

**MINUTES OF THE
REGULAR CALLED MEETING OF THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS
August 8, 2018**

A regular called meeting of the City Council of the City of Tyler, Texas, was held Wednesday, August 8, 2018 at 9:00 a.m. in the City Council Chambers, 2nd floor of City Hall, Tyler, Texas, with the following present:

Mayor: Martin Heines
Mayor Pro Tem: Linda Sellers
Councilmembers: Don Warren
Broderick McGee
Ed Moore
John Nix
Bob Westbrook

City Manager: Edward Broussard
City Attorney: Deborah G. Pullum
Sr. Assistant City Attorney: Sharon Roberts
Assistant City Attorney: Regina Moss
Managing Director of Administrative Services/HR: ReNissa Wade
Chief Financial Officer: Keidric Trimble
Director of Neighborhood Services: Raynesha Hudnell
Police Chief: Jimmy Toler
Project Engineer:
Managing Director of Culture, Recreation and
Tourism Services: Stephanie Franklin
Director of Solid Waste & Transit Services: Russ Jackson
Managing Director of Planning &
Economic Development: Heather Nick
Water Business Office Manager: Jim Yanker
Managing Director of Utilities and Public Works: Scott Taylor
City Clerk: Cassandra Brager

INVOCATION

The Invocation was given by Councilmember Nix.

MINUTES

Motion by Councilmember Warren to approve the June 27, 2018 and July 11, 2018 minutes; seconded by Councilmember Nix; motion carried 7 - 0 & approved as presented.

AWARDS

A-1 Request that the City Council consider accepting the “Distinguished Budget Presentation Award” for its Fiscal Year 2017-2018 Budget document from the Government Finance Officers Association of the United States and Canada.

ZONING

Z-1 Z18-012 RODRIGO LOPEZ (4119 FRY AVENUE) Request that the City Council consider an appeal of the Planning and Zoning Commission's denial of a zone change from "R-1A", Single-Family Residential District to "RPO", Restricted Professional Office District.

Van Shaw, 2723 Fairmount, Dallas, Texas (attorney hired by Applicant to review the matter) – Stated that he is reviewing whether there was a prior blanket zoning on the property that would have repealed the deed restrictions on the property. He asked that the City Council table the matter to allow him to look into the matter further.

Randle Cook, 411 Fry – Stated that since 1963, the subdivision lots were deed restricted to residential use. There are six other lots that are on and facing Loop 323 with residential use deed restrictions like the Applicant's lot. Cook stated the neighborhood, including the applicant's lot, is a residential area, used for residential activities – walking and biking by both children and adults. Cook stated that he and his neighbors oppose this zone change.

Motion to deny was made by Councilmember Nix; seconded by Councilmember Warren; motion carried 7 - 0 & zoning was denied as presented.

PRESENTATION

P-1 Request that the City Council:

1) Consider receiving a presentation of the Fiscal Year 2018-2019 Proposed Budget;

City Manager, Edward Broussard - Gave a presentation of the Fiscal Year 2018-2019 proposed Budget. See attached Exhibit A.

2) Consider voting to place proposals to adopt an ad valorem tax rate and adopt the final fiscal year 2018-2019 budget as action items for the September 12, 2018 City Council meeting; and

Councilmember Westbrook – Stated this journey began approximately 22 years ago when Mayor and Council of that day embarked on a new and innovative property tax strategy for our City. Retirement of the general obligation bond debt with the use of the newly adopted Half Cent Sales Tax revenues, and then with the use of those very revenue dollars to pay cash for capital improvement projects throughout our City.

Recent conversations with some of those leaders have revealed their true intentions that the property tax rate for the City of Tyler should not have dropped below 30 cents/\$100 valuation. Mr. Broussard, our Tyler City Manager, concurred with that position in his presentation to Council in a workshop in May of this year when he stated, "Our optimal property tax rate would be approximately 30 cents on the \$100 valuation." The fact that it fell below 30 cents/\$100 has led to over dependency on sales tax revenue, which has been either

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“feast or famine” for our City over the past decade, depleted our fund balances, and has affected staffing and services in most Departments. However, this Council, with courage, has a unique opportunity to properly fund our City and not shift the burden to future Councils. Our Citizens expect more from their City. On this day, at this meeting, Council will establish the property tax rate ceiling within which this discussion regarding the needs of our City can take place. The actual 2018-2019 property tax rate will be set at the September 12th meeting.

Motion by Councilmember Westbrook to place proposals to adopt an ad valorem tax rate of 29 cents per one-hundred dollars of assessed values and the fiscal year 2018-2019 budget as action items on the September 12, 2018 City Council meeting; no one seconded the motion; motion failed due to lack of a second.

Motion by Councilmember Nix to place proposals to adopt an ad valorem tax rate of 0.244452 cents per one hundred dollars of assessed values and the fiscal year 2018-2019 budget as action items on the September 12, 2018 City Council meeting, and as a cap on any further consideration of an increase to the ad valorem tax rate; seconded by Councilmember Warren; motion carried 6 - 1 & approved as presented

John O’Sullivan, 300 E. Erwin – Stated that he thinks the City might be getting shortsighted by keeping the budget too low. The employees of the City are the ones who actually run the City and holding their pay frozen for years with just a few merits here and there has cost the City quite a bit. Mr. O’Sullivan said he works with the City’s Building Department regularly and often has different people come to his property to do inspections. He said the Engineering Department is understaffed to the point it “looks more like a ghost town nowadays.” It’s time to look at raising the budget slightly. I don’t know if it has to be up to 29 cents or 30 cents, but I think it has to be higher than 24 cents to give you some flexibility with your employees and some of the services. Mr. O’Sullivan also spoke about the softball field he uses in Lindsey Park to play senior softball. He said fields in other towns, make Tyler’s look “one step above a pasture.” He said that the field could be improved.

Al Thead, 121 S. Broadway Ave – Stated that he works for a downtown property developer by the name of Invest in Tyler. Mr. Thead stated that he did come today to support a tax rate higher than the 0.244452 cents. Mr. Thead stated that he thinks we have all seen a wonderful vision provided for free to citizens by some architects and engineers, and they did that all pro bono. As a business you know that you have to set yourself apart and improve constantly.

Mayor Heines - Stated that the City likes to let the private sector drive the economy instead of leading with public investment.

Pamela Phoenix, 3412 Benbrook Dr. – Stated that she was for having an ad valorem tax for more than the 24 cents but less than the 29 cents. For the living wage, she would like to see it shift from \$10.50 to \$12.00 for the lower scale workers. Mrs. Phoenix also stated that the City Council needs to raise property taxes to improve roads in the District 3 area of the City. She also spoke on the 11 frozen positions as unforeseen and asked if the employee would then have the ability to be called back first if they have not found other jobs.

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City Manager, Edward Broussard - Stated that no employee lost their jobs while the positions were frozen and the shift for the living wage from 10.50 to 12.00 dollars for full time employees will be covered in this budget. The Health Saving Account is something that will be reviewed in this upcoming year. The City Manager also stated that District 3 streets are under construction for Fiscal Year 2019.

James Hobb, 717 Bentley Ct. – Stated that he would urge Council to consider raising the rate above the amount proposed in the budget in order to allow a discussion about infrastructure. Mr. Hobb was not confident that the amounts posed in the budget were adequate. Mr. Hobbs said the City has been reactive with regard to infrastructure instead of proactive. He would like to see the City work to upgrade sewer infrastructure. He is just convinced that the City could do more and that the experts that work for the City could tell you where to start.

Councilmember Nix – Stated that the water infrastructure is paid for through fees on residents' water bills. He said the property tax rate has nothing to do with water infrastructure spending.

Councilmember Moore – Stated that this is the first time since he has been on City Council where he has had people come in and say, 'Let's increase the taxes, and that's good, really good. He stated, "I can support the increase to the tax rate, but I don't think I could support trying to bite the whole apple at one time." Councilmember Moore agrees with raising taxes over a longer period of time, but said he represents constituents who would not be able to afford the tax rate of 24 cents to 29 cents on the \$100 valuation at this particular time.

Councilmember Warren – Stated that he has reviewed the budget at length and this was his fifth year to be on Council, and he has seen some previous budget presentations that were pretty tough. He thinks this is a good budget. He stated that sales tax for 2017 was \$26,968,438.00, the projected sales tax for 2018 is \$28,316,010.00 For budget year 2019, the projection is \$28,628,510.00. Projected 2019 is \$1,660,072.00 better than 2016. Ardent is adding \$197,428,418.00 to the tax rolls If we use the rollback rate of .44 cents value this would generate \$482,618.00 additional revenue for the City. If we go up to the forty-fourth of a cent, this would also generate approximately \$332,061.00 in revenue for the City. The Half Cent fund should generate \$14,293,371.00 in 2019. Councilmember Warren stated that he was excited about the new fire engine and the raises for the City employees as well as adding two new employees to fire and two new employees to police.

We are holding insurance premiums at the same level, however, deductibles will be going up slightly. We will be spending \$800,000.00 in park improvements. Everything I see is positive and moving forward.

Councilmember Nix – Stated that he was thankful to have this discussion so that the citizens of Tyler could understand the Blueprint-driven, no general obligation debt, fiscally conservative, small government way we have operated is in danger.

"The large tax increase motion heard earlier was not about the tax rate, it is just the latest idea in an attempt to increase spending. There is no justification in this upcoming budget year

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to raise the property tax rate over 20 percent from last year. There have been opinions voicing support for exploring general obligation debt as well as the desire to explore leveraging the Half Cent Sales Tax with debt by this Council in just the last 15 to 16 months. Leveraging the Half Cent would be in direct violation of the pledge that was made to the citizens of Tyler by the City Council. Councilmember Nix stated that he would never be for general obligation debt or leveraging Half Cent. He would never be in favor of a tax increase election when we cannot justify an acute need as well as all of the non-essentials being cut out of the budget. This Council has proven over the last five budgets that we will vote in measured and conservative increases when we are able to make a sound and well-founded case to the citizens. We have to get back to the basics in what and how we direct our budgets and spending. The Blueprint has served as the lens for this direction for years, and it is still the right framework. One of the core competencies of the Blueprint is “sound financial management” and we have to maintain that as a focus. We are and can continue to address our needs as a community through good budgeting and wise stewardship, not money grabbing policies. We are addressing current needs with employees and operations, as well as deferred maintenance in this budget. This budget does not address all of the wants but it does address the immediate needs, and that is a great thing to say about a limited government budget. The Blueprint’s values to Streamline, Empower, Respond, Venture, and Evaluate, (SERVE) have to remain our compass.”

Mayor Pro Tem Linda Sellers – Stated that she would encourage the public to give their feedback on where you would like to see this City go in the future. She stated that this was a good budget and we have done what we needed to do for this year.

Mayor Heines – Stated that the City Charter process dictates that the City Manager develop and present a budget to the City Council. It is important to note that Ed has 20 years of city management experience and was Texas City Manager of the Year in 2011. Add his years of experience plus the award-winning financial team, and we have years of municipal budget experience. As a reference point, this is his ninth budget.

Things that the Mayor has learned:

- Each City Manager he has worked with followed a six-month process to accumulate and analyze a proposed budget before it was submitted to the Council.
- It takes a Councilmember two full budget cycles to understand the thirty-seven funds and the transfers in and out of those funds.
- He has learned that you never prejudge a budget until it is submitted by the City Manager at this Council meeting.
- The City has the best department heads and key leaders since he has been elected. Let them do their job first of presenting their budgeting needs.
- Once our talented staff has set their budget, then they suggest to Council and the public their recommended tax rate. Staff never creates the rate first, and neither should we.
- He has learned and fully believe that it is good to be our own unique City. We should be proud to be different.

Philosophy: Some of the Mayor’s beliefs concerning City Government.

1. Conservative, business-like approach to City government.
2. Supporting the City’s Blueprint.

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3. No general obligation debt.
4. Limited government.
5. Trust our non-profits and faith-based institutions to be the safety net for our social services.
6. Let the private sector economic system work. Do not provide commercial or residential developer's financial incentives. The private market does work.
7. Keep appropriate tax reserves. It is the taxpayers' money. Do not over-tax citizens and businesses to keep their money in savings. It is their money.
8. Focus on basic services and do them well.
9. Support creation and retention of primary jobs, but be careful not to be misled into risky, costly infrastructure at the taxpayer expense.
10. When you run for local office as a conservative businessman, be one.
11. It is okay to be different than others. We don't have to overtax homeowners and business owners just because you see other cities with higher tax rates.
12. Enhance public safety and focus on infrastructure.

3) Consider voting to schedule public hearings on the proposed property tax rate and the proposed budget on the agendas for the August 22 and August 29, 2018 (Special Called) City Council Meetings.

Motion by Councilmember Moore; seconded by Councilmember Westbrook; motion carried 7 - 0 & approved as presented.

City Council took a 10-minute recess.

P-2 Request that the City Council consider receiving a presentation from Enprotec/Hibbs & Todd concerning their recommendations and progress on water system improvements studies. Withdrawn from the agenda

P-3 Request that the City Council consider receiving a presentation of the 10-year Tyler Water Utilities Capital Improvements Program for the Fiscal Year 2018-2019.

Scott Taylor, Managing Director of Utilities and Public Works – Gave a brief update on the 10 year Tyler Water Utilities Capital Improvements Program for the Fiscal Year 2018-2019.

RESOLUTION

R-1 Request that the City Council consider adoption of a Resolution authorizing approval of the revised Hazard Mitigation Action Plan as an Official Plan of the City of Tyler. (R-2018-19)

Motion by Councilmember Westbrook; seconded by Councilmember Moore; motion carried 7 - 0 & approved as presented.

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ORDINANCE

- O-1 Request that the City Council consider approving an Ordinance adopting the proposed budget for the Community Development Block Grant (CDBG) and HOME Programs FY 2018-2019 Annual Action Plan and authorize the City Manager to execute Housing and Urban Development Certification and SF-424 forms. (O-2018-64)**

Motion by Councilmember Moore; seconded by Mayor Pro Tem Sellers; motion carried 7 - 0 & approved as presented.

MISCELLANEOUS

- M-1 Request that the City Council consider authorizing the City Manager to accept the bid and sign all related documents for construction of the Hillside Park improvements in the amount of \$43,880.00 to Permacast, LLC of Bradenton, Florida, paid for by the Keep Tyler Beautiful Capital Fund.**

Motion by Councilmember Warren; seconded by Councilmember McGee; motion carried 7 - 0 & approved as presented.

- M-2 Request that the City Council consider authorizing the City Manager to execute Work Order No. 2, in the amount of \$22,275.94, to Capco Engineering, Inc., for construction phase services during construction of the Sewer Improvements from Pinecrest to Tanglewood project.**

Motion by Councilmember Westbrook; seconded by Councilmember Moore; motion carried 7 - 0 & approved as presented.

- M-3 Request that the City Council consider authorizing the City Manager to award a construction contract in the amount of \$233,375.00 to A.E. Shull & Company for the Sewer Improvements from Pinecrest to Tanglewood project.**

Motion by Councilmember Nix; seconded by Councilmember McGee; motion carried 7 - 0 & approved as presented.

CONSENT

(These items are considered to be routine or have been previously discussed, and can be approved in one motion, unless a Council Member asks for separate consideration of an item.)

- C-A-1 Request that the City Council consider authorizing the City Manager to sign an Interlocal Agreement with Smith County so the Sheriff's Department can make application for and accept the Edward Byrne Memorial Justice Assistance Formula Grant for the Year 2018-2019.**

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- C-A-2** Request that the City Council consider authorizing the City Manager to sign a Professional Services Contract with Envirocare Lawn Maintenance not to exceed \$27, 720.00. This contract is a two year contract with an optional one year renewal.
- C-A-3** Request that the City Council consider authorizing the application for and acceptance of Federal Transit Administration (FTA) Grant Funds passed through to the Texas Department of Transportation (TXDOT) under the Section 5310 Mobility of Seniors and Individuals with Disabilities Grant in the amount of \$270,000 along with the acceptance of \$54,000 in Transportation Development Credits (TDC).
- C-A-4** Request that the City Council consider authorizing the application for and acceptance of a Texas Department of Transportation (TxDOT) grant for Urban State Funds in the amount of \$390,673.
- C-A-5** Request that the City Council consider authorizing the City Manager to reject bids for bid number 18-034 for Hillside Park Construction.
- C-A-6** Request that the City Council consider authorizing the City Manager to execute Easement and Right of Way agreements to install electrical lines on City-owned property in the South Hillcreek No. 1 Subdivision at Lake Tyler.
- C-A-7** Request that the City Council consider authorizing the City Manager to sign a permanent right-of-way use agreement with Conterra Ultra Broadband, LLC for the purpose of installing, operating, and maintaining fiber optic cable in the City of Tyler right-of-way.
- C-A-8** Request that the City Council consider ratifying the expenditure of \$51,886.00 to Odessa Pumps, through Texas Buy Board #509-16, for completion of Earl Campbell Parkway sewer Lift Station.
- C-A-9** Request that City Council consider authorizing the City Manager to award a one-year service contract for citywide filter change services to East Texas Filter Service in the amount of \$35,000.00 per year with an annual option to renew at the same cost for four (4) additional years.

Motion by Councilmember Westbrook to approve all consent items; seconded by Mayor Pro Tem Sellers; motion carried 7 - 0 & approved as presented

CITY MANGER'S REPORT

1. Tyler 1st community survey for public feedback is being conducted for infrastructure and performances of the City.
2. Brynmar Court Drainage Improvements by the Brannon Corporation. Drainage study is complete and has been sent to Holly Creek HOA for their review. Engineer revised design

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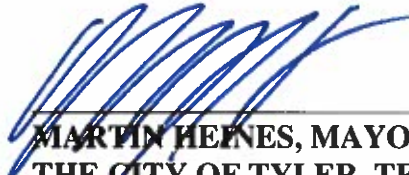
for owners to the north and is continuing to work on acquiring easements. Waiting for response from the Corps of Engineers on whether an archeological survey is required. Anticipate construction to start by spring 2019. Anticipated completion date for design is September 2018

3. Library pushing out two new programs: *Adulting 101* and the *Brew and Board*. The first is *Adulting 101*, a monthly program designed to educate teens and adults in our community about something useful that we all need in our adult lives. *Adulting 101* takes place the third Saturday of the month from 2-4 pm. This will start August 18 with a class on Credit, provided by Capital One. The Library already has September and October planned and are seeking new opportunities for educational courses if anyone is interested.

Our second program beginning this month is *Brews & Boards*. This will take place at ETX Brewing Co. the last Thursday of each month from 7-10 pm. Library staff will bring over board games and card games to allow people at ETX Brewing Co. to play games as they have their brews. We are excited to provide an outreach program that helps showcase our collections

ADJOURNMENT

Motion by Councilmember Warren to adjourn the meeting at 11:43 am; seconded by Councilmember Nix; motion carried 7 - 0 & meeting adjourned.


MARTIN HEENES, MAYOR OF
THE CITY OF TYLER, TEXAS

ATTEST:


CASSANDRA BRAGER, CITY CLERK



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**Proposed FY 2018 Budget Presentation “Exhibit A”
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Mayor Heines and City Council,

It is our privilege to be before you today to present the proposed Fiscal Year 2019 programs and services for the City of Tyler.

The format of our presentation today aligns with the organization’s Strategic Plan, which in itself is tied back to Tyler 1st and the City Council’s direction. Whereas in the past we focused on the City’s functions and costs, this presentation goes the next step to provide how the budget supports the momentum of the City to make progress on its mission and goals.

We start with the City of Tyler’s mission and vision for our services to this community. “Our mission is to SERVE our community to make a positive difference.” This and our vision for performance excellence are our guide for the services that we provide each day and the planning that we make for a better tomorrow. We as the public servants of this city are here to serve the people that make up Tyler, and it is this guiding principle that influences the budget we present today.

We are continuing the path that was set out in 1995 with the Blueprint as adopted by the City leaders and continued with their political descendants. There was a direction set for the community where we could be debt-free on our property tax levies and focusing on essential services in a quality manner for our citizens and businesses. This was further solidified in our Tyler 1st Vision in which our partners joined us at the table to set the future of the City, with the understanding that it is not just the City’s role to provide services for our community but a group effort of government, education, faith institutions, business, and industry to enhance our City together.

The proposed programs and services before you represents the input and analysis of hundreds of staff, reviewing their ability to enhance their services and answer to the citizens who have asked for improvements. We do not shy away from finding opportunities for improvements; and in order to be an organization of continual improvement, we have to be able to identify what works, what does not work, and when to make adjustments that will provide better services for our citizens. The budget process forces that review and analysis to refine our services. This means cutting funding where appropriate and increasing resources where the programs are having success. It involves understanding priorities for the community, such as parks improvements as identified by the Council or public safety as shown in citizen surveys. This budget reflects those urgencies of the community will and provides responsive, responsible solutions.

The 2017-2019 Strategic Plan focuses on six core areas:

- Sound Financial Management
- Sustainable Infrastructure
- Performance Excellence
- Talented and Experienced Workforce
- Public/Private Partnerships

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- Diverse Economy and Prepare for Growth

We use these six core areas to plan, prioritize, and measure for organizational success. This is the focus of our activities and enhancements as we will detail in this presentation.

Our first priority is “Sound Financial Management”. You see this demonstrated through our fiscal forecasts, financial plan reviews and ability to shift in spending based on economic conditions. Our decline in sales tax revenue during FY 2016 and FY 2017 demonstrated our versatility to respond by freezing vacant positions, reducing fund transfers towards maintenance and shifting replacement schedules. This is demonstrated in the 37 different funds that the City operates, ranging from enterprise funds such as utilities and the airport to specially designated funds for street maintenance or tourism.

During the past three fiscal years, the City has struggled with General Fund revenues, which pay for those services that do not have a direct revenue source. This goes toward Police, Fire, Parks, Streets, Library, Municipal Court and general government services. Several factors have come into play during this budget’s development that have provided recovery and strengthened the General Fund for the coming year.

We have seen sales and use tax revenue experience growth again, increasing 4.96 percent between FY2017 and FY2018. We are projecting a cumulative 1.0 percent growth for FY2019, although we should note that we have developed our projections on sales and use tax differently than in past years. Sales and use tax is generated from several different components, ranging from retail, restaurants, service, warehouse, and agriculture and mining. We developed revenue projections off of each of these different components as they show different trends during the past few years. The oil and gas industry especially influences certain areas of the sales tax, especially with mining and service, and we work to balance the volatility of this primary revenue stream with more nuanced projections.

We will go in more detail on the property tax revenue projections later in this presentation. I do want to note that the Fines and Fees revenues continues to show declines, with a negative projected difference of 13.13 percent between FY2017 and FY2019, as a net loss of \$621,500.

There are several reasons for the loss, including changes in state law on community service options, modifying policies on compounding of multiple citations, and reduction of moving violations citations.

I also want to note that one of the strategies we continue toward is evaluating where other funds or revenue sources can be used to pay towards specific general fund services as appropriate.

We’ll see this later as we examine the Solid Waste Fund. We look to be creative and innovative with other potential revenue sources where appropriate to reduce the cost of services for our taxpayers.

We are recommending a modest tax rate increase from 24 cents to 24.4452 cents per \$100 valuation for FY2019. With a net taxable value of \$7,458,830,497 within the city limits, the additional rate increase of 0.4452 cents will generate \$332,067 over the current rate, with the full net taxable revenue amount to be \$18,214,464.

At our proposed rate of 24.4452 cents per \$100 valuation, a home valued at \$150,000 would be assessed City property taxes of approximately \$360 per household per year, or \$30.55 per month. Less than a penny, the 0.4452 cent increase would translate to \$6.68 annually.

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We continue our commitment to reinvesting in our aging water and wastewater infrastructure system, yet at the same time evaluate our standing with other utilities in similar-size markets. Using the survey data collected by the Texas Municipal League on utilities rates, we see that we are still lower than all other average utility rates in Texas in different volumetric usage.

We have begun a very aggressive maintenance and repair program for our water and wastewater system; and with that, we have followed the Blueprint model of cash funding to the full extent that we can. During the next ten years, we expect to cash flow \$48.5 million in utility system improvements. For FY2019 alone, we intend to spend \$9.6 million in cash on water and wastewater system improvements.

The proposed utility rate increases mirror the rate modifications that we set for the current fiscal year. There will be a \$1.00 base rate increase on water and \$1.00 base rate increase on wastewater, along with an increase on the regulatory compliance fee, which is directly linked back to debt payments for system improvements required by the Environmental Protection Agency and Texas Commission on Environmental Quality.

The increase for residential users will be \$3.94 per month. For those industries and businesses that use more than 25,000 gallons per month, they will see a volumetric price increase as well. While the impact will vary depending on how much water is used by the customer, for those using 30,000 gallons of water per month, they will see an increase of \$4.10 per month.

We reviewed the fees associated with development to ensure that our costs for materials and services are captured. With this in mind, we are only recommending adjustments to our water and sewer tap fees for cost recovery of these services.

As a comparison for our solid waste rates for residential pickup, we offer a premium service at a considerably low monthly rate that provides on average eight collections per month. Our Solid Waste staff consistently receive high marks during the citizen surveys, outdoing even our public safety functions on top-rated services.

We did make adjustments to our residential rate with this current fiscal year, and set in place an annual review of CPI rates for future possible incremental increases. These changes moved the business model of our Solid Waste services from being dependent on commercial customers for subsidization of our residential rates to now having residential customers getting closer to paying in full for the service. The coming year's increase based on our CPI increase of 2 percent is 32 cents, bringing the monthly rate to \$16.39.

In addition, we are recommending a rate increase for the curbside recycling program. The existing rate is \$4.50 per month for twice a month pickup, but we are finding that the increasing costs for disposal of the recyclable products is outpacing our collections. Our recommendation for the monthly increase is \$5.25 to ensure full cost recovery.

As we begin a review of our property valuations and use of the property tax collections to advance our public safety and general government services, it is useful to consider how our collections match with other comparable hub cities in Texas. With the lowest rate in the state, we also collect a relatively smaller amount of taxes as compared to our other marketplace competitors. There are two positives though that come with this – first, we do have lower rates and collections because of that Blueprint philosophy that we still believe in and that has resulted

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in not having to levy an interest and sinking rate for debt on our citizens and businesses. Every dollar we collect from our property taxes goes into our public safety, parks, library services that work for our citizens. This disciplined approach toward financial management has led to the City being recognized with a AAA bond rating on its General Fund, and AA+ rating on our Utility System.

Second, I did not use the phrase “marketplace competitors” on accident. We do compete with our fellow municipalities for economic development and quality of life projects. Our tax rate and small number of regulations provides an edge for the City of Tyler, and our relatively small number of tax abatements that we have done in the past demonstrates this point.

As we consider a tax rate increase, we do want to note that there are protections for our senior citizens who are on a regulated income. The City provides a tax ceiling freeze for those over the age of 65 or persons with disabilities. The resulting forfeited potential revenue in 2018 equates to 1.38 cents on the tax rate, or \$1.044 million.

The major change in the property valuations for FY 2019 ties directly to the addition of the former ETMC, now UT Health East Texas as taxable value on the rolls. The purchase of the hospital system adds \$197,428,418, which equates to \$482,618 in additional revenue for the coming year. Without this addition to the tax rolls, we still experience our regular rate of growth in values and additions, which reflects the confidence that our citizens and newcomers have in Tyler as a location for residential, business, and industrial growth.

The Mayor’s quote on “investment in infrastructure and public safety” could be considered the theme of this budget. Our programs and functions for the coming year build on the foundations that we have set for protecting our assets in the streets, water and wastewater systems, parks, facilities, vehicles and equipment that we own. This requires increased maintenance and improvements for the \$1.037 billion in City of Tyler assets.

This moves into our second focus of the Strategic Plan – “Sustainable Infrastructure”. We are estimated to spend an incredible amount of \$50 million on capital projects and equipment during the coming year. This investment will improve the water quality, wastewater service, streets and drainage, parks, traffic, and equipment that is provided to protect and enhance the lives of the 117,000 people who call Tyler home as well as the 250,000 that make up our daytime population who are in our care while in our city limits.

Since its adoption in 1995, the Half Cent Sales Tax Fund for capital projects has been an incredible success story for Tyler and serves as a model for responsible, sustainable capital program funding. Having served in other cities, I am grateful that our City leaders had the foresight to create this source of cash to fund the Capital Improvement Program on an ongoing basis rather than be dependent on debt to fund these projects. After 23 years of the program in action, I want to promote its impact on our city. We ran the model for what the addition to our property tax rate may be if we used debt on the \$170 million we have spent since the Half Cent adoption. Our rate would now be approximately 46 cents instead of 24 cents if we had to add an interest and sinking portion to the tax rate. If we didn’t issue any further debt than the \$170 million during the past 23 years in this model, we would not be able to fully pay that off and get to a tax rate of 25 cents until 2036.

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We also ran another comparison based on a hypothesis that was our slow and steady approach of using cash with Half Cent having a similar or greater effect of funding capital projects than if we issued debt instead over the same period. We reviewed the City of Waco's debt issuances during the past 15 years and compared our capital projects from the Half Cent Fund with their debt-funded capital projects. Waco has a tax rate of 77.62 cents with 11 cents dedicated to repaying debt, as compared to our 24 cent rate. We factored into the comparison what the difference in spending percent of total budget for Tyler as compared to Waco, and found the comparison had us keeping pace with Waco's debt issuances over the span of the decade and half. The difference, though, is we get to use each dollar collected to use toward the project rather than split between repaying the bond issuances and the interest on top of that.

For the coming fiscal year, we have several projects that move forward to benefit traffic, quality of life, drainage, and public safety using the \$14.2 million we expect to generate and the available funds generated during the current fiscal year to potentially spend a total of \$27.4 million. Fire Station No. 1 at Palace & Gentry and Fire Station No. 4 at Cherry Hill & Cumberland will be under construction, along with the improvements of Martin Luther King, Jr. Boulevard. We have improvements scheduled for Hillside Park and Fun Forest Park, along with drainage enhancements throughout the City. The Half Cent Fund will also pay towards the Traffic Modernization Study that begins the major process of improving the connections between our traffic signals.

On our water utility system, we are budgeted to spend \$2.7 million in cash and \$3.1 million of bond funds for regulatory compliance during FY 2019. This continues the work of improving water quality throughout our City with replacement of water lines, looping lines where appropriate, and improvements of filters at the Golden Road Water Treatment Plant.

FY 2019 will be a big year for our wastewater system as we expect to spend \$14.5 million on projects. This includes \$6.3 million in cash and \$7.2 million in bonds. We will move forward with rehabilitating the Southside Wastewater Treatment Plant clarifier and substantial work related to the EPA Consent Decree. We are also purchasing easements for the proposed new regional wastewater treatment plant further south from Tyler as we begin planning toward that project, which is about ten years out.

Prior to FY 2017, our asphalt seal coat program was funded with whatever could be carved out of the General Fund beyond the other funded services. The Council set a goal of 81 to reach for the Pavement Condition Index, that is conducted on all City asphalt streets, and to set aside a penny from the tax rate to begin funding a street maintenance program. The \$842,000 that we estimate for FY 2019 reflects the continued growth of that fund. We are also recommending increasing the tax rate set-aside from a penny to 1.125 cents per \$100 valuation. Our goal is that in the next year or two we will be able to designate 1.25 cents of the tax rate for the asphalt seal coat program, as we still need to increase spending on this program to be able to reach the average rating of 81. Based on the recommendations from the PCI team this year, we need to increase our overlay budget from Half Cent Fund from \$3 million a year as we currently fund it to \$3.5 million and the amount on seal coat program to \$1.25 million to fully realize the 81 rating or greater.

In addition to the Street Maintenance Fund, we are recommending the purchase of a pro-patch truck using commercial solid waste revenues. Our solid waste fleet contribute heavily to the deterioration of our streets, and can provide assistance through franchise fees for street repairs.

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This additional contribution of \$150,000 from commercial revenues will purchase a vehicle that enhances the pothole and utility cut repairs, with an expected repair increase total of 76 per month.

We continue to utilize federal grants that provide 90 percent match for our runway improvement projects. Runway 4/22 is expected to be open in November of this year, which provides more options for larger aircraft usage at Tyler Pounds Regional Airport. American Airlines has recently increased their flights at the airport, and staff have been marketing the new runway capacity to carriers ranging from large national companies to more regional services. We will continue to review opportunities to grow our airport for both business development at the airport and for passenger coverage to other airports.

The Council recently adopted the budget for our HOME program and the next year's programs for the Community Development Block Grant. We are excited about one of the main CDBG projects for next fiscal year, which is the sidewalk construction to link neighborhoods with TJ Austin Elementary. Mayor Heines and Councilman Moore have both been advocates for this project, with students from the school petitioning for the sidewalks. When people ask how they can be heard by their local government, these students provide a constructive model for how to be understood and capture the attention of your elected officials.

Speaking of capturing the attention of our elected officials, we heard from the Council during last year's budget process and their meetings with athletic groups afterwards that we needed to recommit ourselves to park improvements throughout the City. We struggled with maintenance issues during the recession in 2016 and 2017, as funding for simple maintenance and repairs dried up. We have been able to use increased donations during 2018 along with surpluses from our revenue growth in the General Fund during this year to expand our renovation and replacement programs.

We continue this momentum on our parks into FY 2019 by developing a regional parks capital program funded by our commercial solid waste revenue projections and the Keep Tyler Beautiful tipping fee at the landfill. Collectively, we propose spending \$800,000 on regional park improvements and will combine this with funding dedicated from the Half Cent Fund to begin improvements at Lindsey, Fun Forest, Woldert, Southside, Hillside, and Gassaway Parks. We will also continue to seek donations for projects such as the ADA playground anticipated at Southside Park and new features at Hillside Park, which allows for our dollar to go further in renovating our facilities.

Our stabilized revenue sources also provide us an opportunity to replace and purchase needed capital replacements with our fleet. We anticipate spending \$4 million on the purchase of 59 vehicles and related equipment, along with the purchase of a new fire engine as part of our replacement program. One of the projects that I am most excited about in this budget is one that few will notice when being done and will probably not think about too much once completed, and that is the replacement of the library roof. We have been working on putting together funding for this project for years, but not able to afford it as other projects took priority. As the library consists of lots and lots of books and paper, we cannot have a leaky roof for this facility. The roof replacement ensures that our citizens have a comfortable place to learn and relax, our staff have a safe environment to work, and our materials are protected from the elements. It may

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not seem like a major undertaking for a city our size, but it is a reflection of our enhanced commitment to take care of our assets.

I also want to note that we need to replace the body cameras used by our police officers. The Tyler Police Department were pioneers in the use of the body cameras for citizen interactions, and the time has come to begin replacing the body cameras with updated equipment. Chief Toler and staff are working to secure a grant to pay for half of the cost with the City's portion paid from seizure funds.

Our third goal in the Strategic Plan is Performance Excellence. This organization has a long history of utilizing innovative programs and education with our employees to better them and better the community.

We continue our Lean Six Sigma Program throughout the organization, with a total of 18 trained black belts and 40 green belts providing consultation on projects. During the past ten years, we estimate that we have reduced costs by \$8 million through analyzing our services, vendors, and opportunities for savings.

Approximately a third of our budget is dedicated to the salaries and benefits of the 850 plus employees who serve this City. They range from parks crews who are taking care of our medians during the heat of the day to the men on the fire engine headed to an emergency. The funding for these positions comes from multiple funds, including the various enterprise funds we have and the General Fund.

Of the approximately 850 employees, the majority work in our Police and Fire Departments. 20 percent make up our Utilities staff, with 12 percent in general government functions such as parks, streets, library, and municipal court.

For the past two fiscal years, we have been unable to provide any merit increases for our staff. We did continue with the step pay increases for our police and fire employees, and worked on market adjustments with positions that we found difficulty with either recruiting or retaining. Our employees staid dedicated to the City though during these hard years as we saw retention continue to improve. We are recommending a merit increase of 1.5% to base pay for our civil service employees, which are our police officers and fire fighters. For non-civil service employees, which is everyone who is not a police officer or firefighter, we are offering a merit increase choice based on their performance evaluation. They can choose between the base increase of 1.5%, which will compound over time, or a lump sum payment of 2.5% that is not added to their base.

One of the issues that we faced during the recent downturn was that the merit increases to base pay of 4% in 2014, 4% in 2015, and 2% in 2016 were not able to be sustained when sales tax wasn't growing at rates of 4% or greater each year. Thus we are evaluating merit pay systems that would allow for growth of base rates at a slower percentage while offering lump sum payments as well. This puts the decision on the merit pay with the employee as to go with a higher one time amount or the lower amount, but knowing that it will grow with time based on future merit increases.

We are proposing the addition of two police officers and two firefighters for the second half of the fiscal year, along with an IT Specialist, which is funded by revenue gained with contracts that

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we have with other cities to provide for their IT services. The Library is also converting two of their part-time custodians into one full-time custodian and the addition of a substitute outreach technician, which has no additional costs incurred.

This marks an important opportunity as we unfreeze the remaining 11 positions in our General Fund departments. During the most direct period of our sales tax decline, we had upwards of 50 frozen positions, and this demonstrates the significance of our General Fund stabilization. These positions include Streets crews, parks and recreation coordinator, deputy court administrator, and clerical staff to assist our Fire training staff. These positions being unfrozen allow our departments to reach their full effectiveness in the coming year.

During the past three years, we have made substantial adjustments to our Health Fund and its policies. As a self-insured institution, we have pursued changes that balanced the program's costs between the City and the employee. The Health Fund has seen a good year with relatively few major claims and increased costs not being as high as earlier predicted. With the state of the Health Fund, we recommend no increases in premiums for employees. We do request increasing the deductible from \$500 to \$1,000, with the intent of bringing our deductible more towards the market comparison of \$1,500 with FY 2020. We will also consider the option of the HSA and its impact on our Health Fund during the coming year with expectations of a recommendation for FY 2020.

Beyond the salaries and benefits for our staff, we continue to expand opportunities for the employee to grow with our organization. Our staff may be hired for a specific task, but we are amazed at the talent that they have that blooms with training, equipment, and teamwork. We have employees who are getting their bachelors and masters degrees from local colleges and universities, allowing them to continue their advancement in the City. Our programs such as the Roses and Weeds podcast were developed by allowing staff to use their skills not associated with the job in a way that benefits the entire community. Our Toastmasters Club teaches and encourages staff to share their stories and experiences with the community to provide a greater understanding of what the City does. I am proud of the development and creativity that our staff demonstrate through these additional workforce investments.

We continue to pursue our public/private partnerships for programs that extend beyond our core functions. The Innovation Pipeline project has entered its second year and proven to be beneficial for the City, UT Tyler, TJC, and our other business partners. Staffing for this project is provided by both the City and UT Tyler.

Our partnership with Visit Tyler for convention and visitor bureau services is recommended to continue at the level of \$700,000 for the coming year. This funding is generated from the Hotel Occupancy Tax Fund and used to pay towards staff and marketing services related to our multiple tourism events throughout the year.

We made a significant reduction in our contribution toward Northeast Texas Health Department last year, taking our amount to \$200,000 which matched the contribution from Smith County. We recommend staying at that rate for the coming year, along with our contribution of \$66,000 toward the Center for Healthy Living on Highway 155.

This area of focus on the Strategic Plan provides for the community participation in building our diverse economy and growing our city. Since 2015, we have annexed 226.38 acres into the city

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limits and continue to evaluate opportunities for further growth with new residential and commercial corridor developments. We prepare for the new additions to the city, but also work with our downtown partners to protect and revitalize the core of the City.

Since 2007 with the inception of the Main Street Program, \$104,692,595 has been invested in the Downtown area. For just the first two quarters of 2018, we've seen an investment of \$672,341 in redevelopment. This trend is expected to grow in the coming fiscal year as several projects are about to kickoff. We are also waiting for the Federal response in late 2018 on our BUILD grant application which would transform the S. Broadway corridor from Erwin to Front Street.

As per the budget and tax rate adoption schedule per state statutes, the Council has two actions that it must take today. It must adopt a proposed rate that becomes the ceiling for consideration in further debate and to use for publication purposes, and the Council must set the two public hearings for the budget and tax rate. Due to the schedules from presentation to adoption, there is a special meeting needed for the second public hearing which we are requesting for the date of Wednesday, August 29. We expect to bring the tax rate and budget to the Council for adoption at your meeting on September 12.

I do want to extend my deep appreciation to my budget team of Keidric Trimble, ReNissa Wade, and Blake Cathey for their countless hours of taking the budget proposals from each department and working to refine these into the document we have for review today. They took the needs of the departments and their fellow executive team members into account, as well as the demands of their City Manager, and crafted the best budget that I have had the privilege to present. In addition, I note the incredible work in showcasing our budget story as shown in this presentation developed by Jennifer Pittman and Blake Cathey. They took information that is dry and sleep-inducing, and found a format that demonstrates how the budget moves forward the direction of the City.

I also provide my gratitude to you, the City Council. You provided direction and priorities in the retreats in September and May, as well as in past Council meetings, that set the stage for the budget we provided. Our focus on employees, infrastructure, parks, and public safety reflects your vision for this community. I thank you for your service and insight on behalf of the citizens of Tyler. It is a privilege to serve you and present this budget for FY 2019 programs and services for your consideration.


MARTIN HEINES, MAYOR OF
THE CITY OF TYLER, TEXAS

ATTEST:


CASSANDRA BRAGER, CITY CLERK

