



August 2, 2013

Honorable Mayor and City Council
City of Bedford, Texas

In accordance with the requirements set forth in the City charter, the annual operating budget and capital improvement program for FY 2013/2014 is submitted for consideration and review by the City Council. This budget represents the financial plan for providing public services and capital improvements during the coming year. The plan is focused on City Council priorities and follows the fundamentals of the City's Financial Policy statements. The plan addresses City Council vision, mission and critical focus areas while maintaining current level of services, fiscal stability and improving the City's infrastructure.

The recommended budget is the product of many staff hours dedicated to meeting the challenge of allocating limited financial resources among the increasing list of community needs. In addition, the proposed budget is structured to allow the Council an opportunity to consider different options in terms of revenue as well as supplemental packages.

This budget serves as a policy document for the City of Bedford. With the approval of this budget, the City Council establishes the community goals and programs for the upcoming fiscal year. The annual budget contains appropriations in order to achieve specified purposes, functions, activities and objectives. Ultimately, this budget communicates who we are and what we do, and is directed to a wide audience -- Bedford citizens, community investors, elected officials and city staff.

Services provided by the City include fire and police protection, emergency medical services, planning and zoning, economic development, code enforcement and inspections, street maintenance, parks, recreation, library and senior citizen services. A special revenue fund is used to account for revenues derived from hotel/motel taxes, with proceeds used to promote Tourism. Water and sewer services are provided under an enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. Drainage maintenance services are also provided under the enterprise fund concept, implemented in 1991 in accordance with amendments to Title 13 of the Texas Local Government Code. A wide variety of special revenue funds account for fees, donations and other forms of revenue that are designated for a specific purpose, either by statute or local option. Finally, continuing a practice that began in 2004, several funds have been established to set aside resources for future capital replacement, facilities and infrastructure.

➤ **Fiscal Year 2012/2013**

The City of Bedford experienced significant progress in FY 2012/2013. The most significant challenge that Bedford faced during the current fiscal year was the continued construction/expansion of State Highway 183 (Airport Freeway), which runs east/west through the center of the City. This \$2.5 billion construction project, which began in October of 2010, impacted many businesses along the corridor, including 50 individual properties with existing businesses that lost parking, landscaping, and in some cases, the entire building. Multiple homes adjacent to the freeway were removed as well.

However, many exciting changes have occurred in the midst of the changing landscape surrounding the SH 183 expansion. Businesses that were totally displaced by the need for additional right-of-way for the highway expansion have returned to Bedford, such as Chili's, On The Border, and Mexican Inn. New familiar restaurants now located along the highway corridor are Applebee's and Burger King. Just north of the freeway, at the corner of Central Drive and Harwood Road is Twisted Root Burger Company. Cheddar's Casual Café underwent a significant remodel and remains an anchor for the restaurants along the highway corridor. Not to be overlooked, the multi-story CI Host building, standing vacant for several years at the corner of Central Drive and SH 183 saw its demise in March of 2013. New to the landscape on that site is an AT&T stealth tower, bearing the City of Bedford logo on all three sides to mark the gateway to the City.

The fiscal impact to the City of Bedford as a result of the highway project has been significant especially in terms of the estimated \$2,500,000 for related utility line relocation; the worst case scenarios regarding sales tax do not seem to have occurred. Though the construction created traffic congestion and at times has reduced access the sales tax projections remain strong.

Sales tax collections to the City peaked at \$9,670,754 in FY 2009/2010, just prior to construction. Current year collections in FY 2012/2013 are estimated at \$9,658,248, an increase of 3.21% over FY 2011/2012.

From a planning perspective, two significant projects were completed in FY 2012/2013. First, the Highway 121/183 Overlay District was developed to ensure quality development along the highway corridors throughout the city. The new overlay district combined the existing Highway 121 Overlay District with the Cheek Sparger Overlay District and extended those development standards onto Highway 183 from the eastern border to the western border of Bedford. Second, the vision for the Central Bedford Development Zone (CBDZ) is now formalized in a completed planning study that was recently approved by the City Council. This vision plan creates the framework for new development in the central portion of Bedford, adjacent to the Cultural District that was established two years ago.

Multiple capital improvements were implemented in FY 2012/2013. Simpson Terrace Well and associated improvements will be complete by year end. The Schumac/Monterrey storm drainage

project and the Glenda Drive storm drainage project were completed, ensuring that many homes on Schumac and Glenda are no longer vulnerable to flooding during heavy rain events. Seven homes were purchased and demolished along the Sulphur Branch drainage channel, removing these homes from the 100 year flood plain.

➤ **City Council Goals**

In January of 2006, the Bedford City Council began the process of creating a long term vision, mission and goals to move the City forward and prepare for the many challenges the City would face in the future. The City Council has met at least annually since that time, reaffirming the vision and mission and adjusting the long term goals as deemed necessary. During this time they also established their top priority goals for the next two to three years.

Vision: To be a quality residential community balanced with an environment for planned economic vitality.

Mission: Be responsive to the needs of the community
Demonstrate excellent customer service in an efficient manner
Foster economic growth
Provide a safe and friendly community environment
Protect the vitality of neighborhoods
Encourage citizen involvement

In order for the City to achieve this vision, the mission statements were established to provide direction to the staff. As a reflection of the vision and mission statements three critical focus areas were identified.

➤ Economic Development:

GOAL: Implement a plan to create and foster an environment that encourages redevelopment, business retention, attraction and creation in order to foster economic growth through a managed and balanced approach.

➤ City Codes:

GOAL: Present the City in a manner that creates an image of success by providing resources required to meet these goals and objectives.

➤ Budget:

GOAL: Develop a budget that will prioritize, control expenditures and support economic development, city infrastructure and quality of life opportunities.

The City vision, mission and top critical focus areas communicate a clear direction for staff as they develop action plans, projects and funding requirements to implement the “blueprint” that has been established for our city.

➤ **Fiscal Year 2013/2014 Financial and Economic Outlook**

The financial plan as presented in the proposed operating budget should be considered from the broad perspective of the specific environment within which the City operates. The City of Bedford is located in the center of the Dallas-Fort Worth Metroplex. The city encompasses 10.1 square miles and is 97% developed. The 2010 census reflects a population of 46,979, consistent with the North Central Texas Council of Governments 2013 estimated population of 46,990. The total taxable assessed value of property within the City previously peaked in FY 2008/2009 at \$2,934,974,731, declined in FY 2009/2010 and has gradually increased again to the FY 2013/2014 value of \$3,006,179,994. This represents an increase of \$45,085,610, or 1.52% in taxable value compared to FY 2012/2013. Taxable value increases are fairly evenly distributed between residential and commercial properties. New construction values total \$6,293,903.

A significant portion of the City’s general operating revenue is derived from sales tax and efforts to maintain and grow our sales tax base are a high priority. As a policy, the City strives to attract high quality, visually appealing businesses, as well as revitalize and invest in areas that have seen some deterioration of economic activity.

➤ **Planning for the Future**

Current long range financial planning primarily revolves around several major water/sewer system infrastructure projects as well as significant improvements to our stormwater drainage system. A potential bond election in November could also result in reinvestment in the Boys Ranch Park which is the City’s largest park. As the City approaches full build out, planning initiatives such as the completion of the Highway Corridor Overlay District and other planned programs provide for re-development of certain aging corridors within the City. Maintenance funds have been established for capital assets, recognizing that a scheduled maintenance, repair and replacement program provides for the best utilization of financial resources.

In addition to the future \$2,500,000 liability for the relocation of utility lines associated with the Highway 183 expansion project, there are a few future items that have been considered when presenting the proposed budget. Examples of these future items include, but are not limited to:

- ✓ Fire Station #2 Contract – Interlocal agreement with the City of Colleyville to provide fire protection services within the Colleyville city limits will expire in 2015, resulting in a loss of approximately \$280,000 in annual revenue to the City of Bedford.
- ✓ Patrol Vehicles – future funding of Patrol Vehicle replacement will need to be provided in the General Fund.

➤ **Financial Highlights**

The total proposed budget for FY 2013/2014, including transfers between funds, is \$59,288,414. This represents an increase of \$928,652, or 1.6%, when compared to FY 2012/2013. Changes in expenditures/expenses vary in each fund based on the nature of the service provided in each fund.

➤ **Funding Priorities**

Funding priorities are established each year based on City Council goals and objectives. The process of making funding decisions begins with staff budget meetings to discuss budget history and trends, review current year initiatives, status of year to date spending and identification of major challenges that will be faced in the upcoming fiscal year.

This proposed budget includes recommendations addressing many of these challenges. Support of economic development initiatives relies on delivery of high-quality City services, maintenance of our infrastructure, a dedicated and committed work force of city employees and the tools and equipment to safely do their jobs daily as they serve our citizens.

Supplemental funding requests in the proposed budget are itemized for Council consideration. A full listing of supplemental requests, both funded and unfunded can be found in *Section 12 – Supplementals*.

➤ **Compensation/Benefits**

The City of Bedford has faced funding constraints over the last several years, in part due to a general decline in the local economy. Prior to FY 2012/2013 no compensation adjustments had been funded for three consecutive fiscal years, the last one coming in the form of a 3% cost-of-living adjustment in October of 2008. In FY 2012/2013 employees received a \$1000 lump sum payment in October of 2012, followed by merit increases averaging 2% in April of 2013.

Discretionary funding is available in each fund that that can be appropriated for compensation adjustments, market adjustments, cost of living adjustments or merit pay. Staff is prepared to discuss the various options during the upcoming budget work sessions.

An increase in funding for various employee benefits is projected, specifically in health insurance, dental insurance, TMRS and workers compensation insurance. Citywide these increases total \$249,324, which has been partially offset by a decrease in overtime funding in excess of \$100,000.

➤ **General Fund**

General Fund Revenue - The proposed budget provides funding for continuation of all current programs and services. Revenue projections for FY 2013/2014 total \$28,408,770,

an increase of 3.4% over FY 2012/2013. Increases have been projected for sales tax, property tax (due to new construction and increase in collection rate), franchise fees, ICE revenue and licenses and permits. No fee increases are proposed in the General Fund at this time.

- ✓ Property taxes – Property taxes make up the largest single revenue source for General Fund operations. The property tax rate is made up of two segments. The first is the Operations and Maintenance (O&M) rate. This amount is dedicated to daily operations of the City that fall within the General Fund. Services such as Police, Fire, Parks and Recreation, Library, Senior Citizens Center, Code Compliance, Inspections, Finance and general governmental functions are included in the General Fund. The second piece of the tax rate is the Debt Service rate. This is the tax rate that is pledged to repay long term debt obligations of the City. The property tax rate is calculated annually based on property values as submitted to the City by the Tarrant Appraisal District. The property tax rate is approved by the City Council after state and charter mandated public hearings.

The tax rate that has been used to develop revenue projections to fund the proposed budget is \$0.495050, which is the effective tax rate for FY 2013/2014 and less than the current tax rate of \$0.499115. The number of properties eligible for tax ceilings increased from 3,355 in 2012 to 3,572 in 2013.

Since 1995, the City of Bedford has collected an additional one-half of one percent in sales tax for the reduction of property taxes. Sales tax collections from July 2012 through June 2013 increased slightly, which affects the 2013 tax rate calculation by decreasing the effective tax rate for operations and maintenance. The sales tax adjustment rate increased from the 2012 rate of \$0.088918 to the 2013 sales tax adjustment rate of \$0.091272

- ✓ Sales tax - Sales tax revenue projections increased from the FY 2012/2013 budget amount, consistent with the anticipated collections in sales tax revenue in the current year. Monthly collections vary significantly from historic trends, making it difficult to forecast future collections. Limited information is available from the Texas Comptroller of Public Accounts that would give us the ability to identify patterns. As a result, staff estimates remain conservative, due to the current economic outlook and the resulting volatility in sales tax collections.
- ✓ Franchise Fees – This revenue source is sometimes referred to as “street rental fees” or “right-of-way rental fees” paid by utility companies that install their service lines within city right-of-way. These fees are calculated in several ways, either on a gross receipts basis, per access line, per kilowatt hour of power consumed, etc. The methodology for each utility franchise is somewhat different. A revenue increase of approximately 3% is included in the proposed budget for franchise fees.

- ✓ Licenses/permits – This category includes a wide of variety of building related permits, fire marshal permits, alarm permits, sign permits, etc. Revenue for several classifications of licenses and permits is projected to increase in the upcoming fiscal year. This is primarily attributed to the increased building activity associated with structures affected by highway construction and redevelopment in other areas of the City not on the highway corridor.
- ✓ Fines and Fees – The two major drivers in this revenue category are Municipal Court Fines and Ambulance Fees. Municipal Court Fines are anticipated to fall below projections in the current fiscal year, but should stabilize in the upcoming fiscal year. Ambulance fees are projected to exceed budget in the current fiscal year, but FY 2013/2014 projections remain the same as the current year budget, due to uncertainty in new Medicare/Medicaid payment schedules taking effect next year.

General Fund Expenditures - Proposed expenditures in the General Fund total \$27,860,600 compared to \$27,475,032 in FY 2012/2013, an increase of 1.4%. Some increases in base expenditures are included to fund contractual obligations that have already been committed, continued operation of current programs and unfunded mandates from the State of Texas or other entities. Examples of these obligations include:

- ✓ Increase in election cost for annual May election
- ✓ CDL Compliance
- ✓ Crime Victims/Domestic Violence Coordinator
- ✓ Intoxilyzer replacement
- ✓ Warranty on traffic signal maintenance
- ✓ NEFDA operations and capital.

Supplemental requests totaling \$245,490 are included in the proposed expenditure total.

➤ **Water & Sewer Fund**

Water & Sewer Fund proposed expenses are projected to be \$19,657,705 for FY 2013/2014, an increase of \$1,119,649 compared to the FY 2012/2013 budgeted expenses. The primary components of the expense changes are a 4.52% increase in water purchase cost (\$0.133/1000 gallons) and a 15.86% increase in wastewater treatment cost (\$0.323/1000 gallons) from Trinity River Authority. Staff recommends that these unit cost increases be incorporated into our retail rates for FY 2013/2014 as pass-thru costs. Supplemental requests for capital maintenance and equipment totaling \$371,475 are also included in the proposed expense budget.

➤ **Stormwater Utility Fund**

The Stormwater Utility Fund was established in 1991 in accordance with amendments to Title 13 of the Texas Local Government Code. It is structured under the enterprise fund concept.

Revenues for this fund are derived from a monthly fee charged to each utility customer, calculated based on the impervious surface on the property. The residential stormwater utility rate is \$3.50 per month (\$3.00 per month for residential account holders over 65 years of age), and this number is used in the base calculation for non-residential properties. Expenses in the Stormwater Utility Fund are used for stormwater maintenance personnel, mowing and maintenance of drainage channels, mosquito control, street sweeping, environmental awareness and debt service payments on long term obligations for capital projects throughout the stormwater system. Projected revenue for the Stormwater Utility Fund for FY 2013/2014 is \$1,305,000 and expenses are projected at \$1,335,195. No increase in the Stormwater Utility rate is proposed at this time.

➤ **Debt Service Fund**

The Debt Service Fund (sometimes referred to as the Interest and Sinking Fund) is used to account for the accumulation of resources for the repayment of general long-term debt. The tax rate that is proposed for the repayment of long term debt in FY 2013/2014 is \$0.191616, which is slightly lower than the debt rate for FY 2012/2013. Summary schedules and detailed information on individual bond obligations can be found in the Debt Service Fund section of this proposed budget document.

➤ **Special Revenue Funds**

Tourism Fund – This fund was established to record revenue and expenditures associated with the collection of a 7% hotel/motel occupancy tax levied by the City of Bedford and authorized by the State of Texas. The tax is levied on the rental rate for hotel rooms in Bedford when the room is occupied by the same tenant for a period of not more than 30 days. Funds generated by the hotel occupancy tax are used to promote tourism, arts and culture and historic preservation.

Significant programs funded by the Tourism Fund include July 4thFest and the Labor Days Blues & BBQ Festival, which has developed a national reputation for quality Blues music and a nationally recognized BBQ contest sanctioned by the Kansas City Barbeque Society.

Also included in this fund are resources for the operation and preservation of the Old Bedford School and support of arts and culture in Bedford, including Arts Council Northeast, Trinity Arts Guild and Onstage Theatre.

Street Improvement Economic Development Corporation – In November of 1997 the citizens of Bedford approved an additional one-half of one percent sales tax for the purpose of economic development. Specifically, these funds are to be allocated to street and road related improvements within the City of Bedford, along with paying for the maintenance and operating expenses related to the projects. The City of Bedford Street Improvement Economic Development Corporation was subsequently formed to administer the funds provided by the additional sales tax revenue.

Projected revenue for the Corporation in FY 2012/2013 is \$2,310,000 and projected expenditures total \$2,295,955. These expenditures include debt service payments on City of Bedford debt service obligations issued specifically for the initial street reconstruction program in 1998 and 1999, as well as preventive maintenance contracting, supplies and capital equipment.

➤ **Miscellaneous Special Revenue Funds**

Court Security Fund – This fund accounts for monies collected under State Statute designed to provide security for the Municipal Court facilities. These funds are used specifically to pay for a portion of the salary, benefit and operating costs of two (2) full-time bailiff/warrant offices in the Municipal Court.

Court Technology Fund – This fund is used for monies collected under State Statute designed to provide increased technology for the Municipal Court facilities. These funds are used specifically to pay for the operating costs of the Municipal Court computer systems, audio-video system in the court room, and hand-held ticket writers used by the Police Officers in the Traffic Division of the Police Department.

Park Donations Fund – This fund is used for contributions from citizens designated for park improvements. Specifically, this donation is shown on utility bills, and citizens may voluntarily include the \$0.50 donation when making their utility bill payment.

Beautification Fund – This fund accounts for revenue and expenditures related to various citywide beautification programs proposed by the City's Beautification Commission. Annual revenue of \$10,000 is collected via a grant from Allied Waste Services, designated specifically for beautification projects within the City.

Drug Forfeiture Fund – This fund accounts for monies received from participation in federal drug enforcement activities. Expenditures from this fund must also be used toward drug enforcement and prevention activities.

Traffic Safety Fund – This fund accounts for revenues generated from red light camera fines. Expenditures associated with operation of the red light camera program are also paid from this fund. Fifty percent (50%) of the net revenue from the operation of the red light camera program is rebated to the State of Texas at the end of each fiscal year.

Economic Development Fund – The Economic Development Fund was established mid-year in FY 2011/2012. In that fiscal year, the City of Bedford sold two pieces of property that were deemed to be surplus property and no longer useful to the City. Those two properties were the Sotogrande Community Building and Tennis Center and the Brown Trail water well site. Per City Council direction, proceeds from these two property sales were put into escrow in the new Economic Development Fund. Additional funds derived specifically from new development

activity in the city will be deposited into this fund as well. Revenues from this fund will be used in conjunction with the City of Bedford Economic Development Policy and Program and the City of Bedford Retail Center Revitalization Program (RCR).

PEG (Public, Educational and Governmental) Fund - In December 2012, Time Warner Cable terminated its local franchise with the City of Bedford and opted into statewide franchising in accordance with the adoption of SB 1087 in the 2011 legislature. SB 1087 allows each local incumbent cable franchisee to terminate all of its local franchises in cities of less than 215,000, if done so by December 31, 2011. This is also in compliance with the SB 5 from the 2005 legislature which transferred cable franchising authority to the Public Utility Commission. In accordance with SB 1087, a municipality must set up a separate PEG fund at the time of franchise termination to collect and account for the public, educational and governmental (PEG) fee which goes into effect at the time of termination. The PEG fee is an additional 1% of gross revenue and can only be spent on capital items for the local access channel as described by federal law. The PEG fee is also required of AT&T as well as any future cable provider that may chose to provide service in Bedford.

➤ Maintenance Funds

Various funds have been established in the last several years to allow for designating funds for specific maintenance purposes. Monies are deposited in these funds each fiscal year in order to accumulate funding for capital equipment and large, infrequently occurring maintenance projects. These funds include:

- **Aquatics Maintenance Fund** – This fund is used to account for deposits and expenditures related to the maintenance of both Splash Aquatics Park and Roy Savage Pool at Central Park.
- **Facility Maintenance Fund** – This fund is used to account for deposits and expenditures related to the maintenance of all City facilities.
- **Equipment Replacement Fund** – This fund is used to account for deposits and expenditures related to the replacement of capital equipment, including trucks, cars, ambulances, construction equipment, etc.
- **Water & Sewer Vehicle Replacement Fund** – This fund is used to account for deposits and expenditures related to the replacement of capital equipment, including trucks, construction equipment, etc. for the Water & Sewer Fund.
- **Computer Replacement Fund** – This fund is used to account for deposits and expenditures related to the replacement of computers, printers, software, communications equipment and any other items necessary to efficiently operate the City's communications and technology network.
- **Library Maintenance Fund** – This fund was established in FY 2012/2013 to account for deposits and expenditures related to the long term maintenance of the new Bedford Public Library.

➤ **Capital Improvement Program Highlights**

Northwest Pressure Plane Improvements: \$2,300,000

The “Pressure Analysis and Recommendations for the City of Bedford Northwest Study Area” (2010) prepared by Kimley-Horn & Associates concluded a new higher pressure plane would need to be created in the northwest part of the City. The study recommended the addition of a new booster pump station located at the Simpson Terrace Elevated Tank site and the establishment of a new pressure plane to serve northwest Bedford. Funding was included in the Water & Sewer Certificates of Obligation Series 2012 the construction phase of the project.

On August 27, 2013 the City of Bedford will be issuing \$1,695,000 in General Obligations that were approved by the voters in Bedford in November of 2011. The following projects will begin construction in FY 2013/2014.

Dora Street Improvements: \$1,400,000

The reconstruction of Dora Street from Belle Street to Pipeline Road was included in the Bedford 2005 Bond Program. The project was described as “Reconstruction of Dora Street due to failed sections that are unable to withstand loads distributed during average traffic flows.” In addition, the street has an unusually high crown that presents a hazardous driving condition. The contract for the design was awarded in November of 2011.

Bedford Trails Extension: \$295,000

This project is the extension of the linear trail system from Meadow Park to Forest Ridge Drive.

Capital Equipment and Technology Improvements: \$2,658,689

The following equipment and technology items have previously been presented to the City Council for consideration. Staff recommends that these items be financed in FY 2013/2014 through the issuance of Public Property Finance Contractual Obligations in January of 2014.

- ✓ Computer Upgrade from XP Pro to Windows 7
- ✓ Comprehensive Finance Software Upgrade
- ✓ Replacement of Mobile Data Computers for Public Safety
- ✓ Custom Fire Pumper
- ✓ Street Department Bucket Traffic

A complete listing of the Five Year Capital Improvement Program can be found in *Section 14-Capital*.

➤ **Conclusion**

The budget for FY 2013/2014 is a financially sound plan for providing public services to the residents of the City of Bedford. Continuation of a salary and compensation plan that can be continued in future years has also been a priority, and every effort has been made to provide funding options for a salary plan that provides adequate compensation to the dedicated employees of the City, while also being mindful of the need to be prudent with the resources we are given. City staff members are aware of the challenges that face the City Council in directing the growth of the City and hope to meet those challenges by developing efficient programs and professional customer service through the guidance of the City Council and approval of the programs reflected within this budget.

➤ **Acknowledgments**

The staff would like to extend appreciation to the City Council members who sacrifice many hours to make difficult priority decisions and set policies that guide the City into the future in a fiscally responsible manner. Appreciation is also expressed to the City employees throughout the organization, especially those responsible for the maintenance of records that are utilized in the development of this program of services. Many members of the City staff take part in the development of this document, and these members allow the team as a whole to look into the future with pride and anticipation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beverly Griffith". The signature is written in black ink and is positioned above the typed name and title.

Beverly Queen Griffith, CGFO, CGFM
City Manager
City of Bedford, Texas