

BUDGET MESSAGE - FISCAL YEAR 2017 - 2018

CITY OF STAFFORD, TEXAS

13 SEPTEMBER 2017

By Mayor Leonard Scarcella

This Fiscal Year 2017–2018 Budget embraces the principles of capitalism. It is based on a zero property tax, living within our means, a lean and efficient staff and providing our citizens with strong services. It is not—as some wish to pursue--a socialistic, spend thrift, bloated bureaucracy and developer kickback scheme.

As a result of this adherence to solid, long founded, economic principles, Stafford is receiving highly laudatory recognition from some of the most notable persons and entities in our state. Within the last few months, Lieutenant Governor Dan Patrick, the full Texas Senate led by Senator Joan Huffman, Comptroller Glenn Hegar, and the Dallas Morning News, all authored very complimentary texts extolling the extraordinary achievements of our City. With in the last few days, President Michael Young of Texas A. & M. University joined the chorus of support for these outstanding accomplishments. The thrust of their accolades centered on the City’s ability for the past 22 years to live within our means, with *no property taxes* while constraining our debt. Yes, they all extolled the virtues of instituting this truly bold action in 1995 embodied in the abolition of the assessment of this demeaned tax with the unique institution of a *Zero Property Tax* for all residential and business assets alike. As a direct result, an abundance of homeowners and commercial interests, many

foreign, have located here, and in the process, significantly expanded the cash reserves of our coffers, completely refuting the flawed predictions of the skeptics, who are enamored with an affinity for tax gouging.

But there is a looming threat to all this City holds dear: unwisely and excessively expanding the hiring of personnel; especially when the growth in population and business activity in the City fails to support this hiring. As correctly and several times pointed out in the police audit, ‘hiring should not go beyond the constraints of the budget.

In view of these facts and circumstances, what budgetary structure is a responsible approach to governing this City? The budget presented here will achieve these goals, and most importantly, steer clear of a most undesirable fiscal status which our highly respected and exemplary municipality is being thrust.

Besides the Zero Property Tax, this City can tout another rare achievement: Never handing out a ‘pink slip’ to an employee. Make no mistake that the abundance of accolades enumerated at the outset of this Message by the highly acclaimed sources take cognizance of the breath of these two most noteworthy accomplishments.

It would be fool hardy to deny the breath taking pace at which the world is changing. So it only make sense that this necessitates Stafford make revisions as well—but certainly not fallacious and unsustainable actions as pursued by other municipalities.

First and foremost, our City must get the maximum productivity from our employees—something the far left leaning zealots find abhorrent. In some’s opinion, it is unthinkable our employees attempt to generate revenues generally commensurate with the cost of

retaining themselves on the payroll. However, in most instances, that is something those in the private industry require. Far too many cities—and for that matter, governmental entities as whole, wallow in inefficient bureaucracies, when they could provide far more efficient services with less employees, acting smarter, and understanding what it takes to keep them on the payroll, or what brought them on in the first place. What is lost on so many is that the U.S.A. is a capitalistic country; and not a socialistic one, with clear principles imbedded in the fibers of this union.

How do we get our employees to make a responsible transition to enhancing the City's resources? While not easy or simple, by clearly illustrating the benefits to the City—and equally important--to the employees themselves.

So let's look at the budget presented which attempts to embrace the principles advocated by our forefathers in structuring this great country.

Beginning with revenues, as historically the case, Sales Tax receipts will be at the forefront with \$16 million. This is a slightly lower prediction than what was anticipated before the arrival of Hurricane Harvey. The Sales Tax will be split between the General Fund (GF) where half, or \$8 million is allocated, and the Municipal Sales Tax Fund (MST) and Stafford Economic Development Corporation, with each receiving \$4 million. Other major contributors to the revenue categories, all of which are channeled into the General Fund are \$2,150,000 in Violations and Fines, \$1,820,000 in Stafford Centre receipts, \$1,800,000 from Franchise Fees. Further, half, or \$2 million in MST, will be transferred to support the GF. Add to that a myriad of the remaining GF revenues totaling \$1,708,900, thus resulting in a GF total of \$17,478,900.

Moving to the MST Fund, we have sales tax of \$3,250,000, couple that with other miscellaneous MST income of \$28,011, thus resulting in a total of \$3,278,011. Add to those revenues from the Hotel Occupancy Tax (HOT) with related interests to equal \$1,140,000.

A new category will be debt service of \$750,043 taken from sales tax, which is established to support the sale of certificates of obligation for Capital Projects of \$8,500,500, specifically detailed herein.

Other revenue areas are special revenue funds of \$103,372, local street assessment of \$13,425, and restricted funds of \$11,022.

Next we address the SEDC revenues which will total \$4,000,000 in sales tax with related interest of \$102,453, aided by Fort Bend County Mobility Contributions of \$560,576 resulting in an amount of \$4,663,029.

Thus, the cumulative total of all revenues the Council will be administering for the City and SEDC through this budget is \$35,938,302.

Conversely, expenditures from the General Fund will amount to \$22,568,509, MST outlays, (with the transfer of \$2,000,000 to GF), equalling \$4,820,576, HOT expenses will require \$945,722, Special Revenue Fund expenditures will need \$296,748, Debt Service outlays will amount to \$720,000, with Capital Projects scheduled for a substantive \$8,500,000 commitment for major endeavors and wrapping it up are Special Revenue Fund expenditures amounting to \$296,748. This results in a gross cumulative amount of \$37,851,555 of City expenditures.

Couple that with Stafford Economic Development Corporation expenditures from the following: General Fund of \$1,134,114, the

Convention Center/Performance Art Theatre of \$711,000, U.S. 90A enhancements \$1,986,949, Debt Service of \$1,925,784, U.S. 59 open space improvements \$135,000, for a total of \$5,892,847.

Thus the grand total of City and SECD expenditures are projected to be \$43,744,402 with the recognition that from the Capital Projects, the \$8,500,000 will be spent currently; however, only require \$720,000 of current outlays, thus reducing current expenditures to \$35,244,402.

Now, let's more closely examine several of the highlights of this budget and the departments which they affect. The Police Department, under the capable leadership of Chief Richard Ramirez, often receives significant attention for good reason. There will be two new officers (with one serving about half the time as the Bailiff for the Municipal Court), together with numerous equipment costing \$7,824,115 out of the GF, equipment of \$401,307, an enhanced HVAC unit of \$115,000, roughly \$15,000 for building maintenance, all out of MST, and \$2,500,000 out of the Capital Projects fund for a police station annex, elevating the total operational and capital costs to \$10,855,422. To put this in context, in the FY 10-11, the payroll was \$2,885,000 and the number of employees was 66, when the latest Federal Census figures of 2010 came in. Those numbers have now increased to 82 on the staff with a cost \$4,698,000. This is a 24% increase in personnel and a 63% increase in operational costs. Correspondingly, anticipated revenues with the additional personnel will increase by approximately 115% to \$2,150,000. Ironically, the population of the City has expanded about 10% sense the Census was released.

Added to the Police Umbrella, is the Code Enforcement section, which concentrates on compliance with City Health related ordinances. This component formerly was in the building and

inspection department; however, City Council determined it would be beneficial and more effective under the Police Chief. While it is anticipated to generate \$100,000, its cost will tally \$262,000.

A prime sector of enforcement in the City relates to that of animals under the watchful eye of the Humane Department and its very conscientious animal control officer Pete Ramirez. This, too, is under the supervision of the Police Department. Much public attention is given to this area, and will most likely have increased scrutiny. It will bear a cost of \$109,000.

The next, for obvious reasons, is the Fire Department, under the expert direction of Chief Larry DiCamillo. It will be adding two firemen and another fire marshal with operational outlays of \$2,707,542, Couple that with the fire marshal section, and it will require \$387,032. A much anticipated addition is a new fire station to be funded through Capital Projects at a cost of \$3,000,000. All told outlays will equal \$6,094,574. Like the PD, this Department has seen a rapid increase in full time personnel which has approximately tripled in cost from \$222,612 in FY 10-11 to \$660,552 in this budget. Income as a result of these operations is expected to generate \$810,000, which is an increase commensurate with the additional personnel.

In view of Hurricane Harvey, the Emergency Management sector has once again taken on extreme relevance. However, with the most recent departure of Jennifer Taylor, the longtime emergency management coordinator, and recognizing the unique status of this sector, it is being recommended that Council gives consideration to establishing this component as a separate department. Such is provided for in the budget with an estimated cost of just under \$190,000.

A most substantive area is Public Works, under the directorship of Dr. Milton Rahman, which includes not only staff in that component but street, parks and vehicle maintenance sections. All told, the operational expenditures in these areas will total \$4,586,125 coming from the GF and MST funds. Additionally, and of major consequence, are the proposed Capital Projects of drainage for Missouri City Estates, Vaccaro Manor and Sugar Creek, which will cost about \$3,000,000, and with Hurricane Harvey will receive another careful look. Combine the numerous SEDC projects headed by the FM 1092 Access Management Corridor and the West Airport enhancements carrying a total tally of slightly over \$2,100,000 for these two most beneficial and cost effective endeavors. This will result in Fort Bend County Mobility funds contributing about 50% while TxDOT will kick in up to 80% for the construction, resulting in the net cost to the City of 12% of the \$13 million.

A most vital department in terms of demonstrating a “business friendly” attitude is the Building and Permit department. This area, under the sound guidance of Chris Riggs, has been revamped with the transfer of the Code Enforcement Section to the Police Department. To the credit of Mr. Riggs, this section has demonstrated an ability to live within its means as recommended by our CPA. Anticipated to generate up to \$675,000, the cost of operation for building permits and zoning is expected to run a tally of just over \$450,000.

A myriad of vital activities falls within the general government and administrative department headed by our relatively new City Secretary, Tomika Lewis, who has become acclimated quickly. The great majority of the sum of \$1,467,385 comes from the GF. A most important project is the scanning of all documents going back to the inception of the City. This department’s requirement in this area will cost about \$50,000 from MST and should provide the ability to have

access to the records of all major activities going back to the City's beginning in 1956.

Another area with a lengthy and successful record is SMETV. Under the direction of Carolyn Entricht, the television services, which are abundant and much watched by those both in and out of the City, on cable and through video streaming, is in the process of a major transition. In conjunction with the Houston Community College and the housing of the production facilities in the Scarcella Science and Technology Center, originally built by the City and sold to HCC on a lease purchase agreement, after getting the State Law changed to allow for such a transaction, is under renegotiation with HCC. While the cost is likely to increase, it is important that the services provided by the television operation be continued at a very high level. The current indications reflect an expense for this function at \$366,000 from GF and \$50,000 from MST.

Currently, a companion function of the television operation is the Information Technology unit of the City. It is been clearly illustrated that this is an area that requires its own Director. Tye Wethers is managing this operation. With the approval of Council, a full time Director will be sought. This is an area that is limitless in terms of equipment, yet it has to be constantly remembered that just about anything you buy described as "state of the art" is obsolete in a relatively short of period of time. Expenditures for the operation and related activities are set at \$554,000.

An area which gets its share of interest is the Recreation and Facilities, including the Stafford Centre, Civic Center and the Municipal Pool are under the directorship of Susan Ricks. The pool, which was built in 1984 and still receives accolades from many visitors as well as Staffordians, is a reasonably straight forward arrangement. It will have operational costs from the GF of about \$144,000 and MST

outlays of \$46,000 for replacement of the high and low diving boards. One of its most important aspects of this amenity is its service as a swimming instructional facility for the second and fourth graders of SMSD.

The Civic Center takes on a most complex funding arrangement in that it not only receives support from the GF, MST, as well as the HOT funds. One of its strongest attributes is that it is used extensively as the auditorium for SMSD. Considering it was built in 1986 and requires improvements and refurbishing, it is still thought of as one of the nicest public facilities in our county. Consolidating the expenses from these three funds, the combined outlays will be just under \$500,000. On the plus side, it is expected to bring in approximately a third of that amount in income, or \$175,000.

Ms. Ricks is also the administrator of the Stafford Centre. This facility, now in its thirteenth year of operation, has attracted more than four million guests. It is substantively supported by the GF, HOT, and SEDC. Consolidating all costs, with outstanding maintenance, refurbishing and enhancement has been most critical to the viability of this facility, the cumulative total to elevate this outstanding venue will approach \$2,918,000 with a debt service charge of \$1,270,000 for a grand total of approximately \$4,200,000.

Not to be forgotten is the special events of the City consisting of the annual 4th of July Celebration now in its fourth decade and requiring \$52,000, the Youth Programs and Sports Activities costing \$15,000 and the much anticipated and enjoyed Children Holiday Festival before Christmas bears a price tag of \$15,000.

One long outstanding department for this City has been that of Finance. With the departure of Karen Austin who held the directorship for 13 years and did an outstanding job, finding a

responsible replacement has been a challenge. That process is still ongoing. Current expenditures are just under \$350,000. Shortly with the addition of a new Director, that cost will increase to about \$500,000.

A most necessary and respected component of the City is the Municipal Court. Under the long tenure of Nicole Nguyen, this most frequented and responsible section administers Justice and generates substantial income which collects some \$2,200,000 in fines and violations.

A newly created department, yet to gain a Director, is that of Human Resource. When fully operational in this new fiscal year, this area will receive substantial focus. Some on City Council expect this to be one of the most important sectors in the City. Indications are that initial costs will exceed a quarter of a million dollars. However, with the unanticipated consequence of establishing this new department, that amount could well increase.

The Stafford Economic Development Corporation is a major component of the City and provides through its collection of a half cent sales tax significantly to projects and endeavors of the City. Additionally, it has the challenge of enticing new businesses and maintaining current ones. Unfortunately, while the new leadership of this corporation has claimed significant additions to the commercial enterprises in the City, this past year lost the City's largest sales tax contributor. Claiming that so much can be gained by giving rebates to developers and insisting on a strong pursuit on this effort, nothing has been clearly illustrated that confirms the kickbacks when couple with substantial cost for additional personnel and equipment, especially for emergency services will result in, at best, a net wash.

For over 40 years, the City has not only substantially assisted with the funding and support of this most unique school district but continues to aspire for it to become one of the most heralded in the State. In order for that to occur, it must be able to attract virtually the great majority of students from the City of all races, such that, not only do the Stafford children get the lion's share of benefits but that we aggressively attempt to establish a diversity that resembles that of the racial composition of our City. The anticipated expenditures on behalf of the District will once again exceed a half of million dollars. There is strong emphasis in this budget of attracting Stafford students and elevating diversity. The District's scheduled \$62,000,000 bond election in November may well depend on just how confident the City's electorate is in the pursuit of attracting all Stafford children, enhancing diversity and elevating academic achievement.

There is almost \$16,000,000 in salaries, health care, retirement and other benefits in this budget for personnel. A desired goal, as alluded to above, is to establish a strong emphasis on the contribution of resources through efforts of the employees for the operation and maintenance of our City. This budget contains a two percent (2%) salary increase for all employees.

Obviously, Hurricane Harvey had substantial impacts on our City as well as a very large region around us. Most fortunately, we came out as well as it could be expected when considering 39 inches of rain fell on us in a few days. In her telephone call to me, State Senator Joan Huffman, when hearing of just how well we had survived Harvey, stated, "I felt if there was one city that could get through this extremely difficult storm in reasonably good order, it was Stafford." Impacting this budget will be our ability to recover our public expenses and losses while giving direction to our citizens on how best to pursue their claims with FEMA. That effort is in full swing and with considerable help from Congressman Al Green, and Governor Greg

Abbott and Commissioner John Sharp and others, with whom we met last Thursday, I am confident that we will receive our fair share of reimbursements, which are still being calculated, and will be substantial.

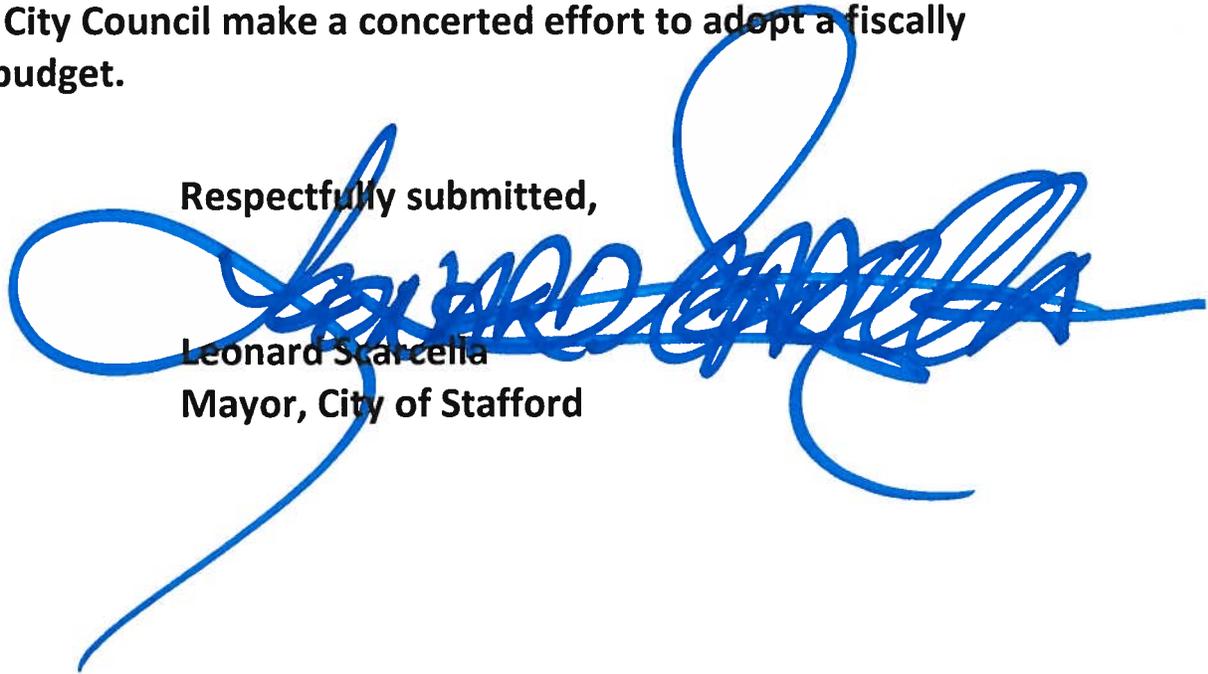
A matter worthy of note is to not only maintain but to elevate fund balances. This has been strongly emphasized by Susanne Magida, the CPA retained by Council to assist with the budget. In working with department heads, strengthening fund balances was one of her primary emphasis. Still, there is much to be done in this pursuit, especially considering that at one time, the City had an abundance of fund balances, even when sales tax revenues had dipped. As indicated above, a significant amount of fund balances have been used to support the increased number of personnel. That is why the argument is asserted here that it is so important that the personnel contribute substantially in terms of income productivity to assist with this challenge. Providing extensive services but failing to receive what is appropriate and allowed for those services is something City Council must closely examine.

Not to be ignored is the personal effort of the Mayor Pro Tem to cast aspersions on this budget and to claim that this budget is not being properly administered. However that is not surprising in view of the fact that last year, he claimed that it was not a balanced budget. The City Attorney convincingly refuted that assertion. Now he is claiming and doing everything in his power to say that the budget was not timely and appropriately filed. Once again, the City Attorney has provided a strong legal opinion for the appropriateness of the schedule prescribed by our attorney. In spite of this, Mr. Honore has demanded the City seek an Attorney General's opinion on the correctness of our attorney's opinion. In point of fact and law, the City has no authority to seek an opinion of this nature through the Attorney General—something of which Mr. Honore appeared totally

oblivious. Also apparently overlooked are the political leanings of the Attorney General, Ken Paxton, a staunch fiscal conservative, and diametrically opposed to Mr. Honore's socialistic beliefs. General Paxton is most admiring of the constraint of property taxes—and especially this City's abolition of them. Should this effort make its way onto the Attorney General's review schedule through another authority, I will certainly seek equal time in Austin to explain to the General that it is a liberal political agenda behind these rantings, and not the legal substance on which they are alleged.

While there is likely to be division over this budget, I respectfully request that City Council make a concerted effort to adopt a fiscally responsible budget.

Respectfully submitted,



Leonard Scarcella
Mayor, City of Stafford

Submitted by the Mayor to the City Secretary on
September 13, 2017.

Jomika R. Lewis, City Secretary