City Manager's Recommended Budget for FY 2018-19 and FY 2019-20

City Council Briefing

August 14, 2018

T.C. Broadnax
City Manager

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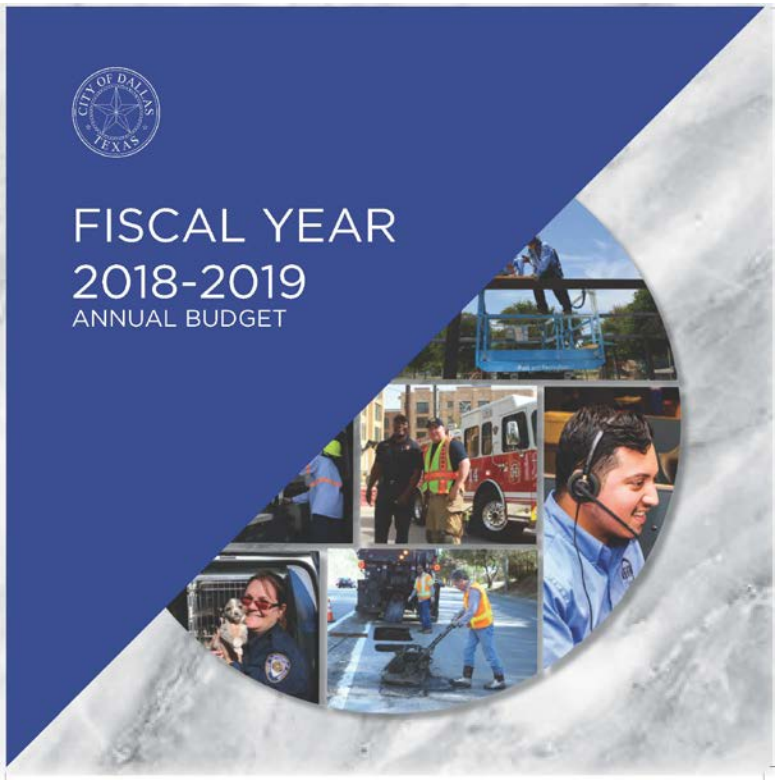
Overview

- FY 2018-19 proposed and FY 2019-20 planned budgets
- General Fund revenue, expense, capital, and debt service
- Enterprise Fund budgets
- Next steps

Budget Overview



The budget reflects a commitment to strong City government and provides a framework to put *Service First*

Importantly, it gives us an opportunity to answer the question, "*What kind of city do we want Dallas to be?*"

Budget Overview

- FY 2018-19 proposed and FY 2019-20 planned budgets are balanced and total $3.6 billion and $3.7 billion, respectively
- General Fund totals $1.35 billion and includes a property tax rate reduction of 1.54¢

Budget Overview

- Biennial budget is focused on long-term fiscal sustainability
- Budget priorities are based on community input and City Council direction
- Budgets address six strategic priorities:
  - Public Safety
  - Mobility Solutions, Infrastructure, and Sustainability
  - Economic and Neighborhood Vitality
  - Human and Social Needs
  - Quality of Life
  - Government Performance and Financial Management

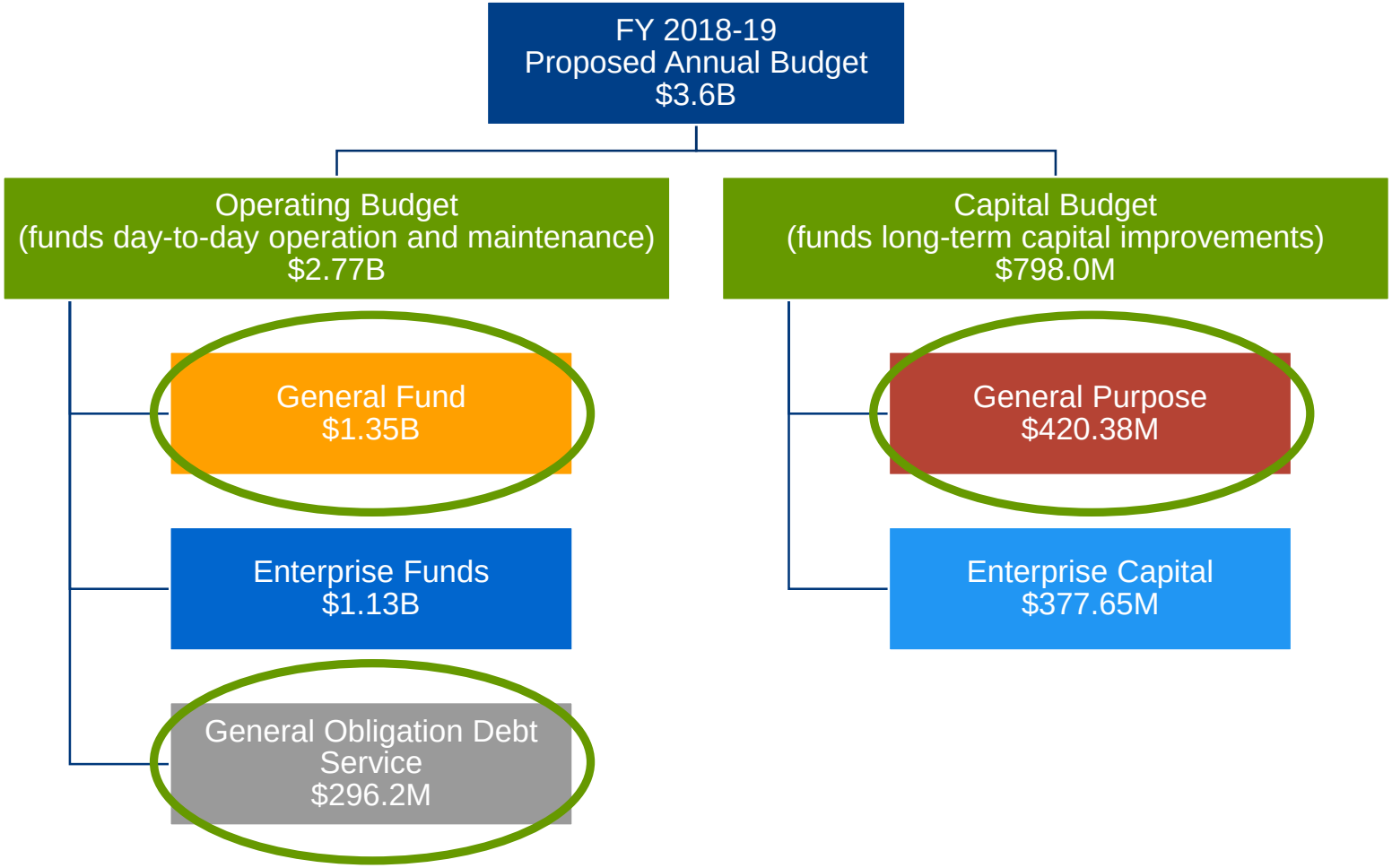
Budget Overview

Expenditure	FY 2017-18 Adopted	FY 2017-18 Amended	FY 2018-19 Proposed	FY 2019-20 Planned
General Fund	1,276,420,942	1,282,512,888	1,351,193,000	1,399,298,000
Aviation	127,028,405	127,028,405	144,132,819	153,597,128
Convention and Event Services	97,787,266	99,371,106	108,647,915	107,667,880
Municipal Radio	2,051,318	2,051,318	2,076,728	2,105,637
Sanitation Services	102,279,097	104,419,917	112,653,465	113,539,838
Storm Drainage Management	55,936,837	55,936,837	58,436,837	60,936,837
Sustainable Development and Construction	32,376,190	32,376,190	34,571,119	34,649,765
Dallas Water Utilities	667,471,388	667,471,388	665,491,395	685,052,543
Debt Service	267,322,998	267,322,998	296,200,044	303,438,501
Total Operating Budget	2,628,674,441	2,638,491,047	2,773,403,322	2,860,286,129
General Purpose Capital	148,489,745	320,931,790	420,377,152	396,012,859
Enterprise Capital	343,565,793	349,210,464	377,646,036	432,625,926
Total Capital Budget	492,055,538	670,142,254	798,023,188	828,638,785
Total Budget	**3,120,729,979**	**3,308,633,301**	**3,571,426,510**	**3,688,924,914**

Budget Overview

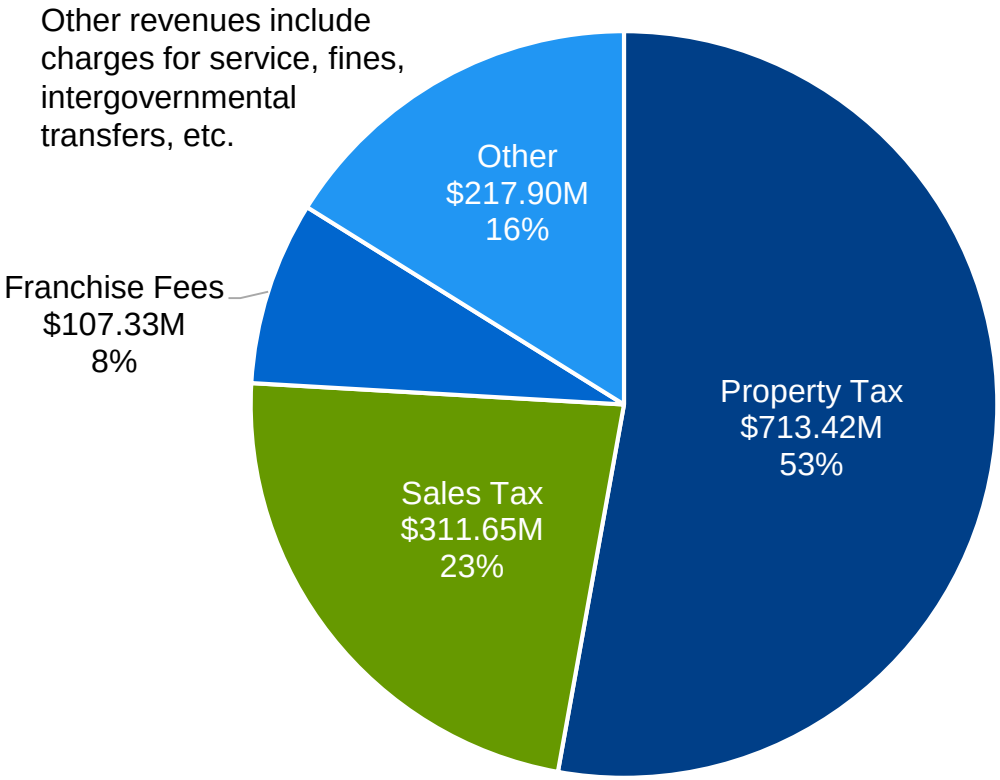
- Funding for the City's budget comes from many different revenue sources
- General Fund revenues come from property taxes, sales taxes, franchise fees, charges for service, and fines and forfeitures
- Enterprise Fund revenues come from customer service charges for operations such as water and sanitation

FY 2018-19 Proposed Budget

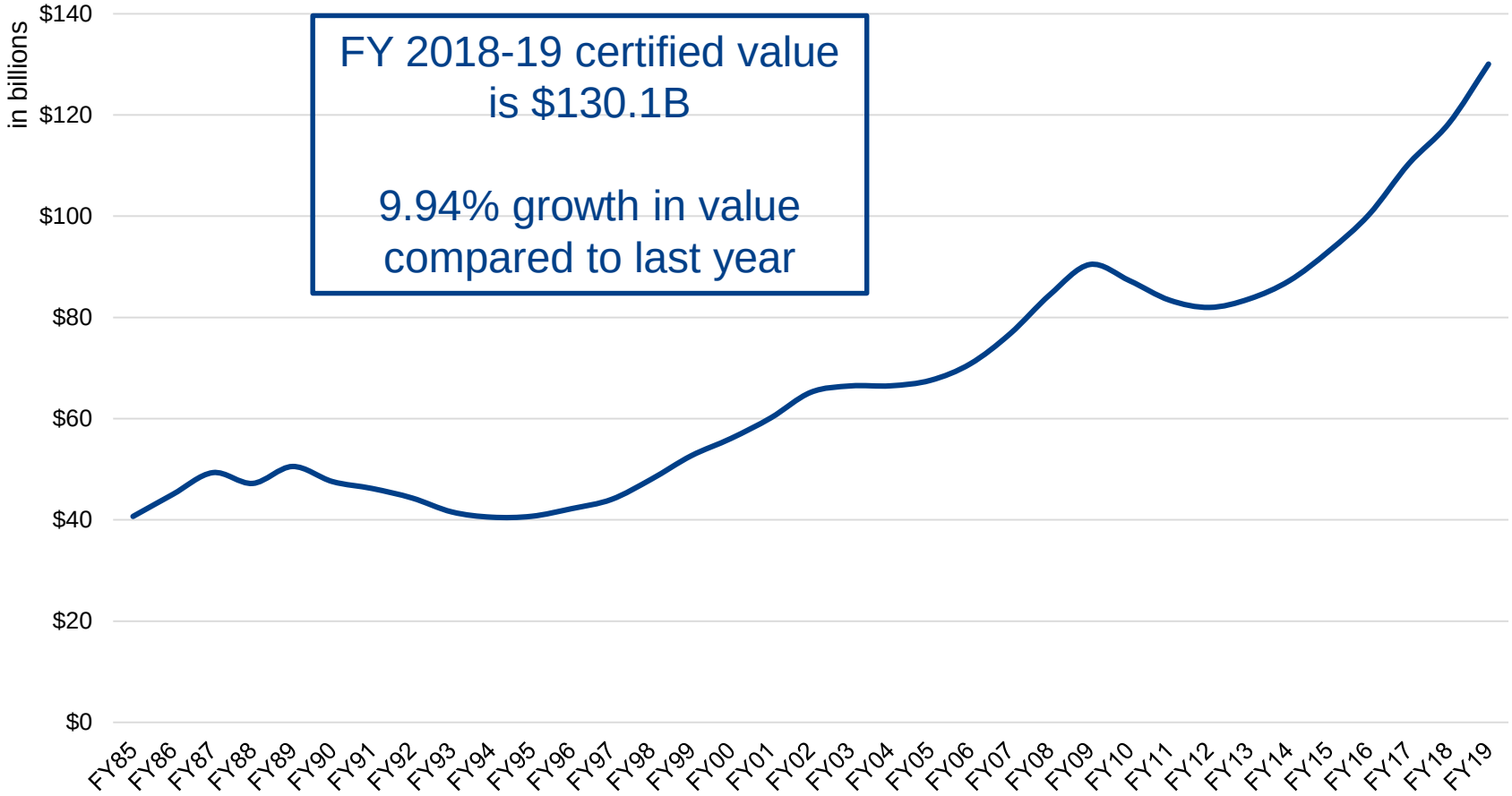


General Fund Revenues

General Fund Revenue



Certified Taxable Property Values

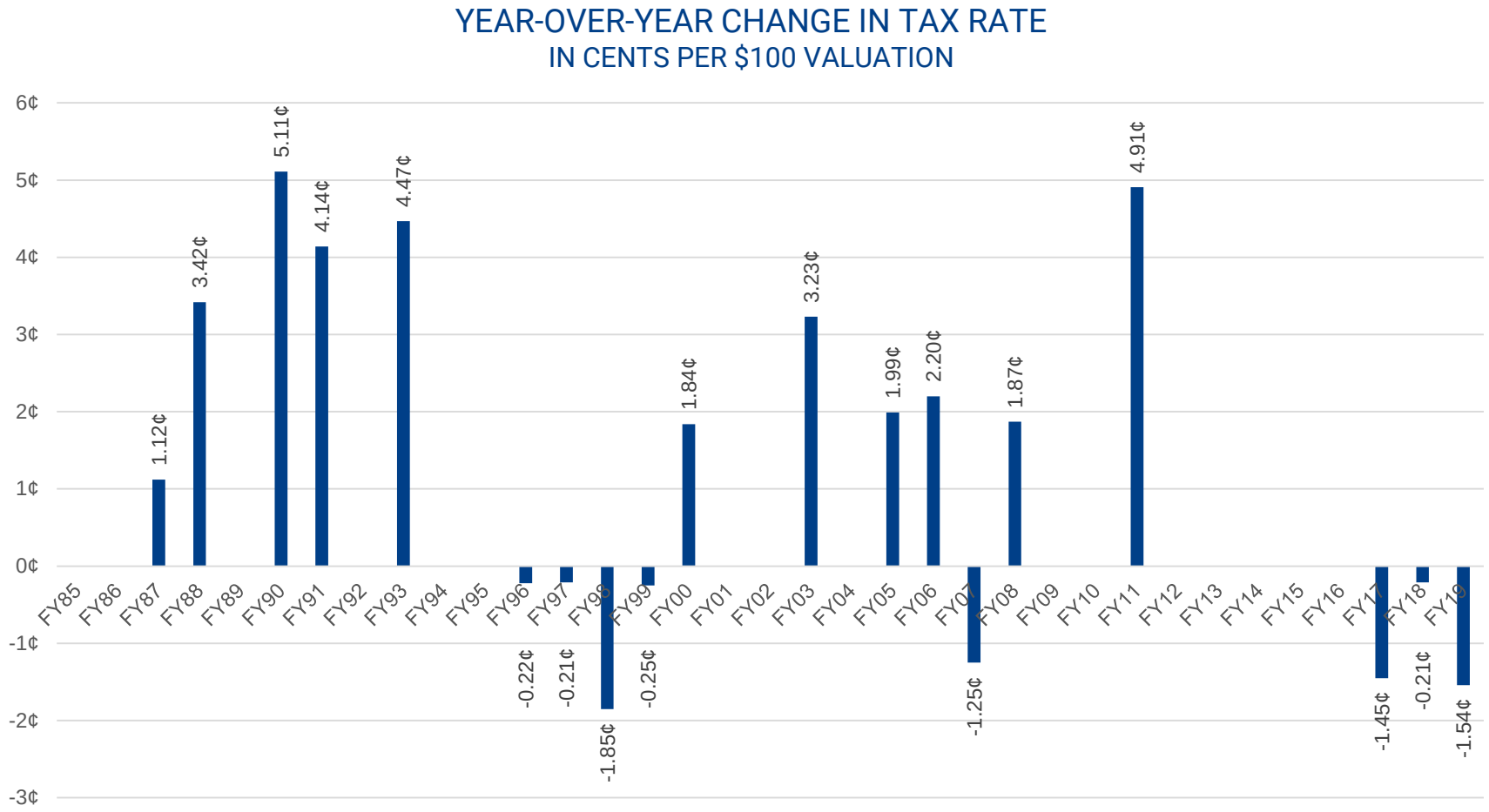


Property Taxes

- FY 2018-19 proposed and FY 2019-20 planned budgets are balanced, with a proposed 1.54¢ or 2% decrease to City's property tax rate
- Third consecutive year with combined property tax rate reduction, totaling 3.2¢ or 4.0%
  - Largest combined tax rate reduction in at least last 35 years
- Values have increased by 9.94% this year and are expected to increase again next year

Tax rate per $100 valuation

Property Taxes



City of Dallas

Property Taxes

- Each property owner's tax bill differs based on the property value, applicable exemptions, and county and school district in which they reside
- Average value for single-family residential property is currently $275,000

Taxing Entity	Tax Rate/$100 Value	Tax Bill	Percent of Tax Bill
City of Dallas	$0.765000	$1,686.72	28.4%
Dallas County	$0.243100	$536.00	9.0%
Dallas Community College District	$0.124238	$273.93	4.6%
Parkland Hospital	$0.279400	$616.04	10.4%
Dallas ISD	$1.282085	$2,826.82	47.6%
	Total	**$5,939.51**	

- Dallas overlaps four counties and 18 school districts
- Tax bill assumes residential property has homestead exemption

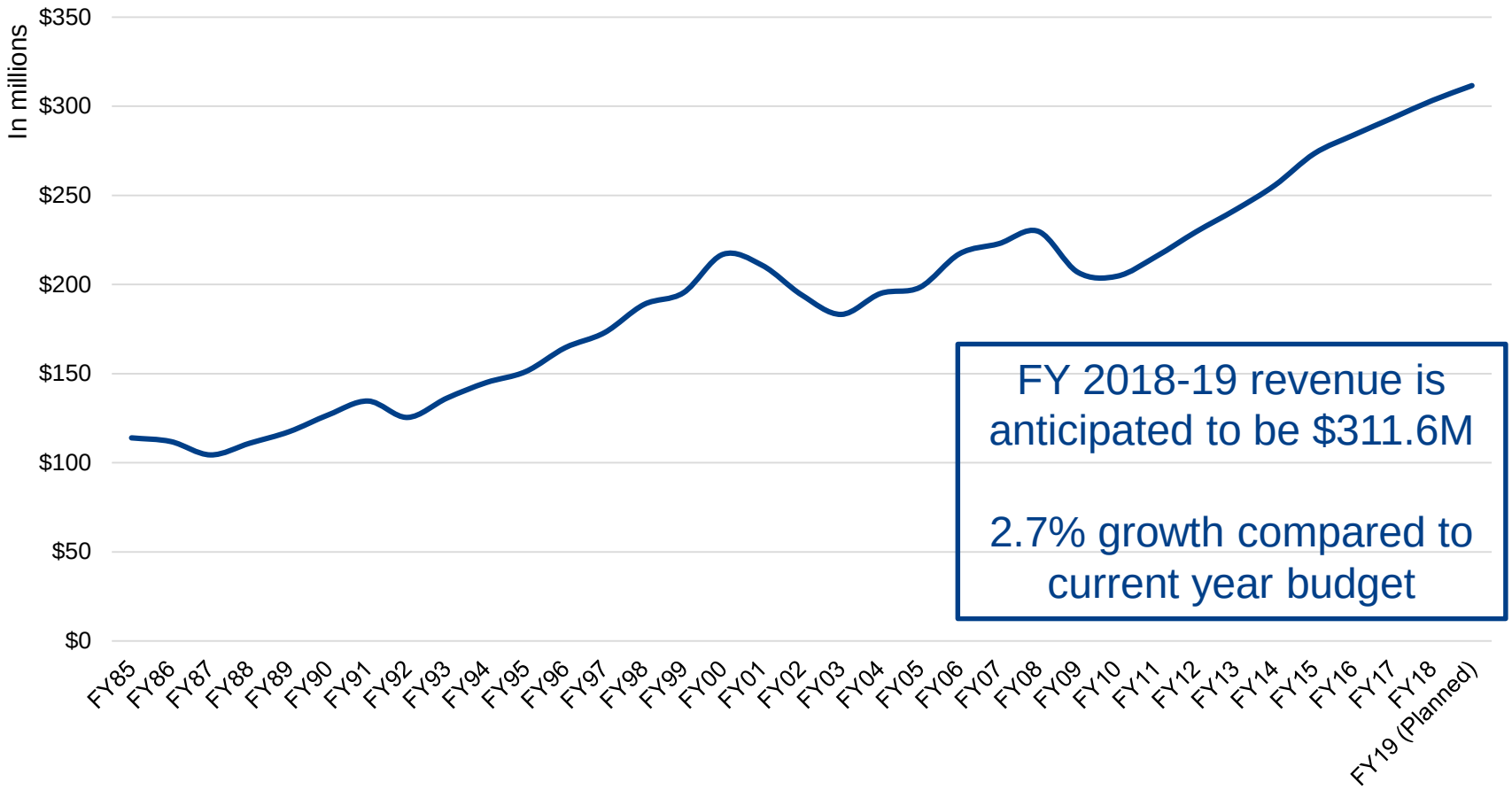
Note: Additional property tax information will be provided in the briefing on Property Tax Rate State Law Requirements.

Sales Taxes

- Sales tax in Dallas is 8.25%, including the 2% local option that is governed and capped by state law
- State law identifies which goods and services are taxable versus non-taxable
- FY 2018-19 assumes 2.7% growth and totals $311.6M anticipated revenue
- Continued growth is forecast for future years, but at slower pace

Sales Tax Distribution	
State of Texas	6.25%
Local Option – Dallas Area Rapid Transit (DART)	1.00%
Local Option – City of Dallas	1.00%
Total	8.25%

Sales Tax Revenue

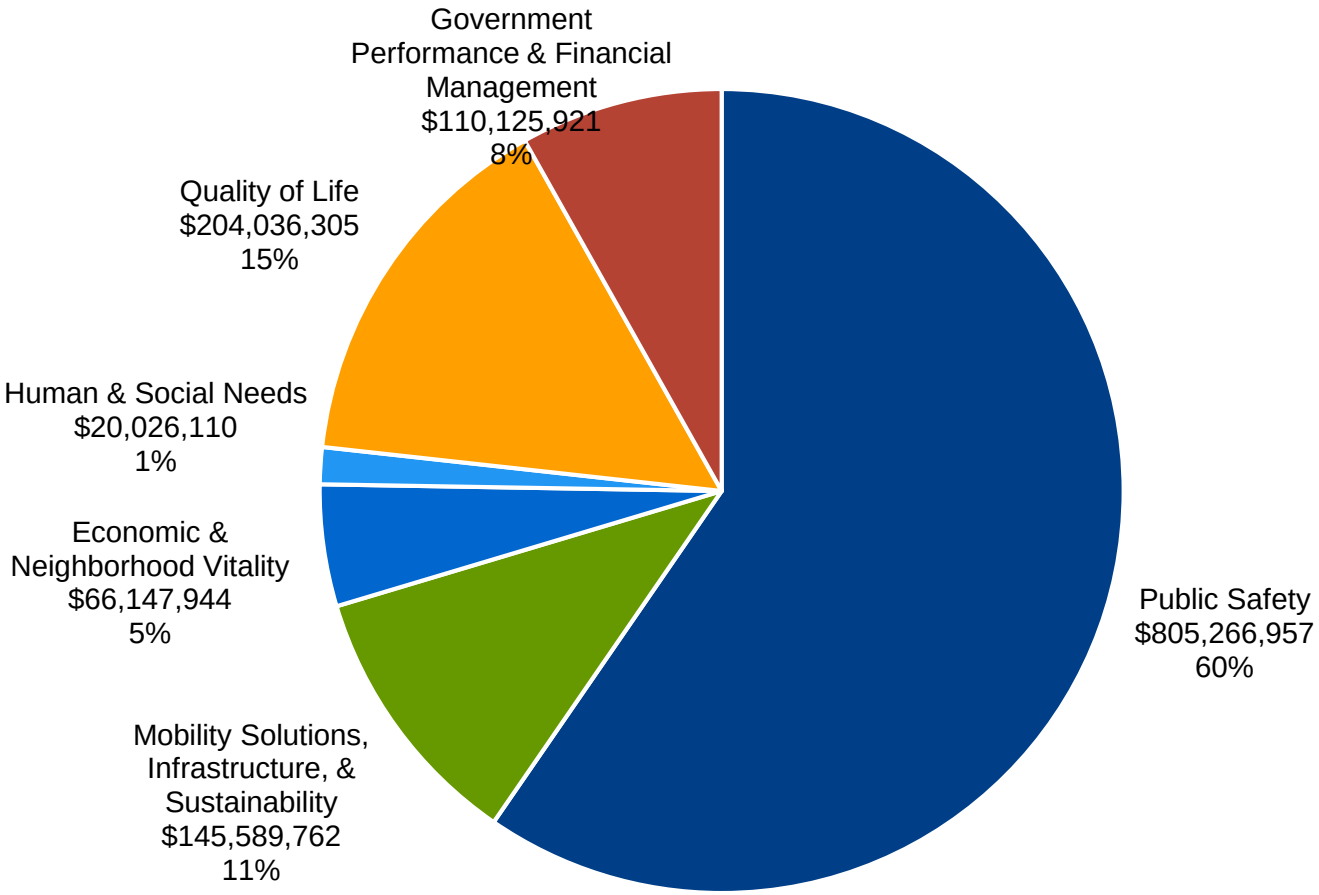


FY 2018-19 revenue is anticipated to be $311.6M

2.7% growth compared to current year budget

General Fund Expenses

General Fund Expenses



Public Safety Highlights

- Spend $25.7M in FY 2018-19 with $15M more for full-year funding in FY 2019-20 to increase pay for police officers and firefighters based on Meet and Confer agreement approved by Council on 12/14/16
  - Double-step pay increase (approximately 10%)
  - Adding a top step (2%)
  - Increase starting pay to $51,688 which is 16% more than prior to agreement
- Focus on recruiting and retaining police officers and firefighters

	10/1/17	10/1/18	10/1/19	10/1/20
Police	3,070	3,044	3,050	3,069
Fire	1,810	1,938	1,942	1,960

Public Safety Highlights

- Contribute $156.8M to Police and Fire Pension to ensure secure retirement
- Consolidate security for City facilities into Court Services and conduct comprehensive risk assessment to identify future security needs for City facilities and programs
- Invest more than $5M in school crossing guard program to protect Dallas school children

Mobility Solutions, Infrastructure, & Sustainability

- Invest more than $125M of bonds and cash to improve driving condition of city streets
- Leverage $10M of federal Highway Safety Improvement funds with approximately $2M in City funds to improve safety at high accident intersections
- Create cross-departmental pilot program to improve alley access for residents and utilities
- Expand bike lanes and improve mobility by increasing current $500K budget by $500K per year over each of next three years to achieve a $2M per year investment starting in FY 2020-21
- Combine water, wastewater, and stormwater into one utility to provide comprehensive management of Dallas' valuable water resources

Economic & Neighborhood Vitality

- Implement comprehensive Housing Policy approved by City Council in May 2018 to create and preserve housing throughout the city
- Target $1M to historically underserved areas at risk of displacement because of changing market conditions, as well as areas in need of intensive environmental enhancements, master planning, and formalized neighborhood organizations
- Offer an online one-stop shop for residents and businesses to submit construction plans to the City
- Devote $100K to conduct a historic resource survey with private partners

Human & Social Needs

- Address homelessness holistically, including $2.3M for:
  - Strengthening homeless response systems,
  - Providing improved supportive housing for chronically homeless seniors
  - Leveraging innovative and collaborative “shovel-ready” capital projects,
  - Funding a master leasing program, and
  - Developing a landlord incentive program.
- Increase funding for End Panhandling Now initiative to $415K and continue public education on ways to effectively assist those in need
- Commit $175K to partner with nonprofit organizations to offer civil legal services and promote citizenship to immigrants
- Create Office of Equity and Human Rights to promote equity as one of City’s core values and focus on fair housing
- Expand “Fresh Start” re-entry program for formerly incarcerated individuals to transition into community ($235K)

Quality of Life

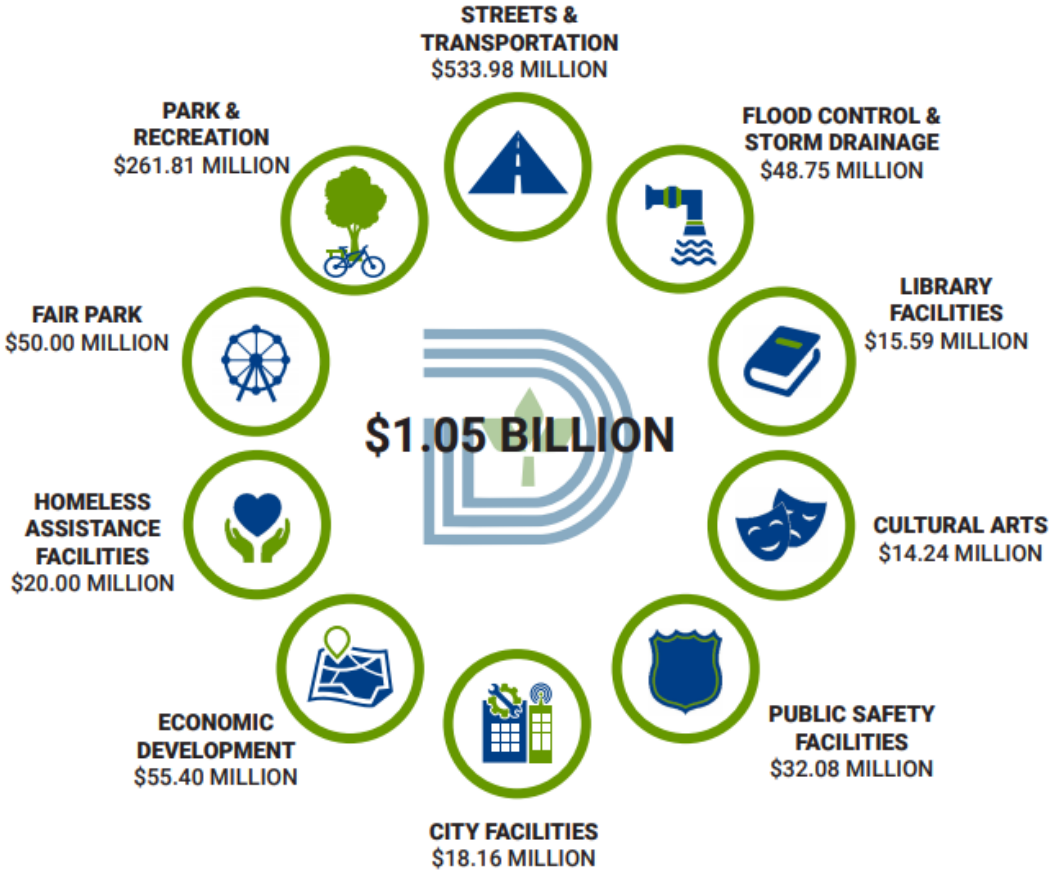
- Transition Fair Park's daily operation from City management to Fair Park First to expand fundraising opportunities, improve operations, and make capital improvements
- Allocate $410K to mobilize a team in Animal Services dedicated to dealing with aggressive and dangerous animals and preemptively reducing bites
- Add $650K for seven Neighborhood Code Representatives, further improving outreach efforts and providing more liaisons to address community issues
- Implement a $2M Radio Frequency Identification (RFID) System in library system to improve security and better manage materials and assets
- Expedite opening of six spraygrounds and partner with school districts to offer more green spaces and parks

General Purpose Capital

- Budget includes capital improvement projects supported through tax revenues either through pay-as-you-go or by issuing debt
- Projects typically include streets and alleys, flood protection, park and recreation, and City facilities, among others
- For FY 2018-19, budget is $420.4M including:
  - Street and alley improvements
  - Park and recreation improvements
  - Equipment replacement
  - Facility maintenance

General Purpose Capital

2017 Bond Program

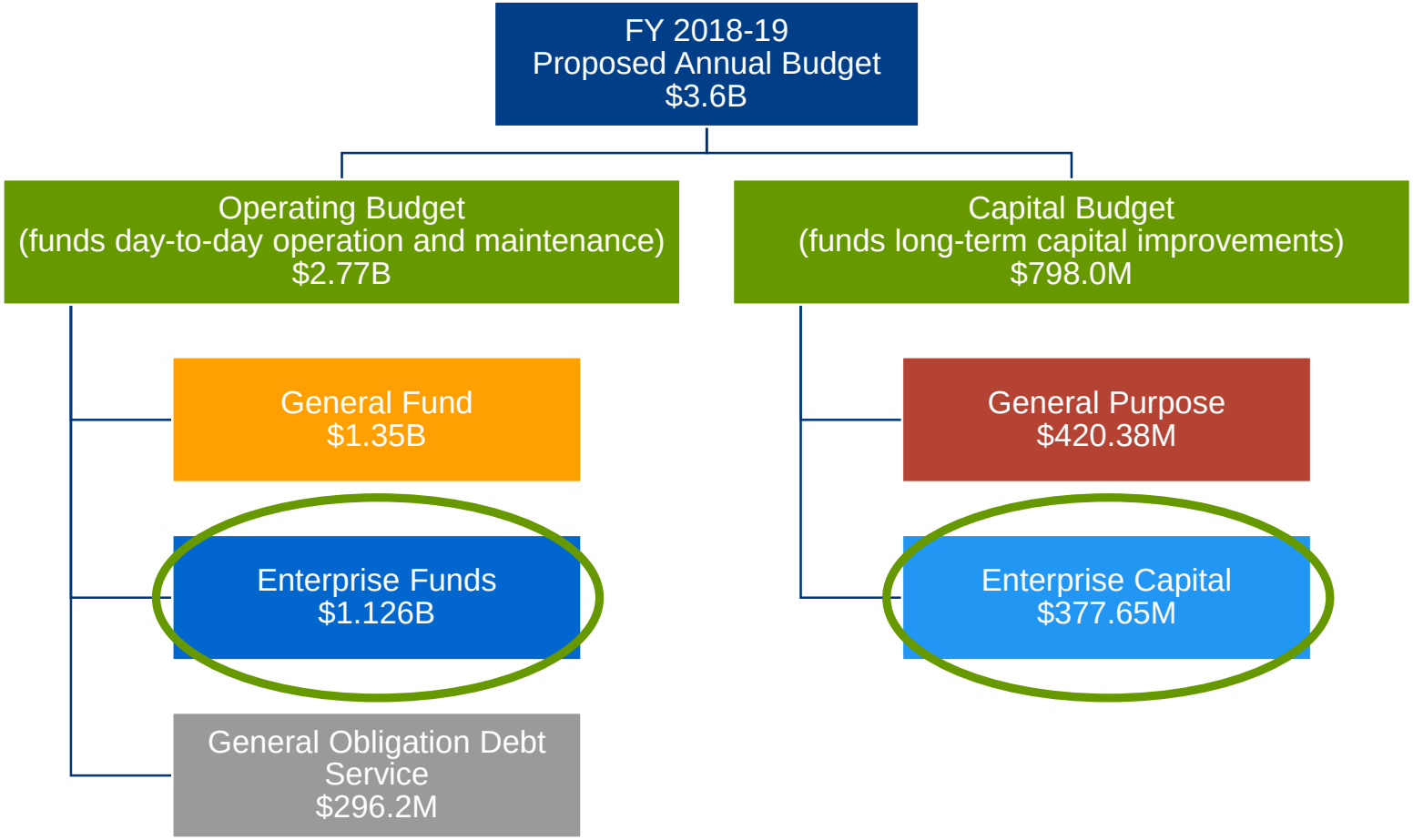


Debt Service

- Property tax revenues are used to pay debt service on $1.8B outstanding principal (as of 9/30/18)
- FY 2018-19 budget includes $296.2M for principal and interest payments, and for TIF increment payment
- Bond issuance anticipated in November 2018 totaling $425M and in November 2019 totaling $250M

Enterprise Funds

FY 2018-19 Proposed Budget



Dallas Water Utilities

- FY 2018-19 proposed operating and capital budget for Dallas Water Utilities (DWU) is $965.5M
- DWU will continue to focus on infrastructure maintenance and conserving resources
- After settling Sabine River Authority dispute, DWU will not require a retail revenue increase for either year of biennial, instead customer rates will be reduced
- Typical residential customers will see a fee decrease of $1.82 from $67.12 to $65.30 per month

Sanitation Services

- Sanitation Services' proposed operating budget for FY 2018-19 is $112.7M
- 8.4% fee increase is needed for employee compensation and health care increases, equipment maintenance, and fleet replacement cost
- Residential customers will see a monthly increase of $2.11 from $25.18 to $27.29
- McCommas Bluff Landfill gate rate will increase by 5% from $25.00 to $26.25 per ton

Storm Drainage Management

- Storm Drainage Management (SDM) is responsible for flood control, floodplain, and surface water quality activities
- SDM operations will be incorporated into Dallas Water Utilities beginning in FY 2018-19
- Proposed operating budget is $58.4M
- Typical residential customers will see a fee increase of 32¢ per month from $7.09 to $7.42
  - Fees are assessed based on measured impervious data for each parcel of property
- Fee increase will allow SDM to address capital needs, fund equipment, and increase neighborhood drainage maintenance

Budget Timeline

Timeline

Date	Activity
August 14	Budget Workshop: (1) City Manager's recommended budget, (2) Truth in Taxation, and (3) Public Safety
August 15	Budget Workshop: (1) Mobility, Infrastructure, & Sustainability, (2) Economic & Neighborhood Vitality, (3) Human & Social Needs, (4) Quality of Life, and (5) Government Performance & Financial Management
August 16-30	Budget Town Hall meetings (40 scheduled meetings)
August 20	Committee meetings to discuss strategic priority areas: EDH at 9 am; HSN at 11 am; and GPFM at 2 pm
August 22	Budget Public Hearing
August 27	Committee meetings to discuss strategic priority areas: QOLAC at 9 am; PSCJ at 11 am; and MSIS at 2 pm
August 29	Budget Workshop: Council amendments (Straw votes anticipated)
September 5	Budget Workshop: Adopt budget on first reading Tax Rate Public Hearing (#1)
September 11	Budget Workshop: Amendments (if necessary)
September 12	Tax Rate Public Hearing (#2)
September 18	Adopt budget on second reading and adopt tax rate
October 1	Begin FY 2018-19

City Manager's Recommended Budget for FY 2018-19 and FY 2019-20

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