

Memorandum



CITY OF DALLAS

Date February 1, 2013

To The Honorable Mayor and Members of the City Council

Subject Budget Workshop #1: FY 2013-14 Preliminary Outlook

The FY 2013-14 Preliminary Outlook briefing is attached for your review and will be presented at your February 6th meeting. The revenue and expenditure changes included in the briefing are preliminary estimates to illustrate potential impact on next year's budget. Revenue and expenditure estimates will be updated as more data becomes available over the coming months. Additional briefings on the FY 2013-14 budget will be presented on May 15th and June 19th. A balanced budget recommendation will be presented on August 13th for the fiscal year beginning on October 1, 2013 and ending on September 30, 2014.

Please let me know if I can provide additional information.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield,
Chief Financial Officer

c: Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Rosa Rios, City Secretary
Daniel Solis, Administrative Judge, Municipal Court
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jack Ireland, Director, Office of Financial Services

Budget Workshop #1: FY 2013-14 Preliminary Outlook

City Council Briefing – February 6, 2013





Purpose

- Review schedule for development of the FY 2013-14 budget
- Provide a preliminary outlook of the general fund budget for FY 2013-14

Budget Schedule

- Budget being developed is for FY 2013-14 and covers period from Oct 1, 2013 through Sep 30, 2014
- Budget development is a year-round process and key dates for FY 2013-14 development include:

Feb 6	Budget Workshop #1: (A) preliminary outlook of general fund and (B) City Council confirm objectives and strategies for six Key Focus Areas (KFA)
Feb 22	Departments submit bids to the City Manager's Office, Office of Financial Services and KFA Teams for funding consideration to meet Council objectives and strategies
Mar 22	"Price" (available funding) is allocated to each KFA
Mar 11 - Apr 12	KFA Teams evaluate and prioritize bids/offers submitted by departments based on Council confirmed objectives and strategies; and "draw the line" when money allocated to KFA Team runs out
Mar 27	Public Hearing

Budget Schedule

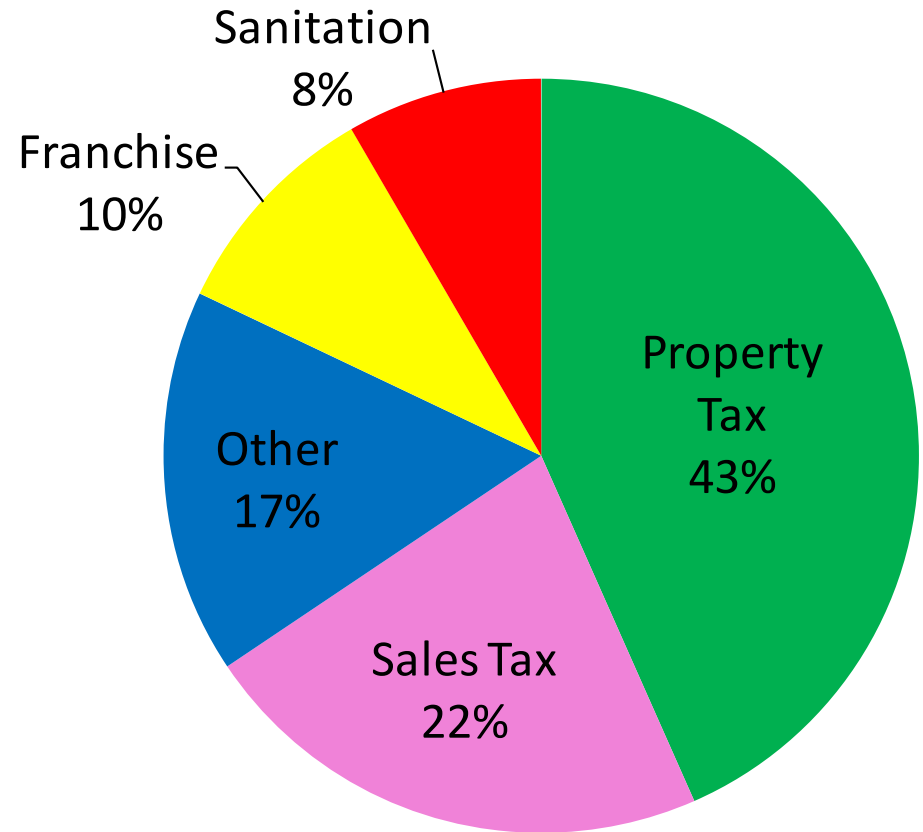
Apr 15 – May 10	City Manager's Office reviews and refines rankings established by KFA Teams
May 15	Budget Workshop #2: Preliminary rankings
May 16	Preliminary tax roll
May 22	Public Hearing
Jun 19	Budget Workshop #3: Rankings and budget review
Jul 25	Certified tax roll
Aug 13	Budget Workshop #4: City Manager's recommended budget
Aug 13	Begin town hall meetings
Aug 21	Budget Workshop #5: Topics TBD
Aug 27	Budget Workshop #6: Topics TBD
Aug 28	Public Hearing
Aug 30	End town hall meetings
Sep 4	Adopt Budget at First Reading
Sep 10	Budget Workshop #7: Council Amendments
Sep 18	Adopt Budget at Second Reading

Preliminary Outlook

- Forecasts are preliminary and will change before the FY 2013-14 budget is recommended on Aug 13th
 - Forecasts are being made 20 months into the future (through end of FY 2013-14 on Sep 30, 2014) with limited new information
- Updated outlook for FY 2013-14 will be provided on May 15th at Budget Workshop

Preliminary Outlook – Revenue

- Of the hundreds of revenues that make up the general fund, 83% are accounted for with Property Tax, Sales Tax, Franchise, and Sanitation

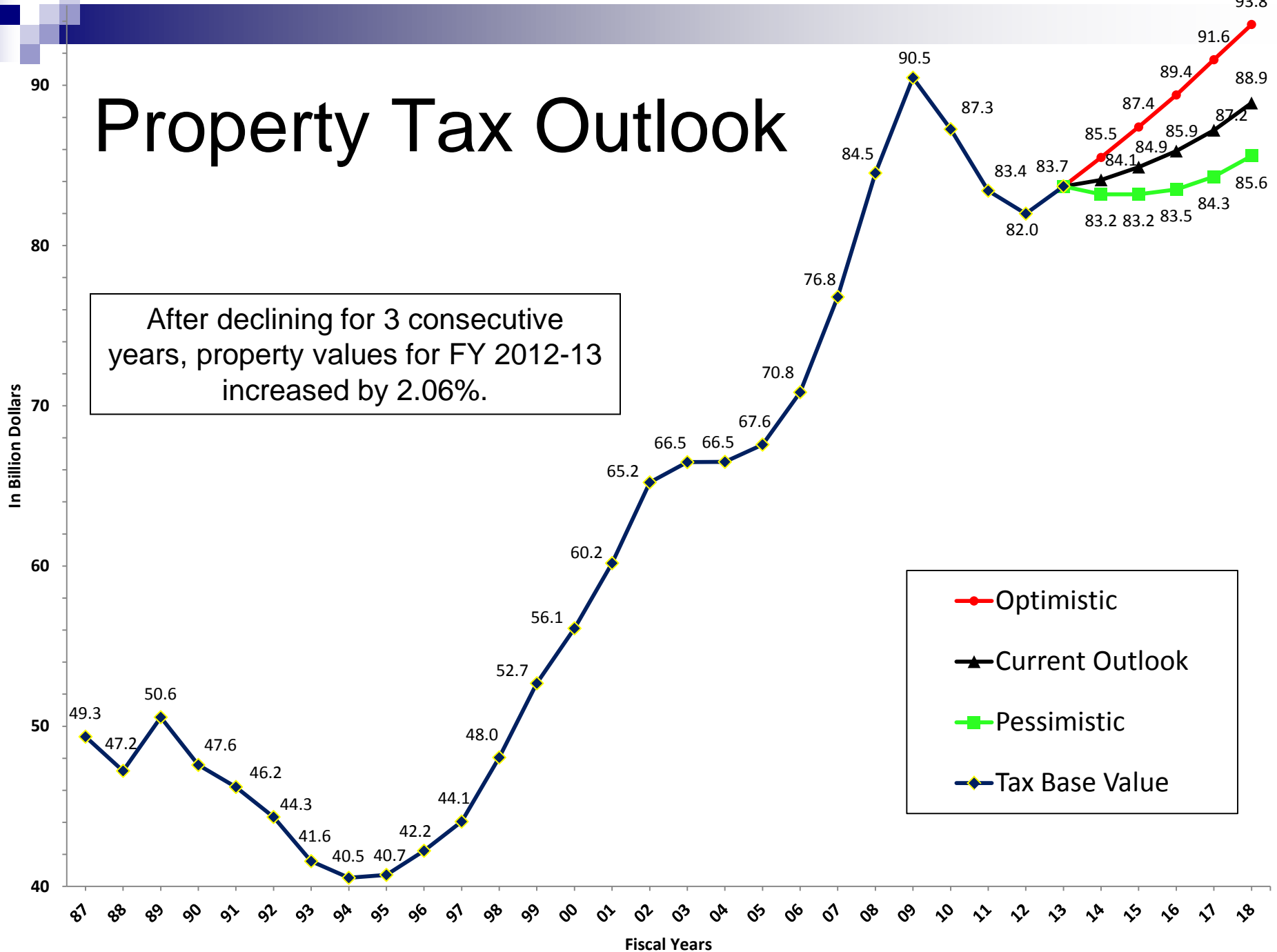


Preliminary Outlook – Revenue

- Property Tax – consists of values certified by the four appraisal districts and the tax rate set by the City Council
 - After three years of declining values, FY 2012-13 (current year) experienced 2.06% growth
 - Appraisal districts will release preliminary values in mid-May and certified values on July 25th
 - Preliminary analysis indicates that growth may occur in the values for FY 2013-14
 - Optimistic outlook +2.1% or equal to about \$9.5m more revenue
 - Current outlook +0.5% or equal to about \$2.4m more revenue
 - Pessimistic outlook -0.5% or equal to about \$2.3m less revenue

Property Tax Outlook

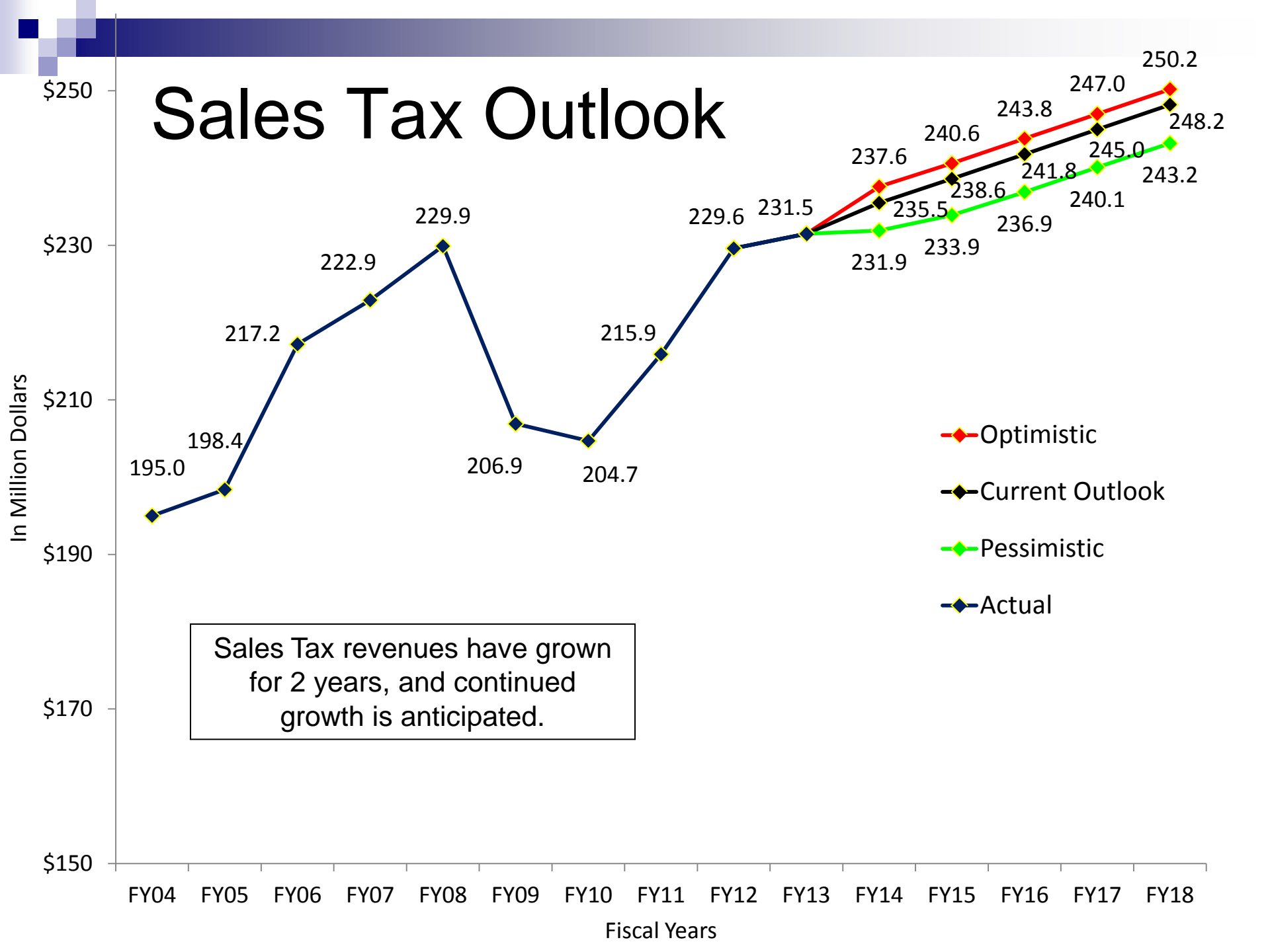
After declining for 3 consecutive years, property values for FY 2012-13 increased by 2.06%.



Preliminary Outlook – Revenue

- Sales Tax – consists of 6.25% retained by the State, 1% allocated to DART, and 1% allocated to the City
 - City's actual sales tax revenues peaked in FY 2007-08 followed by two years of decline in both FY 2008-09 and FY 2009-10
 - Since March 2010, City has had 33 consecutive months of growth in current period sales tax collections
 - FY 2012-13 (current year) budget is 1% higher than FY 2011-12 actual revenue
 - Actual receipts for FY 2012-13 are 2.4% better than budget after two months of collections
 - Preliminary analysis indicates that growth may occur in FY 2013-14
 - Optimistic outlook +2.7% or equal to about \$6.1m more revenue
 - Current outlook +1.8% or equal to about \$4.1m more revenue
 - Pessimistic outlook +0.2% or equal to about \$0.5m more revenue

Sales Tax Outlook



Preliminary Outlook – Revenue

- Franchise Fees – consists of City issued franchises for electric and gas, State issued franchises for cable TV, and statutory access line fees from telecommunications providers
 - FY 2012-13 budget - \$99.6m
 - Franchise and Access Line Fees are considered rental value for the use of public rights-of-way
 - Both State and Federal legislation impacts the City's authority over franchising within the City and control of the City's rights-of-way which could result in loss of City's franchise revenues
 - While concern over the future of these revenues exist, there is no specific information with negative impact for FY 2013-14

Preliminary Outlook – Revenue

- Sanitation revenues – consist primarily of fees for residential garbage and recycling service and landfill tipping fees
 - FY 2012-13 budget - \$87.1m
 - Residential collection revenues are based on \$20.25 per month per account
 - Landfill revenues are based on \$21.50 per ton of waste
 - Further analysis of the sanitation revenues will continue as the FY 2013-14 budget is developed

Preliminary Outlook – Revenue

- Other revenues – consists of license and permits, fines, charges for services, transfers, etc.
 - Examples of “other” revenues include municipal court, ambulance, parks, code, towing, parking, etc.
 - All other revenues will continue to be analyzed over the coming months as the FY 2013-14 budget is developed

Preliminary Outlook – Revenue

- Using the “current outlook” scenario discussed, preliminary indication is that revenues for FY 2013-14 will be about \$5.7m less than revenues for FY 2012-13

Preliminary Revenue Adjustments	In Million Dollars
Property Tax based on current outlook with 0.5% growth	+\$2.4m
Sales Tax based on current outlook with 1.8% growth	+\$4.1m
Franchise revenue	No change at this point
Sanitation revenue	No change at this point
Other revenue changes (+/-)	-\$12.2m
Total Preliminary Revenue Adjustments	-\$5.7m

Preliminary Outlook – On-Going Obligations

- FY 2013-14 budget development focuses on no reductions to service levels and meeting on-going obligations

On-Going Obligations for FY 2013-14	In Million Dollars
O&M cost for capital projects placed in-service	+\$0.9m
Election expense required in FY 2012-13, not required in FY 2013-14	-\$1.0m
Commercial paper interest expense and master lease program	+\$4.5m
Spend-down of CIS excess fund balance was utilized in FY 2012-13	+\$4.7m
Reimbursements and/or alternative funding sources were utilized in FY 2012-13 that are not available in FY 2013-14, such as capital funds for zoo commitment, capital interest earnings, etc.	+\$2.4m
Police and fire meet and confer agreement ends 9/30/13 – a new agreement will be considered for FY 2013-14 (Note: Most highly desired compensation adjustment is restoration of Step Pay increases which is about 5% per year until topped out in each rank. Full-year cost for year one is approximately \$15.1m.)	TBD

Preliminary Outlook – On-Going Obligations

On-Going Obligations for FY 2013-14	In Million Dollars
Meet and Confer agreement increased Education Pay for police and fire uniform personnel during FY 2012-13; and full-year funding is required in FY 2013-14	+\$6.0m
Public Safety adjustments such as replacement of squad cars and full-year funding for services previously funded by grants including COPS officers and Internet Crimes Against Children	+\$7.6m
Total compensation study recommended adjustments to address competitive hiring for certain positions (i.e. mechanics, electricians, plumbers, environmental, IT, etc.). FY 2013-14 includes the second of three year phase-in of the recommendations.	+\$2.0m
Employee Health Benefit costs are trending upward with 5% increase anticipated	+\$4.3m
Total of On-Going Obligations	+\$31.4m

- Preliminary indication is that on-going obligations for FY 2013-14 will be \$31.4m more than in the current year

Preliminary Outlook – Summary

Adjustments for FY 2013-14	In Million Dollars
Revenue adjustments – decreased revenue from slide 14	-\$5.7m
On-Going obligations – increased obligations from slide 16	+\$31.4m
Differential/Gap	\$37.1m

- Preliminary outlook for FY 2013-14 indicates a differential or gap between revenues and on-going obligations of \$37.1m

Service Restoration Considerations

- Significant reductions in services to citizens have occurred over recent years as a result of budget constraints
 - Examples of reductions include: library hours, library materials, recreation center hours, park land maintenance, cultural programming, street maintenance, code compliance, building maintenance, etc.
- General Fund total expenditures have decreased by over \$40m or 3.9% from FY 2008-09 through FY 2011-12
 - Non-public safety expenditures decreased by 8.4%
- Civilian employees providing services to citizens of Dallas have decreased by over 1600 or 19.4% from FY 2008-09 through FY 2011-12



Service Restoration Considerations

- As the economy gradually returns, a multi-year phased and logical approach to restore service levels is needed
 - All service levels will not necessarily be restored
 - The ability to return service levels will depend upon the timing and strength of the economic recovery
- The following slides indicate examples of service restorations for consideration as part of the FY 2013-14 budget development process

Service Restoration Considerations

Examples of Service Restoration Considerations for FY 2013-14

Increase funding in Public Safety such as (1) use of technology to fight crime in Hot Spot areas (TAAG), (2) implement Summer Initiative, (3) enhance 911 training, etc.

Begin to catch-up training of paramedics and purchase equipment within Fire-Rescue

Begin to restore traffic safety programs by addressing aging system, such as traffic signal replacement, traffic signal upgrades, intelligent transportation system, etc.

Continue to address satisfactory rating of street condition through enhanced programs such as slurry seal, micro surfacing, partial reconstruction, etc.

Continue to restore code compliance services with the addition of positions including sanitarians, environmental specialists, and veterinary staff

Continue to improve economic development and development services such as adding positions for development initiatives, historic preservation, authorized hearings and strategic land use

Service Restoration Considerations

Examples of Service Restoration Considerations for FY 2013-14

Begin to restore evening hours of operation in the library system and continue restoring materials funding

Begin to restore reductions made in cultural services such as cultural facilities staffing, funding for cultural contracts, community artist program, public art maintenance, etc.

Begin to restore and enhance park and recreation services such as after-school programming, hours at recreation centers, mowing, maintenance, marketing, etc.

Begin to restore reductions previously made in building operations and custodial

Improve condition of City facilities through major maintenance program to address deferred maintenance

Begin to restore positions reduced in City Attorney's Office, City Auditor's Office, City Secretary's Office and Civil Service

Service Restoration Considerations

Examples of Service Restoration Considerations for FY 2013-14

Continued reinstatement of compensation programs such as civilian merit, language pay, and education pay

Relocate equipment and demolish existing radio tower at Fair Park

Restore and enhance communications and information technology such as improvements in help desk contract, Microsoft enterprise license agreement, replacement/refresh of software and hardware

Preliminary Outlook – Summary

- Outlook for FY 2013-14 indicates a differential between revenues and on-going obligations of \$37.1m
 - Consideration of additional service restorations (about \$65m) would be desirable
- Revenue and expense forecasts will change as more information becomes available
- Update briefings will be provided May 15th and June 19th
- Differential or gap will be eliminated by Aug 13th when City Manager recommends a balanced budget
- Council feedback and confirmation of Key Focus Area objectives and strategies will be used in the budget development and balancing FY 2013-14