Appendix

City of Rockport
FY 2013-2014
Tax Budget Planning Calendar

DATE	ACTION
	JANUARY
01/29/2013	Strategic Planning Retreat with Council
	APRIL
04/02/2013	City Manager & Department Directors given budget forms and information at staff meeting
04/25/2013	Preliminary estimate of 2013 taxable appraised value received from Aransas County Appraisal District
	MAY
05/07/2013	Preliminary information related to department missions and objectives due to City Manager
Weeks of May 6,13,20	City Manager & Department Directors meet to discuss departmental budget requests
05/29/2013	Finance Director completes preliminary FY 2013-2014 revenue estimates
05/29/2013	Department Directors/Staff submit preliminary FY 2013-2014 budget requests to Finance Director
	JUNE
06/04/2013	Budget Workshop with Fire/EMS and Hotel Occupancy Tax Agencies
Week of June 3-10	City Manager and Finance Director review departmental budget requests, issues and alternatives
Week of June 3-10	City Manager and Finance Director tabulate and analyze budget requests and revenue estimates and begin preparing first draft of budget
Week of June 3-10	Further review of budget issues and alternatives. Additional meetings between City Manager and Department Directors as required
	JULY
07/15/2013	Budget Workshop
07/17/2013	Budget Workshop
07/25/2013	FY 2013-2014 Tax Roll certified
07/30/2013	Update FY 2013-2014 revenue estimates. Additional Budget Workshop with City Council.

City of Rockport
FY 2013-2014
Tax Budget Planning Calendar

DATE	ACTION
	AUGUST
08/03/2013	Publish - effective/rollback tax rates: newspaper/website
08/12/2013	File Budget with City Secretary
08/13/2013	Regular Meeting - City Council ***hold public hearing on Utility Rate Increases,*** propose tax rate; if proposed tax rate will exceed rollback or effective tax rate (whichever is lower), take record vote & schedule public hearing **(if needed)**
08/17/2013	Publish - Notice of Public Hearing on Tax Increase **(if needed)** and Budget: newspaper/website
08/27/2013	Public Hearing on Budget and Tax Rate Increase at Regularly Scheduled Council Mtg.
08/31/2013	Publish - Notice of Vote on Tax Rate (if needed): newspaper/website
	SEPTEMBER
09/10/2013	Regular Meeting - Second Public Hearing on Tax Rate Increase/City Council Meeting - discuss tax rate adoption, schedule and announce meeting to adopt tax rate **(if needed)**
09/14/2013	Publish - Notice of Vote on Tax Rate **(if needed)**: newspaper/website
09/24/2013	Regular Meeting - City Council meet to adopt FY 2013-2014 Budget (roll call vote) the 2013 Tax Rate(roll call vote) and Ratify Property Tax Increase reflected in the Budget(roll call vote).
09/30/2013	File copies of adopted budget with City Secretary, County Clerk and made available for public inspection. Additional copies given to City Council and Department Directors

ORDINANCE NO. 1613

AN ORDINANCE OF THE CITY OF ROCKPORT, TEXAS, ADOPTING A BUDGET AND APPROPRIATING RESOURCES FOR FISCAL YEAR 2013-2014, BEGINNING OCTOBER 1, 2013 AND ENDING SEPTEMBER 30, 2014; IN ACCORDANCE WITH EXISTING STATUTORY REQUIREMENTS; REPEALING ALL CONFLICTING ORDINANCES; CONTAINING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Manager and staff have prepared and filed with the City Secretary a proposed budget for the operation of the City during Fiscal Year 2013-2014; and

WHEREAS, the City Manager of the City of Rockport has submitted to the Mayor and Council a proposed budget of the revenues and expenditures/expenses of conducting the affairs of said City and providing a complete financial plan for Fiscal Year beginning October 1, 2013 and ending September 30, 2014; and

WHEREAS, the City Council on August 27, 2013 conducted a public hearing to receive input from citizens of the City concerning the content of the budget, and for which notices were duly posted in the *Rockport Pilot;* and

WHEREAS, the City has acknowledged that this budget will raise more property taxes than last year's budget by $ 99,183.00 or 2.31%, and of that amount $ 20,400.00 is tax revenue to be raised from new property added to the tax roll this year; and

WHEREAS, the City Council having considered the proposed budget at length, and having provided input in its preparation, has determined that the proposed budget and the revenues and expenditures contained therein are in the best interest of the City and, therefore, the Council desires to approve and adopt the budget by formal action.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCKPORT, TEXAS, THAT:

Section 1: The proposed budget for the fiscal year beginning October 1, 2013 and ending September 30, 2014, as submitted to the City Council by the City manager, which budget is attached hereto as Exhibit "A," for all purposes is hereby approved and adopted as the City's as the City's budget of all revenue and expenditures/expenses of the City of Rockport, Texas for Fiscal Year 2013-2014; and

Section 2: In accordance with Section 7.05 of the Charter of the City of Rockport, Texas, the Capital Improvement Program is included in the budget; and

Section 2: The sum of Twenty Eight Million, Nine Hundred Forty Five Thousand, Four Dollars ($28,945,004) is hereby appropriated for the City's FY 2013-2014 budget. Further, these funds are for payment of operating, capital, and debt service expenses associated with the

operation and administration of the City, according to the various purposes and intents described in the FY 2013-2014 budget document.

Section 3: Should any paragraph, sentence, subdivision, clause, phrase or section of this Ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this Ordinance, as a whole or any part or provision thereof, other than the part or parts adjudged to be invalid, illegal, or unconstitutional.

Section 4: This Ordinance shall be in full force and effect from and after its adoption by the City Council, pursuant to applicable State and local laws and the City Charter.

Section 5: All other ordinances and Code provisions that are in conflict herewith are hereby repealed, but only to the extent of any such conflict or inconsistency.

PASSED, APPROVED and **ADOPTED** on this the 24th day of September 2013 by roll call vote as follows:

FOR MOTION: Mayor Wax, Council Member Day, Council Member Villa, Mayor Pro-Tem Rios and Council Member Marlatt.
AGAINST MOTION:

CITY OF ROCKPORT, TEXAS

Charles J. Wax, Mayor

ATTEST:

Teresa Valdez, City Secretary

EXHIBIT "A"

City of Rockport
Fiscal Year 2013-2014 Budget Summary

	Beginning Balance	Revenues	Expenditures	Ending Balance
General Fund	3,131,055	7,005,204	6,978,644	3,157,615
Enterprise Funds				
Utility System	3,129,707	9,587,244	9,580,162	3,136,789
Sanitation	0	1,780,222	1,764,180	16,042
Natural Gas Distribution	349,773	2,028,082	2,025,436	352,419
Community Aquatic/Skate Center	0	274,152	274,152	0
Total	3,479,480	13,669,700	13,643,930	3,505,250
Special Revenue Funds				
Municipal Court Technology	87,092	16,000	1,200	101,892
Utility Surcharge	166,886	167,490	167,420	166,956
Bay Education Center Operations	1,705	45,700	45,700	1,705
Municipal Court Juvenile Case Mgr	989	15,000	15,000	989
Fleet Operation & Maintenance	49,503	632,500	655,964	26,039
Hotel Occupancy Tax	437,624	665,000	636,157	466,467
Forfeiture & Seizure	27,902	0	0	27,902
City/County Communications	0	532,856	532,856	0
Total	771,701	2,074,546	2,054,297	791,950
Debt Service Funds				
Interest and Sinking	150,169	1,992,926	1,978,220	164,875
Utility Debt Service	191,178	1,742,265	1,743,161	190,282
Total	341,347	3,735,191	3,721,381	355,157
Vehicle & Equip. Replcmnt Fund				
General	161,496	190,000	65,000	286,496
Utility	549,461	117,261	150,000	516,722
Total	710,957	307,261	215,000	803,218
Capital Improvement Projects				
General CIP	275,794	1,987,102	1,987,102	275,794
Utility CIP	367,889	166,000	0	533,889
Total	643,683	2,153,102	1,987,102	809,683
GRAND TOTAL	9,078,223	28,945,004	28,874,776	9,422,873

ORDINANCE NO. 1614

AN ORDINANCE APPROVING THE ASSESSMENT AND RENDITIONS FOR THE 2012 TAXABLE PROPERTY AS SUBMITTED BY THE APPRAISAL DISTRICT; LEVYING A TAX RATE FOR $100.00 VALUATION FOR THE CITY OF ROCKPORT, ARANSAS COUNTY, TEXAS FOR THE TAX YEAR 2013 OF $0.185090 FOR THE PURPOSE OF MAINTENANCE AND OPERATION, $0.142638 FOR THE PAYMENT OF PRINCIPAL AND INTEREST ON DEBT OF THE CITY FOR A TOTAL TAX RATE OF $0.327728; PROVIDING FOR A LIEN ON ALL REAL AND PERSONAL PROPERTY TO SECURE PAYMENT OF TAXES DUE THEREON; CONTAINING A SEVERABIILTY CLAUSE; REPEALING ALL ORDINANCES AND PARTS THEREOF IN CONFLICT HEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of Rockport, Texas has on this date by way of separate Ordinance, duly approved and adopted a Budget for the operation for the City for Fiscal Year 2013-2014 (FY 2013-2014); and

WHEREAS, the aforesaid Ordinance anticipates and required the levy of an *ad valorem tax* on all taxable property in the City of Rockport; and

WHEREAS, the Chief Appraiser of Aransas County Tax Appraisal District has prepared and certified the appraisal roll for the City of Rockport, Texas, that roll being that portion of the approved appraisal roll of the Aransas County Tax Appraisal District which lists property taxable by the City of Rockport, Texas; and

WHEREAS, it is necessary to levy such an *ad valorem* tax at a given rate to generate revenues sufficient to meet the projected expenses of the City for FY 2013-2014; and

WHEREAS, the City has fully and timely complied with all notice and other requirements relative to the adoption of a tax rate for FY 2013-2014.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCKPORT, TEXAS, THAT:

Section 1: There is hereby levied for the FY 2013-2014 upon all real property situated within the corporate limits of the City of Rockport, Texas, and upon all personal property which was owned within the corporate limits of the City of Rockport, Texas, on January 1, 2013, except so much thereof as may be exempt by the Constitution or laws of the State of Texas, a total tax of $0.327728 on each $100 of assessed valuation on all taxable property, which total tax herein so levied shall consist and be comprised of the following components:

a) An *ad valorem* tax rate of $0.185090 on each $100 of assessed valuation of all taxable property is hereby levied for general City purposes and to pay the current operating expenses of the City of Rockport, Texas,

for the fiscal year ending September 30, 2014, which tax, when collected shall be appropriated to and for the credit of the General Fund of the City of Rockport, Texas.

b) An *ad valorem* tax rate of $0.142638 on each $100 of assessed valuation of taxable property is hereby levied for the purpose of creating an Interest and Sinking Fund with which to pay the interest and principal of the valid bonded indebtedness, and related fees of the City of Rockport, now outstanding and such tax, when collected, shall be appropriated and deposited in and to the credit of the general Debt Service Fund of the City of Rockport, Texas, for the fiscal year ending September 30, 2014.

Section 2: The City of Rockport shall have lien on all taxable property located in the City of Rockport to secure the payment of taxes, penalty, and interest, and all costs of collection, assessed and levied hereby.

Section 3: Taxes are payable in Rockport, Texas at the Office of the Tax Assessor Collector of Aransas County, Texas. The City shall have available all the rights and remedies provided by law for the enforcement of the collection of taxes levied under this Ordinance.

Section 4: The tax roll presented to the City Council, together with any supplements thereto, are hereby accepted and approved.

Section 5: Should any paragraph, sentence, provision, clause, phrase or section of this Ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this Ordinance, as a whole or any part or provision thereof, other than the part or parts adjudged to be invalid, illegal, or unconstitutional.

Section 6: This Ordinance shall be in full force and effect from and after its adoption by the City Council and publication of its caption as the law and the City Charter provide in such cases.

Section 7: All other ordinances and Code provisions in conflict herewith are hereby repealed, but only to the extent of any such conflict or inconsistency and all other provisions of the Rockport City Code not in conflict herewith shall remain in full force and effect.

Section 8: The repeal of any ordinance or parts thereof by the enactment of this Ordinance, shall not be construed as abandoning any action now pending under or by virtue of such ordinance; nor shall it have the effect of discontinuing, abating, modifying or altering any penalty accruing or to accrue, nor as affecting any rights of the City under any section or provision of any ordinances at the time of passage of this Ordinance.

APPROVED on first reading on the 10th day of September 2013.

CITY OF ROCKPORT, TEXAS

Charles J. Wax, Mayor

ATTEST:

Teresa Valdez, City Secretary

APPROVED, PASSED and **ADOPTED** on second and final reading, this 24th day of September 2013 by roll call vote as follows:

FOR MOTION: Mayor Wax, Council Member Day, Council Member Villa, Mayor Pro-Tem Rios and Council Member Marlatt.

AGAINST MOTION:

CITY OF ROCKPORT, TEXAS

Charles J. Wax, Mayor

ATTEST:

Teresa Valdez, City Secretary

CITY of ROCKPORT, TEXAS

Est. 1870

GOVERNMENT ORGANIZATION

The City is a home-rule municipality and operates under a Council-Manager form of Government. Under its provisions the City Council, consisting of the Mayor and four Council Members elected by and responsible to the people, appoint a City Manager who shall be responsible to the City Council for the administration of the government of the City. All powers of the City shall be vested in the City Council and shall be exercised in the manner prescribed in the City Charter.

The City provides the following services as authorized by its charter: public safety, streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities. The City also acts as the executive agent for the Community Aquatic Center.

FINANCIAL STRUCTURE

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenues and expenses or expenditures. All capital expenditures and major projects are included in each fund.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can by determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City considers property taxes available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, special assessments, sales taxes, gross receipts taxes, occupancy taxes, interest revenues and charges for services. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

BUDGETS AND BUDGETARY ACCOUNTING

The method used to determine when revenues and expenditures are recognized for budgetary purposes is known as the budgetary basis of accounting. The City of Rockport uses the modified accrual basis as the budgetary basis of accounting. The City of Rockport defines a balanced budget as a budget where revenues equal or exceed expenditures.

Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Hotel Occupancy Tax, Utility Bill Surcharge and all Enterprise Funds.

Unused appropriations for all the annually budgeted funds lapse at the end of the fiscal year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Projects are budgeted over the life of the respective project and not on an annual basis.

BUDGET PROCESS SUMMARY

The budgeting process must comply with the City Charter and the public hearing requirements of Texas law.

The fiscal year of the City shall begin on the first day of each October and end on the last day of September of each calendar year. The fiscal year shall constitute the budget year of the City government. The term "budget year" shall mean the fiscal year for which any particular budget is adopted and in which it is administered.

On or before the first regular scheduled meeting in August of each year, the City Manager shall submit to the City Council a proposed budget for the ensuing fiscal year and budget message. The City Council shall review the proposed budget and make any appropriate changes prior to publishing the final budget.

The budget shall consist of three parts as follows:

1. Budget message prepared by the City Manager, which shall outline a fiscal policy for the City government, describing therein the important features of the budget with reference both to proposed expenditures and anticipated income for the ensuing year; and

A general budget summary with supporting schedules, which shall exhibit the aggregate figures of the budget in such manner as to show a balanced relationship between the total proposed expenditures and the total anticipated income for the fiscal year covered by the budget, and which shall compare these figures with the corresponding figures of the last completed fiscal year and the year in progress.

2. Detailed estimates of all proposed expenditures, showing the corresponding expenditures for each item for the current fiscal year and the last preceding fiscal year with explanations of increases or decreases recommended as compared with appropriations for the current fiscal year;

Detailed estimates of anticipated revenues and other income; and

Delinquent taxes for current and preceding years, with estimated percentage collectible; and statements of the bonded debt redemption and interest requirements, the

debt authorized and unissued, the condition of the sinking funds, if any, and the borrowing capacity of the City.

3. A complete draft of the budget ordinance, including an appropriation ordinance and such other ordinances as may be required to finance the budget.

The City Council shall make available in the City offices a general summary of the proposed budget and a notice stating the times and places where copies of the message and budget are available for inspection by the public, and the time and place, applicable to current laws, for a public hearing on the budget.

The City Council shall hold a public hearing on the budget as submitted at the time and place so advertised or another time and place with proper notification. All interested persons shall be given an opportunity to be heard, either for or against any item of the proposed budget.

At a regular or special meeting not fewer than seven (7) days after the public hearing, the City Council may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law for debt service or for an estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior year.

The City Council shall adopt or amend the budget by ordinance on one (1) reading. Adoption of the budget shall constitute appropriation of the amount specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.

If the City Council fails to adopt the budget by the twenty-seventh (27th) day of September, the amounts appropriated for the operation during the current fiscal year shall be deemed adopted for the ensuing fiscal year on a month-to-month basis, with all items in it prorated accordingly, until such time as the City Council adopts a budget for the ensuing fiscal year. The levy of property tax normally approved as part of the budget adoption will be set such that tax receipts for the budgeted year shall equal the tax receipts of the current fiscal year.

The approved budget will be filed with the City Secretary and the County Clerk.

LONG TERM DEBT POLICY

The City shall have the right and power, except as prohibited by law or the Charter, to borrow money by whatever method it may deem to be in the public interest.

The City shall have the power to borrow money on the credit of the City and to issue bonds or certificates of obligation for permanent public improvements or for any other public purpose not prohibited by law and the Charter, and to issue refunding bonds to refund outstanding bonds previously issued. All such bonds or certificates of obligation shall be issued in conformity with the laws of the State of Texas and shall be used only for purposes for which they were issued. All bonds and certificates of obligation, except those certificates issued for public necessity, or refunding debts, shall not be issued without an election except where otherwise permitted by state law. The City Council shall prescribe the procedure for calling and holding such elections, shall define the voting precincts and shall also provide for the return and canvass of the ballots cast at such elections. If, at such elections, a majority of the vote shall be in favor of creating such a debt, it shall be lawful for the City Council to issue bonds as proposed in the ordinance submitting same, but if a majority of the vote polled shall be against the creating of such debt, the City Council shall be without authority to issue the bonds. In all cases when the City Council shall order an election for the issuance of bonds of the City, it shall, at the same time, submit the questions of whether or not a tax shall be levied upon the property of the City for the purpose of paying the interest on the bonds and to create a sinking fund for their redemption.

The City shall have the power to borrow money for the purpose of constructing, purchasing, improving, extending or repairing any public utilities, recreational facilities or any other self-liquidating municipal function not prohibited by the constitution and laws of the State of Texas, and to issue revenue bonds to evidence the obligation created thereby. Such bonds shall be a charge upon and payable for the properties, or interest therein pledged, or the income therefrom, or both. The holder of the revenue bonds shall never have the right to demand payment thereof out of monies raised or to be raised by taxation. All such bonds shall be issued in conformity with the laws of the State of Texas and shall be used only for the purpose for which they were issued.

In any budget year, the City Council may, by resolution, authorize the borrowing of money in anticipation of the collection of the ad valorem tax for the same year, whether levied or to be levied. Notes may by issued for periods not exceeding one (1) year and must be retired by the end of the budget year in which issued.

General obligation and revenue bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the City. The City of Rockport requested a rating from Standard & Poor's and Fitch Ratings this year. Based on information submitted with the request, the City received a rating AA from Standard & Poor's and AA- from Fitch Ratings. The City of Rockport currently has no authorized debt that is unissued.

FUND BALANCE POLICY

The City of Rockport makes every effort to maintain a 180 day unreserved fund balance in the General Fund and the Utility System Fund. A 180 day unreserved fund balance for the General Fund is approximately $3,500,000 and for the Utility System Fund is approximately $4,500,000. The Utility System Fund balance is only four months at this time due to the purchase of the Aransas Natural Gas Company in May 2008. This purchase was done using Utility System Fund balance and has been set up on a twenty year pay back schedule.

PURCHASING POLICY

The following is a portion of the City of Rockport's Purchasing Policy. For a complete copy of the City's Purchasing Policy, visit www.cityofrockport.com.

Purpose and Goals

It is the purpose of the purchasing policy to establish uniform guidelines by which City departments can acquire goods and services. The goals are designed to:

1. Ensure compliance with state and local laws pertaining to municipal purchasing;
2. Ensure the lowest responsive vendor is paid for goods and services meeting City specifications;
3. Meet the operational needs of the City;
4. Provide a timely and cost effective method for acquiring goods and services;
5. Provide reasonable and efficient internal controls; and
6. Encourage competitive bidding on the part of vendors.

Public Records Policy

Records, including purchase orders, invitations to bid, bid tally sheets and other information of a public nature, are available for review at the City Secretary's office following completion of the bidding process. Release of documents is subject to the Texas Public Information Act as may be retained pursuant to the City's Records Management Policy.

General Provisions

The following are general provisions to be followed with regard to purchase procedures:

As bids and proposals are received by the City Secretary's office, they shall be stamped with the date and time of receipt, but left unopened.

1. As bids and proposals are received by the City Secretary's office, they shall be stamped with the date and time of receipt, but left unopened.
2. On the date and time of bid opening as designated in the published notice, the City Secretary or other persons designated by the City Manager shall open the bids at a public meeting. If bidders are represented at the bid opening, they

should be provided a tabulation of the bids/proposals received not later than three days after bid opening and should be informed of the process and schedule to be observed in awarding the contract.

3. If the contract is for construction of public works, the successful bidder must provide a bond for the faithful performance for the full amount of the contract.
4. Consistent with Section 7.09 of the City Charter, the City Council may, by ordinance, confer upon the City Manager general authority to contract for expenditure without further approval of the City Council for all budgeted items not exceeding limits set by the City Council. Consistent with state law, all expenditures must be approved in advance by the City Council and subject to competitive bidding or competitive sealed proposals. These provisions apply to professional service agreements.
5. Department Heads shall submit a list of individuals authorized to purchase to the Finance Department. This list shall contain the level at which each individual is allowed to purchase.
6. It shall not be permissible to make several purchases of the same or similar items for the purpose of circumventing the competitive bidding or competitive proposal requirements.

INVESTMENT POLICY

The following is a portion of the City of Rockport's Investment Policy. For a complete copy of the City's Investment Policy, visit www.cityofrockport.com.

I. Policy Statement

It is the policy of the City of Rockport that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investment shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interests of the City.

II. Scope

This investment policy applies to all the financial assets and funds of the City. The City commingles its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity. These funds are defined in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General fund;
- Enterprise funds;
- Special revenue funds;
- Capital project funds;
- Debt Service funds;
- Trust and agency funds;
- Vehicle and equipment replacement funds;
- Any new fund created, unless specifically exempted.

III. Objective and Strategy

It is the policy of the City that all funds shall be managed and invested with four primary objectives, listed in order of their priority: Safety, liquidity, diversification and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade money market instruments are designed to assure the marketability of those investments should liquidity needs arise. To match anticipated cash flow requirements the maximum weighted average maturity of the overall portfolio may not exceed six months.

Safety of Principal
Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity
The City's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Diversification
Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each sale and purchase.

Yield
The City's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the City's risk constraints and the cash flow needs of the portfolio. "Market rate of return: may be defined as the average yield of the current six month U.S. Treasury Bill."

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The City shall maintain a comprehensive cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

Cash Flow Forecasting
Cash flow forecasting is designed to protect and sustain cash flow requirements of the City. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

CAPITALIZATION POLICY

The City accounts for property and equipment and long-term liabilities of the governmental and similar trust funds through the following account groups: the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Property and equipment of proprietary and similar trust funds are accounted for in those funds. Fixed assets are recorded at historical cost or estimated market value, if donated. Fixed assets are depreciated using the straight-line method based on estimated useful lives. Interest expense during construction of assets is capitalized. The estimated useful lives by type of asset are as follows:

Buildings and Improvements	10-30 years
Water and Wastewater System	20-50 years
Equipment	5-10 years

The City's capitalization policy is to capitalize expenditures for fixed assets of $5,000 or more with estimated useful lives over one year.

GLOSSARY

The Annual Budget contains specialized and technical terminology that is unique to public finance and budgeting. To assist the reader of the Annual Budget document in understanding these terms, a budget glossary has been included in the document.

Ad Valorem Tax – A tax based on value (see Property Tax for further definition).

Account Payable – See the definition for encumbrance.

Accrual Accounting – A basis of accounting in which revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which they are incurred.

Adopted Budget – An adopted budget, as used in the fund summaries and department and program summaries with the budget document, represents the 2005-2006 budget as originally adopted by the City Council.

Amended Budget – Amended budget, as used throughout the budget document, represents the original budget plus any amendments passed after the adoption of the current budget.

Agency Fund – A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or funds.

Appropriation – An authorization made by the City Council, which permits the City to incur obligations and to make expenditures of resources.

Assessed Valuation – A value that is established for real or personal property for use as a basis for levying property taxes.

Assessment Ratio – The ratio at which tax rate is applied to tax base. The assessment ratio is currently set at 100% by State law.

Assessment Roll – With real property, the official list containing the legal description of each parcel of property and its assessed valuation.

Asset – Resources of a government that have monetary value.

Audit – A comprehensive review of the manner in which the government's resources were actually utilized. The main purpose of an audit is to issue an opinion over the presentation of financial statements and to test the controls over the safekeeping of assets while making any recommendations for improvements where necessary.

Balance sheet – A financial statement that discloses the assets, liabilities, reserves and balances of a specific governmental fund as of a specific date.

Basis of Accounting – A term used to refer to when revenues, expenditures, expenses, and transfers – and the related assets and liabilities – are recognized in the accounts and reported in the financial statements.

Basis of Budgeting – The method used to determine when revenues and expenditures are recognized for budgetary purposes.

Bid – Formal quotation, based on common specifications, for the provision of goods or services. Opened at public for meeting consideration and award.

Bond – A written promise to pay a sum of money on a specific date at a specified interest rate. The most common types of bonds are general obligation (including certificates of deposit) and revenue bonds. These are most frequently used for construction of large capital projects, such as buildings, streets, bridges, and water and wastewater lines.

Budget – A financial plan for a given fiscal year showing revenues and expenditures for different funds of the City.

Budget Calendar - the schedule of key dates or milestones, which the City departments follow in the preparation, adoption, and administration of the budget.

Budget Document – The instrument used by the budget-making authority to present a comprehensive program to the City Council.

Budget Message – The opening section of the budget, which provides the City Council and the public with a general summary of the most important aspects of the budget from the City Manager.

Budget Year – The budget or fiscal year for the City of Rockport is October 1 through September 30.

Budgetary Control – The control or management of a government unit or enterprise fund in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

Budgetary Guidelines – Recommendations on budgeting issued by the National Advisory Council on State and Local Budgeting (NACSLB). The NACSLB's budgetary guidelines are chiefly of interest to accountants because of the emphasis they place on performance measurement in the context of the budgetary process.

Business-type Activities - One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.

Calculated Effective Tax Rate – State law in Texas prescribes a formula for calculating the effective tax rate for cities. The net effect of the formula is to produce a tax rate that go up when property values rise because of inflation (revaluation) but does let the City receive additional tax revenue when growth is experienced from new structures and annexations. The intent is to generate a rate that produces approximately the same revenue as the year before. The formula does make adjustments for additional debt service, newly annexed property and newly constructed property.

Capital or Capital Outlay – Expenditures made to acquire fixed assets or additions to them usually made from the general fund or utility fund where the assets are to be used.

Capital Improvement – A government acquisition of real property, major construction project, or acquisition of long lasting, expensive equipment.

Capital Improvement Program Budget – A Capital Improvement Program (CIP) Budget is a separate budget from the operating budget. Items in the CIP are usually construction projects designed to improve the value of the government assets. Examples of capital improvement projects include new roads, wastewater lines, buildings, recreational facilities and large scale remodeling.

Capital Lease – An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time, that meets one or more of the criteria set forth in SFAS (statement of Financial Accounting Standards) No. 13 for lease capitalization.

Capital Projects Fund – A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capitalization Threshold – The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Cash Accounting – A basis of accounting in which transactions are recorded when cash is either received or expended.

Cash Flow – Process of managing cash balances to insure funds are adequate to pay bills.

Certificates of Obligation (C.O.'s) – Certificates of Obligations are debt instruments secured by the ad valorem taxing power of a city. They do not require voter authorization and are usually issued to obtain short-term financing.

Contracts Payable – A liability account reflecting amounts due on contracts of goods or services furnished to a government. Amounts withheld, as guarantees on contracts, should be classified separately in an account entitled "Retainage Payable".

Coverage Ratio – A term defined by revenue bond indenture (Water/Wastewater). Refers to the ratio of net revenues of the water and wastewater system, after all maintenance and operations expenses are considered, to total debt service.

Current Taxes – Taxes that are levied and due within the ensuring fiscal year.

Debt Limit – The maximum amount of debt that a governmental unit may incur under constitutional, statutory, or charter requirements.

Debt Service – The City's obligation to pay principal and interest on bonded debt.

Debt Service Fund – A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Sometimes referred to as a sinking fund.

Defeasance – The legal release of a debtor from being the primary obligor under the debt, either by the courts or by the creditor. Also referred to as a legal defeasance.

Delinquent Taxes – Taxes that remain unpaid after the date on which a penalty for nonpayment is attached, i.e. tax statements are mailed out in October and become delinquent if unpaid by January 31.

Department – An administrative division of the City having management responsibility for an operation or a group of related operations within a functional area.

Depreciation – The process of estimating and recording the expired useful life of a fixed asset, which is distributed over its revenue producing years.

Disbursement – Payment for goods and services in cash or by check.

Effective Tax Rate – The rate which produces the same effect in terms of the total amount of taxes as compared to the prior year.

Encumbrance – Any commitment of funds against an appropriation. It may be in the form of a purchase order or a contract. Encumbrance accounting is formally integrated into the accounting system for expenditure control purposes. An encumbrance differs from an account payable as follows: an account payable represents a legal liability to pay and results from goods and/or services requested in a purchase order or contract having been delivered to the City until such time as the goods and/or services are delivered, the commitment is referred to as an encumbrance.

Enterprise Fund – Generic terminology. Enterprise funds are used to account for operations financed and operated in manner similar to private business enterprises that are self-supported by user fees. These funds use full accrual accounting and include Utilities System Funds.

Expendable Trust Fund – Generic terminology. Expendable Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Expenditure – Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues.

Expense – A charge incurred (for some operating cost) in an accounting period, whether actually paid in that accounting period or not.

Fiscal Agent – A fiduciary agent, usually a bank, who performs the function of paying debt principal and interest when due.

Fiscal Year – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. For the City of Rockport this is October 1 through September 30 of each year.

Fixed Assets – Assets of a long-term character, which are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

Full Faith and Credit – A pledge of the general taxing power of a government to repay debt obligations (typically used in reference to bonds).

Fund – An accounting entity with a set of self-balancing accounts. All transactions for a specific governmental business are recorded in a fund.

Fund Balance – The excess of assets over liabilities for governmental funds.

Fund Summary – A fund summary is a financial forecasting statement that combines beginning and ending balances, including estimated revenues and expenditures for any period of time.

Funding Source – A funding source specifically identifies dollars allocated to meet budgeted requirements and/or expenses.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practices at a time.

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those accounted for in other specific funds. The General Fund is the largest fund within the City and accounts for most of the financial resources of the government. This fund includes most of the basic operation services and general administration.

General Obligation Debt (G.O. Bonds) – Tax supported bonded debt, which is backed by the full faith and credit of the City.

Governmental Fund – Generic terminology. It refers to the General Fund, all Special Revenue Funds and Debt Service Funds (General Obligation), and Capital Projects Funds.

Grant – A grant is a contribution of assets (usually cash) by one governmental unit or organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grants are usually made for specific purposes.

Infrastructure Assets – Public domain fixed assets such as roads, bridges, curbs, and gutters, water and wastewater systems, streets and sidewalks drainage systems and similar assets that are immovable and of value only to the government unit.

Intergovernmental Revenue – Revenue received from another governmental entity, such as county, state or federal governments.

Internal Service Fund – Generic terminology. These funds are used to account for the financing of goods or services by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Inventory – A detailed listing of property currently held by the government. The City has basically two types of inventories; 1) a fixed asset inventory and, 2) an operating supplies inventory.

Liabilities – Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Liquidity – The ability to convert assets to cash quickly, without significant losses.

Maintenance – The act of keeping capital assets in a state of good repair. It includes preventive maintenance, normal periodic repairs, replacement of parts, structural components and so forth and other activities needed to maintain the asset so that it continues to provide normal services and achieves its optimum life.

Maintenance and Operations – All operating expenses with the exception of salaries, wages and debt service, as used in the City's budget.

Modified Accrual Basis – Revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred.

Operating Budget – The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel.

Operating Expenses – Proprietary Fund expenses related directly to the fund's primary activities.

Operating Revenues – Proprietary Fund revenues directly related to the fund's primary activities. They consist primarily of user charges for goods and services.

Operating Transfers – All interfund transfers other than residual equity transfers.

Ordinance – A formal legislative enactment by the governing body of a municipality. If it is not in conflict with any higher form of law, such as a State or Federal statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies.

Paying Agent – See Fiscal Agent.

Payments in Lieu of Taxes – Payments by another unit of government to the reporting government in lieu of taxes that it would have had to pay if its property or other tax base had been subject to taxation by the reporting government.

Performance Measures – Performance measures are specific measures of work performed within an activity or program (such as, total number of dispatched calls). Performance measures are also specific quantitative measures of results obtained through a program or activity.

Property Taxes – Used to describe all revenue received in a period from current taxes, delinquent taxes, penalties, and interest on delinquent taxes. Property taxes are levied on both real and personal property according to the property's valuation and the tax rate.

Proprietary Funds – Those funds that are self-supporting.

Purchase Order – A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

Requisition – A written request from a department to the purchasing office for specific goods or services. This action precedes the authorization of a purchase order.

Reserve – An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriations.

Reserved Fund Balance – Those portions of fund balance that are not appropriable for expenditure or that are legally segregated for a specific future use.

Restricted Assets – Monies or other resources, the use of which is restricted by legal or contractual requirements.

Retained Earnings – Accumulated profits of an enterprise fund.

Revenue – Funds that the government receives as income.

Revenue Bond Indebtedness – Bonds of the City that are supported by the revenue generating capacity of the water and wastewater systems.

Risk Management – An organized attempt to protect a government's assets against accidental loss in the most economical method.

Salaries and Wages (Personnel) – For the purpose of budgeting, this term refers to all wages and related items: regular pay, stability pay, social security, life insurance, retirement plan contributions, health insurance and workers compensation insurance.

Special Revenue fund – Generic terminology. This refers to a sub-grouping within governmental funds. Special revenue funds include Beach Park, Community Aquatic Center, and Hotel/Motel Occupancy Tax.

Tax Base – The total value of all real, personal and mineral property in the City as of January 1st of each year, as certified by the Appraisal Review Board. The tax bas represents net value after all exemption.

Tax Levy – The resultant product when the tax rate per one hundred dollars is multiplied by the tax base. Tax levy is normally budgeted at about ninety-seven percent, which is the assumed current collection rate.

Tax Rate – Total tax rate is set by council and is made up of two components, debt service and operations rates.

Tax Roll – The official list showing the amount of taxes levied against each taxpayer or property. A result of the tax rate being applied to the Assessment Roll.

Transfers – Transfers are the authorized exchanges of cash or other resources between funds.

Unencumbered Fund Balance – For budget purposes, the unencumbered fund balance is the amount of undesignated fund balance of a fund, i.e., that which is available for allocation.

ACRONYMS

ACCRD – Aransas County Conservation and Reclamation District

ACISD – Aransas County Independent School District

ACND – Aransas County Navigation District

CID -- Criminal Investigation Division

CIP – Capital Improvement Project

CNG – Compressed Natural Gas

COG – Council of Governments

FEMA – Federal Emergency Management Administration

I & S – Interest and Sinking

NERR -- National Estuarine Research Reserve

NOAA – National Oceanic and Atmospheric Administration

R-F – Rockport Fulton

ROW – Right of Way

RRC – Railroad Commission

SSO – Sanitary Sewer Overflow

TCDP – Texas Community Development Projects

TCEQ – Texas Commission on Environmental Quality

TML – Texas Municipal League

TMRS – Texas Municipal Retirement System

TPWD – Texas Parks and Wildlife Department

TXDOT – Texas Department of Transportation

UTMSI – University of Texas Marine Science Institute