

# **City Manager's Proposed FY 2010-11 Budget**

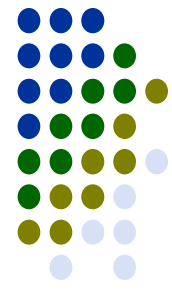
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***Recommended by  
Mary K. Suhm, City Manager***

***Presented to the Dallas City Council  
August 9, 2010***

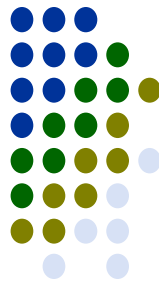


**City of Dallas**

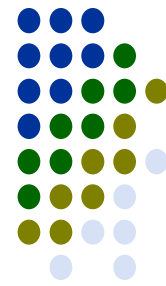


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# *Briefing Contents*

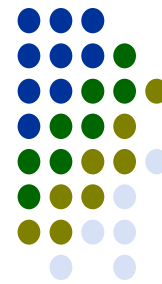


- Status of Budgeting For Outcomes
- Price of Government (POG) in Dallas
- Proposed FY11 Budget
- Major General Fund Revenue and Expense Changes
- Key Focus Area Highlights
- Fee-Based Services: Overview of Other Funds
- State Law Taxation Requirements
- Possible Revenue Opportunities
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- City Auditor's Opinion and Revenue Review
- 2010 Calendar: August and September
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# *Where are we in the Process?*

- ✓ City Council (7/29/09) established citywide objectives
- ✓ City Council (10/19/09 & 1/20/10) set strategic direction for FY11
- ✓ Created “Requests for Results”
- ✓ Invited departments to make offers
- ✓ City Council (4/7/10) set preliminary “Price” of Dallas government
- ✓ Allocated “Price” to each Key Focus Area
- ✓ Evaluated & prioritized offers in each Key Focus Area
- ✓ City Council (5/19/10) reviewed FY10 status and FY11 outlook
- ✓ City Council (6/23/10) received preliminary outlook for FY11
- ✓ Buy down list of offers until money ran out (“draw the line”)
- ✓ Build City Manager proposed budget to present to City Council (8/9/10)



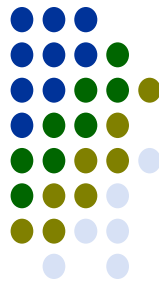
# ***Price of Government in Dallas***

FY09 Price of Government	\$1,961,900,000
FY10 Price of Government	\$1,911,400,000
FY11 Price of Government (City Manager's Proposed FY11 Budget)	\$1,890,700,000

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

# **Proposed FY11 Budget**

# *National Overview*



- Global recession that began in 2008 continues to impact government budgets which lag behind private sector economy
- Dallas' FY11 budget is affected; as was this past year (FY10) and most likely will be next year (FY12)
  - Property values declined by 4.4% in 2010 preceded by decline of 3.55% in 2009 (combined total over \$54m)
  - Sales tax revenues have declined by 11% (over \$26m) from amount realized 2 years ago
- Dallas is not alone in its financial position
  - Other large cities across the nation are in a comparable or even worse financial condition and are making significant service reductions to balance their budgets

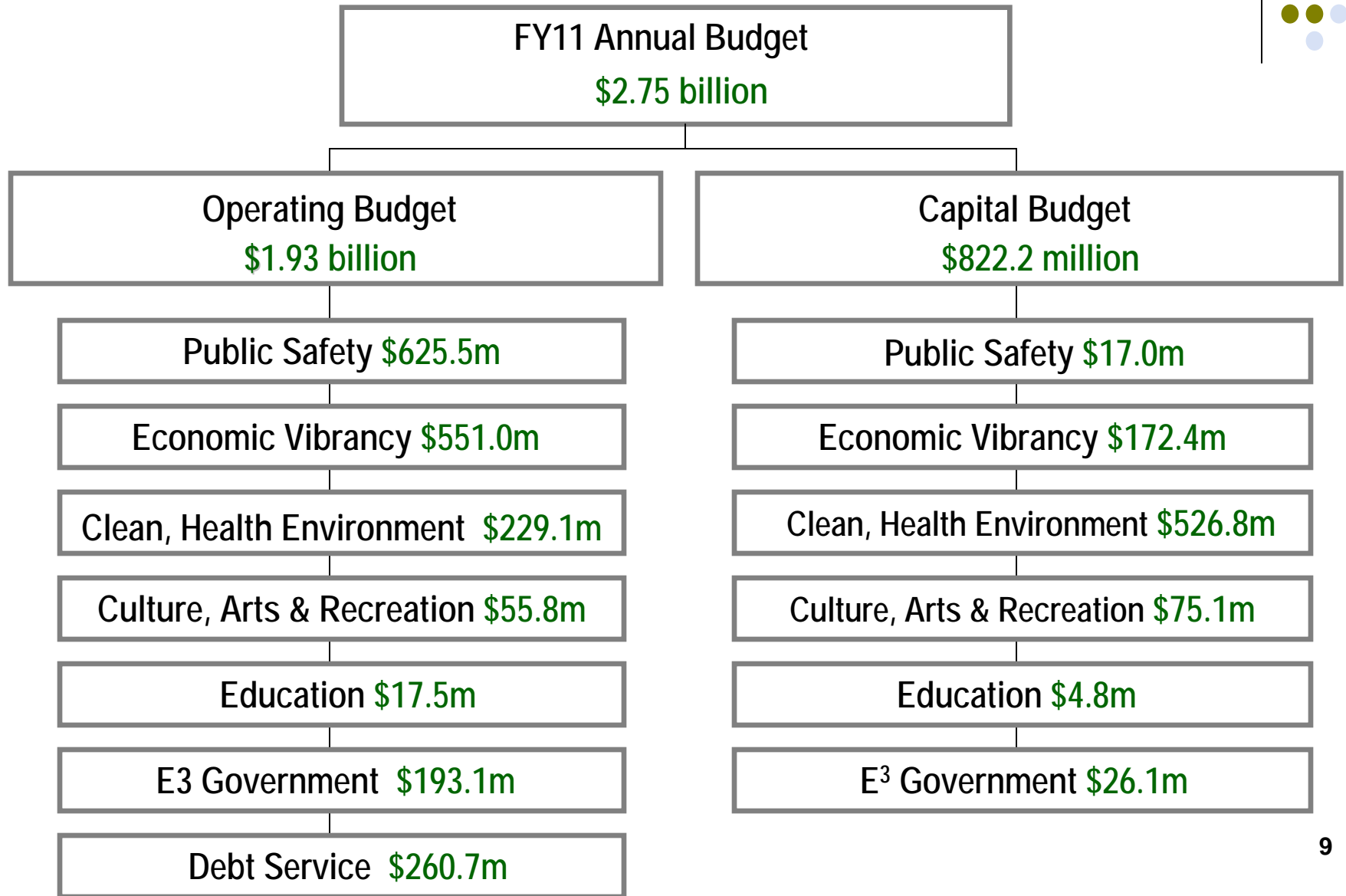
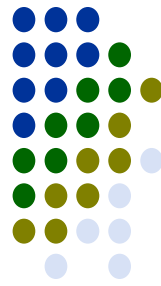
# *Guiding Principles*

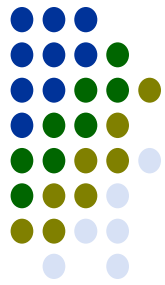


- In the face of global economic challenges, Dallas' FY11 budget has been developed from the guiding principles found in the Council's strategic plan, with investment focused in following areas:
  - Public Safety
  - Economic Vibrancy
  - Clean Healthy Environment
  - Culture, Arts, and Recreation
  - Education
  - Efficient, Effective and Economical Government

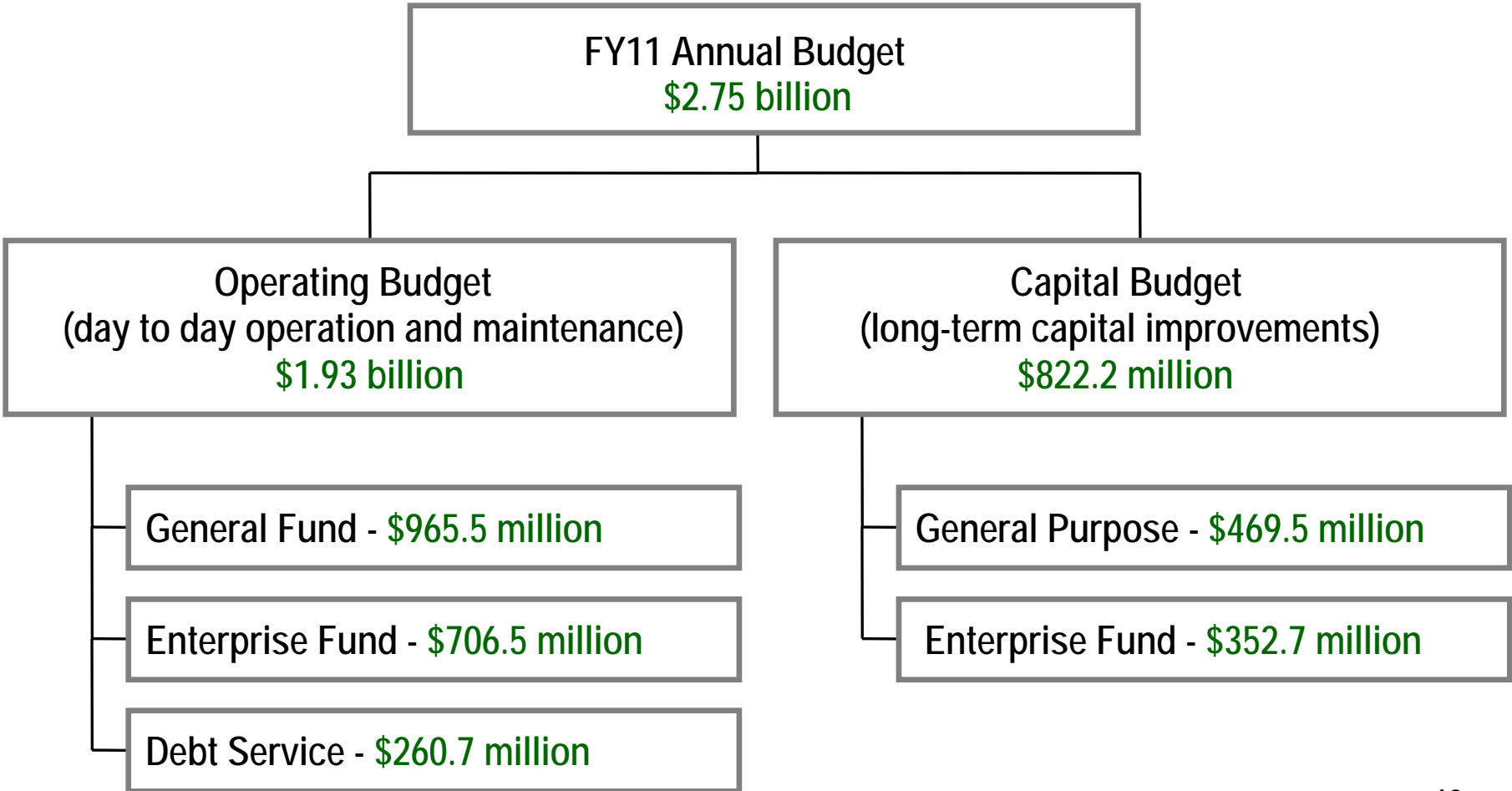


# FY11 Proposed Budget – by Key Focus Area



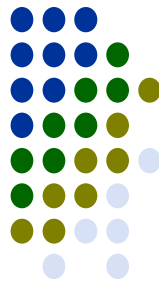


# FY11 Proposed Budget – by Fund



# **Major General Fund Revenue & Expense Changes**

# *Major General Fund Revenue Changes*



- Property tax revenue reduction
  - 4.4% tax base value loss
  - No tax rate increase
- Sales tax revenue – forecast to be flat with current year estimate plus additional revenue from audit of sales tax
- Economy-related revenue losses, including landfill fees and interest earnings
- Fee increases/new fees – multi-family registration, garage sale, coin-operated amusement machine, certificate of occupancy validation fees

# *Major General Fund Expense Changes*



- Revenue reductions of about \$57m have necessitated expenditure reductions in order to balance budget
- Significant reductions in personnel costs through reduction-in-civilian-force and reduction in pay for all civilian and uniform employees
- Public Safety reductions negotiated through Meet and Confer process and assumed in proposed budget
- Significant service reductions in remainder of General Fund

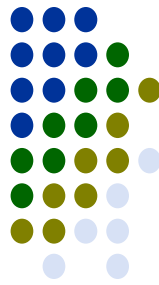
# Key Focus Area (KFA) Highlights





# *Public Safety*

## *KFA Highlights*



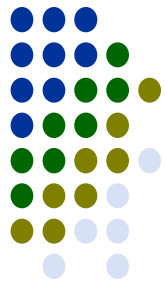
### **Enhancements include:**

- Although slowing growth, there will be more police officers on duty at end of FY11 than at end of FY10
  - New hires will be limited to replacing half of attrition
- DFD apparatus replacement will remain on an accelerated schedule
- Improvements within Court Services will include replacement/enhancement of Case Management technology and implementation of Night Court services
- Begin replacement of Fire Station #27 (Douglas at Northwest Hwy) and construction of Fire Station #50 (Keeneland at Walton Walker)



# *Public Safety*

## *KFA Highlights*



### **Current Services include:**

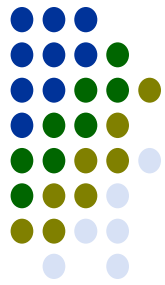
- Emergency call response by Police field patrol
- Criminal investigations – property, vice, narcotics, youth and family, and crimes against persons
- Special operations – mounted, tactical, traffic, Love Field, and school crossing guards
- Police property room and auto pound operations (possible privatization)
- EMS and Fire-Rescue emergency response
- Fire prevention inspections and education
- Arson investigations
- Municipal Courts and Judiciary
- City Detention Center and Lew Sterrett Jail contract





# *Public Safety*

## *KFA Highlights*



### **Reductions include:**

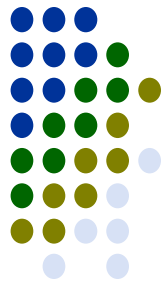
- Meet and Confer process results in \$22.4m savings proposal pending approval by police and fire associations and City Council
  - 5 Mandatory City Leave days (furlough) equals 1.923% salary savings
  - Earn compensatory time in lieu of being paid for overtime
  - No step pay increases for uniformed staff
  - Suspend Wellness program in Fire-Rescue
  - Delay paramedic school for Fire rookie classes
- Academy, recruiting, personnel and training for both police and fire
- Limited marked squad car and ambulance replacement

City Council accepted petition for Meet and Confer in Feb 2010. Management Team and Uniform Coalition Team negotiated 3-year agreement March through July. \$22.4m savings proposal is pending approval by police and fire associations. Savings is assumed and necessary to balance Proposed Budget.



# *Economic Vibrancy*

## *KFA Highlights*



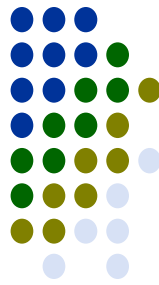
### **Enhancements include:**

- Public-Private Partnership fund – increased funding level
- Levee remediation
- Construction plan review/permitting and field inspections – adds rapid response team and inspectors
- 2006 bond program implementation – economic development infrastructure improvements



# *Economic Vibrancy*

## *KFA Highlights*

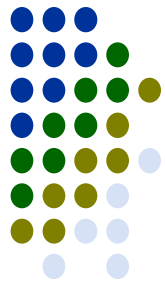


### **Current Services include:**

- Flood control and floodplain/drainage management
- Street maintenance - maintain current funding level for ROW mowing/sweeping; pothole, level-up and other routine maintenance; restoration and rehabilitation; and concrete street, alley, curb and gutter repairs
- Capital program planning and implementation – transportation infrastructure, interagency, and city facilities
- Economic Development – similar service delivery provided by enhancing outside revenues through New Market Tax Credits and City of Dallas Regional Center programs
- Operation and maintenance of Fair Park
- Street light power and maintenance



# *Economic Vibrancy Highlights*



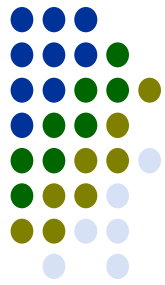
## **Reductions include:**

- Traffic operation maintenance – increased repair time for traffic signal malfunctions, fewer signs repaired/replaced, and reduced street stripping – 27% reduction
- Transportation engineering – only high priority safety and congestion issues will be studied and fewer signal timing adjustments to reduce congestion – 33% reduction



# *Clean, Healthy Environment*

## *KFA Highlights*



### **Enhancements include:**

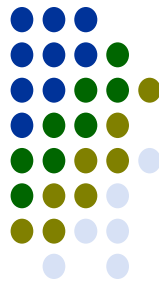
- Demolition – increase funding to address backlog
- Water conservation – plan, develop, and implement programs from 2010 Water Conservation 5-year strategic plan
- TCEQ mandated action for leaking petroleum storage tanks

### **Current Services include:**

- Stormwater management program
- Code Compliance – neighborhood services, nuisance abatement, and animal services continued with only administrative and management reductions
- Air quality programs
- Community Centers – MLK and West Dallas
- Senior services – medical transportation, ombudsman, and job placement contract



# *Clean, Healthy Environment KFA Highlights*



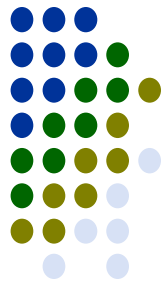
## **Reductions include:**

- Comprehensive Homeless Outreach – County indicates reduced funding
- Dental Health reduced to CDBG funding only



# *Culture, Arts & Recreation*

## *KFA Highlights*



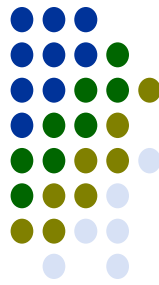
### **Enhancements include:**

- Start construction on the Northaven Trail, Five Mile Creek Trail and Phase 2 of the loop trail at Bachman Lake Park
- Start construction of renovations and/or expansions of Campbell Green, Fretz, Kidd Springs, Walnut Hill and Willie B. Johnson recreation centers



# *Culture, Arts & Recreation*

## *KFA Highlights*



### **Current Services include:**

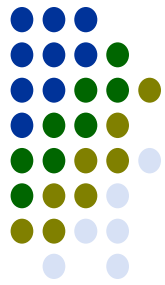
- Golf and Tennis centers – supported through fees
- Nature Centers and Destination parks – adjustment to stipends to 3 entities (Arboretum, Discovery Garden and Cedar Ridge Preserve) for combined reduction of \$0.1m
- Aquatic services – operate 7 community pools, Bachman indoor pool, and Bahama Beach
- City Cultural Centers funded – Bath House, Latino Cultural Center, South Dallas Cultural Center, Oak Cliff Cultural Center, Meyerson Symphony Center, and Majestic





# *Culture, Arts & Recreation*

## *KFA Highlights*



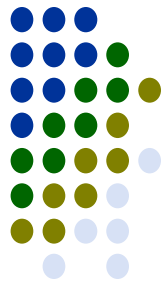
### **Reductions include:**

- Recreation Center hours reduced
  - 10 large centers reduced from 55 to 40 hours per week
  - 27 large centers reduced from 55 to 30 hours per week
  - 2 small centers reduced from 40 to 30 hours per week
  - 4 small centers reduced from 40 to 20 hours per week
- Park land maintenance reduced by about 30%
- Support for the Arts
  - Cultural Organizations Program (COP) reduced by 53%
  - Cultural facilities funding reduced
  - Cultural Projects Program (CPP) eliminated
  - Neighborhood Touring Program eliminated



# *Educational Enhancements*

## *KFA Highlights*



### **Enhancements include:**

- Prairie Creek branch library scheduled to open in Fall 2010
- Award construction contract for White Rock Hills and renovation contract for Polk-Wisdom branch libraries

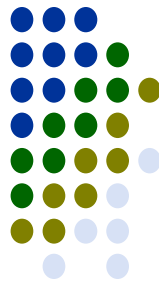
### **Current Services include:**

- Library materials – funded above current year purchases
- Neighborhood libraries – maintain 40 hours per week



# *Educational Enhancements*

## *KFA Highlights*



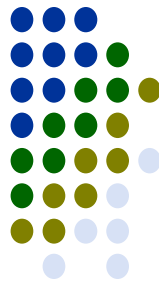
### **Reductions include:**

- Central Library
  - Hours reduced from 68 to 44 hours per week in FY10 and to 40 hours per week in FY11 with floors 3-8 only available to public 26 hours per week
- Thriving Minds – Big Thought program funding maintained; City staff support reduced



# *E<sup>3</sup> Government*

## *KFA Highlights*



### **Enhancements include:**

- Mayor and Council election in May 2011
- Dallas City Design Studio funded and leverages non-city funds – Deedie and Rusty Rose pledged \$2.0m over 5 years

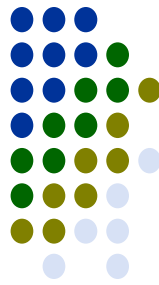
### **Current Services include:**

- 311 call taking
- City administrative services
  - e.g. appraisal districts, tax collection, independent audit, cash and debt management, TIF payments, electricity, payroll, human resources, and financial reporting
- Comply with Financial Management Performance Criteria – fund Contingency Reserve and Liability/Claims



# *E<sup>3</sup> Government*

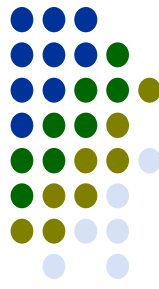
## *KFA Highlights*



### **Reductions include:**

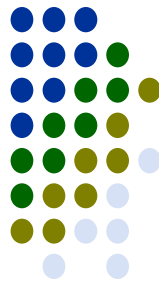
- Custodial services for City facilities reduced
- Maintenance of City facilities reduced
- Major Maintenance, Design and Construction consolidated into Public Works from Equipment and Building Services
- Council Appointees
  - Judiciary – increased funding by 3.8%
  - City Attorney’s Office – reduced by 4% including 7 attorney positions
  - City Auditor’s Office – reduced by 8% including 1 support position and administrative overhead expenses
  - City Secretary’s Office – reduced by 9% including IT charges
  - City Manager’s Office – reduced by 26% by not filling vacant Assistant City Manager and eliminating 7 support positions

# *Civilian Workforce Impact*



- Reduction-in-force
  - 450 civilian layoffs
- 8 Mandatory City Leave days for civilian employees (5 date-specific and 3 floating) equals 3.08% salary savings
- Additional tiered pay reductions based on employee base salary
  - 0% for employees earning less than \$30,000
  - 2% for employees earning \$30,000 to \$90,000
  - 3% for employees earning more than \$90,000
- No civilian pay for performance increases

# *Civilian Workforce Impact*



- Employee Health Benefits
  - Receipt of federal funds through Early Retiree Reinsurance Program assumed
  - Limit benefits to In-Network only except for emergency care
  - Decrease HRA allocation by \$300 if on-line health assessment is not completed
  - Increase annual prescription deductible
  - Surcharge added to premiums for tobacco users
  - Employee premiums unchanged
  - Retiree (under 65) health benefit premiums raised \$25 monthly
  - Retiree (over 65) - premiums raised \$36 per month for current Medicare Part D Plan (prescription plan)
    - Introduce a new Medicare Part D option that provides less coverage but has a lower premium
    - Increase premiums of Medicare Medical Plans by average of \$11 per month
    - Completely eliminate City subsidy for post-65 retirees who are on City's HRA or PPO plan to encourage transition to Medicare

# Possible Revenue Opportunities

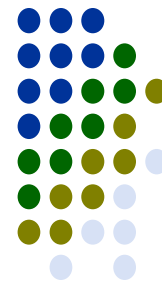


# *Possible Revenue Opportunities*



- Additional opportunities for Council consideration include:
  - Charge property owners a Transportation User Fee based on benefit each property receives from transportation system in order to fund street improvements - \$10m or amount for which fee is set to recover
  - Charge Sanitation Services Department a franchise fee similar to private waste haulers - \$1.8m
  - Increase ad valorem tax rate – 1¢ tax rate generates \$8.0m
  - Charge voluntary Payment-In-Lieu-of-Taxes to certain non-profit properties - \$5m to \$8m

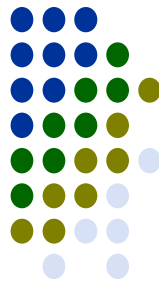
# **Fee-Based Services: Brief Overview of Other Funds**



# *Sanitation Services*

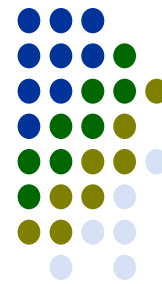
- No change in service to customers
- FY11 proposed budget of \$72.7m
  - Expenses cut by \$1.7m (or 2.3%)
- Maintain full-cost recovery for services provided
- Residential rate decrease of 9¢
  - From \$20.34 to \$20.25
  - 2<sup>nd</sup> rate decrease in two years
  - Largely due to *OneDAY Dallas* and fuel costs
- Slight increase in landfill fee
  - From \$21.00 to \$21.50 per ton (due to CPI increase)
  - No effect on residential customer
- Estimated net revenue to General Fund of \$15.5m from landfill operations

# *Dallas Water Utilities*



- The Proposed Budget includes:
  - Operating Budget of \$531.2m
  - Capital Budget of \$346.3m
  - Overall retail rate increase by 3.1%
- 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 retail rates:
  - FY12 – 7.4% increase
  - FY13 – 7.1% increase

# Dallas Water Utilities



## Proposed Rate Adjustment Impact to Residential Water and Sewer Bills

Customer Usage in Range	Average Bill at Current Rates	Average Bill at Proposed Rates	Proposed Increase	% Increase	Number of Customers Impacted	% of Customers in Range
0 to 4,000 gallons	\$20.76	\$21.35	\$0.58 <sup>a</sup>	2.8%	77,192	31.4%
4,001 to 10,000 gallons	\$47.51	\$48.81	\$1.31 <sup>b</sup>	2.8%	103,468	42.1%
10,001 to 15,000 gallons	\$67.62	\$69.75	\$2.13 <sup>c</sup>	3.1%	28,959	11.8%
Above 15,000 gallons (Includes conservation tier rate)	\$194.32	\$205.80	\$11.49 <sup>d</sup>	5.9%	<u>36,299</u>	<u>14.8%</u>
<b>Total</b>					245,918	100.0%

Data based on January 2009 through December 2009 usage

<sup>a</sup> Average water and sewer use: 2,239 gallons

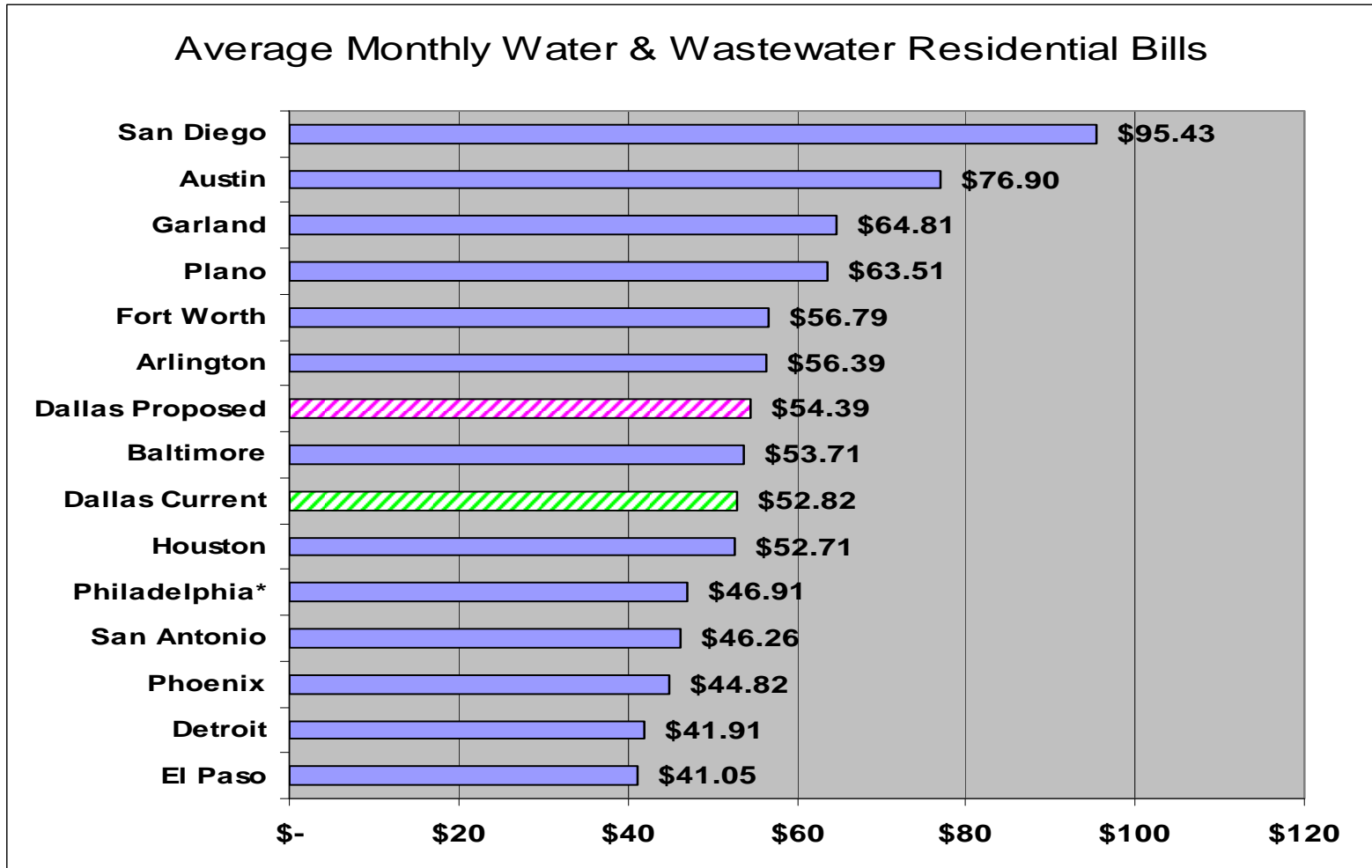
<sup>b</sup> Average water and sewer use: 6,531 gallons

<sup>c</sup> Average water use 12,310 gallons and sewer use: 6,100 gallons

<sup>d</sup> Average water use 36,456 gallons and sewer use: 6,100 gallons

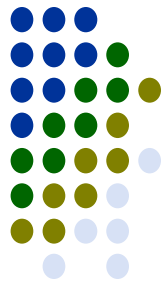
85% of residential customers will see an average monthly bill increase of \$2.13 or less

# Index Cities Comparison of Average Monthly Water & Sewer Residential Bills



Note: Bill comparison based on rates effective August 2010; water consumption of 8,300 gallons; and, 6,100 gallon Winter Months Average for sewer

# *Storm Drainage Management Fund*



- No change to Stormwater Fees proposed
- FY11 budget includes:
  - Proposed expenses - \$50.1m
  - Forecasted revenue - \$48.2m
  - Use of fund balance - \$1.9m
- Current year revenue is projected to be approximately 8% higher than budget due to continuing progress cleaning up billing data and new accounts
- FY11 transfer reduces fund balance to level of operating reserve required by City's Financial Management Performance Criteria

# **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*



**Proposed Rate = 74.79¢**

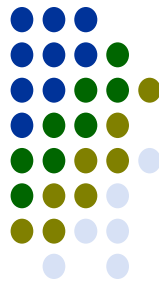
**Effective Rate = 79.72¢**

- 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
- Effective rate would generate an additional \$39.7m in property tax revenue over proposed budget

**Rollback rate = 82.35¢**

- Allows for general fund portion of Effective rate plus 8%
- Allows debt service portion necessary to cover debt service costs
- If a rate above 82.35¢ is adopted voters may petition for an election to reduce the rate to the Rollback rate
- Rollback rate would generate an additional \$60.8m in property tax revenue over proposed budget

# *State Law Taxation Requirements*



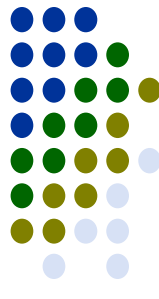
- The Notice and Hearing Rate is the lower of either the Effective rate or the Rollback rate
- Two Tax Rate Public Hearings are required if the Notice and Hearing Rate will be exceeded
- Tax rate adoption ordinance must state the percent increase over the Effective rate and the increased operations and 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 if the budget raises more property tax revenue than the preceding year

# *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 = 79.72¢

# *State Law Taxation Requirements*



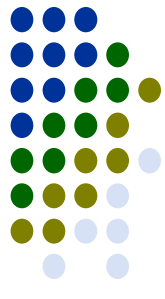
- If Council desires to reserve the option to adopt a tax rate higher than 79.72¢, the following schedule is recommended:
  - August 23<sup>rd</sup> – In order to retain flexibility, the City Council needs to vote to consider a specific higher rate and call the tax rate public hearings
    - The rate voted on this day becomes the maximum tax rate that would be allowed
  - September 1<sup>st</sup> – Publish public hearing notification
  - September 8<sup>th</sup> and 15<sup>th</sup> – Hold public hearings

# State Law Taxation Requirements



- **Recap**
  - Current rate = 74.79¢
  - Effective rate = 79.72¢
  - Rollback rate = 82.35¢
  - Notice and Hearing rate = 79.72¢
  - Proposed rate = 74.79¢
  - 1¢ of the tax rate generates \$8.0m in property tax revenue
  - 1% change of tax rate (0.75¢) generates \$6.0m in property tax revenue
- **August 23<sup>rd</sup>**
  - Ability to adopt a rate greater than 79.72¢ requires a Council vote on August 23<sup>rd</sup>
  - Would retain tax rate flexibility

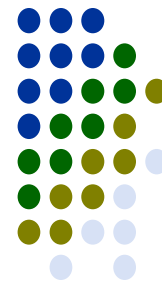
# Outlook Beyond FY11



# *Outlook Beyond FY11*

- Several projects are in progress that will have positive impact on future budgets
  - Margaret Hunt Hill Bridge
  - Continental conversion
  - Belo Gardens
  - Woodall Rodgers Deck Park
  - Convention Center Hotel
  - Standing Wave along Trinity
  - UNT campus and law school
  - City Performance Hall
  - Love Field Modernization Program
  - DART 2010 extension opening to Carrollton
  - Super Bowl XLV





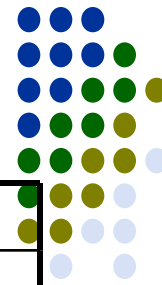
# *Outlook Beyond FY11*

- Financial challenges may continue into FY12 Budget
- Further decline in commercial tax base expected
- Sales tax remains volatile
- Costs deferred from FY10 and FY11 budget will begin to have long-term effect if not restored (such as street and facility conditions)
- Restoration of components of Meet and Confer will be required
- Debt Service requirement
- Strategies to help City's budget outlook in future include:
  - Solid waste flow control initiative
  - Outsource Auto Pound operation
  - Sell underutilized or surplus property such as Elgin B. Robertson Park and Vilbig Auto Pound

# **City Auditor's Opinion and Revenue Review**

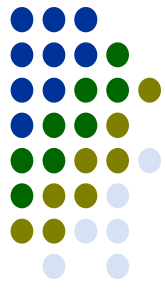
# **2010 Calendar: August and September**

# August & September 2010



August 9	Budget Workshop – Briefing on Proposed FY11 Budget
August 9	Townhall Meetings begin – 38 scheduled
August 18	Budget Briefing – ✓Sanitation Services
August 23	Budget Workshop – ✓Dallas Water Utilities ✓Park and Recreation Department ✓Storm Drain Management ✓State Law Taxation Requirements
August 25	Public Hearing
September 1	Budget Workshop – ✓Topics to be determined
September 7	Townhall Meetings end
September 8	Public Hearing (if necessary for tax rate)
September 8	Budget Adoption – First Reading
September 13	Amendment Workshop
September 15	Amendment Workshop (if necessary) and Public Hearing (if necessary for tax rate)
September 22	Budget Adoption – Final Reading

# *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 13, 2010