

MINUTES OF CITY COUNCIL AND STAFF PRELIMINARY BUDGET WORKSHOP HELD ON MONDAY, JUNE 8, 2020, AT CITY HALL, TRAINING ROOMS A&B, 757 NORTH GALLOWAY AVENUE, MESQUITE, TEXAS, 75149.

Present: City Council: Mayor Bruce Archer, Councilmembers Sherry Wisdom, Kenny Green, Robert Miklos, Tandy Boroughs, B. W. Smith and Dan Aleman

Staff members: Cliff Keheley, Jeff Jones, Ted Chinn, Raymond Rivas, David Paschall, Sonja Land, Jeff Armstrong, Charles Cato, Rick French, Elizabeth Harrell, Matt Holzapfel, Mark Kerby, Zak Lajoie, Wayne Larson, Maria Martinez, Virginia Mundt, Eric Pratt, Debbie Reid, David Witcher, Cindy Smith, Myra Rogers, Jennifer Weldon, Kimberly Garduno and Leah Burger.

PRELIMINARY BUDGET WORKSHOP – TRAINING ROOMS A&B – 5:310 P.M.

A. CALL TO ORDER

Mayor Archer called the meeting to order.

EXECUTIVE SESSION – CITY COUNCIL CONFERENCE ROOM – 5:35 P.M.

D. EXECUTIVE SESSION – CONSULTATION WITH ATTORNEY

Mayor Archer announced that the City Council would meet in Executive Session pursuant to Section 551.071 of the Texas Government Code to conduct a private consultation with its attorney related to pending or contemplated litigation; a settlement offer; and issues in which the duty of the City Attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas conflicts with the Open Meetings Act, regarding Spradley Farms, L.C., et al. v. City of Mesquite, et al., Cause No. 104439-CC2, pending in County Court No. 2 of Kaufman County, Texas; whereupon, the City Council proceeded to meet in the City Council Conference Room. After the closed meeting ended at 6:18 p.m., the City Council reconvened in Open Session.

ACTION RESULTING FROM EXECUTIVE SESSION HELD AT 5:35 P.M.

David Paschall, City Attorney, stated that mediation efforts have been conducted with the Spradley Farms representatives over several days. A mediated settlement agreement was reached with the following highlights: reduces the City's contribution to the Spradley Farms Tax Increment Reinvestment Zone (TIRZ) from 70 percent to 60 percent, extends the term of the TIRZ from 35 years to 45 years, places a reimbursement cap on the developer and allows for a flow of excess TIRZ revenues back to the City once bond indebtedness obligations are covered by the Municipal Maintenance District (MMD) tax rate and TIRZ increment. The City will encourage Kaufman County to participate. Mr. Paschall stated he will send a letter to the Texas Commission on Environmental Quality to notify them of the Council's action, if approved. Mr. Paschall explained that the settlement agreement, amended Master Development Agreement, resolution expressing support of creation of the MMD and an amendment to the TIRZ Financing and Project Plan will be presented to Council in the near future.

Mr. Miklos stated that the developer agreed to donate a three-acre site for a public safety facility as well as \$2.5 million towards the construction of the facility. The biggest difference between the old and new agreement is the actual and effective TIRZ rate will be dropped from 70 percent to 60 percent and will save the City \$37 million over the life of the agreement.

Minutes of City Council Preliminary Budget Workshop held June 8, 2020

Page 2

Council expressed appreciation to fellow Councilmembers and City staff for their work during these negotiations.

Mr. Aleman moved to approve a Rule 11 and Settlement Agreement as presented to the City Council in Executive Session in the Spradley Farms, L.C., et al. v. City of Mesquite, et al. lawsuit, Cause No. 104439-CC2, pending in County Court No. 2 of Kaufman County, Texas. Motion was seconded by Mr. Green and approved unanimously.

A brief recess was taken at 6:51 p.m. The meeting resumed at 7:05 p.m.

Invocation was given by Deputy Mayor Pro Tem Dan Aleman.

B. CURRENT FINANCIAL POSITION/OVERVIEW

Cliff Keheley, City Manager, stated that sales tax revenues will be released this week for April 2020 and will provide staff a better idea how to project the end of the current fiscal year. Staff has identified cost savings throughout the budget, which has maintained a good fund balance. Senate Bill 2 (SB2) will impact the budget for Fiscal Year (FY) 2021.

Mr. Keheley stated that tonight's discussion is to provide direction for City staff as an organization and community. There will be additional budget discussions scheduled at Council meetings, a Budget Town Hall meeting and a Budget Workshop.

Debbie Reid, Director of Finance, reviewed the City's current financial position and stated that there were 59 days of working capital at the end of FY 2019 and 60.6 days of working capital at amended budget pre-COVID-19. The sales tax receipts for FY 2020 were tracking at \$1 million over projections. Applying FY 2020 year-end projections with the COVID-19 impacts, the City could end with 51 days of working capital due to less revenues, fines and forfeitures, code violations and charges for services. Staff has identified \$1.3 million in cost reductions to offset revenue losses through salary savings, 380 incentive payments, supplies, travel and training, contractual services, cancelled events and facility closures.

Ms. Reid reviewed the guidelines for the use of the fund balance reserve which is allowed for extreme situations such as a disaster. Staff will give an updated projection of year end in August 2020 and bring a formal, written request to utilize the fund balance reserve, if needed. The Council will establish a plan and begin to rebuild the fund within 24 months after first use which allows time to restructure operations, as needed, in a deliberate manner to address the effects of the situation.

Ms. Reid stated that the preliminary taxable values for FY 2021 are projected to increase 8.64 percent. The prior year capped values continue to roll off 14 percent. New construction consists of \$74 million and TIRZ values increased 53 percent. Ms. Reid stated that one penny of tax generates \$873,820.00 of revenue in Mesquite.

Ms. Reid stated that the Truth-in-Taxation laws requires local taxing units to make taxpayers aware of tax rate proposals, gives taxpayers the opportunity to roll back or limit tax increases and provides property owners the right to know about increases in their property appraised value and estimated taxes that could result from the new value. The City Council must take the following actions: (1) draft a budget; (2) calculate the tax rate – effective tax rate and rollback tax rate; (3) publish notices; (4) hold public hearings; (5) adopt a tax rate and (6) hold rollback election, if necessary.

Ms. Reid reviewed the SB2 changes to the voter-approval tax rate: (1) tax cap percent decreased from 8 percent to 3.5 percent; (2) automatic election is required if adopted tax rate exceeds the voter-approval tax rate; (3) SB2 provisions for using 8 percent cap if in a declared disaster area; (4) SB2 provision for no mandatory election the year after a disaster declaration, if increased expenditures are required.

Mr. Keheley stated that it is staff's recommendation to hold an election if the Council chooses to adopt the tax rate over 3.5 percent.

Ms. Reid provided preliminary projected tax revenue numbers and tax rates with the preliminary tax values. For the voter-approval tax rate of 3.5 percent, the reduction in revenue would be \$4.1 million. The pros will result in a reduction in the current tax rate. The cons will result in a reduction in potential new tax revenue and will have an impact on the City's long-term financial plan. The potential FY 2021 proposed budget includes proposed revenues, proposed expenditures and to maintain the fund balance reserve. The only change in the proposed revenues is the property tax rate. There are no changes in the proposed expenditures, which includes no pay increase to City employees, includes step increases to public safety employees, annual cost adjustments, required TMRS rate adjustment and the additional transfer to the group medical insurance fund. Staff is proposing to restore spending levels prior to pre-COVID-19. The proposed cuts that are needed to maintain fund balance reserves with the 3.5 percent tax rate total \$4.1 million.

C. BUDGET DISCUSSION

Mr. Keheley asked the Council if there was interest in looking at budget options that include a rate above the 3.5 percent tax rate. It was Council consensus to not set the tax rate above the 3.5 percent cap.

Mr. Keheley presented a list of general fund programs and services for Council's review and asked for suggestions as to which of the programs and/or services they would consider reducing or cutting from the budget.

Mr. Smith requested clarification regarding the cuts from the Travel and Training line item. Mr. Keheley stated that licenses that are required to be held for a job, such as the TCOLE license, would be kept in the budget.

Mr. Keheley stated that the vaccines for the Vaccine Clinic are provided by Dallas County and the City provides two part-time staff members.

Mr. Aleman suggested looking at staff positions that may have changed to a more virtual position and adjust accordingly.

It was Council consensus to not make any cuts in public safety that will impact response times. Council requested the necessary financial information on all the programs as well as receive citizen input in order to help with the decision-making process.

Mr. Keheley requested Elizabeth Harrell, Director of Parks and Recreation, to provide an analysis on Parks landscaping maintenance contracts.

Ms. Harrell reviewed the City map depicting approximately 1,700 acres that the City maintains using City staff and out-sourced contractors. City staff maintains 764.64 acres with 33 field workers, three supervisors and one manager. There are 10 mower operators, who maintain 595

Minutes of City Council Preliminary Budget Workshop held June 8, 2020

Page 4

acres within the City; landscaping assistants, who maintain the weed eating and trimming; mechanics, who maintain all of the playgrounds and park amenities and work on special projects; irrigation technicians, who maintain all the irrigation lines; swimming pool operator who maintains the City's three swimming pools; athletic field technicians, who maintain the athletic playing surfaces and complete field striping; one mechanic, who maintains the Parks equipment; and the Parks chemical applicator, who sprays weeds.

Ms. Harrell stated that out-sourced contractors are utilized for maintaining 1,016.57 acres. This acreage is grouped into areas according to maintenance type. She reviewed the transition analysis from outsourcing the contracts to moving them in-house and stated that 32 additional staff members would be needed. It would cost the City an additional \$386,241.00 in the first year and the amount would increase to \$454,480.00 in the second year due to the cost of an equipment bond. Ms. Harrell stated that the advantage of having the maintenance in-house is the scheduling flexibility and control by adjusting the mowing cycles and frequency as needed, having additional staff to complete beautification projects, higher quality work, unpredictable contractor increases and a limited pool of contractors bidding.

Councilmembers expressed appreciation for the information.

E. ADJOURNMENT

Mr. Boroughs moved to adjourn the meeting. Motion was seconded by Mr. Aleman and approved unanimously. The meeting adjourned at 9:09 p.m.

Attest:

Approved:

Sonja Land, City Secretary

Bruce Archer, Mayor