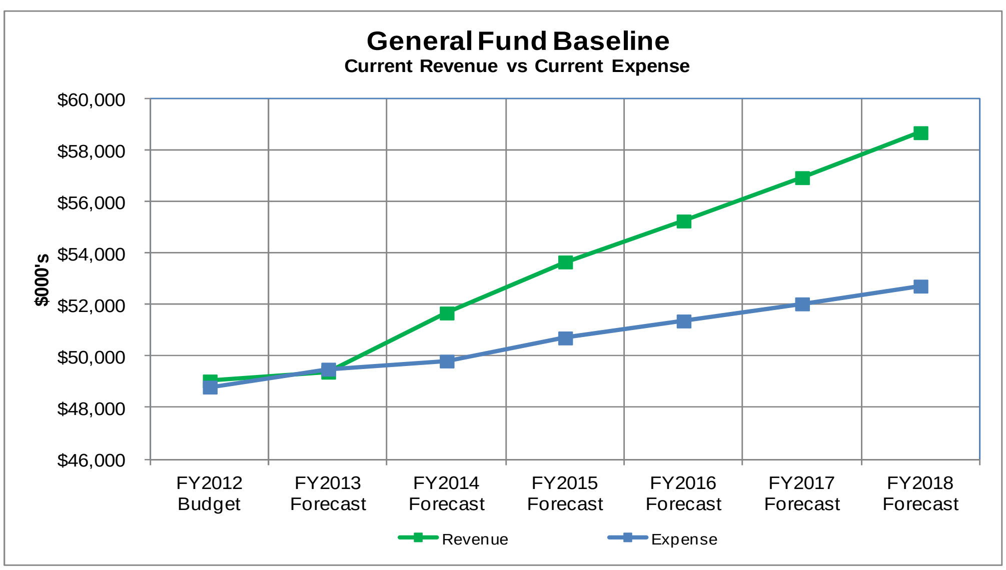
Baseline Forecast

The chart below summarizes the General Fund Forecast using Baseline Assumptions, including (1) adjustments to the FY 2013 Budget to arrive at a Base for the forecast shown below as "FY 2014 Base," (2) no new staff and no compensation increases, (3) the cost of commitments by Mayor and City Council, including maintenance and operating costs for 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, $1,865,000 in FY 2014, and ends with an excess of revenue over expenditures of $5,955,000 in FY 2018.

FORECAST SUMMARY
GENERAL FUND BASELINE PROJECTIONS
($THOUSANDS)

	FY 2013 Budget	FY 2014 Base	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Beginning Balance	$15,988	$13,917	$13,917	$15,783	$18,734	$22,620	$27,521
Revenue	$49,382	$51,581	$51,677	$53,659	$55,253	$56,934	$58,679
Expenditures	$49,496	$49,301	$49,812	$50,708	$51,366	$52,033	$52,724
Revenue Over/(Under) Expenditures	($114)	$2,280	$1,865	$2,951	$3,887	$4,901	$5,955
Subtotal	$15,874	$16,197	$15,783	$18,734	$22,620	$27,521	$33,477
Transfer to One-Time Projects	$2,544	$0	$0	$0	$0	$0	$0
Ending Balance	$13,330	$16,197	$15,783	$18,734	$22,620	$27,521	$33,477
Policy Goal - 90 Days of Working Capital	$12,204	$12,156	$12,282	$12,503	$12,666	$12,830	$13,000
Forecast Over/(Under) 90 Days	$1,126	$4,041	$3,501	$6,231	$9,954	$14,691	$20,477
Days Working Capital Over/(Under) 90	8	30	26	45	71	103	142

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 2014 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 2014 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 that either reward performance or adjust salaries for specific job families thereby keeping 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;
4. Reducing the property tax rate to benefit taxpayers; and/or
5. Reducing or increasing the expenditure base.

FY2013 Budgetary Decisions: Impact on FY2014

Certain decisions made in FY2013 affect the FY2014 Budget by changing base or ongoing expenditures. The net effect of these decisions is to reduce base expenditures by $195,000.

GENERAL FUND ADJUSTMENTS ($000'S)
TO FY 2013 BUDGET TO ARRIVE AT FY 2014 BASE

Adjustment Category	Amount ($000's)
FY2013 Budget	$49,496
FY2014 Base	49,301
Budget Adjustment to Base by	**($195)**
Adjustments	
Compensation costs authorized in FY2013	
Implementation of FY2013 merit plan for 9 months	$93
Full year of new hires	77
Full year of personnel adjustments (salary, allowances, insurance)	20
Police classified personnel step pay increases	63
Compensation Costs Subtotal	**$253**
Other Costs	
Personal Protective Equipment for police officers thru UASI grant	(142)
Savings from vacating Amegy Building in FY2013	(300)
Other Costs	(6)
Other Costs Subtotal	**($448)**
Total Adjustments	**($195)**

Building the Projections: FY 2014 Base to FY 2014 Forecast Expenditures

The chart on the next page explains the basis for the projected changes in expenditures after the FY 2014 Base is established. Between FY 2014 and FY 2018, baseline expenditures grow by a total of $3.6 million (see chart).

Inflation and growth of the city account for over 90 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 five percent annual increases (based on the calendar benefits year) in the City's group health insurance costs. By FY 2018, these costs are projected to be $904,000 compared to the FY 2014 base. Other services costs include a variety of contractual costs that are projected to be $745,000 higher than in FY 2013. The anticipated cost of utilities and cleaning services for the new public safety building is also projected at $400,000 per year beginning in late FY 2015.

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

	FY 2014 FORECAST	FY 2015 FORECAST	FY 2016 FORECAST	FY 2017 FORECAST	FY 2018 FORECAST
Inflation/Growth					
Group Insurance	$164	$335	$516	$705	$904
Supply costs	$97	$197	$302	$411	$524
Utilities	$0	$0	$62	$127	$194
Refuse Services	$88	$170	$252	$335	$417
Other services	$142	$289	$439	$590	$745
Vehicle costs	$22	$44	$66	$89	$112
TIRZ Payments	$43	$117	$164	$212	$262
Subtotal Inflation/Growth	**$556**	**$1,152**	**$1,801**	**$2,469**	**$3,158**
New Facilities M&O Costs					
Police Station Operations	$100	$400	$400	$400	$400
New Facilities Subtotal	**$100**	**$400**	**$400**	**$400**	**$400**
Total Cumulative Increase	**$656**	**$1,552**	**$2,201**	**$2,869**	**$3,558**

In the last three 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 have remained flat three years in a row from FY 2011 to FY 2013. We are overdue for an increase in premium costs in this category, but we expect to make plan changes to offset some or all of this anticipated cost increase. We just renewed our electricity contract through fall of 2015, holding the same prices we have had since 2011. We will continue to monitor these cost items as we approach preparation of the FY 2014 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 2014 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. We have updated this survey and the results can be found in the "Expenditure Overview" section of this forecast. For projection purposes, the next chart assumes that annual compensation increases would continue based on performance and market competitiveness throughout the forecast period.

Population growth places additional demands for service, affecting those City departments with service delivery responsibilities citywide. With population expected to grow from 90,300 this year to 103,500 in FY 2018, the Forecast includes the cost of potential staff increases proportional to the City's recent past. If General Fund staff grew at the same rate compared with the City as it has since 2000 (approximately sixty percent the growth rate of the City as a whole), costs would potentially increase as shown in the next chart.

GENERAL FUND FORECAST
EFFECTS OF GROWING STAFF AND COMPENSATION

	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Forecast Baseline Expenditures	**$49,812**	**$50,708**	**$51,366**	**$52,033**	**$52,724**
Staff Increase (61% of Forecast Population Growth)	$710	$1,387	$2,060	$2,740	$3,417
Annual Compensation Increase (CPI Based)	$788	$1,535	$2,278	$3,024	$3,771
Subtotal Staff and Compensation Increase	**$1,498**	**$2,922**	**$4,338**	**$5,764**	**$7,188**
Adjusted Forecast					
Adjusted Baseline Expenditures	$51,310	$53,630	$55,704	$57,797	$59,912
Baseline Revenue Estimate	$51,677	$53,659	$55,253	$56,934	$58,679
Revenue Over/(Under) Expenditures	**$367**	**$29**	**($451)**	**($863)**	**($1,233)**
Fund Balance Impact					
Beginning Fund Balance	$13,917	$12,652	$13,224	$13,735	$14,251
Ending Fund Balance	**$14,285**	**$12,681**	**$12,773**	**$12,872**	**$13,018**
90 Days of Working Capital	$12,652	$13,224	$13,735	$14,251	$14,773
Days of Working Capital Over/(Under) 90 Days	**12**	**(4)**	**(6)**	**(9)**	**(11)**

Growing the staff at historical rates *and* keeping compensation current with inflation presents funding challenges. By FY 2018, this adds $7.2 million to the General Fund Budget. When this is added to the Adjusted Baseline for FY 2018, the resulting expenditure total is $1.2 million more than available revenue in that year**.** Judicious combined use of compensation adjustments and additions to staff will remain a primary concern in each annual budget, as well as identifying savings and/or cost avoidance that can offset necessary personnel cost increases.

GENERAL FUND BASELINE FORECAST
FUND BALANCE, REVENUE AND EXPENDITURES
FY 2014 - FY2018
($THOUSANDS)

	FY 2013 Budget	FY 2014 Base	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Beginning Balance	**$15,988**	**$13,917**	**$13,917**	**$15,783**	**$18,734**	**$22,620**	**$27,521**
Revenue							
Property Tax	$21,079	$21,937	$21,937	$23,036	$23,725	$24,437	$25,172
Sales Tax	$11,520	$12,740	$12,740	$13,300	$13,860	$14,420	$15,020
Franchise and Other Taxes	$4,918	$4,972	$5,084	$5,225	$5,368	$5,509	$5,652
Licenses and Permits	$1,948	$2,620	$2,434	$2,434	$2,434	$2,434	$2,434
Charges for Services	$4,584	$4,757	$4,884	$5,003	$5,123	$5,242	$5,361
Fines and Forfeitures	$1,817	$1,392	$1,436	$1,476	$1,516	$1,557	$1,597
Investment Earnings	$52	$43	$43	$65	$108	$215	$323
Miscellaneous/Grants	$1,215	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120
Interfund Transfers	$2,250	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Total Revenue	**$49,382**	**$51,581**	**$51,677**	**$53,659**	**$55,253**	**$56,934**	**$58,679**
Available Funds	**$65,370**	**$65,498**	**$65,595**	**$69,442**	**$73,986**	**$79,554**	**$86,201**
Expenditures by Directorate							
Public Safety	$20,634	$20,598	$20,698	$20,875	$21,063	$21,253	$21,453
Public Works	$11,135	$11,166	$11,371	$11,846	$12,079	$12,318	$12,561
Parks and Cultural Services	$4,395	$4,417	$4,464	$4,512	$4,560	$4,609	$4,660
Finance	$2,151	$2,160	$2,181	$2,199	$2,219	$2,240	$2,263
Planning and Research	$2,971	$2,808	$2,831	$2,858	$2,885	$2,908	$2,938
Administration	$5,455	$5,472	$5,524	$5,580	$5,653	$5,728	$5,799
Non-Departmental	$2,755	$2,680	$2,743	$2,838	$2,907	$2,977	$3,050
Total Expenditures	**$49,496**	**$49,301**	**$49,812**	**$50,708**	**$51,366**	**$52,033**	**$52,724**
Revenue Over/(Under) Expenditures	**($114)**	**$2,280**	**$1,865**	**$2,951**	**$3,887**	**$4,901**	**$5,955**
Subtotal	**$15,874**	**$16,197**	**$15,783**	**$18,734**	**$22,620**	**$27,521**	**$33,477**
Transfer to One-Time Projects	**$2,544**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Ending Balance	**$13,330**	**$16,197**	**$15,783**	**$18,734**	**$22,620**	**$27,521**	**$33,477**
Policy Goal - 90 Days of Working Capital	**$12,204**	**$12,156**	**$12,282**	**$12,503**	**$12,666**	**$12,830**	**$13,000**
Required Funds	**$61,700**	**$61,457**	**$62,094**	**$63,211**	**$64,032**	**$64,863**	**$65,724**
Excess/(Shortage) of Working Capital	**$1,126**	**$4,041**	**$3,501**	**$6,231**	**$9,954**	**$14,691**	**$20,477**
Excess/(Shortage) of Working Capital in Days	**8**	**30**	**26**	**45**	**71**	**103**	**142**

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 2013 Budget	FY 2014 Base	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Public Safety							
Police	$15,246	$15,195	$15,306	$15,421	$15,541	$15,667	$15,797
Animal Control	$646	$620	$626	$633	$642	$648	$657
Fire	$1,187	$1,182	$1,206	$1,231	$1,257	$1,282	$1,309
Drill Field	$0	$0	$0	$0	$0	$0	$0
Fire Marshal	$499	$474	$477	$481	$485	$489	$492
EMS	$2,793	$2,866	$2,819	$2,844	$2,871	$2,899	$2,928
Emergency Management	$263	$261	$264	$265	$267	$268	$270
Subtotal - Public Safety	**$20,634**	**$20,598**	**$20,698**	**$20,875**	**$21,063**	**$21,253**	**$21,453**
Public Works							
Public Works Administration	$133	$130	$131	$131	$132	$132	$133
Engineering	$1,515	$1,513	$1,443	$1,453	$1,464	$1,476	$1,488
Streets and Stormw ater	$4,385	$4,418	$4,480	$4,542	$4,635	$4,733	$4,834
Facilities Maintenance	$1,682	$1,690	$1,805	$2,118	$2,155	$2,191	$2,229
Traffic and Transportation	$575	$570	$579	$587	$596	$606	$615
Solid Waste Department	$2,845	$2,845	$2,933	$3,015	$3,097	$3,180	$3,262
Subtotal - Public Works	**$11,135**	**$11,166**	**$11,371**	**$11,846**	**$12,079**	**$12,318**	**$12,561**
Parks and Cultural Services							
Helen Hall Library	$1,852	$1,864	$1,879	$1,894	$1,909	$1,926	$1,941
Parks Operations	$1,207	$1,207	$1,224	$1,242	$1,261	$1,278	$1,299
Parks Planning and Tourism	$258	$262	$266	$267	$269	$270	$272
Parks Recreation	$562	$565	$570	$575	$579	$585	$590
Sportsplex Operations	$426	$429	$434	$441	$447	$454	$460
Sportsplex Recreation	$90	$90	$91	$93	$95	$96	$98
Subtotal - Parks and Cultural Services	**$4,395**	**$4,417**	**$4,464**	**$4,512**	**$4,560**	**$4,609**	**$4,660**
Planning and Research							
Planning	$883	$806	$809	$814	$819	$823	$828
Building	$1,087	$1,030	$1,038	$1,046	$1,054	$1,062	$1,071
Code Compliance	$625	$598	$605	$615	$623	$631	$641
Economic Development	$376	$374	$379	$383	$389	$392	$398
Subtotal - Planning & Research	**$2,971**	**$2,808**	**$2,831**	**$2,858**	**$2,885**	**$2,908**	**$2,938**
Finance							
Accounting	$1,299	$1,323	$1,337	$1,350	$1,364	$1,379	$1,395
Municipal Court	$586	$569	$575	$578	$582	$587	$591
Purchasing	$266	$268	$269	$271	$273	$274	$277
Subtotal - Finance	**$2,151**	**$2,160**	**$2,181**	**$2,199**	**$2,219**	**$2,240**	**$2,263**

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

	FY 2013 Budget	FY 2014 Base	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Administration							
Mayor and City Council	$168	$165	$167	$169	$171	$172	$174
City Manager	$554	$552	$554	$556	$559	$562	$564
City Secretary	$353	$356	$359	$362	$366	$368	$372
City Attorney	$735	$735	$750	$765	$780	$796	$811
Budget Office	$267	$283	$285	$286	$287	$290	$291
Information Technology	$1,996	$1,975	$1,993	$2,011	$2,043	$2,075	$2,108
Communications Office	$365	$385	$389	$394	$399	$405	$409
Human Resources	$940	$944	$948	$957	$966	$976	$985
Civil Service	$77	$77	$79	$80	$82	$84	$85
Subtotal - Administration	**$5,455**	**$5,472**	**$5,524**	**$5,580**	**$5,653**	**$5,728**	**$5,799**
Non-Departmental	$5,299	$2,680	$2,743	$2,838	$2,907	$2,977	$3,050
Subtotal Non-Departmental	**$5,299**	**$2,680**	**$2,743**	**$2,838**	**$2,907**	**$2,977**	**$3,050**
Total General Fund	**$52,040**	**$49,301**	**$49,812**	**$50,708**	**$51,366**	**$52,033**	**$52,724**

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.

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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 previous forecasts, long-term projections have been used primarily to support the issuance of new debt in support of the Capital Improvements Plan adopted annually by City Council. The projections of new debt have been dependent on keeping the City's tax rate for debt service constant and demonstrating how a fixed amount of debt could be issued annually without raising that portion of the tax rate. This forecast adds a new component to the projections: systematic reductions in the property tax rate for debt service and a systematic approach to reducing total tax supported debt.

Assumptions
The assumptions used in the Debt Service Fund Forecast (shown in the chart below) include the same assumptions used in the overall Forecast, and add some unique to the Debt Service Fund itself:

- Growth in taxable property value of 3% in FY14, 5% in FY15, and 3% each year thereafter;
- A declining property tax rate for debt service that generates a gradually increasing amount of funds for cash funding projects and/or debt reduction;
- A prolonged, gradual increase in interest rates from their current, historically low level;
- Annual bond sales of $9 million provide the basis for the principal and interest projected for new debt;
- A $1 million amount is assumed to be set aside for cash funding projects, thereby allowing the amount of new bonds sold to be reduced by $1 million; and
- Annual population growth that starts in the 3% range declines to 2.5% by FY19.

GENERAL DEBT SERVICE FUND FORECAST ASSUMPTIONS
FY 2014- FY 2018

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Taxable Value ($millions)	$5,623.4	$5,792.1	$6,081.7	$6,264.2	$6,452.1	$6,645.7
Debt Service Tax Rate	$0.222	$0.217	$0.212	$0.207	$0.202	$0.197
Debt Service Tax Rate Reduction	$0.000	$0.005	$0.005	$0.005	$0.005	$0.005
Over 65 Tax Freeze Pct Loss	0.202%	0.204%	0.206%	0.208%	0.210%	0.212%
Property Tax Growth	2.9%	3.0%	5.0%	3.0%	3.0%	3.0%
TIRZ Increment Growth	3.0%	3.5%	5.2%	3.1%	3.1%	3.0%
Investment Pool Earnings Rate	0.2%	0.2%	0.3%	0.5%	1.0%	1.5%
Future Bond Issue ($000's)		$9,000	$9,000	$9,000	$9,000	$9,000
Debt Reduction Amount ($000's)		$1,000	$1,000	$1,000	$1,000	$1,000
Overall Interest Rate		3.50%	3.75%	4.00%	4.25%	4.50%
Interest Rate Diff with FY13 Rates		0.25%	0.50%	0.75%	1.00%	1.50%
Annual Property Tax Savings $000's)		$290	$608	$940	$1,290	$1,661
Population	90,300	93,100	95,700	98,300	100,900	103,500
Debt Per Capita	$1,123	$1,113	$1,103	$1,101	$1,089	$1,076
Debt per Taxable Value	1.80%	1.79%	1.74%	1.73%	1.70%	1.68%

The result of applying these assumptions to the City's Debt Service Fund, given current expense commitments and tax revenue levels will have the combined effect of reducing the City's taxable debt per capita and as a percent of taxable property value throughout the five year Forecast period and beyond. For a chart includes twenty years of data, please see the Appendix.

DEBT SERVICE FUND FORECAST SUMMARY, FY 2014 – FY 2018 ($000'S)
ASSUMES $45 MILLION TOTAL BONDS OVER FIVE YEARS

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
REVENUE						
Property Taxes	$12,676	$12,606	$12,931	$13,005	$13,071	$13,130
Interest Income	$20	$9	$11	$23	$50	$77
TOTAL REVENUE	**$12,696**	**$12,615**	**$12,942**	**$13,028**	**$13,121**	**$13,207**
EXPENSE						
Transfers						
MUD Property Tax Rebates	$2,453	$2,415	$1,774	$1,314	$1,327	$717
TIRZ Property Tax Increment	$849	$883	$929	$958	$988	$1,018
Subtotal MUD's/TIRZ's	**$3,302**	**$3,298**	**$2,703**	**$2,272**	**$2,315**	**$1,735**
Current Debt Service						
Interest	$4,040	$3,760	$3,589	$3,435	$3,260	$3,078
Principal	$5,780	$5,681	$4,577	$5,264	$5,035	$5,806
Subtotal Current Debt Service	**$9,820**	**$9,441**	**$8,166**	**$8,699**	**$8,295**	**$8,884**
Subtotal Current Expense	**$13,122**	**$12,739**	**$10,869**	**$10,971**	**$10,610**	**$10,619**
Future Debt Reduction Program						
Interest	$0	($25)	($53)	($80)	($106)	($137)
Principal	$0	($100)	($200)	($300)	($400)	($500)
Subtotal Future Debt Reduction Program	**$0**	**($125)**	**($253)**	**($380)**	**($506)**	**($637)**
Projected Future Bonds Debt Service						
Interest	$0	$319	$654	$1,004	$1,369	$1,768
Principal	$0	$369	$744	$1,126	$1,515	$1,911
Subtotal Future Bonds Debt Service	**$0**	**$688**	**$1,398**	**$2,130**	**$2,884**	**$3,679**
Subtotal Future Debt Service	**$0**	**$563**	**$1,145**	**$1,750**	**$2,378**	**$3,042**
TOTAL EXPENSE	**$13,122**	**$13,302**	**$12,014**	**$12,721**	**$12,988**	**$13,661**
Revenue Over/(Under) Expense	**($426)**	**($687)**	**$928**	**$307**	**$133**	**($454)**
Beginning Fund Balance	**$4,881**	**$4,455**	**$3,768**	**$4,696**	**$5,003**	**$5,136**
Ending Fund Balance	**$4,455**	**$3,768**	**$4,696**	**$5,003**	**$5,136**	**$4,682**

Baseline Forecast and Policy Options

The Baseline Debt Service Fund forecast includes elements of project financing and debt reduction that recognize the needs of a growing city to provide basic service in a conservative manner. The City's expected long-term growth rate offers an opportunity to apply the City's collective financial capacity over an extended period of time so as to meet important basic infrastructure needs and minimize the City's debt level. This balanced approach is described in policy option number three in the chart below.

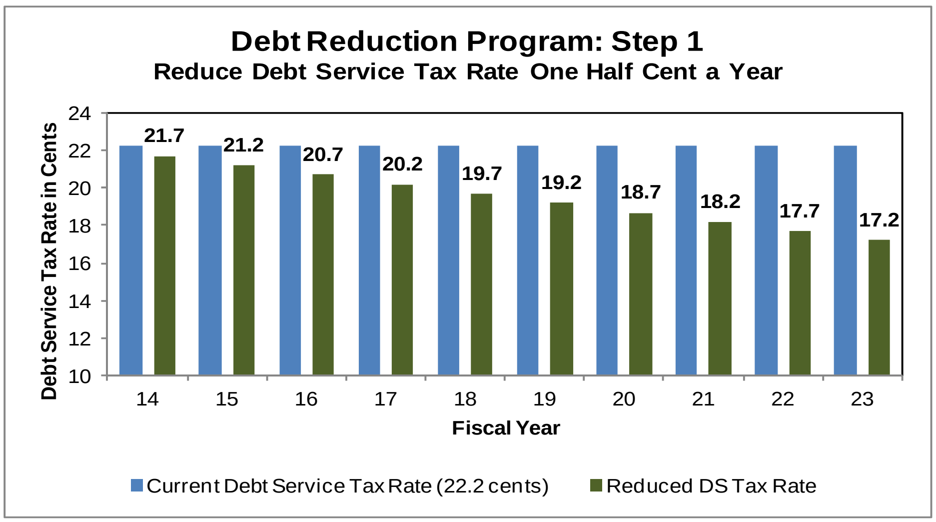
POLICY OPTION	ANNUAL BOND SALE AMOUNT	DEBT SERVICE TAX RATE	FIVE YEAR TOTALS	TEN YEAR TOTALS
#1 - Sell new bonds only	$11.5 Million	Remains at 22.2 cents	$57.5 Million for Projects	$115 Million for Projects
#2 - Sell no new bonds	Zero	Remains at 22.2 cents with 100% of amount not needed used for projects or debt reduction	$13.9 Million	$51.1 Million
#3 - Sell new bonds, dedicate at least $1 million to debt reduction annually and reduce debt service tax rate over time to generate cash for projects or debt reduction	$9 Million	Drops one half cent per year to generate funds for projects or debt reduction	$45 Million bond proceeds; $4.8 Million for debt reduction or projects	$90 Million bond proceeds; $19.4 Million for debt reduction or projects

The projected effect of this approach is as follows.

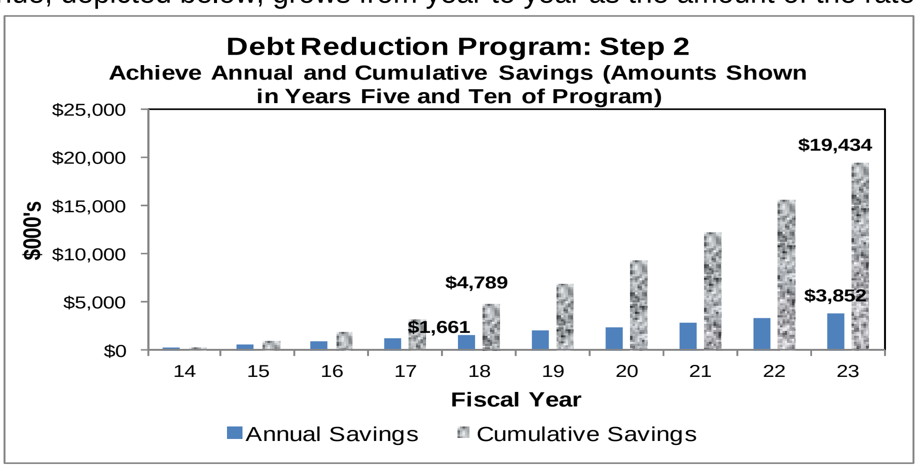
Effect on Planned Capital Improvement Plan (CIP) Projects: The remainder of the Adopted FY 13-17 CIP, considering adjustments for economic development projects, includes $35.2 million for projects and phases of projects to be funded with tax-supported bonds. Option three provides $45 million in new bonds to fund the remaining projects in the Adopted CIP and an additional $9.8 million to for new projects and/or phases of projects.

Effect on Debt Reduction: The proposed approach depends on identifying $1 million per year for debt reduction and/or cash funding of projects that is not in the cash flow of the Debt Service Fund forecast. This amount would need to be identified from a combination of sources, including the General Fund, revenue windfalls and adjustments to existing cash-funded CIP projects. Also, debt reduction might well take the form of smaller bond sales in the first few years of the FY 2014-2018 Forecast period due to the limited availability of payoff or call options on existing debt until 2018.

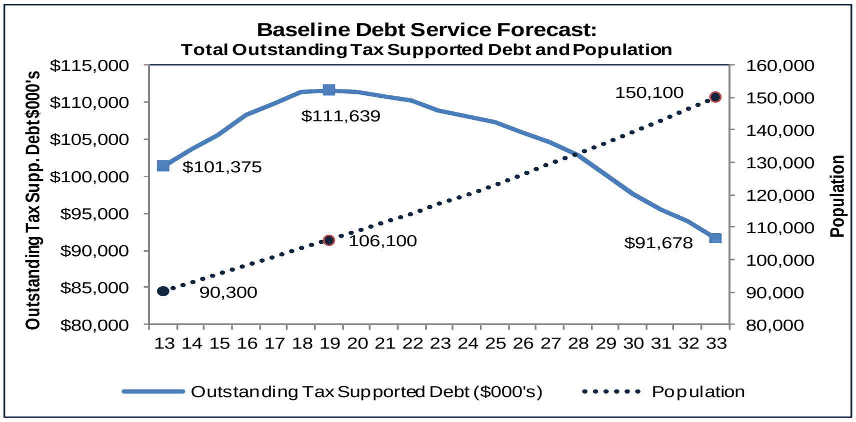
Effect on Tax Rate: A key part of the proposed approach is to maintain the current property tax rate but reduce the portion dedicated to debt service payments over time. This portion of the overall tax rate (currently $0.597) would be maintained at its current level, increasing the maintenance and operations rate that is deposited in the General Fund. Funds generated from this increase in the General Fund would be set aside for either cash funding projects, thereby reducing that year's bond sale, or reducing debt when the opportunity to call debt arises.



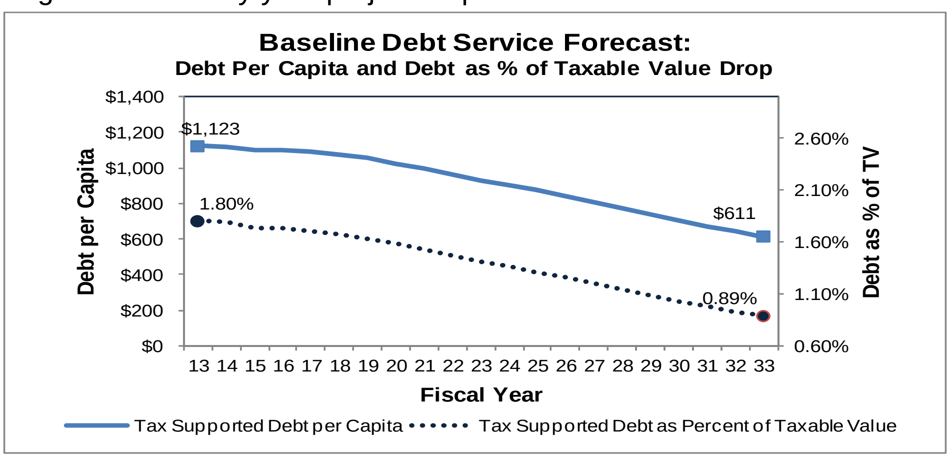
Effect on Funding for Projects or Debt Reduction: The annual yield from this systematic set aside of property tax revenue, depicted below, grows from year to year as the amount of the rate reduction grows.



Effect on Total Tax Supported Debt: While the Baseline Forecast assumes that new bonds in the amount of $45 million would be issued over the next five years, total debt would only increase by $10 million during the five year forecast period. After that, total debt would decline, due to more rapid amortization of principal amounts.



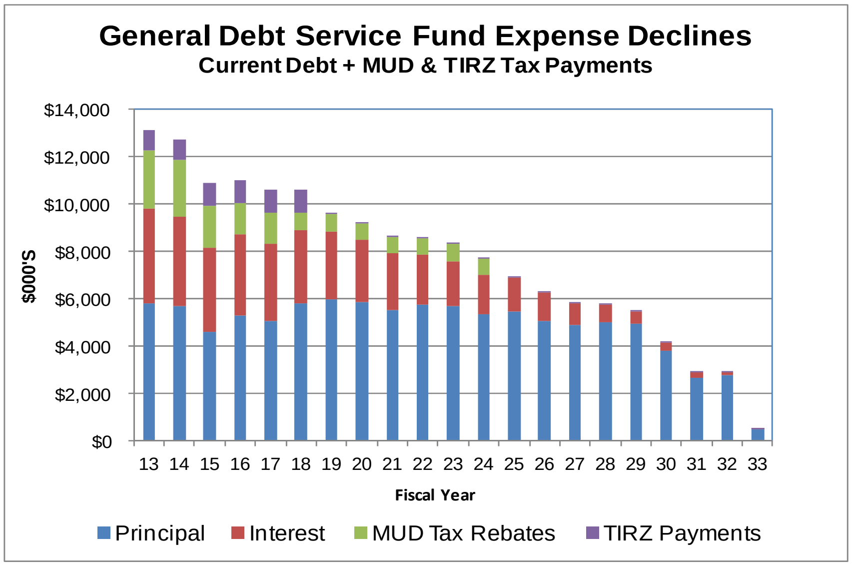
Two commonly used measures of outstanding debt are debt per capita and debt as a percentage of taxable value. Given the population projections, debt issuance ($9 million per year) and debt reduction ($1 million per year) used in the Baseline Forecast, debt per capita and debt as a percentage of taxable value decline throughout the twenty year projection period.



DEBT SERVICE FUND FORECAST ELEMENTS DESCRIPTION

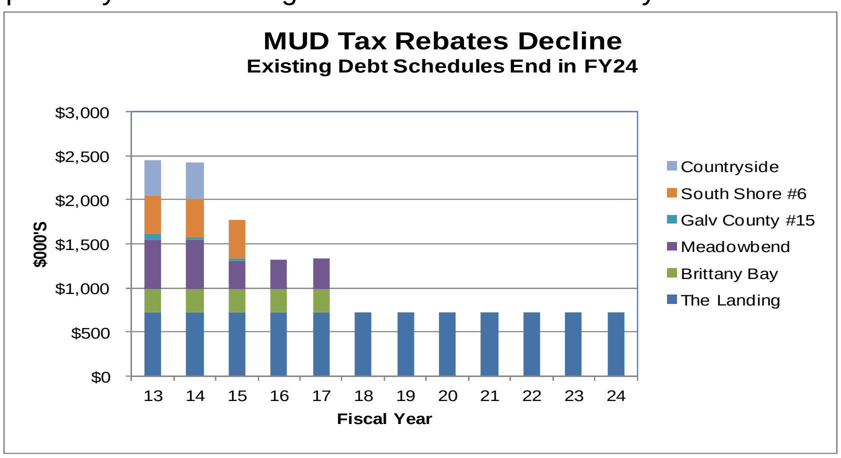
Debt Service Fund Expense

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 2013, 75% of current expense is debt service payments for city-issued and city-assumed bonds. The remainder, or 25%, goes to pay MUD property tax rebates and the debt portion of TIRZ property tax increments. As existing MUD rebate agreements expire and TIRZ obligations end, City-issued debt service payments will become a larger percentage of the total cash payment by the Debt Service Fund.



Municipal Utility Districts

The City currently makes property tax rebates to six 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. These rebates are paid through the Debt Service Fund because they are required by the rebate agreements to be used strictly for 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 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 FY11 and FY12 (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. 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. This occurred in FY 2011 when the Magnolia Creek TIRZ #1 had satisfied its obligations to developers and was dissolved by the City.

TIRZ development agreements typically provide for developers to be reimbursed using simple interest at a rate higher than the rate paid by the City on its own bond issues. In order to achieve interest savings, the City has on several occasions issued debt backed by future TIRZ increments, which bonds are being retired now.

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 2018 instead of FY 2024.

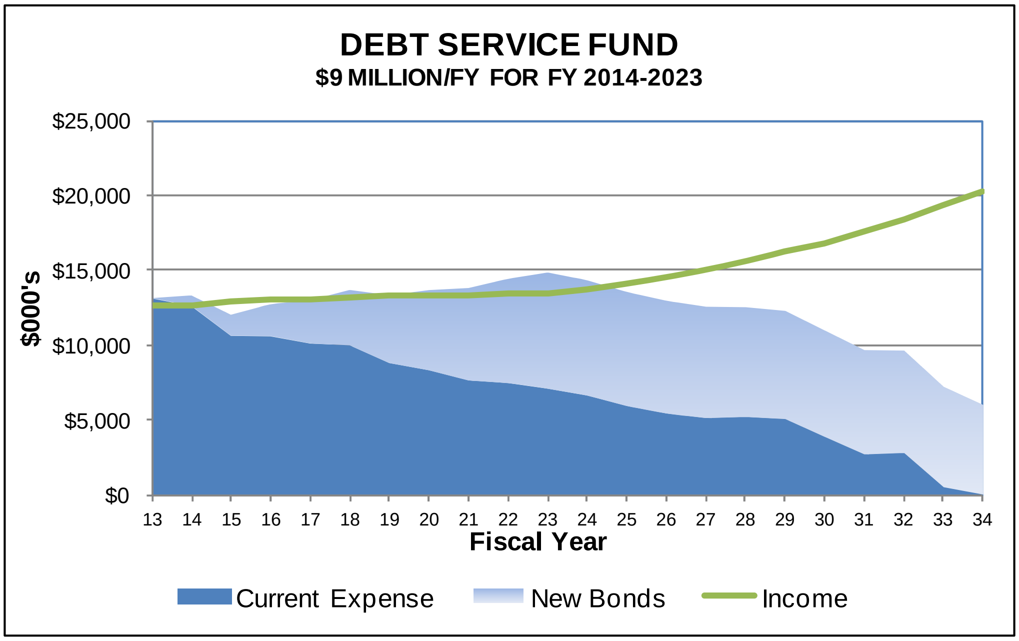
The West Oaks TIRZ has seen very little development since its creation in 2004. Unlike the other City TIRZ's, West Oaks had no underlying financing vehicle for its neighborhood infrastructure improvements, e.g. streets, storm sewers, water and wastewater lines. TIRZ's #1-3 each had a Public Improvement District the boundary of which was contiguous with that of the TIRZ. Each PID was financed with a homeowner assessment based on lot size approved by City Council that has been used to reimburse the developer of those areas for neighborhood infrastructure. City Council and State legislative approval of a Municipal Management District for Westwood (TIRZ#4) would potentially accomplish such a financing vehicle for the build out of TIRZ #4. The forecast does not assume the passage of the MMD, nor does it assume any change in the tax increment for TIRZ #4, although some residential build out is taking place in that area.

Future Bond Sales

Future debt service schedules are based on the following assumptions:

- The debt service tax rate drops a half cent per fiscal year for ten years.
- Taxable property value grows at the forecast rate of 3% in FY 2014, 5% in FY 2015 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 August 2012 for AA rated debt (the City's bond rating) with the assumption is that rates will rise incrementally each year of the forecast until FY 2018, topping out at 4.5%.
- Remaining sales for the FY 2014-2023 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 decline. A $9 million sale is used for each year to produce the results shown.



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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 FY2013 Budget to arrive at a base for the forecast as “FY2014 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) no change in water and wastewater rates throughout the forecast period. The Baseline Forecast for the Utility Fund includes no debt service for new bonds during the FY 2014-2018 forecast period. Consequently, the Utility Fund ends the forecast period with an even stronger financial position than it currently exhibits using the baseline approach which excludes expenditures for personnel growth and new bonds.

FORECAST SUMMARY
UTILITY FUND BASELINE PROJECTIONS ($THOUSANDS)

	FY 2013 Budget	FY 2014 Base	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Beginning Balance	**$20,587**	**$18,944**	**$18,944**	**$18,941**	**$20,318**	**$23,087**	**$26,483**
Revenue	**$28,912**	**$29,077**	**$30,238**	**$31,690**	**$32,964**	**$34,237**	**$35,358**
Expenditures							
Operating Expenditures	$15,900	$15,535	$15,721	$16,562	$17,031	$17,523	$18,046
Current Debt Service	$13,488	$13,520	$13,520	$12,751	$12,164	$12,318	$11,974
Transfer to CIP	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Subtotal Expenditures	**$30,388**	**$30,055**	**$30,241**	**$30,313**	**$30,195**	**$30,841**	**$31,020**
Revenue Over/(Under) Expenditures	**($1,476)**	**($978)**	**($3)**	**$1,377**	**$2,769**	**$3,396**	**$4,338**
Ending Balance	**$19,111**	**$17,966**	**$18,941**	**$20,318**	**$23,087**	**$26,483**	**$30,821**
Utility Fund Reserves							
Debt Service (Average Annual Revenue Bond Debt Service)	$5,368	$5,309	$5,309	$5,156	$5,004	$4,862	$4,734
90 Days of Operating Expenditures as Working Capital	$3,921	$3,831	$3,876	$4,084	$4,199	$4,321	$4,450
Total Reserve Required	**$9,289**	**$9,140**	**$9,185**	**$9,240**	**$9,203**	**$9,183**	**$9,184**
Excess Working Capital	**$9,822**	**$8,826**	**$9,756**	**$11,078**	**$13,884**	**$17,300**	**$21,637**
Days Working Capital Over/(Under) 90 Days	**225**	**207**	**227**	**244**	**298**	**360**	**438**

Staffing and Compensation Increases

Unlike the General Fund where personnel costs comprise 64% of the total budget, personnel costs are $5.4 million or 18% of the FY 2013 Utility Fund’s $30.4 million budget. Accordingly, the impact of potential staff increases that would track historical patterns and compensation increases that would keep pace with inflation are relatively minimal on the overall Utility Fund budget.

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 based on service levels desired by City Council each year.

POSSIBLE STAFF AND COMPENSATION INCREASES ($THOUSANDS)

	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Forecast Baseline Expenditures	**$30,241**	**$30,313**	**$30,195**	**$30,841**	**$31,020**
Staff Increase (66% of Forecast Population Growth)	$52	$152	$259	$363	$473
Annual Compensation Increase (CPI Based)	$79	$202	$325	$459	$595
Subtotal Staff and Compensation Increase	**$131**	**$354**	**$584**	**$822**	**$1,068**
Adjusted Forecast					
Adjusted Baseline Expenditures	$30,372	$30,667	$30,779	$31,663	$32,088
Baseline Revenue Estimate	$30,238	$31,690	$32,964	$34,237	$35,358
Revenue Over/(Under) Expenditures	**($134)**	**$1,023**	**$2,185**	**$2,574**	**$3,270**
Fund Balance Impact					
Beginning Fund Balance	$18,944	$18,272	$20,639	$23,142	$26,781
Ending Fund Balance	**$18,810**	**$19,295**	**$22,824**	**$25,716**	**$30,051**

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 Capital Improvement Plan

The Adopted FY 2013-2017 Capital Improvement Plan included projects identified in the Water and Wastewater Master Plans, including projects to address water supply. The CIP included $30 million to replace the major water supply line on SH 3 to 48" from 42". A slight upsizing of that line would result in very little change in the capacity of the line and its ability to satisfy future water needs. Therefore, this Forecast anticipates that the City will pay for its proportional share of a 60" line to replace the existing 42" line, which will add approximately 20 million gallons per day (MGD) capacity to the 17.5 MGD the City is now receiving through the existing line. The City's share of this upsizing adds $11 million to the already programmed $30 million cost and affects the amount of bonds to be issued potentially in FY 2017 and 2018.

The Adopted FY 2013-2017 Capital Improvement Plan plan provides for the issuance of new bonds from FY 2014 through FY 2017 as follows:

<u>**Adopted CIP Bond Sale Schedule**</u>

FY 2014 –	$ 24.85 million
FY 2015 –	$ 20.73 million
FY 2016 –	$ 14.38 million
FY 2017 –	$ 19.80 million
Total	$ 79.76 million

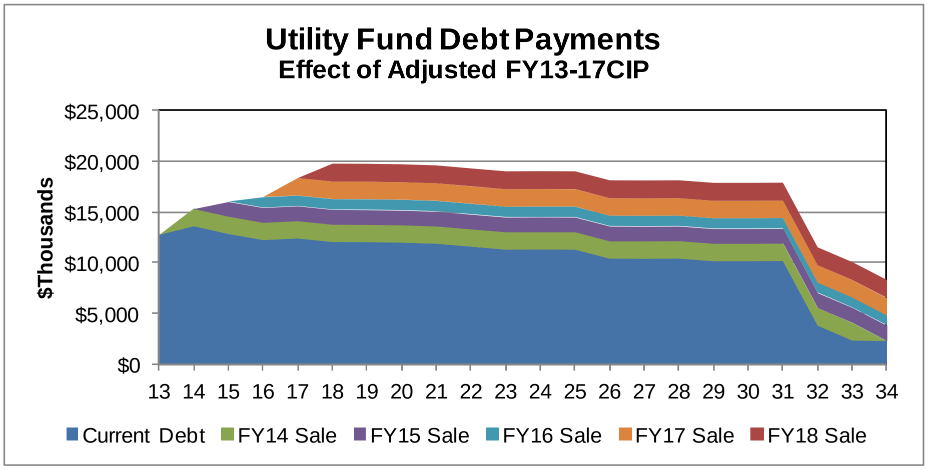
Allowing for the increase in the SH 3 water line project, and an additional $25 million for projects in FY 2018 including a portion of the upsized SH 3 water line project, the adjusted bond issuance schedule looks like the schedule on the following page.

Adjusted CIP Bond Sale Schedule

FY 2014 – $ 24.85 million
FY 2015 – $ 20.73 million
FY 2016 – $ 14.38 million
FY 2017 – $ 19.80 million
FY 2018 - $ 25.00 million

Total $109.16 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 similar to a home mortgage.

UTILITY FUND PROJECTIONS ADJUSTED TO INCLUDE STAFF AND COMPENSATION INCREASES AS WELL AS NEW DEBT SERVICE ($THOUSANDS)

	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Forecast Baseline Expenditures	**$30,241**	**$30,313**	**$30,195**	**$30,841**	**$31,020**
Staff Increase (66% of Forecast Population Growth)	**$52**	**$152**	**$259**	**$363**	**$473**
Annual Compensation Increase (CPI Based)	**$79**	**$202**	**$325**	**$459**	**$595**
Subtotal Staff and Compensation Increase	**$131**	**$354**	**$584**	**$822**	**$1,068**
New Debt Service	**$1,749**	**$3,209**	**$4,220**	**$5,924**	**$7,682**
Adjusted Forecast					
Adjusted Baseline Expenditures	$32,121	$33,876	$34,999	$37,587	$39,770
Baseline Revenue Estimate	$30,238	$31,690	$32,964	$34,237	$35,358
Revenue Over/(Under) Expenditures	**($1,883)**	**($2,186)**	**($2,035)**	**($3,350)**	**($4,412)**
Beginning Balance	**$18,944**	**$17,061**	**$14,875**	**$12,840**	**$9,490**
Ending Balance	**$17,061**	**$14,875**	**$12,840**	**$9,490**	**$5,078**
Utility Fund Reserves					
Debt Service (Avg. Annual Revenue Bond Debt Service)	$5,309	$5,156	$5,004	$4,862	$4,734
90 Days of Operating Expenditures as Working Capital	$3,963	$4,229	$4,404	$4,586	$4,779
Total Reserve Required	**$9,272**	**$9,385**	**$9,408**	**$9,448**	**$9,513**
Excess Working Capital	**$7,789**	**$5,490**	**$3,432**	**$42**	**($4,435)**
Days Working Capital Over/(Under) 90 Days	**177**	**117**	**70**	**1**	**(84)**

The effect of this approach on the five year forecast is shown in the previous chart. Based on the assumptions and resulting projections, it appears that the current Utility Fund reserve position carries the City through four years, FY 2017, without the need for a water revenue/rate increase. However, keep in mind that the longer a rate increase is postponed, the larger it may need to be when finally implemented.

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. The City still needs to conduct a complete study of its water and wastewater system costs as the basis for revised rates and charges that would be revenue neutral. This study needs to be based on a methodology that includes engineering calculations of the cost of serving different classes of customers. A simple financial model will not suffice, and performing such a study without expert outside assistance will actually cost the City more than hiring a consultant.

This study would produce a revised schedule of rates and charges including 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 2014 - FY2018
($THOUSANDS)

	FY 2013 Budget	FY 2014 Base	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Beginning Balance	**$20,587**	**$18,945**	**$18,945**	**$17,333**	**$15,686**	**$13,896**	**$11,476**
Revenue							
Water Sales	$15,517	$15,609	$16,254	$16,863	$17,472	$18,081	$18,689
Wastewater Sales	$12,414	$12,487	$13,003	$13,490	$13,978	$14,465	$14,951
Charges for Other Services	$934	$934	$934	$962	$989	$1,016	$1,043
Interest Income	$47	$47	$47	$375	$525	$675	$675
Transfers	$0	$0	$0	$0	$0	$0	$0
Total Revenue	**$28,912**	**$29,077**	**$30,238**	**$31,690**	**$32,964**	**$34,237**	**$35,358**
Expenditures by Department							
Public Works Administration	$164	$159	$178	$178	$179	$180	$181
Water	$5,410	$5,233	$5,296	$5,896	$6,171	$6,455	$6,757
Wastewater	$3,625	$3,575	$3,661	$3,840	$3,970	$4,111	$4,262
Utility Billing	$928	$893	$907	$922	$936	$951	$968
Facilities Maintenance and Repair	$3,172	$3,166	$3,166	$3,208	$3,253	$3,299	$3,346
Current Debt Service	$13,488	$13,520	$13,520	$12,751	$12,164	$12,318	$11,974
Future Debt Service	$0	$0	$1,609	$3,024	$4,559	$5,816	$7,525
Non-Departmental	$2,601	$2,509	$2,513	$2,518	$2,522	$2,527	$2,532
Transfer to CIP	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Total Expenditures	**$30,388**	**$30,055**	**$31,850**	**$33,337**	**$34,754**	**$36,657**	**$38,545**
Revenue Over/(Under) Expenditures	**($1,476)**	**($978)**	**($1,612)**	**($1,647)**	**($1,790)**	**($2,420)**	**($3,187)**
Ending Balance	**$19,111**	**$17,967**	**$17,333**	**$15,686**	**$13,896**	**$11,476**	**$8,289**
Utility Fund Reserves							
Debt Service (Average Annual Revenue Bond Debt Service)	$5,368	$5,309	$5,309	$5,156	$5,004	$4,862	$4,734
90 Days of Operating Expenditures as Working Capital	$3,921	$3,831	$3,876	$4,084	$4,199	$4,321	$4,450
Total Reserve Required	**$9,289**	**$9,140**	**$9,185**	**$9,240**	**$9,203**	**$9,183**	**$9,184**
Excess Working Capital	**$9,822**	**$8,826**	**$8,148**	**$6,446**	**$4,693**	**$2,293**	**($895)**
Days Working Capital Over/(Under) 90 Days	**225**	**207**	**189**	**142**	**101**	**48**	**(18)**

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Appendices

Revenue Models

CITY OF League City TEXAS

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
WATER REVENUE MODEL STATISTICS

Fit: Water Rev Analyse-it v3.10

Dataset A1:L22

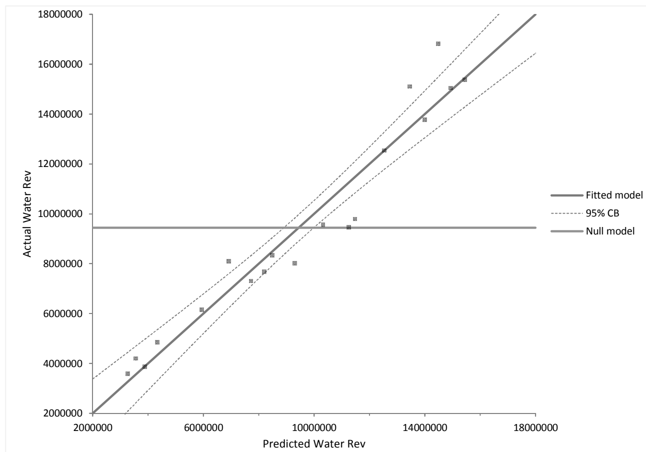
Last updated 6 March 2013 at 17:02 by caron.park

Fit

N	19
Equation	Water Rev = -9.568e+06 + 4.503e+06 Water Rates + 724.8 Total Customers Fiscal Year
R^2	0.940
R^2 adjusted	0.932
SE of fit (RMSE)	1095989.4239

Parameter	Estimate	95% CI	SE	VIF
Constant	-9568007	-14972919 to -4163096	2549601	-
Water Rates	4502990	782482 to 8223497	1755035	1.45
Total Customers Fiscal Year	724.8	617.9 to 831.6	50.414	1.45

Effect of Model



Source	SS	DF	MS	F	p-value
Difference	3.000112 E+14	2	1.500056 E+14	124.88	<0.0001
Fitted model	1.921909 E+13	16	1.201193 E+12		
Null model	3.192303 E+14	18	1.773502 E+13		

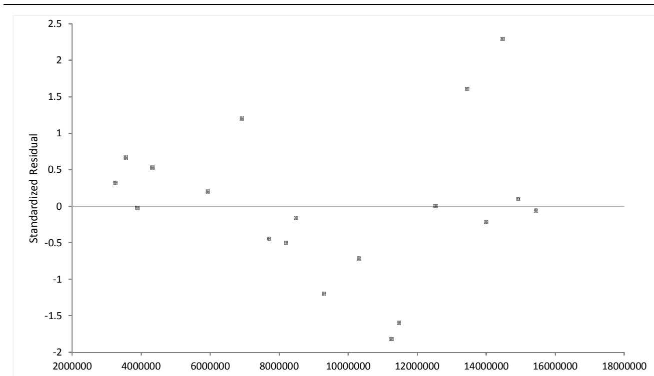
H0: $E(Y|X=x) = \mu$
The model is no better than a null model $Y=\mu$.
H1: $E(Y|X=x) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots$
The model is better than the null model.

Effect of Terms

Term	SS	DF	MS	F	p-value
Water Rates	7.907571 E+12	1	7.907571 E+12	6.58	0.0207
Total Customers Fiscal Year	2.482530 E+14	1	2.482530 E+14	206.67	<0.0001

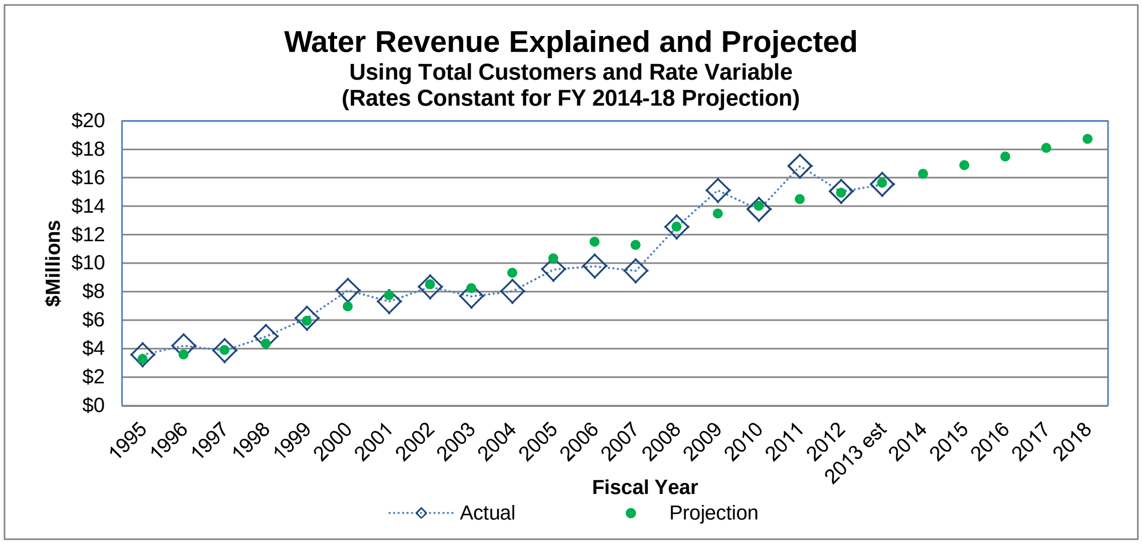
H0: $\beta_{Term} = 0$
The term does not contribute to the model.
H1: $\beta_{Term} \neq 0$
The term contributes to the model.

Residuals



FY 2014-2018 LONG RANGE FINANCIAL FORECAST
WATER REVENUE MODEL CALCULATIONS
APRIL 2013

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	$3,264,000	$307,039
1996	4,198,839	11,894	1.00	$3,556,000	$642,839
1997	3,864,342	12,350	1.00	$3,886,000	($21,658)
1998	4,852,428	12,961	1.00	$4,329,000	$523,428
1999	6,140,107	13,560	1.26	$5,934,000	$206,107
2000	8,093,527	14,379	1.35	$6,925,000	$1,168,527
2001	7,295,072	15,222	1.39	$7,718,000	($422,928)
2002	8,342,438	16,297	1.39	$8,497,000	($154,562)
2003	7,668,143	17,792	1.08	$8,205,000	($536,857)
2004	8,020,733	19,302	1.08	$9,299,000	($1,278,267)
2005	9,559,073	20,715	1.08	$10,324,000	($764,927)
2006	9,793,462	22,306	1.08	$11,477,000	($1,683,538)
2007	9,460,441	23,894	0.78	$11,262,000	($1,801,559)
2008	12,535,654	25,218	0.85	$12,537,000	($1,346)
2009	15,109,675	26,002	0.93	$13,450,000	$1,659,675
2010	13,772,838	26,759	0.93	$13,999,000	($226,162)
2011	16,810,175	27,425	0.93	$14,482,000	$2,328,175
2012	15,033,608	28,045	0.93	$14,931,000	$102,608
2013 est	15,516,280	28,980	0.93	$15,609,000	($92,720)
2014		29,870	0.93	$16,254,000	
2015		30,710	0.93	$16,863,000	
2016		31,550	0.93	$17,472,000	
2017		32,390	0.93	$18,081,000	
2018		33,230	0.93	$18,689,000	
Constant/ Correlation Coefficients	-9568007	724.8	4502990		



FY 2014-2018 LONG RANGE FINANCIAL FORECAST
SALES TAX MODEL STATISTICS

Fit: City Sales Tax Analyse-it v3.10

Model Data 1984 to present A1:DO135

Last updated 11 April 2013 at 11:19 by caron.park

Fit

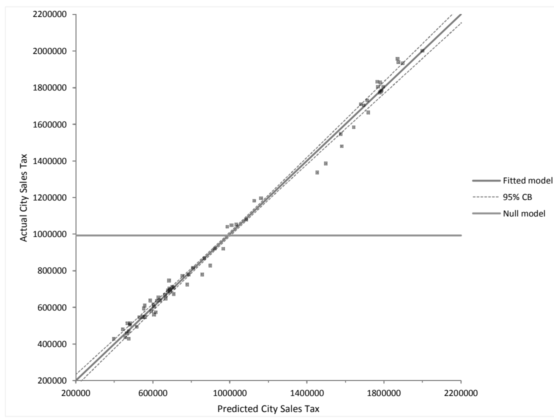
N: 69

Equation: City Sales Tax = -1.467e+06 + 2.752e+04 Seasonal Adjustment Var #1 + 40.71 Wcust + 3 Qtr + 2.697e+05 646 #2 (with Walmart) + 1173 Allison/Ike Variable #2 + 5968 Houston Purch Mgrs Index + 3990 Energy Dep BE + 2 Qtr 3 Qtr Mavg

R^2	0.993
R^2 adjusted	0.993
SE of fit (RMSE)	43958.73

Parameter	Estimate	95% CI	SE	VIF
Constant	-1467226	-1862654 to -1071798	197816	-
Seasonal Adjustment Var #1	27518	18639 to 36397	4441.9	1.01
Wcust + 3 Qtr	40.71	35.54 to 45.87	2.5849	7.45
646 #2 (with Walmart)	269690	228369 to 311011	20671	6.49
Allison/Ike Variable #2	1173	857.9 to 1487	157.45	1.34
Houston Purch Mgrs Index	5968	3093 to 8843	1438.0	2.14
Energy Dep BE + 2 Qtr 3 Qtr Mavg	3990	2788 to 5191	600.99	9.89

Effect of Model



Source	SS	DF	MS	F	p-value
Difference	1.759669 E+13	6	2.932782 E+12	1517.71	<0.0001
Fitted model	1.198070 E+11	62	1932370266.8		
Null model	1.771650 E+13	68	2.605368 E+11		

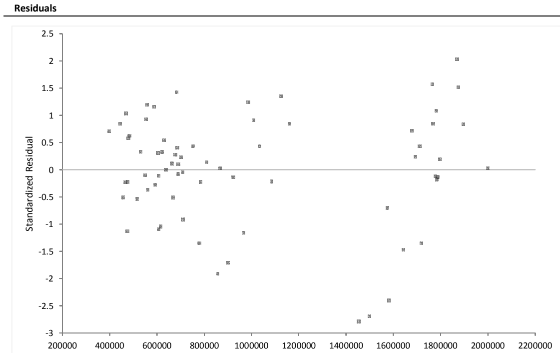
H0: $E(Y|X=x) = \mu$
The model is no better than a null model $Y=\mu$.
H1: $E(Y|X=x) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots$
The model is better than the null model.

Effect of Terms

Term	SS	DF	MS	F	p-value
Seasonal Adjustment Var #1	7.416376 E+10	1	7.416376 E+10	38.38	<0.0001
Wcust + 3 Qtr	4.792127 E+11	1	4.792127 E+11	247.99	<0.0001
646 #2 (with Walmart)	3.289199 E+11	1	3.289199 E+11	170.22	<0.0001
Allison/Ike Variable #2	1.071780 E+11	1	1.071780 E+11	55.46	<0.0001
Houston Purch Mgrs Index	3.328130 E+10	1	3.328130 E+10	17.22	0.0001
Energy Dep BE + 2 Qtr 3 Qtr Mavg	8.516078 E+10	1	8.516078 E+10	44.07	<0.0001

H0: $\beta_{Term} = 0$
The term does not contribute to the model.
H1: $\beta_{Term} \neq 0$
The term contributes to the model.

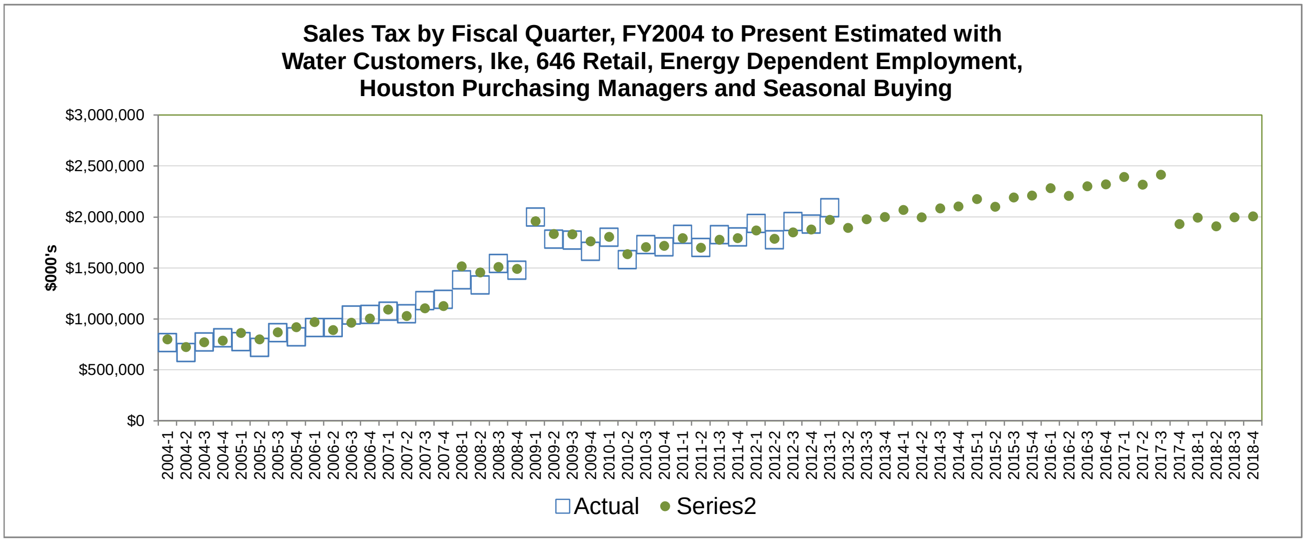
Residuals



FY 2014-2018 LONG RANGE FINANCIAL FORECAST
SALES TAX MODEL CALCULATIONS
APRIL 2013

Multipliers	**-1467226**	**40.71**	**27518**	**269690**	**3990**	**5968**	**1173**		
Fiscal Year-Quarter	**Actual COLC Sales Tax on 1% Base**	**Water Customers + 3 Qtr**	**Seasonal Ajustment Variable #1**	**646 Retail Corridor (#2 - w/ Walmart)**	**Energy Dep BE+ 2 qtr 3qtr Mavg**	**Houston Purchasing Mangers Index**	**Allison/Ike Variable #2**	**Model's Estimated Tax**	**Est (Over)/ Under Actual**
2004-1	$770,971	17,573	1.68	0.0	284.1	62.7	0.00	$802,312	($31,341)
2004-2	$671,849	18,023	(1.68)	0.0	282.9	63.3	0.00	$726,971	($55,122)
2004-3	$776,547	18,421	0.00	0.0	283.1	60.5	0.00	$773,219	$3,328
2004-4	$816,185	18,837	0.00	0.0	284.0	59.6	0.00	$788,429	$27,756
2005-1	$777,990	19,111	1.74	0.0	285.3	61.6	0.00	$864,454	($86,464)
2005-2	$723,932	19,439	(1.74)	0.0	287.8	62.9	0.00	$800,056	($76,124)
2005-3	$868,759	19,820	0.00	0.0	290.9	61.9	0.00	$869,595	($836)
2005-4	$827,671	20,169	0.00	0.0	293.6	66.1	0.00	$919,687	($92,016)
2006-1	$918,225	20,480	1.78	0.0	296.2	62.4	0.00	$969,784	($51,559)
2006-2	$917,923	20,881	(1.78)	0.0	299.6	60.6	0.00	$891,107	$26,816
2006-3	$1,039,629	21,330	0.00	0.0	304.2	58.8	0.00	$965,908	$73,721
2006-4	$1,047,792	21,700	0.00	0.0	308.7	60.2	0.00	$1,007,185	$40,607
2007-1	$1,077,378	22,126	1.81	0.0	313.8	60.2	0.00	$1,094,764	($17,386)
2007-2	$1,051,507	22,512	(1.81)	0.0	319.7	59.6	0.00	$1,030,679	$20,828
2007-3	$1,181,340	22,885	0.00	0.0	326.7	56.9	0.00	$1,107,696	$73,644
2007-4	$1,194,700	23,281	0.00	0.0	332.2	54.1	0.00	$1,128,992	$65,708
2008-1	$1,385,982	23,616	1.87	1.00	337.2	59.6	0.00	$1,516,282	($130,300)
2008-2	$1,336,077	24,139	(1.87)	1.13	341.5	54.8	0.00	$1,458,578	($122,501)
2008-3	$1,546,038	24,541	0.00	1.13	346.8	48.7	0.00	$1,510,962	$35,076
2008-4	$1,480,261	24,839	0.00	1.15	351.3	39.4	0.00	$1,490,939	($10,678)
2009-1	$2,000,723	25,063	1.87	1.39	356.7	42.1	262.00	$1,961,095	$39,628
2009-2	$1,784,770	25,356	(1.87)	1.43	362.5	46.9	178.00	$1,834,416	($49,646)
2009-3	$1,773,439	25,613	0.00	1.46	368.2	51.2	76.00	$1,833,054	($59,615)
2009-4	$1,663,690	25,761	0.00	1.49	364.9	53.9	0.00	$1,761,102	($97,412)
2010-1	$1,803,943	25,885	1.91	1.50	356.0	57.6	0.00	$1,807,512	($3,569)
2010-2	$1,582,075	26,061	(1.91)	1.50	344.9	52.8	0.00	$1,637,020	($54,945)
2010-3	$1,731,034	26,300	0.00	1.51	340.6	56.2	0.00	$1,704,942	$26,092
2010-4	$1,709,373	26,433	0.00	1.51	338.0	59.2	0.00	$1,718,152	($8,779)
2011-1	$1,830,429	26,643	1.96	1.52	338.3	60.9	0.00	$1,794,410	$36,019
2011-2	$1,704,205	26,902	(1.96)	1.53	339.6	60.1	0.00	$1,700,193	$4,012
2011-3	$1,827,802	27,057	0.00	1.53	343.9	60.2	0.00	$1,778,325	$49,477
2011-4	$1,804,927	27,191	0.00	1.54	346.7	59.5	0.00	$1,793,604	$11,323
2012-1	$1,937,806	27,337	2.03	1.54	350.8	59.3	0.00	$1,870,442	$67,364
2012-2	$1,777,759	27,508	(2.03)	1.54	355.4	59.8	0.00	$1,787,151	($9,392)
2012-3	$1,955,957	27,663	0.00	1.54	361.6	55.6	0.00	$1,848,995	$106,962
2012-4	$1,932,682	27,800	0.00	1.54	366.3	56.7	0.00	$1,879,962	$52,720
2013-1	$2,091,681	27,934	2.09	1.54	372.1	57.8	0.00	$1,972,575	$119,106
2013-2		28,125	(2.09)	1.54	377.4	59.0	0.00	$1,893,510	
2013-3		28,323	0.00	1.54	380.9	60.2	0.00	$1,980,090	
2013-4		28,517	0.00	1.54	382.6	61.4	0.00	$2,001,955	
2014-1		28,675	2.15	1.54	381.4	62.6	0.00	$2,070,090	
2014-2		29,063	(2.15)	1.54	386.8	63.9	0.00	$1,996,577	
2014-3		29,267	0.00	1.54	390.4	65.1	0.00	$2,086,033	
2014-4		29,395	0.00	1.54	392.2	66.4	0.00	$2,106,202	
2015-1		29,558	2.21	1.54	390.9	67.8	0.00	$2,176,396	
2015-2		29,958	(2.21)	1.54	396.5	69.1	0.00	$2,101,484	
2015-3		30,168	0.00	1.54	400.2	70.5	0.00	$2,193,863	
2015-4		30,221	0.00	1.54	402.0	71.9	0.00	$2,211,619	
2016-1		30,389	2.28	1.54	400.7	73.4	0.00	$2,284,597	
2016-2		30,800	(2.28)	1.54	406.4	74.8	0.00	$2,207,347	
2016-3		31,016	0.00	1.54	410.2	76.3	0.00	$2,302,975	
2016-4		31,047	0.00	1.54	412.1	77.9	0.00	$2,320,928	
2017-1		31,220	2.28	1.54	410.7	79.4	0.00	$2,394,419	
2017-2		31,642	(2.28)	1.54	416.6	81.0	0.00	$2,319,136	
2017-3		31,864	0.00	1.54	420.5	82.6	0.00	$2,416,143	
2017-4		31,873	0.00	1.54	422.4	84.3	0.00	$1,931,022	
2018-1		32,051	2.28	1.54	421.0	86.0	0.00	$1,995,424	
2018-2		32,484	(2.28)	1.54	427.0	87.7	0.00	$1,911,509	
2018-3		32,712	0.00	1.54	431.0	89.4	0.00	$1,999,492	
2018-4		32,721	0.00	1.54	433.0	91.2	0.00	$2,007,839	

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
SALES TAX MODEL CALCULATIONS
APRIL 2013



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	$3,091	$4,553			$4,636	($83)
2005	$3,198	$3,454	$4,798			$5,181	($383)
2006	$3,924	$3,834	$5,885			$5,751	$134
2007	$4,505	$4,362	$6,757			$6,543	$214
2008	$5,748	$5,977	$8,623			$8,965	($342)
2009	$7,223	$7,390	$10,834			$11,085	($251)
2010	$6,826	$6,868	$10,240			$10,301	($61)
2011	$7,167	$7,067	$10,751			$10,600	$151
2012	$7,604	$7,387	$11,406			$11,080	$326
2013		***$7,848***				***$11,772***	
2014		***$8,259***				***$12,388***	
2015		***$8,683***				***$13,025***	
2016		***$9,116***				***$13,674***	
2017		***$9,061***				***$13,591***	
2018		***$8,662***				***$12,993***	

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
ELECTRICITY MODEL STATISTICS
APRIL 2013

Fit: Electricity Franchise Tax by FY

Analyse-it v3.10

Data Set A1:HR54

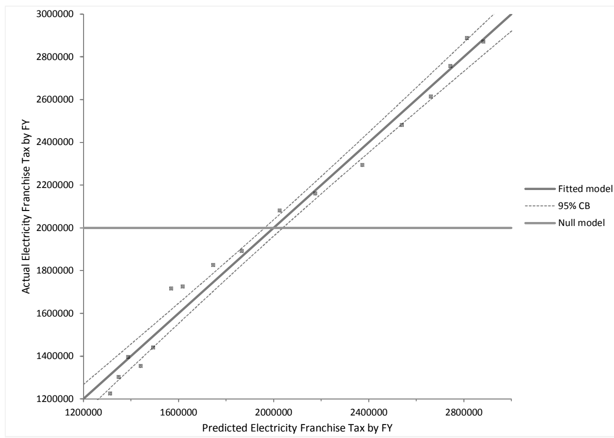
Last updated 7 April 2013 at 12:04 by caron.park

Fit

N	17
Equation	Electricity Franchise Tax by FY = 1.584e+05 + 101.9 SF Cat A Housing Units per CAD
R^2	0.98430193
R^2 adjusted	0.98325539
SE of fit (RMSE)	73975.0551

Parameter	Estimate	95% CI	SE	VIF
Constant	158360	24743 to 291978	62689	-
SF Cat A Housing Units per CAD	101.9	94.86 to 109.0	3.3241	1.00

Effect of Model



Source	SS	DF	MS	F	p-value
Difference	5.146879 E+12	1	5.146879 E+12	940.53	<0.0001
Fitted model	8.208463 E+10	15	5.472309 E+09		
Null model	5.228963 E+12	16	3.268102 E+11		

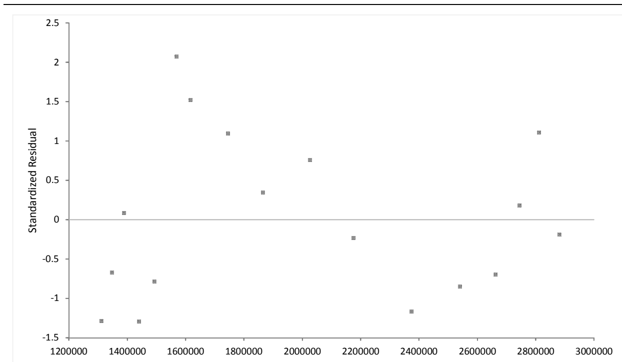
H0: $E(Y|X=x) = \mu$
The model is no better than a null model $Y=\mu$.
H1: $E(Y|X=x) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots$
The model is better than the null model.

Effect of Terms

Term	SS	DF	MS	F	p-value
SF Cat A Housing Units per CAD	5.146879 E+12	1	5.146879 E+12	940.53	<0.0001

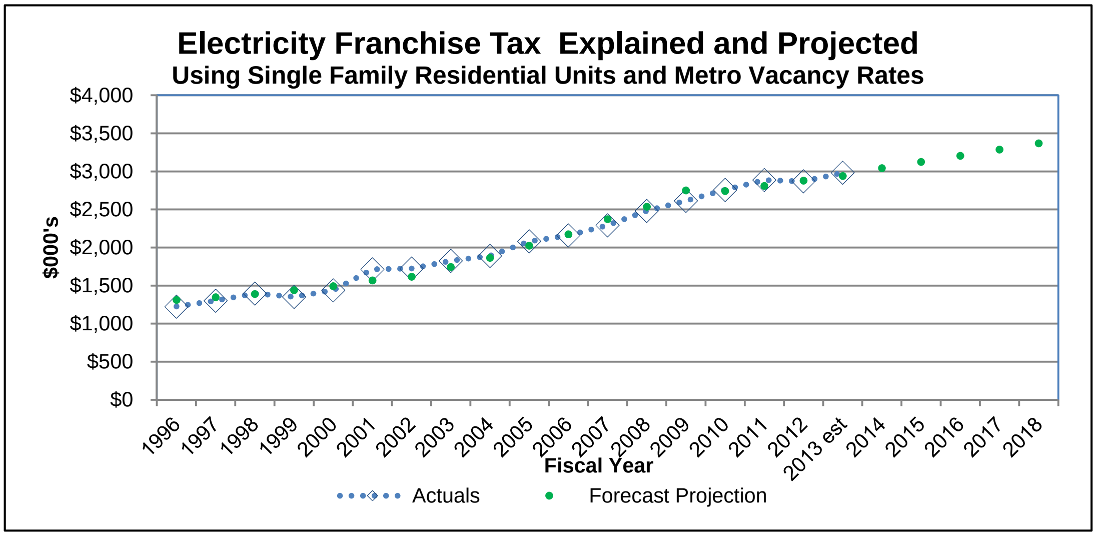
H0: $\beta_{Term} = 0$
The term does not contribute to the model.
H1: $\beta_{Term} \neq 0$
The term contributes to the model.

Residuals



FY 2014-2018 LONG RANGE FINANCIAL FORECAST
ELECTRICITY FRANCHISE TAX MODEL CALCULATIONS
APRIL 2013

FY	Actual	Constant	Single Family Housing Units per Appraisal Districts	Estimate	Est (Over)/ Under Actual
1996	$1,224,573	158360	11,323	$1,312,174	($87,601)
1997	$1,302,107	158360	11,674	$1,347,941	($45,834)
1998	$1,395,669	158360	12,083	$1,389,618	$6,051
1999	$1,351,848	158360	12,592	$1,441,485	($89,637)
2000	$1,439,041	158360	13,104	$1,493,658	($54,617)
2001	$1,714,847	158360	13,840	$1,568,656	$146,191
2002	$1,724,543	158360	14,313	$1,616,855	$107,688
2003	$1,824,511	158360	15,578	$1,745,758	$78,753
2004	$1,890,852	158360	16,756	$1,865,796	$25,056
2005	$2,081,282	158360	18,333	$2,026,493	$54,789
2006	$2,158,710	158360	19,789	$2,174,859	($16,149)
2007	$2,291,895	158360	21,742	$2,373,870	($81,975)
2008	$2,480,874	158360	23,364	$2,539,152	($58,278)
2009	$2,614,195	158360	25,462	$2,752,938	($138,743)
2010	$2,756,800	158360	25,370	$2,743,563	$13,237
2011	$2,886,561	158360	26,041	$2,811,938	$74,623
2012	$2,869,761	158360	26,721	$2,881,230	($11,469)
2013 est	$2,983,130	158360	***27,321***	$2,942,370	$40,760
2014		158360	***28,321***	$3,044,270	
2015		158360	***29,121***	$3,125,790	
2016		158360	***29,921***	$3,207,310	
2017		158360	***30,721***	$3,288,830	
2018		158360	***31,521***	$3,370,350	
	Correlation Coefficients	**158360**	**101.9**		



FY 2014-2018 LONG RANGE FINANCIAL FORECAST
CABLE TELEVISION FRANCHISE TAX MODEL STATISTICS

Fit: Cable TV Franchise Tax by FY Analyse-it v3.10

Data Set A1:HR54

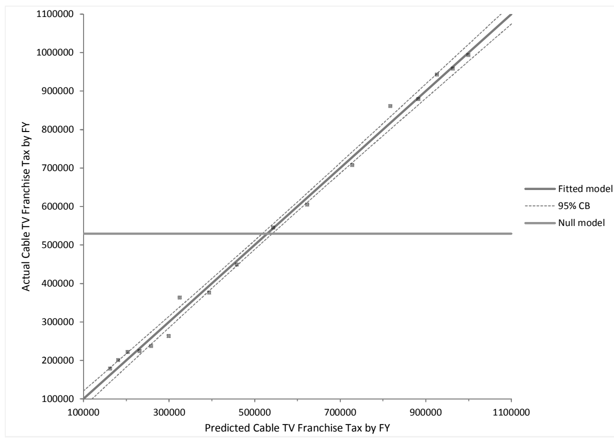
Last updated 4 March 2013 at 10:34 by caron.park

Fit

N	17
Equation	Cable TV Franchise Tax by FY = -4.534e+05 + 54.41 SF Cat A Housing Units per CAD
R^2	0.995
R^2 adjusted	0.994
SE of fit (RMSE)	2.254477 E+04

Parameter	Estimate	95% CI	SE	VIF
Constant	-453433	-494155 to -412712	19105	-
SF Cat A Housing Units per CAD	54.41	52.25 to 56.57	1.0131	1.00

Effect of Model



Source	SS	DF	MS	F	p-value
Difference	1.465893 E+12	1	1.465893 E+12	2884.10	<0.0001
Fitted model	7.624002 E+09	15	5.082668 E+08		
Null model	1.473517 E+12	16	9.209478 E+10		

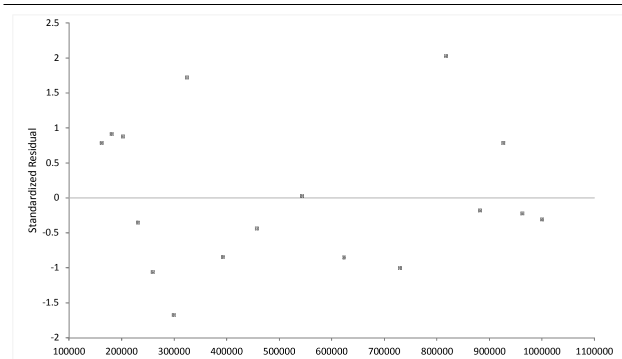
H0: $E(Y|X=x) = \mu$
The model is no better than a null model $Y=\mu$.
H1: $E(Y|X=x) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots$
The model is better than the null model.

Effect of Terms

Term	SS	DF	MS	F	p-value
SF Cat A Housing Units per CAD	1.465893 E+12	1	1.465893 E+12	2884.10	<0.0001

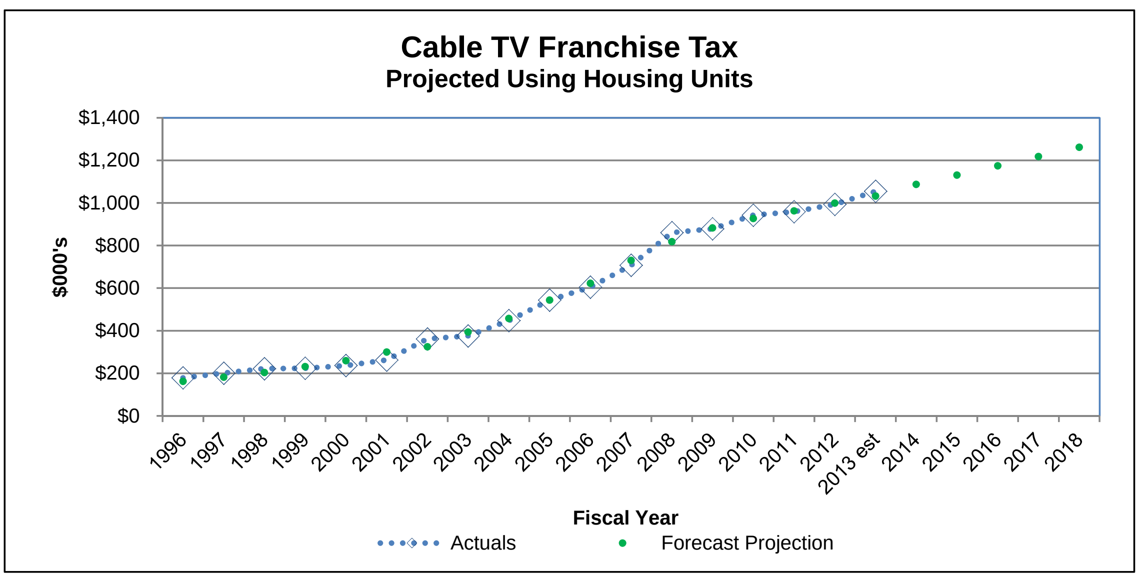
H0: $\beta_{Term} = 0$
The term does not contribute to the model.
H1: $\beta_{Term} \neq 0$
The term contributes to the model.

Residuals



FY 2014-2018 LONG RANGE FINANCIAL FORECAST
CABLE TELEVISION FRANCHISE TAX MODEL CALCULATIONS
APRIL 2013

FY	Actual	Constant	Single Family Housing Units per Appraisal District	Estimate	Est (Over)/ Under Actual
1996	$178,806	-453433	11,323	$162,651	$16,155
1997	$200,690	-453433	11,674	$181,749	$18,941
1998	$222,260	-453433	12,083	$204,003	$18,257
1999	$224,116	-453433	12,592	$231,698	($7,582)
2000	$236,873	-453433	13,104	$259,556	($22,683)
2001	$263,497	-453433	13,840	$299,601	($36,104)
2002	$362,231	-453433	14,313	$325,337	$36,894
2003	$375,594	-453433	15,578	$394,166	($18,572)
2004	$448,468	-453433	16,756	$458,261	($9,793)
2005	$544,451	-453433	18,333	$544,066	$385
2006	$604,528	-453433	19,789	$623,286	($18,758)
2007	$707,701	-453433	21,742	$729,549	($21,848)
2008	$860,613	-453433	23,364	$817,802	$42,811
2009	$878,984	-453433	24,562	$882,985	($4,001)
2010	$942,785	-453433	25,370	$926,949	$15,836
2011	$958,701	-453433	26,041	$963,458	($4,757)
2012	$993,974	-453433	26,721	$1,000,000	($6,026)
2013 est	$1,055,000	-453433	***27,321***	$1,033,000	$22,000
2014		-453433	***28,321***	$1,088,000	
2015		-453433	***29,121***	$1,131,000	
2016		-453433	***29,921***	$1,175,000	
2017		-453433	***30,721***	$1,218,000	
2018		-453433	***31,521***	$1,262,000	
	Correlation Coefficients	**-453433**	**54.41**		



Debt Service Fund Detail

CITY OF
League City
TEXAS

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
DEBT SERVICE FUND
($THOUSANDS$)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
REVENUE										
Property Taxes	$12,676	$12,606	$12,931	$13,005	$13,071	$13,130	$13,180	$13,222	$13,254	$13,276
Interest Income	$20	$9	$11	$23	$50	$77	$94	$116	$130	$137
TOTAL REVENUE	**$12,696**	**$12,615**	**$12,942**	**$13,028**	**$13,121**	**$13,207**	**$13,274**	**$13,338**	**$13,384**	**$13,413**
EXPENSE										
Transfers										
MUD Property Tax Rebates	$2,453	$2,415	$1,774	$1,314	$1,327	$717	$717	$717	$717	$717
TIRZ Property Tax Increment	$849	$883	$929	$958	$988	$1,018	$22	$22	$23	$24
Subtotal MUD's/TIRZ's	**$3,302**	**$3,298**	**$2,703**	**$2,272**	**$2,315**	**$1,735**	**$739**	**$739**	**$740**	**$741**
Current Debt Service										
Interest	$4,040	$3,760	$3,589	$3,435	$3,260	$3,078	$2,873	$2,629	$2,375	$2,125
Principal	$5,780	$5,681	$4,577	$5,264	$5,035	$5,806	$5,953	$5,844	$5,535	$5,725
Subtotal Current Debt Service	**$9,820**	**$9,441**	**$8,166**	**$8,699**	**$8,295**	**$8,884**	**$8,826**	**$8,473**	**$7,910**	**$7,850**
Subtotal Current Expense	**$13,122**	**$12,739**	**$10,869**	**$10,971**	**$10,610**	**$10,619**	**$9,565**	**$9,212**	**$8,650**	**$8,591**
Future Debt Reduction Program										
Interest	$0	($25)	($53)	($80)	($106)	($137)	($168)	($192)	($213)	($230)
Principal	$0	($100)	($200)	($300)	($400)	($500)	($600)	($700)	($800)	($900)
Subtotal Future Debt Reduction Program	**$0**	**($125)**	**($253)**	**($380)**	**($506)**	**($637)**	**($768)**	**($892)**	**($1,013)**	**($1,130)**
Projected Future Bonds Debt Service										
Interest	$0	$319	$654	$1,004	$1,369	$1,768	$2,198	$2,610	$3,004	$3,377
Principal	$0	$369	$744	$1,126	$1,515	$1,911	$2,315	$2,727	$3,147	$3,576
Subtotal Future Bonds Debt Service	**$0**	**$688**	**$1,398**	**$2,130**	**$2,884**	**$3,679**	**$4,513**	**$5,337**	**$6,151**	**$6,953**
Subtotal Future Debt Service	**$0**	**$563**	**$1,145**	**$1,750**	**$2,378**	**$3,042**	**$3,745**	**$4,445**	**$5,138**	**$5,823**
TOTAL EXPENSE	**$13,122**	**$13,302**	**$12,014**	**$12,721**	**$12,988**	**$13,661**	**$13,310**	**$13,657**	**$13,788**	**$14,414**
Revenue Over/(Under) Expense	**($426)**	**($687)**	**$928**	**$307**	**$133**	**($454)**	**($36)**	**($319)**	**($404)**	**($1,001)**
Beginning Fund Balance	**$4,881**	**$4,455**	**$3,768**	**$4,696**	**$5,003**	**$5,136**	**$4,682**	**$4,646**	**$4,327**	**$3,923**
Ending Fund Balance	**$4,455**	**$3,768**	**$4,696**	**$5,003**	**$5,136**	**$4,682**	**$4,646**	**$4,327**	**$3,923**	**$2,922**
	FY2013	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
Taxable Value ($millions)	**$5,623.4**	**$5,792.1**	**$6,081.7**	**$6,264.2**	**$6,452.1**	**$6,645.7**	**$6,845.1**	**$7,050.5**	**$7,262.0**	**$7,479.9**
Debt Service Tax Rate	**$0.222**	**$0.217**	**$0.212**	**$0.207**	**$0.202**	**$0.197**	**$0.192**	**$0.187**	**$0.182**	**$0.177**
Debt Service Tax Rate Reduction	**$0.000**	**$0.005**	**$0.005**	**$0.005**	**$0.005**	**$0.005**	**$0.005**	**$0.005**	**$0.005**	**$0.005**
Over 65 Tax Freeze Pct Loss	**0.202%**	**0.204%**	**0.206%**	**0.208%**	**0.210%**	**0.212%**	**0.214%**	**0.216%**	**0.218%**	**0.220%**
Property Tax Growth	**2.9%**	**3.0%**	**5.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
TIRZ Increment Growth	**3.0%**	**3.5%**	**5.2%**	**3.1%**	**3.1%**	**3.0%**	**-97.8%**	**0.0%**	**4.5%**	**4.3%**
Investment Pool Earnings Rate	**0.2%**	**0.2%**	**0.3%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**	**3.5%**
Future Bond Issue ($000's)		**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**
Debt Reduction Amount ($000's)		**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**
Overall Interest Rate		**3.50%**	**3.75%**	**4.00%**	**4.25%**	**4.50%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**
Interest Rate Diff with FY13 Rates		**0.25%**	**0.50%**	**0.75%**	**1.00%**	**1.50%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**
Annual Property Tax Savings $000's)		**$290**	**$608**	**$940**	**$1,290**	**$1,661**	**$2,054**	**$2,468**	**$2,905**	**$3,366**
Population	**90,300**	**93,100**	**95,700**	**98,300**	**100,900**	**103,500**	**106,100**	**108,800**	**111,500**	**114,300**
Debt Per Capita	**$1,123**	**$1,113**	**$1,103**	**$1,101**	**$1,089**	**$1,076**	**$1,052**	**$1,024**	**$994**	**$964**
Debt per Taxable Value	**1.80%**	**1.79%**	**1.74%**	**1.73%**	**1.70%**	**1.68%**	**1.63%**	**1.58%**	**1.53%**	**1.47%**

MUD Payment Detail	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Countryside	$402	$402	$0	$0	$0	$0	$0	$0	$0	$0
South Shore #6	$437	$437	$437	$0	$0	$0	$0	$0	$0	$0
County # 15	$75	$37	$37	$0	$0	$0	$0	$0	$0	$0
Meadowbend	$550	$550	$311	$325	$338	$0	$0	$0	$0	$0
Brittany Bay	$272	$272	$272	$272	$272	$0	$0	$0	$0	$0
The Landing	$717	$717	$717	$717	$717	$717	$717	$717	$717	$717
MUD Totals	**$2,453**	**$2,415**	**$1,774**	**$1,314**	**$1,327**	**$717**	**$717**	**$717**	**$717**	**$717**

TIRZ Payment (Debt Service Only)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
#2 - Saddle Creek	$586	$610	$642	$662	$683	$704	$0	$0	$0	$0
#3 - Centerpointe	$245	$255	$268	$276	$284	$293	$0	$0	$0	$0
#4 - West Oaks	$18	$18	$19	$20	$21	$21	$22	$22	$23	$24
TIRZ Totals	**$849**	**$883**	**$929**	**$958**	**$988**	**$1,018**	**$22**	**$22**	**$23**	**$24**

Future Debt Service Schedules	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Interest										
FY2014		$319	$314	$308	$301	$293	$284	$273	$261	$247
FY2015			$340	$334	$327	$319	$310	$300	$288	$275
FY2016				$362	$356	$348	$339	$329	$318	$305
FY2017					$385	$378	$370	$360	$349	$337
FY2018						$430	$421	$411	$400	$387
FY2019							$474	$463	$451	$438
FY2020								$474	$463	$451
FY2021									$474	$463
FY2022										$474
FY2023										
Subtotal Interest	**$0**	**$319**	**$654**	**$1,004**	**$1,369**	**$1,768**	**$2,198**	**$2,610**	**$3,004**	**$3,377**
Principal										
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
FY2023										
Subtotal Principal	**$0**	**$369**	**$744**	**$1,126**	**$1,515**	**$1,911**	**$2,315**	**$2,727**	**$3,147**	**$3,576**
Total by Year										
FY2014		$688	$689	$690	$690	$689	$688	$685	$681	$676
FY2015			$709	$709	$709	$708	$706	$704	$700	$695
FY2016				$731	$731	$730	$728	$725	$722	$717
FY2017					$754	$753	$752	$749	$745	$741
FY2018						$799	$796	$793	$789	$783
FY2019							$843	$838	$833	$827
FY2020								$843	$838	$833
FY2021									$843	$838
FY2022										$843
FY2023										
Subtotal by Year	**$0**	**$688**	**$1,398**	**$2,130**	**$2,884**	**$3,679**	**$4,513**	**$5,337**	**$6,151**	**$6,953**

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
DEBT SERVICE FUND
($THOUSANDS$)

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
REVENUE											
Property Taxes	$13,288	$13,686	$14,097	$14,519	$14,955	$15,403	$15,865	$16,340	$16,830	$17,335	$17,855
Interest Income	$117	$60	$38	$62	$128	$229	$354	$512	$748	$1,065	$1,416
TOTAL REVENUE	**$13,405**	**$13,746**	**$14,135**	**$14,581**	**$15,083**	**$15,632**	**$16,219**	**$16,852**	**$17,578**	**$18,400**	**$19,271**
EXPENSE											
Transfers											
MUD Property Tax Rebates	$717	$717	$0	$0	$0	$0	$0	$0	$0	$0	$0
TIRZ Property Tax Increment	$25	$25	$26	$27	$28	$29	$30	$31	$33	$34	$35
Subtotal MUD's/TIRZ's	**$742**	**$742**	**$26**	**$27**	**$28**	**$29**	**$30**	**$31**	**$33**	**$34**	**$35**
Current Debt Service											
Interest	$1,876	$1,635	$1,393	$1,160	$938	$734	$544	$365	$211	$82	$8
Principal	$5,710	$5,355	$5,480	$5,070	$4,860	$5,010	$4,940	$3,805	$2,675	$2,790	$480
Subtotal Current Debt Service	**$7,586**	**$6,990**	**$6,873**	**$6,230**	**$5,798**	**$5,744**	**$5,484**	**$4,170**	**$2,886**	**$2,872**	**$488**
Subtotal Current Expense	**$8,328**	**$7,732**	**$6,899**	**$6,257**	**$5,826**	**$5,773**	**$5,514**	**$4,201**	**$2,919**	**$2,906**	**$523**
Future Debt Reduction Program											
Interest	($240)	($202)	($167)	($133)	($102)	($74)	($50)	($30)	($15)	($5)	$0
Principal	($1,000)	($900)	($800)	($700)	($600)	($500)	($400)	($300)	($200)	($100)	$0
Subtotal Future Debt Reduction Program	**($1,240)**	**($1,102)**	**($967)**	**($833)**	**($702)**	**($574)**	**($450)**	**($330)**	**($215)**	**($105)**	**$0**
Projected Future Bonds Debt Service											
Interest	$3,728	$3,582	$3,422	$3,249	$3,063	$2,865	$2,654	$2,430	$2,195	$1,949	$1,691
Principal	$4,014	$4,093	$4,176	$4,263	$4,354	$4,449	$4,548	$4,652	$4,760	$4,873	$4,998
Subtotal Future Bonds Debt Service	**$7,742**	**$7,675**	**$7,598**	**$7,512**	**$7,417**	**$7,314**	**$7,202**	**$7,082**	**$6,955**	**$6,822**	**$6,689**
Subtotal Future Debt Service	**$6,502**	**$6,573**	**$6,631**	**$6,679**	**$6,715**	**$6,740**	**$6,752**	**$6,752**	**$6,740**	**$6,717**	**$6,689**
TOTAL EXPENSE	**$14,830**	**$14,305**	**$13,530**	**$12,936**	**$12,541**	**$12,513**	**$12,266**	**$10,953**	**$9,659**	**$9,623**	**$7,212**
Revenue Over/(Under) Expense	**($1,425)**	**($559)**	**$605**	**$1,645**	**$2,542**	**$3,119**	**$3,953**	**$5,899**	**$7,919**	**$8,777**	**$12,059**
Beginning Fund Balance	**$2,922**	**$1,497**	**$938**	**$1,543**	**$3,188**	**$5,730**	**$8,849**	**$12,802**	**$18,701**	**$26,620**	**$35,397**
Ending Fund Balance	**$1,497**	**$938**	**$1,543**	**$3,188**	**$5,730**	**$8,849**	**$12,802**	**$18,701**	**$26,620**	**$35,397**	**$47,456**

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Taxable Value ($millions)	**$7,704.3**	**$7,935.4**	**$8,173.5**	**$8,418.7**	**$8,671.3**	**$8,931.4**	**$9,199.3**	**$9,475.3**	**$9,759.6**	**$10,052.4**	**$10,354.0**
Debt Service Tax Rate	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**	**$0.172**
Debt Service Tax Rate Reduction	**$0.005**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**
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%**
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%**
TIRZ Increment Growth	**4.1%**	**0.0%**	**4.0%**	**3.8%**	**3.7%**	**3.6%**	**3.4%**	**3.3%**	**6.5%**	**3.0%**	**2.9%**
Investment Pool Earnings Rate	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**
Future Bond Issue ($000's)	**$9,000**										
Debt Reduction Amount ($000's)	**$1,000**										
Overall Interest Rate	**5.00%**										
Interest Rate Diff with FY13 Rates	**2.00%**										
Annual Property Tax Savings $000's)	**$3,852**	**$3,968**	**$4,087**	**$4,209**	**$4,336**	**$4,466**	**$4,600**	**$4,738**	**$4,880**	**$5,026**	**$5,177**
Population	**117,200**	**120,100**	**123,100**	**126,200**	**129,400**	**132,600**	**135,900**	**139,300**	**142,800**	**146,400**	**150,100**
Debt Per Capita	**$929**	**$901**	**$872**	**$840**	**$808**	**$775**	**$739**	**$701**	**$669**	**$641**	**$611**
Debt per Taxable Value	**1.41%**	**1.36%**	**1.31%**	**1.26%**	**1.21%**	**1.15%**	**1.09%**	**1.03%**	**0.98%**	**0.93%**	**0.89%**

MUD Payment Detail	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Countryside	$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
County # 15	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Meadowbend	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Brittany Bay	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
The Landing	$717	$717	$0	$0	$0	$0	$0	$0	$0	$0	$0
MUD Totals	**$717**	**$717**	**$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
#2 - Saddle Creek	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
#3 - Centerpointe	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
#4 - West Oaks	$25	$25	$26	$27	$28	$29	$30	$31	$33	$34	$35
TIRZ Totals	**$25**	**$25**	**$26**	**$27**	**$28**	**$29**	**$30**	**$31**	**$33**	**$34**	**$35**

Future Debt Service Schedules	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Interest											
FY2014	$232	$216	$199	$181	$162	$142	$121	$99	$76	$52	$27
FY2015	$260	$244	$227	$209	$190	$170	$149	$127	$104	$80	$55
FY2016	$291	$275	$258	$240	$221	$201	$180	$158	$135	$111	$85
FY2017	$323	$308	$291	$273	$254	$234	$213	$190	$166	$141	$115
FY2018	$373	$357	$339	$320	$300	$279	$256	$232	$207	$181	$154
FY2019	$423	$407	$389	$369	$348	$326	$303	$278	$252	$225	$197
FY2020	$438	$423	$407	$389	$369	$348	$326	$303	$278	$252	$225
FY2021	$451	$438	$423	$407	$389	$369	$348	$326	$303	$278	$252
FY2022	$463	$451	$438	$423	$407	$389	$369	$348	$326	$303	$278
FY2023	$474	$463	$451	$438	$423	$407	$389	$369	$348	$326	$303
Subtotal Interest	**$3,728**	**$3,582**	**$3,422**	**$3,249**	**$3,063**	**$2,865**	**$2,654**	**$2,430**	**$2,195**	**$1,949**	**$1,691**
Principal											
FY2014	$438	$448	$458	$469	$480	$491	$503	$516	$528	$542	$563
FY2015	$429	$438	$448	$458	$469	$480	$491	$503	$516	$528	$542
FY2016	$420	$429	$438	$448	$458	$469	$480	$491	$503	$516	$528
FY2017	$412	$420	$429	$438	$448	$458	$469	$480	$491	$503	$516
FY2018	$404	$412	$420	$429	$438	$448	$458	$469	$480	$491	$503
FY2019	$396	$404	$412	$420	$429	$438	$448	$458	$469	$480	$491
FY2020	$389	$396	$404	$412	$420	$429	$438	$448	$458	$469	$480
FY2021	$382	$389	$396	$404	$412	$420	$429	$438	$448	$458	$469
FY2022	$375	$382	$389	$396	$404	$412	$420	$429	$438	$448	$458
FY2023	$369	$375	$382	$389	$396	$404	$412	$420	$429	$438	$448
Subtotal Principal	**$4,014**	**$4,093**	**$4,176**	**$4,263**	**$4,354**	**$4,449**	**$4,548**	**$4,652**	**$4,760**	**$4,873**	**$4,998**
Total by Year											
FY2014	$670	$664	$657	$650	$642	$633	$624	$615	$604	$594	$590
FY2015	$689	$682	$675	$667	$659	$650	$640	$630	$620	$608	$597
FY2016	$711	$704	$696	$688	$679	$670	$660	$649	$638	$627	$613
FY2017	$735	$728	$720	$711	$702	$692	$682	$670	$657	$644	$631
FY2018	$777	$769	$759	$749	$738	$727	$714	$701	$687	$672	$657
FY2019	$819	$811	$801	$789	$777	$764	$751	$736	$721	$705	$688
FY2020	$827	$819	$811	$801	$789	$777	$764	$751	$736	$721	$705
FY2021	$833	$827	$819	$811	$801	$789	$777	$764	$751	$736	$721
FY2022	$838	$833	$827	$819	$811	$801	$789	$777	$764	$751	$736
FY2023	$843	$838	$833	$827	$819	$811	$801	$789	$777	$764	$751
Subtotal by Year	**$7,742**	**$7,675**	**$7,598**	**$7,512**	**$7,417**	**$7,314**	**$7,202**	**$7,082**	**$6,955**	**$6,822**	**$6,689**

Utility Fund
Debt Service Detail

CITY OF
League City
TEXAS

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
UTILITY FUND DEBT SERVICE DETAIL
($THOUSANDS)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
SCHEDULED DEBT SERVICE PAYMENTS													
Current Debt Service													
Interest	$5,360	$6,302	$6,083	$5,842	$5,608	$5,369	$5,120	$4,858	$4,568	$4,250	$3,914	$3,601	$3,304
Principal	$6,024	$6,377	$7,438	$6,909	$6,556	$6,949	$6,854	$7,095	$7,336	$7,544	$7,596	$7,620	$7,930
Subtotal Current Debt Service	**$11,384**	**$12,679**	**$13,521**	**$12,751**	**$12,164**	**$12,318**	**$11,974**	**$11,953**	**$11,904**	**$11,794**	**$11,510**	**$11,221**	**$11,234**
Projected Future Debt Service													
Interest	$0	$0	$837	$1,923	$2,914	$3,606	$4,555	$5,747	$5,610	$5,453	$5,273	$5,072	$4,848
Principal	$0	$0	$683	$1,506	$2,234	$2,583	$3,330	$4,274	$4,467	$4,668	$4,881	$5,100	$5,330
Subtotal Future Debt Service	**$0**	**$0**	**$1,520**	**$3,429**	**$5,148**	**$6,189**	**$7,885**	**$10,021**	**$10,077**	**$10,121**	**$10,154**	**$10,172**	**$10,178**
TOTAL EXPENSE	**$11,384**	**$12,679**	**$15,041**	**$16,180**	**$17,312**	**$18,507**	**$19,859**	**$21,974**	**$21,981**	**$21,915**	**$21,664**	**$21,393**	**$21,412**

Future Debt Service Schedules	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Interest													
FY2013													
FY2014			$837	$827	$815	$800	$782	$761	$736	$707	$674	$638	$599
FY2015				$1,096	$1,080	$1,061	$1,039	$1,014	$985	$951	$912	$869	$822
FY2016					$1,019	$1,002	$983	$961	$936	$908	$875	$838	$797
FY2017						$743	$730	$716	$700	$681	$660	$636	$609
FY2018							$1,021	$1,004	$984	$962	$936	$907	$874
FY2019								$1,291	$1,269	$1,244	$1,216	$1,184	$1,147
FY2020									$0	$0	$0	$0	$0
FY2021										$0	$0	$0	$0
FY2022											$0	$0	$0
FY2023												$0	$0
Subtotal Interest	**$0**	**$0**	**$837**	**$1,923**	**$2,914**	**$3,606**	**$4,555**	**$5,747**	**$5,610**	**$5,453**	**$5,273**	**$5,072**	**$4,848**
Principal													
FY2013													
FY2014			$683	$713	$745	$780	$814	$850	$889	$929	$972	$1,015	$1,060
FY2015				$793	$828	$865	$905	$944	$987	$1,031	$1,079	$1,128	$1,178
FY2016					$661	$479	$500	$523	$546	$571	$597	$624	$653
FY2017						$459	$479	$500	$523	$546	$571	$597	$624
FY2018							$632	$659	$689	$721	$752	$786	$822
FY2019								$798	$833	$870	$910	$950	$993
FY2020									$0	$0	$0	$0	$0
FY2021										$0	$0	$0	$0
FY2022											$0	$0	$0
FY2023												$0	$0
Subtotal Principal	**$0**	**$0**	**$683**	**$1,506**	**$2,234**	**$2,583**	**$3,330**	**$4,274**	**$4,467**	**$4,668**	**$4,881**	**$5,100**	**$5,330**
Total by Year													
FY2013													
FY2014			$1,520	$1,540	$1,560	$1,580	$1,596	$1,611	$1,625	$1,636	$1,646	$1,653	$1,659
FY2015				$1,889	$1,908	$1,926	$1,944	$1,958	$1,972	$1,982	$1,991	$1,997	$2,000
FY2016					$1,680	$1,481	$1,483	$1,484	$1,482	$1,479	$1,472	$1,462	$1,450
FY2017						$1,202	$1,209	$1,216	$1,223	$1,227	$1,231	$1,233	$1,233
FY2018							$1,653	$1,663	$1,673	$1,683	$1,688	$1,693	$1,696
FY2019								$2,089	$2,102	$2,114	$2,126	$2,134	$2,140
FY2020									$0	$0	$0	$0	$0
FY2021										$0	$0	$0	$0
FY2022											$0	$0	$0
FY023												$0	$0
Subtotal by Year	**$0**	**$0**	**$1,520**	**$3,429**	**$5,148**	**$6,189**	**$7,885**	**$10,021**	**$10,077**	**$10,121**	**$10,154**	**$10,172**	**$10,178**

FY 2014-2018 LONG RANGE FINANCIAL FORECAST
UTILITY FUND DEBT SERVICE DETAIL
($THOUSANDS)

	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
SCHEDULED DEBT SERVICE PAYMENTS										
Current Debt Service										
Interest	$2,966	$2,595	$2,213	$1,806	$1,408	$993	$566	$292	$164	$55
Principal	$8,260	$7,740	$8,115	$8,535	$8,680	$9,095	$9,540	$3,470	$2,140	$2,205
Subtotal Current Debt Service	**$11,226**	**$10,335**	**$10,328**	**$10,341**	**$10,088**	**$10,088**	**$10,106**	**$3,762**	**$2,304**	**$2,260**
Projected Future Debt Service										
Interest	$4,601	$4,387	$4,037	$3,722	$3,385	$3,024	$2,558	$2,147	$1,783	$1,322
Principal	$5,571	$5,824	$6,086	$6,358	$6,644	$6,942	$7,255	$7,580	$7,956	$6,670
Subtotal Future Debt Service	**$10,172**	**$10,211**	**$10,123**	**$10,080**	**$10,029**	**$9,966**	**$9,813**	**$9,727**	**$9,739**	**$7,992**
TOTAL EXPENSE	**$21,398**	**$20,546**	**$20,451**	**$20,421**	**$20,117**	**$20,054**	**$19,919**	**$13,489**	**$12,043**	**$10,252**

Future Debt Service Schedules	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Interest										
FY2013										
FY2014	$556	$510	$460	$407	$350	$289	$143	$74	$74	$0
FY2015	$771	$771	$655	$590	$521	$448	$370	$287	$198	$103
FY2016	$753	$705	$653	$598	$539	$476	$409	$337	$261	$180
FY2017	$579	$547	$512	$474	$434	$391	$345	$296	$244	$189
FY2018	$837	$796	$751	$703	$651	$596	$537	$474	$407	$336
FY2019	$1,105	$1,058	$1,006	$950	$890	$824	$754	$679	$599	$514
FY2020	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2021	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2022	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2023	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Interest	**$4,601**	**$4,387**	**$4,037**	**$3,722**	**$3,385**	**$3,024**	**$2,558**	**$2,147**	**$1,783**	**$1,322**
Principal										
FY2013										
FY2014	$1,109	$1,159	$1,210	$1,266	$1,321	$1,381	$1,443	$1,508	$1,610	$0
FY2015	$1,230	$1,287	$1,345	$1,404	$1,469	$1,533	$1,603	$1,675	$1,750	$1,869
FY2016	$682	$712	$745	$778	$812	$850	$887	$927	$969	$1,012
FY2017	$653	$682	$712	$745	$778	$812	$850	$887	$927	$969
FY2018	$859	$899	$939	$980	$1,026	$1,071	$1,119	$1,170	$1,222	$1,277
FY2019	$1,038	$1,085	$1,135	$1,185	$1,238	$1,295	$1,353	$1,413	$1,478	$1,543
FY2020	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2021	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2022	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2023	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Principal	**$5,571**	**$5,824**	**$6,086**	**$6,358**	**$6,644**	**$6,942**	**$7,255**	**$7,580**	**$7,956**	**$6,670**
Total by Year										
FY2013										
FY2014	$1,665	$1,669	$1,670	$1,673	$1,671	$1,670	$1,586	$1,582	$1,684	
FY2015	$2,001	$2,058	$2,000	$1,994	$1,990	$1,981	$1,973	$1,962	$1,948	$1,972
FY2016	$1,435	$1,417	$1,398	$1,376	$1,351	$1,326	$1,296	$1,264	$1,230	$1,192
FY2017	$1,232	$1,229	$1,224	$1,219	$1,212	$1,203	$1,195	$1,183	$1,171	$1,158
FY2018	$1,696	$1,695	$1,690	$1,683	$1,677	$1,667	$1,656	$1,644	$1,629	$1,613
FY2019	$2,143	$2,143	$2,141	$2,135	$2,128	$2,119	$2,107	$2,092	$2,077	$2,057
FY2020	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2021	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY2022	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FY023	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal by Year	**$10,172**	**$10,211**	**$10,123**	**$10,080**	**$10,029**	**$9,966**	**$9,813**	**$9,727**	**$9,739**	**$7,992**

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