An ACEC Texas member firm was contracted by University of Texas at Arlington and the U.S. Army Corps of Engineers during Hurricane Harvey to assist the Texas Department of Emergency Management with implementation of a study to provide inundation mapping. The purpose was to understand the breadth of flooding in order to deploy emergency services to the most critical areas. The study utilized daily inundation mapping daily employing real-time rainfall data.
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This publication assumes no responsibility for statements made by contributors in signed articles. It is not operated for pecuniary gain.

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A person who knowingly enters into a contract or other agreement to print, publish, or broadcast legislative advertising that does not contain the required information commits a Class A misdemeanor offense. Texas Town & City contains material which is legislative advertising as defined by law in the state of Texas.

Mr. Bennett Sandlin has entered into an agreement with Publication Printers Corp. for the printing of Texas Town & City magazine. Mr. Sandlin represents the member cities of the Texas Municipal League.

ABOUT THE COVER
Forecasts indicate that Texas cities will experience continued steady growth in 2019.
The Texas Municipal League exists solely to provide services to Texas cities. Since its formation in 1913, the League’s mission has remained the same: to serve the needs and advocate the interests of its members. Membership in the League is voluntary and is open to any city in Texas. From the original 14 members, TML’s membership has grown to more than 1,150 cities. Over 16,000 mayors, councilmembers, city managers, city attorneys, and department heads are member officials of the League by virtue of their cities’ participation.

The League provides a variety of services to its member cities. One of the principal purposes of the League is to advocate municipal interests at the state and federal levels. Among the thousands of bills introduced during each session of the Texas Legislature are hundreds of bills that would affect cities. The League, working through its Legislative Services Department, attempts to defeat detrimental city-related bills and to facilitate the passage of legislation designed to improve the ability of municipal governments to operate effectively.

The League employs full-time attorneys who are available to provide member cities with information on municipal legal matters. On a daily basis, the legal staff responds to member cities’ written and oral questions on a wide variety of legal matters. The League annually conducts a variety of conferences and training seminars to enhance the knowledge and skills of municipal officials in the state. In addition, the League also publishes a variety of printed materials to assist member cities in performing their duties. The best known of these is the League’s monthly magazine, Texas Town & City. Each issue focuses on a variety of contemporary municipal issues, including survey results to respond to member inquiries.

For additional information on any of these services, contact the Texas Municipal League at 512-231-7400 or visit our website, www.tml.org.
Dear Texas City Official,

The focus of this issue of Texas Town & City is city revenue and finance. What great timing! As you’ve probably heard, we’re busy at the Capitol fighting off harmful bills that would cap city revenue.

What’s odd about that is that nobody in Austin knows better how our individual city halls run than the local mayor, councils, and staff do. And why should they? State legislators were elected to run state business; we were elected to run ours. Often they are the same voters, and they trust us just as much as they do our friends at the Capitol.

Also in this issue, you’ll see survey results about the financial state of Texas cities. The results are optimistic, provided we’re left alone to do the citizens’ work. Needless to say I’m concerned about the desire of some to erode the very thing that’s made Texas great—decisions made locally at the level of our homes and business.

John B. Love III, CMO
Mayor Pro Tem
City of Midland
TML President
TML Salary Survey

The TML Salary survey collects salary information for 27 common city positions. To access the data, go to salarysurvey.tml.org. The site allows you to search by region, population, job title, age of data, and more. If your city hasn’t filled out the survey for this year, please contact Rachael Pitts at rpitts@tml.org.

Apply Now for a Municipal Excellence Award

The TML Municipal Excellence Awards have been celebrating and inspiring municipal excellence and innovation for more than 25 years. Each year, awards are given in two population categories (cities under 25,000 and cities over 25,000) and in five subject categories (city spirit, communication programs, management innovations, public safety, and public works). Applying is easy and free. Discover how at www.tml.org, click on “Resources” then “Municipal Excellence Awards.”

Your Invitation to Join the 2019 Leadership Academy Class

TML announces its 2019 Leadership Academy – a two-course, six-day program designed to enhance the leadership skills of the elected officials and staff who serve our Texas cities. Taking place April 3-5 and May 22-24 at the Sheraton Austin Georgetown Hotel and Conference Center in Georgetown, the Leadership Academy boasts an extraordinary faculty of university professors and leadership experts who will teach you to critique your actions, and develop the competencies you need to be an effective leader. Attendance is limited for the two-course program. Visit https://tmlleadershipacademy.org.

TML TRAINING CALENDAR

MARCH-APRIL

March 7-8
TML Public Funds Investment Act Training
Austin

March 11
Texas Reception at National League of Cities
Congressional City Conference
Washington, D.C.

March 14
Legislative Status Report #1:
Keep Your Finger on the Pulse
Webinar

March 28-29
Texas City Management Association
William “King” Cole Session 2
Irving

April 3-5
TML Leadership Academy – Course One
Georgetown

April 11
Legislative Status Report #2: Be Heard at the Capitol
Webinar

April 14-16
Government Finance Officers Association of Texas Spring Institute
Austin
Is the sky really falling?

No! But those electricity sales reps knocking at your City Hall doors sure want you to believe it is! Why? Because locking you into a contract using fear tactics is their stock in trade. Energy market trends show that supplies are growing and prices will remain favorable, even if volatile. So, why not contact TCAP and let us give you a calm, rational, appraisal of your options. Who are we? TCAP is Texas’ only by-cities-for-cities aggregator of electricity — the only entity of its kind the state allows to buy from the market at wholesale prices. No profit motive. No hidden gotchas. No flim-flam.
WORKERS’ COMPENSATION EXPERIENCE MODIFIER EXPLAINED

A Tool to Promote Cost Stability and Equity

In Texas, local governments are mandated to provide workers’ compensation benefits to any employee injured while in the course and scope of their duties. The TML Intergovernmental Risk Pool (Pool) enables its members to partner together in meeting the workers’ compensation requirements, as well as foster safer working environments, which leads to fewer employee injuries. Member contributions are based on three factors:

- The size of your workforce, measured in payroll dollars;
- The board-approved rates for each class of employee, measured as a rate per $100 of payroll; and
- Your experience modifier, patterned after a state adopted formula comparing expected losses to actual losses, over the previous three years.

The experience modifier adjusts your contribution based on your loss history. The purpose is to more equitably share cost among the partners in the Pool based on their individual loss experience. However, given the Pool is a risk-sharing partnership, the modifier has protections embedded that limit the impact for members with unusually high losses. The overall result is a modifier that both improves equity and promotes stability of cost long-term.

Here is how the modifier works:

- If you have a 1.0 modifier, your contribution is calculated using projected payroll times board-approved rates and there is no adjustment for losses.
- Modifiers below 1.0 indicate you have fewer losses than expected and your contribution is discounted.
- Modifiers above 1.0 indicate you have more losses than expected and your contribution is surcharged.

The two main components of the experience modifier calculation are audited payroll and losses from three prior years, not including the year most recently completed. For example, the modifier calculated for the 2018-19 fund year used the following years of data: FY2014-15, FY2015-16, and FY2016-17. If you have a significant claim today, the cost will not immediately impact your contributions in the succeeding fund year, which allows time to budget for the additional expense. In addition, the Pool’s formula caps these claims to minimize the impact on your contribution. Given the Pool is a "risk-sharing partnership," the excess cost of the high severity claim is shared by other members of the Pool. It is equally important to note that any given claim will only affect a member’s experience modifier for three years, regardless of how long the claim remains open.

A common question is why three years of loss data are used to develop the modifier. Wouldn’t it make sense to let each year stand on its own? That sounds reasonable, but a single year of claims is not necessarily a reliable picture of your operations and loss profile. Three years of data provides a more consistent picture, and helps to smooth any one bad year that could significantly affect a member’s costs. In other words, a three year perspective promotes stability, a core principle in the Pool’s mission statement.

From a risk management perspective, the use of loss data can be used to identify the types of injuries, loss patterns, and other hazards that caused your modifier to change. Members with active safety programs tend to have lower modifiers. The experience modifier directly responds to your individual efforts to prevent and manage losses.

If you would like to know more about your modifier and how to get the maximum benefit possible, please contact your member services manager to schedule a review.
In February 2000, President Clinton officially dedicated March as National Colorectal Cancer Awareness Month. Since then, it has grown to be a rallying point for the colon cancer community where thousands of patients, survivors, caregivers, and advocates throughout the country join together to spread colorectal cancer awareness.

Colorectal cancer is the third most common type of non-skin cancer in men (after prostate cancer and lung cancer) and in women (after breast cancer and lung cancer). It is the second leading cause of cancer death in the United States after lung cancer.

But there is good news. The rate of new colorectal cancer cases and deaths is decreasing in the United States.

What is colorectal cancer? It is cancer that starts in the large intestine. Colorectal cancer causes cells in the colon to become abnormal and divide forming a mass called a tumor.

Colorectal Cancer Screening

Colorectal cancer screening can detect cancer, polyps, or other abnormal cell growth. Finding and removing polyps or other areas of abnormal cells may be one of the most effective ways to identify the risk of colon cancer. Completing the fecal occult blood test (FOBT) yearly may promote early detection. If colon cancer is found early, it is generally more treatable and less likely to spread. Living a healthy lifestyle and participating in your wellness program by taking the fecal occult blood test (FOBT) yearly can help promote early detection.

Two of the most common screening tests include:

- Fecal Occult Blood Test (FOBT) - This test can detect small amounts of blood in the stool, which can be indicative of cancer.
- Colonoscopy - A colonoscope can examine the rectum and lower colon. A biopsy of abnormal areas or polyps can be performed during the procedure.

Risk Factors

- Age over 50
- Polyps
- Personal or family history
- History of inflammatory bowel disease, ulcerative colitis, or Crohn’s disease
- Diet high in fat, calories, and low in fiber

Signs and Symptoms

A common symptom of colorectal cancer is a change in bowel habits.

Symptoms include:

- Having diarrhea or constipation
- Feeling that your bowel does not empty completely
- Finding blood (either bright red or very dark) in your stool
- Finding your stools are narrower than usual
- Frequently having gas pains or cramps, or feeling full or bloated
- Losing weight with no known reason
- Feeling very tired all the time
- Having nausea or vomiting

Most often, these symptoms are not due to cancer. Other health problems can cause the same symptoms. If you have these symptoms, you should see a healthcare provider to be diagnosed and treated as early as possible.
Call for Artists in Tyler

The City of Tyler and Keep Tyler Beautiful announced a public art opportunity at Hillside Park, east of downtown. The City’s vision is to feature a 200 foot art wall made up of 20 concrete slates filled with original artwork that represents the community, and inspires hope, happiness, and other positive emotions. The art wall is part of new renovations at Hillside Park that were approved by the city council last year, and will be funded primarily through the half-cent sales tax project. Artists of all ages and experiences were invited to submit a sketch in electronic form via email for potential selection. Full project details can be found at www.KeepTylerBeautiful.com.

Anna Welcomes Fire Engine with Time-Honored Tradition

The Anna Fire Department recently hosted a Push-In Ceremony to celebrate the arrival of its new Pierce Enforcer Rescue Pumper Fire Engine. The celebration of a new piece of equipment has been a source of pride for fire companies for more than 100 years, dating back to times when equipment was either hand or horse-drawn and firefighters regularly pushed it into the station.

More than 500 residents attended the Push-In Ceremony which gave local firefighters the opportunity to demonstrate their pride and devotion to their city. It also gave community members – young and old – the chance to meet with and honor the firefighters who protect them.

Mayor Nate Pike said, “I’m very proud of our fire department and the direction they are heading. There was overwhelming support from the community, which made it even more special.”

Make Your Mark in Roanoke

Residents in Roanoke may now leave a permanent mark in the new city hall courtyard. Through the City of Roanoke Brick Paver Program, a number of the city hall courtyard walkways will be decorated with engraved bricks in honor of, memory of, or recognition of someone special. All bricks are subject to review and approval by City of Roanoke staff. Individuals can purchase a 4"x8" brick paver for $75 which includes up to three lines of text and 18 characters per line, or an 8"x8" brick paver for $250 which includes up to six lines of text and 18 characters per line. It’s an opportunity for residents to become a permanent part of Roanoke history.
Wylie Fire’s ‘Warrior’
Still Serving Community

The Warrior, Wylie Fire Rescue’s Sutphen fire engine purchased new in July 1992, has been removed from the front line, but its mission will continue in a new, equally noble role: acting as a caisson for firefighter funerals and as a parade vehicle.

The engine first served Wylie’s volunteer firefighters, then part-time firefighters, then Wylie’s first paid firefighters as the agency grew. The Warrior was the department’s primary engine until the first Quint was put in service in 1996. It rotated to Engine 2 in 1998; and became the primary reserve vehicle in 1999. Recently, although it was time to consider its retirement, it was decided that the Warrior would instead be converted and assume a new function. In addition to providing a fitting tribute to fallen firefighters, it would enable WFR to honor more parade requests.

Department members facilitated the renovation. Firefighting equipment was removed. A wood floor was installed and braced, along with fold-up bench seats on each side of the rear passenger area. Custom walk-up ramps, stored in on-board compartments, were manufactured for funeral duties. The casket roller system can be locked in when needed and removed and stored for parade use.
Phase One: Develop Roanoke Downtown Plan

This first phase clearly established Original Town as an important economic development asset. The challenge was to build upon what was already in place. Business, civic, and other community leaders, as well as members of the general public, established a guiding principle that became apparent to the project team during the early assessment stages of this first phase. The guiding principle established that there was (and is) immense pride in the Original Town and that it must continue to be a unique place.

Phase Two: Implement Downtown Roanoke Plan Through Form-Based Codes

The second phase of the process included the implementation of the Downtown Roanoke Plan through an innovative form-based code. The Oak Street Corridor within downtown Roanoke was identified as the primary redevelopment area, and the form-based code was based upon existing conditions within the Oak Street Corridor and the policies established in the Downtown Plan. The primary goal of the form-based code was to allow flexibility in use while prescribing the urban form of the development to promote placemak-
The form-based zoning district was adopted in conjunction with a regulating plan that established other area and bulk standards such as heights and building setbacks. The new zoning district for the Oak Street Corridor established standards for walkability, streetscape improvements, building typologies, and architectural design. The second phase was completed when the City adopted its first form-based code in January 2006.

**Phase Three: Renovate Existing Roadway and Infrastructure**

The third phase included a revitalization of downtown by renovating the existing infrastructure. These improvements included the Oak Street Reconstruction Project, which consisted of more than 4,000 linear feet of roadway improvements. This was a Capital Improvement Project (CIP) that conformed to the Downtown Plan and the Oak Street Corridor Zoning District. The existing roadway was upgraded from a two-lane asphalt road with open ditches to a two-lane concrete roadway with curb, gutter, storm drain system, large sidewalks, and parallel parking. Paving, landscaping, streetscape, street lighting, sidewalks, water, sanitary sewer replacements, and drainage improvements were the primary elements of this project. Other features of the project included two roundabouts, stamped concrete used in the crosswalks and along tree wells, decorative streetlights, tree grates with the city logo, and 116 on-street parking spaces. The reconstruction project cost approximately $7.6 million.

**Phase Four: Develop Roanoke City Center**

The Roanoke City Center, which is the last phase in completing the Downtown Plan, is currently underway and includes an extension of Oak Street and the development of a mixed-use concept anchored by a new city hall and ho-
tel and conference center. City staff worked diligently with the property owner of a 22-acre tract of land where the existing roadway and downtown dead-ended. The property owner donated the land that allowed the City to extend the downtown and Oak Street with the same design standards and characteristics as previously constructed. The new section of roadway includes concrete streets with curb and gutter, large sidewalks (promoting walkability), street trees and landscaping, park benches, stamped concrete paving, street lighting, and parallel parking. The property owner also donated a 15-acre tract of land for the City to construct a new city hall.

After the city hall needs assessment was completed in 2016, an architecture firm was then engaged to start the design. Groundbreaking for this new state-of-the-art facility took place in 2017, and the new city hall officially opened in January 2019. The new city hall complex complements the historic relevance and downtown aesthetics Roanoke prides itself on and will be a staple for the community to enjoy and utilize for many years.

As part of a public-private partnership, the City of Roanoke started the construction of all public infrastructure throughout the City Center mixed-use civic zone area in 2017, including 166 additional on-street parking spaces and a 418 space parking garage. The City Center project will be Roanoke’s first mixed-use type concept, which will be anchored by a hotel and conference center.

The City has already attracted multiple restaurants, an 18,000 square foot themed sports bar with music venue (Chop Shop Live), a 55,000 square foot family entertainment facility, 311 urban residential living units, and a townhome community consisting of 36 brownstones (both broke ground November 2017). As illustrated above, the City Center project has been a catalyst in bringing new concepts, retail, office, and additional eclectic restaurants to downtown.

Economic Development

As a result of the Downtown Plan, resulting zoning district and revitalization the City is currently experiencing an increase in development activity along the downtown corridor. In addition, there are now new opportunities for incentives from our development corporations. The City of Roanoke has two economic development corporations, Type A and Type B. These corporations deal with recruiting commercial development and financing new infrastructure, as well as many other business-related facets. Both corporations also provide funds to improve economic development and the quality of life in Roanoke. They each receive a one-half cent sales tax of each dollar spent in Roanoke. These funds have proven to be very effective. Roanoke has utilized tax abatements, Chapter 380 Rebates, and other performance agreements as incentive tools for multiple projects over the years. These economic development tools allow the city to offer healthy incentives without compromising its fund balance and include benchmark performance measures.

Uniquely Roanoke

Roanoke is a dynamic and growing community, offering small-town charm and family-friendly atmosphere with ready access to local amenities. The City’s natural charm was enhanced by this development process and the beautiful architecture preserved in the historic downtown. Downtown Roanoke exemplifies a successful planning effort that has established the community’s vision for the heart of Roanoke. The entire process of transitioning the Roanoke downtown took dedication and perseverance by the city council, city leaders, and the local community. ★

Roanoke Fun (and Tasty) Facts

- Downtown Roanoke was listed on the National Register of Historic Places in 2007, along with receiving a Texas historic landmark marker for a renovated Roanoke Visitor Center and Museum.
- Roanoke was officially appointed by the Texas House of Representatives as “The Unique Dining Capital of Texas” in June 2009. This recognition was due to Roanoke being an immensely popular dining destination due to the great variety of cuisines and fine dining experiences.
- The individuality and outstanding quality of Roanoke’s dining options, which currently exceed 60 restaurants, have earned our historic community admiration from numerous culinary enthusiasts and have made it a favorite place to visit.
- The City hosts multiple events and festivities in downtown including Celebrate Roanoke, Evenings on Oak Street, Roanoke Round-Up, Christmas Parade, and Farmers’ Market.
Q Who is considered to be the city’s budget officer?

A The budget officer is the mayor, except that in a city having the city manager form of government, the budget officer is the city manager. Tex. Loc. Gov’t Code Ann. § 102.001. A city council does not have the authority to reassign the mayor’s statutory duties as budget officer to another city official. Tex. Att’y Gen. Op. No. JC-0544 (2002), at 2.

Q What information must be contained in the budget?

A A budget must contain the following information:

1. The budget officer shall itemize the budget to allow as clear a comparison as practicable between expenditures included in the proposed budget and actual expenditures for the same or similar purposes made for the preceding year. The budget must show as definitely as possible each of the projects for which expenditures are set up in the budget and the estimated amount of money carried in the budget for each project.

2. The budget must contain a complete financial statement of the municipality that shows:
   a. the outstanding obligations of the municipality;
   b. the cash on hand to the credit of each fund;
   c. the funds received from all sources during the preceding year;
   d. the funds available from all sources during the ensuing year;
   e. the estimated revenue available to cover the proposed budget; and
   f. the estimated tax rate required to cover the proposed budget.


Q What is the proposed budget?

A The procedure for adopting a budget commences with the preparation of a “proposed budget” by the budget officer. Tex. Loc. Gov’t Code Ann. § 102.002. The proposed budget must be filed with the city secretary prior to the 30th day before the date the city adopts its tax levy for the fiscal year. Id. at § 102.005(a). After it is filed, the proposed budget must be made available for inspection by any person, and if a city maintains a website, the proposed budget must be posted on the website. Id. at § 102.005(c).

When a proposed budget is filed with the municipal clerk that will require raising more revenue from property taxes than in the previous year, the proposed budget must include a cover sheet that includes the following statement in at least 18-point type: “This budget will raise more total property taxes than last year’s budget by (insert total dollar amount of...
increase and percentage increase), and of that amount (insert amount computed by multiplying the proposed tax rate by the value of new property added to the roll) is tax revenue to be raised from new property added to the tax roll this year.” Id. at § 102.005(b).

**Q** Must a city hold a public hearing on the budget?

**A** Yes. The city council must hold a public hearing on the proposed budget. Tex. Loc. Gov’t Code Ann. § 102.006(a). Any interested person may attend and participate. Id. The public hearing date must occur after the 15th day following the date the proposed budget is filed with the city secretary but before the tax levy. Id. at § 102.006(b). The city must publish notice of the budget hearing in at least one newspaper of general circulation in the county in which the city is located between ten and 30 days before the hearing. Id. at § 102.0065. If the proposed budget will require raising more revenue from property taxes than in the previous year, the published notice must include the same notice provided under Section 102.005 of the Local Government Code. Id. at § 102.006(c).

A city council must take some sort of action on the budget at conclusion of the budget hearing. Id. at § 102.007(a). This action could be either to adopt the budget, or it could be a vote to postpone the final budget vote. It is generally accepted that the city need not adopt the budget at the end of the hearing. Before adopting the proposed budget, the city council may make any changes it considers warranted by law or in the best interest of the taxpayers. Id. § 102.007(b).

**Q** When must the budget be adopted?

**A** Interestingly, Chapter 102 of the Local Government Code doesn’t impose a specific deadline. The statute does provide that a city may only levy property taxes in accordance with a budget. See Tex. Loc. Gov’t Code Ann. § 102.009(a). Most attorneys take this statement to mean that a city’s budget must be adopted before the city’s property tax rate, assuming the city levies a property tax. A city must adopt its property tax before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the city. Tex. Tax. Code § 26.05(a). Taken together, these statutes essentially require a city that levies a property tax to adopt its budget before September 30 or the 60th day after the certified roll is received by the city.

**Q** What is required of the city once the budget is adopted?

**A** If the adoption of a budget will require raising more revenue from property taxes than in the previous year, state law requires the city council to vote to ratify the property tax increase reflected in the budget. Id. at § 102.007(c). This vote to ratify a property tax increase is in addition to, and separate from, the vote to adopt the budget or the vote to set the tax rate as required by Chapter 26 of the Tax Code. Id. at § 102.007.

In 2013, legislation passed that requires all adopted budgets to include a cover sheet. The cover sheet must contain the following items:

1. A statement, in 18-point or larger type, that contains specific statutory language depending upon whether the budget will raise more, less, or the same amount of revenue from property taxes as the previous year’s budget;

2. The record vote of each member of the governing body by name voting on the adoption of the budget;

3. The following city property tax rates for the preceding and current fiscal years:
   a. The property tax rate;
   b. The effective tax rate
   c. The effective maintenance and operations tax rate;
   d. The rollback tax rate; and
   e. The debt rate; and

4. The total amount of city debt obligations secured by property taxes.

Tex. Loc. Gov’t Code Ann. § 102.007(d).

When the budget is approved, a copy of the final budget must be filed with the city secretary and the county clerk. Tex. Loc. Gov’t Code Ann. §§ 102.008, 102.009(d), and 102.011. In addition, a city that maintains a website must ensure that a copy of the budget, including the cover sheet, is posted on the website and the record vote on the cover sheet is posted on the website at least until the first anniversary of the date the budget is adopted. Id. at § 102.008(a). The city council is required to ensure that the cover page of the
budget is amended to include the requisite property tax rates required by statute for the current fiscal year if the rates are not included on the cover page when the budget is filed with the city secretary. *Id.* at § 102.008(b).

**Q** Under what circumstances may the budget be amended?

**A** Sections 102.009 and 102.010 of the Texas Local Government Code authorize the governing body to amend the budget. Section 102.009 authorizes “an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention.” Section 102.010 provides, “this chapter does not prevent the governing body of the municipality from making changes in the budget for municipal purposes.”

Harmonizing these sections together leads to the conclusion that an amendment to authorize a new or additional expenditure must be justified by a finding of “grave public necessity,” whereas other budget amendments (for instance, to reduce an expenditure) would not require such a finding. *Rains v. Mercantile National Bank of Dallas*, 188 S.W.2d 798, 803 (Tex. Civ. App.—El Paso 1945). *aff’d on other grounds*, 191 S.W.2d 850 (Tex. 1946).

A court will disturb the city council’s determination of “grave public necessity” only if there is no evidence to support such a finding. *Bexar County v. Hatley*, 150 S.W.2d 980 (Tex. 1941). When grave public necessity is required to be found, the ordinance should recite the existence of the same and should recite the facts that give rise to the existence or grave public necessity. *Guerra v. McClellan*, 243 S.W.2d 715 (Tex. Civ. App.—San Antonio 1951, mandamus overruled); *Tex. Att’y Gen. LO-97-051* (1997), at 2.

A city council must amend the budget by adopting an act of “equal dignity.” *Tex. Att’y Gen. Op. No. GA-0431* (2006), at 2. Therefore, a budget ordinance may only be amended by an ordinance, and not by a resolution, motion, or order. *Id.* After an ordinance is adopted amending the budget, the amendment must be filed with the city secretary and with the county clerk. *Tex. Loc. Gov’t Code Ann.* §§ 102.009(c) and 102.009(d). ★
TEXAS ECONOMIC FORECAST:
CONTINUED BUT SLOWING GROWTH

By Glenn Hegar
Texas Comptroller of Public Accounts

The Texas economy performed so well last year that we updated our revenue estimate early last summer to let legislative leaders know they could expect billions of dollars more in tax collections.

We affirmed and expanded on that forecast when we delivered the biennial revenue estimate (BRE) January 7, on the eve of the convening of the 86th Legislature.

Lawmakers writing the 2020-21 budget – while tackling the ambitious task of reforming school finance and reducing the local property tax burden – are estimated to have state revenue available for general-purpose spending of $119.1 billion. That is an increase of 8.1 percent from the corresponding estimated amount available for the 2018-19 biennium.

The projected total includes revenue growth plus an ending balance of $4.2 billion in the current budget cycle. It reflects required transfers to the Economic Stabilization Fund (ESF) and State Highway Fund.

We also set aside $211 million to cover a projected shortfall in the Texas Tomorrow Fund, the state’s original prepaid tuition program.

That program’s funding gap is just one of the longstanding needs confronting lawmakers. Similarly, if state employee pensions are not addressed, Texas could see an embarrassing downgrade in its credit rating.

Lawmakers’ actions will affect the state’s programs, its financial health, local governments, and — thus — all Texans. As lawmakers address the tough issues, they can rest assured that Texas has an economy worth bragging about.

The state added 391,800 jobs in the 12 months ending in December. Unemployment dipped to an historic low of 3.7 percent.

Sales tax collections grew by 10.5 percent from fiscal 2017. Vigorous oil and natural gas production bolstered our finances.

But along with these positives, there are potentially troubling economic signs.

After reaching $75 per barrel in October, oil prices declined and are expected to average $53 in 2019, $50 in 2020, and $53 in 2021. Interest rates have been rising. Trade policy is unsettled; the global economy has shown signs of slowing.

All this heightens the importance of managing our money wisely. To that end, we have a proposal to address our long-term obligations by better managing the ESF, also known as the rainy day fund. The current balance is more than $11 billion; most of it is invested in a way that doesn’t keep pace with inflation.

We’d like to use part of the ESF to create an endowment called the Texas Legacy Fund that would generate more revenue.

Our proposal would maintain a healthy balance in the ESF, while allowing the Texas Legacy Fund to generate earnings that could total billions of dollars in future years to address our obligations.

With innovative thinking, Texas will remain a leader regardless of how the current uncertainty plays out.

A Closer Look at Texas Industries

In Texas’ highly diverse, complex economy, a broad range of industries perform differently at any given time. Economists identify 11 major non-agricultural industries:

Goods Producing
• construction
• manufacturing
• mining and logging

Service Providing
• education and health services
• financial activities
• government
• information
• leisure and hospitality
• other services
• professional and business services
• trade, transportation, and utilities

Let’s examine recent trends and projections in each, as outlined in the BRE.

Construction

Employment in construction increased by eight percent to 766,700 in August 2018. The largest boost was in the construction of buildings at 10.4 percent. Single-family building permits were up by 10 percent in fiscal 2018 compared to 2017, while permits for multi-family units rose by 11.4 percent. At the same time, the median sales price for existing Texas single-family homes rose by 3.9 percent to $235,000 in August 2018, according to Multiple Listing Service data from the Texas A&M Real Estate Center. We project that construction employment will grow by five percent in 2019 and by an average of 4.8 percent annually in the 2020-21 biennium.

Manufacturing

Manufacturing gained 25,100 jobs over the past year, a 2.9 percent increase. Durable goods employment was up significantly, led by increases in machinery and fabricated metal manufacturing. Both sectors are closely associated with oil and natural gas exploration and production. The gross state product (GSP) attributable to manufacturing activity was estimated at $220 billion in fiscal 2018, up 8.5 percent from 2017. Meanwhile, exports’ value through
August 2018 was 21.1 percent higher than in the corresponding period of 2017.

Manufacturing employment is projected to increase by 3.1 percent in fiscal 2019 and by 0.4 percent in 2020. We project, however, that it will fall by 0.4 percent in fiscal 2021.

**Mining and Logging**
This industry largely consists of oil and natural gas production companies, which lost more than 100,000 jobs from August 2014 through August 2016. The sector since has regained ground but remains below its 2014 peak. Besides exploration, many of the nation’s largest refining and distribution companies have their headquarters in Texas, and there are numerous energy-related jobs in other industries. Employment in mining and logging is projected to grow by 7.3 percent in fiscal 2019 and by an average of 2.5 percent annually in the 2020-21 biennium.

**Education and Health Services**
Composed of the educational services and health care and social assistance sectors, this industry added 44,900 jobs in fiscal 2018, an increase of 2.7 percent. The relatively small educational services sector saw an increase of 13,900 jobs, or 6.9 percent, while the much larger health care and social assistance sector grew by 2.1 percent, or 31,000 jobs. Industry job growth is projected to be 2.2 percent in 2019 and to average 1.2 percent annually in the 2020-21 biennium.

**Financial Activities**
The number of jobs in financial activities grew by 17,300, up 2.3 percent. The finance and insurance sector grew by 1.6 percent; the real estate and rental and leasing sector grew by four percent. Credit intermediation is the industry’s largest subsector. Employment in this industry is projected to grow by 1.5 percent in 2019 and by an average of 1.3 percent annually in the 2020-21 biennium.

**Government**
Employment in government increased overall by 0.1 percent, or 2,800 jobs, over the year, but not every area saw an increase. Federal and local government employment rose, but state government employment dropped. We project government employment will grow by one percent in 2019 and by an average of 1.5 percent annually in the 2020-21 biennium.

**Information**
The information industry includes established areas (newspaper publishing, data processing, television broadcasting, wired telephone services) and newer ones (cell phone service providers, internet providers, software). It was the only one of the 11 major nonfarm industries to experience an employment decline over the year, dropping by 2.8 percent to 195,900 jobs in August 2018. Employment in this industry is projected to grow by 0.7 percent in 2019 and by an average of 2.1 percent annually in the 2020-21 biennium.

**Leisure and Hospitality**
Employment in this industry grew by 3.6 percent, or 47,800 jobs, over the fiscal year. Most gains occurred in the food services and drinking places sector, which increased by 3.2 percent, adding 34,200 jobs. The amusement, gambling, and recreation industries sector saw the largest percentage increase at 4.1 percent, or 4,600 jobs. Leisure and hospitality employment represented about 11 percent of total Texas jobs in August 2018. We project industry employment will grow by 1.4 percent in 2019 and by an average of 1.1 percent annually in the 2020-21 biennium.

**Other services**
This industry is a mix of activities including repair and maintenance services; laundry services; funeral services; parking garages; beauty salons; religious, political, and civic organizations; and a wide range of personal services. Its jobs total rose by 14,000 to reach 438,100 in August 2018. Employment in this industry is projected to grow by 1.3 percent in 2019, decline by 0.6 percent in 2020, then rise by 0.2 percent in 2021.

**Professional and Business Services**
This industry added 89,000 jobs in fiscal 2018, an increase of 5.3 percent. The largest gains were in employment services at 8.3 percent and business support services at 9.8 percent; only accounting services recorded a net decrease. The employment services sector, which includes temporary help agencies and many temporary and/or part-time positions, had the largest absolute increase in number of jobs at 24,200. Job growth is projected to be 5.1 percent in 2019 and to average 3.8 percent annually in the 2020-21 biennium.

**Trade, Transportation, and Utilities**
The state’s largest employer with 20 percent of total nonfarm jobs in August 2018, this industry added 64,000 jobs, a 2.6 percent increase over the year. Employment rose in all three subsectors: retail trade, wholesale trade and transportation, warehousing, and utilities. Employment in this industry is projected to increase by two percent in 2019 and by an average of 0.4 percent per year in the 2020-21 biennium.

**Outlook**
The Texas economy is projected to grow by four percent in fiscal 2019 as measured by real GSP, followed by growth of 2.8 percent in 2020 and 2.3 percent in 2021. Among the positive signs, Texas is home to seven of the nation’s 15 fastest-growing large incorporated cities, according to recent estimates by the United States Census Bureau. The top three on that list are Frisco, New Braunfels, and Pflugerville. Despite the potential concerns stemming from trade tensions, volatile energy prices and the effect of the global economy, our forecast for the state is based on an expectation of moderate – albeit slowing – economic growth from fiscal 2019 through 2021.★
FISCAL CONDITIONS SURVEY REFLECTS STEADY GROWTH

By JJ Rocha, TML Legislative Liaison

Each year, TML conducts a fiscal conditions survey of its member cities. This year, with 471 cities responding, the survey demonstrates that – while cities have dealt with rapid population growth – they have maintained city services and strengthened financial stability.

It is no surprise that in recent years, Texas has experienced incredible growth. Many cities have seen their populations grow by more than 10 percent since 2010, with some experiencing an upwards of 30 percent growth. According to the United States Census, Texas has led the nation in annual population growth for each year between 2010 through 2018. Texas cities have felt that impact. In fact, seven of the 15 fastest growing cities are located here. The Texas population surpassed 28 million in 2017. To put that in perspective, the Texas population in 2013 was 26.4 million. That means Texas has experienced an increase of nearly two million people in just five years.

In 2015, the state demographer projected the state’s population will double by 2050. This would mean 25 million more people living in Texas in 35 years. Recent trends have shown populations shifting from rural to urban areas, indicating that cities will experience the majority of the future population growth. Currently, 74 percent of the Texas population...

### Municipal Revenue

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<tbody>
<tr>
<td>Current year revenue lower than last year’s revenue</td>
<td>47.8%</td>
<td>41.4%</td>
<td>29%</td>
<td>25.1%</td>
<td>23.9%</td>
<td>18.7%</td>
<td>25.5%</td>
<td>22.3%</td>
<td>23.1%</td>
<td>16.2%</td>
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<tr>
<td>Expect lower revenue next year</td>
<td>37.8%</td>
<td>29.9%</td>
<td>22%</td>
<td>20.7%</td>
<td>15.9%</td>
<td>19.6%</td>
<td>7.4%</td>
<td>7.62%</td>
<td>8.0%</td>
<td>3.0%</td>
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<tr>
<td>Expect revenue to remain constant next year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45.5%</td>
<td>46.3%</td>
<td>45.7%</td>
<td>48.4%</td>
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### Change in Property Tax Rates

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<tbody>
<tr>
<td>No change</td>
<td>49.7%</td>
<td>42.3%</td>
<td>47.1%</td>
<td>52.6%</td>
<td>49.4%</td>
<td>49.1%</td>
<td>47.2%</td>
<td>41.7%</td>
<td>42.8%</td>
<td>46.5%</td>
</tr>
<tr>
<td>Raised Rate</td>
<td>34.8%</td>
<td>43.0%</td>
<td>36.3%</td>
<td>30.4%</td>
<td>33.2%</td>
<td>27.1%</td>
<td>27.9%</td>
<td>31.1%</td>
<td>28.4%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Reduced Rate</td>
<td>15.5%</td>
<td>14.7%</td>
<td>16.6%</td>
<td>17.0%</td>
<td>17.4%</td>
<td>23.8%</td>
<td>16.1%</td>
<td>18.7%</td>
<td>18.8%</td>
<td>19.4%</td>
</tr>
<tr>
<td>City does not levy property tax rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.8%</td>
<td>8.6%</td>
<td>10.0%</td>
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### Adopted Tax Rate Relative to Effective Rate

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<tbody>
<tr>
<td>Higher than effective rate</td>
<td>45.4%</td>
<td>35.9%</td>
<td>38.1%</td>
<td>40.1%</td>
<td>49.2%</td>
<td>59.2%</td>
<td>56.7%</td>
<td>55.2%</td>
<td>60.1%</td>
<td>56.6%</td>
</tr>
<tr>
<td>Same as effective rate</td>
<td>31.3%</td>
<td>37.9%</td>
<td>35.3%</td>
<td>24.3%</td>
<td>20.2%</td>
<td>14.9%</td>
<td>33.3%</td>
<td>32.5%</td>
<td>29.9%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Lower than effective rate</td>
<td>23.3%</td>
<td>26.2%</td>
<td>26.6%</td>
<td>35.6%</td>
<td>30.6%</td>
<td>25.8%</td>
<td>10.0%</td>
<td>12.3%</td>
<td>10.0%</td>
<td>11.6%</td>
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(20.8 million people) lives in incorporated areas. Further, 89 percent of Texans (25.3 million people) live in metropolitan statistical areas (MSAs). In other words, the vast majority of Texans live, work, and play in or around cities. While most Texans live in or close to cities, not all pay their fair share of property taxes that go to fund city services, yet they enjoy nearby services including parks and streets.

Cities are the government closest to the people and play a significant role in the quality of life for communities. Citizens benefit from the core services that cities provide, such as public safety (EMS, fire, and police), streets, parks, public transportation, libraries, utilities, and other vital services. Those services are funded by property taxes and other sources of revenue.

With little financial assistance from the state, cities are tasked to manage growth or decline and rely on their own capacity to generate revenue. The state provides almost no funding for the provision of city services. In fact, Texas ranks 47th out of the 50 states in the amount of state-generated revenue as a percentage of their budgets. Nevertheless, cities have constantly maintained city services. This past year, only 19 percent of cities either reduced or eliminated services. Just 22 percent of cities postponed capital spending, a growing trend since 2011, and the lowest level since we began this survey. As cities grow, user fees (water, wastewater, and solid waste) have steadily increased in recent years.

A majority (65.9 percent) of cities either did not change or reduced their property tax rate. Eighty percent of cities reported their revenue increased or was unchanged from the previous year. For those cities that adopted a property tax rate higher than the effective rate, 43 percent of cities adopted an effective rate lower or unchanged from the previous year. For those cities that adopted a property tax rate higher than the effective rate, the median increase was 4.32 percent.

The survey reinforces the notion that no two Texas cities are identical. Cities may respond differently to economic conditions, and that is why the legislature should not impose one-size-fits-all mandates or revenue restrictions on cities. City officials engage with residents every day and are the most familiar with local issues. They must have the flexibility to respond to fluctuations in revenue sources and to the different levels of services city taxpayers demand.

The full results are online on TML’s website at www.tml.org, click on “Resources” and then “Surveys." ★

### Cities That Increased Fees

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<tbody>
<tr>
<td>Solid Waste</td>
<td>22.8%</td>
<td>24.8%</td>
<td>22.2%</td>
<td>23.1%</td>
<td>20.7%</td>
<td>19.1%</td>
<td>15.8%</td>
<td>16.7%</td>
<td>19.2%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Water</td>
<td>32.1%</td>
<td>35.5%</td>
<td>30.2%</td>
<td>27.3%</td>
<td>32.3%</td>
<td>33.1%</td>
<td>34.2%</td>
<td>31.1%</td>
<td>30.5%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Wastewater</td>
<td>26.0%</td>
<td>32.3%</td>
<td>26.3%</td>
<td>25.1%</td>
<td>24.7%</td>
<td>24.5%</td>
<td>27.3%</td>
<td>25.3%</td>
<td>25.2%</td>
<td>20.6%</td>
</tr>
<tr>
<td>One or more fee</td>
<td>43.7%</td>
<td>47.2%</td>
<td>44.0%</td>
<td>41.2%</td>
<td>59.2%</td>
<td>57.9%</td>
<td>64.6%</td>
<td>44.7%</td>
<td>42.5%</td>
<td>49.7%</td>
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### Cost-Saving Measures

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<tbody>
<tr>
<td>Hiring freeze</td>
<td>17.4%</td>
<td>17.9%</td>
<td>16.0%</td>
<td>7.6%</td>
<td>4.4%</td>
<td>3.8%</td>
<td>2.9%</td>
<td>3.2%</td>
<td>4.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Wage freeze</td>
<td>19.1%</td>
<td>23.8%</td>
<td>16.0%</td>
<td>5.9%</td>
<td>4.2%</td>
<td>3.4%</td>
<td>3.5%</td>
<td>4.5%</td>
<td>2.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Reduced services</td>
<td>8.5%</td>
<td>6.7%</td>
<td>8.0%</td>
<td>3.2%</td>
<td>2.6%</td>
<td>1.3%</td>
<td>2.5%</td>
<td>2.1%</td>
<td>2.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Eliminated services</td>
<td>4.3%</td>
<td>2.9%</td>
<td>3.0%</td>
<td>1.7%</td>
<td>15%</td>
<td>1.3%</td>
<td>0.6%</td>
<td>0.8%</td>
<td>1.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Reduced salaries</td>
<td>0.9%</td>
<td>1.7%</td>
<td>2.0%</td>
<td>1.3%</td>
<td>0.9%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Laid off employees</td>
<td>10.2%</td>
<td>10.7%</td>
<td>10.0%</td>
<td>4.5%</td>
<td>3.8%</td>
<td>3.0%</td>
<td>14%</td>
<td>3.2%</td>
<td>31%</td>
<td>19%</td>
</tr>
<tr>
<td>Postponed capital spending</td>
<td>49.2%</td>
<td>52.4%</td>
<td>43.0%</td>
<td>36.9%</td>
<td>29.7%</td>
<td>36.0%</td>
<td>28.7%</td>
<td>26.4%</td>
<td>24.4%</td>
<td>22.0%</td>
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Did you know that since 1997, the Texas Department of Transportation (TxDOT) has loaned more than $616.3 million for Texas roadway projects from the State Infrastructure Bank (SIB)? TxDOT wants to spread the word about this unique program to local governments to consider when analyzing options to finance roadway projects.

The SIB works as a “revolving” loan fund – which means all interest and principal from the loans is reinvested back into the SIB to make additional loans. Currently, the SIB has a large cash balance of $300 million to lend, as over the past few years several large loans have been repaid.

What types of roadway projects are eligible for SIB loans?

The SIB can provide assistance for construction of a federal-aid highway, which is a public highway eligible for federal assistance other than a highway functionally classified as a local road or rural minor collector.

The project must be consistent with the transportation plan developed by the local metropolitan planning organization and with the Statewide Transportation Improvement Program. Your local TxDOT district office can help determine if a project meets these qualifications.

Eligible loan costs include all costs incidental to the construction or reconstruction of public highways, such as construction: utility relocation, right of way acquisition, appraisal and testing, engineering, surveying, and inspection. Financial advisory fees are also an eligible use of SIB proceeds.

Environmental Approval – A SIB loan cannot be funded unless the environmental review for the project has been completed.

Local governments are frequently required to contribute to TxDOT roadway projects – however the SIB can also lend for local roadways. Here are a few examples:

How does a local government get a SIB loan?

Cities and other entities may complete and submit an application to TexasSIB@txdot.gov with the information listed in the Texas Transportation Commission’s rules at http://bit.ly/2Bh6oOw.
• The application will require a project description, financial history for five years, and preference for length of a loan repayment and a resolution to apply from the governing body.

• Provide any additional information requested by TxDOT to complete the application appropriate for the project (the TxDOT district and SIB team can assist with the project information)

• Obtain Texas Transportation Commission approval of the loan terms. Depending on the size of the loan and the project, the application might need to be prioritized with competing applications before the TTC approves the loan terms.

What are the benefits of a SIB versus other ways to finance a project?

• The SIB is used to finance roadway projects at or below market interest rates. We determine the interest rate when a loan application is complete based upon the borrower’s credit rating (if applicable) and the loan duration. This is helpful for your financial planning.

• An additional discount of up to one percent is available to cities and other entities within an Economically Disadvantaged County. For a list of 2019 counties, visit http://ftp.dot.state.tx.us/pub/txdot/commission/2018/1025/7e.pdf

• The SIB charges no application fees, annual fees, or penalty for early prepayments.

• The SIB team can work with you and your financial advisor to explore different duration scenarios to illustrate potential options to develop a loan amortization schedule that will get you through a tight budget year.

• If the loan is for a utility relocation for a TxDOT project and also includes a utility reimbursement from TxDOT, the first loan payment can be delayed until after the TxDOT utility reimbursement is received.

Do you have a current or future road project that could benefit from a SIB loan? Please explore our website, contact your TxDOT district office, and give us a call. We look forward to discussing how a SIB loan can finance your community’s roadway projects.

Learn more at https://www.txdot.gov/government/programs/sib/application.html, or contact Deborah Fleming at 512-463-7667 or email TexasSIB@txdot.gov.

Right of Way Agreement (ROW)
• Finance a local contribution to TxDOT for ROW acquisition
• SIB loan disbursements can be tailored to match the local government’s payments to TxDOT
• Any reimbursements from TxDOT to the local government can be applied directly to pay off the loan

Utility Relocation Agreement
• Finance a utility’s relocation of facilities for a TxDOT project
• Reimbursements from TxDOT can be applied directly to repay the loan

Advance Funding Agreement
• Finance a local contribution to TxDOT for a state highway system project in the local jurisdiction
• SIB loan disbursements can be tailored to match the local government’s payments to TxDOT

Local Roadway
• Off-system public roads
IT’S A NEW CONVERSATION:
REFRAMING THE EFFECTIVE TAX RATE DISCUSSION

By Adrienne Lothey
Assistant City Manager, City of Colleyville

The Goal

Dr. Stephen R. Covey identifies Habit 2 as “Begin with the end in mind” in his best-selling book The 7 Habits of Highly Effective People. When looking back at Colleyville’s journey in adopting an effective tax rate, it is apparent that intentional goal setting, well in advance, was a key element of our success.

Following the election of a new mayor and several new councilmembers, Mayor Richard Newton called for a Priority Setting Workshop in June 2016 (for short-term goals) and a Visioning Workshop in January 2017 (for long-term vision, mission, and goals). It was evident that the desire for new community priorities had reached a tipping point, and this directional change needed to be articulated in a way that brought the community together and provided staff with clear objectives. These efforts led to adoption of a new strategic plan, which included a commitment to hold annual priority setting sessions with the City Council and city management. Holding an annual priority setting session has provided an opportunity for the City Council to hone in on the key areas that should be the focus for the next 12 months.

At the first Priority Setting Workshop held in June 2016, providing property tax relief was one of the eight identified priorities. This set the tone, and a few months later the FY 2017 budget was approved in conjunction with the first tax rate reduction in over two decades. This rate reduction served to provide some relief to property owners receiving substantially higher appraisal values. Many cities throughout the state took similar action.

At the 2017 Priority Setting Workshop, the next set of priorities included justifying tax revenues in excess of the legal effective tax rate. This was understood to mean that we would endeavor to adopt an effective tax rate every year, unless a specific need was deemed significant enough to justify bringing in additional revenue from property taxes to fund it. The City Council approved lowering the tax rate yet again for FY 2018, but did not lower all the way down to the effective rate in order to provide additional needed revenue (4.6% above the effective rate) to fund the recommenda-
tions from a comprehensive Compensation and Classification Study.

The timing of how our journey unfolded is important. It was September 2017 when the goal was set to strive for an effective tax rate whenever possible. With the FY 2018 budget and tax rate decisions put to bed that same month, staff had a full year to plan for trying to adopt an effective tax rate for FY 2019. Given the anticipated double-digit increase in health insurance rates and the desire to include additional funding to continue merit increases for employees, we knew accomplishing this goal would require a reduction in current expenditure levels.

The Mechanics

For the next year, City staff focused on efficiency and sustainability, saving nearly $1,000,000 in General Fund operating costs. This effort to reduce expenditures was about more than just limiting labor costs and saving dollars. It was an effort to bring corporate-like efficiency to the organization.

One of the largest expenses of any City is personnel needed to carry out the community’s desired programs and services. As such, we knew that a good portion of the expenditure reductions needed to achieve our goals would have to come from personnel. This can be a culture-killer once the rumor mill gets going, so city management spoke directly about the need to reduce expenditures at employee meetings, and asked for their ideas. By coupling the goal of expenditure reduction with the goal of absorbing health insurance cost increases and no increases to employee contributions for health insurance. They have also been empowered to reexamine the work they are doing to eliminate tasks where no added value could be identified. It’s been a complete culture shift, where new endeavors are seen by staff as exciting growth opportunities, rather than an additional “to do” that gets complained about. As with anything (and as Jim Collins rightly points out in Good to Great), it’s about having the right people on the bus, in the right seats.

Employees may have individually taken on a bit more responsibility, but they recognize that this additional effort is what allows them to continue receiving merit raises and no increases to employee contributions for health insurance. They have also been empowered to reexamine the work they are doing to eliminate tasks where no added value could be identified.

Starting this discussion a year in advance allowed Colleyville to consolidate over time. This was largely possible by eliminating layers of management and developing a flatter organizational chart. These staff-efficiencies were all accomplished without layoffs - through organic opportunities resulting from vacancies. More importantly, this restructuring was not a reflection of being in “austerity” mode, but quite the opposite. It has provided growth opportunities for staff and has allowed for a more dynamic environment, producing a greater level of responsiveness to citizens and a “can-do” organizational mentality that is focused on results.

Employees may have individually taken on a bit more responsibility, but they recognize that this additional effort is what allows them to continue receiving merit raises and no increases to employee contributions for health insurance. They have also been empowered to reexamine the work they are doing to eliminate tasks where no added value could be identified. It’s been a complete culture shift, where new endeavors are seen by staff as exciting growth opportunities, rather than an additional “to do” that gets complained about. As with anything (and as Jim Collins rightly points out in Good to Great), it’s about having the right people on the bus, in the right seats.

This type of culture where employees are hungry for growth, new opportunities, and want to take full ownership of their jobs may look different from organization to organization. In Colleyville, it means that we set the tone at the top and our two assistant city managers perform ACM functions while continuing to fulfill most of the duties of their prior departmental roles. It
means having a single parks and recreation director rather than two manager-level positions. It means converting full-time positions into part-time positions wherever possible or eliminating them entirely. It means supplementing the workforce with graduate-level interns, with the added benefit of growing the next generation of local government employees. For Colleyville, reducing the staffing level by 5.5 FTEs had a significant tax rate impact.

We also absorb costs whenever possible, reallocating dollars to where the need exists rather than assuming that “the way we’ve always done it” is the best way to prioritize resources. This means that when possible, we perform work in-house and are willing to have some risk-tolerance as our teams develop new skill sets that will benefit the organization in the long run. Examples include saving the City by handling a drainage improvement project in-house ($75,000 savings), building a dumpster enclosure instead of contracting the work ($20,000 savings), conducting employment searches in-house for department heads ($100,000 savings), and doing a complete review and update of the Land Development Code without hiring a consultant ($75,000 savings). To further reduce the burden on the property tax-supported General Fund, we have more aggressively utilized the City’s special revenue funds, allowing more than $300,000 of recurring expenditures to be moved out of the General Fund. And while these efficiency and savings efforts were underway, we also began using available capital funding to further beautification efforts community-wide. It can’t just be about subtracting dollars—we are simultaneously focused on growing quality of life. With that in mind, staff began pursuing grant funds that for years had seemed out of reach. By the end of 2018, we had secured $1.2 Million in grant funds for projects that were already funded with the City’s capital dollars, thereby freeing up those resources for other priorities.

This year-long efficiency effort bore fruit this summer when health insurance costs went up seven percent. The City was able to absorb those cost increases within the existing budget, along with all other typical cost increases and funding for merit increases, while setting an effective tax rate for FY 2019.

It’s a New Conversation

In a statewide environment that has increasingly become an “us versus them” conversation, we are doing our best in Colleyville to reframe the discussion. So often only two sides (and their associated platforms) are identified—staff versus city council, cities versus state, liberal versus conservative, conservative versus more conservative. The better way forward requires more action and collaboration. Advancing our cities and state in a way that reflects the desires of citizens is something we can all get behind. Often, there is more to agree on than we stop to recognize. And the necessary introspection to reach these conclusions can be uncomfortable when we realize that we can be more efficient and make tough choices.

In Colleyville, we recognized a need to shift our culture to unite our staff, City Council, and community goals. The staff want to provide exceptional programs and services to the community. The City Council and community want to recruit and retain the City’s number one asset -- the employees who are responsible for delivering those programs and services. To achieve those goals together, we have to be willing to approach the process with energy, enthusiasm, and care for one another. The idea of “doing more with less” is tired and puts employees into an immediate defensive mindset. But owning and transforming your work in a way that sheds layers of red tape and bureaucracy builds employee engagement and creates a more efficient organization.

When the City Council established the priority justify tax revenues in excess of the legal effective tax rate, it changed the conversation. It’s not an all or nothing decision. Some years, we will be able to pursue an effective tax rate, and others we will not. But any effort to minimize the property tax burden on citizens should be applauded. The effective tax rate can be a useful measuring stick to help us stay intentional about what we are willing to pay more for, but it is not a one-size-fits-all permanent solution. If we are to find common ground across stakeholder groups, we need to remove the dirty connotation that often gets associated with an effective tax rate and learn to view it as an opportunity and conversation starter.★
The Next Chapter

We’re celebrating 40 years of service, and we’re reinventing ourselves.

Our mission is to bring members together to provide quality healthcare benefits for you and your family at an exceptional value.

We’re improving how we do business. Faster response time. Easier to understand rates. Customer service that can’t be beat.

We’ve even simplified our name.

**TML MultiState IEBP is now TML Health.**

We know healthcare can be difficult. So, we’re working harder to make healthcare benefits easier for you.
GAINESVILLE’S COMMITMENT TO FINANCIAL TRANSPARENCY

At a time when public distrust of governmental and other public sector entities seems to be an all too pervasive trend, the City of Gainesville is committed to being an example for providing financial transparency to its citizens, as well as local businesses and organizations. On November 1, 2017, the Texas Comptroller’s office confirmed that the City had become the fifth public entity to receive all five stars through the Comptroller’s Transparency Stars program. Transparency stars are awarded for traditional financial reporting and information; public debt obligations transparency; contracts and procurement transparency; economic development; and public pension information.

Gainesville, the county seat of Cooke County, is located along the Interstate 35 corridor approximately 67 miles north of Dallas, just a few miles south of the Red River. The City is far and away the smallest of other fellow Texas public entities to earn all five transparency stars – a fact that the City takes great pride in. Gainesville is limited by its staff size and resources for taking on the extra work required by the Comptroller’s program. However, the city council, administration, and staff, who serve as public stewards for the funds and assets entrusted by Gainesville’s citizens and business owners, believe the extra effort is a worthy goal.

Gainesville’s financial transparency program was initiated under the leadership of City Manager Barry Sullivan to serve as an example of local government trust in financial report-
ing and business transactions. Accordingly, the City earned its first two stars in the Comptroller’s program in July 2016 based upon financial reporting for the fiscal year that ended September 30, 2015, and then added the remaining three transparency stars in 2017.

Transparency provides more accurate information to all concerned parties, which leads to more complete knowledge and, hence, better planning. When government officials, who represent and serve their constituents, have well thought-out plans based upon credible information, their time and effort can be devoted to relevant issues and meaningful concerns – as opposed to the inefficiencies caused by investigating and responding to rumors or what someone thinks or believes to be true. As a result, local government can be more productive in providing programs and services to citizens and more efficient in using and investing the City’s funds and resources.

One important component of the City’s financial transparency has been a rolling five-year budget that serves as a guide for the near-term operating plan. With it, the council and administration are able to make financial and operating decisions that are more intentional in perspective, rather than reactionary. Gainesville’s five-year plan also allows interested citizens and others to have a broader picture of where the City is going in terms of residential and commercial business services; basic infrastructure; public safety issues and concerns; economic development; and other quality of life issues. The City’s five-year plan is revised each year during development of the annual budget based on input received from citizens, council, administration, and staff.

In addition to the five-year budget, other tools like the check register, where every check written by the City is displayed and can be searched for, and the debt information, including issue-by-issue listings and the principal amount of each outstanding debt obligation, enhance Gainesville’s mission to be transparent.

While these benefits to the community are of top importance, there are other positive outcomes of the transparency program. Transparency has led to greater confidence and trust between City officials and the constituents they serve. Public pride in the City has increased because residents are aware that Gainesville’s leadership has deemed it important to provide the requisite level of detailed information in the various transparency areas represented by the program stars. And, the fact that Gainesville is the smallest public entity to achieve all five transparency stars demonstrates the City’s commitment to keeping its books and records open and available for all public information and consumption purposes. ★
In August of 2011, the City of Austin enacted its Credit Access Business Ordinance to provide consumer protection from credit access businesses, better known as payday and auto title lenders. The Ordinance is intended to reduce predatory lending practices by establishing protections such as restrictions on number of payments, the amount of a loan relative to consumer’s income, and limiting the number of loan refinances. The goal of the Ordinance is to establish a regulatory framework that creates an industry friendly environment within which consumers have access to small dollar loans that strengthen their financial position. The City’s Financial Advocacy Resource (FAR) team is dedicated to enforcing this ordinance.

FAR is comprised of two regulatory monitors housed within Austin’s Telecommunications and Regulatory Affairs Department. Their duties include conducting audits of credit access businesses (CABs) within the City, investigating consumer complaints, and performing outreach activities that both educate consumers and assist CABs in ordinance compliance.

There are approximately eight credit access businesses operating out of 42 payday and auto title lending locations within Austin. FAR conducts annual audits of all locations issuing loans subject to the Ordinance, and more frequently if needed. To date, only one of the eight audited businesses meets the operational requirements of the Ordinance. The other businesses have accrued thousands of violations which are consolidated in 21 pending cases before Austin’s Municipal Court.

These cases have highlighted gaps in legislation that allow non-compliant loans to be issued and have shown the need for city ordinances to complement existing state laws. The issues brought before the Court are likely to result in precedents set by state court, the first of their kind in Texas history. These cases are being closely monitored by industry groups, consumer advocates, and cities throughout the state. While many violations are referred to municipal court for enforcement actions, some audit findings have helped individual consumers have non-compliant loans forgiven.

Outside of conducting audits, the FAR team works to improve their outreach to CABs and consumers alike. FAR has the list of Borrower’s Rights (http://bit.ly/2Blxliy) posted on the TARA website and require CABs to display it at payday lending locations. The team also works with nonprofits, such as Texas Appleseed, to promote financial advocacy.

Texas Appleseed is a nonpartisan public interest justice center that works to change unjust laws and policies that prevent Texans from reaching their full potential. The problem of high-cost payday and auto title lending, with rates often averaging over 500% APR and loan structures that generate high fees and little principal repayment, has plagued communities across Texas for decades. It gained substantial attention in the late 2000s because the number of locations exploded, growing from 1,300 in 2003 to a high of more than 3,000 a decade later.
These storefronts moved into downtown shopping areas across Texas towns and concentrated in low-income communities and communities of color in our cities, exacerbating economic hardship. From 2012, when the state started collecting data, through 2017, payday and auto title loans drained over $9 billion in loan fees from struggling Texas families, and nearly 220,000 families lost a vehicle to an auto title loan, many times after paying more in fees than the value of the initial loan.

To date, more than 40 Texas cities have adopted ordinances similar to the Austin CAB ordinance to begin to address this problem at the local level. With so many parts of Texas still not covered by an ordinance, there remains a need for local, state, and national policy reform. There is also a need for market-based change. Cities can play an important role to catalyze and support expansion of fair, low-cost loans in local communities.

In 2016, Texas Appleseed released A Toolkit for Cities: Increasing Access to Fair, Low-Cost Loans (http://bit.ly/2GryboB). The toolkit includes five core strategies, geared towards small and large cities alike. It also profiles specific examples, many from Texas cities, of successful local efforts to expand access to better loans, and credit building support to enhance the well-being of families and local economies. The strategies include: employer-based partnerships to offer low-cost loans to public and private employees; financial or operational support of low-cost lending programs; using a council of government to support or offer low-cost loans; evaluating municipal fines, fees and collection practices to ensure cities are not inadvertently sending residents to high-cost lenders; and improving local systems to connect people to community asset building and financial empowerment resources.

These strategies make a difference for families. For example, an evaluation of a Texas-based employer loan partnership found tremendous savings (over $700 per loan) from the loan itself, compared to a payday or auto title loan, as well as positive financial outcomes. Families were able to pay down debt and experienced fewer financial crises with just one year of access to a low-cost loan.

Overall, both the FAR team and Texas Appleseed hope to work more closely with other cities on the enforcement of Credit Access Business ordinances and the promotion of consumer financial empowerment.
Since its inception in 1987, the Public Funds Investment Act (PFIA), and its sister Act, the Public Funds Collateral Act, have become fundamental bulwarks of public finance in Texas. It was these Acts that opened markets to all public entities and created the investment pools in 1989. They clearly defined how collateral is to be used and monitored to assure safety for your city. PFIA represents and delineates the best practices to guide you in managing your money, both long- and short-term. Investing is not just the occasional certificate of deposit or treasury bill purchase: it applies to every penny every day. The choices your city makes on everything from the type of bank account you have to what pool or security to choose is guided by PFIA and your knowledge of the Act.

PFIA was built to be flexible enough to address the needs of all cities from the smallest to the largest. It doesn’t define or require particular limits for a city, but requires that each city define its own controls and limits based on their unique cash flows, level of risk tolerance, and unique resources. The Act necessitates that each city write its own investment policy and set the key internal controls based on their individual situation. This means that city staff must know how to effectively and efficiently set those controls, know the options available to them, and understand the advantages and disadvantages of those options.

The Act also sets a standard of care, The Prudent Person Rule, which stresses safety as a fiduciary responsibility and recognizes that your portfolio – no matter how small – is a valuable asset. No city can legitimately say they do not have funds to invest because every dollar every day is an investment. How you handle your funds and the choices your investment officer makes depends on whether it is a
working asset or not. What makes the difference is where and how that money is invested. Sitting in a bank account may not be a good choice if other alternatives – just as easy to implement and use – can increase your earnings.

Another key element of the Standard of Care states that the investor must act under circumstances then prevailing. Situations change in your city and in the market. Being aware of new rules and options is critical to safely and effectively investing city funds. The circumstances and risks in the markets, just like in government itself, have changed many times since 1987. The controls and guidance of PFIA took us through the mortgage crisis of the mid-90s, helped weather the wave of fear coming into Y2K, and gave options during the Great Recession – all because of its flexibility. Rates dropped from 6.5 percent to 1.5 percent in 2001. In 2006, they dropped from 5.25 percent to one percent and for nine years we sat at zero percent. Learning about why and how things change is paramount, but using the right tools is even more important.

Another key element of PFIA is that it requires training. It is through this required training that your investment officer stays on top of those changing circumstances. Every two years, your officer is shown how laws and the use of different alternatives has changed. It is only through training that your money is protected because the training focuses on all types of risks. With investments, you only get paid for taking risk, but managed risk requires knowing where those risks are and how to use them to the city’s advantage. Your city’s freedom to invest in a large variety of investments is protected if your investment officer knows and understands the risks, as well as the advantages and disadvantages of their options. The freedom to invest is one that needs to be protected through knowledge and ongoing training.

Smaller cities often think that because of their size, they don’t need ongoing training or information. But, for example, keeping just $500,000 in a bank at 0.20 percent versus using safe and liquid investment alternatives at 2.2 percent can add $10,000 a year to your revenues. Those are earnings, not taxes.

Investments and training are more than just introducing new types of securities. Every professional investor knows that understanding the basics is essential to staying safe and that information is the key. And they know they cannot absorb it all in one training session. In fact, the fundamentals that every investment person needs on a daily basis to protect their city are the preponderance of investment training. The training that the Texas Municipal League provides builds on your entire treasury operation from cash flow to cash controls and from bank relationships to investment reporting. It covers all areas of your city’s cash management process. Investments are built on cash flows so cash flow analysis is critical – not the spreadsheets of historical trends but how to use those trends to build a safe and productive portfolio.

PFIA changed materially in the mid-90s because of a defining event in municipal finance. Orange County, California went bankrupt because of long and risky investment choices. There were many causes for the event, but it lay less with the much hyped ‘derivatives’ than with the abrogation of the oversight board on defining limits, chasing yield, and the investment officers’ inadequate training on very real risks. Since then Texas and many other states have tightly defined the responsibilities and needs of investment officers and governing bodies. The Act has changed with almost every Texas legislative season because situations change, and it’s important to stay on top of those changes.

Upper management and governing bodies must receive reports that are informative and highlight good and/or bad trends in the portfolio. They must be informed by their investment officer who learns how to enhance the portfolio, as well as their management’s understanding, through training and peer networking. PFIA and its training challenge you to use your city’s key asset – your money – to learn and use the best cash management tools available.

The Public Funds Investment Act (PFIA) governs the investment of government funds in Texas. Under this law, specific parameters are set for Texas cities, requiring them to adopt an investment policy and to designate an investment officer who is required to attend an approved training course.

The treasurer, chief financial officer (if the treasurer is not the chief financial officer), and investment officer must attend at least one training session, ten hours in length, within 12 months after taking office and must take eight hours of instruction every two years after the initial training session.

The TML PFIA workshop and online training meet the training requirements under state law and are designed for beginners and professionals, including elected and appointed city officials, with little expertise in managing investment portfolios.
Understanding municipal finance can be challenging for nonfinancial city officials and staff. It can also be intimidating for financial professionals who move from the private sector to city government. There are many components in the financial process. The first step in understanding your fiscal responsibility is to get a grasp on the budget process as well as tax rate adoption. Budget and tax rate adoption are driven by your city’s charter, internal policies, and Texas law.

Texas law requires that all cities adopt a budget. The budget process can be time consuming, and must comply with the Texas Local Government Code as well as your individual city charter. The city manager and city staff will prepare a proposed budget with estimated revenues and expenditures for the upcoming fiscal year for council consideration. The proposed budget must be structurally balanced – current revenues must be sufficient to pay for current expenditures. However, savings from prior years may be used to pay for one-time purchases and should be clearly defined in the budget message. The proposed budget must be made available for citizens to review and public hearings must be held before adoption to allow for public input. The budget should be adopted by city council before the beginning of the city’s fiscal year. If the council does not adopt the budget before the beginning of the fiscal year, the proposed budget becomes the adopted budget. There are no “shut-down” provisions in city budgeting.

Also, there are quite a few “musts” in the budget process. Laws were put into place to protect public funds and to allow transparency in the process.

Understanding the property tax process is crucial as an elected official or city staff member. First, understanding the city’s role in the process is essential. The “Pefeto bill” was passed in 1979 to separate the appraisal process from the tax rate setting process, thus creating a system of countywide central appraisal districts (CADs). This allowed for more consistency throughout the state and removed political influence from the appraisal process. Under current law, the CAD sets property values, and city council sets and adopts the city tax rate. This also holds true for other taxing entities such as counties and school districts.

Truth-in-taxation is included in the Texas Constitution requiring local taxing units to make taxpayers aware of tax rate proposals and to allow taxpayers the opportunity to roll back or limit tax increases. The law requires that the effective rate and the rollback rate be calculated and posted for public review before a tax rate can be adopted.

The effective rate in short, is the rate necessary to receive the same amount of tax revenue on properties included in the prior year and the current year, excluding new properties. The relationship to property values and the effective rate operates much like a seesaw on a playground. When
property values increase, a lower effective rate is necessary to receive the same amount of tax revenue. A higher effective rate is necessary when property tax values are declining.

The rollback rate is more difficult to calculate and would provide cities with about the same amount of tax levied in the previous year for day-to-day operations, plus an extra 8 percent increase for operating expenses and sufficient revenues to pay its debts in the coming year. The rollback rate is the maximum rate a city council can adopt without a potential election. Taxpayers can petition for an election. A successful election would set the rate back to the rollback rate. Be sure to pay attention to the upcoming legislative session and let your voice be heard. Property tax reform bills were introduced in the 2017 legislative session that would have greatly impacted the way cities set property tax rates, therefore limiting services provided to their citizens. Property tax reform will be a key focus during the 2019 session.

Once the budget is adopted, city charter should be very specific on how the budget can be changed or amended and usually requires city council approval. Be sure you understand your city’s process. Also, once the fiscal year begins, understanding how your city’s finances are managed is vital to your success as a public official or employee.

Local government accounting is set up in funds. Your city may have one fund or hundreds of funds. There are three major fund types: governmental funds, enterprise/proprietary funds, and agency/fiduciary funds.

The largest and least restrictive of the governmental funds is the general fund. Major revenues are sales and property tax. This fund tracks the general government activity of the city – public safety, parks, and city administration to name a few. Your city may have special revenue funds to track donations or certain revenues that are restricted for specific purposes. Major capital projects are tracked in separate funds. Debt service funds are necessary if your city issues debt to track the revenues supporting the debt and the annual debt and interest payments.

Enterprise/proprietary funds are necessary for business-like activities. For example, your city may have a water and sewer department or an airport. Fees are charged to consumers for a particular service and the corresponding expenses are also tracked in these funds.

Agency/fiduciary funds are used to report assets held in a trustee or an agency capacity for others. These funds cannot be used to support city programs. Pension and other employee benefit funds are common examples.

These are just a few examples of funds you may have in your city. Once again, all cities in Texas are different which is just another reason Texas is such a great place to call home. Your city may have one fund or hundreds of funds.

It is very important that you understand the charter and the policies of your city. Your city charter may be very specific on when financial statements should be prepared, the titles on your budget, and the process to amend a budget. City council should receive financial and investment updates, minimally, on a quarterly basis. Be sure to read your charter and ask those questions to get a clear understanding on how your city’s finances should be managed. Also, become familiar with your city’s financial policies. Common policies are budget, fund balance, debt, investments, and purchasing. Some policies are specific by city and others are mandated by law. Your city may have a grant policy outlining council and management guidelines for applying for and accepting grants. The Public Funds Investment Act requires that an investment policy be approved by council if public funds are invested, and is specifically mandated by law to protect public funds.

Texas law requires that cities have an audit performed on an annual basis. The law does not require that an outside firm prepare the audit. Any staff member can prepare the audit. For example, your public works director could, by law, prepare your audit. He or she probably would not want to take on this responsibility with all the other tasks necessary for the job. However, as I mentioned before, transparency is crucial in municipal finance. Hiring an experienced firm that reports directly to the council is the best course of action for the audit process.

In closing, transparency is critical in your financial role as a city council or staff member. All city council and city staff members are part of the city’s financial process. It may be intimidating at first, but becoming familiar with your city’s financial process will allow you to better serve your citizens.
Whether you are a city with a population of 2,000 or 200,000, retail has a huge impact on your community. This impact can be seen through direct and indirect sources, which many times are not easily recognizable by community leaders or citizens. Let’s take a look at some of these impacts:

**Tax Revenue**

In Texas, retail generates revenue from both property tax and sales tax, which communities rely on to support their city’s operating fund. Taxes might not be the most popular subject to discuss with your residents, but they are necessary in order to provide valuable services.

Direct and Indirect Jobs

Be careful not to overlook retail service jobs in the community’s effort to attract primary jobs. Retail is the nation’s largest private sector employer. With many retailers now paying well-over minimum wage, and offering benefits to full- and part-time employees, we are now seeing people move to communities for these retail jobs. Take for example, Buc-ees, the regional travel stop company, which has been advertising its starting pay as high as $15 per hour, with three weeks paid vacation, and a 401k plan that is matched up to 4 percent by the employer.

A growing retail sector also results in the creation of indirect jobs in your community. Retailers need additional businesses to provide various community-based services, from distribution and fulfillment centers, to plumbing and electrical services.
Retail Clustering

Retail Clustering is another positive impact that communities see from retail. Have you ever noticed that retailers are rarely located where there are no other retailers around? Retail clustering is a simple philosophy. The more retail stores you have clustered together, the larger draw you typically see to that shopping area. For example, many times you will find Home Goods, Ulta, and PetSmart located in a Target shopping center. A smaller community example is Dollar Tree and Hibbett Sports. In many cases throughout Texas, these two retailers have co-located in shopping centers.

Redevelopment and Revitalization

New retail development can be the catalyst needed to help revitalize an area in your community. We continually see new investments in an area by a retailer or shopping center owner which is a signal to other investors, as well as to existing business or property owners, about the need to enhance the façade of their facility, enhance landscaping, upgrade signage, or make other improvements. A "domino effect" often occurs, leading to reinvestment in the community, which leads to additional benefits for residents.

Bottom line: Retail has a huge impact on your community!

Retail Must Be Recruited

As a city, you are competing with other cities throughout Texas, as well as the nation, for retail opportunities. It is essential to identify the assets that make your community stand out above the rest. Retail must be recruited, so take advantage of opportunities to market your community. Seek out events like the Retail Live Conference in Austin (August 2019) and the International Council of Shopping Centers Conference in Fort Worth (January 2020), and other occasions to network with retailers and discuss your city’s plans and projects.
THE HOTEL TAX
"TWO-STEP"

By Bill Longley, TML Legislative Counsel

In the grand scheme of things, city hotel occupancy taxes account for just a small amount of city revenue. Property taxes and sales taxes are far more important to most cities. Why does it seem, then, that hotel taxes generate so much confusion and controversy?

The answer is this: hotel taxes, unlike most other taxes, are levied on a specific category of businesses—hotels. As a result, these businesses tend to pay close attention to how cities expend these funds. Spend city sales taxes in a controversial way, and no particular category of business feels singled out enough to raise a fuss. Perceived misuses of hotel taxes, on the other hand, are a different story.

Fortunately, it’s very easy for a city official to remember how to legally spend hotel taxes. A city simply needs to remind itself to always follow the “two-part test.” The key element of a two-part test is – surprise – that it has two parts! Cities frequently remember to meet one element of the test, but then entirely forget the other part. This article will succinctly describe the two-part test, and then describe some common situations to which we can apply the test.

Part 1: Heads in Beds

The first element of the two-part test is this: every expenditure of hotel taxes must put “heads in beds.” What this means is that every funded project must attract overnight tourists to the city’s hotels and motels, thus promoting the city’s hotel industry.

For example, how about a weekend-long arts and crafts show? There’s a very good chance that out-of-town guests might come to visit such an event, so expenditure of hotel tax money on that event would likely qualify.

On the other hand, how about a quilting bee at a local retirement home? While a worthy cause, the quilting bee is unlikely to attract overnight tourists and, therefore, probably wouldn't qualify to receive hotel tax funds.

Part 2: The Nine Categories

Once a project has cleared the first part of the test, it’s time for – you guessed it – the second part of the test. Here it is: every expenditure of hotel taxes must also fit into one of nine statutorily authorized categories. These are the nine categories: (1) convention and visitor centers; (2) convention registration; (3) advertising the city; (4) promotion of the arts; (5) historical restoration and preservation; (6) sporting events in a county under one million in population; (7) enhancing or upgrading existing sports facilities or sports fields (only in certain cities); (8) tourist transportation systems; and (9) signage directing the public to sights and attractions that are visited frequently by hotel guests in the city.

Thus, even if an event puts heads in beds, it cannot receive hotel tax money unless it also fits into one of the nine categories. For instance, what about a livestock auction that will attract attendees from surrounding counties? While that event is likely to attract overnight tourists, it doesn’t fit neatly into one of the nine categories. Therefore, it’s likely not a valid recipient of hotel tax money.

It’s not enough to meet one of the two prongs of the two-part test. A city must meet both! The following are some real-life examples that have been the focus of inquiries received by the Texas Municipal League (TML) legal department.

Fireworks, Anyone?

The prototype hotel tax controversy is an event like a fireworks show or a parade. Cities frequently ask if they can fund a fireworks show with hotel tax money.

Let’s subject a fireworks show to the two-part test. Does a fireworks show put heads in beds? The answer is “probably not,” unless it is a truly spectacular event. But let’s give it the benefit of the doubt. Suppose the Town of Pyrotechnic, Texas, truly does put on a fireworks extravaganza that attracts tourists from around the state. So far, so good.

But what about the second part of the test – the nine categories? Do fireworks shows fit neatly into any of the nine? Not really. Some may argue that such shows “advertise” the city, but this is likely not what that category means. Advertising the city literally means some sort of print or other media that explicitly promotes the city. Otherwise, a city could simply say that any popular event “advertises” the
city that holds it. Direct funding of fireworks displays and the like are, usually, not a very good fit.

**Signs of the Times?**

Another frequent question concerns highway signs promoting the city. May a city fund a billboard touting the city’s attractions, restaurants, and hotels? Let’s put it to the two-part test. Heads in beds? Well, why not? If a billboard encourages motorists to stop in town, those motorists might stay the night, whereas without the sign they would have driven on to the next city. This is exactly what the statute intends. The nine categories? How about advertising? Prior to 2009, a convincing argument could be made that because a billboard literally advertises the city it refers to, that it would fit within the advertising category. All doubt was erased in 2009, when the Texas Legislature added the ninth category – signage directing the public to sights and attractions. Travel signs are a perfect fit for hotel occupancy tax expenditures.

**Chambers of Commerce?**

Cities frequently wonder if they can fund the local chamber of commerce using hotel tax money. Do chambers put heads in beds? Maybe, maybe not. Chambers of commerce are typically charged with promoting economic development, not tourism. Even assuming a chamber does promote tourism though, how about the nine categories? Funding a chamber doesn’t, in itself, fall into any of the nine categories. Fortunately, there is an easy solution. The laws governing hotel tax expenditures permit the city to delegate expenditure of hotel tax money to another entity, typically a chamber or convention and visitor bureau. As long as the chamber spends the money on projects that otherwise meet the two-part test mentioned above, it’s fine to delegate some funds to them. There must be a written contract laying out the duties of the chamber, though. Also, the chamber must keep the hotel funds in an account separate from its general operating fund.

**Arts Organizations**

City arts organizations are a common trouble area. It seems that every arts council in the state knows that promotion of the arts is one of the nine categories on which city hotel taxes may be expended. Cities know this because these arts groups frequently come asking for the money. The thing to remember about arts groups is this: Direct funding of the organization’s operations does nothing in and of itself to put “heads in beds.” To put it another way, funding the operating budget of an arts council meets the second part of the test (promotion of the arts), but not necessarily the first.

The solution? The city should encourage the group to seek funding only for its festivals and shows that do, in fact, attract tourists to the city. By limiting the expenditure to such events, the city meets both parts of the test.

**Don’t Forget to Report**

Legislation passed in 2017 requires cities to annually report hotel occupancy tax information to the comptroller, including information on how the funds are spent. Not later than February 20 of each year, a city that imposes a hotel occupancy tax must submit to the comptroller information that includes the city’s hotel occupancy tax rate, the amount of revenue generated by the tax, and the amount and percentage of the revenue spent for each of the following purposes:

- Convention or information centers
- Convention delegates registration
- Advertising to attract tourists
- Arts promotion and improvement
- Historical restoration and preservation projects
- Signage directing the public to sights and attractions

Cities must comply with the annual reporting requirements by either submitting the report to the comptroller on a form prescribed by the comptroller, or alternatively providing the comptroller a direct link to, or a clear statement describing the location of, the information required to be reported that is posted on the city’s website. City reporting data can be accessed at https://comptroller.texas.gov/transparency/local/hotel-receipts/.

**What Else?**

There are numerous other technical details about how to legally expend hotel tax funds. In truth, by simply learning and remembering the two-part test, city officials are 99 percent of the way toward full compliance with hotel tax laws. City officials with questions about the hotel occupancy tax should call the TML legal department at 512-231-7400.
COMMUNICATIONS CHANGES TO FEDERAL DISCLOSURE REQUIREMENTS AFFECTING TEXAS CITIES THAT ISSUE MUNICIPAL BONDS

By Leah Szarek, APR, Senior Manager, Market Transparency, Municipal Securities Rulemaking Board

When states and local communities issue municipal bonds to finance public projects, they generally must disclose to investors important information throughout the life of a bond. This “continuing disclosure” information the bond issuer’s latest annual financial and operating information, as well as certain financial events, including bond calls, rating changes, or bankruptcy. Beginning in late February 2019, issuers of certain municipal bonds are required to disclose to investors information about significant bank loans and other financial obligations, as well as events reflecting financial difficulties related to those financial obligations.

Cities make continuing disclosures to bondholders by filing them with the Electronic Municipal Market Access (EMMA®) website operated by the Municipal Securities Rulemaking Board (MSRB). Below is an overview of what Texas communities need to know about the changes to their disclosure requirements and filing information with EMMA.

As a result of the United States Securities and Exchange Commission’s (SEC) municipal bond disclosure rule (SEC Rule 15c2-12), certain municipal issuers contractually commit to provide investors with continuing disclosures.

Communities that issue bonds may also use bank loans and direct placements of securities to finance public projects. Market participants have long sought to enhance transparency in the municipal bond market and give investors insight into financial obligations that could impact an issuer’s ability to repay its bonds, the issuer’s overall creditworthiness, or an existing bondholder’s rights. The SEC has amended Rule 15c2-12 to include disclosure of certain events related to such financial obligations, like the occurrence of significant bank loans.

When Must Communities Submit New Event Disclosures?

The new disclosure requirements apply if a community issues a bond after February 27, 2019 for which it has agreed to provide continuing disclosures. Disclosure requirements can be triggered by the incurrence of a new material financial obligation, agreements to certain terms of a pre-existing financial obligation, or events reflecting financial difficulties related to financial obligation. Issuers should seek guidance from their legal counsel and other advisors regarding disclosure obligations under Rule 15c2-12, including the amendments effective as of February 2019.

In the interest of transparency, even if a community is not subject to the new requirements, it could still use EMMA® to disclose certain financial information related to its financial obligations on a voluntary basis.

How Will Issuers Submit Additional Financial Disclosures?

The MSRB is updating the EMMA® system to accept and display the new financial obligation disclosures. Beginning on February 27, 2019, issuers will be able to submit the additional disclosures using the same method they use to submit all continuing disclosure information to EMMA®. Learn more about disclosing information at www.msrb.org/EducationCenter/Issuers/Disclosing.aspx.

Accessing Additional Information

The MSRB hosted an educational webinar about the amendments to Rule 15c2-12 and the EMMA submission process on January 17, 2019, with panelists from the SEC, the National Association of Bond Lawyers, the Government Finance Officers Association and Bond Dealers of America. The webinar is available for on-demand viewing at www.msrb.org/Regulated-Entities/Webinars.aspx.*
Acumen is defined as keenness and depth of perception, discernment, or discrimination especially in practical matters. Even if numbers in columns make your skin crawl, you can still make sound business decisions for your organization with a little knowledge about three business concepts – and a healthy dose of skepticism. Those three concepts are: resource allocation, return on investment, and business cycles.

Like your personal finances at home, governments must operate within the constraints of limited resources. Also like home, a government must determine how to properly allocate those precious funds among many things. This resource allocation is a fundamental part of budgeting. Each year, elected officials and city staff meet to decide which services should be provided to constituents and what level of taxes will be required to pay for them. The end product of the do-this or do-that debate is a thoroughly vetted annual budget.

Going hand-in-hand with resource allocation, return on investment is the second business concept to comprehend. Companies and governments alike make decisions on how to invest their money, time, and other resources. The value of those decisions is based upon the return to the organization. Corporations measure return on investment financially in terms of profit or loss, as a dollar amount or yield. Governments, on the other hand, often measure return on investment in non-financial ways such as evaluating a program’s effectiveness. In other words, did the investment of money or time provide the desired results? Whether a city is entering into an economic development agreement or simply budgeting for a new program, it should always consider the return on that investment.

Another fundamental to understand is that business runs in cycles. Every upswing has a downturn. Every recession is followed by a period of growth. The flow of revenue and expenditures rarely follows a linear pattern. The key to this concept is to discover where you stand in the current business cycle. Plenty of insight about the economy can be found on the websites of the Federal Reserve Bank of Dallas, Wall Street Journal, and local business journals. Simply glancing at the headlines regularly will provide some awareness of the current economic environment. That takes us directly to the last business concept to recognize which is skepticism.

Rational skepticism could be the most constructive of traits to possess. This is not intended to mean that a person should be negative or doubtful about every proposition that is brought forth. It simply means that one should apply a "sniff test" to ensure it makes sense. The finance world is full of estimates, predictions, forecasts, and guesses. Developers may promise the moon to get your money or support for their project. It is important that the person who is evaluating a proposal can see through the hoopla and reach a conclusion based upon objective research. Has anyone ever told you that you should never buy a used car from a little old lady in Pasadena? That is rational skepticism.

People say that government should be run like a business. That statement is typically interpreted to mean that governments should not be wasteful. I will construe it to mean that governments should apply some basic business principles, such as those outlined above, into everyday decisions. The elimination of “wastefulness” will follow.

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COMMUNITY

Texas is a great state because of our amazing cities. Our innovative towns and cities are always looking for new ways to come together as a community and stand apart from the crowd. This deserves to be celebrated, and we think that Instagram is just the place to do it.

SHOWCASE YOUR CITY

Do you want to see your city highlighted here? It’s easy! You can get involved and share photos a few different ways!

- Tag us on Instagram @TLM_Texas
- Use the hashtags #MyTexasCity and #CitiesProvide

We will share your photos on our Instagram account and each month we will pick the very best to showcase here. If you don’t have a city or personal Instagram account, you can still participate! Email us your photos (jen@tml.org) with a brief photo description. Don’t worry about cropping or editing the photo, but please make sure the photograph is crisp and clear.

@visitaustintx
The Austin skyline from the hike and bike trail. #trueaustin #skyline #january #austintexas

Photo by @therealgattozz

@cityofliveoak
Beautiful day here in Live Oak! #cityofliveoak #liveoaktx #liveoakparksandrecreation #park #nofilter #fallintexas #mytexascity
TAS United's 311 service is a community-supported telephone number that provides your citizens with access to non-emergency municipal services. The number is intended to divert routine inquiries and non-urgent community concerns away from 911. It can also be used as a valuable tool for getting information out to citizens.

### Benefits of TAS United

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<thead>
<tr>
<th>Benefit</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>Cost Effective</strong></td>
<td>Our service is available for significantly less than what you would pay to hire staff and buy equipment to operate 24/7 on your own.</td>
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<tr>
<td><strong>Experience</strong></td>
<td>TAS United is an expert in 311 management and can assist with the entire process from set up to implementation.</td>
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<tr>
<td><strong>Flexibility</strong></td>
<td>We handle all of your calls according to your preferences.</td>
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<tr>
<td><strong>Detailed Reporting</strong></td>
<td>TAS United's messaging platform tracks the types of calls coming in so you can see what is happening in your city.</td>
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<tr>
<td><strong>Elasticity</strong></td>
<td>Our large staff can accommodate high call volumes during peak times, such as holiday events and elections.</td>
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<tr>
<td><strong>Custom Greeting</strong></td>
<td>We create an automated greeting providing information for frequently asked questions to help control call traffic.</td>
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### About TAS United

- Texas-based call processing center
- Serving Texans for more than 30 years
- All calls are answered in our offices throughout Texas
- Bilingual agents
- Secure web portal for reporting access
- All calls and messages recorded and archived
- All technology housed in a Tier-4 data center
- Service and support 24/7/365

### 311 Services & Common Inquiries:

- **Public Health:**
  “Where do I get my flu shot?”

- **Water Lines:**
  “There’s water gushing down my street.”

- **Gas & Electric:**
  “I smell gas in the area. Can somebody come check it out?”

- **Traffic Lights:**
  “The light at the corner of 5th and Main is flashing.”

- **Street Lights:**
  “The lights are out on Davis Ln. It’s way too dark there.”

- **Billing:**
  “How do I pay my water bill?”

- **Animal Control:**
  “There’s a dead animal on the side of the road.”

- **Municipal Court:**
  “Where do I pay my speeding ticket?”

- **Electricity:**
  “I’m calling to report a power outage.”

Call (800) 310-8269 Today to Set Up 311 Service
Bureau Veritas is here for you in the relief and rebuild efforts from Hurricane Harvey.

Honesty, Integrity and Professionalism are our guiding principles. We’ve provided services throughout Texas since 1998 and our highly qualified team is ready to help assess and rebuild affected regions.

We offer these professional services:

- Disaster Recovery
- Plan Review
- Construction/C.O. Inspections
- Building Inspections
- Facility Condition Assessments
- Industrial Hygiene
- Air Quality Monitoring
- Asbestos Assessments
- Permit Expediting
- Power Facility Inspections
- Fire and Life Safety Inspections
- Environmental Site Assessments
- Food Complaint Investigations
- Food Handler/Manager Classes
- Food Establishment Inspections
- Temporary/Special Event/Seasonal Inspections
- Public Swimming Pool Inspections
- And More