

CAPITAL IMPROVEMENTS

INTRODUCTION

Capital improvements programming is the listing of needed public improvements by topics, their urgency of need, multi-year scheduling of the public improvements with their construction dates and determine fiscal resources available to the locality. Scheduling the activities is based on the availability of financial resources and the choice of specific capital improvements to be constructed during the next five to six years. Only major, non-recurring items are included in the Capital Improvements Program as opposed to normal operating and maintenance expenses. It would be inappropriate to include in the Capital Improvement Program expenditure items that occur every year such as salaries, office supplies, etc. Examples of capital projects are:

- New and expanded physical facilities for the City which are relatively large and expensive.
- Large scale rehabilitation or replacement of existing facilities.
- Major pieces of equipment that are expensive and have a relatively long period of usefulness.
- Cost of engineering or architectural studies and services relative to public improvements.
- Acquisition of land by the City for a community facility. This may involve a park, street, water or wastewater lines, or a community building.

Local government benefits through an effective Capital Improvement Program may include.

- Encouragement of local officials to review needed projects;
- Assist in establishing priorities to carry out community facilities;
- Assist the community to better schedule public improvements that require more than one year to construct;
- Provide an opportunity, assuming funds are available, to purchase land before costs increase;
- Provide an opportunity for long-range financial planning and management;
- Stabilize tax rates through intelligent debt management;
- Avoid such mismanagement as paving a street one year and tearing it up the next year to replace a waterline;

- Offer an opportunity for citizens and public interest groups to participate in decision making;
- Contribute to a better overall management of City affairs.

General steps to the City's comprehensive planning process as undertaken in the 2007 planning program are illustrated below. Only through the actions of the City Council, staff, local planning bodies and in general, the citizens can the prepared plans be adopted or accepted for implementation by the City. Phase 2 of the Comprehensive Plan is the implementation step. A form for local use in identifying strategies for City Council action is included hereafter. Even though it may take many years to implement most of the planning recommendations, the planning process should continue as implementation and changes bring about new insight.

EXHIBIT 11-1

LA FERIA'S 2007 PLANNING PROGRAM

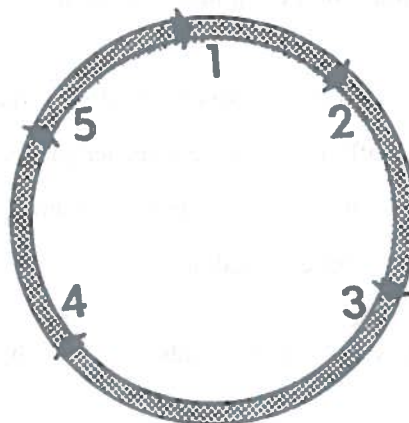
Planning activities included in the 2007 Comprehensive Planning project are:

- Mapping,
- Economics Development,
- Population,
- Housing,
- Land Use,
- Streets,
- Thoroughfares,
- Recreation and Open Space
- Central Business District
- Water System
- Wastewater System
- Storm Drainage
- Capital Improvements Program
- Zoning Ordinance Update
- Subdivision Regulations Update

IMPLEMENTATION
(City Actions Through Policies)
ORDINANCES
PROJECT SELECTION
PROJECT FINANCING

**INVENTORIES AND
BASIC RESEARCH**

**PLANS &
RECOMMENDATIONS
TO IMPROVE
THE COMMUNITY**



**ANALYSIS OF ACTIVITIES
OR SYSTEMS TO DETERMINE
NEEDS**

PROGRESS IS MADE THROUGH PLANNING

LA FERIA'S IMPLEMENTATION STRUCTURES

Implementation of the City's Comprehensive Plan can occur in many ways, by various organizations, individuals and government agencies. The revised Zoning Ordinance prepared as part of the Comprehensive Planning Program, the Subdivision Ordinance, Corridor Ordinance and other codes and ordinances will assist the City in directing development in an orderly compatible fashion. Administration of these ordinances should enhance the appearance and can be effective in maintaining property values in La Feria. Ordinance jurisdiction for Zoning is within the corporate limits while the Subdivision Regulations include the corporate limits plus the extraterritorial jurisdiction.

ZONING ORDINANCE

The revised Zoning Ordinance provides the City an orderly process for land use management, which permits and encourages development of similar functions in a designated section; or district zone within the City. State legislation permitting a City to adopt a Zoning Ordinance, requires all land within the City be placed into one of the Ordinance District Zones. La Feria's Zoning Ordinance stipulates twelve (12) section or Zone Districts.

- "AG" - Agricultural District
- "R-1" - Single Family Residential District
- "R-2" - Single Family Residential District
- "R-3" - Single Family Residential District
- "D" - Two Family (Duplex) Residential District
- "MF" - Multi-Family District
- "MH" - Mobile Home District
- "LC" - Light Commercial District
- "C-1" - Restricted Commercial District
- "C-2" - General Commercial District
- "I" - Industrial District
- "PD" - Planned Development District
- "FP" Floodplain District (overlay district)

SUBDIVISION ORDINANCE

Subdivision controls can assure the probability that land will be platted and developed in a way that the property owner and local citizens benefit. Local advantages arrived through the subdivision regulations enforcement are:

- Assist in maintaining a stable tax base through the approval of adequate construction of subdivisions;
- Improved quality control through the assurance of engineered water and wastewater facilities;
- Improved street and drainage systems that are designed in accordance with established right-of-way and pavement standards and which will conform to existing streets and proposed thoroughfares.

The City has subdivision control within the City and the extraterritorial jurisdiction. All plats within the City's jurisdiction should bear the City's appropriate signature prior to recording by Cameron County. If a city intends to withhold the extension of utilities to a particular tract of land within the extraterritorial jurisdiction, because the subdivision was not constructed in accordance with City Codes, the City's intent should be recorded.

ANNEXATION

La Feria should annex property on both sides of US Expressway 83 from the Hidalgo County Line to White Ranch Road as soon as annexation rules permit. Serving as the front door to the city, the area should be under La Feria's land use controls and property tax revenues.

SCENIC CORRIDOR ORDINANCE

The Scenic Corridor Ordinance adopted in 1992 establishes design guidelines and development standards for building design and placement, landscaping, screening and buffering, signage, and lighting for properties located within one thousand (1,000) feet of US Expressway 83, within three (300) feet of US Business Highway 83 and within one hundred (100) feet of Main Street or FM Road 506.

GENERAL INFORMATION ABOUT CIP FINANCING

MUNICIPAL OPERATING FUNDS

All municipal governmental revenue and expenditure operations can be said to be either governmental, proprietary (or enterprise), or fiduciary in nature. Governmental operations are those usually not engaged in by private business such as police and fire protection services. These are usually financed by the General Fund or from other sources not directly related to the operations themselves.

Proprietary or Enterprise Operations are those, which are similar to the operations of private business such as the water, wastewater and sanitation departments of a city. They are financed by direct charges assessed against the citizens benefiting from them. However, the major difference between private enterprise and the enterprise funds of a city is the profit motive. A city is not concerned with making profits for gain. The city, however, must be concerned about establishing reserve funds for each of the city's enterprise activities. This assures the city that they can keep facilities operating when major problems occur or when additional State and Federal requirements are imposed, without seeking outside financial assistance.

Fiduciary Operations are those undertaken by a government on behalf of, or in a fiduciary capacity for some other persons or groups. Examples of fiduciary operations of the City are State and Federal Grant Programs. Many times fiduciary operations are considered either as Proprietary or Governmental.

The need to account for separate operations differently, and the fact that many governmental revenue sources carry legal restrictions regarding how they are spent, has resulted in the development of fund accounting for governments. Fund accounting emphasizes separate detailed accounting and reporting for each of the several sub-parts of a government, called funds, rather than accounting and reporting for the governmental unit as a whole. The following types of funds used by the City are:

General Fund - are all resources not required to be accounted for in another capacity.

Proprietary Fund - to account for operations that are financed and operated in a manner similar to a private business, and where the intent of the governing body is that the cost

(expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user fees.

Debt Service Fund - to account for resources and expenditures used in repaying long-term debt (General Obligation Bonds, Revenue Bonds, and Certificates of Obligation).

Trust and Agency Funds - to account for resources held by the City in a fiduciary capacity on behalf of other parties. These can include projects involving state or federal funds, private donations for a particular purpose, foundation grants, etc.

The City should always attempt to maintain the minimum number of funds consistent with legal and operating requirements. Excessive funds can result in inflexibility, undue complexity and inefficient financial management, such as, more time will be required to post ledgers, reconcile bank balances, prepare financial statements, and to conduct the annual audit.

PURPOSES OF THE CIP STUDY

The purposes of this study are to:

- Identify and quantify available sources of revenue and analyze trends in operational expenditures.
- Attempt to identify relationships between expenditure items and revenue sources.
- Provide greater assurance that capital improvements be made consistent with both community need and financial capability.
- Prevent unnecessary and extreme fluctuations in the rate of spending to contribute to stabilization of local tax rates.
- Facilitate, coordinate and phase projects for La Feria's future growth.
- As a basis for decisions on individual projects and programs, the City must provide officials and citizens with a long-range picture of the community's financial progress.
- Provide an integral tool to implement policies of the Comprehensive Plan.
- Present a five-year Capital Improvement schedule and financing program based on the recommendations of the Comprehensive Plan.

CIP Benefits

The Comprehensive Plan Documents recommend various projects for maintaining and upgrading municipal facilities and providing for the community's projected growth. The proposed projects can be accomplished through an ongoing Capital Improvement Program (CIP) process. The CIP earmarks a portion of the City's Budget for financing these improvements, and establishes a schedule for completion of the projects.

An effective CIP can provide many potential benefits for the City of La Feria, including:

- Ensuring that necessary community facilities and improvements are completed.

- Scheduling public improvements, especially large scale projects requiring more than one year to complete.
- In advance of need, acquire land for improvements enabling the City to purchase such land in an orderly and cost effective manner.
- The City should stabilize tax and utility rates through responsible debt management.
- Eliminate fiscal inefficiencies and mismanagement (e.g., allocating funds to pave a street one year and allocating funds to tear it up the next to replace a water line).

FINANCIAL REVIEW

Cities are required to use different accounting methods for different operations. Because many governmental revenue sources carry legal restrictions regarding how cities can spent, thus cities have developed fund accounting systems. Fund accounting provides detailed accounting and reporting for each Distinct Fund, rather than accounting and reporting for the city as a whole.

The City of La Feria operates with various funding groups. A description of the City's funding system is as follows:

Major Funds

The General Fund is the General Operating Fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds or **Water and Wastewater Plant Funds** established to account for the construction of a wastewater plant and the expansion of the current water plant with the use of grants and loans.

Special Revenue Funds or Texas Capital Fund established to account for the City's Economic Development Grant received from the State.

Business Type Fund

Proprietary fund or **Waste Disposal Fund** established to account for the activities of the City owned residential and commercial garbage collection system.

Component Units`

The Waterworks and Sewer System Fund established to account for the City's water and sewer system respectively.

The Industrial Development Corporation (IDC) is a nonprofit 4A Corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas.

The Economic Development Corporation (EDC) is a nonprofit 4B Corporation and established to promote, assist, and enhance economic activities in the City of La Feria, Texas.

Statistical data from the 2006 Audit Report is provided hereafter:

**EXHIBIT 11-2
TRENDS IN REVENUE 2003 to 2006**

	Actual FY 2003	Actual FY 2004	Percent Change	Actual FY 2005	Percent Change	Actual FY 2006	Percent Change
Governmental Fund	\$2,219,517	\$2,719,406	22.52%	\$5,711,819	110.04%	\$6,770,501	18.54%
Proprietary Fund	131,671	267,268	102.98%	285,086	6.67%	277,763	-2.57%
Total Funds	\$2,351,188	\$2,986,674	27.03%	\$5,996,905	100.79%	\$7,048,264	17.53%

Source: 2003, 2004, 2005 and 2006 Annual Audits.

**EXHIBIT 11-3
GOVERNMENTAL FUNDS -- 2006 STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

	General Fund	Water and Wastewater Fund	Texas Capital Fund	Other Governmental Fund	Total 2006	Total 2005
REVENUES						
Taxes						
Property	\$ 508,240	\$ ---	\$ ---	\$ 443,378	\$ 951,618	\$ 900,244
Sales	405,405	---	---	---	405,405	399,202
Franchise	262,070	---	---	---	262,070	234,834
Other	26,380	---	---	---	26,380	26,364
Licenses and permits	4,523	---	---	---	4,523	45,226
Intergovernmental	4,600	3,250,948	684,433	355,605	4,295,586	1,637,713
Fees and charges	392,389	---	---	49,489	441,878	255,148
Fines	128,510	---	---	---	128,510	103,359
Special assessment	210	---	---	---	210	640
Interest income	58,423	---	---	16,035	74,458	66,065
Contributions and donations	779	---	---	33,828	34,607	25,453
Other	142,034	---	---	3,222	145,256	2,017,571
Total revenues	1,933,563	3,250,948	684,433	901,557	6,770,501	5,711,819
EXPENDITURES						
Current						
General government	642,793	3,250,948	684,433	2,513	4,580,687	3,802,326
Public safety	772,960	---	---	---	772,960	731,594
Highways and streets	215,775	---	---	---	215,775	225,954
Health and welfare	53,626	---	---	368,353	421,979	44,678
Culture and recreation	200,474	---	---	152,571	353,045	458,840
Debt service	---	---	---	---	---	---
Principal retirement	19,395	---	---	355,020	374,415	314,560
Interest and fiscal agent fees	6,230	---	---	179,992	186,222	197,239
Capital Outlay	163,710	---	---	47,844	211,554	1,632,020
Total expenditures	2,074,963	3,250,948	684,433	1,106,293	7,116,637	7,407,211
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(141,400)	---	---	(204,736)	(346,136)	(1,695,392)
Other financing sources (uses)						
Transfers in	182,100	---	---	191,435	373,535	483,133
Transfers (out)	(194,061)	---	---	(20,000)	(214,061)	(273,141)
Sale of capital assets	---	---	---	---	---	7,876
Issuance of Debt	---	---	---	---	---	149,998
Total other financing sources (uses)	(11,961)	---	---	171,435	159,474	367,866
NET CHANGE IN FUND BALANCES	(153,361)	---	---	(33,301)	(186,662)	(1,327,525)
Fund balance, beginning of year	2,537,952	---	---	354,069	2,892,021	4,219,546
Fund balance, end of year	\$ 2,384,591	\$ ---	\$ ---	\$ 320,768	2,705,359	2,892,021

Source: 2006 Annual Audit.

EXHIBIT 11-4
PERCENT DIFFERENCE IN REVENUE BETWEEN 2005 AND 2006

FY 2005		FY 2006		Difference
Property Taxes	\$900,244	Property Taxes	\$951,618	5.71 %
Sales Tax	399,202	Sales Tax	405,405	1.55 %
Franchise Tax	234,834	Franchise Tax	262,070	11.60 %
Other Taxes	26,364	Other Taxes	26,380	0.06 %
Licenses and permits	45,226	Licenses and permits	4,523	-899.91 %
Intergovernmental	1,637,713	Intergovernmental	4,295,586	N/A
Fees and charges	255,148	Fees and charges	441,878	73.18 %
Fines	103,359	Fines	128,510	24.33 %
Special assessment	640	Special assessment	210	-204.76 %
Interest income	66,065	Interest income	74,458	12.70 %
Contributions and donations	25,453	Contributions and donations	34,607	35.96 %
Other	1,786,557	Other	145,256	-1,129.94 %
TOTAL	\$5,480,805	TOTAL	\$6,770,501	23.53 %

TAXES

This category includes current and delinquent personal and real property taxes, franchise taxes, sales taxes and other

Ad Valorem Tax

Property tax has been the cornerstone of the revenue structure of Texas cities. In general, taxes on property represent the largest single revenue source for Texas cities. Usually this tax averages about 14 percent of a city's total revenues. Property tax in Texas is a general tax applied to all types of property capable of producing income. All real property and certain personal property are taxable unless specifically exempted by law. Taxable property in La Feria includes real property (land and buildings) and personal property (now limited only to business assets). Actual revenues from property tax are determined by multiplying each 100 dollars of the taxable property's valuation by the adopted tax rate. Excluding the Intergovernmental Funds from the General Fund, La Feria's reliance on the property tax appears to be increasing as shown in the above exhibit. In 2006, property tax amounted to 38.5 percent of the General Fund Revenues. The property tax process is very complex and includes the following steps:

- a. Appraisal - Identification and valuation of all taxable property by the Cameron County Appraisal District, resulting in the appraisal roll.
- b. Assessment - City analysis of the appraisal roll, calculation of an effective tax rate, and adoption of a tax rate, result in the tax roll determining the tax liability for each property.
- c. Collection - City preparation of tax bills, acceptance of tax payments, notification of delinquent taxpayers, and collection of delinquent taxes, results in the total property tax revenues.

A review of La Feria's tax data is shown below. The City has had a constant tax rate, while the total appraised value of property has had an annual increase from 1998 to 2006. During the same

period, the tax rate for Cameron County and La Feria's ISD increased. Funds from the City's Annual Property Taxes allocated each year to the General Fund and the Debt Service Fund.

EXHIBIT 11-5
TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS

Fiscal Year	Property Taxes	Sales Tax	Franchise Tax	Hotel/Motel Tax	Total
1997	\$ 368,923	\$ 151,463	\$ 159,456	\$	\$ 679,842
1998	422,739	184,011	160,822	---	767,572
1999	453,924	226,347	170,695	---	850,966
2000	505,788	298,984	195,996	---	1,000,768
2001	622,457	356,363	233,969	---	1,212,789
2002	677,895	354,058	213,507	---	1,245,460
2003	773,096	349,873	214,889	26,831	1,364,689
2004	801,077	355,536	207,619	26,515	1,390,747
2005	900,244	399,202	234,834	25,135	1,559,415
2006	951,618	405,405	262,070	26,364	1,645,457
Percent Change	157.94 %	167.7 %	64.4 %	-1.7 %	142.0 %

Total appraised valuation of property in La Feria increased by 1.5 percent, while the tax levy increased by 1.66 percent between 1997 and 2006.

EXHIBIT 11-6
LA FERIA'S PROPERTY TAX DATA FROM 1997 TO 2006

Year	Rate	Total Appraised Value	Total Taxable Value	Tax Levy	Increase (Decrease)
1997	0.67	\$58,090,091	\$52,523,652	\$351,908	5,941
1998	0.70	61,480,023	55,497,953	388,486	36,578
1999	0.70	73,113,361	66,218,095	463,527	75,041
2000	0.70	85,235,706	77,180,547	540,264	76,737
2001	0.70	99,988,152	91,735,858	642,151	101,887
2002	0.70	106,509,995	98,313,346	688,193	46,042
2003	0.70	117,049,248	109,076,911	763,538	75,345
2004	0.70	124,848,186	118,387,584	828,713	65,175
2005	0.70	132,310,782	123,440,650	864,085	35,372
2006	0.70	145,784,197	133,910,478	937,373	73,288

Source: Annual Audit Reports

Changes in fund balances for Governmental Funds for the last ten years provided on the next page along with total revenues and expenditures between 1997 through 2006.

EXHIBIT 11-7 GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

Source	Fiscal year ended September 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS										
LAST TEN FISCAL YEARS										
(modified accrual basis of accounting)										
Revenues:										
Taxes	\$ 615,362	\$ 637,590	\$ 696,214	\$ 805,151	\$ 940,936	\$ 967,664	\$ 1,364,689	\$ 1,390,746	\$ 1,560,644	\$ 1,644,228
Licenses and permits	22,337	43,692	47,273	69,140	33,539	28,840	44,096	32,353	45,226	28,255
Intergovernmental	16,566	10,896	33,707	-	-	2,500	218,273	575,094	1,637,713	4,295,586
Fees and charges	64,427	127,120	152,670	132,569	170,788	197,415	209,951	250,483	255,148	222,664
Fines	92,996	83,590	99,139	96,880	135,869	149,437	134,795	179,809	103,359	128,510
Special assessments	25	-	-	18,948	6,285	7,871	6,747	3,483	640	210
Interest income	9,701	11,935	15,764	14,360	60,890	42,719	42,576	39,277	66,065	74,298
Contributions and donations	-	5,494	5,727	3,504	10,287	7,058	89,072	34,316	25,453	34,607
Other	57,035	73,603	50,312	240,072	134,899	116,305	109,318	213,845	1,786,557	342,143
Total Revenues	881,449	993,920	1,100,906	1,380,624	1,493,793	1,519,809	2,219,517	2,719,406	5,480,805	6,770,501
Expenditures:										
General Government	227,078	316,068	325,928	374,730	389,700	506,005	570,155	851,549	635,632	4,580,688
Public safety	416,583	415,494	420,594	474,504	509,486	517,896	561,802	634,049	731,594	772,960
Highways and streets	148,324	128,192	159,020	187,684	217,075	172,141	202,287	214,238	225,954	215,775
Health and welfare	20,511	21,255	34,561	23,654	24,677	50,626	42,381	42,704	44,678	421,979
Culture and recreation	109,952	101,812	73,668	74,861	88,214	142,790	261,358	287,539	438,840	335,044
Debt Service	-	-	20,677	-	37,003	53,160	273,204	284,364	314,560	374,415
Principal retirement	-	-	-	-	-	47,683	127,888	107,832	197,239	186,222
Interest and fiscal agent fees	-	-	-	-	-	-	-	-	-	-
Capital outlay	44,994	181,582	78,139	82,925	273,680	-	586,374	113,827	4,798,714	211,554
Total Expenditures	967,442	1,164,403	1,112,587	1,218,338	1,540,135	1,490,301	2,625,649	2,536,102	7,407,211	7,116,637
Excess (deficiency) of revenues over (under) expenditures	(85,993)	(170,483)	(11,681)	162,286	(46,342)	29,508	(406,132)	183,304	(1,926,406)	(346,136)
Other financing sources (uses)										
Transfers in	1,002	19,393	-	-	-	-	305,454	485,634	483,133	-
Transfers (out)	-	-	(60,102)	(140,447)	(32,830)	(424,059)	(145,950)	(883,266)	(273,141)	373,535
Gain on sale of capital assets	-	-	-	-	-	-	1,600	177,800	7,876	(214,061)
Issuance of Debt	168,693	208,220	505,000	-	710,000	540,000	-	2,560,077	149,998	-
Other non operating revenues	(806)	-	-	-	-	-	-	-	231,014	-
Total other financing sources (uses)	168,889	227,613	444,898	(140,447)	677,170	115,941	161,104	2,340,245	598,800	159,474
Net change in fund balances	\$ 82,896	\$ 57,130	\$ 433,217	\$ 21,819	\$ 630,828	\$ 145,449	\$ (245,028)	\$ 2,523,549	\$ (1,327,526)	\$ (186,662)
Debt Service as a % of non-capital expenditures	0.0%	0.0%	2.0%	0.0%	2.3%	6.8%	19.7%	16.2%	19.6%	8.1%

Source: La Feria Audits Report

EXHIBIT 11-8
2006 GENERAL FUND BUDGETED AND ACTUAL AMOUNTS

	Budgeted Amounts		Actual Amounts	Final Budget-Positive/(Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 520,393	\$ 543,893	\$ 508,340	\$ (35,653)
Sales	384,000	370,000	405,405	35,405
Franchise	226,223	223,523	262,070	38,547
Other	25,000	25,000	25,135	135
Licenses and permits	41,700	29,700	28,255	(1,445)
Intergovernmental	28,500	30,100	4,600	(25,500)
Fees and charges	183,978	172,920	173,175	255
Fines	110,000	110,000	128,510	18,510
Special assessments	500	240	210	(30)
Interest income	18,917	48,350	58,263	9,913
Contributions and donations	---	67	779	712
Other	218,350	224,350	338,921	114,571
Total Revenues	1,757,561	1,778,143	1,933,563	155,420
EXPENDITURES				
Current:				
General government:				
General government	677,955	651,527	642,794	8,733
Public safety	733,256	765,503	772,960	(7,457)
Highways and streets	219,709	242,941	215,775	27,166
Health and welfare	42,638	51,129	53,626	(2,497)
Culture and recreation	180,256	193,042	200,473	(7,431)
Total expenditures	1,853,814	1,904,142	1,885,628	18,514
Debt service:				
Principal	58,144	58,144	19,395	38,749
Interest	---	---	6,230	(6,230)
Total debt service	58,144	58,144	25,625	32,519
Capital outlay	1,264,981	1,265,028	163,710	1,101,318
Total expenditures	3,176,949	3,227,314	2,074,963	1,152,351
Excess (deficiency) of revenues over (under) expenditures	(1,419,378)	(1,449,171)	(141,400)	1,307,771
OTHER FINANCING SOURCES (USES)				
Transfers in	143,920	143,920	182,100	38,180
Transfers (out)	(181,490)	(181,490)	(194,061)	(12,571)
Sale of capital assets	---	---	---	---
Bond/loan proceeds	---	---	---	---
Other non operating revenues	---	---	---	---
Total other financing sources and uses	(37,570)	(37,570)	(11,961)	25,609
Net change in fund balances	(1,456,948)	(1,486,741)	(153,361)	1,333,380
Fund balance -- beginning	2,537,952	2,537,952	2,537,952	---
Fund balance -- ending	\$ 1,081,004	\$ 1,051,211	\$ 2,384,591	\$ 1,333,380

Source: Annual Audit Reports

A comparison of tax rates collected by a community shown by how it rates with other communities by studying the overlapping taxes as shown in Exhibit 11-9. Normally, School Tax rates are twice the amount of City Rates. Please note there are always exceptions to this rule, especially after a vigorous building program or infrastructure projects by a city. The School Tax Rate for La Feria ISD was 1.609 in 2006. This rate is almost twice the City's Tax Rate. School, County and any other taxing entities levying taxes on a community are considered overlapping taxes.

**EXHIBIT 11-9
DIRECT, OVERLAPPING AND UNDERLYING PROPERTY TAX RATES**

Direct				Overlapping	Underlying	Total
City of La Feria						
Fiscal Year	General Fund	Debt Service Fund	Total	Cameron County	La Feria ISD	Direct Overlapping & Underlying
1997	0.56160	0.10840	0.67000	0.31687	1.37600	2.36287
1998	0.48879	0.21121	0.70000	0.32270	1.45350	2.47620
1999	0.45507	0.24493	0.70000	0.32593	1.45350	2.47620
2000	0.42205	0.27795	0.70000	0.32593	1.44656	2.47249
2001	0.38820	0.31180	0.70000	0.34584	1.48636	2.53220
2002	0.38640	0.31360	0.70000	0.34054	1.54266	2.58320
2003	0.34620	0.35380	0.70000	0.34054	1.54200	2.58254
2004	0.36130	0.33870	0.70000	0.35819	1.54400	2.60219
2005	0.33000	0.37000	0.70000	0.35819	1.54400	2.60219
2006	0.33000	0.37000	0.70000	0.35819	1.60900	2.66719

Source: City of La Feria

La Feria's per capita tax in 2000 on property was \$82.71 and the underlying and overlapping taxes was \$209.43

**EXHIBIT 11-10
CITY AND OVERLAPPING TAXES**

	City Per Capita Tax	Overlapping Per Capita Tax	Percent of Total Tax
City of La Feria	82.71	-0-	28.31%
La Feria I.S.D.	-	170.92	58.51%
Cameron County	-	38.51	13.18%
TOTAL	82.71	209.43	100.00%

Source: Cameron County Appraisal District

Obtaining revenues for capital improvements through increased tax rates is usually an unpopular method, but considering that property taxes on a person's home are deductible on federal income taxes, it may be a more realistic method of increasing local revenues than it would be to increase utility rates for capital improvements.

Researching tax information on cities with a population of 7,000 to 10,000 from the Texas Municipal League publication, "Texas Municipal Taxation and Debt 2004-2005" revealed the following:

38	100%	Total cities reported.
1	2.6%	Cities not levying taxes.
35	92.1%	Cities levying Taxes with a lower rate than La Feria.
2	5.3%	Cities levying taxes, with rates above La Feria's 0.700 rate.
1	2.6%	Cities levying taxes, with higher rates and a reported higher indebtedness than La Feria.
1	2.6%	Cities taxes at a higher rate than La Feria, but did not report General Obligation or Revenue Bond indebtedness.

Sales Tax

Exhibit 11-4 provides sales tax data from 1997 to 2006. The Sales Tax Allocations are recorded by calendar year instead of the City's Fiscal Year.

Franchise Taxes

Franchise Taxes are charges to private utilities for conducting business in the city and for the city's provision of infrastructure support services. Revenues from Franchise Taxes are shown on Exhibit 11-5. The Franchise Tax has increased by 64.35 percent from 1997 to 2006.

Hotel/Motel Tax

The City started collecting hotel/motel tax in 2003. With one motel in the City the Hotel/Motel Tax Revenue has remained at a constant level as shown on Exhibit 11-5.

La Feria has been very successful in obtaining Federal and State Grant Funds to assist in the development and redevelopment of infrastructure facilities. Exhibit 11-7 provide Grant revenues and expenditures of the Governmental Fund during the past ten years.

EXHIBIT 11-11

STATEMENT OF NET ASSETS INCLUDING – BUSINESS TYPE ACTIVITIES (SOLID WASTE DISPOSAL) WATERWORKS AND SEWER ACTIVITIES

PRIMARY GOVERNMENT				COMPONENT UNITS			
ASSETS	Governmental Activities	Business-type Activities	Total	Waterworks and Sewer System	Industrial Development Corporation	Economic Development Corporation	Total 2006
Cash and cash equivalents	\$705,413	\$ ---	\$705,413	\$596,056	\$1,869,167	\$347,722	\$3,518,358
Investments	118,394	---	118,394	---	---	---	118,394
Receivables (net of allowance for uncollectible)	2,091,230	59,319	2,150,549	306,923	23,332	---	2,480,804
Inventories	---	---	---	---	---	---	---
Restricted assets:	---	---	---	---	---	---	---
Temporarily restricted:	---	---	---	---	---	---	---
Cash and cash equivalents	39,869	---	39,869	1,193,054	---	---	1,232,923
Investments	611,266	---	611,266	4,815,977	---	---	5,427,243
Intergovernmental receivable	---	---	---	---	---	---	---
Bond issue costs	---	---	---	122,118	---	---	122,118
Capital assets (net of accumulated depreciation)	---	---	---	---	---	---	---
Land	493,472	---	493,472	338,496	1,559,785	---	2,391,753
Building and system	1,319,799	---	1,319,799	---	362,675	---	1,682,474
Improvements other than buildings	2,739,129	---	2,739,129	---	---	---	2,739,129
Machinery and equipment	82,501	362,581	445,082	178,628	9,305	---	633,015
Infrastructure	---	---	---	4,819,046	---	---	4,819,046
Construction in progress	---	---	---	6,843,040	---	---	6,843,040
Total Assets	8,235,525	421,900	8,657,425	19,254,233	3,824,264	365,911	32,101,833
LIABILITIES	---	---	---	---	---	---	---
Accounts payable and other current liabilities	739,908	---	739,908	43,598	102,355	---	885,861
Unearned revenue	61,885	---	61,885	1,025,858	---	---	1,087,743
Liabilities payable from restricted assets	---	---	---	112,072	---	---	112,072
Noncurrent liabilities:	---	---	---	---	---	---	---
Due within one year	378,282	20,202	398,484	235,000	282,167	---	915,651
Due in more than one year, net	3,445,401	123,935	3,569,336	5,800,000	609,554	---	915,651
Total Liabilities	4,625,476	144,137	4,769,613	7,216,528	994,076	---	12,980,217
NET ASSETS	---	---	---	---	---	---	---
Invested in capital assets, net of related debt	829,298	218,444	1,047,742	10,960,189	1,040,044	---	13,047,975
Restricted for:	---	---	---	---	---	---	---
Debt service	67,244	---	67,244	467,753	1,000,000	---	1,534,997
Other purposes	253,524	---	253,524	---	---	---	253,524
Unrestricted	2,459,983	59,319	2,519,302	609,763	790,144	365,911	4,285,120
TOTAL NET ASSETS	\$3,610,049	\$277,763	\$3,887,812	\$12,037,705	\$2,830,188	\$365,911	\$19,121,616

Source: Annual Audit Reports

ACTIVITY EXPENDITURES

City operating expenses fall under the General Fund, Capital Projects Fund, Special Revenue Fund, Proprietary Fund, Waterworks and Sewer System Fund, Industrial Development Corporation (IDC) and Economic Development Corporation (EDC). Expenditures for these funding activities illustrated in Exhibits 11-7 and 11-11.

General Fund Revenues and Expenditures

Exhibit 11-8 provides a quick reference to the General Fund Revenues and expenditures for 2006.

CAPITAL IMPROVEMENTS FINANCING

General Debt Financing

The various types of debt financing for generating needed revenues, including voter authorized borrowing instruments (bond), Commission authorized borrowing instruments (Certificates of Obligation), and limitations on borrowing discussed hereafter.

The most widely used methods for major capital infrastructure improvements are:

- **General Obligation Bonds** – These are used for improvements to non-revenue producing systems such as roads are repaid from Property Tax Revenues.
- **Revenue Bonds** - for improvements to revenue generators such as water and sewer systems.
- **Certificates of Obligation** - are similar to General Obligation Bonds and are often used for emergency purchases. Certificates of Obligation are similar to bonds, with the major difference being that Certificates of Obligation do not require voter approval. Certificates of Obligation, like bonds, are repaid as general obligation, revenue, or combination tax and revenue instruments.
- **Combinations of General Obligation Bonds, Revenue Bonds and Property Tax or Revenue Certificates of Obligation** - for improvements when more than one source of financing is necessary.
- **Contractual Obligations** - Contractual Obligation instruments are a relatively new method for financing generally smaller expenditures for items having a known useful life, such as police cars and fire trucks, as well as for major capital infrastructure projects. Contractual Obligations are like Certificates of Obligation, but are quicker to process, have higher processing fees, are for smaller amounts and for shorter terms (3-5 years), do not require public notification, are not subject to a voter referendum, and do not figure into the city's effective tax rate calculations. This new method is repaid through a specific debt service tax, and could be competitive with leasing for vehicles and computers.

General Obligation Bonds

General Obligation Bonds authorized by citizen approval of bond elections specifying the projects to be funded and the amounts for each project to be repaid through property taxes. The City's Debt from 1997 through 2006 is provided in the following exhibit.

**EXHIBIT 11-12
OUTSTANDING DEBT BY TYPE FOR FISCAL YEARS 1997 THROUGH 2006**

Fiscal Year	Governmental Activities				Estimated Population	Per Capita
	General Obligation Bonds	Capital Lease	Notes Payable	Total		
1997	\$ 450,000	\$ ---	\$ 19,151	\$ 469,151	5,525	---
1998	1,050,000	60,840	148,859	1,259,699	5,715	220
1999	1,445,000	4,334	101,421	1,550,755	5,912	262
2000	1,325,000	---	84,556	1,409,556	6,115	231
2001	1,880,000	---	67,172	1,947,172	6,353	306
2002	2,260,000	---	48,785	2,308,785	6,601	350
2003	2,025,000	---	28,004	2,053,004	6,859	299
2004	4,275,000	---	---	4,275,000	7,126	600
2005	4,005,000	---	175,018	4,180,018	7,404	565
2006	3,675,000	---	130,603	3,805,603	7,693	495

Source: Annual Audit Reports

STANDARDS CONCERNING DEBT LIMITATIONS

Although there are not many legal restrictions imposed on cities regarding the issuance of debt, there are several common rules that should be considered. Following is a listing of the various limitations the city should always be cognizant of when issuing debt.

- (1) The maximum permissible tax rate a "Home Rule City", such as La Feria, can levy is \$2.50 per \$100 assessed valuation.
- (2) The total General Obligation Debt, should generally not exceed 10 percent of the assessed valuation for the community, or the per capita bonded indebtedness should generally not exceed \$1,000 per capita or 20 percent of the annual revenues.
 - a. Ten percent of La Feria's 2006 total taxable assessed value is \$133,910,478.
 - b. One thousand dollars (\$1,000) per capita. According to the 2000 US Census of Population, La Feria had 6,115 persons. This standard amounts to \$6,115,000.
 - c. Twenty percent of the 2006 revenues of \$7,048,264 for Annual Debt Service amounts to \$1,409,652. This does not include Grant Funds received by the City.
- (3) For Revenue Bond Issues, investors will usually require that the city maintain revenues at least one to two times greater than the average annual debt service requirement.

Based on the above standard of (2) b, the City of La Feria is in an excellent position concerning the 2006 debt of \$3,675,000.

It should be noted that the real limitation on the issuance of debt is what is acceptable to the citizens in the community. From a legal and financial perspective, La Feria could issue and market more debt than needed. Realistically, the citizens may not approve bond indebtedness regardless of standards.

PROPOSED CAPITAL IMPROVEMENT PROGRAM

Capital Needs List by Planning Element

Park and Recreation projects

- Construction of a Wildlife and Nature Park.
- Construction of a Skateboard Park.
- Construction of an Indoor Recreation Center.
- Construct an Eighteen-hole golf course.
- Construct a new park north of the Expressway and east of FM 506.
- Construct a new park north of the Expressway and west of FM 506.
- Construct a new park south of Business Highway 83 on FM 2556.

Central Business District

- Prepare plans for planting trees in off-street parking areas.
- Plant trees in off-street parking areas.
- Construct a new off-street parking area on the northeast corner of Oleander Ave. and West Street.
- Construct a new City Hall at the corner of Business Highway 83 and East Street.
- Construct a new off-street parking area at the south-west corner of Commercial Avenue and East Street.

Streets

- Reconstruct North Wind Court (Windsong Village Subdivision) with 30' of pavement.
- Reconstruct South Breeze Court (Windsong Village Subdivision) with 30' of pavement.
- Reconstruct East Wind Court (Windsong Village Subdivision) with 30' of pavement.
- Reconstruct Trail Winds Drive (Windsong Village Subdivision) with 30' of pavement.
- Reconstruct North Palmera Drive (Palmera Heights Subdivision) with 30' of pavement.
- Reconstruct South Palmera Drive (Palmera Heights Subdivision) with 30' of pavement.
- Reconstruct East Palmera Drive (Palmera Heights Subdivision) with 30' of pavement.
- Reconstruct Cactus Lane (Palmera heights Subdivision) with 30' of pavement.
- Reconstruct Hibiscus Street (Palmera Heights Subdivision) with 30' of pavement.
- Reconstruct Anaqua Street (Palmera Heights Subdivision) with 30' of pavement.
- Reconstruct Retama Street (Palmera Heights Subdivision) with 30' of pavement.
- Reconstruct Colgate Lane (Palmera Heights Subdivision) with 30' of pavement.
- Pave Canal Street north of the Expressway with 30' of pavement for a distance of 1,550 feet.

- Reclaim West Street -- Jessamine to Business Highway 83.
- Reclaim Bearfield Lane -- F.M. 506 west to Cul-de-Sac.
- Reclaim Howard Lee Drive -- from Parker Road to Cul-de-Sac.
- Reclaim Hawkins Lane -- from Business Highway 83 to the South.
- Reclaim Washington Way from Kansas City Road to the East.
- Reclaim Lincoln Lane from Washington Way to Cul-de-Sac.
- Reclaim Lytle Circle -- a Cul-de-Sac south of Cooper Lane.
- Reclaim Smith Circle -- a Cul-de-Sac south of Cooper Lane.
- Repave Dodd Lane from water treatment plant to Willow Road (new paving-including curb & gutter -- 30' B-B).
- Pave Beddoes Road from Business 83 south to City Limits (new paving-including curb & gutter -- 40' B-B).
- Pave Kelly Drive from Beddoes Road east to City Limits (new paving-including curb & gutter -- 40' B-B).
- Reconstruct Illinois Circle (Valle Verde Subdivision) with 30' of pavement.
- Reconstruct West Breeze Court (Windsong Village Subdivision) with 30' of pavement.
- Pave Ruby Lane from Star Court to Star Court with 30' of new pavement.
- Star Court from Rabb Road to the east with 30' of new pavement.
- Fleetwood Avenue from FM 506 to south Cul-de-Sac with 30' of new pavement.
- Beddoes road from Business Highway 83 to the Expressway (new paving including curb & gutter -- 40' B-B).
- Reclaim Genevieve Avenue from Tichenor north to Tichenor south (35' B-B).
- Reclaim Tichenor Lane south from Willow road to west (35' B-B).
- Tichenor Lane west running north and south (35' B-B).
- Reclaim Tichenor Lane north from Willow Road to west (35' B-B).
- Reclaim Old Gin Lane from First Street to Cul-de-Sac (35' B-B).
- Reclaim Cooper Lane from FM 506 to Cul-de-Sac (35' B-B).
- Reclaim West Sprace Avenue from Willow Road to Canal Street (35' B-B).
- Reclaim Commercial Avenue from East Street to FM 506 (51' B-B).
- Reclaim Commercial Avenue from Parker Road to East Street (31' B-B).
- Reclaim Magnolia Avenue from Parker Road to Cul-de-sac (30' B-B).
- Reclaim Magnolia Heights Avenue from Magnolia Avenue south to Cul-de-Sac (30' B-B).
- Reclaim Orr Circle a Cul-de-Sac north of Cooper Lane.
- Reclaim West Street -- perimeter Park streets (21' B-B).
- Reclaim west Street -- perimeter Park streets (21' B-B).
- Reclaim West Street from Pancho Maples Drive to Angelita Drive (30' B-B).
- Reclaim Chelo Drive from Pancho Maples Drive to FM 506 (30' B-B).
- Reclaim Angelita Drive from West Chelo Drive to FM 506 (30' B-B).
- Reclaim Pancho Maples Drive from Canal street to West Street (40' B-B).
- Reclaim Verbena Avenue from FM 506 to Parker Road (31' B-B).
- Reclaim Central Avenue from FM 506 west around the Library (30' B-B).
- Reclaim Central Avenue from East Street to the Park (40' B-B).
- Reclaim Central Avenue from FM 506 -- east around the Park (30' B-B).
- Reclaim Ebony Avenue from East Street to Parker Road (30' B-B).
- Reclaim West Magnolia Avenue from Canal Street to West Street (31' B-B).
- Reclaim First Street -- FM 506 east to Parker Road (40' B-B).
- Reclaim Seventh Street -- FM 506 west to Canal Street (34.4' B-B).
- Reclaim Ninth Street -- FM 506 west to Canal Street (34' B-B).
- Pave Kansas City Road from Business 83 to Expressway (new paving including curb & gutter 40' B-B).

- Kansas City Road from south City Limits to Business 83 (new paving including curb & gutter 40' B-B).
- Rabb Road from Expressway to north City Limits (new paving including curb & gutter 40' B-B).
- Rabb Road from Business 83 to Expressway (new paving including curb & gutter -40' B-B).
- Rabb Road from Hampton Court to Business 83 (new paving with curb & gutter 40' B-B).
- New East-West Street from FM 506 west to Canal Street (new paving including 40' B-B).
- New East-West Street from FM 506 east to Parker Road (new paving including curb & gutter 40' B-B).

Thoroughfares

- Construct Beddoes Road as a "major" street from Business Highway 83 to FM Road 506 with 60' of pavement.
- Resurface West Magnolia Avenue from Canal Street to FM Road 506.
- Resurface Beddoes Road from the Expressway to US Business Highway 83.
- Reconstruct Kansas City Road from US Business Highway 83 south to the City Limits.
- Reconstruct Kansas City Road from the Expressway to the north City Limits.

Water System

- 8" water line along the east side of Canal street from Lion's Villa Avenue north to south side of Barrington Heights.
- 10" water line along the west side of FM 506 from the north edge of Barrington Heights Subdivision, north to Clark Road.
- 10" water line along the north side of Expressway from Parker Road east to Beddoes Road.
- 8" water line along the east side of Kansas City Road north of the Expressway from the north edge of Drain Ditch to the north City Limits.
- 10" water line along the east side of Kansas City Road from Business Highway 83 to Expressway 83.
- 10" water line along the south side of Business Highway 83 from Kansas City Road to White Ranch Road.
- 8" water line along Kelly Drive from Beddoes Road east to the City Limits.
- 12" water line along the west side of White Ranch Road from the Expressway south 5,400 feet to middle of lot 5 in Evans Subdivision.
- 10" water line along the west side of Kansas City Road from the south City Limits for 2,470 feet south.
- 10" water line from the Kansas City Road west to Canal ROW and then north to Green Acres.
- 8" water line along the east side of FM 506 from Citrus Valley Subdivision south to New Elementary School.
- 6" water line along the south side of Hampton Court from Willow Road east to Rabb Road.
- 10" water line from Nancy-Soliseno Subdivision to FM 2556.
- 10" water line along the south side of Business Highway 83 and the east side of FM 2556 from L&D Ranch to FM 2556.
- 8" water line along the east side of Beddoes Road north of the north City Limits.
- 8" water line along the south side of Kelly Drive.
- 8" water line on Beddoes Road from the Business Highway 83 south 4,200 feet and north 650 feet.
- 8" water line from Kansas City Road east to Rancho Blanco Estates Subdivision.

- 10" water line crossing at the Expressway 83 and FM 2526.
- 10" water line from Kansas City Road east to Beddoes Road and north 650 feet and along Beddoes Road.
- 10" water line from south Beddoes Road to south White Ranch Road.
- 12" water line on north Rabb Road from Industrial Park north 3,600 feet.
- 12" water line along the north side of Expressway and East Solis Road and a 10" water line north on East Solis Road.
- 12" water line on White Ranch Road south of the City Limits 2,900 feet.
- 10" water line from East Solis Road to Rabb Road along the north Lot lines of Lots 33 & 11.
- 10" water line from FM 2556 east to Solis Road along the south Lot lines of Lots 30 & 31.

Wastewater System

- Wastewater lines along Strader Lane north along Parker Road for about 500 feet.
- Wastewater lines along FM Road 506 from Lilac Avenue south 1,800 feet.
- Wastewater lift station on FM Road 2556 with gravity lines N & S on FM 2556 and into adjacent areas.
- Wastewater lines east & west on the north side of the Expressway on either side of Parker Road.
- Wastewater lift station on Beddoes Road with pressure main & gravity lines east & west on the Expressway.
- Wastewater lift station on the east side of Parker Road, with gravity lines on Parker Road and east to FM 506.
- Wastewater lift station and pressure main with gravity lines on Business Highway 83, Beddoes Road and White Ranch Road.
- Wastewater line along the north side of Expressway west of FM 2556.
- Wastewater lines along the east side of Rabb Road from north of the Expressway, north to Drain Ditch.
- Wastewater lines along the east side of FM 506 from Avalonlea Gardens Subdivision, north to Drain Ditch.
- Wastewater line along the west side of FM Road 506 from Cooper Lane south 1,250 feet.
- Wastewater lines for Lobitas Estates No.s 1,2 and 3.
- Wastewater lift station west of Willacy Main Canal with lines along the south side of Business Highway 83.
- Wastewater lines along south Rabb Road and Business Highway 83.
- Wastewater lines, pressure main & lift station on East (Old) Solis Road north of the Expressway.
- Wastewater lines and lift station on South Kansas City Road, with other lines on Beddoes Road.
- Wastewater lines and lift station on South White ranch Road, with pressure main to the west.
- Wastewater lines along Kelly Drive and White Ranch Road, north of Business 83.
- Wastewater lines along the west side of Parker Road from Windsong Subdivision, north to Drain Ditch.
- Wastewater lift station, lines & pressure main on north Beddoes Road, north of Expressway from Kansas City Road east.

Drainage System

- 54" and 48" pipeline to be installed in Railroad Right-of-way.
- 42" Drain line along North Parker Road.
- 36" Drain line on the west side of Citrus Village along Citrus Drive.
- 30" Drain line between Kansas City Road and AN47 Drain in block 64, Hooks and Hodges Subdivision.
- 60" Drain line along north edge of Windsong Village Subdivision from AN47 Drain to Parker Road.
- 60" drain line along the north block line of Block 27, La Feria and Land Irrigation Company Subdivision from the AN47 Drain east to Canal Street.
- 24" Drain line on Kansas City Road.
- Drainage improvements east of Green Acres Subdivision and Kiester Subdivision.

FIVE YEAR CAPITAL IMPROVEMENTS PROGRAM

The hereafter Recommended Capital Improvements were based on studies of the Comprehensive Planning activities. The implementation of established priorities in this report may change with the City's adoption of a Tax Increment Finance Program in 2008. Areas of the City included in the Tax Increment Finance project would be contributing additional taxes to the City for infrastructure projects, which may alter implementation priorities. Each specific program listed in this Capital Improvements Program exhibit was assigned one of the thereafter priority terms.

- M - Mandatory Item protects life or health.
- N - Necessary Item is an important public service.
- D - Desirable Item replaces an obsolete facility.
- A - Acceptable Item reduces operating costs.

Recommended Capital Improvement for a five year period (2008 to 2012) are listed in Exhibit 11-13 with a code symbols in the above need classification and an anticipated source of funding as listed below for the implementation projects.

GO	General Obligation Bonds
AF	Assessment fees from property owners or developers
RB	Revenue Bonds
City	Funding from General Fund or Proprietary Fund
CDBG	Community Development Block Grant Funds
GS	Other Grant Sources

The engineering firm of Sigler, Winston, Greenwood & Associates, Inc. completed a study of the city's streets, water system, wastewater system and storm drainage. These studies identify both present day needs as well as future needs for the community. This Capital Improvements Program is predicated upon these studies. Design Services, Inc. prepared a Parks and Recreation Study, Thoroughfare Study and Central Business District study with recommended landscaping through the Texas Department of Transportation and/or the Texas Forest Service. If the city is successful in receiving landscape funding from the state, very little local funds will be required to achieve the recommended landscaping in the Central Business District. Thoroughfare improvements for the next five years are included in the Street Study.

EXHIBIT 11-13 FIVE YEAR CAPITAL IMPROVEMENTS BY YEAR AND PRIORITY

FY 2008 – Water System

<u>Need Class</u>	<u>Description</u>	<u>Estimated Cost</u>	<u>Funding Source</u>
N	8" water line along the east side of Canal street from Lion's Villa Avenue north to south side of Barrington hts.	\$42,644	GS
N	10" water line along the west side of FM 506 from the north edge of Barrington Heights Subdivision, north to Clark Road.	186,708	CDBG
N	10" water line along the north side of Expressway from Parker Road eastward to Beddoes Road. Ditch to the north City Limits.	324,280	GS
SUB TOTAL		\$553,633	

FY 2008 – Wastewater System

N	Wastewater lines along Strader Lane and Parker Road.	60,489	GS
N	Wastewater lines along FM Road 506 from Lilac Avenue south 1,800 feet.	117,022	GS
SUB TOTAL		\$177,511	

FY 2008 – Street System

N	Reconstruct North Wind Court (Windsong Village Subdivision) with 30' of pavement.	\$90,377	GS
N	Reconstruct South Breeze Court (Windsong Village Subdivision) with 30' of pavement.	90,377	GS
N	Reconstruct East Wind Court (Windsong Village Subdivision) with 30' of pavement.	90,377	GS
N	Reconstruct Trial Winds Drive (Windsong Village Subdivision) with 30' of pavement.	143,187	GS
SUB TOTAL		\$414,318	

TOTAL **\$1,145,462**

FY 2009 – Water System

N	8" water line along the east side of Kansas City Road north of the Expressway at the north edge of Drain Ditch to the north City Limits.	31,500	GS
N	10" water line along the east side of Kansas City Road from Business Highway 83 to the Expressway 83.	113,504	GS
N	10" water line along the south side of Business Highway 83 from Kansas City Road to White Road.	181,958	GS
SUBTOTAL		\$326,962	

FY 2009 – Wastewater System

N	Wastewater lift station on FM Road 2556 with gravity lines N & S on FM 2556.	739,483	GS
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	SUB TOTAL	\$739,483
TOTAL		\$1,066,445

FY 2010 – Water System

N	8" water line along Kelly Drive from Beddoes Road east to the City Limits.	52,659	GS
N	12" water line along the west side of White Ranch road from the Expressway south 5,400 feet to middle of lot 5 at Evans Subdivision.	302,344	CDBG & GS
N	10" water line along the west side of Kansas City Road from the south City Limits for 2,470 feet south.	120,060	GS
	SUBTOTAL	\$475,063	

FY 2010 – Street System

N	Reconstruct North Palmera Drive (Palmera Heights Subdivision) with 30' of pavement.	180,082	GS
N	Reconstruct South Palmera Drive (Palmera Heights Subdivision) with 30' of pavement.	180,082	GS
N	Reconstruct East Palmera Drive (Palmera Heights Subdivision) with 30' of pavement.	98,855	GS
N	Reconstruct Cactus Lane (Palmera heights Subdivision) With 30' of pavement.	54,805	GS
N	Reconstruct Hibiscus Street (Palmera Heights Subdivision) with 30' of pavement.	99,099	GS
N	Reconstruct Anaqua Street (Palmera Heights Subdivision) with 30' of pavement.	99,099	GS
N	Reconstruct Retama Street (Palmera Heights Subdivision) with 30' of pavement.	99,099	GS
N	Reconstruct Colgate Lane (Palmera Heights Subdivision) with 30' of pavement.	53,311	GS
	SUB TOTAL	\$864,432	
TOTAL		\$1,339,495	

FY 2011 – Water System

N	10" water line from the Kansas City Road west to Canal ROW and then north to Green Acres.	118,042	CDBG
N	8" water line along the east side of FM 506 from Citrus Valley Subdivision south to New Gramme School.	58,801	CDBG
N	6" water line along the south side of Hampton Court from Willow Road east to Rabb Road.	56,119	GS
	SUBTOTAL	\$232,962	

FY 2011 – Wastewater System

N	Wastewater lines east & west on the north side of the Expressway on either side of Parker Road	306,344	GS
	SUBTOTAL	\$306,344	

FY 2011 – Street System

N	Canal Street north of the Expressway for 1,550 feet.	226,139	GS
N	Reclaim West Street – Jessamine to Business 83	109,541	GS
N	Reclaim Bearfield Lane – F.M. 506 west to Cul-de-Sac.	76,964	GS
N	Reclaim Howard Lee Drive – from Parker Road to Cul-de-Sac.	73,862	GS
N	Recalim Hawkins Lane – from Business Highway 83 to the South.	32,352	GS
N	Reclaim Washington Way from Kansas City Road to the East.	40,663	GS
N	Reclaim Lincoln Lane from Washington Way to Cul-de-Sac.	41,208	GS
N	Reclaim Lytle Circle – a Cul-de-Sac south of Cooper Lane.	11,369	GS
N	Reclaim Smith Circle – a Cul-de-Sac south of Cooper Lane.	11,369	GS

SUB TOTAL**\$623,469****TOTAL** **\$1,162,773****FY 2012 – Wastewater System**

N	Wastewater lift station on Beddoes Road with pressure main & gravity lines east & west on the Expressway.	\$1,173,221	GS
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SUBTOTAL**\$1,173,221****FY 2012 – Street System**

N	Repave Dodd Lane from water treatment plant to Willow Road (new paving-including curb & gutter – 30' B-B).	\$217,022	GS
N	Pave Beddoes Road from Business 83 south to City Limits (new paving-including curb & gutter– 40' B-B).	392,719	GS
N	Pave Kelly Drive from Beddoes Road east to City Limits (new paving-including curb & gutter – 40' B-B).	183,164	GS
N	Reconstruct Illinois Circle (Valle Verde Subdivision) including new curb & gutter – 30' B-B.	260,249	GS
N	Reconstruct West Breeze Court (Windsong Village Subdivision) including new curb & gutter –30' B-B.	85,830	GS

SUB TOTAL**\$1,138,984****TOTAL** **\$2,312,205**

Application of the Plan

It must be recognized that any plan for the future must be based on an estimate of certain growth, conditions, trends and projections. These conditions may change and vary from time to time, and when they do, the Capital Improvements Program should be re-analysis. This may require selected improvements to be implemented immediately or even delayed. Projects recommended for the 2008 to 2012 Capital Improvements are illustrated on Exhibit 11-14, the Capital Improvements Map.

Finally, this plan is not meant to be inflexible, but rather a tool to help establish a course of action. The saying, "where there is a will there is a way" appropriately applies here.

APPENDIX

FINANCING CAPITAL IMPROVEMENTS

Because most capital investments involve the outlay of substantial funds, cities can seldom pay for these facilities through annual appropriations in the annual operating budget. There are numerous financing alternatives for cities in financing capital improvements. Some of the typical methods are:

Current Revenue (Pay-As-You-Go)

Pay-as-you-go is the financing of improvements from current revenues such as general taxation, fees, service charges, special funds, or special assessments at the time the improvement is made. In theory this type of financing represents a considerable saving by avoiding interest payments. It requires that tax and revenue incomes be saved prior to the need in sufficient quantity for the project cost. In the interim the fund can be temporarily invested and draw interest. The difficulty encountered is that there is a temptation to spend the funds in small increments for less essential projects. Also, costs of the improvements generally increases over time reducing the buying power. Also, costs of the improvements generally increases over time reducing the buying power.

Reserve Funds

Funds are accumulated in advance for capital construction or for the purchase. The accumulation may result from surplus or "earmarked" operational revenues or through the sale of capital assets.

General Obligation Bonds or Certificates of Obligation

Through this method, the taxing power of the jurisdiction is pledged to pay interest upon and to retire the debt accrued by the sale of bonds to investors. A General Obligation Bond is also known as a "full faith and credit" bond because it is based on the full faith and credit pledge of a government unit with the power to levy taxes. General Obligation Bonds require voter approval, whereas Certificates of Obligation only require voter approval if a petition is received requesting it be submitted to the voters.

Revenue Bonds

These bonds are issued on facilities which produce sufficient tangible net revenue to amortize the debt thus created. Since this method of financing does not require direct taxation, it is the most common method of financing utility improvements. It is also applicable for swimming pools, parking lots and other revenue yielding facilities. This type of bond sells favorably if the revenue from the facility is one-and-one-half to two times the debt service requirement. Because revenues pledged for the repayment of such debt is obtained from user fees and charges, this type of bond financing is not required to be submitted to the voters for approval.

Special Assessments

This type of financing is generally applied to projects which will directly benefit certain property such as a street where abutting property owners directly benefit. Usually cities pay for one-third of the cost while abutting property owners pay for the other two-thirds. Improvements often financed by this method include street paving and extension of water and sewer mains.

Local governments use the lease-purchase method to often finance equipment or public works projects which are constructed by private companies. The equipment or facility is leased by the city for a special period of time. At the end of the lease period, the title to the equipment or facility can be conveyed to the city if the option to purchase is exercised. The rental over the years will have paid the total original cost plus financial charges.

Authorities and Special Districts

Special authorities or districts may be created to provide a single service. Authorities or special districts might be created to provide water, sewage treatment, fire protection, roads, drainage, mass transit, etc. Authorities and special districts are sometimes formed to avoid restrictive government debt limitations and as a way to finance facilities serving more than one jurisdiction. They may be financed through revenue bonds retired by user charges although some have the power to tax to raise funds.

State and Federal Grants

State and federal grant-in-aid programs are available to finance a number of programs and projects. The cost of funding these programs or facilities may be borne completely by grant funds or a local share may be required. These grant funds usually do not have to be repaid, provided they are used for its intended purposes. However, with the cutbacks in grant programs, this form of financing is not as readily available today as it once was. Competition under the various grant programs is also rather pugnacious.

Tax Increment Financing

Tax increment financing may be used to provide front-end funds in an area where large-scale redevelopment is feasible. A district around the proposed development is designated with a tax base equivalent to the values of all the property within the area. The tax revenues paid to the taxing units are computed on the initially established tax base during the redevelopment period. The area is then redeveloped using funds provided by the sale of tax increment bonds. These bonds are sold by the municipality or specially created taxing district for acquisition, relocation, demolition, administration, and site improvements. Because of the higher value of the newly redeveloped area, the additional tax revenues above the initially established taxable level goes into a fund to retire the bonds.

