



**City of Rowlett**  
**Special Work Session Agenda**

4000 Main Street  
P.O. Box 99  
Rowlett, TX 75030-0099  
www.rowlett.com

**City Council Budget Work Session Minutes**

*City of Rowlett City Council meetings are available to all persons regardless of disability. If you require special assistance, please contact the City Secretary at 972-412-6109 or write PO Box 99, Rowlett, Texas, 75030-0099, at least 48 hours in advance of the meeting.*

Thursday, August 11, 2011	6:30 p.m. Thursday	Annex Conference Room
Friday, August 12, 2011	6:30 p.m. Friday	– 4004 Main Street
Saturday, August 13, 2011 (if necessary)	9:00 a.m. Saturday	

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item herein.

The City of Rowlett reserves the right to reconvene, recess or realign the Regular Session or called Executive Session or order of business at any time prior to adjournment.

*The meeting was held at the City Hall Conference – 4000 Main Street with proper signage placed on all doors.*

**Present: Mayor Gottel, Mayor Pro Tem Phillips, Deputy Mayor Pro Tem Kilgore, Councilmember Davis, Councilmember Pankratz, Councilmember Miller and Councilmember Gallops**

**1. CALL TO ORDER**

Mayor Gottel called the meeting to order at 6:32 p.m. This is the first of three meetings scheduled but all three may not be held since the budget has been discussed throughout the year. The other meetings may be canceled. Public hearings are to be held on August 16, 2011 and September 6, 2011. The budget is to be approved at the September 20, 2011 meeting.

**2. WORKSESSION ITEM**

**2A. Discussion of the Proposed Budget for the City of Rowlett for Fiscal Year 2011-2012 and the Proposed 2012-2013 Two Year Capital Improvements Plan. Items to be discussed will include the following (Discussion may not occur in the exact order listed below):**

- Staff Presentation and Overview.
- Review Governmental Funds
  - General Fund
  - Economic Development Fund
  - Hotel/Motel Fund
  - TIF Fund
  - Golf Fund
- Review Enterprise Funds.
  - Utility Fund
  - Refuse Fund
  - Drainage Fund
- Review Proposed Two-year Capital Improvement Plan.
- Review FY2012 Organizational

- Debt Service Fund
  - Police Seizure
  - Impact Fees Fund
  - Innovations Fund
  - Public Education & Government Fund
  - Grants Fund
  - Community Development Block Grant (CDBG) Fund
  - Juvenile Diversion Fund
  - Court Technology Fund
  - Court Security Fund
  - Traffic Safety Fund
- Workplan
- Review Internal Service Funds.
    - Employee Health Benefits Fund
  - Discussion of Other Outstanding Budget Issues.
  - Discussion of Adjustments to Proposed Budget.
  - Provide direction to city staff.

Staff made a presentation discussing the year long process the Council has participated with in order to know and understand the budget. These included discussions regarding benefit issues, reductions without impact to service delivery, and the “My Rowlett, My Community and My Choice” meetings as well as the collaboration with staff. Mayor Gottel commented about the process and how the budget is a strategic tool and its importance as a policy document. The good partnership between Council and staff was also discussed.

The budget document is constantly changing, such as the projected amount sent to the City from the North Texas Water Supply District is actually less when the final figures were received. One big change to the budget occurred because of changes in State Law. The City will no longer be allowed to participate in the D R Horton agreement and it will impact the budget. The budget presented is \$81.5 million dollar budget which is 2% decrease, almost \$1.7 million dollars less than the current fiscal year. The budget was addressed in major categories beginning with the General Fund. The total revenues are projected to be \$33.4 million dollars which is a reduction of \$360,000 or 1.1%. The reason is the decline in property tax revenues. The debt service fund is a fixed cost and must be established first with the General Fund retaining the balance. The 1.5% decline in property tax value was all absorbed or reduced from the General Fund. The property tax value has decreased by \$48 million dollars in the taxable value which over the past three years is a 6% decline that has all been absorbed in the General Fund. Sales taxes were budgeted the same as last year but with the cancellation of the D R Horton agreement, this will change. In 2005, the City entered into an agreement to rebate sales taxes to D R Horton but the net sales taxes to the City was projected to be approximately \$140,000 for FY 2011-2012 but the City will not be collecting that funding this year as the program will cease. The new State ruling goes into effect on September 1, 2011. Revenues and expenditures will be reduced accordingly with the net effect of \$140,000. In the financial model, there is enough money to absorb this impact until 2014, so the philosophy has not changed.

Questions were asked about this category. It is stated in the budget document that the tax values should flatten out by 2013 but with the bond rating decrease, with the different recent economic activities happenings, and other matters, will this change to 2015 or 2016? Staff answered that it actually does not change it as many scenarios are studied before the budget document is written. It was further explained that property tax value appraisals take

approximately three years to complete as they are appraised usually one-third of the residential homes, then one-third the following year and finishing with the final third in the third year. Commercial property is appraised much more often. Debt service principal and interest payments will be declining over the next five years. Many items are watched including the foreclosure rates.

Franchise fees was the next category discussed. Franchise fees are received from Electric, Gas, Telecommunication and Cable. The increase of almost \$100,000 here is because of a settlement of approximately \$88,000 from the TXU. Special Events was funded as a result of this additional revenue.

No comments were made about licenses and permits and no questions were asked.

Fees and charges were the next category discussed. There is a decline of \$62,000 in ambulance fees which is due to the recent changes in ambulance billing companies and the lag time between the contracts and when the actual collections begin to take place in order for us to return to the normal amount of collections. An addition of an \$83,000 increase in Community Centre and Parks fees is shown. Council reached by consensus to decrease the subsidy provided to the Rowlett Community Centre which means a rate structure change in fees which will be presented for approval with the Master Fee Schedule.

A question was asked regarding mowing liens due to more foreclosures. Some people we have never collected, so with the payoffs when homes sell, it should remain about the same. Neighbors have been mowing empty homes lawns, banks are aware of their responsibility to keep the yards mowed and we have been fortunate not to have as many foreclosures as other parts of the Metroplex.

Fines and forfeitures has a \$200,000 decline versus the current adopted budget. More community policing is having an impact on the crime rate. Fewer tickets have been issued; therefore, fewer fines have been collected. The neighborhood policing initiatives are successful and will continue.

No questions about fines and forfeitures were asked.

Interest earnings are not increasing. Internal transfers were discussed briefly.

Next category discussed was expenditures. In the General Fund the expected amount to be spent is \$33.4 million dollars which is a \$1.7 million dollar decline over the current year. A onetime transfer of \$1.3 million dollars was made to the Innovation Fund. That will not be done next year.

Operating costs have reduced by \$667,000 which equates to 5.25 full time equivalents (FTE's) employees from the General Fund. Each department was discussed stating the amounts of decreases and increases.

Questions were asked and answered and adjustments with various changes will be updated before Council approves the budget on September 20, 2011.

A pilot program will begin in October to keep the Community Centre open on Saturday evenings and Sunday afternoon. If the program pays for itself, it will remain but if not, the program will cease.

Non-departmental items were discussed explaining the various items that are paid from that which also includes the decline of the D R Horton sales tax abatement. Measuring air quality is also monitored in non-departmental.

A slide presentation was presented regarding the five-year model.

Staff proposed that the excess surplus from FY 2010-2011 to bridge the gap into 2013. The goal is to move into 2014 flat and if any additional funds remain they are gravy. By 2014, the public will be engaged in the process of reducing services or raising taxes.

A ten minute recess was held from 7:35 p.m. to 7:45 p.m. Following the recess, City Manager Humble introduced Kathy Freiheit, Library Director and Steven Santos, Revenue Services Manager.

Discussion began regarding the Utility Fund. Revenues are projected at \$24.0 million which is an increase of \$705,642. The increase is due only because of the increase in water and sewer rates from the North Texas Municipal Water District (NTMWD) and Garland respectively. The rate increases are passed along to our customers. The increase from NTMWD is \$1.42 to \$1.54 per thousand gallons. The pass through is an average of \$1.70 or 3.5% per month. Garland is raising the sewer rates from \$2.21 to \$2.42 per thousand gallons. This pass through is an average of \$2.10 or 3.6% per month per customer if they use at least 10,000 gallons of water, if less gallons are used, the increase is less.

Other revenues discussed were the transfer payment of \$150,000 from the Golf Fund back to the Utility Fund. The final transfer payment will occur in FY 2012.

Expenditures in the Utility Fund include the increases from both NTMWD and Garland and are estimated at \$23,841,226 with an increase of \$545,740 or 2.3%. Water meter failures were discussed as part of the 19% water loss problem in one month, the average is about 12% which equates to an estimated at least \$100,000 in lost revenue. A water replacement program was discussed including the addition of a meter maintenance technician to actually replace the meters. Meters are designed to fail in favor of the customers.

A policy issue affecting the Utility Fund and the Refuse Fund was discussed next. The proposal is to increase the General Fund Cash CIP (Capital Improvement Projects) pertaining to streets and alleys by a \$250,000 transfer from the Refuse Fund. Then reduce the \$250,000 transfer that was formerly made from the Utility Fund to the General Fund and transfer that money to the Utility Fund Cash CIP. The refuse contract will be bid out this Fiscal Year. IESI has also passed along an increase which amounts to an increase of \$0.21 or 1.4% to each customer.

Drainage Fund only has approximately a 1% change in revenues in comparison to FY2010. In expenditures, the change will include an additional transfer of \$248,000 to the Drainage Cash CIP to cover drainage improvements.

No comments were made on the Impact Fees Fund and no questions were asked.

No comments on the Police Seizure Fund other than to remind everyone that only the money brought in is the money that can be spent. The question was asked if that is under the prevue of Police Chief Walling and the answer is yes.

Economic Development Fund had one question regarding personnel services. It was explained that two positions are currently open and people are being sought nationwide, so some good candidates should be forthcoming.

In the Innovations Fund a total of \$660,354 is to be carried over and used for SCBA Replacement, Jaws of Life, Law Enforcement software, Firehouse software, and Library software. Councilmember asked for clarification regarding the SCBA replacement is financed over three years as a bridge until the new regulations determine what new equipment should be purchased.

The Hotel/Motel Fund will continue fund as much of the Special Events as it has money available and the rest of the Special Events funding will come from the General Fund.

Public Education and Government (P.E.G.) Fund is a \$0.50 per cable subscriber fee (collects approximately \$85,042) that is used to pay for the costs generated by Channel 16 and includes the Creative Services Producer position.

The Grants Fund is used to account for grants and if new grants are received the budget is amended and the funds are deposited to the Grants Fund. Several grant funds are being sought next year.

Community Development Block Grant (CDBG) Fund is provided by the Federal Government and it may continue to decline. Public hearings are held to decide how to spend and a five-year plan is developed.

Tax Increment Financing (TIF) Fund is the amount of money we collect in the TIF and 100% of that goes to the Debt Service Fund.

Juvenile Diversion Fund and Court Technology Fund are special fees that are included with the fines that the courts issue. The Juvenile Diversion Fund can only be used to pay for a Case Manager Position, which is currently vacant. Court Technology Fund also has restrictions and is used for software for electronics records management and Interactive Voice Recorder (IVR) technology.

Court Security Fund is used for the bailiff positions.

Traffic Safety Fund continues to decline but the expenditures will not exceed the revenue because of the structure of the contract. Any surplus has to be divided with the State. The question was asked if red-light cameras are not a revenue source why continue to have them. The answer is that they are not a revenue source but a behavioral change instrument. The number of T-bone accidents decline as a result of the red-light cameras. It was mentioned that with the decline in the revenue indicates people are stopping. It was also stated that studies indicate the same result can be achieved with a one second increase in the yellow light. In 2014, that can be debated as the contract will end that year.

Debt Service Fund is seeing an increase in its proportion of the tax rate. In 2011, it was \$0.252500 per \$100 assessed value and in 2012 it will increase to \$0.256340 to collect the necessary money to pay the current debt service payments. Regardless of what happens with the tax rate, the debt service portion must by law collect enough revenue to pay the debt. Approximately \$70,000 was saved in 2011 due to bond refunding.

The Golf Fund is funded by semi-annual payments from American Golf based upon a long-term lease agreement. The lease payments assist with the bond payments on the variable bond. The strategy is to maintain a one year debt service reserve for the Golf Fund.

Employee Health Benefits Fund is a new fund created in 2011 to account for a partial self-insurance fund strategy. The fund will change dramatically in 2012. The Core Gap option was discussed.

Council complimented staff on a job well done.

Next to be discussed is the Two-Year Capital Improvement Plan. The annual funding for the next two years, 2012 and 2013, will be about \$14 million dollars per year. In 2012, some of the debt funds continue to spend down bond funds which were issued in 2004, 2005 and 2006. In 2013, the funding will remain at \$14 million dollars because staff is proposing to issue \$8.5 million dollars worth of revenue bonds out of water and sewer to assist with the upper water pressure plain problem. That can be done due to the debt service decline. Also mentioned was the cash CIP which has been so successful that it will allow streets with a Pavement Condition Index (PCI) between 40-60 to be improved adding up to seven years of life to the streets. Examples were requested regarding what improvements are done to the streets in the 40-60 range. Staff answered that spot replacements consisting of concrete panel replacement, crack sealing, and perhaps a two to three inch asphalt overlay will all help extend the life of the roads for five to ten years. In the category of 0-40, our needs exceed our ability to pay as we have about \$45 to \$50 million dollars worth of need that does not have a funding source identified. Every dollar spent in maintenance saves eight dollars (\$8) in reconstruction costs. What percentages of streets are below 40 was asked. Four areas of town have entire neighborhoods with PCI of less than 30. It was asked if the quote of \$45 to \$50 million included utility replacement and the answer is no, it is for streets only.

Specific projects scheduled in the budget were mentioned.

Staff mentioned the work being done on Dalrock Road to correct a couple of traffic issues has been completed before school started.

Council then asked if the unallocated fund balance is a surplus and the answer was explained that the money is for unforeseen circumstance or for a project that is unknown.

Next year is the seventh year without a tax increase. Council remarked how good staff has done more with less. They were also complimented on their accuracy in estimating revenue projections. One Councilmember remarked about zero growth and stated this budget is close to that. The format was also complimented as it is easy to follow. In some cases services have been increased but fewer people are providing the services. They commented about the transparency and asked citizens to please prepare questions and send them.

Council reached unanimous consensus that the other two budget work sessions posted for Friday, August 12<sup>th</sup> and Saturday, August 13<sup>th</sup> could be cancelled. Citizens were reminded about the two public hearings, one on August 16 and September 6, 2011.

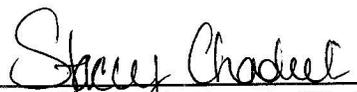
One other statement by a Councilmember was the fact that some citizens will complain about the increase in the water bills being passed on but the City is forced to buy the water whether it is used or not and Council passes through the cost to the people who actually use it. The alternative is you pay for it in another tax form because the water is not free so who pays for it, the user in proportion to the way they use it or is it paid by everybody. The decrease in revenues, the seven years without a tax increase, and five years without a pay increase will eventually create a problem. There is not enough money to do everything that needs to be done and at some point in time, it will need to be addressed. Decreased revenue is because the citizens are paying less tax. The money has not been recouped as the effective tax rate has also decreased annually and at some point it will have to be addressed.

Staff stated 2016 is the year that something will have to change.

### 3. ADJOURNMENT

Mayor Gottel adjourned the meeting at 8:47 p.m.

  
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Todd W. Gottel, Mayor

  
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Stacey Chadwick, Deputy City Secretary

Date Approved: September 20, 2011