

**PLANO CITY COUNCIL
PRELIMINAR/REGULAR OPEN MEETING
July 25, 2007**

COUNCIL MEMBERS

Pat Evans, Mayor
Sally Magnuson, Mayor Pro Tem
Jean Callison, Deputy Mayor Pro Tem
Shep Stahel
Loretta Ellerbe
Scott Johnson
Harry LaRosiliere
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 5:03 p.m., Wednesday, July 25, 2007, in the Council Chambers, 1520 K Avenue. All Council Members were present with the exception of Deputy Mayor Pro Tem Callison and Council Members Stahel and Johnson. The following matters were discussed:

Presentation of the 2007-2008 Recommended Budget and Proposed Community Investment Program (CIP) to the City Council

City Manager Muehlenbeck stated that the total recommended budget of \$388.7 million represents an increase of \$17.7 million or 4.8% over the 2006-07 re-estimated budget and an increase of \$20.0 million, or 5.4% over the adopted budget and that the Community Investment Program totals \$135 million with \$24 million in joint venture street improvement projects with Collin County. He advised that the proposed budget focuses on the priorities established at the June 2007 City Council Retreat which include establishing the City of Plano as a premier city in which to live, providing for a livable and sustainable community, service excellence, a diverse business center and providing for safe and efficient travel.

Mr. Muehlenbeck advised that the budget proposed maintains the current tax rate of 47.35 cents per \$100 of assessed valuation with two cents dedicated solely for the Economic Development Incentive Program.

Mr. Muehlenbeck stated concern regarding the Water and Sewer Fund which is projected to have zero days of working capital due to the record rainfall and water restrictions that have been in place since last summer as well as sales tax collections which will be reduced due to taxpayer's adjustments. He spoke to signs that this revenue source is leveling out and to remaining cautious regarding projections.

Mr. Muehlenbeck spoke to a recommended merit increase of 0% to 5% for non-civil service employees and a 4% across the board for civil service employees totaling \$5.6 million as being essential to the City's success in recruiting and retaining a high quality workforce and remaining competitive with other cities and private industry. He spoke to a 10% health insurance increase totaling \$2.1 million to provide for additional funding for the implementation of GASB 45 which requires a change from "pay as you go" accounting for post employment benefits to accrual basis. Mr. Muehlenbeck spoke to the addition of 49 new full-time employees and 6 part-time employees with 25 related to Public Safety and 12 for CIP Projects coming on-line. He spoke to additional financial support for Public Safety in the amount of \$3.7 million, \$1.5 million for CIP projects coming on-line and \$1.1 million for Parks and Recreation.

Budget Director Rhodes spoke to the total budget for 2007-08 projected at \$389 million with 25% designated for Public Safety, 24% for Water & Sewer, 15% for General Government, 11% for Debt Service and 9% for Parks. She advised that the total General Fund is projected at \$203 million and is divided into three areas: property tax at \$77.4 million or 38%; sales tax at \$61.2 million or 30%; and other revenue of \$64.7 million. She spoke to other revenue including building and development related revenues, municipal court fines, parks and recreation fees, and library fines.

Ms. Rhodes advised that final projections from the Central Appraisal District show assessed property values will total \$24.5 billion for 2007-08 with the average single family home value at \$253,380. She spoke to the total tax base increasing by \$1.7 billion or 7.37% with new property increasing by \$568 million and existing property increasing by \$1.1 billion, or 4.88%. Ms. Rhodes advised that the City has not had this substantial of an increase in existing property since 2002 and spoke to exemptions and tax freezes which total \$4.84 billion in assessed property value. She stated that this translates into \$22.9 million in lost property tax revenue for exemptions and that the amounts transferred out for the tax increment financing districts is approximately \$2.1 million.

Ms. Rhodes advised that the recommended budget proposes to keep the current tax rate of 47.35 cents per \$100 of assessed property valuation with two cents of the rate to be dedicated solely to the Economic Development Incentive Program. She spoke to the City not increasing the tax rate since 1990, advised regarding the average tax bill of \$960 after subtraction of the homestead exemption, spoke regarding the school district's tax rate and Plano maintaining one of the lowest tax rates in the Metroplex.

Ms. Rhodes spoke regarding sales tax collections for the first nine months of the fiscal year being up \$4.1 million compared to last year and projecting to end the year with a 4.3% increase. She spoke to the volatility of this revenue source and projecting sales tax to remain flat for Fiscal Year 2007-08. Ms. Rhodes spoke to building and development related revenues performing on track with estimates for this year and projecting a 15% decrease to \$3.9 million for Fiscal Year 2007-08 in anticipation of reductions in local growth.

Ms. Rhodes spoke to the General Fund projected to increase by \$14 million to \$222 million with the largest expenditure for salary and wages accounting for 68% of the total expenditures with 65% allocated for public safety employees. She advised that the second largest expenditure is for contractual services at 22%.

Ms. Rhodes spoke to the transfer of \$6 million dollars into the Economic Development Incentive Fund; inclusion of \$5.6 million for a 0% to 5% merit increase for non-civil service employees and a 4% across the board increase for civil service employees; \$3.8 million allocated for Public Safety Programs; \$66 million in new debt to be issued in January; and inclusion of \$3.1 million for interest payments. She spoke to the North Texas Municipal Water District increase equaling \$2.6 million and allocations of an additional \$2.1 million for a 10% health insurance increase to provide additional funding for the implementation of GASB 45. Ms. Rhodes spoke to inclusion of \$1.5 million for CIP Projects, \$1.5 million for retiree payouts, an additional \$1 million for parks and recreation programs, \$1 million for new library books, \$393,000 for the expansion of the Sustainability Program and \$285,000 for a TMRS increase.

Ms. Rhodes advised that the Water and Sewer Fund is budgeted at zero days working capital, the financial policy speaks to 45 days of working capital and that only 18.6 billion gallons of water have been used out of the 26.7 billion that the City pays for under the take or pay contract resulting in a loss of \$7.5 million in revenue. She spoke regarding the major sewer line break, increased rates by the water district and the City's rate increase scheduled for May 2008.

Ms. Rhodes spoke to Capital Improvement expenditures proposed for 2007-08 in the amount of \$135 million including municipal facilities, park and recreation improvements and street improvements approved by voters in the 2005 bond election along with \$24 million in joint venture street projects with the County. She advised that other expenditures include projects supported by drainage revenue bonds and pay-as-you-go Water and Sewer Capital Improvements.

Ms. Rhodes reviewed the upcoming budget calendar including the upcoming presentation of the 2007-08 Community Investment Program, Public Hearing, vote on tax rate and approval of the appraisal roll. She spoke to the Budget Worksession scheduled for Saturday, August 18 and Public Hearings on August 23 and August 27, adoption of the operating budget, CIP and setting of the tax rate on September 10 with October 1 marking the beginning of a new fiscal year.

Nothing further was discussed. Mayor Evans adjourned the meeting at 5:27 p.m.

Pat Evans, MAYOR

ATTEST:

Diane Zucco, City Secretary