



July 29, 2016

Honorable Mayor and City Council
City of Bedford, Texas

It is with great pleasure that I present to you the City of Bedford Annual Operating Budget for Fiscal Year 2016-17. The budget as presented is balanced and allows for the City to continue to move forward in addressing infrastructure needs, along with an employee recruitment and retention strategy. This budget continues the City's efforts to provide quality services to our residents and businesses while remaining fiscally sound.

This year's budget process did provide some unique challenges – primarily resulting from the historically large increase in property value appraisals. As in previous years, this year's budget is a result of every department providing input as to the needs of their Departments – and assisting in the strategies incorporated into this year's budget product. Any legitimate budget process will involve a prioritization of need weighed against the availability of resources and funding. Compromises had to be made. Once again, the leaders of the various Departments helped make this final product possible with their shared approach to teamwork and in some cases setting aside needs of their respective Departments for the greater needs of the City.

The Fiscal Year 2016-17 budget provides for city-wide succession planning to include:

- Future capital purchases/replacements
- Establishing Funds to address maintenance and/or equipment replacements across various departments
- Establishing a STEP plan for certified public safety personnel to help address recruitment and retention concerns
- Continuing a 4% cost of living adjustment for all general employees, which also helps address recruitment and retention concerns.

Throughout the budget process, Council goals and objectives were at the forefront of every decision. The shared vision between Council and staff provides greater opportunities for success in our collective efforts to effectively and efficiently manage the needs of our community. Staff is cognizant and appreciative of the support of Council - and the leadership exhibited by Council to bring about positive change.

The City of Bedford is a great community that is full of opportunities. The dedication and commitment of the residents, businesses, City Council, the School District and staff make Bedford stand apart from others. We look forward to the future challenges and changes and are focused on creating new ways for others to Discover the Center.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Roger Gibson", with a long horizontal flourish extending to the right.

Roger Gibson
City Manager

EXECUTIVE SUMMARY

➤ **Fiscal Year 2015/2016**

The City of Bedford experienced a positive and productive year in FY 2015/2016. The most significant challenge that Bedford has faced during the previous fiscal years 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. Existing businesses lost parking, landscaping, and in some cases, the entire building.

Businesses displaced during the highway expansion continue to return to Bedford. Examples include a new Movie Tavern theater which was a multi-million dollar relocation and expansion that doubled the size of their previous location. Bedford's Texas Harley Davidson Dealership also relocated, which resulted in the construction of a new flagship dealership with nearly 70,000 square feet of floor area. This new dealership is now one of the five largest Harley Davidson dealerships in the country, and a major draw to the area. Texas Health Resources also continues to develop their 60,000 square foot, \$25 million dollar expansion of their ICU wing, and a new 52,000 square foot skilled nursing medical facility is also almost complete.

Since the official reopening of Airport Freeway, a variety of new opportunities for development and redevelopment have been unveiled. The new freeway footprint, including the improved access to all major freeway intersections, has helped bring these new opportunities to light.

Commercial and residential real estate continues to be in high demand. Vacancy rates for retail space have consistently been at all-time lows, while the demand for residential properties remains high during this period of time. Additionally, new residential subdivisions have been completed during the current fiscal year.

Sales tax collections to the City had previously peaked at \$9,670,754 in FY 2009/2010, just prior to the beginning of the highway construction. Since the completion of the construction, each year has seen a new peak with FY 2014/2015 actual collections (net) reaching \$11,048,749. Current year collections (net) in FY 2015/2016 are estimated to be at \$12,086,960, an increase of 9.4% over FY 2014/2015. The City is expecting a decrease in sales tax collections in FY 2016/2017 due to the loss of a significant sales tax generating business in the current fiscal year. The budget for sales tax collections in FY 2016/2017 is \$10,757,650, a decrease of 11% from the current fiscal year estimated collections. The

City Council has approved several Economic Development Incentive agreements with local businesses, which include rebates in varying amounts for sales tax. Sales Tax figures presented in these budget documents are net of these rebates to provide an accurate picture of sales tax collections available for operational use.

The City of Bedford was approved for a low interest loan through the State Water Implementation Fund for Texas (SWIFT) in order to address aging water infrastructure needs. The City took a unique approach in applying for funding under the area of water conservation. Staff and consultants were successfully able to support that replacing water mains would be considered water conservation as there would be a reduction in water main breaks and, therefore, a reduction in water loss. Bedford was one of the first communities to use this line of thinking, which ultimately led to the approval of a \$90,000,000 low interest loan for the City of Bedford to use to replace water mains throughout the City.

In FY 2013/2014, a citizen satisfaction survey was administered to residents of the City of Bedford, Texas. The University of North Texas Survey Research Center (SRC) conducted the survey in association with the staff of the City. The survey measured citizen perceptions regarding several areas of interest:

- Rating the quality of life in Bedford today;
- Rating of City services;
- Communication with citizens;
- Challenges for the future; and
- Future policy matters the City may address.

The 2014 Citizen Survey revealed that residents have a very favorable view of the quality of life in the City. The majority of respondents (93.2 percent) rated the quality of life in Bedford as excellent (33.7 percent) or good (59.5 percent). Ninety-two percent planned to remain in Bedford in the next several years. Ninety-five percent indicated they would recommend Bedford to a friend or family member as a good place to live. Fifty percent of respondents stated they stay somewhat informed about their community in Bedford. The Council had intended to conduct the next survey during the current fiscal year. However, due to the limited amount of time for new programs and management to operate, they decided to delay the survey to the upcoming fiscal year. This will provide a better assessment on citizens' opinions of the operations of the City.

The proposed budget for FY 2016/2015 continues to include program enhancements and service initiatives designed to address many areas where improvement was desired.

➤ **City Council Goals**

In January 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. Since that time, the City Council has as needed to reaffirm the vision and mission and adjust the vision and goals as deemed necessary.

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
Support and develop arts and culture in Bedford (added in 2014)

In order for the City to achieve this vision, the mission statements were established to provide direction to staff. As a reflection of the vision and mission statements, three 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 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 2015/2016 Financial and Economic Outlook**

The financial plan as presented in the adopted 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 2016 estimated population of 49,151. The total taxable assessed value of property within the City increased this year to \$3,566,086,055. This represents an increase of \$373,453,617, or 11.7% increase in taxable value compared to FY 2015/2016. New construction values total \$33,187,158.

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 the stormwater drainage system. A successful bond election in November of 2013 authorized funding for Phase I of improvements to the Bedford Boys Ranch, which is the City’s largest park. The Phase I project was completed during FY 2015/2016. Original plans called for a four phase approach to improvements at the Boys Ranch Park. Following the successful completion of Phase I, the City Council will be evaluating moving forward with a “Phase Next” to incorporate all aspects of the remaining three planned phases.

As the City approaches full build out, planning tools such as the Master 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.

The City Council approved the design standards for a proposed 100 acre development called Bedford Commons, which is envisioned to be a mixed use residential and retail development bordered by Forest Ridge Drive on the west, Bedford Road on the north, Central Drive to the east and Highway 183 to the south. Bedford Commons will be

adjacent to the Cultural District, which was established by the City Council in 2011. The City is currently coordinating with developers interested in the Bedford Commons project.

➤ **Financial Highlights**

The total proposed budget for FY 2016/2017, including capital purchases, Street Improvement Economic Development Corporation maintenance projects, debt service and transfers between funds, is \$69,349,538. This represents an increase of \$3,570,587, or 5.43%, when compared to the adopted budget for FY 2015/2016. 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.

➤ **Compensation/Benefits**

Funding is included in the recommended budget for a cost of living increase of 4% for all general employees. This adjustment will increase the pay grades for all City positions, placing the City in a more competitive position for recruiting new employees. This will also assist in bringing all employees up toward the median of the market, helping with employee retention.

The Police and Fire Departments took the lead on investigating a Public Safety Step Plan for all sworn personnel. This effort took into account neighboring cities plans for their police and fire personnel and applying those findings to their departments. This effort began due to concerns with parity in the market for supervisors, compression due to tenured employees, and efforts to improve recruiting and retention. Ultimately, a step plan was proposed that fit the available funding for year one implementation. That plan has been incorporated into the proposed budget.

➤ **Staffing Level Changes**

The proposed budget includes seven new positions to assist in the delivery of City programs and services. The City Manager's Office did freeze a vacant intern position in the FY 2016/2017 budget due to budget constraints. This year's budget focused on

addressing staffing needs in many divisions to ensure that service levels matched the expectations of Council and citizens. The following is a list of the approved new positions:

- **General Fund**
 - Parks Maintenance I Positions (1.5 FTEs)
 - Administrative Coordinator – Recreation
- **Tourism Fund**
 - Tourism Customer Service Associate (0.5 FTE)
 - Facility Maintenance II Technician (0.5 FTE added to current authorized position)
- **Water Fund**
 - Custodian I Position
 - Environmental Specialist Position

Additionally, changes in operating needs and funding have required the redistribution of current positions to better deliver services. Below is a summary of the changes that have been incorporated in the proposed budget:

- **General Fund**
 - The Police Department has reorganized several positions within the department. This includes the creation of an independent division for the Repeat Victimization Unit. There has been no net change in the number of personnel and changes can be found on the Position Control schedule.
- **Tourism Fund**
 - The Old Bedford School Coordinator and Old Bedford School Assistant positions have been reclassified as a Tourism Program Coordinator (two positions).
- **Traffic Safety Fund**
 - The split for the Police Corporal position assigned to the Red Light Camera program has been changed to 75% General Fund and 25% Traffic Safety Fund rather than 50%/50%.

➤ **General Fund**

General Fund Revenue - The budget provides funding for continuation of all current programs and services. Revenue for FY 2015/2016 is budgeted at \$32,692,239, an increase of 6.63% over the FY 2015/2016 adopted budget. Increases have been projected for charges for services, interest income, and some franchise fees.

- ✓ 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 segment 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 is proposed to fund the 2016/2017 budget is \$0.476509, which is a decrease from the adopted tax rate for 2015/2016, 2014/2015 and 2013/2014. The number of properties eligible for tax ceilings increased from 3,675 in 2015 to 3,852 in 2016.

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 vary from year to year, which can have either a positive or negative impact on the operations and maintenance tax rate. The sales tax adjustment rate increased from the 2015 rate of \$0.117041 to the 2016 rate of \$0.118697.

- ✓ Sales tax - Sales tax revenue projections decreased from the FY 2015/2016 budget amount, due to the loss of a significant sales tax generating business. 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 slight revenue increase is included in the 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 remain the same for next year.

- ✓ Fines and Fees – The two major drivers in this revenue category are Municipal Court Fines and Ambulance Fees. Municipal Court and Ambulance fees are budgeted at the same level for next year. The City did approve an amended contract with the contract for ambulance billing that is projected to bring in significant additional revenue beginning with the next fiscal year. This has been incorporated into the proposed budget.

General Fund Expenditures – Proposed expenditures in the General Fund total \$32,684,357 compared to \$30,660,277 in FY 2015/2016, an increase of 6.6%. 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.

General Fund Supplemental Funding Requests for additional programs, personnel, equipment and technology in the amount of \$131,386 are also being submitted for City Council approval. A complete listing of these items can be found in the Supplemental Funding Section of this document.

Water & Sewer Fund

Water & Sewer Fund expenses are budgeted at \$21,725,625 for FY 2016/2017, an increase of \$687,247 compared to the FY 2015/2016 budgeted expenses. The primary component of the expense change is a 5.44% increase in water purchase cost from Trinity River Authority. In addition, the City of Bedford has qualified for a low cost loan program from the Texas Water Development Board (TWDB) in the amount of \$90 million that will be issued over several years. In FY 2015/2016, the City issued \$30 million as part of the State Water Implementation Fund for Texas (SWIFT) program. Water and Sewer rates were evaluated and increased in FY 2015/2016 due to the expected debt issue. For this year, staff is proposing to raise rates only to account for the increase from the Trinity River Authority for water purchase and sewer treatment.

Water and Sewer Fund Supplemental Funding Requests for programs, personnel and equipment in the amount of \$330,209 are also being submitted for City Council approval. A complete listing of these items can be found in Supplemental Funding section of this document.

➤ **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. Budgeted revenue for the Stormwater Utility Fund for FY 2016/2017 is \$1,496,758 and expenses are budgeted at \$1,466,024. Staff is proposing a \$0.50 increase in the Stormwater fee for this year, the first increase in 15 years.

➤ **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 for the repayment of long term debt in FY 2016/2017 is \$0.172762, which is lower than the debt rate for FY 2015/2016 of \$0.192565. Summary schedules and detailed information on individual bond obligations can be found in the Debt Service Fund section of this 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 Day 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. New cultural events that have been added in recent years are the ArtsFest, Arts Talk, Taste & Tunes and the Storefront Gallery.

Supplementals in the amount of \$59,674 are being submitted for City Council approval. A complete listing of these items can be found in the Supplemental Funding Section of this document.

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.

Budgeted revenue for the Corporation in FY 2015/2016 is \$2,740,650 and budgeted expenditures total \$5,243,748. 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, preventive maintenance contracting, supplies and capital equipment, and supplemental requests for a Flameless Pothole Patch Truck (\$160,525). Expenses for the corporation are approved by the Board of Directors and recommended to the City Council for approval.

➤ **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 full-time bailiff/warrant officers 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 electronic ticket writers used by the Police Department. A supplemental in the amount of \$64,540 has been submitted for City Council approval to purchase replacement electronic ticket writers for 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. Funding from this account has most recently been used for initial construction and improvements

of the Bark Park, as well as purchase of exercise equipment for the Boys Ranch Activity Center.

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

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 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. This fund is used in conjunction with the City of Bedford Economic Development Policy and Program and the City of Bedford Retail Center Revitalization Program (RCR). This fund receives an annual transfer of \$100,000 to be used by the City Council for incentives and payments related to approved Economic Development agreements. A supplemental in the amount of \$50,000 has been submitted for City Council approval to fund an updated Economic Development Retail Study.

PEG (Public, Educational and Governmental) Fund – In 2011, the legislature passed SB 1087 allowing each local incumbent cable franchisee to terminate all of its local franchises in cities of less than 215,000, if completed by December 31, 2011. This action is also in compliance with the SB 5 from the 2005 legislature, which transferred cable franchising authority to the Public Utility Commission. Time Warner Cable exercised their option to terminate its local franchise with the City of Bedford and opted into statewide franchising. 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 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 choose 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. Expenses in these accounts are identified in the program summary for the fund and constitute approved supplemental requests. 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 and minor equipment 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 is used to account for deposits and expenditures related to the long term maintenance of the Bedford Public Library.
- **Park Maintenance Fund** – This fund is being established for this fiscal year and will account for deposits and expenditures related to the long term maintenance of the City park system.

➤ **Capital Improvement Program Highlights**

A complete listing of the Five Year Capital Improvement Program can be found in the Capital Improvement Program section of this document.

➤ **Conclusion**

The budget for FY 2016/2017 is a financially sound plan for providing public services to the residents of the City of Bedford. Every effort has been made to provide funding for a salary plan that provides adequate compensation to the dedicated employees of the City, while being mindful of the need to be fiscally responsible. City staff members recognize the challenges City Council faces in directing the growth of the City. Staff hope to meet those challenges by developing efficient programs and providing professional customer service through the guidance of the City Council and approval of the programs reflected within this budget.