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 Former Library Building, 1805 L. Don Dodson, Bedford, on the 5th day of August, 2016, with the following members present:

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

constituting a quorum.

Staff present included:

Roger Gibson	City Manager
Kelli Agan	Assistant City Manager
Michael Wells	City Secretary
Cliff Blackwell	Administrative Services Director
Gary Clopton	Information Technology Manager
Jeff Gibson	Police Chief
Don Henderson	Parks Superintendent
Meg Jakubik	Strategic Services Manager
Jill McAdams	Human Resources Director
Kenny Overstreet	Public Works Director
Maria Redburn	Library Director
Emilio Sanchez	Planning Manager
Bobby Sewell	Interim Fire Chief
Bill Syblon	Development Director
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 2016-2017 budget overview.

City Manager Roger Gibson stated the tax rate proposed by staff is $0.4765 per $100 valuation, a reduction from the current tax rate of $0.495 per $100 valuation. A lot of staff time was spent in evaluating the appropriate items to fund and the proper way to fund them. There are significant issues for which staff was unable to find funding, but Council may want to go in a different direction.

Strategic Services Manager Meg Jakubik presented an overview of the budget. The budget strategy remains Council goals and requests, maintenance items, staff hiring and recruitment, efficiency improvements, program expansions, and equipment/inventory purchases. There are two different versions of sales tax figures, with the General Fund seeing conservative sales tax growth. With the loss of a significant sales tax generating business, gross sales tax is down 18 percent, which primarily affects

4B. The remainder of the sales tax is projected at a three percent growth. Other assumptions include an employee compensation program, and fee increases, to include the water and sewer pass-through from the Trinity River Authority (TRA) and an increase to the stormwater fee. In regards to the framework of the budget, the City's population is estimated at 49,151, with an estimated freeway count of 185,000 vehicles that travel Airport Freeway, and approximately 66,000 people that attended various events and festivals. The proposed operating budget is $69,349,538. She discussed the various services provided by the City from the budget. The average taxable home value increased to $168,609 and at the proposed tax rate of $0.4765 per $100 valuation, the average resident would pay just over $800 a year for services.

Ms. Jakubik presented information on various funds including the General Fund at approximately $32M, the Tourism Fund at $1.3M, and the Water and Sewer Fund at $21M. The 4B Fund is budgeted to go $2.4M into fund balance due to a number of large projects. The Consumer Price Index increased by 0.6 percent from the previous year, while the Municipal Cost Index (MCI) remained flat; however, on average, there has been an average increase of just over one percent on the MCI. The dollar has lost 27 cents worth of buying power since 2000. As an example, the cost of a Tahoe has gone from $34,684 in 2000 to $47,600 today; however, with inflation, the cost is actually $65,000. In regards to revenues by source, the General Fund is the largest, followed by the Water and Sewer Fund. A revenue comparison of Fiscal Year 2016 to Fiscal Year 2017 with the proposed property tax rate shows an increase in property taxes. Sales tax is lower because of 4B, while Water and Sewer are in line with the previous year. Charges for services are higher due to the amendment to the Intermedix contract. A breakdown of expenditures shows that the largest component is Public Works, followed by the Police and Fire Departments, Debt Service, Support and Administration Departments, and the Non-Departmental portion, which includes water fund debt service and those items not contributable to just one department such as legal service fees, insurance and phone services. In regards to expenditures by classification, 42.2 percent of the budget is for personnel. Other items include supplies, maintenance, contract services, water purchases, sewer treatment, utilities, debt and capital. A year-by-year comparison of expenditures shows a $2M increase in the General Fund, a slight increase in the Tourism Fund, and an increase in 4B due to a significant number of upcoming projects.

Ms. Jakubik presented information on the compensation package. The recommendation is that all non-certified employees would receive a four percent cost-of-living adjustment (COLA), at a cost this year of $487,331. Public Safety made a request and proposal for a step plan for all ranks to help with recruiting issues as several positions were below the market in comparison with other cities. There were also issues with compression. The proposed step plan is from a recruit to the chief. There would be a seven-year buy-in for the general employees and the maximum top-out will always be below the rank above them. Year one of the step plan is incorporated into the budget. An area survey was conducted to find out where the City fell in the market. There would be a different step differential for recruits, as they would be paid less than those that come in already certified; once they are released from field training and become a completely independent officer, they would move up to the officer level step plan. Step three of the plan is dependent on employees passing a test for their Police Officer II or Firefighter II positions. In the Fire Department, they are proposing secondary promotional rank that would be equivalent to engineer but would be more on the field training medic side. There was discussion on the steps being automatic no matter how employees performed on the job; that any performance issues would be handled through a performance improvement plan; that the plan is not funded past this year; that each step is a function of the following year's budget; and that a step program in 2003 was for Police Department recruits and was not department-wide. Ms. Jakubik stated that Police Sergeants and Fire Lieutenants would have four steps before they reach their maximum top-out pay, Police Lieutenants and Fire Battalion Chiefs would have three steps, Deputy Chiefs would have two, and Chiefs would have one. The promotions from Police Lieutenant/Fire Battalion Chief to Deputy Chief and from Deputy Chief to Chief would be greater due to increased responsibilities. There is a systematic approach between the steps and a minimum of five percent increase between levels. There was discussion that employees would begin a new step process when promoted. Ms. Jakubik stated that the way the plan was implemented in the budget was the steps were finalized and each individual's pay rate was looked at to see where it fell within the proposed step plan. They were then moved to the next highest step and would progress from there. Some employees have already reached their maximum and would only receive a COLA in future years. The plan would move each position so that it is ranked either fourth of fifth compared to the nine cities against which

Bedford benchmarks itself. Police Corporals have been undervalued and the step plan fixes that issue. Only a few employees were over what their rank was and it was in the Deputy Chief and Chief positions. Ms. Jakubik presented a cost analysis for the step plan. Assumptions in the model include a yearly one percent increase in the TMRS contribution rate, a yearly 10 percent increase in workers' compensation each year, and a three percent yearly COLA each year. Nothing health or dental insurance related was included in the analysis as the costs are not dependent on salary. There was discussion on the three percent COLA being included in the scenario; falling behind in the market; that the City is looking at the mid-point of the market; helping in recruiting and retention; that other cities already have step plans; looking at a step plan City-wide; whether the step plan could hurt in retaining employees as they want more money but there is no room to promote; and that the plan is based on current personnel and new positions would have be considered on a supplemental basis. Ms. Jakubik stated that in the current step grades, it is almost impossible to top out and it has unrealistic top grades. One of the tenants of Police and Fire was that there comes a point where additional tenure does not provide additional value to the position.

Ms. Jakubik presented information regarding Council requests, including a smaller style monument sign at Central Drive and Cheek-Sparger Road, authorizing funding for the Trinity Railway Express, and a study for the next phase of the Boys Ranch construction. Maintenance concerns include a line item for addressing sidewalk issues, replacing a canopy at the Public Works Service Center per Texas Commission on Environmental Quality (TCEQ) guidelines, a line item for replacing furniture at the Library, and a line item to address ongoing drainage issues. Staff hiring and retention includes the four percent COLA, the Public Safety Step Plan, additional staff for Parks, Recreation and the Old Bedford School, and overtime budgets for Library and Tourism. There was discussion on the step plan helping with overtime in the Fire Department and possibly the Police Department; that it takes 11 to 12 months, and reoccurring costs of approximately $90,000, for the recruitment and training of Police and Fire positions; and that there are four openings and three frozen positions in the Police Department, and two openings in the Fire Department. For efficiency improvements, there is a technology fund for Recreation, a router service plan for Fire Department apparatus, and an updated economic development retail study. There was discussion on upgrades in dealing with customers; the feasibility of City departments being all on the same operating systems; cross utilizing resources; donations to different funds on the water bill; and upgrades to the website. Program expansions include the College Gridiron Showcase and an increase to the budget for ArtsFest for a one-day event. Equipment purchases include various new vehicles, a Toro Dingo Diesel Wide Track, air cylinders and cart for Wastewater for confined spaced entry, and improvements to the soccer side of the Meadow Park athletic fields.

Ms. Jakubik presented information on impacts to revenue, including the loss of a sales tax generating business, the Stormwater Fund starting to get out of balance, the Intermedix contract and its additional $600,000 in associated collections, and a 11.7 percent increase in property values.

In regards to General Fund revenues, there is an increase in property taxes of $1.17M over the previous year. Sales tax continues to do well and that growth has been budgeted. Franchise taxes depend on the particular franchise, mixed beverage taxes have increased, charges for services has increased due to the Intermedix contract, and licenses and permits continues to fluctuate. Fines and forfeitures, which do not include those from red light cameras, are down, including those from the Library due to automatic renewals with the Koha system and people checking out fewer DVDs. The largest portion of revenue comes from property taxes, followed by sales tax and then everything else.

Administrative Services Director Cliff Blackwell discussed the calculation behind the tax rate. There has been an increase in property values in Tarrant County of ten percent overall, and 11.7 percent in Bedford. The effective tax rate has been calculated at $0.448258 per $100 valuation. The rollback rate, which only focuses on the Maintenance and Operations portion of the tax rate, has been calculated at $0.476509 per $100 valuation. He stated that the City assumes a 99 percent collection rate for budget purposes but 100 percent when calculating the effective tax rate. If the City does not choose a 100 percent collection rate, the County reports to the Tarrant Appraisal District what the City collected and if an amount is collected in access of that percentage, the excess goes into the calculation to reduce the effective tax rate. There was discussion on what other cities were doing; a push from citizens to adopt the effective tax rate; the debt rate going down by two cents; going above the rollback rate; and that a successful rollback election would push the rate to the rollback rate. Mr. Blackwell stated that the rate used for this budget was the rollback rate; if the City were to go to the effective tax rate, $850,000 would have to be carved out of the budget. A comparison of the proposed tax rate and the previous year's tax rate shows that the debt portion would drop 11.6 percent, while the maintenance and operations portion would increase by 1.5 percent. Ms. Jakubik presented information on taxable values, which set a record. Tarrant County was told by the State that their values were artificially low and gave them a two-year window to correct the value of properties. There was discussion on the amount of increase the next year and whether the problem has been corrected. Ms. Jakubik stated that there is a decrease in the amount of licenses and permits but there is a lot of investment and reinvestment in the City. The net taxable value has increased from $151,000 the previous year to $168,000. A history of the tax rate shows an inverse relationship with taxable value. The overlapping tax rate shows that the School District makes up the largest share of the tax bill. A comparison of area tax rates shows every city proposing to reduce their rate except for Haltom City and North Richland Hills, who are holding their rates. For the average home in Bedford, the annual tax bill would increase from just under $750 to $803, or approximately $55 for the year. In comparison with neighboring cities, this represents the lowest increase in average values except for Colleyville. Ms. Jakubik discussed sales tax history and revenue changes, including the increases of property tax revenue, sales tax numbers and revenue from the amended Intermedix contract. In regards to General Fund Expenditures, every department is increasing due to employee compensation and insurance. Some operating transfers were decreased in order to fund items, such as lowering the transfer to the Computer Replacement Fund for a network security suite. In terms of expenditures, 67 percent is for public safety. A per capita comparison of benchmark cities shows Bedford to be dead last in amount of money spent per resident at approximately $1,300 per capita. General Fund supplemental requests include the router service plan for the Fire Department, budget line adjustments for Community Services, an administrative coordinator position for Recreation, and 1.5 full-time maintenance positions for Parks. There was discussion on attracting international businesses to the City.

Ms. Jakubik presented information on the Debt Service Fund, which is funded primarily through property taxes, followed by the transfer from 4B and interest. Built into the expenditures is the proposed tax note. A graph of annual funding requirements shows a significant drop in General Fund debt in the next few years, with an increase in Water Fund debt from the $30M issued for State Water Implementation Fund for Texas (SWIFT). Over the previous three to four years, there has been a consistent downhill slide on the debt load. In regards to the proposed five-year tax note, the principle to issuing debt is to not have payments extend beyond the life of the asset. The items being funded in the tax note would not normally be eligible for a debt financing object; however, the note would address significant capital needs that the City did not have money to pay cash for. The first item was the replacement of an ambulance. There was discussion that the unit proposed to be replaced was a 2000 model and cannot be remounted, and is not the same unit discussed the previous year; that the 2008 unit needing to be remounted would be pushed into a reserve status; the replacement plan for ambulances; the lack of depth in reserve equipment with only one viable backup unit; the construction of new nursing facilities in the City; and the possible auction value of the ambulance being replaced. Other items in the tax note include the monument sign, and a request from the Police Department to replace the back-office system, the in-car camera system, and expanding to body cameras. There was discussion on the redaction component of the software, including that there were no additional costs; that enough body cameras were being purchased for two shifts for overlapping coverage; not issuing body cameras to all officers due to potential technology changes; and what else could be paid out of the tax note if the cameras were paid out of reserves. Ms. Jakubik stated that everything reasonable was included in the note and everything else that was unfunded were reoccurring expenses, which could not be included in the note. The numbers in the tax note are flexible and are subject to change. Other items in the tax note include a truck, lawn mower and turf aerator for Parks; a Ford Transit van and scissor lift for Facilities Maintenance; replacements for the City's network switches; and cardiac monitors and fitness equipment for the Fire Department. She stated that if the tax note were not issued, the rollback rate would decrease. There are funding options through one-time monies that staff is not currently proposing to touch. Yearly payments of the tax note would be approximately $220,000 with interest and is included in the budget in the Debt Service Fund. There was discussion on why the particular items were included in the note; and the expected life of some of the equipment.

Ms. Jakubik presented information on the Water and Sewer Fund, which is mainly funded from water and sewer charges. The Fund must adequately recover maintenance and operation expenditures, provide for debt service, provide for renewal and placement costs, and provide adequate working capital. It does not operate from a fund balance perspective, but a working capital perspective. The cash point as of October 1, 2015 was actually negative; however, the Utility Maintenance Fund had sufficient cash to cover the deficit. A surplus is being projected for this year to help address the working capital shortage and the budget being presented still puts a surplus to help rebuild the working capital. A large part of expenses comes from water purchase and wastewater treatment from the TRA, who will be raising the City's rates by 19.3 cents on water and 12.7 cents on sewer. Staff proposes to only pass-through the increase from TRA. The summer monthly City average has increased to 17,000 gallons due to the lifting of drought restrictions. The impact of the volume increase in a worst case scenario is $4.00 and is solely tied to the increased costs from TRA. In regards to expenditures, $7.2M is just for the purchase of water and $4M is for treatment of wastewater. Supplemental requests include an additional custodian for buildings whose operations primarily support the Fund; an environmental specialist to assist with the additional reporting and inspection requirements from TCEQ; trucks for the water service, water distribution and wastewater crews; an air cylinder and cart; the storage bin canopy replacement; and an engineering tech truck. There was discussion on the difference between the trucks.

Ms. Jakubik presented information on the Stormwater Fund, which gets its revenue from stormwater charges and $30,000 from Republic Services for the household hazardous waste program. The current rates are $3.50 a month for residents and $3.00 a month for seniors. Commercial rates are based on a formula that is a function of the size of the lot and how much of it is impervious surface, which is then calculated to a residential equivalent and multiplied by $3.50. Operating expenses have been at capacity for several years and this year, it reached a point where the base request for expenses was not sufficient for the revenues that were there. There is a list for drainage requests but no capacity to address those for residents, and there is not enough capacity to issue debt for those projects. The rate was last increased in 2001 and staff's proposal is to raise it $0.50 across the board, which would generate an additional $185,000 in revenue. The increase would help fund this year and put in the capacity to address drainage projects on a cash basis. There was discussion on the list of drainage projects; that there is nearly $5M in proposed capital improvements; that the $0.50 increase was to balance this year; completing a stormwater rate model; that mosquito controls are paid out of this fund; infrastructure and protecting the health of citizens; drainage projects in the same areas of SWIFT projects including Briar Drive; the need for bridge culvert work; getting a list of other cities' stormwater rates; and going above the recommended $0.50 increase. Expenditures include operations, overhead and debt service. Supplemental requests include a Toro Dingo Wide Track, a reoccurring line item for drainage improvements, and additional funds for mosquito control training. There was discussion on if there is a need for more personnel in dealing with mosquitoes; cross training personnel; the County looking at aerial spraying and the City's contribution to the costs; the effectiveness of aerial spraying and when it would be necessary; and the affects of the West Nile and Zika viruses.

Ms. Jakubik stated that the in the 4B budget, they recommend $2.7M in sales tax revenue and $5.1M in expenses, with contract labor being the largest portion. The Fund does not include personnel. The only supplemental request is a flameless pothole patch truck.

Ms. Jakubik presented information on special revenue funds. There are projected increases in revenues from the hotel/motel tax, rentals at the Old Bedford School, and BluesFest and FourthFest. Expenditures include administration, a newly created division for marketing, the Old Bedford School, and the two festivals. There was discussion on covering the costs for BluesFest. Supplemental requests include the College Gridiron Showcase; the establishment of overtime budgets for the Old Bedford School, Administration and Marketing; an increased budget for ArtsFest to cover their costs with the expansion of the timeframe; and a part-time customer service associate. In regards to the new personnel, with staff reorganizations, there would only be a net increase of $4,000. There was discussion on breaking even on BluesFest; the goal of staff to have the Tourism Fund contribute $100,000 for BluesFest; and competing for sponsorships. Ms. Jakubik stated another recommendation is to make the facility maintenance person at the OBS a full time position. She discussed other minor funds including the Traffic

Safety Fund, with a revenue line of $100,000 and which includes red light camera fines; the PEG Fund; the Economic Development Fund, which includes a $50,000 expense for the retail study; the Parks Donation Fund, which has been seeing a $1,000 yearly increase; the Court Technology Fund, which is going into fund balance to replace ticket writers; and the Court Security Fund, which helps support the warrant officers who serve as bailiffs. Other supplemental requests from the minor funds include a firewall replacement and replacing the flooring in the Library's large meeting room with a vinyl plank floor. There was discussion that Police Department vehicles are a reoccurring line item in the budget. Ms. Jakubik presented several scenarios for Council to consider. At a $0.485 tax rate without the tax note, there would be increased General Fund revenue of $492,000. With a $0.485 tax rate with the tax note, there would be increased revenue of $263,000. Maintaining the current tax rate of $0.494830 with the tax note, there would be increased revenue of $560,000. There was discussion on the tax note; passing more debt to future budgets; issuing tax notes in future years; the debt rate being lowered even with the tax note; and increased employee expenses, including insurance. Mr. Blackwell stated that keeping the current rate without the tax note would increase revenue by $781,014. There was discussion of the fiscal impact of not issuing the tax note including it costing $300,000 with the reduction in the tax rate. A majority of the Council, minus Councilmember Fisher, was for issuing the tax note. There was discussion on unfunded supplementals; where to set the tax rate; the possibility of a rollback election; the impact of a rollback election, including dissension and the ability to get the next phase of the Boys Ranch construction and the Bedford Commons; the need for services and people wanting improvements; the tax rate not being raised; taking the long view and managing and improving what the City currently has to bring people around; other cities in the area lowering their tax rate; the cost of employee compensation and insurance; using the $4M from TXI to pay for items; whether to choose a tax rate between the current tax rate and the rollback rate; what would be paid for with the extra funding by going above the rollback rate and promoting that to the public; funding the step plan; the employee cost component of the budget; the costs for the step plan, including expanding it to all employees; the cost of insurance; committing to the step plan; voter approved debt issuances that were not passed on but built into the budget; and the fallout from a rollback election. Ms. Jakubik stated that on the average home value, at the current tax rate, there would be an $86 increase over the previous year. Going to $0.485, there would be an increase of $69 over the previous year. Going to the recommended rate, which is the rollback rate, there would be an increase of $55 over the previous year. There was discussion on finding ways to increase revenue; people voting based on emotion; being forward thinking; changes in politics; competing with and comparing to other cities; what people look for in moving to the City; using fund balance; outsourcing the crossing guard program; an ambulance replacement program; funding items if Council stays at the current rate; and having this issue included as a component of a citizen satisfaction survey. There was discussion on staying at the current rate and leaving in the debt component; setting the not-to-exceed rate and the public hearings on the tax rate; and receiving input from the public. Council was of the consensus to set the not-to-exceed rate to the current tax rate of $0.495 per $100 valuation. There was discussion on educating the public and communicating the Council's goals; staff prioritizing the list of unfunded items; and employee raises. Ms. Jakubik stated that employees would pick up a third of the $900,000 insurance increases; that a four percent raise would cover the costs of the increase in dependent coverage for lower-level employees; and that for the first time, employees with employee-only coverage would cover a portion of their premium. There was discussion on the employee raise history.

2. Discuss potential utility rate changes.

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

3. Discuss issuance of tax note.

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

4. Discuss pay day loan ordinance.

Mayor Griffin stated that Councilmember Fisher was asked to be the City's representative on a joint group with Hurst, Euless and the Texas Retired Teachers Association to discuss and formulate a course of action on an ordinance.

Councilmember Fisher stated that in January, there was discussion about a payday loan ordinance and for regulations on those types of businesses in Bedford. That discussion came out of a request from a citizen, as well as the City of Arlington having passed an ordinance. There is a fear factor involved whereby unscrupulous lenders would move to cites without regulations. In January, there was not a lot of support for that idea with the thinking it was the State's job. A meeting was recently held with the representatives with the cities of Hurst and Euless, and church leaders, regarding the importance of an ordinance. The Texas Advocacy Project had numbers, based on a Dallas metropolitan division 2014 data, which they put into Hurst, Euless and Bedford. New loans in the three cities in 2014 equaled $20,183,275 and the fees associated with those loans and refinances were $15,396,970. Further, there was $25M in refinances in 2014. The Project estimates the sales tax dollars lost at $43,000 per location. There are 11 such businesses in Euless and seven in Hurst. It was clear in the meeting that something needed to be done, which some would call a cap on exploitations. In cities with the Texas Municipal League (TML) certified ordinance, there has been a 20 percent reduction in payday storefronts, which would be the unscrupulous lenders. He stated that the industry is a relatively important part of the financial system. There was discussion on the TML ordinance being challenged in court; and that the Supreme Court declining to hear a case on Denton’s ordinance because there was no victim as the city had not yet taken enforcement actions based on the ordinance. Councilmember Fisher stated that the City of Arlington has already passed an ordinance, and the cities of Fort Worth and Irving are looking at an ordinance. Soon, there are going to be fewer places that unscrupulous lenders can go. In light of the lack of State action on the issue, an ordinance should be passed to protect the Bedford. There was discussion on Hurst, Euless and Bedford all passing the ordinance at the same time on the same day.

Councilmember Fisher presented highlights of the TML ordinance. This includes a requirement that credit access businesses must apply to receive a certificate of registration with the city; they must maintain complete records of all loans for three years and make the records available to the city upon request; the amount of a payday loan may not exceed 20 percent of the consumer’s gross monthly income; the amount of an auto title loan may not exceed the lesser of three percent of the consumer’s gross annual income or 70 percent of the retail value of the vehicle; any loans that provide for repayment in installments may not be payable in more than four installments and the proceeds from each installment must be used to repay at least 25 percent of the principle amount of the loan; no renewals or refinancing in installment payment loans are permitted; any loan that provides for a single lump sum payment may not be refinanced or renewed more than three times and the proceeds from each refinance or renewal must be used to repay at least 25 percent of the principle amount of the loan; and any loan made to a consumer within seven days of a previous loan paid by the consumer constitutes a refinance or renewal. He stated the point of the ordinance is not to add more staff but to give a resident or constituent the opportunity, if they have feel they have been ripped off by such a business, to have the City do the proper inspections to make sure the business is following the ordinance.

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

Ms. Jakubik discussed the next steps in the budget process. There was discussion on plans for the surplus dollars and the sales tax windfall. Ms. Jakubik stated that the City started this year just shy of the 20 percent reserve requirement; a surplus is being projected, which would bring the City back in compliance with the fund balance per the City’s financial policies.

ADJOURNMENT

Mayor Griffin adjourned the meeting at 1:31 p.m.

Jim Griffin, Mayor

ATTEST:

Michael Wells, City Secretary