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 7:02 p.m. on Monday, July 20, 2009. 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:

Mayor Pro Tem Peggy Faulk, Position No. 3; Councilman Phil Nauert, Position No. 4; and Councilman Pat McLaughlan, Position No. 5.

Councilman Will Hickman, Position No. 1, Councilman James P. Avioli, Sr., Position No. 2, and Councilman John Jeffery, Position No. 6, were absent. 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 – Councilman John Jeffery.

Mayor Cindy Siegel provided the inspirational reading for the evening in Councilman John Jeffery’s absence. She read several quotations from unknown authors related to “budgets,” a topic for later this evening, as follows:

There’s nothing tighter than next year’s budget and this year’s bikini.

Most people look on budgeting as a nervous breakdown on paper.

A budget is an attempt to live below your yearnings.

You can enjoy a glorious vacation and stay within your budget—but not both in the same summer.

A budget is like a girdle—not enough room for everything.

C. PLEDGES TO THE FLAGS – Councilman John Jeffery.

1. U.S. PLEDGE OF ALLEGIANCE.
2. PLEDGE TO THE TEXAS FLAG.

Mayor Cindy Siegel led the audience and City Council in the U.S. Pledge of Allegiance and the Pledge to the Texas Flag in Councilman John Jeffery’s absence.

D. PERSONAL/AUDIENCE COMMENTS.

Robert Riquelmy, 506 Winslow Lane, Bellaire, Texas:

Mr. Riquelmy addressed City Council and advised that many, if not most of the problems, that Bellaire had could be traced to inadequate budgets. For his part, he would like to see budgets only slightly this side of lavish. Most of Bellaire’s problems would go away, the taxes would not be significantly increased, and Bellaire would become a much more desirable place to live.

Richard Franke, 1104 Howard, Lane, Bellaire, Texas:

Mr. Franke addressed City Council regarding the forthcoming budget workshop. He continued to have a deep concern with respect to the state of Bellaire’s infrastructure. He understood that times were very difficult, but he felt that it was time that the City stepped back and thought outside the box.

He asked that City Council look with increased perspective at increased information, such as details published in plain English and understandable as to what was left unfunded in the City’s street and functional infrastructure. He suggested that the streets, water wells, storm sewers, sanitary sewers, sidewalks, and lighting be addressed.

Mr. Franke indicated that he was concerned with the lack of published information regarding Bellaire’s remaining unfunded infrastructure. He indicated that prospective homeowners and businesses looking to locate in Bellaire needed that information.

He had inquired of Claunch & Miller, Inc., during a previous meeting what the cost would be to complete the reconstruction of the remaining streets in Bellaire. The estimated cost was $200 million. Mr. Franke advised that this was a huge number and he never heard discussions regarding the remaining infrastructure in previous budget discussions. He indicated that he understood that the City had expended $125-$130 million in the last ten years, with some very nice results on several of the City’s major thoroughfares, as well as an improvement to the City’s overall drainage system.
Mr. Franke expressed concern that the City would never get its infrastructure completed unless all of the costs were placed on the table. Claunch & Miller, Inc., had been tracking the City’s infrastructure plan since 1997 and had the necessary information. This information could be published on a street-by-street, block-by-block basis. Mr. Franke recommended that the City place that information in the budget process, with an ongoing quarterly update regarding the infrastructure. Current and prospective taxpayers could look at a glance to see where the City was progressing and where the City was behind. The failure to comprehensively address these issues as the City of West University Place, Texas, had already done exposed Bellaire to all kinds of special interest groups dragging down the cash flow.

Mr. Franke urged City Council to set priorities. He noted that Howard Lane had gone through 12 weeks of dirt and dust in the early part of this decade with sanitary sewers and another seven weeks for a cheap overlay (i.e., over 5-1/2 inches of asphalt) on a street that was originally constructed during World War II. There were no plans, according to the Public Works Department, for the reconstruction of Howard Lane.

In closing, Mr. Franke stated that he thought a better job could be done. He also suggested that the City Council take a look at the City’s building codes, particularly foundations, and the Community Development Department’s ability to inspect those foundations. He noted further that the budget should detail the costs of operations for the City’s facilities, such as the Therapy Pool. There should not be any guess about that. He stated that a $1.00 user fee did not cover the costs to operate that pool.

{The speaker’s allotted time ended at this point in the meeting}

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Lynn McBee, 5314 Evergreen Street, Bellaire, Texas:

Ms. McBee addressed City Council and reported that the sound system in the Council Chamber and for those watching at home was still not working adequately. She suggested that the City might see some improvement by next year.

Ms. McBee understood from the City Clerk that there had been agreement between the City Attorney, she, the Secretary of State, and Harris County that the first day to file for a place on the General Election ballot (i.e., City Council and/or Mayor) would be August 3, 2009. There was an approximate 30-day period for people who might wish to try their hand at governance and oversight.

On the agenda this evening (for the second time) was an item for the temporary move of the Bellaire Fire Department into new quarters over at the
Chevron U.S.A. Inc. site (Fournace Place and South Rice Avenue). Ms. McBee had carefully reviewed the Lease Agreement and had a question regarding it. She advised that the numbers still did not square. It was stated in the Lease Agreement that 21 months would be covered (i.e., from August 1, 2009, to April 30, 2011). At $2,500 per month for utilities and services, the cost for 21 months would be $52,500. That lump sum, which would be paid to Chevron U.S.A. Inc., was not stated anywhere nor was it stated that the new cost for the after-hour services (i.e., $52,500) were offset by the amount of dollars the City would have paid had the Bellaire Fire Department stayed in the current Bellaire site for utilities. In other words, there would be some net increase Ms. McBee assumed, but the offset was not addressed.

Ms. McBee asked City Council to clarify where the $52,500 payment being paid to Chevron for services provided for utilities and after-normal business hours was listed in the report and where the offset was listed in the report. She added that she had no objection to the site selected or the convenience for that location and lack of disruption for other activities. Her criticism had nothing to do with the conclusion. She felt the report was misleading and had been misleading twice now. Ms. McBee added that the community was owed additional clarification on the agenda item.

Betty Zumwalt, 5204 Mimosa Street, Bellaire, Texas:

Ms. Zumwalt addressed City Council and stated that she was present to express concerns regarding the closing of the Evergreen Therapy Pool at 10:00 a.m. on Monday, Wednesday, and Friday. This had caused a hardship for some of the Bellaire seniors and handicapped, including her.

Some of the residents could not reach the pool and have time to exercise by the 10:00 a.m. closing time. By the 12:00 p.m. opening hour, the sun was too hot and the temperature was over 100 degrees on many days. The railing used by seniors and handicapped for purposes of entering and exiting the therapy pool was too hot to hold onto.

Ms. Zumwalt urged City Council to show some compassion for the elderly and the handicapped so that they could exercise in the pool. In talking with others recently, it was noted that it took the Bellaire Wellness Club about nine years to get the therapy pool opened (from start to finish). The Bellaire Wellness Club spent years raising money and held various events, such as spaghetti dinners.

For the small amount that it cost to have the pool opened between 10:00 a.m. and noon on Monday, Wednesday, and Friday, many would be appreciative. For the therapy pool portion of the complex, the additional cost would be the price of Freda’s salary (i.e., lifeguard). Ms. Zumwalt noted that
the pool would only be open for another month and one-half and the hours had been advertised in the City’s Leisure Activities Guide. She closed, advising that many of the seniors felt that they were being left behind.

Lilita Olamo, 4534 Birch Street, Bellaire, Texas:

Ms. Olamo addressed City Council and advised that she wished to discuss the same topic mentioned by Ms. Zumwalt--only hers included the Evergreen Pool hours.

She stated that it was very important that City Council adhered to the published schedule. The schedule was the reason that many of the residents purchased their swimming passes. She found it a matter of integrity to keep the hours. If City Council needed to change the hours, then those hours should be proposed for the new summer session rather than in the midst of a summer session. There was only one month to go in the current session.

Ms. Olamo continued, noting that this was a health issue. If any members of City Council were doctors or even if they were not doctors, they should know that people could not start swimming at noon. She closed by urging City Council to keep the same hours at the Evergreen Pool Complex.

Mayor Cindy Siegel read several written comments into the record as follows:

Barbara Davis, 5113 Beech Street, Bellaire, Texas:

I was a member of the Bellaire Wellness Club, led by Elaine Wood, that worked countless hours to raise money to help build the Therapy Pool. I have been a resident of Bellaire for over 40 years. Although I am blessed with good health and no disabilities, many of my friends and neighbors are not so fortunate and depend on the pool for their exercise. They are not always able to get to the pool early enough to complete their needed exercise by 10:00 a.m. Because I have been able to participate in the various programs that the city of Bellaire offers (aerobic dance, stretch and tone, Therapy pool and others) I have been able to continue getting the exercise that I feel has enabled me to stay active and healthy. Staying open two more hours a day (10:00 a.m. to 12:00 p.m.) couldn’t possibly be too costly. We have a very dependable employee there now that is willing to continue working during that time frame. What expense, other than her salary, would be incurred by staying open those two hours? Surely the well being of our senior taxpayers would offset that small amount.
Juliann Wohlford, 5218 Valerie Street, Bellaire, Texas:

It is summertime in the USA and Bellaire, TX! A time for ALL of our city pools to be open for daily use and with pool hours to be as generous as the days are long.

The Therapy pool is very special and essential to so many for a great variety of physical reasons. It was designed to accommodate special needs (i.e., easy entry and exit, hand bars, underwater benches, etc.). Please! Keep it open; no shorter hours!!!

Since our tax base is great, cost should not be an issue. If cost is an issue, cut the Arts Commission budget first or totally! Thank you!

Marion Adkins, 4917 Holly Street, Bellaire, Texas:

I am here to object to the changing of the hours of the Therapy Pool (Evergreen). If the pool needs to be closed to accommodate people who work and cannot get there before 7:00 p.m., why not close the pool from 12:00 p.m. to 3:00 p.m. (elderly people should not be out in the heat)? In other words, leave the pool open from 10:00 a.m. to 12:00 p.m.

Kay Humphries, 4705 Welford Drive, Bellaire, Texas:

The morning hours at the therapy pool are essential for those of us with special needs who cannot stand the hot sun later in the day. It is absurd to close the pool between the hours of 10:00 a.m. and 12:00 p.m. The only issue seems to be paying someone as a lifeguard for two hours, and that is ridiculous in light of our budget. The pool is also not being maintained well. The hand railings need covers as they cannot be touched later in the day because of the excessive heat. I have pointed this out to the pool manager and the parks director for many years to no avail. Please give some attention to the many who rely on this facility.

E. REPORTS:

1. CITY MANAGER’S REPORT regarding residential safety (police activity report), public infrastructure/utilities (street and
City Manager Bernard M. Satterwhite, Jr., presented the City Manager’s Report to City Council.

**Residential Safety**

City Manager Satterwhite referred to the Police Activity Report for the month of June and advised that there were 34 Part I criminal offenses reported as compared to 40 in the previous June. There were 46 traffic accidents reported as compared to 38 in the previous June. Average response time was still approximately 3-1/2 minutes for emergency calls.

There were no robberies during the month of June, but two residential burglaries. One burglary occurred when unknown suspects stole items from an open garage. The other burglary involved access to a home by forced entry through a window. One motor vehicle theft occurred during the month of June, however, the vehicle was subsequently recovered. Identity thefts were still a big concern for the City.

The Community Resource Office performed one residential security survey during June, one presentation to a church, one department tour for a Boy Scout Troop, and 20 child safety seat inspections.

**Public Infrastructure/Utilities**

The Evergreen Street reconstruction project from Alder Street to Renwick Drive was progressing, with work underway on the north side. Also underway were driveways, sidewalks, and cleanups.

The Newcastle Drive reconstruction project continued to progress and was going well.

With respect to the 4500 block of Park Court (i.e., Rebuild Bellaire Program, Phase Two Project), work was underway on sidewalks, lawns, and sprinkler systems. On Avenue B, north of Fournace Place, a traffic detour was in place and traffic was one-way north on Avenue B to Sunburst Street with an exit up to Newcastle Drive. Six hundred feet of the concrete street had been poured.

On Bissonnet Street and Bellaire Boulevard, the contractor for the traffic signal project was boring and installing conduit on Bellaire Boulevard intersections. The signal poles for that project were expected to arrive in two-four weeks.
The sidewalk/drainage project between Interstate Highway 610 and Avenue B (i.e., Rebuild Bellaire Program) was partially completed with respect to the televising work and the lining of the storm sewer. Manholes were currently being worked on, with total completion of the project expected by month-end.

**Cultural/Recreational**

City Manager Satterwhite noted that Camp Paseo was closed this week due to the fact that one of the camp counselors had a confirmed case of swine flu. The counselor was doing fine. There were also several cases of campers having the Type A flu. The symptoms for the swine flu and Type A flu lasted approximately seven days. The situation would be reevaluated at the end of the week. The camp was scheduled to conclude at the end of the next week.

Parents of the campers had been informed of the situation and the reevaluation process to be undertaken by the City.

**Upcoming Meetings/Events**

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Type of Meeting</th>
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<tbody>
<tr>
<td>August 3, 2009</td>
<td>7:00 p.m.</td>
<td>Regular Session</td>
</tr>
<tr>
<td>August 17, 2009</td>
<td>6:00 p.m.</td>
<td>Budget Public Hearing</td>
</tr>
<tr>
<td>August 17, 2009</td>
<td>7:00 p.m.</td>
<td>Regular Session</td>
</tr>
<tr>
<td>August 18, 2009</td>
<td>7:00 p.m.</td>
<td>Special Session (Budget)</td>
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**QUESTIONS/COMMENTS FROM CITY COUNCIL:**

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

No questions or comments from members of City Council.

**MOTION TO ACCEPT REPORT INTO THE RECORD:**

A motion was made by Mayor Pro Tem Peggy Faulk and seconded by Councilman Phil Nauert 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 4-0 vote as follows:

**FOR:**
- Siegel, Cindy
- Faulk, Peggy
- Nauert, Phil
- McLaughlan, Pat
OppoSeD: None

ABSeNT: Hickman, Will
Avioli, James P., Sr.
Jeffery, John

2. BUDGET PRESENTATION of the proposed annual budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2009, and ending September 30, 2010 – City Manager Bernard M. Satterwhite, Jr.

Mayor Cindy Siegel asked City Council to consider the remainder of the agenda and then return to the Budget Presentation at the end of the meeting. After noting no objections, City Council moved forward with the “New Business” portion of the agenda.

F. NEW BUSINESS:

1. CONSENT AGENDA:

Approval/Correction of Minutes

a. APPROVAL of the minutes of the Special Session (Public Hearing) of the City Council of the City of Bellaire, Texas, held Monday, June 22, 2009 – Item submitted by City Clerk Tracy L. Dutton.

b. APPROVAL of the minutes of the Regular Session of the City Council of the City of Bellaire, Texas, held Monday, July 6, 2009 – Item submitted by City Clerk Tracy L. Dutton.

MOTION TO APPROVE CONSENT AGENDA:

A motion was made by Councilman Pat McLaughlan and seconded by Mayor Pro Tem Peggy Faulk to approve the Consent Agenda dated July 20, 2009, consisting of the following items:

- Minutes of the Special Session (Public Hearing) of the City Council of the City of Bellaire, Texas, held Monday, June 22, 2009; and

- Minutes of the Regular Session of the City Council of the City of Bellaire, Texas, held Monday, July 6, 2009.
VOTE ON MOTION TO APPROVE CONSENT AGENDA:

Motion carried unanimously on a 4-0 vote as follows:

FOR: Siegel, Cindy
     Faulk, Peggy
     Nauert, Phil
     McLaughlan, Pat

OPPOSED: None

ABSENT: Hickman, Will
         Avioli, James P., Sr.
         Jeffery, John

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 City Manager of the City of Bellaire, Texas, to execute, and the Chief Financial Officer of the City of Bellaire, Texas, to approve as to funding and business terms, for and on behalf of the City of Bellaire, Texas, a Lease Agreement with Chevron U.S.A. Inc. for the use of office space in building BTF-C and a portion of the parking area on a parcel of land in Harris County, Texas, known as the 4800 block of Fournace Place, Bellaire, Texas, to be used for the purpose of a temporary fire station and the parking of trucks and personal vehicles belonging to the City of Bellaire, Texas, and/or its staff for a period commencing on August 1, 2009, and terminating on April 30, 2011, with an option to renew said Lease Agreement on a monthly basis, and authorizing the City Manager of the City of Bellaire, Texas, to reimburse Chevron U.S.A. Inc. for modification of workspace costs associated with the temporary relocation of the Bellaire Fire Department into said building BTF-C in an amount not to exceed $190,000 – Item submitted by Facilities Management Director Karl Miller.

Note: This item was postponed during the Regular Session held on July 6, 2009, in order to allow City Staff to discuss a change in the termination notification period and an option to extend the lease with Chevron U.S.A. Inc., as well as to allow
the City Attorney to research further possible conflict of interest issues for three members of City Council.

Mayor Cindy Siegel advised that there was not a quorum of City Council present this evening to vote on this item. Mayor Pro Tem Peggy Faulk had a conflict of interest issue as she was employed by Chevron and could not vote on the agenda item. Since, by Charter, four favorable votes of City Council would be required to pass an ordinance, City Council was unable to consider this agenda item on July 20, 2009.

Appointment

b. CONSIDERATION of and possible action on the adoption of an ordinance of the City Council of the City of Bellaire, Texas, appointing Nelva Belinda Flores as Court Clerk of the Municipal Court of the City of Bellaire, Texas, for a two-year term commencing on the 2nd day of August, 2009, and expiring on the 1st day of August, 2011; and providing that any appointments of Court Clerks of the Municipal Court of the City of Bellaire, Texas, in conflict with this appointment are hereby terminated – Item submitted by City Clerk Tracy L. Dutton on behalf of the City Council.

MOTION TO ADOPT ORDINANCE APPOINTING MUNICIPAL COURT CLERK:

A motion was made by Councilman Pat McLaughlan and seconded by Councilman Phil Nauert to adopt an ordinance of the City Council of the City of Bellaire, Texas, appointing Nelva Belinda Flores as Court Clerk of the Municipal Court of the City of Bellaire, Texas, for a two-year term commencing on the 2nd day of August, 2009, and expiring on the 1st day of August, 2011; and providing that any appointments of Court Clerks of the Municipal Court of the City of Bellaire, Texas, in conflict with this appointment are hereby terminated.

VOTE ON MOTION TO ADOPT ORDINANCE APPOINTING MUNICIPAL COURT CLERK:

Motion carried unanimously on a 4-0 vote as follows:

FOR: Siegel, Cindy
      Faulk, Peggy
      Nauert, Phil
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 17, 2009, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401, to consider the proposed budget of the City of Bellaire, Texas, for the fiscal year beginning October 1, 2009, and ending September 30, 2010; 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 Calling Public Hearing:

A joint motion was made by Mayor Pro Tem Peggy Faulk and Councilman Phil Nauert and seconded by Councilman Pat McLaughlan 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 17, 2009, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401, to consider the proposed budget of the City of Bellaire, Texas, for the fiscal year beginning October 1, 2009, and ending September 30, 2010; 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 Calling Public Hearing:

Motion carried unanimously on a 4-0 vote as follows:

FOR: Siegel, Cindy
     Faulk, Peggy
FOR (CONT.): Nauert, Phil  McLaughian, Pat

OPPOSED: None

ABSENT: Hickman, Will  Avioli, James P., Sr.  Jeffery, John

{Ordinance was subsequently numbered: 09-044}

At this point in the meeting, the Bellaire City Council returned to agenda item E. 2.

E. REPORTS:

2. BUDGET PRESENTATION of the proposed annual budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2009, and ending September 30, 2010 – Presented by 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 fiscal year beginning October 1, 2009, and ending September 30, 2010, to City Council.

Economy Driven Change

It was noted that cities everywhere were dealing with economy based budget issues. Causes were related to lack of available credit, fewer jobs, slowdown in home construction, and slow property value growth.

Budget strategies from city to city varied in dealing with the economy based issues. As an example, the City of Georgetown 2008-2009 budget was $214 million. For 2009-2010, Georgetown was looking at a budget of $184 million, which was a 14% decrease in one year. In order to decrease their budget, 28 open employee positions were not filled, among other things.

The City of Bryan had a $1.3 million budget deficit. The city identified cuts and consolidations that would keep the city out of the “red.” The City Manager and City Staff first identified untouchable city services, such as police, fire, maintenance, capital, and equipment. Also examined were projects that could be consolidated or transferred. The City Manager told the Bryan City Council that programs had to be cut and that there was no way to avoid a reduction in force.
The City of Fort Worth was studying options to close a $61 million budget gap. Increasing costs in retirement and health care benefits was cited as contributing to the budget gap. The City of Fort Worth was considering budget line item reductions, reducing consultant and professional services, reducing city-funded cell phone and Blackberry usage, reducing travel, eliminating tuition reimbursement for general employees, reducing purchases of uniforms, etc.

The City of Houston’s budget was recently approved. The city needed to save an estimated $9.5 million in their budget. The city considered closing certain golf courses that were not making a profit. That consideration immediately created a great deal of controversy, particularly for those members of City Council with proposed golf course closures in their district. Also of controversy was the 1.6% cut to City Council budgets.

The City of Dallas’ budget was slashed to close a $190 million deficit. The City of Arlington had a $13.4 million budget shortfall and proposed eliminating 21 positions and cutting city services and employee benefits to reduce the shortfall.

The bottom line was that many cities had to cut services and programs, yet citizens still had an expectation of certain services from their cities and that those services would continue regardless of the state of the economy. In other words, City Manager Satterwhite indicated that it was challenging to balance a budget in a tight economy, yet still provide for the services that everyone expected. The services needed to be prioritized very carefully.

**2009 In Review**

City Manager Satterwhite noted that fiscal year 2009 was an interesting year in Bellaire. Hurricane Ike caused a huge disruption to the City’s services and its cash flow for a period of time. The City was still feeling that impact and would probably continue to feel it for some time.

The infamous economic downturn next occurred in the fall. Following that, the City adopted a new Compensation Plan. On one hand the City was looking at new pay ranges for employees. On the other hand, the economy was not moving in the right direction. The Compensation Plan was implemented, after approval, without any budget amendment to pay for it.

Also of note was the drop in the new home market during 2009 and a resulting revenue shortfall. During the mid-year review, it was noted that the City was looking upwards of an $800,000 revenue shortfall. It
appeared that the City would end the fiscal year with an $800,000 revenue shortfall.

There were several water and wastewater issues during the 2009 fiscal year. City Manager Satterwhite indicated that the City only had one of its three wells up at the present time. One well was undergoing rehabilitation and another well was down. Water and wastewater projects had to be shuffled due to unexpected issues with the City’s Water and Wastewater Plants. One project that had to be addressed immediately, based on a directive from the Texas Commission on Environmental Quality (TCEQ), was the City’s aeration basin.

The City had completed a great deal of street reconstruction, drainage projects, and had made progress on some of the facility improvement projects during the fiscal year.

Finally, it was noted that major work had been done on the City’s Comprehensive Plan. Public hearings would be held in the near future and the City was expected to move forward with the Plan.

**Current Situation**

City Manager Satterwhite advised that a financial crisis did not currently exist, but this did not mean that one could not exist. No programs or services had been eliminated and the City’s debt was fully funded.

However, 2009 revenues were less than anticipated. The City budgeted a certain amount of revenues in various areas, such as taxes, fines, permits, interest, and those revenues did not materialize.

When the budget was adopted for fiscal year 2009, it was adopted based on a $.40 tax rate. When the tax rate was approved and set by City Council, it was set at a rate of $.3775. This meant that the City would not generate as much tax revenue as had been budgeted.

With respect to fines, the City was well short from the previous year. The City would end the year approximately $300,000 below what the City normally received in fines.

Permits were also way down this fiscal year. The City would end the year approximately $300,000 below what the City generally collected for permit revenue. This downturn was related to a downturn in new home construction.

The City did adjust expenditures and transfers accordingly through the year to make up for the revenue shortfall.
Quality Services

City Manager Satterwhite reviewed the quality services that the City currently provided and would continue to provide, such as open and responsive government, good fire/police response times, good emergency medical services, incredible drainage improvements, massive road improvements, and numerous sidewalk improvements. Other quality services included new facilities, widely used library and recreation programs, new park amenities, senior programs, plenty of drinking water, solid waste/recycling, good new construction environment, and improved communications and technology tools.

2010 Preview

City Manager Satterwhite noted that for fiscal year 2010, the tax base was less than anticipated, therefore, revenue growth would be insufficient to fund new debt plus all planned projects, programs, and initiatives. Some existing projects and programs might have to be modified or deferred. Priorities would need to be established and scrutinized; however, most current programs and services would continue. The idea was that the City would manage through the economy. It was the City’s hope that the downturn in the economy was temporary.

2010 Budget Considerations

The fiscal year 2010 budget was created using the current tax rate of $0.3775 with the same allocation to the General Fund and Debt Service Fund that the City had in the previous year.

The City was also looking at other revenues, with the anticipation that those revenues might decrease further. The major drivers for 2010 remained the same as always—fuel, energy, and personnel costs.

Expectations, service levels, and conflicting priorities would have to be worked through. If the City had decreased revenues or revenue growth that did not support the full funding of new debt plus new programs and new projects, then the City needed to look at priorities and those things that might create conflicting priorities. He referred to a comment from one of the speakers this evening regarding restoring the hours at the Therapy Pool and doing away with the art program. These types of conflicting priorities were dealt with almost everyday.

Of all services the City provided, City Manager Satterwhite stated that public safety needed to be the City’s highest priority. The tax portion of the revenues was used primarily to fund the highest priorities.
City Staff had looked at recapitalization priorities and had created a prioritization as follows:

- Projects that were bond funded;
- Projects that replaced or retained asset value;
- Projects related to health, safety, and welfare; and
- Projects that reduced maintenance costs.

City Staff would recommend deferring all other projects until the City reached better economic times. This did not mean that projects would be eliminated, just deferred.

The transfer to the Capital Improvement Program Fund (CIP) and the Vehicle, Equipment, and Technology Fund (VET) had been reduced for several reasons. First, the water and wastewater infrastructure replacement projects had been placed in the Enterprise Fund. Some projects had been reprioritized. Some projects were done during the fiscal year that resulted in a savings.

Water costs needed to be addressed in the 2010 budget. The City of Houston had already informed Bellaire that they were going to implement the second half of a very large water rate increase on its wholesale customers in the next year. This increase was implemented in 2007 and approved in 2004 by the City of Houston. Bellaire could also expect a normal water rate increase in April of 2010.

**Managing Through the Change**

In order to manage through the change, City Staff had decided to maintain position vacancies at current levels with the exception of public safety. City Staff would also scale back non-safety operations for reducing operations of facilities/programs that impacted the fewest number of people, but yielded significant savings.

Other means of managing through the change included scaling back staff to match current levels of service. An example was given using the Community Development Department. It was noted that the City was not inspecting near as many homes or issuing as many permits as the City used to. Staff would be scaled back to match that level of service.

The overtime budget was cut for 2010. City Staff did not intend to implement a pay plan maintenance increase. More efficient sick leave policies would also be created. There would be a reduction in CIP/VET transfers as mentioned previously, and fee structures would be reviewed, especially in the Community Development Department. It was noted that the fee structure for the City’s Community Development Department was one-half of what the market was for
this area. The City needed to get its fees up to market in that department.

**Budget Summary**

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY 2009</th>
<th>FY 2009 (Rev.)</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$17,203,107</td>
<td>$16,456,722</td>
<td>$15,837,166</td>
</tr>
<tr>
<td>Operating</td>
<td>14,803,170</td>
<td>14,769,419</td>
<td>14,867,166</td>
</tr>
<tr>
<td>Transfers</td>
<td>2,400,000</td>
<td>1,687,303</td>
<td>970,000</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$4,956,904</td>
<td>$4,964,678</td>
<td>$5,363,085</td>
</tr>
<tr>
<td>Enterprise</td>
<td>$6,981,826</td>
<td>$6,577,200</td>
<td>$6,441,696</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29,141,837</strong></td>
<td><strong>$27,998,600</strong></td>
<td><strong>$27,641,947</strong></td>
</tr>
</tbody>
</table>

The total proposed fiscal year 2010 budget was approximately $1,499,890 or 5.1% less than what was budgeted in fiscal year 2009. The General Fund was 7.9% less; the Debt Service Fund was 8.2% more; and the Enterprise Fund was 7.7% less.

General Fund transfers were decreased due to water projects being shifted to the Enterprise Fund.

**Budget Approval Process**

City Manager Satterwhite summarized the budget approval process as follows:

July 16 Submit proposed budget to City Clerk;
July 20 Present proposed budget to City Council;
July 21 Workshop Session to include a CIP/VET discussion;
August 17 Budget Public Hearing;
August 18 Special Session to discuss/debate public comment and individual budget items; and
September 9 Approve budget.

**Tax Base**

Tax year 2008, which funded fiscal year 2009, was valued at $3.19 billion or a 10% increase from the previous year. Tax year 2009, which would fund fiscal year 2010, was estimated in the neighborhood of $3.29 billion or an approximate 3% increase.

Taxes accounted for 53% of the General Fund budget and 45% overall. Even though there was an approximate 3% increase in tax value, other revenues were anticipated to decrease.
Budgeting Process

City Manager Satterwhite advised that the budgeting process had not really changed for fiscal year 2010. City Staff began the process by reviewing the budget resolution passed by City Council, as well as revenue forecasting, establishment of target expenditures, review of master cash flow model to match needs with resources, service expectations, department needs, future CIP/VET requirements, and fine tuning that would continue until the budget was ultimately adopted in September of 2009.

Budget Resolution

City Manager Satterwhite reviewed the budget resolution passed by City Council to guide City Staff in the preparation of the fiscal year 2010 budget as follows:

General Fund:

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 ($2.5 million);
- Limit non-personnel expenditure increases to a rate not to exceed the Municipal Price Index (MPI) applied to fiscal year 2009 forecasted expenditures; and
- Provide for the employee compensation plan and associated personnel benefit costs.

Debt Service Fund:

The Debt Service 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; and
- To maintain an adequate fund balance, taking into account the annual transfer of $950,000 to the Debt Service Fund from the Enterprise Fund.
Enterprise Fund:

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

Capital Improvement Program Fund:

 Reserve sufficient funds to fund the Capital Improvement Program; and reserve sufficient funds to fund the Vehicle, Equipment, and Technology Program.

The budget for fiscal year 2010, utilizing the guidelines and parameters in the budget resolution, were noted as follows:

Tax Rate of $0.3775/$100 valuation:

- $0.1125 allocated to Debt Service Fund $3,662,742
- $0.265 allocated to General Fund $8,627,793

General Fund Balance (unreserved) $2,708,656

CIP Reserve $700,000

VET Reserve $200,000

General Fund:

<table>
<thead>
<tr>
<th>Revenue</th>
<th>$15,270,152</th>
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</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>$14,867,166</td>
</tr>
<tr>
<td>Over(Under)</td>
<td>$402,987</td>
</tr>
</tbody>
</table>

City Manager Satterwhite noted that non-personnel expenditure growth would not exceed the Municipal Price Index. The annualized Municipal Price Index for the period June 2007 through June 2008 was noted to be less than zero percent. The non-personnel expenditure increase for the fiscal year 2010 budget was noted to be a negative 4.6%. The total operating expenditure increase for the fiscal year 2010 budget was noted to be 0.66%.

**Fiscal Year 2009 Revenue Sources – All Funds**

City Manager Satterwhite presented a pie chart to City Council indicating the revenues sources for all funds, noting that 45% of the revenues came from property taxes.

**General Fund**

City Manager Satterwhite presented a summary of the General Fund to City Council.
**Personnel Summary**

With respect to personnel, it was noted that non-public safety nonessential positions that were currently vacant had been frozen. City Staff had considered and would continue to consider reductions in force. City Manager Satterwhite advised that he believed the City was managing through the downturn.

Also under review was the restructuring of operations to minimize overtime, such as in Municipal Court, Utility Billing, and Public Works. City Staff was looking at outsourcing certain low-demand services on an as-needed basis, such as inspections.

Finally, it was noted that this year’s budget represented the lowest funded full-time equivalent headcount in over ten years.

**Compensation Summary**

City Manager Satterwhite noted that the City’s Compensation Plan had been implemented and City Staff wanted to continue with that Plan. Personnel costs in the fiscal year 2010 budget represented 75% of total expenditures. There would be a salaries increase of 0.67% and benefits would increase by 10.5%. The reason for the benefits increase was related to the health insurance parameters.

Under the proposed budget, City Staff felt that the health insurance parameters and the health savings account could be met. The proposed budget included an increase in the Texas Municipal Retirement System rate.

Inherent in the Compensation Plan as base compensation were step increases for qualified personnel. City Staff did not feel that the Compensation Plan itself should be modified at this point in time. However, another element of the Compensation Plan was a market adjustment. Obviously, the market was not adjusting upward, so a market adjustment was not built into the budget for employees in 2010.

**General Fund Combined Line Item Budget**

City Manager Satterwhite highlighted points of interest in the General Fund combined line item budget. For example, salaries would increase by one percent (rounded up), group health was expected to increase by 5%, and the City’s contribution to the Texas Municipal Retirement System would increase by 17%.

With respect to professional services, City Staff had cut $100,000 from the budget. Maintenance decreased by $8,000. Electrical rates had
gone up slightly. The City was locked in for one more year with respect to its electrical contract. A slight decrease in fuel costs during 2010 was expected.

In summary, the fiscal year 2010 budget had increased by 0.66%.

**Department Summaries**

City Manager Satterwhite highlighted points of interest in the individual department budgets as set forth below.

**Organizational Services:**

The City had to fund for its November General Election this year. City Staff had reviewed association dues and fees and streamlined that line item, as well as subscriptions.

With respect to training, no general conferences were budgeted, however, there was a budget for professional training.

With respect to facilities, the cost of the City’s buildings and maintenance for those buildings tended to keep going up. The City had numerous heating and air conditioning issues in several of the buildings this summer.

The City’s electrical rates would be locked in until March 2010. The City anticipated a small increase in electrical rates after the contract ended.

**Finance:**

The Finance Department was streamlining their operations to reduce overtime in Municipal Court and Utility Billing.

Credit card use would be extended to Utility Billing and Library customers in this year’s budget.

Finally, better efficiencies could be expected with a changeover to a net-based payroll system.

**Community Development:**

It was noted that there was decreased workload in the Community Development Department due to the housing market. City Staff had responded to that. For example, two inspector positions and one permit technician position were vacant now and would remain unfilled. If additional inspectors were needed, the City had a contract in place with a firm to provide those services on a moment’s notice. Monies
were not expended on the contract until the services were actually used.

City Staff was also looking at permit fees and planned to increase those fees to match the area market.

Fire:

The Fire Department had already started using webinars and “train the trainer” programs to reduce overtime costs associated with training.

Temporary operations facilities for the Bellaire Fire Department during construction of the new fire station were included in the budget.

Police:

The Police Department budget included full staffing and operations.

Library:

Credit card payments would be accepted in the Library during fiscal year 2010. In addition, a self-check station would be implemented during fiscal year 2010.

City Staff was considering flexible hours to reduce overtime in the Library.

Public Works:

It was noted that there was one vacant position in the General Fund side of Public Works that would remain unfilled.

City Staff was also looking at possible changes to the workforce structure to reduce overtime in the Public Works Department.

Parks & Recreation:

There was one vacant parks maintenance position that would remain unfilled in the Parks & Recreation Department, and that position’s tasks would be incorporated into the City’s maintenance contract.

Winter pool hours would be reduced (all pools would be closed during the months of December and January).

The costs of special events had been reduced (primarily Fourth of July and Holiday in the Park). Such costs could be reduced without being visible to the public.
The fiscal year 2010 proposed budget maintained all programs and facilities for the Parks & Recreation Department, such as camps, classes, etc. There were no changes to the Bellaire L.I.F.E. programs.

The overall budget for the Parks & Recreation Department had decreased slightly from the fiscal year 2009 budget.

**Advisory Board Requests:**

City Manager Satterwhite noted that the City had received a number of advisory board requests. Those requests were not specifically budgeted in the proposed fiscal year 2010 budget. This was not to say that those requests could not be accomplished, but as the City was working through the economic downturn, some requests might need to be deferred.

Examples of requests included the “America in Bloom” program, BelleArtz Expo, National Recycling Day, and a proposed land acquisition fund for parks.

**Transfers**

It was noted that transfers to the CIP and VET Funds were very low in the proposed 2010 budget. A reserve of $750,000 was reserved in the CIP for pay-as-you-go Rebuild Bellaire Program expenditures.

**Fiscal Year 2009 General Fund Expenditure Categories**

City Manager Satterwhite noted that salaries and benefits represented the largest “piece of the pie.” He noted that it was very difficult to make a huge impact on the operational budget by any one or more of the other categories (i.e., financial services, materials and supplies, contractual services, professional services, and maintenance).

**Fiscal Year 2009 General Fund Revenue Categories**

Property taxes were cited as the largest “piece of the pie” for General Fund revenues at 53%, followed by sales tax revenues at 15%. The City did not have a great deal of control over sales tax revenues in the short term. The state had taken over with respect to franchise fees, so the City had no control over those.

**Enterprise Fund**

With respect to the Enterprise Fund, City Manager Satterwhite stated that City Staff had planned a rate increase for fiscal year 2010. He noted that the City had not had a utility rate increase since 2006. That rate increase was the first one since 1996.
The City of Houston had increased rates to the City of Bellaire by nearly 40% since that time. Another 20% increase was planned by the City of Houston in 2010. The City of Houston increased their rate every year by a factor of the Consumer Price Index (CPI). For 2010, Houston added population growth as a factor. The annual increase for 2010 would be 5.07%. Many cities, including Bellaire, protested Houston’s rate increase, but were assured that the costs for Houston to provide surface water were way beyond the rates they charged other entities.

To fund the rate increases by Houston and to create enough working capital to fund some of the City’s infrastructure projects, a rate increase for Bellaire customers was planned.

City Staff was considering proposing that City Council fund some of the infrastructure improvements through the issuance of revenue bonds. Revenue bonds also required a rate philosophy that showed the bond raters that an entity was committed to funding its infrastructure through utility rates.

City Manager Satterwhite noted that a transfer of $950,000 had been budgeted from the Enterprise Fund to the Debt Service Fund for the purpose of funding those previous water and wastewater projects that were included in the Bellaire Millennium Renewal Program.

The budget also included a few needed projects from the Water/Wastewater Revitalization Program.

**Enterprise Fund Summary**

In summary, City Manager Satterwhite advised that there would be an increase in operating revenues for 2010 and a slight decrease in operating expenditures in the Enterprise Fund. This would create revenues over expenditures of a little more than $1 million and provide some working capital to move forward into the future.

It was noted that the City had applied for stimulus funds for some of its water and wastewater projects. It was understood that Bellaire was “on the list,” but might be further down the list than the number of projects that would be funded statewide.

**Enterprise Fund Detail Line Item Summary**

City Manager Satterwhite noted that there was a little less impact with respect to salaries and benefits in the Enterprise Fund. There were several positions unfilled in this fund, and those would remain unfilled during fiscal year 2010. Temporary labor would continue to be utilized.
Maintenance was reduced due to recent improvements at some of the City's Water Plants and Wastewater Plant (i.e., Feld Park Rehabilitation Project). The overall budget was down approximately 3% from the prior year.

**Fiscal Year 2009 Enterprise Fund Revenues**

It was noted that water sales represented the largest source of revenues for the Enterprise Fund, followed by wastewater sales and solid waste.

The City had no plans to increase solid waste or recycling fees during 2010.

**Fiscal Year 2009 Enterprise Fund Expenditures**

The largest expenditure in the Enterprise Fund was water purchases.

**Debt Service Fund Summary**

The City's Debt Service Fund consisted of existing debt plus anticipated additional debt. The budget for fiscal year 2010 was based on a possible General Obligation Bond/Revenue Bond issue in fiscal year 2010, but not a large issue. For example, a $5 million issue would be recommended.

City Staff had not planned for any change in the debt service tax rate from the previous year. The proposed budget would, however, draw down the Debt Service Fund Balance.

The anticipated total revenues for the Debt Service Fund were noted to be $3.7 million. Revenues consisted primarily of property taxes and a small amount of interest. A transfer of $950,000 was included in revenues and available resources of $4.6 million. The total available resources would be $5.8 million and total expenditures would be $5.3 million.

**CIP/VET**

City Manager Satterwhite indicated that a full presentation regarding the CIP and VET Funds would be given on Tuesday, July 21, 2009. The recommended priorities for CIP and VET had been incorporated into the budget.

The CIP and VET Funds were funded from the General Fund revenues and carryovers.
City Staff was looking into possible leases to spread costs out over time through a downturn, as well as deferred payment options. For example, the City was looking into a new phone system that could be implemented under a lease-purchase plan, with the costs being spread over three years.

Another possible program for 2011 might include the purchase and/or lease of electric vehicles. The City of Houston was currently engaged in a pilot program with electric vehicles. Stimulus funds were provided to Houston for the program.

Items from previous plans that could possibly be deferred through the downturn in the economy were highlighted in “red” and provided on a chart to City Council.

Summary

In summary, City Manager Satterwhite advised that the City was well within all budget resolution parameters. The proposed budget provided for the needs and expectations of the citizens, and there was adequate funding for CIP/VET priorities.

The City could continue with the Rebuild Bellaire Program, work on some Bellaire Millennium Renewal Program-type projects, and work on some water and wastewater improvement projects.

The City would be able to maintain levels of service, especially with regard to Police and Fire, but also with regard to Utility Billing, Parks & Recreation, Library, Bellaire L.I.F.E., etc.

City Manager Satterwhite noted that $.01 in tax rate equaled approximately $320,000. The Debt Service Fund had to be funded. The City could make a decision not to issue additional bonds in 2010. However, the City had planned to issue additional bonds. Additional tax rate adjustments would impact operations, CIP, and/or VET.

It was noted that the City could experience some unanticipated events, such as a hurricane, electrical costs and/or fuel could increase more than anticipated, etc.

The largest bang for the buck was noted to be personnel costs. Although many bucks could be obtained from a cut in personnel costs, the City might get many unintended consequences as well. City Manager Satterwhite stated that he would rather look at managing personnel before large decisions needed to be made that impacted individuals.
The Compensation Plan could be modified, which meant the amount or terms of the step increases could be modified. That could save upwards of $160,000. The health savings account payment could be eliminated. Right now, the City paid the full premium for employee only health insurance. The employees could be asked to incur a shared cost of the premium or the City’s retirement benefits could be reduced.

Other items that could be cut to reduce costs included the elimination of special events, reduction of operating hours, non-paid furloughs (i.e., employees stayed home one day per month and did not receive pay for that day). This was not necessarily a popular item, but it did save a great deal of money. On the other hand, it would impact operations.

Bond projects and bond issuances could be deferred so that the bond costs did not go up at a greater rate. Janitorial contracts could be reduced or eliminated (i.e., cleaning less often or done in-house).

**Mayor Cindy Siegel** noted that City Council would be meeting in a Workshop Session the next evening (Tuesday, July 21, 2009) and that City Council could either ask questions this evening or wait until the next evening. There would also be a public hearing on the budget on August 17, 2009, followed by a Special Session for further debate on August 18, 2009.

**Councilman Pat McLaughlan** advised that he could defer his questions until the next evening.

**Mayor Siegel** requested that City Staff schedule a Special Session for Monday, July 27, 2009, so that City Council could consider the Lease Agreement with Chevron U.S.A. Inc. for temporary facilities.

**City Attorney Alan P. Petrov** and **City Manager Satterwhite** could not be present on July 27, 2009. Assistant City Manager Diane K. White would sit in for City Manager Satterwhite. City Attorney Petrov advised that Chevron agreed with all modifications requested by City Council.

**Councilman Phil Nauert** inquired as to whether City Attorney Petrov could send a representative in his place.

**City Attorney Petrov** advised that he would send a representative in his place.

**Mayor Siegel**, after ensuring that Fire Chief Darryl Anderson and Facilities Management Director Karl Miller would be present on July 27,
2009, requested that an agenda be posted for a Special Session to be held that evening at 7:00 p.m.

G. ADJOURNMENT.

MOTION TO ADJOURN:

A motion was made by Councilman Phil Nauert and seconded by Councilman Pat McLaughlan to adjourn the Regular Session of the City Council of the City of Bellaire, Texas, at 9:23 p.m. on Monday, July 20, 2009.

VOTE ON MOTION TO ADJOURN:

Motion carried unanimously on a 4-0 vote as follows:

FOR:   Siegel, Cindy
       Faulk, Peggy
       Nauert, Phil
       McLaughlan, Pat

OPPOSED: None

ABSENT: Hickman, Will
       Avioli, James P., Sr.
       Jeffery, John

Respectfully submitted,

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

Approved:

____________________________
Cynthia Siegel, Mayor
City of Bellaire, Texas