

**PLANO CITY COUNCIL
PRELIMINAR/REGULAR OPEN MEETING
July 29, 2009**

COUNCIL MEMBERS

Phil Dyer, Mayor
Harry LaRosiliere, Mayor Pro Tem
Lee Dunlap, Deputy Mayor Pro Tem
Pat Miner
Ben Harris
Mabrie Jackson
Lissa Smith
Jean Callison

STAFF

Thomas H. Muehlenbeck, City Manager
Frank Turner, Deputy City Manager
Bruce Glasscock, Deputy City Manager
Rod Hogan, Deputy City Manager
Mark Israelson, Assistant City Manager
LaShon Ross, Assistant City Manager
Diane C. Wetherbee, City Attorney
Diane Zucco, City Secretary

Mayor Dyer called the Preliminary/Regular Open Meeting to order at 5:05 p.m., Wednesday, July 29, 2009, in the Council Chambers, 1520 K Avenue. All Council Members were present with the exception of Council Member Smith. The following matters were discussed:

Presentation of the 2009-2010 Recommended Budget and Proposed Community Investment Program (CIP) to the City Council

City Manager Muehlenbeck stated that the total recommended budget of \$405.5 million represents a decrease of \$2.3 million or .55% under the 2008-09 re-estimated budget and an increase of \$4.7 million, or 1.17% over the adopted budget and includes all major funds. He stated that the Community Investment Program totals \$112.8 million and includes over \$26 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 Community Investment Program totaling \$112.8 million and including over \$26 million in revenues from other governmental entities for joint venture street projects. He advised that the City of Plano has an outstanding budget and financial forecasting process allowing it to weather the most challenging financial storm in recent history and to projections in March 2007 of an impending General Fund budget deficit beginning in FY 2008-09 of \$16 million. Mr. Muehlenbeck spoke to work resolving the deficit through increased fees for certain services and the elimination of 43 full-time positions and 7 part-time positions from the FY 2008-09 Operating Budget along with the implementation of a Core Business Matrix Process in the fall of 2008.

Mr. Muehlenbeck spoke to the financial forecast in March 2009 projecting a \$13.7 million General Fund budget deficit for FY 2009-10 and work done to identify \$10.4 million in reductions including elimination of 61 full-time employees and 9 part-time employees. He advised that these reductions were in addition to the positions previously eliminated from the FY 2008-09 Budget bringing the total amount of eliminated positions over the past two years to 104 full-time employees and 16 part-time positions.

Mr. Muehlenbeck stated that following reductions, the General Fund was still faced with a \$3.9 million budget shortfall and his recommendation of a tax rate increase of 1.51 cents to 48.86 cents per \$100 of assessed property value. He stated that with exclusion of the two-cent tax increase implementing the Economic Development Fund in 2006, the City of Plano has not raised its property tax rate since 1990 to fund general fund services or additional debt. Mr. Muehlenbeck advised that the increase includes a 1.35 cent increase for debt service to 16.02 cents and a 0.16 cent increase for operation and maintenance (O&M) to 32.84 cents and that the O&M increase is directly attributable to the loss of property value from the City's tax base. He stated that the debt service rate increase also results from a reduced tax base, increased debt costs from the issuance of tax notes for public safety projects and new general obligation debt. Mr. Muehlenbeck stated that of the 48.86 cent tax rate, two-cents is still solely dedicated for the Economic Development Incentive Program and spoke to the importance of working to entice commercial entities to Plano, providing economic development programs and working toward redevelopment for all areas of the City.

Mr. Muehlenbeck spoke to the decrease in property values with current information indicating the total assessed property value for 2009-10 is equal to \$25.5 billion and includes \$380.4 million of new property coming on-line. He advised that existing property values decreased by \$658.5 million or 2.55%, representing the largest existing property value loss experienced in the City of Plano since 1993. Mr. Muehlenbeck advised that the total change equals a decrease of \$278.0 million or 1.08% with average home value at \$249,679 (down from \$251,733) and spoke to Homestead, Disability and Over 65 Exemptions, and an ad valorem tax freeze on the residential homestead of citizens over 65 and disabled accounting for \$5.1 billion in assessed property value, or \$24.5 million in lost property tax revenue with \$765,884 lost due to the over 65 tax freeze. He spoke to the decline in sales tax revenues of \$8 million.

Mr. Muehlenbeck spoke to the revised financial forecast for 2010-11 with a \$24 million deficit and 2011-12 with a \$30.5 million deficit and plans to begin preparing for the 2010-11 Budget immediately following adoption of 2009-10 by updating and reviewing the Core Business Matrix and continuing to look for operating efficiencies and budget savings that can be realized in the future. He advised that despite the significant challenges faced in developing the FY 2009-10 Budget, the City has avoided severe service reductions and that the future challenge will be to reduce the budget without reducing the high quality of services citizens have come to expect.

Director of Budget Rhodes-Whitley spoke to requirements for 30 days of working capital and presentation of a balanced budget with a proposed \$1.51 increase to provide \$408,000 for operations and \$3.4 million for debt. She spoke to budget deficits projected in 2010-11 of \$24 million and 2011-12 of \$30.5 million.

Ms. Rhodes-Whitley spoke to budget reductions of \$10.4 million identified in March 2009 which include elimination of 61 full-time and 9 part-time positions. She spoke to the tax rate increase

needed due to the decrease in property values, sales tax, building and development related revenues and interest earning and its being the first since 1990 and its impact on the average homeowner of \$30.15. Ms. Rhodes-Whitley spoke to reductions taken including elimination of the school liaison program in middle schools, reduction of general operating expenses in the Parks Department, elimination of the fire demand ambulance and the employee tuition reimbursement program.

Ms. Rhodes-Whitley spoke to beginning the process of developing the 2010-11 budget on October 1 and the anticipated deficit of \$24 million (9.91 cents on the tax rate). She advised that the appraisal district anticipates a 5% loss in property value (totaling \$5.2 million in the tax base) and spoke regarding protests received this year on commercial properties. Ms. Rhodes-Whitley spoke to allocating 2.43 cents more on the debt side from operations with .73 cents required for Public Safety projects; CIP projects coming on-line at \$2.5 million; health and TMRS increases of \$3 million; municipal garage/utility increases of \$1.2 million; and the required fund balance of \$6.1 million for 30 days. She spoke to the final property valuations of \$25.5 billion (decrease of \$278 million or 1.08%) with new growth at \$380.4 million and a decrease in existing property of 2.55% or \$658.5 million. She stated that even adding the 1.51 cents the City will still have one of the lowest rates in the area due to the 20% homestead exemption and advised that exemptions total \$5.1 billion or a loss of approximately \$24.5 million in revenue with the over-65 freeze an additional \$765,884. She responded to Council Member Jackson, advising that Staff can provide figures on the impact of the homestead exemption on the amount of tax collected.

Ms. Rhodes-Whitley spoke to the decision to decrease anticipated sales tax revenue and the impact of audit adjustments. She advised that Staff is projecting a decline to \$55.8 million for this year and projecting \$57 million for next year. She spoke to the 25.4% decline in building and development revenues and the decrease in interest earnings. Ms. Rhodes-Whitley spoke regarding General Fund expenditures of \$219.8 million with the majority (68.8%) for salary and wages and advised that for every dollar spent on services 61 cents goes to fund Public Safety departments with 6 cents each for general administration, building/development, library, facilities; 12 cents for parks and recreation; and 3 cents for public works. She spoke to reworking the Water & Sewer Fund based on new information and the Community Investment Program (CIP) containing \$112.8 million in streets and receiving \$26 million from other entities. City Manager Muehlenbeck spoke to being mindful of the operating expenses association with CIP projects.

Ms. Rhodes-Whitley advised that the City follows Truth-in-Taxation Laws and defined the effective and rollback tax rates stating that the rate could increase to 49.04 cents (effective rate) without publication or public hearings and which would produce an additional \$459,129 in revenue. She advised that the rate could be increased to 52.59 cents (rollback rate) without being subject to a rollback election which would produce an additional \$9.5 million in revenue. She advised that more details will be discussed at the August 15 Budget Worksession and reviewed key dates on the calendar including presentation of the proposed CIP and public hearings on the budget and CIP scheduled for August 10 and adoption of the budget, CIP and tax rate on September 14. Ms. Rhodes-Whitley advised that unless the Council votes to exceed the effective tax rate, public hearings on August 24 and September 1 will not be necessary.

Mayor Dyer requested the public provide their input and participate in the process. He spoke to additional information to be provided and upcoming public hearings. City Manager Muehlenbeck advised that Staff is available to make presentation to groups or organizations.

Nothing further was discussed. Mayor Dyer adjourned the meeting at 5:44 p.m.

Phil Dyer, MAYOR

ATTEST:

Diane Zucco, City Secretary