

Executive Summary

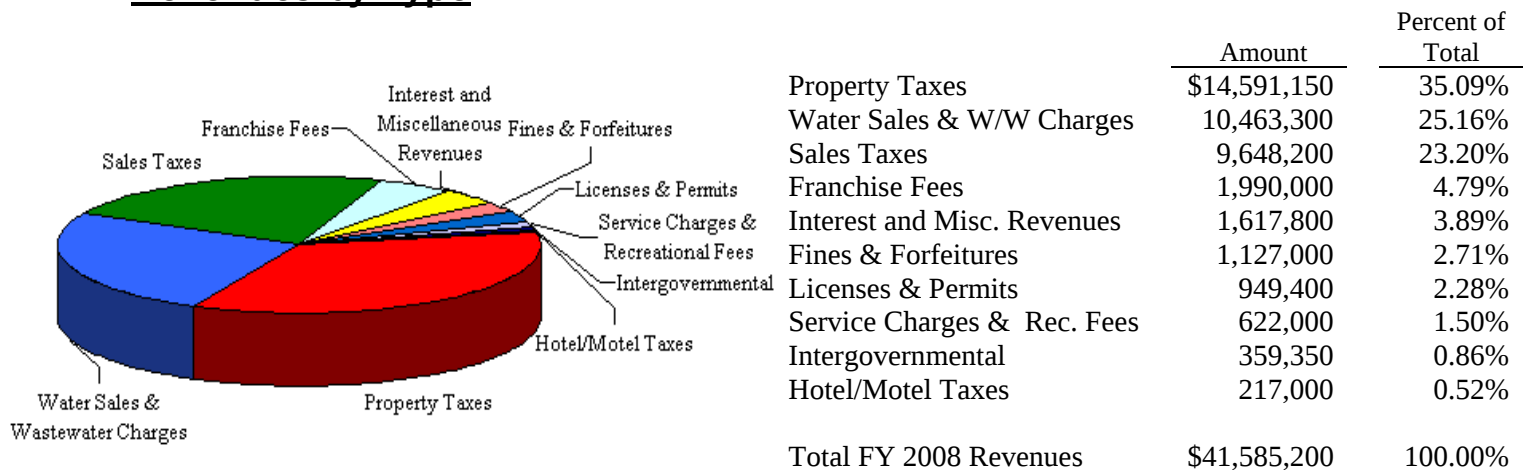
This executive summary provides an overview of the major elements included in the fiscal year (FY) 2008 Budget. The first section presents revenues and expenditures, by type and fund, for the City as a whole. The second section focuses on revenues and expenditures in the General Fund which, as the City's largest operating fund, includes most of the activities typically associated with municipal government. The third section will provide tax impact of new requests by department.

Immediately following the new General Fund requests, the Utility fund is described in detail and new requests are listed. The last section describes the special funds that are included in the budget.

The Budget in Perspective

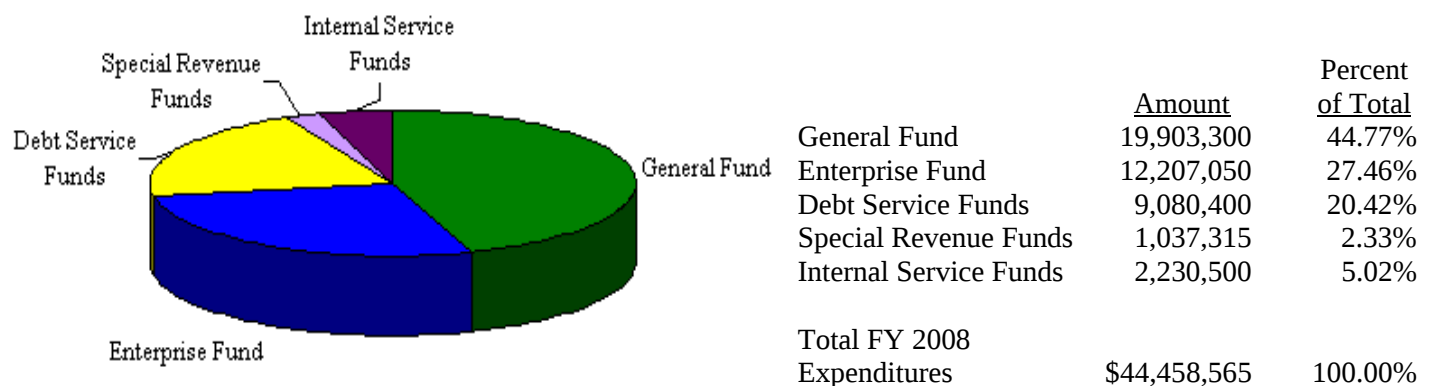
The City's revenues are budgeted at \$41,585,200 for FY 2008. These revenues are obtained from a variety of sources, as outlined in the following chart and table.

Revenues by Type



Expenditures by Fund Type

The City's operating expenditures are grouped into five types of funds: General Fund, Enterprise Fund, Debt Service Funds, Special Revenue Funds, and Internal Service Funds. Expenditures are budgeted at \$44,458,565 for FY 2008, as shown in the following chart and table.



Combined Budget Summary FY 2007 – 2008 All Funds

FUND	Fund Title	FY 2007-2008					Estimated Fund Balance 9/30/08
		Estimated Fund Balance 9/30/07	Total Revenues	Total Expenditures	Net Inc/(Dec)	Internal Transfers (Net)	
01	General Fund	\$7,736,042	\$20,468,100	\$19,903,300	\$564,800	(\$555,100)	\$7,745,742
02	Water and Wastewater	25,942,221	10,981,300	12,207,050	(1,225,750)	(1,209,700)	23,506,771
04	Debt Service	884,394	7,697,200	8,178,450	(481,250)		403,144
05	Harbor Debt Service	0	905,700	901,950	3,750		3,750
10	Cemetery	135,777	5,000	0	5,000		140,777
11	Police Investigations	156,843	64,500	0	64,500	(45,000)	176,343
12	Recreational Development	294,110	328,000	212,000	116,000	(50,000)	360,110
13	Radio	0	27,600	161,100	(133,500)	133,500	0
14	Street Improvement	1,564,033	42,000	0	42,000		1,606,033
15	Hotel/Motel	57,473	218,000	217,940	60		57,533
16	Fire Equipment	116,745	98,000	99,325	(1,325)		115,420
17	Aviation	52,997	49,150	87,950	(38,800)		14,197
18	Recycling	54,746	25,200	0	25,200		79,946
26	Special Crimes Unit	83,486	201,500	259,000	(57,500)	70,000	95,986
31	Employee Benefits	(23,937)	433,950	2,038,000	(1,604,050)	1,633,500	5,513
32	Worker's Compensation	1,305,767	40,000	192,500	(152,500)	30,000	1,183,267
Total Primary Government		\$38,360,697	\$41,585,200	\$44,458,565	(\$2,873,365)	\$7,200	\$35,494,532

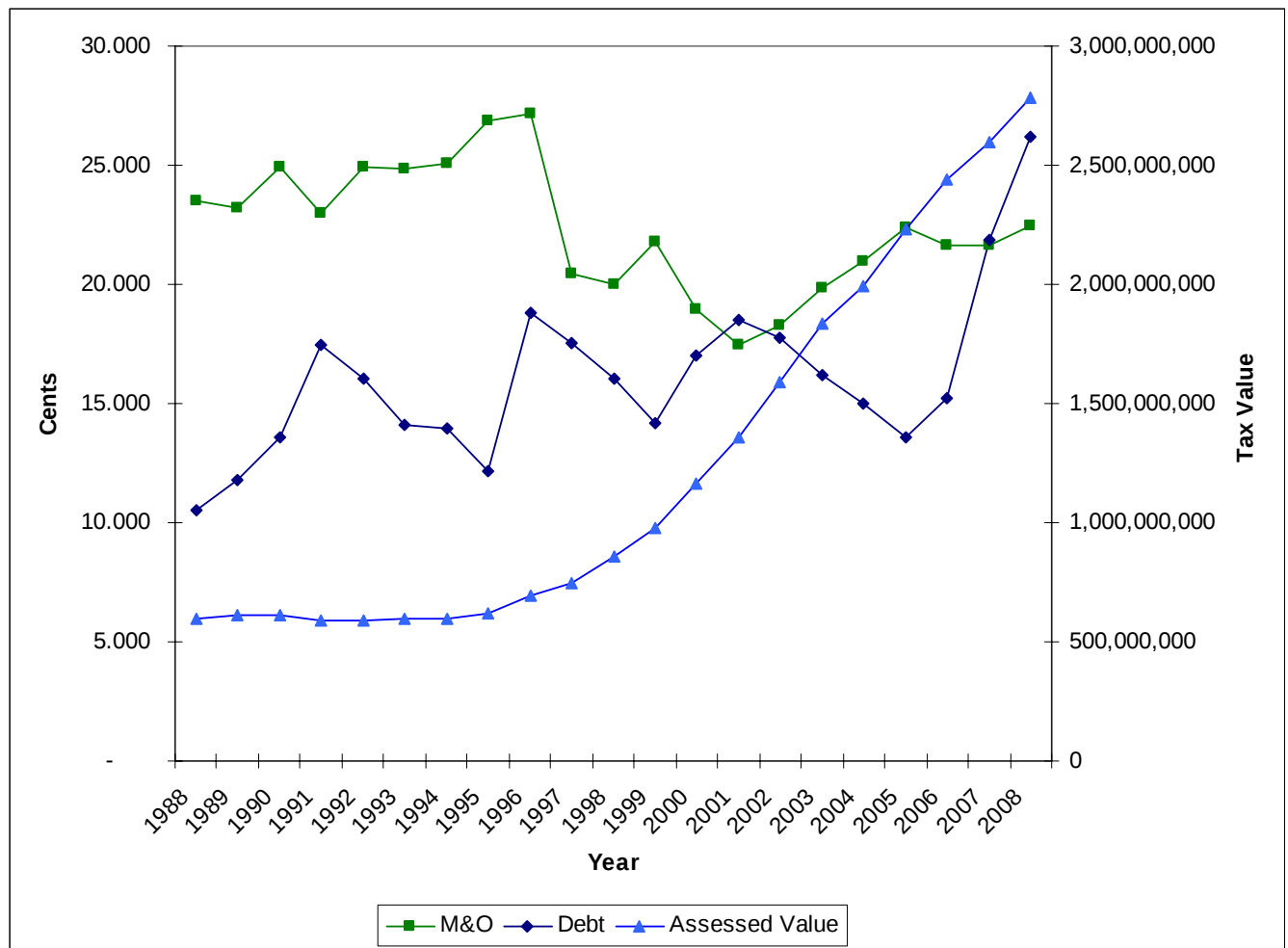
Property Taxes

Property taxes are the largest single source of City revenues. The property tax rate is comprised of two elements: the portion that pays for the operation and maintenance of General Fund programs and services, and the portion that funds the repayment of debt. In FY 2008, the General Fund's portion of the tax rate represents 46.1 percent of the total, and the debt service portion represents 53.9 percent of the total. The total tax rate for the City in FY 2008, and the amount by which each portion of the rate will change compared to FY 2007, is shown in the following table. The amounts below are expressed as "cents per \$100 of assessed value."

	FY 2007	FY 2008	Net Increase (Decrease)
General Fund Tax Rate	20.67	22.43	8.51%
Debt Service Tax Rate	21.83	26.22	20.11%
Total Property Tax Rate	42.50	48.65	14.47%



The property tax rate is one side of the equation that ultimately produces the revenue generated by property taxes; the other side is the assessed value of property in the City. The total assessed value for the City for FY 2008 is \$2,781,217,425. This is a 7.08 percent increase over last year's value of \$2,597,228,959. While the City's property values are growing, the rate of growth has slowed compared to the double digit increases experienced between 1998 and 2003 as shown in the following graph.



The following table shows the various property tax rates for FY 2008.

- Proposed Tax Rate 48.65
- Effective Tax Rate 40.76
- Rollback Rate 48.72

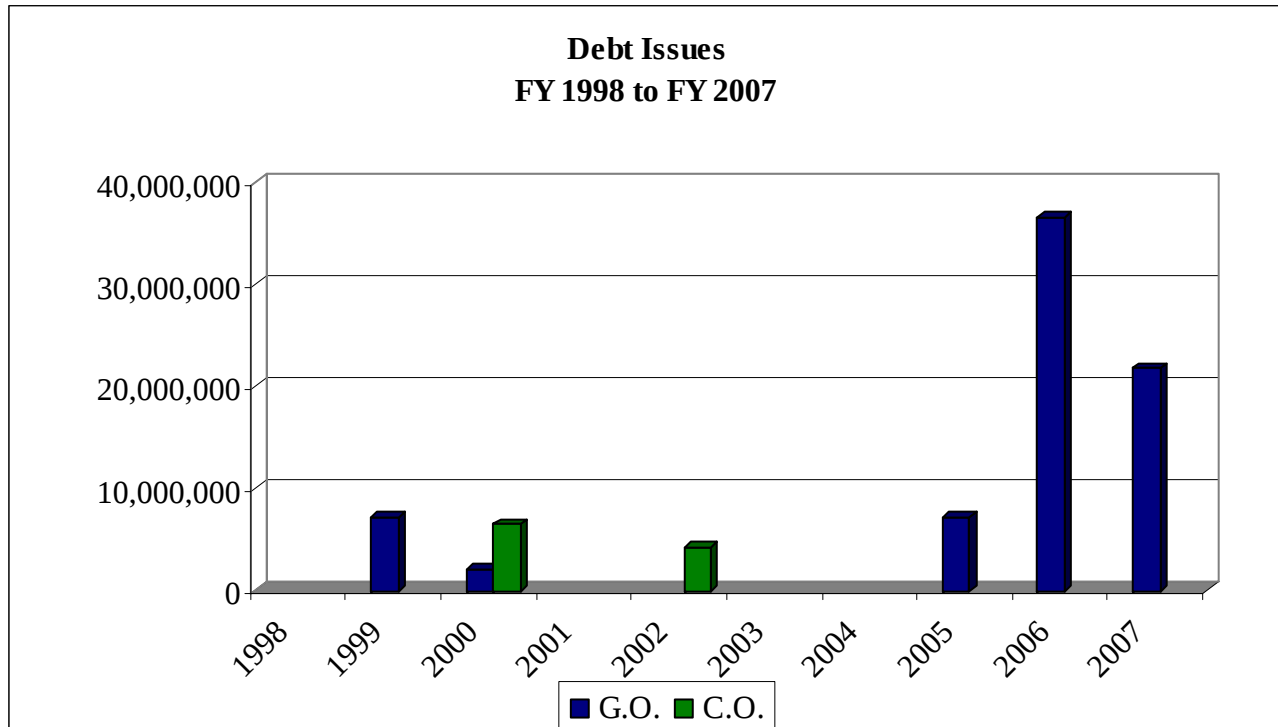
The effective tax rate for FY 2008 is 40.76 cents. This is the rate that would produce the same amount of revenue from the properties that were on the tax rolls in both FY 2007 and FY 2008. The rollback rate is 48.72 cents. The City Council must hold two public hearings if the proposed rate is above the effective rate by any amount. Public hearings were held August 20th and September 4th 2007.

Additional details regarding the tax rate can be found behind the Debt Service tab in the Adopted Budget.

The City held bond elections in 1994, 1998, 1999, 2002 and 2005 which impact current year property taxes. In each of those years, materials were prepared for the voters which projected the tax impact of each election proposition if successful. General Obligation bonds are then sold as project funding is anticipated.

The City may issue Certificates of Obligation, another form of tax obligation. Certificates were issued in 2000 for the voter approved City Hall project and in 2002 to allow the City to proceed with replacement of its antiquated public safety radio system.

Debt issues in recent issues have been significantly higher than in prior years as shown in the next table.



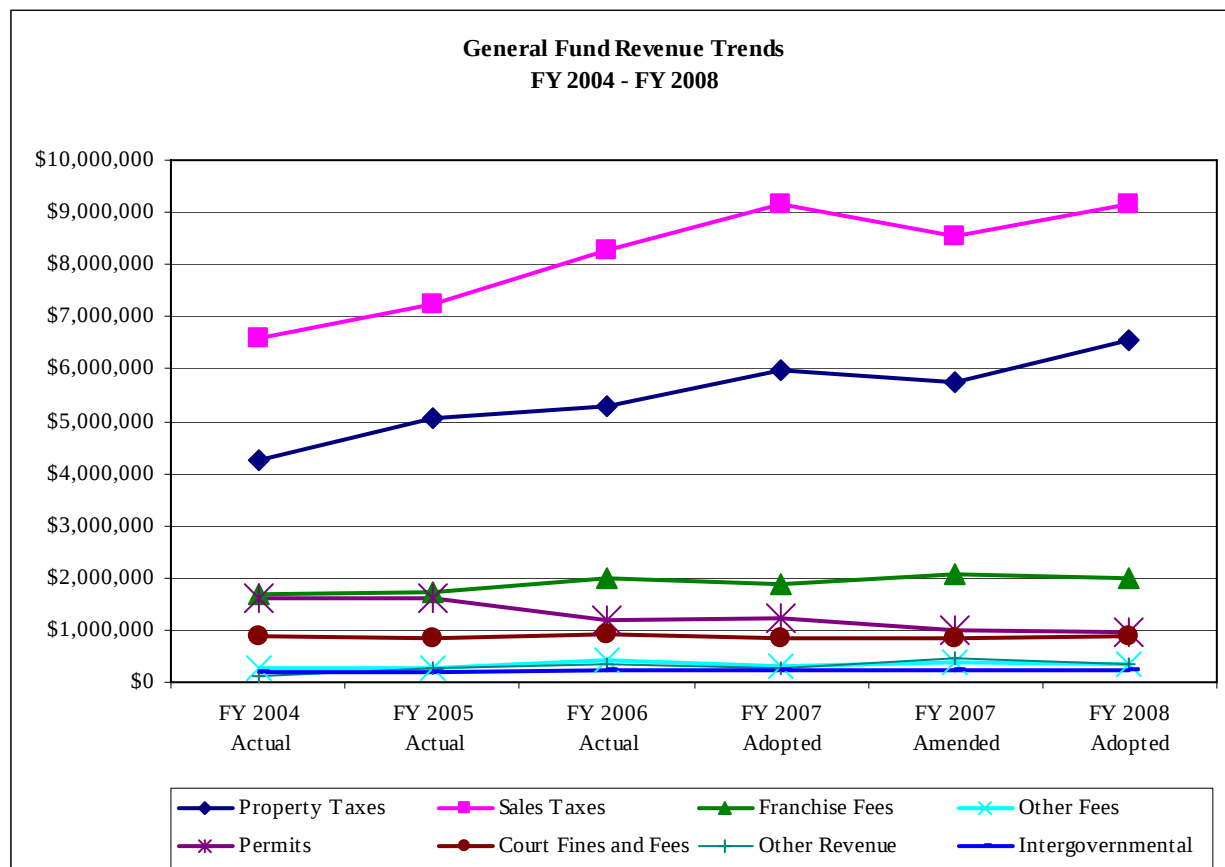
The General Fund

As the primary operating fund of the City, the General Fund is used to account for resources associated with core government services. Property taxes, sales taxes and franchise fees are the primary revenue sources for the General Fund. In FY2008, General Fund revenues and transfers are budgeted at \$21,125,700 and expenditures are budgeted at \$21,116,000 (including \$86,000 of reserve expenditures).

General Fund Revenues

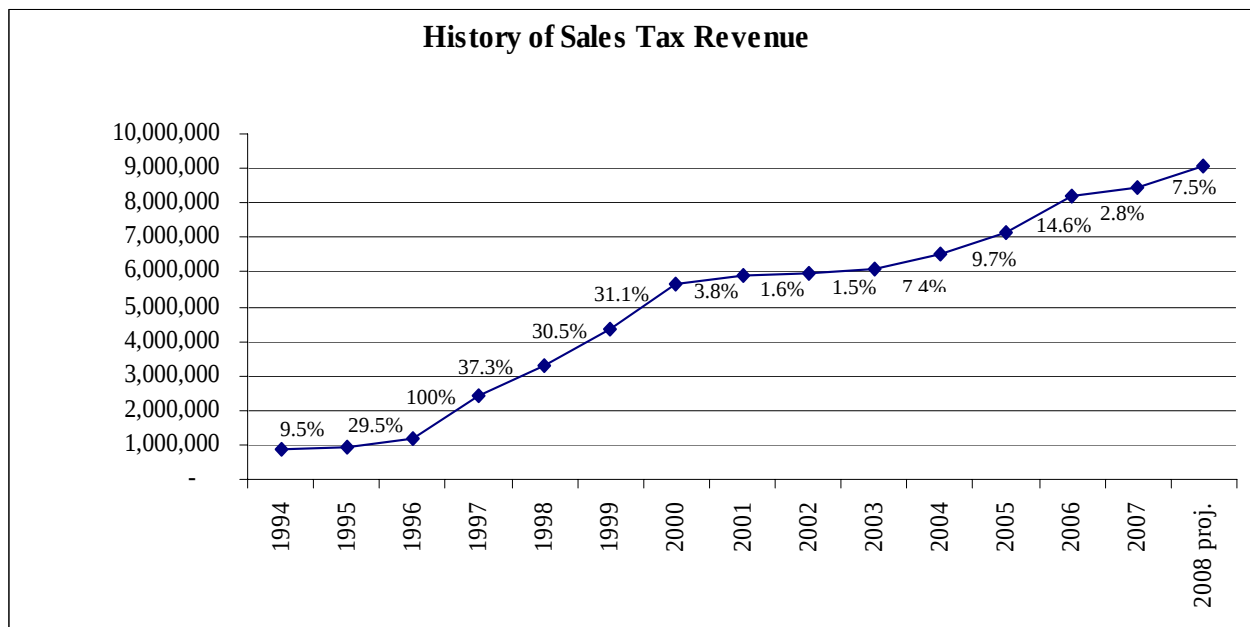
General Fund revenues can be classified into the categories shown in the table below. Recent trends in General Fund revenues are shown on the second chart below. Total revenue growth in FY 2008 is projected to be 3.1 percent above the original FY 2007 budget.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Adopted	FY 2007 Amended	FY 2008 Adopted
Property Taxes	\$4,247,724	\$5,057,703	\$5,277,568	\$5,980,000	\$5,735,000	\$6,558,450
Sales Taxes	6,593,226	7,232,908	8,286,316	9,141,000	8,551,000	9,173,000
Franchise Fees	1,702,156	1,715,242	1,981,016	1,880,000	2,055,400	1,990,000
Other Fees	266,450	268,125	426,995	303,500	402,000	331,500
Permits	1,609,117	1,613,966	1,200,939	1,228,000	988,000	949,400
Court Fines and Fees	887,424	852,851	921,416	851,000	851,000	876,000
Other Revenue	110,268	254,474	357,229	253,500	473,200	353,000
Intergovernmental	173,100	183,284	221,360	222,200	247,200	236,750
Total Revenues	\$15,589,465	\$17,178,553	\$18,672,839	\$19,859,200	\$19,302,800	\$20,468,100



Sales Taxes - \$9,173,000, 44.8 Percent of General Fund Revenues

The City's portion of the total 8.25 cent sales tax rate is 2 cents. Six and one-quarter cents is retained by the state, the General Fund receives 1.5 cents, and one-half cent is allocated to economic development to foster diversification of the property tax base. General Fund sales tax revenue for FY 2008 is projected at \$9,068,000. This represents a 7.2 percent increase over estimates for FY 2007. Sales tax is the most volatile revenue in the General Fund thus funds should be budgeted conservatively each year. FY 2007 sales tax is estimated to be 6.6 percent lower than original budget. Several businesses were not open during the anticipated time frame along with a general economic downturn recognized by several area cities. During FY 2008, several businesses in the Plaza development are expected to open allowing for the conservative increase proposed.



*The 1997 100% increase reflects the collection of the sales tax for property tax reduction and growth in the commercial sector.

Property Taxes - \$6,558,450, 32 Percent of General Fund Revenues

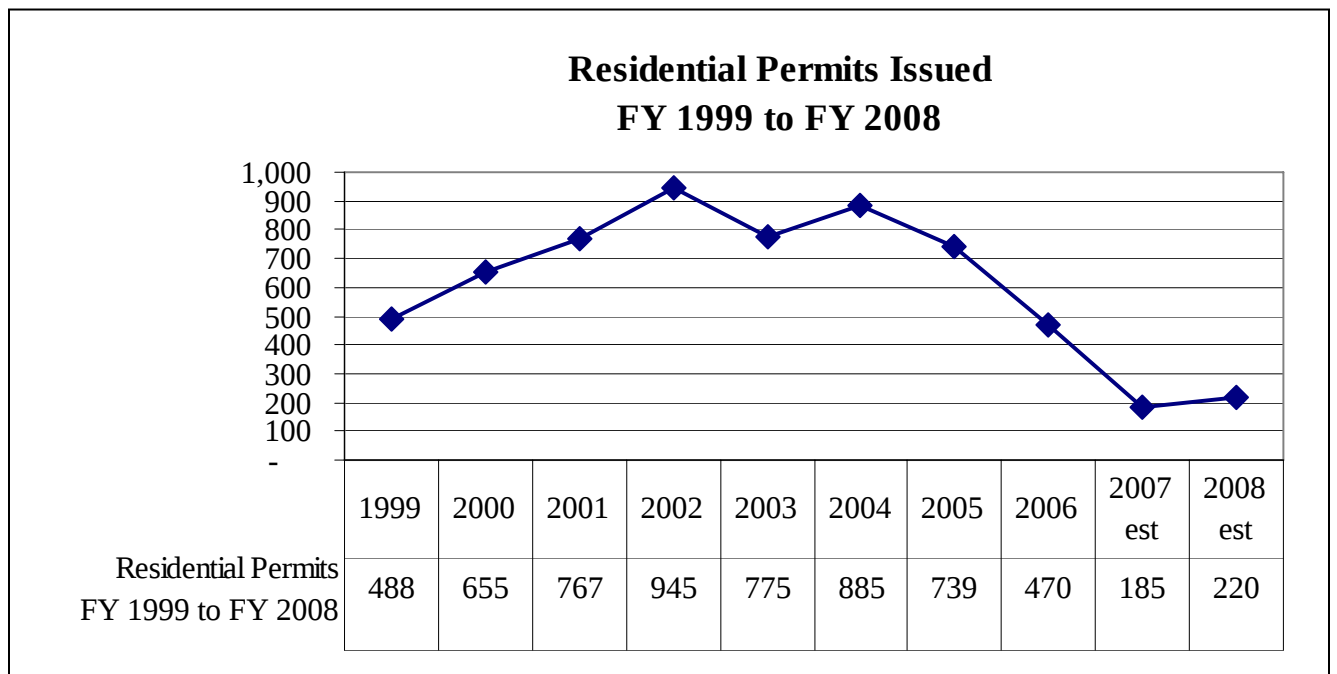
The second largest revenue source for the General Fund is the Property Tax, also known as the Ad Valorem Tax. In FY 2008, this revenue represents 32 percent of General Fund revenues, up from 30.1 percent in the FY 2007 adopted budget. The total assessed value of taxable property in the City is estimated at \$2,781,217,425, and the General Fund's portion of the total property tax is calculated using a rate of 22.43 cents per \$100 of assessed value.

Franchise Fees - \$1,990,000, 9.7 Percent of General Fund Revenues

Franchise Fees are paid by utilities for the use of City streets, alleys and property in providing utility service to citizens. These revenues represent 9.7 percent of General Fund revenues. The electric utility pays the most in franchise fees and is expected to pay \$1.2 million in FY 2008. Other Franchise Fees include the telephone, cable television, garbage collection, and gas utilities.

Service Charges and Permits - \$1,280,900, 6.3 Percent of General Fund Revenues

Service charges are collected by the City for the use of facilities or services. These include pool and recreation fees, various inspections and reviews conducted by City personnel and various permit fees. In FY 2008, these revenues represent 6.3 percent of General Fund revenues, down from 7.7 percent in the FY 2007 budget. The continued reduction in these revenues is primarily associated with fewer residential building permits issued each year.



Court Fines & Fees – \$876,000, 4.3 Percent of General Fund Revenues

These revenues are obtained primarily from fines assessed by the City's Municipal Court. In FY 2008, these revenues represent 4.3 percent of General Fund revenues, the same as presented in the FY 2007 budget.

Other Revenues – \$589,750, 2.9 Percent of General Fund Revenues

The other revenue sources for the General Fund include interest, monies received from other government agencies for grants or services provided and other general miscellaneous revenues. In FY 2008, these revenues represent 2.9 percent of General Fund revenues, up from 2.4 percent in the FY 2007 budget.

Interfund Transfers – Net (\$555,100)

The General Fund receives transfers from, and transfers money to, other funds of the City. In FY 2008, the Water and Sewer Fund will pay the General Fund for indirect costs associated with work performed for that fund. Court Security fees and the Siren Fund will pay the General Fund for items

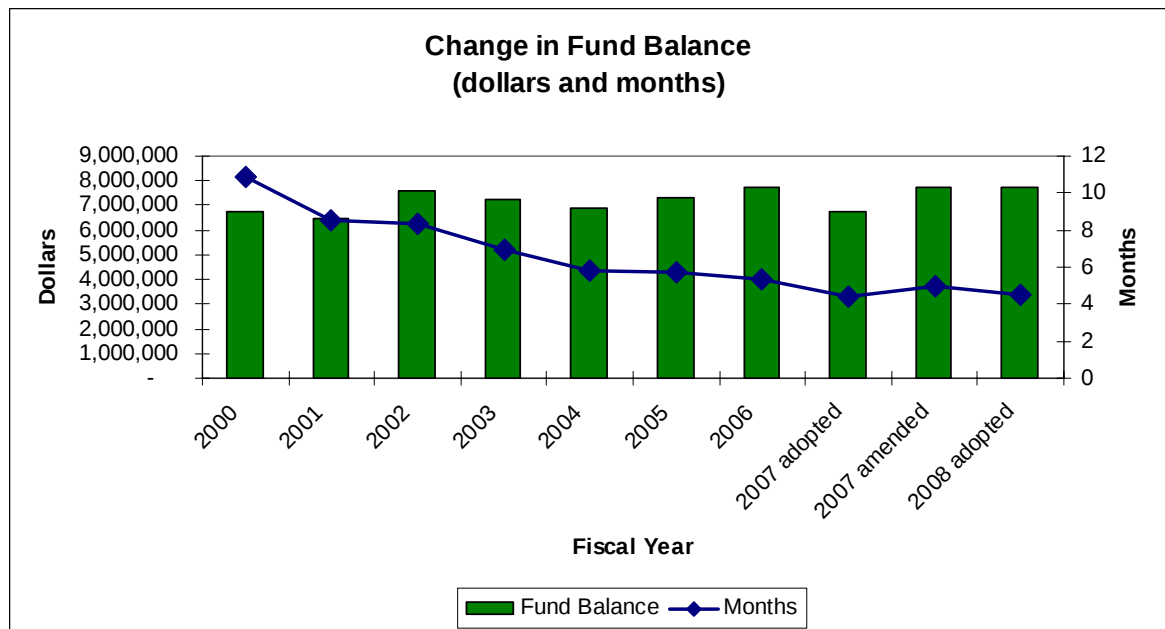
FY 2008 INTERFUND TRANSFERS

Water and Sewer Fund Indirect Costs	\$ 538,100
Court Security and Technology Fees	45,000
Recreational Development Fund Loan Repayment	50,000
Radio Fund	(92,100)
Siren Fund	24,500
Employee Benefits Fund	(1,002,500)
Technology Replacement Fund	(118,100)
TOTAL INTERFUND TRANSFERS	\$ (555,100)

purchased in FY 2008. The Recreational Development Fund will make its 4th payment to reimburse the General Fund for a \$500,000 loan taken in FY 2005. The General Fund will transfer funds to Radio, Employee Benefit and Technology Replacement Funds. These transfers are further explained within each fund. In total, FY 2008 transfers net \$555,100 in funding transferred to other funds within the City, as reflected in the accompanying table.

Unallocated Reserve

The reserve constitutes the City's fund for emergencies and unanticipated expenses. The balance in this fund at the end of FY 2008 is estimated to be \$7,745,742 or 4 months and 21 days. This is within the allowed fund balance reserve stated in the Budgetary Financial Policies. In FY 2008, \$86,000 has been proposed to be spent from General Fund reserves for a street consulting project, upgrading the City's voicemail system, additional parking at City Hall and "Destination Boot Camp" for local business owners.



General Fund Expenditures by Classification

As an organization focused on providing services, the General Fund's largest expense is for the salaries and benefits of full-time staff totaling 208 positions. Salaries and benefits comprise two-thirds of the City's expenditures. This percentage is representative of other area city's budgeted funds spent on personnel related items.

	Amount	Percent of Total
Salaries & Benefits	\$15,299,650	67.90%
Contractual, Supplies, Operational, Utilities	5,646,050	25.05%
Capital Outlay	1,589,400	7.05%
Total FY 2008 Expenditures	\$22,535,100	100.00%



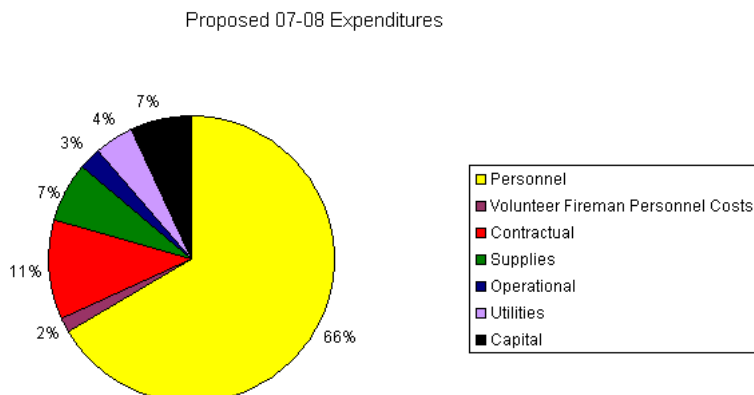
Consolidated General Fund Expenditures

	Actual 05-06	Budgeted 06-07	Amended 06-07	Proposed 07-08	% Inc (Dec)*
Personnel					
Salaries	9,607,633	10,885,540	10,503,990	11,477,990	5.44%
Benefits	3,043,576	3,230,650	3,330,600	3,420,800	5.89%
Volunteer Fire	316,348	410,710	402,510	400,860	-2.40%
Total Personnel	12,967,557	14,526,900	14,237,100	15,299,650	5.32%
Contractual	2,372,507	2,541,250	2,452,650	2,513,800	-1.08%
Supplies	1,505,830	1,521,900	1,324,150	1,489,600	-2.12%
Operational	491,178	582,200	569,300	586,650	0.76%
Utilities	817,312	963,600	956,400	963,600	0.03%
Operating Transfers	154,000	297,600	216,300	92,100	-69.05%
Total Operating Exp (not including Personnel)	5,340,827	5,906,550	5,518,800	5,646,050	1.67%
Capital					
Operating	17,725	24,300	10,400	52,500	116.05%
Contractual	918,970	1,542,030	501,900	1,418,800	-7.99%
Technology	139,300	125,000	104,000	118,100	-5.52%
Transfers	452,119	27,000	32,250	--	-100.00%
Total Capital (operating & short term financing)	1,528,114	1,718,330	648,550	1,589,400	-5.79%
Total Expenditures	19,836,498	22,151,780	20,404,450	22,535,100	1.73%

* % calculated based on adopted budget

Methodology

This calculation compares the employee salaries and benefits including (FICA, TMRS, health insurance transfer, longevity, etc.) This is then compared to the total operating and capital budget. Previously this calculation included Fire Volunteer incentives in the Salary and Benefits total but did not include the capital items for which we issue contractual obligations. While short-term debt is issued, this is still operating type capital items, which could be included in an O&M budget in any given year.



General Fund Staffing

The City budgeted a total of 208 positions, which staff the divisions as shown in the following table.

Division	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Adopted	Changes from FY 2007 to FY 2008
Administration	5.0	5.0	5.0	6.0	6.0	
Administrative Services	5.0	5.0	5.0	5.0	5.0	
Internal Operations	11.0	11.0	11.0	11.0	11.0	
Finance	6.5	7.5	8.0	8.0	8.0	
Municipal Court	3.0	4.0	4.0	4.0	4.0	
Fire Operations	5.0	5.0	5.0	6.0	6.0	
Fire Marshal	3.0	4.0	4.0	4.0	4.0	
Police – Admin	6.0	7.0	8.0	6.0	6.0	
Dispatch	9.0	9.0	10.0	10.0	11.0	1.0
Patrol	33.0	38.0	43.0	46.0	48.0	2.0
Criminal Investigations	10.0	10.0	10.0	8.0	8.0	
Community Services	6.0	6.0	6.0	6.0	6.0	
Warrants	2.0	2.0	3.0	3.0	3.0	
Records	0.0	0.0	0.0	5.0	5.0	
Planning	4.0	4.0	5.0	6.0	6.0	
Code Enforcement	5.0	5.5	5.5	6.5	6.5	
Building Inspections	9.0	10.0	11.0	10.0	9.0	-1.0
Animal Services	4.0	6.0	7.0	7.0	8.0	1.0
Park Maintenance*	12.0	15.0	16.0	18.0	18.0	
Harbor O&M	0.0	0.0	0.0	1.0	1.0	
Recreation*	5.0	5.0	5.0	6.5	5.5	-1.0
Street Maintenance	11.0	11.0	11.0	11.0	11.0	
Engineering	10.0	10.0	12.0	12.0	12.0	
TOTAL GENERAL FUND	164.5	180.0	194.5	206.0	208.0	2.0
* The Parks and Recreation divisions have multiple seasonal positions, however budget a flat dollar amount each year rather than a number of employees.						

Included in the FY 2008 adopted budget is 1 new position fully funded in Dispatch and 4 partially funded positions. Positions funded partial year would add an additional \$138,849 to fund full year as illustrated below.

		Budgeted	Full Year	Difference
Funded 3/1/08				
Animal Services	Shelter Attendant	\$17,787	\$30,831	\$13,044
Funded 7/1/08				
Patrol	Patrol Officer	13,979	55,914	41,935
Patrol	Patrol Officer	13,979	55,914	41,935
Patrol	Patrol Officer	13,979	55,914	41,935
		\$59,724	\$198,573	\$138,849

General Fund Expenditures

The following pages summarize departmental expenditures and tax impact of changes in funding. Additional details regarding new programs and service changes are included in each department's budget presented in the FY 2008 Annual Operating Budget.

The chart below indicates the tax bill for the average home value in the City of Rockwall as compared to the actual cost of service.

Property Tax Estimator

2007 Average Home Value \$193,357

Estimated tax (before exemptions)* \$940.68

	Citizen Contribution		What it Costs	Total Expenditure
Debt Service	26.22	\$507.03	\$507.03	\$8,178,450
Police	6.99	135.10	508.18	6,578,450
General Government	4.53	87.53	329.23	4,261,900
Parks/Recreation	2.69	51.96	195.44	2,530,000
Streets	1.62	31.38	118.04	1,528,050
Fire Operations/Marshal	1.56	30.14	113.36	1,467,500
Finance/Court	1.47	28.44	106.98	1,384,800
Code/Inspections	1.33	25.81	97.07	1,256,600
Engineering	1.17	22.71	85.43	1,105,900
Planning	0.58	11.23	42.26	547,050
Animal Services	0.48	9.36	35.21	455,750
	48.65	\$940.68	\$2,138.24	\$29,294,450

* This tax amount is calculated from the full value of the home before exemptions (homestead, over 65, etc.). Actual tax may be less.

Water and Wastewater Fund

The Water and Wastewater Fund is classified as an Enterprise Fund. Its purpose is to account for water and wastewater services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City's intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

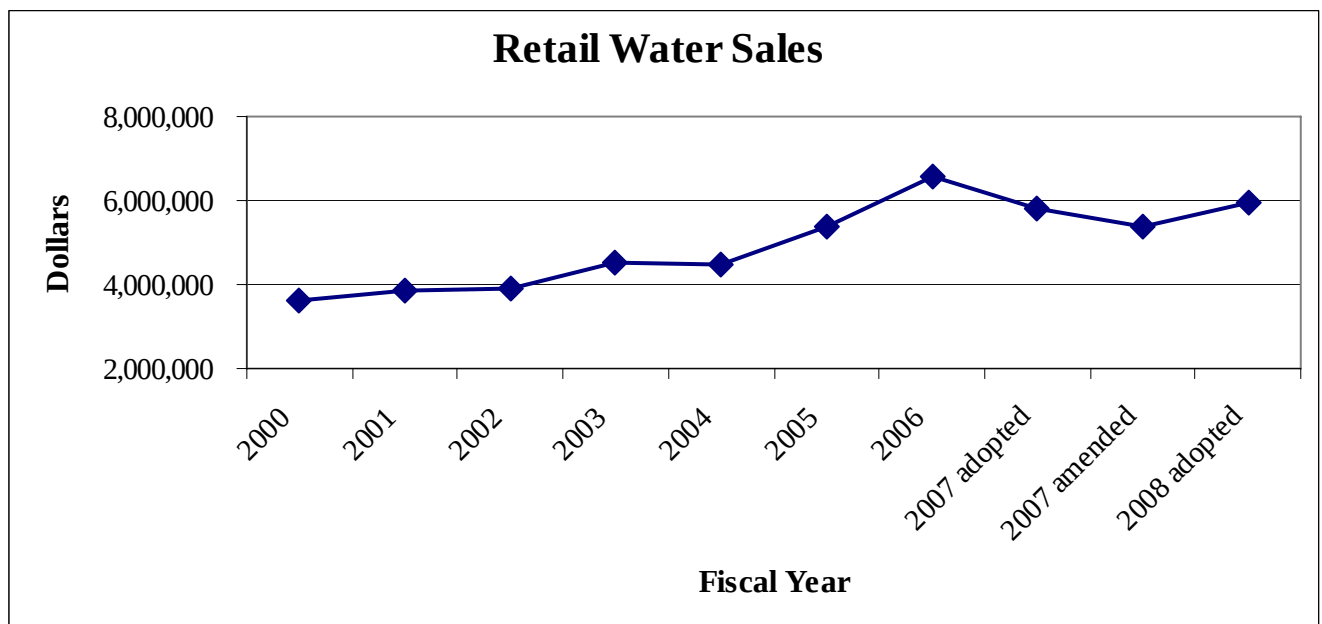
Summary of Revenues

Water and Wastewater revenues can be classified into the categories shown in the table below. Total revenue growth in FY 2008 is projected to be 3.6 percent above the original FY 2007 budget.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Adopted	FY 2007 Amended	FY 2008 Adopted
Utility Sales	\$6,567,137	\$7,614,489	\$9,173,250	\$8,604,600	\$8,023,300	\$8,749,300
Contract Sales	1,310,349	1,592,156	1,699,058	1,448,700	1,520,700	1,635,000
Other Receipts/Fees	300,924	268,518	173,107	141,000	86,200	87,000
Non-Operating Revenue	451,875	351,789	1,875,643	404,000	627,000	510,000
Total Revenues	\$8,630,285	\$9,826,952	\$12,921,058	\$10,598,300	\$10,257,200	\$10,981,300

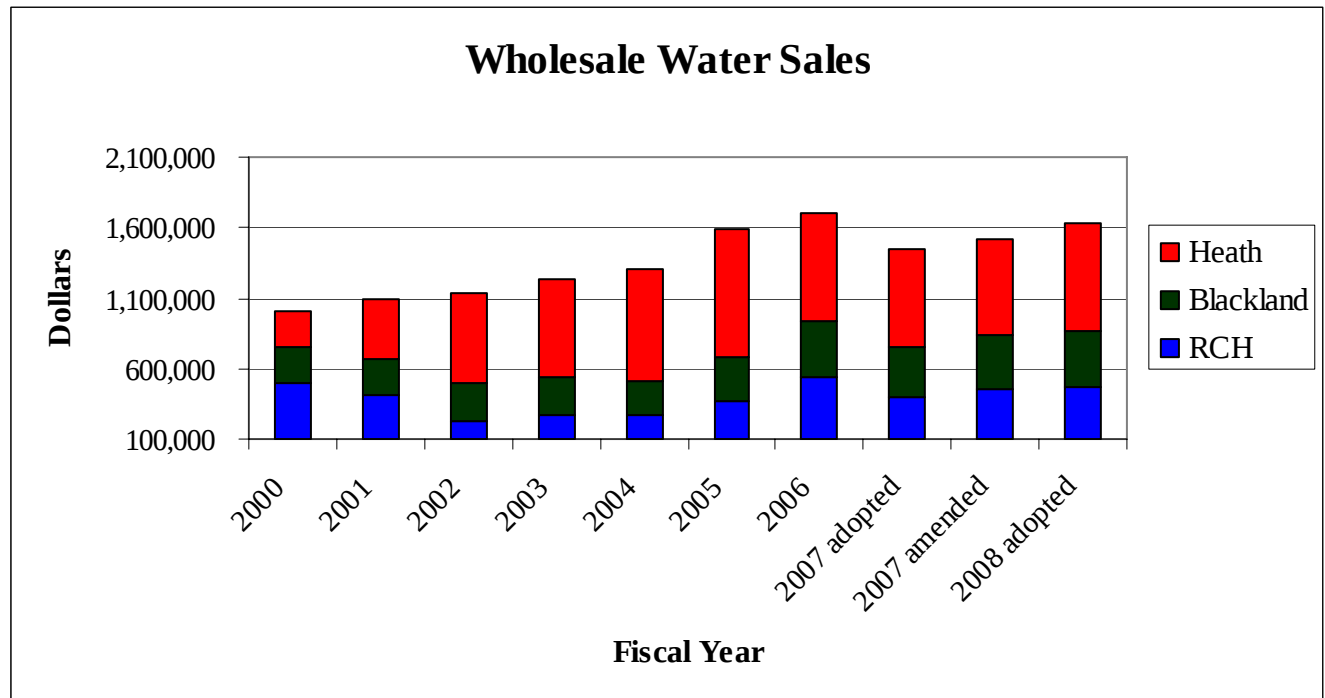
Retail Utility Sales - \$8,749,300, 79.7 Percent of Revenues

Included in these revenues are retail water sales, sewer and pretreatment charges, hazardous waste fees and penalties. The largest revenue source for this fund is retail water sales. The graph below indicates the increasing trend in water sales. The rains which have caused the area to rebound from drought conditions last year will bring lower than expected revenues for the fund.



Wholesale Water Sales - \$1,635,000, 14.9 Percent of Revenues

The City provides water at a wholesale price to RCH Water Supply, Blackland Water Supply, and City of Heath. These revenues represent 14.9 percent of Water/Wastewater Fund revenues, up from 13.7 percent in the FY 2007 budget.



Non-Operating Revenues – \$597,000, 5.4 Percent of Revenues

Other revenue sources for the Water and Wastewater Fund include tap fees, meter rental fees, interest and other miscellaneous revenues. In FY 2008, these revenues represent 5.4 percent of total revenues, up from 5.1 percent in the FY 2007 budget.

Interfund Transfers – (\$1,209,700)

The Water and Wastewater Fund transfers money to other funds of the City. In FY 2008 this fund will pay the General Fund for indirect costs associated with work performed for the Water and

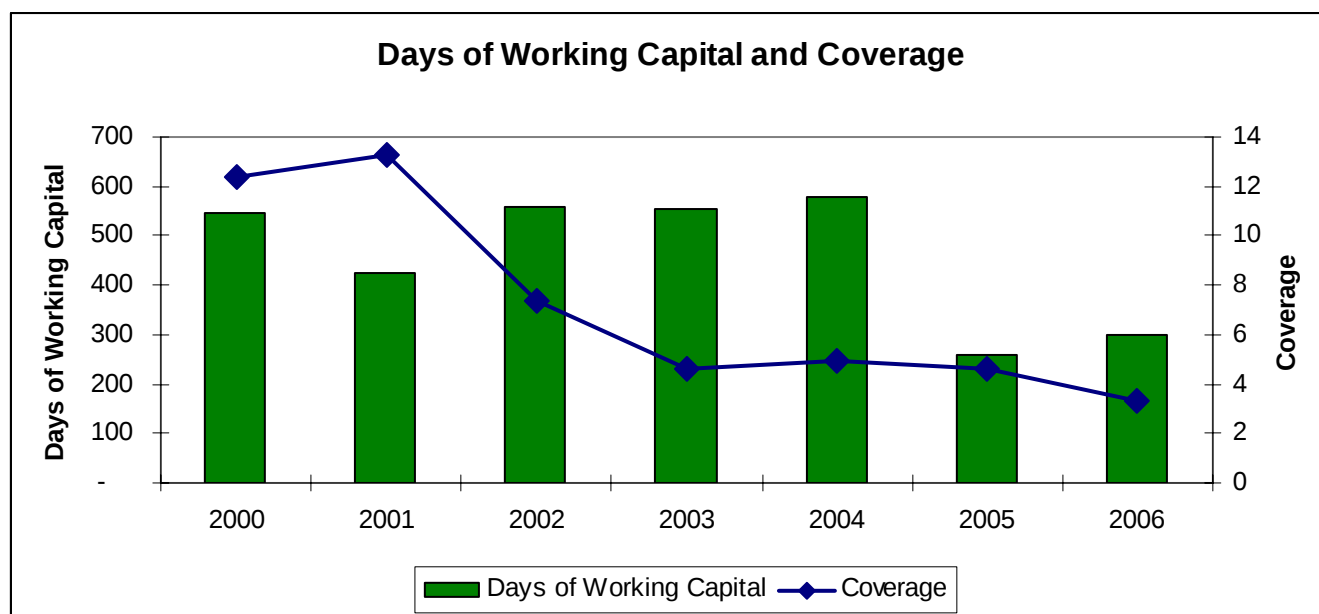
FY 2008 INTERFUND TRANSFERS

General Fund	\$ (538,100)
Worker's Compensation Fund	(30,000)
Employee Benefits Fund	(631,000)
Technology Replacement Fund	(10,600)
TOTAL INTERFUND TRANSFERS	\$ (1,209,700)

Wastewater Fund. Transfers to the Internal Service Funds and Technology Replacement Fund will pay for items expensed in those funds. FY 2008 transfers total \$1,209,700 transferred to other funds within the City, as reflected in the accompanying table. These transfers are further explained within each fund.

Reserve Fund Balance

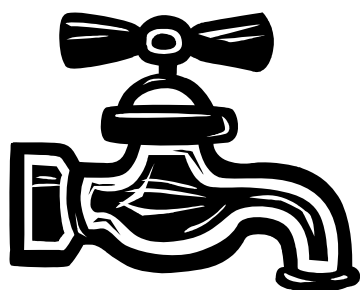
The City must issue debt to finance major projects of both the water and wastewater utilities. The City covenants to the bond buyers that we will maintain our rate structure in order to provide sufficient revenues to the utilities. The city must annually maintain “working capital” (current assets minus current liabilities) of at least 60 days. This is similar to the days of fund balance calculation in the General Fund. In addition, available revenues (revenues after operating expenditures are subtracted) must be at least 1.25 times the debt service requirements for the year. The City has an independent rate study conducted periodically to ensure that our rates are sufficient to meet these tests.



Water and Wastewater Expenses by Classification

The largest expenses in this fund are for the purchase of water and for sewer treatment. These two items account for 32.8 percent of this fund’s budget. Additionally, 9.4 percent of the FY 2008 budget is allocated to system acquisition. Water is purchased from North Texas Municipal Water District under our member city “take or pay” contract. Annually the City allocates funds to be able to purchase the “right to serve” areas annexed into the city and served by one of the water supply corporations.

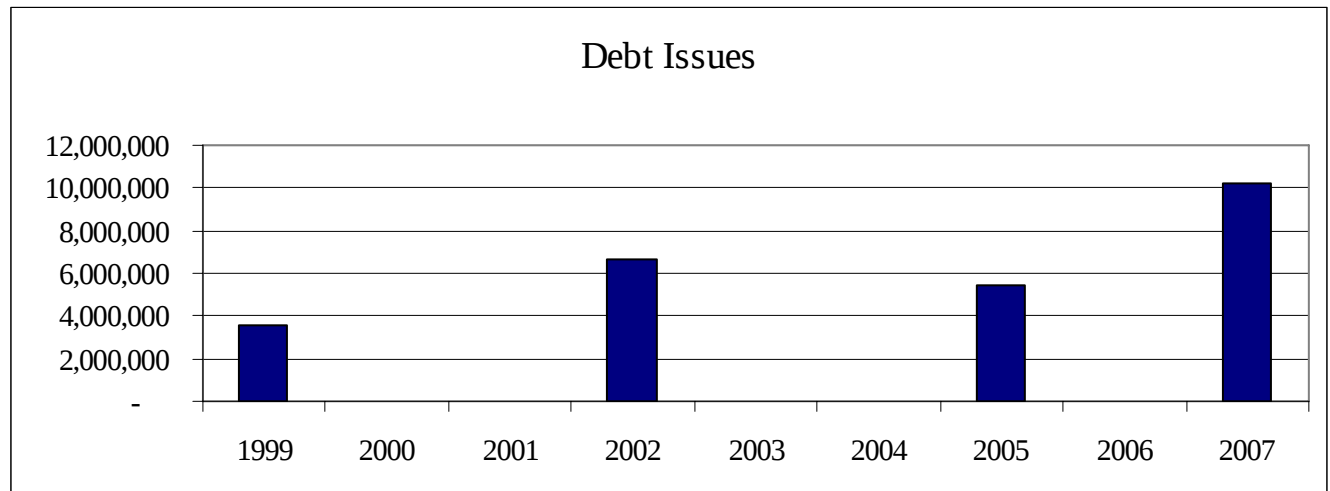
The district manages our Squabble Creek and Buffalo Creek Wastewater Treatment Plants by contract. They also financed the interceptor line which carries wastewater to the South Mesquite Treatment Plant and for which we pay both debt service and treatment costs.



	Amount	Percent of Total
Salaries & Benefits	\$2,887,600	18.58%
Contractual, Supplies, Operational, Utilities	8,158,250	52.50%
Capital Outlay	1,758,650	11.32%
Debt Service	2,734,800	17.60%
Total FY 2008 Expenditures	\$15,539,300	100.00%

Debt Service

The City issues revenue bonds, backed by the revenues of the utilities for major capital projects such as a new water tower or sewer main project. Revenue bonds have been sold as project funding is anticipated.



Utility Staffing

The City has budgeted a total of 34 positions in this fund, which staff the divisions as shown in the following table.

Division	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Proposed	Changes from FY 2007 to FY 2008
Utility Billing	3.0	8.0	8.0	8.0	8.0	
Water Operations	14.0	10.0	11.0	12.0	14.0	2.0
Wastewater Operations	8.0	8.0	10.0	11.0	12.0	1.0
TOTAL WATER & WASTEWATER FUND	25.0	26.0	29.0	31.0	34.0	3.0

Included in the FY 2008 budget are 2 new positions, 1 each in Water and Wastewater Operations along with one position being upgraded in Water Operations. Additionally, one manager position is transferred to this fund temporarily.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery Fund – established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation Fund – established to account for donations, court security fees, and forfeitures.

Recreational Development Fund – established to account for the annual lease income from marinas and golf course. These funds are used for improvements to municipal park facilities.

Radio Fund – established to account for the revenues and expenditures for the support of the City's radio system.

Street Improvements Fund – established to account for the proceeds of street improvement assessments.

Hotel Motel Tax Fund – established to account for the annual income from hotel motel taxes.

Fire Equipment Fund – established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation Fund – established to account for funds received from airport operations and related expenses.

Recycling Fund – established to account for funds to be used for the City's recycling program.

Special Crimes Fund – established to account for revenues and expenditures related to a county-wide task force.

Internal Service Funds

Employee Benefits Fund – established to account for the costs of providing medical and dental insurance on a self-insurance basis and payment of life insurance premiums for employees. The Fund is funded by operating transfers from other funds and charges to employees for extended benefits.

Worker's Compensation Fund – established to account for the costs of the worker's compensation self-insurance program for the City. Funds for this program are provided from proceeds from certificates of obligation and operating transfers from other funds.