

Fiscal Year 2017-18 Annual Budget

August 8, 2017

**T.C. Broadnax
City Manager**

**Elizabeth Reich
Chief Financial Officer**

**Jack Ireland, Director
Office of Budget**



Briefing Outline

- Provide overview of the FY 2017-18 proposed and FY 2018-19 planned budgets
- Review General Fund revenue, expense, capital, and debt service
- Review Enterprise Fund budgets
- Provide list of next steps



Budget Overview



- Budget reflects commitment to strong City government and provides framework to use resources to put **Service First**

Budget Overview

- FY 2017-18 proposed and FY 2018-19 planned budgets are both balanced and total between \$3.1 and \$3.2 billion each
- Budget addresses six strategic areas to meet citizen needs
 1. Public Safety
 2. Mobility Solutions, Infrastructure, and Sustainability
 3. Economic and Neighborhood Vitality
 4. Human and Social Needs
 5. Quality of Life
 6. Government Performance and Financial Management



Budget Overview

- Biennial budget is focused on long-term fiscal sustainability
- Budget priorities are based on community input and City Council direction
- Most services will continue over the next two years with no significant reductions in service levels and no increase in City property tax rate
- Several priority areas will be increased or enhanced



Budget Overview

- Examples of areas that have been addressed or enhanced through the proposed budget include:
 - Police and Fire uniform pension, pay, and recruitment
 - EMS (ambulance) response capacity
 - Street condition
 - Maintenance of City buildings
 - Substandard structures and illegal land use
 - Animal services
 - Service for those experiencing homelessness
 - Service for aging population
 - Library hours
 - Access to City Hall



Budget Overview

Expenditure	FY 2016-17 Amended	FY 2017-18 Proposed	FY 2018-19 Planned
General Fund	\$1,239,517,710	\$1,278,846,913	\$1,324,651,700
Aviation	108,040,992	127,028,405	134,895,621
Convention and Event Services	96,403,076	97,787,266	101,388,912
Municipal Radio	2,032,482	2,051,318	2,086,407
Sanitation Services	95,946,054	102,279,097	104,082,739
Storm Drainage Management	53,007,769	55,936,837	58,436,837
Sustainable Development and Construction	36,090,295	32,376,190	32,492,994
Water Utilities	657,464,737	667,471,388	687,671,388
Debt Service	261,865,145	267,322,998	287,416,255
Total Operating Budget	2,550,368,260	2,631,100,412	2,733,122,853
General Purpose Capital	177,410,919	148,489,745	123,326,860
Enterprise Capital	347,256,085	343,565,793	338,442,638
Total Capital Budget	524,667,004	492,055,538	461,769,498
Total Budget	\$3,075,035,264	\$3,123,155,950	\$3,194,892,351

Note: FY 2016-17 budget has been amended throughout the year by City Council action.

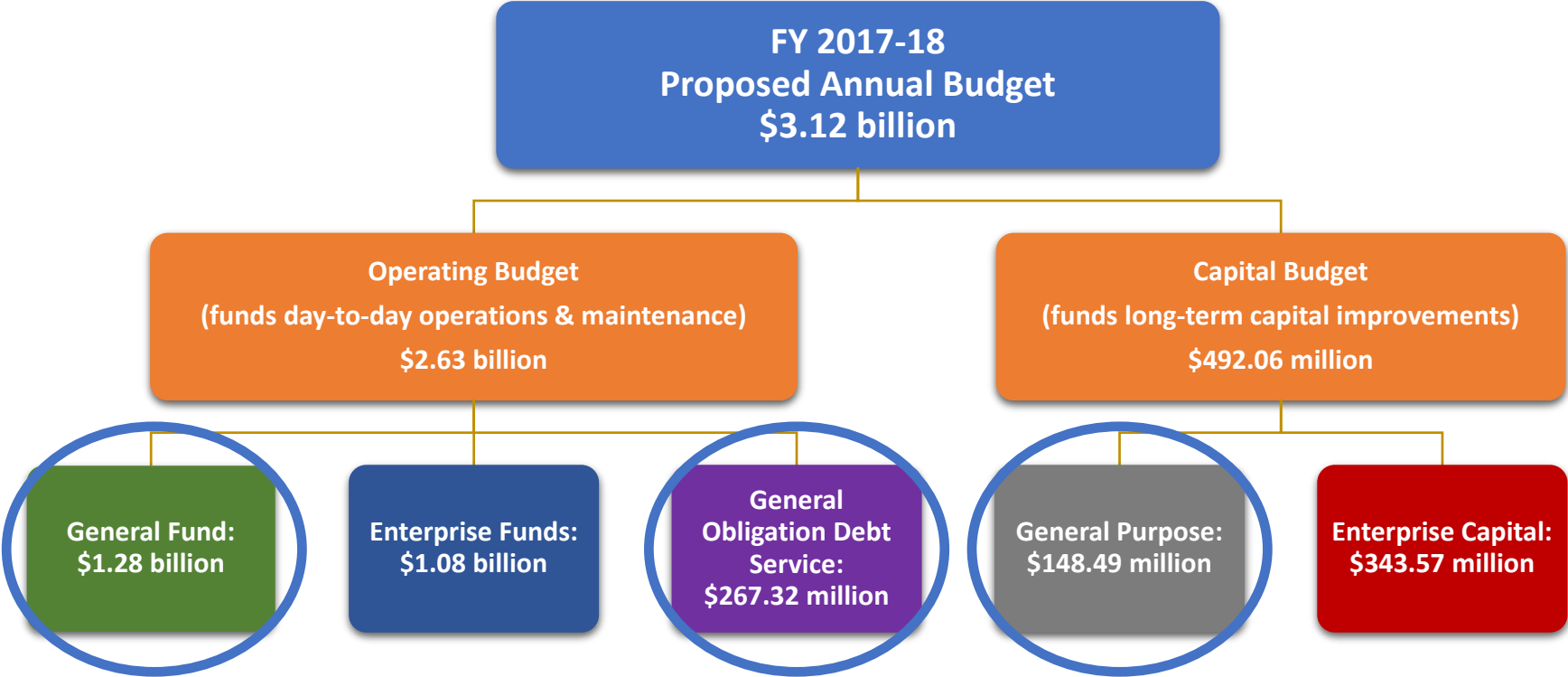
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Budget Overview

- Funds needed to pay for the City's budget come from many different revenue sources
- General Fund revenues come from property tax, sales tax, franchise agreements, charges for service, and other areas
- Enterprise Fund revenues come from customer service charges for business-type operations such as water and sanitation



FY 2017-18 Proposed Budget

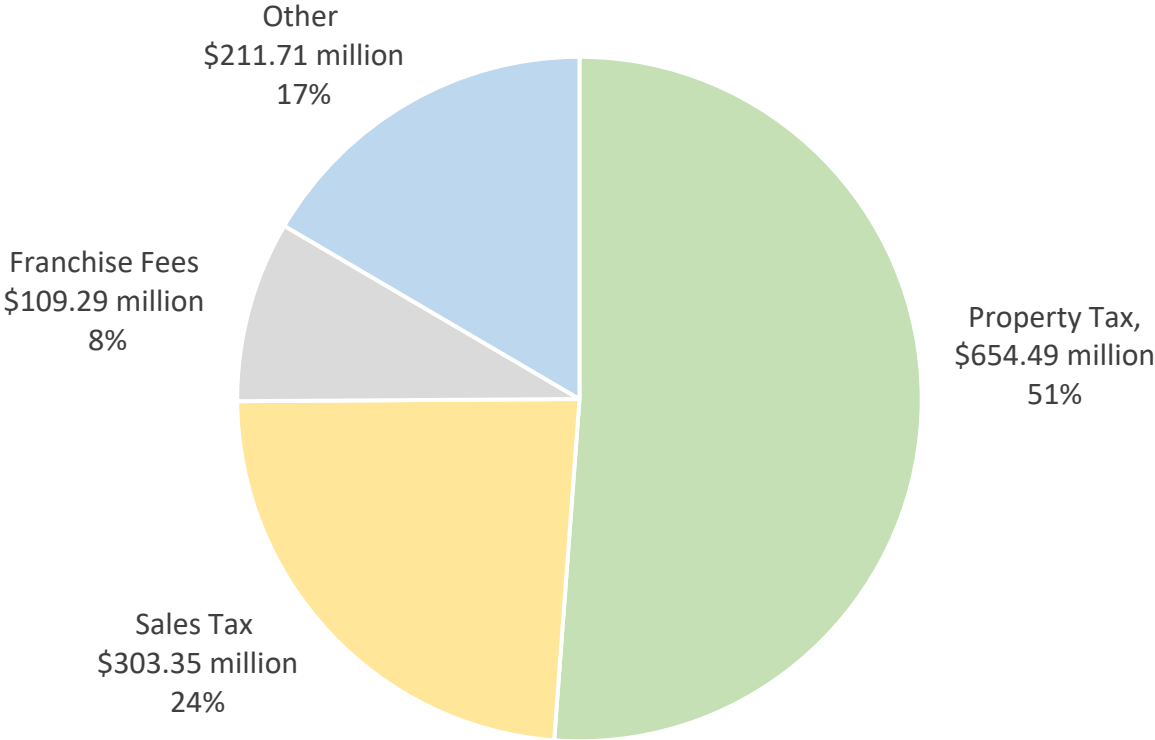


General Fund Revenues

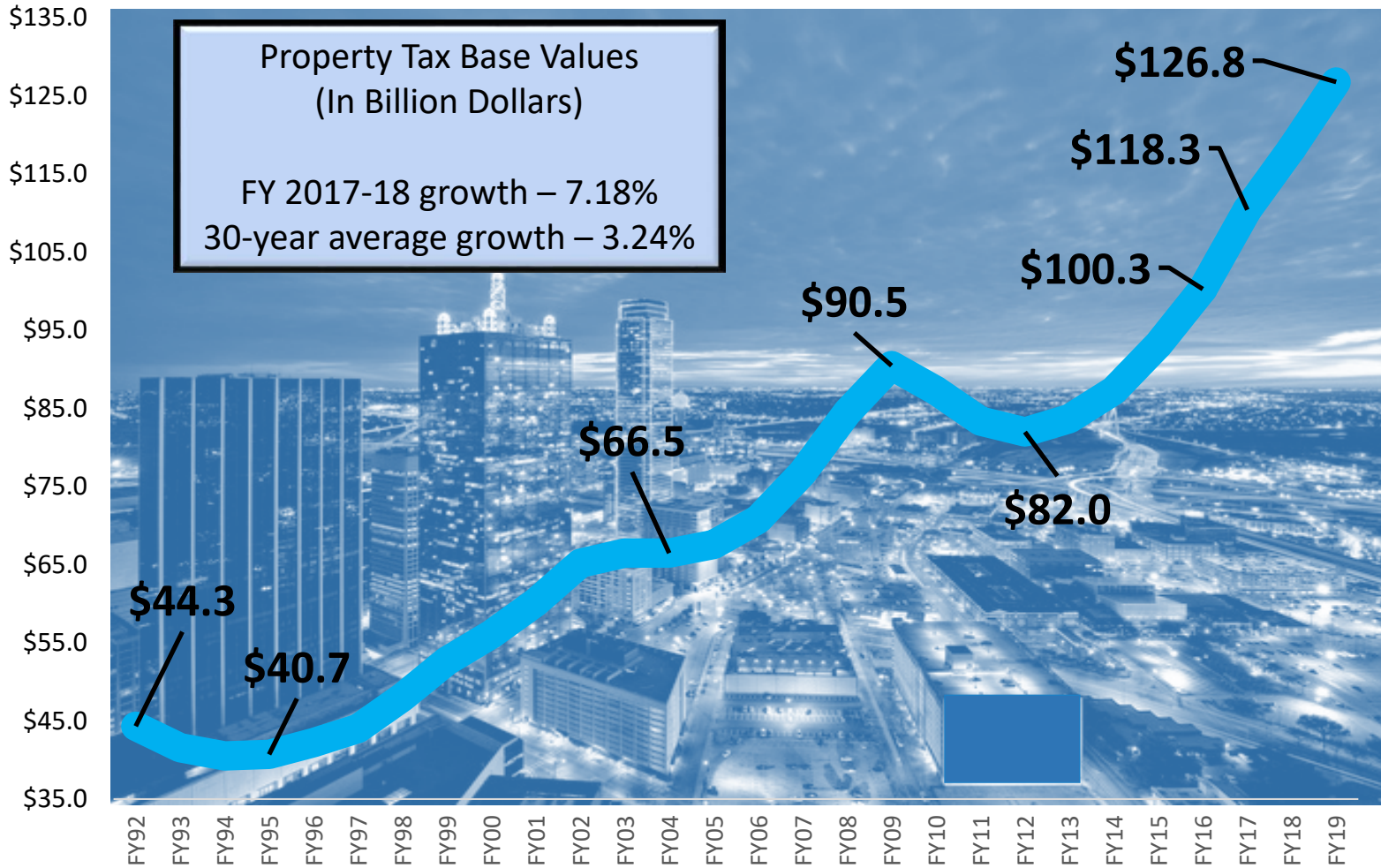


General Fund Revenue

General Fund Total Revenue - \$1.28 billion

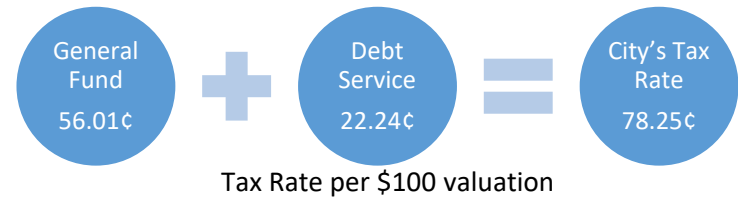


Property Tax



Property Tax

- Both FY 2017-18 proposed and FY 2018-19 planned budgets are balanced with



no increase to City's property tax rate

- Values have increased by 7.18 percent this year and are expected to increase again next year which may impact property owners' tax bills
- An increase in 65 and over or disabled exemption will provide some relief for those homeowners

Property Tax (Typical Property Tax Bill)

- Each property owners' tax bill differs based on the value of property, exemptions, and county & school district in which they reside
- Average value for residential property with homestead exemption is currently \$254,000

Taxing Entity	Tax Rate Per \$100 Value	Tax Bill	Percent of Tax Bill
City of Dallas	\$0.782500	\$1,590.04	28.7%
Dallas County (see note)	\$0.252371	\$512.82	9.3%
Dallas Community College District	\$0.122933	\$249.80	4.5%
Parkland Hospital	\$0.279400	\$567.74	10.3%
Dallas ISD (see note)	\$1.282085	\$2,610.33	47.2%

Total = \$5,530.72

Note: City of Dallas overlaps 4 counties and 18 school districts.

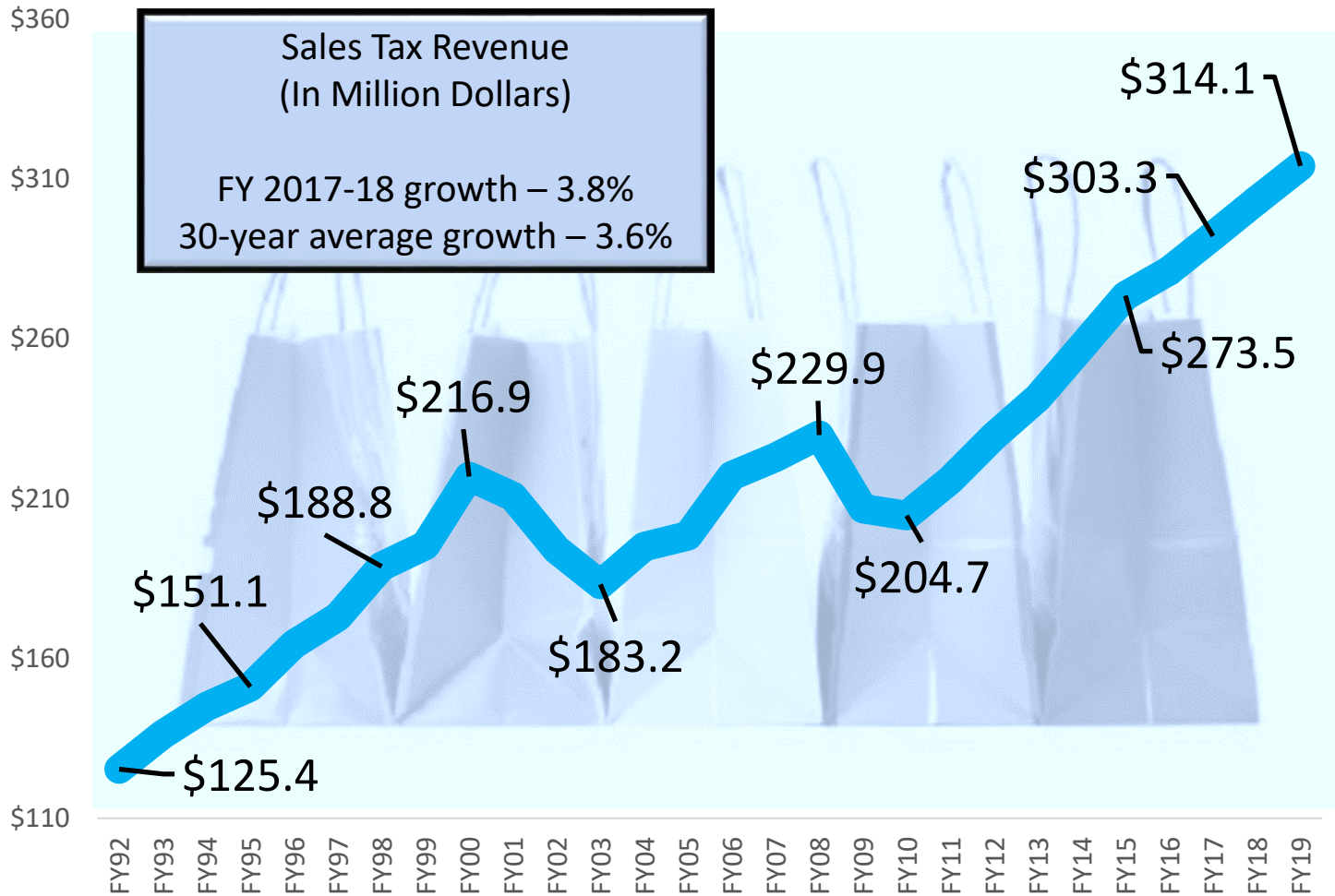
Sales Tax

- Sales tax in Dallas is 8.25 percent including the 2 percent local option that is governed and capped by State law
- State law identifies which goods and services are taxable versus non-taxable
- City's FY 2017-18 budget for anticipated sales tax receipts is \$303.3 million

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

} 2%

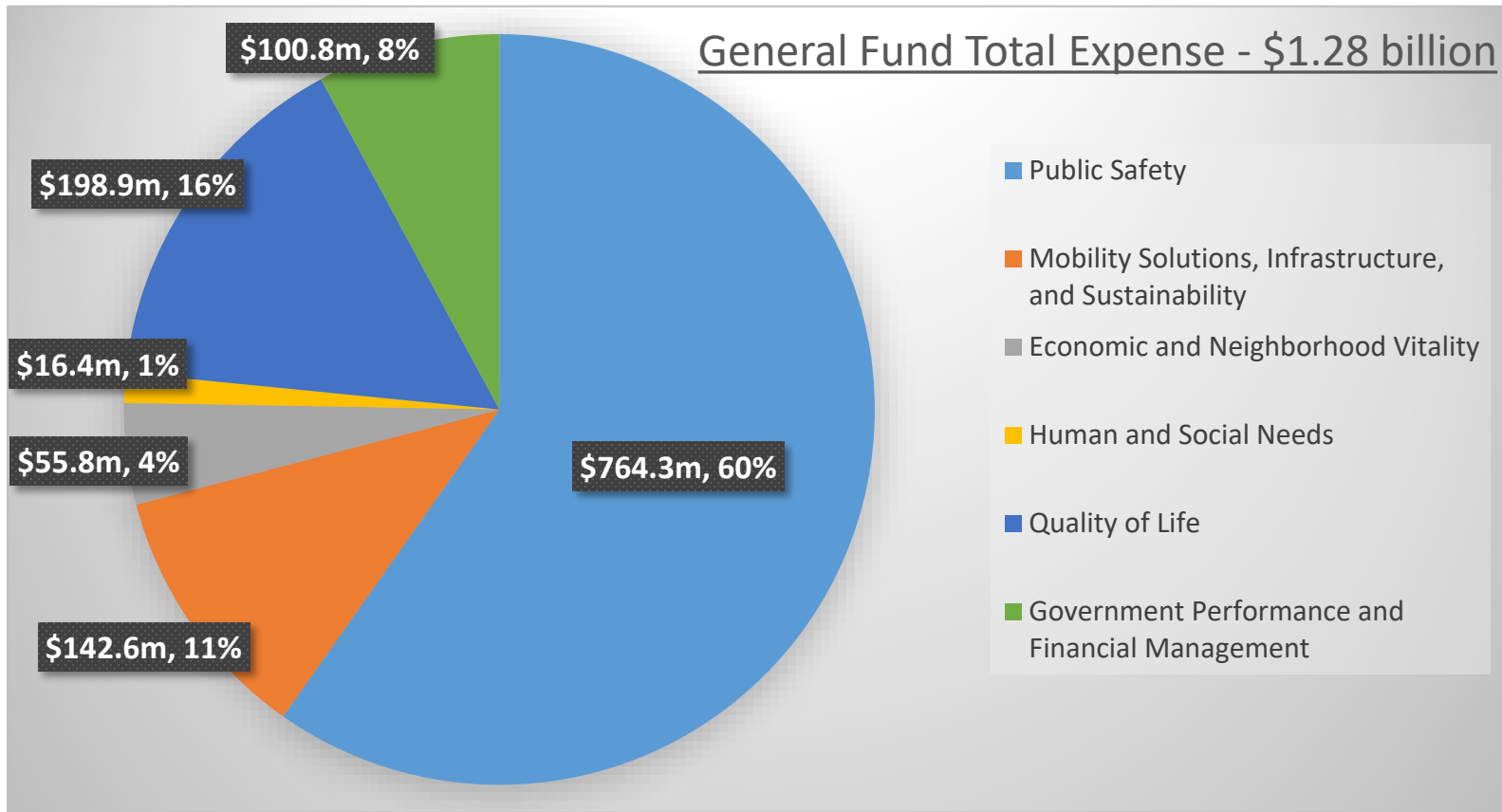
Sales Tax



General Fund Expenses



General Fund Expense



Public Safety

- Contribute \$151 million to the Police and Fire Pension based on State legislative changes
- Increase pay for police officers and firefighters through the Meet and Confer agreement approved by City Council in 2016
- Enhance technology and bolster staffing for 911 to improve resilience and the ability to respond to crisis quickly



Police

- Recruit 250 police officers bringing the number of sworn employees to 3,094
- Continue squad car replacement program as units reach 110,000 miles
- Return sworn officers to patrol by civilianizing positions that do not require police officers
- Address security issues at police facilities



Fire-Rescue

- Recruit 241 new fire officers bringing the number of sworn employees to 1,936
- Add one full-time rescue unit and add overtime for one peak demand rescue unit (each year of biennium)
- Continue apparatus and equipment replacement including trucks, engines, and ambulances
- Add positions in Fire Dispatch to effectively manage increasing call volume and begin “priority dispatch” implementation



Mobility Solutions, Infrastructure, and Sustainability

- Invest \$6 million more (approximately \$63 million total) in streets and alleys to address deterioration
- Add \$2 million to leverage \$10 million State and Federal grants to replace 30 traffic signals
- Establish Transportation Department to focus efforts (no budget impact)
- Increase funds for major maintenance of City facilities to \$6.5 million



Economic and Neighborhood Vitality

- Conduct Market Value Analysis to assess the City's existing real estate conditions and provide the basis for development of housing strategy and economic development plan
- Improve Neighborhood Plus coordination by integrating the AmeriCorps VISTA program (fund through General Fund once grant funding expires)
- Increase total funds available for home repair from \$6.7 million to \$9 million



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Human and Social Needs

- Commit \$1.6 million funding for homeless encampment clean-up, and hardening or reclamation where appropriate
- Provide \$200,000, an increase of \$100,000, for anti-panhandling initiative
- Allocate \$375,000 for Senior Dental Program, an increase of \$75,000
- Establish Office of Welcoming Communities and Immigrant Affairs to improve advocacy and engagement for Dallas' immigrant and refugee population



Quality of Life

- Create stand-alone Dallas Animal Services to enhance service delivery and continue implementation of BCG recommendations
- Create an Intensive Case Resolution Team in Code Compliance to focus on more difficult substandard structures and illegal land use cases
- Redeploy eight code inspectors to Neighborhood Plus areas
- Provide \$735,000, an increase of \$250,000, for senior programming at recreation centers



Quality of Life

- Extend hours at 14 libraries from 5 to 6 days a week (all 29 locations will be open either 6 or 7 days a week)
- Fund \$287,000 to expand English as a Second Language (ESL) programs in the libraries
- Continue to fund the additional \$6.5 million for maintenance, preservation, and enhanced programming at Fair Park
- Allocate \$285,000 to maintain support for culturally specific arts groups in compliance with the City's Cultural Policy



Government Performance and Financial Management

- Hire four additional 311 customer service agents to work in locations in the community
- Fund up to five Council district office locations as a pilot to facilitate Councilmember constituent service activities
- Add two positions to enhance partnerships with schools, colleges, universities, and other regional entities and stakeholders
- Add two positions to strengthen the Minority and Women-Owned Business Enterprise program to bring more centralized focus on diversity contracting and small business development opportunities
- Launch *Dallas 365* to provide citizens information on the efficiency and effectiveness of City operations



Government Performance and Financial Management

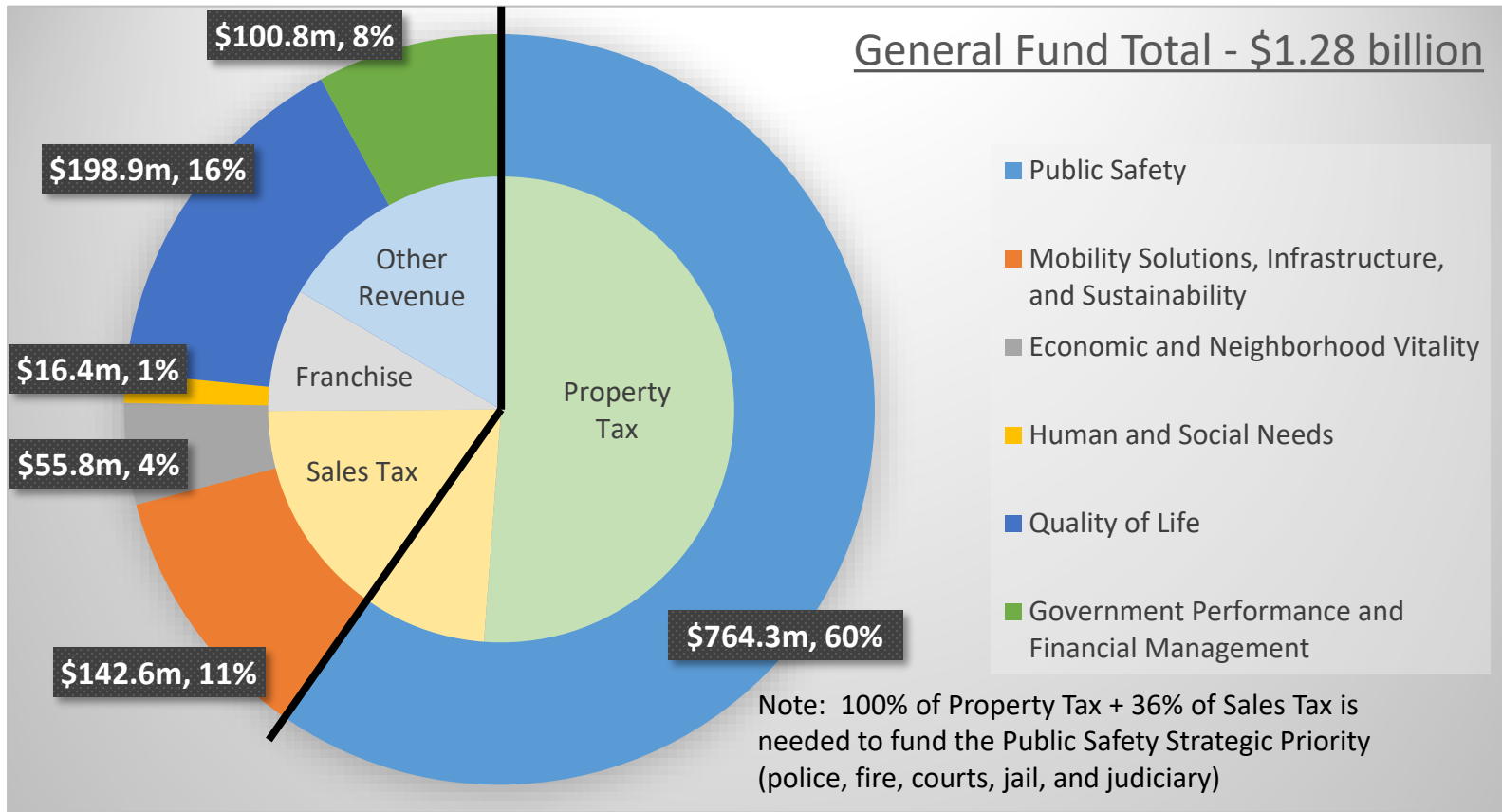
- Increase all employee wages to a minimum of \$10.94 to reflect living wage adjustment
- Fund merit increases for civilian employees (average 3 percent effective January 2018)
- Improve employee/retiree health plan by adding new programs to help employees manage chronic diseases and lower family premium by \$50/month



Organizational Changes

- In order to put *Service First*, organizational changes were necessary to meet the needs of the community:
 - Dallas Animal Services
 - Welcoming Communities and Immigrant Affairs
 - Office of Homeless Solutions
 - Office of Community Care
 - Transportation Department
- Organizational changes are being implemented through redirection of funding, with no additional cost

General Fund Expense and Revenue



General Purpose Capital and Debt Service



General Purpose Capital

- Budget includes capital improvement projects that are supported through tax revenues either by pay-as-you-go or by issuing debt that is paid through tax revenues
- Projects typically include street/alley, flood protection, park & recreation, facilities, etc.
- For FY 2017-18, budget is \$148.5 million
 - Equipment replacement
 - Facility maintenance
 - Street/Alley improvements



General Purpose Capital

- Budget will be amended if November 2017 General Obligation bond program is approved
- Projects will be implemented using Commercial Paper and retired through issuance of bonds
 - Additional bond discussion will occur on Wednesday, August 9

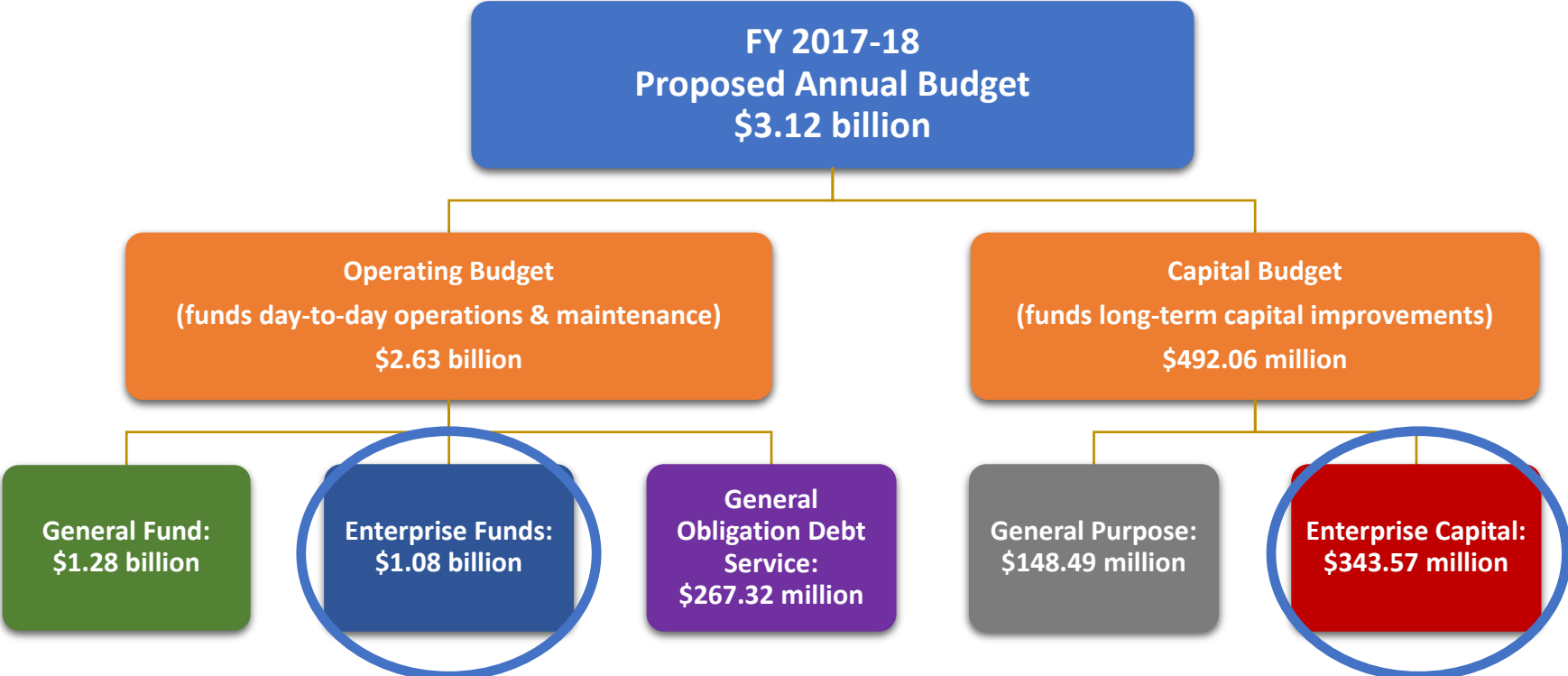
Debt Service

- Property tax revenues are used to pay debt service on \$1.6 billion outstanding principal (as of September 30, 2017)
- FY 2017-18 budget includes \$229.5 million for principal and interest payment
- Bond issuance is scheduled for November 2017 (\$300 million) and November 2018 (\$105 million) to complete programs previously approved by voters

Enterprise Funds



FY 2017-18 Proposed Budget



Dallas Water Utilities

- Dallas Water Utilities budget for FY 2017-18 is proposed at \$954.3 million
 - \$667.5 million operating + \$286.8 million capital
- DWU will continue to focus on infrastructure maintenance and conserving resources
- 1.6 percent retail revenue increase will be required and typical residential customer will see fee increase of \$1.03 from \$66.09 to \$67.12 per month



Sanitation Services

- Sanitation Services was established as enterprise fund in FY 2015-16
- FY 2017-18 proposed operating budget is \$102.3 million
- 3.5 percent fee increase is required and residential customers will have a monthly increase of 86¢ from \$24.32 to \$25.18
- Labor, technology, and internal service costs account for the needed fee increase



Storm Drainage Management

- Storm Drainage Management is responsible for flood control, floodplain, and surface water quality activities
- FY 2017-18 proposed operating budget is \$55.9 million and capital budget is \$8.3 million
- Monthly fee increase for average residential customers will increase by 63¢ per month from \$6.46 to \$7.09
 - Fees are assessed based on measured impervious data for each parcel of property
- Fee increase will allow this utility to address erosion control and floodway management capital needs



Budget Timeline



Timeline

Date	Activity
Aug 8	Budget Workshop: City Manager's recommended budget
Aug 8 - 30	Budget Town Hall Meetings (43 scheduled meetings)
Aug 16	Budget Workshop: (1) Truth in Taxation; (2) Mobility, Infrastructure, & Sustainability; (3) Human & Social Needs; and (4) Economic Development & Housing
Aug 23	Budget Public Hearing
Aug 30	Budget Workshop: (1) Public Safety & Criminal Justice; (2) Quality of Life; and (3) Government Performance & Financial Management
Sept 6	Budget Workshop: Council amendments
Sept 6	Tax Rate Public Hearing (#1)
Sept 6	Adopt budget on First Reading
Sept 12	Budget Workshop: Amendments (if necessary)
Sept 13	Tax Rate Public Hearing (#2)
Sept 20	Adopt budget on Second Reading and adopt tax rate
Oct 1	Begin FY 2017-18

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August 8, 2017

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Appendix



State Law Tax Requirements

- State Law requires public notice of tax rate calculations
- Permits taxpayers to roll back or limit tax increases in certain cases

City of Dallas Ad Valorem Tax Rates

FY 2016-17 current rate = 78.25¢

FY 2017-18 proposed rate = 78.25¢

FY 2017-18 Effective Rate = 74.96¢

- Generates same amount of **revenue** in new fiscal year as previous fiscal year on property taxed in both years
- Adopting effective rate would decrease property tax revenue by \$37.98 million from proposed budget

FY 2017-18 Rollback Rate = 78.87¢

- Allows general fund **revenue** portion plus 8 percent
- Allows debt service portion necessary to cover debt service expense
- If rate above rollback rate is adopted, voters may petition for an election to reduce rate to rollback rate
- Adopting rollback rate would generate \$7.21 million in additional revenue



State Law Tax Requirements

- Requirements if Council desires to reserve option to adopt a tax rate higher than effective tax rate of 74.96¢ per \$100 valuation
 - Have a record vote to consider a specific tax rate higher than effective rate (8/16/17)
 - Publish date/time for two public hearings (8/25/17)
 - Hold two tax rate public hearings (9/6/17 & 9/13/17)
 - Adopt tax rate (9/20/17)



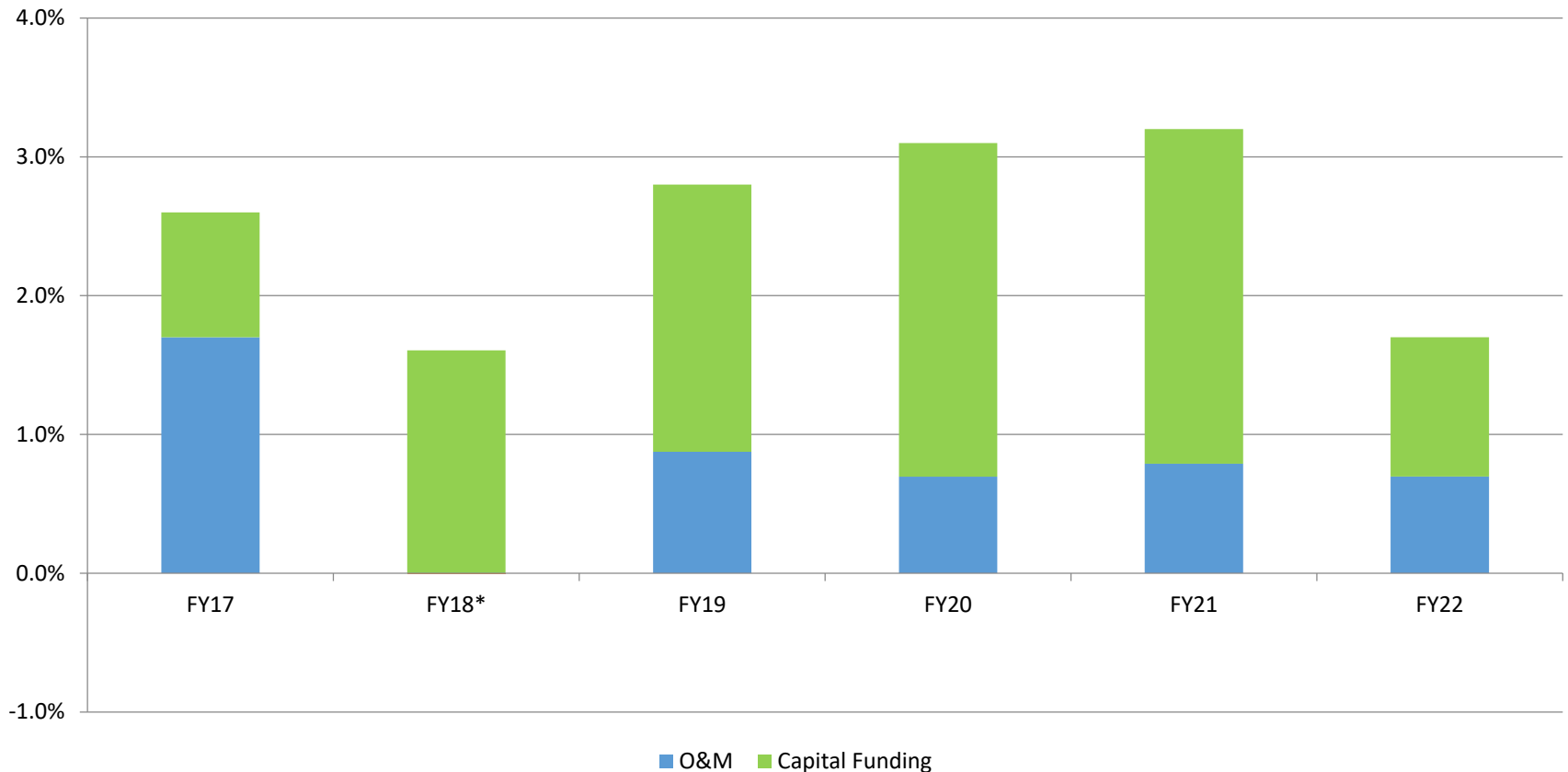
General Obligation Bond Proposition Allocations (Proposed) Scheduled for discussion on Wednesday, August 9

Proposition	Total
Streets and Transportation	\$526.481M
Parks and Recreation	\$241.307M
Flood Control and Storm Drainage	\$48.750M
Library Facilities	\$15.589M
Cultural and Performing Arts Facilities	\$14.235M
Public Safety Facilities	\$32.081M
Repairs and Improvements to City Hall and Various Service and Administrative Facilities	\$18.157M
Economic Development	\$58.400M
Homeless Assistance Facilities	\$20.000M
Fair Park	\$50.000M
Total	\$1.025 Billion

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Water Utilities

Future Outlook - Retail Revenue Increases

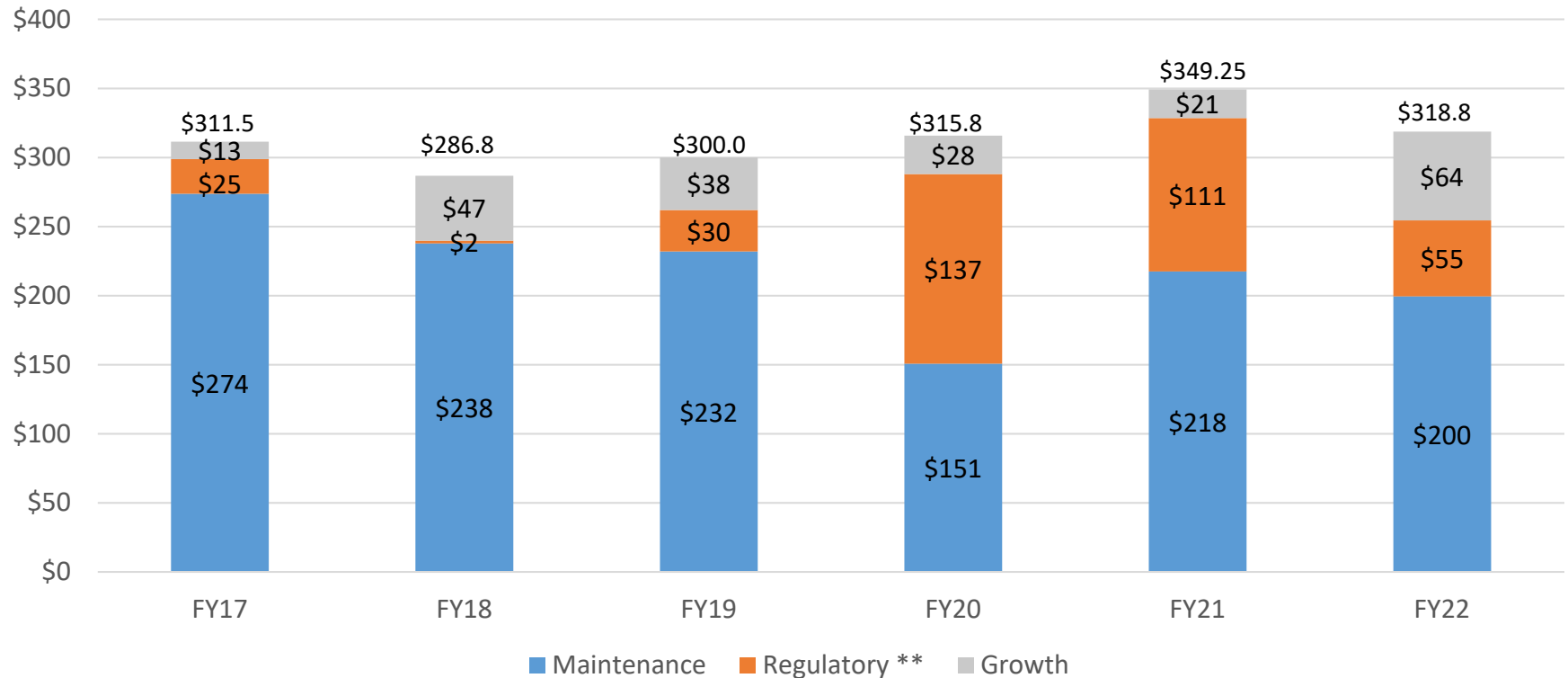


* For FY 2017-18, O&M expenses did not increase while Capital Funding expenses did increase.

Water Utilities

Future Outlook – Capital Improvement Program

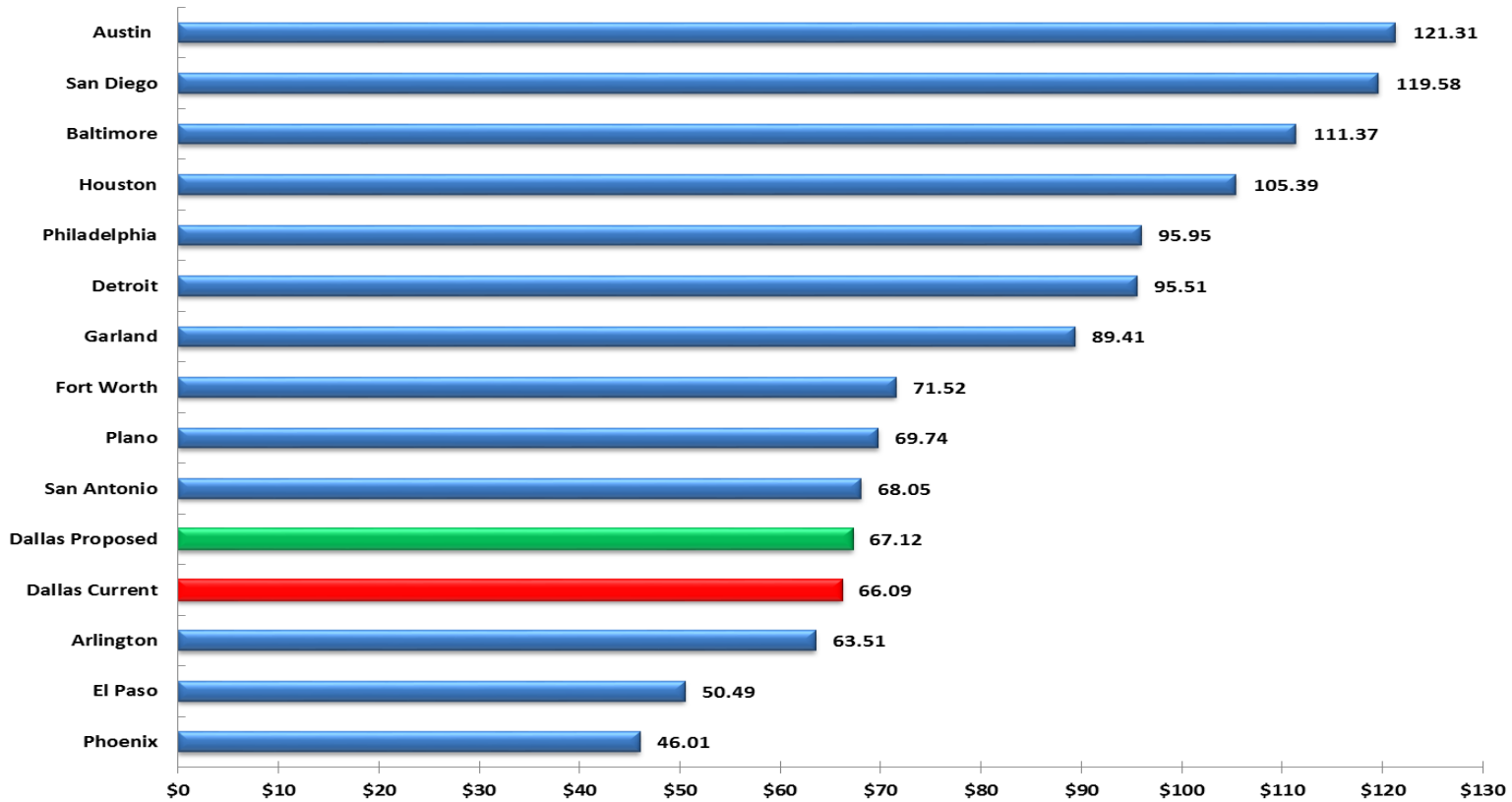
In Million Dollars



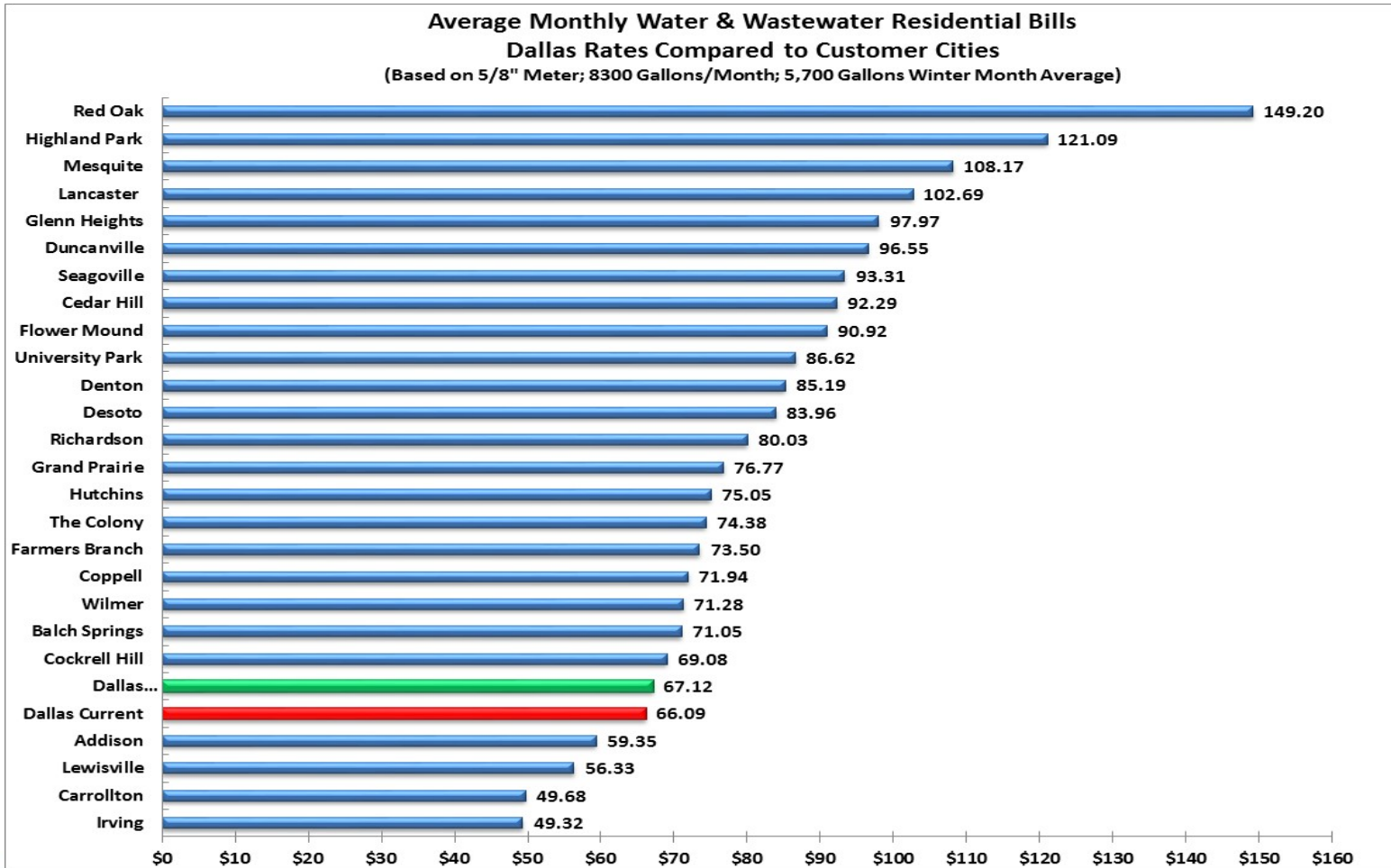
** To meet US EPA and TCEQ requirements for DWU facilities and infrastructure.

Water Utilities: Index Cities Comparison of Average Monthly Water & Sewer Residential Bills

Average Monthly Water & Wastewater Residential Bills
Dallas, Index and Selected Cities
(Based on 5/8" Meter; 8,300 Gallons/Month; 5,700 Gallons Winter Month Average)



Water Utilities: Customer Cities Comparison of Average Monthly Water & Sewer Residential Bills



Water Utilities: Residential Bill Impact Based on Usage

FY18 - Impact of Proposed Rate Adjustment to Residential Water and Sewer Bills

Customer Usage in Range	Average Bill at Current Rates	Proposed Average Rates	Proposed Increase	% Increase	Number of Customers Impacted	% of Customers in Range
0 to 4,000 gallons	\$25.27	\$25.64	\$0.37 ^a	1.4%	88,552	37.0%
4,001 to 10,000 gallons	\$58.30	\$59.16	\$0.86 ^b	1.5%	97,131	40.5%
10,001 to 15,000 gallons	\$86.29	\$87.84	\$1.54 ^c	1.8%	24,720	10.3%
Above 15,000 gallons (Includes conservation tier rate)	\$221.52	\$226.31	\$4.79 ^d	2.2%	<u>29,186</u>	<u>12.2%</u>
Total					239,589	100.0%

Data based on January 2016 through December 2016 usage

^a Average water and sewer use: 2,127 gallons

^b Average water use 6,466 gallons and sewer use: 5,700 gallons

^c Average water use 12,152 gallons and sewer use: 5,700 gallons

^d Average water use 28,807 gallons and sewer use: 5,700 gallons

Storm Drainage Management

Impervious Area	FY 2016-17 Monthly Rate	FY 2017-18 Proposed Increase	FY 2017-18 Proposed Monthly Rate	FY 2018-19 Proposed Increase	FY 2018-19 Proposed Monthly Rate
<u>Residential Property Area Rates</u>					
Up to 2,000 sq. ft.	\$3.25	\$0.32	\$3.57	\$0.16	\$3.73
* 2,000 - 3,500 sq. ft.	\$5.17	\$0.51	\$5.68	\$0.26	\$5.94
* 3,500 - 5,500 sq. ft.	\$7.75	\$0.76	\$8.51	\$0.38	\$8.89
More than 5,500 sq. ft.	\$12.67	\$1.24	\$13.91	\$0.63	\$14.54
<u>Non-residential Property Area Rates</u>					
1,000 sq. ft. unit of impervious area	\$1.75	\$0.17	\$1.92	\$0.09	\$2.01
Minimum monthly charge	\$5.00	\$0.49	\$5.49	\$0.25	\$5.74

*Note: 2/3 residential customers are within these billing categories.

Department/Fund Summaries

General Fund Departments	FY 2016-17 Budget	FY 2017-18 Proposed	FY 2018-19 Planned
Building Services	\$25,311,983	\$28,590,583	\$26,666,435
City Attorney's Office	\$16,659,590	\$16,538,175	\$17,128,453
City Auditor's Office	\$3,194,434	\$3,360,043	\$3,454,794
City Manager's Office	\$2,468,024	\$2,266,902	\$2,349,736
City Secretary's Office	\$3,759,507	\$2,367,327	\$3,467,599
Civil Service	\$2,887,337	\$3,080,815	\$3,270,910
Code Compliance	\$42,385,536	\$30,438,826	\$31,651,042
Controller's Office	\$6,306,681	\$6,242,969	\$6,417,627
Court and Detention Services	\$19,788,513	\$20,112,037	\$20,538,230
Dallas Animal Services	\$0	\$14,007,159	\$14,665,470
Dallas Fire-Rescue	\$254,602,513	\$267,026,909	\$278,190,998
Dallas Police Department	\$477,003,576	\$465,672,805	\$482,569,093
Housing/Neighborhood	\$14,403,063	\$3,668,283	\$3,794,655
Human Resources	\$5,219,858	\$5,234,618	\$6,405,710
Judiciary	\$3,295,676	\$3,454,079	\$3,600,284
Library	\$29,983,725	\$31,279,877	\$32,382,495
Management Services	\$10,725,458	\$25,342,707	\$26,171,151
Mayor and City Council	\$4,465,390	\$5,145,561	\$5,769,159
Non-Departmental	\$73,842,588	\$90,296,863	\$97,590,614
Office of Budget	\$2,956,619	\$3,406,338	\$3,509,357
Office of Cultural Affairs	\$19,604,511	\$20,268,063	\$20,107,268
Office of Economic Development	\$2,574,535	\$4,840,594	\$4,978,732
Park and Recreation	\$94,673,026	\$100,981,517	\$102,653,819
Planning and Urban Design	\$3,028,557	\$2,911,297	\$3,148,408
Public Works	\$114,633,127	\$73,137,927	\$76,399,926
Procurement Services	\$3,040,515	\$2,389,442	\$2,468,836
Sustainable Development and Const.	\$1,385,651	\$1,656,869	\$1,878,840
Transportation	\$0	\$43,825,574	\$42,097,852
Trinity Watershed Management	\$1,317,717	\$1,302,754	\$1,324,207
General Fund Total	\$1,239,517,710	\$1,278,846,913	\$1,324,651,700

Enterprise Funds	FY 2016-17 Budget	FY 2017-18 Proposed	FY 2018-19 Planned
Aviation	\$108,040,992	\$127,028,405	\$134,895,621
Convention and Event Services	\$96,403,076	\$97,787,266	\$101,388,912
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Sustainable Development and Const.	\$36,090,295	\$32,376,190	\$32,492,994
Storm Drainage Management	\$53,007,769	\$55,936,837	\$58,436,837
Enterprise Funds Total	\$1,048,985,405	\$1,084,930,501	\$1,121,054,898

Internal Service Funds	FY 2016-17 Budget	FY 2017-18 Proposed	FY 2018-19 Planned
911 System Oper	\$16,388,652	\$15,048,378	\$14,682,220
Data Services	\$74,838,461	\$75,065,743	\$77,033,805
Employee Benefits	\$1,347,409	\$1,376,820	\$1,405,139
Equipment Services	\$50,837,124	\$52,652,059	\$53,259,613
Express Business Center	\$3,780,050	\$3,740,420	\$3,761,870
Risk Management	\$2,630,314	\$3,625,525	\$3,869,934
Internal Service Funds Total	\$149,822,010	\$151,508,945	\$154,012,581



General Fund Expense and Revenue

(In Million Dollars)

