Lancaster

AGENDA

WORK SESSION
LANCASTER CITY COUNCIL

James R. Williams Pump Station
Training Room, 1999 Jefferson
Lancaster, Texas

TREE CITY USA.

Monday, July 18, 2011 – 7:00 P.M.

DEFINITIONS:

Written Briefing: Items that generally do not require a presentation or discussion by the staff or Council. On these items, the staff is seeking consent from the Council or providing information in a written format.

Verbal Briefing: These items do not require extensive written background information or are an update on items previously discussed by the Council.

Regular Item: These items generally require discussion between the Council and staff, boards, commissions, or consultants. These items may be accompanied by a formal presentation followed by discussion and direction to the staff.

[Public comment will not be accepted during Work Session unless Council determines otherwise.]

Item	Key Person

Regular Items:

1. Receive and discuss a presentation from Texas Municipal Retirement System (TRMS) representative providing an overview of the Texas Municipal Retirement System, updated service credits and Cost of Living Adjustments (COLA's). **Lee**

2. Discuss a request for an amendment to Article 14.1200 Sign Standards, Section 14.1204(b) to allow new off-premise billboard signs to be constructed and seek direction from City Council. **Mauldin-Robertson**

3. Discuss an amendment to Article 14.1200 Sign Standards, Section 14.1204(d) to include a replacement provision for off-premise LED billboard signs and seek direction from City Council. **Stringfellow-Govan**

4. Discuss proposed amendments to the Code of Ordinances, Chapter 2, Article 2.100 "General Animal Control Provisions", Section 2.106 "Definitions" to provide a definition for grazing animal livestock; and by repealing Section 2.117 "Proximity to Residences; Minimum Area for Keeping Livestock" in its entirety and replacing with a new Section 2.117 "Grazing Animals and Other Special Use Standards"; and by repealing Article 14.400, Section 14.403 "Other Special Use Standards" (a) "Farm Animals and Horses" (1), (2), and (3) in the Lancaster Development Code in its entirety. **King**

5. Receive a presentation and discuss what is required of a property owner to secure a building permit and subsequent Certificate of Occupancy within the City of Lancaster.
Staff

6. Discuss process for appointment of council liaisons to City Boards and Commissions.
Downe

ACCESSIBILITY STATEMENT: Meetings of the Lancaster City Council are held in municipal facilities that are wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-218-1311, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

Certificate

I hereby certify the above Notice of Meeting was posted at the Lancaster City Hall on July 14, 2011 @ 5:00 pm and copies thereof were hand delivered to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.

Dolle K. Downe

Dolle K. Downe, TRMC
City Secretary

LANCASTER CITY COUNCIL
Work Session Agenda Communication for July 18, 2011

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WS11-001

Receive and discuss a presentation from Texas Municipal Retirement System (TMRS) representative providing an overview of the Texas Municipal Retirement System, updated service credits and Cost of Living Adjustments (COLA's).

This request supports the City Council 2010-2011 Policy Agenda.

Goal 1: Financially Sound City Government

Background

The Texas Municipal Retirement System (TMRS) is a retirement system created by the Texas State Legislature in 1947 and administered in accordance with the Texas Municipal Retirement System Act for municipal employees in Texas. TMRS is a public trust fund that bears a fiduciary obligation to the public employees and retirees who are its beneficiaries. Pension and other benefits are administered by TMRS on behalf of more than 830 participating municipalities. Cities voluntarily elect to participate in TMRS and once they do so, state law requires full participation by all employees of the member city.

Anthony Mills, a tenured representative with TMRS will be in attendance to provide an overview of the Texas Municipal Retirement System. Anthony Mills is the TMRS Regional Manager for East Texas and parts of the DFW area. He travels extensively to assist city administrators, boards, and councils as they design their TMRS plans. He delivers information about the TMRS program to city officials and employees. He has 18 years of public retirement system experience, including service at the Employees Retirement System of Texas (ERS), and the Texas County and District Retirement System (TCDRS). He is a graduate of the University of Texas at Austin.

Council will receive a brief overview of the current plan and the effect updated service credits and cost of living adjustments have on the plan as well as proposed plan revisions. During August budget work sessions, Council will have an opportunity to further discuss changes to the City's current TMRS plan. An ordinance will be required to make a change to the City's current plan prior to October 1, 2011.

Attachments

- TMRS Letter - 2012 Municipal Contribution Rate
- Snapshot of City of Lancaster TMRS Plan
- TMRS "Understanding Benefits, Funding and Economic Impact"
- TMRS "Facts for City Officials"

Prepared and submitted by:
Dori Lee, Director of Human Resources

Date: July 6, 2011

TMRS
TEXAS MUNICIPAL RETIREMENT SYSTEM

RECEIVED JUN 2 7 2011

June 22, 2011

City #00726

Ms. Dolle Shane
City Secretary
City of Lancaster
P.O. Box 940
Lancaster, TX 75146-0940

Subject: 2012 Municipal Contribution Rate

Dear Dolle:

Presented below are your city's contribution requirements to the Texas Municipal Retirement System (TMRS) for Plan Year 2012 (Calendar Year 2012, PY2012) as determined by the December 31, 2010 actuarial valuation. The actuarially determined contribution rates for retirement benefits and Supplemental Death Benefits (SDB), if any, are based on (1) your city's plan provisions in effect as of March 1, 2011; (2) the actuarial assumptions and methods adopted by the Board at their May 20, 2011 meeting based on the results of the four-year experience study (comparison of actual to expected plan experience during the period from January 1, 2006 through December 31, 2009); (3) the restructured funds under the recently passed SB 350 legislation; and (4) the reserve fund distribution smoothed interest credit. Effective January 1, 2012, your city's monthly contribution rates will be as follows:

	Phase-in Rate	Full Rate
Normal Cost	8.91%	8.91%
Prior Service	6.53%	6.77%
Total Retirement Rate	15.44%	15.68%
Supplemental Death Benefit	0.15%	0.15%
Total Combined Contribution	15.59%	15.83%

Full information on your rate, including an explanation of changes, and the pension disclosure data to assist your city with the reporting requirements of the Governmental Accounting Standards Board (GASB) are contained in the attached report.

The Total Retirement Rate shown in the Full Rate column above represents the Annual Required Contribution (ARC) under GASB Statement No. 27 for PY2012. **The Total Combined Contribution Rate shown in the Phase-In Rate column above represents the minimum required contribution rate to TMRS for PY2012.** The difference represents the portion of your Full Rate that is being phased-in over the remaining four years (2013-2016, inclusive) of the original eight-year period that began January 1, 2009. Please see the section entitled *Phase-in Rates with Restructuring* for information on Phase-in Rates, including how they were impacted by the combined effect of SB 350 and the new actuarial assumptions. **Your city must contribute at least the Phase-in Rate, though TMRS highly recommends that each city contribute as much toward the Full Rate as possible. Please note that if your city chooses to contribute at a rate below the 2012 GASB ARC, a Net Pension Obligation (NPO) equal to the contribution shortfall will be created (or an additional NPO will be generated if your city has already been paying the Phase-in Retirement Rate during 2009-2011) which must be reflected in your employer's financial statement.**

If you have questions about your rate or if you wish to evaluate potential changes in your TMRS plan, contact TMRS at 800-924-8677.

Sincerely,

Eric W. Davis

Eric W. Davis
Deputy Executive Director

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SB 350 Fund Restructuring

Prior to the passage of SB 350 (restructuring), under TMRS' internal account structure, assets were held in the Pension Trust Fund predominantly in three separate accounts called "funds". The city contributions and interest were held in the Municipality Accumulation Fund (MAF) and the member contributions and interest were held in the Employees Saving Fund (ESF). When a member retired, the funds in the member's ESF, plus the appropriate matching funds from the employer (from the MAF) were immediately transferred into the Current Service Annuity Reserve Fund (CSARF). This accounting transfer of funds from the MAF reduced the assets and liabilities of the city and shifted them to the CSARF where they became assets and liabilities of the System. As a result, when a city's funded ratio was calculated, those assets and liabilities that transferred to the CSARF were not included in the calculation.

With restructuring, the former ESF, MAF and CSARF balances were combined into one fund called the Benefit Accumulation Fund (BAF), resembling the fund structure common to the vast majority of public retirement systems. Under restructuring, the individual employee account balances will be accumulated and maintained within the respective city's BAF account and any terminated employee refunds will be paid directly from the city's BAF. In addition, upon retirement or death, all benefit payments, including partial lump sum distributions, will be paid to the city's retirees and their beneficiaries directly from the city's BAF account. Most importantly, restructuring produces a more efficient funding structure that (1) reduces contribution rates and increases funded ratios for nearly every TMRS city; (2) protects the city accounts against the downside risk of leveraged adverse investment returns; (3) increases the likelihood of future contribution rate stabilization; and (4) eliminates the need for TMRS to build and maintain a substantial reserve fund (the pre-restructuring reserve target of 20% of assets is greatly reduced).

In order for the positive impact of restructuring to be reflected in 2012 contribution rates as provided in SB 350, the December 31, 2010 Actuarial Valuation reflects the combined fund structure for each city as if restructuring had taken place on the valuation date. In determining each city's BAF account balance as of December 31, 2010, the following basic steps were taken:

1. The December 31, 2010 ESF and MAF account balances were determined under the pre-SB 350 methodology. These ending account balances were then transferred to their restructured December 31, 2010 BAF account balance.
2. The pre-SB 350 December 31, 2010 CSARF asset balance of $5,989,047,479 was distributed to the individual city's BAF accounts in proportion to the December 31, 2010 CSARF liabilities associated with each city's own retirees and beneficiaries. For purposes of redistributing the CSARF assets, the liabilities for each city were calculated using the benefit amount/ age/ gender/ payment option of the city's individual annuitants based on the annuity purchase factors for determining benefits at retirement (the same basis as the money was originally annuitized into the CSARF at retirement). In conjunction with the redistribution of CSARF assets to the city BAF accounts, the annuity payments that were previously paid from the CSARF on behalf of each city's own retirees will now be paid directly from the city's new BAF account and reflected as liabilities. Because the redistributed CSARF assets exceeded the liabilities transferred back to the BAF account for most cities, the funded ratio immediately increased under SB 350.

3. A restructured December 31, 2010 BAF account balance was determined for each city by adding items (1) and (2) above, reflecting the combined amount of each city's former MAF, ESF, and CSARF balances.
4. In accordance with a motion adopted by the TMRS Board at their May 20, 2011 meeting, all but $100 million of the approximately $1.22 billion in the interest reserve account as of December 31, 2010 was distributed to the city BAF accounts as an interest credit, in proportion to their post-restructured BAF account balance (item (3) above). This interest credit flowed into the city's asset smoothing calculation with 10% recognized as a gain in the December 31, 2010 Actuarial Value of Assets. The remaining 90% represents deferred gains and provides protection against future adverse investment experience.
5. The final December 31, 2010 post-restructured BAF account balances for each city were determined by adding items (3) and (4) above.

Details regarding the impact of restructuring on your city are included in the following exhibits.

Executive Summary

Valuation as of TMRS Plan Year (PY) Ending	12/31/2010	12/31/2009
Membership as of the Valuation Date		
• Number of		
- Active members	232	254
- Retirees and beneficiaries	109	91
- Inactive members	178	180
- Total	519	525
• Prior year's payroll provided by TMRS	$ 13,466,995	$ 13,887,238
• Valuation Payroll	$ 13,835,321	$ 14,525,485
Assets – Changes in MAF Fund		
• Balance at end of year (prior to restructuring)	$ 17,682,237	$ 17,525,257
• MAF crediting rate for PY	7.5%	7.5%
• Interest credited on beginning balance	$ 1,314,394	$ 1,168,909
• Municipal contributions during year	1,757,365	1,697,011
• Transfers to CSARF	2,326,873	393,688
• Retirement allowances paid directly to retirees	587,906	532,427
Assets – ESF Fund		
• Balance at end of year	$ 11,581,910	$ 11,837,343
• Member contributions during year	$ 942,690	$ 972,107
Assets – BAF Fund		
• Balance at end of year	$ 45,591,396	$ NA
Actuarial Information		
• Actuarial accrued liability (AAL)	$ 58,639,756	$ 45,558,535
• Actuarial value of assets (AVA)	43,023,260	29,362,600
• Unfunded actuarial accrued liability (UAAL)	15,616,496	16,195,935
• UAAL as % of pay	116.0%	116.6%
• GASB #27 Funded ratio	73.4%	64.5%
• Employer normal cost	8.91%	9.32%
• Prior Service Rate	6.77%	6.94%
Contribution Rates for TMRS Plan Year (PY)	2012	2011
• Member	7.00%	7.00%
• Full retirement rate (GASB ARC)	15.68%	16.26%
• Phase-in retirement rate (minimum)	15.44%	14.23%
• Supplemental Death rate	0.15%	0.21%
Total Employer Contribution Estimates for PY	2012	2011
• Projected payroll	$ 14,250,381	$ 14,961,250
• Minimum Phase-in contribution rate	15.59%	14.44%
• Estimated employer contribution	$ 2,221,634	$ 2,160,405

Note: TMRS Plan Year coincides with Calendar Year

Results from prior year reflect the plan provisions used in the 12/31/2010 valuation report.

Calculation of Contribution Requirements

		December 31, 2010 Restructured	December 31, 2010 Prior to Restructuring	December 31, 2009
1.	Prior year's payroll provided by TMRS	$ 13,466,995	$ 13,466,995	$ 13,887,238
2.	Valuation payroll	13,835,321	13,835,321	14,525,485
3.	Employer normal cost rate	8.91%	9.59%	9.32%
4.	Actuarial liabilities			
	a. Present active members	$ 25,852,110	$ 26,003,840	$ 26,600,563
	b. Present inactive members	10,832,481	10,828,157	10,781,824
	c. Annuitants	21,955,165	9,841,196	8,176,148
	d. Total actuarial accrued liability	$ 58,639,756	$ 46,673,193	$ 45,558,535
5.	Actuarial value of assets	43,023,260	29,264,147	29,362,600
6.	Unfunded actuarial accrued liability (UAAL) (5 – 4d)	$ 15,616,496	$ 17,409,046	$ 16,195,935
7.	Funded ratio (5 / 4d)	73.4%	62.7%	64.5%
8.	GASB 25 Equivalent Single Amortization Period*	27.2 years	27.1 years	27.9 years
9.	Assumed payroll growth rate	3.00%	3.00%	3.00%

	Contribution Rate for TMRS Plan Year:	2012		2011
10.	Full retirement rate			
	a. Normal cost	8.91%	9.59%	9.32%
	b. Prior service	6.77%	7.95%	6.94%
	c. Full retirement rate	15.68%	17.54%	16.26%
11.	Minimum phase-in retirement rate			
	a. Full retirement rate (10c)	15.68%	17.54%	16.26%
	b. Less phase-in deferral	(0.24%)	(1.62%)	(2.03%)
	c. Minimum phase-in retirement rate	15.44%	15.92%	14.23%
12.	Supplemental Death rate	0.15%	0.15%	0.21%
13.	Combined contribution rates			
	a. Combined full rate (10c + 12)	15.83%	17.69%	16.47%
	b. Combined phase-in rate (11c + 12)	15.59%	16.07%	14.44%

* New Gains/Losses are laddered on 30 -year period.

Development of Actuarial Value of Assets

		Year Ending 12/31/2010 (1)
1.	Actuarial MAF balance as of January 1	$ 17,525,257
2. a.	Contributions	$ 1,757,365
b.	Benefits paid directly to Annuitants	(587,906)
c.	Transfers to Current Service Annuity Reserve Fund	(2,326,873)
d.	Net cash flow	$ (1,157,414)
3.	Expected actuarial MAF balance as of December 31 (includes earnings equal to 7.50% of 1.)	$ 17,682,237
4.	Transfer in from Employees Saving Fund	$ 11,581,910
5.	Transfer in from CSARF	$ 13,473,764
6.	Expected BAF as of December 31 (3. + 4. + 5.)	$ 42,737,912
7.	Actual BAF balance as of December 31	$ 45,591,396
8.	Deferred earnings/(shortfall) (7. – 6.)	$ 2,853,484
9.	Deferred earnings/(shortfall) recognized (10% x 8.)	$ 285,348
10.	Preliminary actuarial value of assets as of December 31 (6. + 9.)	$ 43,023,260
11. a.	85% of market value of assets (85% x 7.)	$ 38,752,687
b.	115% of market value of assets (115% x 7.)	52,430,105
12.	Final actuarial BAF balance as of December 31 (10. perhaps partially limited by 11.)	$ 43,023,260
13.	Actuarial value of assets (AVA)	$ 43,023,260

Note:
To help mitigate the natural year-to-year fluctuations (positive and negative) in the investment markets, the TMRS actuary has recommended Asset Smoothing. Nearly all public sector retirement systems employ some form of smoothing. Smoothing does not impact long-term plan costs or funded positions, but does impact timing of investment gain and loss recognition. The TMRS Board of Trustees has adopted a 10-year smoothing method with a 15% corridor to determine the System's actuarial value of assets (AVA). This "smoothing method" is intended to help reduce the volatility of the contribution rates from one year to the next. The corridors detailed above on line 11 keep the AVA within a certain range of the market value of assets. AVA is a component that must be disclosed by the city in its Schedule of Funding Progress (see GASB Compliance Data section).

Expected and actual BAF balances as of December 31 may be off a dollar due to rounding.

Historical Accumulation of the MAF/BAF Balance

Year Ending December 31, (1)	Payroll for the Year (2)	Effective Retirement Contribution Rate [a] (3)	Retirement Contributions for the Year (4)	Benefit Payments (5)	Transfers to CSARF (6)	External Cash Flow for the Year (7)	Interest Credit (8)	Transfers to BAF (9)	MAF Balance (10)
		(4) / (2)				(4) + (5) + (6)			
2008	$14,149,079	11.68%	$1,652,107	$(467,042)	$(2,139,055)	$(953,990)	$787,592	N/A	$15,585,451
2009	13,887,238	12.22%	1,697,011	(532,427)	(393,688)	770,896	1,168,909	N/A	17,525,257
2010	13,466,995	13.05%	1,757,365	(587,906)	(2,326,873)	(1,157,414)	1,314,394	$17,682,237	0

a. Effective retirement contribution rates for 2008, 2009 and 2010 are actual rates determined by dividing the contribution received by the payroll paid.

Year Ending December 31,	ESF	Transfer From MAF	CSARF	Reserve Allocation	BAF Balance[b]
(1)	(2)	(3)	(4)	(5)	(6)=(2)+(3)+(4)+(5)
2010	$11,581,910	$17,682,237	$13,473,764	$2,853,484	$45,591,396

b. BAF Balance may be off a dollar due to rounding.

Reconciliation of Full Retirement Rate from Prior Actuarial Valuation Report

Actuarial valuations are based on long term assumptions and actual results in a specific year can, and almost certainly will, differ as actual experience deviates from the assumptions. The following table provides a detailed breakdown of changes in the retirement portion of your city's contribution rate, including the combined effect of SB 350 and new actuarial assumptions. This analysis reconciles the change in the retirement portion of your city's contribution rate from 2011 to 2012, but will not reflect any change in the cost of the Supplemental Death Benefit (SDB), if your city currently has this provision. (Any changes in the cost of the SDB are primarily due to the change in mortality assumptions and/or changes in the average age of your city's employee group and/or the number of covered retirees.) Following the table below is a brief description of the common sources for deviation from the expected.

Change in Full Retirement Rate		
Full Rate from 12/31/2009 Valuation (PY 2011 Rate)		16.26 %
Benefit changes	0.00 %	
MAF crediting rate	0.00	
Contribution lag/phase in	0.25	
Payroll growth	0.60	
Normal cost	0.27	
Liability growth	0.16	
Subtotal experience change	1.28	
SB 350/Assumption changes	(1.73)	
Reserve distribution interest credit (10% recognized)	(0.13)	
Total change	(0.58) %	
Full Rate from 12/31/2010 Valuation (PY 2012 Rate)		15.68 %

Benefit Changes - Shows the increase or decrease in the contribution rate associated with any modifications made to the member city's TMRS plan provisions. This will also include any changes to the amortization period adopted by ordinance.

MAF Crediting Rate - Shows the increase in the contribution rate associated with the Municipality Accumulation Fund (MAF) crediting rate being different than the 7.50% assumed credit. The pre-restructuring 2010 credit was 7.50%, so there was no impact due to the MAF Crediting Rate.

Contribution Lag / Phase In - Shows the total increase or decrease in the contribution rate associated with the contribution lag and phase in of contributions. The "Lag" refers to the time delay between the actuarial valuation date and the date the contribution rate becomes effective. For TMRS member cities, the "Lag" is one year (i.e. the Actuarial Valuation as of December 31, 2010 set the rate effective for Calendar Year 2012). **The impact of the "Lag" is expected to become immaterial once a city is contributing the Full Rate and the Full Rate stabilizes.**

If a city chooses to contribute the minimum phase-in contribution, the difference between the Full Rate and the Phase-in Rate will be reflected as an actuarial loss in the next valuation's UAAL. This will increase the Full Rate for future valuations. **As the phase-in deferral base is recognized over the next four valuations, the magnitude of the change due to the phase-in should decrease.**

This is an important decision for a city to make in regards to utilizing the minimum Phase-in Rate versus contributing at the Full Rate, or a rate in between. If a city begins to contribute the Full Rate immediately, the actuarial valuation anticipates that the Full Rate will stabilize for the duration of the amortization period. However, if the minimum phase-in contribution schedule is utilized, the ultimate Full Rate at the end of the phase-in period would be expected to be higher than the current Full Rate. For more information on the impact of the phase-in, please refer to the section "Phase-In Rates with Restructuring."

Payroll Growth - Shows the increase or decrease in the contribution rate associated with larger or lower than expected growth in the member city's overall payroll. The amortization payments are calculated assuming payroll grows at 3.0% per year. Overall payroll growth in excess of 3.0% will typically cause a decrease in the prior service rate.

Normal Cost - Shows the increase or decrease in the contribution rate associated with changes in the average normal cost rate for the individual city's population. The normal cost rate is the allocated cost of next year's benefit accruals. Typically, the normal cost rate will increase if the average age/service combination of the covered population increases and decrease if the average age/service combination decreases.

Liability Growth - Shows the increase or decrease in the contribution rate associated with larger or lower than expected growth in the member city's overall plan liabilities. The most significant sources for variance will be individual salary increases compared to the assumption and turnover.

SB 350/ Assumption Changes - Shows the change in the contribution rate associated with the combined impact of SB 350 and new actuarial assumptions adopted by the Board at their May 2011 meeting.

Reserve Distribution Smoothed Interest Credit – Shows the change in the contribution rate associated with the reserve fund distribution smoothed interest credit (10% recognized/90% deferred).

GASB Compliance Data

For the Employer's Applicable Accounting/Fiscal Year

City of: Lancaster

The attached pages contain data specific to your city and are being provided to all participating Texas Municipal Retirement System (TMRS) employers to assist your city in complying with the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)* and if applicable, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

<u>The actual disclosures required by GASB Statements 50 and 45 must be based on the circumstances specific to each individual employer; as such, the disclosure(s) is(are) the responsibility of the city (employer) and its independent public accountant.</u>

Please note that any reference to Plan Year (PY) in the following pages refers to the TMRS Plan Year, which coincides with the Calendar Year and Valuation Year, January 1 – December 31.

Items <u>not</u> in italics are comments provided to assist you in completing your financial statement disclosures. Items ***<u>in italics</u>*** are sample language and charts that are part of the required disclosures.

PENSION PLAN

The passage of SB 350 "restructuring" permitted the TMRS actuary to prepare the December 31, 2010 actuarial valuation as if the fund restructuring had occurred as of December 31, 2010. (see section entitled *SB 350 Fund Restructuring* for more details). SB 350 was not passed into law until June, 2011, subsequent to TMRS' fiscal year end of December 31. As such, we are providing the actuarial valuation results and funding progress on the following pages for both "pre" and "post" restructuring.

<u>GASB Statement No. 27 as amended by GASB Statement No. 50:</u>

Note that participating municipalities should comply with the **GASB Statement No. 50** provisions for an **agent multiple-employer defined benefit pension plan.** The GASB statement provides an example of the note disclosures in **Illustration 6** (Notes to the Financial Statements for an Employer Contributing to an Agent Multiple-Employer Defined Benefit Pension Plan). In addition, the participating employer can refer to the footnotes in the TMRS Comprehensive Annual Financial Report (CAFR) to obtain a general description of the TMRS plan, how contributions are made, and how benefits are determined.

In making its disclosures, the employer may need to consider (not intended to be an all-inclusive list):

- Its accounting year (employer fiscal year is likely different than TMRS' December 31 plan year and the valuation period)
- If additional voluntary contributions were made to TMRS during the employer's fiscal year (additional voluntary contributions were permitted effective January 1, 2008)
- The disclosure of a net pension asset or net pension obligation, as a result of paying more or less than the annual required contribution (ARC)

Notes to Financial Statements

Plan Description

The City provides pension benefits for all of its eligible employees [any exceptions such as firefighters would be inserted here by the City] through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

[city should provide chart similar to the "sample chart" shown below, if applicable]

SAMPLE

DO NOT USE "AS IS" FOR YOUR CITY

USE VALUES APPLICABLE TO YOUR OWN CITY

1. Annual Required Contribution (ARC)	*$ 12,000*	$ of ARC[1]
2. Interest on Net Pension Obligation	*1,500*	Interest[2] * (7)
3. Adjustment to the ARC	*(1,243)*	(7) / amortization factor
4. Annual Pension Cost (APC)	*12,257*	(1) + (2) + (3)
5. Contributions Made	*(10,000)*	Actual Contributions
6. Increase (decrease) in net pension	*2,257*	(4) + (5)
7. Net Pension Obligation/(Asset), beginning of year	*20,000*	
8. Net Pension Obligation/(Asset), end of year	*$ 22,257*	(6) + (7)

1. The fiscal year $ ARC is determined by the sum of the applicable $ ARC for each month in the city's fiscal year. The $ ARC for each month is determined by multiplying the PY % ARC (Full Retirement Rate) by the applicable payroll for that month (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report").
2. Should be the interest rate used in determining the ARC for the period. This is 7% for the 2008 and 2009 ARC; 7.5% for the 2010 and 2011 ARC; and 7% for the 2012 ARC and thereafter.

Comment: Cities that contribute at the level of the ARC (which is at the Full Retirement Rate) each year do not need to go through the above exercise for determining the Annual Pension Cost. For these cities, the Net Pension Obligation should be $0 and the Annual Pension Cost will be equal to the actual contributions made for the fiscal year.

Beginning in 2008, member cities were allowed to make additional contributions into their TMRS Municipality Accumulation Fund (MAF). In addition, beginning in 2009, certain eligible member cities could elect to contribute a minimum amount equal to their ARC less a "Phase In" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation (i.e. – contribute at the Phase-In Rate). Both of these instances will cause a city to have an actual contribution different than the actuarially determined Annual Required Contribution (ARC), and therefore, accrue a net pension obligation (asset) on its balance sheet. In subsequent years, this Net Pension Obligation (Asset) will be amortized using the same amortization factor used to determine the ARC for a given year. We have included the amortization factor used to determine the prior service rate applicable to the time period indicated in the "Three-Year Trend Information" chart shown below. This is a step required to determine the Adjustment to the ARC (line 3 in the sample chart above) and ultimately the Annual Pension Cost (line 4 in the sample chart above) as described in GASB Statement No. 27.

The above chart is an example of a schedule to include in your financial statements; we have provided a column to the right of the schedule, describing the calculation. Please note, all of the values should be based on your city's fiscal year, not the TMRS plan year. The example above has a Full Rate (ARC) of 12% and made actual contributions equal to 10% ($10,000 in contributions). There was an NPO of $20,000 at the beginning of the period with an interest rate of 7.5% and an amortization factor of 16.086.

Three-Year Trend Information

Fiscal Year Ending	*Annual Pension Cost(APC)*	*Actual Contribution Made*	*Percentage of APC Contributed*	*Net Pension Obligation/ (Asset)*	**Amortization Factor***	**Annual Required Contribution Rate***
2008	*$*	*$*	%	*$*	NA	11.63%
2009	*$*	*$*	%	*$*	17.329	15.05%
2010	*$*	*$*	%	*$*	16.377	15.48%
2011	*$*	*$*	%	*$*	16.056	16.26%
*2012**	*$*	*$*	%	*$*	16.619	15.68%

* **Comment:** Neither of the last two columns should be shown in the actual exhibit in the city's disclosure. This is being provided to assist the city in completing the calculation from the prior page. Also, the city is only required to show three years of information; the 2012 row is shown only to provide the city with the applicable amortization factor for determining the Annual Pension Cost.

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	*12/31/2008*	*12/31/2009*	*12/31/2010-prior to restructuring*	*12/31/2010-Restructured*
Actuarial Cost Method	*Projected Unit Credit*	*Projected Unit Credit*	*Projected Unit Credit*	*Projected Unit Credit*
Amortization Method	*Level Percent of Payroll*	*Level Percent of Payroll*	*Level Percent of Payroll*	*Level Percent of Payroll*
GASB 25 Equivalent Single Amortization Period	*29.0 years; closed period*	*27.9 years; closed period*	*27.1 years; closed period*	*27.2 years; closed period*
Amortization Period for new Gains/Losses	*30 years*	*30 years*	*30 years*	*30 years*
Asset Valuation Method	*Amortized Cost*	*10-year Smoothed Market*	*10-year Smoothed Market*	*10-year Smoothed Market*
Actuarial Assumptions:				
*Investment Rate of Return **	*7.5%*	*7.5%*	*7.5%*	*7.0%*
*Projected Salary Increases **	*Varies by age and service*	*Varies by age and service*	*Varies by age and service*	*Varies by age and service*
** Includes Inflation at*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Cost-of-Living Adjustments	*2.1%*	*2.1%*	*2.1%*	*2.1%*

Comment: Cities with a fiscal year ending December 31 (i.e. the calendar year), would indicate that the required contribution for fiscal year 2011 was determined as part of the December 31, 2009 actuarial valuation; as such, the 2008 valuation information shown above would not be included in the disclosure.

Funded Status and Funding Progress *– In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).*

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Funded Ratio*	*Unfunded AAL (UAAL)*	*Covered Payroll*	*UAAL as a Percentage of Covered Payroll*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
			(1) / (2)	*(2) - (1)*		*(4) / (5)*
12/31/2010[1]	*$29,264,147*	*$46,673,193*	*62.7 %*	*$17,409,046*	*$13,466,995*	*129.3 %*
12/31/2010[2]	*$43,023,260*	*$58,639,756*	*73.4 %*	*$15,616,496*	*$13,466,995*	*116.0 %*

(1) Actuarial valuation performed under the original fund structure.
(2) Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Required Supplementary Information

Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2008	$26,431,828	$42,814,837	61.7 %	$16,383,009	$14,507,867	112.9 %
12/31/2009	29,362,600	45,558,535	64.5	16,195,935	13,887,238	116.6
12/31/2010[1]	29,264,147	46,673,193	62.7	17,409,046	13,466,995	129.3
12/31/2010[2]	43,023,260	58,639,756	73.4	15,616,496	13,466,995	116.0

(1) Actuarial valuation performed under the original fund structure
(2) Actuarial valuation performed under the new fund structure

SUPPLEMENTAL DEATH BENEFITS FUND

GASB Statement No. 45:

In addition, GASB Statement No. 45 may be applicable to your city if the city **has** elected to participate in the Supplemental Death Benefits Fund (SDBF) **for its retirees**. Participating municipalities should comply with the **GASB Statement No. 45** provisions for a **cost-sharing multiple-employer defined benefit healthcare plan.** The GASB statement provides information in paragraph 24 and also an example of the note disclosures in **Illustration 4** (Notes to the Financial Statements for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan). In addition, the participating employer can refer to the footnotes in the TMRS CAFR to obtain a general description of the SDBF.

In making its disclosures, the employer may need to consider its accounting year if the employer's fiscal year is different than TMRS' December 31 plan year (PY) and the valuation period.

Notes to Financial Statements:

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees **[this sentence should be updated to reflect the city's actual provisions as noted in the chart below]**. *The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.*

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

Your city offers supplemental death to:	Plan Year 2010	Plan Year 2011
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Comment: This chart can be utilized to complete the footnote information above regarding your city's plan provisions for SDBF.

Contributions

Note: Your city is only required to disclose participation in the Supplemental Death Benefits Fund for OPEB reporting purposes if you provide this coverage to your retirees.

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were $____, $_____ and $______, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:

(RETIREE-only portion of the rate)

Plan/ Calendar Year	*Annual Required Contribution (Rate)*	*Actual Contribution Made (Rate)*	*Percentage of ARC Contributed*
2008	*0.03%*	*0.03%*	*100.0%*
2009	*0.03%*	*0.03%*	*100.0%*
2010	*0.02%*	*0.02%*	*100.0%*
2011	*0.02%*	*(city to provide)*	*(city to provide)*
2012	*0.02%*	*(city to provide)*	*(city to provide)*

Comment: Your city can disclose the ARC in dollars (as noted in sentence above) or in a chart similar to the above. In addition, the city is only required to show three years of information; additional years have been provided for informational purposes only.

The city is reminded that the disclosure should state the contributions for the cities respective fiscal year. As in the pension disclosure, the city can determine the $ contributions made by summing their monthly payroll by the retiree-portion SDBF rate noted above (payroll can be obtained from line 1 of the TMRS-3 report). Cities should also note that TMRS only allowed a Phase-In Rate for the pension contributions; all contributions to the SDBF are paid at the stated % rate above and as such, the % of ARC contributed will always be 100%.

Phase-in Rates with Restructuring

Following the change in TMRS' actuarial cost method as of the December 31, 2007 actuarial valuation, any city that experienced an increase of 0.50% or more due to actuarial assumption or method changes was given the option to phase-in the higher rate over an eight-year period beginning January 1, 2009. Your city was eligible for that option.

In addition, any increase in your 2010 rate due to the change in assumptions first reflected in the December 31, 2008 valuation was combined with your original phase-in balance and phased in over the remaining seven years of the phase-in period. Similarly, the decrease in your 2012 Full Retirement Rate due to the combined impact of SB 350 and new actuarial assumptions (see *Reconciliation of Full Retirement Rate from Prior Actuarial Valuation Report)* was offset against your December 31, 2010 pre-restructuring phase-in balance with the remainder, if any, to be phased in over the remaining five years of the phase-in period. The 2012 rate reflects the fourth year of the original 8-year phase-in period.

How did you calculate my city's December 31, 2010 (2012 rates) pre-restructuring phase-in balance?

The difference between your 2011 Full Rate and Phase-in Rate represents the balance remaining to be phased-in (not yet recognized) over the remaining five years (2102-2016, inclusive) of the phase-in period.

How did restructuring and the new actuarial assumptions affect my city's 2012 Phase-In Rate?

Cities that were originally eligible for phase-in are now placed into one of three categories:

1. For some cities, the rate reduction due to restructuring/new assumptions eliminates the phase-in balance completely. In these cases, the restructuring/new assumptions rate reduction more than offset the pre-restructuring phase-in balance.
2. For other cities, the 2012 Phase-in Rate is higher than the 2011 Phase-in Rate, but the post-restructuring phase-in balance (pre-restructured phase-in balance less restructuring/new assumptions rate reduction) is much smaller. In these cases, the restructuring/new assumptions rate reduction is less than the pre-restructuring phase-in balance and leaves a smaller balance to be phased in over the remaining five years (2012-2016, inclusive).
3. For the remaining cities, the 2012 Phase-in Rate is equal to their 2011 Phase-in Rate. In these cases, the normal phase-in calculation results in a 2012 Phase-in Rate less than the 2011 Phase-in Rate. Because Phase-in Rates do not decrease from one year to the next, the 2011 Phase-in Rate is continued through 2012 with the balance to be phased in over the last four years (2013-2016, inclusive).

What rate should my city pay?

Your city must contribute at least the Phase-in Rate and should consider paying more than this amount.

Can my city contribute more than the Phase-In Rate?

You may contribute at any rate you choose, but you must contribute at least the Phase-in Rate. Your city may choose to pay (1) the Full Rate, (2) a rate between the Phase-in Rate and the Full Rate or (3) a rate above the Full Rate. The TMRS Act was amended effective January 1, 2008 allowing cities to make additional contributions to TMRS.

What is the impact of paying the Phase-In Rate or a rate below the Full Rate?

Contributing at a rate less than the Full Rate during the phase-in period will affect your City in at least the following two ways:

(1) Each year that the actual contribution rate is less than the Full Rate, the difference generates an actuarial loss in the following year's actuarial valuation which must be amortized as part of the UAAL by an increase in the Prior Service rate. All other things being equal, the Full Rate for each successive year of the phase-in period will reflect the cumulative increases in the Prior Service rate from all prior years; therefore, for a city that contributes the phase-in rates exactly, the 2016 Full Rate will reflect the cumulative effect of seven incremental increases in the Prior Service rate. Cities that pay the Phase-in Rate or any rate less than the Full Rate are also likely to see their funding ratio decline or increase at a slower rate each year.

(2) In accordance with GASB Statement No. 27, your city will need to disclose a Net Pension Obligation (NPO) in its financial statements to reflect the difference between the Annual Pension Cost and the actual contributions made. More information about GASB reporting requirements is discussed in the GASB Compliance Data Attachment.

What is the impact of contributions in excess of the Full Rate?

Contributions above the Full Rate will have the exact opposite effect on your city as described above for contributions less than the Full Rate – (1) the amortization of actuarial gains created by additional contributions will decrease the Full Rate (by a decrease in the PS Rate) for the following year and (2) reduce the NPO, if any, or create or increase a Net Pension Asset (NPA) for financial statement purposes. A city that makes contributions in excess of the Full Rate should also see its funding ratio improve more rapidly.

Can my city pay the Full Rate this year and change to the Phase-In Rate in a later year?

Yes. Each year during the 8-year phase-in period, TMRS will send you a rate letter showing both the Phase-in Rate and the Full Rate. The Phase-in Rate will be the minimum rate you must pay. As mentioned earlier, a city should consider paying more than the Phase-in Rate.

If my city makes plan changes that increase the cost of our plan (benefit improvements), can we phase-in those additional costs?

No. The contribution rate increase due to benefit improvements will not change the Phase-in Amount used in determining the Phase-in Rate. The Phase-in Rate will increase by the same amount as the Full Rate. The Phase-in Rate was intended to assist those cities that needed additional time to budget for the Full Rate. Any city making plan changes should consider paying the Full Rate.

If my city makes changes that decrease the cost of our plan (benefit reductions), will our Phase-in Rate be affected?

Yes. Reductions in the Full Rate because of a plan benefit reduction will change the amount being phased-in and the Phase-in Rate beginning with the year the plan changes are effective. The portion of the amount being phased in and not yet recognized (4/5th in 2012, 3/5th in 2013, 2/5th in 2014, 1/5th in 2015 and 0/5th in 2016) will be reduced by the decrease in the Full Rate to be phased in evenly over the remainder of the 8-year phase-in period. In 2012, there are five years remaining (2012-2016, inclusive) of the original eight year phase-in period. If the decrease in the Full Rate due to reductions in plan benefits exceeds the remaining phase-in balance, your required contribution rate will be the reduced Full Rate based on the new plan provisions.

If I make a plan change in 2011, will my 2012 contribution rate be recalculated?

Yes. 2012 contribution rates will be re-determined for cities that adopt changes in plan benefits prior to the end of calendar year 2011.

My City Plan as of July 2011

City name and number

Lancaster (00726) since 07-1967

Employee's deposit rate

7% (01-1998)

City's matching ratio

200% (01-1996)

Vesting requirement

5 years of service

Retirement eligibility

5 years of service/Age 60; 20 years of service/Any Age

Additional provisions

Supplemental Death Benefits (Employee & Retiree)
100% Updated Service Credit (with Transfers) - Auto-Readopt
70% Annuity Increase - Auto-Readopt
Military Service Credit
Restricted Service Credit

TMRSFACTS

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The Texas Municipal Retirement System
(TMRS)

Understanding Benefits, Funding, and Economic Impact

TMRS® provides valuable benefits that help cities attract and retain quality employees. With recent concern over the financing of public employee retirement systems in other states, it is important to understand how the TMRS program provides benefits through a combination of employee deposits, city contributions, and investment income.

September 2010

This brochure is an informal presentation of information about TMRS and related issues. If any specific questions of fact or law should arise, the statutes will govern.

TMRS Plan Design

TMRS' Hybrid Plan Design

Unlike most public retirement systems, TMRS is a hybrid retirement plan. Instead of a "defined benefit" based on a percentage of salary, the basic TMRS retirement benefit is "cash balance" in nature, meaning it is based on the contributions made by an employee, the matching amount agreed to by the city, and interest income credited to the employee's account over the employee's career.

Flexibility

Each TMRS city designs its own plan from a menu of available options. A city may choose employee deposit rate, city match, as well as other provisions like COLAs and Updated Service Credit.

Sources of Funding

TMRS benefits are funded by employee contributions, city contributions, and investment earnings generated from TMRS' portfolio. Employees covered by TMRS contribute a percentage of their pay (5%, 6%, or 7%). Employee deposits are combined with city contributions and invested by the System. Investment earnings are the largest source of funding for the employee's retirement benefit.

Interest to Member Accounts Guaranteed

By law, TMRS member accounts are credited with 5% interest each year (and retiree accounts are similarly credited when the retirement annuity is calculated). The primary source for this 5% credit is investment income. Under the methodology used by the TMRS Board in 2010, city accounts receive up to 7.5% each year, with any additional interest going into a reserve fund, which can be used to pay the member interest or to help stabilize city contributions in "down years" when investment returns are low.

Low Administrative Costs

TMRS assesses no administrative fee to employees or cities. TMRS' administration is funded from a small portion of the System's annual investment earnings. For 2010, the total annual administrative budget for TMRS, including investment costs, is estimated to be approximately 0.12% of the retirement fund's assets. By comparison, according to a Deloitte study, the median "all in" participant and employer fee for 401(k) plans in 2009 was 0.72% of the amount under management.

Municipal Employee Salaries and Benefits

Public Employee Compensation

When examining the pension benefits of Texas municipal employees, it is important to remember that retirement is only part of the total compensation package. Compared with other Texas workers, local government employees, on average, earn less during their working years. Texas Workforce Commission data for wages in Texas in 2009 show that local government employees earn an average weekly salary of $727, whereas private sector employees earn an average weekly salary of $913.

Benefit Payment Amounts

A city employee under TMRS only receives the city match at retirement – usually after 20 or 25 years of service. In 2009, the average benefit payment to a new TMRS retiree with 20 to 25 years of service was approximately $1,400 a month.

COLAs

In those TMRS cities that choose to provide a Cost of Living Adjustment (COLA) to retirees, COLAs are tied directly to annual changes in the Consumer Price Index (CPI). The highest COLA a retiree can receive is limited to 70% of the change in the CPI.

TMRS Funding

Benefits are Funded over Time

TMRS benefits generally are funded over a 30-year period for most cities. The ratio of a pension plan's assets to its total liability is called a "funded ratio." Individual cities participating in TMRS have their own funded ratio; TMRS as a System has a funded ratio of 75.8% as of December 31, 2009.

Amortizing Unfunded Actuarial Accrued Liability (UAAL) Is Similar to a Mortgage

A plan has an unfunded actuarial accrued liability (UAAL) when the accumulated liabilities exceed the accumulated assets. A retirement plan should not be considered financially or actuarially unsound by the mere existence of a UAAL or the level of its funded ratio at any one point in time. Financial condition should be measured by the direction in the trends of these indicators from year to year and over a period of several years. For example, a plan with a 90% funded ratio that has steadily declined over the last five years is of more concern than a plan with a 70% funded ratio that has steadily increased each year.

The Actuarial Cost Method Ensures Future Funding

In 2008, TMRS changed its actuarial cost method (the funding arrangement that determines the annual cost of benefits) from the Unit Credit Method to the Projected Unit Credit Method. This change was made to ensure that all benefits, including COLAs, are prudently advance funded (improving the long-term security of the System). The change in actuarial cost method resulted in higher contribution rates for cities with annually repeating COLAs and Updated Service Credit, increased the UAAL for many cities, and lowered municipal funded ratios.

TMRS Cities are Making Funding Progress

After adjusting to the 2008 change in methodology, TMRS cities paying their full contribution rate are showing steady annual improvement in their funded ratios, and this improvement should continue. Funded ratios may decline if a city grants new benefits or experiences actuarial experience losses, such as lower than expected turnover rates or salary increases higher than the actuary's assumed rates.

Economic Impact of TMRS

- **National Economic Impact**

  TMRS invests billions of dollars in the stocks and bonds of private sector companies and government agencies, providing valuable capital to the economy.

- **Annuities and Local Economies**

  TMRS paid $685.7 million in benefits in 2009. TMRS benefits paid to retirees flow back into local municipal economies. Most TMRS retirees live in Texas and spend their retirement dollars in the same communities where they served as active employees. An economic study performed by the Perryman Group in 2006 (when TMRS paid $554.8 million to retirees) showed that TMRS benefits resulted in $1.32 billion in annual spending by retirees and through the multiplier effect as a dollar passes through the economy. These effects are more pronounced in small communities and rural areas.

For More Information

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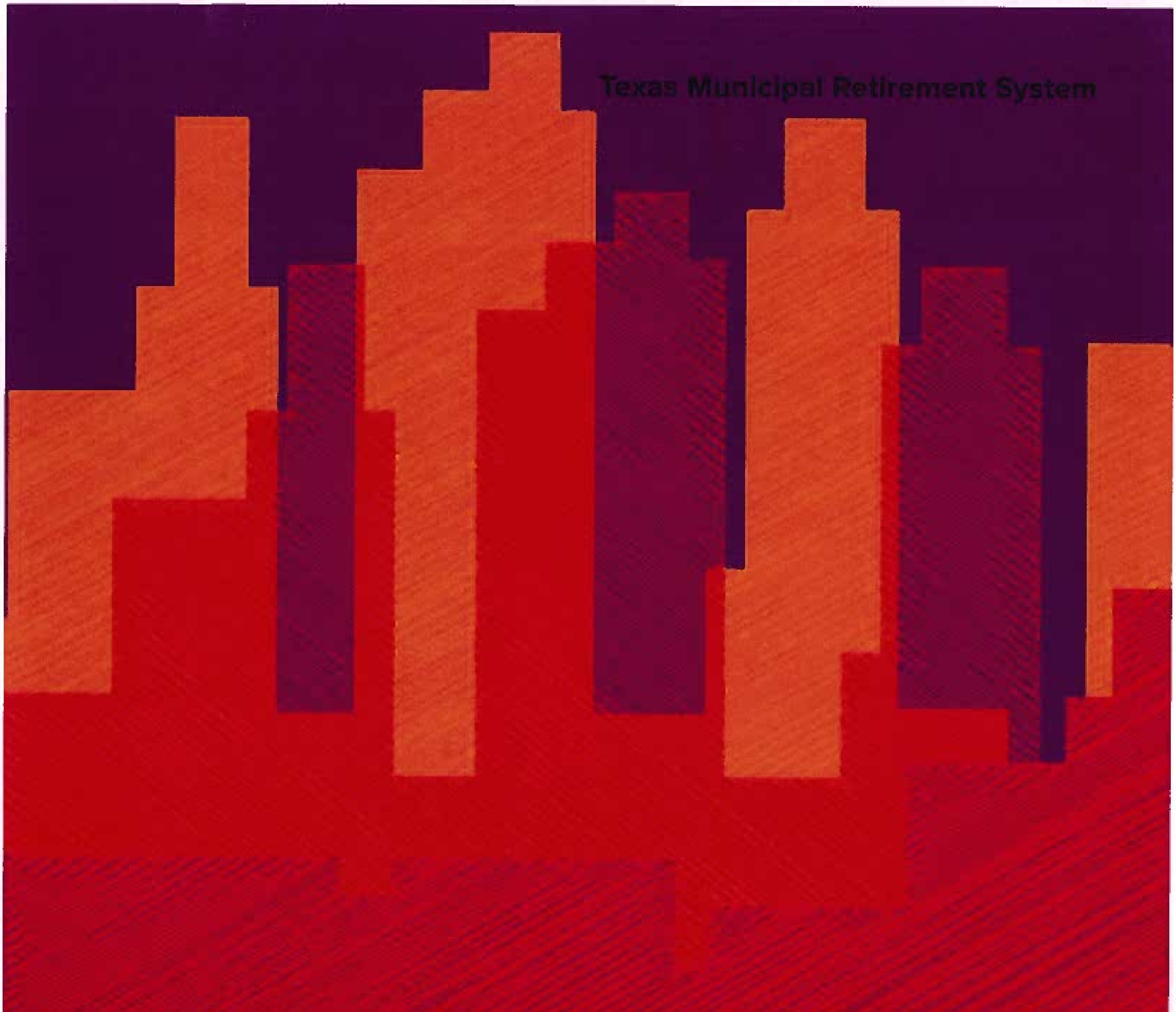
TMRS®

TEXAS MUNICIPAL RETIREMENT SYSTEM

Texas Municipal Retirement System



TMRS FACTS

For City Officials

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TMRSFACTS
For City Officials

Purpose of this Guide

This guide for city officials — city managers, finance officers, and elected and appointed officials — is intended to provide the information you need to understand how the Texas Municipal Retirement System (TMRS) works. For a complete description of TMRS plan benefits, see the *Member Benefits Guide*.

What Is TMRS?

TMRS is a retirement system created by the Texas State Legislature in 1947 and administered in accordance with the **Texas Municipal Retirement System Act, Subtitle G, Title 8, Government Code**, for municipal employees in the State of Texas. TMRS is a public trust fund that bears a fiduciary obligation to the public employees and retirees who are its beneficiaries. The Administrative Rules governing the System are adopted by the TMRS Board of Trustees and are contained in the **Texas Administrative Code, Title 34, Part 6.**

Pension and other benefits are administered by TMRS on behalf of more than 830 participating municipalities throughout the State of Texas. Cities voluntarily elect to participate in the System, and once they do so, state law requires full participation by all employees of the member city. Cities choose from a menu of plan options to provide benefits they deem appropriate. The city's retirement plan description, as stated in the Governmental Accounting Standards Board (GASB) Compliance Data section of the Annual Rate Letter, reads as follows:

> *The City provides pension benefits for all of its full-time employees . . . through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.*

All employees must participate in TMRS except for any excluded departments (such as firefighters or police who may be covered by other pension plans). The plan is "non-traditional," which means it is not a standard salary and service-formula pension plan. It is "joint contributory," which means that both the member and the employer city contribute to the plan; and it is a "hybrid defined benefit" plan, which means it has some elements of both defined benefit (DB) and defined contribution (DC) plans. Cities join TMRS voluntarily, and the plan decisions and modifications remain in the city's hands. Cities may change their plan provisions by ordinance.

Who Governs TMRS?

The TMRS Act provides that the governance of TMRS is entrusted to a six-member Board of Trustees, appointed by the Governor of Texas with the advice and consent of the Senate. Three Trustees are "Executive Trustees," who are the chief executive officer; chief finance officer; or other officer, executive, or department head of a participating municipality. Three Trustees are "Employee Trustees," who are employees of a participating municipality. A current list of Board members may be found on the TMRS website under "About TMRS."

What Is the TMRS Advisory Committee? The 19-member Advisory Committee on Retirement Matters is appointed by the TMRS Board of Trustees and serves at the pleasure of the Board. The Advisory Committee provides valuable assistance to the Board in considering benefit changes and improvements to the System, and acts as a voice for member, retiree, and city issues. Nine of the Advisory Committee members are "individual class" members, appointed by the Board from a list of applicants. The other ten are "group class" members representing the following organizations: Combined Law Enforcement Associations of Texas, Texas Municipal Police

Association, Texas State Association of Fire Fighters, Service Employees International Union – San Antonio, Arlington Professional Firefighters Association, City of San Antonio, Texas Municipal League, Texas City Management Association, Government Finance Officers Association of Texas, and Texas Municipal Human Resources Association.

Full details on the Advisory Committee, the committee's charter, and the application form for individual class membership are available on the TMRS website.

Where Can I Find the TMRS Statutes?

The law that specifically governs TMRS is the Government Code, Title 8, Subtitle G, Texas Municipal Retirement System, Chapters 851 General Provisions, 852 Membership, 853 Creditable Service, 854 Benefits, and 855 Administration. All amendments to the TMRS Act in the form of laws passed by the Texas Legislature (including the passage of HB 1244 by the 80th Legislature in 2007 and HB 360 by the 81st Legislature in 2009) are incorporated into this law. Updated laws are available through the Texas Legislature Online *(http://www.capitol.state.tx.us/#Texas State Legislature Online)*, and Rules are available through the Texas Secretary of State's website *(http://www.sos.state.tx.us/)*.

How Does the Plan Work?

TMRS is one of the nation's oldest "hybrid" pension plans. Being a hybrid means we share some traits of defined benefit (DB) and defined contribution (DC) plans (see the Glossary, page 14, for definitions). TMRS has many of the features of a DC, or "cash balance," plan (where a member's basic benefit is calculated based on account balances rather than on a benefit multiplier applied to salary and service), but investments are not member-directed like most DC plans. TMRS' DB plan features include a 5% interest credit "floor," Prior Service Credits (PSC), Updated Service Credit (USC), Cost of Living Adjustment (COLA) options, and a lifetime annuity payable upon retirement.

TMRS does not receive state money; it is funded by TMRS members and municipalities, plus earnings from investment income. As shown in Figure 1, the overall System assets reflect the accumulated value of employer and employee contributions, plus earnings from investments, less benefit payments and expenses.

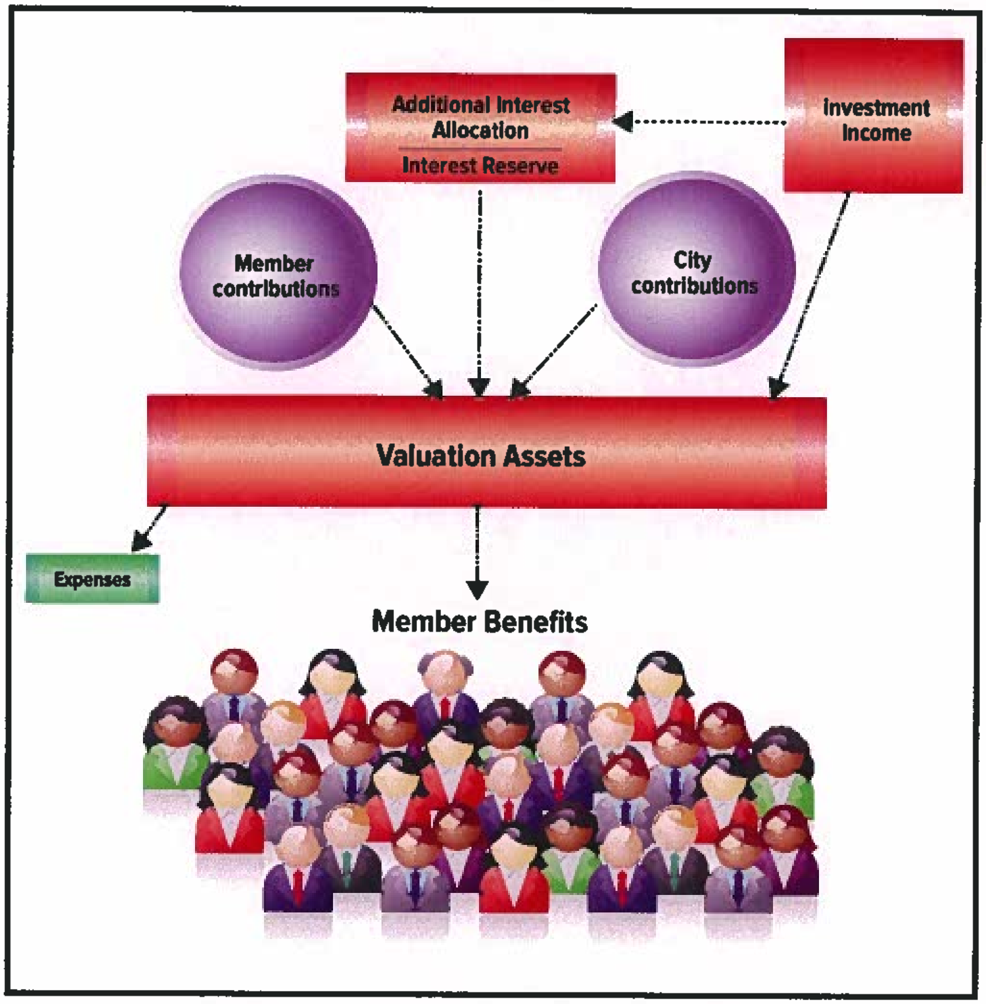


Figure 1. TMRS System Funding Mechanics (not to scale)

Cities maintain close contact with TMRS in the three key areas of administration, plan design, and recordkeeping/payroll reporting:

City Correspondents – Each city designates at least one representative, or City Correspondent, to be responsible for the city's administration of TMRS. To help with that responsibility, we offer a City Correspondent's certification training course several times each year covering member benefits administration, and we include training courses in the TMRS Annual Training Seminar. Correspondents handle the day-to-day administrative work and serve as the city's primary contact with TMRS. A key part of their role at the city level is to educate members about the way TMRS works, but they are not considered to be "agents" of the retirement system.

City Decision-Makers – The city's decision-makers include the mayor, city council or commission members, the city manager, the finance officer, and other municipal employees. These officials make decisions involving TMRS benefits, decide which plan provisions to offer to the employees and retirees, and consider changes that affect plan costs.

Payroll Reporting – Every city must send its payroll report and transfer funds to TMRS each month. These functions are usually performed by finance or accounting personnel. For more information, see "How Does My City Report Payroll?" on page 7.

How Are TMRS Retirement Benefits Funded?

All pension plans are funded on one basic equation: Contributions (C) = Benefits (B) + Expenses (E) – Income (I). Actuaries use actuarial assumptions to predict the values of B, E, and I, which then determine C. In TMRS, benefits plus expenses are funded by employee deposits, employer contributions, and investment earnings. For an update on TMRS' investment diversification, see Exhibit B.

From the city's point of view, the deposit it makes each month pays for the matching portion of current service accruals, the payment needed to pay off any unfunded Prior Service accruals, and Supplemental Death Benefits (if adopted). In other words, your city's retirement plan cost is the Normal Cost plus amortization of the Unfunded Actuarial Accrued Liability (UAAL) (see the Glossary and the City Cost section, page 8, for more information about Normal Cost and UAAL). Your city's total plan cost is the combined cost of the retirement plan and Supplemental Death Benefit plan, if applicable.

As certified by our independent actuary, TMRS is funded in accordance with GASB principles and state law. Each city's funding objective, based on the benefit provisions chosen, is to accumulate over the working career of each active member sufficient assets to pay benefits as they become due and to finance any unfunded benefit obligations over a period of time not greater than 30 years (25 years for some cities). To accumulate funds for benefits, each member city has its own accumulation account (the Municipality Accumulation Fund, or MAF). Funds accumulated in the MAF are held in trust and are only used to match employee deposits and interest for transfer to the Current Service Annuity Reserve Fund (CSARF) at retirement and to pay any monthly benefits attributed to Prior Service Credit (PSC)/Updated Service Credit (USC) and Cost of Living Adjustments (COLAs). Each year, TMRS provides your city with actuarially determined plan cost information and the most recent funded ratio. The year-to-year change and the trend over time in the funded ratio reflects your city's progress toward funding its promised benefits. Member deposits and interest are also held in trust and are accounted for in a separate fund (the Employees Saving Fund, or ESF).

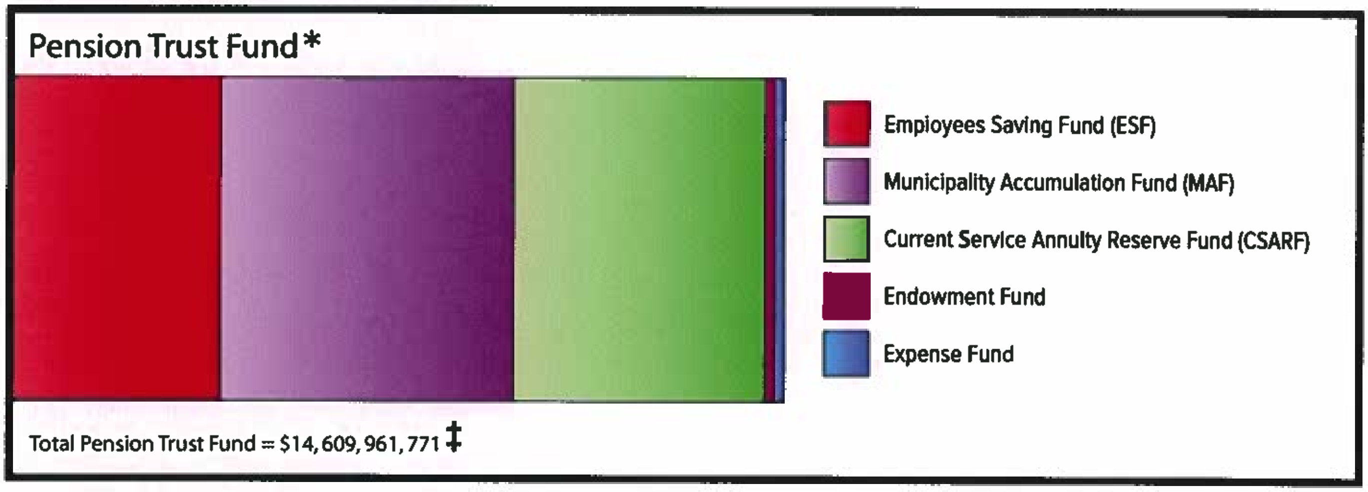
The accumulation accounts are part of TMRS' Fiduciary Fund. The Fiduciary Fund is reported in two parts: the Pension Trust Fund and the Supplemental Death Benefits (SDB) Fund. If your city elects to provide SDBs for active members and/or retirees, that money is held in a separate trust.

Pension Trust Fund Accounts – The TMRS Act has established the accounts listed below and shown in Figure 2. These accounts comprise the net assets held in trust for benefits. For a full description of these funds, see the TMRS *Comprehensive Annual Financial Report* (CAFR), Financial section.

- Employees Saving Fund (ESF) — all contributions made by member employees, plus earned interest less refunds and transfers to CSARF. State law provides that the ESF will be credited with a minimum 5% interest annually.
- Municipality Accumulation Fund (MAF) — all normal and prior service contributions made by cities, plus earned interest, less transfers to CSARF and benefit payments. Interest is credited/charged annually to the MAF based on the total return on TMRS investments and other factors as determined by the Board (see page 7).
- Current Service Annuity Reserve Fund (CSARF) — used to pay current service retirement benefits. At the time of retirement, a member's accumulated funds are transferred from the ESF to the CSARF. In addition, the respective "matching" funds from the city are transferred from the MAF to the CSARF. All funds rolled into the CSARF are "combined/commingled" and become an obligation of the System. Under state law, the CSARF receives an annual interest credit of 5%.
- Endowment Fund — investment income (Interest Reserve Account).
- Expense Fund — fund to cover administrative and maintenance costs of TMRS.
- Supplemental Disability Benefits Fund — a closed fund that has not received contributions since 1987 due to a change in the TMRS Act.

Each year we issue the CAFR, which provides the changes in the Municipality Accumulation Fund and Employees Saving Fund balances for each city.

FIGURE 2. ACCUMULATION ACCOUNTS



* The Supplemental Death Benefits fund ($26,123,090 at year-end 2008) is maintained as a separate fund from the Pension Trust Fund and therefore not included. A small fund called the Supplemental Disabilty Benefits Fund is also not included because cities' participation in the program ceased in 1987.

‡ As of December 31, 2008.

How Does My City Report Payroll?

This function is usually handled by the payroll officer or TMRS City Correspondent. For monthly processing, each city sends a monthly payroll report, which must be postmarked by the 15th of the month after the month being reported. After the city has submitted the report, the information must be added to the member's account before any action (refund or retirement annuity) may be taken on that account. Items in this monthly reporting are:

- Employee Contributions Report (TMRS-2)
- Summary of Monthly Payroll Report (TMRS-3)
- City's Remittance (calculated on the Summary of Monthly Payroll Report)
- Remittance of Lump Sum Contributions (TMRS-ADD), if needed

Cities are requested to report their payroll information electronically, which allows TMRS to process monthly information faster, increases efficiency, and reduces errors. We also encourage cities to transmit their funds electronically whenever possible.

How Are Retirements Calculated?

Employees contribute to their accounts according to their city's deposit rate of 5%, 6%, or 7% (cities were formerly allowed to adopt a 3% deposit rate, and three cities still use this rate). The city agrees to match on the date of retirement the member's deposits and interest at 100%, 150%, or 200%, depending on the city's matching ratio option (1 to 1, 1½ to 1, or 2 to 1, respectively). The city's contribution is held in the city's MAF account until the member retires. At retirement, both the employee account balance and the city matching contribution are transferred to the CSARF from which the Current Service portion of the retiree's total annuity is paid. The only way the member may receive the city matching funds is to retire from TMRS and receive a monthly payment. City matching funds are not reduced if a member selects a Partial Lump Sum Distribution option.

When members retire with TMRS, a lifetime benefit is calculated based on the following factors:

- Total member deposits and interest
- City matching funds and other credits granted (such as USC)
- Member's remaining life expectancy at retirement
- Monthly payment option chosen
- Beneficiary's life expectancy (if member selects a plan that pays a lifetime benefit to a survivor), or the guaranteed term, if one is chosen
- Future interest at 5% per year
- Whether they choose to take a Partial Lump Sum Distribution

Interest on Member Accounts – Interest on member and city accounts is credited once each year. Member accounts are credited on December 31, calculated on the amount in the account as of January 1 of that calendar year. State law provides that a minimum of 5% interest be credited to each member's account each year.

Interest on City Accounts – City accounts are also credited with interest as of December 31, based on their MAF account balance as of January 1. The amount of the MAF interest credit is set by the TMRS Board of Trustees at a Board meeting after the end of the year, after the fund's total return on investments is determined. City interest credits will be based on:

- The annual total return of the fund's entire portfolio, and
- Any allocation to or from reserves (see discussion of reserves on page 8).

The actuarially assumed interest crediting rate to the MAF is 7.5%, but actual MAF crediting rates may vary from the expected rate depending on the investment return of the entire portfolio. In a year in which investment returns perform below expectations, interest credits to the MAF may be less than 7.5% and may even be negative.

Asset Smoothing and the TMRS Reserve – Asset smoothing and a reserve fund are two funding elements that are important in reducing the year-to-year volatility of city contribution rates. TMRS has always had a reserve fund, but the importance of the reserve has increased following the changes enacted in the 81st Texas Legislature with the passage of HB 360. Because of the 5% guaranteed interest credit to both the ESF and CSARF each year, the resulting MAF interest credit has a magnified impact. See the examples in the box below.

Examples of the effects of interest rates on MAF crediting (based on December 2008 percentages):

- If the total portfolio return equals the assumed 7%, then after crediting 5% to the ESF and CSARF, the effective MAF crediting rate could be as much as 10.3%.
- Similarly, a –1% return on the total portfolio could result in an effective MAF crediting rate of –11.4%.

Recognizing the impact on contribution rates of potentially volatile MAF crediting rates, the TMRS Board has adopted:

- An asset smoothing policy to minimize the rate impact of normal, short-term fluctuations in the market value of assets, and
- Initial guidelines for establishing and maintaining a reserve fund to further mitigate the additional volatility created by the effect of normal market fluctuations on MAF returns.

Asset smoothing allows the use of an Actuarial Value of Assets (AVA) instead of the Market Value of Assets (MVA) for valuation purposes. In determining the AVA, short-term investment gains/losses due to changes in the MVA are recognized over a period of years, thereby reducing the contribution rate and funded ratio volatility that would occur if the MVA were used. The TMRS Board has adopted a 10-year asset smoothing policy with a 25% "soft corridor" to help ensure that the MVA and AVA do not diverge too far.

The TMRS Board also adopted a target of 20% of the total fund to be held as a reserve. The reserve will be used to supplement interest allocations in years when the total portfolio return does not allow for a 7.5% MAF interest credit. In addition, an established and robust reserve fund may provide the basis for future gain sharing of investment returns with members.

How Do I Know My City's Cost?

Normal Cost and Prior Service Cost – The retirement portion of a member city's contribution rate consists of the Normal Cost (NC) contribution rate and the Prior Service contribution rate. The NC portion of the rate is determined by dividing the sum of the individual NC amounts for each participant by the current payroll.

The Prior Service portion of the rate amortizes a city's Unfunded Actuarial Accrued Liability (UAAL) over a specified period of time, called an amortization period. Different components of the UAAL are amortized separately (see next section for explanation); therefore, the total Prior Service rate as shown in the rate letter reflects the sum of the individual components. For most cities, the UAAL is amortized over a 25- or 30-year closed period.

What Is an Unfunded Actuarial Accrued Liability (UAAL)? Determined each year as part of the actuarial valuation, the UAAL is the difference between the Actuarial Accrued Liability (AAL) and the Actuarial Value of Assets (AVA). The existence of an UAAL, by itself, is not necessarily an indicator that a plan is underfunded. The actuarially determined contribution rate ensures that the UAAL will be funded systematically in an actuarially acceptable manner over a reasonable period of time. Funding progress is measured by the trend over time of the plan's funded ratio.

The UAAL generally has two components that determine the Prior Service rate — the Prior Service costs and actuarial gains or losses.

Liability for Prior Service is created by the following situations:

1. When the city grants Prior Service Credit to employees at the time the city begins participation in TMRS or under other special circumstances
2. When the city grants an Updated Service Credit
3. When the city grants an Annuity Increase (COLA) to its retirees

Actuarial gains or losses occur when the actual events during the year ("experience") do not match the actuarially assumed expected events during the year. Gains (losses) on assets occur when actual investment returns are higher (lower) than anticipated. Liability gains (losses) occur when long-term assumptions (e.g. mortality, withdrawal, retirement, salary increases) are not met exactly. Determined each year by the actuarial valuation, actuarial gains (losses) decrease (increase) the UAAL and are amortized separately as a level percent of payroll over the same closed amortization period.

A third component of the Prior Service rate is generated by increases in the UAAL due to the adoption of ad hoc USC and COLAs. Beginning in January 2011, the liabilities associated with ad hoc benefit adoptions are subject to a separate 15-year level dollar amortization schedule.

Why Annual Contribution Rates Fluctuate – Contribution rates may increase or decrease from year to year due to changes in the plan provisions the city adopts, experience, or, less commonly, changes in actuarial assumptions or methodologies made by the TMRS Board with the advice of its consulting actuary.

Significant sources of annual rate changes for TMRS cities are:

- The interest crediting rate to the MAF.
- Withdrawals — If fewer members than expected terminate in a year and apply for a refund, then a city's rate can be expected to increase.
- Updated Service Credit (USC) and Annuity Increases (COLAs).
- Payroll growth — If payroll remains level or decreases, then the city's rate can be expected to increase.
- Liability variations resulting from such factors as salary increases that differed from actuarial assumptions.

A reconciliation of your city's full contribution rate from the prior valuation is included in the annual Rate Letter packet. Your city's Rate Letter and enclosures (including GASB Compliance Data) are available online under the Cities page. A list of enclosures in the packet is shown in Exhibit C.

What Are "Phase-in Rates?" In 2007, when TMRS changed its actuarial cost method from traditional Unit Credit to Projected Unit Credit, many cities with annually repeating benefits saw a significant increase in their contribution requirements due to the advance funding of projected future benefits. Any city that received a rate increase of 0.5% or greater due to actuarial method or assumption changes was given the option of paying a Phase-in Rate over an eight-year period.

A city paying the Phase-in Rate can expect to see the Phase-in Rate rise each year by approximately 1/8 of the amount being phased in until the Full Rate is reached in 2016. Note that if the Phase-in Rate is used, the Full Rate in 2016 will be higher than the comparable rate calculated in 2008 due to the accumulated impact of the previous seven years when contributions were less than the Full Rate. A city paying **any** rate less than the Full Rate will generate a Net Pension Obligation that will need to be noted in the city's financial statements.

For those cities eligible for the Phase-in Rate, TMRS provides both the Phase-in and Full Rates each year in the Rate Letter (see Exhibit C). TMRS encourages any city that can pay the Full Rate to do so. It is also possible for a city to pay a rate between the Phase-in and Full Rate or even to pay a rate higher than the Full Rate if it so chooses. For detailed information on the Phase-in Rate, see your city's Rate Letter.

What Is the Maximum Contribution Rate Limit?

The Maximum Contribution Rate Limit is commonly referred to as the Statutory Maximum, or "Stat Max." The TMRS Act sets a limit as to the maximum amount the System can require a city to contribute in a given year, based on the level of benefits the city has chosen to provide.

The Stat Max does not limit the cost of a plan; it merely limits how much a city can be charged for a certain benefit level, which may not be sufficient to fund the cost in a given year. For example, a city with a 6%, 1-to-1 ratio has a Stat Max of 8.50%. (This limit does not include the cost of Supplemental Death Benefits, if adopted.) The TMRS Act allows any city to enact an ordinance that removes the Stat Max. Cities that joined TMRS after 1996 are not subject to the Stat Max law, and many TMRS cities have enacted ordinances to remove the maximum limit.

If your city reaches this limit, we will let you know in the annual Rate Letter, which spells out some possible solutions:

- Remove the Statutory Maximum Contribution Rate Limit (by ordinance)
- Increase, in certain cases, the Statutory Maximum Contribution Rate Limit (by ordinance)
- Pay the Actuarially Determined Calculated Rate (by ordinance; this is a one-year-at-a-time option, and causes annually repeating benefits to be turned off that year)
- Pay the Maximum Contribution Rate Limit (annually repeating benefits will be turned off)

If a city's rate exceeds the limit and the city does not act to remove or increase the Stat Max, annually repeating benefits (USC and Annuity Increases) will be automatically "turned off" until the rate drops back below the limit.

Why Do Cities Reach Stat Max? There is no single reason why cities reach the Maximum Contribution Rate Limit. In most cities where the contribution rate has exceeded the Stat Max, the contribution rate has increased gradually over a period of time. This may be due to different factors, e.g., a declining payroll base, benefit adoptions that have caused significant rate increases, or privatization of a department or work unit.

Each year, several TMRS cities exceed the maximum contribution rate limit. This trend is likely to continue in future years, especially since many cities are paying contributions under the eight-year "phase-in" period that began in 2008 (see pages 9-10). Remember: the Stat Max is not intended to limit the actual cost of a certain level of benefits. Rather, it is intended to be the maximum amount TMRS can charge a city for a particular level of benefits. The limit should not rest with an arbitrary number in the statute but with what a city is willing to pay (or can afford) for its plan of benefits. If the cost of the plan is more than a city is willing to pay, then the city should consider limiting itself to only adopting a level of benefits it can afford to maintain.

The table in Figure 3 shows the differences in the Stat Max rates under the different deposit rate options and matching ratios chosen by the city.

FIGURE 3. STATUTORY MAXIMUM CONTRIBUTION RATES

	Matching Ratio		
Deposit Rate	1 to 1	1½ to 1	2 to 1
3%*	5.50%	7.50%	9.50%
5%	7.50%	9.50%	11.50%
6%	8.50%	10.50% / 11.00%	12.50% / 13.50%
7%	9.50%	11.50% / 12.50%	13.50% / 15.50%

For the four plans showing split limits, the left number is the base limit, and the right number is what the limit can be increased to.
**This deposit rate is no longer an option for new cities.*

What Role Does the TMRS Actuary Play?

The TMRS consulting actuary calculates the long-term cost of the pension benefits offered by each TMRS city and determines the annual contribution rate needed to fund those benefits. Using an actuarial funding method and actuarial assumptions, including retirement rates, salary growth, and investment income, the actuary prepares an annual actuarial valuation of each city to determine the city's actuarial accrued liability and measure it in relation to the city's funding assets, both present and future. Besides the annual valuation, the consulting actuary determines costs for mergers and major plan changes within cities, assists the TMRS Board with policy decisions, and helps determine the expected cost of proposed legislation.

TMRS performs an annual actuarial valuation for each participating municipality, the results of which are reported in the Actuarial section of our *Comprehensive Annual Financial Report* (CAFR). Historical information relating to progress in meeting the actuarial funding objective is presented in the Schedule of Funding Progress, included as a part of the Required Supplementary Information in the Financial section of the CAFR.

Every four years the consulting actuary performs an actuarial experience study and measures cities' actual experience — such as rates of retirement, withdrawal, and mortality — and then compares it to the most recent set of actuarial assumptions. The actuary recommends any adjustments needed to the actuarial assumptions, and the Board considers the actuary's recommendations and approves assumptions for the next valuation. The next TMRS experience study is likely to be performed in 2011 for the four-year period ending December 31, 2010.

In addition to a consulting actuary, TMRS employs a staff Decision Support Actuary. The staff actuary helps cities with funding analysis, plan design cost issues, and other rate questions.

How Does TMRS Account for its Benefits?

As a public entity, TMRS follows the accounting guidelines and disclosure requirements established by the Governmental Accounting Standards Board (GASB). GASB standards require the disclosure of pension asset and liability information annually in a six-year-trend Schedule of Funding Progress. This disclosure includes the calculation of the plan's Funded Ratio, which is the primary measure of funding progress (actuarial value of assets expressed as a percentage of the Actuarial Accrued Liability, or AAL). An increase in the Funded Ratio indicates improvement in the System or a city's ability to pay all projected benefits as they become due. The System or city is fully funded at a point in time, if the Funded Ratio is greater than or equal to 100%. The Schedule of Funding Progress is presented to provide a consistent basis for measuring the System's annual progress toward funding its actuarial liability in accordance with its actuarial funding method.

A funding progress disclosure, referred to as "GASB Compliance Data," is sent to each city annually in the Rate Letter packet and reflects information for the previous calendar year (your GASB Compliance Data enclosure may be downloaded from the TMRS website along with the rest of the Rate Letter packet). For example, Compliance Data for your city's GASB letter for the year ended 2008 was sent to your city in the 2010 Rate Letter package in May 2009 and was also posted online.

The primary accounting rules that apply to TMRS and individual cities are:

- **GASB Statement No. 25** — Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans (November 1994)
- **GASB Statement No. 27** — Accounting for Pensions by State and Local Governmental Employers (November 1994)
- **GASB Statement No. 43** — Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (April 2004)
- **GASB Statement No. 45** — Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (June 2004)
- **GASB Statement No. 50** – Pension Disclosures — An Amendment of GASB Statements 25 and 27 (May 2007)

System-wide, the TMRS Pension Trust Fund and the Supplemental Death Benefits Fund are maintained on the accrual basis of accounting. This means that revenue is recorded when earned and expenses are recorded when incurred, regardless of when payment is made. Employer and employee contributions are recognized when due. Participant benefits are recorded when payable by law. Refunds are recorded and paid upon receipt of an approved application for refund. For more details, refer to the Financial section of the CAFR.

How Does a City Change its Plan Options?

If you wish to modify your existing plan elements, contact TMRS directly. The Regional Managers, Deputy Executive Director, or Decision Support Actuary can all help with plan change questions and requests. These members of the TMRS staff can analyze the effects of option changes on your contribution rate.

We will also send you model ordinances that can be used by your city council to adopt plan changes (see Exhibit D for a list of provisions that may be adopted by the council). By running an actuarial study for proposed plan changes, we can determine the effect the proposed changes will have on your city rate.

What Plan Modifications Are Allowed? TMRS offers a menu of choices. Full information about options that may be changed by ordinance is available by calling TMRS. To review potential plan changes and the effects of such changes, see the Plan Changes Table in Exhibit F (inside back cover).

Summary of Recent TMRS Changes

In late 2007, the TMRS Board of Trustees approved several changes for the System, effective in 2008. These changes included:

- Amending the System's Investment Policy to diversify the investment portfolio (see Exhibit B).
- Changing the System's actuarial cost method from Unit Credit to Projected Unit Credit to provide advance funding of projected benefits, including annually repeating USC and COLAs.
- Extending the amortization period for the UAAL from a 25-year open period to a 30-year closed period for most cities.
- Adopting an eight-year schedule for phasing in contribution rate increases due to the changes in actuarial funding method and assumption changes.

In 2009, following interim deliberations by the TMRS Advisory Committee, the TMRS Board of Trustees adopted legislative recommendations that resulted in the passage of HB 360, by Kuempel (House) and Williams (Senate). HB 360 made three fundamental changes to the System:

- A 5% minimum annual interest credit was approved for member accounts and for the discount rate to be used in determining annuity purchase rates for retirees.
- Annual interest credits to cities can now be set at a rate different than the rate credited to members.
- Annual interest credits to cities may be credited at a negative rate.

Glossary

Actuarial Accrued Liability (AAL) – The present monetary value, actuarially determined, of the estimated cost of benefits payable to active and retired members, accrued in periods prior to the valuation date.

Actuarial Cost Method, or Actuarial Funding Method – Technique for establishing the amount of current service cost for a pension plan and the related accrued liability. The appropriate method is chosen to calculate the liabilities accruing under a pension plan and the funds that are needed to pay for them over time.

Actuarial Experience Study – An analysis performed every few years by the actuary, in which the actuarial assumptions used are reviewed, both individually and in the aggregate, to ensure they are reasonable given current economic and demographic experience.

Actuarial Gain (Loss) – The difference between actual experience and that expected based on actuarial assumptions, during the period between the two actuarial valuation dates. A gain indicates better than expected experience, while a loss indicates experience less than anticipated.

Actuarial Value of Assets (AVA) – the value of plan assets used in the actuarial valuation. The AVA may differ from the Market Value of Assets (MVA).

Actuary – A professional trained in the mathematics of finance, probability, and statistics and credentialed by organizations representing their profession. Pension actuaries assign values to the probable amounts to be paid in the future and help establish a method for responsibly budgeting for those payments.

Amortization Period – The designated length of time that it takes for a liability to be reduced by means of periodic payments sufficient to liquidate the liability at maturity; the time over which pension liabilities will be "paid off." In retirement systems, amortization periods may either be ***closed*** (so that all liabilities will be paid at a certain date, if assumptions are met) or ***open*** (where the amortization period is reset each year).

Annual Required Contributions (ARC) – The rate calculated by the actuary as required to fund the city retirement plan for a given year.

Annuity Increase, or Cost of Living Adjustment (COLA) – An option chosen by cities to provide an increase in annuities for retirees. The city chooses the adjustment amount: 30%, 50%, or 70% of the change in the Consumer Price Index (CPI) increase from the December before retirement through the December that is 13 months prior to the effective date of the increase. Annuity increases may be adopted on either an annually repeating or ad hoc basis.

Closed Amortization – The required contribution is calculated by the actuary so that at the end of the period the liability will be fully funded. TMRS cities have a closed 25- or 30-year amortization period.

COLA, or Cost of Living Adjustment (see Annuity Increase)

Contribution Rate – The annual percentage of your city's payroll required to fund its TMRS plan. TMRS notifies you of your contribution rate each year (in the Rate Letter), and this sets the percent of payroll for the upcoming year. The contribution rate is the sum of the Normal Cost, the Prior Service Cost, and the Supplemental Death Benefit Cost, if that provision has been adopted by your city.

Current Service Annuity Reserve Fund (CSARF) – The account to which an employee's deposits and interest plus the city matching funds are transferred when a person retires, and from which the current service portion of the person's retirement benefit is paid.

Defined Benefit Plan (DB Plan) – A retirement plan in which the benefit paid to the employee is based on a formula set in law (determined by statute, regulation, or plan document), and *not* determined by the account balance. A DB plan literally "defines" the future benefit to be paid. Examples of DB plans are the Teachers Retirement System of Texas and Social Security. DB plans are usually qualified pension trusts under Section 401(a) of the Internal Revenue Code.

Defined Contribution Plan (DC Plan) – A retirement plan in which the benefit is based on the amount of money in the account at retirement. A DC plan "defines" the contributions and maintains an individual account for each plan participant. Examples of DC plans include private-industry plans such as 401(k), 403(b), and governmental 457 deferred compensation plans.

Deposit Rate – The percentage of the member's salary that constitutes the member deposits deducted from gross salary. Also called employee contribution rate.

Employee – Municipal employees must join TMRS if they are employed with a city that participates in TMRS and in a position that regularly requires at least 1,000 hours of work per year. The city must classify each position as to whether or not it is "membership eligible." Membership starts the first day of employment.

Employees Saving Fund (ESF) – An account containing all contributions made by member employees, plus earned interest, less refunds and transfers to CSARF.

Full Rate (see also Phase-in Rate) – Retirement Plan Full Rate equals the sum of the Normal Cost Rate and Prior Service Rate, whereas the Combined Plan Full Rate adds the SDB Rate, if applicable, to the Retirement Plan Full Rate.

Funded Ratio – The ratio of actuarial assets to liabilities or AVA/AAL; an overall reflection of a pension plan's health at a point in time. In TMRS, both the System as a whole and individual cities have funded ratios. Your city's funded ratio is shown in the Rate Letter and in the CAFR.

Funding Policy – The program for the amounts and timing of contributions to be made by plan members and employers to provide the benefits specified by the plan.

Governmental Accounting Standards Board (GASB) – The governing body whose mission is to establish and improve standards of state and local governmental accounting and financial reporting. Most public entities follow the disclosure requirements of the GASB.

Matching Ratio – The ratio at which the city will match member deposits and interest at retirement. Options are 1 to 1, 1½ to 1, and 2 to 1 (100%, 150%, and 200%, respectively). City matching funds are held in the city's MAF account until needed for retirement funding.

Maximum Contribution Rate Limit ("Stat Max") – The maximum percent of payroll, as set by the TMRS Act, that a city can be required to pay for a given plan level (deposit rate and matching ratio). This is not the calculated rate; it is simply the most a city can be required to pay. For example, a city with a 6%, 1-to-1 ratio has a Stat Max of 8.50%. This limit does not include the cost of Supplemental Death Benefits, if adopted; it only applies to the retirement portion of the city's contribution rate. TMRS cities have the authority to enact ordinances that remove, increase, or override the Stat Max. Many cities have chosen to remove this limit.

Member (see Employee)

Municipality Accumulation Fund (MAF) – An account containing all Normal and Prior Service contributions made by cities, plus earned interest, less transfer to CSARF and benefit payments.

Glossary

Net Pension Obligation – This is the cumulative amount that a city has underpaid or overpaid (net pension asset), as compared to its required contribution rate, in a given year. This will normally be zero for a city, unless the city is paying a Phase-in Rate.

Normal Cost Contribution Rate – Actuarial present value of benefits allocated to the current valuation year by the actuarial cost method, expressed as a percentage of the covered payroll. Normal cost information is included in the City Rate Letter.

Open Amortization – The method whereby an amortization period is renewed every year as part of the valuation process (also called a "rolling" amortization).

Other Post-Employment Benefits (OPEBs) – Post-employment benefits other than pension benefits. Specifically, for TMRS, the $7,500 Supplemental Death Benefit payable to the beneficiaries of retirees of municipalities that have elected to offer the SDB falls under OPEB accounting rules.

Phase-in Rate (see also Full Rate) – Following TMRS' change in actuarial cost method in late 2007, cities with annually repeating benefits saw a significant increase in contribution requirements. Cities with an increase in excess of 0.5% were allowed to "phase in" the increased contribution over an eight-year period beginning January 1, 2009. Each year, the Rate Letter provides these cities with a Full Rate and a Phase-in Rate to help them make their funding decision.

Prior Service Contribution Rate – The percentage of payroll required to amortize the unfunded or overfunded actuarial accrued liability over a closed period, in TMRS 25 or 30 years.

Projected Unit Credit Actuarial Cost Method – A method under which the benefits of each individual included in the valuation are allocated by a consistent formula to valuation years based on years of service. Benefits are allocated equally to each year of service over the individual's career from date of hire to retirement. Under this method, actuarial gains (or losses) reduce (or increase) the Unfunded Actuarial Accrued Liability.

Retirement Contribution Rate – The sum of the Normal Cost contribution rate and the Prior Service contribution rate stated as a Full Rate and Phase-in Rate, if applicable.

Supplemental Death Benefit (SDB) – A benefit payable, if adopted by the city, to the beneficiaries of deceased contributing members. This benefit is approximately equal to the active member's annual salary; an optional benefit is also payable to the beneficiary or estate of a deceased retiree in the amount of $7,500.

Unfunded Actuarial Accrued Liability (UAAL) – The difference between the actuarial accrued liability and the assets held as of the study date. The UAAL is not necessarily an indication that a plan is not properly funded. The UAAL is funded systematically in an actuarially acceptable manner over a reasonable period of time.

Updated Service Credit (USC) – A provision adopted by city ordinance that may increase the value of employee retirement benefits by accounting for increases in salary later in the employee's career and factoring in city plan improvements. If a city adopts USC, it chooses the percentage of USC it will provide (50%, 75%, or 100%) and whether it will adopt USC on an annually repeating or ad hoc basis.

Vesting – When a member has met the city's length-of-service requirement (either 5 or 10 years of service) to be guaranteed a retirement benefit upon the attainment of a certain age, provided they do not terminate their membership in the plan. Becoming vested increases an employee's potential to retire and therefore increases the plan's liability. ◆

Exhibit A • TMRS Provisions Timeline

1947 ➤	Enactment of the TMRS Act, creating the Texas Municipal Employees Retirement System.
1948 ➤	TMRS deposit rate established at 5%. First cities begin participation with a 1-to-1 city match.
1955 ➤	Maximum earnings limit for contributions to TMRS raised. 3% deposit rate added.
1960 ➤	Distributive Benefit (extra check) paid for the first time to retirees, equaling ½ a regular annuity check.
1963 ➤	TMRS allowed to invest in corporate securities. 2.5% interest rate limit removed.
1966 ➤	Multiple matching of future employee deposits by cities made available. 1½ to 1 and 2 to 1 matches added.
1968 ➤	Maximum TMRS deposit rate increased to 7%.
1969 ➤	Prior Service Credit options added. 20-year vesting and an earlier retirement provision added.
1975 ➤	Updated Service Credit, retirement Annuity Increases, and buyback of previously forfeited credit provisions added. Could only be adopted once every four years.
1977 ➤	Proportionate Retirement Program created. Supplemental Death Benefit fund established; $2,500 to survivors of retirees.
1979 ➤	10-year vesting provision, retirement eligibility at 60 with at least 10 years of service, maximum entry age raised to 59, added as optional provisions for cities. Maximum entry age raised from 49 to 54 for all cities. Spouse or estate allowed to elect certain payment options upon the death of a member eligible to retire.
1981 ➤	Military Service Credit provision added. Elected officials allowed to participate as members of TMRS if they meet the 1,000-hour rule.
1983 ➤	Updated Service Credit for transfer employees provision added.
1984 ➤	Employer "pickup" adopted. This year also marks the start of taxation on withdrawals of deposits. Any return of deposits made after January 1, 1984 (refund or benefit) became subject to taxation.
1987 ➤	Maximum age for participation removed. 25-year, any-age retirement added. Surviving spouse benefit and Occupational Disability Retirement benefit added. 6% deposit rate added.
1989 ➤	Probationary Prior Service Credit added for employees working for a TMRS city on a probationary basis before 1989. 3% deposit rate dropped.
1991 ➤	Restricted Prior Service Credit and annually repeating Updated Service Credit and Annuity Increases added.
1993 ➤	Supplemental Death Benefit for survivors of retirees increased to $5,000.
1995 ➤	20-year, any-age retirement eligibility provision added.
1997 ➤	Partial Lump Sum Distribution added. "Pop-up" provision added (if retiree's beneficiary dies before retiree, and retiree chose a retirement option that provided survivor benefits, the option "pops up" to retiree-only).
2001 ➤	Five-year vesting added.
2003 ➤	Military service credit changed to time credit only, with some exceptions. Supplemental Death Benefit for survivors of retirees increased to $7,500.
2007 ➤	Cities allowed to voluntarily make payments above their contribution rate and above the statutory maximum contribution limit. Board allowed to modify amortization periods, establish rules regarding distributions to public safety officers under the federal Pension Protection Act, and clarify the calculation of Updated Service Credit.
2009 ➤	5% minimum member interest allocation and 5% minimum discount rate for annuity purchase calculation enacted. City interest credit varies from member rate and is based on total fund return.

Exhibit B • Investment Overview

TMRS investments are held in trust for the exclusive benefit of members and invested under the provisions of the TMRS Act. The statutory investment guidelines for TMRS are found in the Texas Government Code, Sections 855.301 through 855.303. The Board of Trustees further defines investment guidelines for TMRS, and a copy of the Board's current TMRS Investment Policy may be found on the Investments page of the TMRS website.

Principles and Objectives

The overall objective of TMRS' investment program is to ensure that members, retirees, and beneficiaries are provided with the benefits they have been promised by their employers at a reasonable and predictable cost to the employers. Assets will be invested for total return with appropriate consideration for portfolio volatility (risk) and liquidity. Emphasis should be on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. Total return includes dividends, interest, and realized and unrealized capital appreciation.

Investments in Transition

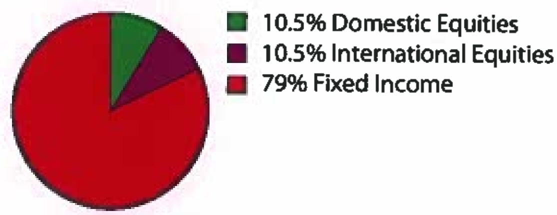
In 2007, the TMRS Board of Trustees voted to begin diversification of the TMRS investment portfolio. Prior to their action, the TMRS fund had been invested almost 100% in bonds to maximize income and allow crediting of annual interest to member and city accounts. Faced with declining interest rates on fixed income investments and the risks associated with a portfolio invested entirely in one class of investment, the Board acted to begin diversification of the fund.

In June 2009, the Board adopted an Investment Policy that reflects the change from an income to a total return objective and approved a strategic asset allocation policy that fully diversifies the investment portfolio.

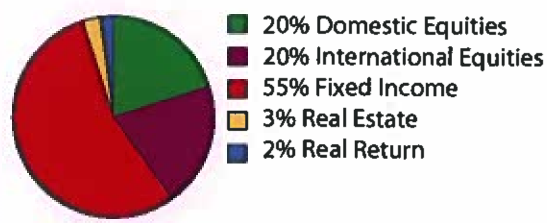
The Board has adopted a five-year diversification strategy that will result in TMRS' portfolio resembling most other large institutional investors. Targets for asset allocation over the transition period are shown at right.

Diversification of the TMRS fund is expected to reduce risk and support the fund's conservative actuarial assumption of 7% annual interest return on the portfolio. For current asset and performance information, see the Investment page on the TMRS website.◆

As of 11/30/09, TMRS investments were allocated between fixed income and equity investments:



The asset allocation **target for 2010** is:



The asset allocation **target for 2013** is:

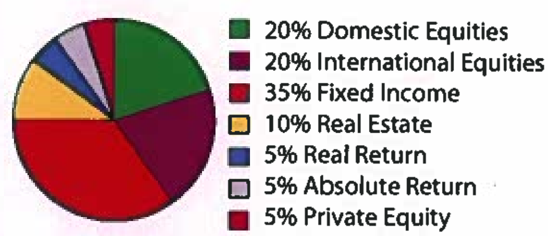


Exhibit C • Annual Rate Letter Packet

The Rate Letter packet contains several sections, including:

- **Cover Letter** – A summary of the Municipal Contribution Rate for the next plan year and an explanation of the contents of the packet, tailored for each city.
- **Executive Summary** – A comparison of the highlights of the prior year and the previous year's actuarial valuation for your city. Included are membership counts, asset information, actuarial information, and contribution rate requirements.
- **Calculation of Contribution Requirements** – Detail on the calculation of the Full Retirement Rate (TMRS Plan Year - GASB ARC), Minimum Required Phase-in Retirement Rate, and the Supplemental Death Rate, if applicable, for your city. A comparison to the prior year's actuarial valuation results is included.
- **Reconciliation of Full Retirement Rate from Prior Actuarial Valuation Report** – A detailed reconciliation of changes in your city's Full Retirement Rate since the prior valuation.
- **Development of the Actuarial Value of Assets** – A detailed reconciliation between Actuarial Value and Market Value of Assets.
- **Actuarial Experience** – A comparative analysis of recent actuarial values and related factors.
- **Membership Data** – An analysis of data by membership category (actives, retirees, inactives).
- **GASB Compliance Data** – A summary of information to assist you in completing the disclosures in your city's annual financial statements regarding your participation in TMRS. This information may also be useful in making various other disclosures, such as the city's official statement provided in connection with a bond offering.
- **Phase-in Rates, if applicable** – An explanation of "Phase-in," including a question and answer section on Phase-in contributions and how they might affect your city.
- **Other information as needed for your city** – Additional material may include information about Statutory Maximum rates.

This list reflects the Rate Letter packet for 2009. Some variation in rate letter contents may occur in 2010 and subsequent years. A copy of your city's most current rate letter is available on the TMRS website.

Exhibit D • Menu of Optional Plan Benefits

Contact TMRS for sample resolutions to adopt or change plan features.
See inside back cover (Exhibit F) for details about adoption or change.

Basic Plan Options

- Employee contribution rate (5%, 6%, or 7%)*
- City matching ratio (1 to 1, 1½ to 1, 2 to 1)
- Vesting (5-year)**
- Retirement Eligibility (20-year, any age)‡

* 3% contribution rate is no longer an option for new cities.
** 10-year vesting is no longer an option for new cities.
‡ 25-year eligibility is no longer an option for new cities.

Additional Features

- Updated Service Credit (USC)
- Annuity Increases (COLAs)
- Military Service Credit
- Probationary Prior Service Credit
- Restricted Prior Service Credit
- Buyback of forfeited TMRS credit
- Supplemental Death Benefits

Exhibit E • Other Resources for Cities

- E-bulletins*
- City visits, council presentations upon request
- Seminars
- Website
  - News items, including Legislative updates
  - City-specific section with tutorials
  - Forms and publications (PDF format)
- Print publications
  - *Main Street* (newsletter for city officials)
  - *Member Benefits Guide*
  - *City Guide to USC and COLAs*
  - *TMRS Facts* and My City Plan (for members)

*E-bulletins contain late-breaking news affecting cities and are issued as needed, approximately monthly. If you are not receiving e-bulletins, you may fill out the online form on the website under the Cities page.

Exhibit F • Plan Changes Table

By law, each city that decides to join TMRS must adopt the basic plan features designed for all cities (left column of Exhibit D). The options that individual cities may choose to add, modify, or discontinue are shown in this table. Changes may be made at any time, but are effective on the dates shown.

Action / Plan Option	How are plan options added or changed?
Join TMRS	City Council, by ordinance
Increase employee contribution rate (up to 7%)	City Council, by ordinance; no employee consent required
Reduce employee contribution rate	To reduce rate takes a 2/3 vote of employees, then Council must adopt by ordinance
Change city matching ratio	City Council, by ordinance; no employee consent required
Reduce vesting requirement (from 10 years to 5) NOTE: Vesting may not be increased.	City Council, by ordinance; no employee consent required
Change retirement age/service requirement to 20-year, any age	City Council, by ordinance (after public hearing); no employee consent required
Adopt USC	City Council, by ordinance; USC can be adopted on its own or with COLAs; USC can be adopted ad hoc or annually repeating
Rescind repeating USC	City Council, by ordinance
Adopt or rescind USC – transfers	City Council, by ordinance
Adopt Annuity Increases (COLAs)	City Council, by ordinance. If this option is chosen, it must be adopted in tandem with USC or repeating USC. COLAs can be adopted ad hoc or annually repeating
Rescind annually repeating annuity increases (COLAs)	Must be dropped if annually repeating USC is dropped
Adopt or rescind Supplemental Death Benefit	City Council, by ordinance
Military Service Credit	City Council, by ordinance
Restricted Prior Service Credit (also Probationary Prior Service)	City Council, by ordinance
Buyback of refunded TMRS service	City Council, by ordinance. Employee must have previously refunded service, be on the payroll at time of adoption, and have 24 consecutive months of deposits with the city
Stop enrolling new employees*	City Council, by ordinance
Reduce USC percentage (reduction options are 50% or 75% of USC calculation)	City Council, by ordinance
Reduce COLA percentage (reduction options are 30% or 50% of CPI)	City Council, by ordinance

* Once a city has joined TMRS, it must continue to provide TMRS benefits for all eligible employees. By law, if a city stops active participation in TMRS, it must maintain the retirement accounts of the employees who have already joined the System. It must continue to fund existing pensions, and it must match at its established rate when its current employees retire.

When do changes take effect?	Outcome of changes
First day of month selected	Installs quality, competitive retirement plan for members.
First day of month selected	The higher the rate, the larger the benefit earned by the member; increases employee deposit pool.
First day of month after the 90th day after ordinance adopted	Reduces benefit for employees, by reducing future accumulation of reserves.
January 1 of the calendar year after adoption	By law, cities must match at least 1 to 1.
First day of month after adoption	Reducing vesting to 5 years allows members to vest earlier, or be guaranteed a retirement benefit assuming a refund is not taken.
First day of month after adoption	Allows for earlier retirement; city can't go back to 25-year retirement once change is made.
January 1 of the year after adoption	Recalculation based on employee's most recent average salary can mean a better benefit for retirees but increases costs for employer city.
January 1 of the year after adoption	Benefits no longer adjusted for salary or plan changes.
January 1 of the year after adoption	Potentially increases costs for employer city because it allows USC eligibility to be transferred from another city.
January 1 of the year after adoption	Helps protect retiree benefits from inflation, but increases costs for employer city.
January 1 of the year after adoption	Future increases will only occur when city makes an ad hoc adoption. Benefits are not adjusted annually.
First day of the month after adoption. Benefit can only be discontinued effective January 1, if ordinance adopted before preceding November 1	Reduces cost to city and eliminates a benefit. Adding will increase costs.
First day of the month after adoption	Applying this credit to members' accounts does not increase the retirement benefit but may affect retirement eligibility for some members.
First day of month after adoption	Allows full-time employees who have previous public service, including active military, to receive time credit. Applying this credit to members' accounts does not increase the amount of their benefit but can add actuarial cost.
Date of adoption	No up-front cost for adoption of buyback. TMRS will estimate costs that accrue if some or all employees purchase their refunded service.
First day of month after adoption. This change only applies to employees starting after that date	City still must fund retirements of employees enrolled prior to adoption.
January 1 of the year after adoption	If employee is eligible for USC, amount will be smaller; previously granted USC continues to earn 5% interest.
January 1 of the year after adoption	Retirees previously receiving larger COLA percentage may not see an Annuity Increase for one or more years.

How to Contact TMRS

Headquarters Building
1200 North Interstate 35 • Austin, TX 78701

Mailing Address
P.O. Box 149153 • Austin, TX 78714-9153

Toll-free • 800.924.8677 **Local** (in greater Austin) • 512.476.7577

Website • *www.TMRS.com*

E-mail • *phonecenter@TMRS.com*

TMRS®
Texas Municipal Retirement System

LANCASTER CITY COUNCIL
Work Session Agenda Communication for July 18, 2011

2

WS11-002

Discuss a request for an amendment to Article 14.1200 Sign Standards, Section 14.1204 (b) to allow new off premise billboard signs to be constructed and seek direction from Council.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 2: Quality Development

<u>Background</u>

This is the first of two related items. At the November 1, 2010 City Council work session, Council directed staff to bring forward an agenda item to discuss and seek direction on off premise LED billboard signs. That discussion was actually two-fold in that there was an open request from the property owner at 3404 N. I-35E to: a) reconstruct an off premise billboard sign; and b) upon reconstruction transition it to an LED billboard.

The purpose of this item is to discuss the specific request from the property owner to amend the sign ordinance to allow a new off premise billboard to be constructed within the City limits and the extraterritorial jurisdiction (ETJ). The property is located at 3404 N. I-35E.

The Lancaster Development Code, Article 14.1200, Section 14.204 (b) states that new construction of an off premise billboard sign is not allowed in coordination with the Federal Highway Beautification Act, and as adopted by the State of Texas.

Pursuant to the LDC, all off premise billboard signs within the City of Lancaster and its ETJ located along the interstate and state roadways are considered legal, non-conforming uses. Property owners may continue with the lease operation of an off premise billboard sign unless the structure is damage over 50% of its value. Such was the case with the off premise billboard that was located at 3404 N. I-35E. The original sign was constructed out of the wood used for telephone poles and could not withstand the 60+ mile winds that affected our community two years ago during a storm event. The property owner applied to the City to reconstruct the pole and was made aware of this provision in the Sign ordinance.

The LDC currently allows the ability of a property owner to convert a static, off premise billboard sign to an LED billboard sign. However, the construction of a new off premise billboard sign is a policy matter where staff is seeking direction from City Council.

Considerations

- **Operational** – The Assistant Building Official oversees the review and approval process of the Sign ordinance. The current regulations prohibiting the placement of additional billboards in the City have been beneficial in reducing visual clutter and improving the image of the City.

  The Federal and State Highway Beautification Act was enacted for the purposes of protecting the public investment in highways; promoting the safety and recreational value of public travel; and preserving natural beauty. It was not the intent to ban outdoor advertising, but to allow outdoor advertising in areas subject to the state's zoning criteria. The State of Texas has extended the ability to home rule municipalities to govern whether or not to allow the construction of new off premise signs. The City of Lancaster, along with 400 other cities across the nation, have decided to not allow the construction of new signs.

- **Legal** – If directed, the City Attorney will draft an amendment that will allow the new construction of off premise billboard signs.

- **Financial** – Future highway improvements and widening where additional billboards would be potentially located will result in higher removal, relocation, and condemnation costs to the taxpayers.

- **Public Information** – If City Council should choose to amend Article 14.1200 Sign Standards of the LDC, there is a requirement for two public hearings.

Options

The purpose of this item is to brief the Council and seek direction. The Sign Standards section of the LDC does not allow the construction or reconstruction of new off premise billboard signs. Staff recommends that City Council maintain this policy in support of the Federal and State Highway Beautification Act.

Prepared and submitted by:
Opal Mauldin Robertson, City Manager

Date: July 13, 2011

LANCASTER CITY COUNCIL
Work Session Agenda Communication for July 18, 2011

3

WS11-003

Discuss an amendment to Article 14.1200 Sign Standards, Section 14.1204 (d) to include a replacement provision for off premise LED billboard signs and seek direction from Council.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 2: Quality Development

Background

This is the second of two related items. At the November 1, 2010 City Council work session, Council directed staff to bring forward an agenda item to discuss and seek direction on off premise LED billboard signs. The focus of this discussion is to discuss a proposal to include a replacement provision when a static, off premise billboard is converted to LED.

Staff has provided the number of billboard signs along Interstate 20 and 35E and State Highway 342 which pass through Lancaster, calculated the distances separating each billboard, measured the length of the highways (in linear feet) in the City, and determined the maximum number of signs that would have been allowed given the criteria of 1,500 linear feet minimum distance between billboards. As a result of the City's application to become a certified sign community, staff received an open records request from the Texas Department of Transportation (Austin office) for permit information for each off premise billboard located in the City limits to determine ownership of the signs. Both the City's and TxDOT's records have been reconciled.

The permit information assisted staff with analyzing how many property owners have multiple billboards as opposed to property owners with a single billboard. Based on these findings, staff was able to assess the affects of converting static billboards to LED billboards with the criteria of removing a certain number of other static billboards. As well, staff assessed the number, location, and distance of property owners with one billboard and what action to propose should these be desired to be converted to LED-type signs.

The Lancaster Development Code (LDC) currently allows the conversion of static off premise signs to LED. However, it does not have a removal provision of static signs upon the transition to a new LED sign.

Considerations

- **Operational –** Currently the Sign ordinance section of the Lancaster Development Code (LDC) allows the conversion of a static billboard sign to an LED sign. It does not have a provision for the conversion ratio of static signs removed to LED signs that are to be replaced. The Assistant Building Official oversees the review and approval process of the Sign ordinance. To date, there have only been two requests for the conversion of billboard signs to an LED sign.

  Staff has researched other cities. The City of Dallas, for example will allow for the conversion of one LED billboard sign, if the owner will remove three static billboard signs in support of the Texas Highway Beautification Act. The City of Arlington and Grand Prairie passed similar ordinances.

  As stated above, the Sign ordinance currently allows for the conversion of a static billboard to an LED billboard sign. Staff is recommending that City Council consider amending the sign ordinance to add a provision to allow a 3 to 1 ratio in support of the Texas Highway Beautification Act.

- **Legal –** If directed, the City Attorney will draft an amendment that will allow the inclusion of a 3 to 1 replacement ratio for off premise LED billboard signs.

- **Financial –** Future highway improvements and widening where LED billboards are located will result in higher removal, relocation, and condemnation costs to the taxpayers.

- **Public Information** – If City Council should choose to amend Article 14.1200 Sign Standards of the LDC, there is a requirement for two public hearings.

Options

The purpose of this item is to brief the Council and seek direction. Because the Sign ordinance currently allows for the conversion of a static billboard to an LED billboard sign, staff recommends that City Council consider amending the Sign ordinance to add a provision to allow a 3 to 1 replacement ratio in further support of the Texas Highway Beautification Act.

Staff is of the opinion that reasonable control of the number of off premise LED signs within the City and its ETJ is beneficial to all citizens.

Attachments

- Zoning Practice Article
- Map
- TxDOT Property Owner list

Prepared and submitted by:
Rona Stringfellow-Govan, AICP
Director of Development Services

Date: July 13, 2011

ZONINGPRACTICE April 2008

AMERICAN PLANNING ASSOCIATION

ISSUE NUMBER FOUR

PRACTICE SMART SIGN CODES

Looking Ahead: Regulating Digital Signs and Billboards

By Marya Morris, AICP

Cities and counties have always been challenged to keep their sign ordinances updated to address the latest in sign types and technologies.

Each new sign type that has come into use—for example, backlit awnings and electronic message centers—has prompted cities to amend their regulations in response to or in anticipation of an application to install such a sign.

The advent in the last several years of signs using digital video displays represents the latest, and perhaps the most compelling, challenge to cities trying to keep pace with signage technology. More so than any other type of sign technology that has come into use in the last 40 to 50 years, digital video displays on both off-premise (i.e., billboards) and on-premise signs raise very significant traffic safety considerations.

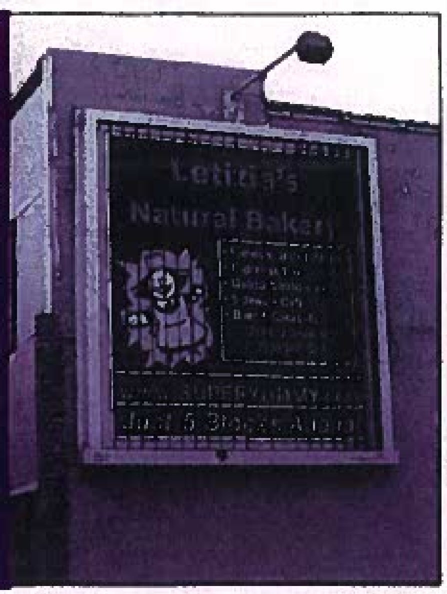
This issue of *Zoning Practice* covers current trends in the use of digital technology on off-premise billboards and on-premise signs. It recaps the latest research on the effects of this type of changeable signage on traffic safety. It also discusses the use of digital video sign technology as a component of on-premise signs, including a list of ordinance provisions that municipalities should consider if they are going to permit this type of sign to be used. I use the phrase digital display or video display, but these devices are also referred to as LEDs or, collectively, as "dynamic signs."

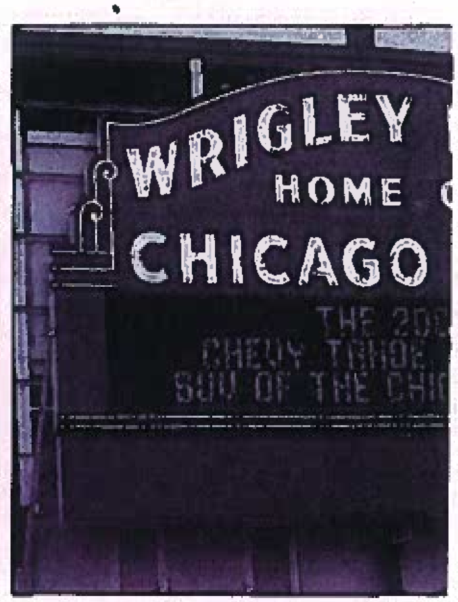
BRIGHT BILLBOARDS

While digital technology is growing in use for on-premise signs, it is the proliferation of digital billboards that has triggered cities and counties to revise their sign ordinances to address this new type of display. Of the approximately half-million billboards currently lining U.S. roadways, only about 500 of them are digital. However, the industry's trade group, the Outdoor Advertising Association of America, expects that number to grow by several hundred each year in the coming years. In 2008, digital billboards represent for the sign industry what the Comstock Lode must have represented for silver miners in 1858—seemingly limitless riches. The technology allows companies to rent a single billboard—or pole—to multiple advertisers. A billboard company in San Antonio, for example, estimated that annual revenue from one billboard that had been converted from a static image to a changeable digital image would increase tenfold, from $300,000 to $3 million just one year after it went digital.

It is very difficult for cities and counties to get billboards removed once they are in place. Billboard companies have made a concerted effort to get state legislation passed that limits or precludes the ability of local

A typology of changing-image signs. The variable message sign at the right rotates a motor to scroll among three different static images. Next, the electronic message board at Wrigley Field in Chicago displays scrolling text and simple images. The on-premise digital sign, pictured third from left, looks like a giant television screen, displaying a steady stream of video images. On the far right, this digital billboard cycles through a number of static images at regularly timed intervals.





ASK THE AUTHOR JOIN US ONLINE!

[illegible]

About the Author

[illegible]

governments to require removal of existing billboards through amortization. The only option left is paying cash compensation. The federal Highway Beautification Act, which was modified many years ago under industry pressure, also prohibits amortization and requires cash compensation for billboard removal.

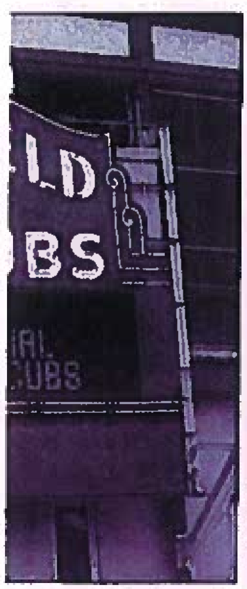
With the amortization option unavailable, some cities and counties have struck deals with billboard companies requiring them to remove two boards for every new one they install. Other jurisdictions have established simple no-net-increase policies. Although many communities have had success with these approaches, in the last few years the industry has devised a litigious tactic to secure new billboard permits. Billboard companies challenge the constitutionality of a sign provision, and when the ordinance is in legal limbo, they rush in to secure billboard permits.

The American Planning Association has joined Scenic America, the International Municipal Lawyers Association, and others in filing amicus curiae briefs in many of these cases to show the courts the industry's pattern of conduct and deliberate strategy to circumvent local sign codes. A review in January 2006 found 113 such "shakedown" sign cases filed in the federal courts since 1997, and eight filed in state courts in the same time period. For more information visit the APA Amicus Curiae webpage at www.planning.org/amicusbriefs.

The emergence of the highly lucrative digital billboards has also, however, given local governments some leverage to at least reduce the total number of billboards. Many of the applications cities are seeing for the video billboards are requests by companies to replace the static type with the new video displays in key locations. The added revenue potential from a digital format has proved to be enough of an incentive to get companies to agree to remove multiple static billboards in exchange for permits to install video display in certain locations.

The emergence of the highly lucrative digital billboards has given local governments some leverage to at least reduce the total number of billboards.

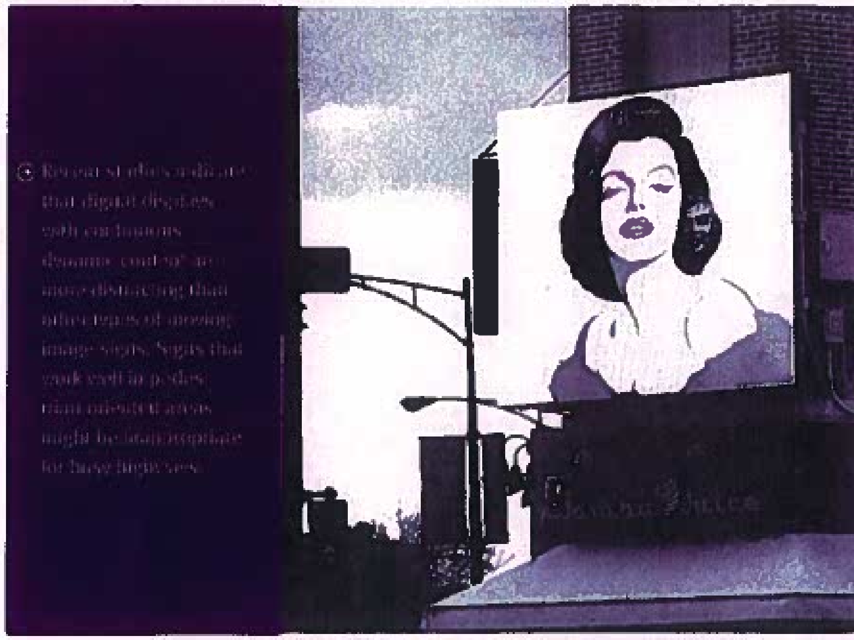
In June 2007, Minnetonka, Minnesota, in the Twin Cities area, reached a settlement with Clear Channel in which the company agreed to



Photos by David Morley

remove 15 of the 30 conventional static image billboards in the city in exchange for permission to install its digital billboards. The city will permit the company to install no more than eight dynamic signs at four to six locations.

The City of San Antonio amended its sign and billboard ordinance in December 2007 to require the removal of up to four static billboards in exchange for permission to install one digital display billboard in their place. Prior to that amendment the city had no provisions for digital sign technology, but it did already have a two-for-one replacement requirement. The city has a developed a sliding scale that determines the number of billboards required to be removed in exchange for a single digital billboard. According to the scale, the number of digital signs permitted is determined by the total square footage of static billboard faces removed. Therefore, a billboard company will be required to demolish as few as three and as many as 19 billboards to get one new digital billboard structure placed or an existing static billboard face replaced.



David Morley

IT DEPENDS ON YOUR DEFINITION OF 'DISTRACTING'

Digital signs are brighter and more distracting than any other type of sign. Other attention-grabbers, like strobe lights, mirrors, searchlights, and signs with moving parts, are typically prohibited (or allowed under very narrow circumstances) by even the most hands-off jurisdictions. The high visual impact of digital signs has prompted highway and traffic safety experts to try to quantify how drivers respond to such distractions. This research, which is summarized below, has been instrumental in helping cities craft new sign ordinances that address the specific characteristics of such signs, including how often the messages or images change, the degree of brightness, and their placement relative to residential areas.

The Federal Highway Administration is currently conducting a study on driver distraction and the safety or impact of new sign technologies on driver attention. The initial phase, which is slated to be completed by June 2008, will identify and evaluate the most significant issues and develop research methods needed to secure definitive results. The FHWA anticipates the second phase of the research study and final report will be completed in the latter part of calendar year 2009. Also, the Transportation Research Board (a branch of the National Science Foundation) has formed a subcommittee to examine research needs on electronic signs.

Until a couple of years ago, one of the only studies on the effects of billboards and traffic safety was a 1980 survey of existing research on the subject prepared for the Federal Highway Administration (Wachtel and Netherton 1980). It did not, however, provide any concrete answers. The study noted "attempts to quantify the impact of roadside advertising on traffic safety have not yielded conclusive results." The authors found that courts typically rule on the side of disallowing billboards because of the "readily understood logic that a driver cannot be expected to give full attention to his driving tasks when he is reading a billboard."

ORDINANCES AND ZONING REPORTS

- City of Minnetonka, Minnesota. 2007. Staff report to city council recommending adoption of an ordinance regulating digital signs. June 25. Available at www.eminnetonka.com/community_development/planning/show_project.cfm?link_id=Dynamic_Signs_Ordinance&cat_link_id=Planning.
- City of San Antonio City Code, Chapter 28. Amendment Adding Provisions for Digital Signs. Last revised December 2, 2007. Available at http://epay.sanantonio.gov/dsddocumentcentral/upload/SIGNsecDRAFTF.pdf.
- City of Seattle, Land Use Code, Section 23.55.005 Signs, Video Display Methods. Last revised 2004. http://clerk.ci.seattle.wa.us/~public/clrkhome.htm.

A 2006 study by the National Highway Traffic Safety Administration that focused primarily on driver distractions inside the car (i.e., phone use, eating, and changing the radio station) concluded that any distraction of more than two seconds is a potential cause of crashes and near crashes.

A 2004 study at the University of Toronto found that drivers make twice as many glances at active (i.e., video signs) than they do at passive (i.e., static) signs. All three of the moving sign types that were studied (video, scrolling text, and trivision) attracted more than twice as many glances as static signs. They also found that the drivers' glances at the active signs were longer in duration; 88 percent of glances were at least 0.75 seconds long. A duration of 0.75 seconds or longer is important because that is the amount of time required for a driver to react to a vehicle that is slowing down ahead. Video and scrolling text signs received the longest average maximum glance duration.

An earlier study also at the University of Toronto that was designed to determine whether video billboards distract drivers' attention from traffic signals found that drivers made roughly the same number of glances at traffic signals and street signs with and without full-motion video billboards present. This may be interpreted to mean that while electronic billboards may be distracting, they do not appear to distract drivers from noticing traffic signs. This study also found that video signs entering the driver's line of sight directly in front of the vehicle (e.g., when the sign is situated at a curve) are very distracting.

A 2005 study by the Texas Transportation Institute of driver comprehension of sign messages that flash or change concluded that such signs are more distracting, less comprehensible, and require more reading time than do static images. While this research did not evaluate advertising-related signs, it does demonstrate that flashing signs require more of the driver's time and attention to comprehend the message. In the case of electronic billboards, this suggests that billboards that flash may require more time and attention to read than static ones.

The City of Seattle commissioned a report in 2001 to examine the relationship between electronic signs with moving/flashing images and driver distraction. The study was conducted by Jerry Wachtel, who in 1980 had conducted the first-ever study on signs and traffic safety for the Federal Highway Administration.

The Seattle report concluded that electronic signs with moving images will distract drivers for longer durations (or intervals) than do electronic signs with no movement. The study also noted that the expanded content of a dynamic sign also contributes to extended distraction from driving. Specifically it found that signs that use two or more frames to tell a story are very distracting because drivers are involuntarily compelled to watch the story through to its conclusion.

Sign messages that flash or change are more distracting, less comprehensible, and require more reading time than do static images.

The Seattle study also found that drivers expend about 80 percent of their attention on driving-related tasks, leaving 20 percent of their attention for nonessential tasks, including reading signs. The report recommended the city use a "10-second rule" as the maximum display time for a video message.

APPROACHES TO REGULATING DIGITAL DISPLAY SIGNS

Most cities and counties that have amended their sign ordinances to address the use of digital display on on-premise signs and billboards have done so in response to an application by a sign owner to install a new sign that uses the technology or in response to a sign owner having replaced an existing sign face with a digital display. Some cities, like Minnetonka, were required by a court settlement with a billboard company to allow the technology. Although regulations for digital signs are still relatively new, we can group the regulatory approaches (or lack thereof) into three general categories:

1) Most sign ordinances are still silent on the issue of digital video displays, but almost all do regulate electronic message centers and also prohibit or restrict signs that move, flash, strobe, blink, or contain animation.

2) A smaller but growing number of sign ordinances contain a complete prohibition on digital video display signs while still permitting electronic message centers.

3) A relatively small number of sign ordinances have been amended to allow video display signs under narrowly prescribed circumstances and with numerous conditions.

For jurisdictions that want or need to allow them, the following section explains additional considerations that should be added to a sign ordinance to effectively regulate digital display signs.

Sign type. The ordinance must indicate whether the digital display can be used on off-premise billboards only, on on-premise signs only, or on both sign types.

Definitions. The definitions section must be updated to include a detailed definition of digital display signage and the sign's functional characteristics that could have an effect on traffic safety and community aesthetics.

Zoning districts. The ordinance should list the districts in which such signs are permitted and where they are prohibited. Such signs are commonly prohibited in neighborhood commercial districts, historic districts, special design districts, and scenic corridors, in close proximity to schools, and in residential districts. On the other end of the spectrum, East Dundee, Illinois, for example, expressly encourages digital video signs in two commercial overlay districts, but only a

Billboards with changeable digital images allow billboard companies to dramatically increase their revenue by renting the same sign face to multiple advertisers.

RESOURCES

- Beijer, D. and A. Smiley. 2005. "Observed Driver Glance Behavior at Roadside Advertising Signs," *Transportation Research Record.*
- Dudek, C. L. et al. 2005. "Impacts of Using Dynamic Features to Display Messages on Changeable Message Signs," Washington, D.C.: Operations Office of Travel Management: Federal Highway Administration.
- *"Dynamic" Signage: Research Related To Driver Distraction and Ordinance Recommendations.* Prepared by SRF Consulting Group, Inc. for the City of Minnetonka, Minnesota. June 7, 2007 (www.digitalooh.org/digital/pdf/2007-minnetonka_digital-srf_consulting_report06-08-07.pdf).
- "The Impact of Driver Inattention on Near-Crash/Crash Risk: An Analysis Using the 100-Car Naturalistic Driving Study Data." 2006. National Highway Traffic Safety Administration, U.S. Department of Transportation. April.
- McBride, Sarah. "Seeing the Light: In Billboard War, Digital Signs Spark a Truce." *Wall Street Journal.* February 3, 2007.
- Smiley, A. et al. 2004. "Impact of Video Advertising on Driver Fixation Patterns." *Transportation Research Record.*
- *Unsafe at Any Speed: Billboards in the Digital Age.* 2007. Scenic America Issue Alert 2. Available at www.scenic.org/pdfs/eb.pdf. The Scenic America website has a number of excellent resources for planners and citizens interested in regulating digital signage, including a downloadable PowerPoint presentation, research summaries, and model ordinances.
- Wachtel, J. and R. Netherton. 1980. "Safety and Environmental Design Considerations in the Use of Commercial Electronic Variable-Message Signage." Report No. FHWA-RD-80-051. Washington, D.C: Federal Highway Administration.

few land uses—new car dealerships, multi-tenant retail centers, and amusement establishments—are permitted to have them.

Placement and orientation. A minimum spacing requirement between signs and residential areas should be considered, as should a provision requiring that the sign face be oriented away from residential areas and other scenic or sensitive areas. The Baker and Wolpert study recommended that dynamic signs be limited or prohibited at intersections, in demanding driving environments, and in places where they obstruct a driver's view. In Seattle, the sign face of on-premise digital signs must not be visible from a street, driveway, or surface parking area, nor may it be visible from a lot that is owned by a different person.

Sign area. For on-premise signage, many ordinances include a limit on the percentage of the sign face that can be used for digital display. Thirty percent is common although in some areas, such as entertainment districts, that proportion may be much higher.

Illumination and brightness. The ordinance should address the legibility and brightness of a sign both during the day and after dark. During the day the issue is reducing or minimizing glare and maintaining contrast between the sign face and the surrounding area. At night the issues are the degree of brightness and its impact on driver distraction and on light trespass into residential areas. In the study for the City of Minnetonka, researchers noted the challenge posed by this aspect of digital signs: "There is no objective definition of excessive brightness because the appropriate level of brightness depends on the environment within which the sign operates."

Message duration and transition. The ordinance must include a minimum duration of time that a single message must be displayed. Typically this is expressed in terms of seconds. The San Antonio billboard ordinance requires each image to remain static for at least eight seconds and that a change of image be accomplished within one second or less.

The city's ordinance requires any portion of the message that uses a video display method to have a minimum duration of two seconds and a maximum duration of five seconds. Further, it requires a 20-second "pause" in which a still image or blank screen is showed following every message that is shown on a video display.

Public service announcements. In exchange for permission to use digital displays, owners of billboards in Minnesota and San Antonio have agreed to display emergency information such as Amber Alerts and emergency evacuation information. Such a requirement can be included in an ordinance or imposed as a condition of approval.

Whether undertaking a comprehensive revision of a sign ordinance or more limited, strategic amendments to address digital technology, there are other common provisions related to electronic and digital signage that should be revisited as part of the rewrite. At the top of the list would be updating standards for conventional electronic message centers to reflect the latest research regarding driver distraction and message duration. Also, the boilerplate provisions common to so many ordinances that prohibit signs that flash, are animated, or simulate motion should also be rethought. These provisions could conceivably be used to prohibit digital displays without additional regulations. The problem is that these characteristics are very rarely defined in the ordinance and remain open to interpretation. Also, whenever new regulations are being considered for digital billboards, jurisdictions should take the opportunity to draft new provisions to address digital technology for on-premise signs as well. And, finally, any time the sign ordinance goes into the shop for repair—whether to address digital signage or to make broader changes—is a good time to remove or revise any provisions that violate content neutrality rules.

NEWS BRIEFS

SMART GROWTH TAKES A HIT IN MARYLAND

By Lora Lucero, AICP

The *Baltimore Sun* hit the nail on the head when it reported on March 12 "[t]he state's highest court declared that Maryland law does not require local governments to stick to their master plans or growth-management policies in making development decisions."

Trail, et al. v. Terrapin Run, LLC, et al. presented an important question for the court to address: What link is required between the community's adopted plan and the decision by the Zoning Board of Appeals (ZBA) to grant or deny a request for a special exception? In a 4 to 3 vote, the majority concluded that Article 66B, the state planning law, is permissive in nature and plans are only advisory guides, so a strong link between plans and implementation is not required. The court affirmed the county's

The majority concluded that the state planning law is permissive in nature and plans are only advisory guides, so a strong link between plans and implementation is not required.

approval of the special exception and determined that the "in harmony with" traditional standard in applications for special exceptions remains the standard, in the absence of specific legislative language to the contrary. The court's decision is available at www.planning.org/amicusbriefs/pdf/terrapinrundecision.pdf.

Terrapin Run, LLC, the developer, proposed to build an "active adult" community of 4,300 homes on 935 partially wooded acres in Allegany County, a rural area of mountainous Western Maryland. The land is primarily zoned District "A" (Agricultural, Forestry, and Mining), with a portion located in District "C" (Conservation). In addition to the homes, the developer proposed to build an equestrian center, a community building, and a 125,000-square-foot shopping center.

The residential density is 4.6 units per acre. A planner who testified at trial indicated that the density of the proposed development would approximate that of Kentlands, in Montgomery County. The initial phase of development would use individual septic tanks, but the project would eventually require its own sewage treatment plant. Significantly, the property is not located in one of Maryland's priority funding areas.

The zoning ordinance divides Allegany County into urban and nonurban areas. "A" and "C" are classified as nonurban zoning districts. The zoning ordinance provides:

> "Non-urban districts are designed to accommodate a number of non-urban land uses including agriculture, forestry, mining, extractive industries, wildlife habitat, outdoor recreation, and communication, transmission and transportation services, as well as to protect floodplain areas, steep slope areas, designated wetlands and habitat areas, and Public Supply Watersheds *from intense urban development*." Allegany County Code, Chapter 141, Part 4 (Zoning) §141-5(B) (emphasis supplied).

Opponents to the project argued that the ZBA erred when it found that strict conformity with the plan was not required and that the proposed development would be "in harmony with" the Allegany County Comprehensive Plan because Maryland Code (Article 66, § 1(k)) requires a special exception to be "in conformity with" the plan.

Gov. Martin O'Malley's administration argued in its amicus brief that counties and municipalities are required to conform to the seven broad "visions" for growth in Maryland as listed below:

§ 1.01. Visions

(1) Development is concentrated in suitable areas.

(2) Sensitive areas are protected.

(3) In rural areas, growth is directed to existing population centers and resource areas are protected.

(4) Stewardship of the Chesapeake Bay and the land is a universal ethic.

(5) Conservation of resources, including a reduction in resource consumption, is practiced.

(6) To assure the achievement of items (1) through (5) of this section, economic growth is encouraged and regulatory mechanisms are streamlined.

(7) Adequate public facilities and infrastructure under the control of the county or municipal corporation are available or planned in areas where growth is to occur.

APA and its Maryland Chapter jointly filed an amicus brief. We argued that "[p]lans are documents that describe public policies that the community intends to implement and not simply a rhetorical expression of the community's desires." APA's position is that (1) the adopted comprehensive plan must be implemented; (2) effective implementation requires that the day-to-day decisions made by local officials be consistent with the adopted comprehensive plan; and (3) the court's review of whether consistency is achieved should be more searching when local officials are acting in their administrative (quasi-judicial) capacity. APA's amicus brief is available at www.planning.org/amicusbriefs/pdf/terrapinrun.pdf.

The lengthy majority opinion (52 pages) recounts much of Maryland's legislative history in statutory reforms. "[T]his case, in one sense is a continuation of legislative battles that began in the early 1990s, where representatives of the environmental protection and professional land planning interests attempted to establish that the State, or State planners, should exercise greater control than theretofore enjoyed over most aspects of land use decision-making that then reposed in the local jurisdictions" (*Trail, et al. v. Terrapin Run, LLC, et al.*, 2008 WL 638691, p.1). The majority concludes that the "in harmony" standard is synonymous with "in conformity." However, the three dissenting justices said the majority "sets special exception considerations on a lubricious path" (*Trail, et al. v. Terrapin Run, LLC, et al.*, Minority Opinion, p.13). The statutory amendments made by the legislature in 1970, and subsequent case law, buttresses the argument that a stricter linkage is required between the adopted plan and the grant of a special exception, the minority opined.

Richard Hall, Maryland secretary of planning and past president of the Maryland Chapter of APA, said: "We think this is a time when we need more smart, sustainable growth, not less." The O'Malley administration is going to study the ruling before deciding whether to advance legislation to reverse the court's decision.

Lora Lucero, AICP, is editor of Planning & Environmental Law *and staff liaison to APA's amicus curiae committee.*

Cover concept by Lisa Barton; Photos: Sign ©iStockphoto.com/David McShane; Screen ©iStockphoto.com/ Alexey Khlobystov

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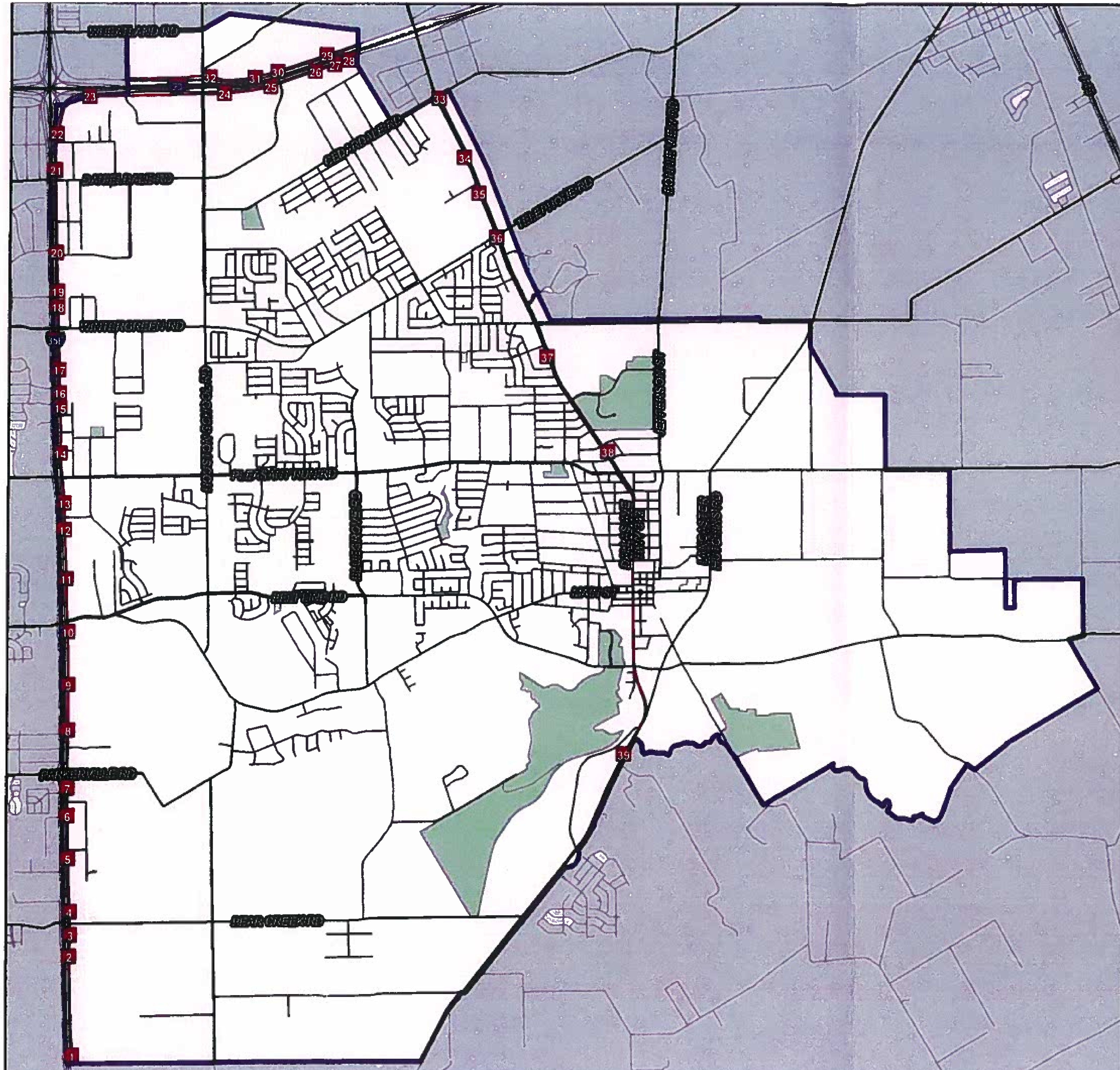

Billboard Locations

ID	ADDRESS	HWY	TxDOT #
1	2150 S I-35E	I-35E	NONE
2	1960 S I-35E	I-35E	TX 2176
3	2520 S I-35E	I-35E	NONE
4	1900 S I-35E	I-35E	018902
5	1614 S I-35E	I-35E	018901
6	1414 S I-35E	I-35E	016489
7	1402 S I-35E	I-35E	018917
8	780 S I-35E	I-35E	018918
9	300 S I-35E	I-35E	017717
10	200 S I-35E	I-35E	NONE
11	500 N I-35E	I-35E	018442
12	918 N I-35E	I-35E	017691
13	1100 N I-35E	I-35E	NONE
14	1470 N I-35E	I-35E	018580
15	1900 N I-35E	I-35E	NONE
16	2000 N I-35E	I-35E	017703
17	2404 N I-35E	I-35E	016115
18	2630 N I-35E	I-35E	018924
19	2700 N I-35E	I-35E	018923
20	3010 N I-35E	I-35E	NONE
21	3518 N I-35E	I-35E	NONE
22	3700 N I-35E	I-35E	NONE
23	3100 I-20	I-20	019115
24	2200 I-20	I-20	017659
25	2000 I-20	I-20	017660
26	1150 I-20	I-20	016103
27	1100 I-20	I-20	016101
28	1050 I-20	I-20	NONE
29	1125 I-20	I-20	017685
30	1325 I-20	I-20	018926
31	1525 I-20	I-20	018627
32	2225 I-20	I-20	017677
33	4198 N DALLAS AVE	HWY 342	NONE
34	3809 N DALLAS AVE	HWY 342	1349
35	3501 N DALLAS AVE	HWY 342	NONE
36	3195 N DALLAS AVE	HWY 342	1348
37	2503 N DALLAS AVE	HWY 342	346
38	1406 N DALLAS AVE	HWY 342	NONE
39	1005 S DALLAS AVE	HWY 342	355

Distances Between Billboards

From Location	To Location	Hwy #	Length
South City Limits	BB01	I-35E Northbound	290.27
BB01	BB02	I-35E Northbound	3494.51
BB02	BB03	I-35E Northbound	749.87
BB03	BB04	I-35E Northbound	829.45
BB04	BB05	I-35E Northbound	1881.55
BB05	BB06	I-35E Northbound	1512.03
BB06	BB07	I-35E Northbound	985.77
BB07	BB08	I-35E Northbound	2037.33
BB08	BB09	I-35E Northbound	1614.74
BB09	BB10	I-35E Northbound	1883.78
BB10	BB11	I-35E Northbound	1883.49
BB11	BB12	I-35E Northbound	1732.66
BB12	BB13	I-35E Northbound	954.31
BB13	BB14	I-35E Northbound	1787.71
BB14	BB15	I-35E Northbound	1615.54
BB15	BB16	I-35E Northbound	536.36
BB16	BB17	I-35E Northbound	827.70
BB17	BB18	I-35E Northbound	2220.50
BB18	BB19	I-35E Northbound	546.58
BB19	BB20	I-35E Northbound	1396.01
BB20	BB21	I-35E Northbound	2909.66
BB21	BB22	I-35E Northbound	1294.60
BB22	North City Limits	I-35E Northbound	1050.59
		Subtotal	34935.81
West City Limits	BB23	I-20 Eastbound	947.26
BB23	BB24	I-20 Eastbound	4734.34
BB24	BB25	I-20 Eastbound	1675.20
BB25	BB26	I-20 Eastbound	1671.72
BB26	BB27	I-20 Eastbound	749.65
BB27	BB28	I-20 Eastbound	501.67
BB28	East City Limits	I-20 Eastbound	336.25
		Subtotal	10616.08
East City Limits	BB29	I-20 Westbound	1167.74
BB29	BB30	I-20 Westbound	1836.22
BB30	BB31	I-20 Westbound	839.66
BB32	BB33	I-20 Westbound	1631.69
BB33	West City Limits	I-20 Westbound	2896.61
		Subtotal	8371.93
North City Limits	BB33	HWY 342	100.41
BB33	BB34	HWY 342	2270.72
BB34	BB35	HWY 342	1376.03
BB35	BB36	HWY 342	1688.14
BB36	BB37	HWY 342	4611.92
BB37	BB38	HWY 342	4012.90
BB38	BB39	HWY 342	11248.05
BB39	South City Limits	HWY 342	10224.54
		Subtotal	35632.89
		Total	88556.71

Billboards
Billboard Distances
Parks
CityLimits

Miles
0 0.25 0.5 1

Lancaster

City of Lancaster
Billboard Locations

date: 9/18/10

Billboards located along I-35E and I-20 in the City of Lancaster Ownership Information

Billboards located along I-35E

map #	Owner	plate #	permit issued	location
3	Lamar Advantage Holding Company	15532	07/25/1985	S. of Bear Creek Rd.
4	M & M Advertising Co.	18902	06/15/2001	480' north of Bear Creek Rd
5	Clear Channel Outdoor, Inc.	18901	06/15/2001	.4 miles north of Bear Creek Rd
6	CBS Outdoor, Inc.	16489	03/06/1973	.5 mi. s\o Parkerville Road
7	Clear Channel Outdoor, Inc.	18917	02/05/1973	1.2 mi. s\o Jct. Beltline Rd.
8	Clear Channel Outdoor, Inc.	18918	08/18/1983	Bear Creek Road
10	Clear Channel Outdoor, Inc.	18338	12/15/1998	500' South of Beltline
11	Foose, Charles William	18442	05/31/2000	.3 of a mile north of Belt Line Rd.
12	Lancaster Music, Inc.	17691	04/17/1996	Pleasant Run Rd
14	Clear Channel Outdoor, Inc.	18580	12/12/2000	.15 mi. north of Pleasant Run Rd.
16	Thompson, R. Leon	17703	07/25/1996	2000 ft S of Wintergreen Road
19	Clear Channel Outdoor, Inc.	18923	12/05/1973	Wintergreen Rd.
20	Lamar Advantage Holding Company	16475	10/25/1974	.5 mi. s\o Danieldale Rd.
21	Lamar Advantage Holding Company	16302	05/29/1987	0.064 mile north of Danieldale Road
22	CBS Outdoor, Inc.	12712	08/14/1979	0.056 mile north of Springfield Street

Billboards located along I-20

	Owner	plate #	permit issued	location
23	Ad Up, L.L.C.	19115	09/02/2003	.360 from 16429
24	Ralston, Douglas R.	17659	08/07/1996	Houston School Road
25	Ralston, Douglas R.	17660	08/07/1996	Houston School Road
26	Lamar Advantage Holding Company	16103	06/30/1986	0.733 mile east of Houston School Road
27	Lamar Advantage Holding Company	16101	06/30/1986	0.5 mi. w\o Lancaste Rd.
28	M & M Advertising Co.	18913	04/24/1986	0.959 mile east of Houston School Road
29	Ralston, Douglas R.	17685	03/06/1996	Lancaster Rd.
30	Lamar Advantage Holding Company	18926	08/13/1986	0.494 mile east of Houston School Road
31	CBS Outdoor, Inc.	18627	11/04/1975	.342 mile east of Houston School Road
32	Lamar Advantage Holding Company	17677	01/26/1996	Houston School Rd.

LANCASTER CITY COUNCIL
Work Session Agenda Communication for July 18, 2011

4

WS11-004

Discuss proposed amendments to the Code of Ordinances, Chapter 2, Article 2.100 "General Animal Control Provisions", Section 2.106 "Definitions" to provide a definition for grazing animal livestock; and by repealing Section 2.117 "Proximity to Residences; Minimum Area for Keeping Livestock" in its entirety and replacing with a new Section 2.117 "Grazing Animals and Other Special Use Standards"; and by repealing Article 14.400, Section 14.403 "Other Special Use Standards" (a) "Farm Animals and Horses" (1), (2), and (3) in the Lancaster Development Code in its entirety.

This request supports the City Council 2011-2012 Policy Agenda.

Goal 3: Healthy, Safe & Vibrant Neighborhoods

Background

At the June 21, 2010 City Council work session, staff presented a proposal to modify existing ordinances in the Code of Ordinances and the Lancaster Development Code regarding regulations on grazing/farm animals within the City. Council expressed concern regarding a few proposed regulations and did not reach a consensus.

Staff presented proposed changes to the Planning and Zoning Commission (P&Z) during a work session on August 24, 2010 and again during public hearings on October 5 and November 2, 2010. All three presentations before P&Z resulted in varied comments from the Commission, as well as the general public. The consensus of the public hearings appeared to focus on fewer restrictions for smaller animals like poultry; however, defined recommendations were never decided upon and resulted in tabling the proposed ordinance revisions.

The current proposed amendments delete regulations regarding the keeping of grazing/farm animals from the Lancaster Development Code and merge the regulations into the Code of Ordinances. The current separate ordinances differ regarding grazing/farm animal regulation, and they are difficult to enforce equitably. Additionally, citizens have difficulty understanding the limitations. Staff proposes amendments that merge the best of both ordinances into one concise set of regulations to be contained within the Code of Ordinance.

Considerations

Current restrictions regarding grazing animals contained within the Lancaster Development Code Article 14.400, Section 14.403(a) would be repealed in its entirety.

Staff conducted a survey of the survey cities to request information on how grazing/farm livestock is regulated in their cities. A copy of the survey is attached for your review. The following will illustrate the difference between the two current ordinances and staff recommendations for consideration to merge the two ordinances.

- **Code of Ordinances Section 2.117 "Proximity to Residences; Minimum Area for Keeping Livestock".** Highlights include:

  1. May not keep any livestock closer than one hundred fifty (150) feet from any person's living quarters.
  2. It shall be unlawful to keep any such livestock in an area less than five thousand (5,000) square feet per head and shall have unrestricted access; provided, however, that this subsection shall not apply to any property surrounded by property or acreage not subdivided or platted.
  3. Shall be unlawful to keep on premises any pigs or hogs in any platted subdivision or within one thousand (1,000) feet of any living quarters.
  4. Unlawful to keep pigs or hogs in any area where there is less than five thousand (5,000) square feet per pig or hog and shall have unrestricted access; provided, however, that this subsection shall not apply to any property surrounded by property or acreage not subdivided or platted.

- **Lancaster Development Code Section 14.403 (a) (1, 2 and 3) "Other Special Use Standards" "Farm Animals and Horses".** Highlights include:

  1. Grazing Animals in non-agricultural districts, 500 pounds or greater including horses and cattle must have a minimum fenced or enclosed area of 15,000 square feet per animal.
  2. Grazing Animals less than 500 pounds including sheep and goats must have a minimum fenced or enclosed area of 3,000 square feet and a minimum lot area of 10,000 square feet.
  3. Other animals require an SUP including chickens and swine.
  4. The City shall not grant a SUP for any farm animal unless it is convinced that the presence of such animals will not injure the use and enjoyment of neighboring properties, including the impact of dust flies and odor.

- **Staff Proposal**

1. The Grazing Animal Livestock, shall be defined as domestic grazing animals that feed on grass or other lower vegetation and may be kept in open fields or structures for training, boarding, sales, or breeding and production, including horses, mares, miniature horses, mules, jacks, jennies, colts, cows, calves, bulls, oxen, sheep, goats, lambs or llamas raised in a farm or ranch environment. This does not include dogs, cats or potbellied pigs.

2. In all non-agricultural districts, large grazing animals or livestock must have a minimum fenced or enclosed area of 15,000 square feet per animal. Small grazing animals or livestock must have a minimum fenced or enclosed area of 3,000 square feet per animal. The minimum lot size to keep grazing animals is one acre, 43,560 square feet.

3. In all platted residentially zoned districts, it shall be unlawful for the owner or any person in control of an unoccupied lot where no residence is maintained (regardless of size) to posses grazing/farm animals.

4. In all districts and notwithstanding subsections above, it shall be unlawful for owner or any person in control of real property to keep or allow to be kept swine, including pigs and hogs within the city limits.

5. Poultry and foul shall be limited to those properties not included within any platted residentially zoned subdivision. In those zoning districts other than platted residentially zoned subdivisions, all poultry and foul are to be kept within a fenced enclosure or chicken coops and not allowed to run at large.

6. All fences, pens, corrals, or other enclosures wherein animals defined in this section are enclosed shall be located at least 75 feet from any adjacent residence.

- **Legal** - The City Attorney has prepared a draft ordinance and will revise the ordinance as necessary following direction from City Council.

- **Financial** – There will be no increase in cost to the City with the consideration and passage of this amendment.

- **Public Information** – A public hearing is not required.

Options/Alternatives

1. Direct staff to move forward with amendments as presented.
2. Provide direction to staff regarding the proposed amendments.

Recommendation

Staff recommends approval of the proposed amendments as presented.

Attachments

- Redlined Draft Ordinance
- Survey Results

Prepared and submitted by:
Larry King, Assistant Building Official

Date: May 9, 2011

ORDINANCE NO. _______

AN ORDINANCE OF THE CITY OF LANCASTER, TEXAS, AMENDING THE LANCASTER CODE OF ORDINANCES BY REPEALING ARTICLE 2.100, SECTION 2.117 "PROXIMITY TO RESIDENCES; MINIMUM AREA FOR KEEPING LIVESTOCK" IN ITS ENTIRETY AND REPLACING WITH A NEW SECTION 2.117 "GRAZING ANIMALS AND OTHER SPECIAL USE STANDARDS"; BY ADDING A DEFINITION FOR GRAZING ANIMAL LIVESTOCK TO SECTION 2.106 DEFINITIONS; AND BY REPEALING THE LANCASTER DEVELOPMENT CODE ARTICLE 14.400, SECTION 14.403 "OTHER SPECIAL USE STANDARDS", (a) "FARM ANIMALS AND HORSES", IN ITS ENTIRETY; PROVIDING FOR SEVERABILITY; PROVIDING A SAVINGS CLAUSE; PROVIDING A REPEALING CLAUSE; PROVIDING A PENALTY OF FINE FOR EACH OFFENSE; AND PROVIDING AN EFFECTIVE DATE.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS:

SECTION 1. That Article 2.100, General Animal Control Provisions, Section 2.117 "Proximity to Residences; Minimum Area for Keeping Livestock" of the Lancaster Code of Ordinances be, and the same is, hereby repealed in its entirety and replaced with a new Section 2.117, which shall read as follows:

Section 2.117 ~~Proximity to Residences; Minimum Area for Keeping Livestock~~
Grazing Animals and Other Special Use Standards

(a) Animals

(1) Grazing Animals and Livestock. It shall be unlawful for the owner or any person in control of real property located within any district to keep or allow to be kept grazing animals and/or livestock on the property unless the owner or person in control complies with all the requirements set forth in this subsection. ~~For the purposes of this Section., grazing animals are defined as domesticated animals reared in an agricultural setting when their living conditions are controlled by humans and shall include, without limitation, cattle, swine, poultry, equine, sheep and goats. Livestock are defined as animals that feed on grass or other lower vegetation and may also include animals defined as grazing animals.~~

A. In all non-agricultural districts, large grazing animals or livestock ~~500 pounds or greater~~ must have a minimum fenced or enclosed area of 15,000 square feet per animal. Small grazing animals or livestock ~~of less than 500 pounds, including~~ must have a minimum fenced or enclosed area of 3,000 square feet per animal, and a minimum lot size of ~~10,000 square feet~~ one acre 43,560 sq. ft.

B. In all platted zoned residential districts, it shall be unlawful for the owner or any person in control of an unoccupied lot where no residence is maintained to keep or allow to be kept a grazing animal or livestock, regardless of size.

C. In all districts and notwithstanding subsections A and B above, it shall be unlawful for owner or any person in control of real property to keep or allow to be kept swine, including pigs and hogs, within the city limits of Lancaster. ~~1000 feet of any person's residence and all swine must have a minimum fenced or enclosed area of 5,000 square feet per animal.~~

D Poultry and foul shall be limited to those properties not located within any platted zoned residential subdivision. In those zoning districts other than a platted zoned residential subdivision, all poultry and foul are to be kept within a fenced enclosure or coops and not allowed to run at large.

~~(2) SUP required. An SUP is required for a reduction in the land area required for any animal defined in this section. The City shall not grant an SUP for any animal unless it is convinced that the presence of such animals will not injure the use and enjoyment of neighboring properties, including the potential impact of dust, flies and odor.~~

(~~3~~) (2) General Conditions. Notwithstanding the conditions above.

A. It shall be unlawful for any owner or person in control of real property to allow the accumulation of manure to the extent that such accumulation creates an offensive odor, causes the accumulation of flies, poses any health hazard to any person or animal (whether defined in section or not), or creates a nuisance to any person or animal.

B. It shall be unlawful for any owner or person in control of real property to construct or maintain any perimeter fences, gates or other property boundary enclosures wherein animals defined in this section are enclosed in such a manner that any animal contained within the enclosure is able to get through or beyond the fence, gate, or enclosure.

C. ~~Except as otherwise provided in Section 14.403(a)(1)(C),~~ All fences, pens, corrals, or other enclosures wherein animals defined in this section are enclosed shall be located at least ~~150~~ 75 feet from any adjacent residence. ~~and shall be located no closer than 30 feet from the boundary of any adjoining residential lot or property line.~~

D. It shall be unlawful for any owner or person in control of real property to keep or allow to be kept grazing animals and/or livestock on the property for any period of time without necessary food, care or shelter of adequate size and construction so as to protect all grazing animals and/or livestock on the property from the elements of nature.

E. Nothing in this article shall prohibit the temporary exhibition of farm livestock at any show, fair, exhibition or exposition provided such show, fair, exhibition, or exposition has received prior approval of the city manager, and it was made known to the City Manager prior to approval that livestock participation would be a part of the event; however, the exceptions made in this subsection shall not relieve the persons in charge of such livestock from the operation of this article and other ordinances of the City of Lancaster relative to the health, safety and well being of the livestock and the citizens of the City of Lancaster.

. . . . ."

SECTION 2. That the following definition shall be added to Section 2.106 Definitions of the Lancaster Code of Ordinances, which shall read as follows:

"ARTICLE 2.100 GENERAL ANIMAL CONTROL PROVISIONS

. . . . .

Sec. 2.106 Definitions

Grazing Animal Livestock. Shall mean domestic grazing animals that feed on grass or other lower vegetation and may be kept in open fields or structures for training, boarding, sales, or breeding and production, including horses, mares, miniature horses, mules, jacks, jennies, colts, cows, calves, bulls, oxen, sheep, goats, lambs or llamas raised in a farm or ranch environment. This definition does not define household pets i.e. dogs, cats and potbellied pigs as livestock.

. . . . ."

SECTION 3. That the Article 14.400, Section 14.403, "Other Special Use Standards" (a), "Farm Animals and Horses" (1) (2) (3), of the Lancaster Development Code be, and the same is, hereby repealed in its entirety.

SECTION 4. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this ordinance, or of the Lancaster Development Code, as amended hereby, be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said ordinance or as amended hereby, which shall remain in full force and effect.

SECTION 5. An offense committed before the effective date of this ordinance is governed by prior law and the provisions of the Ordinances of the City of Lancaster, as amended, in effect when the offense was committed and the former law is continued in effect for this purpose.

SECTION 6. That any person, firm, or corporation violating any provisions or terms of this Ordinance shall be subject to the same penalty as provided for in the City of Lancaster, as heretofore amended and upon conviction shall be punished by a fine not exceeding $500.00. The penalty imposed for a violation of this ordinance shall not exceed or be less than the penalty prescribed by state law, and each and every day such violation shall continue shall be deemed to constitute a separate offense.

SECTION 7. That this ordinance shall take effect immediately from and after its passage as the law and charter in such cases provide.

DULY PASSED by the City Council of the City of Lancaster, Texas, this the _______ day of ___________________ 2011.

APPROVED:

____

MARCUS E. KNIGHT, MAYOR

ATTEST:

____

DOLLE K. DOWNE, CITY SECRETARY

APPROVED AS TO FORM:

____

ROBERT E. HAGER, CITY ATTORNEY

	Burleson	Cedar Hill	Coppell	Desoto	Duncanville	Haltom City	Keller	Rockwall	Rowlett	The Colony
Does your City place regulations on grazing animals (livestock), if so what are those specific requirements?	yes	educational purposes only	yes	yes	yes		yes, only allowed in SF-Low Density zoning district (36,000 sq. ft. plus)	10,000 sq. ft per animal	yes	
Are requirements based on weight, type of livestock etc?	yes	no	no	no	no	no	no		type	
Is an SUP's required to keep any livestock?	no	no	no	no	no	no	no		no	
Is there any restriction on distance animals must be from adjacent residential structures?	yes, 100 ft.	no	yes, 100 ft.	150' from adajacent	yes, 75ft.	100 ft.	no	100'	large livestock 150' from living quarters	200' from any inhabitable bldg.
Is swine/chickens allowed in your City? If so what what requirements must be followed?	yes, ag only	not referenced	miniature swine must register, other swine not allowed	swine - 1,000 ft. from dwelling; 5,000 ft. from neighbor chickens - 6 or less; 1/4 acre, 50 ft. from dwelling, pen 10 ft. from property line - 7-10; 1/2 acre, 70 ft. from dwelling, pen 15 ft. from property line - 11-20; 1 acre, 80 ft. from dwelling, pen 20 ft. from property line - 21-60; 2 acres, 90 ft. from dwelling, pen 25ft. from property line - 61+; 3 acres, 150 ft. from dwelling, pen 50 ft. from property line	yes, 30 ft. from dwelling	no swine, only one rooster, up to 20 chickens in enclosures at all times, 100' from any neighbor building	yes	chickens in ag only	yes/see attached	
Do you have a minimum lot size for animals?	yes, SF-ED less than 10 acres, 2 horse/mule for 1st full acre, 1 horse/mule for fenced acre thereafter	1 acre	not exceed one adult horse/cow per 1/3 acre for the first acre, and two adults per acre for each additional acre over two acres of a single tract of land	small livestock (goats, sheetpand llamas) 10,000 for each animal; large livestock (horses, mules, cows and hogs) 1 acre per animal	yes, 5,000 sq. ft. per lives	20,000 sq. ft. for one head of livestock and 10,000 for each additional head	yes, 36,000 sq. ft. plus	no, less than 5 acres	yes/see attached	no, less than 1/2 acre per head of livestock

LANCASTER CITY COUNCIL
Work Session Agenda Communication for July 18, 2011

5

WS11-005

Receive a presentation and discuss what is required of a property owner to secure a building permit and subsequent Certificate of Occupancy within the City of Lancaster.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 2: Quality Development

Background

On March 17, 2011, the Economic Development Director, Ed Brady and Planning staff led a tour highlighting various developed and undeveloped areas of the City. During the tour, Council suggested identifying sites in the City of Lancaster to receive an overview of what potential steps a property owner would need to take in order to occupy their building.

Staff has identified three properties, for a mock presentation on what would be required of the property owner to proceed with a building permit and a subsequent certificate of occupancy (CO).

It should be noted that this presentation is based upon a land use identified for the purpose of this presentation. These requirements should in no way be interpreted as the final approval as the CO would be applicable to the specific request.

Staff will give a brief presentation of the subject properties and be available for questions.

Recommendation

There is no recommendation at this time.

Prepared and submitted by:
Rona Stringfellow-Govan, AICP
Director of Development Services

Date: June 13, 2011

LANCASTER CITY COUNCIL
Work Session Agenda Communication for July 18, 2010

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WS11-006

Discuss process for appointment of council liaisons to City Boards and Commissions.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 6: Civic Engagement

Background

Annually, following board and commission appointments, Councilmembers select the boards/commissions that they would like to serve as Council liaison.

In accordance with Resolution 2007-09-105, appointments are based on seniority with the most tenured member choosing from the boards/commissions first. Following is a list of councilmembers by seniority:

Councilmember James Daniels
Deputy Mayor Pro Tem Nina Morris
(tie) Councilmembers Walter Weaver, Marco Mejia and Clyde Hairston
Councilmember Stanley Jaglowski

This agenda item provides councilmembers an opportunity to discuss the process and provide direction to staff regarding selection of council liaisons.

Considerations

Currently serving as liaisons are the following:

Board/Commission	Councilmember
Airport Board	vacant (formerly Love)
Animal Shelter Advisory Committee	vacant (formerly Love)
Civil Service Commission	Mejia
Economic Development Corp. (4A)	Hairston
Historic Landmark Preservation Committee	Weaver
Property Standards & Appeals Board	Mejia

Library Advisory Board	Hairston
Parks and Recreation Advisory Board/ Recreational Development Corp. (4B)	Daniels
Planning & Zoning Commission	Daniels
Youth Advisory Committee	Morris
Zoning Board of Adjustment	Morris

Council needs to determine a tie breaking method to establish the order in which each councilmember will select their choice of a board/commission. Then, if so desired, Council may make their selection of boards and commissions for a proposed slate of Council liaisons. No vote may be taken at a work session. The proposed slate of council liaisons could be considered at the August 8, 2011 regular Council meeting, following board and commission appointments.

Staff seeks direction regarding a proposed slate of Council liaisons.

Attachments

- Resolution 2007-09-105

Prepared and submitted by:
Dolle K. Downe, City Secretary

Date: July 6, 2011

RESOLUTION NO. 2007-09-105

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, ESTABLISHING A POLICY FOR COUNCILMEMBERS TO SERVE AS LIAISONS TO ALL BOARDS AND COMMISSIONS OF THE CITY; REPEALING ALL RESOLUTIONS IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, it is the intention of the City Council of the City of Lancaster to provide effective communication to all the boards and commissions; and

WHEREAS, Councilmembers serving as liaisons to the various City's boards and commissions will be able to provide necessary resources and information to the boards and commissions.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, THAT:

Section 1. All City Councilmembers, with the exception of the Mayor, will serve as Council liaisons to all the boards and commissions of the City for a period of one year. Councilmembers will select different boards and/or commissions to serve as liaisons after or around the completion of the boards and commissions appointments in July.

Section 2. Each Councilmember will be allowed to select the board or commission they would like to serve as liaisons to by order of seniority.

Section 3. Each Councilmember may submit a quarterly report to the entire council through the City Secretary on their respective board and/or commission's activity.

Section 4. Councilmembers are strongly encouraged, rather than required, to attend all meetings of their selected boards and/or commissions.

Section 5. Any prior Resolution of the City Council in conflict with the provisions contained in this Resolution are hereby repealed or revoked.

Section 6. Should any part of this Resolution be held to be invalid for any reason, the remainder shall not be affected thereby, and such remaining portions are hereby declared to be severable.

Section 7. This Resolution shall take effective immediately from and after its passage, and it is accordingly so resolved.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 24th day of September 2007.

ATTEST:

Dolle K. Shane

DOLLE K. SHANE, CITY SECRETARY

APPROVED:

Joe Tillotson

JOE TILLOTSON, MAYOR

APPROVED AS TO FORM:

ROBERT E. HAGER, CITY ATTORNEY