

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 21, 2015, 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 2015-2016 budget were performed by the City Manager's Office and Budget Department. The budget process was initiated on March 18, 2015, 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 2014-2015 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 May, the departments submitted preliminary 2015-2016 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 August 1st. Selected Multi-Year Financial Overview schedules are located in the Long Term Strategic Planning section, pages 413 to 417.

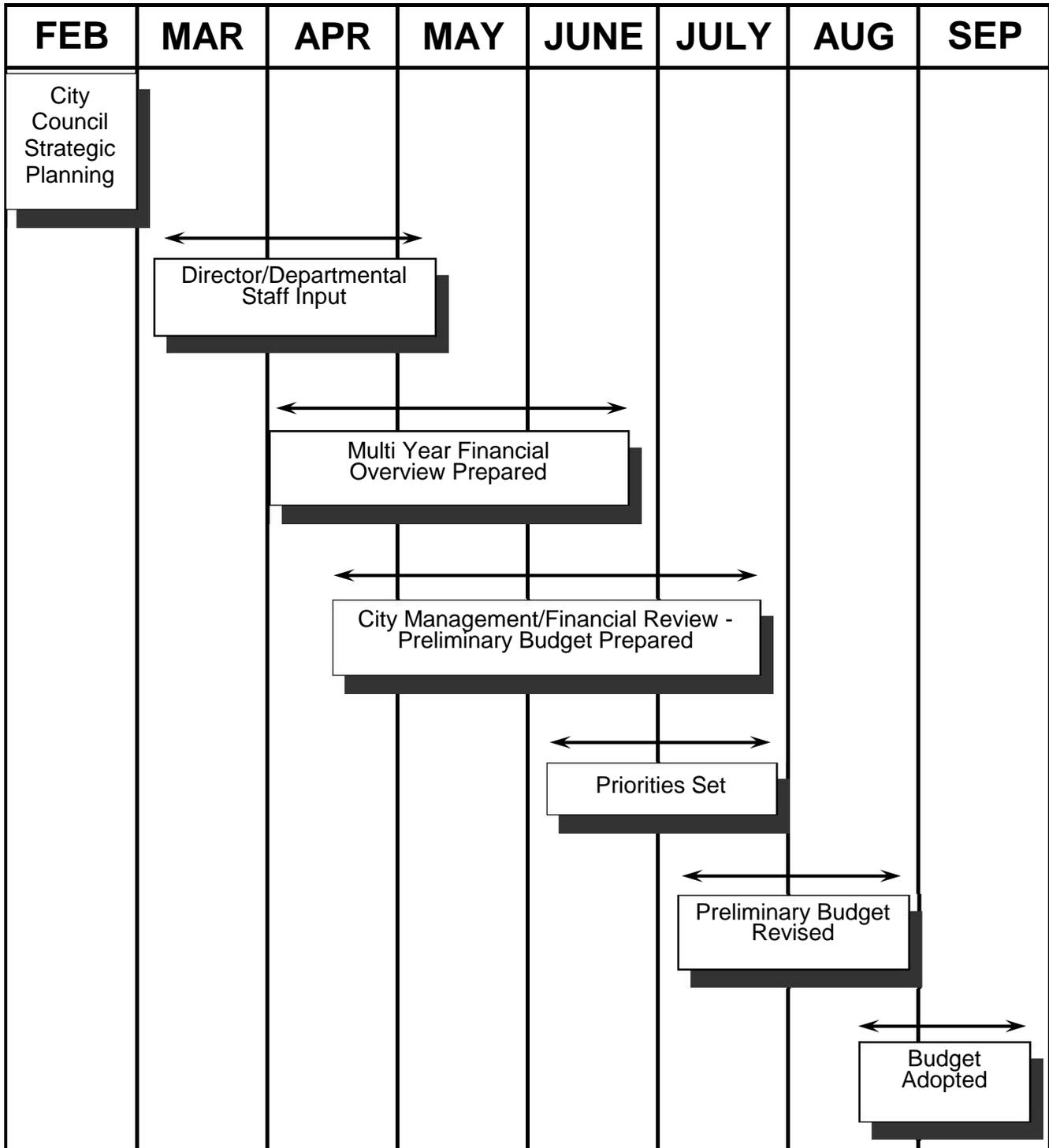
PUBLIC HEARING AND BUDGET ADOPTION

On August 18th, the City Council reviewed the Preliminary Budget and set a time and place for the Public Hearing. The City Council voted on and approved the budget on September 8th with the final reading on September 29th. 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 2015 - 2016**

Date	Activity
February 21	City Council Strategic Planning Session
March 18 - 20	Staff Strategic Planning Session
April 1 - 7	Employee Budget Process Meetings and Training Sessions
May 6	Capital Improvement Program Training Sessions
May 8	Departments Submit Base Budget Justifications, Adjustments to Base, New Programs, and Multi-Year Financial Projections (mBudget)
May 8	Departments Submit 2015-2016 Revenue Projections
May / June	Departmental/City Manager Reviews
June 5	Departments Submit Capital Improvement Projects (Oracle Projects)
June 19	Departments Submit Program Budget Summaries tied to City Council's Strategic Plan (goals, objectives, division analysis and performance measures)
July 10	Departments Submit Revised 2014-2015 Revenue Projections
July 25	Certified Tax Roll Received from Tarrant Appraisal District
August 1	Multi-Year Financial Planning Work Session
August 11	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 15	Finance Publishes Notice of 2015 Tax Year Proposed Property Tax Rate including the effective and roll back tax rates and Notice of Public Hearing on Budget
August 18	City Council Budget Workshop & Set Time & Place for Public Hearing on Budget
August 25	Public Hearing to Consider Tax Rate and Public Hearing on Proposed Budget (if needed)
September 1	Second Public Hearing to Consider Tax Rate (if needed)
September 5	Finance Publishes Notice of Tax Revenue Increase (if needed)
September 8	Reading of Ordinance for Adoption of Budget and Tax Rate
September 29	Final Reading, Adoption of Operating Budget and Tax Rate

BUDGET PREPARATION PROCESS 2015-2016



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. Financial 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 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 2015-2016 budget was balanced primarily due to conservative expenditure budgeting combined with growth in property tax revenue. The following revenue sources are major contributors to balancing the budget and will provide savings to the General Fund in associated expenses.

- Community Services Half Cent Sales Tax Fund will provide savings of \$3,920,318
- Anti-Crime Half Cent Sales Tax Fund will provide a savings of \$5,778,091

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, Comm Svcs. Half Cent Sales Tax Fund, Storm Water Management Fund, and Commercial Vehicle Inspection 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 following intragovernmental revenue transfers for 2015-2016 are budgeted:

- Enterprise and Storm Water Management Fund are projected to be \$3,521,553.
- Fleet Service Fund will contribute \$203,055.
- Community Services Half Cent Sales Tax Fund will contribute \$642,737.
- Anti-Crime Half Cent Sales Tax Fund will contribute \$1,750,280.
- Other Police Indirect costs will contribute \$200,000.

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 typically exists in the General Fund each year and is transferred to a Special Projects Capital Fund after 90 days fund balance allowance is considered.

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 rollback rate as computed by State of Texas Truth in Taxation laws. The Notice of Effective Tax Rate is located in the Appendix on page 412. The City adopted a tax rate increase of approximately .005 cents to \$.61056 per \$100 valuation for 2015-2016.

Section 5.42 of the City's Charter limits the maximum tax rate to \$1.50 per \$100 property valuation. This is one dollar lower than the \$2.50 allowed by state laws. The City's total tax rate provides funding for general debt and operations. So, any increase in operations or debt costs must be absorbed by growth in property values, any offsetting reductions in costs, or by an increase in the tax rate. Debt issued for proprietary purposes shall primarily be supported by associated revenues (e.g. water and wastewater fees for Enterprise Fund debt). However, the city may pledge its taxing authority to proprietary fund debt as a way to lower risk to investors and associated costs.

Tax exemptions impact revenues generated from property taxes and debt service payments. 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 \$270,000 of tax relief to eligible taxpayers in 2015-2016. The Finance Department has included tax limitation estimates in its long-range plans.

Financial Policy Guidelines continued

Sales Tax

Sales tax revenue projections shall be conservative due to the volatile nature of this economically sensitive revenue source. Sales tax projections for 2015-2016 are projected to remain relatively stable and are expected to increase by around 1%. During 2014-2015, the City saw monthly sales tax increases averaging around 3.2%. Fiscal year 2014 - 2015 marks the fourteenth 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 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 and meet the legal requirements of bond covenants. Depreciation is also budgeted to plan for adequate capital replacement in water distribution and sewage collection systems. The water and sewer rates for fiscal 2015-2016 are listed on pages 220-221. The water and sewer rates for 2015-2016 budget year will increase by 5.00%. This increase is 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 222 to 223.

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 August 12, 2015. Interest earnings are distributed to accounting funds according to ownership of the invested dollars. 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 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 page 281.

1. The City will diligently monitor its compliance with bond covenants.

Financial Policy Guidelines continued

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.
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.

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

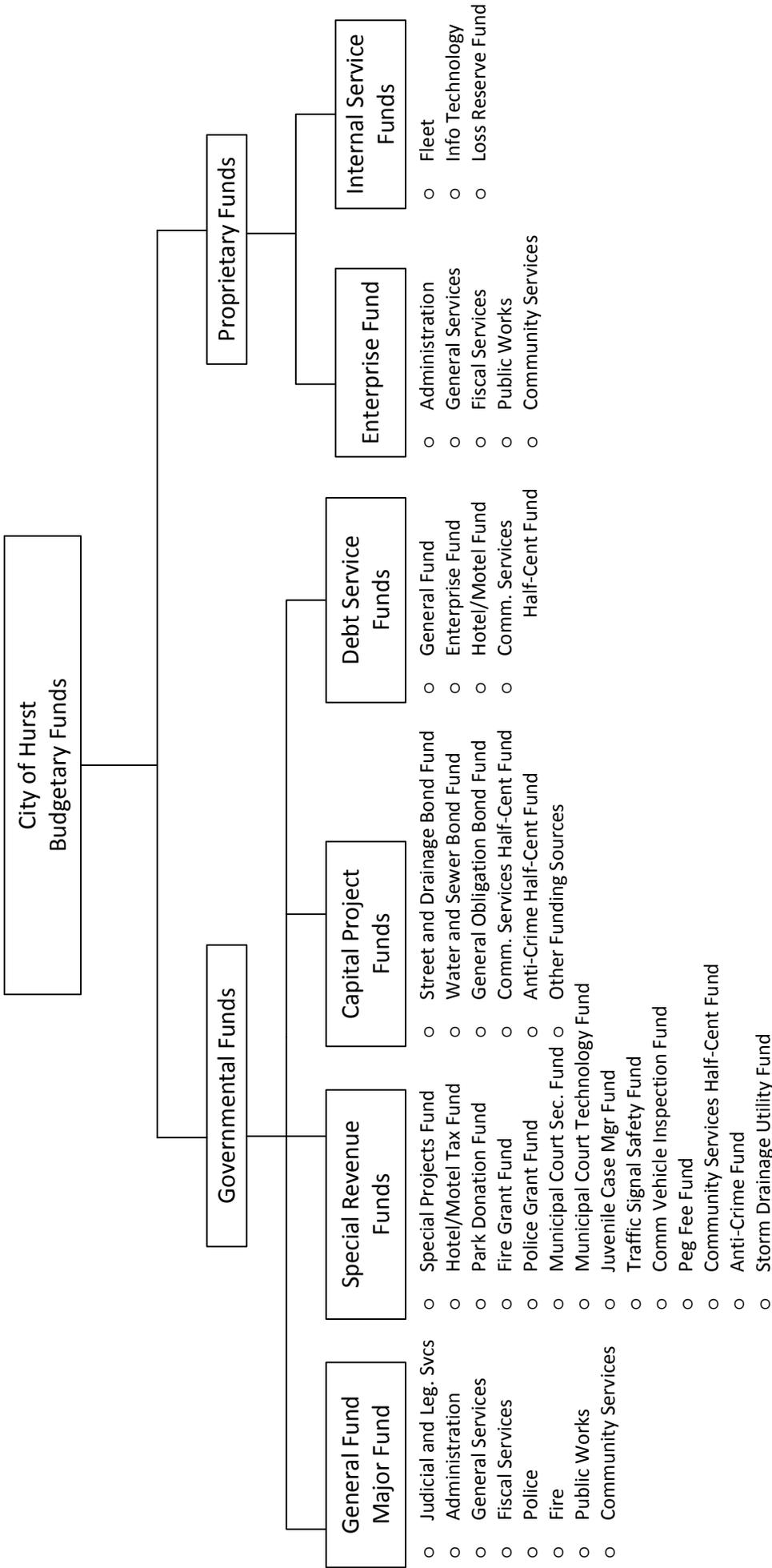
FUND ACCOUNTING

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, Special Revenue Funds, 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 main proprietary fund and the Hurst Conference Center, Storm Drainage Utility, Information Technology, Fleet Services, and Loss Reserve funds are the remaining proprietary funds. Governmental accounting further classifies funds into major and non-major categories. The City's major operating funds include: the General Fund, Community Services Half Cent Sales Tax Fund, Anti-Crime Fund, and Enterprise Fund. All other debt service, capital projects and operational funds are considered non-major. 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, mission statements and descriptions stating responsibilities, goals and objectives (indicating direction) and performance measures (indicating progress) are presented. Expenditure summaries list the subtotal of expenditures/expenses for categories such as personnel services, materials and supplies and capital outlay. Personnel summaries indicate the title and number of full-time equivalent positions in each division. Program analyses are also provided highlighting the past 2014-2015 budget, the current and future level of service, cost savings measures, new programs and capital outlay for the 2015-2016 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

The following table lists City departments and the funds they use.

USE OF FUNDS BY DEPARTMENT												
DEPARTMENT	Governmental Funds						Proprietary Funds					
	Modified Accrual Basis						Full Accrual Basis					
	GF	SR*	C	DS	HC	AC	SDU	EF	HCC	IT	FL	LR
Legislative and Judicial Services	√	√										
Administration	√	√	√					√				
General Services	√	√						√		√		
Human Resources	√											√
Fiscal Services	√			√				√		√		
Police	√	√			√							
Fire	√	√										
Public Works	√	√	√								√	
Community Services/Parks, Recreation, Aquatics, Library, Senior Center	√	√	√		√							

Governmental Funds

- GF - General Fund
- SR - Special Revenue
- C - Capital Projects
- DS - Debt Service
- HC - Half Cent
- AC - Anti Crime
- SDU - Storm Drainage

Proprietary Funds

- EF - Enterprise Fund
 - HCC - Hurst Conference Center
 - IT - Information Technology
 - FL - Fleet Fund
 - LR - Loss Reserve
- * Excludes Half-Cent, Anti-Crime, and SDU.

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: legislative & judicial 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 Technology Fund and the Loss Reserve Fund. The Fleet Service Fund and Information Technology 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 Fourteen Restricted Funds are the, the Special Projects Fund, the Hotel-Motel Tax Fund, the Park Donation Fund, the Fire Grant Fund, the Police Grant 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.

Other Proprietary or Enterprise Funds The 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 third 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' adopted 2005 \$11.8 million bond program and 2012 \$16.5 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. New or expanded facilities constructed with GO bond funds increase the city's operational costs for utilities and maintenance.

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 2015-2016 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

Financial Plan continued

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 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, 2010-2011, 2011-2012, 2012-2013, and 2014-2015. 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 2014-2015 budget. In addition to receiving the Distinguished Budget Presentation Award for twenty-seven 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**

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, 2014. The City of Hurst has received forty Certificates of Achievement for excellence in Financial Reporting.

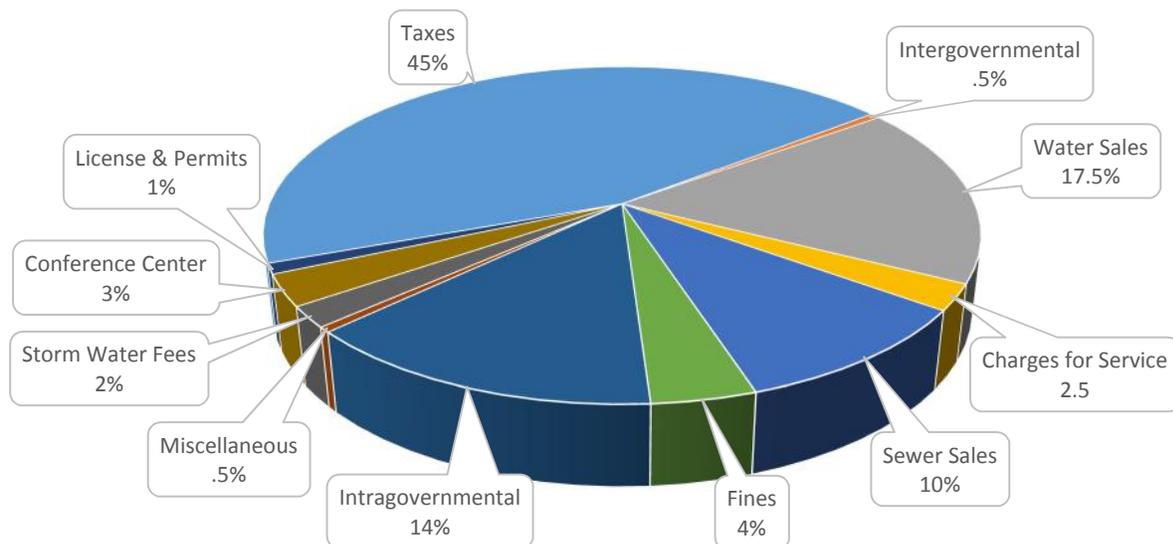
ALL OPERATING FUNDS SUMMARY

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, Commercial Vehicle Inspection Fund, Fleet Service Fund, Information Technology Fund, PEG Fee 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 \$3,721,106 for fiscal year 2015-2016. It is also important to note that the use of reserves in the Information Technology, Fleet, Enterprise, Conference Center, Anti-Crime, Storm Water Management Fund and Court Technology funds are not shown below. The City will utilize approximately \$1.1 Million in reserves to balance the budget (cash-basis) and purchase Replacement equipment in each of these funds.

REVENUES BY SOURCES

	Actual 2013-2014	Budgeted 2014-2015	Estimated 2014-2015	Approved 2015-2016	Variance Between 2014-2015 & 2015-2016 Budgets
Taxes	32,603,234	30,768,716	33,210,625	31,918,692	3.7%
License and Permits	739,237	719,749	717,959	739,400	2.7%
Intergovernmental	309,707	304,084	335,524	338,070	11.2%
Charges for Services	1,863,878	1,952,150	1,687,081	1,876,025	-3.9%
Fines	2,897,825	2,810,000	2,876,621	2,930,000	4.3%
Intragovernmental	9,655,673	9,633,395	9,846,479	10,070,685	4.5%
Water Sales	11,765,842	12,370,000	11,970,000	12,570,000	1.6%
Sewer Sales	6,851,505	7,140,000	6,855,460	7,050,000	-1.3%
Storm Water Mgt. Fees	1,091,272	1,090,000	1,084,098	1,090,000	0.0%
Miscellaneous	456,127	279,900	385,843	298,875	6.8%
Conference Center	2,003,045	2,269,023	2,021,761	2,325,000	2.5%
TOTAL	<u>\$70,237,345</u>	<u>\$69,337,017</u>	<u>\$70,991,451</u>	<u>\$71,206,747</u>	<u>2.7%</u>

Taxes increased primarily due to stabilizing economic conditions. Water and sewer sales are expected to increase based on an adopted 5% rate increase. Fines increased 4.3% due to an anticipated increase in municipal court fines due in part to the completion of construction of the NTE and trend analysis. Miscellaneous revenue increased 6.8% due to an increase in investment earnings. License and permits increased 2.7% due to an increase in building inspections relating in part to new businesses along the NTE and commercial development adjacent to NTE as well as an increase in alarm fees. Charges for Services decreased (3.9%) mainly due to the closure of Central Aquatics Center for remodel. The Hurst Conference Center is estimated to generate (\$2,325,000) in its sixth year of operations as its customer base continues to grow. Intergovernmental increased 11.2% due to the City of Bedford participation in a Police Storefront Lease Agreement. Intragovernmental increased 4.5% due to cost savings from the temporary closure of Central Aquatics Center being transferred to the General Fund.

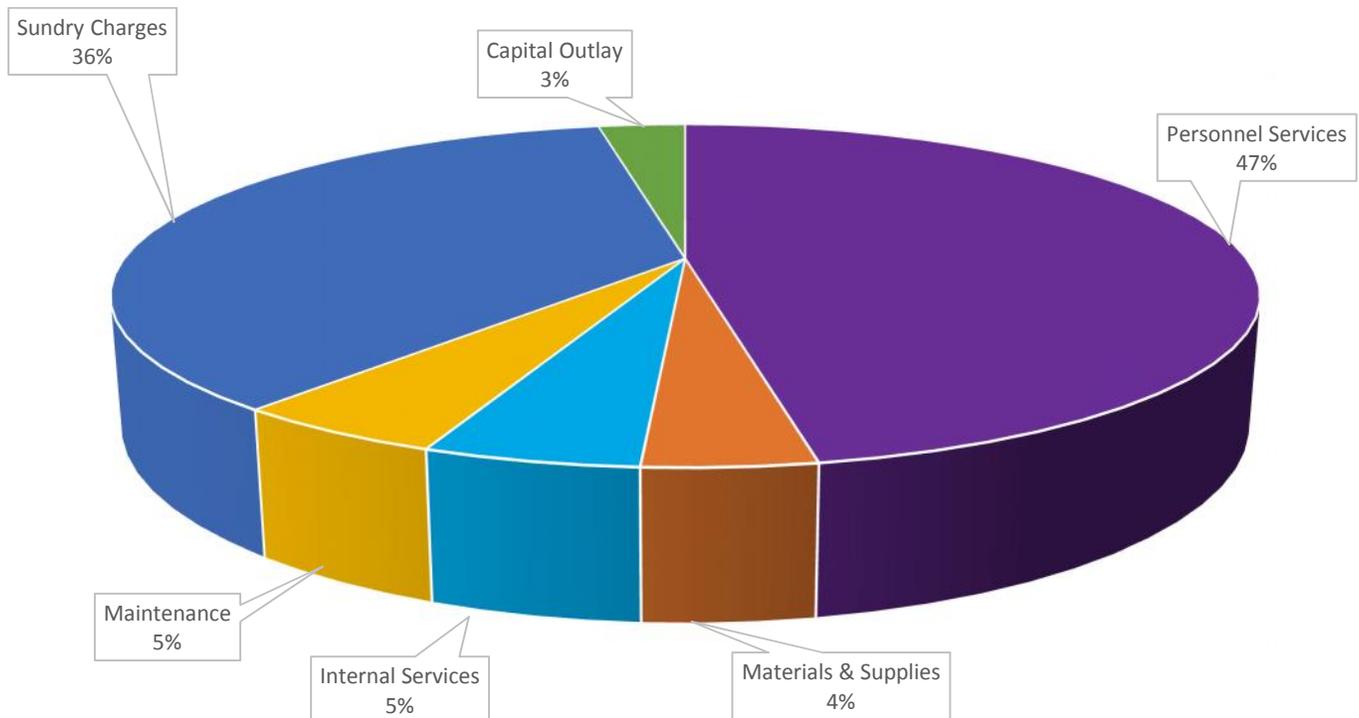


EXPENDITURES/EXPENSES BY CLASSIFICATION

	Actual 2013-2014	Budgeted 2014-2015	Estimated 2014-2015	Approved 2015-2016	Variance Between 2014-2015 & 2015-2016 Budgets
Personnel Services	31,290,666	32,972,890	32,570,003	33,667,011	2.1%
Materials and Supplies	1,953,455	2,496,589	2,214,038	2,607,913	4.5%
Maintenance	2,907,902	3,276,640	2,887,195	3,365,171	2.7%
Sundry Charges	22,659,393	25,271,922	24,193,947	25,963,761	2.7%
Internal Services	3,130,597	3,116,050	3,135,322	3,516,925	12.9%
Capital Outlay	4,097,474	2,052,067	6,250,925	2,198,162	7.1%
TOTAL	\$66,039,487	\$69,186,158	\$71,251,430	\$71,318,943	3.1%

Personnel Services shows a 2.1% increase which includes a citywide pay increase for employees. Materials and Supplies increased 4.5% primarily due to an increase in Public Safety supplies and increases in supplies for the Hurst Conference Center. Maintenance increased 2.7% due to a final increase in maintenance for the new Justice Center and furniture repair at the Library. Sundry increased 2.7 % primarily due to an increase in wholesale water costs. Internal Services increased 12.9 primarily due to an increase in user fees for Information Technology. Capital outlay increased by 7.1% primarily due to the completion of the Justice Center and Chisholm Aquatic Center. Capital expenditures are one-time costs that will fluctuate from year to year. Overall the City’s expenditures increased 3.1% over the previous year.

EXPENDITURES BY CLASSIFICATION



**CITY OF HURST
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FISCAL YEAR 2015-2016**

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 Technology Fund
Beginning Balance 10/01/15	\$8,400,000	\$15,297,122	\$314,899	\$7,074	\$7,004,522	\$3,241,461	\$764,607	\$3,105,338	\$2,433,159
REVENUES									
Taxes	22,090,880				5,162,614	4,579,198	86,000		
Licenses and Permits	739,400								
Charges for Services	1,876,025								
Storm Water Mgmt. Fees			1,090,000						
Water Sales		12,570,000							
Sewer Sales		7,050,000							
Fines/W & S Penalties	2,052,000	400,000					478,000		
Miscellaneous	142,975	70,000	4,900		35,000	20,000		10,000	16,000
Intergovernmental/Grants	243,970				94,100		0		
Intragovernmental	6,317,625	31,954						1,660,417	2,060,689
Conference Center Sales				2,325,000					
Total Revenues	33,462,875	20,121,954	1,094,900	2,325,000	5,291,714	4,599,198	564,000	1,670,417	2,076,689
Total Available Resources	41,862,875	35,419,076	1,409,799	2,332,074	12,296,236	7,840,659	1,328,607	4,775,755	4,509,848
EXPENDITURES									
Legislative & Judicial Services	989,470						158,912		
Administration	551,289			2,332,074					
Non-Departmental	2,313,426	284,388							
General Services	695,656	1,475,716							
Human Resources	298,437								
Fiscal Services	453,068	684,112							
Police	10,015,822				5,758,067		247,293		
Fire	7,660,292								
Public Works	3,260,792	17,084,101	1,189,843						
Community Services	7,224,623	296,135				3,060,318			
Fleet Services								2,239,700	
Information Technology							42,694		1,924,307
Capital Improvements					20,024	860,000			198,385
Debt Service		1,976,190				1,167,059			
Total Expenditures	33,462,875	21,800,642	1,189,843	2,332,074	5,778,091	5,087,377	448,899	2,239,700	2,122,692
ENDING BALANCE	8,400,000	13,618,434	219,956	0	6,518,145	2,753,282	879,708	2,536,055	2,387,156
Designated/Reserved	0	8,171,060	219,956	0	5,932,706	0	0	2,536,055	2,387,156
Undesignated	8,400,000	5,447,374	0	0	585,439	2,753,282	879,708		
Total Fund Balance 9/30/16	\$8,400,000	\$13,618,434	\$219,956	\$0	\$6,518,145	\$2,753,282	\$879,708	\$2,536,055	\$2,387,156
Change in Fund Balance 2014-2015 to 2015-2016	\$0	(\$1,678,688)	(\$94,943)	(\$7,074)	(\$486,377)	(\$488,179)	\$115,101	(\$569,283)	(\$46,003)

The Summary of Revenues, Expenditures, and Changes in Fund Balances is comprised of Operating Funds, grant/misc funds and Capital Projects Bond Funds. Please note that debt service is not included in the expense by classification graph shown on page 58. Please also note that all changes in fund balances are explained on page 61. \$3.5 million in CO's will be issued in 2016 for the renovation of Central Aquatics Park out of Community Services Half Cent Fund. In 2015, \$2 million in tax supported debt CO's were issued for Pipeline Phase 4 and \$1.2 million in Enterprise CO's were issued for Misc. Water and Sewer Main Replacement Projects. Please see the capital projects section on page 60 for the \$6.7 million. Fleet and Information Technology Funds shown above reflect fund balance whereas the summary sheets on pages 285 and 293 reflect net expenses.

**CITY OF HURST
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FISCAL YEAR 2015-2016**

	DEBT SERVICE FUND & SPECIAL REVENUE FUNDS				CAPITAL PROJECT BOND/MISC FUNDS					Operating & Capital Project Bond Funds TOTAL
	Debt Service Fund	Hotel/ Motel Fund	Park Donation Fund	Fire and Police Grant Funds	Special Projects Fund	Certificate of Obligation Bonds - Community Services Half Cent Sales Tax	Street & Drainage Bond Funds	Water & Sewer Bond Funds	Other Funding Sources	
Beginning Balance 10/01/15	\$400,000	\$1,075,000	\$135,450	\$146,344	\$18,049,124	\$0	\$2,849,000	\$3,027,862	\$1,026,349	\$67,277,310
REVENUES										
Taxes	3,222,758	600,000								\$35,741,450
Licenses and Permits										\$739,400
Charges for Services										\$1,876,025
Storm Water Mgmt. Fees										\$1,090,000
Water Sales										\$12,570,000
Sewer Sales										\$7,050,000
Fines										\$2,930,000
Miscellaneous	(88,608)		85,000		75,000	3,500,000	3,000	3,000		\$3,876,267
Intergovernmental/Grants				157,884						\$495,954
Intragovernmental					1,500,000					\$11,570,685
Conference Center Sales										\$2,325,000
Total Revenues	3,134,150	600,000	85,000	157,884	1,575,000	3,500,000	3,000	3,000		\$80,264,781
Total Available Resources	3,534,150	1,675,000	220,450	304,228	19,624,124	3,500,000	2,852,000	3,030,862	1,026,349	\$147,542,091
EXPENDITURES										
Public Services										\$1,148,382
Administration		131,830								\$3,015,193
Non-Departmental					5,754,573					\$8,352,387
General Services										\$2,171,372
Human Resources										\$298,437
Fiscal Services										\$1,137,180
Police				107,849						\$16,129,031
Fire				9,150						\$7,669,442
Public Works										\$21,534,736
Community Services		81,000								\$10,662,076
Fleet Services										\$2,239,700
Information Services										\$1,967,001
Capital Improvements			100,000		4,642,462	3,500,000	1,658,376	1,161,577	780,986	\$12,921,810
Debt Service	3,222,758	400,369								\$6,766,376
Total Expenditures	3,222,758	613,199	100,000	116,999	10,397,035	3,500,000	1,658,376	1,161,577	780,986	\$96,013,123
ENDING BALANCE	311,392	1,061,801	120,450	187,229	9,227,089	0	1,193,624	1,869,285	245,363	\$51,528,968
Designated/Reserved	311,392	810,000	0	32,823	8,000,000	0	1,193,624	1,869,285	245,363	\$31,709,420
Undesignated		251,801	120,450	154,406	1,227,089					\$19,819,549
Total Fund Balance 9/30/16	\$311,392	\$1,061,801	\$120,450	\$187,229	\$9,227,089	\$0	\$1,193,624	\$1,869,285	\$245,363	\$51,528,968
Change in Fund Balance 2014-2015 to 2015-2016	(\$88,608)	(\$13,199)	(\$15,000)	\$40,885	(\$8,822,035)	\$0	(\$1,655,376)	(\$1,158,577)	(\$780,986)	(\$15,748,342)

The use of \$104,013,123 in appropriable funds will decrease the beginning Fund Balances/Retained Earnings to \$51,528,968 at the end of fiscal year 2015-2016, of which \$19,819,549 are undesignated reserve funds. The table on the following page indicates the reason for projected changes in all fund balances of a total of (\$15,748,342).

ANALYSIS OF CHANGES IN FUND BALANCES/RETAINED EARNINGS

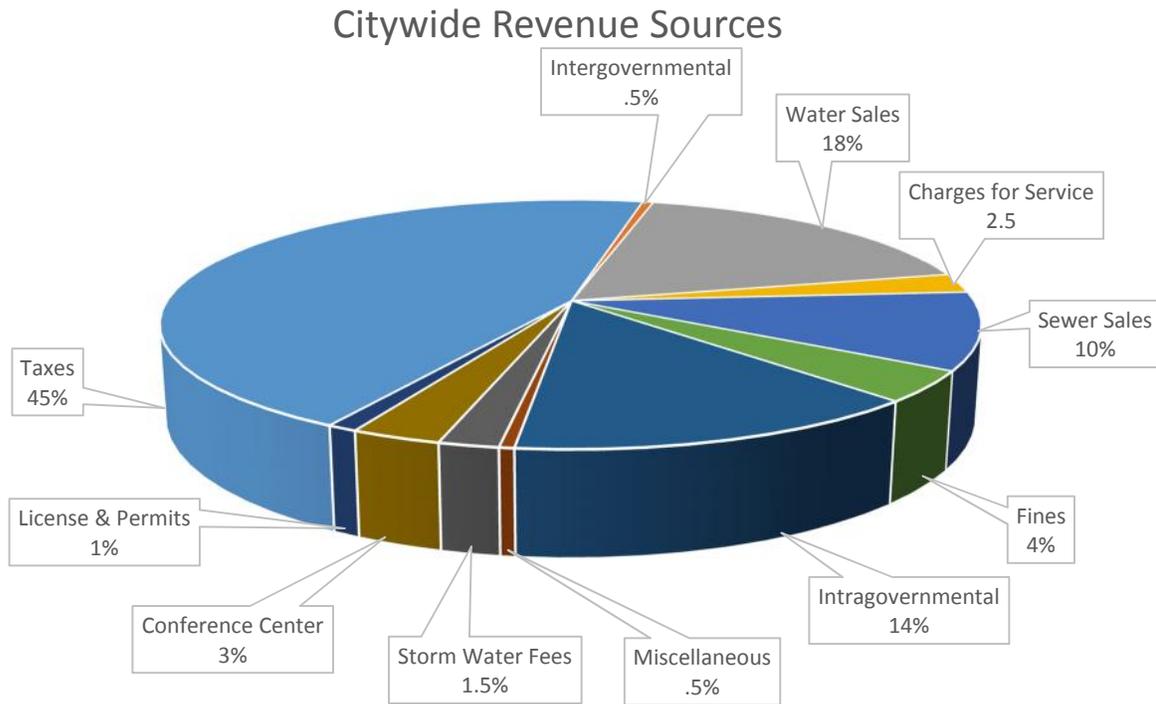
The following table indicates the reasons for projected changes in fund balances/retained earnings of (\$15,748,342):

Fund	2014-2015 Year End	2015-2016 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	\$15,297,122	\$13,618,434	(\$1,678,688)	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	\$314,899	\$219,956	(\$94,943)	Fee collections in 2015-2016 will cover current expenditures. Now in its 8th year of operations, the city is utilizing \$94,943 in fund balance to complete one time maintenance and drainage improvement projects approved for 2015-2016.
Conference Center Fund	\$7,074	\$0	(\$7,074)	For fiscal year 2015-2016, the City has budgeted conservatively. The City feels the Conference Center will break even for this year, however; any short falls will be covered by Hotel/Motel fund reserves.
Anti-Crime Fund	\$7,004,522	\$6,518,145	(\$486,377)	Current revenues will cover 2015-2016 operating costs. The decrease in undesignated fund balance is due to the planned radio tower lease payment from reserves and the establishment of a \$5 million economic contingency reserve.
Community Services Half Cent Sales Tax	\$3,241,461	\$2,753,282	(\$488,179)	Current revenues will cover 2015-2016 operating costs. The decrease in undesignated fund balance is due to one-time pay-as-you-go capital costs to improve parks, recreation and aquatics.
Court, Public Safety and Other Special Revenues	\$764,607	\$879,708	\$115,101	Increase is primarily due to a 3% Cost of Living increase in Building Security Fund, Court Technology Fund and Juvenile Case Manager Fund and the addition last year of a Mental Health Coordinator.
Fleet Services Fund	\$3,105,338	\$2,536,055	(\$569,283)	Depreciation is included in this change in fund balance. For 2015-2016 \$530,000 of Police, Fire and City wide vehicles will be replaced.
Information Technology Fund	\$2,433,159	\$2,387,156	(\$46,003)	The decrease in balance is due in part to the replacement/upgrade of network equipment estimated at \$198,385. Depreciation costs of \$335,879 are also included in the decrease of fund balance.
Debt Service	\$400,000	\$311,392	(\$88,608)	Funds remaining are comprised of interest earnings and delinquent tax collections and will remain in the fund. Collection rates higher than 98.5% could result in a higher ending balance.
Special Projects	\$18,049,124	\$9,227,089	(\$8,822,035)	Decrease assumes that allocated funds for specific projects will be spent and the city's policy to maintain an \$8 million dollar economic contingency reserve will remain in effect. All planned projects require final approval from the City Manager or Council before commencement.
Hotel Motel/Park Donation	\$1,210,450	\$1,182,251	(\$28,199)	Decrease is due to the utilization of fund balance to cover prior year project encumbrances and to designate \$810,000 as a debt service reserve in the Hotel/Motel Fund. Current revenues will sufficiently offset current operating and debt-related expenditures.
Fire and Police Grants	\$146,344	\$187,229	\$40,885	Expenditures are only for those goods and services as approved by the agencies awarding the grants.
Capital Project Bond Funds	\$6,903,211	\$3,308,272	(\$3,594,939)	The decrease in Bond Fund balances are due to the anticipated completion or partial completion of projects in fiscal year 2015-2016 such as the renovation of Central Aquatics Park.
Totals	\$67,277,310	\$51,528,968	(\$15,748,342)	

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

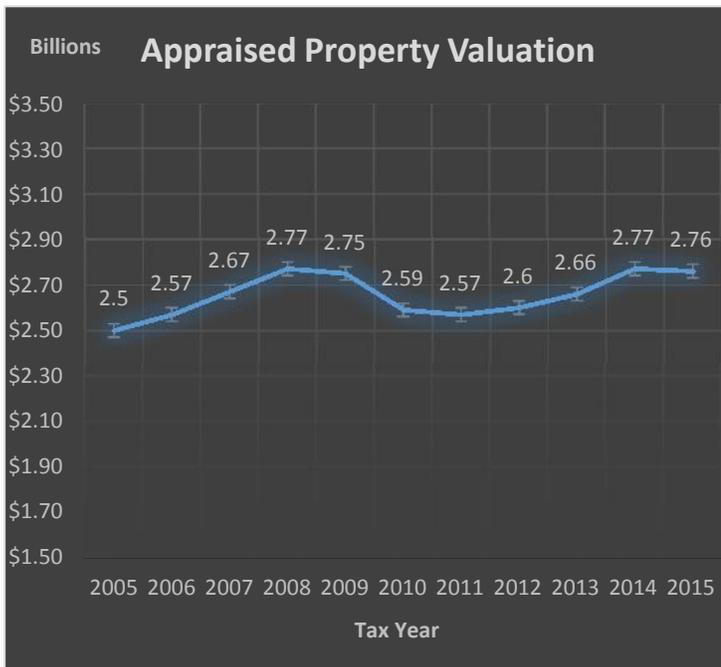
The revenues from taxes are classified as General Property Taxes, Consumer Taxes and Franchise Taxes in the General Fund operating budget. These charges are levied to provide for general municipal services and benefits to the citizens.

General Property Taxes are assessed on real and personal property as of January 1 each year. The \$0.4742765 tax rate for the General Fund (77.68% of the total tax rate of \$0.61056 per \$100 valuation) is set by the City Council. This tax is established by ordinances and comprises 32% of the 2015-2016 General Fund revenues. Property tax collections are projected to increase by 3.05% from the previous year's budget. The approved tax rate for 2015-2016 was increased \$0.0046 from \$0.606 to \$0.61056 over the previous year. Private developers continue to make substantial investment in areas where the City has done the same. The budget includes a property tax collection rate of 98.5%, which is one-half percent higher than 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 2005 to 2015, a cumulative increase in property values of approximately \$260 million or \$26 million per year was recorded. This represents approximately \$159,000 per year in revenue for operations and debt service. Tax year 2015 had a decrease of approximately \$10.2 million. This net decrease includes \$7.8 million in new properties along with \$18 million in lower residential and commercial property values.

All tax information relative to budgetary decisions is not available until July 25th 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 - 1.5% (or 10.7143% of the State's 14%) of each dollar taxed within the City. Sales tax revenues are the second largest source (25%) 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.



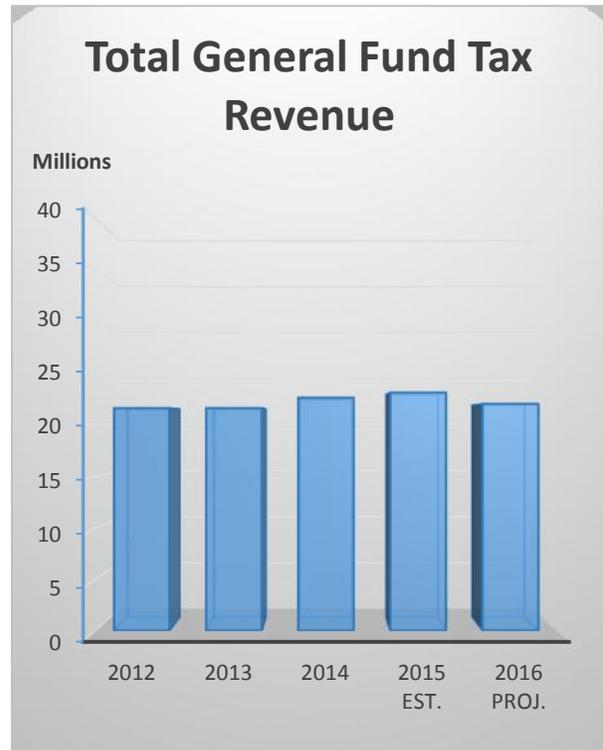
The City's Wal-Mart Super Center was remodeled in 2010 and again in 2015. This store remains one of the City's top five retail businesses. Rave Theaters and several restaurants were added in and around North East Mall in 2005 and Rave did a full remodel in 2015 and a new restaurant was added to this popular Rave Courtyard, Bar Louie's in 2014. 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 buybuy Baby 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, buybuy Baby and Texas Appliance have moved into Hurst to fill vacant space. In 2011, North East Mall celebrated its 40th anniversary and new businesses such as Forever 21 and Michael Kors along with 16 others opened in the mall. 94 new businesses including In-N-Out Burger opened in Hurst in 2012 occupying over 250,000 square feet of space. North East Mall and The Shops at North East Mall are now 100% leased.

In 2013-14 new business openings were the most brisk they have been in years averaging 125 new store openings per year averaging 325,000 square feet of new business backfill per year. The expansion of Highway 183/121 completed in October of 2014 and the resulting redevelopment of Hurst's highest trafficked intersection of Precinct Line Road and the Highway, created one of the City's most exciting redevelopment opportunities ever. During construction eight new restaurants were established at this prominent intersection including Golden Chick, Pei Wei, Potbelly Sandwich Shop, In N Out Burger, Subway, Starbucks Coffee House and a new Outback Steakhouse Restaurant and a new Abuelo's. Immediately following the highway expansion Dairy Queen and Pollo Tropical joined the fine roster of new restaurants. Four additional out parcels remain for future construction.

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

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 new budget issues faced by the City. For example, Hurst will continue dedicating additional resources to the funding of health care and post-employment benefits. Consumer taxes have been budgeted to increase 1% compared to the prior year budget based upon recent trends. The City does not budget for full collection of sales taxes. The budgeted reserve of \$900,000 and conservative collections estimate place the net 2015-2016 General Fund sales tax budget in a position to absorb economic losses 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 2015-2016. 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 slightly decrease from the prior year's budget. Wholesale cost increases caused electric, gas and other telecom franchise fees to increase by 21.13%. Overall, franchise fees are projected to increase 2.21% for next year.



As a group, General Property Taxes, Consumer Taxes, and Franchise Taxes account for 66% of the General Fund revenues for fiscal year 2015-2016. They are projected to increase by approximately 1% from the previous year's budget. The effect of the sales tax sharing agreement for North East Mall and the early payoff of the Shops of North East Mall Agreement has 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 2015-2016 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. The Building Inspections/Neighborhood Services division continues to focus on code enforcement and inspections of redevelopment projects within the City. Building inspection fees are estimated to increase due to new commercial development along the North Tarrant Expressway. Apartment Inspection and Paving Fees for 2015-2016 decreased as compared to 2014-2015.

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. Estimated athletic program revenue

fees were decreased in fiscal year 2014-15 based on incremental participation in adult softball leagues. Aquatic revenues decreased 23.69% due to the closure of Central Aquatics Center which is being renovated in 2016. The City offers ambulance service through the Fire Department and associated billing collection services are contracted to a private company. During 2012-2013, the City switched companies and began an aggressive collection project. This caused revenues to increase. This project is now complete and collections have returned to normal. Ambulance Services is projected to increase 3.68%. The Senior Citizen Center is seeing increased memberships and have implemented new programs to attract senior citizens. Revenues for 2015-2016 are projected to increase 5.37%. For 2015-2016, total charges for services are projected to decrease by (\$76,125) and 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 projected to increase by 5.26% in fiscal year 2015-2016.

MISCELLANEOUS REVENUES

Miscellaneous revenues account for 1% of revenues and consist primarily of interest earnings from the investment of City funds. Funds of the City are 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%. With an uncertain global economy, interest rates were held flat for 2015-2016. Maturing investments continue to be reinvested in lower yielding instruments. 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 August 12, 2015.

INTRAGOVERNMENTAL

The intragovernmental revenue source contributes 19% to citywide revenues and is projected to increase .58% 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 Half Cent Sales Tax indirect cost allocation will increase in 2015-2016 due to cost savings from the closure of Central Aquatic Center being transferred to the general 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, Commercial Vehicle 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 2015-2016 water sales account for 18% of citywide revenues and are projected to be slightly higher than the previous year budget primarily due to weather

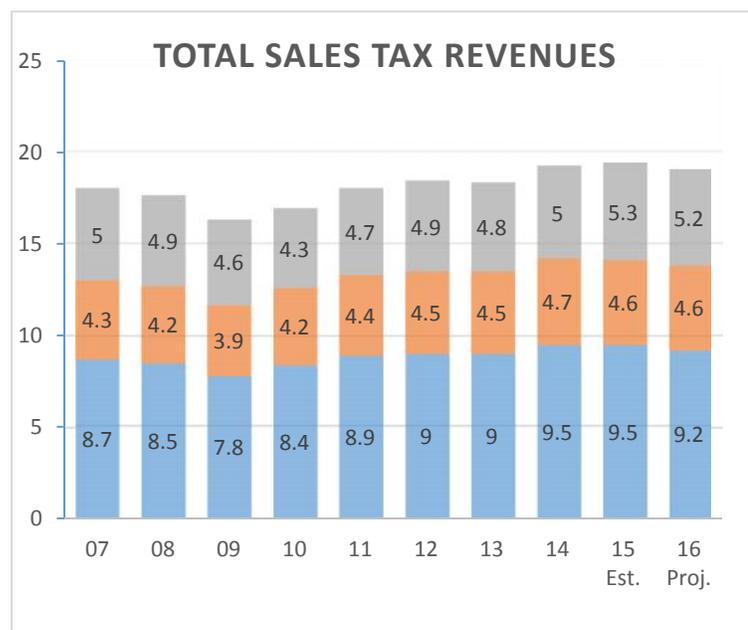
patterns and an increase in water rates. Sewer charges account for 10% of city wide revenues. Other revenue sources consist of penalties, service and miscellaneous fees and investment earnings. Water and sewer rates for 2015-2016 will increase on average by 5% for the City utility customer. The increase is due primarily to the City of Fort Worth proposing a wholesale water and wastewater rate increase totaling 10.68%. 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 \$4,579,198 for fiscal year 2015-2016. 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 cents to fund the current 2015-2016 operating budget.

ANTI-CRIME HALF CENT SALES TAX

The Anti-Crime Half Cent Sales Tax is in its nineteenth 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 2015-2016 sales tax revenues are projected at \$5,162,614. Recent legislation allows the Anti-crime Fund to impose 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. If this revenue source was not available, the property tax rate would need to be raised twenty-two cents to fund the 2015-2016 related expenditures.



The total 3% sales tax increase projected for fiscal year 2015-2016 for the General Fund, Community Services Half Cent Sales Tax, and Anti-Crime Half Cent Sales Tax Funds is \$19 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

Organizational Growth:

Building on the foundation of the Code of Ideals, the City has been on a journey establishing a vehicle for propelling the organization into greatness based on the principles from Jim Collins book, "Good to Great." Since the introduction of the book and its principles at the 2012 all employee conference, the City has trained all current employees on the general principles from the book, established employee committees to review several strategic organizational elements including the Policies and Procedures Manual, training & development, recruitment & selection, and performance evaluations, and implemented some of the suggestions from these review committees. The goals are to equip emerging leaders within the organization and set up principles and processes that will sustain the City for years to come, building Hurst to last which became the theme of the all employee conference in 2013. Two of the Good to Great principles have been the focus recently, The Hurst Way and Level 5 Leadership. The Hurst Way, the City's version of Collins' hedgehog concept, identifies the City's passionate approach to excellent service delivery and provided the theme for the 2014 all employee conference. At the same conference, the city was introduced to "The 5 Levels of Leadership" by John Maxwell as the tool for achieving level 5 leadership described in "Good to Great". The 2015 conference theme was celebration. The organization celebrated all that has been accomplished and learned over the last three years while looking forward to continued development efforts in the coming years.

With the focus on leadership development, the City will offer several training opportunities focused on leadership, frontline supervisory skills, and management skills. Facilitated groups of employees will work through Maxwell's "The 5 Levels of Leadership." Nuts and bolts supervisor training was developed and delivered by Human Resources staff along with a professional facilitator. Personalized in-depth leadership development is the purpose of the Leadership Blueprint Program where a selection process will result in two employees going through a full year of strategic leadership training.

Organizational Structure:

One of the biggest steps in the City's Good to Great transformation is in the area of job titles and pay grades. Analyzing current titles and grades ensures that employees, job duties and titles align with job descriptions.

Last fiscal year, titles for the department leadership changed from Directors to Executive Directors. The next effort will be to change administrative staff titles across the city. This is in an effort to bring consistency to the titles and duties across departments allowing for a more effective salary and job duties analysis.

Additional changes have been made to certain employees' pay grades and are reflected in the City's pay plan. Approximately one-third of positions are evaluated each year internally and externally to provide direction for market adjustments, title changes, pay grade changes and pay range changes. For the 2015-2016 budget year, the pay ranges increased by 1.5%, which is half of the workforce movement from the 3% across-the-board increase in pay. This evaluation process will continue through the 2015-2016 fiscal year.

Expenditure/Expenses Descriptions continued

City of Hurst Benefits:

The City of Hurst will provide quality services and programs with a responsive staff of approximately 398 full-time equivalent budgeted positions for fiscal year 2015-2016. Salary and benefits make up a major portion of the Operating Budgets. The City has a competitive salary/benefit package, and the goal is to try and maintain this competitive advantage. By comparison to seven other northeast Tarrant County cities, Hurst comparably provides employees with a 2 to 1 retirement match, Life insurance, Long-Term Disability insurance, Health insurance, dental insurance. Hurst is one of four that provides attendance pay, is one of three that provides unlimited sick leave accrual, and is one of three to contribute to social security. Direct pay and benefits are considered in total when evaluating the compensation system.

Until 1994-95, Hurst was the only city to pay 100% of dependent medical premiums. For 2014-2015, employees will pay between 0.25% and 5.25% of their base annual salary plus \$30 per month for employee and dependent health care based on their coverage choices. This equates to the City covering approximately 80% - 97% of the cost of health insurance for employees and dependents. The City provides dental insurance at no cost for the employee with the option for employees to cover dependents at their own expense.

Managing the cost of healthcare while sustaining benefits continues to be a challenge for employers, including the City. Several strategies have been considered and implemented to maintain the balance of cost. City Council has approved engaging a third party to conduct a dependent audit to ensure all dependents on the City's health plan are eligible for coverage. This will help to contain cost by removing any ineligible dependents therefore reducing up front and point of service costs to the city's loss reserve fund. The City partnered with Texas Health Physician's Group to open a near-site clinic. The Hurst Employee & Family Clinic is open twenty hours per week for Hurst employees, retirees, and eligible dependents at no cost to those covered under the City's health plan. The Clinic provides quality, convenient care for minor illnesses and skin conditions, and it is staffed with an Advanced Nurse Practitioner. The city has seen significant improvement in emergency room costs due largely to the opening of the clinic and incentivizing convenient care to the more costly emergency care.

Employees and their eligible dependents may participate in the City's Wellness Program and receive incentives for participation. Programs include health screenings, educational opportunities, flu shots, and individualized coaching with an experienced Wellness Coordinator. The Wellness program continues to deliver success in affecting employees' lifestyles helping to reduce long-term claims cost by improving overall health, early detection of chronic diseases, and early intervention for possible clinical illnesses.

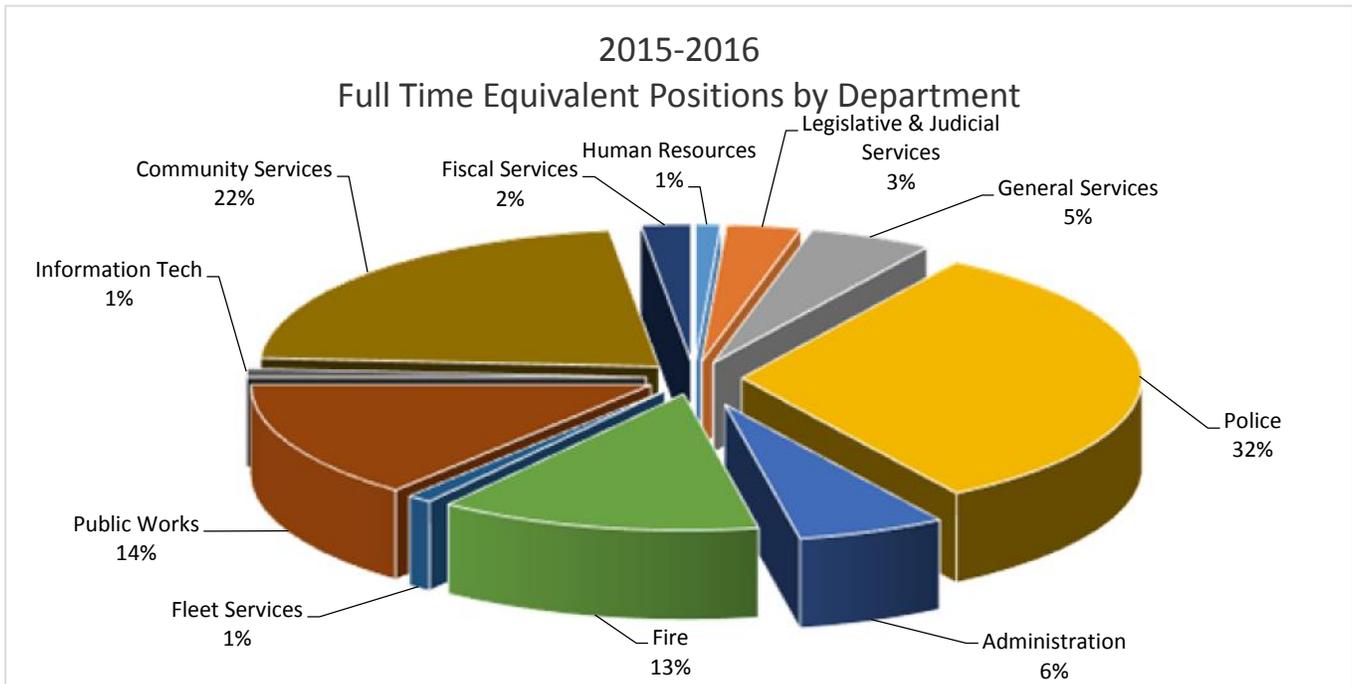
The City of Hurst participates in the Texas Municipal Retirement Systems (TMRS) for eligible employees. Since November 2000, any employee of the city who was a member of TMRS would be eligible to retire and receive a service retirement annuity if the member has at least 5 years of credited service and is at least age 60 or has at least 20 years of credited service at any age. 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. City employees participate in the Federal Social Security program and the City matches employees' contributions. Employees working 1,000 hours or more have a third method for retirement savings through contributing to a deferred compensation plan (457 plan) with tax-deferred dollars.

Regular full-time employees receive longevity pay which is based on the number of completed years of service starting at five dollars per month for each year and increasing to a maximum of \$210 per month with thirty years of service.

Additional benefits for regular full-time employees include 15 days of accrued sick leave per year with unlimited carry over allowance and a minimum of 10 vacation days and 9 holidays per year. The city offers partial reimbursement of tuition upon satisfactory completion of job-related courses subject to the Education Tuition Reimbursement program guidelines. A variety of rewards and recognition programs are also provided to employees.

Expenditure/Expenses Descriptions continued

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 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 2015-2016 are shown below.



Please note the above graph does not include Seasonal Positions.

Analysis of Full-Time Equivalent Positions

Full-time equivalent positions represent the hours worked by all full-time and part-time employees divided by 2080. As shown in the following table, small changes to part-time employees are attributed to expected part-time hours.

The total number of authorized full-time equivalent positions in the 2015-2016 budget increased from 430.34 to 431.17. The number of authorized full-time equivalent positions in the General Fund increased 0.05 from 292.33 the prior year to 292.38. This was due to the addition of a part-time Marshall in Legislative and Judicial Services to assist with bank deposits for the City.

All remaining divisions remained unchanged.

CITY OF HURST
2015 - 2016 PERSONNEL DISTRIBUTION

	Actual 2012-13	Actual 2013-14	Actual 2014-15	Budget 2015-16	Additions/ Deletions 2015-16
GENERAL FUND					
Legislative & Judicial Services					
Legislative	0	0	0	0	0
Judicial	5.73	6.23	6.75	6.74	0
Public Information	4.24	4.24	3.78	4.21	0.42
Subtotal	9.97	10.47	10.53	10.95	0.42
Administration					
Administration	3	3	3	3	0
Non-Departmental	0	0	0	0	0
Subtotal	3	3	3	3	0
General Services					
Community Development	2	5	5	5	0
Economic Development	1	1	1	1	0
Subtotal	3	6	6	6	0
Human Resources					
Human Resources	2	2	3	3	0
Fiscal Services					
Finance	4	4	4	4	0
Police					
Police	95.14	96.14	98.5	98.5	0
Fire					
Fire	47.85	47.85	47.85	47.64	(0.21)
EMS	10	10	10	10	0
Subtotal	57.85	57.85	57.85	57.64	(0.21)
Public Works					
Bldg Insp./Neighborhood Svs	9	6	7.5	7.24	(0.26)
Engineering	2	2	2	2	0.00
Streets	12.52	12.52	12.11	12.11	0.00
Subtotal	23.52	20.52	21.61	21.35	(0.26)
Community Services					
Administration	4	4	4	4	0.00
Facilities Maintenance	1.5	1.5	2	2	0.00
Parks	22.66	22.66	19	19	0.00
Recreation	17.29	17.29	20.61	20.61	0.00
Aquatics	14.82	14.82	9.98	10	0.02
*Senior Center	7.37	7.37	8.36	8.75	0.39
Library	22.07	22.07	23.89	23.58	(0.31)
Subtotal	89.71	89.71	87.84	87.94	0.10
GENERAL FUND TOTAL	288.19	289.69	292.33	292.38	0.05

CITY OF HURST
2015 - 2016 PERSONNEL DISTRIBUTION

	Actual 2012-13	Actual 2013-14	Actual 2014-15	Budget 2015-16	Additions/ Deletions 2015-16
ENTERPRISE FUND					
General Services					
Non-Departmental	0	0	0	0	0
Support Services	5.87	5.87	6.69	6.69	0
Utility Billing	9	9	9	9	0
Subtotal	14.87	14.87	15.69	15.69	0
Fiscal Services					
Support Services	7	7	7	7	0
Subtotal	7	7	7	7	0
Public Works					
Engineering	5.74	5.74	5.73	6	0.27
Water	19.74	19.74	19.74	19.02	(0.72)
Wastewater	9	9	9	9	0.00
Subtotal	34.48	34.48	34.47	34.02	(0.45)
Community Services					
Facilities Maintenance	1	1	1	1	0
Site Maintenance	0	0	0	0	0
Subtotal	1	1	1	1	0
ENTERPRISE FUND TOTAL	57.35	57.35	58.16	57.71	(0.45)
STORM DRAINAGE UTILITY FUND					
Public Works					
Engineering	1	1	1	1	0
Drainage	4	4	4	4	0
Subtotal	5	5	5	5	0
STORM DRAINAGE TOTAL	5	5	5	5	0
HURST CONFERENCE CENTER					
Administration	0	0	21.3	22.42	1.12
Subtotal	0	0	21.3	22.42	1.12
HCC FUND TOTAL	0	0	21.3	22.42	1.12
FLEET SERVICE FUND					
General Services					
Equipment Services	5	5	5	5	0
FLEET SERVICE FUND TOTAL	5	5	5	5	0

CITY OF HURST
2015 - 2016 PERSONNEL DISTRIBUTION

	Actual 2012-13	Actual 2013-14	Actual 2014-15	Budget 2015-16	Additions/ Deletions 2015-16
INFORMATION TECHNOLOGY FUND					
Fiscal Services					
Information Technology	4	6	6	6	0
IT FUND TOTAL	4	6	6	6	0
HALF CENT FUND					
Community Services					
Parks	1	1	1	1	0
Recreation	1.27	1.27	1.2	1.36	0.16
Aquatics	3.03	3.03	3.03	3.03	0
Library	3.42	3.42	3.63	3.58	(0.05)
Subtotal	8.72	8.72	8.86	8.97	0.11
HALF CENT FUND TOTAL	8.72	8.72	8.86	8.97	0.11
ANTI-CRIME HALF CENT FUND					
Police	29	29	30	30	0
ANTI-CRIME HALF CENT TOTAL	29	29	30	30	0
POLICE GRANT FUND, JUVENILE CASE MGR FUND, COURT SECURITY FUND					
Police					
Mental Health Coordinator	0	0	1	1	0
Subtotal	0	0	1	1	0
Legislative & Judicial Services					
Juvenile Case Manager	1	1	1	1	0
Court Security	0.98	0.98	1.69	1.69	0
Subtotal	1.98	1.98	2.69	2.69	0
POLICE/JCM/COURT TOTAL	1.98	1.98	3.69	3.69	0
CITY WIDE TOTAL	399.24	402.74	430.34	431.17	0.83

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 over the prior year in an amount of \$122,824 or 4.8%. This increase is due in part to a change in the City's fixed asset policy. The threshold for one-time capital outlay items increased from \$1,000 to \$5,000. As such, items normally budgeted in capital outlay are now budgeted in materials and supplies. The increase is also due to increased materials and supplies related to the new Justice Center, Chisholm Aquatic Park replacement and the Hurst Conference Center. Increased 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 Technology 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 Technology 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 increased \$400,870 or 12% for 2015-2016. This increase was done to prepare the fund for major replacement projects such as the citywide phone system, email system and Microsoft 365. Information and Fleet Services charges were adjusted to reflect changes in actual service needs as well as to reflect the recent purchase of 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. Overall, maintenance increased 5.4% or \$177,031 in 2015-16. Cost increases are primarily related to increased maintenance requirements for the Justice Center, Chisholm Aquatic Center and Hurst Conference Center.

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 2.3%, or \$603,574, for the 2015-2016 budget year. The increase is primarily related to a substantial increase in wholesale water and wastewater and costs.

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. Capital Outlay shows a decrease of (41.3%), from the previous year. This decrease is explained by the cyclical nature of capital purchases. Capital equipment replacement is typically funded through budgeted straight line depreciation based on useful life. During Fiscal Year 2013-2014, the City increased its capital outlay threshold from \$1,000 to \$5,000. Items under the \$5,000 capital outlay threshold are now budgeted in materials and supplies. For current year expenditures, the largest capital replacements are for Community Services pay-as-you go projects, such as Playground Replacement for \$200,000 and Chisholm Bollard Replacement for \$200,000. Public Safety plans to purchase a vehicle for the Mental Health Coordinator for \$44,900. Fleet will be purchasing sixteen vehicles totaling \$530,000.

