

PLANO CITY COUNCIL
Budget Worksession
August 17, 2013

COUNCIL MEMBERS PRESENT

Harry LaRosiliere, Mayor
Lissa Smith, Mayor Pro Tem
Ben Harris, Deputy Mayor Pro Tem
Pat Miner
André Davidson
Patrick Gallagher
David Downs

COUNCIL MEMBERS ABSENT

Jim Duggan

STAFF PRESENT

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

Mayor LaRosiliere convened the Council into the Budget Worksession on Saturday, August 17, 2013 at 8:01 a.m. in the Senator Florence Shapiro Council Chambers of the Plano Municipal Center, 1520 K Avenue. A quorum was present.

Request for Public Input on Budget & CIP

No one appeared to speak.

Budget Worksession Overview

Highlights of 2012-13/Outlook for 2013-14

City Manager Glasscock advised that the combined budget of \$446 million focuses on continued restoration of services to maintain the quality citizens expect, enhance/restore public safety programs, and address a backlog of capital projects. He stated that the budget is balanced and has 30 days of operating funds, is consistent with Council policy, and maintains the current tax rate of 48.86 cents per \$100 of assessed property valuation. Mr. Glasscock advised that the budget continues to dedicate two cents of ad valorem taxes toward the Economic Development Incentive Program and includes an additional \$1 million transfer to the fund. He spoke to the recommendation of a 3% non-Civil Service and 2% Civil Service salary increase, hiring twenty-two full-time positions and three part-time positions (20 directly tied to Public Safety), the increase in existing property values and planned Community Investment Program.

Council Items and Issues for Discussion

No items were brought forward.

Operating Budget

Revenues – Ad Valorem Tax Base; Tax Rate - Effective and Rollback Rates: Sales Tax; Water & Sewer Rates – Proposed Rate Increases; and Municipal Drainage Increases – Phased in Commercial Rate.

Director of Budget and Research Rhodes-Whitley provided a history of General Fund Revenues from 2008 through the recommended 2013-14 budget and spoke to gains in sales tax revenues. She spoke regarding assessed property values of \$26.9 billion and advised that 51% of property is residential and 49% commercial. 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 the variety of exemptions for commercial property and sales tax revenue trends. She responded to Council regarding a positive audit adjustment on sales taxes, use of a three-year average when determining projections and business-to-business activity. Ms. Rhodes-Whitley advised regarding the continued steady rate of construction activity and collection of building and development related permits, spoke to the difficulty in determining the impact of the state's "Tax Free Weekend," and advised that more information can be brought back to Council regarding the differing segments of business-to-business activity.

Ms. Rhodes-Whitley spoke regarding communication from the North Texas Municipal Water District (NTMWD) indicating they will increase the water (10.6%) and waste water rates (7.5%) and she spoke to the impact of debt service for a pipe line to Lake Texoma. She advised regarding the recommendation to pass through a water rate increase of 8% and a wastewater increase of 3% effective November 1 and spoke to the loss of \$9.5 million through the district's "take-or-pay" contract with a potential reimbursement from the district of \$2.1 million for unused operation/maintenance costs. Ms. Rhodes-Whitley further spoke to rebuilding the City's Capital Reserve Fund. Director of Policy and Government Relations Israelson responded to the Council regarding projects undertaken by NTMWD and their costs and City Manager Glasscock advised he would inquire regarding items impacting district rates. He 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.

Ms. Rhodes-Whitley spoke regarding the Municipal Drainage Fund primarily used for infrastructure projects to: improve drainage or address erosion; maintain and clean drainage systems; and develop programs to prevent pollutants from entering the system. She advised that the residential rate will remain constant with incremental increases in the non-residential rates scheduled through fiscal year 2014-15.

Fire Department Revenues: Ambulance Fee Increases, Fire Revenue Review

Chief Crawford advised regarding fire inspection fees for commercial properties, fire protection planning fees covering plan reviews for new businesses/renovations and false alarm fees. He spoke to collection of \$3.4 million in ambulance fees and the recommended adjustment in transport fees to a tiered structure based on services provided and residency. He responded to the Council, advising that the department collects 65% of fees billed and further addressed insurance/Medicaid rates and overall emergency service expenses. Chief Crawford spoke to the high level of service provided by City Staff when evaluating rate comparisons.

The Council took a brief recess at 9:12 a.m. and reconvened at 9:26 a.m.

Program Changes

Salary Adjustments/Increase

Director of Human Resources Parrish spoke to the City Council's goal of recruiting and retaining the best employees and challenges including economic recovery, skills that are transferrable to the private sector and competition for key talent. He spoke to the cost of employee replacement and retention strategies to identify key employees and follow through with development and engagement. Mr. Parrish reviewed programs currently in place to develop future leaders and spoke to the compensation philosophy targeting the City's range midpoints at median plus five percent of the actual averages being paid in the market. He responded to the Council regarding the current status of non-civil service (60% are 11% below the current structure midpoint) and civil service (above the market) employees. City Manager Glasscock spoke to making comparisons with area municipalities rather than nation-wide. Mr. Parrish spoke to the recommendation of a 2% increase for civil service with a targeted approach in the Fire Department and a 3% across-the-board increase for non-civil service employees. He advised regarding continued implementation of the Step Plan Program; reclassification of two employees; adjustment of the salary ranges by three percent; and continued market adjustments for new hires/new promotions. Mr. Glasscock spoke to problems associated with utilizing merit-based pay increases in the public sector and responded to the Council regarding issues of internal equity when hiring from the outside (compression). Mr. Parrish spoke to encouraging and engaging mid-level employees to keep them with the City into the future.

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. He spoke to the development of a strategic approach in 2006 and philosophy to manage the plan and contributions by the City and employees. Mayor Pro Tem Smith spoke to the City's level of contribution for dependents and potentially reducing the subsidy for future employees while grandfathering rates for current employees. City Manager Glasscock spoke to the impact of insurance costs on low-level employees. Mayor LaRosiliere spoke to receiving information throughout the year on cost allocation. Council Member Gallagher spoke to reviewing subsidies for retired personnel. Mr. Parrish spoke to the volatility of health care expenses and claims versus contributions. He provided key insights related to financial trends, clinical cost drivers, and spoke regarding the potential impacts of health care reform.

Mr. Parrish advised that 2014 changes include: no premium increases for medical or dental coverage; an out-of-network coinsurance reduction; kidney dialysis covered by in-network only; and coverage for tobacco cessation prescriptions. He spoke to requiring an annual physical in 2015 and exploring options for employee participation. Deputy Mayor Pro Tem Harris requested updates throughout the year. Mr. Parrish responded to the Council regarding potential options to provide a clinic and spoke to consideration of the administrator's contract (set to expire in December 2014), review of Stop Loss protection, calibration of premiums, compliance with health care reforms, and implementation of the wellness initiative.

Retirement System Update

Director of Human Resources Parrish spoke to the Texas Municipal Retirement System (TMRS) as a modified cash balance plan in which member cities are required by state law to fund the actuarially determined contribution needed to fully fund benefits and stated that benefits are fully advance funded over employees' careers. He advised regarding the projected fund ratio and its increase over the last five years and spoke to techniques to stabilize volatility.

The Council took a brief recess at 11:09 a.m. and reconvened at 11:17 a.m.

Fire Rescue Operational Directive

Chief Crawford spoke to the Fire Department's transition into a metropolitan force including administrative and operational components with dedication to maintain the high quality of care expected by Plano citizens. He advised regarding the department's \$47 million operation budget, 13 fire stations/administrative offices/logistics center, response to 20,965 calls in 2012 with an average time of 5.43 minutes, cardiac arrest survivability rate of 54.5% and department accreditations. Chief Crawford spoke to the high level of calls for emergency medical services and challenges to maintain fire service coverage while responding to and preparing for continued increases in emergent and non-emergent medical responses. He referenced the previous operational review and strategy focused on placing a new fire engine at Station #8 and presented a revised strategy removing that engine and replacing it with a Rescue Squad Program (with two alternative response vehicles) to target responses to specific customers including: a medical priority dispatch system; re-engineered fire responses; activation of reserve medic units during overload; and development of current/future resources based on feedback. He spoke to hiring six Incident Technical Operators to provide incident command at emergency scenes, a Community Outreach & Education Firefighter and one Deputy Fire Chief. Chief Crawford advised that the revised directives will increase the ISO rating, provide data for performance evaluation, offer a more community-based workforce, and increase use of information technology. He spoke to development of a 2013-17 Strategic Plan and creation of an EMS Medical Advisory Board.

Community Development Block Grant (CDBG) Funding Update

Community Services Manager Day advised that the CDBG grant was instituted in 1974 and placed limited federal funding under local control to assist low income individuals and spoke to Plano's participation since 1986 providing \$30+ million over 28 years. She spoke to the HOME Investment Partnership in place since 2003 providing \$5+ million in funds. Ms. Day reviewed the impact of the programs across the City which improve housing, provide benefits to the local construction industry, and fund increased energy efficiency of homes. She spoke to increased poverty in the City and anticipated reductions in federal funding resulting in greater reliance on City participation and volunteers. City Manager Glasscock spoke to funding lagging behind inflation, significance of the program and impact to local governing bodies should funding be decreased.

Special Events Program Overview

Director of Parks and Recreation Fortenberry spoke regarding the permitting of community events and gatherings including meeting with organizers, permit processing, addressing safety/health concerns, work orders and Council/management notification. Police Chief Rushin spoke regarding route approval, traffic exit plans, resources and coordination with external partners. He reviewed fees for application and law enforcement personnel. Ms. Fortenberry and Chief Rushin spoke to the process of planning/managing resources and staffing and inclusion of one Special Events Assistant in the Police Department in the 2013-14 budget as a civilian position.

Community Investment Program

Director of Budget and Research Rhodes-Whitley spoke to planned Community Investment Program expenditures of \$116 million for streets, capital reserve, parks and recreation, water/sewer, municipal facilities, and municipal drainage projects. She spoke to passage of all bond propositions in the May 2013 election and advised that included in the fiscal year 2013-14 recommended budget is the funding of \$225,377 for facility maintenance and service costs for the Technology Services remodel, one Sr. Equipment Operator position and additional contractual funds for park grounds maintenance. She further advised that additional operating expenses are projected for the Senior Center expansion, Carpenter Recreation Center pool, Oak Point Park Recreation Center and various other park improvements at a total cost of \$3.5 million. .

Proposed Ad Valorem Tax Rate

City Manager Glasscock spoke to retention of the current tax rate at 48.86 cents per \$100 valuation and Ms. Rhodes-Whitley reviewed related Public Hearing dates of August 26 and September 4 with rate adoption on September 9, 2013.

Nothing further was discussed. Mayor LaRosiliere adjourned the session at 12:55 pm

Harry LaRosiliere, MAYOR

ATTEST:

Diane Zucco, City Secretary