

PLANO CITY COUNCIL
Budget Worksession
August 14, 2010

COUNCIL MEMBERS

Phil Dyer, Mayor
Lee Dunlap, Mayor Pro Tem
Pat Miner, Deputy Mayor Pro Tem
Ben Harris
André Davidson
Lissa Smith
Harry LaRosiliere
Jean Callison

STAFF

Thomas H. Muehlenbeck, City Manager
Frank Turner, Deputy City Manager
Bruce Glasscock, Deputy City Manager
LaShon Ross, Deputy City Manager
Mark Israelson, Assistant City Manager
Diane C. Wetherbee, City Attorney
Diane Zucco, City Secretary

Mayor Dyer convened the Council into the Budget Worksession on Saturday, August 14, 2010, at 8:01 a.m. in the Council Chamber of the Plano Municipal Center, 1520 K Avenue. All Council Members were present.

Request for Public Input on Budget & CIP Council

Plano resident John Minton spoke to the importance of the Senior Rides Program and in support of its continued funding. Plano resident Steve Kusters spoke to the programs offered by the Plano Children's Theater and requested Council funding. Plano resident Jack Lagos requested minutes of the Plano Economic Development Board's vote on their budget be made available to the public. P.C. Christopher, Vice President of the Plano Children's Theater Board spoke to the positive impact on youth, growth of the program, reorganization of the board, and requested reconsideration of funding. Plano Resident John Florio spoke regarding the sport utility vehicles utilized by officers, increases in alarm permit fees and to cutting expenses. City Manager Muehlenbeck advised regarding the cost-effectiveness of police vehicles and additional storage provided; and spoke to the cost of false alarms. Citizens Allison and Camryn Basile, Lisa Rodenbaugh, and Teri Herrick spoke in support of the Plano Children's Theater. Citizen Andrea Breslin spoke in support of the Senior Rides Program. Kevin Anderson, representing the Plano Tea Party, spoke to a proposed tax rate lower than neighboring cities, bond items approved by citizens, but stated concern regarding the timing of an increase and called for fiscally responsible budgeting. Lee Stark of the Geriatric Wellness Center spoke in support of the Senior Rides Program with the Center putting together a budget that works with the DART proposal.

Budget Worksession Overview

Highlights of 2009-10/Outlook for 2010-11/Outlook for 2011-12

City Manager Muehlenbeck spoke to the budget changing on a daily basis with unanticipated expenses including court settlements, declining franchise fees and interest earnings, funding to keep libraries open on Sundays and \$9 million in cuts. He spoke to the recommended tax increase addressing only debt, the history of borrowing from Operations/Maintenance (O/M) to cover debt and to the City's low tax rate. Mr. Muehlenbeck spoke to the increase in July sales tax figures (including a \$145,000 audit adjustment) and receipt of one-time refunds of franchise fees included in the budget. He spoke to the City's low tax rate and budget options including passage of the original recommendation of an increase of 1.49 cents to cover the debt fund; a tax increase of .90 cents to cover the current General Fund deficit position of \$2.1 million leaving a zero surplus and 30 days of operation; or adding back in unexpected revenues and increasing the tax rate by .50 to cover the remaining deficit of \$1.1 million.

Mr. Muehlenbeck spoke to the projected \$11 million deficit for 2011-12, losses on the tax base, service cuts that will be necessary, the reduced number of employees doing the same level of work, and the impact of debt service approved by the Council and citizens. He spoke to a potential deficit of \$15 million in 2012-13 and the debt rate set at 17.51 cents. Mr. Muehlenbeck spoke to the City spending monies on infrastructure including libraries, fire stations, and parks in its earlier years followed by the cost of operations/maintenance.

Funding Requests

Economic Development – Operating Budget & Incentives

City Manager Muehlenbeck spoke to the Plano Economic Development Board, a corporation whose primary mission is to identify, recruit and retain businesses that contribute to the economic health of the community and celebration of its 25th year. He spoke to *The PEDB 2009 Progress Report* including information on 40 commercial projects, 4,500 jobs, and \$144 million in tax base improvements including the following corporations: Telmar Network Technology, Alliance Data, Tektronix, Huawei, Pepsi, and Pizza Hut. Mr. Muehlenbeck spoke to the boost to the City's sales tax revenues by relocated employees/clients, and the important role incentives play in allowing the City to remain competitive. He spoke to the 16 projects finalized in 2009-10 totaling approximately \$5.3 million in grants, representing jobs and real/business property improvements and to aggressive promotion in the future including utilization of the web site, business recruitment, lease renewals, deployment of a business satisfaction survey and attendance at trade shows and exhibitions. Mr. Muehlenbeck spoke regarding reductions in the corporation's budget and responded to the Council, advising there are no increases in salary and that the increases reflected include health/life insurance benefits.

Buffington Community Services Grants

Chair Grady spoke to the grants established in 1998 to offer funding to agencies providing emergency needs. He stated that, per state law, grants are limited to 50% of an agency's budget and are available to those in operation for three years or more.

Mr. Grady advised that for FY 2009-10, \$429,398 has been used for households/individuals and spoke to grant regulation updates in 2010 and reduced funding to \$1 per capita. He spoke to approval of eight Community Development Block Grants (\$223,185) and twelve Buffington Community Services Grants (\$263,800) and the gap between monies requested and awarded. Mr. Grady spoke to the increases in unemployment and poverty in Collin County. Mayor Dyer thanked the Commission for their service.

Heritage Commission

Chair Chaput spoke to the decrease in funding requests and available funds. He spoke to proposed program changes including placing a cap on funding for salaries and operations; new recipients may not receive funding for salaries/operations; withholding one-third of the grant unless funds are raised from an outside source; and requiring recipients provide information to demonstrate a link to increased tourism. He spoke to the focus on operations/maintenance budgets, heritage projects and looking for in-kind contributions. Mr. Chaput advised that the recommendations include the Heritage Farmstead Museum (\$348,000), Plano African American Museum (\$76,000), North Texas Masonic Historical Museum and Library (\$4,000), Plano Conservancy for Historic Preservation, Inc. (\$160,517), and Rowlett Creek Cemetery Association (\$3,000) for an overall amount of \$591,517.

Mayor Dyer clarified that the source of funding is hotel/motel tax revenue. City Manager Muehlenbeck requested Council consideration of changing the program to require applicants match one-third of the total funding amount and consider documentation to demonstrate tourism benefits. Planning Manager Firgens responded to the Council, advising that if agencies did not meet their one-third match, a percentage of funds would be withheld from their final payment and Mr. Chaput spoke to making applicants aware of the program change, their current level of in-kind donations and to potential consideration of volunteer hours. Council Member Smith spoke to including volunteer hours in quarterly reports and Council Members LaRosiliere and Davidson spoke to excluding these from calculation of in-kind donations. Ms. Firgens advised that Staff would bring forward information for further Council consideration.

City Manager Muehlenbeck spoke regarding the grant recommendation for the Plano African American Museum (PAAM) being contingent upon completion of documentation. He advised regarding differences in audit figures, the need for more materials and a meeting to review paperwork allowing for sufficient time for Staff review. Mayor Dyer spoke to moving forward with grants for other organizations with a later adjustment, if necessary. The Council concurred that a meeting be held with the City's Internal Audit and representatives of PAAM by Wednesday, August 18, 2010.

Cultural Affairs Commission

Chair Stroh spoke to the Commission's process and timeline and to the addition of Urban Town Center Grants which had previously been considered as line items in the Council's budget. She reviewed Major Grant recipients and future consideration of applying a percentage calculation to the Small Arts Grant awards similar to the Major Grants. Ms. Stroh spoke to review of the *Holiday Fun Run* indicating a low level of outside financial support and having a deficit position which resulted in the recommendation of no funding. She spoke to *Plano Children's Theater's* low score from commissioners based on accounting information and turnover of board members.

Ms. Stroh spoke to prior review of parade funding as a Council line item as compared to consideration by the Commission, which provided only a percentage of funding requested. She spoke to parades receiving in-kind services from the City and review of guidelines and processes beginning in September 2010 encouraging groups to find alternative funding. Ken Gleason, representing the Plano Early Lions Club spoke to their funding request covering items required by City including police officers, barricades, and liability insurance and the event serving as a fundraiser for other organizations. He responded to the Council regarding the number of volunteers serving at the event and City Manager Muehlenbeck spoke to level of police staffing at various special events and to compiling a comprehensive accounting.

P.C. Christopher, Board Vice President of the Plano Children's Theater, requested Council consideration of funding and spoke to updated bookkeeping practices, efforts to expand funding sources, review of bylaws and work done by the new board. Benjamin Sheahan, Board of Directors of the Plano Children's Theater, advised that the current records are up-to-date. Mr. Christopher responded to the Council, advising that the funding for the McKinney's Theater is separate. Ms. Stroh responded to Council Member Davidson, stating that consideration of a requirement for matching funding from other sources will be considered as part of the Commission's review.

Mayor Dyer, Mayor Pro Tem Dunlap, Deputy Mayor Pro Tem Miner and Council Members Callison and Smith spoke to the history of the Plano Children's Theater and recommended some funding be provided. Council Members LaRosiliere and Davidson spoke to the process and stated opposition, citing concern that other groups with low scores may request funding in the future. Council Member Callison spoke to the organization coming before the Council on appeal.

Council Member Harris recommended and the Council concurred to fund \$43,000 for the Plano Children's Theater, adjusting other grant amounts and reflecting such on the budget to be returned to the Council on September 13, 2010 (Council Members LaRosiliere and Davidson were not in agreement).

Mayor Dyer recessed the worksession for lunch at 11:27 p.m. and resumed at 12:03 p.m.

Council Items and Issues for Discussion

Council Member Smith requested discussion regarding car allowances under Program Changes.

Operating Budget

Revenues/ Water & Sewer Rates/ NTMWD Rate Increases/ Proposed Water Rate Increase/Ad Valorem Tax Base/Tax Rate/Effective Tax Rate/Rollback Tax Rate/Sales Tax/Other Revenues

Director of Budget and Research Rhodes-Whitley stated that as of July 31, 2010, water usage was at 21.48 billion gallons, resulting in a loss of revenue of approximately \$6.6 million. She spoke to information received from the North Texas Municipal Water District indicating a rate increase and the City's recommendation to increase water rates by 6% resulting in an average \$1.59 residential increase (10,000 gallons) and \$7.19 commercial increase (50,000 gallons).

Ms. Rhodes-Whitley spoke to the \$11 million deficit for 2011-12, \$12.3 million for 2012-13, the average home value of \$245,802, \$24.7 billion in assessed property value with \$1.1 billion lost this year and \$262 million coming on line with new growth. She spoke to proposed rates in neighboring cities and exemptions offered by Plano resulting in a loss of \$26.3 million for 2010-11. Ms. Rhodes-Whitley advised that if the unexpected revenues were included, the deficit would be \$1.1 million and if taxes were raised by .5 cents, a home at the average value would have a \$5.32 decline. She spoke to sales tax receipts re-estimated at \$56.1 million for 2009-10 with \$57 million projected for 2010-11, a decline of 25% in building and development revenues, and a loss of revenue from properties that have successfully appealed their appraised value. City Manager Muehlenbeck spoke to establishment of a base figure for anticipated sales tax revenue with overages utilized for one-time expenditures or placed in the Capital Reserve Fund.

Program Changes

Health Insurance/Vacation Buyback

Deputy City Manager Ross spoke to employee's participation in the reduction process while continuing high service levels. She spoke to the three-year implementation of increases in employee health insurance premiums to 90% and dependents at 75% resulting in a shift of \$1.67 million to employee costs for premiums. Ms. Ross spoke to benefit changes in pharmacy coverage moving \$178,000 of additional cost to employees, responded to the Council that there is one medical plan and advised regarding projected increases in overall medical/dental premium costs. Ms. Ross reviewed a revision to the Longevity Pay Program offering payout only if employees are active and a resultant savings of \$14,468. She spoke to the programs eliminated including: Tuition Reimbursement, Adoption Assistance Program, Catastrophic Illness/Extended Sick Leave Bank, Vacation and Holiday Accrual for part-time employees, part-time employee indemnity health plan, part-time employee flexible spending, and DART passes for business purpose.

Ms. Ross spoke to 2010 revisions for vacation accrual implementing a limit to the number of hours that can be carried over and establishing a payment plan for those with an excess. She spoke to the Vacation Buy Back Program in which employees purchase time at the current rate of pay, thus limiting the future liability of the City and responded to the Council that longevity pay (required for civil service staff) is provided to full-time employees. Ms. Ross spoke to the need to fund those employees who made an election in December 2009 to participate in Vacation Buy Back and advised that the program could be discontinued for future years. She responded to the Council, stating that upon review of other entities, the City of Plano is competitive with regard to accrual of time. Deputy City Manager Glasscock advised that any changes in the leave policy would significantly impact staffing levels in the Police and Fire Departments. Ms. Ross spoke to the reduction of programs including: recreation center membership discounts and overtime calculation. She spoke to the number of positions reduced without changes to service levels, elimination of merit increases and no salary range adjustments since 2007 impacting the City's ability to stay competitive. City Manager Muehlenbeck spoke to the decline in the City's competitive position and employees having the ability to transfer credits from one city to another without losing credits. Ms. Ross spoke to the impact of budget reductions on employees.

Water & Sewer Debt Issuance

David Medanich of First Southwest Company spoke regarding alternatives to funding water and sewer debt. Revenue bonds would require a reserve fund and sufficient coverage; and/or certificates of obligation which are backed by the credit of the City and retired from water and sewer revenues. The debt could be long term in nature. City Manager Muehlenbeck spoke to the level of debt issued by others and advised that payments for the certificates of obligation would come from water and sewer revenues with the full faith and credit as a backup, thus providing the lowest interest rate.

Staff Furlough Days – Non-essential Personnel

Deputy City Manager Ross spoke to consideration of exempt employees with regard to furlough days and advised that there would need to be a recalculation of salary with an adjustment as these individuals are typically in positions that work more than 40 hours per week. She advised that with regard to non-exempt employees, the savings is \$465,906 for five days of furlough savings from the General Fund and spoke to keeping essential/non-essential personnel similar.

Update on Senior Transportation

Director of Parks and Recreation Fortenberry advised that Plano Senior Rides, initiated in 2008 includes both mileage reimbursement and taxi vouchers and is funded at \$90,000 from the General Fund with \$50,000 utilized by the Geriatric Wellness Center for administration and \$40,000 for reimbursements. She advised that DART has indicated they will consider funding of \$50,000 and that the Center will reduce expenses so that the program might be continued. Ms. Fortenberry stated concern that amounts requested may exceed those for reimbursement. Program Administrator of the Geriatric Wellness Center Stark spoke to copayments that could be rolled back into the program and responded to the Council that increases in ridership may increase administrative costs, but that Staff could look to absorb. Ms. Fortenberry advised the Council that the agreement with DART would be for one year with an optional one-year extension and spoke to the number of vouchers available and cost. Council Member Davidson spoke to the increase in the senior population and to researching alternatives. Donna Bening, representing the Plano AARP Chapter spoke to the Council addressing the needs of seniors in the community.

Police Department Staffing Index (SSI)/ Police Event Staffing/ Fire Department ISO Rating/Schedule for Fire Station #13/ Impact of Texas Hurricane Sheltering Plan Glasscock

Deputy City Manager Glasscock spoke to the Service Standard Index which sets forth a formula to determine Police Department staffing levels and needs by considering the number of calls for service an officer can respond to given the average length of a call and the amount of available officer time. He advised that based on 2009 data, the City's staffing level is within 10% of the ideal and the critical indexes and should remain so through the 2010-11 budget year without additional officers.

Mr. Glasscock spoke to the increasing number of events requiring a police presence, the challenges of providing sufficient staffing and costs. He advised regarding criteria for future consideration including those instances requiring minimal staffing, short duration and having a community impact. Mr. Glasscock spoke to the number of groups that may be impacted, requests for waivers and the recommendation that organizations apply through the grant process. Mr. Glasscock advised that the official site visit for the Fire Department ISO Rating will be on September 20 and spoke to the opening of Fire Station #13 for which staffing will be delayed by providing coverage from an existing fire company. He spoke to Plano's designation in the Hurricane Evacuation Plan as the current first position host shelter city and the possible impact of integrating special needs categories into the general population. Mr. Glasscock advised that Plano would be the primary location until an evacuation is hosted and that only Plano and McKinney are currently designated.

Arts of Collin County (ACC)

Deputy City Manager Turner spoke to the operating budget of the ACC for 2010-11 being \$476,141 with Plano's allocation at \$229,499 based on the 2010 population levels. He spoke to the budget providing continued operation of administrative functions and efforts to monitor the guaranteed maximum price. Mr. Turner advised that the project is designed, however the City of Frisco has indicated they are not ready to proceed with bond sales. City Manager Muehlenbeck spoke to operation costs continuing with little benefit to the cities, uncertainty regarding the next steps and addressing accountability. Mayor Dyer spoke to continuing discussion among the mayors. Mr. Turner spoke to the current level of bond funds, responded to Council Member LaRosiliere, advising that the majority of funds are provided for salaries and a commitment of ten years once the City enters the funding agreement. Mayor Pro Tem Dunlap spoke to setting performance standards. Resident Jack Lagos spoke to the ACC using volunteers for fundraising or monies already donated.

Core Business Matrix

City Manager Muehlenbeck spoke to the Core Business Matrix as a leading tool in addressing budgets.

Community Investment Program (CIP)

City Manager Muehlenbeck spoke to the CIP reflecting capital projects funded for the coming year and spoke to the decrease in items. He responded to Mayor Pro Tem Dunlap regarding moving forward with construction of Fire Station #13, but utilizing current staff for operations as an item delayed for the coming year.

Proposed Ad Valorem Tax Rate

Director of Budget and Research Rhodes-Whitley requested direction on funding for grants. The Council discussed possible redistribution of funds and development of funding guidelines for parades. Director of Public Information Conklin responded to the Council regarding fundraising and this being the first time parades were considered by the Cultural Affairs Commission. The Council stated a consensus to increase funding of the Christmas parade by \$7,444, leaving the Independence Day parade as recommended, and adjusting figures to accommodate the change in the current budget.

City Manager Muehlenbeck spoke regarding the proposed tax rate, adding back unexpected sales tax and franchise fees and increasing the rate by .50 cents to leave a zero surplus and 30 days of operations, advising that this is less than the original 1.49 cent recommendation. He responded to Council Member Harris, advising that service cuts will be needed next year, that the budget is always changing and that current projections stand at an \$11 million deficit. Ms. Rhodes-Whitley advised that should a .50 cent increase be made, the deficit would grow to \$13.5 million. Council Member Smith spoke to consideration of zero-based budgeting. Mayor Pro Tem Dunlap spoke to increasing the rate by 1.49 cents resulting in a surplus to help offset expenditures and if the economy improves reinstate programs/salary increases. City Manager Muehlenbeck spoke to the effective rate which would result in greater reserves.

Council Member Smith spoke in support of a .50 cent increase providing homeowners with a savings and addressing the current budget. Deputy Mayor Pro Tem Miner stated his agreement. Council Member LaRosiliere spoke to addressing long term needs, values of real estate and sales tax staying flat once the economy stabilizes, the projected deficit for 2011-12, expectations of citizens and the rates of mature cities and in favor of increasing up to the effect tax rate. Mayor Pro Tem Dunlap spoke to possible utilization of economic development funds and implementing no tax increase. Mayor Dyer spoke to information provided at bond elections advising that approval would result in a tax increase and the City's positive revenues avoiding that occurrence over the years. He spoke to past reliance on the operations side, the low level of debt service in the City and consideration of the need to move forward on capital improvement projects and further work to determine the tax rate.

Mayor Dyer adjourned the meeting at 4:14 p.m.

Phil Dyer, MAYOR

ATTEST:

Diane Zucco, City Secretary