A. CALL TO ORDER AND ANNOUNCEMENT OF A QUORUM – Mayor Cindy Siegel.

Mayor Cindy Siegel called the City Council of the City of Bellaire, Texas, to order at 7:00 p.m. on Monday, July 21, 2008. The Bellaire City Council met at that time and on that date in Regular Session in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401. Mayor Siegel announced that a quorum was present consisting of herself and the following members of City Council:

- Councilman Will Hickman, Position No. 1;
- Councilman James P. Avioli, Sr., Position No. 2;
- Mayor Pro Tem Peggy Faulk, Position No. 3;
- Councilman Phil Nauert, Position No. 4;
- Councilman Pat McLaughlan, Position No. 5; and
- Councilman John Jeffery, Position No. 6.

Other officials present were City Manager Bernard M. Satterwhite, Jr., City Attorney Alan P. Petrov, and City Clerk Tracy L. Dutton.

B. INSPIRATIONAL READING AND/OR INVOCATION – Mayor Pro Tem Peggy Faulk.

Mayor Pro Tem Peggy Faulk referred to the City’s Centennial Transportation Fair that would be held on Wednesday, July 23, 2008, and read a poem in recognition and honor of that Fair and Assistant City Manager Diane K. White’s efforts in putting the event together as follows:

*The Road Not Taken*

Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that the passing there
Had worn them really about the same,
And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.

--Robert Frost

C. PLEDGES TO THE FLAGS – Mayor Pro Tem Peggy Faulk.

1. U.S. PLEDGE OF ALLEGIANCE.

2. PLEDGE TO THE TEXAS FLAG.

Mayor Pro Tem Peggy Faulk led the audience and City Council in
the U.S. Pledge of Allegiance and the Pledge to the Texas Flag.

D. APPROVAL OR CORRECTION OF MINUTES:

APPROVAL of minutes of the Regular Session of the City Council of the
City of Bellaire, Texas, held Monday, June 16, 2008 – Item submitted
by City Clerk Tracy L. Dutton.

MOTION TO APPROVE MINUTES:

A motion was made by Councilman James P. Avioli, Sr., and seconded by
Councilman Will Hickman to approve the minutes of the Regular Session
of the City Council of the City of Bellaire, Texas, held Monday, June 16,
2008.

VOTE ON MOTION TO APPROVE MINUTES:

Motion carried on a 6-0-1 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
     Avioli, James P., Sr.
     Faulk, Peggy
     McLaughian, Pat
     Jeffery, John
OPPOSED: None
ABSENT: None
ABSTAIN: Nauert, Phil*

*Councilman Phil Nauert abstained from voting on the approval of the City Council Regular Session minutes dated June 16, 2008, due to his absence from that meeting.

E. PERSONAL/AUDIENCE COMMENTS.

Sarah Bauer, 5545 Little Lake Street, Bellaire, Texas:

Ms. Bauer addressed City Council and noted that she was present on behalf of the Bellaire Parks & Recreation Advisory Board (“Board”). She advised that the Board had started a program in honor of the City’s Centennial called “BFit.” Interested persons could register for the program online.

The purpose of the program was to get Bellaire citizens to be more physically active and to get citizens to take advantage of the City’s recreational activities. Points would be given for physical activity, such as playing tennis, jogging, swimming, playing golf, gardening, and even for vacuuming. Points would also be given for recreational uses of City facilities. For example, a point would be given for jumping off of the diving board or visiting a park.

When registering online for “BFit,” one could also look into a program called “Walk for America.” This program allowed citizens to register steps taken and plotted their progress.

Ms. Bauer stated that all of the Board members would register and participate in the program and they hoped to challenge City Council to participate as well.

In closing, Ms. Bauer advised that HEB Pantry and Chevron provided promotional and other materials for the “BFit” program.

Lynn McBee, 5314 Evergreen Street, Bellaire, Texas:

Ms. McBee addressed City Council regarding an agenda item that would be presented later, which she identified as the initiation and presentation of a new budget for the City of Bellaire. She advised that she had an ongoing concern regarding transparency in government. She advised further that the budget was a public document that governed what City Council spent and kept City Council from spending outside the budget. She felt that spending
outside the budget appeared to be “swept under the rug,” because City Council did not formally amend the budget at the time such spending was approved.

Ms. McBee urged City Council to direct City Staff to prepare the necessary paperwork to amend the budget every time overspending occurred. This would enable City Council to see and understand that they were changing in the budget document they had spent months reviewing and held a public hearing on.

Secondly, Ms. McBee commended the Bellaire Parks & Recreation Department (“Department”) and Parks & Recreation Advisory Board (“Board”) for their fitness and exercise program. She urged the Department and Board to continue to promote first-class bicycle racks wherever needed at public sites around the City and to add bicycling to their fitness program. She stated that the first award should go to the Bellaire Police Department for their Bicycle Corps.

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**Robert Riquelmy, 506 Winslow Lane, Bellaire, Texas:**

**Mr. Riquelmy** addressed City Council and noted that a number of years ago City Council was praised for the housing assistance program they had developed. It was a good idea then, and it was a good idea now. If City Council had followed through and expanded on that program, Bellaire would not have recently lost a fine City employee. Rewarding and retaining valuable employees with housing assistance would be money well spent.

In closing, Mr. Riquelmy urged City Council to reconsider expanding the housing assistance program for all classes of employees.

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**Jim Burrough, 4613 Holt Street, Bellaire, Texas:**

**Mr. Burrough** addressed City Council noting that he had written each member of City Council an email seven weeks prior to this evening regarding the hours of the Evergreen Therapy Pool in Bellaire. Following that email, he visited with the City Manager and the Parks & Recreation Department (specifically, Buster Adams). He felt that he had made his points, but nothing had happened. He next appeared before City Council approximately five weeks ago and made his points. He felt that when he sat down and both the Mayor and a member of City Council asked the City Manager to provide them with a report, that his points had been made and made well.
Mr. Burrough indicated that no change had taken place since that time and he was anxious this evening to hear what the City Manager had to say with regard to the feasibility of expanding the hours for the Evergreen Therapy Pool.

He continued and commended Sarah Bauer for her presentation this evening, noting that it dovetailed right into what Mr. Burrough had been discussing. He was approximately one and one-half years away from retirement and could not get home from work some nights before 5:30 p.m. or 6:00 p.m. It was difficult to turn around and get to the Therapy Pool to use it before it closed at 7:00 p.m. Mr. Burrough challenged the City Council to swim with him one evening, get some points for the “BFit” program, and meet those using Evergreen Pool for therapy.

F. REPORTS:

1. CITY MANAGER’S REPORT – City Manager Bernard M. Satterwhite, Jr.

City Manager Bernard M. Satterwhite, Jr., presented the City Manager’s Report to City Council.

Police Activity

With respect to police activity for the month of June, City Manager Satterwhite advised that there were 43 Part I criminal offenses reported, as compared to 35 in June of last year. There were 38 traffic accidents in June of 2008 as compared to 62 in June of 2007. The average response time for Code 3 (an emergency call) was three minutes and 35 seconds. This response time was fairly typical as compared to other months throughout the year.

There were no robberies reported in June. Three burglaries of residences were reported and in two cases, suspects stole items from garages. Arrests were made in two of the three cases. Additionally, the Radio Shack at 4809 Bissonnet Street was burglarized. Officers arrested the suspects while they were still inside the store. Another burglary occurred at a construction site and a suspect was arrested for the theft of copper wiring.

Five assaults were reported during June, with four of those involving violence between family members or coworkers. There was also an aggravated assault at a restaurant in Bellaire. Officers responding to one family disturbance observed contraband while they were onsite.
search warrant was subsequently secured and the search resulted in the seizure of approximately 15 pounds of marijuana.

**Indicators**

City Manager Satterwhite presented quarterly indicators for crime, noting that assaults, burglary of a building, and thefts were up for the year. Many of the thefts reported were identity thefts. Robbery was down for the year.

With respect to building permits, the numbers issued were starting to lag slightly. Ninety-three permits had been issued through June of this year as compared to 117 issued through June of the previous year.

**Tropical Storm Dolly**

City Manager Satterwhite advised that the City was tracking Tropical Storm Dolly. The storm was not expected to turn toward Houston, but the moment that it did, City Staff would let City Council know. The storm was expected to make landfall in South Texas around Brownsville by Wednesday afternoon. It was expected to strengthen to a category 1 or 2 storm by then. City Manager Satterwhite expected Bellaire to get quite a bit of rain bands and wind from the storm (one to five inches of local accumulation). At this time, the City was not planning to open up its Emergency Operations Center (EOC).

**Reconstruction Projects**

It was noted that the reconstruction of the 4500 block of Beech Street was underway, and the Fifth Street reconstruction project was progressing.

**Fourth of July Event**

The Fourth of July event for Bellaire was a large event this year. City Manager Satterwhite commended the Parks & Recreation Department, all volunteers, and the community for participating and making the event a success.

**Demolition of Trolley Pavilion**

City Manager Satterwhite updated City Council with respect to the status of the Trolley Pavilion located in Paseo Park. It was noted that the paperwork had been signed with the company that would begin the demolition of the Trolley Pavilion. It would take a few days to get the necessary permits, and City Manager Satterwhite expected that the actual demolition would occur next Monday. The City had obtained three quotes for the demolition process, and the lowest quote was
$14,500.00. The cost was higher than expected due to electrical issues. The box containing all of the electrical connections/service for Paseo Park was located inside the Trolley Pavilion and would have to be relocated.

Upcoming Meetings/Events

<table>
<thead>
<tr>
<th>Type of Meeting</th>
<th>Date</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Session</td>
<td>July 22, 2008</td>
<td>7:00 p.m.</td>
</tr>
<tr>
<td>Regular Session</td>
<td>August 4, 2008</td>
<td>7:00 p.m.</td>
</tr>
<tr>
<td>Public Hearing on Budget</td>
<td>August 18, 2008</td>
<td>6:00 p.m.</td>
</tr>
<tr>
<td>Regular Session</td>
<td>August 18, 2008</td>
<td>7:00 p.m.</td>
</tr>
<tr>
<td>Special Session (Budget)</td>
<td>August 19, 2008</td>
<td>7:00 p.m.</td>
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</table>

QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend: A – Answer; C – Comment; Q – Question; R – Response}

Q: Councilman Pat McLaughlan asked City Manager Satterwhite his thoughts regarding the hours of operation of the Therapy Pool. He also asked if City Staff had been able to look into the situation.

A: City Manager Satterwhite advised that he did not have an answer for City Council this evening, as he had been preparing for the budget presentation. He noted that during the presentation he would provide information to City Council regarding City Staff’s thought process with respect to levels of service for any given entity.

Q: Councilman James P. Avioli, Sr., noted that he had a question regarding scheduling and asked if there would be any flexibility with respect to the August 19th Special Session on the Budget. He indicated that he was not aware that it had been scheduled and had a conflict that evening. He noted further that he believed it would be a very important meeting, and he would like to attend.

A: City Manager Satterwhite indicated that the schedule of budget meetings had been distributed quite some time ago.

Q: Councilman Avioli advised that he had not seen it.

A: Mayor Cindy Siegel suggested that City Manager Satterwhite send an email to City Council with possible dates for this meeting.
City Manager Satterwhite noted that City Staff had asked City Council to call a public hearing on Tuesday, August 26, 2008, on an application submitted by Episcopal High School for a specific use amendment and code amendment.

C: Councilman Avioli stated that he had scheduled his business around August 18th, but did not realize that there was also a meeting on August 19th.

Q: Councilman Will Hickman inquired as to whether City Manager Satterwhite had an initial feeling on the new Bellaire Pool with respect to attendance and revenues.

A: City Manager Satterwhite indicated that he would be reporting on that during the budget presentation.

C: Councilman Hickman advised that he could wait until that presentation.

Q: Mayor Pro Tem Peggy Faulk inquired as to the status of the fence that faced Fournace Place and was believed to be on City right-of-way.

A: City Attorney Alan P. Petrov stated that he had spoken with the attorney representing several of the residents that backed up to Fournace Place. The attorney was gathering petitions to go through the City’s process for purchasing the right-of-way. The residents were hoping to make a nice, uniform line across the rear of the properties and to come before City Council at the same time. However, they would probably end up having to come before City Council in a piecemeal fashion simply because it was difficult to get the group organized.

Q: Mayor Pro Tem Faulk inquired as to whether there was a deadline with respect to the amount of time that would be allowed for them to gather their petitions.

A: City Attorney Petrov indicated that the City had obviously been giving the residents a great deal of leeway. If the City did not see some actual paperwork within the next few months, then the City would have to take other steps.

Q: Mayor Pro Tem Faulk inquired as to whether the residents had been notified that if the City did not see something within a month that other action would be taken.

A: City Attorney Petrov advised that the residents were aware of that.
C: Mayor Siegel noted that the City Council had received a petition from neighbors living near the Family Aquatic Center related to parking issues. She asked if some feedback could be given to City Council in August regarding possible solutions for those issues.

R: City Manager Satterwhite inquired as to the type of feedback Mayor Siegel was looking for.

C: Mayor Siegel advised that she was looking for solutions as to what could be done to alleviate some of the congestion. She noted that she did not believe the issue was a lack of parking spaces, but rather “laziness.” People were parking as close as possible rather than parking in available spaces and walking to the City’s facilities.

R: City Manager Satterwhite indicated that he could place an item on an August agenda to discuss the parking issues mentioned by Mayor Siegel.

MOTION TO ACCEPT REPORT INTO THE RECORD:

A motion was made by Mayor Pro Tem Peggy Faulk and seconded by Councilman Pat McLaughlan to accept the City Manager’s Report as presented by City Manager Bernard M. Satterwhite, Jr., into the record.

VOTE ON MOTION TO ACCEPT REPORT INTO THE RECORD:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy  
     Hickman, Will  
     Avioli, James P., Sr.  
     Faulk, Peggy  
     Nauert, Phil  
     McLaughlan, Pat  
     Jeffery, John

OPPOSED: None

ABSENT: None

2. BUDGET PRESENTATION of the proposed annual budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009 – City Manager Bernard M. Satterwhite, Jr.
City Manager Bernard M. Satterwhite, Jr., presented the proposed annual budget for the City of Bellaire, Texas, for the 2009 fiscal year to City Council. He noted that the purpose of this evening’s presentation was to present the budget City Staff had prepared in accordance with the City’s Charter. The budget represented City Staff’s best effort to state the needs of each department and to continue to meet the expectations of City Council and the citizens regarding service, efficiency, and stewardship. The presentation represented what City Staff was proposing at this time. It was not necessarily the “final” document. City Council would approve the “final” budget in September.

City Manager Satterwhite noted further that there would be ample time for changes to be made in response to operating assumptions, unknowns, etc. The presentation would cover the operating budget this evening. Tomorrow evening, City Staff would present the Capital Improvement Plan (CIP) and Vehicle, Equipment, and Technology Plan (VET) for possible approval. Changes to either of those plans would not have a direct impact on this year’s budget because the funding of those plans had come from previous years’ budgets and a portion of this year’s budget had been reserved for CIP and VET.

City Manager Satterwhite indicated that he would like for City Council to approve the CIP and VET separately from the budget. These plans would become five-year plans at that point. Obviously, the plans could and probably would change. City Staff would provide an annual update each year. The plans could be approved anytime prior to approval of the budget.

**Budget Approval Process**

City Manager Satterwhite presented the budget calendar for review as follows:

- **July 17** Submission of proposed budget to City Clerk
- **July 21** Presentation of proposed budget to City Council
- **July 22** Presentation of CIP/VET Five-Year Plans to City Council
- **July 25 – August 18** Timeline for City Council to present questions to City Staff and for the public to prepare comments for public hearing
- **August 18** Budget Public Hearing
- **August 19** Special Session to discuss/debate public comment and to discuss/debate individual budget items
- **August 20 – September 5** City Staff to incorporate changes, as necessary
- **September 8** Approval of budget
Budget Considerations

The first real consideration in preparing the budget was to analyze where the City was with the current year budget and to forecast what changes might need to be made to the next budget to achieve goals and expectations.

Some areas of consideration in preparing the budget were noted as follows:

- City Council goals and objectives;
- Future recapitalization requirements;
- Water/wastewater infrastructure;
- Rebuild Bellaire Program/Bellaire Town Square;
- Expectations/service levels (i.e., hours of operation, programs, and uses);
- Fuel costs;
- Budget resolution; and
- Tax base growth.

It was noted that the proposed budget was based on a revenue forecast using the initial tax rolls received by the City of Bellaire and a $0.40 tax rate. City Manager Satterwhite stated that he could see that there was a possibility that the tax rate could change between now and the budget’s adoption in September due to an increase in the City’s tax base growth from last year to this year.

Tax Base

The taxable value for tax year 2007 was $2.8 billion, and the estimated taxable value for tax year 2008 was noted to be $3.1 billion or an estimated 10% increase. The City would not receive its final tax rolls until September of 2008. City Manager Satterwhite did not know at this time how much of the increase was attributable to new construction or from existing values.

Budgeting Process

With respect to the budgeting process, the following items were used to determine the proposed budget for fiscal year 2009:

- Budget Resolution;
- Revenue forecasting;
- Establishment of expenditure targets;
- Master cash flow models prepared for all funds to ensure needs could be matched with resources;
- Service expectations;
- Department needs;
• Financing requirements for future CIP/VET requirements based on a five-year plan (i.e., to be presented tomorrow evening); and
• Fine-tuning (i.e., would continue until budget adoption in September).

**Budget Resolution**

With respect to the **General Fund**, the budget resolution set out guidelines and parameters for the fund as follows:

*The General Fund tax rate shall be determined based on effective tax rate and truth-in-taxation calculations, and budgetary requirements within the following parameters:*

• **Maintain a minimum fund balance of two months working capital.**

  City Manager Satterwhite indicated that two months working capital equated to roughly $2.5 million.

• **Limit non-personnel operational increases to a rate not to exceed the Municipal Price Index (MPI) applied to FY2008 forecasted expenditures.**

  City Manager Satterwhite indicated that the forecasted expenditures for fiscal year 2008 were slightly below the budgeted expenditures for 2008. The MPI was applied to the forecasted expenditures for the proposed fiscal year 2009 budget.

• **Provide for the employee compensation plan and associated personnel benefit costs.**

  It was noted that the employee compensation plan and associated personnel benefit costs were provided for based on the current compensation plan. A Compensation Review was currently underway and by September, City Staff might be recommending some changes based on that review. It would take time to analyze and implement a new plan (if necessary), so it might be mid-year or the following year before a new plan was fully implemented. City Manager Satterwhite did not know at this point.

With respect to the **Debt Service Fund**, the budget resolution set out guidelines and parameters for the fund as follows:
The Debt Service Fund tax rate shall be determined based on the following requirements:

- Sufficient to pay the annual principal and interest charges of the City’s long-term debt plus associated costs.

- To maintain a minimum fund balance of two months working capital taking into account the annual transfer of $950,000 to the Debt Service Fund from the Enterprise Fund.

City Manager Satterwhite advised that these requirements had been met in the proposed budget for fiscal year 2009.

With respect to the Enterprise Fund, the budget resolution set out guidelines and parameters for the fund as follows:

A transfer not to exceed $950,000 from the Enterprise Fund to the Debt Service Fund to be applied toward existing debt.

City Manager Satterwhite indicated that City Staff decided to keep the transfer in place this year for several reasons. First, the transfer did represent work that was done from the tax base for water and wastewater projects throughout the City. Secondly, it was applied toward debt in the Debt Service Fund and worked for the Enterprise Fund presently.

In the Capital Improvement Program Fund, the budget resolution set out guidelines and parameters for a transfer to the Capital Improvement Program Fund in a set amount. City Staff chose to prepare cash flow models for the fund and to transfer an amount that fit into the cash flow models for the Capital Improvement Program and the Vehicle, Equipment, and Technology Program this year.

City Manager Satterwhite next showed what the budget resolution would look like with numbers applied to it as follows:

- Tax rate of $0.40 per $100 valuation
  - Allocate $0.125 to Debt Service Fund $3,886,951
  - Allocate $0.275 to General Fund $8,551,291
- General Fund Balance (unreserved) $2,797,926
- CIP Reserve $1,500,000
- VET Reserve $800,000

- General Fund Operating Fund:
  - Revenues $15,729,934
  - Expenditures $14,803,195
  - Over/(Under) $926,739
City Manager Satterwhite advised that the $926,739 overage did not represent a surplus. It was the over/(under) current year revenues minus expenditures. The City also committed $2.3 million to CIP and VET, which was a part of the budget. In other words, the $2.3 million commitment to CIP and VET had to be subtracted from the $926,739 overage.

He continued, noting that at the time the budget resolution was adopted, the annualized municipal price index (MPI) was running at 4.8%, and this was the percentage that the targets were predicated on. The annualized MPI from June 2007 to June 2008 was later reported at 5.1%. City Manager Satterwhite expected that the consumer price index, which the City of Houston utilized in determining their water rate, would be at 4% to 4-½%.

In the City’s proposed budget for fiscal year 2009, the non-personnel expenditure increase over the previous year’s forecasted expenditures was 1.3%. The total expenditure increase (non-personnel and personnel expenditures) in the proposed fiscal year 2009 budget was 3%.

**Fund Summaries**

**Fiscal Year 2009 Revenue Sources (All Funds)**

The fiscal year 2009 revenue sources for all funds were depicted in a pie chart as follows:

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>45%</td>
</tr>
<tr>
<td>Water Sales</td>
<td>12%</td>
</tr>
<tr>
<td>Wastewater Service</td>
<td>8%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>8%</td>
</tr>
<tr>
<td>Franchise Fees</td>
<td>5%</td>
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<tr>
<td>Solid Waste Services</td>
<td>5%</td>
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<tr>
<td>Fines</td>
<td>4%</td>
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<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>Recreation Fees</td>
<td>3%</td>
</tr>
<tr>
<td>METRO</td>
<td>3%</td>
</tr>
<tr>
<td>Permits and Licenses</td>
<td>3%</td>
</tr>
<tr>
<td>Penalties and Interest</td>
<td>2%</td>
</tr>
</tbody>
</table>

**General Fund**

With respect to the General Fund, City Manager Satterwhite referred to page 2 of the proposed budget document and noted that current property taxes would bring in approximately $8.5 million or an 8.9% increase over the previous year. The total revenue of $15.7 million was a 3.1% increase over the previous years.
Sales taxes had been fairly steady throughout the year, but tended to be slightly higher at this point in the year. The City was expecting $2.1 million in revenues for sales taxes.

With respect to expenditures, some departments increased more than others, while other departments actually decreased. General Fund expenditures line item by line item were not linear from year to year. For the most part, changes from department to department were nominal and the overall expenditure increase from last year’s forecast was approximately 3%.

City Manager Satterwhite referred to the City’s sick leave sellback program and noted that last year $60,000 was reserved for that program. The program had actually cost $100,000.

With respect to the Budget Resolution, the City had a goal to get non-personnel expenditures under 4.8%. Those expenditures were actually 1.3% over this year’s forecast. The 60-day working capital was just under $2.5 million, and the City was looking at $2.8 million in the proposed budget.

City Manager Satterwhite indicated that as he discussed the General Fund with City Council this evening, he wanted to focus on the following areas:

- Revenues
- Operating Budget
  - Personnel Summary
  - Compensation Summary
- Department Summaries
- Centennial
- Transfers

**General Fund Revenues**

City Manager Satterwhite referred to page 11 of the budget, noting the detail contained therein as to where revenues came from. Most of the revenues did not change or fluctuate a great deal. Examples of revenues were given as follows: property taxes, franchise taxes, sales tax, fines, recreation fees, permit fees, and interest income. Revenues in the proposed budget were estimated to be approximately 3% higher than the previous year.
Operating Budget

Personnel Summary

With respect to personnel, there were no significant changes to positions or the organization throughout the City in the current fiscal year or the next fiscal year. A full compensation and classification study was currently underway, and City Manager Satterwhite noted that the City would have to deal with the study at some point in time, but any changes that might occur were not presently known.

City Staff had looked at insourcing and outsourcing in response to City Council goals and expectations. There had been no specific changes to the proposed budget based on insourcing and outsourcing.

With respect to construction observation services, City Staff had done a fairly extensive analysis of those services and City Manager Satterwhite would be presenting a report to City Council in the future. He did note that his recommendation would be to continue handling construction observation as it was currently handled. The reason for this was due to the fact that City Staff did not see any real savings to change the way it was handled. City Staff did see a potential problem in changing the process with respect to getting the quality that was needed on the City's various projects.

City Manager Satterwhite continued by stating that Claunch & Miller, Inc., were the City’s consulting engineers, not just project engineers. There were many tasks that they would do and continue to do regardless of whether or not the City insourced construction observation services. Construction observation included pre-construction conferences and neighborhood meetings. Claunch & Miller, Inc., would still need to be hired to participate in those conferences and meetings. Construction observation also included full-time onsite representation, engineering and technical office support, laboratory testing, coordination, contact and payment evaluation and recommendation, punch lists, contract closeout documents and record drawings. The costs for construction observation services were all included in one line item in the budget.

If the City did decide to insource construction observation, it could be done and was a decision to be made by City Council. City Manager Satterwhite did not believe that it would impact the proposed budget as he would record those services on a project-specific basis and use bond proceeds for them as were currently done.

He continued and noted that the construction observation line item was approximately 4.6% of the total project, which was a good rate and in line with what other entities paid for such services.
Compensation Summary

Personnel costs represented 73% of total expenditures. The salaries increase for the entire organization was 3% over the increase for the previous year. The benefits increase over the previous year was noted to be 4%.

City Manager Satterwhite identified the two major drivers of the benefits increase as health insurance and retirement rate increases. The City had been told that health insurance might increase as much as 20%, however, the City had budgeted for a 10% increase. City Staff did not intend to change the health insurance parameters, but would have to see what the costs were.

The City’s retirement rates with the Texas Municipal Retirement System (TMRS) were going up. TMRS in its previous history had invested in fairly low yield stable securities--primarily bonds. Those securities had paid a fairly good dividend to the Texas retirees over many years. TMRS, however, had incurred a fairly sizable unfunded liability. TMRS, in taking care of that unfunded liability, would be charging its members a little more in rates, phased in over eight years. This increase did not have a huge impact on the City’s proposed budget, but that increase would continue over the next several years. He advised further that TMRS was a good deal and relatively inexpensive when compared to what the employees got out of it. TMRS’ rates of return and dividends for the employees were going to go down, but all in all it was still a good retirement system. TMRS was solvent and was working to fix the problem of the unfunded liability.

Finally, it was noted that the proposed budget included a nominal market adjustment of 2%. He referred to the ongoing compensation study and indicated that the study would give the City a good idea as to its internal and external equity with respect to personnel and job classifications. He believed that some positions would see an increase and others would not, noting that right now, the impact of the study was unknown.

Department Summaries

City Manager Satterwhite next reviewed various line items within the General Fund by department. He referred to the sick leave sellback program, noting that $100,000 had been budgeted as a reserve and that the amount would be reallocated to each department.

Health insurance was expected to increase 10% and budgeted accordingly. City Staff hoped that the increase would be less than
The TMRS rate, as mentioned earlier, was budgeted to increase by 5%.

The costs for tax assessing and collecting decreased fairly significantly this year from $90,000 to $12,000. The costs paid for services to the Harris County Appraisal District (HCAD) would probably increase due to increased litigation costs incurred by HCAD over the last year or so.

Expenditures were budgeted for an election to be held in November of 2009. A deposit for that election would be required prior to the end of this next fiscal year, so an amount was budgeted for that deposit.

Professional fees decreased slightly as the drainage plan review process was changed. Consultants were still performing the service; however, the process had been streamlined to reduce costs.

Increases were budgeted for CTS/Professional Services contracts, many of which related to technology-driven law enforcement tools that were used and needed.

Contract labor costs for the Public Works and Parks & Recreation Departments were expected to decrease with the hope of hiring full-time personnel for some of the vacant positions in those departments.

An expenditure increasing fairly significantly this year was technology. The reason for this was a proposal by City Staff for upgrades to the City’s networking, voice, and data transmission systems. City Manager Satterwhite noted that expectations to do things using technology had increased.

The building maintenance contract was good and should continue. HVAC maintenance continued to be utilized and was a large item within the budget. It was noted that although the City did have some newer units, there were still some very old units in operation.

With respect to ground maintenance, it was noted that expenditures for landscaping along Loop 610 from Beechnut Street to Westpark were included in the line item. Wildflowers had been planted north of Bellaire Boulevard, which reduced the need for landscaping maintenance in those particular areas. Park maintenance was also expected to increase this year. The current specifications were not being met and the contract would be re-bid. Park maintenance included landscaping, flowers, and maintenance of the esplanades.

The City was currently getting a full review of all of its facilities with respect to risk management. We had found that some of the facilities were actually left off of some of the schedules. The playground that burned up due to vandalism was left off of the schedule, but the City’s
insurance provider did cover the damages. The City was informed that all of its facilities needed to be listed in order to receive future coverage, so City Staff had planned for that in the budget.

The mileage rate reimbursement for travel had increased and was now $0.585 per mile. The current fiscal year budget was planned for a $0.40 per mile reimbursement.

It was also noted that the City was still maintaining the budget for training in the Fire Department.

CTS supplies increased this year. It was noted that the City had spent more than budgeted in the current year for CTS supplies, although that overage did not impact the overall budget. The proposed budget was prepared assuming a higher expenditure for these supplies.

Pool chemicals were expected to increase in cost slightly, and there was a standard to maintain equipment to a certain standard and cleaning schedule under the NFPA for the Fire Department.

The City entered into a new depository contract with a new bank this year and the costs for those services, which increased, were reflected in the proposed budget.

Non-personnel expenditures in the General Fund for the current fiscal year were $3.977 million. The City expected to spend $3.894 million. The non-personnel expenditures in the General Fund proposed for fiscal year 2009 were $3.945 million, which was slightly above the fiscal year 2008 forecast, but below the 2008 budget. Personnel costs were increasing from $10.4 million to $10.8 million, which was an increase of approximately 4%. In summary, the total budget increase was 3%, and the non-personnel increase was a little over 1.3%.

Organizational Services

City Manager Satterwhite reviewed some of the line item expenditures for Organizational Services, such as travel (conferences for Mayor and City Council, as well as the City Manager and other employees in Organizational Services), overtime, CTS professional services contracts, and facilities.

Finance

It was noted that the there was an adjustment in overtime for the Finance Department, as well as tax assessment and collection. Overall, there was a 3% decrease in the Finance Department budget.
Legal and Audit

The Legal and Audit budget would increase due to increased auditing requirements under GASB 45 and other mandates related to risk assessment.

Community Development

The Community Development budget was higher as compared to the current budget. There had been some reorganization in the department, such as the upgrade of one of the positions to Assistant Building Official. There would, however, probably be some salary savings due to the recent resignation of the Community Development Director.

Fire

City Manager Satterwhite advised that there was not a great deal of change in the Fire Department. There was a 2.3% increase in the department budget over the current fiscal year. The department might go over budget this year, and the appropriate amendment would be made before that happened.

Police

The budget for the Police Department had not changed significantly. Overall, the budget had increased 4.5%. Although the increase could not be attributed to any one single line item, it was noted that the cost of doing business in some areas continued to increase incrementally.

Library

The budget for the Library had increased slightly. The City’s contract with the Houston Area Library System (HALS) was expected to increase a little. The circulation and participation numbers for the Library had increased significantly this year.

Public Works

It was noted that the City would try to fill some full-time positions in the Public Works Department, thereby reducing the expenditure for contract labor. The costs for storm sewer and paving maintenance were typical in the proposed budget.

Fuel costs increased 16.7% in the proposed budget. The City had looked into purchasing hybrid vehicles for certain applications, and intended to purchase a few in the coming fiscal year. The initial cost
of a hybrid was more, but the fuel, depreciation, and maintenance savings outweighed the difference in initial cost.

City Manager Satterwhite noted that most of the City’s employees lived far from the workplace. He referred to an article that tied into the discussion. The article stated that employees were forced to alter their commute to compensate for rising fuel costs. A survey was conducted according to the article, and 29% of the respondents stated that they would try to work from office locations closer to home. City Manager Satterwhite stated that there were many cities closer to employees’ homes that were hiring people because they were growing faster.

Another way to alter one’s commute according to the article was working fewer days of the week. City Manager Satterwhite stated that there did not seem to be a lot of opportunity to do that, but the City was looking into it. He knew that the Fire Department was looking at altering their work schedule to give their employees more time on and more time off so that they would make fewer commutes in a given period of time.

Twenty-five percent of the respondents to the survey indicated that they were asking for increased compensation. Twenty-three percent said they were taking public transportation more frequently. City Manager Satterwhite advised that one of the City’s inspectors rode the METRO bus to work everyday. Eighteen percent of the respondents indicated that they were walking or biking to work. Five percent were driving more conscientiously and two percent were cutting back on other spending.

**Parks & Recreation**

Instructor pay in the Parks & Recreation Department was budgeted the same for the proposed fiscal year. It was noted that the City received revenue from the classes taught by its instructors and that more revenue was received than was paid out for the instructors.

With respect to special events, the “Holiday in the Park” event was budgeted to be bigger and better this year. The City did get sponsorships for its events. The City was very successful in its recent Fourth of July event with respect to attracting revenues to offset those expenditures. There were some events during the Centennial year that people liked and asked the City to continue, such as the Valentine’s Day Dance and Pet Parade. Those events were put in the upcoming fiscal year budget, and the City would try to generate revenues to offset those expenditures.
In 2008, the City had a centralized natural gas budget. The expenditure for the upcoming year was budgeted under the Parks & Recreation Department as it applied to the pools (i.e., Therapy Pool at Evergreen Park and Bellaire Pool at Bellaire Town Square). It was noted that the City would spend approximately $32,000 for natural gas in 2008. The expenditure would be greater in fiscal year 2009 as the Bellaire Pool was not open for business until the first of the year.

City Manager Satterwhite indicated that he went back and reviewed the business plan that was developed for the Family Aquatic Center. The plan expected pool revenues of $236,000 (all pools) and operating expenditures of $486,000 (all pools), resulting in revenues covering approximately 48.5% of operating expenditures. In the proposed budget, the expected revenues for the pools were $266,000 and operating expenditures of $516,000, resulting in revenues covering expenditures of approximately 47%. The City was lagging slightly below a business plan that was prepared almost three years ago.

City Manager Satterwhite indicated that he felt that admissions were set where they needed to be, and he had not heard a great deal of complaints with respect to admission prices. The staffing costs were what had been anticipated, but the natural gas costs were a bit higher than anticipated.

He next referred to some operational costs for the new Family Aquatic Center that were not anticipated before the Center opened last year. For example, there was no point-of-sale system at the ticket window, which was needed. Automatic transactions occurred in all other areas within the Parks & Recreation Department, except at the new Family Aquatic Center. This would be taken care of in the proposed budget.

Another example of an operational item needed for the Aquatic Center was an audio-visual system for the CenterPoint Energy Community Center. This was also included in the proposed budget.

**Centennial**

It was noted that $156,000 was budgeted in fiscal year 2008 for the City's various Centennial events. The City had spent approximately $95,000 of that budget. Since operational expenditures could not be carried over from one budget year to the next, City Staff had decreased the fiscal year 2008 forecast to $95,000 and added the unspent items into the proposed fiscal year 2009 budget. The budget was roughly still the same, but had been apportioned into two separate fiscal years.
Transfers

The General Fund budget contained $2.4 million in transfers. What appeared to be a surplus in the fiscal year 2008 budget of $2.3 million was needed to fund the Capital Improvement Plan and Vehicle, Equipment, and Technology Plan.

FY2009 General Fund Expenditure Categories

City Manager Satterwhite presented a pie chart to City Council depicting the fiscal year 2009 General Fund expenditure categories as follows:

- Salaries and Benefits: 73%
- Professional Services: 8%
- Materials and Supplies: 8%
- Maintenance: 6%
- Contractual Services: 5%
- Financial Services: 0.3%

FY2009 General Fund Revenue

City Manager Satterwhite presented a pie chart to City Council depicting the fiscal year 2009 General Fund revenue categories as follows:

- Property Taxes: 53%
- Sales Tax: 15%
- Fines: 8%
- Other: 7%
- Permits and Licenses: 5%
- Recreation Fees: 5%

It was noted that most of the revenue categories had remained fairly static over the years, such as sales tax and franchises.

FY2009 General Fund Category of Expenditures

City Manager Satterwhite presented a pie chart to City Council depicting the fiscal year 2009 General Fund category of expenditures as follows:

- Public Safety: 47%
- Administration: 23%
- Recreation and Culture: 17%
- Community Development: 13%
It was noted that “Administration” also covered facilities management for the entire City, electricity for all City facilities, communications technology services for the entire City, etc.

**Enterprise Fund**

City Manager Satterwhite advised that there were no planned rate increases for this year. The City would draw down the working capital a little bit, within reason. Surface water costs would increase and that increase was planned in the budget. That increase was expected to be more this year since it was based on the Consumer Price Index (CPI).

Within the Vehicle, Equipment, and Technology Fund (VET), a new garbage truck and other equipment were included for this fiscal year. The City was looking into the possibility of tying some Enterprise Fund working capital to some of the capital purchases in the VET, but that was not reflected in the proposed budget.

Also included in the Enterprise Fund was a transfer to the Debt Service Fund as discussed earlier in the presentation.

City Staff had created a Water/Wastewater Revitalization Program, which would be presented in more detail tomorrow evening. The program packaged everything that had been discussed from the Klotz Associates, Inc., needs analysis. City Staff had also taken a look at possible financing sources for the program. Since there was a need to get some things done in a short period of time, City Manager Satterwhite stated that the City might want to look at the issuance of revenue bonds.

If the needs were financed with revenue bonds, it would take a little of the pressure off of the “pay-as-you-go” portion of the capital improvement program.

**Fund Summary**

Operating revenue in the Enterprise Fund was estimated to be $6.3 million. Operating expenses, such as water production, were increasing primarily due to increased energy costs. The surface water increase was due to a rise in rates from the City of Houston. The expenses in this fund in the proposed budget increased by about $429,000.

It was noted that the biggest user of fuel, diesel, and energy in the City was the Public Works Department.
With respect to electricity, the City was in good shape because the City was able to lock into an electrical contract a few years ago. That contract would expire in 2010.

Revenues over/(under) expenditures of $307,000 less the $950,000 transfer to the Debt Service Fund would result in a drawdown of the fund balance from $4.3 million to $3.8 million. City Manager Satterwhite advised that the City could live with this now until we got the water/wastewater needs were figured out.

With respect to meter reading, those services were contracted out and the cost was expected to increase due to fuel costs. Trash hauls would increase due to fuel costs and an increase in tipping fees.

With respect to maintenance for the Wastewater Treatment Plant, it was noted that the Texas Commission on Environmental Quality (TCEQ) had mandated certain maintenance items be taken care of. Some of the items were included in the Klotz Associates, Inc., needs assessment and some were included in the VET plan. The items that were operational in nature were moved from the VET plan to the Enterprise Fund. This was one of the reasons for the big increase in the operational budget in the Enterprise Fund.

Additionally, it was noted that garbage bags were expected to increase as a result of the cost of fuel. Several years ago, the City’s cost for garbage bags was $70,000. The City paid $140,000 in the current fiscal year, and anticipated paying $165,000 in the next fiscal year.

Water purchases were noted to include groundwater credits, which needed to continue to be purchased. These credits allowed the City to pump 50% of its water needs from groundwater. The surface water cost was noted to be $1.79 per 1,000 gallons. The cost of the credits was $0.41 per 1,000 gallons.

**FY2009 Enterprise Fund Revenues**

City Manager Satterwhite presented a pie chart to City Council depicting the fiscal year 2009 Enterprise Fund revenues as follows:

- Water Sales: 43%
- Wastewater: 33%
- Solid Waste: 23%
- Other: 1%

**FY2009 Enterprise Fund Expenditures**

City Manager Satterwhite presented a pie chart to City Council depicting the fiscal year 2009 Enterprise Fund expenditures as follows:
Solid Waste 21%
Water Purchase 20%
Wastewater Treatment 18%
Transfers 14%
Water Distribution 9%
Water Production 8%
Wastewater Collection 6%
Utility Billing 4%

**Debt Service Fund**

With respect to the Debt Service Fund, City Manager Satterwhite indicated that the City was not issuing any additional debt this year. Debt was expected to be issued in the spring of 2009. The desired fund balance plus anticipated additional debt would determine the final debt service tax rate. The proposed budget was prepared using an assumed tax rate of 12.5 cents.

The City’s beginning fund balance was a little higher than anticipated for various reasons. Taking into account the beginning fund balance, anticipated revenues, and anticipated expenditures, the ending fund balance was expected to be $1.8 million. If the numbers stayed the way they were with regard to the anticipated tax base, he could see the City possibly drawing the ending fund balance down. The rate was predicated on the debt this year, as well as anticipated additional debt in subsequent years. City Manager Satterwhite did not want to draw the fund balance down to the point where the tax rate might have to be increased to make bond payments.

It was noted that the total expenditures in the proposed budget for fiscal year 2009 were set at $4.9 million.

**Summary**

In summary, if the three major funds that drove revenue were added together—General Fund, Debt Service Fund, and Enterprise Fund—the total budget was $29,141,925 versus $29,002,358 for 2008. This was approximately ½ of a percent increase.

It was noted that the City was not transferring as much out of the General Fund to the Capital Improvement Program, as it was determined that a smaller transfer was required.

The budget was well within all parameters and provided for needs and expectations. It provided funds for the five-year Capital Improvement Plan, to finish the Bellaire Millennium Renewal Program, to work on Rebuild Bellaire, Bellaire Town Square, etc., as well as to maintain or improve levels of service.
Questions

City Manager Satterwhite next addressed frequently asked questions related to the budget.

1. What would the impact be if the proposed tax rate were increased or decreased?
   If the proposed tax rate were decreased by one cent, the initial impact would be a reduction in revenues, thereby reducing the fund balance to $2,497,926. The requirement for ending fund balance would still be met, but more of a deficit would be created. City Council could decide not to fund the CIP and VET at the levels City Staff proposed. City Council could choose to keep the operational budget as it was, but live with a lesser fund balance.

   If the proposed tax rate were decreased by two cents, the revenues would reduced and the fund balance would be reduced to $2.2 million, which was less than what was set as a goal or less than two months of operating expenditures. City Council could once again reduce the amount designated for the CIP and VET or the operational budget could also be squeezed down. If the operational budget were to be squeezed down, then some decisions would have to be made with respect to operations, events, subsidies of programs, the building of technology throughout the City, etc.

   The City had little control over fuel and energy. With respect to personnel costs, the personnel budget could be cut by eliminating positions. City Manager Satterwhite did not believe the City was at the point were positions needed to be eliminated.

   He did believe there was an opportunity to make some adjustments on the Debt Service Fund side, which would affect the bottom line or fund balance.

   Increasing the proposed tax rate by one cent would allow for the additional revenues to go toward reserves for CIP and VET or remain in fund balance.

2. What would need to be done to bring construction observation in-house with this budget?

   If construction observation were moved in-house, City Manager Satterwhite would suggest that those services be made project-based. This would mean that the in-house employee would be focused only on projects. The City had plenty of projects to keep people busy in-house. He believed it would take more than one person, probably two, three, or four, to handle the construction observation.
If project-based, the cost would probably not impact the proposed operational budget.

3. Is City Hall security included in the proposed budget?

City Manager Satterwhite indicated that security for City Hall was included in the proposed budget. Security for some of the City’s other facilities was included as well. Facilities Management Director Karl Miller had done some research and obtained quotes for security measures for City Hall and other buildings, such as an electronic lockdown system. The system would also include unnoticeable web-based cameras for the purpose of monitoring the buildings.

4. Is Fire Department training funded?

Fire Department training was funded for the next year.

5. Is the retirement plan fully funded and what is the unfunded liability?

City Manager Satterwhite noted that Bellaire did not have an unfunded liability with respect to retirement per se. The City would, however, pay a higher rate in the proposed budget. This was a budget item rather than a balance sheet item (i.e., liability).

6. Is there an unfunded liability for retiree health coverage?

It was noted that the City did not provide retiree health coverage. Retirees were given the option to join the City’s group plan. This was creating some issues now because of GASB 45, which stated that even if an entity did not have a retiree health plan, if the retirees were offered an opportunity to join a group, then those retirees were impacting the overall group. That particular liability would now have to be accounted for, but it was not considered an unfunded liability.

The City was looking into whether we should continue to offer the opportunity for retirees to join the group. We did not want to necessarily cause ourselves more audit and actuarial expense. There were only five retirees right now that had availed themselves of the option.

7. Are user fees for parks programs adequate or too much?

Right now, the City was subsidizing approximately 60% of the cost of the programs, but less than that with respect to the pools. He believed that this was fairly typical for cities and was a good balance between tax-supported programs and user-supported programs.
8. What impact do our tax exemptions have on the budget?

City Manager Satterwhite indicated that the City had incorporated all of the recently incorporated exemptions when the proposed budget was prepared (i.e., over 65 and disability). Tax exemptions really had no impact on the budget. The budget was prepared based on what was needed to operate and the tax rate was set accordingly regardless of the exemptions.

9. Will the City always have the $950,000 transfer from the Enterprise Fund to the Debt Service Fund?

City Manager Satterwhite indicated that he did not believe that the City would always transfer $950,000 from the Enterprise Fund to the Debt Service Fund.

10. Do we have enough bond funds available to do what was promised in Rebuild Bellaire for facilities?

It was noted that the City had enough bond funds to do what was promised in Rebuild Bellaire for facilities. There was approximately $7.5 million in bond funds available plus the pay-as-you-go funds.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend:  A – Answer; C – Comment; Q – Question; R – Response}

Q: **Councilman Phil Nauert** advised that he liked the resolution-driven budgeting process much better than the line-item process followed approximately ten years ago. Without any additional debt this year and the CIP and VET, this budget was actually personnel driven. He inquired as to whether the City had an unfunded or under-funded liability with respect to sick days and/or vacation days.

A: **City Manager Satterwhite** stated that the City did buy back sick leave and it was budgeted. The amount was unknown as it varied. There were certain criteria for employees to sell back their sick leave. The only real liability was in the reserve line item. It was under-funded for 2008, but the City caught up.

Q: **Councilman Nauert** inquired as to whether the City bought back vacation days.

A: **City Manager Satterwhite** advised that the City did not buy back vacation days. When employees left the City, they were paid for untaken vacation days. That cost was usually absorbed by the salary savings.
Q: **Councilman Nauert** inquired as to whether or not the City was top-heavy with employees that were about to leave.

A: **City Manager Satterwhite** indicated that there were limits on the amount of vacation days that could be accrued. Once that limit was reached, the employee would lose their vacation.

Q: **Councilman Nauert** inquired as to when the City’s medical contracts turned over.

A: **City Manager Satterwhite** advised that the contracts turned over in January.

Q: **Councilman Nauert** asked for confirmation that the City was projecting a 10% increase in those costs.

A: **City Manager Satterwhite** advised that he was projecting a 10% impact to the budget.

Q: **Councilman Nauert** inquired as to when the fuel contract would turn over.

A: **City Manager Satterwhite** noted that he did not have that answer this evening.

C: **Councilman Nauert** expressed concern that there might be a big impact to the budget when that contract turned over.

R: **City Manager Satterwhite** stated that he did not believe it would as the cost was a set percentage below the market price. If a problem were to occur, City Staff would make adjustments.

Q: **Councilman Nauert** referred to a statement made earlier that if the bond ratings agencies saw fund balances increase, the result of those increases might be a more favorable rating for the City. He inquired as to whether the City had any idea as to the “tipping” point. In other words, how much would the City need to accumulate in order to receive a more favorable rating?

A: **City Manager Satterwhite** advised that the bond rating agencies did not really care what an entity’s fund balance was, they just did not like to see an entity dipping into it unnecessarily.

C: **Councilman John Jeffery** referred to the $950,000 transfer and agreed that for this budget that the transfer should stay. He would like to see the Enterprise Fund fund itself.
R: City Manager Satterwhite noted that there were varying opinions on what should fund the Enterprise Fund.

Q: Councilman Jeffery referred to designated reserves reported on page 2 of the budget. He noted that some of those reserves were attributable to other budgets, but the expenditures were never incurred.

A: City Manager Satterwhite cautioned that the designated reserves did not add up. The reserves were reported year-by-year. What would add up was the cash flow chart included in the first page of the Capital Improvement Plan budget. This was where the reserves had been applied.

Q: Councilman Jeffery referred to solid waste, noting that the department was down two laborers and inquired as to the reason for this.

A: City Manager Satterwhite indicated that the City had not done well in its efforts to convert temporary laborers to full-time laborers. There was apparently some dissonance in the ranks as to whether or not that should be done. It was also difficult to hire full-time people in those positions that would stay around for any length of time.

C: Councilman Jeffery referred to the personnel portion of the budget. He advised that increases appeared to have averaged 5% for some, and 9% for others (including benefits). He advised that he wanted to encourage the City to look at some type of program to compensate employees who lived far away from work and had to commute. In his business world, they were losing people because of the cost of commuting. It was harder to hire new people and train them than to keep the ones the City already had.

R: City Manager Satterwhite advised that the compensation and classification study currently underway included ways in which to retain employees. There would be costs to doing that and those costs would be different than just straight salary costs.

C: Councilman Jeffery urged that something be done more expeditiously as the study might take up to a year to implement.

R: City Manager Satterwhite advised that the study would be completed in August. The City would evaluate what could be done in the short-term versus what needed to be done long-term.
He advised that turnover was not horrible. There was a problem when the turnover occurred in police and fire, because the City was just not able to get the pool of applicants that it used to be able to get. When Pearland was building two new fire stations and converting from volunteer to fully-paid, it was difficult to compete with them. He noted further that the City of Houston was paying a $12,000 signing bonus for police officers. Although City Manager Satterwhite believed that there was an application for bonuses, we needed to remember that bonuses were short-term gratification.

Q: Councilman Will Hickman referred to the increase in the taxable value from $2.8 billion to $3.1 billion. He inquired as to the portion of new construction that was included in that increase.

A: City Manager Satterwhite advised that the City would have that information.

C: Councilman Hickman stated that he would like to keep the average homeowner in the same place with respect to tax liability from year to year and have the increased revenue paid for by the new construction.

R: City Manager Satterwhite stated that he suspected that the existing values went up more this year than they did last year.

Q: Councilman Hickman referred to contract labor versus full-time employees, noting that he remembered the debate, but did not remember the details. He inquired as to the difference in cost. In other words, were they comparable?

A: City Manager Satterwhite stated that the costs were somewhat comparable until one started getting into benefits and other management costs not involved in salaries. The City probably paid $9.00 to $10.00 per hour, which was about the same pay that starting laborers would receive under the City’s pay plan. It was noted that the personnel agency was also paid a markup on top of that hourly rate. He estimated that overall, the costs were probably comparable.

Q: Councilman Hickman referred to paving maintenance of $25,000 and asked if that included sidewalks.

A: City Manager Satterwhite stated that sidewalks were not included. Sidewalks appeared in the CIP.
Q: **Councilman Hickman** referred to the cost of heating the pool of $7,000 per month. He inquired as to whether the City had done any more research with respect to using solar heating for the pool.

A: **City Manager Satterwhite** stated that he was having a hard time getting someone to agree that solar heating was feasible for a pool the size of the one in Bellaire Town Square. With the trees, our climate, and the orientation of our buildings, a separate bank of solar arrays would have to be built in order to try to heat the pool. There were not many commercial pools with solar heating, because the method did not work well.

Q: **Mayor Cindy Siegel** asked about the possibility of heating the Therapy Pool with solar panels.

A: **City Manager Satterwhite** indicated that the cost to heat the Therapy Pool was much less at $1,200 per month.

Q: **Councilman Hickman** asked if the solar discussion could occur during a future meeting as an agenda item. He then referred to credit card fees and asked for an update on the City’s ability to accept payment for utilities by credit card.

A: **City Manager Satterwhite** stated that the City would be able to accept credit card payments for utilities this year. The new depository contract was in place, and the bank did have the capability to assist the City with a credit card payment system.

Q: **Councilman Hickman** referred to fuel in the Public Works Department budget of $52,500. He inquired as to the percentage of the budget that was attributable to the recycling truck.

A: **City Manager Satterwhite** advised that the cost to operate the garbage truck was included in the Enterprise Fund, so the amount Councilman Hickman referred to did not include costs for the recycling truck. He advised that he did not know the amount attributable to it in the Enterprise Fund, but would find out.

C: **Councilman Hickman** referred to electricity costs. If he doubled the cost budgeted for the upcoming fiscal year in the Enterprise Fund of $515,000, the City was starting to talk about real money. He noted that now was the time to start looking at more efficient controllers, thermostat controls, lighting, more efficient pumps, etc. It might be worth some additional capital.
costs upfront knowing that the increase was coming down the road.

R: City Manager Satterwhite advised that the City’s buildings were energy efficient within the General Fund. In the Enterprise Fund, when pumps started to be replaced, the new pumps would be more efficient than what the City currently had. If the City could run less during peak hours and more during off-peak hours, the City could save some additional money. In summary, he agreed with Councilman Hickman that the City did need to start worrying about those things.

C: Councilman James P. Avioli, Sr., stated that he felt that the budget package put together by the City Manager and City Staff was very good. He referred to page 2 of the budget and the fiscal year 2009 proposal for total available resources. He advised that he had a misprint, because the numbers did not add up correctly.

R: City Manager Satterwhite indicated that the formula included in the spreadsheet did not add up the beginning fund balance and the total revenues and transfers in.

Q: Councilman Avioli inquired as to the correct number.

A: City Manager Satterwhite stated that the correct number was $19,401,121.

Q: Councilman Avioli referred to a presentation before City Council from the Parks & Recreation Advisory Board regarding a $2.8 million plan. He inquired as to whether there was anything in the proposed budget that would move the City forward with that plan.

A: City Manager Satterwhite indicated that funds had been budgeted for that plan in the CIP that would be presented tomorrow evening.

Q: Councilman Avioli noted that he was the liaison to the Recycling Committee. He advised that the Committee needed money and asked if there was any money that could be budgeted for their needs.

A: City Manager Satterwhite advised that he did not know the answer to that question. The City had a recycling budget and he would get with the Director of Public Works on that request.
Q: Councilman Avioli inquired as to whether the Recycling Committee could accept donations if they could not get funds from the City.

A: City Manager Satterwhite stated that boards, commissions, and committees did not have budgets. Any funding for those groups was included in the City’s budget. He reiterated that there were funds in the Public Works Department budget for recycling.

Mayor Siegel indicated that in terms of donations, City Council had to approve donations amounting to $1,000 or more.

City Manager Satterwhite agreed that with approval from City Council, the Recycling Committee could solicit for donations and grants. The Recycling Committee had done that in the past.

C: Councilman Avioli referred to a statement by City Manager Satterwhite that he continued to review the in-house observation service rather than outsourcing and that most cities outsourced those services. It was also mentioned that construction observation services were only 4% of the cost. Councilman Avioli advised that he was anxious to see the numbers because the two projects that he had seen amounted to 32%.

R: City Manager Satterwhite stated that the cost referred to by Councilman Avioli was 32% of the total engineering proposal.

C: Councilman Avioli advised that the City had still spent $173,000 for inspection for two projects.

R: City Manager Satterwhite responded that the cost would be same if those services were done in-house.

Q: Councilman Avioli noted that City Manager Satterwhite indicated that the services could be done in-house. He inquired as to why the City was not doing it that way now.

A: City Manager Satterwhite advised that he could not do it in-house now as he did not have the management structure in place to do so.

Q: Councilman Avioli indicated that people could be hired for that kind of money. He was not suggesting that the City perform those services with the people on hand. He was
suggested that people could be hired to perform those services in-house at a savings.

A: **City Manager Satterwhite** stated that he disagreed.

C: **Councilman Avioli** stated that he disagreed with City Manager Satterwhite and would like to sit down and look at the numbers.

Q: **Mayor Siegel** asked if City Manager Satterwhite could provide a breakdown as to how he arrived at his numbers.

C: **Councilman Avioli** noted that City Manager Satterwhite had already indicated that he could do it cheaper by outsourcing. Councilman Avioli just wanted to see those numbers. He noted that the City had paid $23,000 for the inspection of sidewalk repairs and he struggled with that.

R: **City Manager Satterwhite** stated that the services were not just inspection-related. The services were related to overall construction observation.

C: **Mayor Siegel** stated that Councilman Avioli needed more information.

Councilman Avioli agreed and advised that he did not wish to hold the meeting up further this evening.

Q: **Mayor Pro Tem Peggy Faulk** asked for five-years of comparative information for the estimated tax value compared to the final taxable value.

A: **City Manager Satterwhite** advised that it could be provided but cautioned that she would not see a linear relationship because protests had changed so much over the last few years.

Q: **Mayor Siegel** referred to the Community Development Director position and asked if consideration had been given as to whether that function was too big. For example, the City might need a planner and a manager.

A: **City Manager Satterwhite** stated that he had not considered that at all.

C/Q: **Mayor Siegel** indicated that City Council had heard that throughout the years, so she was giving food for thought. With respect to the Fire Department and the new Fire Station to be
constructed, Mayor Siegel inquired as to whether the City had accounted for temporary space for the Fire Department.

A: City Manager Satterwhite advised that any temporary facilities needed would be charged to the CIP.

Q: Mayor Siegel asked for confirmation that the City was close to accepting credit cards for all areas in the City.

A: City Manager Satterwhite stated that Community Development was not close to accepting credit cards at this time.

Q: Mayor Siegel asked if Community Development would be close in the near future.

A: City Manager Satterwhite indicated that he hoped it would occur.

C/Q: Mayor Siegel referred to the Centennial budget and indicated that she was not certain as to whether revenues for the Gala had been taken into account. She next referred to previous discussions related to the possibility of using paper bags versus plastic bags. She inquired as to whether this was something that the City should revisit since fuel costs had increased.

A: City Manager Satterwhite stated that had vowed never to revisit solid waste. The City had looked at all possible permutations and the residents seemed to want to stick with what the City currently had.

Q: Mayor Siegel inquired as to the number of current vacancies with respect to personnel.

A: Director of Human Resources Roberta Murray indicated that she was not certain as to how many vacancies the City had, but the turnover rate was 10.39%.

Q: Mayor Siegel asked what the City might potentially save annually with respect to interest if the City were successful in getting a AAA rating.

A: City Manager Satterwhite indicated that he was not certain, but had heard 25 basis points.

Q: Councilman Hickman stated that he was interested in all of the memberships that the City had and the costs for those memberships (i.e., Texas Municipal League, Houston-Galveston
Area Council, etc.). He noted that the City Manager could respond to the question by email.

A: City Manager Satterwhite stated that he would email that information to Councilman Hickman.

Mayor Siegel asked City Council to provide any other questions that might come up prior to the public hearing by email to City Manager Satterwhite by August 11th so that he could have that information in time for his presentation at the budget public hearing.

G. NEW BUSINESS:

1. PROCLAMATION:

PROCLAMATION issued by Mayor Cynthia Siegel proclaiming the month of August 2008 as Commute Solutions Month in the City of Bellaire, Texas, and encouraging Bellaire commuters to join the City of Bellaire and other local sponsors for a Centennial Transportation Fair on Wednesday, July 23, 2008, from 11:00 a.m. until 1:00 p.m. – Item submitted by Assistant City Manager Diane K. White.

Mayor Cindy Siegel presented a proclamation that she issued proclaiming the month of August 2008 as "Commute Solutions Month" in the City of Bellaire, Texas, to Assistant City Manager Diane K. White. Prior to acceptance by Assistant City Manager White, Mayor Siegel read the proclamation in its entirety as follows:

Whereas, in celebration of the City of Bellaire’s Centennial Anniversary, the City of Bellaire and the Houston-Galveston Area Council (H-GAC) are hosting a Transportation Fair on Wednesday, July 23, 2008, at the Bellaire Civic Center, 7008 South Rice Avenue, Bellaire Texas, from 11:00 a.m. to 1:00 p.m. to promote commute alternatives in the City of Bellaire; and

Whereas, the City of Bellaire Centennial Transportation Fair (“Transportation Fair”) will provide an opportunity for Bellaire commuters to network and learn more about the Commute Solutions Program and other public transportation programs that will help to reduce traffic congestion and improve mobility, air quality, and the quality of life for the Bellaire community; and

Whereas, representatives from the City of Bellaire, H-GAC’s Commute Solutions Program, the Metropolitan Transit Authority of Harris County, the City of Houston, the Texas Department of Transportation, and NuRide will be attending the Transportation Fair to promote commute alternatives, such as NuRide, carpooling, teleworking, vanpooling,
transit service, alternate work schedules, and biking and walking, and to educate commuters about ways they can save money on gas, spend less time on the road, and reduce stress from long commutes; and

Whereas, the Transportation Fair will kick-off the month of August 2008 as “Commute Solutions Month”;

Now, Therefore, I, Cynthia Siegel, Mayor of the City of Bellaire, Texas, do hereby proclaim the month of August 2008 as

Commute Solutions Month

in the City of Bellaire, Texas.

In Witness Whereof, I have hereunto set my hand and caused the seal of the City of Bellaire, Texas, to be affixed this 21st day of July, 2008.

Cynthia Siegel, Mayor
City of Bellaire, Texas

2. ADOPTION OF ORDINANCES:

Agreements and Contracts

a. CONSIDERATION of and possible action on the adoption of an ordinance of the City Council of the City of Bellaire, Texas, authorizing the Mayor and the City Clerk of the City of Bellaire, Texas, to execute and attest, respectively, an Interlocal Agreement for Hazardous Material Incident Handling Services between the City of Bellaire, Texas, and Harris County, Texas, for the purpose of allowing Bellaire, Texas, to utilize Harris County’s Agreement with Oil Mop, LLC, as primary contractor, for emergency response for hazardous materials incidents and labor service within the City of Bellaire, Texas – Item submitted by Director of Public Works Joe Keene.

SUMMARY:

City Manager Bernard M. Satterwhite, Jr., summarized the agenda item before City Council, noting that the City had entered into a similar agreement with Harris County a few months ago to use a company for debris removal in the event of a storm. The agreement before City Council this evening would allow the City of Bellaire to utilize Harris County’s existing agreement with Oil Mop, LLC, for emergency response
for hazardous materials incidents and labor service. No cost would be incurred for these services unless said services were used.

**MOTION TO ADOPT ORDINANCE:**

A motion was made by Councilman Will Hickman and seconded by Councilman Phil Nauert to adopt an ordinance of the City Council of the City of Bellaire, Texas, authorizing the Mayor and the City Clerk of the City of Bellaire, Texas, to execute and attest, respectively, an *Interlocal Agreement for Hazardous Material Incident Handling Services* between the City of Bellaire, Texas, and Harris County, Texas, for the purpose of allowing Bellaire, Texas, to utilize Harris County’s Agreement with Oil Mop, LLC, as primary contractor, for emergency response for hazardous materials incidents and labor service within the City of Bellaire, Texas.

**QUESTIONS/COMMENTS FROM CITY COUNCIL:**

{Legend: A – Answer; C- Comment; Q – Question; R – Response}

**Q:** Councilman Will Hickman inquired as to whether the City would get a better deal by entering into this agreement versus bidding the services out.

**A:** City Manager Satterwhite indicated that this was probably the same deal that the City would get if the City bid the services out. It was actually a little better in that the City would not incur the costs of bidding or the administrative costs of handling the contract.

**Q:** Councilman Phil Nauert noted that page 8 of the document was a copy of the Harris County Commissioners Court Order for the action to be taken on the *Interlocal Agreement*. At the bottom of the order, language indicated that the *Interlocal Agreement* was between Bellaire and Harris County. However, in the middle of the page, language indicated that the *Interlocal Agreement* was between Jersey Village and Harris County. He inquired as to whether this invalidated the action of the Harris County Commissioners Court.

**A:** City Manager Satterwhite indicated that an error had been made by Harris County.
City Clerk Tracy L. Dutton noted further that the Harris County Commissioners Court had not taken action on this Interlocal Agreement yet.

Q: Councilman Nauert asked if the City could request that a correction be made on the order.

A: City Attorney Alan P. Petrov and City Clerk Tracy L. Dutton advised that a correction would be requested.

C: Councilman Nauert stated that he would request that approval of this agreement be pending in order to ensure that Harris County actually entered into an agreement with Bellaire.

R: City Manager Satterwhite indicated that he did not believe that the City would have to worry about the validity of the agreement.

VOTE ON MOTION TO ADOPT ORDINANCE:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
     Avioli, James P., Sr.
     Faulk, Peggy
     Nauert, Phil
     McLaughlan, Pat
     Jeffery, John

OPPOSED: None

ABSENT: None

{Ordinance was subsequently numbered: 08-041}

Appointment

b. CONSIDERATION of and possible action on the adoption of an ordinance of the City Council of the City of Bellaire, Texas, appointing one (1) member to the Parks and Recreation Advisory Board of the City of Bellaire, Texas, for the purpose of filling a two-year term that was declined prior to its commencement, said term of which would be effective beginning on July 1, 2008, and
expiring on June 30, 2010 – Item submitted by City Clerk Tracy L. Dutton at the direction of City Council.

SUMMARY:

Mayor Cindy Siegel summarized the agenda item before City Council, noting that Craig Bello had declined his appointment to the Parks and Recreation Advisory Board (“Board”). There was now a position open on that Board. Since City Council adopted an amendment to the City Code to reduce the number of members on the Board from nine to seven, there were two applicants that were not appointed and were still interested in serving.

Mayor Siegel noted further that there was a position open on the Recycling Committee (an unexpired term) and a position open on the Bellaire Arts Commission.

It was Mayor Siegel’s understanding that David Schlosberg’s first choice was the Board, but he would also be interested in serving on the Recycling Committee.

MOTION TO POSTPONE:

A motion was made by Councilman Pat McLaughlan and seconded by Mayor Cindy Siegel to postpone action on the adoption of an ordinance appointing one (1) member to the Parks and Recreation Advisory Board to fill a two-year term until interviews could be conducted for this position, as well as positions on the Bellaire Arts Commission and the Bellaire Recycling Committee.

DISCUSSION:

Councilman McLaughlan advised that the reason for his motion was due to the fact that there had been some attendance problems on the Board. He felt it would be very important for City Council to specifically interview the two applicants desiring to serve on the Board. Another reason for the motion for postponement was due to the fact that there was a vacancy on the Bellaire Arts Commission and the Recycling Committee. He felt that City Council needed to expand the effort so that all three boards could be considered at one time.

Mayor Siegel stated that she felt members currently on a board should be interviewed if City Council had concerns. In
the last few years, current members were not invited in for interviews.

**Councilman Will Hickman** advised that he was ready to vote on this ordinance this evening. He noted that the Mayor and Councilman McLaughlan were talking about a more comprehensive solution, but felt that City Council should appoint one of the other two that had already applied. He felt that City Council could still do what Mayor Siegel and Councilman McLaughlan had proposed for the other two positions. Councilman Hickman indicated that he would like to vote on one of the gentlemen that applied this evening.

**VOTE ON MOTION TO POSTPONE:**

Motion **carried** on a **4-3** vote as follows:

**FOR:** Siegel, Cindy  
Avioli, James P., Sr.  
Faulk, Peggy  
McLaughlan, Pat

**OPPOSED:** Hickman, Will  
Nauert, Phil  
Jeffery, John

**ABSENT:** None

**Public Hearing**

c. **CONSIDERATION** of and possible action on the adoption of an ordinance of the City Council of the City of Bellaire, Texas, calling a public hearing before the City Council of the City of Bellaire, Texas, on Monday, August 18, 2008, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas, to consider the proposed budget of the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009; making various findings and provisions related thereto; and declaring that all necessary notices be published as required by law – **Item submitted by Assistant City Manager Diane K. White.**

**MOTION TO ADOPT ORDINANCE:**

A **motion** was made by Mayor Pro Tem Peggy **Faulk** and **seconded** by Councilman John **Jeffery** to adopt an
ordinance of the City Council of the City of Bellaire, Texas, calling a public hearing before the City Council of the City of Bellaire, Texas, on Monday, August 18, 2008, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas, to consider the proposed budget of the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009; making various findings and provisions related thereto; and declaring that all necessary notices be published as required by law.

VOTE ON MOTION TO ADOPT ORDINANCE:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
     Avioli, James P., Sr.
     Faulk, Peggy
     Nauert, Phil
     McLaughlan, Pat
     Jeffery, John

OPPOSED: None

ABSENT: None

{Ordinance was subsequently numbered: 08-042}

H. COUNCIL CORRESPONDENCE AND COMMENTS.

Discussion only.

I. ADJOURNMENT.

MOTION TO ADJOURN:

A motion was made by Councilman Pat McLaughlan and seconded by Councilman Phil Nauert to adjourn the Regular Session of the City Council of the City of Bellaire, Texas, at 10:28 p.m. on Monday, July 21, 2008.

VOTE ON MOTION TO ADJOURN:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
FOR (CONT.): Avioli, James P., Sr.
Faulk, Peggy
Nauert, Phil
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: None

Respectfully submitted,

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Tracy L. Dutton, TRMC
City Clerk
City of Bellaire, Texas

Approved:

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Cynthia Siegel, Mayor
City of Bellaire, Texas