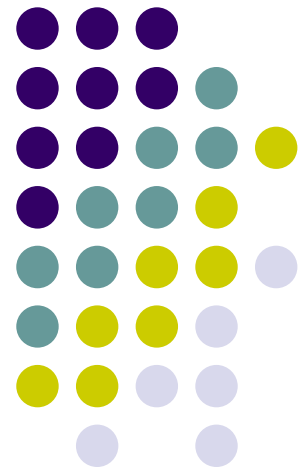


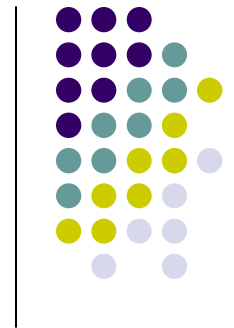
City of Dallas Budgeting for Outcomes:

FY 2008-09 Annual Budget

*Recommended by
Mary K. Suhm, City Manager*

*Presented to the Dallas City Council
August 11, 2008*



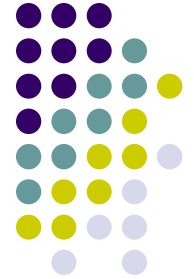


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Overview:

- Review Status of Budgeting For Outcomes
- Review Price of Government (POG) in Dallas
- Recommended FY 2008-09 Budget
- Major Expense and Revenue Drivers
- FY2008-09 Revenues
- Highlights by Key Focus Area
- Fee Based Services: Overview of Other Funds
- State Law Taxation Requirements
- Property Tax Exemptions
- Health Benefits
- FY2009-10 Outlook
- City Auditor's Opinion and Revenue Review
- 2008 Calendar: August and September
- Council Feedback



Status of Budgeting for Outcomes



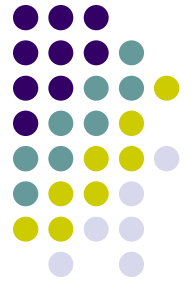
Where are we in the Process?

- ✓ City Council Established Citywide Objectives
- ✓ Council Set Strategic Direction for FY 2008-09
- ✓ Created “Requests for Results”
- ✓ Invited Departments to Make Offers
- ✓ Council Set Preliminary “Price” of Dallas Government
- ✓ Allocate “Price” to Each Key Focus Area
- ✓ Evaluate & Prioritize Offers in Each Key Focus Area
- ✓ Buy Down the List of Offers Until the Money Runs Out (“draw the line”)
- ✓ Build Final Budget to Present to Council



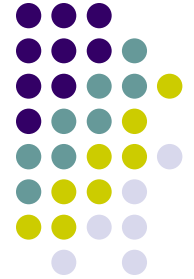
Review Price of Government in Dallas

Price of Government in Dallas

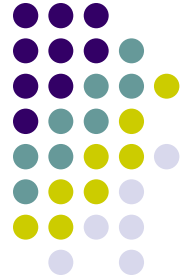


- FY 2007-08 Price of Government \$1,875,304,236
- FY2008-09 Price of Government \$1,967,000,000
(Set in February's Budget Workshop #3)
- FY 2008-09 Price of Government \$1,974,068,500

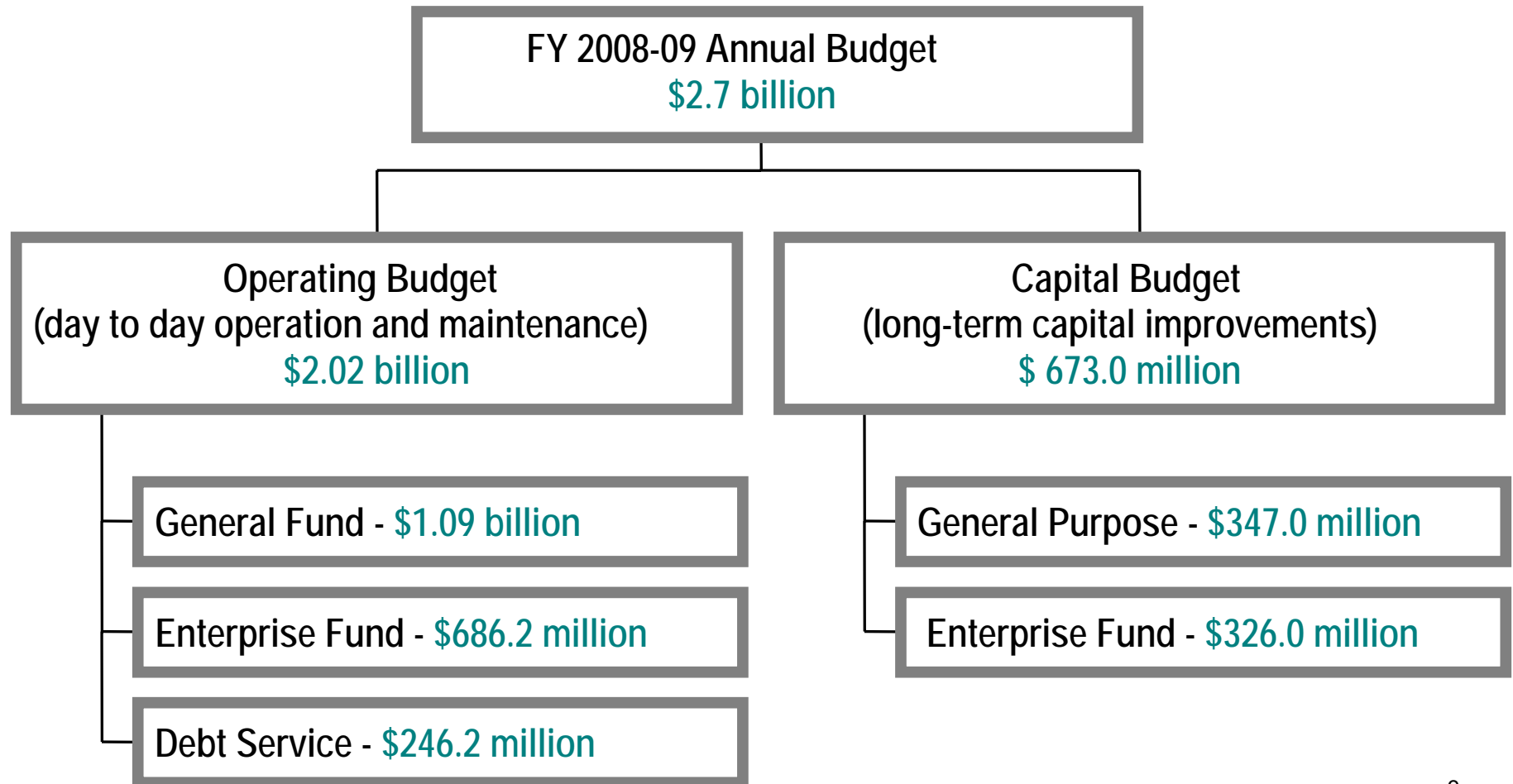
Note: POG does not include Capital Funds or Internal Services Funds



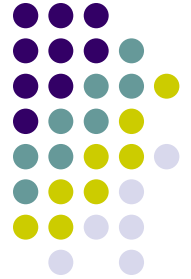
Recommended FY2008-09 Budget



FY 2008-09 Recommended Budget



Recommended Budget - By Key Focus Area



FY 2008-09 Annual Budget
\$ 2.7 billion

Operating Budget
\$ 2.02 billion

Capital Budget
\$ 673 million

Public Safety \$672.8m

Public Safety \$26.2m

Economic Vibrancy \$582.1m

Economic Vibrancy \$80.7m

Clean, Health Environment \$229.9m

Clean, Health Environment \$333.3m

Culture, Arts & Recreation \$87.9m

Culture, Arts & Recreation \$119.8m

Education \$31.2m

Education \$16.0m

E3 Government \$174.4m

E3 Government \$97.1m

Debt Service \$246.2m



Major Expense & Revenue Drivers



Major Expense Drivers

- Public Safety Enhancements
 - Additional 200 police officers
 - Compensation packages
 - Fire Efficiency (Berkshire) study recommendations
- Debt Service for authorized bond program
- Water and Wastewater operations
- Fuel and Electricity Cost Increases
- Health Benefits cost for employees and retirees
- Code Compliance enhancements – staffing and equipment



Major Revenue Drivers

- No tax rate increase
 - 7.04% Tax Base Growth
- 1.75% Sales Tax Revenue Projected Increase
- Sanitation fee increase of \$1.45 per month
- Landfill rate increase of \$2 per ton (from \$19 to \$21)
- FY2007-08 General Fund Ending Balance (\$13.5m)
- Water / Wastewater overall retail rate increase of 6.3%
- Storm Water Drainage Fee Realignment



FY2008-09 Revenues



FY2008-09 Revenues

- Proposed budget includes revenue from new sources and increases to existing fees
- Thorough review of possible revenue enhancements was conducted and viable options are included in the proposed budget
- Fee adjustments are also proposed to maintain full cost recovery or achieve market rates



FY2008-09 Revenues (cont'd)

New Revenue Sources

The following new revenue sources are recommended and included in the FY08-09 Proposed Budget

- Non-resident accident response fee - \$1.1m
- Bus shelter advertising* – revenue sharing agreement with DART - \$1.5m (City's share)
- Recover General Fund indirect costs from grants (where applicable) - \$500k
- City vehicle advertising* - \$250k
- Library Bestseller Reservation Fee - \$250k
- Municipal Court fines – debit / credit card user fee - \$70k
- Utilities Audit* - past 3 years utilities' expenses - electricity, gas and telephones - \$2m (General Fund)
- Beverage service - current contract expires September 2009 – assume new contract award of \$2m

*Procurement process underway



FY2008-09 Revenues (cont'd)

Fee Adjustments

The following fee increases are recommended:

- **Ambulance transport fees and mileage - \$1.7m**
 - Increases base charge from \$600 to \$800
- **Zoo admission fees – \$144k**
 - \$1 per ticket increase
- **Athletic Field Reservation fee - \$100k**
 - 50% increase in fees

FY2008-09 Revenues (cont'd)



- **Arts District Garage - \$64k**
 - Increase event parking fee from \$5 to \$10
 - Increase monthly parking fee from \$45 to \$50
- **Storm Water Drainage - \$4m**
 - Aligns the fees to where the costs occur
 - Over 75% of residential accounts will not have an increase



Highlights of services in each Key Focus Area

FY2008-09 Service Priorities



- **Service funding priority includes**
 - Public Safety
 - Code Enforcement
 - Curb Appeal
 - Increased utilities (fuel, electricity) and employee/retiree health benefits cost
 - Continue funding for civilian employees pay for performance merits



In Public Safety, we are buying:

- **Current services including**
 - Emergency call response by Police Field Patrol
 - Crime Investigations – property, vice, narcotics, youth and family, and crimes against persons
 - Police property room and auto pound operations
 - EMS and Fire-Rescue emergency response
 - Fire Prevention Inspections
 - Arson Investigations
 - Municipal Courts and Judiciary



Public Safety (cont.):

Enhancements include:

- 200 Additional Police Officers
 - Plus anticipated attrition of 193 – for a total of 393 new hires
- 3rd year implementation of an enhanced Police and Fire-Rescue Compensation Package
 - To recruit and retain public safety personnel
- Police Property Room improvements
- Funding for the purchase of the equipment necessary to handle the increased demands on the Computer Aided Dispatch (CAD) system
- Operating and maintenance costs for expanded Fire Station #10 and new Fire Station #50
- Transfer of 9-1-1 call taking operation from DFR to DPD



Public Safety (cont.):

- DFR Enhancements from Efficiency Study include the
 - 1 Battalion to decrease response time of command and control oversight at major incidents
 - 9 new fire inspectors for coverage of haz-mat sites, high rise buildings, schools and multi-family dwellings
 - Enhance the Arson Awareness program, focusing on youth
 - Addition of 4 EMS field supervisors and 1 quality assurance officer to decrease the span of control of oversight of paramedics and improve patient care
 - Additional haz-mat satellite station to respond to hazardous spills and incidents



Public Safety (cont.):

- Reductions:
 - Court Services' deep nights shift at Lew Sterrett (\$236k)
 - Reduce the use of associate judges for the docket at Lew Sterrett (\$181k)

In Economic Vibrancy, we are buying:



- Double, to \$6m, funding for Public/Private Partnership from Dallas Water Utilities Payment in Lieu of Taxes (PILOT)
- Issue \$2m in certificates of obligation to enhance Housing funding included in the 2006 Bond Program Proposition 8
- Fair Park Operations and Maintenance – funding added for Texas Southern University vs Arkansas Pinebluff football game
- Small Business and Downtown Initiatives
- International Business Development includes funding for a position to focus on Africa
- Inland Port Development
- Urban Land Bank



Economic Vibrancy (cont'd)

- \$79.6m continued investment in Streets 2010 Program
 - Funding added in FY2007-08 to improve overall streets condition from 85% to 87% satisfactory by late 2010 has been eliminated (\$4.2m)

Reductions:

- Proactive traffic sign maintenance (\$706k)
- Surety Support funding is reduced (\$50k)

In Clean, Healthy Environment, we are buying



- **Code Compliance Enhancements include**
 - Nuisance Abatement
 - 30 new Code Officers
 - Additional Mow Clean funding
 - Equipment and vehicle purchases
 - Animal Services
 - 10 new Animal Control Officers
 - 10 new Animal Keepers
 - Equipment and vehicle purchases
- **Downtown Vacant Building Registration Program**



Clean, Healthy Environment (cont'd)

- **Pride in Your Neighborhood Program**
 - Expand the Partnership with Keep Dallas Beautiful to six additional neighborhood associations to establish a program to beautify and maintain the neighborhood's aesthetics
- **Expand Once-a-Week Garbage and Recycling Collection**
 - Begin implementing Phase 2
- **Multi-Family Recycling**
 - Funding for start-up of program to facilitate private sector participation in recycling
- **Community Centers, Programs, Marketing and Events**



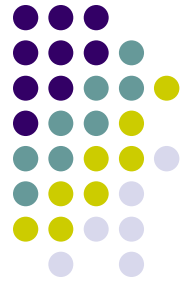
Clean, Healthy Environment (cont'd)

- **Expand Community Prosecution Program**
 - Ferguson Road/White Rock Community Prosecutor will be funded with grant funds
 - In FY2008-09 there will be a total of 14 community prosecutors

Reductions:

- Utility Pay Stations will be eliminated
- Project Reconnect/Offender Re-entry Program
 - General Fund contribution eliminated (\$265k)
 - Grant funding remains

In Culture, Arts & Recreation we are buying



- Recreation Centers – no reductions in hours
- Aquatic Services – all pools open
- Youth Programs
- City Cultural Facilities includes funding for
 - Support of the Dallas Center for the Performing Arts
 - Additional utilities and maintenance costs for the King Tut exhibit at the DMA
- Library Multicultural Services – Bookmobile schedule maintained

Reductions:

- Zoo closed 1 day/week (\$342k)
- Neighborhood Touring Program Reduced (\$191k)
- Cultural Service Contracts Reduced (\$421k)
- Library Multicultural Services – Materials Reduced (\$235k)



In Education we are buying

- Central and Branch Libraries – no reductions in hours
- Thriving Minds (previously Dallas Arts Learning Initiative)
 - Program coordinates and leverages high quality arts learning experiences for Dallas’ children and families at schools and in neighborhoods
 - Program will expand from 3 to 6 neighborhoods
- Childcare Contract – provides assistance to homeless individuals

Reduction:

- Library request/delivery service reduced (\$141k)

In E³ Government, we are buying



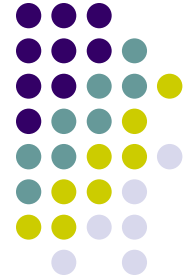
- Mayor & Council Office Administrative Support includes funding for the June 2009 City Council inauguration
- City Administration
- City Attorney's Office General Counsel
- City Auditor's Office
- City Secretary's Office
- City Facility Operation, Maintenance, and Repairs – includes funding to test and maintain the Uninterruptible Power Supply (UPS) and generators at City Hall
- Energy Procurement, Monitoring & Conservation – will implement energy conservation improvements to yield energy savings



E³ Government (cont'd)

Reductions:

- 3-1-1 deep nights shift reduced to non-public safety emergencies (such as water main breaks) (\$102k)
- Public information publications reduced (\$140k)
- City University – employee training reduced (\$205k)
- Strategic Customer Service – reduced funding for customer service initiatives (\$41k)
- iMedia Contract reduced – (\$104K)



Fee Based Services: Brief Overview of Other Funds



Sanitation Service

Expense / Revenue Assumptions:

- Maintain full-cost recovery for services provided
 - FY 2008-09 Proposed Budget of \$79.1M
 - Cost to maintain current services increases residential rate by \$1.45
- \$2 per ton landfill rate increase (to \$21)

Sanitation Service



Current Fee - FY07-08		\$19.53
Cost to maintain service		\$1.45
- Recycling Revenue (sale of recyclables)	(\$0.32)	
- Once Weekly Service	(\$0.20)	
- Reallocation Landfill Costs & Overhead adjs	(\$0.17)	
- Day Labor decreases (minimum wage)	(\$0.07)	
- Capital Construction Transfer (landfill waste cell)	(\$0.05)	
- City Labor Cost (pension, benefits, worker's comp)	\$0.70	
- Worker's Compensation & Insurance Costs	\$0.16	
- Fuel Costs (based on \$4.56 gallon)	\$0.86	
- Equipment (maintenance, replacements, rental, debt)	\$0.47	
- Debt service for Pay 1 Software	\$0.13	
- IT Support Services	\$0.09	
- Landfill Biotechnology Cell Maintenance	\$0.05	
- ALL Other Exp to maintain svc	(\$0.19)	
FY 08-09 Proposed Sanitation Fee		\$20.98
<i>San Fee Impact</i>		<i>\$1.45</i>



Dallas Water Utilities

- The City Manager's Recommended Budget for FY2008-09 includes
 - Operating Budget of \$511.2M
 - Capital Budget of \$320.0M
 - Includes expansion of commercial paper program
- Proposed budget requires the following revenue increases:
 - Overall retail revenues increase by 6.3%
 - Residential revenues would increase by 5.9%
 - Commercial revenues would increase by 7.4%
 - Industrial revenues would increase by 7.2%
 - Wholesale revenues increase by 9.2%



Dallas Water Utilities (cont'd)

- Overall 6.3% retail revenue increase is composed of the following:
 - Labor & Materials - 2.3%
 - Power, Fuel & Chemicals - 1.2%
 - Increase Payment in Lieu of Taxes (PILOT) in support of economic development - 0.8%
 - Enhancements to continue focus on maintaining infrastructure and conserving resources - 0.6%
 - Debt cost and cash transfer to construction costs to fund capital program for water supply and infrastructure replacement/maintenance - 0.4%
 - Conservation/Usage Trends - 1.0%



Dallas Water Utilities (cont'd)

- Proposed budget continues the focus on maintaining infrastructure and conserving resources with:
 - Enhanced programs for water and wastewater pipeline systems maintenance to:
 - Pro-actively detect water system leaks
 - Further reduce the incidence of wastewater overflows
 - Provide technology improvements to improve overall system management
 - Increase funds for water saving rebate and incentive programs for both residential and commercial customers.
- Expansion of the current commercial paper program from an authorization of \$300M to \$600M
 - Eliminates the need for a revenue bond sale for FY2008-09
 - Allows reduction in originally proposed retail revenue increase of approximately 2.5%



Dallas Water Utilities (cont'd)

- Continue commitment to provide high quality and sufficient water and wastewater service to meet customer needs
- Continue Water Conservation Program to reduce per capita water consumption
- Future outlook on rates
 - Retail rate increase projection for FY 2010 5.5%
 - FY 2011 3.9%

Dallas Water Utilities (cont'd)



Proposed Rate Adjustment Impact to Residential Water and Sewer Bills

Customer Usage in Range	Average Bill at Current Rates	Proposed Increase	% Increase	Number of Customers Impacted	% of Customers in Range
0 to 4,000 gallons	\$15.93	\$0.53 ^a	3.3%	61,659	24.4%
4,001 to 10,000 gallons	\$41.10	\$2.21 ^b	5.4%	96,791	38.3%
10,001 to 15,000 gallons	\$55.66	\$3.52 ^c	6.3%	36,764	14.5%
Above 15,000 gallons (Includes conservation tier rate)	\$132.49	\$11.93 ^d	9.0%	<u>57,655</u>	<u>22.8%</u>
Total				252,869	100.0%

Data based on January 2006 through December 2006 usage

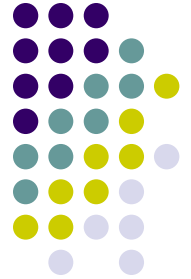
^a Average water and sewer use: 1,575 gallons

^b Average water and sewer use: 5,851 gallons

^c Average water use 10,813 gallons and sewer use: 6,200 gallons

^d Average water use 28,719 gallons and sewer use: 6,200 gallons

The FY09 overall revenue requirement is 6.3% increase; however, the residential water and wastewater rates are projected to increase 5.9% based on the cost of service study. 77% of residential customers will see an average monthly bill increase of \$3.52 or less



State Law Taxation Requirements

State Law Taxation Requirements



- Requires public notice of tax rate calculations
- Allows taxpayers to roll back or limit tax increase in certain cases

State Law Taxation Requirements



Effective Rate = 71.88¢ (Preliminary)

- Generates same amount of revenue in new fiscal year on taxable property that was taxed in previous fiscal year
 - New construction not included in calculation

Rollback rate = 76.18¢ (Preliminary)

- Allows for general fund portion of Effective rate plus 8%
- Allows debt service portion necessary to cover debt service costs
- If a rate above 76.18¢ is adopted voters may petition for an election to reduce the rate to the Rollback rate



State Law Taxation Requirements

- The Notice and Hearing Rate is the lower of either the Effective rate or the Rollback rate
- Two Tax Rate Public Hearings are required if the Notice and Hearing Rate will be exceeded
- Tax rate adoption ordinance must state the increased operations and maintenance tax on a \$100,000 home if adopted rate is higher than Effective rate
- Following budget adoption and tax rate levy, the Council must ratify any property tax increase with a separate vote

State Law Taxation Requirements



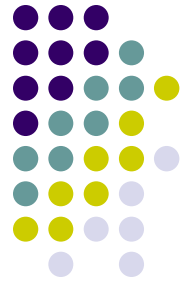
- Requirements if Notice and Hearing Rate is to be exceeded
 - Vote to consider a specific tax rate higher than the Notice and Hearing Rate
 - Schedule and publish date/time for two public hearings
 - Hold two tax rate public hearings
 - Schedule and publish date/time of meeting to adopt tax rate
 - Meet to adopt tax rate
- *If these steps not taken, maximum tax rate = 71.88¢*



State Law Taxation Requirements

- If Council desires to reserve the option to adopt a tax rate higher than 71.88¢, the following schedule is recommended:
 - August 25th – In order to retain flexibility, the City Council needs to vote to consider a specific higher rate and call the tax rate public hearings
 - The rate voted on this day becomes the maximum tax rate that would be allowed
 - September 3rd – Publish public hearing notification
 - September 10th and 15th – Hold public hearings

State Law Taxation Requirements



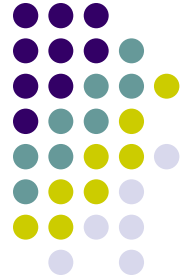
- **Recap**

- Current rate = 74.79¢
- Effective rate = 71.88¢ (Preliminary)
- Rollback rate = 76.18¢ (Preliminary)
- Notice and Hearing rate = 71.88¢ (Preliminary)
- Proposed rate = 74.79¢

- 1¢ of the tax rate generates \$8,767,312 in property tax revenue
- 1% change of tax rate (0.75¢) generates \$6,575,484 in property tax revenue

- **August 25th**

- Ability to adopt a rate greater than 71.88¢ requires a Council vote on August 25th
- Would retain tax rate flexibility



Property Tax Exemptions



Property Tax Exemptions

- Current Exemptions
 - Homestead – 20% of value, minimum \$5,000
 - Over 65/Disabled – additional \$64,000 of value exempted
- Over 65/Disabled exemption was last increased in FY1986-87
- Propose increasing the Over 65/Disabled Exemption to recognize the increase in home values that has occurred since 1987
 - Increase the exemption by \$6,000 annually for 6 years
 - Estimated additional annual revenue loss \$2.6m (\$15.6m total revenue loss in FY2014-15)
 - Exemption increase would begin in FY2009-10
 - Exemption would be \$100,000 in FY2014-15
- Council action would be required in the Spring of 2009



Health Benefits



Health Benefits

- Rising health care costs
- Premium increases for City and employees, and retirees
 - First premium increase in 4 years
- Plan redesign
 - Focus on prevention
 - Add Health Reimbursement Account (HRA)



FY2009-10 Outlook



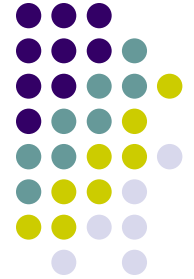
FY2009-10 Outlook

FY2009-10 Budget will be challenging:

- No significant increase in tax base forecasted
 - Building permit activity is down
- Sales tax growth has slowed down
- FY2008-09 Proposed Budget includes 2 non-recurring revenues
 - Use of FY2007-08 ending balance -\$13.5m
 - Final TXU franchise payment - \$15m
- Commitment to Public Safety increasing
- Debt Service costs associated with 2006 Bond Program increasing
- Anticipate an increase in the Over 65 Property Tax Exemption by \$6,000 from \$64,000 to \$70,000



City Auditor's Opinion and Revenue Review



2008 Calendar: August and September



Future Budget Briefings

- August 20
 - Sanitation/Recycling Services
 - Health Benefits
- August 25
 - Storm Water Drainage
 - Water Utilities
 - State Taxation Law Requirements
 - Others to be identified
- September 5
 - Others to be identified

2008 Calendar: August



S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11 W T Begins	12	13	14	15	16
17	18	19	20	21	22	19
24/31	25 W	26	27 PH	28	29	30

AW: Amendment Workshop

BA: Budget Adoption

PH: Public Hearing

T: Town Hall Meeting

W: Workshop

2008 Calendar: September



S	M	T	W	T	F	S
	1	2	3 W	4	5	6
7	8	9 TH - end	10 PH BA 1 st reading	11	12	13
14	15 AW, PH	16	17 AW	18	19	20
21	22	23	24 BA	25	26	27
28	29	30				

AW: Amendment Workshop

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T: Town Hall Meeting

W: Workshop

Budget Briefing Rank Ordering Process



Councilmember: _____

Please rank by priority the areas you wish discussed in the budget workshops:

1. _____
2. _____
3. _____

Please return to Mary Suhm by Friday, August 15, 2008