

September 30, 2015

The Honorable Mayor and  
Members of the City Council  
City of Hurst, Texas

Staff is pleased to present the City of Hurst, Texas, Annual Operating Budget for Fiscal Year 2015-2016. This budget reflects the positive financial condition of the city, and the ongoing mission of the Hurst City Council to:

**Provide cost-effective programs and responsive services to enhance the quality of life in Hurst.**

The city accomplishes this mission through the utilization of sound fiscal policy, a conservative approach in revenue and expenditure forecasting, adherence to the city's Code of Ideals, and continuation of programs designed to promote excellent customer service.

For fiscal year 2015-2016, the city's budget enhances the level of services and programs with a minimal property tax rate increase. Municipal property taxes for a homeowner living in an average-value home in Hurst will increase by only sixty-seven cents (\$0.67) per month. The approved tax rate will increase from \$0.606 to \$0.61056 per \$100 of assessed value. The city's tax rate provides for general operations & maintenance (O&M) and payment of annual debt service through its interest & sinking (I&S) fund. The I&S portion of the tax rate was decreased by approximately one cent, as compared to prior year. The timely payment of principal and interest and the refinancing of outstanding debt lowered the city's annual debt requirements. The O&M rate increased by approximately one cent to fund costs associated with an expanded Justice Center, an enhancement in citywide information technology services, and increasing health care costs. The adopted tax rate will continue to support quality services that Hurst residents and guests have come to expect.

Several factors continue to insure the strength of the city's budget and services, including:

- a professional and visionary Mayor and City Council with over one-hundred years combined experience;
- a strategic planning process for realization of short-term and long-term goals;
- monitoring economic conditions and utilizing a Fiscal Management Contingency Plan to make sure risk areas are identified and addressed before they become major issues;
- collection of a half-cent sales tax for crime control and prevention purposes and collection of an additional half-cent sales tax for parks, recreation and economic development projects allowing for a higher level of service;
- net growth in residential and commercial property valuations over the past decade;
- conservative revenue budgeting practices during both good and bad economic times; and,

- past and present redevelopment and maintenance efforts.

## **BUDGET OVERVIEW**

The 2015-2016 budget continues to reflect the City Council's conservative fiscal policy direction. The major objectives of the budget process are to identify cost saving measures and to provide funding to implement the City Council's strategic plans.

### **Zero Based Budget**

The city utilizes a hybrid zero-base/program/line item budget approach in which all budget requests are tied to city strategies and programs, and must be justified every year. The resulting outcome of this process is the implementation of a very conservative budget. Departments have again taken a zero-based approach to creating their budgets and all expenditure items had to be fully justified. A number of cuts were necessary in order for staff to balance the budget. Over \$4.5 million was cut from preliminary service enhancement submittals, and the cuts will not reduce current service levels.

### **Unfunded Needs**

Budget requests totaling \$181,500 were transferred to a prioritized list of unfunded needs. The list, including public safety and street maintenance equipment, was reviewed and approved by City Council at the August 2015 Budget Workshop. Funding for such items comes from the Special Projects Fund. It is the city's policy to transfer a portion of excess revenues over expenditures from the General Fund to the Special Projects Fund at the end of each fiscal year. It continues to be the city's policy to maintain a reserve of \$8 million within the Special Projects Fund for emergency needs. The remaining funds are available for other "one-time" expenditures. In 2014-2015, noteworthy allocations of Special Projects funding were as follows:

- \$1.2 million for street, sidewalk and drainage projects;
- \$3.4 million for economic development and redevelopment;
- \$3.5 million for a parking garage expansion at the Hurst Conference Center to prepare for the addition of a 140-room hotel;
- \$3.2 million for the design and construction of the city's new Justice Center and related parking;
- \$1.4 million for infrastructure maintenance citywide;
- \$1 million for special events, public art, and equipment.

As shown above, the Special Projects Fund continues to provide for the completion of major infrastructure projects on a "pay-as-you-go" basis, which minimizes debt obligations.

### **Volunteers in Action (VIA) Savings**

Another cost saving measure included in the budget is the extensive use of volunteers. It has been the objective of each city department to use volunteers to maintain or enhance their department's operations. Through the efforts of volunteers, over \$5 million has been saved since the program's implementation in 1979. The annual budget for volunteer operations will remain the same for 2015-2016 at \$11,600. This covers basic supplies and recognition materials and remains a small investment when compared to the program's benefits. Numerous full-time or part-time employees would need to be hired to offset the thousands of hours of service provided by the city's volunteers. To learn more about the city's VIA program please visit the following website: [www.hursttx.gov](http://www.hursttx.gov) and select Residents / Volunteers In-Action.

## Alternative Funding Sources

Each department evaluates service fees on an annual basis, and they are adjusted when necessary. The city also considers alternative funding opportunities and applies for state and federal grant funding each year. Grant funds received by the city generally average \$225,000 per year. In 2014-2015, total grant revenue generated was approximately \$532,041. This was due to grant proceeds received for Bellaire Phase II and Planview Landscaping. Grant proceeds vary from year-to-year and grants for fiscal year 2015-2016 are expected to fall within traditional levels and will primarily fund infrastructure and public safety needs.

## Major Operating Funds

The 2015-2016 primary operational and debt service budgets listed in the table below total \$69,351,563, which represents a 2.93% increase from the previous year.

<b>Fund</b>	<b>Budget 2014-2015</b>	<b>Budget 2015-2016</b>	<b>% Change</b>
General Fund	\$32,882,662	\$33,462,875	1.76%
Debt Service Fund	3,441,578	3,222,578	-6.36%
CS Half-Cent Sales Tax Fund	4,373,599	5,087,377	16.32%
Enterprise Fund	21,331,708	21,800,642	2.20%
AC Half-Cent Sales Tax Fund	5,350,038	5,778,091	8.00%
<b>Total</b>	<b>\$67,379,585</b>	<b>\$69,351,563</b>	<b>2.93%</b>

### **General Fund**

The adopted **General Fund** budget represents a 1.76%, or \$580,213, increase. Most city operations are financed within the General Fund, and the overall cost increase includes employee pay adjustments, an increase in health care costs, and an enhanced level of services. Economic stability and results of a regional salary survey support an approved 3.0% cost-of-living (COLA) increase in full-time salaries, and a small percentage of employees will also receive an additional market adjustment. On an annual basis, Human Resources surveys several neighboring cities to assess the competitiveness of pay and benefits. Market adjustments for 2015-2016 were approved for approximately seventy-five full-time and part-time employees. All salary adjustments will increase General Fund costs by approximately \$465,000 and Hurst employees will remain competitively compensated in comparison to similar cities.

The city will continue to move forward with capital replacement programs with final City Manager approval throughout the year. Approved 2015-2016 capital expenditures and infrastructure maintenance projects within the General Fund total \$3.3 million. The city plans on purchasing public safety equipment including body armor and rescue tools. The budget also includes an increase in information technology fees to fund future projects such as a phone system replacement, email system upgrade, and other projects identified by the city's information technology advisory committee. Maintenance of streets, facilities, fleet, and technology hardware will cost approximately \$4.2 million citywide. Infrastructure maintenance delays more costly replacement of assets.

New or enhanced General Fund services for 2015-2016 will cost approximately \$156,000. Enhanced services include: the addition of a part time clerk in the Building Inspections / Neighborhood Services division; operating costs associated with the new Justice Center; an

increase in overtime for added security at the city's Stars & Stripes Event; additional public safety training; and additional overtime hours associated with expanding Senior Center memberships and activities. The General Fund cost increase for 2015-2016 is largely offset by a reduction in utility costs per trend analysis. Savings will also be recognized through the closure of Central Aquatics Center. Central Aquatics will be closed for renovations which will provide approximately \$207,000 savings in personnel and operational expenditures during construction. Revenue will also be lost due to the center's closing, but the lost revenue will be partially offset by the 2016 grand opening of the city's recently renovated Chisholm Aquatics Center. Chisholm Aquatics was completely renovated in 2015 and will provide several new amenities for guests while operating in a more energy efficient manner.

**Debt Service Fund**

The **Debt Service Fund** accumulates ad valorem (property) tax dollars and pays principal and interest on the city's taxable indebtedness. Annual costs decreased by \$219,000, as compared to prior year. The Debt Service Fund expenditure decrease is associated with refinancing and partial payoff of existing debt. Savings were reprogrammed to assist with rising health care costs and to provide additional "rainy day" funds for 2015-2016. Staff and City Council evaluate the city's tax rate, debt position, and infrastructure needs on an annual basis. Bonds are issued for capital projects, including public safety, public works infrastructure, facilities and other assets. For 2015-2016, Debt Service Fund revenues are estimated at \$3,222,758 with \$20,000 coming from interest earnings and delinquent collections. The City plans to issue \$2,000,000 in certificates of obligation in fiscal year 2015-2016 to fund the Pipeline Road Phase Four project.

In November 2005, voters approved an \$11.7 million bond program. The city issued and spent \$8.6 million to improve streets, expand the Hurst Library, to move Fire Station #2 and to construct a new Senior Citizens Activity Center. The remaining \$3.1 million approved by voters may not be issued due to the adoption of the storm water management fee that did not exist when the bond election occurred. Water customers pay an additional fixed fee each month for future drainage and storm system improvements within the city. The alternative funding source provided an opportunity to utilize debt capacity for other needs such as the approved Justice Center project. The Justice Center is the only property-tax supported project to be commenced by the city over the past five years. And, in two of the past five years the city did not issue debt for new projects. In these two years, new debt instruments were issued for the sole purpose of refinancing existing debt at lower interest rates. The city's financial advisor, First Southwest Company, assists city staff in identifying refinancing opportunities.

**Community Services Half-Cent Sales Tax Fund**

The **Community Services Half-Cent Sales Tax Fund** increased by 16.32%, or approximately \$714,000 due primarily to an \$860,000 pay-as-you go capital and infrastructure maintenance program. The number and scope of pay-go projects varies from year-to-year, which typically creates large "budget swings" within this fund. Projects funded with operating dollars (pay-go projects) are included as follows:

- Parker Cemetery Improvements \$ 200,000
- Playground Replacement – Redbud \$ 200,000
- Chisholm Bollard Replacement \$ 200,000
- Park & Recreation Master Plan \$ 85,000
- Tennis Center Renovation \$ 75,000
- Project Development 2016 \$ 65,000
- Chisholm Pond Dredging \$ 35,000

The adopted budget for the Community Services Half-Cent Sales Tax Fund also includes the 3% COLA adjustment to salaries and replacement equipment for the parks and recreation divisions. An additional operational cost increase is related to the city's outsourced citywide landscape maintenance services contract. Since fiscal year 1999-2000, the parks division has successfully utilized contractual landscape maintenance services. In August 2015, the city's most recent landscape services contract expired. Requests for bids were sent to several companies, and only one sealed bid was received by the city. The city's current landscape maintenance contractor, LandCare, submitted the sealed bid with an annual increase of approximately \$200,000. This 40% increase is reflected in the adopted budget. An increase in sales tax revenue should sufficiently fund the additional contract amount. City staff recently completed an analysis and determined that outsourcing the service remains more cost effective than bringing the maintenance work in-house. The city would need to hire additional personnel and purchase equipment to provide the services with its own employees. LandCare's proposed increase was partially related to the impact of five-years of increasing health care, fuel, and other personnel costs. The remaining increase in landscape maintenance costs is related to the city's need to expand the scope of services. The city inherited maintenance areas related to the state's completion of the North Tarrant Express highway expansion. In addition, the city added the Hurst Conference Center, several new medians, and new landscape around City Hall and the new Justice Center. Each of these "signature" areas require ongoing maintenance.

New debt is only issued as current debt is paid off and pay-as-you-go programming is scaled back. As such, debt capacity will remain reasonable in the face of a slow-moving, local economy. In 2016, the city plans to issue \$3.5 million in Certificates of Obligation to support the reconstruction of Central Aquatic Center. Maintenance costs associated with the eighteen-year old aquatic park increased substantially over the past few years. The new aquatic center's operations and maintenance will be more efficient, and will have a new slide tower added, a slide hill and a new play structure. Operating costs are expected to increase by approximately \$30,000 per year subsequent to the completion of the project. Given park enhancements, fees will be increased to adequately cover the additional annual expenditures. The fund's total budget of \$5.1 million includes the annual debt service payment for projects; however, project costs funded with Certificates of Obligation are not included.

If the Community Services special revenue sales tax were not available, the property tax rate would need to be raised 21 cents to fund the programs currently underway. The city is projected to receive about \$5 million in gross sales tax revenues in fiscal year 2015-2016 from this source. Sales tax sharing with the developer of North East Mall in the amount of \$461,821 will need to be deducted from the overall revenue generated.

## **Enterprise Fund**

The **Enterprise Fund** is operated as a stand alone utility business providing water and sewer services to Hurst residents and commercial customers. This fund's approved budget increased by 2.2% or \$468,934. The City of Hurst does not own or operate its own wastewater plant. As such, the city contracts with the City of Fort Worth and the Trinity River Authority for the provision of wholesale water and wastewater services. Unfortunately, the City of Hurst has limited ability to control wholesale costs, which have increased by 55% over the past seven years. For fiscal year 2015-2016, wholesale costs are projected to increase by approximately \$390,000 or 7%. The city's Public Works Department monitors water usage and system capacity on a 24/7 basis. The city uses well water and other means to lower maximum hour and daily demands of water, which helps control wholesale costs as much as possible.

The adopted Enterprise Fund budget also includes the replacement of one crew truck, an increase in information technology user fees, a wastewater sampler, and replacement meters at a total cost of \$170,750. The Utility Billing and Water divisions work together to ensure a certain

percentage of meters are replaced on an annual basis. After around ten years, the accuracy of meters can diminish resulting in lost revenue. The city will also recognize budget savings in various ways. The removal of equipment approved and purchased out of last year's budget results in savings of \$226,100. In 2015, the city refinanced debt which provided approximately \$97,304 in savings. The city also issued \$1.2 million in new debt to fund the replacement of thousands of feet of water and wastewater mains throughout the city based upon needs analysis. Enterprise Fund employees will also receive the 3% COLA with total personnel costs increasing by \$71,595. Personnel costs represent only 20% of Enterprise Fund expenditures with the vast majority of costs related to wholesale operations and system depreciation and maintenance.

It is the city's financial policy to pass through all, or part, of the additional charges originating from the city's wholesale contracts with the City of Fort Worth for water purchase and wastewater treatment. For fiscal year 2015-2016 a 5% increase in water and sewer rates was approved for commercial and residential consumers. The higher fees will address a 2.12% increase in wholesale water costs, an 8.56% increase in wholesale wastewater costs, lower investment earnings, and revenue fluctuations recognized over the past several years. The Enterprise Fund continues to experience extremes in weather conditions, and water conservation efforts are negatively impacting revenues while wholesale costs continue to rise. Reserves are expected to sufficiently offset an anticipated deficit in fiscal year 2015-2016.

### **Anti-Crime Half-Cent Sales Tax Fund**

The **Anti-Crime Half-Cent Sales Tax Fund** budget increased by 8%, or \$428,052, including an increase in information technology user fees totaling \$102,018, an increase in radio equipment lease payments of approximately \$125,000, the purchase of a vehicle for the Mental Health Coordinator for \$44,900, body armor and other public safety equipment totaling \$61,500, and an increase in maintenance and operations costs for the new Justice Center. The new Justice Center and related parking project was approved by voters in May 2012 and opened to the public in February 2015. The new facilities will provide the following: a more secure and effective Municipal Court room; improved locker rooms for officers with appropriate accommodations provided to female officers for the first time; more private interview rooms; safer conditions for handling of prisoners; a much improved investigative laboratory; a more functional dispatch center to receive and handle 911 calls; secure and covered parking for patrol units; much needed parking for Hurst Town Center guests; and other improvements to enhance the quality of Police and Municipal Court services.

Anti-Crime Fund officers and civilian employees will receive a 3% COLA; however, the increase in wages will not impact the overall Anti-Crime Fund budget. Indirect overhead costs will be reduced by the same amount of the COLA. It is the city's policy to utilize General Fund dollars to cover the cost of pay increases in the Anti-Crime Fund. This policy is appropriate given the economic variations in sales tax revenues and staff's desire to maintain capacity in the Anti-Crime Fund for annual equipment purchases to support community-based law enforcement activities. Additional Anti-Crime programs benefiting the community are: gang intervention, crime prevention community-based policing, domestic violence, and neighborhood and business crime watch.

The capital lease line-item of \$466,353 is the annual payment for the city's first digital platform radio system. The system is used by police officers, firefighters, and public works employees and allows connectivity with surrounding communities in case of a regional emergency. The digital radios also solve past issues with "dead spots" in certain buildings where radios were inoperable. In 2015, additional equipment was added to the radio system to enhance quality and to make radios available to more departments within the city. This action increased radio lease payments by approximately \$125,000 per year for the next three years. At the end of the lease term, the city will own and maintain all related equipment.

The Anti-Crime fund continues to be funded by a ½% tax on retail sales within the city. On May 8, 2010, voters renewed the Crime Control and Prevention sales tax for an additional 20 years. Sales tax revenues are projected at \$5.1 million for 2015-2016. If this revenue source were not available, the property tax rate would need to be raised 23 cents to fund the 2015-2016 budgeted programs. Information on the Anti-Crime Tax Fund is located in the Other Funds section of this document.

### **Budgetary Objectives to Maintain and Improve City Services**

As in prior years, the primary budget goal is to achieve identified objectives that maintain or improve city services. The following short-term organizational objectives were achieved during the budget process, and all contribute to the city's financial stability and ability to improve operations.

- **Maintain city services at the current level and enhance services if justified, and if funding is available.** Funding is provided for city services such as public safety, streets/drainage, community services, neighborhood services and water/wastewater systems. City services expanded over the last two decades largely due to two separate half-cent sales tax revenue sources approved by voters and dedicated to Community Services projects and Police public safety expenditures. Another significant special revenue source, the storm water management fee, provides approximately \$1 million per year. Approximately \$500,000 is covering drainage costs previously budgeted in the General Fund and a substantial portion of the remaining amount is being utilized for new drainage improvement projects. The city is currently evaluating the possibility of implementing a street rental fee that would be utilized for street improvements throughout the city. Results of staff analysis will be presented to City Council for consideration.

A teamwork initiative (Hurst Intervention Team) is underway whereby the Police, Fire and Building Inspections/Neighborhood Services departments assist one another in providing outreach to residents and neighborhood groups through various programs. The Hurst Intervention Team received an International Association of Police Chiefs' Community Policing Award and also earned an annual Team Hurst Award. Each year, the City Manager selects a work group to receive the Team Hurst Award for their ability to work as a team and provide quality customer service. The Hurst Intervention Team's work is a collaborative effort that helps maintain property values and provides much needed assistance to many residents. Community policing was enhanced in 2014-2015 with the opening of a new sub-station in southeast Hurst. The sub-station will be operated by city staff and personnel from a neighboring city in an effort to enhance quality of life in entire neighborhoods without concern of the municipal boundary.

The city is currently working with the county, neighboring cities, non-profit agencies, and businesses to study the possibility of creating a community services center in southeast Hurst. The community center would offer medical, social, county, municipal, and other services in a single location. If plans materialize, the center would most likely open within the next three to five years. In addition, the city is also performing feasibility study related to a new animal control center. City staff is working with neighboring cities and the Humane Society to determine the viability of opening a multi-jurisdiction center with the Humane Society handling most adoption activities.

- **Provide for a competitive salary and benefit structure for City employees in order to attract, and retain qualified staff to operate the City's programs and services.** The operating budget continues to provide competitive wages and progressive benefits for all employees. Personnel salaries and benefits continue to be the major cost factor in the operating budgets with 72% of the General Fund Operating Budget being utilized for personnel costs. As previously discussed, employees will receive a pay increase in 2015-2016, which will be partially offset by higher employee health care premiums.

Health care costs are escalating due to higher claims experience and mandatory Affordable Health Care Act fees. Even though employees are being asked to pay higher premiums, the city continues to cover a total percentage of employee health care costs that is above the national average. In 2014, the city partnered with Texas Health Resources to open an employee clinic, which is beneficial to the city, plan participants, and Texas Health. Plan participants can utilize the clinic without co-pay, the city receives greater network discounts, and Texas Health can market additional services to the city's health plan participants. The city recently evaluated the clinic's effectiveness with Texas Health Resources personnel. The clinic will continue to be an option for employees. However, its location will be moved closer to city hall and will be combined with a new clinic, AIM Mid-Cities, which is open to the general public. Although the clinic will not be exclusive to City of Hurst employees, the city's personnel will have a certain number of priority appointment slots available daily.

Employees will continue to be offered participation in an award-winning wellness program. As part of the program, tobacco cessation assistance is offered to employees. Twenty-two employees, to date, successfully ended their use of tobacco products. Health care premiums will be increased in 2015-2016 for those employees using tobacco products. This penalty will be waived if an employee elects to receive medical treatment or chooses to go through the city's tobacco cessation program. The city also offers the following benefits: life insurance, long-term care and disability insurance, dental coverage, a deferred compensation plan, participation in social security (many cities in Texas opted out of social security in the 1980's), tuition reimbursement, longevity pay, wellness pay, flexible spending accounts, nine holidays per year, and paid time off for vacation and sick leave. The city continuously monitors salary and benefit levels to ensure those offered to employees remain competitive. Hurst continues to provide a more generous salary and benefit package than six neighboring communities that are included in the city's annual compensation survey. Turnover remains low in Hurst and employee satisfaction remains high.

- **Provide for infrastructure maintenance and facility improvements in the operating budgets.** A total of \$1.3 million has been budgeted in the General Fund for street, facilities and equipment maintenance (excluding allocations to Fleet and Information Technology funds). Aggressive infrastructure rehabilitation and replacement programs, utilizing pay-as-you-go funding, have been implemented to provide citizens high quality services while minimizing interest and other costs associated with debt issuance. The budget reflects increasing expenditures in facilities maintenance primarily related to the opening of the new Justice Center this year. In the Enterprise Fund, approximately \$558,000 has been budgeted primarily for water and wastewater system maintenance. The Community Services Half-Cent Fund has \$1.6 million budgeted for capital outlay and infrastructure maintenance for parks, recreation and library purposes excluding the reconstruction of Central Aquatic Center, which will be funded with Certificates of Obligation. The Central Aquatics Center will be closed for the 2016 season for remodeling. As such, the General Fund, Aquatics division budget was lowered by \$207,000. General Fund revenue will only fall by \$90,000 due to the updated Chisholm Aquatics Center grand opening in 2016. The Chisholm Aquatic Center's operations are also being partially funded within the Community Services Half-Cent Sales Tax Fund. As a result, the General Fund will avoid a net loss in 2015-2016 while the Central Aquatics Center is being renovated. Operating costs will be higher for the remodeled aquatic center and entry fees will be adjusted in the 2016-2017 proposed budget to offset the additional costs. The Anti-Crime Half-Cent Fund has approximately \$600,000 budgeted for equipment and facility maintenance and the Storm Water Management Fund has budgeted approximately \$450,000 for drainage improvements throughout the city. The Information Services capital replacement program totals approximately \$198,000, and the Fleet Services capital replacement program totals \$530,000. Eight police patrol units, seven service vehicles, and one vehicle for the EMS Battalion Chief will be replaced. Vehicle and equipment replacement decisions are based upon usage, age, and overall condition. City-wide, pay-as-you-go infrastructure maintenance and facility improvements, as detailed above, total over \$5 million.

- **Provide for a comprehensive economic development program to protect the existing business base and promote future development of the city.** Funding has been provided to promote economic development through business attraction and retention. Funds are also included within the budget to protect against revenue loss due to economic conditions. Two major economic development projects in the City of Hurst are the North East Mall expansion and construction of the Shops at North East Mall. Both properties are managed and owned by The Simon Property Group. City participation in the projects provided an opportunity to expand the city's sales and property tax bases by offering a regional shopping destination. The City of Hurst currently has a few more active economic development agreements that provide sales tax revenue sharing or property tax abatement to private developers. Each agreement offers enhanced hotel, retail, and industrial developments within the city. The two most recent economic development agreements will provide for a hotel adjacent to the city's Hurst Conference Center and a new shopping center at the northeast corner of Pipeline and Precinct Line roads. The hotel, a Hilton Garden Inn, is expected to open in the spring of 2017, and the shopping center is expected to open sometime in late 2015 or early 2016. Hurst also provides grant funding for improved commercial signage and maintains a close working relationship with businesses and chambers of commerce. Hurst continues to publish its annual Restaurant, Retail & Business Guide, which can be accessed on the economic development page of the city's website ([www.hursttx.gov](http://www.hursttx.gov)). During the past year, the city also managed a website ([www.shophursttx.com](http://www.shophursttx.com)) to attract shoppers to North East Mall in spite of surrounding highway construction projects. Staff utilized the web site to provide up-to-date road closure and alternate route information. The "Don't Let the Traffic Get You Down" campaign also provided an opportunity for four mall shoppers to win a \$250 mall gift certificate. Highway construction finished last fiscal year, and the shophursttx.com website will continue to be used to provide free marketing for businesses while offering coupons and other useful information to shoppers.

Attention is also focused on redevelopment plans for commercial areas in need of revitalization, as outlined in the city's Strategic Plan and Capital Improvements Program (CIP) document. The October 1, 2015 CIP document covers the city's current redevelopment plans collectively known as Transforming Hurst. Transforming Hurst primarily consists of three redevelopment projects: Bellaire Area Sustainability, West Pipeline (Heritage Village) Development, and Hurst Town Center Redevelopment. The West Pipeline Development Project known as Heritage Village took the lead with the completion of new Fire Station # 2 and Hurst Senior Citizen Activity Center. Both facilities opened six years ago and a private developer recently opened an independent-living facility in Heritage Village for persons aged 55 and older. The independent-living complex has many amenities including food services, transportation services, and a natatorium. The city donated land and agreed to back the developer's financing in the amount of \$1.2 million to help jump start the project. The financial backing will remain in effect until the developer sells or refinances this loan portion of his project financing. The City Council recently approved a three-year extension of the city's financial support. The developer believes the city's obligation will be released within the next 2 to 3 years as the property approaches 100% occupancy. The senior living project is currently 85% occupied. A new shopping center anchored by a prototype Wal-Mart Neighborhood Market is currently being built in the Heritage Village Area. The shopping center will significantly improve amenities for shoppers and will provide a substantial gain in property and sales tax revenue within the project area. The city will also continue roadway improvements in the West Pipeline corridor with 50% financial participation from Tarrant County. In addition, Substantial progress in Hurst Town Center was also made through the opening of the Hurst Conference Center (HCC) in September 2010. HCC just completed its fifth full year of operations and is performing in-line with financial projections. In addition, a new voter-approved Justice Center was recently opened within Hurst Town Center and construction of the new hotel adjacent to HCC will begin soon. The Bellaire area will be the final phase of the Transforming Hurst program. Conceptual studies for Bellaire are ongoing. All redevelopment projects will help ensure that the City of Hurst remains a viable and well-sustained community.

- **Identify areas of financial risk that may impact the budget.** One of the primary financial risks continues to be escalating employee health care costs. The city is self-funded and pays actual claims and fees to a third party administrator (CIGNA) that manages the program. Costs are rising due to increased costs of medical care, substantial claims of plan participants, and new legislative fees. The city, however, has been able to control some of the cost increases through aggressive cost containment strategies and wellness alternatives. The city refined its health care plan by forcing all employees to migrate to a consumer-driven program and by removing retirees at age 65 and older from the plan. The city's employees continue to be instrumental in helping to contain costs through wellness, fitness and nutrition education efforts. The Affordable Care Act (ACA) is not having a major financial impact on the City of Hurst. Most of the city's health care plan provisions were congruent with ACA. For example, the city's plan already accepted pre-existing conditions and disallowed rescission of coverage due to illness or medical condition. The city moved forward with early implementation of other ACA requirements such as allowing coverage for dependents ages 26 and younger. Staff believes the removal of maximum lifetime limits from the city's plan will not have a substantial impact given actuarial information. Administrative costs associated with the ACA will continue to be added to annual operating budgets and should not have a substantial financial impact. For example, the city began showing employee health care costs on form IRS-W2, which is a new administrative requirement under ACA, at a minimum administrative cost. In 2013-2014, new governmental fees under ACA were passed on to plan participants through an increase in coverage premiums. The 2015-2016 budget includes an additional \$30 per month increase for a total \$60 per month increase approved over the past two years. Other plan changes were also made for the 2015-2016 budget year.

Staff utilizes consulting services to review its plan and participant charges each year. The city continues to use CIGNA given their competitive fixed fee structure and their offering of greater medical discounts within its network of physicians and other services. It is also important to note that the city carries "stop-loss" coverage that transfers claims costs to CIGNA once the city's share of a participant's claims reaches \$100,000 per incident. The city also has an aggregate stop-loss amount of around \$6 million per year. CIGNA updates its administrative fees and claims estimates each year and the original quote for 2015-2016 equaled a 36.75% increase. The city's consultant recommended plan design changes and other cost containment options which lowered the CIGNA quote to a 3.77% increase. The city increased employee premiums by the aforementioned \$30 per month plus an additional 0.5% to 1% of gross wages for most plans. Other changes include eliminating the most costly plan reducing the total plans available from three to two, increasing the deductible on the primary plan and the specialty drug co-pay, and continuing partnership with Texas Health Physician Group to provide an employee clinic. Information regarding the city's Self-Insurance Loss Reserve Fund is located in the Other Funds section of this document.

The city heralds the fact that employees tend to be loyal and enjoy long-term careers in Hurst. Unfortunately, this means a substantial portion of the city's employees are eligible for retirement. Over the past five to seven years, key employees like the Police Chief, Finance Director, Personnel Manager, Risk/Purchasing Director, Planning and Development Director, and Public Works Director retired. Financial exposure associated with retirements includes the payment of sick and vacation benefits, hiring and training costs, and associated reorganizations. The city caps the amount of sick and vacation time that is eligible for payment to retirees. Even so, an additional \$50,000 is included in the 2015-2016 budget to cover such retirement costs given the expectation that the number of retirements will continue to increase over the next few years. To insure operations continue smoothly in the face of increasing retirements, the city has successfully utilized leadership development programs and a new hire process that matches candidates with the organization's *Code of Ideals*. The city has successfully filled several management-level positions with both internal and external candidates over the past few years.

Financial risk is closely examined during the City's annual Multi-Year Financial Overview and Strategic Planning Process. A City Council fiscal management action plan is to be proactive in risk detection and reduction. The city has formalized recurring internal audit strategies as objectives of that plan. The city also entered into a team-based internal audit approach by capitalizing on the expertise of an independent and objective outside party as well as the professional skill of staff members within the Fiscal Services Department. For several years, a comprehensive data analysis of accounts payable, purchasing card activity, and payroll has been prepared and this process will continue as part of this program. The budget also includes funding for additional internal audit projects as deemed necessary throughout the year.

Heavy media scrutiny of police operations, often unwarranted, has become a national trend and presents a unique risk to all police departments across the United States. Hurst prides itself on providing a nationally accredited law enforcement agency, providing 24-hour response to the needs of the community. The department must adhere to several principals and internal policies to receive its accreditation, and there are many agencies in Hurst's region that do not earn similar accreditation. Additionally, the City of Hurst requires a minimum of 60 collegiate hours for officers, all officers must complete an accredited Police Officers academy, and numerous hours of ongoing training are completed by all officers. Hurst's Police Department also has the equipment and training to utilize less lethal force when necessary. The city's Police Chief and Assistant Chiefs deploy programs to support courteous community policing. The city also provides one of the highest paid starting salaries for officers in our region. The City of Hurst will continue to provide the resources necessary to assist our police officers in providing a service that has become increasingly more difficult.

In 2015-2016, staff will continue to closely monitor the national and local economies. Some remain fearful that a reduction in federal government spending combined with an increase in taxes could push the nation into another recession. Others warn that positive economic momentum combined with low interest rates can lead to problematic inflation including heightened fuel costs. And, many argue that interest rates must remain low given the U.S. debt position. And, recent events, such as those in Paris, France, remind us all that the economy can shift with the nation's policies to defend against terroristic threats around the world. If economic conditions worsen, the city would certainly be impacted through shrinking property and sales tax bases and other side effects, similar to those felt during the most recent recession. The approved budget was balanced conservatively with economic contingencies existing in both revenue and expenditure estimates. Fiscal Management Strategies are located in the Long Term Strategic Plans and Budget Summary sections of this document.

Hurst is a mature community and is almost entirely built-out. This means no new growth will occur emphasizing the importance of Transforming Hurst Redevelopment Plan implementation and other programs that will help maintain the quality of residential and commercial properties in Hurst. Transforming Hurst plans are discussed throughout this document and consist of new city facilities and other infrastructure improvements being made in strategic areas of the city ([www.transforminghurst.com](http://www.transforminghurst.com)). Private developers are being encouraged to move forward with projects adjacent to and surrounding new city facilities.

## **BUDGET ISSUES**

### **Conservative Budgeting Approach**

The continuation of conservative financial and operational policies has guided the development of the budget for the upcoming year. This conservative approach is critical to the 2015-2016 budget due to the relatively slow-moving economy. The city's two primary revenue sources, property tax and sales

tax are expected to maintain steady growth next year. Property tax revenue is expected to increase overall by around 3% and sales tax revenue is budgeted to increase by around 1%. However, worsening economic conditions can quickly impact property and sales tax revenue. The adopted budget includes a 1.5% allowance for uncollectable property tax revenue and a 10% allowance for uncollectable sales tax revenue. Economic conditions have a more direct and quicker impact on retail sales. As such, the sales tax allowance is higher than the property tax allowance. There is no change in the city's sales tax rate as it is already equal to the maximum rate allowed by state law. The property tax rate is approximately one-half cent higher than the prior year with property values remaining relatively stable. Personnel costs remain budgeted at full employment although vacancies will occur throughout the year. The city also maintains strong fund balances or reserves for emergency needs. The city will continue to practice a conservative operational approach with the economy being seemingly tested by domestic policy and global events daily.

### **Property Tax Revenues**

The General Fund is challenged each year when setting the property tax rate to fund services and programs. The proposed budget cannot be prepared without information from the Certified Tax Roll received July 25th from the Tarrant Appraisal District. Once the roll is received, the tax rate is set based on both the debt rate needed to pay for the city's bonded indebtedness and funds needed for maintenance and operations funding in the General Fund. The tax rate distribution for 2015-2016 allocates 78% of the adopted rate (\$0.61056) to operations and 22% to debt. This is a favorable distribution given an accepted benchmark maximum of 25% allocated to debt service.

The tax roll values are an unknown until the Tarrant Appraisal District certifies the Final Roll. For the third time in five years, total net taxable property values decreased in the city. However, the decrease is less than 1% for 2015-2016, and staff expects values to increase next year given recent real-estate indicators. Values for next year's budget will be formulated in January 2016. From tax years 2005 to 2015, values have gone up by \$260 million and now total \$2.76 billion, as illustrated. Net taxable values in tax year 2015, representing 2015-2016 collections, had a decrease of 0.71%. When exemptions, protested values and the Senior Tax Freeze impacts are considered, the net taxable value decrease of approximately 0.74% is negative when compared to budget projections calling for values to be between flat and 2% growth. Debt refinancing, a tax rate increase to the effective rate, and a tax collection rate increase will result in an increase in property tax revenue for the General Fund of 3.05% or \$321,157. Of this amount, \$100,000 will be reserved for increasing health care costs and future infrastructure improvements. The property tax revenue budget remains lower than what is legally permissible primarily due to the City Council's policy to provide tax relief when possible. Tax exemptions (e.g., disabled veteran, senior citizen and homestead exemptions) offered to property owners will lower revenue collections by \$2.3 million in 2015-2016.

The total tax rate of \$0.61056 is slightly higher than the previous year's adopted rate, is equal to the calculated effective rate, and includes 6.6 cents to finance the following voter-approved projects: Hurst Justice Center, Fire Station #2, Library expansion, Senior Citizens Activity Center, and various street and drainage projects. The average residential property owner in Hurst will see a 1% decrease in their taxable property value, and their tax bill will remain virtually unchanged as compared to the prior year. The average city tax bill for a homeowner in Hurst is \$678 annually or \$56 per month. This amount is for city services only and does not include the property taxes owed for school district, county, hospital district, or college district services. Overall, the city's bonded indebtedness, paid primarily through the tax rate, has increased over the past several years to fund infrastructure improvements and new facilities. Yet, every effort is made to provide tax relief to the citizens. The property tax rate over the past twenty years declined and eventually was raised again based upon financial plans and funding needs, as illustrated. Rates levied by most neighboring cities in Tarrant County remained flat or increased each year during this same time period. The city's willingness to lower the tax rate in strong economic times saved taxpayers over \$20 million during the last two decades. In addition to tax rate relief provided during this time, the city grants the highest exemption

for homestead allowed by state law and provides additional senior and disabled citizen exemptions. The City Council passed the senior and disabled tax cap, which freezes Hurst taxes at the level paid when property owners become disabled or reach 65 years of age. This cap remains in effect for all future budget years, assuming this section of the state constitution is not amended. Property owners in Hurst receive \$413 million in reduction of values for tax exemptions and the senior/disabled tax freeze. This represents \$2.3 million of tax relief for property owners in fiscal year 2015-2016.

### **Sales Tax Revenues**

The second major financial consideration that guides the development of the budget for the upcoming year is the projection of sales tax revenues. The city collects a total of 2% sales tax: 1% for General Fund; 1/2% for the Community Services Half-Cent Sales Tax Fund; and 1/2% for the Anti-Crime Fund. It is a city policy to use a conservative approach in forecasting this revenue. City sales tax collections reached their highest point in 2007. Sales tax receipts have been as high as \$10.3 million for the General Fund, except a portion of sales tax generated by North East Mall is shared with Simon Property Group, resulting in lower net receipts. For fiscal year 2015-2016, total sales tax revenues are projected to increase by \$85,000 from the previous year's General Fund budget. Sales tax revenues are projected to be \$8 million, which is equal to the 2015-2016 estimated collections of \$8.9 million, less \$940,000 for the North East Mall revenue sharing agreement and an additional \$900,000 economic contingency amount. The economic contingency provides for impacts of economic downturn and also accounts for the potential loss of major retail businesses within the city. The Half-Cent Community Development Corporation participates in the revenue sharing agreement with Simon while the Anti-Crime Fund does not participate. All projections of sales tax revenues are very conservative due to the volatility of this revenue source, which is very dependent on the economy. Retail growth in Hurst offset any declines due to economic conditions up until fiscal year 2007-2008 when the Great Recession began. Also, the state-mandated, "back-to-school" sales tax holiday in August each year has had an expected negative effect on retail sales, but this impact cannot be directly measured. The biggest challenge in the multi-year financial planning process is projecting future sales tax revenues given the unclear impact of future economic development and redevelopment efforts, uncertain economic conditions, and impactful legislation. Staff is cautious in planning for this revenue. Due to the sales tax sharing agreement that is in place, the city builds into the budget only revenues that will remain after the revenue is shared with Simon. Other sales tax sharing agreements are much smaller in scope and carried in the Special Projects Fund. Any future revenue sharing agreements will be carried within the budgets of appropriate funds. The Shops at North East Mall agreement with Simon started January 2002 and the North East Mall agreement began in April 2003. The city reached an early payoff of the Shops portion of the agreement in fiscal year 2008-2009. In addition, the Mall portion of the agreement dropped from an 80% sharing arrangement to 75% in 2010-2011. The associated savings contribute to the growth in net receipts over the past few years, as illustrated in the graph on the previous page. The North East Mall agreement is scheduled to end in 2023. The city will receive benefit of the annually budgeted amount of approximately \$900,000 for the 2023-2024 budget year.

The city has been proactive in informing the state and federal congressional delegations of the need to allow local control over tax policy and the need to tax Internet sales. An important issue is that local sales tax revenues could be adversely affected in future years should Texas not remain origin-based in collection of sales taxes for "brick-and-mortar" sales. This issue arose in the discussions of the Streamlined Sales Tax simplification process that would render all Internet and catalog sales taxable while streamlining tax law to make all states follow a destination-based sales tax model for all eligible transactions. Currently, the majority of the states favor the collection of sales tax at the point of destination because it is a simple method of assessing and collecting tax. In Texas, taxes are collected at the point-of-sale regardless of where goods are delivered (for most non-Internet based sales). As such, local taxing units, not the state, will lose tax revenues under a scenario where taxable sales delivered out of a taxing unit's jurisdiction exceeds the value of taxable sales delivered into their jurisdiction. Hurst has been a member of a coalition of Texas cities that are protesting

destination-based collections. The City of Hurst is supportive of any legislative effort that allows origin based taxation for in-person transactions and favors destination-based taxation for any Internet transaction that requires direct delivery of the merchandise to the purchaser or business to be held for customer pick-up. Fortunately, a recent agreement between the State of Texas and Amazon.com will set a precedent for federal legislation to call for Internet sales tax collections in a destination-based manner.

### **Multi-Year Financial Overview**

To this point, the Budget Message has focused mainly on financial policies and goals that guide the development of the budget for the upcoming year. Long-term financial goals and issues are examined each year through the preparation of the Multi-Year Financial Overview, which covers ten years. Decisions for the upcoming year were not made without considering the long-term financial effects.

## **LONG TERM FOCUS**

### **Multi-Year Financial Overview**

The Overview is an essential component of each year's budget process. Expenditures are projected at an estimated growth rate, and funding strategies are developed to provide for this growth. Potential revenue sources, cost-saving strategies and debt issuance are considered before property tax rate changes or utility rate changes are factored into the plan to balance the projected budgets. Excerpts from the Multi-Year Financial Overview, and the five-year summary of the long-term plan, are located in the Appendix Section of this document. The Multi-Year Financial Overview is presented to the City Council in July or August prior to budget workshops held each year.

### **Capital Improvements Program**

An important long term planning document is the Capital Improvements Program (CIP). The CIP identifies existing and future needs, funding sources and project maintenance and operation costs. The goal of the Capital Improvements Program is to identify and plan for future capital programs and to estimate cost impacts. The plan is comprised of a complete listing of funded and unfunded capital project needs that are identified by each operating department. The projects are prioritized and ranked, taking into consideration the timing and immediate needs of the projects. A separate CIP document has been prepared as of October 1, 2015, and is summarized as part of the 2015-2016 budget document.

A funding source that addresses long-term capital project needs for the General Fund is the Debt Service Fund, which pays principal and interest payments on General Obligation bonds and Certificates of Obligation. From 1987 to 1994, the city chose not to issue bonds because any new issue would require an increase in the debt component of the property tax rate. For the ten years prior to 2006, the city was able to issue additional debt without raising the tax rate because fiscal year 1995 started the decline of payments for debt issued prior to 1987, and property values increased. The community-based need for capital project funding changed the philosophy of no debt increases. The debt component of the property tax rate increased from \$0.0886 in 2005-2006 to \$0.129897 for the 2008-2009 fiscal year primarily due to voter-approved general obligation debt. The additional debt provided for fire station, library, senior center, and drainage improvements and Bellaire Drive reconstruction. For the 2009-2010 fiscal year, the debt component decreased to \$0.1252092 due to the refunding of prior bond issuances. And, for fiscal year 2010-2011 the debt component increased to \$0.1327157 to make up ground for the 6% decline in taxable values. The debt component of the tax rate for 2011-2012 decreased slightly to \$0.132631 due to the June 2011 refunding of debt. And, the approved debt rate for 2012-2013 was increased by approximately 3

cents to \$0.1631288 to fund the new parking garage and Justice Center, as previously discussed. The debt rate decreased to \$0.1586172 for fiscal year 2013-2014 due to the refunding of debt in 2012-2013. The debt rate decreased again by 1.3 cents in the adopted 2014-2015 budget due to the payoff of previously issued debt. The adopted budget includes a debt rate reduction of approximately one-cent with an approved rate of \$0.1362835. Debt was refinanced last year and additional debt was paid in-full. The city continues to pay principal and interest in a timely fashion, and the city had a relatively small issuance of debt for Pipeline Road reconstruction last year. There have been more opportunities for debt refunding or refinancing deals over the past several years due to low interest rates and the city's policy to place call provisions in all debt issuances. Additional debt of 3.5 million is planned for the reconstruction of Central Aquatic Center, which will be financed through sales taxes collected within the Community Services Half-Cent Sales Tax Fund. Potential refunding or refinancing of existing debt is evaluated on an ongoing basis and any opportunities to take advantage of lower interest rates will be exercised next year. Additional debt issuance is also planned for Pipeline Road reconstruction next year, and any new debt impacting the property tax rate will be taken to voters for approval. All city debt is issued with fixed interest rates and provisions allowing for refinancing under favorable market conditions at certain time intervals. Information concerning the Debt Service fund is provided in the Other Funds section.

**Long Term Strategic Plan Process**

Each year, a formal review and revision of strategic plans is performed by the City Council before the budget process begins. In 2015, the City Council met in February for a Strategic Planning Session and the results were communicated to city staff in March so they could clearly understand the City Council's direction. Staff Action Plans prepared from the review influenced and guided the development of the approved budget and the multi-year financial overview. The Action Plans for the 2015-2016 budget are located on pages 35 to 40 and apply to the following policy statements for the respective departments.

PROGRAM	POLICY STATEMENT
City Council Relations	Practice mutual respect, trust, and professionalism in order to work as a team for the betterment of our community.
Fiscal Management	Implement plans that provide funds to maximize the quality of services while balancing revenue sources with cost of maintenance, operations, and debt.
Community Development	Provide mechanisms for development/ redevelopment standards that meet changing needs of the residential and commercial markets.
Economic Development	Use promotional strategies and state of the art technology to attract, retain, and promote existing and new commercial development within the City.
Community Infrastructure	Design and implement rehabilitation and maintenance programs providing residents and businesses with quality streets, water and sewer systems, drainage systems, and city facilities.
Community Services	Deliver and expand quality community services that meet the citizens' educational, leisure, cultural and social needs.

Public Safety	Develop and implement “forward-looking” policies and practices to deliver public safety services.
Community Transportation	Develop and implement comprehensive transportation plans that are efficient, safe and environmentally friendly.
Information Technology	Develop and implement plans to invest in information technology that provides better services to internal and external customers.
Community Relations	Implement programs that effectively communicate and increase the public’s awareness of city services.
Customer Service	Committed to providing exceptional customer service by public service professionals that are responsive to the needs of the community.
Organizational Development (Human Capital)	Empower employees to serve the community in developing an exceptional quality of life through professional and ethical service delivery.

**Economic Development and Redevelopment Efforts:** An extremely important part of the Action Plans for the City of Hurst’s long-term success is the Economic Development and Transforming Hurst policies outlined on pages 36 and 40. Among other strategies, the policies focus on the following:

- Continue aggressive business retention and development programs.
- Strengthen relationship with North East Mall to remain vital and community friendly.
- Target businesses that are underrepresented in the area but growing in Region.
- Continue to utilize state-of-the-art technology for economic development.

The most impactful economic development project completed in the past was the city’s participation in public improvements for the expansion of North East Mall and the construction of the Shops at North East Mall adjacent to the mall property. Improvements and additions have continued in and around the mall area. Some notable additions within the last five to ten years include Rave Theaters and their recent \$2.5M renovation, Dick’s Sporting Goods, Rue 21, Forever 21, James Avery , Michael Kors and five restaurants including BJs Restaurant and Brewhouse. They average four to five new stores through lease expirations each year. In 2011, buybuy Baby Superstore opened within space previously vacated by Circuit City. The Shops at North East Mall is 100% occupied. The city’s Economic Development Director continuously pursues promising leads for future tenants. In fact, two vacancies were recently occupied by exciting entertainment venues; Battlefield Frontlines Combat Lasertag and Rebounderz Trampoline Park. The city continues to be a popular place for retailers to open their doors as illustrated by new businesses continuously entering the city averaging 120 new businesses per year. The city’s commercial lease occupation rate remains over 94% and continues to be higher than industry norms. And, North East Mall is 100% occupied. Staff believes commercial success is largely related to programs aimed at continuously revitalizing residential and business corridors. City infrastructure upkeep as well as programs offered to rehabilitate residential homes throughout the city assist in making Hurst a desirable community.

**Revenue Sharing Success and Future Tool:** Simon Property Group, owners of North East Mall, approached city officials and requested their participation in the expansion of the mall, a practice that has become increasingly prevalent between developers and cities in a competitive retail environment. Simon's plans evolved from the addition of one anchor tenant, and remodeling, to a major expansion with three additional anchor tenants and expanded specialty shops, and the addition of an adjacent retail center called The Shops at North East Mall. The city began participation in the projects under two sales tax participation agreements with Simon approved by both the City Council and the Hurst Community Services Corporation Board. Both agreements were capped by the number of years and shared dollars. If the developer exceeds revenue projections, the city's commitment in new sales tax revenues will be paid off sooner. If the developer does not exceed revenue projections, all principal and interest remaining unpaid at the end of the term will be forgiven. The developer exceeded sales expectations in the Shops area and the city reached early payoff in 2009. After this point, the city began receiving 100% of Shops sales tax earnings and this is reflected within this document's financial summaries. It is expected that the city will continue sharing revenue on the Mall agreement until the end of the contract term in March 2023. The resulting savings under the agreement will be well over \$10 million.

The projects were determined to be financially beneficial through a comprehensive cost/benefit analysis, which verified city projections of an annual net benefit to the city of approximately \$7 million dollars over a 20-year period. In addition, the city benefits from the expanded employment base of around 3,000 jobs. Of primary importance, the project was deemed necessary to preserve the financial integrity of the city's sales tax base. The mall area makes up approximately one third of the city's sales tax base. The North East Mall expansion with its generation of additional sales tax, and property tax revenues, and its positive effect on the area's economy, is considered an investment for years to come. The mall recently remodeled one of its main entrances and additional store remodels are under way at this time. Numerous tenants recently extended long-term leases, a few new stores like Michael Kors and White House Black Market entered the mall, and many tenants remodeled their space. For example, Victoria's Secret moved locations within the mall while expanding and upgrading space. Simon continues to reinvest in their shopping center as exemplified with their recent total renovation of their dining pavilion. It's exciting to see that North East Mall remains well-positioned to continue its success. To view a current lineup of mall stores, please visit <http://www.simon.com/mall/north-east-mall/stores>.

The revenue sharing agreements with Simon Property Group are considered the model for subsequent, smaller-scale agreements entered into by the City of Hurst and other companies. The city creates all economic development agreements under Chapter 380 of the Texas Local Government Code. A successful 380 agreement was approved by City Council to assist Texas Appliance move into Hurst and occupy a "big-box" retail space previously occupied by CompUSA. The space was vacant for several years and generated some much needed retail traffic within Hurst Town Center. The city also entered into recent 380 agreements to encourage major projects and redevelopment in aging areas of the city. Those include a 380 Agreement with Burk Collins Company that allows for the construction of 90,000 s.f. Shops at Hurst with a new Walmart Neighborhood Market and a tax incentive for an entertainment venue, IFLY, an indoor skydiving spectacular with regional draw. All agreements are capped by time or dollar amount and provide long-term financial benefit to the city.

**North Tarrant Expressway Impact:** The State of Texas recently completed the reconstruction and widening of State Highway 183 that crosses the City of Hurst from its west to east boundaries. The city has termed this freeway as our "fifty yard line." City staff is working diligently with the state and private developers to take advantage of the freeway improvements and was recently recognized by TXDOT as implementing the most active redevelopment plan of the five cities impacted. The state purchased right-of-way throughout the highway corridor and many aging buildings were demolished to make room for the new highway. City staff sees this as a great opportunity to replat existing

property for new businesses to call home. In-N-Out Burger opened just north of the highway where an apartment complex was condemned and demolished. South of the freeway, a vacant “big box” structure was recently demolished and several restaurants to move into the space including a new Outback Steakhouse and Pollo Tropical. A top-notch Starbuck’s facility recently opened along with several other popular restaurants. Property values and sales tax revenue will benefit from the improved highway and resulting new businesses along the corridor.

**Customer-Oriented, Employee Programs:** A major initiative in the strategic planning process has been an emphasis on customer service. The employees of the city worked together to identify guiding principles that focus attention on exemplary customer satisfaction as stated in the City of Hurst’s *Code of Ideals*. The *Code* serves as the philosophical cornerstone to guide interactions with anyone who lives, works, shops, or plays in the city, or relies on the provided services (see page 37). A significant organizational development effort was launched in 2013 beginning with training on the principles from Jim Collins book, “Good to Great”. Professionally facilitated discussions with small groups of employees across the city were centered on concepts introduced in Collins’ book and ideas were generated to ensure the City of Hurst is an organization that is “built to last.” The Good to Great program prompted the implementation of several projects with the goal of streamlining and modernizing Human Resources operations. There has been an emphasis placed on organizational and individual commitment; being disciplined in all we do; being committed and enthusiastic at what we do best; and being focused on providing quality customer service. All employees have been asked to keep in mind that it is not just through words that we accomplish our goals, but it is also through our actions. We will continue our development efforts by focusing on two of the principles introduced through the Good to Great meetings, the “hedgehog concept” customized and termed “The Hurst Way” and “level 5 leadership” through John Maxwell’s book, *5 Levels of Leadership*.

### **Fiscal Management Plan**

The imperfect economy, natural disasters, and dynamic energy costs have been the primary influences on the operating budget in recent years. The city’s financial policies include a Fiscal Management Plan that was adopted to guard against resulting financial instability. The plan has four levels that progressively emphasize budgetary discretion in staffing levels, compensation, capital outlay, user fees and overall service levels. Redevelopment efforts and conservative fiscal policy helped stabilize the city’s financial outlook in recent years. There were enhancements in service levels, and all budget objectives were accomplished during very difficult economic times.

Various stages of the Fiscal Management Plan have been in place since the economic downturn in 2001. In September 2005, several provisions of Level II were implemented due to escalating fuel prices and the dramatic economic impact of hurricanes that hit the Gulf Coast. Capital projects and purchases were delayed and spending was reduced where possible. For budget year 2006-2007, the economy experienced a recovery with positive market indicators and rising interest rate yields. The city’s Fiscal Management Plan returned to Level I and spending continued at this level until steps were taken to address the “Great Recession” that began in December 2007. Fiscal year 2008-2009 began in a deepening recessionary environment. At mid-year, fiscal responses from Levels III and IV were necessary and implemented. Mandatory budget reductions resulted in over \$600,000 savings to the General Fund. Additional fee evaluations were performed and implemented, vacant positions were frozen indefinitely and a new storm water management fee was implemented. Economic conditions stabilized in 2010-2011 allowing the city to return to Level I of the plan. Sales tax revenue began rising after almost two years of decline and property values became less volatile. The city’s proactive steps to address economic downturns allowed the General Fund to continue operating at a surplus in all of these years. The 2015-2016 budget will continue to support quality services and programs that Hurst residents and businesses have come to enjoy and expect, even in the face of ongoing economic uncertainty. As the attached budget indicates, signs of economic recovery are evident, but the budget remains conservative. The Fiscal Management Plan will remain in effect until

local economic conditions are reevaluated in May 2016. The Fiscal Management plan is an important component of the long-term strategic planning process and allows the city to proactively maintain the city's financial stability.

### **SUMMARY**

The city's positive financial condition attained through economic development efforts and appropriate multi-year planning efforts will help protect city services. Staff is encouraged by improving conditions in the local economy and felt comfortable in maintaining service levels with enhancements in certain operational areas. The city will continue to retain and attract staff that will be committed to the organizational *Code of Ideals* that emphasizes a strong customer service philosophy. Staff will also continue its journey within a program entitled *Good to Great: The Hurst Way!* Supervisor training will be the main point of emphasis in the coming year. The City Council and staff remain focused and committed to providing efficient and cost-effective services and programs to the Citizens of Hurst as outlined in the City of Hurst Strategic Plan. It is our goal to protect and enhance the city's tax base and other important revenue sources, and to also continue to monitor and react to ever changing economic conditions. The city's economic redevelopment programs are energizing the entire city and staff as new city facilities are being completed and private businesses continue to seek Hurst as a favorable location. Through these conservative and focused efforts, the city will be able to continue to provide quality public services to all Hurst residents and guests.

Sincerely,



W. Allan Weegar  
City Manager



# ***The City of Hurst***

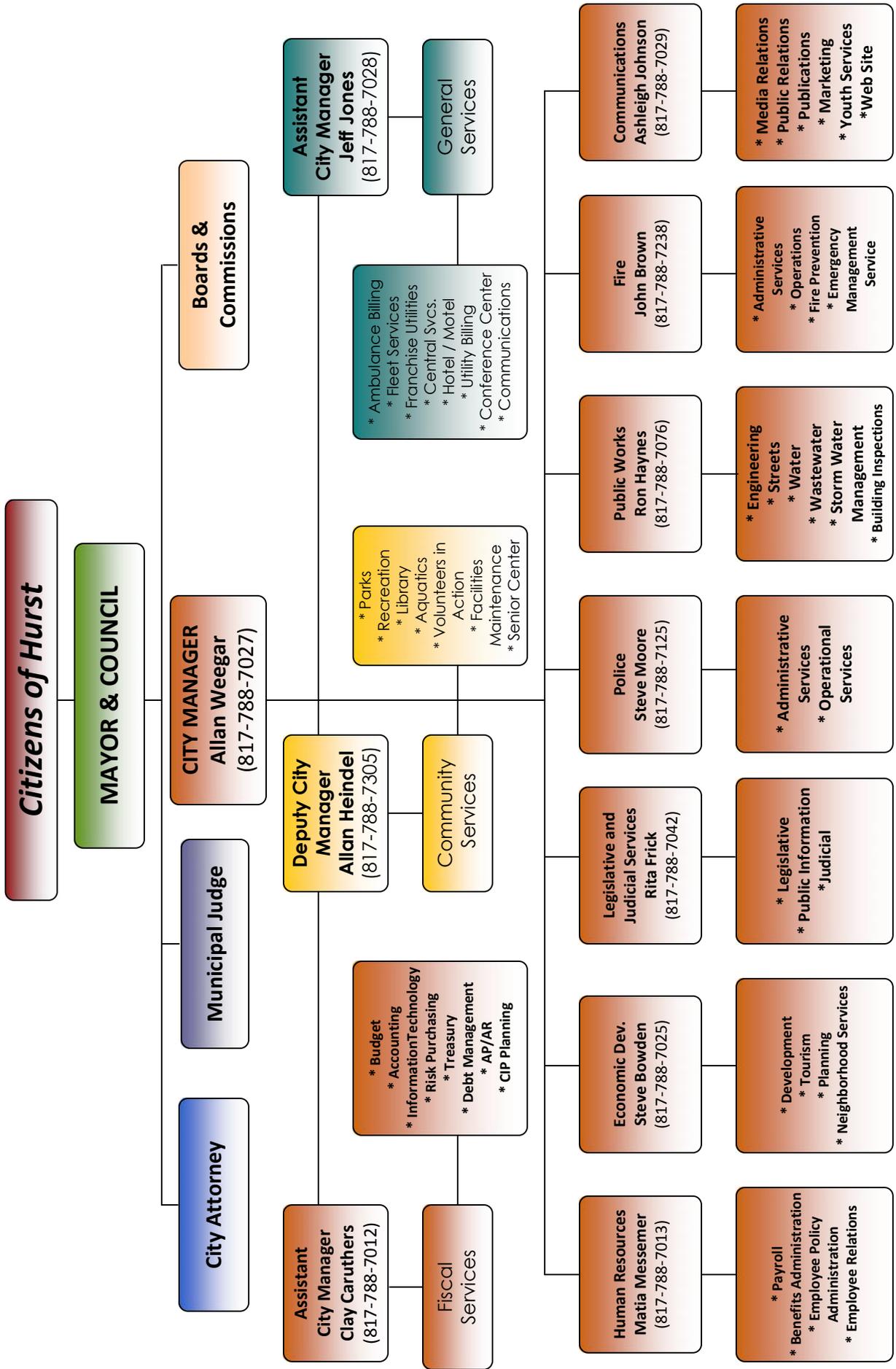
## ***Mission Statement***

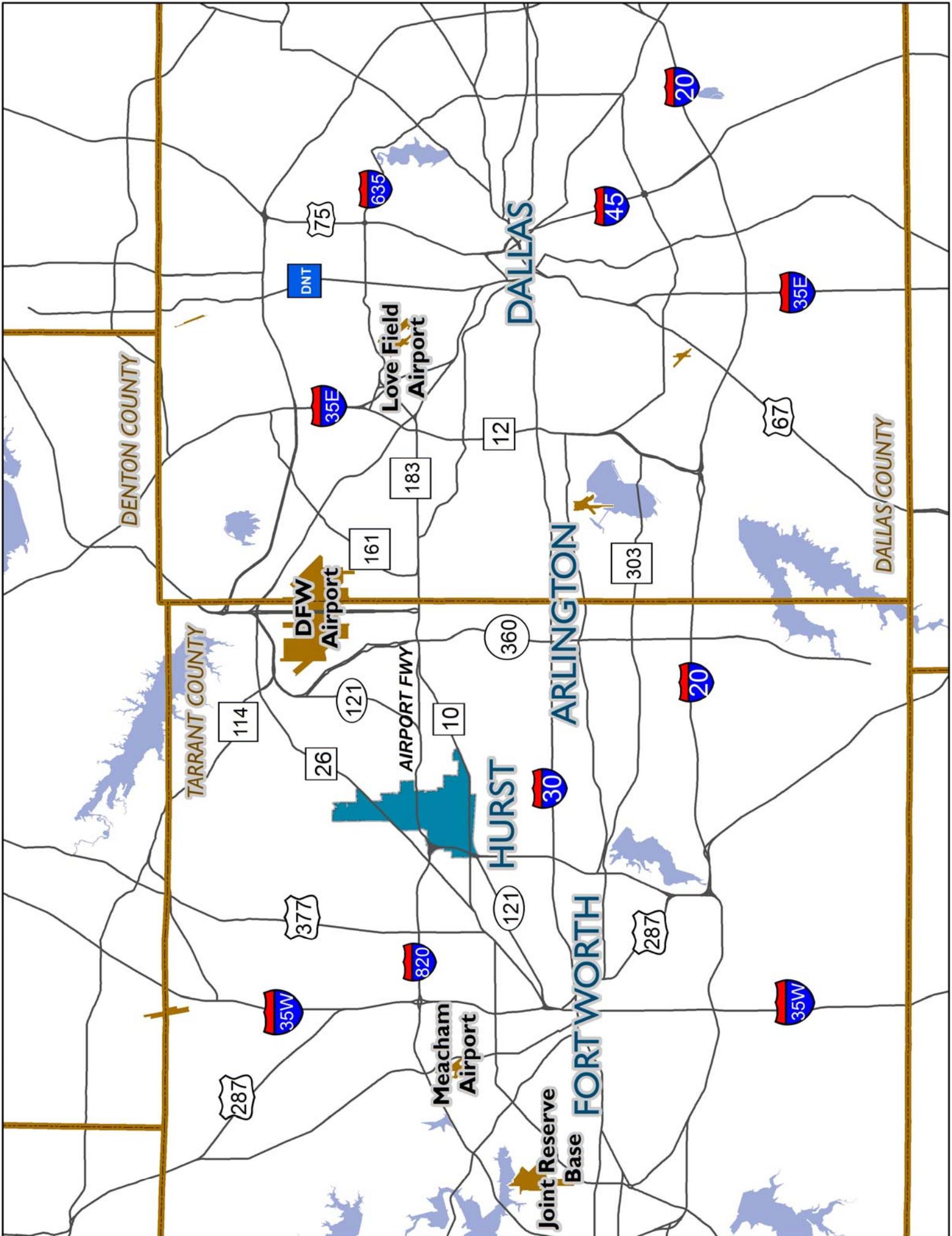
**The mission of the City of Hurst is to provide cost-effective programs and responsive services to enhance the quality of life in Hurst.**



Hurst City Hall, located on the northwest corner of Precinct Line Rd. and State Hwy 121.

# CITY OF HURST





# HURST PROFILE

## **GEOGRAPHY**

The City of Hurst is located in North Central Texas in Northeast Tarrant County approximately 9 miles from downtown Fort Worth on SH 121, the Airport Freeway, and approximately 18 miles from downtown Dallas. Hurst's centralized location on Airport Freeway provides quick access to both Dallas and Fort Worth metropolitan areas and is 15 minutes away from one of the world's busiest airports, Dallas/Fort Worth International.

The City has a total land area of 10 square miles or 6,381 acres. Of the 10 square miles of land area, 334 acres are used for municipal purposes. Current development statistics estimate that Hurst is 96% developed with 232 acres of undeveloped land remaining.

## **HISTORY**

The City of Hurst was officially founded in 1870 and named after the William L. Hurst family. The family settled approximately one mile north of the present Highway 10 (Hurst Boulevard). When the railroad came through the settlement in 1903, the local station was named Hurst Station, but growth slowed when the rail routes were changed and routed through Arlington. In 1949, Hurst had its first post office when the Souder family added a postal station to the corner of their grocery store, a service to 1,000 residents.

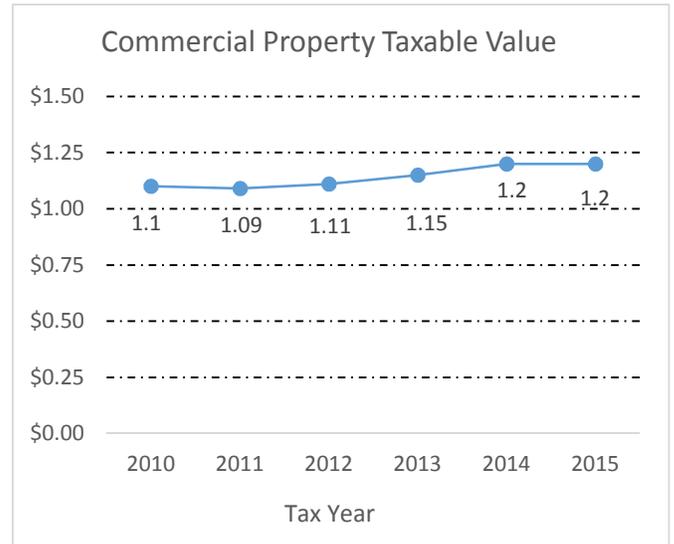
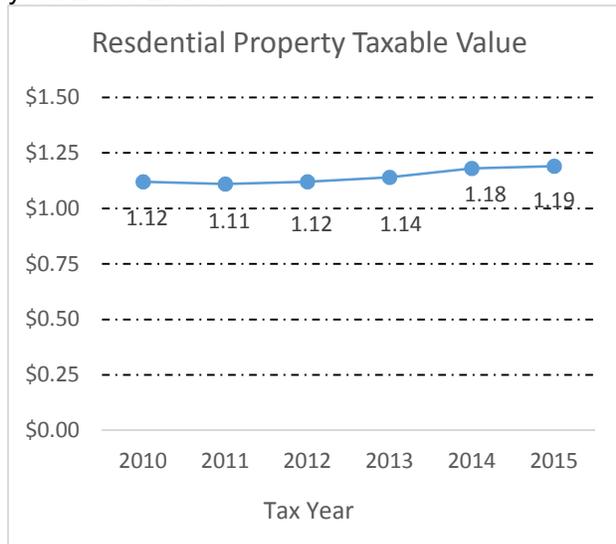
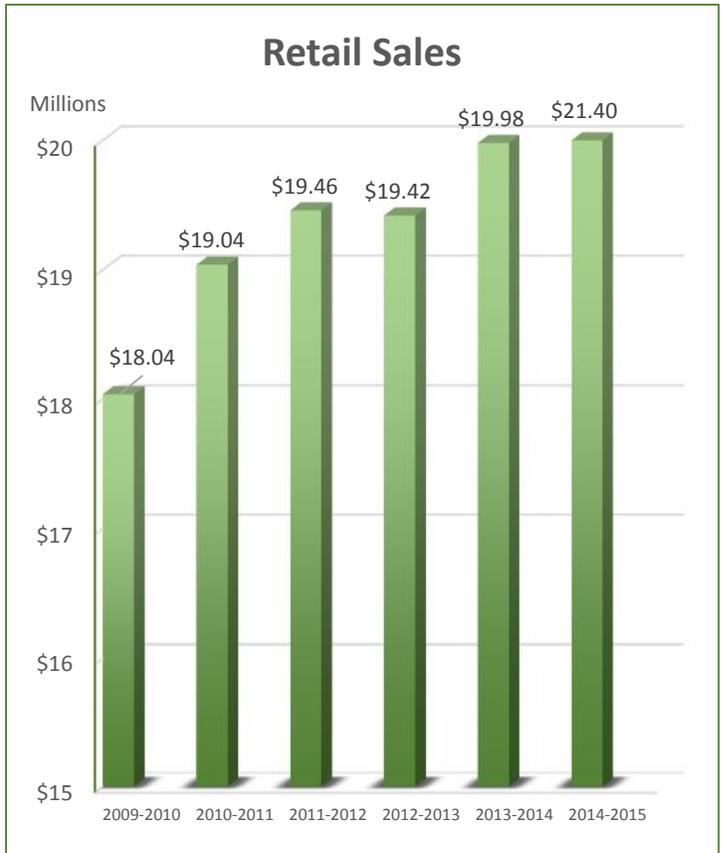
The City was incorporated as a general law city on September 25, 1952 with a total population of 2,700. The community experienced a growth surge in the 1950s when Bell Helicopter located on Hurst's southeastern boundary and again in the 1970s with the completion of D/FW airport in 1974. The 1980 census reported the population of Hurst as 31,449. The 2000 Census Population Count was 36,273. The 2010 Census Population count was 37,337. Current Population figures for Hurst total 38,884.

## **FORM OF GOVERNMENT**

Hurst now operates under a home-rule charter adopted in 1956, which provides for a council-manager form of government. The Mayor and six Council members are elected at-large. The Council is responsible for all matters of policy and is also the authority for levying taxes, securing revenues, authorizing expenditures of City funds, and incurring City debts. The City Manager is directly responsible to the City Council, and each of the City's ten department heads report to him. An organizational chart is included in the Introduction Section of the Budget. In addition, eleven boards and commissions assist the City Council in deciding matters of policy and procedures and meet on various issues throughout the year.

## DEMOGRAPHICS AND ECONOMICS

Hurst is considered a major retail-commercial center of the northeast Tarrant County area. North East Mall and a number of quality shopping centers throughout the City provide residents with a wide variety of goods and services from which to choose. A major expansion of North East Mall and new development adjacent to the mall, Shops at North East Mall, was completed approximately eleven years ago. The graph to the right displays the impact of this major development/redevelopment effort. Sales tax revenues grew at record pace until the Great Recession began in December 2007. The City only budgets approximately 92% of estimated sales tax earnings so, sales tax losses related to economic conditions are managed proactively. The mall, which is owned by The Simon Group, is classified as a super-regional mall, with seven major retail anchors, and provides substantial sales tax revenues and property tax revenues to the City. The City collects 2% of sales and use receipts from businesses within the City. A total of \$21,488,572 was collected for fiscal year 2014-2015, a 19% increase over collections in fiscal year 2009-2010.



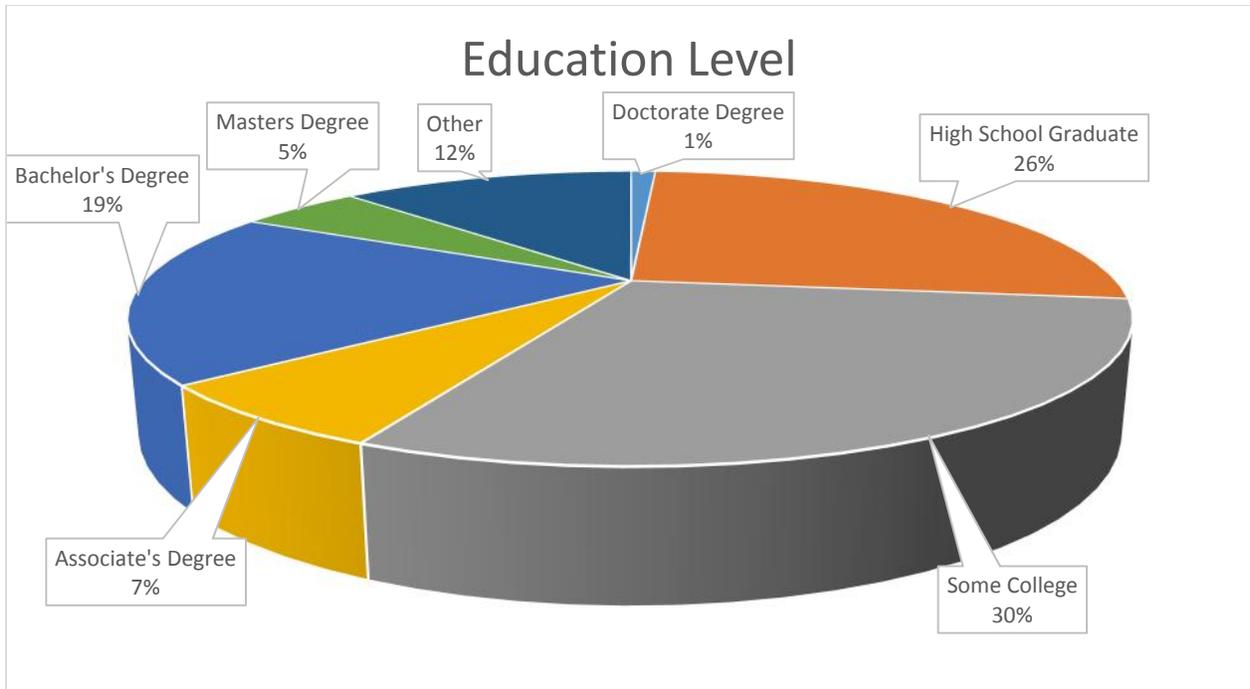
Of 17,281 property accounts in the City, 11,484 are residential accounts. The remaining 5,797 are from commercial accounts. Over the past five years, property values have increased by \$170 million dollars from \$2.22 billion to \$2.39 billion, a 7.66% increase due primarily to an increase in property values. (Amounts per Tarrant Appraisal District July 25, 2015 Certified Tax Roll.)

## Ten Largest Employers

<u>Employer</u>	<u>FT/PT Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Bell Hellicopter Textron-Hurst	3550	1	17.68%
North East Mall (Collective employment of stores other than major employers)	1800	2	8.97%
Shops at Northeast Mall (Outside)	790	3	3.94%
Tarrant County College	500	4	2.49%
Walmart Supercenter	450	5	2.24%
City of Hurst	379	6	1.89%
Dillard's Department Store	375	7	1.87%
Macy's	220	8	1.10%
J.C. Penney Company	190	9	0.95%
Target Superstore	175	10	0.87%
Total	<u>8,429</u>		<u>42.00%</u>

Source: City of Hurst September 30, 2014 Comprehensive Annual Financial Report

Population with a median age of 38.2 years has increased from 37,360 in 2014 to 38,884 in 2015. Additionally, population estimates were updated upon completion of the 2010 Census. The average household income has increased by 9% over a five year period from \$70,026 in 2010 to \$76,000 in 2015. The educational level is 62% above high school graduate.



Overall the City's demographics and economics are positive and represent a stable community. Population figures will remain relatively flat with changes related to redevelopment efforts in the future.

## COMMUNITY INFORMATION

Being centrally located, the Hurst-Euless-Bedford area (also known as the Mid-Cities) can tap into the abundant cultural, sports, and recreational amenities that Dallas and Fort Worth offer. Citizens of Hurst have easy access to some of the Nation's finest museums, zoos, symphonies, ballets and operas. Amusement facilities such as Six Flags Over Texas, Hurricane Harbor Water Park, Fort Worth's Sundance Square and historic stockyards are all within easy driving distances.

Numerous sporting activities are available year-round to the avid sports enthusiast. The Dallas Cowboys Football Team, Texas Rangers Baseball Team, the Dallas Mavericks Basketball Team, the Dallas Stars National Hockey League Team, as well as the Frisco Rough Riders Baseball Team play their home games within a 20-30 minute drive. Cowboys' stadium hosted the 2010-2011 Super Bowl, the Texas Rangers earned a spot in the World Series for the second time in 2011 and the Dallas Mavericks won the World Championship.

The American Airlines Center serves as the home arena for both the Stars and Mavericks. This venue is one of the most technologically advanced sports venues in the U.S. and will also become the site for numerous other events. Fans can reach the American Airlines Center by boarding a train in Hurst and traveling to Victory Station in Dallas. Texas Motor Speedway is less than a 20-minute drive from Hurst, located at the Alliance Airport development. The Dallas Cowboys' stadium, now located in Arlington, has opened across the street from The Ballpark in Arlington which is home to the Texas Rangers. Both of these stadiums are approximately 15 miles from quality hotels located in Hurst Town Center (1505 Precinct Line Road/Hurst, Texas). Professional golf, tennis, indoor soccer, outdoor soccer, karate championships and other events are also scheduled locally. Collegiate sports are available through a local university network, which includes Southern Methodist University, Texas Christian University, the University of North Texas, the University of Texas at Arlington and Texas Wesleyan University.

Medical facilities in the area are recognized as being among the best in the D/FW metroplex. Harris Methodist H-E-B Hospital is fully equipped to meet today's medical needs with state-of-the-art technology. This hospital furnishes patients with a full range of health services in completely modern facilities and has access to CareFlite airborne ambulance to provide quick transport in the most immediate emergencies. In addition to acute care services, Harris H-E-B offers comprehensive programs for the treatment of alcoholism, other chemical dependencies and psychiatric care. The Edwards Cancer Center, located on the hospital campus, brings radiation therapy to northeast Tarrant County for the first time and offers a full range of comprehensive cancer care. Hurst is also home to a large network of quality physicians as well as Southwest Surgical Hospital and Cook Children's pediatric facilities.

The City is directly tied into the Tarrant County 9-1-1 emergency response system. Advanced life support ambulance service, is provided through the Hurst Fire Department.

## **SCHOOL DISTRICTS**

Educational facilities within the City are primarily provided by the Hurst-Eules-Bedford and Birdville Independent School Districts. The HEB ISD consists of nineteen elementary schools, five junior high schools, three senior high schools, a career education center, and a center for vocational education of the handicapped. Of these facilities, seven elementary schools, one junior high school and one senior high school are located in the City of Hurst. Approximately 22,138 students are enrolled in HEB ISD schools serving the City of Hurst and more than 1,307 teachers service the students.

The Birdville Independent School District has one elementary school located in northern Hurst. The district coordinates numerous activities with HEB ISD and the two work closely together to provide quality education services to their students. Scholastic programs in all of Hurst's school systems consistently meet and exceed the state's accreditation standards. Area students consistently match or outperform other students in the state on scholastic tests and on college entrance exams. Extracurricular activities are also an important part of the student experience in HEB and Birdville ISDs. Each district has had academic, athletic and fine arts programs crowned as State or National Champions.

The commitment to quality learning also extends to higher education. Tarrant County College Northeast Campus offers a wide range of curriculum in occupational, basic studies and continuing education courses. The Northeast Campus opened its doors in the fall of 1968, and the site has expanded to 187 acres with eighteen buildings that house almost a quarter of a million square feet of floor space.

Northeast Campus enrollment is approximately 15,342. 500 full-time equivalent employees and faculty members service these students. Numerous two-year degree plans are available and a majority of the courses offered may be transferred to four-year universities. This campus is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

In 2005, Dallas Baptist University opened a satellite campus in Hurst. This campus offers accredited courses in a variety of Undergraduate and Graduate programs. Dallas Baptist also hosts several professional development seminars at the site each year. The University of Phoenix recently opened a campus near Hurst City Hall.

## **CITY SERVICES**

The City of Hurst municipal government consists of seven operating departments each responsible for providing a variety of services to the citizens that live here. They include: Community Services, Fire Department, Police Department, Fiscal Services, Judicial and Legislative Services, Public Works, Economic Development and Administration/General Services.

The Community Services Department is the administrative arm of the Parks, Recreation, Aquatics, Senior Citizens Center and Library Divisions. It is primarily responsible for managing, planning, coordinating and directing the activities of these divisions. It also administers the Parks Donation Fund, Community Services Half-Cent Sales Tax Fund, the Facilities Maintenance Division and responds to citizen comments and requests. In addition to the above, the department administers the Volunteers in Action (VIA) Program, which was the first municipal volunteer program in the State of Texas and is known as one of the most successful. The program is celebrating its thirty-fourth year anniversary and has saved Hurst citizens over \$5 million in tax dollars. Parks and Recreation personnel maintain eighteen city parks, two aquatics centers, and a tennis center, one historical site, a multi-purpose recreation center and the Senior Citizens' Activity Center. The 30,000 square foot Senior Center offers many "open" activities for members including games, billiards, fitness and other activities. These activities are called "open" because members are not required to pre-register. Seniors simply show up and have fun. The Facilities Maintenance Division maintains all other facility sites citywide. The Library offers a diverse collection of materials in various formats. An outstanding literacy program provides additional services to the community, including reading improvement and a GED program. In 2014 \$7.5 million in Certificates of Obligation were issued to reconstruct Chisholm Aquatics Center. In 2015 the City will issue \$3.5 million in Certificates of Obligation to renovate Central Aquatics Center.

The Fire Department provides the citizens of Hurst with fire protection, emergency medical services, emergency rescue and hazardous material response. The Fire Department focuses on four primary services: Fire Prevention, Fire Operations, Emergency Management and Ambulance/Emergency Medical Services (EMS). Fire Prevention focuses on reducing the potential for fire and loss of life in the City. Fire Operations is responsible for providing fire suppression, rescue and emergency medical service. All firefighters are trained as emergency medical technicians. Emergency Management monitors weather conditions, warns citizens of severe weather activity and educates the public on how to react to emergency situations. The Ambulance/EMS division provides for the emergency care and transportation of the sick and injured within the City. The Fire Department operates Emergency Medical Services with two front-line ambulances.

The Police Department's role is to enforce local, state and federal laws and to protect the citizens of Hurst from crime and disorder. The Operational Services and Administrative Services Divisions perform a variety of law enforcement functions and services. Operational Services handles emergency and non-emergency calls for police service. It also provides for the timely investigation of felony and misdemeanor violations of the law. Administrative Services is responsible for maintaining criminal records, prisoner detention, internal affairs, crime prevention and operation of the 9-1-1 communications center. The Police Department has two storefronts in operation in order to make Hurst police officers more accessible to the public and to reduce criminal activity. One is in North East Mall, located near the entrance to Sears, and the other is on Highway 10 at 752 E Pipeline Road. The City has entered into an inter-local agreement with the City of Bedford for a sharing arrangement Police Storefront which moved the Police storefront to 752 E Pipeline Road. The new location houses three officers along with the Crime Victim's Assistance Coordinator and a Mental Health Coordinator. In fiscal year 1995-1996, the Department began administering the Anti-Crime Half Cent Sales Tax Fund, utilized for crime control and prevention purposes. The Anti-Crime Half Cent Sales Tax Fund was approved by

voters for an additional twenty years in May 2010. In May 2012, voters approved a general bond election in the amount of \$16.5 million to construct a new Criminal Justice Center with parking facilities. The 61,000 square foot building opened in Spring of 2015 and accommodates the Police Department as well as Municipal Court.

The Fiscal Services Department provides for the processing of all financial data in a timely, accurate and cost effective manner. This allows the department to monitor budgetary requirements, to invest the City's funds for safety, liquidity and yield, and to comply with all city, state and federal laws. Individual divisions include Finance, Budget, Support Services including Purchasing and Risk Management. Fiscal Services also includes the Information Technology division. This division is responsible for maintaining the City's extensive network of servers, PC's and various software programs. Providing technical support and training are also achieved by this division.

The Human Resources Department supports city leadership and staff through human capital development and planning, policy administration, administering compensation systems including direct and indirect pay (benefits), employee relations, and the employee life cycle.

Legislative and Judicial Services provide various support functions to the City of Hurst through the City Secretary's Office. The City Secretary's Office, as the Public Information Division of Legislative and Judicial Services, provides a broad range of administrative and clerical support for the City. The office maintains all ordinances, resolutions, vital statistics and minutes from City Council and Boards and Commissions meetings. This department also administers the judicial and legislative divisions. The Judicial division or Municipal Court division, is a criminal court having jurisdiction over Class C Misdemeanors occurring within the city limits that include traffic citations, parking tickets, as well as state law and city ordinance violations. The legislative division is made of a governing body that makes decisions and formulates policies based on community issues.

The City of Hurst Public Works Department is comprised of four divisions: Buildings and Neighborhood Services, Engineering, Water and Sanitary Sewer, Streets and Drainage. The Building Inspections/Neighborhood Services Division strives to enhance the quality of life for Hurst residents by diligently and logically enforcing local, state and federal regulations pertaining to the construction, use, or occupancy of buildings and land. The department also reviews policies and regulations to enhance development opportunities, broaden the tax base, and increase employment opportunities within the community. Engineering seeks to ensure that all water and sanitary sewer, drainage and paving improvements are designed and constructed in accordance with accepted principles and practices. Water Utilities provides safe and pure drinking water in sufficient volumes and under adequate pressure to city water customers. The Street Division performs quality maintenance of streets, properly maintains all traffic control devices and provides for the safe and efficient movement of traffic along city streets. The Storm Water Management Division ensures that all City drainage systems are properly maintained in compliance with the state required Storm Water Management Plan.

Administration is the City Manager's Office, which oversees the general operation of all City departments and works closely with the City Council to ensure that the residents of Hurst receive the highest quality of life possible. The Department administers the General Services Department, the Hotel/Motel Occupancy Tax Fund, the Sanitation Contract and communications including media relations and content on the City's website. Administration also oversees the new Hurst Conference Center. The HCC is a 50,000 square foot venue designed to handle a wide range of events from corporate meetings to intimate social gatherings. Additional HCC information can be found at ([www.hurstcc.com](http://www.hurstcc.com)).

The City's website ([www.hursttx.gov](http://www.hursttx.gov)) allows citizens to access vital information and services 24 hours a day, 7 days a week. Interactive functions include the City's mapping system, "Request for Action" form, subscription to Business/Residential e-mail alert system, and subscription to the Library Monthly Calendar. There are many other features that appeal to visitors, businesses and residents including on-line forms, databases, financial information and events calendar.

The Economic Development Department is responsible for administering and developing programs to retain, expand and attract business to Hurst and to coordinate development activities in conjunction with civic and public groups. Also included in this department is Community Development which is responsible for developing programs, policies and regulation to enhance development opportunities.

The General Services Department includes the Utility Billing Division and Hurst Conference Center Division. The remaining General Services duties include, general fleet management and repair, garage operations, the printing of city materials, ambulance billing and the management of franchise utilities.

