

CITY MANAGER'S FY 2012-13 PROPOSED BUDGET

Presented to the City Council on August 2, 2012

Overview and Purpose

2

- Review key elements of Strategic Plan.
- Discuss key assumptions in the General Fund.
- Present General Fund Supplemental Packages recommended for approval by City Manager.
- Review FY 2012-13 proposed five year financial forecast for the General Fund.
- Discuss 5 year CIP plan and future GO/CO bond issuances.
- Discuss budget recommendations for Utility funds.
- Review other funds and information.
- Outline next steps.

3

Strategic Considerations

- Review Strategic Plan.
- Discuss Key Focus Areas

Strategic Plan – A Review

4

- City Council approved Strategic Plan on April 11, 2011.
 - Reviewed and affirmed plan in January 2012.
- Intent of Strategic Plan is to:
 - Focus and enhance budget process.
 - Ensure policy and administrative decision-making is based upon a proactive approach.
 - Link organizational direction to the City's established vision, mission, and values.
- The FY 2012-13 City Manager's Proposed Budget has been crafted to achieve the goals and objectives outlined in the approved Strategic Plan.
 - While progress has been made on many goals, some objectives may take years to achieve.

Strategic Plan - Key Focus Areas

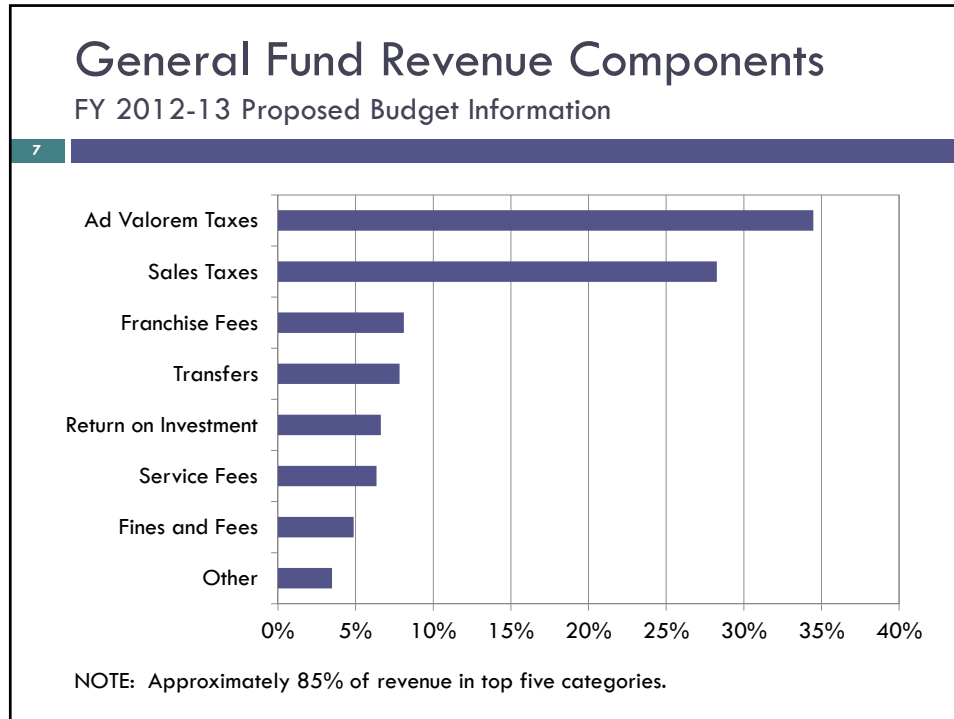
5

1. ORGANIZATIONAL EXCELLENCE
2. PUBLIC INFRASTRUCTURE
3. SUSTAINABLE ECONOMIC DEVELOPMENT & ENVIRONMENTAL STEWARDSHIP
4. SAFE, LIVABLE, & FAMILY FRIENDLY COMMUNITY
5. PARTNERSHIPS & REGIONAL LEADERSHIP

6

General Fund

- Revenue Characteristics
- Sales Tax
- Appraised Values and Property Taxes
- Other Key Revenues



FY 2011-12 Monthly Changes in Sales Tax Collections

8

	FY 2010-11 Actual	FY 2011-12 Actual	Variance	% Variance
October	\$1,724,569	\$1,977,647	\$253,078	14.67%
November	\$1,677,082	\$1,868,669	\$191,587	11.42%
December	\$2,531,345	\$2,666,634	\$135,289	5.34%
January	\$1,657,288	\$1,917,675	\$260,387	15.71%
February	\$1,675,491	\$1,839,133	\$163,642	9.77%
March	\$2,265,083	\$2,663,452	\$398,369	17.59%
April	\$1,712,714	\$1,927,371	\$214,657	12.53%
May	<u>\$1,676,289</u>	<u>\$2,048,301</u>	<u>\$372,012</u>	<u>22.19%</u>
Total	\$14,919,861	\$16,908,882	\$1,989,021	13.33%

□ Estimate for FY 2011-12 is \$25.7 million.

▣ \$2.2 million (9.4%) above the budget of \$23.4 million, and \$2.8 million (12.2%) above FY 2011 actual of \$22.9 million.

Sales Tax Collection History

9

Fiscal Year	Sales Tax Collections	% Change
FY 2007-08	\$21,984,936	3.89%
FY 2008-09	\$20,950,796	(4.70%)
FY 2009-10	\$21,015,174	0.31%
FY 2010-11	\$22,871,281	8.83%
FY 2011-12 (estimated)	\$25,655,444	12.2%
Five Year Average Increase		4.11%

- Due to performance outlined above, staff recommends that the long-term sales tax growth rate be increased from 2% to 3%.
 - Year-to-year performance will likely vary substantially.

Sales Tax Projections

10

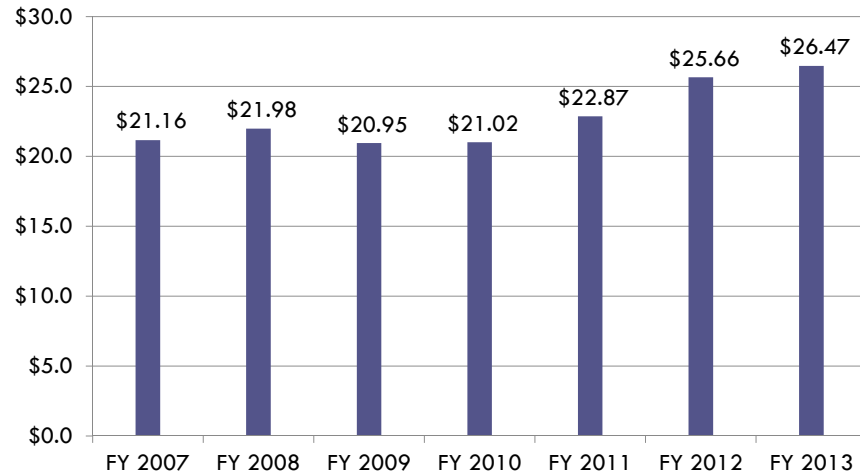
- To provide a clear picture of the cost and benefits of sales tax rebate agreements, incentive payments are included in expenditure budget.

	FY 2010-11 Actual	FY 2011-12 Budget	FY 2011-12 Estimate	FY 2012-13 Proposed	Estimate to Proposed Variance
Revenue:					
Sales Tax Revenue	\$22,871,281	\$23,446,578	\$25,655,444	\$26,466,107	\$810,663
Expenditures:					
Economic Development Incentives	(\$549,810)	(\$963,676)	(\$849,260)	(\$1,372,855)	(\$523,595)
Net Sales Tax Revenue	\$22,321,471	\$22,482,902	\$24,806,184	\$25,093,252	\$287,068*

* 3% increase in "base" sales tax revenue is forecasted for FY 2012-13.

Sales Tax Collections (In millions)

11



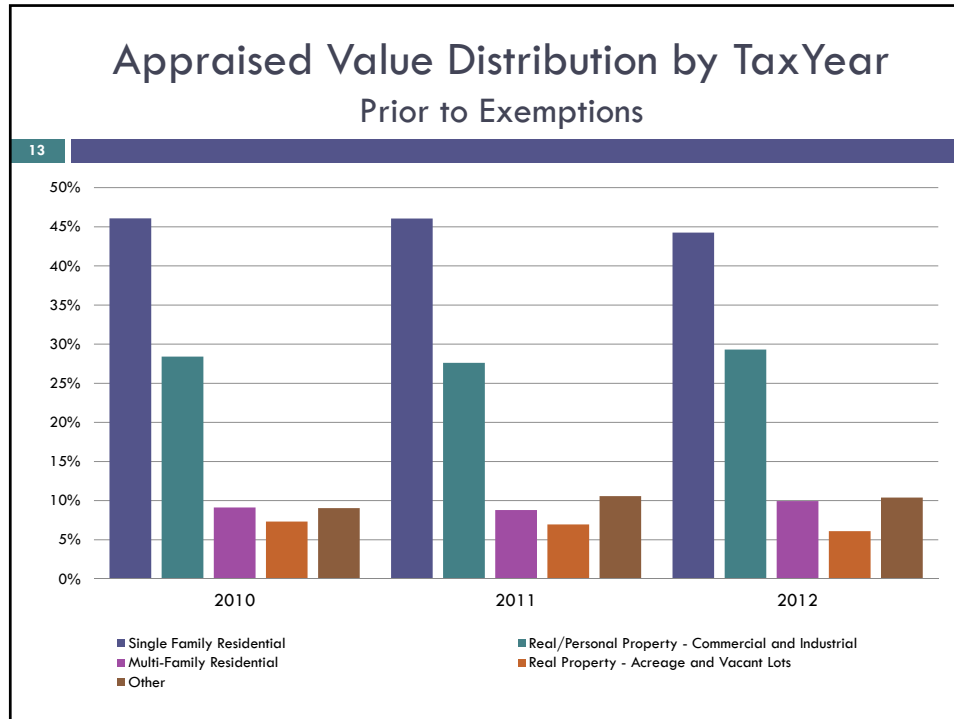
NOTE: Sales tax figures are "gross" collections that exclude the effect of economic development incentive agreements. FY 2012 and FY 2013 are estimated figures.

Appraised Values (In Billions)

12

Tax Year	2008	2009	2010	2011	2012
May Prelim. Value	\$7.227	\$7.042	\$6.648	\$7.029	\$7.272
Final Certified Value	<u>\$6.291</u>	<u>\$6.328</u>	<u>\$6.230</u>	<u>\$6.412</u>	<u>\$6.716</u>
Variance	(\$0.936)	(\$0.714)	(\$0.418)	(\$0.617)	(\$0.556)
Variance %	(12.95%)	(10.14%)	(6.29%)	(8.78%)	(7.65%)

- Certified appraised value is \$6.716 Billion for 2012.
 - 4.75% increase compared to 2011 Value of \$6.412 Billion.
 - 3% increase had previously been forecasted in June.
- Compared to 2011 Certified Values:
 - 2012 Certified value increased by \$304 million.
 - \$133 million related to new construction.
 - \$171 million increase related to existing property appraisals.



Appraised Values (cont'd)

14

- In 2009, the City Council endorsed a plan to increase the over 65 property tax exemption in \$5,000 increments:
 - Goal was to achieve a \$50,000 exemption level by FY 2013-14.
- The Proposed Budget includes a \$5,000 increase in the over 65 exemption level to \$45,000 for FY 2012-13.

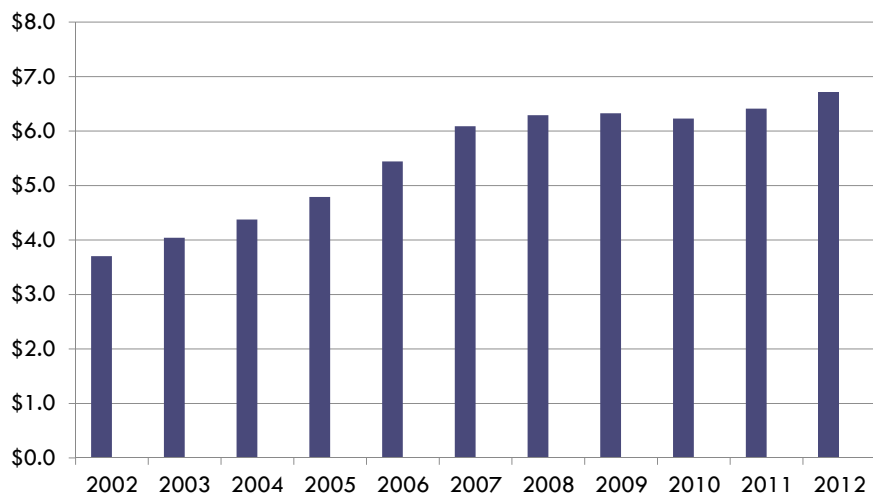
Downtown TIF

15

- Downtown TIF was established in 2010 for the purpose of improving development in the Downtown area.
- The 2010 base value was \$79,356,854, and the 2012 value is \$89,605,635 which results in a gain of \$10,248,781 (12.9%) in value.
- Based on this increase in value, the TIF will receive \$70,691 in property tax revenue for FY 2012-13.
- Fund balance at the end of FY 2012-13 is expected to be approximately \$86,562.
- No expenditures have been established at this time by the TIF Board.

Appraised Value History (In Billions)

16



Property Tax Rate

17

- City of Denton tax rate is comprised of two components:
 - ▣ Operations and Maintenance – Deposited into General Fund.
 - ▣ GO Debt Service – Deposited into GO Debt Service Fund.
- FY 2012-13 proposed total tax rate (per \$100 of valuation) is \$0.68975.
 - ▣ No tax rate increase is proposed for FY 2012-13.
- Proposed tax rate (per \$100) is shown below:

	Adopted FY 2011-12	Tax Rate Changes	Proposed FY 2012-13
O&M (General Fund)	\$0.47088	\$0.00000	\$0.47088
GO Debt	<u>\$0.21887</u>	<u>\$0.00000</u>	<u>\$0.21887</u>
Variance	\$0.68975	\$0.00000	\$0.68975

Average Residential Property Taxes

18

- In 2011, the Average Taxable Value for a Single Family Home was \$154,378.
 - ▣ Using FY 2011-12 tax rate, average City property taxes were \$1,064.82.
- In 2012, the Average Taxable Value for a Single Family Home is \$154,354.
 - ▣ Using proposed FY 2012-13 tax rate, average City property taxes will be \$1,064.65.

Truth in Taxation Information

19

- Texas Property Tax Code mandates the calculation and publication of effective and rollback rates.
 - ▣ Effective tax rate is the calculated rate that would generate the same amount of tax revenue as the previous year based on the new appraised values on existing property.
 - ▣ Rollback tax rate is the highest rate the City can set before taxpayers may initiate a rollback petition (generally 8% higher levy than prior year).
- If proposed tax rate exceeds effective rate, the following items will need to be considered by Council.
 - ▣ Vote to consider a proposal for a tax increase on August 7th.
 - ▣ Public hearing on tax rate on August 21st and August 28th.

Truth in Taxation (cont'd)

20

- FY 2012-13 Effective Tax Rate is estimated to be \$0.68045 and the estimated Rollback Tax Rate is \$0.73217.
 - ▣ By August 5th – Publish effective and rollback tax rates in Denton Record Chronicle.
- Since proposed tax rate of \$0.68975 exceeds Effective Tax Rate, a separate vote and hearing is required by Council.
 - ▣ August 7th – Vote to consider proposal for tax increase.
 - ▣ August 21st and August 28th – Public Hearing on proposed tax increase.
- If Council elects to adopt effective rate, approximately \$624,000 in property taxes will be lost.

Other Key Revenues

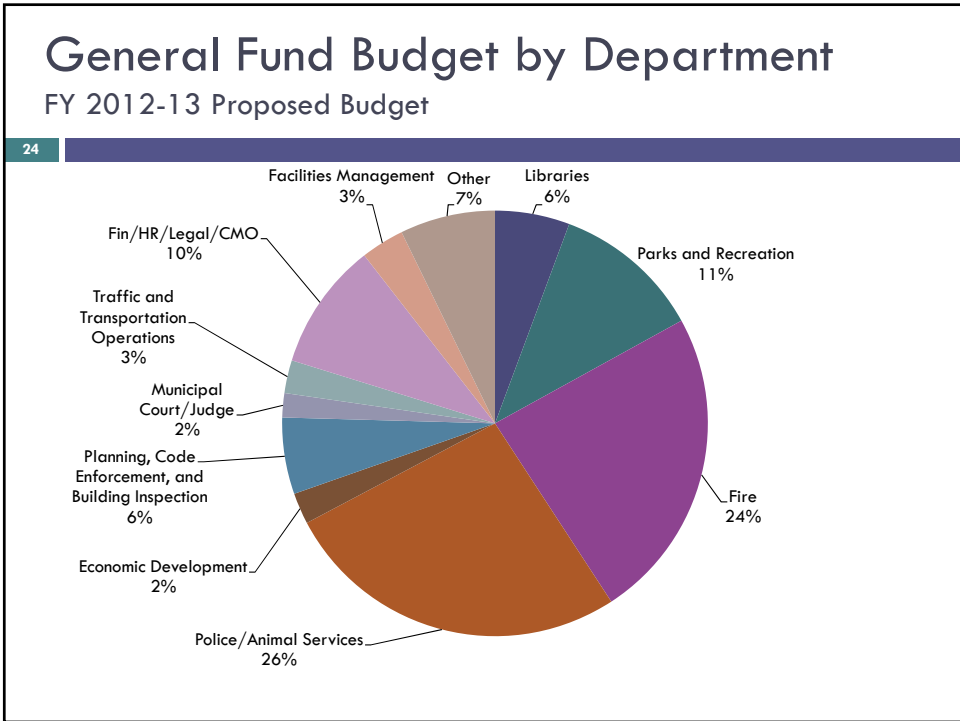
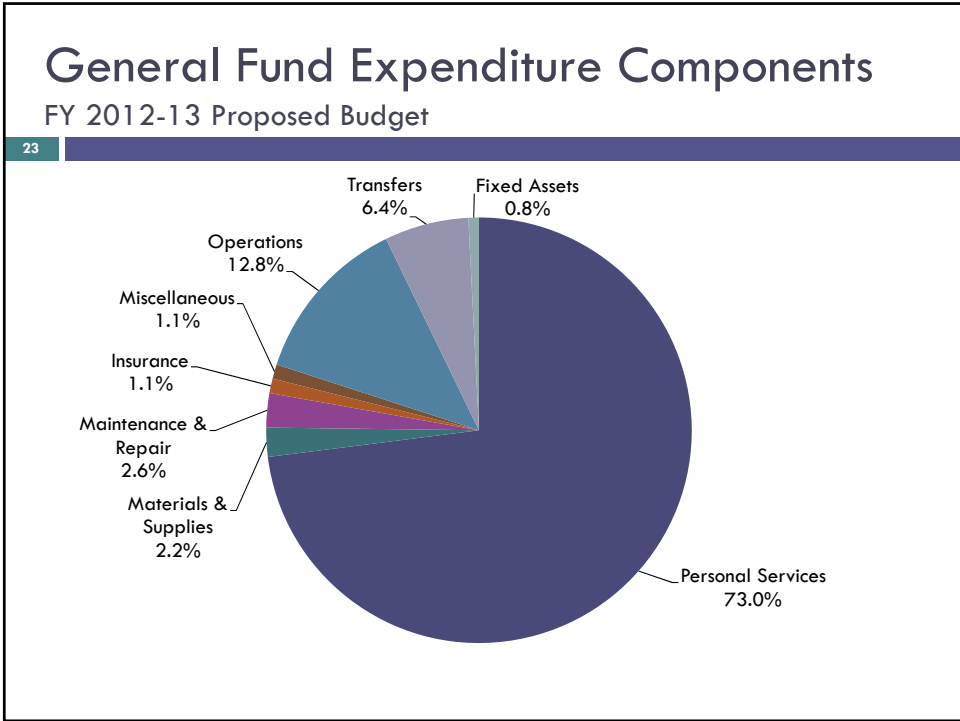
21

- General Fund Franchise Fees are proposed to decline by approximately \$208K in FY 2013 compared to FY 2012.
 - Primarily due to additional revenue transfer to Street Improvement Fund.
 - Total Franchise Fees are expected to increase by approximately \$0.7 million for all funds in FY 2013.
- Administrative Cost Transfers to the General Fund are proposed to increase by approximately \$1.3 million (net) in FY 2012-13 due to a recent cost allocation plan study.
 - Designed to recover General Fund costs associated with services provided to other funds (e.g. HR, Legal, Finance, CMO, etc.)
- Interest Income is expected to remain extremely low due to unusually low interest rates.
 - Revenue equaled \$744K in FY 2008-09, but only \$225K is expected in FY 2012-13.

22

General Fund Expenditures

- Expenditure Characteristics
- Cost Containment Strategy
- Compensation Plan
- Expenditure Enhancements
- Fund Balance
- Proposed FY 2012-13 General Fund Five Year Forecast



Prior Reductions

25

- In FY 2009-10, approximately \$1.2 million in reductions were included in the adopted budget.
- FY 2010-11 General Fund budget included approximately \$5.2 million in reductions compared to initial forecasts. Key reductions included:
 - ▣ Overtime reduced by 1/3 (10% for PD) - \$0.4 million.
 - ▣ Technology Services transfer reduced by \$0.3 million.
 - ▣ Training and Travel Budget reduced - \$0.3 million.
 - ▣ Efficiency Team (E-Team) initiatives implemented - \$0.5 million.
 - ▣ Transfer to Gas Well Fund eliminated - \$0.5 million.
 - ▣ Transfer of KDB program to Solid Waste - \$0.3 million.
 - ▣ Pay increase eliminated - \$0.6 million.
- In FY 2011-12, the majority of these cost saving measures were retained.
- In the FY 2012-13 Proposed Budget, most of the prior reductions made in FY 2010-11 and FY 2009-10 are maintained.

Vacancy Management Plan

26

- Equivalent of 22 positions not funded in FY 2010-11.
 - ▣ Approximately \$1.45 million in savings.
- Equivalent of 14 positions not funded in FY 2011-12.
 - ▣ Approximately \$0.9 million in savings.
- While a specific group of vacant positions was initially targeted, purpose of the plan is to “manage” to a total savings amount rather than a set of positions.
 - ▣ As such, as position turnover and attrition rates have dictated, vacant positions have been filled or left vacant according to need.
 - ▣ Existing employees have been required to “do more with less.”
- Vacancy management program is proposed again for FY 2012-13, and savings of approximately \$0.9 million is expected.

Compensation

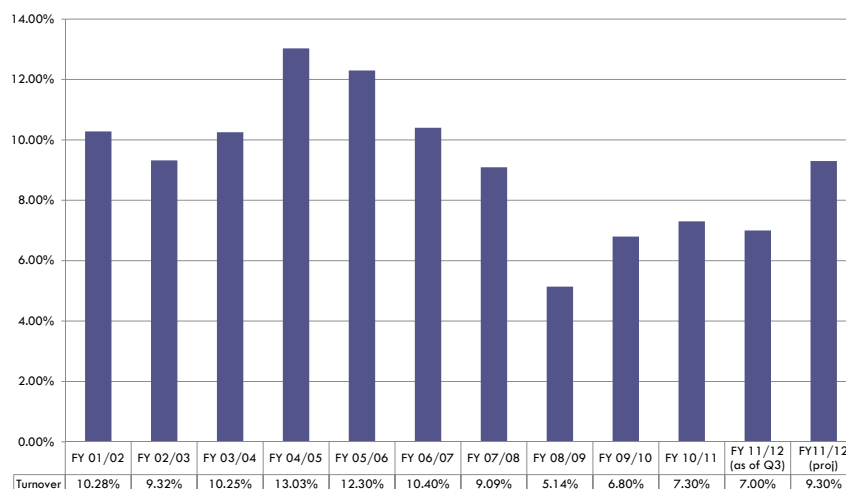
27

- FY 2010-11 did not include any merit increases for employees.
 - 2% merit increases were forecasted for each subsequent year.
- FY 2011-12 included a 2% merit increase for employees.
- FY 2011 and FY 2012 budgets also included normal Step increases for Police/Fire Civil Service employees.
 - Public Safety positions are subject to Meet and Confer agreement conditions.

Employee Turnover by Fiscal Year

Excludes Temp/Seasonal Employees

28



Compensation (cont'd)

29

- For FY 2012-13, a 3% merit increase for non-civil service employees (3% pay adjustment for civil service employees) is planned.
 - ▣ Designed to provide an appropriate compensation plan to attract and retain qualified employees.
 - ▣ 3% base pay increase is included for each subsequent year of the five year financial forecast.
- Large percentage of employees below midpoint of their salary range (represents market average).
 - ▣ As a result, equity pay adjustments for employees below their market average also recommended if they have satisfactory performance.

Texas Municipal Retirement System (TMRS)

30

- In 2008, the City Council discussed the TMRS pension plan and the need to change from the Unit Credit to Projected Unit Credit actuarial cost method.
- While a number of options were discussed, the City Council elected to maintain benefits and “phase-in” to a higher contribution rate over a period of up to 8 years.
 - ▣ Passed ordinance in July 2008 to memorialize intent and increase city contribution rate.
 - ▣ At that time, the city was expected to begin paying the “full rate” in FY 2015-16.
- Due to changes related to SB 350 passed in 2011, and better than expected financial performance, the “full rate” is now proposed for FY 2012-13.
 - ▣ Early implementation will improve funding ratio and reduce future actuarial rates.

Firemen's Relief and Retirement Fund

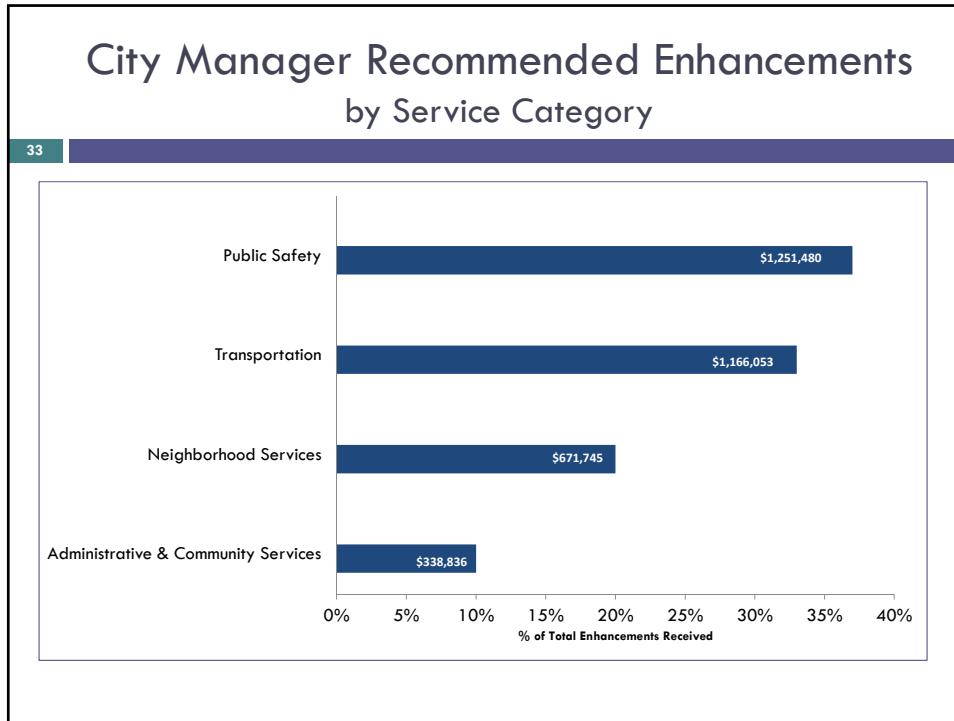
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- In addition to TMRS, the City maintains a Firemen's Relief and Retirement Fund (FRRF) for civil service employees in the Fire Department.
- While not subject to the same actuarial changes as TMRS, the City Council elected to contribute the same rate to the FRRF in 2008.
- Accordingly, in FY 2012-13, the contribution to the FRRF has been increased to match the "full" TMRS rate mentioned previously.

GF Supplemental Packages Recommended

32

- \$9.9 million and 43.8 FTEs in supplemental packages (e.g. new funding requests) were submitted to the City Manager for consideration in the General Fund.
- The following items represent the funding that has been recommended by the City Manager.
 - A complete list of the supplemental package requests and City Manager Recommendations is included in your presentation materials.



GF Supplemental Packages Public Safety

34

Fire Packages Recommended:

	FTEs	General Fund	Other Funds
Medic Unit	5.0	\$540,983	\$235,578
Fire Inspector—Commercial Plans	1.0	\$68,962	\$30,020
Admin. Assistant	0.5	\$15,060	\$0
ARFF Vehicle Equipment	<u>0.0</u>	<u>\$0</u>	<u>\$37,625</u>
Total	6.5	\$625,005	\$303,223

Police Packages Recommended:

	FTEs	General Fund	Other Funds
Ammunition	0.0	\$25,000	\$0
Police Lieutenant	1.0	\$134,843	\$0
Property Technician	<u>1.0</u>	<u>\$44,044</u>	<u>\$0</u>
Total	2.0	\$203,887	\$0

GF Supplemental Packages

Public Safety

35

Animal Control Packages Recommended:

	FTEs	General Fund	Other Funds
Animal Shelter Manager	1.0	\$64,707	\$0
Animal Services Officer	<u>1.0</u>	<u>\$45,970</u>	<u>\$0</u>
Total	2.0	\$110,677	\$0

Municipal Court Packages Recommended:

	FTEs	General Fund	Other Funds
Scofflaw Program	0.0	\$8,688	\$0

GF Supplemental Packages

Transportation

36

Traffic Packages Recommended:

	FTEs	General Fund	Other Funds
New Traffic Signals:			
Brinker and Colorado	0.0	\$0	\$164,077
Brinker and Spencer	0.0	\$0	\$273,730
State School and Unicorn Lake	0.0	\$0	\$95,014
Allegra Vista and Dallas	0.0	\$0	\$273,232
Country Club and Hickory Creek	0.0	\$0	\$130,000
Country Club and Ryan	0.0	\$0	\$130,000
Supplemental Bike Program Funding (In addition to \$100,000 in existing funds)*	<u>0.0</u>	<u>\$100,000</u>	<u>\$0</u>
Total	0.0	\$100,000	\$1,066,053

* Item submitted by City Council members.

GF Supplemental Packages Neighborhood Services

37

□ Library Packages Recommended:

	FTEs	General Fund	Other Funds
Technology Librarian	1.0	\$54,670	\$0

□ Building Inspection Packages Recommended:

	FTEs	General Fund	Other Funds
Commercial Plans Examiner	1.0	\$62,469	\$0
Residential Inspector	<u>1.0</u>	<u>\$49,973</u>	<u>\$25,000</u>
Total	2.0	\$112,442	\$25,000

GF Supplemental Packages Neighborhood Services

38

□ Planning Packages Recommended:

	FTEs	General Fund	Other Funds
Assistant Planner	1.0	\$53,634	\$0
Internship Program	1.0	\$45,000	\$0
Planning Technician	1.0	\$47,667	\$0
Neighborhood Incentive Grant Program (In addition to \$34,000 in existing funds)*	<u>0.0</u>	<u>\$50,000</u>	<u>\$0</u>
Total	3.0	\$196,301	\$0

* Item submitted by City Council members.

GF Supplemental Packages Neighborhood Services

39

☐ Parks Packages Recommended:

	FTEs	General Fund	Other Funds
Water Works Park Lifeguards and Natatorium Swim Instructors	0.95	\$0	\$0
Customer Service Rep *	1.0	\$0	\$52,698
Point of Sale System	0.0	\$25,957	\$0
Recreation Specialist – Sr. Ctr.	1.0	\$50,155	\$0
Additional Mowing	0.0	\$75,000	\$0
Civic Center Lifeguard	0.32	\$6,275	\$0
Tree Spade Contract Services	0.0	\$24,500	\$28,000
Recreation Coordinator *	<u>0.5</u>	<u>\$0</u>	<u>\$20,747</u>
Total	3.77	\$181,887	\$101,445

* Funded in the Recreation Fund in FY 2012, and the positions are again recommended in the Recreation Fund in FY 2013.

GF Supplemental Packages Administrative and Community Services

40

☐ Facilities Management Packages Recommended:

	FTEs	General Fund	Other Funds
Facilities Assistant	1.0	\$29,349	\$0
Building Needs – Public Health and Safety	<u>0.0</u>	<u>\$0</u>	<u>\$191,000</u>
Total	1.0	\$29,349	\$191,000

☐ Public Communications Packages Recommended:

	FTEs	General Fund	Other Funds
Website Upgrades	0.0	\$9,000	\$0

GF Supplemental Packages Administrative and Community Services			
41			
<input type="checkbox"/> Economic Development Packages Recommended:			
	FTEs	General Fund	Other Funds
Downtown Grant Reinvestment Program (In addition to \$50,000 in existing funds)*	0.0	\$50,000	\$0
<input type="checkbox"/> Finance Packages Recommended:			
	FTEs	General Fund	Other Funds
Sr. Financial Analyst	1.0	\$59,487	\$0
* Item submitted by City Council members.			

Other General Fund Expenditures	
42	
<input type="checkbox"/> In addition to the packages above, \$396,329 is recommended to be funded from FY 2011-12 resources.	
<input type="checkbox"/> \$85,000 for an engineering study of the Lake Forest Dam as required by the State of Texas.	
<input type="checkbox"/> \$76,802 for vehicles and equipment related to the Gas Well Review and Code Enforcement divisions.	
<input type="checkbox"/> \$70,330 to remodel the Municipal Court front counter area to provide better access and increase security.	
<input type="checkbox"/> \$59,000 for a salary survey and compensation analysis and \$14,400 for a laserfiche imaging system update.	
<input type="checkbox"/> \$38,354 for equipment related to the Aircraft Rescue and Firefighting (ARFF) vehicle.	
<input type="checkbox"/> \$30,000 for a hazardous materials contract.	
<input type="checkbox"/> \$22,443 for "no parking" markings in neighborhoods near TWU and UNT.	

Summary of Assumptions

43

	FY 13	FY 14	FY 15	FY 16	FY 17
Appraised Value Growth	4.75%	3%	4%	4%	4%
Sales Tax Growth	3%	3%	3%	3%	3%
Compensation *	3%	3%	3%	3%	3%
Tax Rate	\$0.68975	\$0.68975	\$0.69975	\$0.69975	\$0.69975

* Eligible Step increases are also included for Police/Fire in the FY 2012-13 proposed budget.

Fund Balance Reserves

General Fund

44

- Expected to remain above target level over next several years.

	09/30/2010 Actual	09/30/2011 Actual	09/30/2012 Estimate	09/30/2013 Proposed
Ending Fund Balance	\$21,526,779	\$24,424,003	\$25,747,978	\$25,083,084
% of Expenditures	23.6%	27.1%	29.1%	26.6%
Reserve Target %	12-15%	20%	20%	20%

* Target revised in FY 2010-11 in response to conversations with bond rating agencies. The revised target was approved as part of the FY 2010-11 budget.

Proposed FY 2012-13 GF Long Term Plan (In Millions)

45

	FY 11-12 Estimated	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Beg. FB	\$24.42	\$25.75	\$25.09	\$23.33	\$21.41	\$20.27
Revenues	88.90	93.66	96.77	99.68	103.21	106.40
\$0.01 Tax Increase				<u>0.72</u>	<u>0.75</u>	<u>0.78</u>
Total Revenues	\$88.90	\$93.66	\$96.77	\$100.40	\$103.96	\$107.18
Expenditures	\$87.57	\$94.32	\$97.53	\$100.57	\$102.60	\$105.82
New One Time			0.25	0.25	0.25	0.25
New Recurring			<u>0.75</u>	<u>1.50</u>	<u>2.25</u>	<u>3.00</u>
Total Expenditures	\$87.57	\$94.32	\$98.53	\$102.32	\$105.10	\$109.07
N.I./Loss	<u>\$1.33</u>	<u>(\$0.66)</u>	<u>(\$1.76)</u>	<u>(\$1.92)</u>	<u>(\$1.14)</u>	<u>(\$1.89)</u>
Ending Fund Balance	<u>\$25.75</u>	<u>\$25.09</u>	<u>\$23.33</u>	<u>\$21.41</u>	<u>\$20.27</u>	<u>\$18.38</u>
Effective FB %	29.1%	26.6%	23.7%	20.9%	19.3%	16.8%

46

Street Improvement Fund

- Review Street Maintenance Funding Challenges
- Discuss FY 2012-13 Proposed Funding

Street Maintenance Funding

47

- Street maintenance issues:
 - OCI rating (quality) of streets in the City of Denton have deteriorated over the past several years.
 - Current level of street maintenance funding is insufficient to maintain current OCI rating.
 - Approximately \$3.5 million is spent on maintenance activities (increased from \$2.8 million in FY 2010-11), but at least \$10.0 million (2009 dollars) is needed on an annual basis to prevent further decline.
 - Enhanced capital (CIP) program is also required on an annual basis to maintain OCI rating.

Street Improvement Fund

48

- To address street maintenance issues, a standalone “Street Improvement Fund” was created in FY 2011-12 to separately account for street maintenance activities.
- Funding for Street Maintenance activities was increased by:
 - Transferring increases in Franchise Fee revenue compared to FY 2010-11.
 - Transferring interest cost savings from Utility Funds as a result of the issuance of COs instead of Utility System Revenue Bonds.
 - Estimated to be \$0.27 million in FY 2012-13.
- Street Impact Fees may also be considered in the future as well.

Planned Increases in Funding Street Maintenance

49

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
FY 2010-11 Budget	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000
Bond Sale Savings	265,251	413,780	639,309	764,618	853,364
Franchise Fee Growth *	<u>1,143,765</u>	<u>1,732,638</u>	<u>2,362,582</u>	<u>3,342,230</u>	<u>3,948,270</u>
Annual Funding	\$4,207,016	\$4,946,418	\$5,801,891	\$6,906,848	\$7,601,634

* 100% of Franchise Fee growth over FY 2010-11.

- Including the funding above, the total Street Improvement Fund proposed budget will be approximately \$7.2 million in FY 2012-13.
- It is also expected that voters will be asked to approve a \$20.4 million bond program in November which is primarily focused on street reconstruction.

50

GO Debt Service Fund

- Review Proposed FY 2012-13 Debt Issuances.
- Planned future bond sales and potential issues.

GO Debt Service Fund

FY 2012-13

51

- No tax rate increase for General Obligation (GO) Debt Service Fund is planned.
- Appraisal growth assumptions mirror those in General Fund.
 - 4.75% growth in FY 2012-13.
 - 3% growth in FY 2013-14.
 - 4% growth in FY 2014-15 and each subsequent year.
- Staff recommends issuing \$11.2 million in Certificates of Obligation (COs) in FY 2012-13.
 - \$4.5 million in COs is proposed for vehicle replacements and facility improvements.
 - \$2.6 million in COs are also planned to be issued for the Animal Care and Adoption Center consistent with Council direction.
 - \$2.0 million in COs are proposed for property acquisitions at the Denton Airport.
 - \$1.1 million in COs are proposed for new traffic signals.
 - \$1.0 million in COs are also planned to complete the Public Safety Training Facility at City Hall East.

GO Debt Service Fund

FY 2012-13 and Beyond

52

- \$20.4 million GO Bond Program primarily for street reconstruction is proposed for FY 2012-13 (sold over 5 years).
 - With voter approval, expect to sell \$4.0 million for bond program in FY 2012-13.
- \$9.0 million in COs is also planned to be issued for the City's required match on Bonnie Brae and Mayhill projects in FY 2013-14.
- Future size and timing of additional GO bond election will be dependent on economic factors, however, a \$50 to \$60 million 5 year program may be possible in FY 2014-15 or FY 2015-16.

Future Bond Program Projects

53

- Next voter approved bond program is tentatively planned for FY 2014-15 or FY 2015-16.
 - This bond program timeline assumes no tax rate increase.
 - More immediate needs have been identified which may require a tax increase.
- Fire Station 4 requires a substantial building modification (\$150K) to store a new piece of apparatus.
 - Station 4 was built in 1965 and currently houses 3 to 4 firefighters with an engine.
 - Other significant building issues have been identified at stations 2 and 3.
- Fire stations in this era were not designed for both male and female firefighters.

Future Bond Program Projects

54

- Fire Station 2 is in poor condition and was built in 1972 to accommodate 3 firefighters.
 - Currently houses 5 to 6 firefighters with an engine and an ambulance.
- Fire Station 3 is also in poor condition and was built in 1971.
 - Currently houses 5 to 6 firefighters with an engine and an ambulance.
- As a result, an additional bond election may be recommended in 2013 to rebuild or relocate three fire stations.
- Following slides demonstrate some known issues.

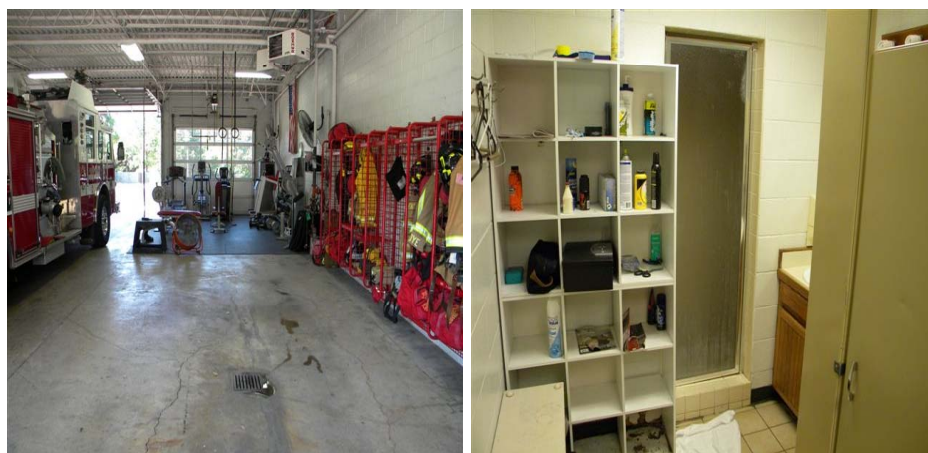
Station 2 Kitchen and Dorm Area

55



Station 2 Bunker Gear Storage, Workout Facility, and Bathroom

56



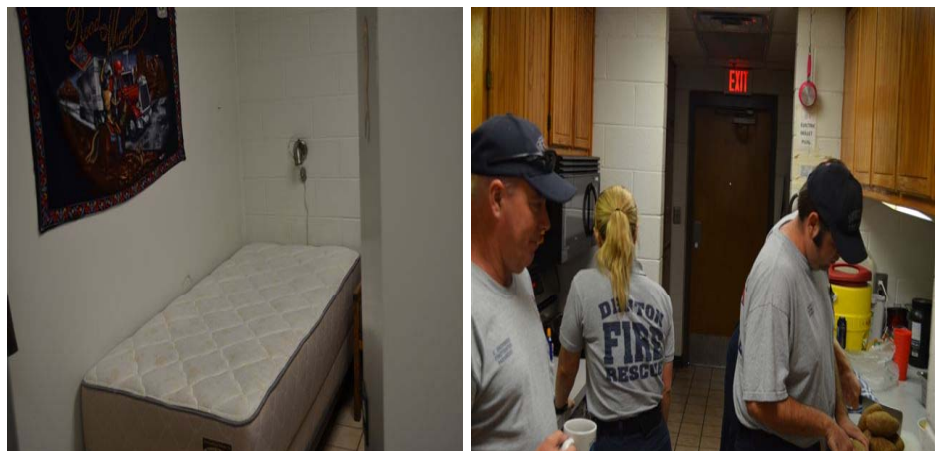
Station 3 Dorm Room Areas

57



Station 3 Dorm Room and Kitchen Areas

58



Station 4 Bathroom and Laundry Facilities

59



Station 4 Rendering of Remodel Required for New Apparatus

60



Station 7

Dorm Room and Kitchen Area

61



Fire Station Improvements

62

- Fire Station location study is currently underway.
 - Expect to receive results by end of summer or early fall.
- Based on outcome of study, stations may be recommended to be relocated.
 - If so, property will need to be acquired.
 - Unknown cost for property acquisition, design and construction of new station.
- If current locations are sufficient, stations can be replaced for approximately \$4.0 million each.
- As additional information is obtained, staff will brief the City Council and provide a recommendation on how to proceed.

63

Other Major Funds

- Electric Fund
- Water Fund
- Wastewater Fund
- Solid Waste Fund
- Health Insurance Fund
- Other Funds

Utility Funds

An Overview

64

- Public Utilities Board (PUB) recommended utility budgets to the City Council on June 25th.
- Major impacts on FY 2012-13 operating budget, CIP, and Five Year Financial Forecasts.
 - Replacement of a larger percentage of aging infrastructure with revenue.
 - Significantly larger 5 year CIP program than anticipated last fiscal year.
- Proposed budgets are subject to the following risks that may affect financial performance.
 - Inflation of Materials, Chemicals, and Fuel; Aging infrastructure; Water supply; Reserve targets; and Debt coverage ratios.

Utility Funds

An Overview (cont'd)

65

- The following strategies and objectives have been developed to strengthen the financial integrity of each utility.
 - ▣ Phase-in the replacement of aging infrastructure with current revenue funding and reduce reliance on debt financing.
 - ▣ Reach and maintain sufficient reserve fund.
 - Working Capital – 30 days of average expenses for each utility (8%).
 - Rate Stabilization – Water (60 days or 16%); Electric/Wastewater (45 Days or 12%); Solid Waste (15 Days or 4%).
 - ▣ Maintain Water and Wastewater impact fee reserve balances at \$1 million for each utility.
 - ▣ Maintain Water and Wastewater Development Plan Line reserve balances at \$1 million per City Council resolution R91-008.
 - ▣ Create a \$1 million drainage reserve in the Wastewater Fund.
 - ▣ Maintain debt coverage ratio of 1.25 or better for each utility.

Electric Fund

66

- No base rate increase for electric utility customers.
- Accelerated CIP program will have a significant impact on operations for the foreseeable future.
 - ▣ Discussed in more detail at a joint meeting with the City Council and Public Utilities Board in July.
- 11.5 new FTEs are recommended (\$1.2 million in additional cost).
 - ▣ 5.5 FTEs for operating programs.
 - ▣ 6.0 FTEs for Capital Improvement Program activities.
- Major FY 2012-13 CIP Projects include:
 - ▣ Transmission Lines - \$35.0 million
 - ▣ Transmission Substations - \$20.3 million
 - ▣ Feeder Extensions and Improvements - \$8.9 million
 - ▣ New Residential and Commercial Service - \$3.1 million
 - ▣ Automated Meter Reading - \$3.0 million.
- Five-year CIP debt issuance will approach \$190 million.
 - ▣ FY 2011-12 five-year CIP debt issuance was estimated at \$76 million.

Water Fund

67

- 3.0 FTE increase - 2 FTEs in Water Production and 1 FTE in Utility Administration.
- 9.5% rate increase for FY 2012-13 was originally contemplated.
- 8.0% rate increase is recommended by the PUB.
 - Represents approximately \$3.25 monthly increase to average residential customer.
- Major FY 2012-13 CIP Projects include:
 - North South Water Main Phase 2 - \$6.7 million
 - Robson Elevated Storage tank - \$5.5 million
 - Highway 380 Utility Relocate Phase 1 & 2 - \$4.9 million

Water Five Year Financial Forecast

68

	FY 11-12 Estimate	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Beg. Fund Balance	\$12.7	\$13.5	\$12.6	\$12.4	\$12.1	\$12.5
Revenues	\$38.6	\$43.0	\$43.8	\$47.5	\$49.7	\$52.2
Total Resources	\$51.3	\$56.5	\$56.4	\$59.9	\$61.8	\$64.7
Operating Exp.	\$37.8	\$43.0	\$43.8	\$47.5	\$49.3	\$51.7
Use of Reserves	\$0.0	\$0.9	\$0.2	\$0.3	\$0.0	\$0.0
Total Expenditures	\$37.8	\$43.9	\$44.0	\$47.8	\$49.3	\$51.7
Net Income(Loss)	\$0.8	(\$0.9)	(\$0.2)	(\$0.3)	\$0.4	\$0.5
W.C. Balance	\$3.0	\$3.5	\$3.5	\$3.8	\$4.0	\$4.1
R.S. Balance	<u>\$10.5</u>	<u>\$9.1</u>	<u>\$8.9</u>	<u>\$8.3</u>	<u>\$8.5</u>	<u>\$8.9</u>
Total Ending F.B.	\$13.5	\$12.6	\$12.4	\$12.1	\$12.5	\$13.0
W.C. % of Exp.	8.0%	8.0%	8.0%	8.0%	8.1%	8.0%
R.S. % of Expenses	27.7%	20.7%	20.2%	17.4%	17.2%	17.2%

Note: WC Balance Target is 30 Days – 8% of Expenses and RS Balance Target is 60 Days – 16% of Expenses.

Wastewater Fund

69

- 2.88 new FTEs (1 FTE in Water Reclamation, 1.5 FTEs in Industrial Pretreatment, and 0.38 FTEs in Watershed Protection).
- 12.0% rate increase for FY 2012-13 was originally contemplated.
- 9.0% rate increase is recommended by the PUB.
 - Represents approximately \$2.50 monthly increase to average residential customer.
- Major FY 2012-13 CIP Projects include:
 - Pecan Creek Interceptor II, III & IV - \$4.8 million
 - State School Interceptor II - \$2.3 million
 - Co-digestion at PCWRP - \$2.2 million
 - Highway 380 Utility Relocate Phase 1 & 2 - \$2.2 million

Wastewater Five Year Financial Forecast

70

	FY 11-12 Estimate	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Beg. Fund Balance	\$8.8	\$9.4	\$8.9	\$8.4	\$8.0	\$8.2
Revenues	\$25.0	\$27.8	\$29.8	\$32.1	\$34.5	\$35.4
Total Resources	\$33.8	\$37.2	\$38.7	\$40.5	\$42.5	\$43.6
Operating Exp.	\$24.4	\$27.8	\$29.8	\$32.1	\$34.3	\$34.9
Use of Reserves	\$0.0	\$0.5	\$0.5	\$0.4	\$0.0	\$0.0
Total Expenditures	\$24.4	\$28.3	\$30.3	\$32.5	\$34.3	\$34.9
Net Income(Loss)	\$0.6	(\$0.5)	(\$0.5)	(\$0.4)	\$0.2	\$0.5
W.C. Balance	\$2.0	\$2.3	\$2.4	\$2.6	\$2.8	\$2.8
R.S. Balance	\$6.4	\$5.6	\$5.0	\$4.4	\$4.4	\$4.9
Drainage Reserve	<u>\$1.0</u>	<u>\$1.0</u>	<u>\$1.0</u>	<u>\$1.0</u>	<u>\$1.0</u>	<u>\$1.0</u>
Total Ending F.B.	\$9.4	\$8.9	\$8.4	\$8.0	\$8.2	\$8.7
W.C. % of Exp.	8.2%	8.1%	8.0%	8.0%	8.2%	8.0%
R.S. % of Expenses	26.2%	19.8%	16.5%	13.5%	12.8%	14.0%

Note: WC Balance Target is 30 Days – 8% of Expenses and RS Balance Target is 45 Days – 12% of Expenses.

Solid Waste Fund

71

- Curbside recycling services brought in-house in FY 2012.
 - Net lower cost than private services.
- 5.0 new FTEs are proposed for FY 2012-13.
 - 2 FTEs for Curbside Recycling program
 - 1 FTE for Commercial and Multi-family Recycling Coordinator
 - 1 FTE for Household Chemical Collections
 - 0.5 FTEs (2 Temporary Positions) for Residential Yard Waste Collection
 - 0.5 FTEs (2 Temporary Positions) for Construction and Demolition Processing.
- Residential and Commercial rate increases are proposed for FY 2012-13.
 - Represents \$0.85 monthly increase on standard cart refuse container.
 - No recycling fee increases are proposed.
- Major FY 2012-13 CIP Projects include:
 - Landfill Facility Expansion and Capital Costs - \$4.4 million
 - Vehicles - \$1.8 million

Solid Waste Five Year Financial Forecast

72

	FY 11-12 Estimate	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Beg. Fund Balance	\$3.1	\$3.1	\$3.1	\$3.0	\$3.1	\$3.1
Revenues	\$22.8	\$25.1	\$26.4	\$27.7	\$28.6	\$29.7
Total Resources	\$25.9	\$28.2	\$29.5	\$30.7	\$31.7	\$32.8
Operating Exp.	\$22.8	\$25.1	\$26.4	\$27.6	\$28.6	\$29.7
Use of Reserves	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0
Total Expenditures	\$22.8	\$25.1	\$26.5	\$27.6	\$28.6	\$29.7
Net Income(Loss)	\$0.0	\$0.0	(\$0.1)	\$0.1	\$0.0	\$0.0
W.C. Balance	\$1.8	\$2.0	\$2.1	\$2.2	\$2.3	\$2.4
R.S. Balance	<u>\$1.3</u>	<u>\$1.1</u>	<u>\$0.9</u>	<u>\$0.9</u>	<u>\$0.8</u>	<u>\$0.7</u>
Total Ending F.B.	\$3.1	\$3.1	\$3.0	\$3.1	\$3.1	\$3.1
W.C. % of Exp.	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
R.S. % of Expenses	5.7%	4.4%	3.4%	3.3%	2.8%	2.4%

Note: WC Balance Target is 30 Days – 8% of Expenses and RS Balance Target is 15 Days – 4% of Expenses.

Overall Monthly Rate Impact

Average Residential Customers

73

	FY 2012	FY 2013	Increase	% Change
Electric ¹	\$119.86	\$123.76	\$3.90	3.3%
Water	\$42.35	\$45.60	\$3.25	7.7%
Wastewater	\$27.50	\$30.00	\$2.50	9.1%
SW-Standard Cart	\$19.25	\$20.10	\$0.85	4.4%
SW-Recycle	<u>\$5.15</u>	<u>\$5.15</u>	<u>\$0.00</u>	<u>0.0%</u>
Total	\$214.11	\$224.61	\$10.50	4.9%

¹ FY 2013 includes an average Energy Cost Adjustment (ECA) rate of \$0.037 and FY 2012 includes an average ECA rate of \$0.034. The base rate of \$0.0582 is the same for FY 2012 and FY 2013.

Health Insurance Fund

74

- \$1.4 million budget amendment needed in FY 2011-12 due to:
 - ▣ Discovery of previously undiagnosed conditions from clinic Health Risk Assessments (HRAs).
 - ▣ Significantly more claims over \$25K than in prior year.
 - ▣ Will discuss with Audit/Finance Committee on August 7th in greater detail.
- Currently evaluating employee/retiree rates and plan design.
 - ▣ Will provide additional details in the near future.
- 6% increase in City contributions included in FY 2012-13 Proposed Budget.

Parks Gas Well Fund

75

- In the Parks Gas Well Fund, \$800,000 in expenditures are proposed for the following:
 - ▣ \$500,000 for a property acquisition at North Lakes Park.
 - ▣ \$200,000 for construction at the golf driving range.
 - ▣ \$100,000 for adult soccer field construction.

Other Funds

76

- Hotel Occupancy Tax (HOT) Committee has provided recommendations for Tourism and Convention Fund (HOT Funds).
 - ▣ \$100K included for contingency purposes for potential expenses associated with planned convention center.
- Capital Improvement Program (CIP) budget and Grant funds budget also included.

77
Summary Information

- FTE Summary
- Budget Summary
- Next Steps

City of Denton FTE Summary

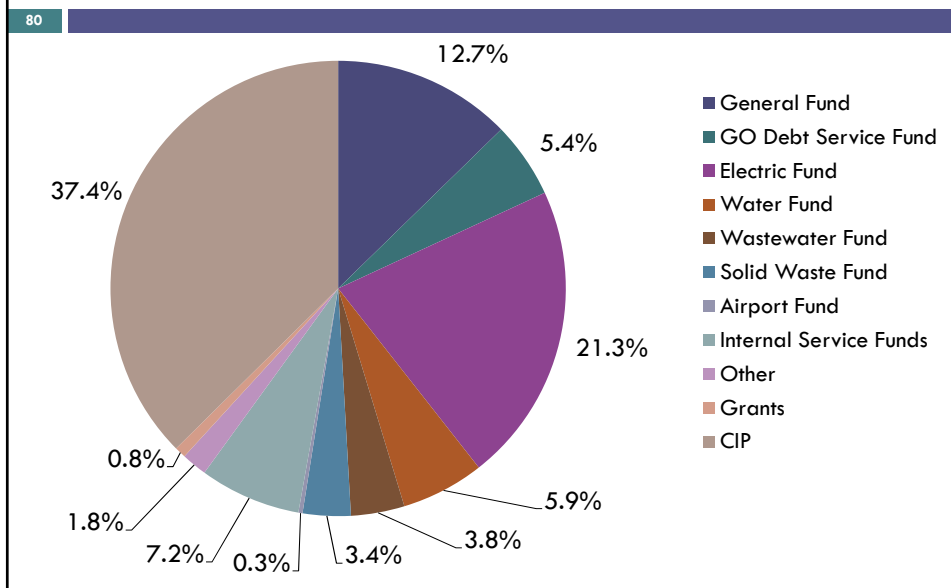
78

	FY 2012 Estimate	FY 2013 Proposed	Variance
General Fund	738.04	756.81	18.77
Electric Fund	131.50	143.00	11.50
Water Fund	158.00	161.00	3.00
Wastewater Fund	92.37	95.25	2.88
Solid Waste Fund	105.50	110.50	5.00
Airport Fund	5.50	6.50	1.00
Street Improv. Fund	27.00	30.00	3.00
Tech. Services Fund	27.00	29.00	2.00
Materials Mgmt. Fund	12.00	13.00	1.00
Fleet Mgmt. Fund	22.00	22.00	0.00
Risk Retention	6.00	6.00	0.00
Other	<u>29.27</u>	<u>29.27</u>	<u>0.00</u>
Total All Funds	1,354.18	1,402.33	48.15

Total Expenditure Budget by Fund (in millions)

	FY 2012 Budget	FY 2013 Proposed	Variance
General Fund	\$88.5	\$94.3	\$5.8
General Debt Fund	\$39.1	\$39.9	\$0.8
Electric Fund	\$140.4	\$159.0	\$18.6
Water Fund	\$38.7	\$43.9	\$5.2
Wastewater Fund	\$24.8	\$28.2	\$3.4
Solid Waste Fund	\$22.9	\$25.1	\$2.2
Airport Fund	\$1.7	\$2.5	\$0.8
Internal Service Funds	\$48.7	\$53.8	\$5.1
Street Improvement Fund	\$6.1	\$7.2	\$1.1
Other Funds	\$6.3	\$5.9	(\$0.4)
Total Operating Funds	\$417.2	\$459.8	\$42.6
Grants Fund	\$7.1	\$6.3	(\$0.8)
Capital Improv. Program (CIP)	<u>\$162.7</u>	<u>\$278.9</u>	<u>\$116.2</u>
Total All Funds	\$587.0	\$745.0	\$158.0

FY 2012-13 Proposed Budget by Fund \$745.0 million for all funds



Next Steps

81

- August 5th – Effective and Rollback Rates published.
- August 7th – Budget Work Session/Vote to consider tax increase.
- August 14th – Budget Work Session.
- August 21st – Budget Work Session/1st Tax Rate/Budget Public Hearings.
- August 28th – Budget Work Session/2nd Tax Rate Public Hearing.
- September 11th – City Council adopts tax rate and approves Annual Program of Services.