STATE OF TEXAS §

COUNTY OF TARRANT §

CITY OF BEDFORD §

The City Council of the City of Bedford, Texas, met in work session at 9:00 a.m. in the Law Enforcement Training Room, 2121 L. Don Dodson, Bedford, on the 5th day of August, 2011, with the following members present:

Jim Story	Mayor
Roy Turner	Council Members
Chris Brown	
Ray Champney	
Roger Fisher	
Jim Griffin	
Roy Savage	

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
John Kubala	Director of Public Works
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 Story called the Work Session to order at 9:02 a.m.

WORK SESSION

1. Receive and discuss FY 2011-2012 budget overview.

City Manager Beverly Griffith introduced Paula McPartlin, the City's new Budget Analyst and Roger Gibson, who was recently promoted to Police Chief.

Ms. Griffith stated that this is an opportunity to share the results of thousands of hours of deliberations, work, and data compilation. The theme of the budget is twofold: to be mindful of the need to maintain fees and a low tax rate, while at the same time avoiding short term gains at the expense of the long term picture of the community. There is a strong emphasis on maintaining infrastructure and buildings. She asked that the Council bear in mind the long term challenges facing the City. She believes that there will be several more years of an economy that is not exactly thriving. One of the strategic goals of the Council is to increase economic development and staff has some plans to address that.

Administrative Services Director Cliff Blackwell gave an overview of the budget. The budget is an important piece of what we are trying to accomplish for the City. When this process began back in March, there was a deficit of approximately $600,000. The departments went back and reevaluated their budgets and came up with a plan to dwindle down the gap. The budget is a response to the City Council's goals, mission statement and critical focus areas.

Financial highlights include a total proposed base budget of $56,516,140 and total supplemental requests in the amount of $465,895. The original requested supplementals totaled over $3M. The total proposed budget, with the requested supplemental, is $56,982,035. Mr. Blackwell then presented highlights regarding revenues as follows: General Fund at $26,823,070 (45% of the total revenue sources), Tourism Fund at $1,084,950 (2%), Water Sewer Fund at $19,405,430 (33%), Stormwater Fund at $1,305,000 (2%), Debt Service Fund at $6,959,180 (12%), SIEDC at $2,312,500 (4%), and Other Funds at $1,160,550 (2%). The total proposed revenue budget is $59,050,679.

The total budget for FY2011 was $58,080,366, compared to a proposed budget for FY2012 of $56,982,035, for a decrease of $1,098,331 or 1.89%.

Expenditure highlights, including supplemental, are as follows: General Fund at $26,822,951, Tourism at $873,519, Water/Sewer Fund at $18,455,769, Storm Water Fund at $1,400,735, Debt Service Fund at $6,638,879, SIEDC at $2,076,310 and other Funds at $713,872 for a total of $56,982,035.

Supplemental requests include: $137,889 in Capital Outlay, $20,000 in Personnel, $71,193 in Supplies, $38,998 in Maintenance, $47,360 in Programs and $189,265 in Other.

Expenditures by Function include: Public Services at $19,141,846 (33% of total expenditures), Police at $10,811,124 (19%), Debt Service at $6,638,879 (12%), Fire at $6,210,653 (11%), Community Services at $4,677,771 (8%), Administrative Services at $6,059,135 (11%), Support Services at $1,660,081 (3%), Development at $1,167,379 (2%) and General Government at $718,677 (1%). Facility Management has been moved under Support Services and the Budget/Risk Manager was broken out to Risk Manager/Contracts and moved under Support Services as well.

In regards to where the funds come from, it was broken down to include: Property Tax at $14,427,112, Sales Tax at $9,200,000, Other Taxes at $934,100, Franchises at $3,237,000, Operation Transfers at $4,221,931, Water Service at $12,707,685, Sewer Service at $6,000,000, Charges for Service at $3,722,250, Fines at $2,311,250, Miscellaneous at $769,374, Licenses and Permits at $594,350, Other Government at $841,628, and Interest at $84,000 for a total of $59,050,679.

The 2010 tax rate is $0.491609. The 2011 effective tax rate, which is the tax rate that will generate the same amount of revenues as the previous year from the same properties on the tax rolls in both years, is calculated to be at $0.494387. The rollback rate, which only focuses on the maintenance and operations (M&O) part of the rate, is calculated at $0.536469. The proposed tax rate is $0.504329. The proposed M&O portion of the overall tax rate for 2011 is $0.311257 compared to $0.309075 in 2010 for an increase of $0.002182 or 0.7%. The proposed debt rate portion of the overall tax rate is $0.193072 compared to $0.182534 in 2010 for an increase of $0.010538 or 5.8%.

The average residential valuations have fluctuated over the past couple of years. The average net taxable value has increased this year to $145,765. With the effective tax rate, the average tax bill would be $768 and with the proposed tax rate, the average tax bill would be $787, or an increase of $19.

The tax rate history shows an increase in the tax rate since 2002. This increase takes into account declines in other tax categories, as well as in property valuation.

A comparison of the history of sales tax over the previous five years showed that this year, sales tax was up in October and November but has been below average every month since. Mr. Blackwell stated that looking forward to next year, he believes this decline is going to lay flat. In regards to what is driving this decline, the

brick and mortar businesses are holding steady, but those businesses that do not have a physical presence in the City, such as utilities and telephone companies, have seen a decrease. The expected losses from the S.H. 183 expansion are estimated to be approximately $600,000 from both the loss in sales tax and property values.

The total overlapping tax rate for 2011 is $2.409335 and includes the following: 54% from HEB ISD, 20% from the City, 11% from the County, 9% from the hospital district and 6% from Tarrant County College. These figures are based on the entities' current tax rates.

A comparison of proposed FY2012 tax rates show that all cities in the area are not changing their rates, except for Grapevine, which is proposing a decrease. Council requested a comparison showing what the average tax bills for these cities would be compared to Bedford.

A comparison of the Consumer Price Index (CPI) and the Municipal Cost Index (MCI) show that costs are still increasing, even while there is a decline in revenue. The overall average increase for the CPI over the last five years is 2.39%, compared to an average increase of 3.03% for the MCI.

In regards to the Water and Sewer Fund, most of the revenue comes from water and sewer charges and interest for a total of $19,405,430. It is hoped that, with the hot weather and lack of rain, this will be a strong year in order for the City to build up capital. The funds are used to pay the Trinity River Authority for water and wastewater services, transfers and debt, accounting, risk management and engineering for a total of $18,455,769. The goal is to add $1M a year to the City's working capital. The key issues for the water and sewer fund rates is to adequately recover operations and maintenance expenditures, provide for debt service covenants, provide for renewal and replacement costs, and to provide adequate working capital.

The total debt service requirements are $6,959,180. The sources of revenue for the debt service payments include property taxes at $5,526,251, the 4B sales tax at $1,375,300, payments from NEFDA at $37,629 and interest earnings at $20,000.

Council discussed options for holding the tax rate to the effective rate. Options discussed included rearranging the schedules for the City's pools and adding more classes during the week, retiree benefits, staffing levels and cleaning services for the Library.

Council discussed the lists of both funded and unfunded supplementals. Items that can be removed from the unfunded side include the New World System for the Police Department, which will come from the base budget this year, Facilities Maintenance security access control because it is a project that needs to be done immediately, a CID detective/sergeant which was accomplished by freezing a couple of Police Department positions, which allowed funding to be shifted, and the receipt of a grant to purchase a vehicle, a gas detector for the Public Works Department, and vehicles for the Municipal and Teen Courts through changing out some existing vehicles. Of the funded supplementals, only $132,000 comes from the General Fund.

Police Chief Roger Gibson presented information regarding his department. He looked at long term goals, as opposed to anything immediate, and tried to be responsive to the needs of the entire City. Positions have been switched around to accomplish this goal. Three police officer positions have been frozen and one public safety officer (PSO) position has been eliminated. One PSO position is being reclassified as a crime analyst. The remaining four PSOs have been moved under the Records Division. There is also the formation of another detective/sergeant position. The Records Division, including the PSOs, has been moved under Administrative Manager Kelli Agan. The two deputy chief positions will now be better utilized in managing divisions that are more in-line with the recommended expansion of control.

Chief Gibson discussed the New World System program. This new program runs off of the Microsoft platform and is more efficient and effective than what is currently in place. For example, it can automatically redact information from open records requests. They were able to take grant money from dispatch and move it to the Emergency Operations Center (EOC) with this new program in mind. Currently, during an emergency in the EOC, somebody is up on the whiteboard writing information down and it can get very chaotic. With the grant money, it allowed them to upgrade to a large screen monitor, a smart board display, 27-inch computer

monitors and two additional call taker stations. The New World program allows them to utilize and integrate information that is received during an emergency. It also has a user friendly crime mapping program, which puts the department in the long term position to better utilize resources. The program also decreases the time to train personnel because it is much easier to for personnel to be trained on it. The program was funded this year by using the placeholder built into the Police Department budget each year for vehicles. The new program will utilize the current hardware, but there will be a new server added. The estimated time for implementation is nine months. The pricing is available through the end of October.

Library Manager Maria Redburn presented information on the new Library and the benefits from 30 hours of shelving. She stated that the goal for the new Library was to be state-of-the-art, energy efficient with a wow factor and she believes that goal has been accomplished. She presented a comparison of the energy consumption of the old building compared to the new building. A lot of money was spent up front to see long term benefits. In terms of the 30-hour shelving, it takes approximately one hour to shelve 150 books, so for 30 hours, 1,560 books are put back on the shelf. This will increase customer service, staff visibility on the floor, and security. Mr. Blackwell stated that the $20,000 supplemental will achieve the 30-hours of shelving. Ms. Redburn paid tribute to Luann Griffith, a long time Library and Teen Court employee, who recently passed away.

2. Discuss potential utility rate changes.

This item was not discussed during the Work Session.

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

Mr. Blackwell gave a brief overview of the Capital Improvement Projects approved for 2012 during his original presentation. He also presented a handout showing the Five Year Capital Improvement Program.

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

Human Resources Director Jill McAdams spoke briefly regarding employee health insurance. She stated that unplugging the employees' health savings accounts from the insurance company will offset increases in insurance. A more thorough presentation will be made at the regular Council meeting on August 9.

In answers to questions from Council, Mr. Blackwell stated that the property tax collection rate is projected to be at 99% and is included in the budget. In regards to the collection efforts from MVBA for outstanding warrants from the Municipal Court, in FY2011, the City sent them $832,000 worth of cases and collected $201,000. Another $353,000 worth of cases were cancelled or recalled for a resolution rate of 63%. The contract went into effect in February of 2010. The company is paid 30% of what is collected.

Council discussed ideas on increasing revenue, including using a collection agency to go after delinquent hotel/motel occupancy taxes. There was also discussion regarding not voting on the issuance of bonds right before voting on the budget.

ADJOURNMENT

Mayor Story adjourned the meeting at 1:23 p.m.

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Jim Story, Mayor

ATTEST:

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Michael Wells, City Secretary