

**PLANO CITY COUNCIL**  
**Budget Worksession**  
**August 18, 2012**

**COUNCIL MEMBERS PRESENT**

Phil Dyer, Mayor  
Lissa Smith, Mayor Pro Tem  
Ben Harris, Deputy Mayor Pro Tem  
Pat Miner  
André Davidson  
James Duggan  
Patrick Gallagher  
Lee Dunlap

**STAFF PRESENT**

Bruce D. Glasscock, City Manager  
Frank Turner, Deputy City Manager  
LaShon Ross, Deputy City Manager  
Diane Wetherbee, City Attorney  
Diane Zucco, City Secretary

Mayor Dyer convened the Council into the Budget Worksession on Saturday, August 18, 2012 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 & CIP**

No one appeared to speak.

**Budget Worksession Overview**

Highlights of 2011-12/Outlook for 2012-13

City Manager Glasscock spoke to positive trends in 2011-12 and a recent citizen survey citing overall satisfaction with levels of service and indicating that investments in police services, streets and sidewalks provide the greatest impact. He spoke to continued positive trends in revenues for 2012-13 and recommendations focusing on some restoration of services, responding to internal pressure points and addressing deferred maintenance. Mr. Glasscock reviewed the recommended 30 additional positions including fire fighters; police officers; Parks, Planning and Utility Operations Department personnel; a sidewalk repair crew; and a construction inspector. He spoke to addressing compensation issues to retain and attract the best employees at every position, maintaining the tax rate for the fourth year and efforts to enhance operational effectiveness and efficiency. Mr. Glasscock thanked Staff for their efforts and spoke to finalization of a marketing study; rebuilding Plano's role as a regional leader; strengthening its relationship with educational partners; and addressing issues related to Collin Creek Mall, Plano Centre and The Arts Center of North Texas.

## **Council Items and Issues for Discussion**

City Manager Glasscock requested discussion of association dues and Mayor Dyer spoke regarding a future agenda item to review employee benefits.

### **Operating Budget**

#### Revenues – Ad Valorem Tax Base; Tax Rate - Effective and Rollback Rates: Sales Tax; Water & Sewer Rates – Proposed Rate Increases; and Other Revenues

Director of Budget and Research Rhodes-Whitley spoke to assessed property values of \$25.6 billion with collections on existing properties at \$400 million and new property at \$228 million. She spoke to the loss of revenues from ad valorem tax exemptions, history of the tax rate and the proposed rate of 48.86 cents per \$100/valuation which exceeds the effective tax rate and requires additional public hearings. Ms. Rhodes-Whitley advised that the proposed rate is well below the rollback rate, spoke to sales tax revenues driven by business-to-business transactions, and advised that building and development revenues are projected to remain stable.

Ms. Rhodes-Whitley spoke regarding prior communication from the North Texas Municipal Water District indicating an increase in their water rate (14%) and sewer rate (2-4%) and recently revised information indicating an increase of 14% in the sewer rate. Director of Policy and Government Relations Israelson spoke to the City's conservation efforts and conducting a review of usage to clarify billings. Ms. Rhodes-Whitley spoke to the recommendation to pass through a water rate increase of 10% and a wastewater increase of 7% effective November 1. She spoke to the cash funding of capital improvement projects and the loss of \$8.2 million through the take-or-pay contract with a potential reimbursement from the district of \$2.1 million for unused operation/maintenance costs. Mr. Israelson responded to Deputy Mayor Pro Tem Harris, advising that the City is part of a larger district which continues to grow and incur operational costs. He advised that, unlike many other entities, Plano is cash funded which reduces some volatility and that the City is considering an additional tier in the rate structure. City Manager Glasscock advised the Council regarding the requirement for a unanimous decision of member cities to revise the agreement and the apparent disconnect between conservation and the take-or-pay nature of the contract. He spoke to the low cost of water to other member cities which would preclude them from purchasing Plano resources. Mr. Israelson spoke to rebates on unused operation/maintenance costs and advised that other area water suppliers are the City of Dallas and the Upper Trinity.

### **Program Changes**

#### Salary Adjustments/Increase

Director of Human Resources Parrish spoke regarding a recent compensation study comparing the City's current pay to the market and advised that the City's philosophy is to target range midpoints at median plus 5% of the actual averages being paid for comparable jobs. He stated that current non-civil service positions are 3% below the current median with Police 6.7% above and Fire 8.4% above and advised that the recommended budget includes a 2% increase for civil service with a targeted approach in the Fire Department.

Mr. Parrish spoke regarding recommendations at a cost of \$5.6 million to reclassify 14 positions based on external market conditions and turnover; adjust salary ranges; administer a 3% across-the-board increase for non-civil service employees; create a step-plan for identified labor and skilled craft positions; and reinstate market adjustments for new hires/promotions whose base pay is within the lower third of their range or until they are at mid-range.

#### Health Plan Update

Director of Human Resources Parrish spoke regarding the self-funded health plan of the City governed through a risk pool with oversight by trustees and the trust for future retirement benefits. He spoke to the 2006 development of a strategic approach and philosophy to manage the plan and the shifting of costs, advising that the City verifies whether or not dependents are eligible for another plan. Ms. Rhodes-Whitley spoke to the high number of claims in 2008 and to a rebuilding of the fund balance. Mr. Parrish reviewed employee demographics, financial performance and the potential impacts of health care reform. He advised that future planning will include review of “stop loss” to determine the City’s risk tolerance, calibration of premiums as needed, implementation of health care reform requirements, exploration of changes in health care delivery, and reimbursement and implementation of health/wellness initiatives. He responded to Mayor Pro Tem Smith and Deputy Mayor Pro Tem Harris regarding issues related to providing an onsite clinic including staffing and proximity to employee residences.

#### Retirement System Update

Director of Human Resources Parrish spoke to assessment of pension plans including consideration of whether an entity has: 1) a 100% funding target and mechanisms to achieve this level; 2) commitment and capacity to make the annual actuarial contributions; 3) reviewed funded ratios annually and tracked them over a period of years; 4) investment assumptions and strategies to reduce risk and rate volatility; 5) a pension obligation excessive to the financial resources of the entity; and 6) a strong financial standing. He spoke regarding how the City’s Retirement Security Plan (RSP) meets these criteria and includes smoothing techniques to stabilize volatility. Mr. Parrish spoke regarding the Texas Municipal Retirement System and the requirement of the City to make its annual contribution with a target of 100% funding, the systematic strategy to pay off unfunded liability over a closed 30-year amortization period, current 83.4% funding with full funding in 2038, and the use of a 7% long-term assumption. He responded to Mayor Dyer, stating that while 100% funding may be achieved prior to 2038, doing so would take funding from other areas. Mr. Parrish spoke to the City’s proactive approach to Other Post-Employment Benefits (OPEB) with a target of 100% funding, benefits fully advanced funded over a 30-year closed period, and a trust funded ratio of 58.9% with a 7% long-term investment assumption. Director of Budget and Research Rhodes-Whitley advised that, in the future, bond agencies may be noting the status of these accounts when reviewing municipal ratings.

### Paramedic Assignment Pay Discussion

Interim Fire Chief Peterson spoke to the current system designed in 1983 in which paramedics are assigned to engines, ladders and ambulances which has led to an imbalance of duties between the “front seat” and fire fighter paramedics. He spoke to the current compensation based upon years of experience and a proposed change to one paramedic per vehicle with discontinuance of paramedic pay to the “front seat” medics over time. Council concurred with the recommendation.

### Discussion/Direction Regarding Fire Department Staffing for Station #13 and Engine #8

City Manager Glasscock advised that the interim chief was asked to review the department and identify and recommend changes prior to the arrival of a new permanent chief. He spoke to public safety as the largest expenditure in the General Fund and this item providing a recommended pilot for two stations with the potential to save over \$1 million in overtime costs while ensuring safety and efficient use of services.

Interim Fire Chief Peterson spoke to the opening of Stations #12 and #13 without increased personnel, available equipment and daily staffing including additional personnel to cover for those out on leave. He reviewed a pilot program offering better management of leave, reducing overtime expenditures, and potentially resulting in reinstatement of personnel training and public education programs. Chief Peterson spoke to Station #8 having only an aerial ladder which is a larger and heavier apparatus than an engine and the benefits of relocating the engine from Station #13 to Station #8. He spoke potential benefits including standardized service levels across all districts, decreasing response times, increasing unit availability and coverage; and extending the service life of major apparatus. He spoke to the current strategy as costly, over-reactive, inefficient and more intuitive than data driven. He reviewed three options for implementation: 1) reduce staffing on 4 major fire apparatus for 24 hours; 2) reducing staffing on 2 major apparatus and remove the medical unit from service for 24 hours; and 3) utilize flexible staffing to allow for apparatus staffing to fluctuate (utilizing either three or four personnel) at two stations based upon the service needs for 12-hour periods. He recommended Option #3 for a 90-120 day pilot program, establishing metrics for evaluation and bringing results back to Council and further spoke to the potential to place 15 fire fighters in service earlier than anticipated due to cost savings.

Chief Peterson advised that the proposal will not reduce the overall number of fire fighters sent to a working structure fire or expose fire fighters to a higher level of risk at a fire scene. He referred to fatalities in Houston where contributing factors were found to be poor communications/tactics and failure to follow procedure. Chief Peterson spoke to notification provided to the fire fighters association, recommended implementation of the pilot program prior to a final decision regarding the appointment of a new chief, and municipalities that run engines/trucks with three personnel. He responded to the Council, advising that a matrix will be developed to determine the impact of the program, responses will be tailored to each situation and that regional-nationwide recognitions would not be impacted.

Scott Kerr, representing the Plano Fire Fighters Association, stated concerns regarding the proposal and its impact on safety. He spoke to the pilot program as an old model used in small towns with volunteer departments. Mr. Kerr spoke to the need for manpower to utilize specialized equipment, address multi-story structures and national standards requiring a minimum of four fire fighters to initiate an interior fire attack. He spoke to accolades of the department and implementation issues.

Council Member Gallagher spoke to balancing public safety and fiduciary responsibility and considering a trial period. Chief Peterson responded to Mayor Pro Tem Smith, advising that evaluation will be possible following 90 days through development of a matrix and continued dialogue. Council Members spoke in support of a trial period with Deputy Mayor Pro Tem Harris addressing the levels of public safety and stating concern with the proposal.

The Council took a brief recess at 11:02 a.m. and reconvened at 11:12 a.m.

#### Discussion/Direction Regarding Asphalt Overlay

Director of Public Works Cosgrove advised that no overlays have been done since 1990 and reviewed potential benefits including extending the life of existing pavement, minimizing the impact of water getting into the subgrade, and use by other cities. He reviewed alternatives and their characteristics including regular asphalt, SuperPave, NovaChip and Diamond Grinding and recommended a trial use of NovaChip on two sections of Independence Parkway and a bridge on Plano Parkway west of Accent Drive. He responded to Council, advising that Staff will measure the product's effect on the life of the roadway and stating that it can be removed if necessary. The Council stated a general consensus directing Staff to move forward with a limited trial.

#### Continued Discussion of Residential Inspection Program

Director of Property Standards O'Banner advised that the program would be a systematic approach to performing inspections upon a change in tenancy to enhance compliance with existing life-safety code regulations and focus on safety and structural integrity. She stated that the program would maintain a cost-neutral position, establish an incentive for properties without current violations, and promote community awareness. She reviewed other municipality programs, the upward trend in the number of tenant occupied homes, the use of utility billing accounts for determining tenancy, the anticipated process and a request for four additional employees. Ms. O'Banner responded to Council Member Miner, advising that Staff would work with the Legal Department to determine the authority to inspect structures and advised that Staff would work with the realtor community to find additional ways to determine changes in tenancy.

Mayor Pro Tem Smith recommended including review of rental properties as part of the proposed Neighborhood Reinvestment Program rather than implementation of inspections at this time. Council Member Davidson spoke to the higher level of anticipated fees as compared to other communities and Council Member Dunlap stated concern that properties will be identified after tenants have taken up residence. Marvin Jolly, representing the Collin County Association of Realtors, spoke to the proposal potentially threatening private rights, increasing costs for owners/renters, implying that code violations are exclusive to rental properties, and impacting the rental market.

J. C. Posey of the Collin County Realtor's Association, spoke to tenants represented by real estate professionals who can assist in ensuring the quality of a unit. City Manager Glasscock stated that Staff will work to incorporate rental properties into the Neighborhood Reinvestment Program and will not include this item in the 2012-13 budget.

#### Discussion/Direction Regarding City/Public Wi-Fi

Director of Technology Services Stephens spoke to the increasing expectation for free public WiFi access particularly in government facilities, the increase in locations around the country and the current Plano locations including the five public libraries and the Council Chamber during meetings. He spoke regarding the number of wireless patrons utilizing services and advised that although the overall requirements of the bandwidth have increased, the bandwidth itself has not. Mr. Stephens advised that an increase in connectivity would impact city operations, spoke to the need for consistency in filtering and the potential that other departments would want to provide WiFi. He provided information on the options: 1) No change in offerings; 2) Increase bandwidth to City facilities; or 3) Increase bandwidth to City sites and the internet. Mayor Pro Tem Smith spoke to increasing connectivity in the libraries in the future. The Council spoke to maintaining the current level of access and took no action.

#### Continued Discussion of Plano Centre

Director of Parks and Recreation Fortenberry advised the Council regarding challenges facing Plano Centre including increased competition from surrounding cities, lack of a hotel, available transportation, and general aging. She spoke to review of the site and consideration of regional connectivity, potential for DART services in the future and it's proximity to Oakpoint Park and Nature Preserve and Collin College. Ms. Fortenberry spoke to the options building upon one another with Option 1 (\$1-2 million) including refinishing the interior and updating site elements; Option 2 (\$2-5 million) adding courtyard enhancements and site landscaping; Option 3 (\$5-7 million) adding an expanded kitchen, increased parking, and updated audio/visual technology; and Option 4 (\$7-13 million) enlarging the Collinwood Hall and updating/enhancing entries. She spoke to future possibilities including a hotel, parking garage and retail and advised that Staff recommends either \$1-2 million to address concerns for the short term or \$7-13 million for a more complete renovation. City Manager Glasscock stated that there has been no developer interest in retail at Jupiter Road and Spring Creek Parkway. Director of Budget and Research Rhodes-Whitley advised that there is current funding available for up to \$7 million and if Council elected to spend up to \$13 million, tax notes or certificates of obligation would be utilized. She advised that if the cost were \$15-20 million, a bond referendum would be needed. Ms. Fortenberry recommended the \$7-13 million option, citing its benefits in drawing a variety of events and preparing the Plano Centre for the future.

Council Member Gallagher stated concern regarding the return on investment and in opposition to the \$7-13 million proposal. Deputy Mayor Pro Tem Harris stated concern regarding spending any monies and spoke to considering whether or not to continue providing services. Ms. Fortenberry responded to the Council, advising that expansion of Collinwood Hall would provide the best opportunity for return on investment and noted restrictions on the use of hotel/motel funds, used to subsidize the facility. Council Member Dunlap spoke to considering what a renovated facility will provide and what would happen to the property if the service were discontinued.

Council Member Davidson spoke in support of retaining a facility, but stated concern regarding the lack of information regarding potential returns. Council Member Miner spoke in support of the facility. Mr. Glasscock advised regarding the difficulty of determining the return on investment and spoke to \$1-2 million carrying Plano Centre three to five years, but not expanding business. He spoke to the option of selling the property at some point in time and advised regarding consultant reports.

The Council stated a general consensus in support of funding \$1-2 million and reevaluating in three to five years while considering marketing the property. Deputy Mayor Pro Tem Harris spoke to issues regarding the fundamentals of Plano Centre and in opposition to continuing to provide the service. Mr. Glasscock recommended not including the potential of sale, but considering repurposing the property. Manager of Plano Centre Dixon advised that an update of technology as recommended by Council Member Davidson would not be necessary to maintain current clientele.

#### Continued Discussion of Neighborhood Reinvestment

Community Services Manager Day advised that the proposal would set aside \$50,000 for a study of City services followed by implementation (\$450,000) and could include a review of rental properties as discussed. Mr. Glasscock advised that funding would be provided from sales tax revenue above the cap level. Council Member Dunlap stated concern regarding establishing a program without tying it to an ongoing revenue stream. Ms. Day advised that recommendations would be brought to Council for consideration and City Manager Glasscock advised that the ongoing costs would be \$100,000-\$150,000. The Council stated a general consensus to move forward.

#### PTN Fund

Director of Public Information Conklin spoke regarding the history of the Plano Television Network which currently provides Public, Education and Government (PEG) channels and a 10-year grant received in 2001 (\$150,000/year) for return of seven channels to cable providers. She reviewed the collection of PEG fees and advised that due to legislation effective January 1, 2011 all fees are set at 1% of the bill's gross, but may only be used for capital costs. Ms. Conklin stated that due to this limitation, the fund balance will increase but the spending will be restricted. City Manager Glasscock spoke to making efforts during the next legislature to address the situation.

#### Council Items and Issues for Discussion

City Manager Glasscock spoke to review of association dues and consideration of membership in the National League of Cities (NLC). He advised regarding the association's budget issues, loss of membership, and stated concern regarding their lobbying positions. He advised regarding programs provided including a prescription card for citizens, which can be accommodated by a county program and the warranty sewer program which, while endorsed by NLC, does not require membership. Mr. Glasscock spoke to the importance of state and regional memberships and benefits of Council Members attending national conferences. Mayor Pro Tem Smith spoke to gaining information by conference attendance, but agreed to not renew and leave funds available for regional associations. The Council stated a consensus to cancel the membership.

Community Investment Program

Director of Budget and Research Rhodes-Whitley spoke to planned Community Investment Program expenditures of \$98.1 million for streets, capital reserve, parks and recreation, water/sewer, municipal facilities, and municipal drainage projects. She spoke to work beginning in September related to a May 2013 bond referendum and Mayor Pro Tem Smith spoke to inclusion of the Liberty Recreation Center on the referendum.

Proposed Ad Valorem Tax Rate

Director of Budget and Research Rhodes-Whitley spoke to a proposed ad valorem tax rate of 48.86 cents per \$100 valuation, and public hearings to be held on August 27 and September 5.

City Manager Glasscock thanked Staff for their efforts and Council for their consideration. Nothing further was discussed. Mayor Dyer thanked Staff and adjourned the meeting at 1:38 p.m.

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**Phil Dyer, MAYOR**

ATTEST:

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Diane Zucco, City Secretary