

# **MAYOR'S BUDGET MESSAGE**

## **CITY OF STAFFORD, TEXAS**

### **FISCAL YEAR 2011 - 2012**

**BY MAYOR LEONARD SCARCELLA**

**7 SEPTEMBER 2011**

Fashioning a budget in this economic climate is, simply put, very testy. Washington, D. C. is dysfunctional and discombobulated. Wall Street is experiencing wild swings and uncertainty, conditions it deplores. The Federal Reserve is experimenting with money easing policies never before used in an attempt to boost the floundering economy, much to the consternation of a growing number of skeptics. Multiple national corporations are hoarding cash in unprecedented amounts, and refusing to hire. All the while, many small businesses on Main Street are cash strapped, clinging for survival and unable to hire. Unemployment is stuck at above 9%, leaving tens of millions of potential employees frustrated, with little hope of securing a job. To put it more in context, the Congressional Budget Office has just forecast the national economy's projected growth through next year will drop to 1.7%.

What does this have to do with setting out the financial blueprint for the new fiscal year for Stafford? Almost everything. As has been widely recognized, Stafford has generated a strong and diverse

economy which, by carefully managing its resources and closely monitoring its expenditures, has been able to excel in good times, thus allowing sustainability during serious economic downturns. Something few others can say: This City has never trimmed back on its quality of services to its citizens, nor handed out a "pink slip" to an employee. But with everything in such disarray at the national level, and after three years of faltering with more predicted, it is truly testing our perseverance. In spite of these many hurdles, this budget maintains, and in some instances elevates, the standards this City has achieved.

The keys to continued success are basic and imperative. They comprise the major components of this budget and are as follows:

- \* No City property taxes;
- \* Maintaining quality services;
- \* Eliminating general obligation debt;
- \* Enhanced City appearance;
- \* No employee layoffs;
- \* Superior employee health care and retirement benefits; and
- \* Major infrastructure improvements.

The City budget, consolidated with its critical branch, the Stafford Economic Development Corporation, totals just under \$28 million. The largest share of revenues comes from the 2% sales tax, and tallies \$13,280,000. This amount is allocated 1/2 (or \$6,640,000) to the

General Fund, and 1/4 (or \$3,320,000) to the Debt Service Fund and the same amount to the SEDC. Franchise and other taxes, fees, and miscellaneous receipts will add up to \$7 million, and just over \$6 million of that amount will support the General Fund.

In the revenue categories, there are a few items which deserve specific attention. The Hotel Occupancy Tax will generate \$850,000 from our 19 hotels and motels. Important to note is these revenues are restricted by state law for the promotion of tourism and the arts. In our case, that allows supporting the Stafford Centre, the Civic Center, theatrical productions and festivals.

Interest income, once a significant revenue source generating several hundred thousand dollars annually, has diminished substantially as interest rates have declined to virtually zero. This year, interest income from the \$24 million on hand will total just \$56,000.

Very unique, and of extreme value to Stafford, is the Municipal Sales Tax Debt Service Fund. In order to have this fund, state law requires a city not assess property taxes. The monies flowing from the 1/2% sales tax earmarked for the reduction of property taxes go into this account. In the 17 years in which this City has declared a zero property tax, the amounts generated by this sales tax have been used primarily for the retirement of outstanding bonded indebtedness, as well as the purchase of equipment and the funding of capital projects. Last year, for the first time, a portion was used to reduce the General

Fund shortfall. Again, some of that fund, specifically \$1,500,000, will be designated to cut into the overrun in the General Fund.

While on the subject of debt, a momentous achievement has been reached in this budget. Over the past decade, the City has been counting down to 2014 when it could formally pay off all outstanding general obligation debt. Although the bond indentures formally prohibit the City from currently extinguishing the debt, we are doing the next best thing: escrowing the full remaining balance of principal and interest owed, namely \$460,330, so that the City will not have to commit another dollar to the payment of bonded indebtedness, thus becoming one of the few governmental entities in the nation to have its total general obligation debt fully covered. Are you listening Tea Party?

Moving to the expenditure side of the ledger, personnel account for \$9,900,000 of the General Fund costs. Yet without this outstanding, lean and efficient staff, the City could not function nearly as effectively. Salaries, which are being raised by at least 2% and more in the case of those having substantial leadership roles or displaying special abilities, will equal \$6,600,000. Health care and prescription drug coverage for the employees and a portion of the expense for their dependents will cost the City slightly more than \$1,600,000. The City takes pride in this self-funded plan. It has been described by a local physician as one of the best programs he has seen. Retirement and related benefits will tally \$1,300,000.

In the category of departments, Emergency Services lead the way. Our excellent Police Department is allocated \$5,400,000. The Fire Department, with its superlative nationwide ISO rating of one, will cost \$1,400,000. Included in this figure is the replacement of two pumpers and a brush truck with a combined net lease/purchase payment of \$270,000. When we see a hurricane brewing, or especially in view of the 10 year anniversary of 9/11, our thoughts immediately turn to the Emergency Management division. We have set aside \$168,000 to protect our citizens and City in these types of disasters. Rounding out this group is the Humane Department tallying \$89,000 and the Fire Marshal section with a price tag of \$94,000.

Public Works is a vital component of our function. The Street Department which will require almost \$1,844,000 and the Parks Department necessitating nearly \$880,000 in funding lead the way in this grouping. Also important to this function is the Maintenance Department, requiring \$435,000 for repairing and maintaining vehicles and equipment. The general operations of Public Works will require \$420,000. While these are the General Fund operations, highly visible activities getting much public attention fall within the purview of this section, namely: major infrastructure projects. This year, those will include the completion of Dulles Avenue and the kickoff of the Brand Lane project costing a cumulative \$1,550,000. Assuming the City can obtain state participation, tack on another \$275,000 for planning an extension of Staffordshire Road from Fifth Street to Scanlin Road.

While these areas garner the most attention, the City relies on a broad array of departmental operations. Comprising those are General Administration which covers a myriad of fundamental activities, with a price tag of about \$1,200,000; Finance, which is so vital to fiscal responsibility, encompasses not only accounting and auditing but human resources and insurance as well, and will cost about \$325,000; keeping the City sightly, healthy and progressing falls in the scope of Building and Zoning, with an expense of \$550,000; SMETV Television, costing just under \$300,000, provides live and internet television of our meetings and other City activities to not only our citizens, but those across the globe; a companion function of the television division labeled Computer will bear an expense of \$210,000 and has moved from something exotic to a most fundamental component; the Civic Center, which after a quarter-century of operations is still one of the most attractive and utilized public facilities in Fort Bend County, will bear an expense of \$384,000; and lastly on this list, yet of vital importance, is our Municipal Court, which, with a cost of just under \$700,000, has the difficult but critical charge of administering justice.

There are other elements of this budget requiring special acknowledgement. One such facility is the Swimming Pool. Due to the expensiveness, many cities are literally filling theirs up with concrete. The Stafford Pool is widely recognized for its quality, with notable groups outside the City paying to use it. It will cost \$260,000 to operate and enhance. This is more than 10 times what it will produce in income. However, it provides a much appreciated activity for our citizens--especially the children. Now to get our neighbors who use it to pay a fair price.

There are special projects in this budget. One of profound importance and carried over from last year is the pursuit of securing our water rights for the future, with \$25,000 earmarked for that evaluation. This is top priority in view of the disdain displayed against the City by Fort Bend County W.C.&I.D. No. 2, which currently controls those rights, and their continuing efforts to shackle the City with debt, while attempting to minimize the City's involvement in protecting our water rights. Other matters requiring attention include \$5,000 for each of the following: review of the City of Missouri City Animal Shelter proposal; review of the arrangement with the City of Missouri City on Sta-Mo Park; and evaluation of recycling as a result of the new garbage contract, which is going to cut the cost of this service for our citizens.

A relationship the City cherishes is that with the Stafford Municipal School District. Since creating the District in 1977, the City has provided strong support to elevate this District in a vast array of ways. This is the only municipal school district in Texas. Funding in this budget for school resource officers, trustee elections, lobbying efforts, use of the Civic Center, Stafford Centre and swimming pool, televising Board meetings and numerous school events, publishing school newsletters, and providing emergency management guidance will amount to about \$600,000. This is a year which has been touted as "transformational" for the District. The City is committed to assisting in this pursuit of excellence. The beneficiaries: the children of Stafford.

This City is identified by many in the area because of the Stafford Centre, which has garnered admiration and appreciation across a broad spectrum. Its performing arts productions and convention center events have drawn far reaching audiences, and brought many to this City who would otherwise have never come. It will require about \$475,000 from the Hotel Occupancy Tax to supplement revenues of \$1,230,000 for operations.

On the subject of the Stafford Centre, one must look to the Stafford Economic Development Corporation which made that impressive facility and the US 90-A improvements possible. Add to that the US 90-A and US 59 landscaping and monuments, and it becomes apparent just how much this Corporation has meant to our City. Since the voters approved the 1/2% sales tax more than a decade ago, the SEDC has literally changed the face and image of Stafford. Bearing the fiscal obligations of much of the construction and maintenance costs for these endeavors, it elevated its efforts to improve this City earlier in the year by adopting projects for the enticements of businesses to our City and placing banners to advise motorists of the uniqueness of Stafford. With its revenues of \$6,200,000 and expenditures of \$3,700,000, this City will continue to impress observers beyond what many believe a city as small as Stafford can achieve.

Cash in the bank, although with far less earning power than in the past, is still a strong measure of fiscal stability. Despite the struggling economy and millions spent from our cash reserves on important infrastructure endeavors, our City continues to maintain healthy cash

balances. In fact, the City has over \$16,700,000 and the SEDC more than \$6,400,000 in the bank. Some believe these amounts are free to be spent as City Council sees fit, which is not the case. State law often places restrictions on the availability of these funds for general purposes. Specifically, of the City funds only \$7,500,000 is in the general account and \$3,600,000 is in the Municipal Sales Tax Debt Service Fund. There are even greater requirements on SEDC funds. None the less, this City is in a far healthier condition than most as a result of its cash on hand.

Most agree, the one component that has propelled this City further than anyone expected in 1995 has been the elimination of the property tax. In spite of skeptics and downright cynics who predicted everything from disaster to outright doom, for the seventeenth consecutive year the City of Stafford budget is predicated on a zero property tax. A significant number of businesses have located in our City and many people live here because of it. The media has had a field day analyzing it. It has served this City very well. And when so many things across this country appear to be broken, this policy helps us to continue to hum along. Still there Tea Party?

With the economy in the doldrums, and no relief in sight, presenting a viable budget is most challenging. This budget is given as a clear illustration of attempting to live within our means, not mortgaging the future, and in doing so confound the tax and spend gurus who advocate betting on the come and living on borrowed money. We'll let others decide, but we'll bank on doing it our way--pay as we go.

Respectfully,

A large, stylized handwritten signature in black ink, which appears to be 'Leonard Scarcella'. The signature is written over the printed name and title.

Leonard Scarcella

Mayor-City of Stafford