



FY 2016-17 Budget Workshop #2: Council Direction

City Council Retreat
February 2 & 3, 2016

Budget process begins with Council input

Sept 21
Budget Adoption

Aug-Sept
Council Deliberations

Aug 9 CMO
Recommendation

June 15
Budget Update

May 4
Options

March 2
Gap Update

Feb 3
Council Input



Council input will assist in starting the "climb"



Purpose of briefing

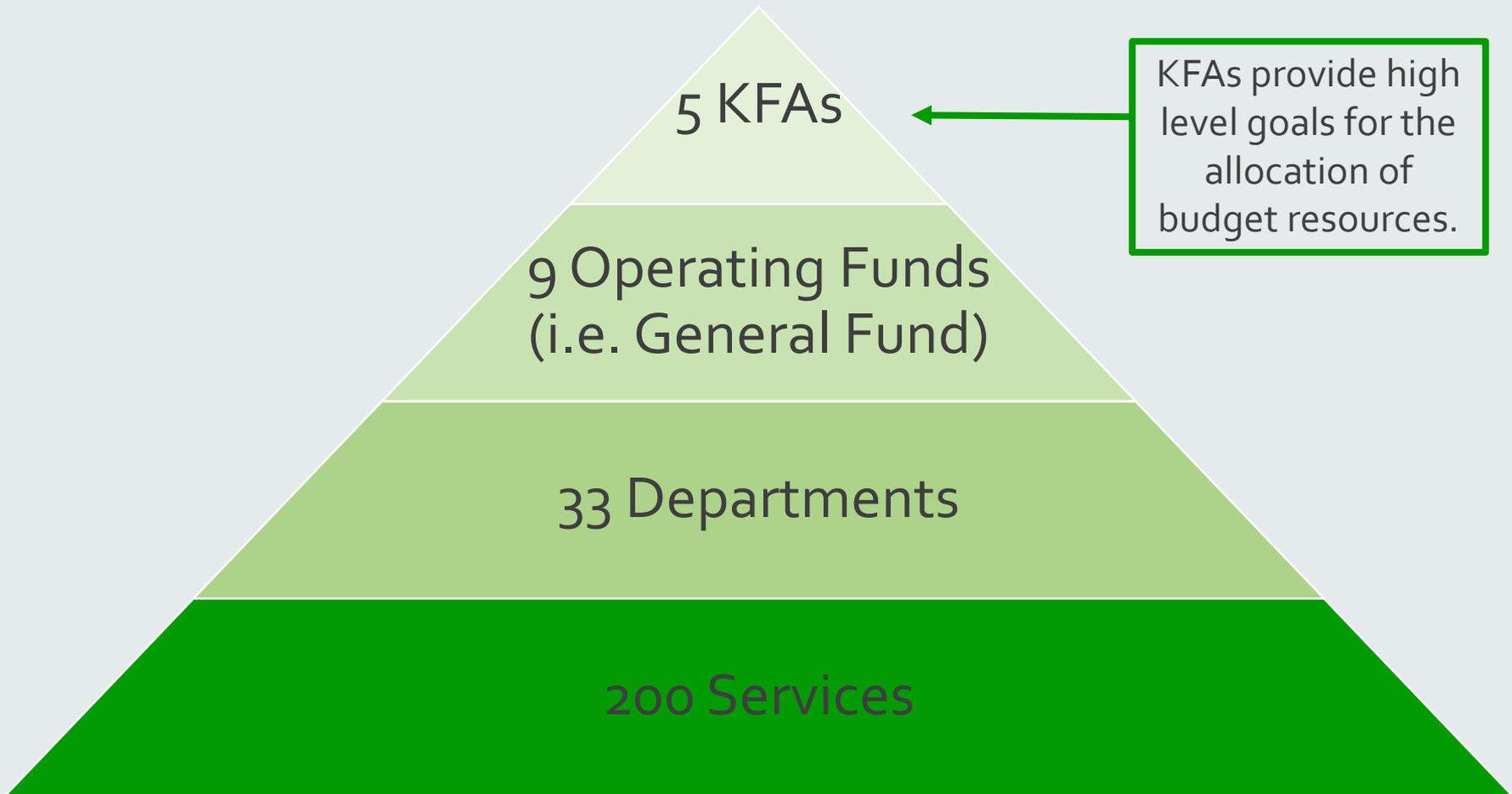
- Seek early input from City Council to use in developing FY 2016-17 (FY17) general fund budget
 - Key Focus Area (KFA) allocations
 - Guiding principles for developing FY17 general fund budget
 - Budget projections for FY17 general fund budget
- Review budget schedule
- Questions and comments

Funding is limited. Not all needs and wants can be funded.
Trade-offs are necessary to balance the budget.
Understanding Council priorities is necessary to begin budget development process.



Key Focus Areas (KFAs)

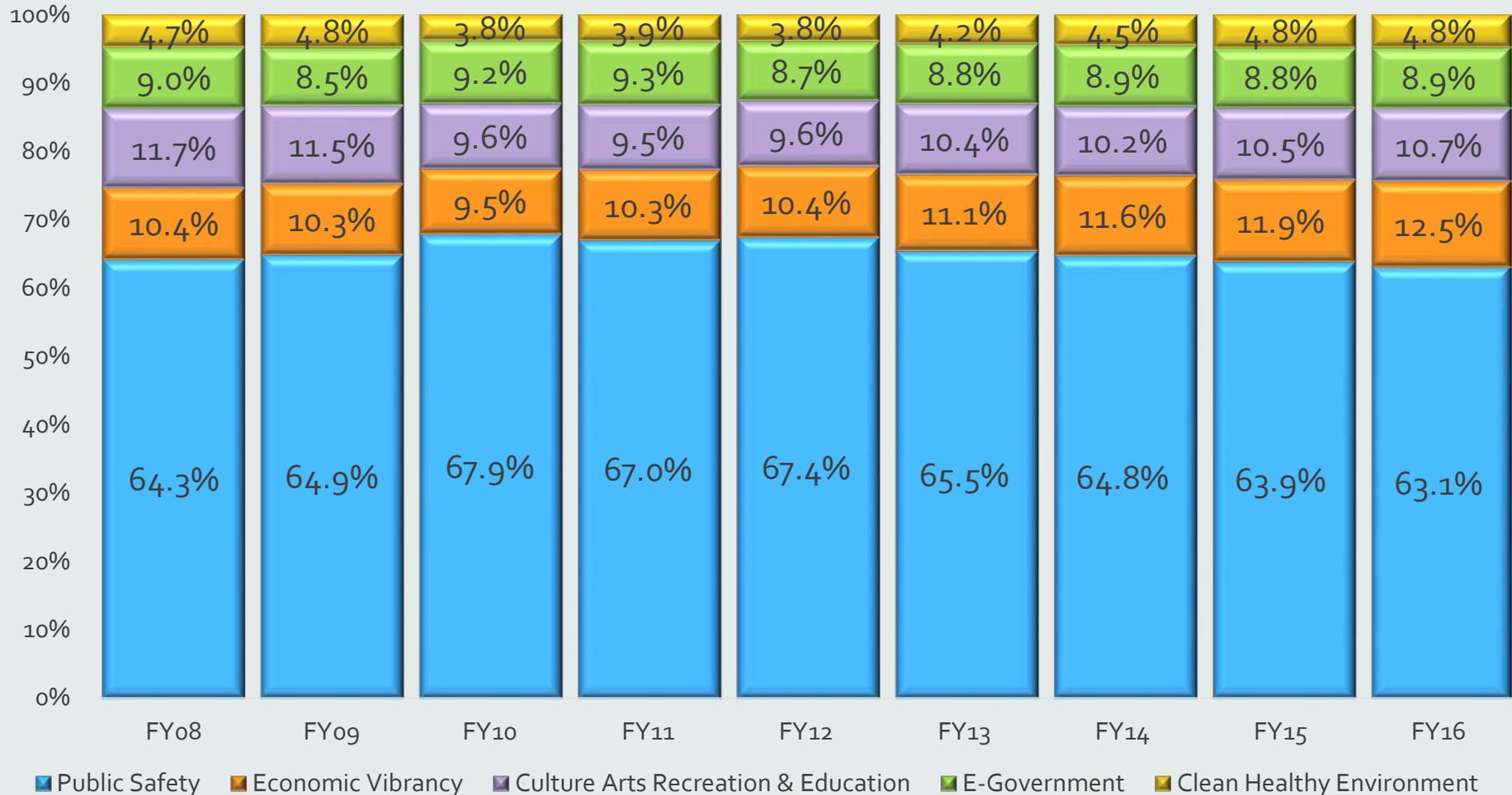
Services provided by the City roll-up to Key Focus Areas (KFAs)



Current Key Focus Area (KFA) goals

- 1) Public Safety – enhance public safety to ensure people feel safe and secure where they live, work, and play
- 2) Economic Vibrancy – grow a sustainable economy by job creation, private investment in the region, a broadened tax base, sustainable neighborhoods, and livability and quality of the built environment
- 3) Clean Healthy Environment – Create a sustainable community with a clean, healthy environment
- 4) Culture, Arts, Recreation, and Education – support lifelong opportunities for Dallas residents and visitors in cultural, artistic, recreational, and educational programs that contribute to Dallas' prosperity, health and well-being
- 5) E-Government – provide excellent government services to meet the needs of the City

General Fund resources allocated to achieve 5 goals



Note: Prior years have been restated to exclude Sanitation Services budget.

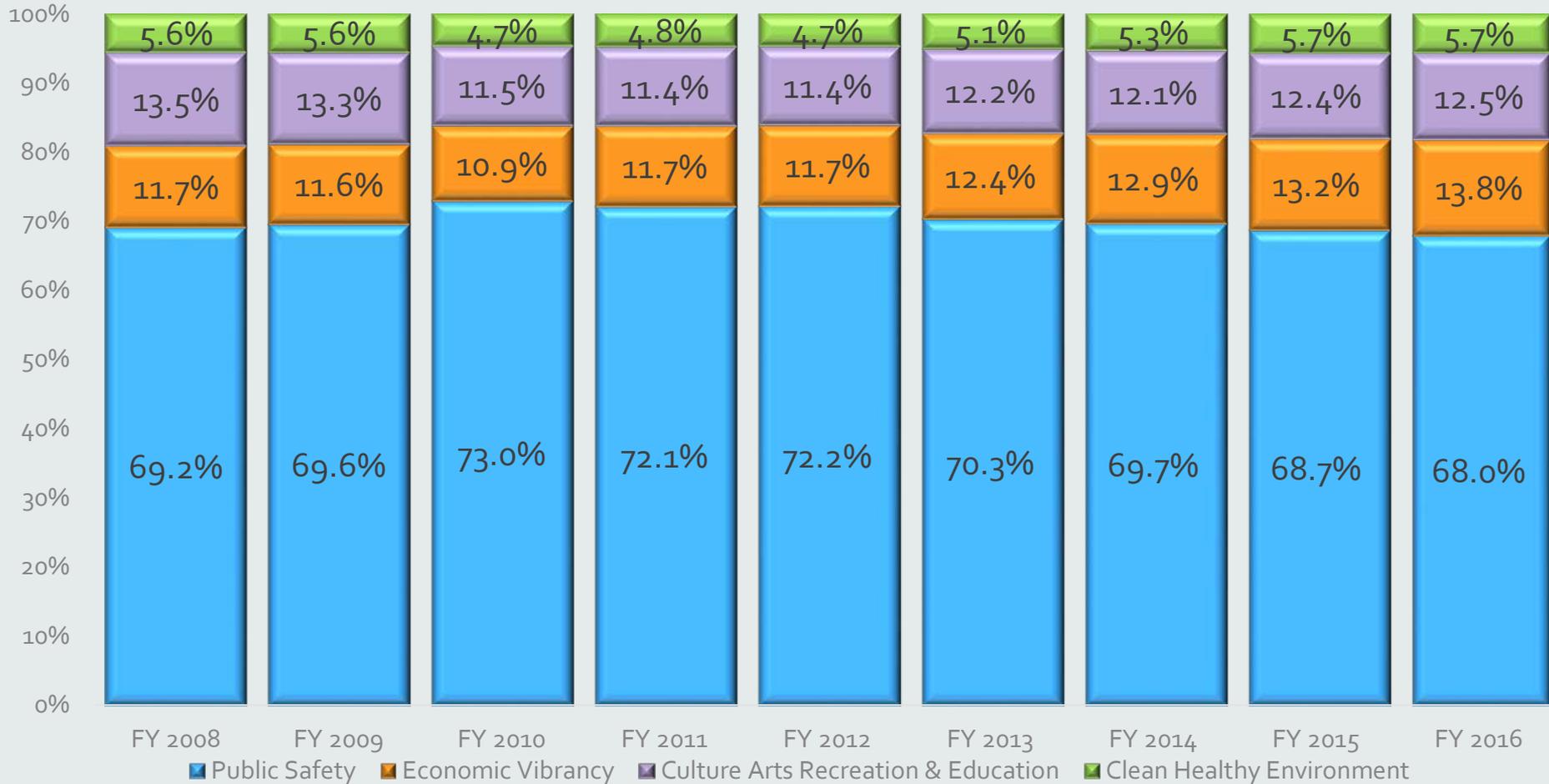
Note: KFA historical chart including debt services is located in the appendix.

General Fund departments align to various KFAs based on services provided

	City Attorney	City Auditor	City Controller	City Manager	City Secretary	Civil Service	Code Compliance	Court Services	Equipment & Building Svcs.	Fire-Rescue	Housing & Community Svcs.	Human Resources	Judiciary	Library	Management Services	Mayor & City Council	Office of Cultural Affairs	Office of Economic Develop.	Office of Financial Services	Park & Recreation	Planning & Urban Design	Police	Public Works	Purchasing	Street Services	Sustainable Development	Trinity Watershed Mgmt.
Public Safety	X							X	X	X			X		X							X	X				
Economic Vibrancy							X		X	X	X							X		X	X			X	X	X	X
Culture, Arts, Recreation & Education														X			X			X							
Clean Healthy Environment	X						X	X							X								X				X
E-Government	X	X	X	X	X	X			X		X	X			X	X			X					X			

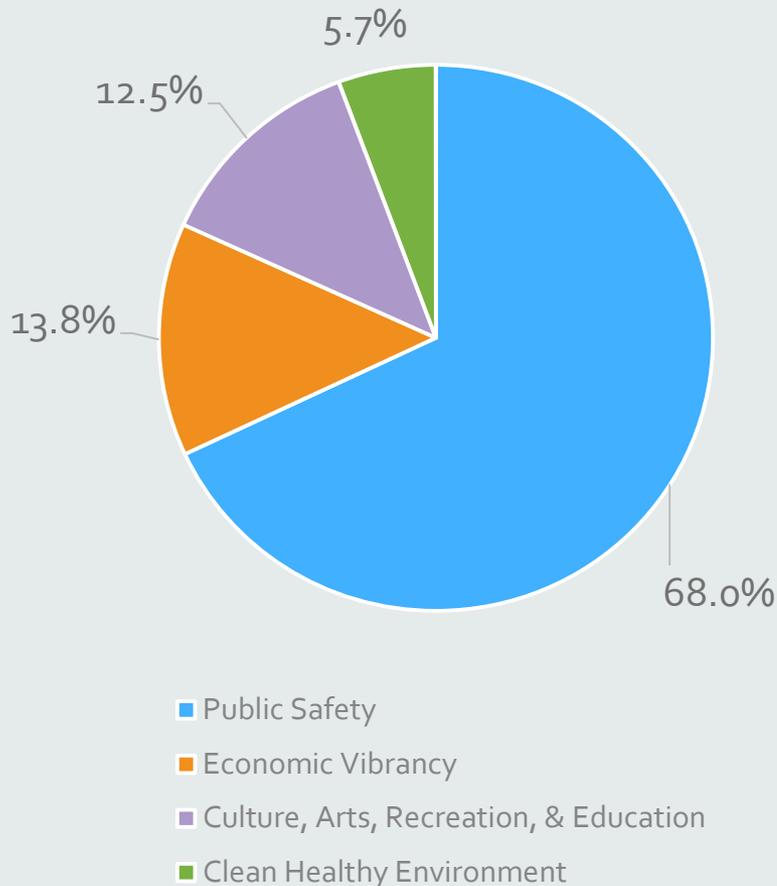
Note: Additional departmental information will be provided in future briefings.

E-Gov KFA supports and can be distributed to other 4 KFAs



*E-Gov KFA retroactively distributed for all years based on allocations; Sanitation excluded.

Should the KFA allocations be adjusted for the FY17 general fund budget?



KFA	FY16 Percent	Increase Percent	Same Percent	Decrease Percent
Public Safety	68.0%			
Economic Vibrancy	13.8%			
Culture, Arts, Recreation & Education	12.5%			
Clean Healthy Environment	5.7%			
Note: For each KFA with increase in percent, there should be an offsetting decrease in percent for another KFA.				



Guiding Principles for FY17

FY16 budget was developed to focus on Council top priorities (identified during January 2015 retreat)

Budget Priorities	Count	Percent
Invest in technology to improve services and efficiencies	8	22.2%
Focus on top 3 priorities identified in citizen survey: maintenance of infrastructure, code enforcement, and police services	6	16.7%
Phase increases in percent of budget allocated to Culture, Arts, Recreation, and Education KFA	6	16.7%
Scrutinize services for efficiencies and cost reductions	6	16.7%
No increase in ad valorem tax rate	4	11.1%
Honor commitment to uniform employees through meet and confer agreement	2	5.6%
Invest in civilian employees through fair compensation and improved training	2	5.6%
Fund additional infrastructure needs with cash instead of using debt financing	2	5.6%
Total	36	100%

Note: Top 4 priorities were referred to throughout FY16 budget development process.

Identifying Council top priorities will assist in developing FY17 budget

Potential Guiding Principles	Yes
Maintain current ad valorem tax rate	
Decrease ad valorem tax rate	
Focus budget allocations on citizen priorities	
Invest in technology to improve services and efficiencies	
Scrutinize services for efficiencies and cost reductions	
Maintain service levels next year (FY17) at the same level provided during current year (FY16)	
Enhance or expand service levels above those provided in current year	
Focus resources on infrastructure needs	
Focus resources to address neighborhood issues	
Target allocations to areas with highest concentration of needs	
Reduce civilian staffing levels	
Invest in uniform employees through increased compensation (including pension system)	
Invest in civilian employees through fair compensation and improved training	
Are there others that should be added?	



Budget Projections for FY17

Preliminary projections for FY17 General Fund

- Developing budget for FY17 (10/1/16 – 9/30/17) is underway and will run for 8 more months
 - Significant amount of work being done to review what expenses/services could/should be cut
- Preliminary gap for FY17 only includes funding for commitments made in prior years and funding adjustments anticipated to maintain current services - \$4.4m shortfall
- Alternative gap for FY17 also includes cost increases that require Council input about whether the cost should be included or not - \$71.3m shortfall

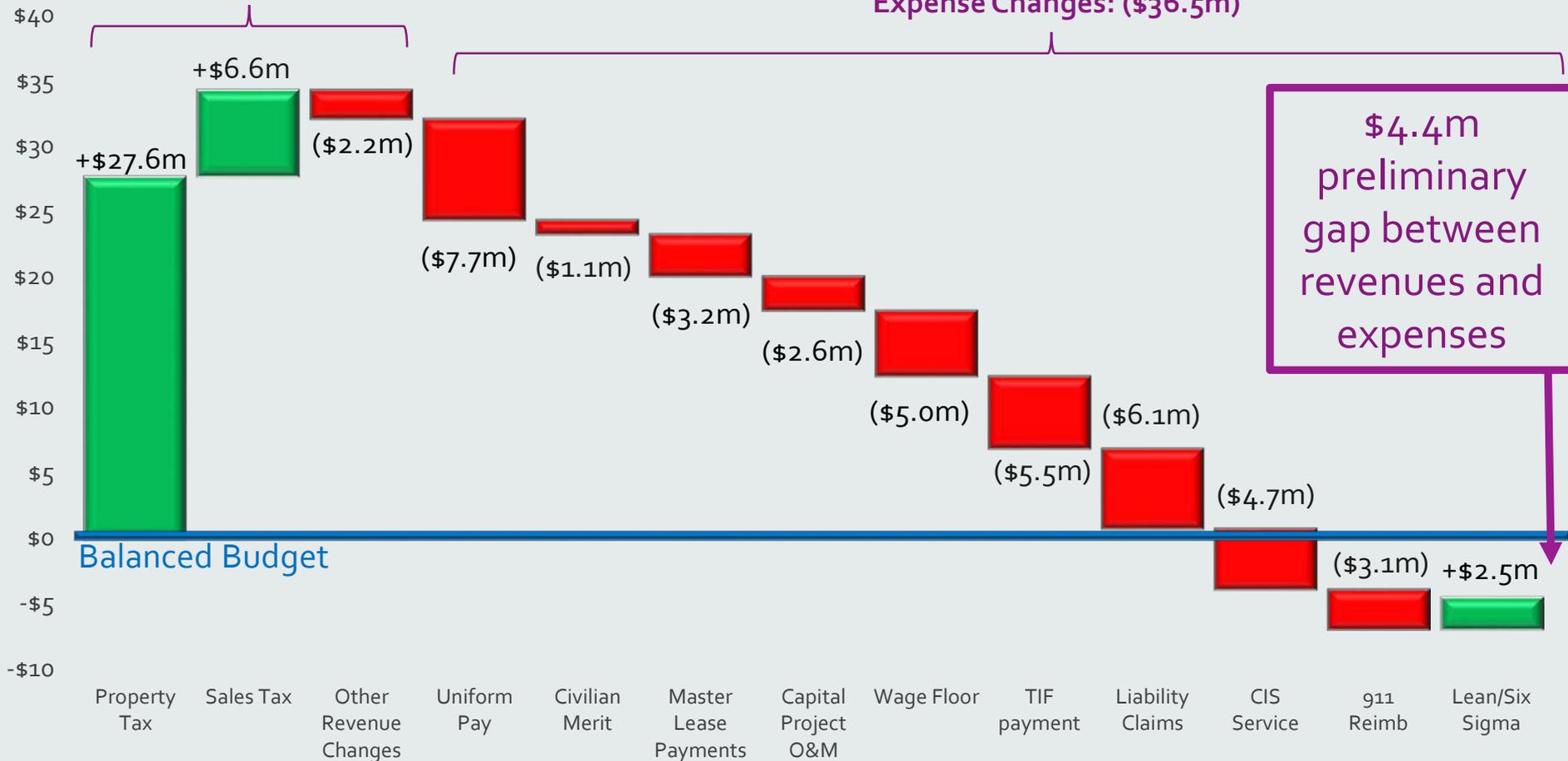
Preliminary projections for FY17 General Fund

	FY 2015-16 Adopted Budget	Preliminary Commitments and Adjustments	FY 2016-17 Preliminary Projection	Council Input Required	FY 2016-17 Alternative Projection
General Fund Revenue	\$1,144.8m	+\$32.1m	\$1,176.9m	\$0	\$1,176.9m
General Fund Expense	\$1,144.8m	+\$36.5m	\$1,181.3m	+\$66.9m	\$1,248.2m
Variance or Gap	\$0	(\$4.4m)	(\$4.4m)	(\$66.9m)	(\$71.3m)

Preliminary Projections for FY17 General Fund

Revenue Changes: +\$32.1m

Expense Changes: (\$36.5m)



\$4.4m preliminary gap between revenues and expenses

Note: Forecasts are preliminary and will change through budget development process and as additional information is available.
 Note: Additional information regarding preliminary expense projections are included in the appendix.

Council direction

- Council early input will provide direction about whether or not the following should be included in FY17 budget or not (cost can be scaled and partially included)
 - 1) Ad valorem property tax revenues
 - 2) Employee compensation - civilian merit pay
 - 3) Employee compensation - uniform pay
 - 4) Employee/retiree health benefits
 - 5) Fair Park public-private-partnership
 - 6) Master lease program
 - 7) Neighborhood Plus
 - 8) Police force strength
 - 9) Service enhancements
 - 10) Service/expense reductions
 - 11) Street and alley improvements

As adjustments are made, the FY17 gap will change.

Reduction options will be presented at a later time to rebalance FY17 budget.

Early Council input will provide direction for development of FY17 budget

Question – Should the FY17 General Fund budget....?

(1)	... limit property tax revenue by lowering the ad valorem tax rate?
(2)	... include funding for a merit increase program for civilian employees?
(3)	... address police and fire uniform employee compensation?
(4)	... include funding for employee/retiree health benefit cost increases?
(5)	... include increased funding for Fair Park as needed as part of the public-private partnership proposal?
(6)	... include funding to continue both fleet replacement and information technology replacement/upgrades through the master lease financing program?
(7)	... include funding to further Neighborhood Plus initiatives?
(8)	... include funding for additional police officers above attrition?
(9)	... include new services and/or enhancements? If so, what services/enhancements?
(10)	... include service/expense reductions? If so, what services/expenses?
(11)	... include funding to achieve net zero degradation in street and alley condition until the implementation of the next bond program?

(1) Ad Valorem property tax revenues

- Current projection for FY17 is that property values will grow by 5% and tax rate will remain at \$0.7970 per \$100 valuation
 - 5% growth will generate approximately \$27.6m additional revenue
- Appraisal Districts will provide additional information through summer and certify tax roll on July 25th
 - Dallas County will then calculate roll-back and effective-tax rates in early August
 - Adopting effective tax rate for FY16 would have required reducing tax rate by \$0.0371 and revenue by \$36.3m
- Growth in property value is made up of both reappraisals and new construction
 - New construction value will not be known until July 25th
 - Revenue from new construction value was \$16.1m in FY16
- Each \$0.01 change in tax rate is approximately \$10m revenue
- Should the FY17 general fund budget limit property tax revenue by lowering the ad valorem tax rate?

(2) Employee compensation – civilian merit pay

- Civilian employee pay was reduced during economic recession
 - 2 furlough days in FY09; 5 furlough days in FY10; and 8 furlough days plus an additional 0%-3% salary reduction in FY11
- Pay was restored to pre-recession level through phased increases in FY12-FY13
- Merit increase of 3% (average) for last 3 years; FY14, FY15, FY16
- Of the last 15 budgets, only FY05 included a cost-of-living increase (2%) for civilians to offset employee health benefit cost increase
- Each 1% civilian merit costs approximately \$2.2m per year
- Should the FY17 general fund budget include funding for a merit increase program for civilian employees?

(3) Employee compensation – uniform pay

- City has had multi-year compensation agreements through Meet and Confer with police and fire uniform employees
 - 1st agreement approved by Council on 9/1/10 for FY11, FY12, and FY13
 - Included 5 furlough days, comp time for overtime, reduced hiring, delayed paramedic training, 3% across the board pay, 2 new holidays, increased education pay
 - 2nd agreement approved by Council on 12/11/13 for FY14, FY15, and FY16
 - Included step pay increases for 3 years and 4% across the board
- Each police and fire uniform step costs about \$15.4m
- Should the FY17 budget address police and fire uniform employee compensation?

(4) Employee/retiree health benefits

- City provides health benefits to civilian and uniform employees, retirees, and dependents (22,175 individuals)
- Total cost in FY16 is expected to be \$144.8m
 - City cost - \$78.4m (54%)
 - Employee & retiree cost - \$66.4m (46%)
- According to Total Compensation Study conducted by Milliman in 2012, City's health benefits plan is in the bottom quartile compared to both public and private employees
- Medical/prescription expense are anticipated to increase by 5% for next year (additional \$4.0m for general fund in FY17)
- Should the FY17 general fund budget include funding for employee/retiree health benefit cost increases?

(5) Fair Park public-private partnership

- Fair Park operates as a service within Park and Recreation Department
 - Cultural facilities located at Fair Park receive direct and indirect support from Office of Cultural Affairs
- Council briefed on 11/18/15 regarding public-private partnership for Fair Park
 - City management fee initially projected to be \$25m to \$35m (ramp up from 2017 to 2020)
 - \$125m to \$175m needed in next City bond program
- Operating and capital needs analysis is underway and will be provided to Council in a future briefing
- Should the FY17 general fund budget include increased funding for Fair Park as needed as part of the public-private partnership proposal?

(6) Master lease program

- City has utilized a master lease program to fund an average of \$25m of fleet and information technology capital purchases for 5 years
- Master lease financing allows both just-in-time borrowing and repayment schedule to match estimated-useful-life of the asset
- Needs exist for continuation of the master lease program

Department	Capital Expense	FY17 Forecast	5 Year Forecast
Equipment & Building Services	Fleet (cars, trucks, vans, etc.)	\$15.0m	TBD
Fire-Rescue	Apparatus (MICU, trucks, engines, etc.)	\$10.6m	\$59.8m
Communication & Information Services	Technology upgrades and replacement	\$21.2m	\$81.0m
Sanitation	Collection & landfill fleet/equipment	\$12.0m	\$58.0m

- Should the FY17 general fund budget include funding to continue both fleet replacement and information technology replacement/upgrades through the master lease financing program?

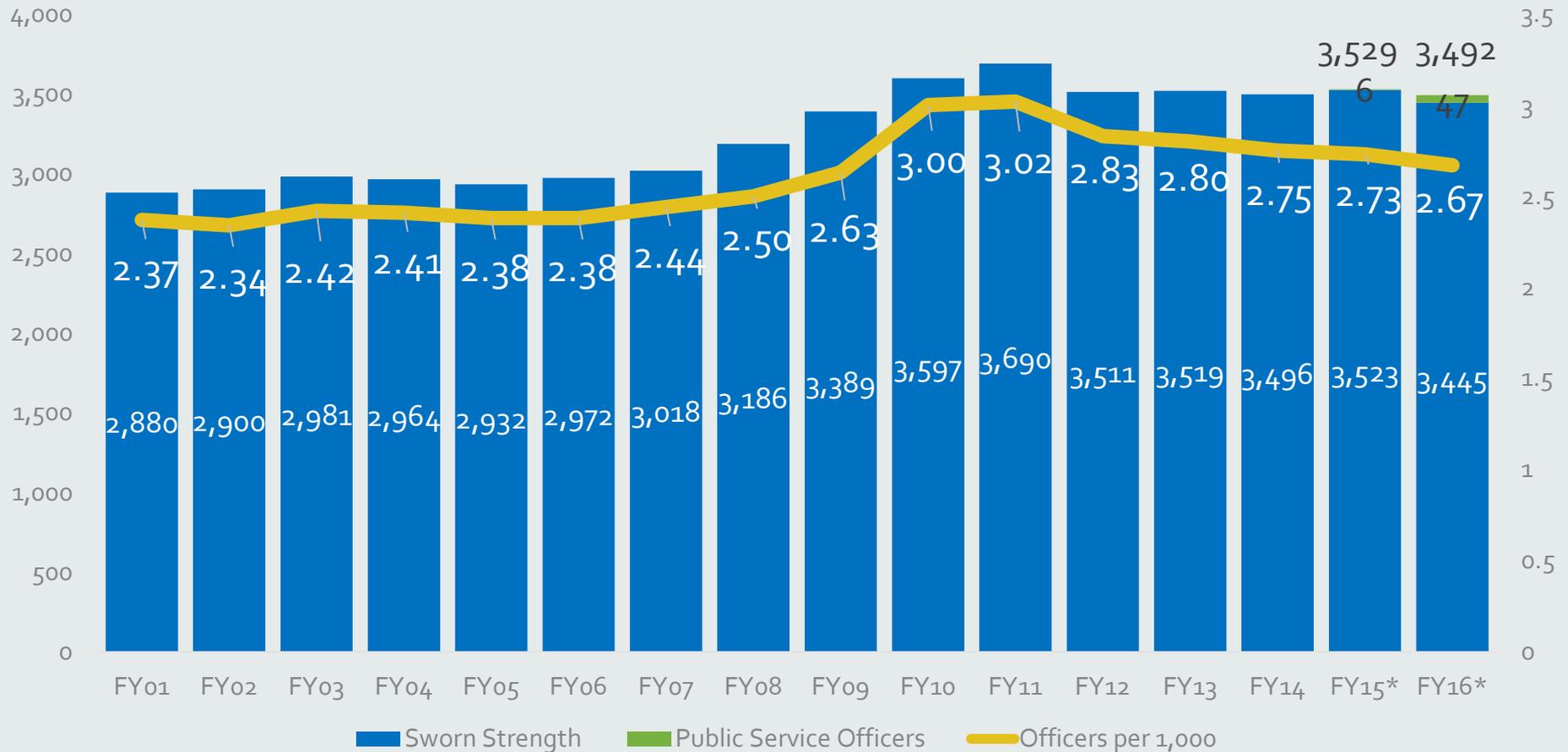
(7) Neighborhood Plus

- New initiative phased in during FY15 and FY16 to foster vital neighborhoods throughout Dallas and think beyond just housing to also encompass education, health, mobility, business, and safety
- First three neighborhoods selected include:
 - Parkdale/Urbandale
 - Lancaster Corridor
 - UNT Education Corridor
- Additional focus areas being identified with individual Councilmembers
- Should the FY17 general fund budget include funding to further Neighborhood Plus initiatives?

(8) Police force strength

- 50 police officers above attrition, as an example
 - To improve response times that have gone up since 2010 when hiring was 200 below attrition
 - To address upticks in violent crime, expand domestic violence home visits, and expand violent crime investigation
 - To expand SAFE case enforcement and gang crime enforcement
- Cost to add 50 officers is \$4.2m with \$2.3m needed for partial year cost in FY17, and additional \$1.9m needed in FY18 for full-year funding
- Should the FY17 general fund budget include funding for additional police officers above attrition?

(8) Police officer strength compared to officers per 1,000 population



*Estimated

(g) Service Enhancements

- Current and prior year budgets have included both new services and enhanced service levels
- Recent examples include:
 - Public Safety Officers added: 20 in FY15 and 30 in FY16
 - City Marshals added: 12 marshals and \$533k in FY16
 - Neighborhood Plus
 - Animal services enhanced to include City funding for PetSmart Everyday Adoption in FY15 and 15 new positions (\$1.4m) to address loose animals in FY16
 - Two year plan to enhance Library services – over \$6m added over two years, and hours expanded to 1,510.5 per week which is an all-time high
 - Senior program division added within Park Department in FY16
- Should the FY17 general fund budget include new services and/or enhancements?
- If so, what services and/or enhancements?

(10) Service/expense reductions

- In order to balance annual operating budget, trade-offs are required
- FY16 budget included expense reductions of \$15.7m:
 - Municipal court operations
 - Fuel expense
 - Salary and vacancy rate adjustments
 - Adjustments in contract pricing and utilization
 - Other miscellaneous adjustments from line-item review
- Should the FY17 General Fund budget include service/expense reductions?
- If so, what services/expenses?

(11) Street and alley improvements

- Based on 4/15/15 briefing, a multi-year strategy is needed to improve street condition to 87% satisfactory citywide (minimum of 80% satisfactory in each Council District)
- Multi-year strategy requires increased O&M funding for streets and alleys each year along with increased bond funding
- Goal (revised Sept 2015) is to have net zero degradation of current condition until next bond program when funding will be available to start improving street/alley condition
- Net zero degradation is being achieved in FY16 with increase of \$24.1m
- To continue net zero degradation, additional \$28m would be required in FY17
- Should the FY17 general fund budget include funding to achieve net zero degradation in street and alley condition until the implementation of the next bond program?



FY17 Budget Schedule

✓ Dec 2	Budget Workshop #1: preliminary outlook
✓ Feb 2-3	Council-Staff Planning Session (Budget Workshop #2: council direction)
March 2	Budget Workshop #3: initial gap
March 23	Budget Public Hearing
May 4	Budget Workshop #4: general fund update and options (On-line link provided to all funding requests although not fully vetted at this point in process – amounts will still change)
May 25	Budget Public Hearing
June 15	Budget Workshop #5: outlook for all funds
July 25	Appraisal Districts certify 2016 tax roll
Aug 5	Deliver City Manager's recommended budget to Council Members
Aug 9	Budget Workshop #6: City Manager's recommended budget
Aug 9-Sept 1	Budget Town Hall Meetings
Aug 17	Budget Workshop #7: Topics TBD
Aug 24	Budget Public Hearing
Aug 30	Budget Workshop #8 (optional): Topics TBD
Sept 7	Budget Workshop #9: Council amendments
Sept 7	Adopt budget on First Reading
Sept 13	Budget Workshop #10: Amendments (if necessary)
Sept 21	Adopt budget on Second Reading and adopt tax rate
Oct 1	Begin FY17

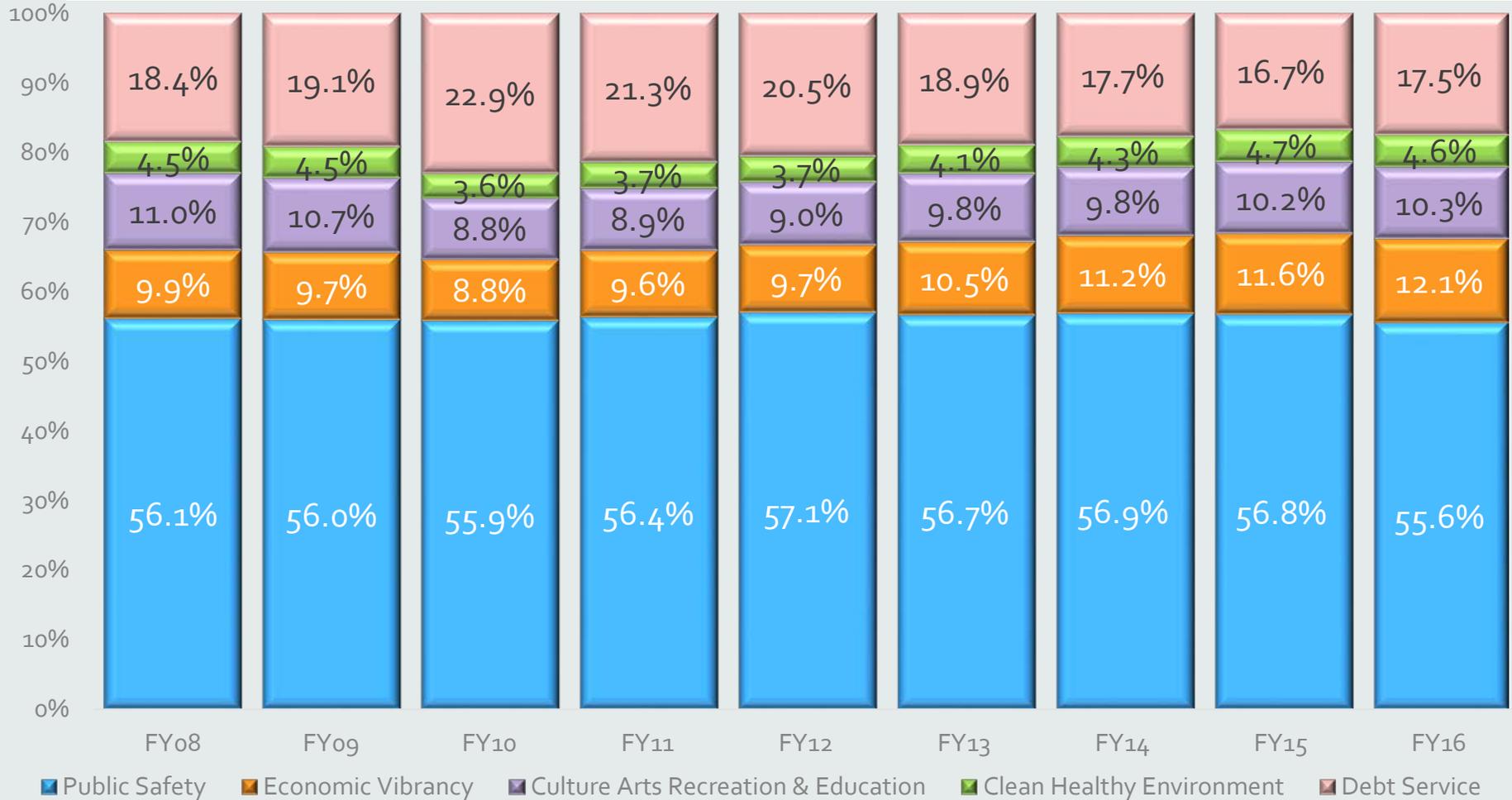


Questions and Comments



Appendix

Property tax supports both General Fund KFAs and Debt Service



*E-Gov KFA retroactively distributed for all years based on allocations; Sanitation excluded

Commitments made in prior years that have a cost increase in FY17

Uniform compensation – full-year funding for FY16 step pay increase as part of current Meet and Confer agreement (\$7.7m)

Civilian employee pay adjustments – full-year funding for FY16 average 3% merit on 12/2/15 (\$1.1m)

Master lease cost increases – required to pay debt for equipment and technology enhancements added in FY16 budget (\$3.2m)

O&M cost required in FY17 for capital projects being completed and placed in-service (includes year-2 O&M for Oak Cliff Streetcar) (\$2.6m)

Wage floor of \$10.37 per hour for employees of contracted services (based on contract increases as new contracts are awarded) (\$5.0m)

Tax Increment Financing cost increase as property values in TIF districts increase (\$5.5m)

Adjustments that will impact costs in FY17

Liability/claims cost increases anticipated due to increased litigation (\$6.1m)

Technology and communication services will require increased transfers from customer departments due to year-end surplus not anticipated for the end of FY16 as it was at the end of FY15 (\$4.7m)

Police cost increase to offset less reimbursements from 911 Fund for overtime (\$3.1m)

Efficiencies and cost reductions from Lean/Six Sigma projects currently underway (\$2.5m reduction). Additional cost reductions will be identified through the budget process, line-item review, analysis, and Sunset efforts.