

Council Minutes August 7, 2015

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 TXI Conference Room, 1805 L. Don Dodson, Bedford, on the 7th day of August, 2015, with the following members present:

Jim Griffin	Mayor
Ray Champney	Council Members
Steve Farco	
Roger Fisher	
Dave Gebhart	
Roy W. Turner	

constituting a quorum.

Councilmember Sartor was absent from the meeting.

Staff present included:

Roger Gibson	City Manager
Kelli Agan	Assistant City Manager
Michael Wells	City Secretary
Cliff Blackwell	Administrative Services Director
Tom Hoover	Public Works Director
Cathy Haskell	Senior Center Manager
Les Hawkins	Interim Police Chief
Meg Jakubik	Strategic Services Manager
Jill McAdams	Human Resources Director
Billy Mason	IT Specialist III
Maria Redburn	Library Director
Emilio Sanchez	Planning Manager
Bill Syblon	Development Director
James Tindell	Fire Chief
Eric Valdez	Community Services Manager

CALL TO ORDER/GENERAL COMMENTS

Mayor Griffin called the meeting to order at 8:30 a.m.

WORK SESSION

1. Receive and discuss FY 2015-2016 budget overview.

City Manager Roger Gibson stated that the object of the proposed budget is to address some of the points that Council had emphasized, including employee compensation and retention, as well as infrastructure to support facilities.

Strategic Services Manager Meg Jakubik discussed the budget strategy including Council goals and requests; maintenance needs and historical underfunding; fiscal responsibility; investments in human capital including programs for hiring, training, and retention, as well as improving efficiencies; accountability; and keeping an eye on the radar. Assumptions in putting together the budget include a

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conservative gross sales tax growth; the employee compensation program; water and sewer fee increases including a pass-through from the Trinity River Authority (TRA) and the City's fixed costs; addressing infrastructure needs; evaluating the multi-family inspection fee for better cost recovery, including for the addition of a second inspector; an increase in recreation fees to cover the per transaction fee on new software; and maintaining the current property tax rate. Ms. Jakubik stated that the City has received the Platinum Designation in the Texas Comptroller's Leadership Circle Program, which recently added a debt element to the fiscal transparency piece. In regards to costs for services, she stated that the operating budget of \$65,778,951 serves approximately 49,054 citizens and an untold number of visitors, and discussed the services provided by the City. With an average taxable home value of \$151,274 and a tax rate of \$0.494830 per \$100 valuation, the average resident pays just under \$750 a year for those services.

In regards to revenue and expenditures, Ms. Jakubik stated that the General Fund is evenly balanced; that the Water/Sewer Fund appears to have a significant surplus, which is a placeholder for the debt service on the State Water Implementation Fund for Texas (SWIFT) loan; that the Debt Service Fund is balanced; that the 4B Fund is looking to be aggressive on projects; and that the minor funds have surpluses as they are a type of savings accounts for larger purchases. She discussed the Consumer Price Index, which decreased slightly most likely due to fuel prices, and the Municipal Price Index, which has averaged an increase of 1.48 percent a year since 2011. The value of a dollar in 2000 has been reduced to \$0.73 in 2015.

Ms. Jakubik discussed revenues, including that there is a slight increase in property taxes; that there is an increase in sales tax as 4B does not rebate any of their funding; that other taxes including mixed beverage and franchise taxes are stable; that there is a slight decrease in water revenue while sewer revenue is higher because it was discovered that water operations have been supporting sewer operations; that charges for service have increased; that licenses and permits are doing well due to new development; that fines are down related to the Traffic Safety Fund; and that the reduction in miscellaneous revenue is due to the loss of the contract with the City of Colleyville for Fire Station #3. In regards to expenditures by function, she stated that Public Works makes up the largest portion, followed by Public Safety. In regards to expenditures by classification, the largest portion is personnel, and the remainder includes supplies, maintenance, contractual services, water purchases, sewer treatment, utilities, debt/transfers, and capital outlay. A comparison of expenditures shows that the General Fund is up, the Tourism Fund is stable, and the Water/Sewer Fund is up and will be more so once the debt service comes into play.

The proposed compensation package is a cost of living adjustment of four percent across the board for all employees. This will move the pay grades of all positions for the first time in nine years in order to have a more competitive start when trying to recruit. The total cost of the package is approximately \$800,000 across all funds. Council budget requests include a monument sign on Cheek-Sparger Road, Senior Center improvements funded through the Facility Maintenance Fund or bond moneys, and Cultural District strategic planning. Maintenance concerns include bringing custodial services in-house, additional mowing, and a retaining wall at the Public Works Service Center. The hiring, training and retention of staff includes contracting with a company to track training, reclassifying a vacant records technician position in order to hire a staffing and development coordinator, and hiring a grant administrator, which is hoped to be revenue positive. Efficiency improvements that are revenue neutral include another multi-family inspector, a master mechanic, commercial vehicle enforcement, an upgrade to the recreation software, Senior Center event programming, and for day camp staff to build capacity. Equipment and inventory purchases include line item increases to provide base funding for minor equipment for parks, recreation and aquatics; increases to the budget at the Library due to the cancellation of State contracts and for the purchase of digital materials; replacement of computers at the Library; replacement of service weapons for the Police Department; picnic tables at the Old Bedford School (OBS); and Christmas decorations. Revenue impacts include the expiration of the contract with Colleyville in the amount of \$290,000 and fluctuations in revenue from Immigrations and Custom Enforcement. Other impacts for the current year include holding the current tax rate, increasing rental fees for the OBS, increasing the apartment inspection fee, and increases to water and sewer rates.

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Ms. Jakubik discussed the General Fund, which is the City's primary operating fund. In regards to revenues, there have been increases in property taxes, sales tax, franchise fees, charges for service, and licenses and permits. There was discussion on sales tax growth and moving the employee pay grades.

Administrative Services Director Cliff Blackwell discussed the tax rate. The effective tax rate has been calculated at \$0.483491 per \$100 valuation, while the rollback rate has been calculated at \$0.508527 per \$100 valuation.

Ms. Jakubik discussed the debt rate and stated that last year's rate was higher than what is necessary this year due to the higher initial payment set for the bonds being issued for such items as the Boys Ranch, a fire truck, and finance software. She discussed a comparison of taxable values since 2005 and that a new record value was set this year. In regards to changes in appraised value, new construction has increased by \$10M over the previous year and there is a 2.3 percent increase on average appraised values. The average market value has increased but the average net taxable value has decreased. She discussed a history of the tax rate, which has stabilized the past several years. The overlapping tax rate shows that the City makes up less than 20 percent of the total tax rate, with HEB ISD being the largest portion. In speaking with other area cities, Ms. Jakubik stated that everybody is looking to hold their same tax rate. With the proposed tax rate, the impact on the average tax bill would be a decrease from \$753.30 a year to \$748.50 a year. She discussed the history of sales tax over the previous five years and that with two months to go in the fiscal year, the City has collected more than it did all of the previous year. General Fund revenue changes include increased property values and new construction, and increased sales tax, franchise fees, charges for services, and fines and forfeitures. In regards to General Fund expenditures, the Fleet Division moved from Public Works to Support Services resulting in some net changes; there is a decrease in Administrative Services because of the pool of money for merit increases incorporated in the previous year's budget; there is a reduction in several operating transfers either to meet other needs or because there was not as much support in continuing them; and Community Services paying for a portion of a full-time position that has been supporting special events. Ms. Jakubik displayed information regarding per capita comparisons with surrounding cities showing how much is being spent and how many employees there are per every 1,000 residents. General Fund supplementals include a grant administrator; a percentage share of time keeping software; an in-house custodial crew net of other funding sources; a master mechanic, which is being offset by a decrease in vehicle and maintenance fees; a transfer from the Water Fund; legal services, which has been historically underfunded; the One Safe Place program; Police Department service weapon replacement; travel and training for Public Works; and increased support for Community Service operations.

There was discussion on the multi-family inspection fee increase including apartment complexes receiving specific benefits from City services such as the Bedford 1 Community Program and the multi-family inspections; Police and Fire calls to, and pro-active patrolling of, apartments; staff incorporating a fee increase to \$5.00 per unit per month into the revenue documents; that per unit per month, Arlington charges \$13.80, North Richland Hills charges \$1.00, Grapevine does not have a fee, Euless charges \$10.00 and Hurst charges \$3.00; statistics showing one in five of every Police and Fire call going to complexes, which does not capture pro-active enforcement; the State now requiring the City to perform backflow inspections for apartments; two multi-family inspectors and the crime-free multi-housing position being devoted to apartments; that going to Euless' rate would add an additional \$500,000 in revenue; the City inadvertently subsidizing apartments; citizens asking the City to deal with apartment complexes; whether apartment complexes pay a commiserate tax relative to property taxes; a disparity in the General Fund for apartment complexes compared to what the typical homeowner would pay; inspection of pools; constant turnover in apartments; using the additional funding to benefit apartment residents; and using the additional funding for such items as an ambulance replacement program or putting it into reserves. There was further discussion on ambulance trip fees; cost recovery from nursing homes; the differences between charging for services and recovering payments, including from multi-family residents; charging additional fees to nursing homes; and that the City recovers additional funding from nursing home residents through the Ambulance Subscription Program. A majority of Council agreed for staff to examine raising the multi-family inspection fee to \$10.00 per unit per month

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and to gather additional data. There was discussion on gathering the number of Police and Fire calls to apartment complexes and the number of personnel assigned to them; the difficulty of quantifying proactive time; determining the number of units in apartment complexes versus the complexes taxable value; gathering a list of intangible benefits to apartment complexes; and the maintenance of complexes as they age.

There was discussion on Senior Center programming revenue including what is spent on the Center in a year versus what the City receives in revenue; that programs do break even and that some specialty programs outside of normal programming would be charge-based; the revenue line for Senior Center membership being budgeted at \$1,500; the Senior Center fee schedule; the costs for dances; the operational budget of the Center being \$255,000; a younger group of seniors demanding newer services; raising fees; supplemental items for the Center; and that most City facilities are not intended to be profit centers.

Ms. Jakubik presented information regarding the Debt Service Fund, which is for the property tax used to support General Fund debt, and also includes a transfer from 4B. She discussed the debt issuances that are considered General Fund debt and that the annual funding requirements are on a downward slope. She stated the City is looking at potential refunding opportunities that will be a cost savings and that more debt is being retired than is being issued.

Ms. Jakubik presented information on the Water and Sewer Fund, which is an enterprise fund that pays for itself. The revenue for the Fund mainly comes from charges for water and sewer, along with some ancillary billing fees. Revenue goals include the recovery of operation and maintenance expenditures; providing for debt service covenants, including building in the capacity for the debt service on the SWIFT funding, which will have a savings of approximately \$20M over a conventional loan; and providing for adequate working capital. Ms. Jakubik stated that the current water and sewer rates were approved at the previous budget adoption, which included significant increases on the volume rates related to increases from Trinity River Authority (TRA). She explained that both rates remained the same from 1999 to 2007, were followed by four years of increases on both the volume and base rates, and then there were no increases from 2010 until 2014. This year, the City performed a rate study to ensure that revenue goals were being met and that there is capacity for the debt issuance for the SWIFT funding. She stated that costs from TRA are projected to increase each of the following years, including for costs associated with plant improvements. The current component of TRA costs in the current billing is \$2.909 for water, which is projected to increase to \$3.08, while sewer is currently \$2.226 and is projected to increase to \$2.38. In examining the rates, it was apparent that sewer operations were being subsidized by water revenue. Staff is recommending a two percent increase on the base water rates due to the additional debt, and an increase on volume of 3.55 percent, which is purely attributable to increased costs from TRA. Staff is further recommending an increase of five percent on the sewer base rate, a pass through on the TRA volume, and a pass through of 18.4 cents for City operations. The worst case scenario for the impact on the average resident's bill is an increase of \$4.84. Of that, \$2.99, or 61.7 percent, is strictly related to the TRA increase. In looking at just the volume portion, \$3.91, or 76.5 percent, is related to the TRA increase.

Councilmember Fisher left the meeting at 10:33 a.m.

Ms. Jakubik stated that the recommended fee increases will be brought to Council at their meeting on September 8. There was discussion on the rates going into affect on January 1; increasing donations for such items as parks on the water bills including that the City's new software has more flexibility for such donations; and that the donations would be reoccurring but that residents have the option to do one-time donations through PayPal.

Ms. Jakubik stated that Water and Sewer Fund expenditures go mainly towards water, wastewater, debt, and other operating divisions. The greatest part of expenditures is direct costs for water purchases and sewer services. Supplementals include portions of the phone system upgrade and timekeeping software, operating transfers including for the master mechanic, and a retaining wall at the Public Works Service Center. A Jetter/Vac truck in the amount of \$246,000 is being funded through the base because

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the operating transfer from the Water Fund to the Utility Maintenance Fund, whose intent was to build capital reserve to pay cash for improvements, has been reduced.

Ms. Jakubik presented information on the Stormwater Fund, which is entirely funded from stormwater charges and a \$30,000 grant from Allied Waste for the Household Hazardous Waste program. Expenditures include operations, debt and administrative transfers due to oversight of personnel from the Water and the General Funds. Supplementals include an increased operating transfer, a portion of the timekeeping software, and backflow prevention software. There was discussion on creating efficiencies and potential cost savings with the new timekeeping software.

Ms. Jakubik presented information on the 4B Fund, whose revenue comes from a half-cent sales tax, which is not rebated as part of any incentive agreements. Expenditures include debt service payments, maintenance, capital, and contract labor and supplies, as the fund cannot pay for City personnel costs. Supplementals include a replacement vehicle for the Traffic and Street Operations Manager, and an air compressor. There was discussion on removing the restrictiveness on what the Fund can be used for since it cannot currently be used for such items as sidewalks and street lights, and splitting the 4B to cover economic development; how the language for such changes would appear on the ballot; having a set amount going towards economic development as opposed to a percentage; that there are four more years of debt service on the 2005 bond issuance; and informing residents that the changes to 4B would not be an increase but a reallocation of what already exists.

Ms. Jakubik presented information on Special Revenue Funds, which are restricted on how they can be spent. The Tourism Fund is funded through the hotel/motel occupancy tax and can only be used on items that bring people into the City. There has been good growth in the tax and staff has seen enough history to increase the revenue projection to \$850,000. The OBS is doing well and staff is proposing to increase rental fees for adequate cost recovery. Also included in revenues are BluesFest and FourthFest. Expenditures include administration, the OBS, and festivals. Supplementals include a way-finding plan for the Cultural District, Christmas decorations, additional poles for over-the-street banners on Bedford Road, mosquito chemicals, and a portion of the phone system upgrade and the timekeeping system. Supplementals specifically for the OBS include an audio/visual system upgrade, a recurring line item for wood refinishing, replacement of windmill blades, and picnic tables.

Ms. Jakubik discussed revenue and expenditures for minor funds. The Traffic Safety Fund is lower, with the allocation of the corporal assigned to the program being split evenly as of this budget year. Other funds include the PEG Fund; the Economic Development Fund, which has a balance of \$334,600 and receives a \$100,000 yearly operational transfer from the General Fund; the Beautification Fund, which is funded from a \$10,000 grant by Allied Waste; the Park Donations Fund; and the Court Technology and Court Security Funds. Supplementals include the General Fund portion of the phone system upgrade from the Computer Replacement Fund, a partition system for the Senior Center from the Facility Maintenance Fund, flooring replacement for the children's area in the Library from the Library Maintenance Fund, rubber replacement and equipment replacement for SPLASH from the Aquatic Maintenance Fund, and a project inspector vehicle from the Water/Sewer Vehicle Replacement Fund. There was discussion on the phone system upgrade including that it is a server upgrade and not for replacing instruments.

Ms. Jakubik presented different tax revenue scenarios. She stated that the budget as presented was predicated on holding the current tax rate. If the tax rate goes to the effective rate, there will be a loss of revenue of \$307,643. If the rate is increased to \$0.50 per \$100 valuation, there will be additional revenue of \$140,258. If the rate is increased to the rollback rate, there would be additional revenue of \$371,601. There was discussion on maintaining the current tax rate; the increase to the multi-family inspection fee; and the decrease in the net taxable value of properties. Ms. Jakubik then presented a timeline of upcoming dates in the budget process.

2. Discuss potential utility rate changes.

This item was discussed during Ms. Jakubik's presentation.

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

There was discussion on the PEG Fund, which can only be used for capital and infrastructure improvements related to the production of the City's cable station, including using it to redesign and outsource the website, and having an interactive program in relationship to the cable system. There was discussion on the use of the additional \$500,000 from the \$10.00 multi-family inspection fee including a placeholder for the website in case the PEG funding is not a suitable use; a fiscal transparency platform for the website; upgrading the paper for the Bedford Connection; funding in the amount of \$125,000 to establish an ambulance replacement fund; \$25,000 in ongoing revenue support to the Library Technology Fund; \$23,000 to replace three sides of the fence at Stormie Jones Park; replacing all of the Police Department's service weapons; putting in base funding for street light requests, as the City is responsible for getting power to those sites; and \$125,000 for sidewalks, which would be contracted. There was further discussion on building in capacity for next year and holding departmental planning sessions with Council.

ADJOURNMENT

Mayor Griffin adjourned the meeting at 11:34 a.m.

Jim Griffin, Mayor

ATTEST:

Michael Wells, City Secretary