

LEWISVILLE CITY COUNCIL

REGULAR SESSION

CALLED-SPECIAL BUDGET WORKSHOP SESSION- 9:00 A.M.

AUGUST 16, 2008

Present:

Gene Carey, Mayor

Council Members:

David Thornhill, Mayor Pro Tem
Lathan Watts, Deputy Mayor Pro Tem
Greg Tierney
Dean Ueckert
Rudy Durham

City Staff:

Claude King, City Manager
Donna Barron, Assistant City Manager
Steve Bacchus, Assistant City Manager
Julie Heinze, City Secretary
Ronald J. Neiman, City Attorney
Gina Thompson, Budget and Research Director
Brian Holman, Chief Municipal Court Judge
Lauren Crowley, Finance Director
Eric Ferris, Director of Community Development
Russ Kerbow, Police Chief
Rick Lasky, Fire Chief
Robert Monaghan, Director of Parks and Leisure Services
Carole Bassinger, Director of Public Services
Melinda Galler, Director of Human Resources
Larry Buchanan, ITS Director

The called–special budget workshop session of the Lewisville City Council was called to order by Mayor Gene Carey at 9:01 a.m., on Saturday, August 16, 2008, in the Community Meeting Room of the Lewisville Municipal Center, 1197 W. Main Street, Lewisville, Texas. Other city staff members in attendance included: Gene Lewis, Community Services and Planning Manager; Nika Reinecke, Economic Development Director; T. S. Kumar, City Engineer; Cleve Joiner, Building Official; Pat Jackson, Animal Services Supervisor; Assistant Police Chief Jerry Galler; Assistant Police Chief Joni Eddy; Wayne Pickett, Parks and Leisure

Services Director; Jason Kirkland, Management Projects, Ann Wiegand, Library Manager; and other City staff support personnel.

**Discussion of Preliminary Proposed Budget
for FY 2007-2008**

(Agenda Item 2a 1 -3)

City Manager King advised that Assistant City Manager Donna Barron, Assistant City Manager Steve Bacchus and Budget and Research Director Gina Thompsons would be conducting portions of the PowerPoint.

- Utility Fund
 - Revenues
 - Expenditures
 - Fund Balance/CIP
 - Water/Sewer Rates
 - Unfunded Requests

- General Fund
 - Revenues
 - Expenditures
 - CIP
 - Personnel
 - Property Tax Rate
 - Unfunded Requests

- Other Funds

Using a PowerPoint Presentation, Gina Thompson, Budget and Research Director began the presentation by reviewing the agenda for the workshop as follows:

Revenues

FY 06-07 (Actual)	\$26,612,377
FY 07-08 (Budget)	\$25,896,378
FY 08-09 (Base)	\$25,766,025
(Base – Budget)	-\$ 130,353

FY 08-09 (Base) is based on a normalized year for water and sewer sales

Water Revenues

FY 06-07 (Actual)	\$13,427,828
FY 07-08 (Budget)	\$14,234,527
FY 08-09 (Base)	\$14,074,714
(Base – Budget)	-\$ 159,813

Sewer Revenues

FY 06-07 (Actual)	\$9,309,817
FY 07-08 (Budget)	\$9,117,824
FY 08-09 (Base)	\$8,993,616
(Base – Budget)	-\$ 124,208

Ms. Thompson reviewed a chart showing the following Revenue Comparisons (Budget):

2007-2008	2008-2009
Water Revenue – 55%	Water Revenue – 55%
Sewer Revenue – 35%	Sewer Revenue – 35%
Capital Recovery – 4%	Capital Recovery – 3%
Other – 6%	Other – 7%

Capital Recovery Fee (Revenue)

	Budget	Actual
2000-01	1.408M	.747M
2001-02	.932M	1.766M
2002-03	.965M	1.369M
2003-04	.684M	1.139M
2004-05	1.152M	1.285M
2005-06	1.545M	1.803M
2006-07	.779M	2.248M
2007-08	1.105M	1.533M*
2008-09	.891M	

*Actual for 2007-08 as of July 31, was \$1.533M.

Capital Recovery Fee (Impact)

- Water sales, sewer sales and capital recovery fees represent 92.9% of the budgeted Utility Fund revenues.

	Cap. Rec. Fees	Water/Sewer Sales
1998-99	12.1%	84%
2008-09	3.4%	89.5%

Revenue Summary

- 08-09 revenues projected to decrease (from budget) -\$130,353 to \$25.766M.
- This is due to capital recovery fees and water and sewer revenue estimates.
- Partially offset by increases in charges for service, wholesale sewer, and interest earnings.
- Total revenue is based on current rate structure, per Council policy.

City Manager King conducted the following portion of the PowerPoint Presentation:

Expenditures

FY 06-07 (Actual)	\$24,494,617
FY 07-08 (Budget)	\$25,896,378
FY 08-09 (Base)	\$25,766,025
(Base – Budget)	-\$ 130,353

Debt Service

FY 06-07 (Actual)	\$7,918,721
FY 07-08 (Budget)	\$8,028,930
FY 08-09 (Base)	\$7,280,918
(Base – Budget)	-\$ 748,012

FY 08-09 debt service budget assumes a \$11.9M revenue bond sale, to be discussed.

Debt Service (Budget History)

	Budget	\$ Diff	%Diff
2000-01	7.962M	-	
2001-02	8.086M	0.094M	1.56%
2002-03	8.861.M	0.775M	9.58%
2003-04	8.979M	0.118M	1.33%
2004-05	8.909M	(0.070M)	(0.78%)
2005-06	8.757M	(0.152M)	(1.71%)
2006-07	8.023M	(0.734M)	(8.38%)
2007-08	8.029M	0.006M	0.07%
2008-09	7.280M	(0.749M)	(9.33%)
% Difference (2001-2009)			(8.57%)
Estimated 2009-10 debt service is \$7,769,961			

City Manager King reviewed a chart showing the following Expenditures by Category:

2007-2008	2008-2009
Transfers & Reimbursement – 50%	Transfers & Reimbursement – 48%
Capital Outlay – 30%	Capital Outlay – 0%
Personal Services – 20%	Personal Services – 21%
Services & Other Charges – 25%	Services & Other Charges - 26%
Supplies – 5%	Supplies – 5%

Significant Cost Increases

- \$218,000** increase in electricity costs.
- \$202,205** to fund increased purchased water costs from Dallas Water Utilities.
- \$43,000** increase in TMRS costs (discussed in more detail later in presentation).
- \$26,673** to fund an increase in chemical costs at the Water Treatment Plant.

Significant Cost Savings

- (\$748,000) less debt service (net) due to scheduled reductions, including the 1997 refunding issue (down \$367,000) the 2002 refunding issue (down \$663,000), and 2005 issue (down \$263,000. (*will climb back up \$495,000 in 2009-10.)
- (\$84,559) in one-time equipment and supplies funded in FY 2007-08 in Public Services
 - (\$43,732) in deferred compensation savings

Funded New Programs

- \$65,202 to fund the Utility Fund portion of the annual compensation plan adjustments.
- \$56,326 in additional funding for waterline replacements. This will bring the 2008-09 amount to \$1,630,492 and fund almost all of the remaining project backlog.
- \$30,940 to replace both Plant #1 Return motors/clutches and speed controllers.
- \$21,338 to replace cabinets and worktops in the wastewater laboratory. These cabinets are over 20 years old and severely deteriorated.
- \$19,262 to replace the three chlorinators and two vacuum regulators at the Wastewater Plant.

Funded New Programs (cont'd)

- \$17,500 to fund one half of the price of a marketing kiosk at Vista Ridge Mall (cost is split 50/50 with the Hotel Motel Fund). The City will have brochure and poster racks, a video screen and an electronic kiosk at the Vista Ridge Mall soft play area.
- \$12,698 to purchase a 100 gallon vacuum excavator which will allow crews to easily excavate the dirt and debris from meter boxes prior to meter change outs or service line repairs.
- \$6,000 to fund an internet based vendor and bid management system. Cost is funded 50/50 with the General Fund.
- \$3,790 to replace the cable rodding machine in ULM (used to clear service lines with difficult root problems).

Organizational Changes

No major organizational changes / personnel shifting in the base budget.

- Meter Services position downgraded to Meter Services Foreman (meter services will now be managed by the Internal Services Manager with that portion of costs being paid for by the Utility Fund.)
- 30% of the Project Manager position will be paid out of Water/Sewer capital projects.

Fund Balance

	Beginning	Ending
2006-07 (Actual)	15,593,947	14,711,708
2007-08 (Budget)	14,356,805	14,106,805
2007-08(Est. Actual)	14,711,706	14,672,159
2008-09 (Base)	14,672,159	12,272,159

The FY 08-09 beginning fund balance is \$565,354 more than anticipated in the FY 07-08 budget due to activity occurring in FY 06-07 (+350,000) as well as estimated activity occurring in FY 2007-08.

Fund Balance

Beginning Fund Balance	\$14,672,159
(+) Revenues	\$25,766,025
(-) Expenditures	\$25,766,025
(-) Transfers Out	\$ 2,400,000
Ending Fund Balance	\$12,272,159
(-) Operating Reserves (15%)	\$ 3,864,904
Undesignated Reserves	\$ 8,407,255

Transfers to CIP from Reserves

- 1) \$2,400,000: for a gravity sewer line from Crossroads South Meter Station (FM 544/FM2281) to Indian Creek Lift Station.
- 2) Another \$1.6M for waterline replacements is funded within the operating budget.

Assistant City Manager Steve Bacchus conducted the following portion of the PowerPoint Presentation:

Future Capital Programs

	Revenue Bonds	Reserves
Sewer Meter & Life Station	\$21,300,000	-
Water Pump Station Trs Main	\$ 2,300,000	-
Water Reuse	\$ 6,800,000	-
Water Line Replacements	-	\$2,630,492
Sewer Line Replacements	-	\$1,250,000
Wastewater Treatment Plant	\$6,000,000	\$1,000,000
New Sewer Lines	-	\$5,900,000
Inflow/Infiltration Repairs	-	\$1,000,000
Eastside Expansion	<u>Unknown</u>	<u>Unknown</u>
	\$36,400,000	\$11,780,492

Future Capital Programs (cont'd)

Available	\$ 8,407,255
Future Needs	\$11,780,492

Available amount is the FY 2008-09 ending fund balance minus the required operating reserve.

Future Capital Programs (cont'd)

FY 2008-09 (Reserves)

Gravity Sewer line from Crossroads South Meter Station \$ 2,400,000

Water Line Replacements (funded through operating budget)

Green Valley Addition \$ 349,992

Lewisville Valley II \$ 440,500

Highpoint Addition \$ 840,000

\$ 1,630,492

Future Capital Programs (cont'd)

FY 2008-09 (Bonds)

Indian Creek Lift Station and Force Main to Wastewater Treatment Plant \$11,900,000

FY 2009-10 (Reserves)

Inflow/Infiltration Repairs – Basin study and related repair work \$ 250,000

FY 2009-10 (Bonds)

Midway Branch Lift Station and Force Main to north Holfords Prairie \$ 9,400,000

Future Capital Programs (cont'd)

FY 2010-11 (Reserves)

Water Line Replacements - TBD \$ 250,000

Sewer Line Replacements - TBD \$ 500,000

New Sewer Lines – East Side Gravity Line \$ 3,500,000

Inflow/Infiltration Repairs – Basin study and related repair work \$ 250,000

FY 2010-11 (Bonds)

Water Reuse – Design / Construction \$ 3,700,000

Future Capital Programs (cont'd)

FY 2011-12 (Reserves)

Water Line Replacements - TBD \$ 500,000

Sewer Line Replacements - TBD \$ 250,000

Wastewater Treatment Plant 3 MGD Expansion – Design \$ 1,000,000

Inflow/Infiltration Repairs – Basin study and related repair work \$ 250,000

FY 2011-12 (Bonds)

Water Pump Station Transmission Main - Design and construction of water transmission main required to transport water from Midway Pump Station to the City system \$ 2,300,000

Water Reuse – Construction Phase 2 \$ 3,100,000

Future Capital Programs (cont'd)

FY 2012-13 (Reserves)

Water Line Replacements - TBD	\$ 250,000
Sewer Line Replacements - TBD	\$ 500,000
Inflow/Infiltration Repairs – Basin study and related repair work	\$ 250,000

FY 2012-13 (Bonds)

Wastewater Treatment Plant Improvements – 3MGD Expansion - Construction	\$ 6,000,000
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City Manager King conducted the following portion of the PowerPoint Presentation:

Rates

- Utility Fund is capital intensive.
- Historically able to fund operating needs by controlling costs and implementing rate increases when needed.
- More expensive capital costs financed thru revenue bonds and transfers from reserves.
- To continue this, regular, incremental increases in rates should be considered, especially as operating costs increase.
- Willingness to make rate changes as needed is one criteria for municipal utility system bond ratings.

Utility Rate Changes

2000-01	-
2001-02	+1%
2002-03	+1%
2003-04	+3%
2004-05	-
2005-06	+0.65% (water) +1.15% (Sewer)
2006-07	+1%
2007-08	+1%

Rates (Current)

Water Rates

1 st 2,000 Gallons	\$12.99
Each add'l 1,000 Gallons	\$ 2.69

Sewer Rates

1 st 2,000 Gallons	\$ 7.84
Each add'l 1,000 Gallons	\$ 3.15

City Manager King reviewed two slides showing rate comparison of 5,000 gallons and 10,000 gallons for the following cities: Irving, Frisco, Carrollton, Richardson, Grand Prairie, Dallas, Grapevine, Mesquite, Arlington, Lewisville, Plano, McKinney, Garland, Coppell, Denton, Forth Worth, and Flower Mound. He pointed out that the City tried to stay in the middle of the range between these various cities. Discussion was held regarding which cities currently had treatment plants.

Rates

- 1.5% on water adds \$211,121 and passes on cost of DWU rate increase.
- .5% on sewer adds \$44,968.

Rates (Recommendation)

	Current	1.5%
Water Rates		
1 st 2,000 Gallons	12.99	13.18
Each Add'l 1,000 Gallons	2.69	2.73
Sewer Rates		
	Current	.5%
1 st 2,000 Gallons	7.84	7.88
Each Add'l 1,000 Gallons	3.15	3.17

Unfunded Program Changes

CIP – sewer replacements

Discussion was held regarding how much the recommended rate increase would affect a resident. City staff pointed out that it would be approximately \$0.71. Mayor Pro Tem Ueckert questioned what an average residential use was. City Manager King advised it was about 8,000 gallons of water and 6,000 gallons on sewer.

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MOTION: Upon a motion made by Councilman Durham and seconded by Mayor Pro Tem Ueckert, the Council voted five (5) “ayes” and no (0) “nays” to increase utility rates 1.5% for water .5% on sewer and directed staff to prepared an ordinance to adopt said rates. The motion carried.

Ms. Thompson then conducted the following portion of the PowerPoint Presentation of the General Fund:

Revenues

FY 06-07 (Actual)	\$61,151,254
FY 07-08 (Budget)	\$59,170,921
FY 08-08 (Base)	\$60,413,377
(Base – Budget)	\$1,242,456

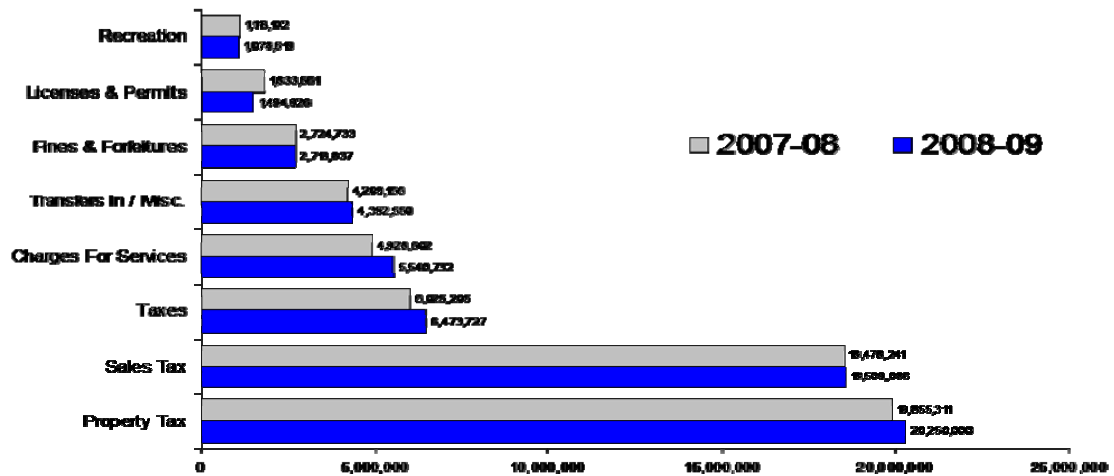
Major Revenue Changes

Property Tax	+ 394,689*
Cable – Verizon	+ 296,440
Landfill Host Fee – TWM	+ 290,880
Indirect Cost Reimbursement - G&A from Utility	+ 84,461
Interest Earnings	+ 75,624
Misc. Other Smaller Increases	+ 24,596
	\$1,242,456

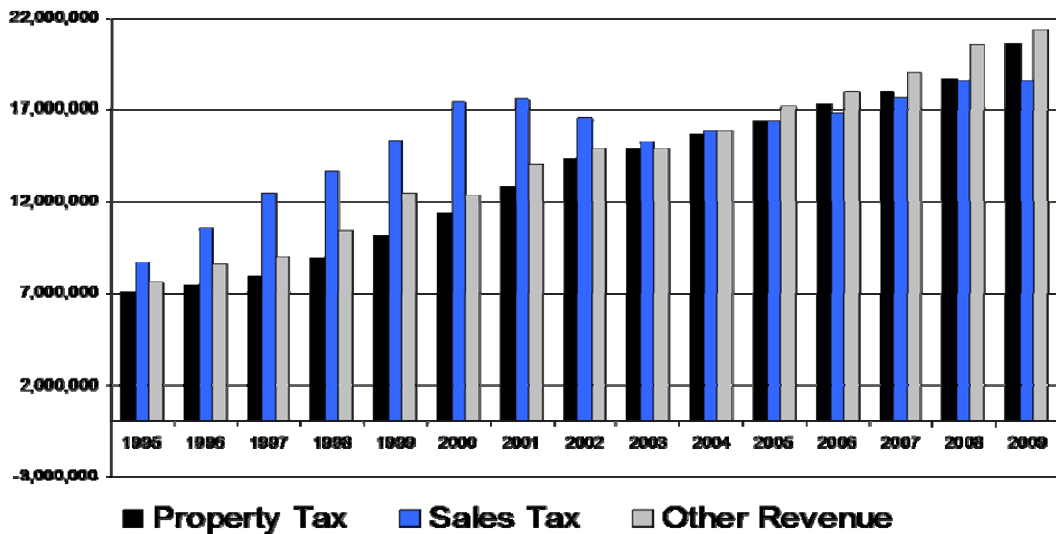
*\$762,978 at base last year

Ms. Thompson reviewed the following revenue slides:

Revenues (Comparison)



Revenue Budget (History)



2000 vs. 2009

	1990/00	2008/09
Sales Tax	42.2%	31%
Property Tax	27.7%	33%
Other Revenue	30.1%	36%

‘Other Revenue’ percentage increased mainly due to landfill host fees, Verizon cable increase, indirect cost reimbursement increase, and interest earnings.

Potentially Volatile Revenues

Host Fees	\$2,472,441
Telecom Fees	\$ 775,000
Fines	<u>\$2,713,837</u>
	\$5,961,278

Sales Tax

FY 2003-04 (Actual)	\$16,711,201
FY 2004-05 (Actual)	\$17,000,576
FY 2005-06 (Actual)	\$18,113,568
FY 2006-07 (Actual)	\$19,216,744
FY 2007-08 (Estimate)	\$18,509,086
FY 2008-09 (Base)	\$18,509,086

Property Tax

FY 2007-08 Rate	0.44050
Rate without sales tax revenue	0.64667
Rate without any other revenue	0.93565

City Manager King conducted the following portion of the PowerPoint Presentation as follows:

Expenditures

FY 2006-07 (Actual)	\$53,779,661
FY 2007-08 (Estimate)	\$59,170,921
FY 2008-09 (Base)	\$60,413,377
Base – Budget	\$ 1,242,256

City Manager King reviewed a chart showing the following Expenditures by type:

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2007-2008	2008-2009
Transfers & Reimbursement – 8%	Transfers & Reimbursement – 8%
Capital Outlay – .37%	Capital Outlay – .02%
Personal Services – 75%	Personal Services – 76%
Services & Other Charges – 13%	Services & Other Charges - 12%
Supplies – 4%	Supplies – 4%

City Manager King then reviewed a chart showing the following expenditures by department:

- Police Department – \$18,388,355
- Fire Department - \$14,677,333
- Public Services - \$6,938,539
- Parks and Leisure Services - \$6,625,089
- Community Development - \$5,074,406
- Information Technology - \$1,906,177
- Administration – \$1,317,013
- Finance - \$1,282,489
- Non-Departmental - \$1,119,511
- Municipal Court - \$843,149
- Human Resources - \$724,959
- Legal - \$597,908
- Community Relations/Tourism - \$481,379
- Public Records - \$358,109
- Mayor/Council - \$78,961

Significant Cost Increases

TMRS	+\$439,997
Fuel	+\$192,974
Overtime	+\$147,564
Communications Manager Position	+\$115,425
Vehicle Lease Payments	+\$ 86,020
Medical & forensic testing, examinations	+\$ 68,000
Operating Costs Corridor Beautification	+\$ 55,390
Internal Vehicle Maint. Charges	+\$ 47,285
Vendor motor vehicle payments	+\$ 18,000
Self contained Breathing Apparatus funding	+\$ 14,929
Jail food expenses	+\$ 5,000
CIP Driven (Jail, Station 7, Park)	+\$ 66,632

Discussion was held regarding the overtime costs. Mayor Pro Tem Ueckert questioned if that was due to the situation in Animal Control and that area not being fully staffed. City staff advised that the hours for Animal Control had been changed to accommodate that situation and that the Department was currently fully staffed. Further discussion was held regarding adding the position to Animal Control that was currently on the unfunded list.

Significant Cost Savings

Travel	+\$ 26,628
Corridor Beautification	+\$401,078
Mowing	+\$ 73,207
Deferred Compensation	+\$218,056
Video Plate Scanning Replacement Costs	+\$ 23,218
Contractual Audits	+\$ 6,992
ITS Consulting	+\$ 16,912
Juvenile Case Manager in Fund 228	+\$ 25,578
Summer Series in Fund 206	+\$ 12,343

Funded New Programs

- \$1,252,315 to fund the compensation package (details provided later).
- \$192,972 to fund increases in fuel costs for all departments operating vehicles.
- \$100,000 to fund overtime in the Police Department Communications, Patrol, Traffic, CID, Jail and Special Operations divisions. Over \$200,000 was requested based on projected utilization.
- \$68,000 for more frequent and higher cost medical and forensic testing, sexual assault exams, K9 food, and medical exams.
- \$56,048 to fund overtime in the Fire Suppression activity.
- \$44,000 to increase the mowing contract for mowing Railroad Park for 4 months. This funding is offset by matching revenue from the 4B fund.
- \$29,348 to fund operating costs associated with the technology plan including network expansion and upgrade, document imaging Phase IV, EMS software upgrade, wireless management system, and ArcGIS license additions.

Funded New Programs (cont'd)

- \$18,000 for increased vendor motor vehicle maintenance due to rising costs of labor, parts, and equipment.
- \$14,929 to increase self-contained breathing apparatus funding which will allow the Fire Department to maintain a continual replacement program for airpacks which have also increased in cost.

Funded New Programs (cont'd)

- \$14,365 to fund 4 months of new jail operating costs. Last fiscal year, 8 months worth of operating costs were funded - consists of utility and janitorial costs.
- \$13,376 for replacement costs of portable computer equipment for Animal Control and Building Inspection. The actual equipment is being purchased as one-time capital outlay out of reserves.
- \$11,616 to fund operating costs associated with a vehicle for the Commercial Vehicle Enforcement program. The vehicle is funded in the Maintenance and Replacement Fund.
- \$11,515 to fund operating costs associated with two traffic vehicles that are being purchased out of the Maintenance and Replacement Fund. These vehicles are replacing the motorcycles which were taken out of service during the FY 2007-08 fiscal year.

Funded New Programs (cont'd)

- \$10,029 for increased personal protective equipment in the Fire department. This will allow the Fire Department to continue to fund one annual inspection and 40 sets of bunker gear after cost increases for the service and equipment.
- \$8,267 to fund new operating costs related to Firehouse #7 (funds six months of operations, mostly utilities).
- \$6,000 for increased pay for the part-time prosecutors. The pay will be increased \$5 (9.25%) per hour to \$59 per hour (PT Judge is \$60/hour). The last increase was a \$2 per hour increase in 2004-05, so the change is equivalent to approximately 2 – 3%/year.
- \$6,000 to fund an internet based vendor and bid management system for the Purchasing division. Total cost of this system is \$12,000 and is funded 50/50 with the Utility Fund.
- \$3,154 to fund increased fuel, training, and overtime for Fire Training.

Fund Balance

	Beginning	Ending
2006-07 (Actual)	26,675,056	26,765,909
2007-08 (Budget)	23,909,328	22,576,559
2007-08(Est. Actual)	26,765,909	29,659,292
2008-09 (Base)	29,659,292	28,777,444

The estimated beginning fund balance for FY 2008-09 is higher than the ending FY 2007-08 adopted budget number due to revenue exceeding projections throughout the Fund in FY 2006-07 (except for fine which was -\$73,023 lower than projected) and expenditures being lower than were forecast. In addition, activity this fiscal year indicated revenue will end the year up \$3.9M (mainly due to the Railroad St. \$2.4M reimbursement) and operating expenditures are estimated to decrease approximately \$360,000.

Reserves

Beginning Fund Balance	\$29,659,292
(+) Revenues	\$60,413,377
(-) Expenditures	\$60,413,377
(-) Transfers Out	\$ 414,907
(-) One-Time Expenditures	\$ 467,435
Ending Fund Balance	\$28,777,444
(-) Operating Reserves (15%)	\$ 9,062,007
Undesignated (Excess) Reserves	\$19,715,437

One Time Expenditures and CIP Transfers (From Reserves)

- \$192,800** to purchase various technology improvements including phase IV of document imaging, a Citrix office upgrade, ArcGIS license addition, wireless management system, network expansion and upgrades, and an EMS software upgrade.
- \$180,000** for a contract compliance audit and revenue sharing payment to GBB, the consultant used for Waste Management contract negotiations and auditing.
- \$158,287** for communications furniture and console equipment in the Police Department.
- \$77,996** to purchase portable computer equipment for Animal Control Officers (seven units replaced) and for Building Inspectors (four new units) in the Community Development department. The units being replaced were “hand me downs” that did not have replacement payments to the Maintenance and Replacement Fund.

One Time Expenditures and CIP Transfers (From Reserves) (cont'd)

- \$63,820** to fund renovations to the Animal Shelter including repairing and repainting the dog kennel walls, replacing worn flooring and wall coverings, and installing a security barrier at the customer counter. This will need to be done even if we were building a new shelter today (The Animal Control Committee is about to be reviewing consultant analysis of new shelter options) because of wear/tear and inspection standards.
- \$59,165** in hydraulic tool replacements (“jaws of life”) for the Fire department.
- \$43,400** to repair the fountains at City Hall, including complete resurfacing.
- \$18,000** to purchase replacement and reserve Fire hose.

Discussion was held regarding the repairs that need to be done to the fountains at City Hall. Robert Monaghan, Director of Parks and Leisure Services advised it would take at least a couple of months to repair the fountains which included electrical work. He further advised that the work would be started following Holiday at the Hall.

One Time Expenditures and CIP Transfers (From Reserves) (cont'd)

- \$17,250** for five stalker radars for the Police Department which will provide newer technology radars to the Full-time traffic officers.
- \$15,980** to purchase a portable CO-Oximeter for the ambulances.
- \$11,717** to replace flooring at the Memorial Park and Civic Circle fitness rooms.
- \$11,200** to replace the gym divider at the Civic Circle Recreation Center.
- \$9,100** for a Stryker Bariatric ambulance cot for the Fire Department (for “large” patients).

One Time Expenditures and CIP Transfers (From Reserves) (cont'd)

- \$7,353** to replace carpet at Memorial Park and Senior Center.
- \$6,040** to purchase one intoxilyzer for the Police Department to comply with new DPS evidence standards.
- \$5,450** to replace pavement saw blades in the Public Services department.
- \$4,290** to replace a pavement marking adhesive applicator in the Public Services department.

Future Projects (Possibly from Reserves)

Technology	
Various Technology Projects	\$792,100
Animal Shelter	\$3M - \$5M
Arts/Cultural Center	\$1.1M
Plaza/Parking	\$360,000 plus
Econ. Development Projects	Unknown
Fire Station 8	\$6M - \$7 M

Annual Street & Drainage Program

Concrete Street Rehab - \$940,000
 Valley Ridge (College to Business 121)
 Purnell (Mill to Rail Road)
 College Street (Mill to I-35)
 Lakepointe (Corporate to Hebron)
 Civic Circle (Main St. to Summit)
 Aspen Drive

Annual Street & Drainage Program (cont'd)

Neighborhood Improvements - \$400,000
 Oak Creek Estates
 (Milestone Ridge, Lees Ct., Beverly Ct., Rachels Crt., Shuffords Crt., and
 Angela Drive)

Alley Rehabilitation - \$170,000
 TBD

Annual Street & Drainage Program (cont'd)

Asphalt Maintenance - \$332,303
 Ridgeway
 Simpson Court
 Willow Springs
 Purnell (Mill St to Cowan)
 Cherry Lane

Annual Street & Drainage Program (cont'd)

Traffic Improvements - \$330,000

\$165,055 for LED replacement program (remainder plus \$834,798 balance in capital improvement projects for traffic improvements)

Location 1: Denton TapRoad @ Vista Ridge Mall Drive

Location 2: Rockbrook @ Vista Ridge Mall Drive

Location 3: Fox @ Garden Ridge

Location 4: Lake Vista @ Garden Ridge

Annual Street & Drainage Program (cont'd)

Sidewalk Maintenance - \$380,700

Ridgeway

Simpson Court

Willow Springs

Valley Parkway (Corporate to FM 3040)

Corridor Beautification

- Initial funding in 2004-05 budget
- Funded at \$250,470 in 2005-06, 2006-07, and \$751,831 in FY 2007-08.
- \$294,727 funding in 2008-09 base + \$55,390 in operating costs = \$350,117 total.
- Leaves unfunded \$401,714

Corridor Beautification (balance) \$361,498

Corridor Aesthetics Total \$656,225

City Manager King then reviewed a personnel statistics (employees per 1,000 population):

1998 – 1999: 8.18

1999 – 2000: 7.99

2000 – 2001: 7.87

2001 – 2002: 7.85

2002 – 2003: 7.74

2003 – 2004: 7.53

2004 – 2005: 7.39

2005 – 2006: 7.56

2006 – 2007: 7.41

2007 – 2008: 7.29

2008 – 2009: 7.29

677 employees City-wide (+2)

Personnel (Changes from last year)

New Positions

Communications Manager (1)	Added to Dispatch
Projects Manager (1)	Added to Non-Departmental to oversee Railroad Park, Arts Activity Center, and Utility projects. Funding from 4B, Utility CIP, and Hotel Motel Fund.

Several Police Officers re-allocated between various activities to better reflect functional responsibilities	New warrant activity created with two officers who were formerly performing that role in the Special operations activity; neighborhood integrity activity has been absorbed in the Special Ops activity.
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Internal Services Manager position reallocated from 73% General Fund, 27% maintenance and replacement fund to 50% General Fund, 10% Utility Fund, and 40% maintenance and replacement fund.	Reallocation better reflects change in duties of the Internal Services Manager to include oversight of the meter services function, facilities maintenance and fleet maintenance.
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Juvenile Case Manager	Converted PT Teen Court Coordinator to full-time Juvenile Case Manager in 2007-08. Was partially budgeted in General Fund and partially in the Juvenile Case Management Fund. For FY 2008-09, position is now fully funded in the Juvenile Case management Fund.
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Parks Manager	In 2006-07 Parks Manager was reallocated to Special Projects Director, which is now being eliminated and the former Parks Manager position reinstated.
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Mayor Carey recessed the Budget Workshop for a break at 10:35 a.m. Mayor Carey called the Budget Workshop back to order at 10:48 a.m.

Assistant City Manager Donna Barron conducted the following portion of the PowerPoint Presentation.

Compensation Plan (Already in Base)

- Market Adjustment
 - Police Plan: 2% (Police Officers); 2-4% upper ranks
 - Fire Plan: 3% (Fire Fighters); 3-7% upper ranks
 - General Government: 0%

Pay plan will not be adjusted at all for market purposes.

Compensation Plan (Already in Base) (cont'd)

- Merit Adjustment
 - Police & Fire steps: 0-4%
 - Police & Fire: Add seventh step (4%) for police officers and firefighter ranks
 - All others: Eligible for up to a 2% merit increase on anniversary date. Employees who are top of range will receive a lump sum (does not add to base pay) 2% merit based payment.
- Police and fire account for 71% of the compensation plan

TMRS

- TMRS rate increased due to a significant change in accounting methodology adopted by TMRS board this year.
 - Rate budgeted is 13.96%, (4% increase over current rate of 13.41%).
 - This is a phase-in rate over an eight year period.
 - Rate would have been 18.87% if not phased-in (40% increase).
 - New rate effective January 2009, but budgeted for entire year. Remaining monies may be transferred to TMRS at a lump sum to help reduce unfunded liability.
- Current TMRS supplemental death benefit to be removed from TMRS program and shifted to City's life insurance program.
 - TMRS = 1X annual salary + \$7,500 death benefit to retirees (estimated cost of \$70,000 annually). Impact on TMRS rate is .19%
 - 1X annual salary purchased directly by the City at .11% and can be absorbed within the current Risk Fund budget.
 - \$7,500 death benefit not recommended for replacement due to the City already providing a \$15,000 paid up life insurance benefit to all retirees.

Ms. Barron handed out a sheet to help explain the recommended reduction as follows:

70% to 50% Annuity Increase

- 2007 Annuity Increase calculation
- Employee retires in 2000
- CPI change calculated December of 1999 through December 2005 = 18%
- 70% of 18% = 12.6
- Original Annuity \$1,000 x 12.6% = \$1,126

Drop 50% Annuity Increase

- CPI change = 19.9%
- 50% of 19.9% = 9.95%
- Original Annuity \$1,000 x 9.95% = \$1,099

Discussion was held regarding this scenario. Ms. Barron advised that the City Council could adopt this on an ad hoc basis; however, TML would not encourage them to handle it in this manner. Ms. Barron stated that this would come back to the City Council in September as a resolution.

TMRS (cont'd)

- Current annuity increase recommended to be reduced from 70% of the CPI to 50% of the CPI
 - Reduces rate from 14.16% to 13.96%
 - Estimated dollar savings of \$73,645
 - Likely result in some retirees not getting an increase for several years.

TMRS (cont'd)

- Other changes could be considered.
- Actuarial company recommends waiting until after spring of 2009 to make significant plan changes.
 - Wait on upcoming proposed legislative changes
 - Additional recommendations will be made for the 2009-10 budget.
- Ordinances will be brought to Council before Oct 1.

City Manager King conducted the following portion of the PowerPoint Presentation as follows:

Tax Base (Adjustments to current year)

2007-08

Budgeted Net Taxable Value	\$6,156,807,196
Adjustments	\$ 98,708,023
Final Value	\$6,255,515,219

Tax Base (2008-09)

Total Assessed Value	\$7,510,345,010
(-) Over 65/Disabled Exemption	\$ 164,430,210
(+) Properties under protest	\$ 529,293,638
Total Taxable Value	\$6,633,290,179
(-) TIF increment value	\$ 107,112,885
Net Taxable Value	\$6,526,177,294

New improvements	\$ 144,517,219
Re-appraised	\$ 126,144,856 (2%)
Included in "Total Taxable Value" above	

Tax Base (History)

Values

2007 – 08 Certified Net Taxable	\$6,156,807,196	
2007 – 08 Final Taxable Value*	\$6,255,515,219	
2008 – 09	\$6,526,177,294	+6%
		+4.3%

+6% from 07-08 Certified roll and +4.3% over 07-08 final roll

New construction

2007 - 08	\$ 116,348,203	
2008 - 09	\$ 144,517,219	+24.2%

*2007-08 taxable value includes supplemental roll adjustments

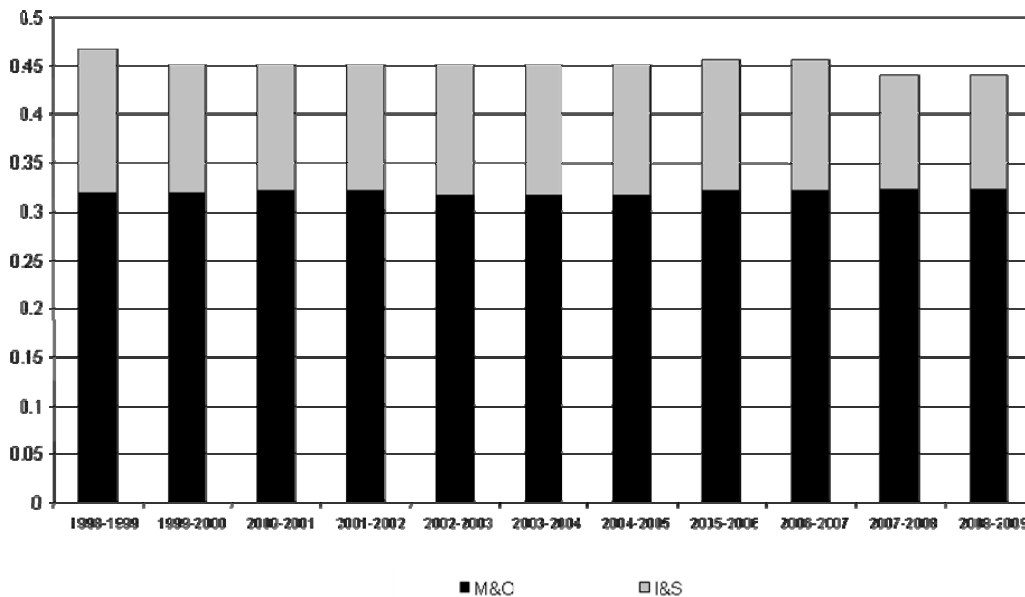
Tax Base (Major Property Types)

	2007-08 (July)	2008-09 (July)	% Change	% 08-09 Base	% 08-09 Inc.
Single Family	2.594B	2.700B	4.1%	35.4%	1.5%
Multi-Family	.841B	.918B	9.1%	12.0%	1.1%
Commercial	2.002B	2.197B	9.7%	28.8%	2.7%
Bus. Personal	.936B	.994B	6.2%	13.0%	.8%

Tax Rate Impact

- Each 1 cent = \$639,565
- Includes 98% collection rate

Property Tax Rate (History)



Discussion held that the City still had an available \$.25 in sales tax and what type of revenue that could generate. Mayor Pro Tem Ueckert requested that City staff survey the listed cities, including Highland Village regarding sales tax comparison. Councilman Tierney requested a recent history of what these cities collect also.

Effective & Rollback Rates

2007-08 Adopted Rate	0.44050
2008-09 "Total" Effective Rate	0.42922
2008-09 Rollback Rate	0.45581

Debt Rate

- Calculated debt rate on anticipated debt service of \$8,049,162 is .11865.
- .00001 cent lower than the current .11866
 - 'Excess' collections (\$654,689 last fiscal year), \$460,381 this fiscal year.
 - Tax freeze revenue (adds to 'excess' collections)
 - Protest properties coming in higher (adds to 'excess' collections)
 - High collection rate compared to 98% budget rate.
 - Tax base higher than FSW/staff projections in debt schedules (\$6.526B vs. \$6.279B – 3.9% increase)
 - Debt service up \$249,826 from 2007-08 schedule.
 - Includes redeeming \$246,300 in 1999 bonds.

Property Tax Rate Options

	Rate	Levy O/M	Revenue	Tax Freeze	Total Revenue	Comb Rate	Add'l Revenue
Base	0.30933	20,187,247	19,783,502	466,498	2,025,000	0.42798	0
effective o/m	0.31219	20,374,073	19,966,591	467,686	20,434,278	0.43084	184,278
effective +1%	0.31531	20,577,814	20,166,257	468,965	20,635,223	0.43396	385,223
effective +2%	0.31843	20,781,554	20,365,923	470,226	20,836,149	0.43708	586,149
effective +3%	0.32156	20,985,295	20,565,589	471,468	21,037,057	0.44021	787,057
<u>total effective</u>	<u>0.31057</u>	<u>20,268,349</u>	<u>19,862,982</u>	<u>467,016</u>	<u>20,329,997</u>	<u>0.42922</u>	<u>79,997</u>
current o/m	0.32184	21,003,849	20,583,772	471,580	21,055,352	0.44049	805,353
Rollback	0.33716	22,003,659	21,563,586	477,424	22,041,010	0.45581	1,791,010
current total	0.32185	21,004,502	20,584,412	471,584	21,055,996	0.44050	805,996

Tax Bill Comparison (Avg Value Home)

2008 Avg Home Value \$145,947
2009 Avg Home Value \$154,339

Tax Last Year	O/M Option	Tax This Year	\$	%
642.90	Base	660.54	17.65	2.7%
642.90	Eff O/M	664.95	22.07	3.4%
642.90	Curr O/M	679.85	36.96	5.7%
642.90	Rollback	703.49	60.61	9.4%
642.90	Curr total	679.86	36.96	5.7%
642.90	Total Eff	662.45	19.55	3.0%

Tax Bill Comparison (\$100,000 Home)

Tax Last Year	O/M Option	Tax This Year	\$	%
440.50	Base	424.06	-16.44	-3.73%
440.50	Eff O/M	426.99	-13.51	-3.06%
440.50	Curr O/M	436.64	-3.86	-0.87%
440.50	Rollback	451.96	11.46	-2.60%
440.50	Curr total	440.50	-	-
440.50	Total Eff	429.22	-11.28	-2.56%

Tax Base

- Base budget O/M rate is .30933 (.01251 lower than the current O/M rate of .32184).
 - 6% increase in property value
 - Recommended rate is the current total rate of .44050 (.32185 O/M and .11865 debt).
 - Allows funding of currently unfunded operational impacts
 - Provides flexibility in responding to a decrease in taxable value next fiscal year, if housing values begin to decline.

Future Operating Impacts

Arts Activity Center – currently in base	\$320,000
GASB 45 (Retiree Health)	TBD
TMRS	TBD

Unfunded Program Changes

1. **\$20,000 - \$71,665** – Code Enforcement Enhancement Program Options including options for Technology, Additional Code Enforcement Officer, a Part-Time Sign Removal Technician, and Abatement funding. Of these options, both #1 and #2 are recommended at a cost of \$72,042 on-going and \$50,567 one-time.

2. **\$277,535** for a Streets ROW Maintenance Crew (two new positions, temporary worker salaries, two vehicles, two radios, one computer, and associated supply, equipment and street materials funding.) Crew would work on all crack and joint sealing on streets as well as respond to issues related to ROW maintenance (debris and trash removal, graffiti removal, tree trimming, rutting of medians, high weeds and grass, etc.) The crew would also administer the street sweeping mowing, and screening wall maintenance contracts. This Crew could be funded by reducing existing Capital Improvement Program transfers for Asphalt Street Rehabilitation (-\$32,303), Traffic Improvements (-\$90,000), and Sidewalk Maintenance (-\$155,231). In addition, in the Public Services department could be decreased by -\$73,765 and allocated elsewhere if this program change was approved. (net cost = \$203,770)

Discussion was held regarding if there could be any funding available from TxDOT for the City mowing areas they are responsible to maintain. City Manager King advised that it could be looked into; however, maintenance is not normally one of their high priorities. Further discussion was held that NTTA was normally more concerned with the aesthetics along their toll roads.

Unfunded Program Changes (cont'd)

3. **\$73,207** for adding back contract mowing including “main lane” mowing of I35 from city limit to city limit 4 times/year (interchange areas would still be mowed 15 times/year); the mowing of Business SH 121 from FM 3040 to the south city limit and mowing of City medians (reduced from 29 cycles to 24 cycles.) The breakout on these locations is \$40,687 for I35 and 121 and \$35,520 for the City medians. Of these two, the City medians would be the priority. If the City does not mow 35E or 121, the State may mow them once, twice, or perhaps not at all during the year. Spending any City funds on 35E (between the service roads) when it is going to be torn up in the near future may be questionable.
4. **\$46,382** for a new Animal Control Officer position. Staff has seen an approximate 20% increase in Priority one calls over the last four years - calls such as a dog attack, dog bite, snake call or injured animal. Calls have also evolved to include dangerous dog/animal bite investigations, various nuisance complaints, wildlife and rodent investigations, mosquito surveillance and monitoring, and livestock issues.

Unfunded Program Changes (cont'd)

5. **\$94,078** to fund a new Civil Engineer position to oversee several new projects anticipated to begin in FY 2008-09 or FY 2009-10 related to anticipated funding from Regional Toll Revenues (NCTCOG) and Denton County Bond Program – TRIP 08. Also included are the anticipated projects through NCTCOG and Denton County.

6. **\$401,714** for corridor aesthetics. Last fiscal year, corridor beautification funding amounted to \$751,831. For FY 2008-09, this funding has been reduced to \$294,727. The CIP balance account for this program is \$361,498 for underground lines, gateway signs, monuments, screening fences, and additional landscaping. The \$294,727 currently in the base for FY 2008-09 will go into the capital project making your project balance \$656,225. Restoring funding here would increase available project funding to \$1,057,939

MOTION: Upon a motion made by Deputy Mayor Pro Tem Watts and seconded by Councilman Durham, the Council voted five (5) “ayes” and no (0) “nays” to utilize an Operations and Maintenance rate of .32156 for the preliminary General Fund budget. The motion carried.

MOTION: Upon a motion made by Councilman Durham and seconded by Deputy Mayor Pro Tem Watts, the Council voted five (5) “ayes” and no (0) “nays” to amend the Manager’s Recommended General Fund budget to include the following items from the operating budget: Code Enforcement Enhancement \$72,042; Streets ROW Maintenance Crew - \$203,770; Contract-Mowing Add Back - \$73,207; Animal Control Officer - \$46,382; Civil Engineer - \$94,078; TMRS Annuity - \$64,305; Corridor Aesthetics - \$93,930; and 1% Compensation Plan - \$139,343; and the following item from Fund Balance: Code Enforcement Enhancement (One-Time) - \$50,567. The motion carried.

MOTION: Upon a motion made by Councilman Durham and seconded by Councilman Tierney, the Council voted five (5) “ayes” and no (0) “nays” to approve the preliminary budget for the General Fund as presented and amended. The motion carried.

MOTION: Upon a motion made by Deputy Mayor Pro Tem Watts and seconded by Mayor Pro Tem Thornhill, the Council voted five (5) “ayes” and no (0) “nays” to hold the first public hearing on the tax rate and budget at the September 8, 2008, City Council meeting; and hold the second public hearing on the tax rate and budget at the September 15, 2008, City Council meeting; and add a proposal to the September 29, 2008 Special City Council meeting to adopt.44021 as the 2008-2009 tax rate. The motion carried.

MOTION: Upon a motion made by Councilman Ueckert and seconded by Councilman Durham, the Council voted five (5) “ayes” and no (0) “nays” to amend the Manager’s Recommended Utility Fund budget to include the following items from the operating budget: 1% Compensation Plan - \$33,458; TMRS - \$74,097; Sewer Line Replacements - \$148,534. The motion carried.

MOTION: Upon a motion made by Councilman Ueckert and seconded by Mayor Pro Tem Thornhill , the Council voted five (5) “ayes” and no (0) “nays” to approve the preliminary budget for the Utility Fund as presented and amended. The motion carried.

Mayor Carey recessed the Budget Workshop for lunch at 11:58 a.m. Mayor Carey called the Budget Workshop back to order at 12:44 p.m.

HOTEL / MOTEL TAX FUND

Assistant City Manager Donna Barron conducted the following portion of the PowerPoint Presentation:

Fund Summary (2008-09)

Beginning Fund Balance	2,266,867
(+) Revenues	1,898,077
(-) Expenditures	1,761,894
Ending Fund Balance	2,403,050

Summary

- Hotel Occupancy Tax revenues estimated stable at \$1.82M.
 - Several new hotel properties planned for Vista Ridge area, uncertain when they might be operational.
 - Unknown impact of widening I35.
- Expenditures increase 4.4% to \$1.76M partly due to percentage of Project Manager, who is overseeing the Arts Center construction, being allocated to this fund.

Summary (cont'd)

- State law Arts cap (15% of tax revenue) is currently \$272,711. Currently the total spent is \$183,741 (grant, project manager, and arts marketing). This leaves \$88,970 that can be spent on the Arts (will likely be allocated to Arts Center needs in the FY 2009-10 budget).
- Continuing budget of \$250,000 for repayment of inter-fund loan from Vehicle & Equipment Replacement Fund for conference center

Summary

- State law Arts cap (15% of tax revenue) is currently \$272,711. Currently the total spent is \$183,741 (grant, project manager, and arts marketing). This leaves \$88,970 that can be spent on the Arts (will likely be allocated to Arts Center needs in the FY 2009-10 budget).
- Continuing budget of \$250,000 for repayment of inter-fund loan from Vehicle & Equipment Replacement Fund for conference center

Special Events Funding

- Old Town Music/Movie Series (8 performances)
- Holiday at the Hall
- Western Day
- Collegiate Fishing Tournament
- Farmer's Market Kick-Off
- Keeping the Tradition Alive
- Saddle Club
- Total special events budget in HM Fund: \$349,336 (19.8% of HM Fund expenditures)

Personnel

- 4.83 positions
- Comm. Relations & Tourism Director (.32)
- Tourism Sales Coordinator (2)
- Tourism Specialist (1)
- Tourism Secretary (1)
- Publication Specialist (.40)
- Project Manager (.11)

Future Issues (Arts Activity Center)

- Scheduled completion: March, 2010
- Operating costs projected at \$391,302
- Includes 2 positions to manage facility and contractual services to perform room set-ups and custodial
- H/M Fund cannot absorb this entirely. Currently there is \$320,000 in the General Fund (Non-Departmental) for contingency and furniture, fixture, equipment needed for the Arts Center. Next year this will be used for operating expenses. Any additional funding needed could come from the H/M Fund (up to the 15% limit).

Future Issues (Visitor Center Relocation)

- I-35 widening project will force relocation
- Current facility owned by Lewisville Medical Center
- Facility likely to have to be demolished after Fall of 2009 –exact timing unknown
- PageSoutherlandPage developed a preliminary drawing and basic cost estimate of \$928,000.

Unfunded Programs

- \$143,000 - Purchase portable stage – rental - \$1,000 event.
- \$5,000 - New outdoor sound system (basic PA, not concert system)

Ms. Barron expressed concern about purchasing a portable stage until the design of the Wayne Ferguson Plaza is completed as one may be included. She advised that Jerry Thompson with Promoter, Inc., had advised if the City did decide to purchase a portable stage he would be able to assist them in renting that out to other entities.

MOTION: Upon a motion made by Councilman Tierney and seconded by Deputy Mayor Pro Tem Watts, the Council voted five (5) “ayes” and no (0) “nays” to amend the Managers Recommended Hotel/Motel Fund budget to include an Outdoor Sound System in the amount of \$5,000. The motion carried.

MOTION: Upon a motion made by Councilman Ueckert and seconded by Councilman Durham, the Council voted five (5) “ayes” and no (0) “nays” to approve the preliminary budget to the Hotel Motel Fund as presented and amended. The motion carried.

Assistant City Manager Donna Barron conducted the following portion of the PowerPoint Presentation:

4B SALES TAX FUND

Fund Summary (2008-09)

Beginning Fund Balance	6,871,917
(+) Revenues	5,261,633
(-) Expenditures	4,644,989
(-) Transfers Out	775,000
Ending Fund Balance	6,713,561
(-) Operating Reserve	696,748
Ending Fund Balance	6,016,813

Revenues

	2007-08	2008-09	Change
4B Sales Tax	4,619,560	4,627,271	7,711
Aquatic Facilities	187,759	217,562	29,803
Interest	<u>345,000</u>	<u>416,800</u>	<u>71,800</u>
	5,152,319	5,261,633	109,314

Expenditures

	2007-08	2008-09	Change
Library	559,040	585,663	26,623
Aquatic Facilities	447,855	524,361	76,506
Ballfield Maint.	200,954	449,987	349,033
Debt Service	2,896,915	2,899,978	3,063
Administration	<u>85,000</u>	<u>85,000</u>	<u>0</u>
	4,189,764	4,644,989	455,225

Expenditures

- Administration costs include allocation for Project Manager salary for Railroad St. Park Athletic Complex construction oversight (\$50,000) and annual indirect cost reimbursement to General Fund (\$35,000).
- \$44,000 added for mowing of Railroad Park for a possible three months during FY 2008-09; \$280,400 added in one-time capital costs for equipment related to maintaining the park.

Expenditures (cont'd)

- Additional operating expense in FY 2008-09 may be incurred for Railroad Park if the park opens prior to October 2009. A full year of operating costs is estimated at \$640,000.
- \$79,300 one-time cost for repainting pools.
- Transfers Out include:
 - Athletic Complex Turf Renovation - \$275,000
 - Park Infrastructure - \$150,000
 - Playground Equipment - \$100,000
 - Hike and Bike Trails - \$250,000

Debt Service

- Debt Service for original debt issue in 2004 (library expansion, land and the aquatic facilities) is \$1,674,269.
- Debt Service for Railroad Park is \$1,225,709.

Discussion was held regarding retiring some of the debt early. Ms. Barron advised they may want to wait until the Master Plan for the Park System is received before making that decision.

GRANT FUND

Summary

- Includes revenues and expenditures related to grants made to the city
- Grant matches are transferred in from the General Fund
- CDBG entitlement of 569,895 in 2007-08 (583,041 in 2007-08)
- Excess reserves of \$102,670 transferred back to General Fund in 2007-08

DEBT SERVICE FUND

Summary

- November, 2003 bond package:
- Expenditures include debt service for the 2008 issuance:
- Plus redeeming 1999 bonds.
- Debt service for FY 2008-09 is budgeted at \$8,064,192, including \$15,000 for agent fees.

INSURANCE RISK FUND

Summary

- Receives revenue from internal premium charges to the departments
 - Rates – no change
- Expenses include payments to insurers, claims costs, third party fees and consultant costs
 - Proposed claims expenditures are budgeted to be about the same as 2007-08
- Fund balance reflects planned transfer of \$1M into OPEB Fund during 07/08

One-Time Capital Outlay

Two Patrol Vehicles in FY 2008-09 \$101,916

On average, two patrol vehicles are
Totaled in fleet related accidents every
year. This purchase will allow back ups
when vehicles are out of service due to
accidents.

Fund Balance

Beginning Fund Balance	\$5,132,168
(+) Revenues	2,240,288
(-) Expenditures	2,034,569
(-) One-Time Capital Outlay	101,916
Ending Fund Balance	5,235,911

- Fund balance is used to cover uninsured losses too large for the operating budget
- 2006 analysis by McGriff, Seibels and Williams of Texas, Inc. recommended \$5.0M fund balance be maintained in this fund.

HEALTH TRUST FUND

Summary

- Revenues come from internal payments from departments (\$5,632 per position), employee, retiree and COBRA premiums, and interest earnings
- Expenditures include health care claims, third-party administration/PPO fees, stop-loss insurance, staff administrative costs and consultant fees
- City internal rate unchanged for 2008-09

Summary (cont'd)

- Total FY 2008-09 health care costs projected at \$5.663M vs. budget of \$5.422M in 2007-08; health claims are projected to be \$4.8M in FY 2008-09 (4.3%) increase.
- Employee premiums are budgeted at a 9% increase over 2007-08

- Staff recommends raising active employee premiums on the Enhanced Plan (discussed in the annual health plan report)
 - Employee only \$55 to \$92/month
 - Spouse \$252 to \$352/month
 - Children \$189 to \$283/month
 - Spouse/Children \$412 to \$621/month
- CAT plan, HRSA plan rates unchanged.

Summary (cont'd)

- GASB 45, the GFOA rule relating to funding of retiree health insurance, is affecting how the health plan is managed
- Council will adopt GASB 45 'substantive plan' in near future
 - Used as basis for determining OPEB actuarial liability
 - Plan assumes up to a 2% increase in adjusted City premium contributions for retirees annually and no contribution to spouse or dependent coverage. Employee premiums adjusted to actuarial expected cost minus city contributions.
 - ARC for substantive plan is \$773,200
- \$1M one-time transfer to establish assets in new OPEB Liability Trust Fund (Retiree Health Trust Fund) occurring in FY 2007-08

Summary

- Projected Health fund balance is \$3.063M.
- Actuarial liability may be reduced as the City adjusts benefits in future.

OPEB LIABILITY TRUST FUND

Summary

- New fund created to account for Retiree Health (other post employment benefits) liability
 - Advantage is that all fund assets can be invested to reflect a diversified mix of stocks and bonds for long term growth and sustainability
 - Separate investment policy controls trust investments
 - PFM Asset Management LLC will manage these long term investments.
 - Assumed investment return of 7.5% will be higher than the average gained on other City investments.
 - Higher return lowers the annual ARC calculation and funding required in future years.

Summary (cont'd)

- Before the end of FY 2007-08, \$1M will be transferred from Health Fund and \$1M from the Insurance Risk Fund to establish basic plan assets.
- Operating revenue into fund will be made from the Health Fund to cover the calculated ARC amount (recalculated each year, \$773,200 for FY 2008-09) as well as interest earnings (\$100,000 for FY 2008-09).

Summary (cont'd)

- Expenditures represent the City's estimated pay-as-you-go retiree claims expense net retiree premium contributions, fees, and trust administration costs as projected by the actuary. Estimated at \$309,900 for FY 2008-09.
- Fund exists to build up assets and pre-fund liability created by GASB 45 standards. The higher the balance in this fund, the lower the unfunded liability.

City Manager King conducted the following portion of the PowerPoint Presentation as follows:

TIF FUND

Summary

- Revenue continues to grow due to improvements the zone
- 'Captured' tax base increment is \$107,112,885
- Revenue proposed at \$520,889
- Debt issued in 2007 for \$8,040,000 for the Arts/Cultural Center
- Debt payment in 2008-09 is \$349,379

Mayor Pro Tem Ueckert questioned if this zone could be expanded to the east. Discussion was held what area this TIF encompasses. Mayor Pro Tem Ueckert questioned if the \$8 million dollar debt issue if some of the balances from other funds could give loans to pay off this debt and then and paying the City interest instead of someone else. Mayor Pro Tem Ueckert requested that this be looked at in an effort to save money and save on the insurance cost. City Manager King stated that would depend on what funds are available. Discussion was held regarding which funds may be able to give loans to pay off this debt. City staff advised they would look into Mayor Pro Tem Ueckert's request.

MAINTENANCE AND REPLACEMENT FUND

Summary

- Fund Summary has been modified to include the replacement of Engine 161 in the Fire Department at a cost of \$585,000.

MOTION: Upon a motion made by Councilman Durham and seconded by Mayor Pro Tem Thornhill, the Council voted five (5) “ayes” and no (0) “nays” to approve the preliminary budget for the Vehicle and Replacement Fund as presented and amended include the replacement of Engine 161. The motion carried.

At the request of Councilman Durham, Mayor Carey questioned if there was anyone present that had any questions or wished to speak. The record is noted that no one was present with any questions or comments, nor had anyone signed up to speak at the budget workshop.

MOTION: Upon a motion made by Deputy Mayor Pro Tem Watts and seconded by Councilman Tierney, the Council voted five (5) “ayes” and no (0) “nays” to adjourn the called – special budget workshop session at 1:32 p.m. The motion carried.

These minutes approved by the Lewisville City Council on the 8th of September, 2008.

APPROVED:

Gene Carey, Mayor

ATTEST:

Julie Heinze
City Secretary