

**PLANO CITY COUNCIL
PRELIMINAR/REGULAR OPEN MEETING
July 30, 2008**

COUNCIL MEMBERS

Pat Evans, Mayor
Jean Callison, Mayor Pro Tem
Harry LaRosiliere, Deputy Mayor Pro Tem
Pat Miner
Scott Johnson
Mabrie Jackson
Sally Magnuson
Lee Dunlap

STAFF

Thomas H. Muehlenbeck, City Manager
Frank Turner, Executive Director
Bruce Glasscock, Executive Director
Rod Hogan, Executive Director
Diane C. Wetherbee, City Attorney
Diane Zucco, City Secretary

Mayor Evans called the Preliminary/Regular Open Meeting to order at 5:05 p.m., Wednesday, July 30, 2008, in the Council Chambers, 1520 K Avenue. All Council Members were present. The following matters were discussed:

Presentation of the 2008-2009 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 an increase of \$16.5 million or 4.3% over the 2007-08 re-estimated budget and an increase of \$11.4 million, or 2.9% over the adopted budget and that the Community Investment Program totals \$118.9 million and includes \$27 million in revenues from other governmental entities for joint venture street projects. He advised as required by HB 3195 that this budget will raise more total property taxes than last year's budget by \$6,031,512 or 5.20%, and of that amount \$2,650,079 is tax revenue to be raised from new property added to the tax roll this year.

Mr. Muehlenbeck spoke to the slow down in primary revenue sources due to the economic recession, mortgage industry crisis, higher energy costs, competition from surrounding cities for sales tax dollars and other factors. He emphasized the effects of higher energy rates on the budget and advised the proposal includes increases of 27.8% for gasoline and diesel fuel, 17% for electricity costs, 15% for natural gas and 8.4% for water and that these costs have been covered without a property tax rate increase. He spoke to the financial forecast presented in March and the deficit of \$17.1 million for 2008-09, \$37.9 million for 2009-10 and \$44.0 million for 2010-11 and efforts to create a balanced General Fund budget providing for 30-days of working capital.

Mr. Muehlenbeck spoke to the elimination of vacant positions, increases in fees and appraisal values and departmental savings. He spoke regarding concerns related to the Water & Sewer Fund including the loss of revenue and rate increases from the North Texas Municipal Water District (NTMWD). Mr. Muehlenbeck stated concern regarding the Water & Sewer CIP Program and the depleted reserves, the effect of efforts in the Texas Legislature to reduce the 10% appraisal cap on the City's ability to raise revenues. He spoke to the revised forecast for FY 2009-10 which includes a \$24.7 million deficit and 2010-11 with a \$32.8 million deficit and to preparing the 2009-10 budget beginning in October. Mr. Muehlenbeck spoke to presentation of an updated Core Business Matrix and departmental initiatives addressing future deficits.

Budget Director Rhodes spoke to the total revenue budget for 2008-09 projected at \$424.59 million with 43% coming from taxes, 26% from Water & Sewer, 12% from fund balances and 5% from Franchise Fees and Sustainability & Environmental Waste. She advised that the total expenditure budget for 2008-09 is projected at \$399.9 million with 25% designated for public safety, 24% for water & sewer, 15% for general government, 11% for debt service, 9% for parks, 5% for environmental services, 5% for development, 3% for libraries and 1% for public works.

Ms. Rhodes spoke to deficit reductions in the 2008-09 budget including the elimination of positions for a savings of \$3.2 million, increasing fees in the amount of \$2.1 million, an increase in the certified rolls of \$6 million and departmental savings and reductions of \$5 million. She spoke to assessed property values which total \$25.8 billion and the decrease in the average home value. Ms. Rhodes spoke to the increase in the total tax base by \$1.2 billion or 5.2% with an increase of \$559.7 million for new property and \$712.1 million for existing and to the recommendation to keep the current tax rate of 47.35 cents per \$100 of assessed property valuation with two cents dedicated solely to the Economic Development Incentive Program. She spoke to the impact of protests on the property value and receipt of the final figures in the future. Ms. Rhodes spoke to the loss in property tax revenue through exemptions and transfers from the Tax Increment Financing Reinvestment Zone Districts. She advised that the average home tax bill would be \$953 with the bulk of appraisal increases coming on the commercial side and to the City's low tax rate.

Ms. Rhodes spoke to the slowdown in sales tax revenues, running 3.7% or \$2.1 million behind last year's collections and the inclusion of a 5% reduction for the 2007-08 re-estimates (\$59.2 million) and a 3% decrease in 2008-09 (\$57.4 million). She spoke to discussion of a proposal to cap sales tax collections at \$57.0 million to be used for operations which will be discussed at the Budget worksession. City Manager Muehlenbeck spoke to the projections as conservative.

Ms. Rhodes spoke to the decline in Building and Development revenues and to projecting 85.0% of the 2007-08 re-estimated amounts for 2008-09. She spoke to the projected increase of \$4 million in the General Fund for salary/wages and contractual services.

Ms. Rhodes reviewed the budget highlights including the NTMWD increases, two cents transferred into the Economic Development Incentive Fund, \$4.9 million for salary increases, \$1.9 million for a health insurance increase, Public Safety increases, increased utility costs, Fire Station 12 and the Emergency Operations Center coming on-line with technology costs and operation/maintenance. A \$1.0 million increase for TMRS, funding \$1 million for library books, \$900,000 for gasoline and fuel increases and \$396,000 for Parks and Recreation Programming, \$297,000 for Sustainability and Environmental Waste and \$190,000 for improvements to the Day Labor Center.

Ms. Rhodes spoke regarding the Water & Sewer Fund which is budgeted at eight days working capital, the financial policy calling for 45 days of working capital, the use of only 22.4 billion gallons when 26.7 is needed for the take-or-pay contract, increases in water/sewer rates, the use of the pay-as-you-go system, a major sewer break on US 190 and Custer Road which depleted reserves, mandatory repairs for Custer Ground storage tanks and Shiloh Road pump station, details regarding water and sewer rate increases, options for funding, and increases from the district. She spoke to increasing the cost for 95-gallon trash containers to offset rising fuel costs.

Ms. Rhodes spoke to the upcoming budget calendar including the presentation of the 2008-09 Community Investment Program, Public Hearing, vote on the tax rate and approval of the appraisal roll. She spoke to the August 16 Council Budget Worksession, August 21 and 25 Public Hearings, September 8 adoption of the budget and CIP and setting the tax, and October 1 marking the beginning of a new fiscal year.

City Manager Muehlenbeck spoke to the importance of reflecting how the \$17 million deficit was made up and to Staff's identification of areas in which to address the budget. He spoke to receiving input on Council priorities to plan for the future.

Nothing further was discussed. Mayor Evans adjourned the meeting at 5:40 p.m.

Pat Evans, MAYOR

ATTEST:

Diane Zucco, City Secretary