

**MINUTES OF CITY COUNCIL/STAFF BUDGET WORK SESSION FOR THE PROPOSED FISCAL YEAR 2008-09 BUDGET HELD BEGINNING AT 7:00 P.M., JULY 24, 2008 AND ENDING JULY 25, 2008 AT HORSESHOE BAY MARRIOTT CONFERENCE CENTER, 200 HI CIRCLE NORTH, HORSESHOE BAY, TEXAS.**

Present: Mayor John Monaco; Councilmembers Al Forsythe, Greg Noschese, Stan Pickett, Shirley Roberts and Dennis Tarpley; City Manager Ted Barron; Deputy City Manager Carol Zolnerowich; Assistant City Manager Mark Hindman; Finance Director Don Simons; Police Chief Derek Rohde; Fire Chief Mark Kerby; Director of Public Works Tim Tumulty; Budget Director Ted Chinn; Director of Community Development Richard Gertson; and Assistant to the City Manager Valerie Bradley.

**CALL TO ORDER – 7:38 P.M.**

Mayor John Monaco called the meeting to order.

**WORK SESSION – TRAVERTINE ROOM – 7:38 P.M.**

1. **OPENING REMARKS**

City Manager Ted Barron gave a brief overview of the local economy, stating that the recent mortgage crisis, energy crisis and inflation have all combined to produce an economic malaise not only in Mesquite, but in the rest of the country as well. He added that the current economic situation appears to be the worst that he's seen in 20 years, and that it comes at a time when Mesquite is in its transition from a suburban to an urban community. Mr. Barron said it's in times like these that lead to innovations in service delivery and reassessments of existing programs, services and policies and added that this budget will be the beginning of that process within the organization. Mr. Barron said this year's budget still moves the City forward with Project Renewal and begins to reposition its operations and policies to ensure future sustainability.

2. **GENERAL FUND REVENUES AND EXPENDITURES**

Assistant City Manager Mark Hindman presented a summary of proposed General Fund revenues and expenditures. Mr. Hindman said baseline revenues total \$101,047,100, down \$3,515,066 over the amended budget. Mr. Hindman showed graphs and charts depicting the City's tax roll growth and tax rate history and then compared the current tax rate with those of surrounding communities. Mayor Monaco asked how much money one-cent on the tax rate brings in for each survey city. Mr. Hindman presented a bar graph showing that Mesquite ranks at the bottom in residential valuation as compared with the survey cities. Mr. Hindman stated that the proposed budget projects declines in both sales tax revenue and interest earnings. Mr. Hindman said projected property tax revenue is down \$246,385, sales tax is down \$1,582,000 and interest earnings are down \$690,000. Mr. Hindman said that the budget also includes \$847,000 in new revenue from increases in user fees.

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Mr. Hindman said total expenditures for the General Fund are budgeted at \$101,043,178, which is \$3,515,066 below the amended budget. Mr. Hindman said the budget also includes an \$11,350,000 bond sale and personal property note sale of \$1,845,000. Mr. Hindman noted major cost increases for next year, which include \$932,827 in fuel costs, \$540,163 for operating and staffing the new police building and an increase of \$425,808 in retirement contributions. Mr. Hindman stated that the following service reductions were also made in order to help balance the baseline budget.

<i>Employee Recruitment</i>	<i>\$35,000</i>
<i>Fire Overtime</i>	<i>285,291</i>
<i>Fire Banquet</i>	<i>10,925</i>
<i>Police Mall Deployment</i>	<i>374,809</i>
<i>Police Overtime</i>	<i>118,001</i>
<i>Health Clinic Hours of Operation</i>	<i>14,104</i>
<i>Animal Shelter Overtime</i>	<i>13,021</i>
<i>Street Maintenance</i>	<i>350,000</i>
<i>Library Books</i>	<i>40,290</i>
<i>Library Periodicals</i>	<i>21,965</i>
<i>Recreation Special Events</i>	<i>15,000</i>
<i>Ballfield Lighting</i>	<i>10,000</i>
<i>Park Maintenance</i>	<i>60,586</i>
<i>Park Operations Overtime</i>	<i><u>24,954</u></i>
<i>Total Reductions</i>	<i>\$1,373,946</i>

Mr. Hindman presented charts that showed expenditures by category and by department. Mr. Hindman noted that 69.3 percent of General Fund expenditures were for personal services, while debt service comprised 8.2 percent of the budget. Mr. Hindman said the largest increase of \$1,502,969 was in the supplies category and that fuel accounted for most of the cost increase in the supplies category. Mr. Hindman presented a bar graph showing fuel increases by department and noted that the police department and solid waste division were the largest consumers accounting for 85 percent of the total fuel budget increase. Mr. Hindman showed a graph of department expenditures and noted that the fire and police departments account for 51 percent of all expenditures. Mr. Hindman concluded his presentation with a summary of projects contained in the following proposed bond sale:

<i>Alley Reconstruction</i>	<i>\$500,000</i>
<i>Street Rehabilitation</i>	<i>500,000</i>
<i>Concrete Street Replacement Program</i>	<i>1,000,000</i>
<i>Pioneer Road Construction</i>	<i>2,100,000</i>
<i>Municipal Building Improvements</i>	<i>500,000</i>
<i>Airport Property Acquisition</i>	<i>300,000</i>
<i>Records Management</i>	<i>100,000</i>
<i>50/50 Sidewalk Program</i>	<i>100,000</i>
<i>Police Building Phase II</i>	<i>6,000,000</i>
<i>Cost of Issue</i>	<i><u>250,000</u></i>
<i>Total Bond Sale</i>	<i>\$11,350,000</i>

3. GENERAL FUND DEBT SERVICE PROJECTIONS

Finance Director Don Simons presented an overview of the general obligation debt service projections for the next 20 years as well as the amount of proposed bond sales contained in the bond Capital Improvement Program (CIP). Mr. Simons pointed out that the CIP does not contain funding for Motley Drive, estimated at \$7 million; Lucas Boulevard, estimated at \$6 million; or \$1 million in annual concrete street reconstruction. Mr. Simons then presented bar graphs illustrating yearly increases in debt service costs to the General Fund over the next 20 years and concluded with debt tax rate projections based on different assumptions on future tax roll growth. In both cases, assuming either a two percent or three and a half percent annual increase in the tax roll, the amount of the current tax rate applied to debt service increases slightly, \$0.076 cents and \$0.003 cents respectively, within the first few years, but then drops significantly ten to twenty years out. Mr. Simons pointed out that the debt tax rate has been relatively flat since 2003 and is almost half of what it was in 1996. Councilmember Dennis Tarpley asked what kind of effect a declining budget could have on the City's bond rating, and Mr. Simons replied that he didn't see anything in the City's financial position that would lead to any downgrading of the City's AA bond rating. Mayor Monaco asked if bond rating agencies were beginning to reexamine the way they rate municipal securities, and Mr. Simons replied yes, and that proposals have been made by some professionals and elected officials to rate them similar to corporate securities.

4. WATER AND SEWER FUND

Mr. Simons next presented an overview of the Water and Sewer Fund, noting the changes in proposed revenues and expenditures and wholesale water rate projections provided by the North Texas Municipal Water District. Mr. Simons reported that the City's wholesale cost for treated water will increase \$830,000 and wastewater treatment costs will increase by \$156,000 over the current year's budget. Mr. Simons said that the proposed Water and Sewer Fund budget of \$38,553,999 will leave a projected ending working capital balance of \$12,221,776, and that net operating revenues for the fund will be adequate to meet the debt service coverage requirements that bond rating agencies monitor.

Mr. Simons presented two rate options for the City Council to consider. Under one option the tier rate for water would increase from \$3.25 to \$3.40, and the tier rate for sewer service would increase from \$2.80 to \$2.95. Under the second option the tier rate for water would remain at \$3.25 for monthly usage under 8,000 gallons, but would increase to \$3.50 for usage above 8,000 gallons, and the tier rate for sewer service would increase from \$2.80 to \$2.95. The monthly minimum rates under both options would remain unchanged. Mayor Monaco asked what the average monthly consumption was in Mesquite, and Mr. Simons replied between 8,000 and 9,000 gallons for residential customers, but he said commercial usage varies widely, so staff uses 10,000 gallons as an average for all commercial accounts. Councilmember Stan Pickett said it seems it would be difficult to generate the necessary revenue based on an average consumption of 8,000 gallons per month. Mr. Simons added that staff uses a rate model that calculates the rates based on consumption and that he's confident that the proposed rates under either option would be sufficient to cover costs.

5. BUDGET OVERVIEW

Mr. Barron told the City Council that program reductions, reorganizations and cuts were necessary to balance the budget and to accommodate the Council's highest priority, which is to ensure Mesquite's long-term viability. Mr. Barron highlighted several budget reductions, which included \$1.3 million in savings by freezing 31 vacant positions, reducing employee recruitment by \$35,000, reducing overtime at the animal shelter by \$13,000, closing the immunization clinic on low-volume days and reducing street maintenance by \$350,000. Mr. Barron added that the purchase of new library books and periodicals would be reduced by \$62,000, which represents 25 percent of the original book request. He added that overtime reductions in the fire, police and park budgets would save another \$900,000 by changing the way the peak time ambulance is staffed, reducing park maintenance by 33 percent and scaling back the police holiday deployment to 2006 levels and making other police overtime cuts which involve community presentations and youth programs.

Mr. Barron summarized four proposed program eliminations, beginning with the Adult Literacy Program. Mr. Barron said for the past 10 years the literacy program has been supported by the Community Development Block Grant (CDBG) program, and elimination of the literacy program would allow the reallocation of \$45,000 in CDBG funds to the Problem Oriented Policing program, thus reducing the amount currently funded by the General Fund. He added that the literacy program presently serves 300 students who will be referred to two other programs operating in the area. Mr. Barron said the Senior Alert program, like the literacy program, began with grant assistance by the Dallas Urban League several years ago, and since 1994 has served as an information and referral resource to a rather small constituency of senior citizens. Mr. Barron said, while the elderly do not readily adjust to change, the Senior Alert program's annual cost of \$54,000 makes it difficult to continue in the current economic climate and added that information and referral services would be absorbed among multiple City departments, primarily by the Volunteer Services office. Mr. Barron said for the past 30 years the recreation division has offered a summer track program, but that participation in the program has declined in recent years and presently serves less than 75 participants. Mr. Barron said there's a number of private competitive track teams in Mesquite that could provide opportunities for those interested in track and field summer events and recommends eliminating the \$10,000 annual program. Mr. Barron said that the retirement of Youth Services Coordinator Dana Mitchell in May, and the subsequent freezing of her vacant position, presented an opportunity to review the budgetary implications of the City's various youth programs. He said, while no doubt considered valuable, these programs serve a limited number of youth overall, and elimination of the program and its remaining two employees would further reduce the budget by \$184,786 while a third grant-funded employee would remain on board until expiration of the grant in 2009.

Mr. Barron concluded by stating it's the first time in his tenure with the City that no funding is available for employee salary adjustments, which total over \$1.8 million for next year. He said it's a grim budget year, but it's not completely devastating. Mr. Barron spoke of how department directors have given him realistic budget options to consider and provided him with their best thinking and reasoning as difficult decisions were made regarding their operations. Mr. Barron said it's this type of skill and professionalism that will

enable the City to weather the lean times ahead and emerge with creative and innovative solutions for addressing Mesquite's challenges while bettering service delivery and improving efficiency. Councilmember Pickett asked how much revenue a penny on the tax rate brings in, and Mr. Barron responded that one-cent of the property tax rate equates to about \$623,000.

The budget work session recessed at 8:40 p.m.

The budget work session resumed at 8:35 a.m. on Friday, July 25, 2008.

6. COMMUNITY DEVELOPMENT

Director of Community Development Richard Gertson presented an overview of development trends, beginning with Euclidian land use planning, which the City's 1973 Zoning Ordinance is based upon, to the more current Form-based planning and other "Smart Growth" practices. Mr. Gertson presented a summary of the department's budget and reviewed ongoing department projects such as the recent development review process and the new parcel-based permit system, which will integrate development review activity with the permitting process. Mr. Gertson concluded his presentation with a summary of the Unified Development Code update, Extraterritorial Jurisdiction Plan and Corridor Revitalization plans which all contain form-based regulations and permitting practices. Councilmember Shirley Roberts asked what percentage of rental property owners occupy prior to inspection, and Mr. Gertson replied about 37 percent. Councilmember Pickett asked how much of the cost of contract mowing/cleanups is being recovered in cases where the City has to abate property violations. Mr. Gertson said that approximately 20 percent of all abatements end up with the City filing a lien on the property and added that there's no other way to enforce liens other than when the property eventually sells. Councilmember Greg Noschese asked if there might be a more proactive way to collect the lien to which Mr. Gertson replied that there was none other than the current notification process. Both Mayor Monaco and Councilmember Roberts requested that Mr. Gertson brief the City Council at a future Council meeting on any alternatives to increase collections rather than relying totally on the lien process.

Councilmember Tarpley stated that the City Secretary's Office has been getting a lot of open records requests since the ordinance that further restricted the height of vegetation was passed, and that it was a part of the overall Project Renewal focus on neighborhood integrity. Councilmember Tarpley asked if the City was getting the attention of property owners, or was the dramatic increase in activity attributed to the same offenders over and over. Mr. Gertson said that staff does encounter a lot of people who ignore the process, but there's also going to be those people who become familiar with the process and look to take advantage of it. Mr. Gertson further stated that he believed a lot of the activity might be attributed to the fact that the notice process was shortened from a two, ten-day notice period to a process whereby residents receive just one notice prior to the City taking action. Mr. Barron commented that staff has not been getting complaints that the City's not doing enough, but rather the City's getting complaints that it's acting too fast. Councilmember Tarpley suggested that staff look into sending annual letters to property owners to let them know how much their liens have accumulated and maybe look into increasing fees to cover the City's increasing costs of filing more liens with the County.

The budget work session recessed at 9:39 a.m. for a break.

The budget work session resumed at 9:51 a.m.

7. FIRE DEPARTMENT

Fire Chief Mark Kerby distributed a performance report that contained statistical information that he said the Council could review at their leisure. Chief Kerby then gave a brief progress report of projects and programs underway by the Fire Department. Chief Kerby described the Emergency Warning Siren System Upgrade, Reverse 911 and Citizen Notification projects. Chief Kerby noted that staff was looking to convert six of the City's 24 existing sirens to solar power and showed a slide that illustrated coverage of the 23 existing sirens and two proposed sirens, one within the Dallas city limits and one in Mesquite's ETJ. Councilmember Tarpley asked if the siren in Dallas would be activated by Dallas or Mesquite, and Chief Kerby replied that the siren would be controlled by Mesquite.

Chief Kerby then presented an overview of activity for service calls, fires, response times, inspections, public education and emergency medical service incidents. Councilmember Tarpley asked if inspectors do any neighborhood inspections for things such as junk accumulating on private property, and Chief Kerby replied that they couldn't go into homes, but that they do look for those types of hazards when they go out to distribute smoke detectors. Councilmember Tarpley asked if residents call or request inspections, and Chief Kerby said that some do. Mayor Monaco asked Chief Kerby if he thought that the increase in EMS service calls was attributed to a growing senior population, and Chief Kerby replied yes, but that they're also seeing more indigent cases and that it's more of a combination of the two. Mayor Monaco asked Chief Kerby if he was anticipating even more calls for service in the near future, to which Chief Kerby responded, yes.

Councilmember Pickett asked what was causing the increase in response times. Chief Kerby indicated that response times have increased due to Mesquite Community Hospital closing, which means ambulances may be out of town longer if call volumes pick up, but is also due to an increasing population. Councilmember Tarpley asked what the status was of the remaining hospital in Mesquite and if it closed what the impact could be. Chief Kerby said he didn't know the status of hospital, but that he's shared some of the same concerns with staff at the hospital. Mayor Monaco asked how long a run to Parkland Hospital takes, and Chief Kerby said anywhere between 45 minutes and an hour. Chief Kerby concluded his presentation with an overview of ambulance billing, billing collection rates and proposed changes to the billing collections contract, which includes system upgrades and a proposed \$100 ambulance fee increase. Councilmember Roberts asked if the department still completed fire reports manually, and Chief Kerby replied that they are close to the point where all reports are done electronically, but that they're not completely there yet. He added that the proposed billing system upgrades will include electronic patient care reporting capabilities. Councilmember Noschese asked how Mesquite's 62.7 percent billing collection rate compares with other cities. Chief Kerby said that they are comparable, but added that 62

percent is exceptional given the fact that it was around 50 percent when ambulance billing was done in-house prior to contracting the services out to the private sector.

The budget work session recessed at 10:33 a.m. for a break.

The budget work session resumed at 10:42 a.m.

8. PUBLIC WORKS DEPARTMENT

Director of Public Works Tim Tumulty presented an overview of activities and projects underway in the department and said the department now employs 251 employees with a total budget of \$42,146,815. When Mr. Tumulty's slide presentation came to one depicting the reconstruction of Tripp Road, Councilmember Tarpley asked if the drainage right-of-way along Tripp Road would be maintained, and Mr. Tumulty responded that the City crews would maintain the area. After showing slides of various crews at work repairing streets, replacing utility lines and performing other duties, Mr. Tumulty concluded his presentation with a listing of accomplishments during the past year. Councilmember Pickett mentioned that he has received many calls about the new nine-inch street blade signs and that he's pleased with the way they look.

9. POLICE DEPARTMENT

Police Chief Derek Rohde presented an overview of the proposed budget for the Police Department. Chief Rohde said the 2008-09 budget totaled \$30,038,750 or 0.43 percent less than the current year. Chief Rohde reviewed budget expenditures by category, personnel changes, crime statistics and calls for service. Chief Rohde then described various crime fighting programs underway including, Crime Free Multi-Housing, License Plate Scan, Decoy Program, Crime Prevention, Video Camera System, Problem Oriented Policing, Skywatch Unit and Citizen Police Academy. Councilmember Tarpley asked what steps the department is taking to increase apartment complex participation in the Crime Free Multi-Housing program, and Chief Rohde said that although the program is voluntary, the list of participating apartment complexes has grown to 34 complexes. Councilmember Tarpley followed up his previous question by requesting that Chief Rohde look into the possibility of whether the City could require participation by apartments through passage of an ordinance.

Councilmember Tarpley asked if police officers still have trading cards, and Chief Rohde said that the School Resource Officers do and that they're popular with the kids at school. Councilmember Roberts asked if there has been any increase in home invasion crimes, and Chief Rohde replied that there have been some instances, but it fortunately hasn't been an issue for Mesquite. Councilmember Tarpley asked if copper thefts have been a growing concern, and Chief Rohde said it has been a problem statewide and believes it's been a growing issue because of the economy. Chief Rohde concluded his presentation with a slides illustrating construction progress on the new police building. Councilmember Noschese asked how the new red light camera program was working. Chief Rohde said they're making an impact on reducing red light runners, and Mr. Simons said that the City is

beginning to receive its first revenue checks from the contractor. Mr. Tumulty added that staff is waiting on State approval for two additional cameras.

The budget work session recessed at 11:55 a.m. for a break.

The budget work session resumed at 1:45 p.m.

10. CITY COUNCIL DISCUSSION

Mayor Monaco opened up discussion among members of the City Council for comments and further questions for staff. Councilmember Pickett said although there may be a slight drop in service delivery, he felt that the budget reductions would not affect major programs or core services, and therefore was not leaning towards supporting any tax rate increase. He expressed gratitude to all employees for their service and devotion in spite of not receiving raises and picking up the workload due to vacant positions, but said he felt the City would be the stronger for it once the economy improves. Councilmember Pickett closed by saying he felt the organization should capitalize on all the positive things going on in the City with the LBJ Freeway project finishing up, the new police building and other exciting projects like the Super Target expansion. Councilmember Noschese expressed his appreciation for employees demonstrating positive attitudes and praised their dedication under the current economic situation. Councilmember Noschese closed by saying that he looks forward to the Council and staff being more creative in their approach to business and believes that the City will pull through the year in a positive manner.

Councilmember Tarpley stressed the need to promote all the positive things going on in the City and recounted that he's been reading a lot of articles about other cities in the area that are making drastic cutbacks and feels that while times are difficult he believes Mesquite is in better financial shape than most other cities. Councilmember Tarpley commented about how amazed he was at the cooperation among employees and the associations and thanked them for their understanding during the budget development process. Councilmember Tarpley said he would like to see some kind of compensation measure at mid-year if there's any savings and added that a small bonus could go a long way in maintaining employee morale. Councilmember Tarpley said he agreed that the City should continue to work on enhancing its image and competitive position in the Metroplex, adding that those efforts would help attract builders and developers and bring in more residents to Mesquite, thus adding to the tax base. Councilmember Tarpley requested staff to develop some talking points on the budget for the Council to have when they return to Mesquite. Councilmember Tarpley closed by saying he felt that police and fire step increases were used as a recruiting tool and would like to see the step increases funded to help prevent losing any new hires and to fulfill the City's commitment to them, if not this year, then make up for it in subsequent years. Councilmember Tarpley said he felt the City was heading in the right direction and that the Council should hold the budget to no tax rate increases. Mayor Monaco added that he felt it would be difficult to justify a tax increase and that it's not something the Council could consider without some serious further belt tightening.



Councilmember Al Forsythe thanked the rest of the City Council and staff for laying the groundwork for Project Renewal. Councilmember Forsythe said that it was unfortunate that merit increases couldn't be included in the budget, but that the City probably isn't alone with respect to other cities and businesses coping with the economic downturn. Councilmember Forsythe closed by saying he too would not like to see a tax rate increase. Mayor Monaco requested by the first Council meeting in December that the City Manager prepare some options for employee bonuses if funding is available and not wait until the mid-year amended budget. Mr. Barron acknowledged that staff would present some options to the Council by the end of the year. Councilmember Roberts said that she was impressed with Chief Rohde's first budget presentation and that it's important for the City to tell its story. Councilmember Roberts said she too would not be supportive of any tax rate increase and that she hates to see some good programs go away. She added that perhaps Volunteers Services could pick take on some of the tasks of Senior Alert so that seniors know they can count on the City to help them. She agreed with Councilmember Tarpley about wanting to see options for funding police and fire step increases as well as increases for other employees and thanked the City Manager for the job he's doing in positioning the City for the future.

Mayor Monaco turned to those in the audience and asked if anyone wanted to comment about the proposed budget. Mayor Monaco asked Mr. Jeff Dillon, President of the Mesquite Firefighters Association, if he would like to say anything. Mr. Dillon said he thought the City Manager's staff did a good job with the budget and said that fire and police employees would like to take an active role in the Project Renewal process. Mr. Dillon expressed concerns about the unfunded step increases and said that he would hate to see other cities lure new hires away from Mesquite. Mr. Dillon thanked the City Council for their service and their hard work. Mayor Monaco then asked Officer Don Williams, President of the Mesquite Police Association, if he would like to say anything. Officer Williams said that the Association has been discussing the economy for the last several months and that they are willing to participate in being a part of the solution and not the problem. Officer Williams said he was grateful that there was no budget surprises and that he wants citizens to know that public safety is still a priority and that nothing has been lost due to the budget reductions. Officer Williams closed by saying he and others in the department are excited about the new police building and all the new things going on in the City and thanked the City Council and staff.

Mayor Monaco asked for staff comments and Mr. Barron said that it was Council direction that helped put things in motion and make Mesquite an example for other cities to follow, and that it's a credit to the City Council and the direction they've given. Councilmember Tarpley asked if it was possible for the City Council to tour some of the areas that Mr. Dillon had talked about, some of the worse areas of town that need greater attention. Deputy City Manager Carol Zolnerowich responded that one of the things staff is doing is spreading the responsibilities of Project Renewal to all employees that may be in the field to provide feedback to staff in other areas of responsibility so that things can be addressed. Councilmember Pickett added that at a recent Texas Municipal League conference he saw an example of how a company had incorporated these aspects into their overall work processes.

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Mayor Monaco thanked everyone present for attending the budget work session. Mayor Monaco said that the City is on the brink of opportunity and that there are still a number of exciting things that will happen in Mesquite despite the bad economy. Mayor Monaco closed by stating it's paradoxical, but you can't take a year off just because the economy is bad, good things will happen.

**ADJOURNMENT – 2:36 p.m.**

The meeting adjourned at 2:36 p.m.