

Memorandum



CITY OF DALLAS

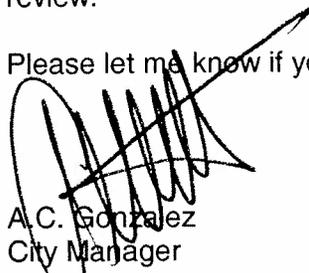
DATE May 15, 2015

TO The Honorable Mayor and Members of the City Council

SUBJECT FY 2015-16 Budget Workshop #5: General Fund Update

On Wednesday, May 20, 2015, the City Council will be briefed on the FY 2015-16 Budget Workshop #5: General Fund Update. The materials are attached for your review.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez', with a large, sweeping flourish extending upwards and to the right.

A.C. Gonzalez
City Manager

c: Honorable Mayor and Members of City Council
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



FY 2015-16 Budget Workshop #5: General Fund Update City Council Briefing – May 20, 2015



Purpose of Briefing

- Recap early input received from Council
- Provide update of FY 2015-16 general fund budget development
 - Gap update
 - Expense update
 - Revenue update
- Review schedule
- Council discussion

Council Early Input

- High level goals to be used in developing FY 2015-16 general fund budget were indicated by Mayor/Council preference during January retreat:
 - ❑ Invest in technology to improve service and efficiencies
 - ❑ Focus on top 3 priorities identified in citizen survey: maintenance of infrastructure, code enforcement, and police services
 - ❑ Phase increases in percent of budget allocated to Culture, Arts, Recreation, and Education KFA
 - ❑ Scrutinize services for efficiencies and cost reductions

Council Early Input

- Additionally, at January council retreat, Mayor and Council indicated preferences and willingness for trade-offs necessary in budget development
 - Preference for increases:
 - Streets, Library, Code, and Park/Recreation
 - Willingness for decreases:
 - Courts, Public Works/Trinity Watershed Management, Police, Fire, TIF, Housing, and Cultural Affairs
- Early input, while not definitive, provides a general framework for budget development



FY 2015-16 General Fund

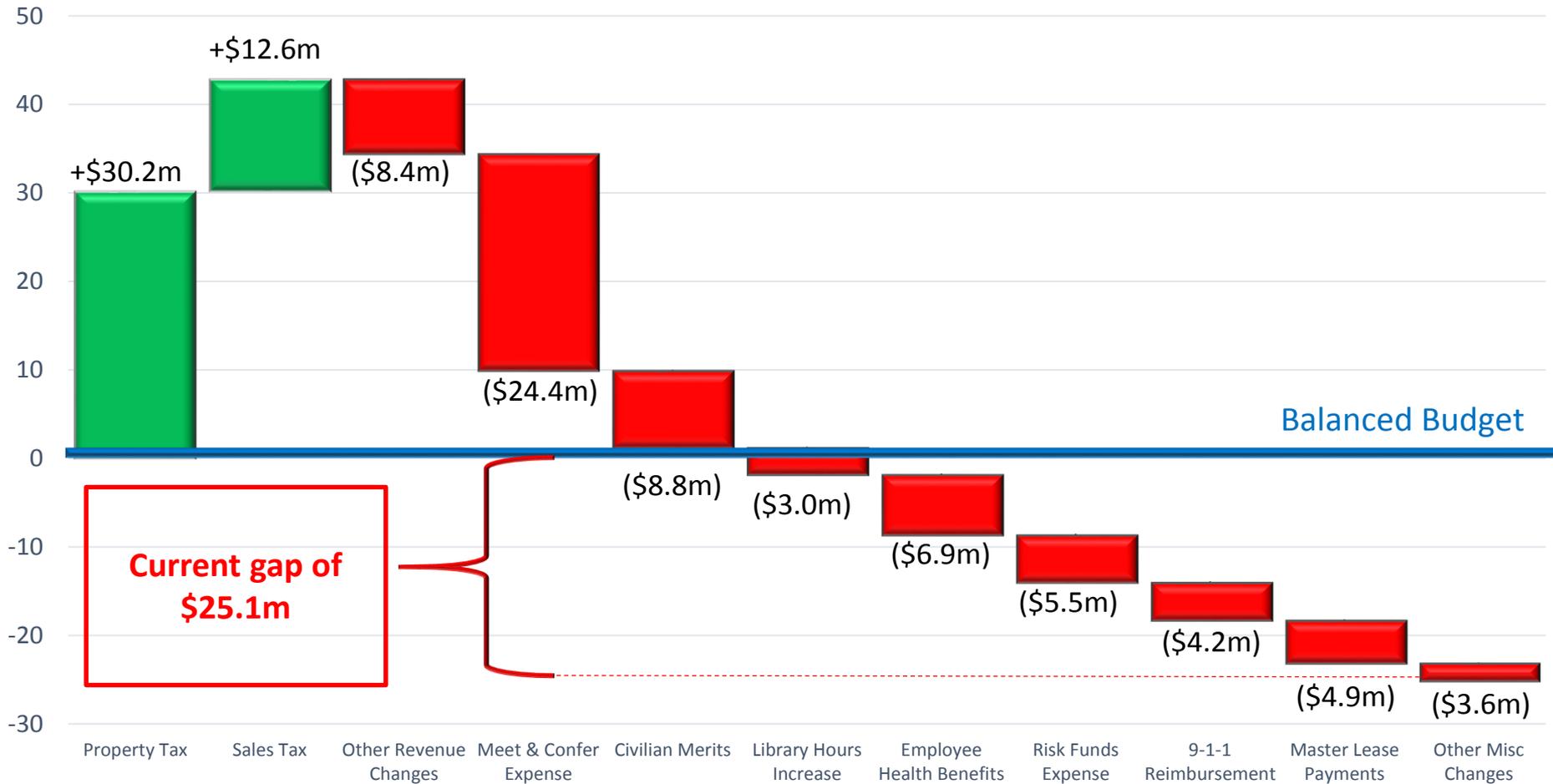
Update of gap between revenue and expense

FY 2015-16 Gap Update

- Today's briefing is a "snapshot" as of May 15th towards developing balanced budget to present to Council on August 11th
 - Numbers included in briefing are estimates or projections
 - Numbers will change as review and scrutiny continue through August
- Additional update will be provided on June 24th
- Current general fund outlook for FY 2015-16:

	Dec 3 rd	Jan 15 th	May 20 th
Revenue increase	\$32.8m	\$26.8m	\$34.4m
Expense increase primarily to maintain current service levels	\$64.0m	\$62.4m	\$59.5m
Variance/Gap	(\$31.2m)	(\$35.6m)	(\$25.1m)

FY 2015-16 Outlook



Note: Forecasts are very preliminary and **will** change through budget development process.



FY 2015-16 Expense Forecast Update

FY 2015-16 Expense Forecast

- Current expense adjustments forecast for next year (FY 2015-16) primarily continue same level of services that are being provided this year (FY 2014-15)
- On-going obligations drive cost up from year to year
 - Examples include meet and confer, full-year funding of programs already implemented, equipment/technology debt cost, TIF payments, etc.
- City services are primarily provided by employees, and cost of employees including salary and benefits represents about 75% of general fund budget

FY 2015-16 Expense Forecast

Preliminary expense adjustments anticipated for FY 2015-16	Dollars
Meet and Confer – police and fire pay increases include (1) full-year funding for 4% across-the-board pay on 4/1/15; (2) full-year funding for FY 2014-15 step pay increase; and (3) partial-year funding for FY 2015-16 step pay increase	+ \$24.4m
Civilian employee pay adjustments include (1) full-year funding for average 3% merit on 1/1/15 is \$1.7m; and (2) average 3% merit for FY 2015-16 is \$7.0m	+ \$8.8m
Uniform and civilian employee/retiree health benefit cost increases (assumes 5% cost increases)	+ \$6.9m
Tax Increment Financing cost increase as property values within TIF districts increase	+ \$2.0m
Library – implementation of 2 nd of 2 year plan for expanded hours	+ \$3.0m
Master lease cost increases required to pay debt for equipment and technology enhancements added for FY 2014-15 and to continue investment in technology and equipment in FY 2015-16	+ \$4.9m

Note: Forecasts are very preliminary and **will** change through budget development process.

FY 2015-16 Expense Forecast

Preliminary expense adjustments anticipated for FY 2015-16	Dollars
FY 2015-16 funding requirements for liability, worker's compensation, and property insurance are expected to increase due to less prior year ending balance being available	+ \$5.5m
Prior year ending balance is not anticipated to be available to reimburse police and fire expenses from 911 Fund, therefore, cost increases will be necessary in FY 2015-16	+ \$4.2m
O&M cost required in FY 2015-16 for projects being placed in-service	+ \$1.8m
Election funding not required during FY 2015-16	- \$1.0m
Sunset review reduction in staffing levels for Municipal Courts	- \$1.0m
Preliminary expense adjustments for FY 2015-16	+ \$59.5m

Note: Forecasts are very preliminary and **will** change through budget development process.

Additional Expenses

■ Additional services/expenses have been identified as priority for City Manager to address through budget process including:

- Technology
- Maintenance of infrastructure such as streets, alleys, traffic signals, and buildings
- Code compliance in neighborhoods and loose animals
- Grow South and Neighborhood Plus
- Oak Cliff street car
- Park and recreation
- Library

Expense Opportunity

- Continue scrutiny of expenses for reductions and efficiencies focusing on following:
 - ❑ Optimize staffing levels
 - ❑ Evaluate salary budgets
- Continue analysis related to potential opportunities identified in Sunset Review including:
 - ❑ Consider civilianization of specific areas within DPD
 - ❑ Analyze span of control
- Departments have been given additional task of identifying further expense reductions through efficiencies that do not impact citizen services



FY 2015-16 Revenue Forecast Update

FY 2014-15 Revenue Distribution

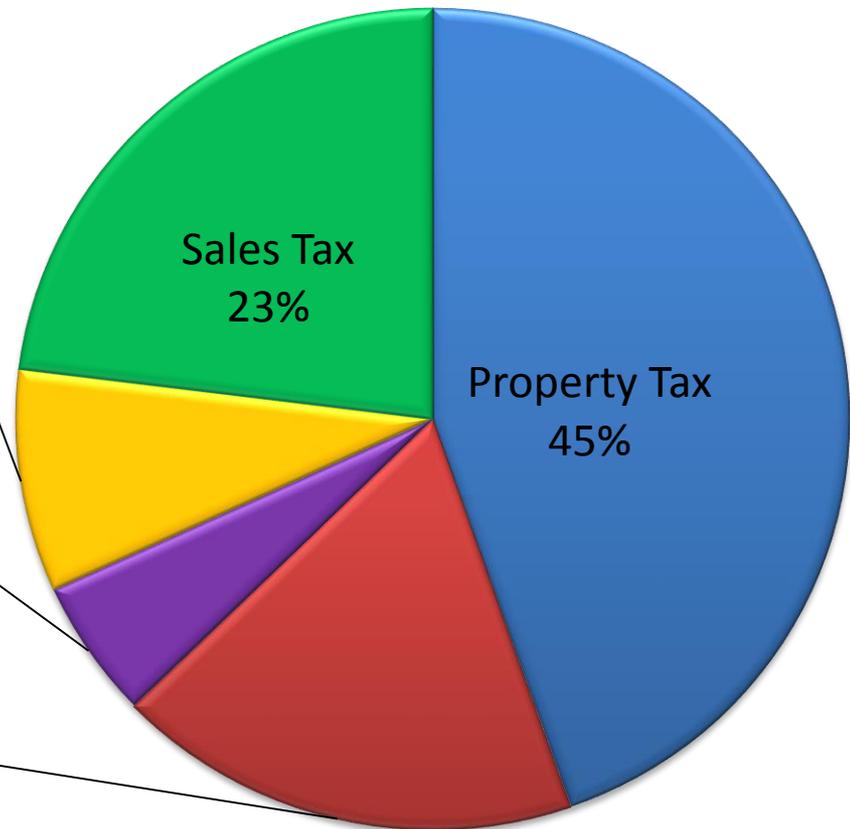
Franchise Fees include: electric, gas, phone, and cable franchises

Franchise Fees
9%

Sanitation
5%

Other Revenues include:
-Municipal courts, fines,
ambulance fees, park fees,
licenses/permits, etc.

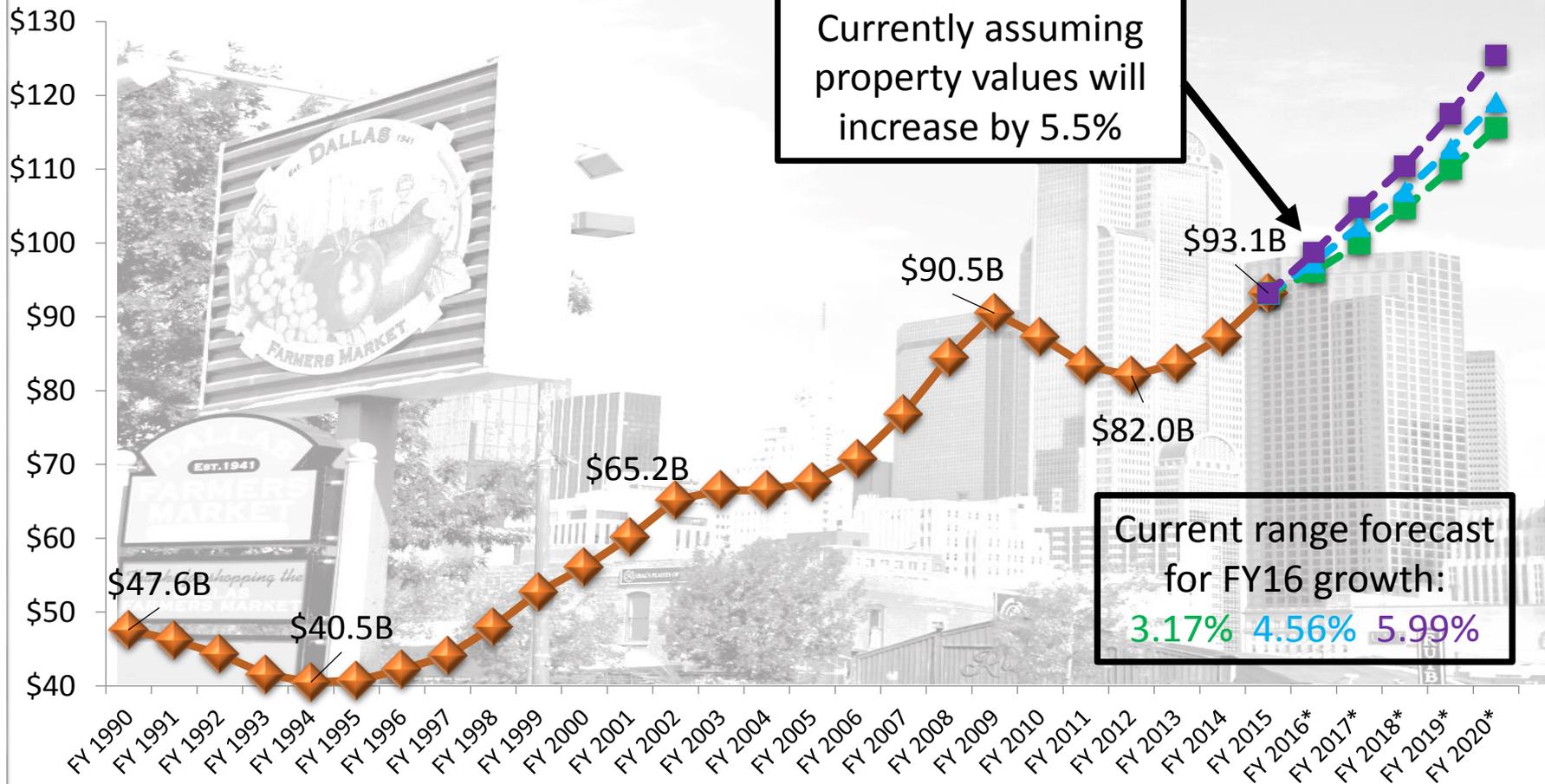
Other
18%



FY 2015-16 Revenue Forecast

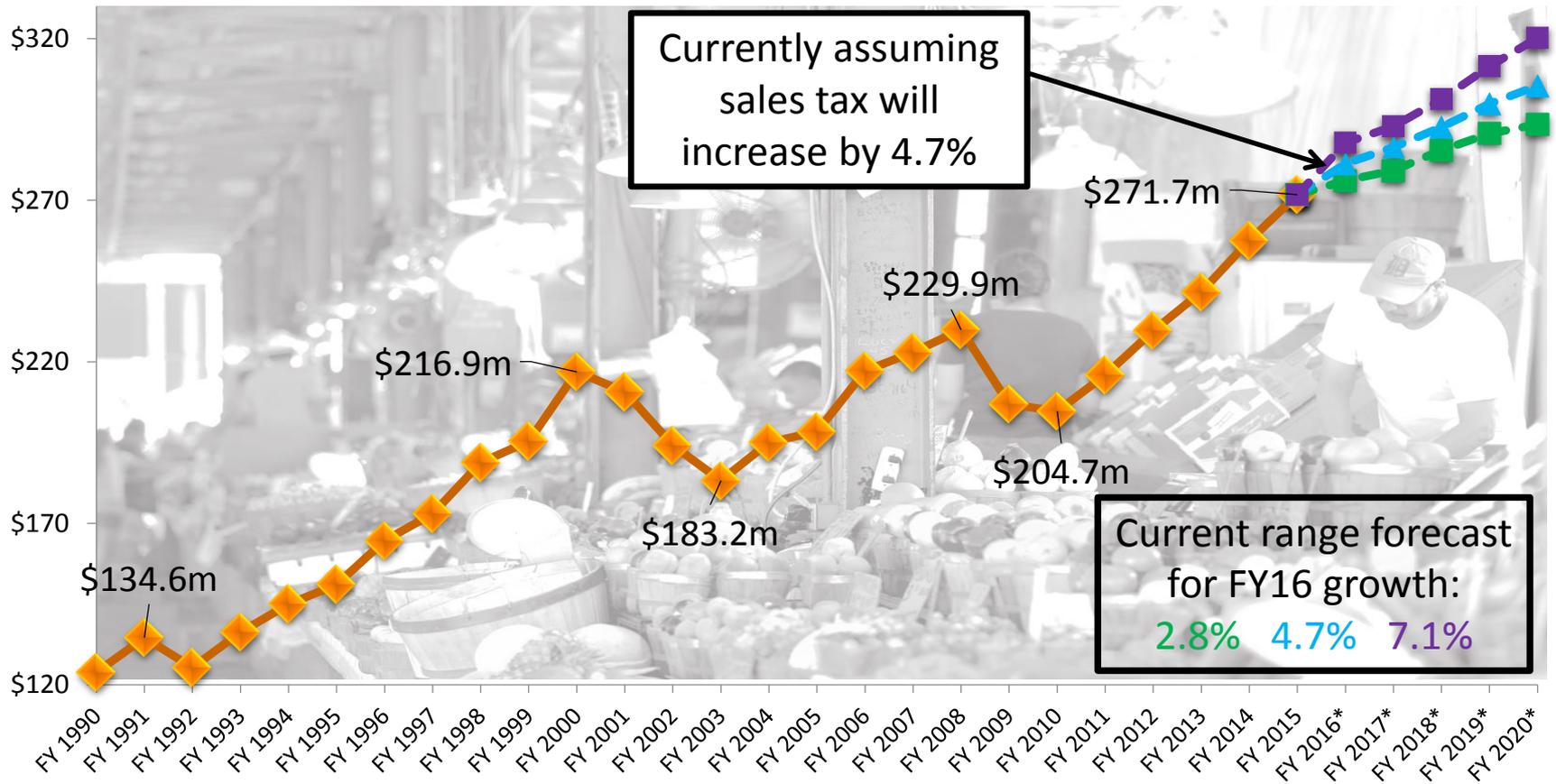
- Property tax and sales tax revenues account for 68% of general fund
- Preliminary revenue forecast in December and January briefings forecast 4.56% growth in property tax values and 4.50% growth in sales tax revenues
- Based on spring meetings with appraisal district, property tax values are projected to increase by 5.50%
 - Preliminary values received from appraisal districts in May will erode as property owners contest their preliminary values
 - Certified (final) values will be received from appraisal districts in late July
- Revised forecasts from Economic Development department now indicate sales tax revenue to increase by 4.70%

Property Tax Value History & Forecast (Total Certified Value in \$ Billions)



Sales Tax Revenue History & Forecast

(\$ in Millions)



FY 2015-16 Revenue Forecast

Preliminary revenue adjustments anticipated for FY 2015-16	Dollars
Property Tax – growth of tax base initially assumed to be 4.56%, and now increased to 5.5%	+ \$30.2m
Sales Tax – growth initially assumed to be 4.5%, and now increased to 4.7%	+ \$12.6m
Other general fund revenues – net of various revenue changes including decline in non-recurring revenues, decline in ambulance supplemental payment program, increase in court revenue, etc.	- \$8.4m
Preliminary revenue adjustments for FY 2015-16	+ \$34.4m

Note: Forecasts are very preliminary and **will** change through budget development process.

Revenue Opportunity

- During April briefing on street and alley conditions, funding options for further consideration included:
 - Continue bond funding within capacity of current tax rate
 - Collaborate for funding assistance from partners such as Dallas County and DART
 - Establish a sanitation residential collection street rental or new franchise fee (@ 6% = \$3.9m per year)**
 - Increase DWU street rental fee on retail sales from 5% to 6% (\$5.1m per year)**
 - Contingent upon available funding, increase general fund spending on streets by 20% per year and alleys by 30% per year
- Additional feedback on options for funding street/alley improvements is needed in order to proceed with budget development

Revenue Opportunity

- Establish a sanitation residential collection street rental or franchise fee to fund street and alley maintenance
 - ❑ Current residential fee is \$21.31 per month
 - ❑ Operating cost increases such as fleet maintenance, fuel, employee health benefits, merit pay, etc. will likely increase residential fee (review is underway and increase anticipated)
 - ❑ To generate \$3.9m revenue for a street rental or franchise, residential fee impact would be approximately \$1.56 per month
 - ❑ McCommas landfill gate rate structure and pricing for commercial waste haulers are also under-review

Revenue Opportunity

- Preliminary review of DWU FY 2015-16 budget indicates cost increases are primarily associated with capital construction and Sabine River Authority rate dispute and will require a 6.7% retail rate increase
 - ❑ Estimated increase to typical monthly residential water and wastewater bill is \$4.19 from \$62.52 to \$66.71
- Consider increasing DWU street rental fee on retail sales from 5% to 6% (\$5.1m per year) to fund street and alley maintenance
 - ❑ Increasing DWU street rental expense (which is paid to general fund), would further impact residential fee by 1% (7.7% total)
 - ❑ Estimated increase to typical monthly residential water and wastewater bill is \$0.62 from \$66.71 to \$67.33

Revenue Opportunity

- Fee study is completed by outside consultant each year to ensure that select fees are appropriately set and recover costs
- Fees being reviewed this year include: Code Compliance, Fire-Rescue, and Park/Recreation
- Recommended fee adjustments will be included in FY 2015-16 proposed budget; examples include:
 - EMS transport fee
 - Fire prevention/inspection fees
 - Park/Recreation usage fees (pending Park Board action)
 - Code permits and licenses



Budget Schedule

Budget Schedule

✓ October 28	Brief City Council on citizen survey
✓ November 18	Brief City Council on FY 2013-14 Strategic Plan
✓ December 3	Budget workshop #1: preliminary outlook
✓ January 15-16	Budget Workshop #2: council retreat and planning session
✓ February 4	Budget Workshop #3: retreat follow-up
✓ March 23	Brief Public Safety Committee and Quality of Life Committee on Sunset Review
✓ March 25	Budget Public Hearing
✓ April 1	Budget workshop #4: sunset review update
May 18	City Auditor to present office budget to Budget, Finance, and Audit Committee
May 20	Budget Workshop #5: general fund update
May 27	Budget Public Hearing
June 24	Budget Workshop #6: update and overview
July 25	Appraisal Districts deadline to certify tax roll

Budget Schedule

August 7	Deliver City Manager's recommended budget to council members
August 11	Budget Workshop #7: City Manager's recommended budget
August 11 to Sept 3	Town hall meetings
August 19	Budget Workshop #8: topics to be determined
August 26	Budget Public Hearing
September 2	Budget Workshop #9: topics to be determined
September 2	Tax Rate Public Hearing #1 (if necessary)
September 9	Adopt Budget on First Reading
September 16	Budget Workshop #10: council amendments
September 16	Tax Rate Public Hearing #2 (if necessary)
September 23	Adopt Budget on Second Reading and Adopt Tax Rate
October 1	Begin FY 2015-16



Council Discussion