

# Budget Summary



# BUDGET PROCESS

## DEFINITION AND AUTHORITY

The budget is a financial plan for a fiscal year of operations that matches all planned revenues and expenditures with the services provided to the residents of the City based on established budgetary policies. The City Charter establishes the City of Hurst's fiscal year as October 1 through September 30. The City Charter requires that the City Manager submit the proposed budget and budget message for the upcoming fiscal year to the City Council, at least thirty-five (35) days prior to October 1 of each year. Upon receipt of the proposed budget, the City Council is required to set a date and place for a public hearing to discuss the budget. According to:

### **Sec. 5.03. Publication of notice of public hearing.**

***"At the meeting of the council at which the budget and budget message are submitted, the council shall determine the place and time of the public hearing on the budget, and shall cause to be published a notice of the place and time not less than seven (7) days after date of publication, at which the council will hold a public hearing."***

Prior to the public hearing, the proposed budget is a Public Record as stated by:

### **Section 5.02. Budget - A public record.**

***"The budget and budget message and all supporting schedules shall be a public record in the office of the city clerk open to public inspection by anyone. The city manager shall have five (5) copies of such budget and any budget message deposited in the Hurst Public Library for examination by interested persons." (Res. No. 879, 4-9-85)***

At the hearing, the Council gives all interested persons an opportunity to be heard for, or against, any expenditure account or revenue estimate. The City Charter binds the City Council to adopt a budget prior to the beginning of the fiscal year. The City Council will adopt the budget ordinance and approve the tax rate for the coming fiscal year during the same meeting.

## BUDGET AMENDMENT PROCESS

Amendments to the budget can be made after adoption. According to Section 5.11-1 of the City Charter, the City Council may amend the budget by ordinance during the fiscal year, if such amendment will not increase the total of all budget expenditures. The total budget may be increased if such expenditures are necessary to protect public property or the health, safety, or general welfare of the citizens of Hurst. If the total budget is increased during the fiscal year, the City must follow proper notice and public hearing schedules as prescribed for adoption of the original budget. According to Section 5.11-2 of the City Charter, the Council may by ordinance amend the budget so as to appropriate excess revenue to purposes they deem appropriate if, at any time, the total accruing revenue of the City shall be in excess of the total projected revenue in the budget. Proper notice and public hearing schedules, as prescribed for adoption of the original budget, must be followed. By budget ordinance, the City Manager is authorized to make inter-department and inter-fund transfers during the fiscal year, if necessary.

## ***Budget Process continued***

### **STRATEGIC PLANNING PROCESS**

On February 17, 2011, the City Council met with City Management to review the Council's goals and establish long-term Strategic Plans. These Plans focus on improving current services, implementing new services, and planning new initiatives to enhance the Quality of Life in the City of Hurst. City departments utilize those Strategic Plans to define service levels, update short-term divisional objectives, and propose budget enhancements during the budget process.

### **BUDGET PREPARATION**

The functions of preparing and analyzing the 2011-2012 budget were performed by the City Manager's Office and Fiscal Services Department. The budget process was initiated on February 23, 2011, during the Staff Planning Session. Department heads were updated on the City Council's Strategic Plans and budget preparation packets were distributed. After careful re-estimation of fiscal year 2010-2011 expenditures and revenues, each projected line item was justified with cost estimates to provide current service levels for the new year. Any increases or decreases from the prior year's budget were explained. In April, the departments submitted preliminary 2011-2012 budgets with Supplemental Program Requests. Meetings were held with each department to review each line item for both the current budget and the proposed budget to determine if service levels were to be maintained, improved, or reduced. Revenues were projected as accurately as possible in order to set priorities for proposed expenditures. After final review by the City Manager, issues were addressed in workshops held with the City Council during the month of August.

### **MULTI-YEAR FINANCIAL PLAN**

Multi-year projections have become an integral part of the budget process as estimates of future financial operating conditions are provided to the City Council. Historical data, as reconciled to the CAFR, plus growth assumptions for each line item are combined to provide projections that indicate the City's future fiscal position. The multi-year projections identify any potential problem in matching projected revenues with anticipated growth in expenditures. One important result of the multi-year financial overview has been the ability to project when tax supported bonds can be sold while stabilizing the tax rate, therefore, drawing together the operating budgets and the Capital Improvements Program. Also, alternative tax rate strategies have been addressed during recent Multi-Year Financial Reviews, which assisted in balancing future budgets.

In May, the Department Directors prepared the additional four-year budgetary projection based on current budget and anticipated growth factors. This information was utilized in the annual Multi-Year Financial Overview presented to the City Council on July 30th. Selected Multi-Year Financial Overview schedules are located in the Appendix, pages 571 to 576.

### **PUBLIC HEARING AND BUDGET ADOPTION**

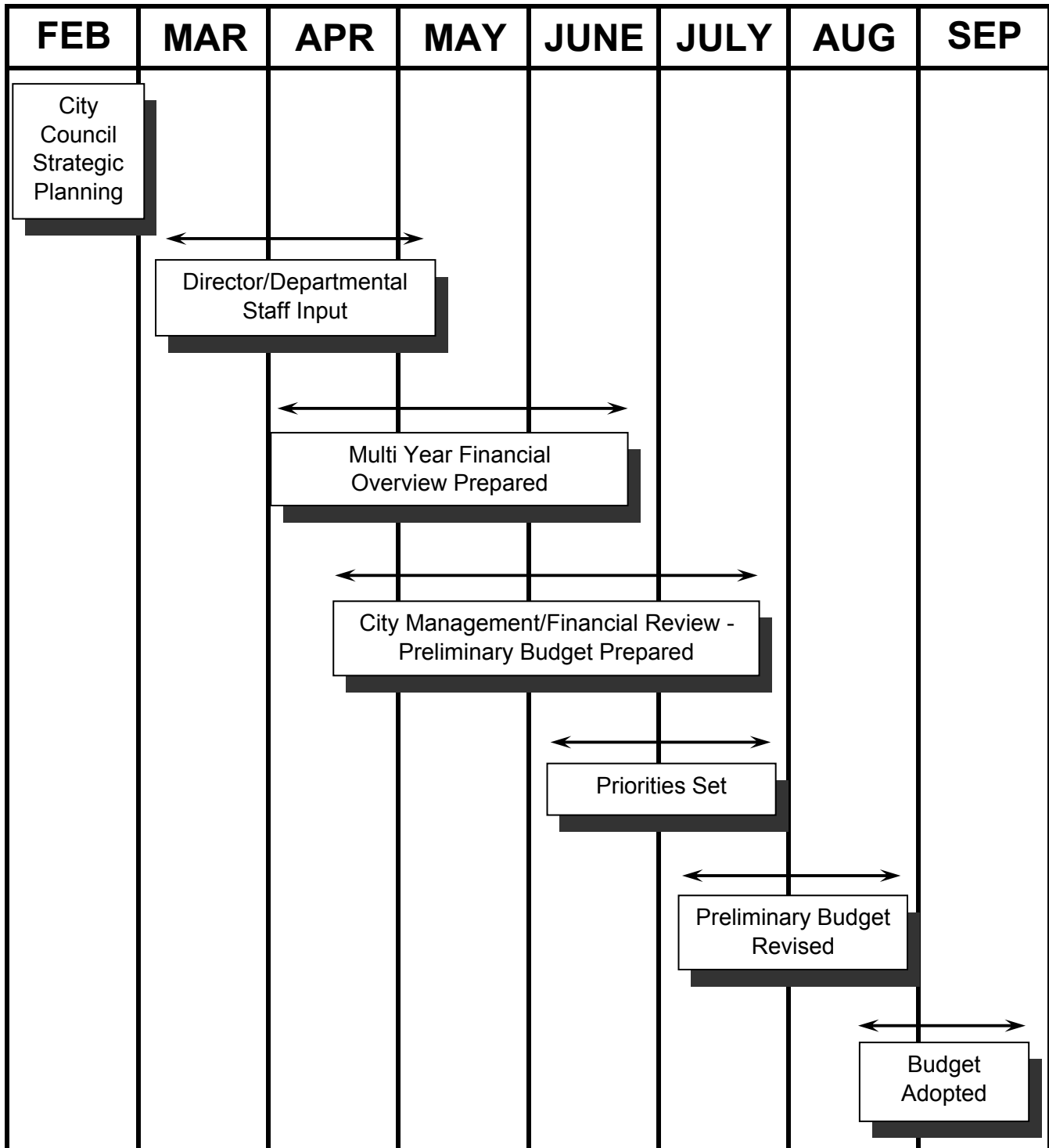
On August 13th, the City Council reviewed the Preliminary Budget and set a time and place for the Public Hearing on August 23<sup>rd</sup>. The City Council voted on and approved the budget on September 13th with the final reading on September 27th. After the budget's adoption, monthly financial reports are issued so that the budget can be monitored and controlled during the fiscal year.

**CITY OF HURST  
BUDGET CALENDAR  
FOR FISCAL YEAR 2011 - 2012**

<i>Date</i>	<i>Activity</i>
February 24	City Council Strategic Planning Session
March 2 - 4	Staff Strategic Planning Session
March 23 - 25	Employee Budget Process Meetings and Training Sessions
April 29	Departments Submit Base Budget Justifications, Adjustments to Base, New Programs, and Multi-Year Financial Projections (mBudget)
May 5	Capital Improvement Program Training Sessions
May 6	Departments Submit 2011-2012 Revenue Projections
May / June	Departmental/City Manager Reviews
June 3	Departments Submit Capital Improvement Projects (Oracle Projects)
June 20	Departments Submit Program Budget Summaries tied to City Council's Strategic Plan (goals, objectives, and performance measures) / <b>New goals, objectives, and performance measures should be prepared for any new action plans developed by City Council</b>
July 11	Departments Submit Revised 2010-2011 Revenue Projections
July 25	Certified Tax Roll Received from Tarrant Appraisal District
July 30	Multi-Year Financial Planning Work Session
August 9	City Council Reviews and Approves Debt Service Tax Rate (If proposed tax rate exceeds the effective rate, two public hearings must be scheduled & held)
August 13	Finance Publishes Effective and Roll Back Tax Rate, Statement of Increase/Decrease, Notice of Public Hearing On Tax Increase (if needed), and Notice of Public Hearing on Budget
August 13	City Council Budget Workshop & Set Time & Place for Public Hearing on Budget
August 19	Departments Complete Division Analysis
August 23	Public Hearing to Consider Tax Rate and Public Hearing on Proposed Budget
August 30	Second Public Hearing to Consider Tax Rate (if needed)
September 3	Finance Publishes Notice of Tax Revenue Increase (if needed)
September 13	Reading of Ordinance for Adoption of Budget and Tax Rate
September 27	Final Reading, Adoption of Operating Budget and Tax Rate



# BUDGET PREPARATION PROCESS 2011-2012



The above chart indicates the time frame for major segments of the City's budget preparation process from February to September. Not shown is a timeline for monitoring and control of adopted budgets that spans a twelve month period. Monthly financial reports and detailed line item reports are issued on a monthly basis to assist the departments in the ongoing process.



# **BUDGETARY FINANCIAL POLICY GUIDELINES**

Numerous financial policy guidelines are followed for the fiscal management of the City and enable the City to maintain financial stability. They are reviewed annually. The policies are long standing and provide guidelines for current decision-making processes and future plans. Some of the most significant guidelines pertaining to the budget are as follows:

## **OPERATING BUDGET POLICIES**

### **Balanced Budget**

The Budget should be balanced with current revenues being equal to or greater than current expenditures/expenses using the following strategies in order of priority: improve productivity, shift the service or payment burden away from the city, improve revenues, create new service fees or raise existing fees based on the cost of services, reduce or eliminate programs, use fund balances, if available, increase property taxes, and lastly, reduce or eliminate services. The 2011-2012 budget was balanced primarily due to conservative expenditure budgeting combined with a lower than anticipated loss in property values. The Community Services Half Cent Sales Tax and Anti-Crime Half Cent Sales Tax are excellent revenue sources for balancing the budget. The Community Services Half Cent Sales Tax Fund will provide savings of \$3,908,674 to the General Fund in associated expenses. The Anti-Crime Half Cent Sales Tax Fund will provide a savings of \$5,191,919 to the General Fund for 2011-2012. These sources are examples of a "service or payment burden being shifted away from the City" since an estimated 75% of the half percent sales tax revenues are collected from consumers who shop in Hurst but live outside the City. Expenditures continue to be conservatively estimated with every dollar backed by written justification.

### **General and Administrative Charges**

The General Fund is compensated by the Enterprise Fund, Fleet Service Fund, Anti-Crime Fund, Half Cent Sales Tax Fund and Storm Water Management Fund for the general and administrative services provided such as management, finance and personnel, as well as the use of City streets by Enterprise Operations. The intragovernmental revenue transfers for 2011-2012 from the Enterprise and Storm Water Management Fund are projected to be \$3,480,100. The Fleet Service Fund will contribute \$195,915. The Community Services Half Cent Sales Tax Fund will contribute \$589,555 and the Anti-Crime Half Cent Sales Tax Fund will contribute \$1,885,730.

### **General Fund Reserves**

The General Fund balance should be adequate to handle unexpected decreases in revenues plus a reasonable level for extraordinary unbudgeted expenditures. The minimum fund balance should be 90 days computed separately from designated components of the fund balance. A surplus has existed in the General Fund each year and is transferred to a Special Projects Capital Fund after 90 days fund balance allowance is considered. The Council built reserves from 60 days to 90 days of normal operation over a five-year period.

## ***Financial Policy Guidelines continued***

### **Capital Budget Policies**

New capital programs will not be budgeted and implemented until the full annual operating and maintenance costs and financial impacts of the program are known. The replacement of existing capital that is worn out, broken or costly to maintain will not be deferred in order to protect the City's capital investment. A multi-year capital improvement plan is updated annually and is available as a separate document. The funded portion of the multi year capital improvement plan is located in the Capital Improvements section of this document.

### **REVENUE POLICIES**

#### **Property Tax**

The tax rate should fall within a reasonable range of comparable cities and should be adequate to produce the revenues needed to pay for approved City services. The tax rate will not exceed the effective or rollback rates as computed by State of Texas Truth in Taxation laws. The Notice of Effective Tax Rate is located in the Appendix on pages 603 to 604. The tax rate for 2011-2012 will remain the same as last year's rate of \$0.578 per \$100 valuation.

Tax exemptions impact revenues generated from property taxes. The City grants a 20% homestead exemption, \$35,000 senior citizen exemption, \$35,000 disabled citizen exemption, and up to a \$12,000 disabled veteran exemption. The City has for many years granted the maximum homestead exemption, which began at 40% and decreased by law to 20%. The senior citizen exemption and disabled citizen exemption increased from \$30,000 to \$33,000 for fiscal year 1995-1996. The exemptions were increased again from \$33,000 to \$35,000 in fiscal year 2000-2001. These exemption changes are a direct result of the Anti-Crime Half Cent Sales Tax implementation in 1995 which was renewed in May 2010 by the voters for an additional twenty years. In addition to the exemptions offered by the City, senior and disabled residents will again benefit from an adopted "tax limitation" this year. In September 2003, Texas voters approved a constitutional amendment that authorized a local option tax limitation on residential homesteads of persons disabled or 65 years of age or older (seniors). The City of Hurst exercised its local option by adopting the tax limitation on February 10, 2004. The tax limitation works by ensuring that a senior or disabled homeowner will not have a municipal tax bill any higher than the amount owed in the year in which he/she became eligible for the limitation (by turning 65 or becoming disabled). Those who were 65 or disabled when the tax limitation was adopted automatically became eligible to receive the tax benefit. However, the law states that the limitation does not provide retroactive benefits. The City will continue to see a compounding impact in future revenue due to this relatively new law. The senior and disabled tax limitation will provide \$98,184 of tax relief to eligible taxpayers in 2011-2012. The Finance Department has included tax limitation estimates in its long-range plans.

#### **Sales Tax**

Sales tax revenue projections shall be conservative due to the volatile nature of this economically sensitive revenue source. Sales tax projections for 2011-2012 are projected to remain relatively stable and continue on a slow upward trend. During 2010-2011, the City saw monthly sales tax increases averaging around 2%. Fiscal year 2011-2012 marks the tenth year of a sales tax sharing agreement with the developer of North East Mall. Under this agreement, the developer receives a rebate for a portion of sales taxes earned above the rates prior to the expansion of North East Mall

## ***Financial Policy Guidelines continued***

and the construction of Shops at North East Mall. The developer's rebate is capped in both time and total dollars. The shops portion of the agreement reached maximum value during the 2008-2009 year allowing the City to begin collecting 100% of associated sales tax earnings in 2009-2010. A reduction in the Mall rebate sharing percentage from 80% to 75% in 2010-2011 will generate an estimated \$300,000 and \$100,000 of one-time revenue for the General and Half-Cent Sales Tax Funds in subsequent years respectively.

### **Utility Rates**

The City will adopt annual utility rates that will generate revenues adequate to cover operating expenses, meet the legal requirements of bond covenants and fund depreciation to allow adequate capital replacement in water distribution and sewage collection systems. The water and sewer rates for fiscal 2011-2012 are listed on page 353. The water and sewer rates for 2011-2012 budget year will increase by 3.5% on an average account. These increases are due to increased wholesale water and wastewater costs and ongoing debt service and capital improvement needs. Additional financial policies for the Enterprise Fund are located on pages 348 to 350.

### **Investment Policies**

The City's investment policy is more restrictive than the State's Public Funds Investment Act. The stated goals of the investment policy, in order of importance, are safety of principal, liquidity, yield, and public trust. Investments made by the City will be in conformance to policies contained in the City of Hurst Investment Policy, adopted September 27, 2011. Interest earned from investment of available funds is distributed to funds according to ownership of the invested funds. This revenue is budgeted for each fund in the annual budget. Each month, the Finance and Investment Committee meets to review investment activity and monitor the investment policies and procedures of the City.

### **Other Revenue Policies**

The City continually strives to obtain additional major revenue sources as a means to balance the budget. In January 1993, voters adopted an additional 1/2 percent sales tax for Community Services purposes. In September of 1995, voters overwhelmingly approved an additional 1/2 percent sales tax for crime control and prevention purposes and voted to extend the tax for an additional twenty years in May 2010. In fiscal year 2008-2009, Council approved a new Storm Water Management fee that will provide for drainage improvements throughout the City while providing expenditure relief to the General and Debt Service Funds. User fees and charges are reviewed annually to ensure that they are comparable to the cost of providing services.

### **Debt Management Policies**

The City's debt management policy is conservative. It is summarized below. This policy can also be found in the Other Funds Section on pages 442.

1. The City will diligently monitor its compliance with bond covenants.
2. The City will maintain good communications with bond rating agencies regarding its financial condition. The City's present ratings are (Moody's) Aa2 and (Standard & Poors) AA.

***Financial Policy Guidelines continued***

3. An analysis will be prepared for each long term financing activity that shows the impact on current and future budgets for debt service and General Fund Operations.
4. Debt capacity will be calculated annually. New debt will be issued only when sufficient capacity exists under existing tax rates or when voters or the City Council approve an increase in the tax rate to service new debt. The City is currently preparing to bring a \$16.5 million Justice Center G.O. Bond issuance before voters in May 2012.

This policy and planned debt issuances will continue to be addressed in the City Council's annual Strategic Planning meeting held in February each year.

# FINANCIAL PLAN

## **PURPOSE OF FINANCIAL PLAN**

The main purpose of a financial plan is to guide the City in financing cost effective services, programs and capital needs, while focusing on a stabilized tax levy and appropriate levels for fees and service charges as prescribed by approved financial objectives. The annual audit, internal audits, and review of Monthly Financial Reports assure the compliance of financial objectives.

## **FUND ACCOUNTING**

All City accounts are organized on the basis of funds, or account groups, and each is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Using these accounts, the revenues and expenditures/expenses are budgeted and approved before the beginning of each fiscal year by an ordinance passed by the City Council. The various funds are primarily grouped by two types, governmental fund and proprietary fund types. Governmental funds finance most of the City's functions and include, but are not limited to, the General Fund, Debt Service Fund, and Capital Projects Funds. Proprietary funds are used to account for the City's organizations and activities which are similar to those often found in the private sector. The Enterprise Fund is the City's major proprietary fund and the Hurst Conference Center Fund was added last year. Descriptions of all funds are included in the respective sections along with supporting information and in-depth analysis.

## **OPERATIONAL STRUCTURE**

Each operational fund is comprised of departments, which are major organizational units of the City. Each department has overall management responsibility for one or more divisions. For all divisions, missions and descriptions stating responsibilities, goals and objectives (indicating direction) and performance measures (indicating progress) are presented. Expenditure summaries list the subtotal expenditures/expenses for categories such as personnel services, materials and supplies and capital outlay. Personnel summaries indicate the title and number of full-time positions in each division. Program analyses are also provided highlighting the past 2010-2011 budget, the current and future level of service, cost savings measures, new programs and capital outlay for the 2011-2012 budget, future projects and plans/expectations for the division. The following chart indicates the funds included in each section of the budget with their respective departments and divisions, if applicable.

**Financial Plan continued**

<b>SECTION</b>	<b>FUND</b>	<b>DEPARTMENT</b>	<b>DIVISION</b>
<b>GENERAL FUND</b>	<b>General Fund</b>	<b>Public Services</b>	<b>Legislative Public Information</b>
		<b>Administration</b>	<b>Administration Non-Departmental</b>
		<b>General Services</b>	<b>Judicial Development Building Inspections/ Neighborhood Services</b>
		<b>Fiscal Services</b>	<b>Personnel Finance</b>
		<b>Police</b>	<b>Police</b>
		<b>Fire</b>	<b>Fire Ambulance/EMS</b>
		<b>Public Works</b>	<b>Engineering Streets</b>
		<b>Community Services</b>	<b>Administration Facilities Maintenance Parks Recreation Aquatics Senior Center Library</b>
		<b>ENTERPRISE FUND</b>	<b>Enterprise Fund</b>
<b>General Services</b>	<b>Support Services Utility Billing</b>		
<b>Fiscal Services</b>	<b>Support Services</b>		
<b>Public Works</b>	<b>Engineering Water Wastewater</b>		
<b>Community Services</b>	<b>Facilities Maintenance Site Maintenance</b>		
<b>OTHER ENTERPRISE FUNDS</b>	<b>Conference Center Fund</b>	<b>Administration</b>	<b>Administration</b>
<b>OTHER FUNDS</b>	<b>Fleet Service Fund</b>	<b>General Services</b>	<b>Equipment Services</b>
	<b>Information Services Fund</b>	<b>Administration</b>	<b>Information Services</b>

*Financial Plan continued*

<b>SECTION</b>	<b>FUND</b>	<b>DEPARTMENT</b>	<b>DIVISION</b>	
<b>OTHER FUNDS CONTINUED</b>	Loss Reserve Fund	Fiscal Services	Non-Departmental	
	Debt Service Fund	Fiscal Services	Non-Departmental	
	Special Projects Fund	Administration	Various	
	Hotel/Motel Tax Fund	General Services	Tourism/Marketing	
	Park Donation Fund	Community Svcs.	Parks	
	Library Grant Fund	Community Svcs.	Library	
	Fire Grant Fund	Fire	Fire	
	Police Grant Fund	Police	Police	
	Special Investigation Fund	Police	Police	
	Municipal Court Sec. Fund	General Services	Judicial	
	Municipal Court Tech. Fund	General Services	Judicial	
	Juvenile Case Mgr. Fund	General Services	Judicial	
	Traffic Signal Safety Fund	Police	Police	
	Commercial Veh. Insp. Fund	Police	Police	
	Peg Fee Fund	Administration	Administration	
	Community Services Half-Cent Sales Tax Fund	Community Services	Parks Recreation Aquatics Library	
	Anti Crime Half-Cent Sales Tax Fund	Police	Police	
	Storm Water Management Fund	Public Works	Engineering Drainage	
	<b>CAPITAL IMPROVEMENTS</b>	Street and Drainage Bond Funds		
		Water and Sewer Bond Funds		
General Obligation Bond Funds				
Community Services Half-Cent Fund				
Anti-Crime Half-Cent Fund				
Other Funding Sources				

## **FUND DESCRIPTIONS**

### **General Fund**

**The General Fund** is the primary operating fund of the City. The General Fund is used to account for all revenues and expenditures not accounted for in other designated funds. It receives a greater variety and amount of revenues and finances a wider range of governmental activities than any other fund. The General Fund is primarily supported by the ad valorem tax, general sales tax, franchise taxes, licenses and permits fees, fines and miscellaneous revenue sources. General Fund expenditures support the following major functions: public services, administration, general services, fiscal services, police, fire, public works and community services. All programs which are justified, efficient and serve the needs of the community are adequately funded. Service levels are increased substantially through indirect participation in the General Fund by the Half Cent Sales Tax Fund and the Anti-Crime Tax Fund.

### **Enterprise Fund**

**The Enterprise Fund** is used to account for the provision of water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection. The operations of the Enterprise Fund are financed and operated in a manner similar to private business enterprises where the expenses (including depreciation) of providing services are recovered primarily through user charges.

### **Other Funds**

**The Internal Service funds** are the Fleet Service Fund, the Information Services Fund and the Loss Reserve Fund. The Fleet Service Fund and Information Services Fund were established to charge user departments for vehicle and computer maintenance and replacement costs, respectively. The self-funded Loss Reserve Fund records all activity for the employee health care benefit program.

**The Debt Service Fund's** purpose is to provide for principal and interest payments for the City's General long-term debt obligations.

**The Sixteen Restricted Funds** are the, the Special Projects Fund, the Hotel-Motel Tax Fund, the Park Donation Fund, the Library Grant Fund, the Fire Grant Fund, the Police Grant Fund, the Police Special Investigation Fund, the Municipal Court Building Security Fund, the Municipal Court Technology Fund, the Juvenile Case Manager Fund, the Traffic Signal Safety Fund, the Commercial Vehicle Inspection Fund, the Video and Cable Provider Peg Fee Fund, the Storm Drainage Management Fund, the Community Services Half Cent Sales Tax Fund, and the Anti-Crime Half Cent Sales Tax Fund. They were established to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

**The Other Proprietary or Enterprise Funds** provision of water and wastewater services has historically been the City's only proprietary or enterprise operation. As such, the City's budget continues to label water and wastewater operations as the "Enterprise Fund." The City recently constructed and opened a state-of-the-art conference center as its second proprietary or enterprise operation. Staff will continue to classify water and wastewater operations as the City's Enterprise Fund, but will also account for the Hurst Conference Center Fund as an enterprise fund.

## ***Financial Plan continued***

### **Capital Improvement Funds**

**Street Bond Funds** account for the financing and construction of various street projects. The projects primarily involve street reconstruction and enhancement that will add to the value and life of the infrastructure with very little impact on current operating costs. Many projects provide substantial savings to the operating budgets by reducing maintenance costs.

**Drainage Bond Funds** account for the financing and construction of various drainage projects. All drainage projects reduce operational costs for future years.

**Water and Sewer Bond Funds** account for capital improvement programs and capital equipment financed by bond sales. Although this fund is part of the Enterprise Fund, it is included in this section because the projects are addressed by priority and funding in the Capital Improvement Program. The ongoing capital improvement program for the replacement of utility mains and lines does not add operating costs to the Enterprise Fund budget.

**The General Obligation Bond Fund** accounts for the voters' recently adopted \$11.8 million bond program. The General Obligation Bond Fund will ensure all debt issued for voter approved projects is appropriately expended. Creation of a separate GO bond fund also assists the City in complying with arbitrage calculation requirements.

**Other Project Funds** account for other project funds utilized by the City to manage pay-as-you-go projects. For example, the Special Projects Fund is used to account for Council and City Manager approved projects, which are funded by operational reserves.

### **BUDGETARY ACCOUNTING BASIS**

Accounting procedures according to Section 5.11-3 of the City Charter shall be maintained to record in detail all transactions affecting the acquisition, custodianship and disposition of anything of value. They shall be reported to the City Council and to the public, as necessary, to show the full effect of transactions upon the finances of the City. The City's accounting records for general governmental operations are maintained on a modified accrual basis according to Generally Accepted Accounting Principles (GAAP). The revenues are recorded when actually received, and expenditures are recorded when the liability is incurred (for example, with purchase orders). Accounting records for the City's utilities and other proprietary funds are maintained on a full accrual basis with the exception of outstanding debt principal, which is included in the budget. For example, expenditures are recognized when a liability is incurred, and revenues are recognized when they are obligated to the City. Depreciation is budgeted as an operating expense. The budgetary basis follows GAAP except that fund balances/retained earnings are presented in the budget, a measure of available spendable resources. Unexpended appropriations for budgeted funds lapse at fiscal year end. Encumbrance accounting is used for all funds; however, appropriations of Capital Bond Funds uses a full encumbrances method of budgetary accounting which means that appropriations lapse at year end only to the extent of the unencumbered balance. Revenues are budgeted on a cash basis. Indirect cost allocations to the General Fund are considered revenues in budgeting, but are a reduction to expenditures in the accounting system at year-end.

### **BUDGET TYPE**

For each operational fund, the 2011-2012 Budget is a program budget prepared on a line item basis. The comprehensive budgetary process requires line item justification by departments each year. The City Manager then presents budget programs and special issues to the City Council, but line item justifications are available for all budgetary requests if needed. The approved operational budgets are included in the Comprehensive Annual Financial Report (CAFR) for comparison purposes. Any excess revenues over expenditures for the General Fund are transferred to the

## ***Financial Plan continued***

Special Projects Fund at the end of the fiscal year to purchase unfunded budget needs approved by the City Council.

### **BOND RATING INFORMATION**

The City issued Sales Tax Revenue Refunding Bonds and General Obligation Refunding Bonds in fiscal years 2002-2003, 2003-2004, 2006-2007, 2008-2009 and 2010-2011. Proceeds from the sale of these bonds were used to refund, or "refinance," outstanding debt in order to achieve savings for the City. Such financial management has allowed the City to maintain extremely favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investor Services	Standard & Poors
General Obligation Bonds	Aa2	AA
Water & Sewer Obligations	Aa2	AA
Half Cent Sales Tax Bonds	Aa3	AA

### **DISTINGUISHED BUDGET PRESENTATION AWARD**

GFOA established the Distinguished Budget Presentation Awards Program in 1984 to recognize exemplary budget documentation by state and local governments as well as public universities and colleges. Entities participating in the program submit copies of their operating budget to GFOA for review within ninety days after budget adoption. After a preliminary screening, eligible budgets are sent to three independent reviewers who are members of GFOA's Budget Review Panel. Using extensive criteria, the reviewers evaluate the effectiveness of the budget as a policy document, a financial plan, an operations guide and a communication device.

GFOA's goal is to serve government finance by providing education and information, by developing new technology, by representing the state and local finance officers' positions before legislative and regulatory bodies, and by establishing standards of excellence and avenues for networking.

To receive the award, budgets must be judged "Proficient" in all four major award categories by two of the three out-of-state reviewers. The highest rating is "Outstanding." To be judged "Outstanding," all three reviewers must agree for a specific category. The City has received the Distinguished Budget Presentation Award for the Fiscal Year 2010-2011 budget. In addition to receiving the Distinguished Budget Presentation Award for twenty-three consecutive years, the City has received the following special recognitions:

#### **Previously**

- **Outstanding as a Policy Document**
- **Outstanding as a Policy Document and Communications Device**
- **Outstanding as an Operations Guide**
- **Especially Notable as a Policy Document, an Operations Guide and a Communications Device**
- **Especially Notable as an Operations Guide and a Communications Device**

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for fiscal year ended September 30, 2010. The City of Hurst has received a Certificate of Achievement for the last thirty-six consecutive fiscal years.

## ALL OPERATING FUNDS SUMMARY

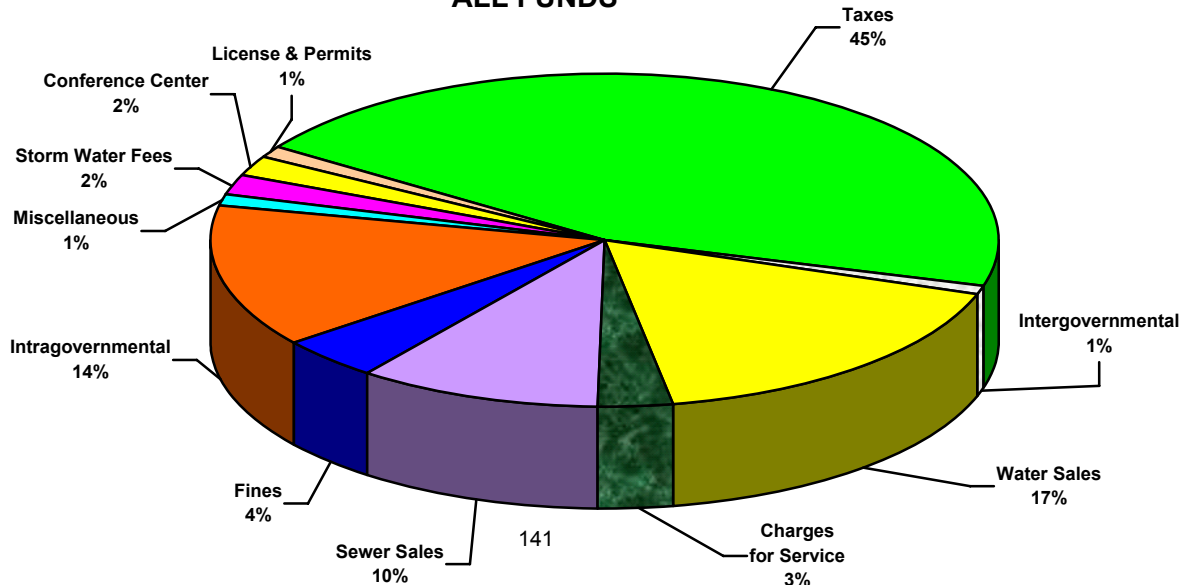
Revenues by Source and Expenditures/Expenses by Classification are presented for the General Fund, Community Services Half Cent Sales Tax Fund, Anti-Crime Half Cent Sales Tax Fund, Enterprise Fund, Storm Water Management Fund, Municipal Court Security Fund, Municipal Court Technology Fund, Juvenile Case Manager Fund, Traffic Signal Safety Fund, Fleet Service Fund, Information Services Fund and Conference Center Fund. The Community Services and Anti-Crime Half Cent Sales Tax Funds, Municipal Court Security and Technology Funds, Commercial Vehicle Inspection Fee Fund, as well as Traffic Signal Safety Fund are included because revenue and expenditures of those funds are directly related to General Fund operations. The two Internal Service Funds are included because the funds have operational costs such as Personnel Services. Please note, however; that Intragovernmental Revenues are overstated by the amount of user fees charged for internal services, which equals \$3,151,969 for fiscal year 2011-2012. It is also important to note that the use of reserves in the Information Services, Fleet, Enterprise and Conference Center funds are not shown below. The City will utilize approximately \$508,000 in reserves to balance the budget (cash-basis) and purchase replacement equipment.

### REVENUES BY SOURCES

	Actual 2009-2010	Budgeted 2010-2011	Estimated 2010-2011	Approved 2011-2012	Variance Between 2010-2011 & 2011-2012
Taxes	29,483,059	28,378,490	29,847,650	28,850,135	1.7%
License and Permits	777,053	581,500	576,000	582,500	0.2%
Intergovernmental	273,339	245,327	242,795	287,769	17.3%
Charges for Services	1,850,497	1,872,435	1,925,700	1,958,110	4.6%
Fines	2,477,141	2,494,750	2,641,478	2,693,000	7.9%
Intragovernmental	8,936,466	9,302,466	9,312,911	9,303,269	0.0%
Water Sales	9,833,997	10,870,245	11,500,000	11,440,000	5.2%
Sewer Sales	5,722,447	6,442,755	6,325,000	6,337,570	-1.6%
Storm Water Mgt. Fees	1,095,007	1,055,000	1,089,724	1,089,000	3.2%
Miscellaneous	740,676	532,700	434,732	384,225	-27.9%
Conference Center	77,215	1,491,063	1,491,063	1,614,567	8.3%
<b>TOTAL</b>	<b>\$61,266,897</b>	<b>\$63,266,731</b>	<b>\$65,387,053</b>	<b>\$64,540,145</b>	<b>2.0%</b>

Charges for Services fees increased primarily due to higher Community Services Fees resulting from a market survey and facility usage figures. Fines increased 7.9% primarily due to the newly implemented Commercial Vehicle Inspection Program and anticipated increase in revenue from the Traffic Safety Fund. Storm Water Management fees increased 3.2% in the fund's third full year of operations. Miscellaneous revenue decreased primarily due to lower investment earnings related to economic conditions. The Hurst Conference Center is estimated to generate (\$1,614,567) in its second year of operations. The Center is growing in popularity as it ages and events are held. The overall revenue budget increased by 2% over the previous year's budget.

### REVENUES BY SOURCE ALL FUNDS

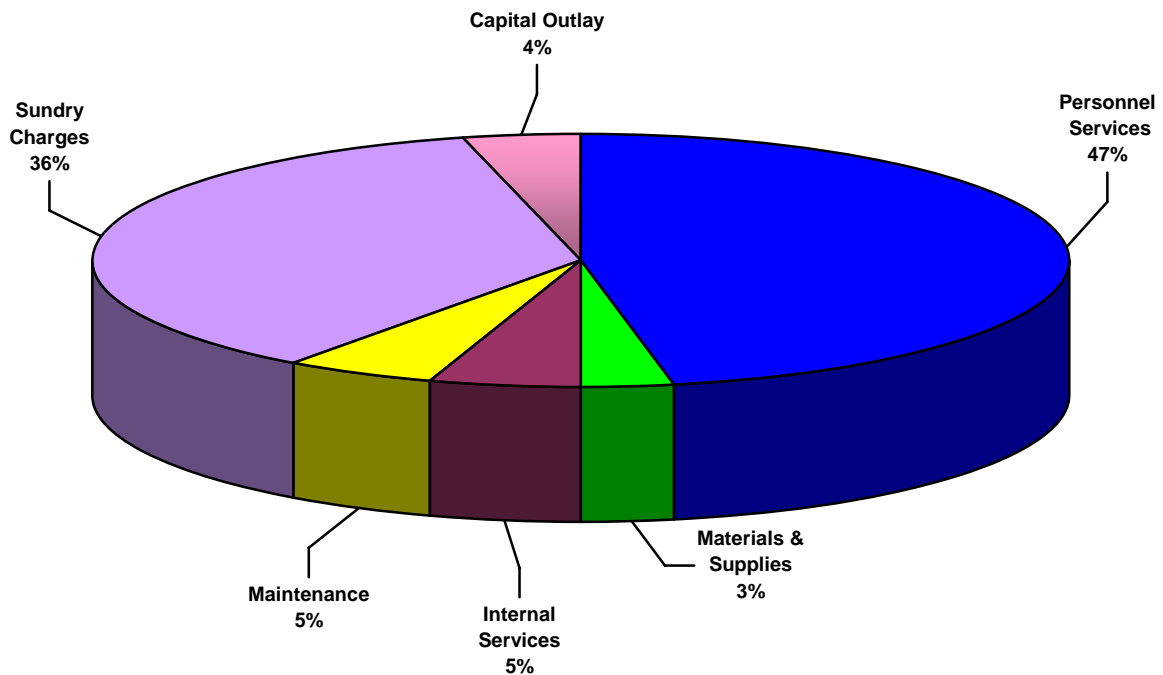


**EXPENDITURES/EXPENSES BY CLASSIFICATION**

	<b>Actual 2009-2010</b>	<b>Budgeted 2010-2011</b>	<b>Estimated 2010-2011</b>	<b>Approved 2011-2012</b>	<b>Variance Between 2010-2011 &amp; 2011-2012 Budgets</b>
Personnel Services	29,307,666	30,632,623	30,571,173	30,817,573	<b>0.6%</b>
Materials and Supplies	1,580,055	1,725,515	1,706,299	1,850,914	<b>7.3%</b>
Maintenance	2,217,720	2,956,452	2,906,837	2,919,499	<b>-1.2%</b>
Sundry Charges	21,044,972	23,063,328	22,812,057	23,320,851	<b>1.1%</b>
Internal Services	2,794,783	3,023,736	3,023,836	2,969,414	<b>-1.8%</b>
Capital Outlay	<u>2,676,729</u>	<u>1,431,824</u>	<u>1,668,990</u>	<u>2,810,776</u>	<b>96.3%</b>
<b>TOTAL</b>	<b><u>\$59,621,925</u></b>	<b><u>\$62,833,478</u></b>	<b><u>\$62,689,192</u></b>	<b><u>\$64,689,027</u></b>	<b>3.0%</b>

Personnel Services shows a .6% increase including a citywide pay increase for the first time in three years. Materials and Supplies increased 7.3% due primarily to the Library Expansion and the extended hour of operations for the Senior Center. Sundry increased 1.1% due to the increase in wholesale water and wastewater costs. Internal Services decreased -1.8% as the City continues to fund operations, pay-as-you-go capital purchases and depreciation costs within its Fleet and Information Services funds. Capital outlay increased by 96% primarily due to Community Services projects that had been put on hold due to economic conditions and the planned purchase of public safety equipment. Overall the City's expenditures increased 3% over the previous year. These increases will allow the City to provide an enhanced level of service in 2011-2012.

**EXPENDITURES BY CLASSIFICATION  
ALL FUNDS**



**CITY OF HURST  
SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
FISCAL YEAR 2011-2012**

OPERATING FUNDS									
	General Fund	Enterprise Fund	Storm Water Management Fund	Conference Center Fund	Anti-Crime Half Cent Sales Tax	Community Services Half Cent Sales Tax	Court, Public Safety and Other Special Revenues	Fleet Services Fund	Information Services Fund
Beginning Balance 10/01/11	\$8,400,000	\$12,724,467	\$1,202,363	\$0	\$8,512,489	\$2,725,659	\$778,367	\$2,587,058	\$2,492,067
<b>REVENUES</b>									
Taxes	20,226,775				4,612,860	3,935,500	75,000		
Licenses and Permits	582,500								
Charges for Services	1,958,110								
Storm Water Mgmt. Fees			1,089,000						
Water Sales		11,440,000							
Sewer Sales		6,337,570							
Fines/W & S Penalties	1,960,000	400,000					333,000		
Miscellaneous	142,225	87,000			96,000	30,000		18,000	11,000
Intergovernmental/Grants	225,115				62,654				
Intragovernmental	6,151,300							1,604,302	1,547,667
Conference Center Sales				1,614,567					
<b>Total Revenues</b>	<b>31,246,025</b>	<b>18,264,570</b>	<b>1,089,000</b>	<b>1,614,567</b>	<b>4,771,514</b>	<b>3,965,500</b>	<b>408,000</b>	<b>1,622,302</b>	<b>1,558,667</b>
<b>Total Available Resources</b>	<b>39,646,025</b>	<b>30,989,037</b>	<b>2,291,363</b>	<b>1,614,567</b>	<b>13,284,003</b>	<b>6,691,159</b>	<b>1,186,367</b>	<b>4,209,360</b>	<b>4,050,734</b>
<b>EXPENDITURES</b>									
Public Services	383,842								
Administration	489,009			1,614,567					
Non-Departmental	2,129,313	305,273							
General Services	1,689,783	1,219,659					190,508		
Fiscal Services	625,722	555,717							
Police	9,290,180				5,191,919		54,969		
Fire	7,190,787								
Public Works	2,600,872	15,328,668	963,965						
Community Services	6,846,517	260,648				2,573,674			
Fleet Services								1,747,259	
Information Services							93,600		1,882,576
Capital Improvements			125,000			1,335,000			
Debt Service		2,100,617				1,112,607			
<b>Total Expenditures</b>	<b>31,246,025</b>	<b>19,770,582</b>	<b>1,088,965</b>	<b>1,614,567</b>	<b>5,191,919</b>	<b>5,021,281</b>	<b>339,077</b>	<b>1,747,259</b>	<b>1,882,576</b>
<b>ENDING BALANCE</b>	<b>8,400,000</b>	<b>11,218,455</b>	<b>1,202,398</b>	<b>0</b>	<b>8,092,084</b>	<b>1,669,878</b>	<b>847,290</b>	<b>2,462,101</b>	<b>2,168,158</b>
Designated/Reserved	0	6,731,073	1,202,398	0	8,092,084	1,669,878	847,290	2,462,101	2,168,158
Undesignated	8,400,000	4,487,382			0				
<b>Total Fund Balance 9/30/12</b>	<b>\$8,400,000</b>	<b>\$11,218,455</b>	<b>\$1,202,398</b>	<b>\$0</b>	<b>\$8,092,084</b>	<b>\$1,669,878</b>	<b>\$847,290</b>	<b>\$2,462,101</b>	<b>\$2,168,158</b>

The Summary of Revenues, Expenditures, and Changes in Fund Balances is comprised of thirty-one funds, fourteen Operating Funds, eight grant/misc funds and eleven Capital Projects Bond Funds. Please note that debt service is not included in the expense by classification graph shown on page 142.

**CITY OF HURST  
SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
FISCAL YEAR 2011-2012**

	GRANT FUNDS/SPECIAL INVESTIGATION/SPECIAL PROJECTS					CAPITAL PROJECT BOND/MISC FUNDS				Operating & Capital Project Bond Funds TOTAL
	Debt Service Fund	Special Projects Fund	Hotel/Motel Fund	Park Donation Fund	Library, Fire and Police Grants & Special Investigation Fund	General Obligation Bond Funds	Street & Drainage Bond Funds	Water & Sewer Bond Funds	Other Funding Sources	
Beginning Balance 10/01/11	\$400,000	\$13,773,628	\$895,800	\$373,197	\$218,861	\$812,321	\$4,288,624	\$2,886,689	\$471,684	\$63,543,274
<b>REVENUES</b>										
Taxes	2,818,947		545,000							\$32,214,082
Licenses and Permits										\$582,500
Charges for Services										\$1,958,110
Storm Water Mgmt. Fees										\$1,089,000
Water Sales										\$11,440,000
Sewer Sales										\$6,337,570
Fines										\$2,693,000
Miscellaneous	20,000	100,000		85,000		10,000	28,000	30,000		\$657,225
Intergovernmental/Grants					9,600					\$297,369
Intragovernmental		3,595,555	52,500							\$12,951,324
Conference Center Sales										\$1,614,567
<b>Total Revenues</b>	<b>2,838,947</b>	<b>3,695,555</b>	<b>597,500</b>	<b>85,000</b>	<b>9,600</b>	<b>10,000</b>	<b>28,000</b>	<b>30,000</b>	<b>0</b>	<b>\$71,834,747</b>
<b>Total Available Resources</b>	<b>3,238,947</b>	<b>17,469,183</b>	<b>1,493,300</b>	<b>458,197</b>	<b>228,461</b>	<b>822,321</b>	<b>4,316,624</b>	<b>2,916,689</b>	<b>471,684</b>	<b>\$135,378,021</b>
<b>EXPENDITURES</b>										
Public Services										\$383,842
Administration										\$2,103,576
Non-Departmental		12,897,815								\$15,332,401
General Services			131,830							\$3,231,780
Fiscal Services										\$1,181,439
Police					22,352					\$14,559,420
Fire					4,150					\$7,194,937
Public Works										\$18,893,505
Community Services			44,500	200,500	3,000					\$9,928,839
Fleet Services										\$1,747,259
Information Services										\$1,976,176
Capital Improvements		3,071,368				258,411	1,066,193	879,078	349,321	\$7,084,371
Debt Service	2,884,748		393,819							\$6,491,791
<b>Total Expenditures</b>	<b>2,884,748</b>	<b>15,969,183</b>	<b>570,149</b>	<b>200,500</b>	<b>29,502</b>	<b>258,411</b>	<b>1,066,193</b>	<b>879,078</b>	<b>349,321</b>	<b>\$90,109,336</b>
<b>ENDING BALANCE</b>	<b>354,199</b>	<b>1,500,000</b>	<b>923,151</b>	<b>257,697</b>	<b>198,959</b>	<b>563,910</b>	<b>3,250,431</b>	<b>2,037,611</b>	<b>122,363</b>	<b>\$45,268,685</b>
Designated/Reserved	354,199	1,500,000	921,405	257,697	198,959	563,910	3,250,431	2,037,611	122,363	\$32,379,557
Undesignated										\$12,887,382
<b>Total Fund Balance 9/30/12</b>	<b>\$354,199</b>	<b>\$1,500,000</b>	<b>\$921,405</b>	<b>\$257,697</b>	<b>\$198,959</b>	<b>\$563,910</b>	<b>\$3,250,431</b>	<b>\$2,037,611</b>	<b>\$122,363</b>	<b>\$45,266,939</b>

The use of \$90,109,336 in appropriable funds will decrease the beginning Fund Balances/Retained Earnings to \$45,268,685 at the end of fiscal year 2011-2012, of which \$12,887,382 are undesignated reserve funds. The table on the following page indicates the reason for projected changes in all fund balances of a total of (\$18,276,335).

## ANALYSIS OF CHANGES IN FUND BALANCES/RETAINED EARNINGS

The following table indicates the reasons for projected changes in fund balances/retained earnings of (\$18,276,335):

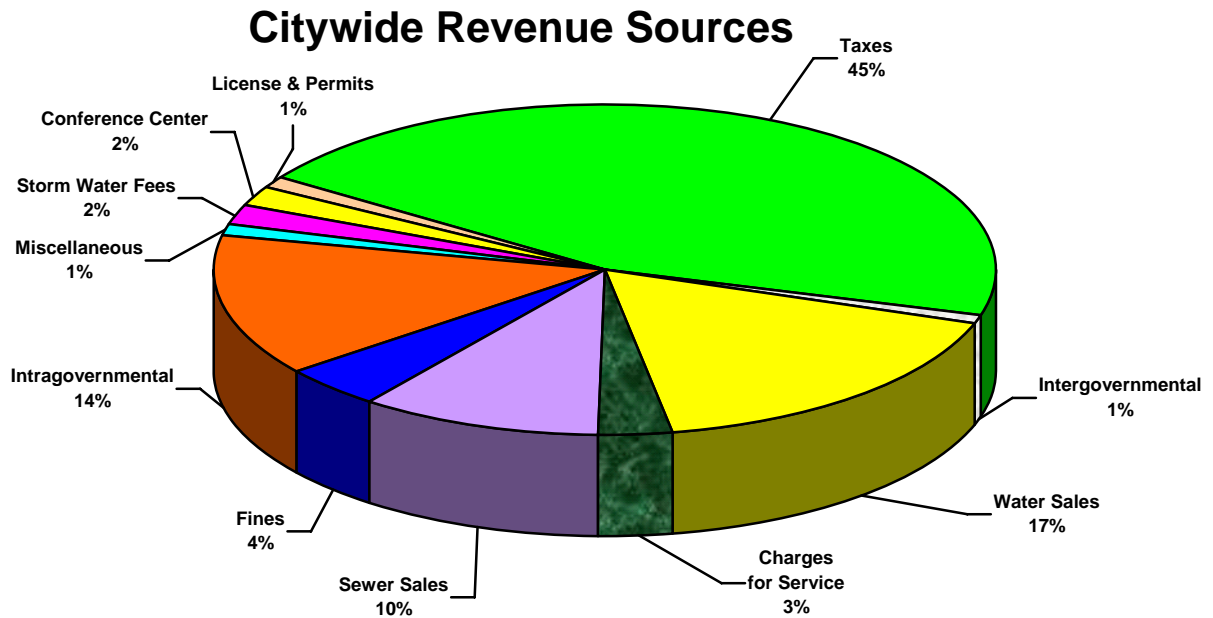
Fund	2010-2011 Year End	2011-2012 Year End	Difference	Explanation
General Fund	\$8,400,000	\$8,400,000	\$0	Budget balanced and provides for at least 90 days of operations. Any savings will be transferred to the Special Projects Fund.
Enterprise Fund	\$12,724,467	\$11,218,455	(\$1,506,012)	Retained earnings are expected to decrease due to depreciation costs, which do not impact the fund's cash position. The retained earnings at year end will continue to allow for 90+ days of operational funding.
Storm Water Management Fund	\$1,202,363	\$1,202,398	\$35	Fee collections in 2011-2012 will cover current expenditures. The City will utilize \$156,527 from fund balance to complete previously approved drainage improvement projects included in the capital improvements program.
Conference Center Fund	\$0	\$0	\$0	The Conference Center will generate revenues to cover expenditures in 2011-2012. The Conference Center is growing in popularity as it enters its second full year of operations.
Anti-Crime Fund	\$8,512,489	\$8,092,084	(\$420,405)	The decrease in balance is related to the first payment on the radio tower lease agreement. The 2011-2012 budget was balanced utilizing reserves. Non-project related expenditures were reduced by -2.49% to also help offset the impact of the radio tower lease agreement.
Community Services Half Cent Sales Tax	\$2,725,659	\$1,669,878	(\$1,055,781)	The decrease in balance is due to Capital projects that were placed on hold in previous years due to the decline in sales tax revenues. Capital projects were approved in 2011-2012 in the amount of \$1,335,000.
Court, Public Safety and Other Special Revenues	\$778,367	\$847,290	\$68,923	Increase due to the addition of the Commercial Vehicle Inspection Program.
Fleet Services Fund	\$2,587,058	\$2,462,101	(\$124,957)	The decrease is primarily due to increased fuel and maintenance costs. Depreciation is included in this change in fund balance. The fund's cash position is expected to improve in 2011-2012.
Information Services Fund	\$2,492,067	\$2,168,158	(\$323,909)	Hardware and software replacement purchases totaling \$338,519 will be made from reserves in 2011-2012. Current revenue will sufficiently cover current expenditures.
Debt Service	\$400,000	\$354,199	(\$45,801)	Funds remaining are comprised of interest earnings and delinquent tax collections and will remain in the fund. Collection rates higher than 98.5% will result in a higher ending balance.
Special Projects	\$13,773,628	\$1,500,000	(\$12,273,628)	Decrease assumes that allocated funds for specific projects will be spent. All planned projects require final approval from the City Manager or Council before commencement.
Hotel Motel/Park Donation	\$1,268,997	\$1,179,102	(\$89,895)	Decrease is due to the utilization of fund balance to cover prior year encumbrances equal to \$144,266. Current revenues will sufficiently offset current operating and debt-related expenditures.
Fire, Police, Library Grants and Police Special Investigation Fund	\$218,861	\$198,959	(\$19,902)	Expenditures are only for those goods or services as approved by the agencies awarding the grants.
Capital Project Bond Funds	\$8,459,318	\$5,974,315	(\$2,485,003)	The decrease in Bond Fund balances are due to the anticipated completion or partial completion of projects in fiscal year 2011-2012.
<b>Totals</b>	<b>\$63,543,274</b>	<b>\$45,266,939</b>	<b>(\$18,276,335)</b>	



# REVENUE DESCRIPTIONS, EVALUATIONS AND PROJECTIONS

## SUMMARY GRAPH

The following graph depicts the breakdown of major revenue sources citywide. For the purpose of this graph revenues citywide are grouped for each section.



## TAXES

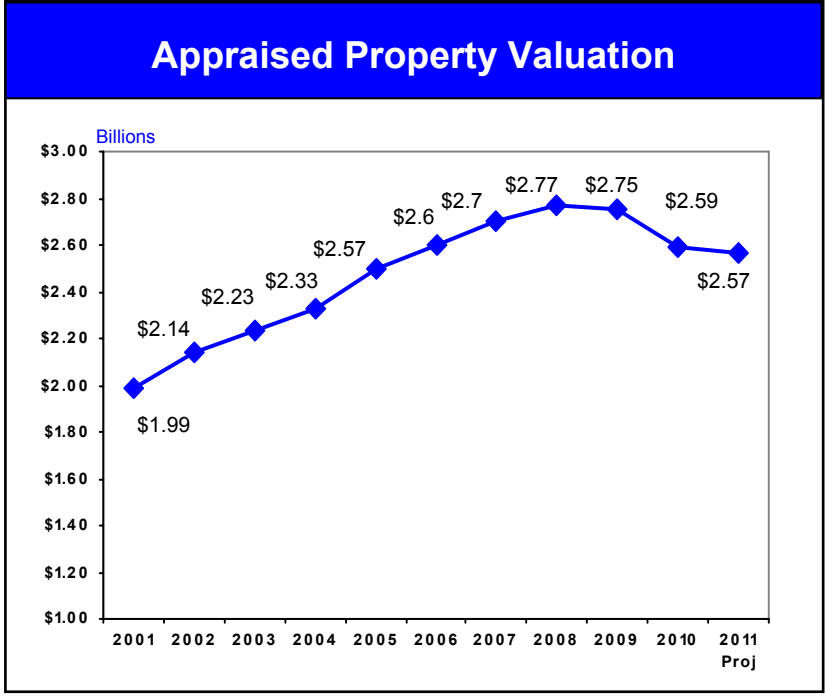
The revenues from taxes are classified as General Property Taxes, Consumer Taxes and Franchise Taxes in the General Fund operating budget. These charges are levied to provide for general municipal services and benefits to the citizens.

General Property Taxes are assessed on real and personal property as of January 1 each year. The \$0.4453690 tax rate for the General Fund (77.05% of the total tax rate of \$0.578 per \$100 valuation) is set by the City Council. This tax is established by ordinances and comprises 30% of the 2011-2012 General Fund revenues. Current property tax collections are projected to increase by 1.08% from the previous year's budget. The approved tax rate will remain the same as the previous year's rate of \$0.578. Completed and planned redevelopment efforts, however, are expected to help preserve the condition and value of properties in the City of Hurst. The budget also includes a slightly higher collection rate than was used in the previous year.

Each year the tax rate, as approved by the City Council, is largely dependent upon revaluation by the Tarrant Appraisal District to reflect current market values. For tax years 2001-2011, a cumulative increase in property values of approximately \$58 million or \$5.8 million per year was recorded. Tax year 2001 had an increase of approximately \$250 million, the largest increase in the City's history. Tax year 2011 had a loss of \$20 million. This net decrease includes \$10.7 million in new properties offset by \$30.7 million in lower residential and commercial property values.

All tax information relative to budgetary decisions is not available until July 25 of each year when the certified tax roll is received from the Chief Appraiser. At that time, other revenue sources and expenditure priorities are considered in preparing a tax rate for the new budget year.

Consumer Taxes are collected by the State from the sale of goods and services. The General Fund receives the following portions of these taxes from the State: Sales Tax - 1% of each dollar taxed within the City, and Mixed Beverage Tax - 1.1% (or 8% of the State's 14%) of each dollar taxed within the City. Sales tax revenues are the second largest source (24%) of General Fund revenues and have been significantly affected by aggressive retail development during the last decade. The North East Mall and Shops at North East Mall are the primary retail centers within the City. The City's Wal-Mart Super Center was remodeled last year and this store remains one of the City's top five retail businesses. Rave Theaters and several restaurants were added in and around North East Mall over the past five years. In 2006-2007, a vacant K-Mart shopping center was redeveloped just south of the Shops at North East Mall. The redeveloped center includes quality retailers such as Jo Ann Fabric's and Office Depot. The City has seen the departure of retailers such as Sak's Fifth Avenue, Comp USA and Circuit City. Fortunately, other major retailers like Dick's Sporting Goods, Barnes and Noble Book Stores and buybuy Baby have moved into Hurst to fill vacant space. In 2011, North East Mall celebrated its 40<sup>th</sup> anniversary and new businesses such as Forever 21 and Charming Charlie opened in the mall. Other businesses that opened in Hurst during 2011 were Texas Appliance, buybuy Baby and Just Fitness 4 You. Future openings in Hurst will include an In-N-Out Burger and a Mexican Inn. Aldi Food Store and popular restaurant's like BJ's Brewhouse opened in 2009-2010. High occupancy figures in the City's large-scale retail corridor support the fact that Hurst is truly a desirable location for major retailers. Businesses remain viable and continue to move to Hurst in the wake of the Great Recession. The City entered into a sales tax sharing agreement with Simon Properties as an incentive to redevelop North East Mall and The Shops at North East Mall. The Shops agreement was paid in full in 2008-2009 allowing the City to begin collecting full sales tax amounts generated by the Shops in 2009-2010. In 2010-2011, the tax sharing percentage related to North East Mall dropped by five percent (5%). This resulted in additional sales tax revenue of approximately \$300,000. The additional revenue will help fund major budget issues faced by the City. For example, next year represents the first full year of operations for the City's new expanded Library. And, as other cities, Hurst will continue dedicating additional resources to the funding of post employment benefits. Consumer taxes have been budgeted to remain relatively flat based upon economic reports and recent trends. The City does not budget for full collection of sales taxes. The budgeted reserve places the 2011-2012 General Fund sales tax budget equal to the prior year's budgeted amount. So, any we are confident that economic losses can be absorbed in the unbudgeted portion of sales tax without a reduction in service levels.



Consumer taxes have been budgeted to remain relatively flat based upon economic reports and recent trends. The City does not budget for full collection of sales taxes. The budgeted reserve places the 2011-2012 General Fund sales tax budget equal to the prior year's budgeted amount. So, any we are confident that economic losses can be absorbed in the unbudgeted portion of sales tax without a reduction in service levels.

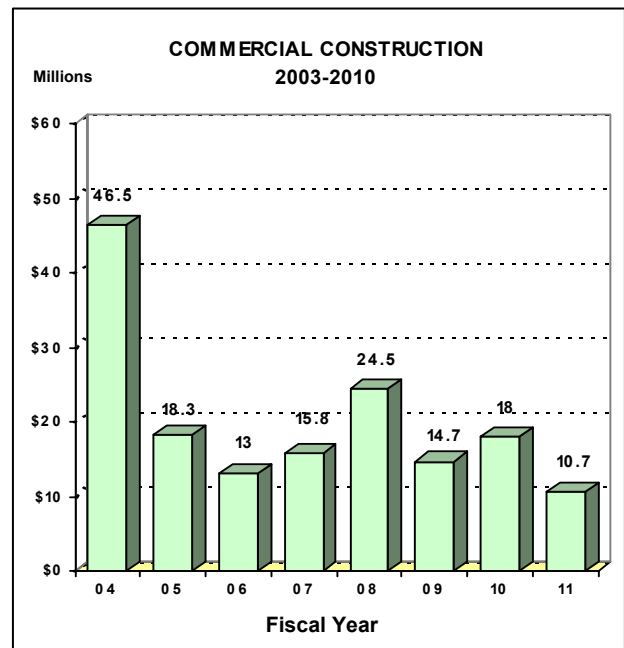
Franchise Taxes are collected primarily from utilities and are fees charged for the privilege of continued use of public property and municipal rights of way. A 4% fee on the gross receipts of public utilities will continue to be collected in 2011-2012. The sanitation system collection service pays 10% of total customer billings for garbage and recycling collections. Franchise revenues account for 9% of General Fund revenues and are projected to increase from the prior year's budget due to the inclusion of fiber optic video services in the budget for the first time. Such services have been offered to Hurst

residents for a few years, but the number of customers has only recently become significant. Technological changes have reduced telephone franchise revenues over the past few years while energy efficiency efforts and consumer behavior have lowered gas and electric franchise revenue, but higher industry rates support the budget increase for next year.

As a group, General Property Taxes, Consumer Taxes, and Franchise Taxes account for 64% of the General Fund revenues for fiscal year 2011-2012. They are projected to increase 1% from the previous year's budget. The affect of the sales tax sharing agreement for North East Mall and the early payoff of the Shops of North East Mall Agreement have been factored into the projections. Local and national economic indicators, such as the Consumer Price Index and unemployment data, are considered in making forecasting decisions, but collection trends are analyzed monthly and serve as the basis for the 2011-2012 projections for revenues, which have demonstrated more reliability. Extrapolation is used when there is no apparent trend or seasonal fluctuation.

**LICENSES AND PERMITS**

License and permit revenues include fees charged by the City for business licenses and permits for general construction. Fees are charged for City inspection of electrical, plumbing, and mechanical installations. This category accounts for 2% of General Fund revenues. In 2004, the construction of the Shops at North East Mall and surrounding commercial development drove permit revenue extremely high based upon values equal to \$46.5 million. The Building Inspections/Neighborhood Services division continues to focus on code enforcement and inspections of redevelopment projects within the City. The chart to the right shows the value of new commercial construction by year for the last eight years.



Permit fees decreased the amount of revenue earned in 2010-2011 due to a slow down in gas drilling permits. Permit activity for 2011-2012 is expected to increase slightly over the 2010-2011 as indicated by planning and zoning activity adjacent to the State Highway 183 expansion project.

**CHARGES FOR SERVICES**

Service Charges include the fees charged by the City for the public use of services and facilities. Charges to developers for rezoning and plat review activities are included in this category as are revenues from the sale of maps and codes. Fee structured programs in community services are also included in this category. The budgeted revenues in most categories are close in comparison to the previous year with the exception of recreational fees, ambulance billing and senior center fees. The City offers ambulance service through the Fire Department and associated billing collection services are contracted to a private company. Ambulance fees are expected to remain flat as the City transitions to a new billing contractor in 2011-2012. For 2011-2012, total charges for services are projected to increase by \$85,675. The increase is primarily related to an increase in recreational fees and aquatic fees. In addition, upgrades to the City's Tennis Facilities are resulting in higher usage rates. For 2011-2012, service charges are projected to increase overall and will account for 6% of General Fund revenues.

**FINES**

Fines are revenues received by the City mainly from Municipal Court for Class "C" misdemeanor violations occurring within the corporate City limits. They also represent library fines that are collected during the year. Fines account for 6% of total General Fund revenues. Projections are based on a

level adequate to make traffic enforcement effective. Municipal Court fine collections are expected to increase in fiscal year 2011-2012. Improved technology continues to allow officers to more efficiently issue citations.

### **MISCELLANEOUS REVENUES**

Miscellaneous revenues account for 1% of General Fund revenues and consist primarily of interest earnings from the investment of City funds. All funds of the City are constantly 100% invested in certificates of deposit, obligations of the U.S. Treasury, discount notes, interest bearing money market accounts, savings accounts, or in investment pools. Interest rates declined in 2001 to 2004 as the economy entered a shallow but lingering recession in March 2001. In response to the recession, the Federal Reserve lowered the Federal Funds Rate thirteen times, bringing rates down from 6.5% to a 40 year low at 1.00%. This fundamental shift in the Treasury market caused a dramatic decrease in interest earnings. Interest rates subsequently rose with the Federal Funds Rate ending Fiscal Year 2007 at 4.75%. However, the Nation entered the Great Recession and the Fed cut rates several times. The current Federal Funds rate is in a target range of 0.00% to 0.25% and the economic outlook for Fiscal Year 2011-2012 indicates that rates will remain at this level. As such, General Fund interest earnings are projected to decrease by 24% from the prior year's budget. Staff will continue to monitor economic conditions on an ongoing basis throughout the year. The City's Investment Policy received its latest annual renewal on September 27, 2011.

### **INTRAGOVERNMENTAL**

The intragovernmental revenue source contributes 20% to the General Fund revenues and is projected to increase 1.64% from the previous year. The Enterprise Fund continues to reimburse the General Fund for a proportional share of salaries, building costs and sundry charges that have been totally absorbed by the General Fund, but are applicable to the enterprise operation of the City. The indirect cost allocation category also contains a cost allocation transfer from the Community Services Half Cent Sales Tax Fund that will reimburse the General Fund for maintenance and operation costs attributable to Community Services' projects that are purchased by this fund. The Anti-Crime Half Cent Sales Tax Fund also reimburses the General Fund for salary and operating costs in a similar fashion. The Fleet Service Fund and the Storm Drainage Utility Fund also participate in a projected reimbursement of overhead costs related to their operations.

### **WATER AND SEWER REVENUES**

Water and Sewer revenues are received primarily from water sales to City utility customers and sewer charges. Fiscal year 2011-2012 water sales account for 63% of the Enterprise Fund revenues and are projected to be higher than the previous year budget primarily due to weather forecasts and an increase in water rates. Sewer charges account for 35% of the Enterprise revenues. Other revenue sources consist of penalties, service and miscellaneous fees and investment earnings. Water and sewer rates for 2011-2012 will increase on average by 3.5% for the City utility customer. The increase is due primarily to the City of Fort Worth proposing a wholesale water rate increase of 11.3%. In addition, the City of Fort Worth recently replaced four wholesale meters, which increased costs. It is estimated that the change out of the wholesale meters will cost the City between \$500,000 and \$1 million per year. The financial policy objective for water and wastewater rates is to ensure that rates are adequate to meet all operating needs; to meet or exceed bond covenant tests and to provide sufficient working capital levels to be fiscally responsible; and to provide a reliable and fiscally strong utility system.

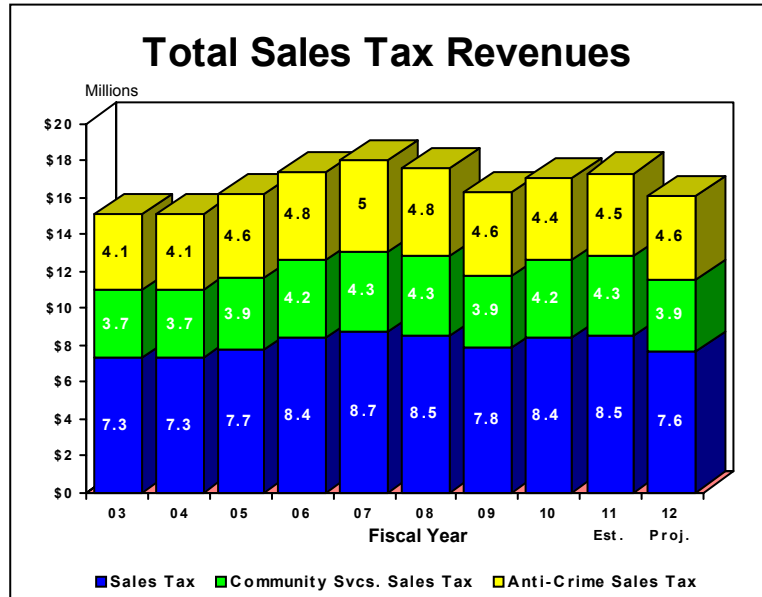
### **COMMUNITY SERVICES HALF CENT SALES TAX REVENUES**

For nearly two decades, the Community Services half percent (Half Cent) sales tax revenue has been a contributing factor to the City's positive financial condition. Sales tax receipts are projected to be \$3,935,500 for fiscal year 2011-2012. This figure is net of the portion of the Simon Properties

revenue sharing agreement allocated to the Community Services Half Cent Sales Tax fund. Revenues were conservatively estimated to ensure financial stability. Use of the funds is restricted to Community Services' purposes but provides significant tax relief to Hurst citizens. If this revenue source was not available, the property tax rate would need to be raised twenty-two cents to fund the current 2011-2012 operating budget.

**ANTI-CRIME HALF CENT SALES TAX**

The Anti-Crime Half Cent Sales Tax is in its sixteenth full year as a revenue source and will provide tax relief to the General Fund by funding expanded crime prevention and enforcement programs. Overwhelming and continued voter support of the Anti-Crime half percent sales tax in May 2010 resulted in a twenty-year extension of the program. This tax is collected primarily from non-resident consumers and is not included in the sharing agreement with North East Mall. So, the City receives full benefit from the half-cent tax levied on applicable sales and services. Fiscal year 2011-2012 sales tax revenues are projected at \$4,612,860. Recent legislation allows the Anti-crime Fund



to begin imposing local sales and use tax on the residential use of gas and electricity. It is estimated that this will generate an additional \$150,000 per year. This is reflected when comparing the 2011-2012 projections to the estimated collections for the prior year. If this revenue source was not available, the property tax rate would need to be raised twenty-three and 1/2 cents to fund the 2011-2012 related expenditures.

The total 2% sales tax projected for fiscal year 2011-2012 for the General Fund, Community Services Half Cent Sales Tax, and Anti-Crime Half Cent Sales Tax Funds is \$16.1 million dollars, as seen in the associated Sales Tax graph. As mentioned in the budget message, sales tax revenues are estimated very conservatively due to the uncertain nature of this revenue source and budgeted amounts are net of the revenue sharing agreement with North East Mall ownership.



# **EXPENDITURE/EXPENSES DESCRIPTIONS, EVALUATIONS AND PROJECTIONS**

## **PERSONNEL SERVICES**

The City of Hurst will provide quality services and programs with a responsive staff of 398.3 full-time equivalent budgeted positions for fiscal year 2011-2012. Salary and benefits make up a major portion of the Operating Budgets. The City has one of the most competitive salary/benefit packages in the area, and the goal is to try and maintain this competitive advantage. Of eight northeast Tarrant County cities, Hurst is among six to provide long-term disability insurance, is one of four that provides attendance pay, is one of four that provides unlimited sick leave accrual, is one of two to contribute to social security, and funds the highest match for retirement. Pay and benefits are considered in total when evaluating the compensation system. Benefits for regular full-time employees include 15 days of accrued sick leave per year and a minimum of 10 vacation days and 9 holidays per year. Employees may qualify for additional types of leave, such as court, emergency, administrative, or military leave.

The City of Hurst participates in the Texas Municipal Retirement Systems (TMRS) for eligible full-time employees. Since November 2000, any employee of the city who was a member of TMRS would be eligible to retire and receive a service retirement annuity if the member had at least 5 years of credited service and was at least age 60 or had at least 20 years of credited service at any age.

Until 1994-95, Hurst was the only city to pay 100% of dependent medical premiums. For 2011-2012, employees will pay 0.25% of their base annual salary for employee and dependent coverage is based on coverage choices. Employees also pay for dependent dental premiums. Regular full-time employees receive longevity pay which is based on the number of completed years of service and is calculated at \$4 per month for each year of completed service up to 10 years. From 10 years to less than 15 years, longevity pay is calculated at \$5 per month for each year of completed service. From 15 years to less than 20, longevity pay is calculated at \$6 per month for each year of completed service. For 20 years or more, longevity pay is calculated at \$7 per month for each year of completed service, with a maximum number of years increasing to 30. The maximum longevity benefit is \$210 per month. City employees participate in the Federal Social Security program and the City matches employees' contributions. The employee contribution for the Texas Municipal Retirement System is 7% of employee wages and the City matches contributions 2:1. Employee contributions are tax deferred.

Additional benefits for regular full-time employees include the opportunity to contribute to a deferred compensation plan with tax-deferred dollars and to participate in the FlexComp program to pay for qualifying medical and dependent care expenses with tax-free dollars. Eligible employees may receive partial reimbursement of tuition upon satisfactory completion of college job-related courses, subject to the Education Tuition Reimbursement program guidelines. Employees may participate in the City's expanded wellness program including health screenings for employees and flu shots for employees and their dependents.

It is a financial policy of the City to fund positions at their full annual cost for budgetary purposes even if it is projected that vacancies might occur. Personnel Services are a major portion of the budget at 72% of the General Fund. It is the City Council's objective to

*Expenditure/Expenses Descriptions continued*

provide sufficient funding (within available resources) for recruiting and maintaining highly qualified personnel. A personnel table of approved full-time equivalent positions by department/division for four years and an analysis of changes for fiscal year 2011-2012 are as follows:

## 2011-2012 AUTHORIZED FULL-TIME POSITIONS

DIVISION	Budget 2008-09	Budget 2009-10	Budget 2010-11	Budget 2011-12
<b>GENERAL FUND</b>				
PUBLIC SERVICES				
Legislative	0	0	0	0
Public Information	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
PUBLIC SERVICES TOTAL	4	4	4	4
ADMINISTRATION				
Administration	3	3	3	3
Non-Departmental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
ADMINISTRATION TOTAL	3	3	3	3
GENERAL SERVICES				
Judicial	7	6.5	5.5	5.5
Bld. Insp./Neighborhood Services	8.5	8.5	8.5	8.5
*Development	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>
GENERAL SERVICES TOTAL	17.5	17	16	17
FISCAL SERVICES				
Personnel	2	2	2	2
*Finance	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>
FISCAL SERVICES TOTAL	6	6	5	6
POLICE				
POLICE	<u>95.5</u>	<u>95.5</u>	<u>93.5</u>	<u>93.5</u>
POLICE TOTAL	95.5	95.5	93.5	93.5
FIRE				
Fire	48	47.5	47.5	47.5
EMS	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
FIRE TOTAL	58	57.5	57.5	57.5
PUBLIC WORKS				
Engineering	3	3	2	2
Streets	<u>17.2</u>	<u>13.2</u>	<u>13.2</u>	<u>13.2</u>
PUBLIC WORKS TOTAL	20.2	16.2	15.2	15.2

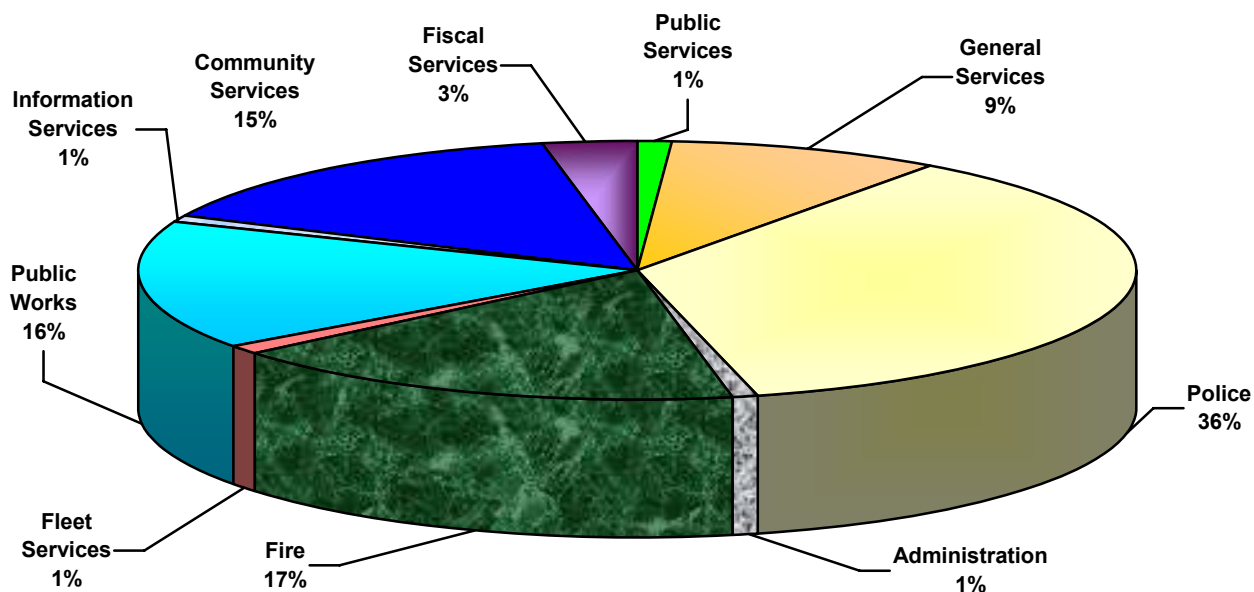
Expenditure/Expenses Descriptions continued

DIVISION	Budget 2008-09	Budget 2009-10	Budget 2010-11	Budget 2011-12
COMMUNITY SERVICES				
Administration	3.8	3.8	3.8	3.8
Facilities Maintenance	1	1	1	1
Parks	22.1	22.1	22.1	22.1
Recreation	16.5	16.5	16.5	16.5
Aquatics	14.3	14.3	14.3	14.3
Senior Center	3.8	5.8	5.8	5.8
Library	<u>22.7</u>	<u>22.7</u>	<u>22.7</u>	<u>22.7</u>
COMMUNITY SERVICES TOTAL	84.2	86.2	86.2	86.2
<b>GRAND TOTAL-GENERAL FUND</b>	<b>288.4</b>	<b>285.4</b>	<b>280.4</b>	<b>282.4</b>
<b>ENTERPRISE FUND</b>				
GENERAL SERVICES				
Non-Departmental	0	0	0	0
*Support Services	7.1	7.1	5.08	6.1
*Utility Billing	<u>8</u>	<u>8.5</u>	<u>8</u>	<u>9</u>
GENERAL SERVICES TOTAL	15.1	15.6	13.08	15.1
FISCAL SERVICES				
Support Services	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
FISCAL SERVICES TOTAL	6	6	6	6
PUBLIC WORKS				
Engineering	7.1	7.1	7.1	7.1
Water	20.8	20.8	20.8	20.8
Wastewater	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
PUBLIC WORKS TOTAL	36.9	36.9	36.9	36.9
COMMUNITY SERVICES				
Facilities Maintenance	1	1	1	1
Site Maintenance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
COMMUNITY SERVICES TOTAL	1	1	1	1
<b>GRAND TOTAL-ENTERPRISE FUND</b>	<b>59</b>	<b>59.5</b>	<b>56.98</b>	<b>59</b>
<b>STORM DRAINAGE UTILITY FUND</b>				
PUBLIC WORKS				
Engineering	1	1	1	1
Drainage	<u>0</u>	<u>4</u>	<u>4</u>	<u>4</u>
PUBLIC WORKS TOTAL	0	5	5	5
<b>GRAND TOTAL-STORM DRAIN FUND</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>5</b>

Expenditure/Expenses Descriptions continued

DIVISION	Budget 2008-09	Budget 2009-10	Budget 2010-11	Budget 2011-12
<b>FLEET SERVICE FUND</b>				
GENERAL SERVICES				
Equipment Services	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>GENERAL SERVICES TOTAL</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>GRAND TOTAL-FLEET SERVICES</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>INFORMATION SERVICES FUND</b>				
ADMINISTRATION				
Information Services	<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>INFORMATION SERVICES TOTAL</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>GRAND TOTAL- INFORMATION SVC</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>HALF CENT FUND</b>				
COMMUNITY SERVICES				
Parks	1	1	1	1
Recreation	2.3	2.3	2.3	2.3
Aquatics	4.6	4.6	4.6	4.6
Library	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>
<b>COMMUNITY SERVICES TOTAL</b>	<b>11.4</b>	<b>11.4</b>	<b>11.4</b>	<b>11.4</b>
<b>GRAND TOTAL-HALF CENT</b>	<b>11.4</b>	<b>11.4</b>	<b>11.4</b>	<b>11.4</b>
<b>ANTI-CRIME HALF CENT FUND</b>				
POLICE	<u>30</u>	<u>30</u>	<u>29</u>	<u>29</u>
<b>POLICE TOTAL</b>	<b>30</b>	<b>30</b>	<b>29</b>	<b>29</b>
<b>GRAND TOTAL-ANTI-CRIME</b>	<b>30</b>	<b>30</b>	<b>29</b>	<b>29</b>
<b>HOTEL/MOTEL FUND, JUVENILE CASE MGR FUND, COURT SECURITY FUND</b>				
GENERAL SERVICES				
*Development	0	1	1	0
Court Security	0	.5	.5	.5
PUBLIC SERVICES				
Juvenile Case Manager	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>GRAND TOTAL-HOTEL/MOTEL/JCM</b>	<b>.5</b>	<b>2.5</b>	<b>2.5</b>	<b>1.5</b>
<b>TOTAL CITY POSITIONS</b>	<b>400.8</b>	<b>403.8</b>	<b>395.28</b>	<b>398.3</b>
*Indicates personnel changes. See analysis below for more detail.				

## Full Time Positions by Department



Please note the above graph does not include Seasonal Positions.

### Analysis of Full-Time Equivalent Positions

The total number of authorized full-time equivalent positions in the 2011-2012 budget increased from 395.28 to 398.30.

The number of authorized full-time equivalent positions in the General Fund increased by 2 from 280.4 the prior year to 282.4. The General Services Division increased by one with the transfer of the Economic Development Director from Hotel/Motel to the General Fund. Finance added a Financial/Personnel Analyst position. An intern previously paid from the Enterprise Fund was upgraded to a full-time position.

The number of authorized full-time equivalent positions in the Enterprise Fund increased by 2.02 from 56.98 the prior year to 59. The General Services Utility Billing Division added a meter reader and the General Services Support Services Division increased by upgrading a part-time position to a full-time position.

The Storm Water Management, Fleet Services and Information Services Funds remained unchanged with 5 full-time positions.

The number of authorized full-time equivalent positions in the Community Services Half Cent Sales Tax Fund remained unchanged at 11.4.

The number of authorized full-time equivalent positions in the Anti Crime Half Cent Sales Tax Fund remained unchanged at 29.

All remaining divisions remained unchanged.

## **MATERIALS AND SUPPLIES**

This object classification is for expendable materials and operating supplies necessary to conduct departmental activity and is consumed through use. For all funds, this classification increased from 2010-2011 to 2011-2012 in an amount of \$125,399. The increase is due in part to the opening of the new Hurst Conference Center in September 2010 as well as the extended hours of operations at the senior center and the expansion of the Library. Budgets were adjusted for all line item accounts to reflect historical usage levels, support service enhancements and economic trends.

## **INTERNAL SERVICES**

The Internal Services classification records user charges for the Fleet Service Fund and Information Services Fund. For Fleet Services, the formula developed for the charge back system is designed to generate a dollar amount over the life of any given vehicle equal to the total operating expense associated with that vehicle and its replacement cost. Information Services charges back operating costs based on direct and indirect expenses associated with supporting each division's information service needs. Local Area Network usage is one factor included in the formula. Overall, internal service charges decreased by -1.80% for 2011-2012, in the amount of \$54,322. Information and Fleet Services charges were adjusted to reflect changes in actual service needs as well as to reflect the recent purchase of fire apparatus and information systems for new or improved facilities.

## **MAINTENANCE**

All materials or contract expenditures covering repair and upkeep of City buildings, machinery and equipment, systems, infrastructure and land are included in this classification. In an effort to contain costs, departments maintained their maintenance budgets relatively flat for fiscal year 2011-12 with a 1.25% decrease over last year's budget. Cost increases are primarily related to new facilities and facility expansion.

## **SUNDRY CHARGES**

Sundry Charges consist of miscellaneous items that are not in the supply or maintenance category. This classification may be used for services provided by private professional organizations, by public utilities, for outside consultants, or payment of claims on damages against the City. Sundry charges increased by 1.12%, or \$257,523, for the 2011-2012 budget year. The increase is primarily related to a substantial increase in wholesale water and costs in 2011-2012. Other increases and decreases are spread out among departments for professional services, indirect cost allocations, utility costs and other miscellaneous expenditures.

**CAPITAL OUTLAY**

This classification is for expenditure/expenses for acquiring fixed assets including land or existing buildings, land improvements and new or replacement equipment such as machinery, furniture and fixtures, vehicles and computer hardware and software. A total of \$2,810,776 in capital outlay, an increase of \$1,378,952 or 96.31%, from the previous year, has been approved for all funds. This increase is explained by the cyclical nature of capital purchases. Capital equipment replacement is typically funded through budgeted straight line depreciation based on useful life. For current year expenditures, the largest capital replacements are for Community Services pay-as-you go projects, such as Aquatic Center Repairs for \$606,000 and Parks and Recreation repairs totaling \$805,183. Public Safety plans to purchase \$134,420 in various machinery and equipment. Fleet will be purchasing eight vehicles totaling \$196,500. Information Services plans to replace/purchase \$366,519 of equipment and software.

