

PLANO CITY COUNCIL
Budget Worksession
August 15, 2009

COUNCIL MEMBERS

Phil Dyer, Mayor
Harry LaRosiliere, Mayor Pro Tem
Lee Dunlap, Deputy Mayor Pro Tem
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Frank Turner, Deputy City Manager
Bruce Glasscock, Deputy City Manager
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LaShon Ross, Assistant City Manager
Diane C. Wetherbee, City Attorney
Diane Zucco, City Secretary

Mayor Dyer convened the Council into the Budget Worksession on Saturday, August 15, 2009, at 8:02 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 and CIP

Kimberly Zech and Debbie and Jerry Graves, residents of Murphy, spoke to errant golf balls and encouraged Council to proceed with plans to redesign Pecan Hollow Golf Course. Jack Lagos, citizen of the City, stated concern regarding posting of the packet on the web site; spoke to funds held by the Plano Economic Development Board and applying these to the budget deficit or reducing the two-cent tax incentive. He spoke to setting a time limit for groundbreaking of the arts center. City Manager Muehlenbeck spoke to payments made this year from the Economic Development Fund and those pending and monies collected from the private sector during the board's inception not representing tax-payer dollars.

Justin Nichols, representing Crossroads Family Services, spoke regarding services provided including victim assistance, counseling and community education; partnership with the Police Department; services for 5,700 community residents and requested Council consideration of \$57,500. He responded to the Council regarding funding received from the Victims of Crime Grant Program and the need for local support.

Collin County Commissioner and City resident Kathy Ward spoke regarding the importance of making cuts to deliver a balanced budget without impacting the areas of Police/Fire.

Budget Worksession Overview

Highlights of 2008-09/Outlook for 2009-10 and 2010-11

City Manager Muehlenbeck spoke to the decline in sales tax revenue of 9.8% and its impact on the City budget, the 15% decline in Building and Development related revenues and a \$2 million loss in interest earnings. He spoke to passage of the 2009 Bond Referendum, the City's total combined budget of \$405.5 million representing a decrease of .55% under the 2008-09 re-estimated budget or an increase of \$4.7 million or 1.17% over the 2008-09 original adopted budget, the early financial forecast projecting a \$13.7 million General Fund budget deficit for FY 2009-10 and \$10.4 million in budget reductions identified during the Core Business Matrix worksession. Mr. Muehlenbeck spoke to City-wide elimination of 61 full-time and 9 part-time employees in addition to the positions previously eliminated from the FY 2008-09 Budget and the shortfall left of \$3.9 million.

Mr. Muehlenbeck spoke to the proposed budget including a tax rate increase of 1.51 cents to 48.86 cents per \$100 of assessed property value, advised that there has not been a property tax rate increase since 1990 to fund general fund services or additional debt and that two-cents would continue to be dedicated to the Economic Development Incentive Program. He spoke to the decrease of property values and projections that sales tax will return to projected figures, advised that the budget does not include any salary increases excluding step increases for civil service, spoke to increases in the retiree payout account of \$1 million to \$3 million in order to account for additional retirements planned for next year and TMRS increases from 14.06% to 15.72%. Mr. Muehlenbeck spoke to the General Obligation bond sale of \$30.57 million for January 2010 with a one-year interest payment in the amount of \$664,898 and issuance of \$10 million in Certificates of Obligations for the Radio System Infrastructure Replacement Project.

Mr. Muehlenbeck spoke to avoiding severe service reductions and concern regarding reducing the budget without reducing the high quality services the citizens of Plano have come to expect. He advised that for every dollar spent on City services, Public Safety expenditures account for .61 cents and working to address future deficits.

Funding Requests

Economic Development – Operating Budget & Incentives

Executive Director of the Plano Economic Development Board Bane spoke to the mission to attract, retain and assist local businesses in their expansion; contribution made to the economic health of the City; and reviewed progress including the reduction in vacant space in the Research/Technology District and projects in the Legacy Town Center. She reviewed Economic Development's role in helping companies select Plano and the 2008 Progress Report indicating placement of 41 projects with 4,520 jobs and spoke to the current year representing 18 projects and 2,400 jobs with an average salary of \$71,000 and \$106 million worth of improvements to the tax rolls. She spoke to aggressive promotion of the new web site, efforts to connect with external markets that represent companies and reaching a lease renewal rate of 75%. She advised that the budget requested has been reviewed by the Board and includes a reduction in costs with an O&M smaller than the marketing budgets of competing cities.

Ms. Bane responded to the Council, advising that the PEDB is a marketing organization and meets with decision-makers and those in the real estate and development community; provides personalized services to those considering Plano; and stated that businesses may fund specific events but do not contribute to the operating budget. She spoke to projects offering local employment and contributing to the tax base thus lowering the impact on residents and the long-term impact on the tax rolls. Director of Budget and Research Rhodes-Whitley advised that the current re-estimated budget is \$933,000 which includes carry forwards and the budget for 2009-10 is \$870,000. Ms. Bane spoke to the vacancy rates in Plano, the potential for an increase in projects with a decline in construction activity and advised that companies are drawn to Plano because of its educated citizenry and diversity.

Buffington Community Services Grants

Community Relations Commission Chair Harvey spoke to board members stepping down from consideration of items where there may be a conflict of interest. Commission Member Aguilar spoke to the history of the grants, funding provided to agencies serving emergency needs, grants limited to 50% of the agency budget and available to non-profits in operation for three years. She spoke to monies provided in 2007-08 to Plano residents, recommendations for 2009-10 (\$527,600) and the number of requests received. Commission Member Grady spoke to the difference between the amount of funding and the requests received and provided information regarding the poverty level in Collin County. Ms. Harvey responded to Council Member Jackson, advising that the application process considers redundancy of services and spoke to consideration of funding for City House and possible redirection of funds from last year to this agency. She spoke regarding measurement of goals, outcomes and tools in considering agency requests. City Manager Muehlenbeck spoke to funds provided at \$2 per capita from the General Fund.

Presentation of Heritage Commission

Heritage Commission Chair Chaput spoke to grant funding equal to 15% of the City's hotel/motel tax (\$661,173). He reviewed the Commission's recommendation to fund \$330,000 for the Heritage Farmstead Museum for operations/maintenance and \$145,000 for the Plano African American Museum (PAAM) for operations/maintenance, museum design and the Underground Railroad project.

PAAM Board of Directors Chair Johnson spoke to successful completion of two audits, the status of the Thornton House, volunteer staffing, research on other grants, in-kind donations, and upcoming events. She reviewed prior funding and projects and responded to the Council regarding restoration of the Thornton House, work on an oral history, development of curriculum, and potential exhibits/collections. Council Member Jackson spoke to the need for exhibits and partnering with members of the community. Mayor Pro Tem LaRosiliere spoke to development of the group and work on a strategic plan to help the organization become more self sufficient.

Mr. Chaput spoke to funding \$9,725 for the North Texas Masonic Museum for displays, Moore House Building Repairs and book publications and \$165,000 for the Plano Conservancy, Inc. for various projects. City Manager Muehlenbeck stated concern regarding the funding of an additional freight car at Haggard Park. Russ Kissick, representing the Conservancy, spoke to researching other avenues of funding and advised that the City provides 80% of operation costs.

Mr. Chaput spoke to the Rowlett Creek Cemetery Association funding of \$11,448 for fence repair/replacement and advised that while the association handles maintenance, they do not have monies for this project. Council Member Smith spoke to encouraging agencies to seek alternate funding.

Mayor Dyer recessed the work session at 10:20 a.m. and reconvened at 10:32 a.m.

City Manager Muehlenbeck spoke to allowable uses for convention and tourism funds including encouraging tourism, convention centers and the City's authority to provide up to 15% for historic and the arts. He advised that a decrease in the percentage provided to agencies would result in funds available for studies related to a civic center.

Presentation of Cultural Affairs Commission and Special Events Grants

Cultural Affairs Commission Chair Griffith reviewed the funding schedule, applicant requirements, evaluation criteria and responsibilities. He advised the Council that agencies may not receive more than 25% of their previous year's budget and to major grant recommendations totaling \$656,173.

Citizen Suzy Jones requested reconsideration of the grant for the ArtCentre of Plano to include in-kind monies and Creative Arts Manager Wear spoke to due diligence in review of this application which revealed it did not provide information on in-kind expenses in the recommended manner. Ms. Jones spoke to documentation provided and Mr. Griffith spoke to providing clear direction in coming years regarding the completion of paperwork. Staff advised that a meeting of the Commission would be called to address this application and possibly rework grant figures.

Mr. Griffith spoke to the Small Grant Program in the total amount of \$5,000 and Special Events Grants in the amount of \$242,328 with all items except the Balloon Festival (\$157,190) funded from the General Fund. Council Member Miner spoke to possible consolidation of festivals for cost savings and Council Member Jackson spoke to positive the positive impact of the Soapbox Derby. Chair Griffith spoke to the growth of Rover Dramawerks.

Plano Early Lions – Parades Applications

Ken Gleason, representing the Plano Early Lions, spoke regarding rental of barricades, police services at parades, and liability insurance and the request for \$10,712 each for the Independence Day and Plano Children's Christmas Parade for an increase of \$312/each from the recommended budget.

Downtown @ Sundown Application

Rick Baldelli, President and Acting Chair of the Historic Downtown Plano Association (HDPA), spoke to bringing awareness to downtown Plano, coordinating 2-3 strong events/year including one aimed at children, the Taste of Plano, and an arts event. He spoke to a request for cash and in-kind funding and efforts toward securing sponsors. Director of Budget Rhodes-Whitley advised that \$7,500 has been allocated and to Mr. Baldelli's request for an increase of \$7,500.

The Lights of Legacy Tree Lighting Festival

Andrea Taylor and Silvana Garcia spoke on behalf of the Shops of Legacy regarding activities planned, the percentage of revenue earned by retailers during the holiday season, attendance and the request for a cash grant of \$150,000 for promotion and other expenses. They responded to Council Member Jackson regarding the benefits provided to Children's Medical Center and to Mayor Dyer regarding the overall budget and expansion of the festival with City funding. Ms. Rhodes-Whitley advised that the current budget includes no funding for this item and spoke to previously approved grants ranging from \$40,000 to \$60,000. Community Resources Manager Conklin spoke to determining the number of officers for events. The Council spoke to the sales tax and hotel/motel tax impact and the possibility Children's Medical Center would submit application in the future to qualify eligible funding.

Council Items and Issues for Discussion

No items were discussed.

Mayor Dyer recessed the worksession for lunch at 12:00 p.m. and reconvened at 12:33 p.m.

Operating Budget

Revenues/Ad Valorem Tax Base/Tax Rate/Sales Tax/Water & Sewer Rates – NTMWD Rate Increase/Water & Sewer Debt Issuance

Director of Budget and Research Rhodes-Whitley spoke to an anticipated budget deficit of \$23.9 million in 2010-11 and \$30 million in 2011-12 with a 5% decline in overall property value and the City's property tax rate being one of the lowest in the Metroplex.

Ms. Rhodes spoke to lost revenue from ad valorem tax exemptions and advised Staff would research lost revenues from other exemptions. She spoke to a City tax in the amount of \$976 for the average home if the proposed rate of 48.86 were adopted, the impact of audit adjustments on sales tax revenue and projections of \$57.8 million for the next two years.

Ms. Rhodes-Whitley spoke regarding the Water & Sewer Rates including the revised estimate from NTMWD calling for an increase of 6%, efforts to fund each area (water/sewer) through its own revenue source and a change to the methodology to implement conservation rates year-round resulting in increased costs to some customers. She spoke to the loss of revenue when the City does not reach its "take or pay" allocation, fund reserves of 45 days to anticipate the impact of weather, and the City's "pay as you go philosophy" of funding CIP without debt. Ms. Rhodes-Whitley advised that the cash funding for CIP projects for 2009-10 is \$13.8 million and that if 20-year debt were issued the cost would be \$1.8 million annually. City Manager Muehlenbeck advised that this type of bond is different than others issued and spoke regarding the need for lift stations related to sewer services. Mayor Dyer spoke to the total cost for issuing this debt over 20 years being \$36 million.

Program Changes

Health Insurance

Assistant City Manager Ross spoke to a change in City philosophy moving towards a 90% subsidy for employees and 75% for dependents for health insurance premiums, planned rate increases for the coming year, sharing costs with employees, and changes in the prescription plan. She responded to Council Member Jackson, advising that Staff does not have clear figures on the number of spouses on the plan that might have other coverage and spoke to plans to review all options in January 2010 including self-funding versus fully insured. Ms. Ross advised that a 75% dependent contribution is consistent with other area cities, spoke to opportunities to partner with medical facilities, and the contract in place for five years with an annual review. Ms. Rhodes-Whitley advised that the total budget for medical care is \$31 million and that Staff would bring back figures for a 65% subsidy for dependents. Ms. Ross spoke to prior consideration of a health savings plan and responded to the Council that she would provide information on the number of spouses and families that may be covered under another plan. City Manager Muehlenbeck spoke regarding the cost of health insurance at \$31 million including monies for GASB 45 totaling \$6 million this year with premium costs at \$25 million.

Police Department Staffing Index (SSI)

Deputy City Manager Glasscock spoke to the staffing formula being measurable and definable based on workload of officers and the amount of time they are obligated or able to provide traffic enforcement, patrol and be proactive in the community. He spoke to the impact of public safety officers who take 12% of calls and advised there is no request for first responders in the coming year.

Mr. Glasscock spoke to upcoming implementation of in-car reporting by officers and responded to Council Member Jackson regarding a 12-hour work shift and the need for an affirmative vote by the majority of officers to move in that direction.

Moto-Mesh

Deputy City Manager Glasscock advised that the first two phases of the project are complete including implementation in hot spots and routing on major arterials. He spoke to installation in residential areas and issues of installing antennas on ornamental light fixtures. Mr. Glasscock spoke to providing two systems of transmission, one for public safety and another for City usages such as water meter and facilities and stated that it will not be publicly accessible.

Arts of Collin County

Deputy City Manager Turner spoke to the Arts of Collin County established for the purpose of creating a performing arts center and the request for the City's portion of the 2009-10 budget (\$318,727) advising that the cities participate based on a per-capita basis for funding of operating expenses. City Manager Muehlenbeck advised that \$14 million of capital has not been issued and to receiving information on operating expenses.

Mr. Turner responded to Council Member Jackson that the City of Allen provides some administrative support and to working towards a cost for construction this fall. Deputy Mayor Pro Tem Dunlap spoke to the vote of citizens for the hall.

Core Business Matrix

City Manager Muehlenbeck spoke to Staff identifying cuts in the amount of \$10.4 million, reductions in employees and to beginning due diligence reviewing programs and services rather than implementing a 5-10% across the board reduction.

Community Investment Program

City Manager Muehlenbeck spoke to the increase in costs for debt service and capital improvement projects anticipated in the next two years and to Fire Station No. 13 requiring an O&M of \$1.8 million.

Director of Public Works/Engineering Upchurch spoke to road projects which would be leveraged with other monies and those that are currently in design or under construction. Mr. Muehlenbeck spoke to moving into neighborhoods for rehabilitation. Mr. Upchurch spoke to \$10.5 million for rehabilitation, \$8.2 million already under construction, \$9.2 in capacity improvements, \$3.7 in design projects and receipt of outside funding. He responded to the Council regarding new specifications that should provide longer infrastructure life, phasing of projects and Council Member Jackson spoke to the importance of repairs.

Mr. Upchurch spoke to municipal drainage and projects under construction/design paid for by the drainage fee on properties and not by the General Fund. He responded to Council Member Jackson regarding the narrow space available for living walls rather than brick screening walls, the level of expectation of citizens to provide a visual/sound barrier from major thoroughfares and design changes to ensure a longer lifespan. Ms. Rhodes responded to Mayor Pro Tem LaRosiliere, advising that \$10.5 million of monies for projects comes from the General Fund and to Council Member Smith, advising that issuing debt would result in additional monies in the General Fund with a rise in the debt rate. Mr. Upchurch spoke to some repairs being short-lived and Ms. Rhodes-Whitley advised that bonding for such projects may result in a downward movement of the bond rating. Mr. Upchurch spoke to water projects, many of which are constructed in tandem with roads and advised that the Maple Shade Lift Station would not be eligible for impact fees. Council Member Smith spoke to receiving information regarding moving to bonds for these items.

City Manager Muehlenbeck spoke regarding Fire Stations No. 13 and 4 for which bonds will be sold in January and to \$1 million approved in the bond election for a Technology Services Center. He spoke to the radio system infrastructure and the possible need for Certificates of Obligation and advised Council that there is less than one year left on support of the current mobile communication units. Ms. Rhodes-Whitley spoke to costs associated with bond issuance.

Mayor Dyer recessed the work session at 2:51 p.m. and reconvened at 3:03 p.m.

City Manager Muehlenbeck continued discussion of the CIP and spoke to \$4 million for land acquisitions and items included in the 2006 Master Plan, \$3 million in park improvements, and capital reserve to maintain infrastructure. Director of Parks and Recreation Fortenberry spoke to park improvement including new shade and playgrounds rather than renovation. She spoke to working on construction documents related to the Pecan Hollow Golf Course, the need for renovations, the importance of timing to ensure greens are in the proper condition when play begins and possible postponement of the project. Mr. Muehlenbeck spoke to negotiations with Los Rios County Club to offer service during renovation.

Ms. Fortenberry spoke to possible delay in development of the visitor education center at Oak Point Park and Community Resources Manager Conklin advised regarding development of the educational program and stated that nature interpretation can continue forward without construction of the facility. Ms. Fortenberry advised that operational costs are approximately \$100,000 and that the facility would be LEED certified allowing for lower utility costs. She responded to Council Member Smith regarding tennis court lighting advising that the school district installs the lights and the City pays utility costs. Ms. Fortenberry responded to the Council that there is funding for the cart barn at Pecan Hollow but that it can be delayed to coincide with renovations. She spoke regarding \$500,000 for design of the Plano Aquatic Center renovation.

City Manager Muehlenbeck responded to Council Member Jackson, advising that funding for the Carpenter Park Recreation Center Expansion includes bond approval from two elections and Ms. Fortenberry spoke to the planned warm-water pool for seniors and children's classes being a response from requests from citizens. Ms. Jackson spoke to providing essential services and prioritizing projects being mindful of the O&M. Mayor Pro Tem LaRosiliere spoke to the future impact of projects. Mr. Muehlenbeck advised that additional O&M would be \$135,000 without inclusion of the pool and Ms. Fortenberry spoke to additional square footage planned for the center, approval of projects in the 2005 and 2009 bond elections, and updates including HVAC, wood flooring and leaking in the skylight. Mayor Pro Tem LaRosiliere spoke to complete expansion rather than in stages. Ms. Jackson spoke to renovating the existing facility without additional O&M costs. Council Member Callison spoke to voter approval of the project and Ms. Rhodes-Whitley spoke to the high level of cost recovery at the center where property and sales tax provide 11% of costs. Mayor Pro Tem LaRosiliere spoke to possible increases in recreation membership. The Council stated a consensus to include the renovation project in the amount of \$5.8 million.

City Manager Muehlenbeck spoke to the Park Fee Program which is neutral in the budget and proposes \$1.8 million.

Proposed Ad Valorem Tax Rate

City Manager Muehlenbeck spoke to reductions made as a result of the core business matrix and to the recommendation to increase the property tax by 1.51, resulting in an increase of \$30.16 to the average homeowner. He spoke to the effective rate which would raise the same amount of revenue as last year and the rollback rate.

The Council reviewed items on the board and Mr. Glasscock advised regarding services provided as an alternative to Crossroads Family Services and recommended no funding be provided. The Council concurred to remove this item from the list. Council Member Jackson recommended not funding the PAAM request so that the organization may move toward self sufficiency and Mr. Muehlenbeck advised that unused funds from the current year may be provided. Mayor Pro Tem LaRosiliere spoke to the organization spending as directed and looking at the level of self sufficiency of all groups. The Council discussed advising organizations regarding expectations and efforts towards independence including benchmarks, provision of O&M costs versus facility support, funds provided from the hotel/motel tax and funding at an overall level of 10% of hotel/motel taxes setting aside 5% for other areas.

The Council spoke to remanding consideration of additional funding for the ArtsCentre of Plano back to the Cultural Affairs Commission for recommendation. Community Resources Manager Conklin responded to Council Member Miner regarding Special Events Grants, advising that the festivals are different in nature and spoke to in-kind services provided at events. The Council expressed consensus to move ahead as recommended while encouraging organizations to move toward in-kind requests and Council predefining a total grant amount.

The Council stated a consensus to move forward with additional funding of \$624 for the Plano Lions Parades and to hold the grant for Downtown @ Sundown to the \$7,500 budgeted. The Council spoke to future sponsorship of the Lights of Legacy by Children's Memorial Hospital, the return on investment in the area, reflecting a sense of partnership, and stated a consensus to provide \$50,000 of funding for this year.

The Council discussed the possibility of issuing one-time debt for water and sewer projects in the amount of \$13.8 million and Ms. Rhodes-Whitley advised that this would have no impact on the General Fund. Mr. Muehlenbeck advised it would allow for a reduction in water/sewer rates. Council Member Jackson spoke to an agenda item for discussion including the positive and negative implications and long-term ramifications. Ms. Rhodes-Whitley spoke to the tax rate composed of debt which cannot be changed and operations/maintenance and monies to reduce the budget coming from the General Fund. Mr. Muehlenbeck advised that any revisions to the CIP program will impact the debt rate in future years and Deputy Mayor Pro Tem Dunlap spoke to the operation costs for various departments and services. Council Member Harris spoke to receiving information on the impact of cutting \$3.9 million rather than increasing taxes. Mayor Pro Tem LaRosiliere spoke to prior work done by the Staff in preparing the core matrix, Council Member Jackson spoke to receiving a budget with no tax increase and Council Member Smith spoke to receiving information regarding the impact on services.

City Manager Muehlenbeck requested the Council provide parameters for preparation of the 2010-11 and 2011-12 budgets and Ms. Rhodes-Whitley spoke to September 14 as the date to adopt the budget, CIP and set the tax rate and preparation of documents. Mr. Muehlenbeck spoke to consideration of all departments for possible reductions. He advised that following receipt of proposals for a paperless agenda packet Staff requests to move forward without contracting with a provider.

Nothing further was discussed, Mayor Dyer adjourned the meeting at 5:16 p.m.

Phil Dyer, MAYOR

ATTEST:

Diane Zucco, City Secretary