

Council Minutes August 9, 2013

STATE OF TEXAS §

COUNTY OF TARRANT §

CITY OF BEDFORD §

The City Council of the City of Bedford, Texas, met in work session at 8:30 a.m. in the Law Enforcement Training Room, 2121 L. Don Dodson, Bedford, on the 9th day of August, 2013, with the following members present:

Jim Griffin	Mayor
Michael Boyter	Council Members
Chris Brown	
Ray Champney	
Jim Davisson	
Patricia Nolan	
Sherri Olsen	
Roy W. Turner	

constituting a quorum.

Staff present included:

Beverly Griffith	City Manager
David Miller	Deputy City Manager
Michael Wells	City Secretary
Cliff Blackwell	Director of Administrative Services
Bill Cooper	Information Services Director
Roger Gibson	Police Chief
Tom Hoover	Director of Public Works
Megan Jakubik	Budget Analyst
Jill McAdams	Director of Human Resources
Mirenda McQuagge-Walden	Managing Director of Community Services
Maria Redburn	Library Manager
Bill Syblon	Development Director
James Tindell	Fire Chief

CALL TO ORDER/GENERAL COMMENTS

Mayor Griffin called the meeting to order at 8:36 a.m.

WORK SESSION

1. Receive and discuss FY 2013-2014 budget overview.

City Manager Beverly Griffith stated that what is being presented is staff's recommendation for the program of services, which is designed to address the wants and needs of a vast number of customers. This year, businesses affected the highway construction have returned and there are new businesses throughout the City. Sales tax has been trending upwards and property values, across both business and residential, are up 1.5 percent. This allows the City to fund basic needs but also allows for choices.

Administrative Services Director Cliff Blackwell thanked Budget Analyst Megan Jakubik for making the proposed budget documents more user-friendly, convenient and better looking through a PDF format.

Council Minutes August 9, 2013

The total proposed base expenditure budget is \$58,368,758, which is less than the current budget. Supplemental requests equal \$919,656, giving a total proposed budget of \$59,288,414, which is 1.08 percent over the FY 2013 budget. In regards to the Consumer Price Index (CPI) and the Municipal Cost Index (MCI), he stated that the cost of providing services would continue to increase even if the City does nothing. Both indexes have an increased 1.1 percent over the previous year.

The total proposed revenue is \$60,753,003, 90 percent of which is made up from the General Fund, the Water/Sewer Fund and the Debt Service Fund. Revenue from fines is down as the City has lost half of its red light cameras due to the highway construction. Sales tax revenue should be strong going into next year.

Mr. Blackwell presented information showing proposed based expenditures and proposed supplemental requests compared to the previous year. The largest expenditures are the General Fund at \$27,860,600, the Water/Sewer Fund at \$19,657,705 and the Debt Service Fund at \$6,551,187. In regards to expenditures by functions the largest portions are Public Services at 34 percent, Public Safety at 30 percent and Debt Service at 13 percent. In regards to expenditures by classification, the largest components are personnel at 41 percent, contractual services at 29 percent and debt/transfer services at 13 percent. In comparing expenditures to the previous year, there is a slight difference in the General Fund, an increase in the Water/Sewer Fund due to an increase in debt service and costs from the Trinity River Authority, and a large decrease in Other due to a decline in traffic safety funds.

Mr. Blackwell presented information on supplemental requests that were rolled into the base budget, which include CDL compliance; self-contained breathing apparatus, where it was decided to finance as new requirements have made them more expensive; Centrac's signal software; traffic signal maintenance; and human resource issues including increases to worker's compensation, health and dental insurance, and the City's contribution to TMRS. Increases in current program funding include such items as elections in even-numbered years, ambulance supplies and Blackboard Connect. Unfunded mandates include intoxilyzer replacement, the fee for the Northern Trinity Groundwater Conservation District, and water meter requirements. Council and Board/Commission requests include the bond election, 6 Stones, the citizen satisfaction survey, the CBDZ vision and design standards, ArtsFest, enhancements to the Council chambers using PEG money, striping the Senior Center parking lot and the bridge railing on Forest Ridge Drive. Maintenance items include the Simpson Terrace Well, shower stalls at Splash, replacing the flooring in the weight room at the BRAC and security access keys at Fire Stations 2 and 3. Capital purchases include self-checkout stations at the Library, a Parks utility vehicle, a trench shoring unit, Autocad software, defibrillators in ambulances, and a golf cart at the Old Bedford School (OBS). Other supplemental requests include the CASA project, employee in-service training, membership dues, a rental assistant at the OBS and additional advertising.

Mr. Blackwell presented detailed information regarding the General Fund. A breakdown of revenues shows increases in property, sales and franchise taxes as well as charges for services, which includes ambulance billing. Property taxes at 33 percent and sales tax at 26 percent make up the largest portion of where money into the General Fund comes from.

Mr. Blackwell explained that the effective tax rate is the rate that generates the same amount of revenue as the current year. The effective tax rate is calculated at \$0.495050 per \$100 assessed valuation. The total rollback rate is calculated at \$0.618270 per \$100 assessed valuation and \$0.526998 per \$100 assessed valuation after the sales tax adjustment. The current tax rate is \$0.499115 per \$100 assessed valuation. The tax rate used in the proposed revenue calculations is the effective tax rate. The comparison to the previous year's tax rate shows a decline of 0.9 percent on the maintenance and operation rate and 0.8 percent on the debt rate. A comparison of taxable values over the last several years shows an upswing starting in 2011, and over \$3B in taxable values going into next year. The average net taxable value has increased by approximately \$3,000 from the previous year. In comparing overlapping tax rates, the City makes up 20 percent of the total rate of \$2.54 per \$100 assessed valuation. The School District makes up the largest portion of the rate. A comparison of both current and proposed tax rates of area cities shows that the City of Grapevine will be having a

Council Minutes August 9, 2013

slight decrease in their rate. The impact of the effective tax rate would have an impact of an increase of \$6.00 a year on the average tax bill. Sales tax figures have been good as of late and are still projected to be over budget moving forward. They are currently 3 percent over the previous year's total and the September deposit is estimated to be approximately \$750,000.

Mr. Blackwell stated that revenue changes in the General Fund include increases in property taxes due to new construction, the sales tax budget, and franchise fees; the rate for mixed beverage fees going back up; the increase in revenue from ambulance billing and the ICE program; and increased revenue from permits. In regards to General Fund expenditures, there is a decrease in Support Services as Code Compliance has moved out of that department and has been split between Police and Fire. In regards to where the money goes in the General Fund, the largest percentage goes to Public Safety. A per capita comparison of surrounding cities shows that the City spends \$1,200 per citizen and has 7.67 employees per 1,000 citizens. Mr. Blackwell then presented a list of General Fund supplemental requests.

There was discussion regarding banners placed on utility poles for the Cultural District. Managing Director of Community Services Mirinda McQuagge-Walden explained that they would be used to brand the District; that she, along with Don Perfect from Oncor, had identified utility and black poles that are eligible for placement of banners; and that the supplemental allows for two banners a year and it is only for the District. There was further discussion on where to place the banners including outside of the District and that the supplemental does not designate locations; that it does not include new poles and that they would be placed on existing poles; whether Council wants the banners in the first place; meeting with the Cultural Commission on locations; that State law allows hotel/motel taxes be used for arts and culture; whether it is too early to put out banners for the District; and the banners being used to create an identity for, and visibility and awareness of, the District. There was discussion on the CBDZ design standards including the \$70,000 that has been spent so far; the next step being to have a company write the design criteria; questions regarding what kind of retail would survive in the CBDZ and utilizing Buxton; interviewing companies to firm up the costs of writing the design standards; specifications and dictating what comes to the CBDZ; a comparison of the process with the recent discussions on the Master Overlay District; and creating design standards first to eliminate confusion and misunderstandings. There was discussion that the Election costs include the bond election in November and the increase in May election costs in even-numbered years.

Mr. Blackwell presented information regarding the Debt Service Fund, which is funded primarily from property taxes and transfers from the 4B Fund. He presented an outline of what the City is going to pay out of the Fund the next year, including service fees and arbitrage. In answer to questions from Council, it was stated that the City's total debt is \$54M, with \$36M coming out of the General Fund; and that 13 percent of overall expenditures is debt. Council inquired on how the City's debt compares to neighboring cities.

Mr. Blackwell presented information regarding the Water and Sewer Fund. He stated it is an enterprise fund and operates like a business. Items that have to be taken into account are depreciation, user charges that pay for services, and increases from the Trinity River Authority. Money for this Fund comes from water and sewer charges, connection services, interest, late fees, inspections and administrative fees. Revenue goals include covering operation and maintenance expenditures; providing for debt service covenants; maintaining a working capital of 90 days, which was met at the end of FY 2012; and funding the utility relocates for the NTE project. Since October of 2010, the base rates have been \$18.37 per month for water and \$10.88 per month for sewer. Usage rates have been \$2.89 per 1,000 gallons for water and \$1.72 per 1,000 gallons for sewer, which has a 12,000 gallon maximum. In the Trinity River Authority (TRA) budget, the volume rates they are charging the City have increased from \$2.51 to \$2.64 per 1,000 gallons for water and from \$1.80 to \$2.12 per 1,000 gallons for sewer. Passing on that increase would increase the volume rates to \$3.02 per 1,000 gallon on water and \$2.04 per 1,000 gallons on sewer. This would account for an increase of approximately \$3.80 a month, or four percent, on both regular and senior customers based on July consumption. In regards to where the funding goes, approximately \$10M goes towards water and \$4.5M goes towards wastewater. The rest includes transfers/debt, Customer Service, Accounting, Risk Management,

Council Minutes August 9, 2013

Engineering and non-departmental. In regards to operations, the majority is made up of personnel at \$2.1M, water purchases from TRA at \$8.1M, sewer services from TRA and the City of Hurst at \$3.9M, and transfer/debt service at \$3.7M. In answer to questions from Council regarding moving utilities for the NTE project, it was stated that there is currently \$1.7M in the utility maintenance fund, with it projected to be at \$1.9M at the end of the year, and that the City will owe \$2.4M in June of 2014. Further, there is a working capital balance currently of 110 days. There was discussion regarding the proposed rate increases including staff running different scenarios for Tuesday night or for the budget public hearing; that the driving force behind TRA's rate increase is the debt they took on for capital improvements; the possibility of annual increases of five percent; and that an extra one percent increase would equate to \$120,000 in water and \$60,000 in sewer for a whole year. Mr. Blackwell then presented a list of supplemental requests for the Fund. There was discussion regarding the painting of the inside of the Simpson Terrace well tank.

Mr. Blackwell presented information regarding the Stormwater Fund. He stated that it is also an enterprise fund and is self-sufficient. Revenues have not changed over the past several years, with revenues consistently at approximately \$1.3M. In regards to where the funding goes, it is made up of operations, debt and administrative transfers. The fund has a goal of a 90 day working capital, which was reached at the end of 2012. Transfers include engineering services on behalf of the fund. Operations include personnel costs, supplies, maintenance, contractual/sundry, administrative/debt service and capital outlay. Contractual includes legal costs for the Oaks of Landera lawsuit. Mr. Blackwell then presented a list of supplemental requests for the Fund.

Mr. Blackwell presented information on the 4B Fund, which primarily comes from sales tax and interest. This Fund goes mainly towards maintenance and transfers to the Debt Service Fund. He then presented a list of supplemental requests for the Fund.

Mr. Blackwell presented information regarding the Special Revenue Funds. The Tourism Fund is funded mostly through hotel taxes at approximately \$750,000, the OBS, and festivals for a total of \$1.1M. The Fund goes towards administrative costs, the OBS and festival costs. There was discussion regarding the OBS bringing in \$97,000 and having expenses of \$234,000; that administrative costs include the special events teams, transfers, hotel/motel marketing, items not tied directly to festivals, Twilight Thursdays and the Arts Council. Supplemental requests include a golf cart and storage building, as well as a rental assistant. There was discussion on the golf cart including it being used to take customers who come to the gray house where staff is located to the OBS. Mr. Blackwell presented a breakdown of revenue and expenditures for minor funds including the following: Traffic Safety, for which a future consideration needs to be made regarding funding the replacement of Police Department vehicles as this Fund dwindles; PEG, which comes from the cable franchise fees; Economic Development, which are part of the 380 agreements the City has entered in to; Beautification; Park Donations; Court Technology; Court Security; and Drug Enforcement. There was discussion on the Park Donation Fund including that it is higher than the previous year, that it took in approximately \$9,000 last year, and that there is a fund balance of approximately \$45,000. Mr. Blackwell presented a list of supplemental requests for these funds. There was discussion that the video equipment is to purchase items for the Marketing Coordinator position so that she does not need to use her own equipment. There was discussion on the traffic safety fund and the reduction in half of red light cameras including a survey being performed to determine if the cameras can be put back in once construction is complete; that RedFlex had previously performed a survey of other locations in the City and had made recommendations but that there was no consensus from Council to move forward at that time; forming a committee for the placement of cameras; cameras being about safety or revenue; and that the remaining annual revenue is not sufficient for capital purchases. In regards to the Economic Development Fund, it was stated that the seed money has been depleted and a focus needs to be made for a revenue stream to continue paying out incentive agreements. Mr. Blackwell then presented a list of supplementals for the Facilities Maintenance, Aquatics Maintenance and Equipment Replacement Funds.

Mr. Blackwell presented information regarding major capital items that are to be funded using contractual obligations, or PFCOs. This bond sale is being pushed back to January so the City is only looking at an interest-only payment for the year. These items include the New World Software;

Council Minutes August 9, 2013

the Motorola radio system, which through Motorola had an interest rate of 3.1 percent compared to 2.75 percent through the PFCOs; a bucket truck; upgrading computers to Windows 7, mobile data computers; and a custom pumper, which has a life span of 10 years on the front line and then five years in reserve.

There was discussion regarding sales tax including abatements to businesses being portioned out and a contra account being developed based on how much the City has to pay to the businesses; and that the figures did not factor in Project Oatmeal and instead focused on businesses that were on the ground.

Ms. Griffith presented options for Council, specifically with the General Fund. If the City uses the effective tax rate, there would be a surplus of \$548,170. Options for the surplus include not spending it and have it go into the fund balance, where there is a 20 percent reserve requirement; not spending it and using it for future needs including design standards for the CBDZ, corridor improvements, the upcoming revenue loss from Fire Station 2 of \$280,000 a year, and patrol vehicles; and reducing the tax rate. In regards to the tax rate, if it is reduced to \$0.49000 per \$100 assessed valuation, the surplus would be reduced by \$130,000 to \$417,000. If the tax rate is maintained, the surplus would increase by \$105,000 to \$635,000. Other options include employee compensation, for which a 2 percent raise would cost approximately \$355,000, a 2.5 percent raise would cost approximately \$444,000, and a 3 percent raise would cost \$533,000; using it for one time or capital expenditures, including unfunded supplemental requests; and establishing a base amount of money in the Economic Development Fund.

There was discussion regarding compensation including it being across the board; improving the salary structure; the reduction in staff positions including combining positions at the OBS and Parks Maintenance; that there were no net costs for the day camp workers and water safety instructors; frozen positions in the Police Department, Public Works and Parks; the necessity of unfreezing positions specifically in the Police Department; that the increase in compensation in Community Services includes all benefits; that the City's turnover rate is seven percent with the three primary reasons for employees leaving being retirement, more money, and career growth; competition from surrounding cities; the costs of retraining employees; the cost of getting certain employees up to the 40th percentile being approximately \$260,000; tasking staff to come back with different scenarios; the scores given by managers for the previous merit raises; that the compensation figures included benefits; and doing a combination of market-based and merit raises. There was discussion on supporting the Economic Development Fund and the trend in economic development towards office and medical. There was Council discussion on investing in the future and thinking in the long term; lowering the tax rate and engendering good will with citizens; strategies for dealing with Fire Station #2; and applying the surplus to one-time expenses.

There was further Council discussion on compensation; settling on a tax rate to determine the amount of surplus remaining and tasking staff to manage that amount with a compensation package and \$100,000 to \$110,000 for the Economic Development Fund; reserve rates; and unfunded supplemental requests. There was discussion on supplemental requests for vehicles in Public Services including replacing one that has single doors and half doors, which causes the crews to take two trucks to every event; current trucks not having the towing capacity for heavier equipment; a vehicle being used by the manager and on-call crew members; maintenance costs only including parts and not labor; and replacing vehicles with ones that utilize cleaner burning fuels. There was discussion on supplemental requests for the following items: street light installation; striping of the parking lot at the Senior Center including doing it in conjunction with other striping; the replacement of mismatched and cracked flooring in the Senior Center, which would be replaced with a durable vinyl plank that does not require maintenance for stripping and waxing; the replacement of flooring in the cardio room at the BRAC, which currently is not meant to support equipment and was initially installed to save money; and pool lifts at Splash and Central Pool, which are showing their age and require staff to connect a water hose to operate, creating a tripping hazard. There was discussion on the revenue for Splash being \$210,000 the previous year and that \$36,000 was spent on maintenance repairs. There was discussion on the supplemental for additional advertising for tourism, since the City does not have a formal advertising program and the funds would add flexibility. There was discussion on using the money in the Economic Development Fund to entice shopping center owners to fix up their centers; mobile ticket writers for

Council Minutes August 9, 2013

Code Compliance; funding the supplemental for the intern the City Manager's office; that the value of the contractual obligations is \$2.6M and would have an impact of \$0.015 per \$100 valuation on the tax rate in 2015; funding the supplemental for the American Planning Conference in the amount of \$2,860; ongoing funding for the Economic Development Fund including pre-allocating a certain amount of sales tax or through building permits, which would be brought back as part of the City's Financial Policy; using \$35,000 from the Library capital campaign to establish a technology replacement fund for the Library; and that there is \$30,000 left from the money put into escrow for Code Compliance, which will be going into contract services for abatement and clean-up.

There was consensus from Council to keep the tax rate at the effective rate; to fund the intern and American Planning Conference supplemental requests; for staff to create a compensation package that includes a market treatment and other compensation; for staff to come back with ideas and options for utility rates; to put funding into the Economic Development Fund; and for staff to reconcile the Economic Development Fund.

2. Discuss potential utility rate changes.

This item was discussed during Mr. Blackwell's presentation.

3. Review and discuss Capital Improvements Program (CIP).

This item was discussed during Mr. Blackwell's presentation.

4. Discuss wrap-up of any other budget related items.

Ms. Griffith stated that for the next Council meeting, staff had not received certain documents regarding Project Oatmeal and that there may be a need to call a special Council meeting once those documents are received.

Mr. Blackwell presented a timeline of upcoming dates regarding the budget process.

ADJOURNMENT

Mayor Griffin adjourned the meeting at 2:04 p.m.

Jim Griffin, Mayor

ATTEST:

Michael Wells, City Secretary