



# CITY OF BELLAIRE TEXAS

## MAYOR AND COUNCIL

AUGUST 16, 2016

Council Chamber

Special Session (Workshop)

6:00 PM

7008 S. RICE AVENUE  
BELLAIRE, TX 77401

### SPECIAL SESSION (BUDGET WORKSHOP #1) - 6:00 P.M.

#### A. Call to Order and Announcement of a Quorum - Andrew S. Friedberg, Mayor.

**Andrew S. Friedberg, Mayor,** called the Special Session (Budget Workshop #1) of the City Council of the City of Bellaire, Texas, to order at 6:02 p.m. on Monday, August 16, 2016. The Special Session (Budget Workshop #1) was held in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401.

Mayor Friedberg advised that a quorum of the members of City Council was present as set forth in the table below.

Name	Title	Status
Andrew S. Friedberg	Mayor	Present
Roman F. Reed	Mayor Pro Tem	Present
Trisha S. Pollard	Council Member	Present
Gus E. Pappas	Council Member	Present*
Pat B. McLaughlan	Council Member	Present*
Michael Fife	Council Member	Present
David R. Montague	Council Member	Present

Other officials present were Paul A. Hofmann, City Manager, and Diane K. White, Assistant City Manager.

\*Gus E. Pappas and Pat B. McLaughlan, Council Members, arrived shortly after the meeting was called to order and participated in the remainder of the Special Session.

#### B. Budget Discussion:

Discussion and presentation regarding the FY 2017 proposed budget for the City of Bellaire, Texas, with a focus on responding to the budget questions previously asked by Council Members and providing an update on the proposed water and waste water rates - Requested by Paul A. Hofmann, City Manager.

A budget workshop was conducted by members of City Council and City Staff regarding the proposed budget for the City of Bellaire for fiscal year 2017.

#### C. Adjourn.

**Mayor Friedberg** announced that the Special Session (Budget Workshop #1) of the City Council of the City of Bellaire, Texas, was adjourned at 8:17 p.m. on Tuesday, August 16, 2016.

# City of Bellaire Review of Proposed Utility Rates for FY 2017



AUGUST 16, 2016



# Rate Schedule Revisions



- Based on feedback from previous City Council meetings, two new proposed rate structures are being presented
  - Assumes no use of annual revenues for wastewater line replacement
  - Provides incentives for conservation through restructured volumetric rates
  - Provides a means to phase in rate increases
  - Assumes reduction of 60-day fund reserve to 30-day
  - Provides a structure to meet the anticipated increase in required water and sewer rate revenues for FY17

# Current vs. Proposed Base Rates (April 25)



Meter Type/ Size	Factor	Current		Proposed	
		Water & Irr	Sewer	W&I-Prop	S-Prop
<b>5/8 &amp; 3/4</b>	1	\$4.48	\$6.03	\$17.42	\$7.89
<b>1</b>	2.5	\$11.20	\$6.03	\$43.56	\$19.74
<b>1 1/2</b>	5	\$22.40	\$6.03	\$87.12	\$39.47
<b>2</b>	8	\$35.84	\$6.03	\$139.40	\$63.15
<b>2 1/2 (None)</b>	12	N/A	\$6.03	\$209.09	\$94.73
<b>3</b>	15	\$71.69	\$6.03	\$261.37	\$118.41
<b>4</b>	25	\$123.21	\$6.03	\$435.61	\$197.35
<b>6</b>	50	\$252.25	\$6.03	\$871.22	\$394.71
<b>8</b>	80	\$380.80	\$6.03	\$1,393.95	\$631.53
<b>10 (None)</b>	115	N/A	\$6.03	\$2,003.80	\$907.83
<b>Govt</b>	N/A	\$0.00	\$0.00	\$0.00	\$0.00

\* - Irrigation only meters are not assessed the sewer base rate

# Current vs. Proposed Volumetric Rates (April 25)

## (Per 1,000 Gallons)

B.a



Consumption		Current (Res. Only)		Proposed	
Category	Volumes	Water Vol	Sewer Vol	Water Vol	Sewer Vol
1	0-2000	\$1.50	\$2.40	\$2.00	\$2.00
2	2001-4000	\$2.50	\$2.40	\$2.00	\$2.00
3	4001-6000	\$2.50	\$2.40	\$2.25	\$2.00
4	6001-8000	\$2.50	\$2.40	\$2.50	\$2.00
5	8001-10000*	\$2.50	\$2.40	\$3.00	\$2.00
6	10001-15000	\$3.50	\$2.40	\$3.50	\$2.00
7	15001-20000	\$3.50	\$2.40	\$4.00	\$2.00
8	20001+	\$3.50	\$2.40	\$4.50	\$2.00

**\*Current Volumetric Rates Start at \$3.50 for 9,000 gallons**

# Proposed Rate Revision 1



- No changes in base rates & an increase in volumetric rates only

Meter Type/ Size	Factor	Current		REVISED-1	
		Water & Irr	Sewer	W&I- Rev1	S-Rev1
5/8 & 3/4	1	\$4.48	\$6.03	\$4.48	\$6.03
1	2.5	\$11.20	\$6.03	\$11.20	\$6.03
1 1/2	5	\$22.40	\$6.03	\$22.40	\$6.03
2	8	\$35.84	\$6.03	\$35.84	\$6.03
2 1/2 (None)	12	N/A	\$6.03	N/A	\$6.03
3	15	\$71.69	\$6.03	\$71.69	\$6.03
4	25	\$123.21	\$6.03	\$123.21	\$6.03
6	50	\$252.25	\$6.03	\$252.25	\$6.03
8	80	\$380.80	\$6.03	\$380.80	\$6.03
10 (None)	115	N/A	\$6.03	N/A	\$6.03
Govt	N/A	\$0.00	\$0.00	\$0.00	\$0.00

Consumption		Current (Res. Only)		REVISED-1	
Category	Volumes	Water Vol	Sewer Vol	W&I- Rev1	S-Rev1
1	0-2000	\$1.50	\$2.40	\$1.50	\$2.40
2	2001-4000	\$2.50	\$2.40	\$2.50	\$2.40
3	4001-6000	\$2.50	\$2.40	\$2.50	\$2.40
4	6001-8000	\$2.50	\$2.40	\$3.00	\$2.40
5	8001-10000	\$2.50	\$2.40	\$3.50	\$2.40
6	10001-15000	\$3.50	\$2.40	\$4.00	\$2.40
7	15001-20000	\$3.50	\$2.40	\$4.50	\$2.40
8	20001+	\$3.50	\$2.40	\$5.00	\$2.40

# Proposed Rate Revision 2



- Assumes minor changes in both base rates & volumetric rates

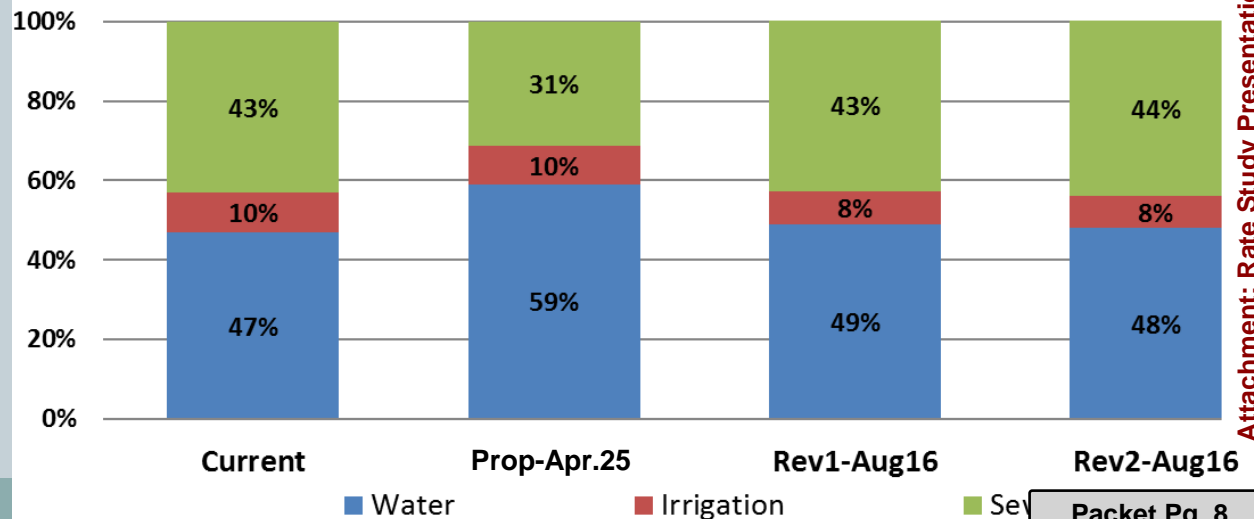
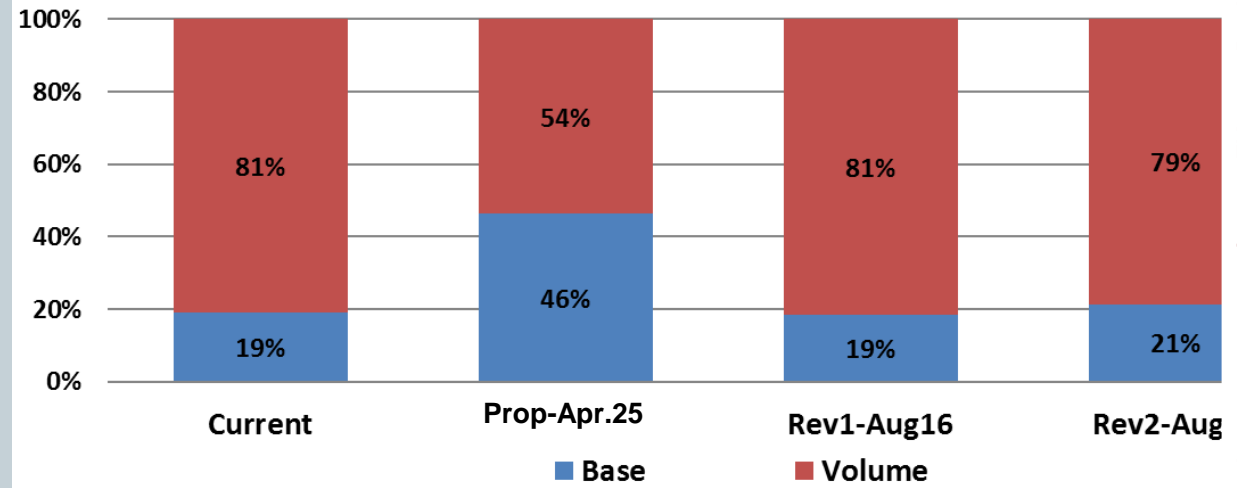
Meter Type/ Size	Factor	Current		REVISED-2	
		Water & Irr	Sewer	W&I- Rev2	S-Rev2
5/8 & 3/4	1	\$4.48	\$6.03	\$5.50	\$6.50
1	2.5	\$11.20	\$6.03	\$13.75	\$6.50
1 1/2	5	\$22.40	\$6.03	\$27.50	\$6.50
2	8	\$35.84	\$6.03	\$44.00	\$6.50
2 1/2 (None)	12	N/A	\$6.03	\$66.00	\$6.50
3	15	\$71.69	\$6.03	\$82.50	\$6.50
4	25	\$123.21	\$6.03	\$137.50	\$6.50
6	50	\$252.25	\$6.03	\$275.00	\$6.50
8	80	\$380.80	\$6.03	\$440.00	\$6.50
10 (None)	115	N/A	\$6.03	\$632.50	\$6.50
Govt	N/A	\$0.00	\$0.00	\$0.00	\$0.00

Consumption		Current (Res. Only)		REVISED-	
Category	Volumes	Water Vol	Sewer Vol	W&I- Rev2	S-R
1	0-2000	\$1.50	\$2.40	\$1.50	\$2
2	2001-4000	\$2.50	\$2.40	\$2.00	\$2
3	4001-6000	\$2.50	\$2.40	\$2.50	\$2
4	6001-8000	\$2.50	\$2.40	\$2.75	\$2
5	8001-10000	\$2.50	\$2.40	\$3.25	\$2
6	10001-15000	\$3.50	\$2.40	\$3.75	\$2
7	15001-20000	\$3.50	\$2.40	\$4.00	\$2
8	20001+	\$3.50	\$2.40	\$4.50	\$2

# Revenue Ratios



- Both of the new proposed rate structures maintain the current ratios among the usage and rate categories





# Bill Comparisons



<b><u>Billing Scenario</u></b>	<b><u>Current Total Bill</u></b>	<b><u>April 25th Proposed Rates</u></b>	<b><u>Revised-1</u></b>	<b><u>Revised-2</u></b>
<b>Residential Comparison # 1 (5/8" Meter - 500 Gallons)</b>	\$12.46	\$27.31	\$12.51	\$14.00
<b>Residential Comparison # 2 (1" Water 12,800 Gallons)</b>	\$80.75	\$122.20	\$86.43	\$86.75
<b>Residential Comparison # 3 (1" Water &amp; Irrigation Meter 7,100/2,000 Gallons)</b>	\$64.22	\$140.31	\$65.48	\$69.78
<b>Residential Comparison # 4 (1" Water &amp; Irrigation Meter 18,300/14,000 Gallons)</b>	\$161.40	\$235.16	\$177.03	\$174.70
<b>Commercial Comparison # 1 (1" Water 9,700 Gallons)</b>	\$62.76	\$105.30	\$66.43	\$67.53
<b>Average Residential Comparison (3/4" Water &amp; Irrigation Meter 8,000/9,500 Gallons)</b>	\$73.94	\$98.23	\$78.24	\$77.38

# FY 2017

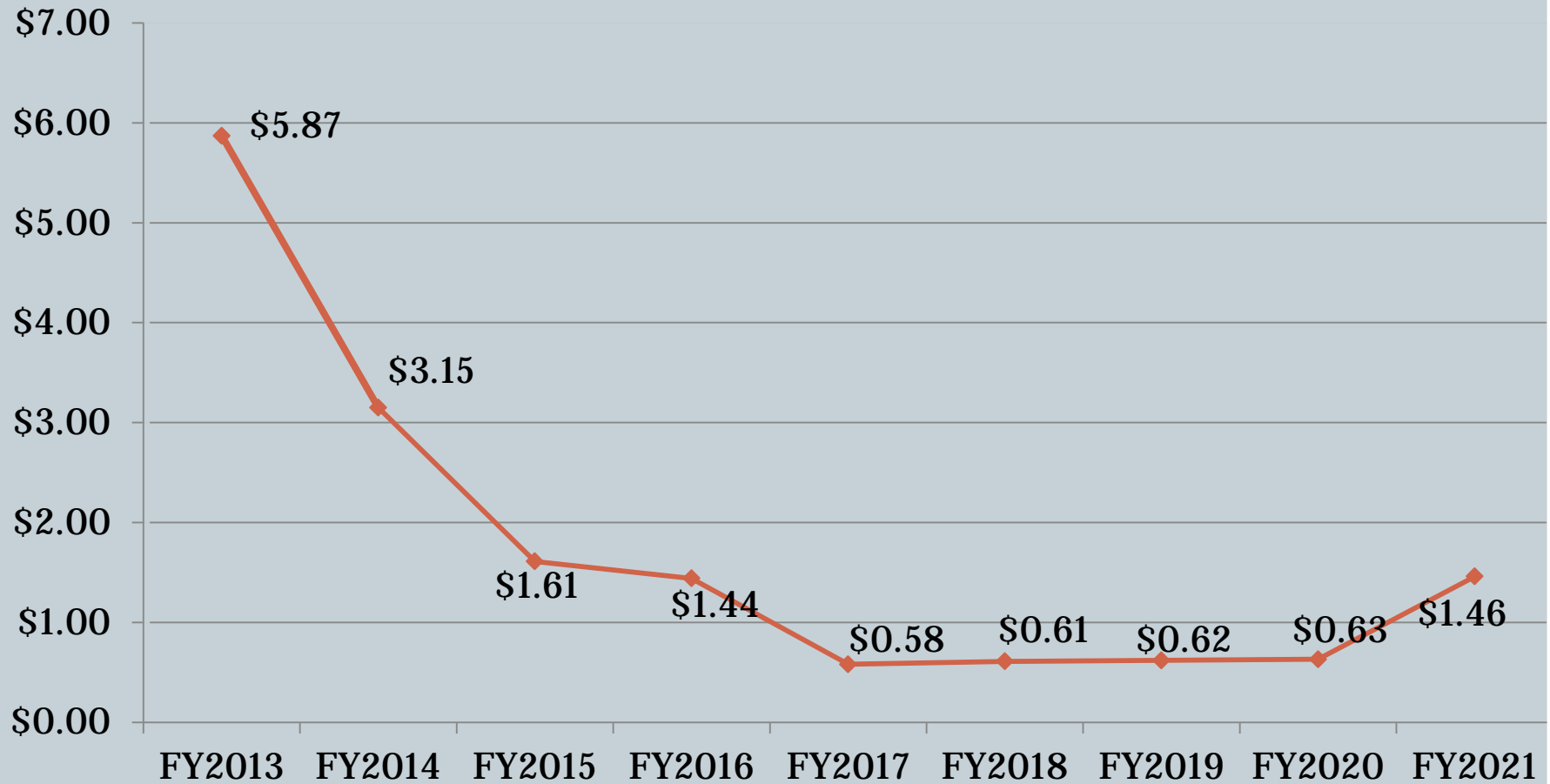
## FISCAL FORECAST ENTERPRISE FUND



\$Millions	FY16P	FY17	FY18	FY19	FY20	FY21
Beginning Fund Balance	\$2.68	\$1.44	\$0.58	\$0.61	\$0.62	\$0.6
Recurring Revenue	\$7.38	\$8.24	\$9.57	\$10.12	\$11.03	\$11.5
% Revenue Increase from Rates		10%	21%	1%	7%	0%
Recurring Expense	\$5.96	\$6.33	\$6.63	\$6.78	\$6.94	\$7.10
Vehicle/ Equip Replacement	\$0.54	\$0.52	\$0.51	\$0.51	\$0.52	\$0.5
Transfer to General	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.6
Transfer to Debt Service	\$0.95	\$0.95	\$1.80	\$2.02	\$2.36	\$2.3
Transfer to CIP	\$0.53	\$0.83	\$0.13	\$0.33	\$0.72	\$0.1
Ending Fund Balance	\$1.44	\$0.58	\$0.61	\$0.62	\$0.63	\$1.4
30/60 Day req	\$0.55	\$0.58	\$0.60	\$0.62	\$0.63	\$1.2
Over/(Under) 30/60 day	\$0.90	\$0.00	\$0.00	\$0.01	\$0.00	

# YEAR-END FUND BALANCE (in millions)

B.a



Attachment: Rate Study Presentation - August 16, 2016 (1997 : FY 2017 Budget Workshop

# Next Steps



- Proposed FY17 Budget assumes rate changes are effective October 2016
- Formal adoption of the new rates will occur with the adoption of the FY17 Budget
- Staff will begin the public information process for water rates proposed in the FY17 Budget

FY 2017 PROPOSED BUDGET  
BUDGET WORKSHOP #1  
TUESDAY, AUGUST 16, 2016

PRESENTED BY:  
PAUL A. HOFMANN – CITY MANAGER

# Q&A

**QUESTION:**  
**ARE THERE ANY YEAR TO YEAR SAVINGS OR BUDGET DECREASES?**

Key year-to-year savings and budget decreases are summarized by category below.

**General Fund**

**Personnel –**

- Incorporation of flex hours will lead to reduced overtime
- Incorporation of \$100,000 vacancy salary savings
- Workers comp projected \$40,000 less than FY 2016
- All other personnel decreases are based on turnover and benefit elections

## QUESTION: ARE THERE ANY YEAR TO YEAR SAVINGS OR BUDGET DECREASES? (CONTINUED)

### General Fund (continued)

#### Professional Services –

- Council compensation now included “salaries”

#### Maintenance –

- Telephone system decreases by about \$17,000 (however, overall maintenance expenditures increase 6%)

#### Contractual Services –

- Reduced advertising for job positions by \$3,050 (however, overall contractual services expenditures increase 13%)

#### Materials and Supplies –

- FY 2017 budgeted fuel expenditures are \$46,545 below FY 2016 budgeted fuel
- Council meals was reduced and moved to Parks special events budget



## QUESTION: ARE THERE ANY YEAR TO YEAR SAVINGS OR BUDGET DECREASES? (CONTINUED)

### Enterprise Fund

**Personnel** – No savings

### **Professional Service** –

- More in-house expertise rely reliance on consultants results in \$5,700 savings in “Engineers, Architects, Arborists, Planners” - however, Professional Services as a whole is budgeted to increase 9%, mainly due to increases in trash hauling fees (up \$18,800) and contract labor in Wastewater Collection (up \$50,790)

### **Maintenance** –

- Vehicle maintenance \$14,400 lower due to newer fleet
- Building maintenance \$29,500 lower – no Public Works building

**Contractual Services** – No savings

### **Materials and Supplies** –

- Reduced fuel prices result in \$13,900 savings (usage remains the same)

**REQUEST:**  
**PACKET PAGE 40 – EXPLAIN THE JOB DESCRIPTION UPDATE OF  
SWORN PERSONNEL - \$10,000.**

- Police job descriptions, including fitness standards, need updating
- Not updated in several years
- Independent expert lends outside perspective

**REQUEST:**  
**EXPLAIN THE CHARTER REVIEW CONSULTANT/MATERIALS - \$25,000 .**

- Includes consultant fees, translation costs, committee notebooks and materials, and meals if needed
- Recommend bringing in an expert with charter amendment experience
- Council will decide on how we proceed

**REQUEST:**  
**EXPLAIN ESTIMATE OF TAX REVENUE FROM NEW GROWTH.**

- Growth from:
  - new appraisals on existing property
  - new construction
- Conservative estimate of new growth revenues \$200,000
- Estimated increase in property taxes on existing property is 6.7%
- Increase is below the 8% roll-back limit

**QUESTION:**  
**CAN YOU RECAP THE MAJOR ITEMS THAT CONTRIBUTE TO THE  
GENERAL FUND INCREASE?**

88% of the proposed increase to the base is made up of the following 3 items:

- \$855,839 (68%) - public safety 75<sup>th</sup> percentile
- \$175,618 (14%) - salary market adjustments and salary step adjustments for other personnel
- \$81,534 (7%) - Evelyn's Park maintenance

## QUESTION:

DOES THE \$81,000 (FOR EVELYN'S PARK MAINTENANCE) FOLLOW WHAT WE SAID LAST YEAR ABOUT % OF TOTAL PARK MAINTENANCE BUDGET AND HOW DOES IT COMPARE TO THE CITY-WIDE PARK MAINTENANCE BUDGET?

- \$81,534 for Evelyn's Park maintenance is for 9 months
- Calculated based on the anticipated January 1 opening date and the City's maintenance obligations under the agreement with the Conservancy
- \$374,325 - City-wide park maintenance budget (excluding Evelyn's Park)
- 23% - Evelyn's Park maintenance as compared to total park maintenance (assuming annualized Evelyn's Park maintenance)

**QUESTION:**

**HOW DO YOU PLAN TO INTEGRATE THE RESULTS OF THE BEAUTIFICATION LANDSCAPE ARCHITECT IF YOU HAVE ALREADY DEFINED SEVERAL BEAUTIFICATION ITEMS WITHIN THE BUDGET?**

City Staff were directed to proceed with beautification efforts based on:

- the beautification resolution adopted by Council
- guidance received during the pre-budget planning workshop

**REQUEST :**  
**PROVIDE DETAIL ON SEASONAL COLOR BUDGET ENHANCEMENT OF**  
**\$44,684.**

- \$10,070 - Bellaire Blvd. at Newcastle
- \$ 8,615 - Bellaire Blvd. at Chimney Rock
- \$ 6,536 - Bellaire Blvd. behind historical marker
- \$ 3,833 - Bellaire Blvd. at Fifth around big flagpole
- \$ 3,705 - Bellaire Blvd. in Paseo Park (3 beds)
- \$ 3,065 - Feld Park underneath park sign
- \$ 2,075 - Bellaire Blvd at S. Rice Ave. around Rotary Clock
- \$ 1,785 - Bellaire Blvd. at railroad tracks in front of entry marker
- \$ 5,000 – Misc. costs associated with above projects



**QUESTION:****HOW DO WE BUDGET FOR THE 1.5% MARKET AND THE 3.5% STEP SALARY INCREASES AND WHAT DISCRETION DO THE DEPARTMENTS HAVE WITH PROVIDING THESE INCREASES?**

- Salary and benefits budgeted centrally based on personnel and approved staffing positions (Budgeted amounts not calculated by the Departments)
- Budget assumes all eligible employees will receive 1.5% market and 3.5% step adjustments
- 1.5% market adjustment automatically given to all employees on October 1 (No discretion by department)
- Satisfactory performance evaluations required for the 3.5% step adjustment

**QUESTION:**

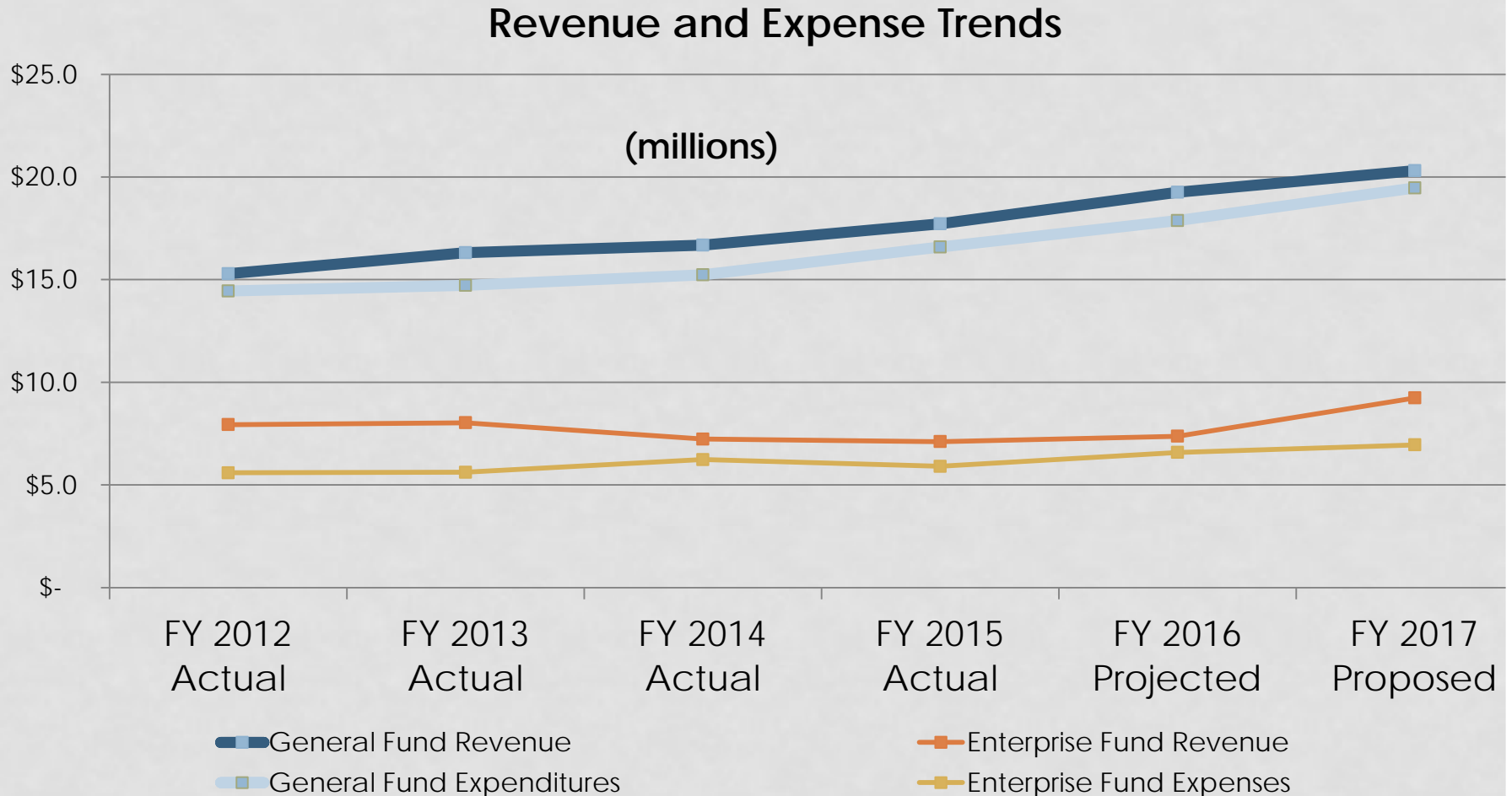
**WHAT HAPPENS WITH THE MONEY THAT WAS BUDGETED FOR AN EMPLOYEE THAT DOES NOT GET THE STEP ADJUSTMENT BASED ON NOT MEETING THE MINIMUM PERFORMANCE EVALUATION REQUIREMENTS?**

- Department heads could request budget line item transfers for surpluses subject to City Charter required approvals
- City Charter allows the City Manager to authorize transfers of budgeted funds between line items within a department
- All other budget transfers require Council approval
- Unspent funds go to the ending balance

**QUESTION:**  
**IT APPEARS WE HAVE A LOT OF PROMOTIONS. HOW DOES THE CITY  
BUDGET FOR PROMOTIONS?**

- We don't budget for promotions
- We budget for approved staffing positions
- When someone is "promoted" they move into a budgeted position

**QUESTION:**  
**CAN WE HAVE MORE "PLOTS" (LINE GRAPHS) PROVIDE THAT SHOW US HOW COSTS/REVENUES HAVE INCREASED OVER THE YEARS?**



Excludes transfers and non-operating expenditures. Includes FY 2017 proposed budget enhancements.

**QUESTION:**  
**WHY DOES THE PAVEMENT MAINTENANCE LINE IN THE GENERAL FUND SAY “NON-RECURRING”?**

- Operations aren't directly impacted if dollar amount is reduced
- At some point the need for this amount of heavy maintenance won't be necessary
- \$800,000 supplements \$1.2 million/year from METRO
- Combined program over 8 (2016 – 2024) years is \$16 million in pavement maintenance expenditures

## QUESTION:

WHAT WILL MY ACTIONS IN FY 2017 AS A COUNCILMEMBER WILL REQUIRE ME TO DO IN FUTURE YEARS TO FIX THE OVER/UNDER PROBLEM WITH OUR 60-DAY FUND BALANCE IN THE GENERAL FUND? PROVIDE ME WITH SOME OPTIONS. IF I DO X NOW I WILL NEED TO DO X NOW OR LATER?

- Revenue projections based on the assumptions made in the fiscal forecast
- Budgeted expenditures based on the expected service levels
- Only two things can fix projected negative fund balances: (1) raise revenues, or (2) reduce expenditures
- Council will need to either raises taxes to fund the base service level requirement or we will need to reduce the base level service requirement thereby reducing expenditures

## QUESTION:

# HOW DO WE ENSURE THAT THERE IS NO FLUFF IN THE BUDGET?

- Budget process is rigorous and methodical
- Centrally controlled budgets such as salaries and benefits, fuel, and electricity are given to department heads by finance.
  - Salaries and Benefits is based on approved staffing positions
  - Fuel is based on anticipated market prices
  - Electricity costs are based on our electrical contract
- Department Heads receive a “not to exceed” amount for all other budget line-items based on the Municipal Price Index (MCI) as of April/May – which includes the Production Price Index (PPI), Construction Cost Index (CCI) and the Consumer Price Index (CPI)
- Department Heads are required to submit a detailed line item budget that lays out all other budgeted expenditures
- Budgeted expenditures are based on the required service levels
- The City is required by State Statute to follow very regulated purchasing laws. A majority of the non-personnel budget is contract driven and approved by City Council if over \$50,000
- Ask questions / observe City operations

## QUESTION:

**HOW ARE JUDGES AND PROSECUTORS PAID? WHERE ARE THEY IN THE PAY PLAN? DO THEY GET RETIREMENT AND HEALTH BENEFITS?**

- Judges and prosecutors are appointed by City Council
- Pay is set by City Council
- Treated as contract labor, not employees
  - No retirement benefits
  - No health benefits
- Budgeted under Professional Services in the Finance and Municipal Courts department



**QUESTION:**  
**CAN WE HAVE INFORMATION ON WHAT OUR CREDIT LIMIT OR  
DEBT CAPACITY IS?**

- No state statutory limitations
- No charter limitations
- In the past (in the 80's and 90's) there was a debt capacity limit of 5% of the appraised values
- Question also addressed in the bond content language that Council received for the August 1, 2016 Council meeting

## QUESTION: HOW DOES SICK/VACATION TIME WORK - IS THERE A USE IT OR LOSE IT POLICY?

### Sick Time:

- Max accrual is 480 hours
- Each November any amount over 480 is bought back at 50%
- Prior policy was no max accrual with an employee option to elect buy back at 50%

### Vacation:

- "use it or lose it"
- When "use it or lose it" was enforced, employees with previously accrued hours did not lose the accrued hours, however, they are not allowed to accrue additional hours until they get below the allotted maximum (which varies depending on years of service and non-public safety or public safety classification)