

# Preliminary Budget Overview

June 17, 2014

# Budgetary Themes

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- Continue on course to balance General Fund revenue and expenses
- Maintain competitive compensation plan
- Limited funding to address General Fund growth needs
  - Internal efficiency efforts (innovation and lean programs)
  - Potential future revenue limitations (could be imposed by State)
- Continue Street Maintenance expansion
- Utility Infrastructure – replacement and expansion
- Manage TMPA debt requirements in Electric Utility

# Assumptions for General Fund Projections

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- Assessed Value Increases
  - FY 2014-15 – 8.0%
  - FY 2015-16 and beyond – 4.0%
- Property Tax Rate
  - Debt service tax rate remains the same in FY 2014-15
  - One-cent tax rate increase delayed to FY 2016-17
- Sales Tax
  - FY 2014-15 – 3.0% above FY 2013-14 budget
  - FY 2015-16 and beyond - 3.0%
- Franchise Fees
  - All growth in franchise fee revenues transferred to Street Improvement Fund

# Compensation and Benefits Assumptions

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- FY 2014-15 has 3.0% merit increase, equity adjustments and STEP increases for civil service (salary study underway)
- Future FY's have 3.0% package and STEP increases
- 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 0.59% in calendar year 2015

# Preliminary General Fund Projection

	Preliminary Budget 2014-15	Year 2 Projected 2015-16	Year 3 Projected 2016-17	Year 4 Projected 2017-18	Year 5 Projected 2018-19
<b>Beginning Fund Balance</b>	<b>\$ 24,138,139</b>	<b>\$ 23,505,224</b>	<b>\$ 22,445,422</b>	<b>\$ 21,153,862</b>	<b>\$ 19,711,380</b>
Revenues	\$ 101,672,275	\$ 105,036,351	\$ 108,159,967	\$ 111,869,802	\$ 115,670,688
1 Cent Tax Increase		\$ -	\$ 813,285	\$ 845,816	\$ 879,649
Expenditures	\$ 101,055,190	\$ 103,846,153	\$ 107,014,812	\$ 109,908,100	\$ 112,666,307
Operating Surplus (Deficit)	\$ 617,085	\$ 1,190,198	\$ 1,958,440	\$ 2,807,518	\$ 3,884,030
New Expenses	1,250,000	2,250,000	3,250,000	4,250,000	5,250,000
Total Anticipated Expenditures	102,305,190	106,096,153	110,264,812	114,158,100	117,916,307
Ending Fund Balance	<b>\$ 23,505,224</b>	<b>\$ 22,445,422</b>	<b>\$ 21,153,862</b>	<b>\$ 19,711,380</b>	<b>\$ 18,345,410</b>
<b>Change in Fund Balance</b>	<b>\$ (632,915)</b>	<b>\$ (1,059,802)</b>	<b>\$ (1,291,560)</b>	<b>\$ (1,442,482)</b>	<b>\$ (1,365,970)</b>
Fund Balance as % of Expend.	23.0%	21.2%	19.2%	17.3%	15.6%

Fund balance minimum target of 20%, may be reduced to 15% in unusual financial circumstances  
 Corrective action to return to 20% required in adopted fund balance policy

# Budget Development – General Fund

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- ❑ Council priorities and requests
- ❑ General Fund departments have requested supplemental packages totaling approximately \$5.4 million
- ❑ Baseline adjustment requests total \$378,000
- ❑ Limited capacity for additional funding
- ❑ Departments were also asked to submit potential reductions/revenue enhancements over a three-year timeframe

# Efficiency/Service Efforts

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- Employee Innovation Project
  - Employee web based improvement forum
  - Round one submissions – 63
  - Round two – refining 18 submissions
  - Select 7-10 projects to consider for implementation
- LEEP Program
  - Leadership Excellence Enhancement Program
  - Training and leadership development
  - Two “class projects”

# Efficiency Efforts - Continued

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- Lean Government Initiative
  - Focus is on improving processes and reducing waste
  - Improving internal and external customer service
- Hired External Consultant
  - Executive and supervisory training
  - Held two kaizen (improvement events) on hiring process and purchasing process
  - Met with all departments on improvement opportunities
  - Trained eight City staff to take over lean efforts and expand training



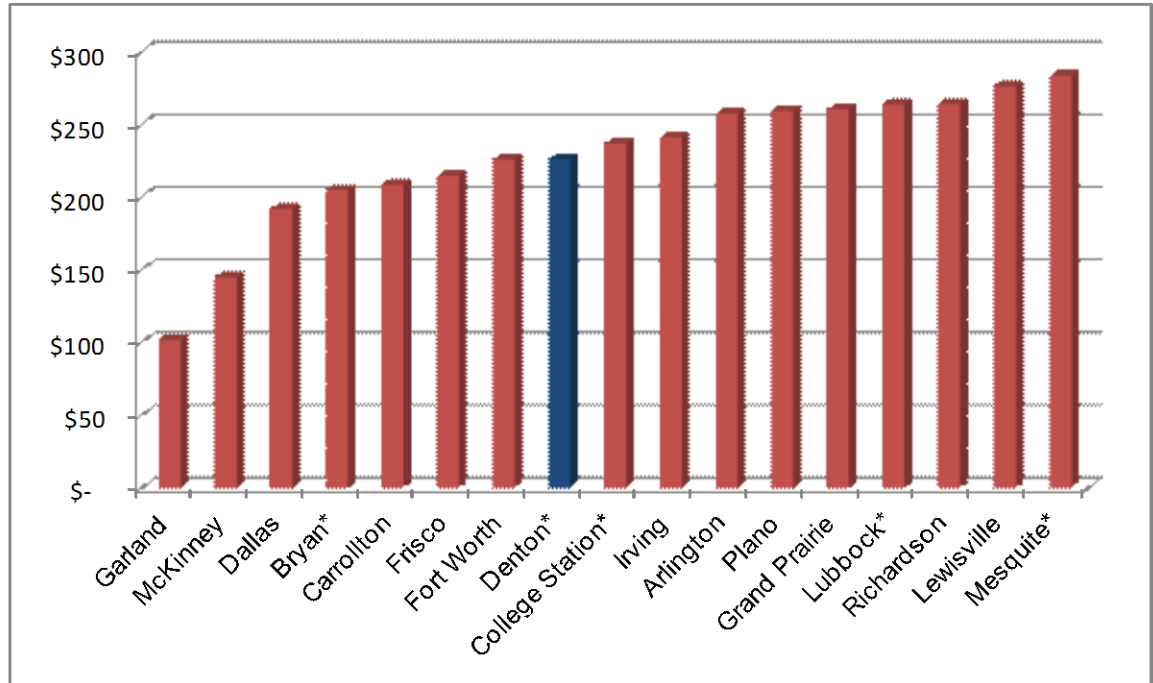
# Budget Transparency

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- Dedicated budget page on website
  - Budget idea submission form
  - Video on budget process
  - Will post all presentations, proposed budget and budgetary agenda items
- Social media push

# General Fund Sales Tax Per Capita FY 2013

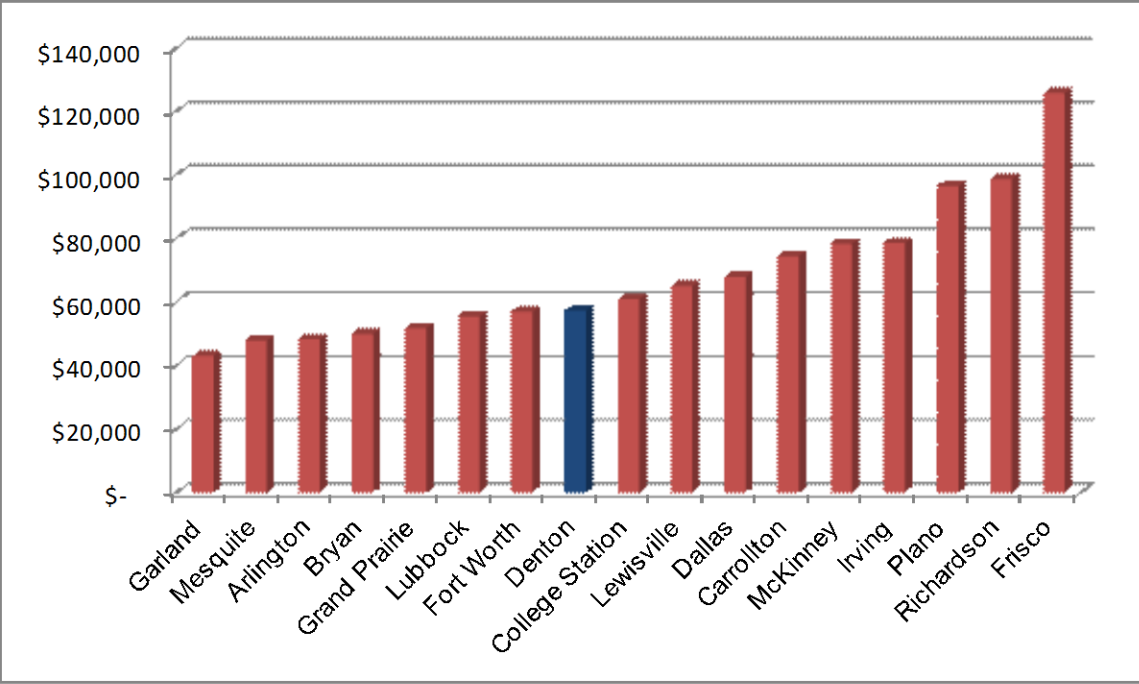
City	Sales Tax Revenue
1 Garland	\$ 102
2 McKinney	145
3 Dallas	192
4 Bryan*	205
5 Carrollton	208
6 Frisco	215
7 Fort Worth	226
<b>8 Denton*</b>	<b>226</b>
9 College Station*	236
10 Irving	241
11 Arlington	257
12 Plano	259
13 Grand Prairie	260
14 Lubbock*	263
15 Richardson	264
16 Lewisville	276
17 Mesquite*	\$ 283
<b>Average</b>	<b>\$ 227</b>
<b>Median</b>	<b>\$ 236</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 FY 2013

City	Assessed Value Per Capita
1 Garland	\$ 43,043
2 Mesquite	47,772
3 Arlington	48,309
4 Bryan	49,901
5 Grand Prairie	51,703
6 Lubbock	55,424
7 Fort Worth	56,931
<b>8 Denton</b>	<b>57,214</b>
9 College Station	60,946
10 Lewisville	65,065
11 Dallas	67,908
12 Carrollton	74,410
13 McKinney	78,364
14 Irving	78,620
15 Plano	96,455
16 Richardson	98,749
17 Frisco	\$ 125,780
<b>Average</b>	<b>\$ 68,035</b>
<b>Median</b>	<b>\$ 60,946</b>



# Street Improvement Fund

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
	Actual	Actual	Budget	Proposed	Projected	Projected	Projected	Projected
Franchise Fees	\$5,585,086	\$ 6,315,566	\$ 7,186,378	\$ 7,888,784	\$ 8,689,531	\$ 9,149,759	\$10,116,540	\$11,108,103
Bond Sale Savings	194,382	315,636	379,911	670,506	931,515	1,140,072	1,292,905	1,318,763
Street Cut Fees and Interest	366,229	477,208	337,914	360,000	351,161	357,984	364,944	372,043
<b>Total Operating Revenues</b>	<b>\$ 6,145,697</b>	<b>\$ 7,108,410</b>	<b>\$ 7,904,203</b>	<b>\$ 8,919,290</b>	<b>\$ 9,972,207</b>	<b>\$ 10,647,815</b>	<b>\$ 11,774,389</b>	<b>\$ 12,798,909</b>
Operating Expenditures	\$6,075,534	\$ 6,702,756	\$ 8,379,203	\$ 8,919,290	\$ 9,972,207	\$10,647,815	\$11,774,389	\$12,798,909
Bond Funded Expenditures*	-	4,000,000	4,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
<b>Total Expenditures</b>	<b>\$ 6,075,534</b>	<b>\$ 10,702,756</b>	<b>\$ 12,379,203</b>	<b>\$ 14,919,290</b>	<b>\$ 15,972,207</b>	<b>\$ 16,647,815</b>	<b>\$ 17,774,389</b>	<b>\$ 18,798,909</b>

\* FY 2014-15 and forward is partially or fully funded by the proposed bond election.

- ❑ Estimated \$11.98 million OCI related spending in FY 2015-16 including bond funding (approximately 60% of operating expenditures OCI related)
- ❑ At this level of funding (FY 2015-16), OCI rating estimated to stabilize

# Additional Street Maintenance Funding

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- Funding Underway
  - All growth in franchise fee revenues dedicated to street maintenance funding
  - Proposed increase in general obligation bond funding
  - Adoption of street impact fees
- Additional Alternatives
  - Dedicated Street Maintenance Fee
  - Dedicated property tax increase
  - Additional funding from the General Fund through reduction of current programs

# 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 \$385.9 million
- ❑ Overall rate increase of 5.4% for FY 2014-15 which includes transmission cost recovery factor
- ❑ Considering alternatives for future TMPA (CAB) debt payments

# Water Utility Fund

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- ❑ Focus is on infrastructure replacement (revenue funded) and needed expansion of system
- ❑ Zebra mussels impacting costs
- ❑ Working towards double coverage at Water Plants
- ❑ Five-year CIP of \$116.6 million with \$43.6 revenue funded
- ❑ Proposed rate increase of 3.0% for FY 2014-15

# Wastewater Utility Fund

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- ❑ Focus is on infrastructure – replacement, expansion and sanitary sewer overflow program
- ❑ New phosphorus limit impacting costs
- ❑ Working towards double coverage at Treatment Plant
- ❑ Five-year CIP of \$56.5 million excluding drainage projects
- ❑ Proposed rate increase of 6.0% for FY 2014-15



# Solid Waste and Recycling Fund

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- ❑ Major projects include CNG fueling station, property/permit expansion, converting small commercial customers from containers to carts, and expanding building materials recovery operation
- ❑ Proposed rate increase of 2.9% for standard cart with recycling and 3.6% for large cart with recycling

# Tourist and Convention Fund

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- Revenues conservatively estimated at budget in current year
- HOT Committee will provide budget recommendations for FY 2014-15

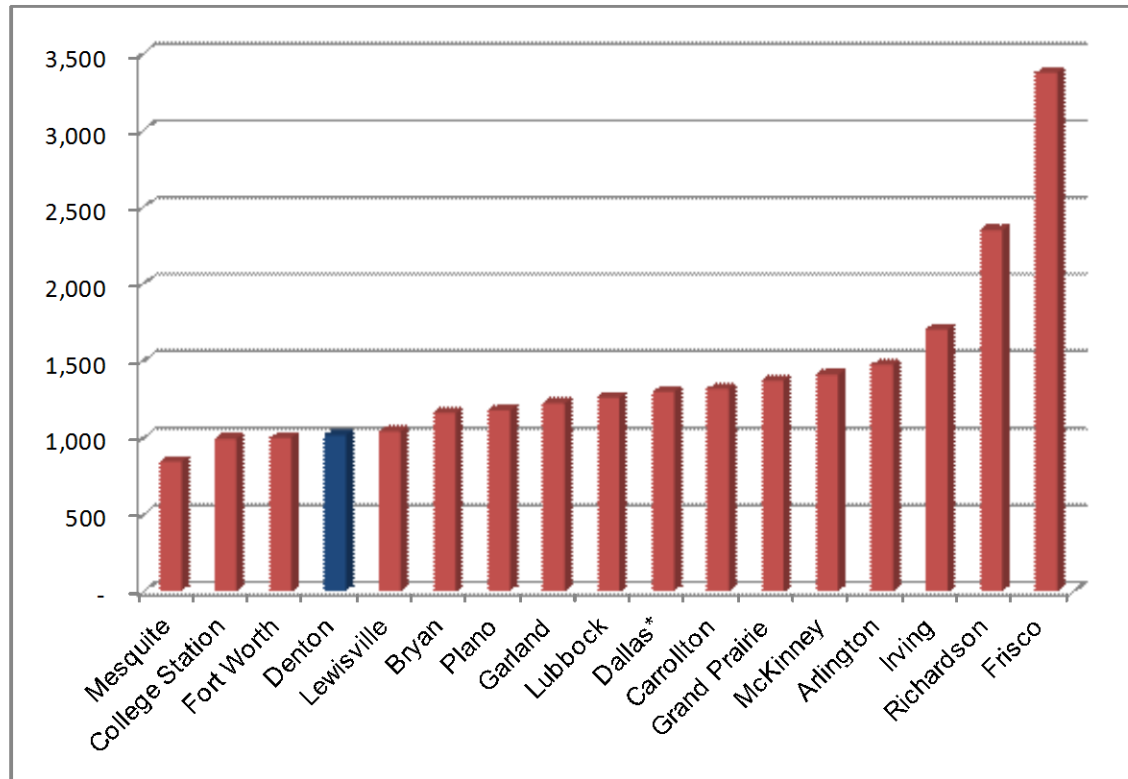
# Debt Service Fund and General CIP

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- ❑ Debt service tax rate estimated to remain stable in FY 2014-15
- ❑ Debt service expenditures already set by debt sales in current fiscal year
- ❑ Recommended capital program for FY 2014-15 will be presented with proposed budget
- ❑ Potential debt service tax rate increase in FY 2015-16 based on recommended bond sale program

# Total General Government Debt Per Capita FY 2013

City	Debt per Capita
1 Mesquite	845
2 College Station	993
3 Fort Worth	999
<b>4 Denton</b>	<b>1,016</b>
5 Lewisville	\$ 1,040
6 Bryan	1,161
7 Plano	1,177
8 Garland	1,224
9 Lubbock	1,261
10 Dallas*	1,299
11 Carrollton	1,318
12 Grand Prairie	1,372
13 McKinney	1,410
14 Arlington	1,474
15 Irving	1,703
16 Richardson	2,350
17 Frisco	\$ 3,374
<b>Average</b>	<b>\$ 1,413</b>
<b>Median</b>	<b>\$ 1,261</b>



**Notes:**

\*2012 Financial Figures Used

# Next Steps

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- ❑ Utility Budgets from PUB – June 23
- ❑ Final Certified Value – July 25
- ❑ City Manager Budget and City Council Workshop – July 31
- ❑ Vote on Maximum Tax Rate – August 5
- ❑ Public Hearings – August 19 and September 9
- ❑ Budget Adoption – September 16

# Questions?

