

Memorandum



CITY OF DALLAS

DATE August 10, 2021

TO Honorable Mayor and Members of the City Council

SUBJECT **Financial Management Performance Criteria (FMPC) #24**

FMPC #24 directs staff to develop a budget scenario that is based on the No-New-Revenue Tax Rate as calculated by Dallas County Tax Office. On Friday August 6, we received the final tax rate calculation worksheet from the Tax Office, so we are now submitting this memo in compliance with FMPC #24.

The No-New-Revenue tax rate applies to the General Fund portion of the tax rate. The City Manager's recommended budget is based on a General Fund tax rate of 56.58¢ which is less than the current year's General Fund tax rate of 56.88¢. The No-New-Revenue tax rate for the General Fund is calculated to be 52.632¢. This is 3.948¢ less than the recommended tax rate. To lower the tax rate to this level, we would need to reduce General Fund revenue by \$60.6 million. In order to maintain a balanced budget, we would also need to reduce General Fund expense by the same amount.

The attached document further describes FMPC #24, the No-New-Revenue tax rate, and the expense reductions that would be necessary to lower the tax rate by this amount.

The City Manager **does not** recommend this tax rate or these reductions. This is only provided to comply with the City Council's FMPC #24.

Thank you for your continued support of the budget process. If you have immediate questions, please contact me.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

No-New-Revenue Tax Rate

COMPLYING WITH THE CITY'S FMPC IS A PRIORITY FOR CITY MANAGEMENT

On December 13, 2017, the City Council adopted a new criterion for the City's Financial Management Performance Criteria (FMPC) related to the effective tax rate, which was amended on June 9, 2021 to change the name to be consistent with State Law. Refer to the box to the right for FMPC #24. The no-new-revenue tax rate scenario is provided to comply with the FMPC.

What is the no-new-revenue tax rate?

The no-new-revenue tax rate is the rate that generates the same amount of revenue in the next fiscal year on property that was taxed in the previous fiscal year. The calculation excludes the value of new construction and other adjustments. The Dallas County Tax Office calculates this rate.

What is Dallas' no-new-revenue tax rate for FY 2021-22?

The no-new-revenue tax scenario applies to the General Fund portion of the property tax rate. The calculated no-new-revenue tax rate is 52.632¢ per \$100 valuation while the proposed tax rate is 56.58¢ per \$100 valuation for the General Fund. The total proposed tax rate is 77.33¢ when both General Fund and Debt Service Fund are included.

To lower the tax rate to 52.632¢ (or 3.9480¢ less than the proposed tax rate), General Fund revenue would be decreased. In order to maintain a balanced budget, General Fund expenses would also need to be reduced. To have a no-new-revenue tax rate, we would need to decrease both revenue and expenses by \$60,647,089 in FY 2021-22 and \$62,769,737 in FY 2022-23. A larger reduction would be required in the FY 2022-23 planned budget since the tax base is assumed to continue to grow in the planned year of the biennial.

The table below shows the reductions necessary to achieve a no-new-revenue tax rate budget.

Rank	Department	Description	FY 2021-22 Expense	FY 2022-23 Expense
1	Environmental Quality	Eliminate cost associated with Agricultural Pilot Plan	200,000	-

FMPC #24

"The City Manager will develop an estimated No-New-Revenue Tax Rate budget scenario and, if different from the City Manager's recommended budget required by Chapter 11, Section 1 of the City Charter, will provide it to the City Council at the same time. The estimated No-New-Revenue Tax Rate budget scenario will include a prioritized list of services/expenses that could be funded and a prioritized list of services/expenses that could not be funded with the estimated No-New-Revenue tax rate."

No-New-Revenue Tax Rate

Rank	Department	Description	FY 2021-22 Expense	FY 2022-23 Expense
2	Park and Recreation	Delay from FY22 to FY23 the planned enhancement for O&M cost associated with capital projects	802,885	-
3	Park and Recreation	Eliminate Park and Recreation planned enhancement for organic chemical usage for park land	509,847	509,847
4	Communication and Marketing	Delay from FY22 to FY23 the contract funds for language skills access	150,000	-
5	Park and Recreation	Eliminate Park and Recreation planned Marketing and Communications enhancement	356,166	356,166
6	Human Resources	Eliminate one-time funds in HR for professional and leadership development	110,000	-
7	Human Resources	Eliminate the FY22 planned enhancement to hire four positions for Workday implementation	358,758	358,758
8	Data Analytics	Eliminate FY22 planned enhancement and the addition of three data access and inventory positions	286,604	372,806
9	Building Services	Eliminate funds for major maintenance of City facilities in FY22, and fund in FY23 but at a reduced level	1,000,000	613,243
10	Building Services	Delay from FY22 to FY23, the planned enhancement to improve preventive maintenance at City facilities	276,787	-
11	Non-Departmental	Eliminate funds set aside for IT Governance to review, approve, and implement technology improvements. Implementation of additional Workday modules planned for FY22 includes recruiting/onboarding, learning, performance, benefits, and compensation	1,350,000	-
12	Economic Development	Eliminate three positions being added to implement the Economic Development policy	277,621	367,982
13	Community Care	Eliminate funds being added to expand the Financial Empowerment program	600,000	600,000
14	Fire-Rescue	Delay from FY22 to FY23 the planned Advanced Life Support (ambulance) and six positions for Fire Station #27	889,598	-
15	Public Works	Eliminate funds that are transferred from PBW to the Street and Alley fund in FY22 for the cash payment of infrastructure improvements	8,500,000	-
16	Library	Reduce funds used for purchase of Library materials	1,085,000	1,085,000
17	Transportation	Eliminate bike lane funding	2,000,000	2,000,000
18	Police	Reduce DPD overtime	4,000,000	2,000,000

No-New-Revenue Tax Rate

Rank	Department	Description	FY 2021-22 Expense	FY 2022-23 Expense
19	Non-Departmental	Eliminate funding to implement recommendations from the non-uniform Total Compensation Study	3,500,000	3,500,000
20	Multiple Depts	Eliminate non-uniform employee merit that was scheduled for implementation in October 2021 (FY22)	7,100,000	7,100,000
21	Police	Eliminate FY22 pay adjustments planned for DPD in accordance with the Meet and Confer Agreement (includes Step Pay and Market adjustments)	8,264,983	17,777,705
22	Fire-Rescue	Eliminate FY22 pay adjustments planned for DFR in accordance with the Meet and Confer Agreement (includes Step Pay and Market adjustments)	7,162,738	11,972,848
23	Integrated Public Safety	Eliminate funds being added to expand Mobile Crisis Response program	1,045,000	1,045,000
24	Transportation	Eliminate pilot program to address street racing and eliminate funding for Neighborhood Management and Traffic Calming Program	700,000	700,000
25	Transportation	Eliminate the planned transfer of non-emergency calls from DPD to Transportation (Calls will continue to be handled by DPD)	1,284,835	2,686,561
26	311 Operations	Eliminate 311 call taker planned as TRN assumed non-emergency calls from DPD	76,407	76,407
27	Police	Delay by one year the planned FY22 and FY23 increase in police officer hiring	4,823,707	9,647,414
28	Police	Delay from FY22 to FY23 the planned increase in staffing at 911: 44 call takers, 12 dispatchers, 1 manager, 3 supervisors, and 1 administrative specialist	3,936,153	-
		Total	\$60,647,089	\$62,769,737