

# City of Bellaire

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## Finance

To: Paul A. Hofmann, City Manager  
From: Terrence Beaman, Chief Financial Officer  
Date: September 16, 2019  
Subject: Budget Revisions

On July 15, 2019 the City Manager submitted a proposed fiscal year 2020 budget to City Council. There was a public hearing on August 5<sup>th</sup>, and three budget workshops: August 12<sup>th</sup>, 19<sup>th</sup>, and 26<sup>th</sup>. Subsequent to July 15<sup>th</sup>, we continued to refine the budget based on feedback received in the budget workshops. At tonight's City Council meeting a revised proposed budget will be presented to City Council. Revisions to the originally proposed budget include:

1. Reduced current property taxes in the General Fund by \$237,000, or 1.6%, from \$14,415,000 to \$14,178,000. This reduction is due to expense reductions discussed below. As a result of the proposed property tax reduction, the proposed tax rate will be reduced from \$0.4556 as presented on July 15<sup>th</sup> to \$0.4512. The new proposed tax rate of \$0.4512 is 2.5% above the statutorily computed effective rate of \$0.4401. The new proposed rate is also lower than the \$0.4540 rate approved by the September 9 record vote.
2. Reduced budgeted health insurance expenditures in the General Fund by \$99,051, or 6.4%, from \$1,551,252 to \$1,452,201. This change is a result of continued negotiations with our health insurance carrier.
3. Reduced budgeted health insurance expenditures in the Enterprise Fund by \$20,026, or 6.5%, from \$309,369 to \$289,343. This change is a result of continued negotiations with our health insurance carrier.
4. Reduced Fire Department part-time pay by \$55,000, or 37%, from \$150,000 to \$95,000. This will not result in any service reduction from the Fire Department as the part-time pay in the July 15<sup>th</sup> proposed budget was mistakenly overstated. Social Security contributions for the Fire Department were reduced by \$3,809 as a result of the reduced part-time pay.
5. Eliminated the \$22,500 closed captioning budget enhancement.

6. Reduced Police Department budgeted retirement contributions to Texas Municipal Retirement System (TMRS) by \$16,350 to change a budget worksheet formula which was calculating TMRS contributions on part-time employee pay when only full-time employees are eligible to participate in TMRS.
7. Eliminated \$7,500 from the City Manager's Office communications budget as the annual expenditure for the PrepareBellaire mass notification system was budgeted in both the Information Technology and City Manager's Office budgets.
8. Integrated General Fund budget enhancements totaling \$121,000 into individual budget line items instead of showing enhancements as a single item on the face of the General Fund summary. In the original proposed budget, we showed the total enhancements on the face of the General Fund summary to highlight them for City Council. As noted earlier, the \$22,500 closed captioning budget enhancement was eliminated, so it was not integrated into the detailed budget.
9. Integrated the General Fund 1.5% general wage increase (GWI) for cost of living adjustment totaling \$174,344 into individual budget line items instead of showing the GWI as a single item on the face of the General Fund summary. In the original proposed budget, we showed the total GWI on the face of the General Fund summary to highlight it for City Council.
10. Integrated the Enterprise Fund 1.5% GWI for cost of living adjustment totaling \$21,601 into individual budget line items instead of showing the GWI as a single item on the face of the Enterprise Fund summary. In the original proposed budget, we showed the total GWI on the face of the Enterprise Fund summary to highlight it for City Council.
11. Revised the descriptions of the Mulberry Park restroom facility capital project to clarify that the project would only be undertaken if it is funded by outside sources such as Bellaire Little League (one of the primary users of the park), PATRONS for Bellaire Parks, or some other entity.
12. Removed the red-lined changes to the fee schedule in Appendix C. The red-lined changes were included in the July 15<sup>th</sup> proposed budget to highlight the changes for City Council.
13. Revised the fee schedule for the following Development Services fees as follows: (1) increased the restaurant health plan review fee from \$75 to \$95 to cover the third-party cost of plan review, (2) increased the hourly consulting fee from \$75 to \$95 to cover the third-party cost of consultants (such as contract sanitarians), and (3) revised the residential, non multi-family, construction permit fees to calculate the fees based on the

square footage of the proposed structure instead of the cost of the proposed structure. The revisions to residential construction permits were required to comply with H.B. 852.

14. Changed a formula in the Enterprise Fund summary which double counted investment income in all periods presented which resulted in reducing fiscal year 2020 ending working capital by approximately \$40,000.
15. Changed the beginning proposed fiscal year 2020 fund balance on the Debt Service Fund schedule which was shown as the ending fiscal year 2018 fund balance of \$536,751 when it should have been the ending projected fiscal year 2019 fund balance of \$528,919.
16. Updated the projected fiscal year 2019 expenditures in the Vehicle and Equipment Replacement Fund to increase them from \$295,500 to \$508,217. This caused a corresponding update to the beginning proposed fiscal year 2020 fund balance. Also increased the fiscal year 2020 budgeted information technology expenditures in the Vehicle and Equipment Replacement Fund by \$10,136. The Vehicle and Equipment Replacement Fund had \$419,975 earmarked for technology as of September 30, 2017. In fiscal year 2018, \$164,753 of those funds were spent, and in fiscal year 2019 we project an additional \$40,086 will be spent leaving \$215,136, which is the revised budget for fiscal year 2020.
17. Clarified the Fire Department performance measures regarding response times.
18. Updated the fiscal forecasts in Appendix I to incorporate the above revisions.
19. Various other immaterial changes, and updates to the Budget Introduction, Budget Overview, Fund introductions, and department introductions to incorporate the above changes.

The revised proposed budget to be presented to City Council on September 16<sup>th</sup> reflects a General Fund ending fund balance of \$5,317,166 which is \$33,996, or 0.6%, lower than the proposed budget presented on July 15<sup>th</sup>. However, due to lower projected expenditures the 60-day fund balance requirement is lower than previously projected, and the amount by which ending fiscal year 2020 fund balance exceeds the 60-day fund balance reserve remains essentially unchanged from the proposed budget presented on July 15<sup>th</sup>.

The revised proposed budget to be presented to City Council on September 16<sup>th</sup> reflects an Enterprise Fund ending working capital balance of \$2,030,820 which is \$21,866, or 1%, lower than the proposed budget presented on July 15<sup>th</sup>. The amount by which ending fiscal year 2020 working capital balance exceeds the 60-day working capital balance reserve decreased from the proposed budget presented on July 15<sup>th</sup> by \$22,077 to \$890,652.