



September 13, 2011

Mayor, City Council and Citizens of Kilgore

I am proposing for your consideration a budget for the 2011-2012 fiscal year operation of city government for Kilgore, Texas. The proposed budget is a balanced budget with revenues or resources exceeding expenses. The proposal anticipates the lowering of the ad valorem tax rate from 0.399442/\$100 to 0.39000/\$100 and does not propose to change other fees for services provided by the city, which include water, wastewater, sanitation, and various other miscellaneous services.

The certified taxable value on the City tax rolls for this budget year is \$1,262,293,621. The proposed tax rate of 0.39000 has two parts - 0.33882 for maintenance and operations of the General Fund and .051179 for debt service. Assuming a collection rate of 95%, \$4,056,379 is budgeted for M&O and \$613,728 is budgeted to pay our debt service obligations for the fiscal year.

The collection of sales tax is the largest single item of revenue to support City operations. Since sales taxes are volatile, my recommendation is to estimate sales tax collections to be \$6,200,000, which is a conservative approach, compared to prior year actual collections.

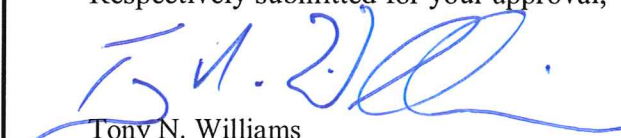
Regarding City personnel, this budget includes the addition of a jail supervisor position in the police department. All other staffing levels remain the same. No cost of living adjustment was implemented but the step program continues with the average wage increase being 3% with a favorable employee evaluation.

Capital purchases are budgeted at \$70,748 this year which include the installation of two additional emergency warning sirens, the remodeling of fire station #3 sleeping quarters, and the purchase of a new Geographical Information System server.

Included in the Capital Equipment Replacement Fund are two new police patrol car units, five pick-up trucks, and three tractor/mowers for a total of \$200,300 in equipment purchases.

The proposed budget for all funds is \$20,951,185. Overall, the General Fund proposed budget of \$14,719,753 reflects a 1.71% decrease compared to FY2011 and the Water Utility Fund budget of \$4,822,023 reflects a 15.7% decrease largely due to the reduction of debt service payments.

Respectively submitted for your approval,



Tony N. Williams  
Interim City Manager