

## AGENDA INFORMATION SHEET

**AGENDA DATE:** June 18, 2013

**DEPARTMENT:** Finance

**ACM:** Bryan Langley

*LBL*

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### **SUBJECT**

Receive a report, hold a discussion, and give staff direction regarding the preliminary FY 2013-14 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast.

### **BACKGROUND**

The purpose of this Work Session item is to provide the City Council with some preliminary information regarding the FY 2013-14 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast. The financial planning process is still in the early stages and, as a result, the forecast should not be considered complete. Over the next several weeks, staff will work to finalize the FY 2013-14 Proposed Budget and Five Year Financial Forecast recommendations. The final version of the financial plan will be submitted to the City Council with the City Manager's recommended budget at the end of July 2013.

In addition to the General Fund, the attached presentation details the preliminary budget information for a number of other key funds in the City. In particular, various rate adjustments are proposed for the Electric, Water, Wastewater and Solid Waste funds. The Public Utilities Board (PUB) is nearing completion of their budget recommendations for the Utility funds. These recommendations will be included in the City Manager's recommended budget.

I want to again emphasize that the information discussed above is preliminary. Staff will be working over the next several weeks to finalize our projections and, as we obtain more data, we will keep the City Council fully informed. I look forward to discussing this information in detail with you. If you have any questions, or need additional information, please let me know.

### **EXHIBITS**

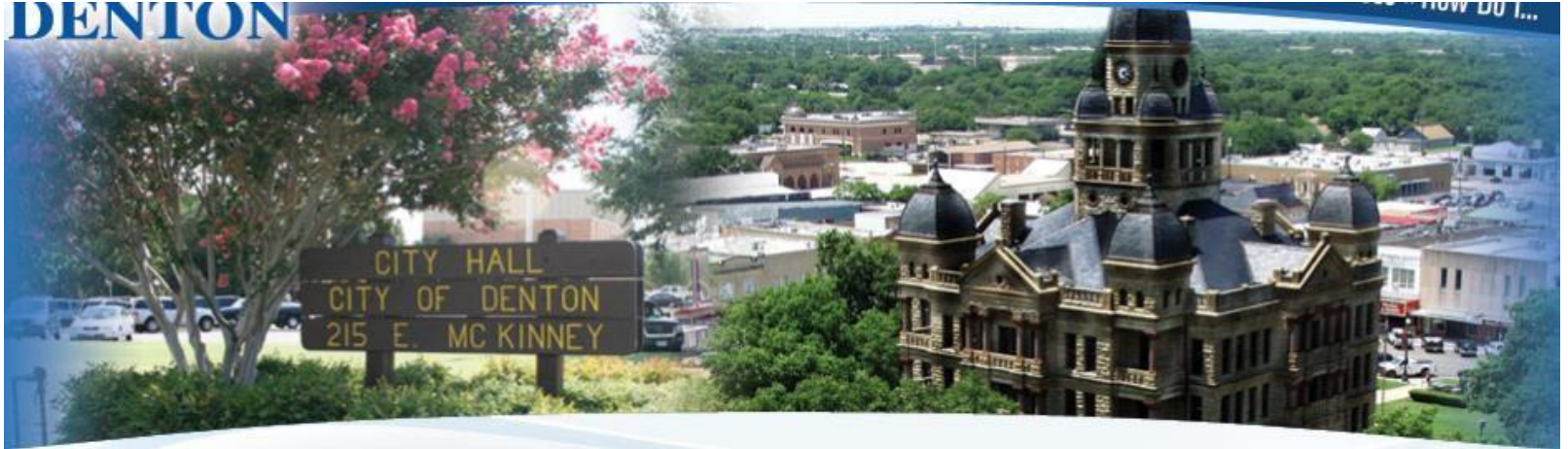
PowerPoint presentation

Respectfully Submitted By:

*Chuck Springer*

Chuck Springer  
Director of Finance

DENTON



# Preliminary Budget Overview

June 18, 2013

# Budgetary Themes

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- Street Maintenance Expansion
- Utility Infrastructure
  - Replacement of aging infrastructure
  - Expansion of infrastructure to meet growth needs
- Maintain competitive compensation plan
- Manage TMPA debt requirements in Electric Utility
- Very limited funding to address General Fund growth needs

# Assumptions for General Fund Projections

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- Assessed Value Increases
  - FY 2013-14 – 3.0%
  - FY 2014-15 and beyond – 4.0%
- Property Tax Rate
  - Debt service tax rate remains the same
  - One-cent tax rate increase in FY 2014-15
- Sales Tax
  - FY 2013-14 – 4.2% above FY 2012-13 budget
  - FY 2014-15 and beyond - 3.0% -5.0%
- Franchise Fees
  - All growth in franchise fee revenues transferred to Street Improvement Fund

# Compensation and Benefits Assumptions

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- ❑ FY 2013-14 has 3.0% merit increase, equity adjustments and STEP increases for civil service
- ❑ Future FY's have 3.0% package
- ❑ Health insurance assumes a 6.0% increases in City contributions
- ❑ Employee contribution rates have yet to be determined
- ❑ TMRS – fully funded rate will decrease by 0.45% in calendar year 2014

# Preliminary General Fund Projection

	<b>Preliminary Budget 2013-14</b>	<b>Year 2 Projected 2014-15</b>	<b>Year 3 Projected 2015-16</b>	<b>Year 4 Projected 2016-17</b>	<b>Year 5 Projected 2017-18</b>
<b>Beginning Fund Balance</b>	\$ 25,570,648	\$ 23,187,102	\$ 21,129,560	\$ 18,707,880	\$ 16,694,338
Revenues	\$ 96,352,382	\$ 99,630,012	\$ 103,047,097	\$ 106,586,756	\$ 110,187,847
1 Cent Tax Increase		\$ 718,396	\$ 747,132	\$ 777,017	\$ 808,098
Expenditures	\$ 97,485,928	\$ 100,155,950	\$ 102,965,909	\$ 105,127,315	\$ 107,579,295
Operating Surplus (Deficit)	\$ (1,133,546)	\$ 192,458	\$ 828,320	\$ 2,236,458	\$ 3,416,650
New Expenses	1,250,000	2,250,000	3,250,000	4,250,000	5,250,000
Total Anticipated Expenditures	1,250,000	2,250,000	3,250,000	4,250,000	5,250,000
Ending Fund Balance	\$ 23,187,102	\$ 21,129,560	\$ 18,707,880	\$ 16,694,338	\$ 14,860,988
<b>Change in Fund Balance</b>	\$ (2,383,546)	\$ (2,057,542)	\$ (2,421,680)	\$ (2,013,542)	\$ (1,833,350)
Fund Balance as % of Expend.	23.5%	20.6%	17.6%	15.3%	13.2%

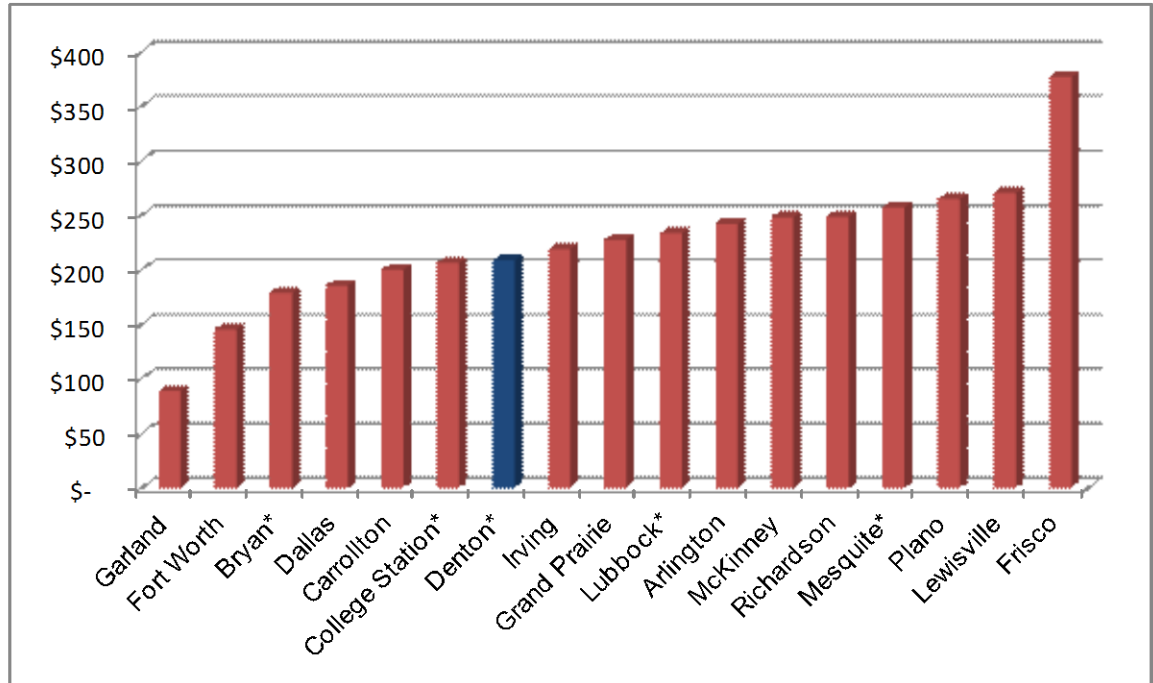
# Supplemental Packages – General Fund

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- General Fund departments have requested supplemental packages totaling approximately \$7.0 million
- Still in process of refining estimates for supplemental packages
- Limited capacity for supplemental packages

# General Fund Sales Tax Per Capita

City	2012 Sales Tax Revenue
1 Garland	\$ 89
2 Fort Worth	145
3 Bryan*	179
4 Dallas	185
5 Carrollton	200
6 College Station*	206
7 Denton*	209
8 Irving	219
9 Grand Prairie	227
10 Lubbock*	233
11 Arlington	242
12 McKinney	248
13 Richardson	248
14 Mesquite*	257
15 Plano	265
16 Lewisville	270
17 Frisco	\$ 377
<b>Average</b>	<b>\$ 223</b>
<b>Median</b>	<b>\$ 227</b>

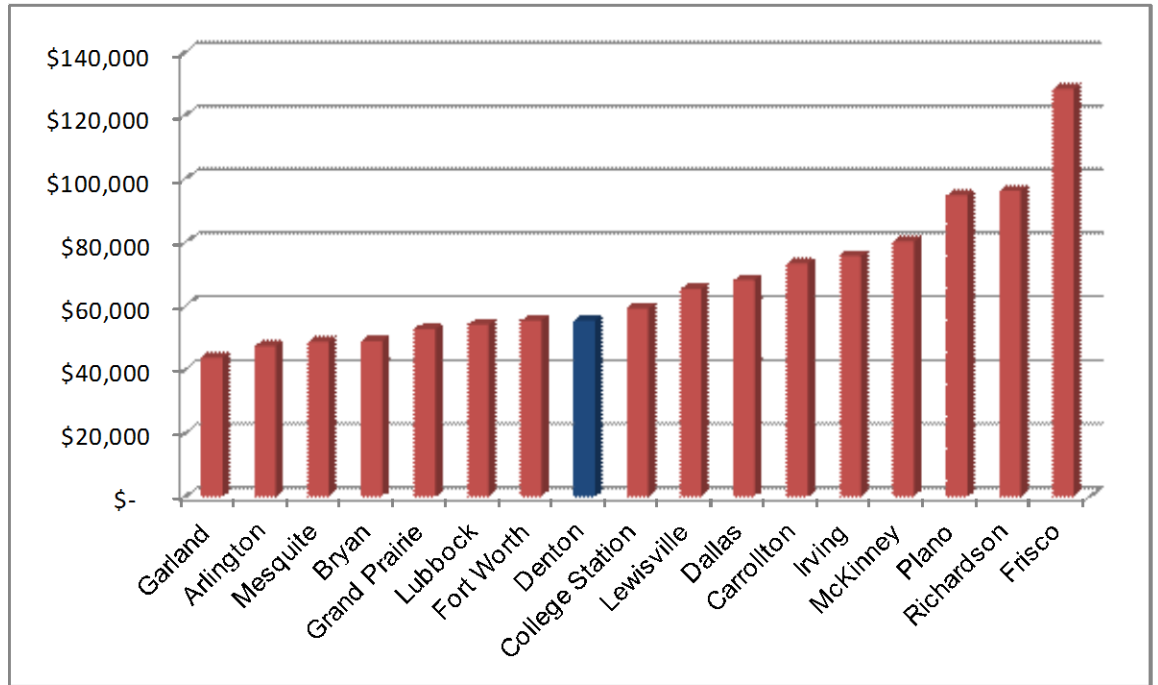


\*Denton, Bryan, College Station, & Mesquite are at 1.5 cents and Lubbock is at 1.375 cents to the General Fund and all other cities at 1 cent.



# Assessed Values Per Capita

City	2012 Assessed Value Per Capita
1 Garland	\$ 43,712
2 Arlington	47,350
3 Mesquite	48,765
4 Bryan	48,935
5 Grand Prairie	52,614
6 Lubbock	54,053
7 Fort Worth	55,404
8 Denton	<b>55,441</b>
9 College Station	59,161
10 Lewisville	65,325
11 Dallas	68,201
12 Carrollton	73,441
13 Irving	75,698
14 McKinney	80,340
15 Plano	94,840
16 Richardson	96,375
17 Frisco	\$ 128,315
<b>Average</b>	<b>\$ 67,528</b>
<b>Median</b>	<b>\$ 59,161</b>



# Council Priorities and Requests

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- ❑ Downtown Shuttle Service
- ❑ Supplemental Bicycle Lane Funding (get all of the lanes in the 10 year plan done in the next eight years since we are now two years into the plan)
- ❑ Downtown Reinvestment Grant Program
- ❑ Community Market Enhancements
- ❑ Restore Council Contingency Funds
- ❑ Funding of Human Services Advisory Committee request
- ❑ Update to the 2003 TIP Strategies Economic Development Plan
- ❑ Creative Economy Impact Study
- ❑ Dedicated Administrative position for Mayor and City Council (and potential interns from UNT)
- ❑ Master Plan for Public Art

# Council Priorities - Continued

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- ❑ Firefighter Museum additional funding
- ❑ Collaborative Co-working Space Partnership
- ❑ Economic Development Events and Programming
- ❑ Development of a Downtown Innovation District
- ❑ City-owned High Speed Internet Utility Downtown
- ❑ Code for America City Program
- ❑ 311 System
- ❑ Street Repair Update Web Application
- ❑ Neighborhood District Initiative

# Street Improvement Fund

	FY 2011-12 Actual	FY 2012-13 Budget	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected	FY 2017-18 Projected*
Franchise Fees	\$ 5,585,086	\$ 6,562,039	\$ 7,147,375	\$ 8,046,184	\$ 9,029,593	\$ 10,033,598	\$ 11,004,891
Bond Sale Savings	194,382	265,251	413,780	639,309	764,618	853,364	875,000
Street Cut Fees and Interest	<u>366,229</u>	<u>331,484</u>	<u>337,914</u>	<u>344,472</u>	<u>351,161</u>	<u>357,981</u>	<u>364,944</u>
<b>Total Operating Revenues</b>	<b>\$ 6,145,697</b>	<b>\$ 7,158,774</b>	<b>\$ 7,899,069</b>	<b>\$ 9,029,965</b>	<b>\$ 10,145,372</b>	<b>\$ 11,244,943</b>	<b>\$ 12,244,835</b>
Operating Expenditures	\$ 6,075,534	\$ 7,158,774	\$ 7,899,069	\$ 9,029,965	\$ 10,145,372	\$ 11,244,946	\$ 12,244,835
Bond Funded Expenditures	<u>-</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
<b>Total Expenditures</b>	<b>\$ 6,075,534</b>	<b>\$ 11,158,774</b>	<b>\$ 11,899,069</b>	<b>\$ 13,029,965</b>	<b>\$ 14,145,372</b>	<b>\$ 15,244,946</b>	<b>\$ 16,244,835</b>

\* FY 2017-18 is new bond election

- ❑ Estimated \$11.4 million OCI related spending in FY 2017-18 including bond funding (approximately 60% of operating expenditures OCI related)
- ❑ At this level of funding (FY 2017-18), OCI rating would stabilize
- ❑ Requires additional \$20 million in bond funding after FY 2016-17 to maintain stabilization (another five-year program)

# Increased Street Maintenance Funding

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- Increased level of funding is required to get back to 2009 OCI rating and maintain going forward
- To return OCI rating to 2009 level by the end of ten years:
  - Approximately \$740,000 per year in additional operational funding is needed (compounded)
  - This would basically double the current operating funding increase that is projected
  - Also requires additional \$20 million in bond funding after FY 2016-17 (another five-year program)
  - The operating funding increase equates to a five-cent tax rate increase by FY 2017-18 and an eight-cent tax rate increase for the complete program

# Increased Street Maintenance Funding Options

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- ❑ Additional funding transferred from General Fund
- ❑ Reduce current programs and shift resources
- ❑ Defer non-street maintenance capital program and use debt service savings
- ❑ Dedicated property tax rate increase
- ❑ Dedicated street maintenance fee
- ❑ Adoption of street impact fees to reduce debt service tax rate and shift rate for street maintenance purposes
- ❑ Additional bond sale beginning in FY 2014-15

# Electric Utility Fund

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- TMPA Debt Payoff
- Replacement of Aging Infrastructure
- Construction of Transmission system with increased revenue to DME
- Five-year CIP of \$353.8 million
- Base rate increase of 2.5% for FY 2013-14 and each year thereafter for four years until TMPA debt is fully absorbed

# Water Utility Fund

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- ❑ Focus is on infrastructure replacement and needed expansion of system
- ❑ Continuing to increase revenue funded infrastructure replacement to cover transmission and distribution replacement at 100% and plant at 25%
- ❑ Five-year CIP of \$98.4 million with \$44.5 revenue funded
- ❑ Rate increase of 4.0% for FY 2013-14



# Wastewater Utility Fund

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- ❑ Focus is on infrastructure – replacement, expansion and sanitary sewer overflow program
- ❑ Also continuing program to build to planned level of revenue funded replacement
- ❑ Five-year CIP of \$82.6 million excluding general capital program drainage projects
- ❑ Rate increase of 9.0% for FY 13-14

# Solid Waste and Recycling Fund

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- Major projects include property/permit expansion, compressed natural gas fueling facility, grease and grit trap processing and building finish out
- Rate increase of 3.0% for standard cart with recycling and 5.3% for large cart with recycling

# Tourist and Convention Fund

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- Revenues above budget in current year
- HOT Committee will provide budget recommendations for FY 2013-14
- Emphasis is on maintaining available balances for future Convention Center and CVB project costs

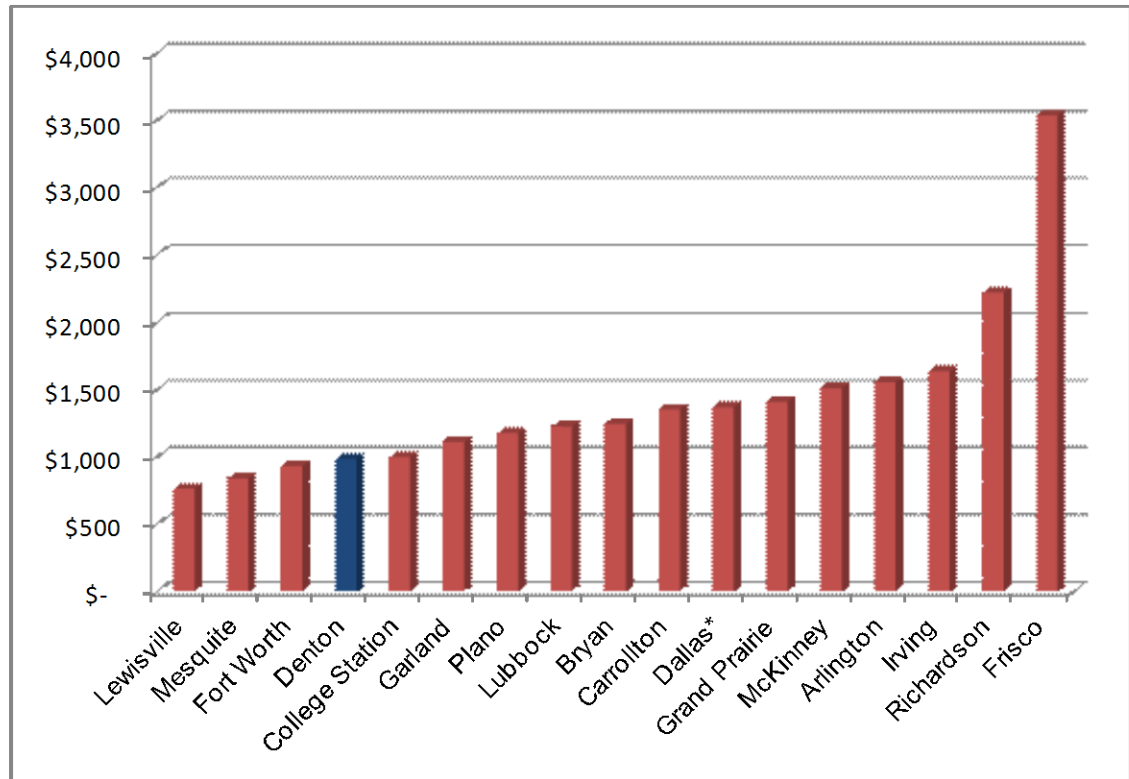
# Debt Service Fund and General Capital Program

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- ❑ Debt service tax rate estimated to remain stable
- ❑ Debt service expenditures already set by debt sales in current fiscal year
- ❑ Recommended capital program for FY 13-14 will be presented with proposed budget

# Total General Government Debt Per Capita FY 2012

City	Debt per Capita
1 Lewisville	\$ 765
2 Mesquite	840
3 Fort Worth	932
4 Denton	<b>985</b>
5 College Station	1,001
6 Garland	1,112
7 Plano	1,177
8 Lubbock	1,225
9 Bryan	1,244
10 Carrollton	1,354
11 Dallas*	1,370
12 Grand Prairie	1,410
13 McKinney	1,512
14 Arlington	1,555
15 Irving	1,636
16 Richardson	2,220
17 Frisco	\$ 3,538
<b>Average</b>	<b>\$ 1,404</b>
<b>Median</b>	<b>\$ 1,244</b>



**Notes:**

\*2011 Financial Figures Used

# Next Steps

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- ❑ Utility Budgets from PUB – June 24
- ❑ Final Certified Value – July 25
- ❑ City Manager Budget and City Council Workshop – August 1
- ❑ Vote on Maximum Tax Rate – August 6
- ❑ Public Hearings – August 13 and 20
- ❑ Budget Adoption – September 17

Questions?

