

**PLANO CITY COUNCIL
PRELIMINAR/REGULAR OPEN MEETING
July 28, 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 called the Preliminary/Regular Open Meeting to order at 5:00 p.m., Wednesday, July 28, 2010, in the Council Chambers, 1520 K Avenue. All Council Members were present with the exception of Council Member Davidson. The following matters were discussed:

Presentation of the 2010-2011 Recommended Budget and Proposed Community Investment Program (CIP) to the City Council

City Manager Muehlenbeck stated that the total recommended budget of \$399.8 million represents a decrease of \$349,604 or .09% under the FY 2009-10 re-estimated budget and a decrease of \$2.5 million or 0.61% under the FY 2009-10 original adopted budget and includes all major funds. He stated that the Community Investment Program totals \$76.7 million and includes over \$9 million in revenues from other governmental entities for joint venture street projects. Mr. Muehlenbeck spoke to the financial forecast in March 2010 projecting a \$15.4 million General Fund budget deficit for FY 2010-11 and work done to identify reductions including elimination of 31 full-time employees and 8 part-time employees. He advised that these reductions were in addition to the positions previously eliminated bringing the total amount of positions to 129 full-time employees and 17 part-time positions.

Mr. Muehlenbeck spoke to the decrease in property values with current information indicating the total assessed property value for FY 2010-11 is equal to \$24.7 billion and includes \$262.9 million of new property coming on-line. He advised that existing property values decreased by \$1.1 billion or 4.27%, representing the largest existing property value loss experienced in the City of Plano since 1993 and a loss of \$5.3 million in revenue. Mr. Muehlenbeck spoke to debt service paying its own way and not transferring funds from operations/maintenance. He stated his recommendation of a tax rate increase equivalent to the increase in the debt service rate of 1.49 cents to 50.35 cents per \$100 of assessed property value. Mr. Muehlenbeck advised that the increases debt service to 17.51 cents with .55 cents of the increase due to a reduction in property values and 0.94 cents based on increased debt costs from the issuance of tax notes for public safety, general obligation payments, and declines in interest income, delinquency revenues and fund balance. He spoke to maintaining the current rate for operation and maintenance (O&M) at 32.84 cents.

Mr. Muehlenbeck spoke to the recommendation allowing for a \$1.6 million budget reserve contingency set aside within the General Fund to offset the revised FY 2011-12 projected deficit of \$11 million. He spoke to the two-cents solely dedicated to the Economic Development Incentive Program and advised that information regarding the effective/rollback tax rates will be discussed on August 9 and 14. He advised that the FY 2010-11 budget could not be balanced without impacting service levels in several areas and that further reductions will be required in FY 2011-12 which will continue to erode services including public safety unless the City's revenue situation stabilizes. He thanked Staff who will not receive a merit increase for a second year and are dedicated to delivering a balanced budget while maintaining high quality service levels.

Director of Budget Rhodes-Whitley spoke to the three-year forecast given in March anticipating a \$15.4 million deficit for FY 2010-11 and \$30 million for 2011 and proactive measures taken to achieve a balanced budget in 2010-11 with 30 days of operations and including elimination of 31 full-time and 8 part-time positions and a tax increase of 1.49 cents. She stated that the current estimates forecast an \$11 million shortfall in FY 2011-12 and \$12 million in FY 12-13. Ms. Rhodes-Whitley spoke to balancing the \$17.2 million deficit in 2008-09 with elimination of 43 vacant full-time positions, implementation of new/increased fees, and departmental transfers. She spoke balancing a \$13 million deficit in FY 2009-10 through the core business matrix reductions, elimination of 61 full-time and 9 part-time jobs and a 1.51 cent tax rate increase.

Ms. Rhodes-Whitley advised that the proposed increase is the second since 1990 to fund operations or debt, and spoke to implementation of the 2 cent increase in 2006-07 for the Economic Development Incentive Fund. She spoke to the reduction in property tax valuation and the impact of the recommended increase being \$14 per year on an average home (\$245,802). Ms. Rhodes-Whitley spoke to pending calculation of the effective tax rate with a projected value of 50.35, advised regarding reductions including reducing post employment benefits (\$2 million), delaying the staffing of Fire Station #13 (one time charge of \$1.8 million), outsourcing the Douglass Community Center (\$500,000), changing calculation of overtime (\$500,000), delaying PC replacements (one time charge of \$401,938), increased PISD School Liaison Reimbursement from 15% to 50% (\$395,334), eliminating part-time vacation and holiday accrual (\$368,065), reducing Bob Buffington Grants (\$275,804), eliminating the HR Director position (\$171,697) and reducing publication budget (\$100,000).

Ms. Rhodes-Whitley spoke to the \$26.3 million lost by ad valorem tax exemptions, the stabilization of sales tax receipts projected at \$56.1 million, and projected decline in building and development revenues. She spoke to Public Safety costs at 61% of the budget, increases anticipated from the North Texas Municipal Water District and future discussions regarding selling debt to fund capital projects. She advised regarding capital projects budgeted at \$76.7 million with the largest portion being street, reserves and parks. She reviewed key dates on the calendar including presentation of the proposed CIP and public hearing scheduled for August 9, budget worksession on August 14 and adoption of the budget, CIP and tax rate on September 13.

City Manager Muehlenbeck responded to Council Member LaRosiliere advising that one-time cuts are not included in the recommendation and spoke to the theory of the effective tax rate representing the amount that collects the same taxes overall, but that it may impact homeowners differently depending on their appraised values. Ms. Rhodes-Whitley advised that while commercial properties saw a 10-12% decline in value, residential was approximately 2%.

Mayor Dyer reviewed the presentation dates and requested the public provide input. Ms. Rhodes-Whitley spoke to the Council's vote on a proposed tax rate to be conducted on August 9.

Nothing further was discussed. Mayor Dyer adjourned the meeting at 5:34 p.m.

Phil Dyer, MAYOR

ATTEST:

Diane Zucco, City Secretary