

MINUTES
HURST CITY COUNCIL
SPECIAL SESSION
SATURDAY, AUGUST 10, 2019

On the 10th day of August 2019, at 8:15 a.m., the City Council of the City of Hurst, Texas, convened in Special Session at Hurst Conference Center, 1601 Campus Drive,, Hurst, Texas, with the following members present:

Henry Wilson	)	Mayor
Larry Kitchens	)	Mayor Pro Tem
Bill McLendon	)	Councilmembers
Cindy Shepard)	
Cathy Thompson)	
Jon McKenzie)	

Clay Caruthers	)	City Manager
Clayton Fulton	)	Assistant City Manager
Malaika Marion Farmer	)	Assistant City Manager
Matia Messemer	)	Executive Director of Human Resources
Rita Frick	)	City Secretary
Paul Brown	)	Managing Director of Finance
Joni Baldwin	)	Budget Director

with the following members absent: David Booe, constituting a quorum; at which time, the following business was transacted:

CALL TO ORDER – Mayor Wilson called the meeting to order at 8:15 a.m.

1. Presentation and Discussion of FY 2019-2020 Proposed Budget and consider designation of time and place for a public hearing on the proposed budget.

City Manager Caruthers stated the proposed budget was prepared utilizing the framework of the Strategic Plan with specific focus on Leadership and Economic Vitality. He stated the presentation will outline challenges including the impact of the last legislative session, life cycle organizational change, business life cycle and working with developers to develop new business. He stated staff was charged with maintaining service levels and a dry budget. Mr. Caruthers stated the proposed budget has a 1.24% General Fund increase and a 1.7% average growth in the General Fund over a 10-year period, reflecting fiscal responsibility by using increases in values to offset other revenue decreases. He stated, effectively, the City is at the new state 3.5% revenue cap, effective next year, this year. He stated revenue losses were approximately \$550,000, the approximate equivalent of a 3.5% revenue cap. Mr. Caruthers reviewed his commitment that the people are the most valuable assets and must be invested in. Mr. Caruthers stated the City is blessed to have wonderful residents and elected leaders

that provides the resources to hire and maintain the best staff. Mr. Caruthers noted property is going to continue to be the most important revenue source and the additional challenge of declining revenue in fines and fees. He explained both the Anti-Crime and 4B Corporation half cent funds have matured and are putting more pressure on the General Fund; however, the City maintains a positive credit rating and healthy fund balances based on Council's decisions.

Assistant City Manager Clayton Fulton reviewed estimated impacts to the budget from the recent legislative session. Council discussed the importance to communicate the impacts to citizens. City Manager Caruthers emphasized the City is becoming more reliant on property tax and stated experts report it is better to have a higher percentage of property tax for a more stable form of revenue in the General Fund, and spoke regarding new legislation regarding cancer presumption and, similar to the senior citizens property tax freeze, will probably grow exponentially. Mr. Fulton reviewed the budget development process, which begins and ends with citizen input and engagement during the Town Hall meeting, Council's Strategic Planning Session, and preparation of the budget for Council and Citizen input.

City Manager Caruthers noted the action item to designate the time and place for the public hearing on the proposed budget. Councilmember Kitchens moved to hold a Public Hearing on the proposed budget on August 27, 2019, at 6:30 p.m. at City Hall. Councilmember Thompson seconded the motion. Motion prevailed by the following vote:

Aye: Council Members McLendon, Kitchens, McKenzie, Thompson, and Shepard
No: None

City Manager Clay Caruthers and Assistant City Manager Clayton Fulton reviewed the proposed FY 19/20 budget, including a total proposed operating budget of \$74.9 million, a \$37,504,522 total General Fund budget, which is a penny increase from last year, to support the bonds. Mr. Fulton reviewed the Municipal Cost Index (MCI) change 2019 Year to Date of 1.29%. Staff reviewed changes in General Fund Revenues and pressures on the General Fund from declining revenue sources including municipal court, red light camera enforcement program, and franchise fees. Staff reviewed the 10-year property appraised value and anticipate value increases will plateau. Staff reviewed the current tax rate of \$0.580000; preliminary tax rate of \$0.590614; rollback rate of \$0.597299 and effective tax rate of \$0.544839. The Maintenance and Operations (M&O) rate \$0.471551 and Interest and Sinking (I&S) rate of \$0.119063. Staff reviewed the tax rate history since 1992 noting over \$25 million in property tax savings. Reviewed was \$7,597,734 dollars in property tax relief through exemptions. Staff reviewed various factors and unique qualities of surrounding cities, exemption comparisons, and the different impact to the tax rate. Staff reviewed the daily value of General Fund Services, overlapping tax rates and sales tax. General Fund proposed expenditures were reviewed noting changes in personnel and a 2.5% cost of living adjustment. City Manager Caruthers stated the focus is to remain competitive and reviewed measures being taken to improve efficiencies. Discussed was a tax rate to rollback to allow for additional personnel benefits. Mr. Caruthers stated a one-time payment was not built in, and the tax rate of \$0.597299 would allow for inclusion of the one-time payment. Mr. Caruthers reviewed various organizational changes made to meet Council's Strategic

Priorities and address challenges of the future. Council discussed the proposed budget items, tax rate and challenges, and City Manager Caruthers stated a tax rate increase to roll back would be \$1.729.

Mayor Wilson recessed the meeting at 10:05 a.m. and reconvened at 10:17 a.m.

Council discussed property taxes and values and methods to incentivize redevelopment revitalization and costs associated with economic development incentives. City Manager Caruthers noted real costs scheduled in the budget and stated economic vitality is crucial to keep a strong tax base.

Staff reviewed the proposed Enterprise Fund Budget with a total operating budget of \$21,388,248, which is a flat budget and reviewed revenues and expenditures. Noted was the majority of revenues coming from water and sewer and the majority of expenditures are wholesale costs, which are not controlled by the City. Staff reviewed the City's rate smoothing policy, fixed costs, weather patterns and impact. Reviewed is a proposed 2% rate increase and the impact to rate payers from minimum usage to box stores. Noted is the value of Hurst water service, being approximately a penny compared to the store at \$1.00 per gallon. In response to Council questions, staff advised rain barrels were not prohibited from use and staff will study program costs.

Staff reviewed major Special Revenue Funds noting the Crime Control and Prevention District and Community Services Half Cent Sales Tax Funds both have a 15 cent tax relief on property tax from sales tax. Revenues and expenditures, for both funds, were reviewed noting healthy fund balances, but no operational reserves. Other funds reviewed include Conference Center, Special Court Revenues, Internal Services Funds, Storm Drainage Utility and Special Revenues. City Manager Caruthers noted fund balances in the Court Security Fund and Juvenile Case Manager Fund would deplete with continued declining revenues and pressures on the fund balance. He advised of future challenges providing programming with these funds.

Mayor Wilson recessed the meeting at 11:33 a.m. and reconvened at 11:44 a.m.

Hurst Conference Center Manager Chris Connolly provided an overview of several conservation programs approved last year and the impact to the revenues and expenditures of the Conference Center. He noted positive results with the green veranda, LED retrofit lighting, shuttle for customer transportation, window tinting and new carpet. Mr. Connolly reviewed growth in bookings for larger events and noted project revenues for Fiscal Year 2019 of \$3,015,000, a \$280,000 net profit. City Manager Caruthers noted staff operates the Center as a private center, not a civic center. Mr. Connolly stated a significant amount of groups are nonprofit, and the goal is consistency in operations. Mr. Connolly reviewed proposed expenditures to continue replacement of fixtures, including LED lights in the ballroom. Also noted was a draft asset replacement schedule being comprised by staff. In response to Council questions, City Manager Caruthers stated staff is constantly reviewing energy efficiencies for all facilities, including solar. Mr. Connolly stated staff continues to look for possible music entertainment for the center.

Mayor Wilson recessed the meeting at 12:11 p.m. and reconvened at 12:29 p.m.

City Manager Caruthers reiterated the City is a people intensive organization. He thanked Executive Director of Human Resources Matia Messemer and Consultants for their hard work in carefully managing health care. Ms. Messemer provided an overview of employee benefits, including both direct and indirect pay. She noted staff follows a very specific process when looking at market and direct pay; but they spend more time with indirect pay including insurance benefits. Mr. Caruthers indicated rising health care benefits are a national challenge and staff is taking measures to mitigate inflation costs. Ms. Messemer reviewed FY 2019-2020 health care projections totaling \$6.29 million, reviewed stop loss costs, claims and a number of cost containment strategies. City Manager Caruthers also noted legislative changes that will restrict any total rewards reduction for police and fire personnel in next year's budget, which is one of the legislative challenges mentioned earlier.

In response to Council questions, Mr. Caruthers stated the code department is currently fully staffed and anticipates increased efficiencies as a result of staffing and new software implementation.

Informational Items – Items of Community Interest and review of City Council calendar of meetings. City Secretary Rita Frick noted receiving new board, commission and committee applications and scheduling a work session for interviews Monday, August 26.

ADJOURNMENT

The meeting was adjourned at 1:50 p.m.

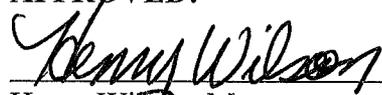
APPROVED this the 27th day of August 2019.

ATTEST:



Rita Frick, City Secretary

APPROVED:



Henry Wilson, Mayor