

City Manager's Proposed FY 2011-12 Budget

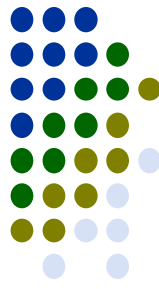
***Recommended by
Mary K. Suhm, City Manager***

***Budget posted at:
<http://www.dallascityhall.com>***



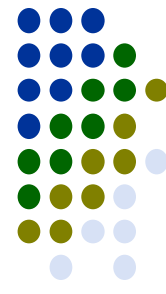
City of Dallas

Briefing Contents

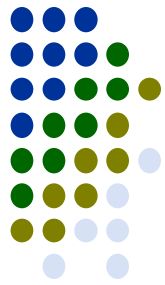


- City Manager's Proposed Budget for FY 2011-12
- Major General Fund Revenue and Expense Changes
- Key Focus Area Highlights
- Fee-Based Services: Brief Overview of Other Funds
- State Law Taxation Requirements
- Outlook Beyond FY 2011-12
- Schedule for August and September 2011
- City Auditor's Opinion and Revenue Review

Economic Overview



- After 3 years of declining revenues due to global economic recession, signs of gradual improvement are being realized in some sectors of the local economy
 - Slight improvements are noted in both housing and construction sectors
 - However, unemployment rates and slow job growth are unimproved
- The local economy, while healthier than the United States, is still not expanding significantly
- In spite of the slight growth locally, caution is warranted due to the fragile global economy

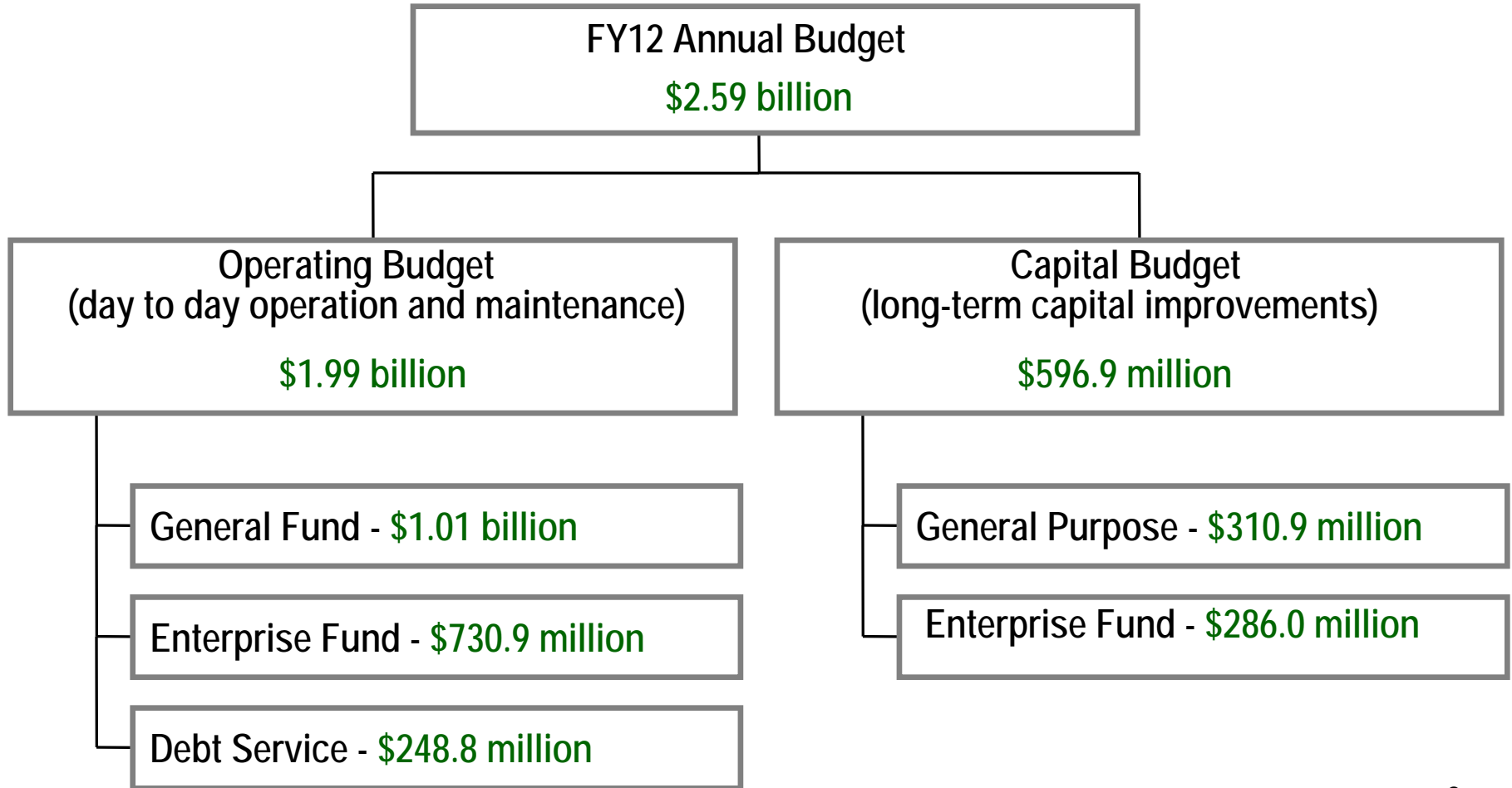
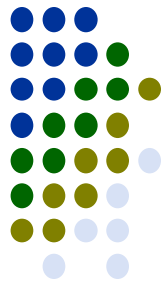


Guiding Principles

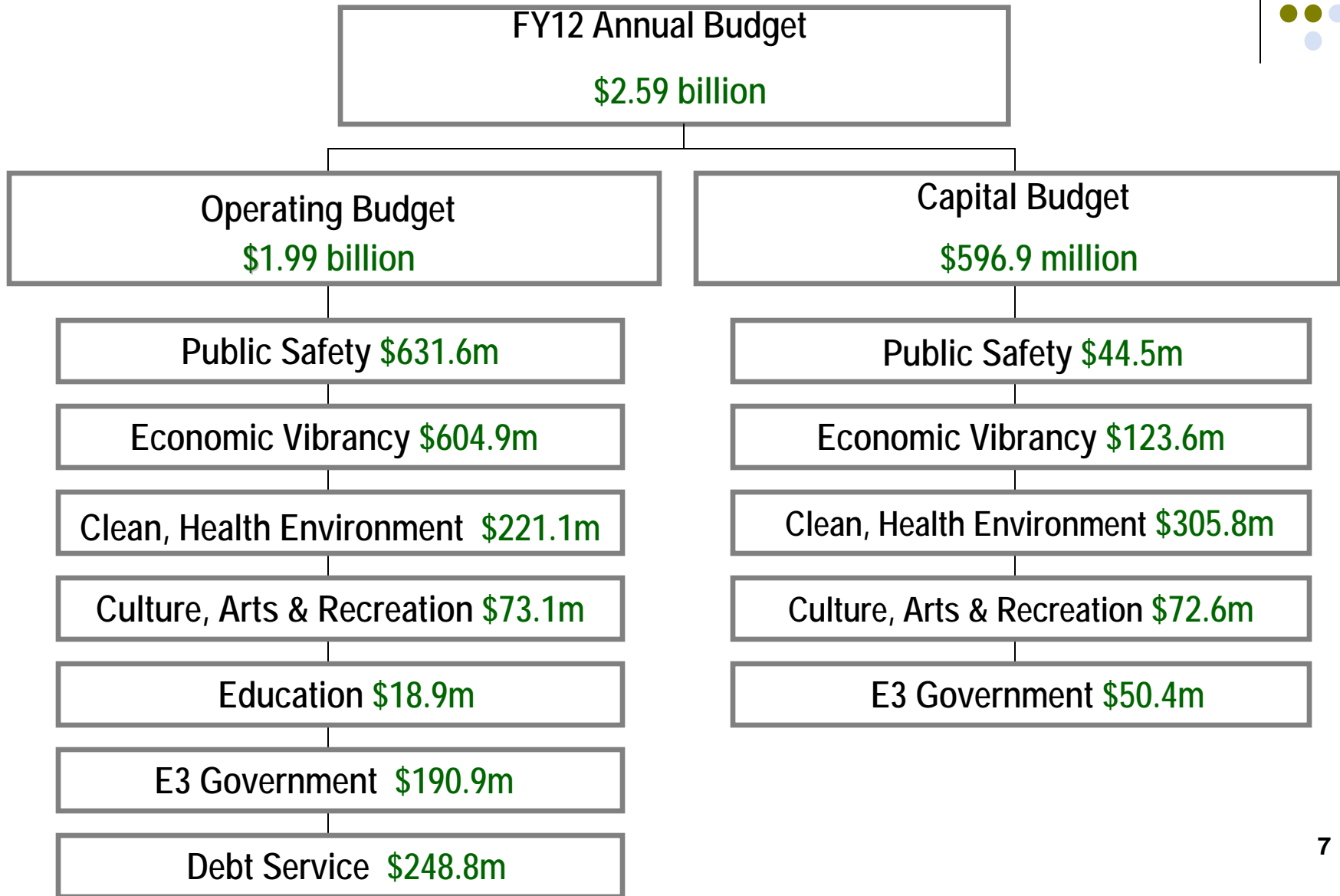
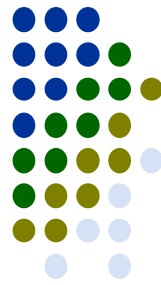
- Remaining cautious and living within our means have been the guiding principles in developing the City's budget for fiscal year 2011-12 (FY12)
- Additionally, the budget builds upon the guiding principles found in the Council's strategic plan, with investment focused in the following areas:
 - Public Safety
 - Economic Vibrancy
 - Clean Healthy Environment
 - Culture, Arts, and Recreation
 - Education
 - Efficient, Effective and Economical Government

**City Manager's Proposed
FY 2011-12 Budget**

FY 2011-12 Proposed Budget – by Fund



FY 2011-12 Proposed Budget – by Key Focus Area



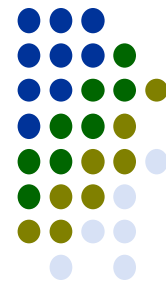
Major General Fund Revenue & Expense Changes

Major General Fund Revenue Changes



- General Fund in total is basically flat for FY12 when compared to FY11 with a \$0.7m increase
 - Less than one-tenth of one percent
- Property tax revenue – reduction due to declining property values
 - No tax rate increase
 - 1.72% tax base value loss
 - Tax base has declined by over 9% since FY09 – lower property values account for more than \$65m less revenue for FY12
- Sales tax revenue – forecast to grow slightly
 - Still more than 6% less or \$14.4m less than FY08

Major General Fund Expense Changes



- General Fund expenses for FY12 have a net increase of \$0.7m over current year
- Examples of key drivers that have caused expenditures to increase include:
 - Public Safety expenses including: 2nd year of Meet and Confer Agreement, adding both police officers and fire recruits, refurbishing ambulances, and training 60 paramedics
 - Federal and State budget reductions
 - Increasing fuel prices and electricity rates
 - Meeting obligations in public private partnerships such as with the Dallas Zoo and ATTPAC
 - Operational cost for capital projects being placed in-service

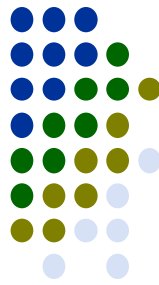
Key Focus Area (KFA) Highlights





Public Safety

KFA Highlights



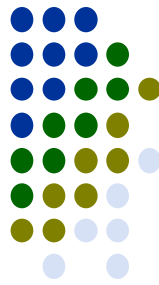
Enhancements include:

- 200 police officers will be hired in FY12 to replace those expected to leave the force
- 200 fire fighters will be hired in FY12 which is about twice the number expected to leave the force; resulting in net overtime savings beginning in FY13
- Improved efficiencies in Fire-Rescue as result of optimization and realignment of fire trucks
- Fire Station #50 (Keeneland and Walton Walker) – construction scheduled to be complete in February 2012
- Municipal Courts Building renovation – expected to be complete in September 2012



Public Safety

KFA Highlights



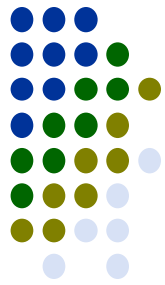
Current Services include:

- 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
- 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
- Police Community Outreach – Crisis Intervention



Public Safety

KFA Highlights



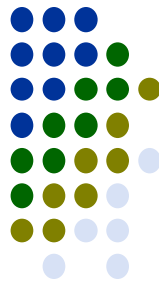
Reductions include:

- Civilian support personnel in Police Department
- 10 security officers at City facilities (greater use of cameras and contract security)
- Savings continue in FY12, second year of three year Meet and Confer agreement approved in August 2010
 - Over \$22m savings in FY11 with \$8.6m restored in FY12



Economic Vibrancy

KFA Highlights



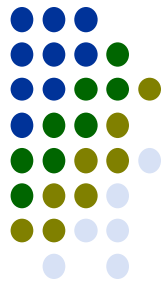
Enhancements include:

- Staff and technology improvements added to Building Inspection's plan review and permitting
- 2006 bond program implementation continues to improve the City's infrastructure and put more dollars into the local economy
- Margaret Hunt Hill Bridge, Woodall Rodgers tunnel and Convention Center Hotel all expected to be complete in FY12
- Historic Preservation activities to be partially funded through general fund – first of three year phase-in
- Signal improvements including repair technicians and materials to address outages



Economic Vibrancy

KFA Highlights

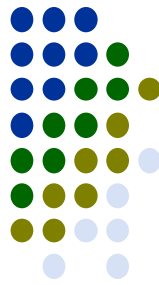


Current Services include:

- Flood control and floodplain/drainage management
- Street maintenance – maintain pothole, level-up and other routine maintenance; restoration and rehabilitation; concrete street, alley, curb and gutter repairs; and ROW mowing/sweeping
- Capital program planning and implementation – transportation infrastructure, interagency, and city facilities
- Economic Development – maintain same level of programming
- Operation and maintenance of Fair Park
- Street light power and maintenance



Clean, Healthy Environment KFA Highlights

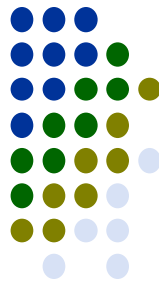


Enhancements include:

- Code Compliance – increase nuisance abatement crews
- Community Prosecutors – increase City funding to partially offset loss of federal funding
- Senior services – medical transportation program provided through City funds to replace an expiring grant
- Levee patrol – to address illegal dumping along levee and Trinity River
- Pavaho Pump Station improvements will be completed in Summer 2012



Clean, Healthy Environment KFA Highlights



Current Services include:

- Storm Water management program
- Code Compliance – neighborhood code, restaurant and bar inspections, environmental assessments, demolitions, and consumer protection
- Air quality and other environmental programs
- Community Centers – MLK and West Dallas
- Comprehensive Homeless Outreach – City funding maintained

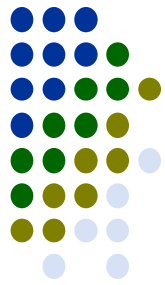
Reductions include:

- Animal Services – savings achieved through outsourcing animal cruelty investigations and kennel cleaning



Culture, Arts & Recreation

KFA Highlights



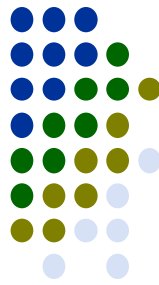
Enhancements include:

- Dallas Zoo – increased support
- AT&T Performing Arts Center – increased support
- City Performance Hall scheduled to open in 2012 – start-up operations funded
- Belo Garden – to be complete in February 2012
- Elm Fork Soccer Complex – to be complete in September 2012



Culture, Arts & Recreation

KFA Highlights



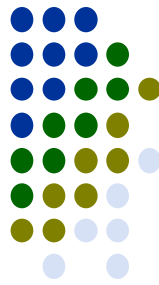
Current Services include:

- Recreation Centers – 41 of 43 centers will be in operation
 - 2 centers will be closed during FY12 (Fruitdale and Marcus Annex)
 - 4 centers will be operated in partnership with Baylor Healthcare and Boys & Girls Club
 - 14 centers will operate for portions of the year when not under renovation or construction
- Aquatic services – operate 11 community pools, one swim lesson pool, Bachman indoor pool, and Bahama Beach
- Golf and Tennis centers – supported primarily through fees
- Nature centers and destination parks
- Cultural Centers funded at current level with no staff or programming reductions



Culture, Arts & Recreation

KFA Highlights

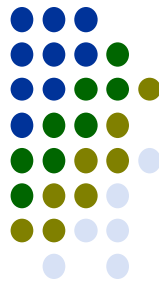


Reductions include:

- Park land maintenance - \$2m of reductions through privatizations, efficiencies, reduction in park furnishings replacements, and minor reductions in maintenance cycles such as mowing, litter removal, and lighting
- Cultural Arts services contracts – program budgets reduced by 10%



Educational Enhancements KFA Highlights



Enhancements include:

- White Rock Hills neighborhood library scheduled to open in January 2012
- Library materials – funded 20% increase above current year budget, \$2.0m in FY12

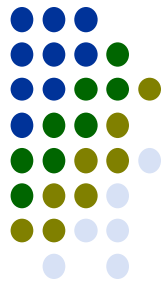
Current Services include:

- Thriving Minds – Big Thought program funding maintained
- Central and Neighborhood libraries – maintain 40 hours per week, same as current year
 - Library co-locations with DISD will maintain same hours of operation



Educational Enhancements

KFA Highlights



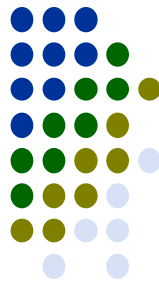
Reductions include:

- While library hours are maintained at 40 hours per week at all locations, staffing reductions are possible as result of:
 - Streamlined processes and improved technology
 - Reduced 1-on-1 service
 - Reduced variety and number of programs offered



E³ Government

KFA Highlights



Enhancements include:

- 311 – additional call takers and technology upgrade planned
- Dallas City Design Studio funded and leverages non-city funds – Deedie and Rusty Rose pledged \$2.0m over 5 years
- Human Resources – consolidation, call center and technology improvements

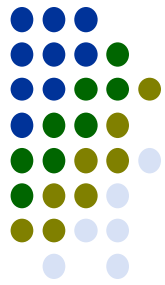
Current Services include:

- City administrative services
 - e.g. appraisal districts, tax collection, independent audit, cash and debt management, TIF payments, electricity, payroll, and financial reporting



E³ Government

KFA Highlights



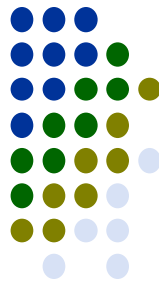
Reductions include:

- Custodial services for City facilities reduced
- Maintenance of City facilities reduced
- Comply with Financial Management Performance Criteria – fund Contingency Reserve and Liability/Claims, however, reduced funding requirements for FY12



E³ Government

KFA Highlights

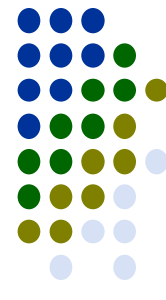


Civilian Workforce Impact:

- Reduction-in-force
 - Approximately 100 civilian layoffs
- After restoration of 3 of the 8 Mandatory City Leave days in FY12, civilian employees' pay will still be between 1.9% and 4.9% less than in FY10 before the Mandatory City Leave days and pay reductions were put in place
- No civilian pay for performance increases
- Employee Health Benefits – premium increases for employees and pre-65 retirees

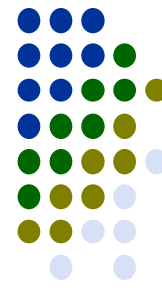
Fee-Based Services: Brief Overview of Other Funds

Dallas Water Utilities



- Texas drought conditions continue to affect Dallas
- City must focus on maintaining infrastructure, conserving resources, and providing for future needs through:
 - Replacement of aged water and wastewater mains
 - Improvements at water treatment plants to improve reliability and capacity
 - Continue conservation efforts
 - The integrated pipeline project to connect to Lake Palestine
 - An overall retail rate increase of 5.9% is necessary to achieve these goals
 - FY12 budget includes \$551.6m for operations and \$276.7m for capital investment
- Future considerations include:
 - Drought conditions
 - Required restriction in water treatment capacity due to Eastside Water Treatment Plant expansion and associated water quality improvements
 - Retail rates outlook for FY13 is 7.3% increase and FY14 is 6.9% increase

Dallas Water Utilities



Impact of Preliminary Rate Adjustment to Residential Water and Sewer Bills

Customer Usage in Range	Average Bill at Current Rates	Proposed Average Rates	Proposed Increase	% Increase	Number of Customers Impacted	% of Customers in Range
0 to 4,000 gallons	\$21.52	\$22.56	\$1.03 ^a	4.8%	73,876	31.3%
4,001 to 10,000 gallons	\$50.02	\$52.84	\$2.81 ^b	5.6%	98,507	41.8%
10,001 to 15,000 gallons	\$70.10	\$74.24	\$4.14 ^c	5.9%	27,702	11.8%
Above 15,000 gallons (Includes conservation tier rate)	\$171.49	\$183.40	\$11.90 ^d	6.9%	<u>35,661</u>	<u>15.1%</u>
Total					235,746	100.0%

Data based on January 2010 through December 2010 usage

^a Average water and sewer use: 2,271 gallons

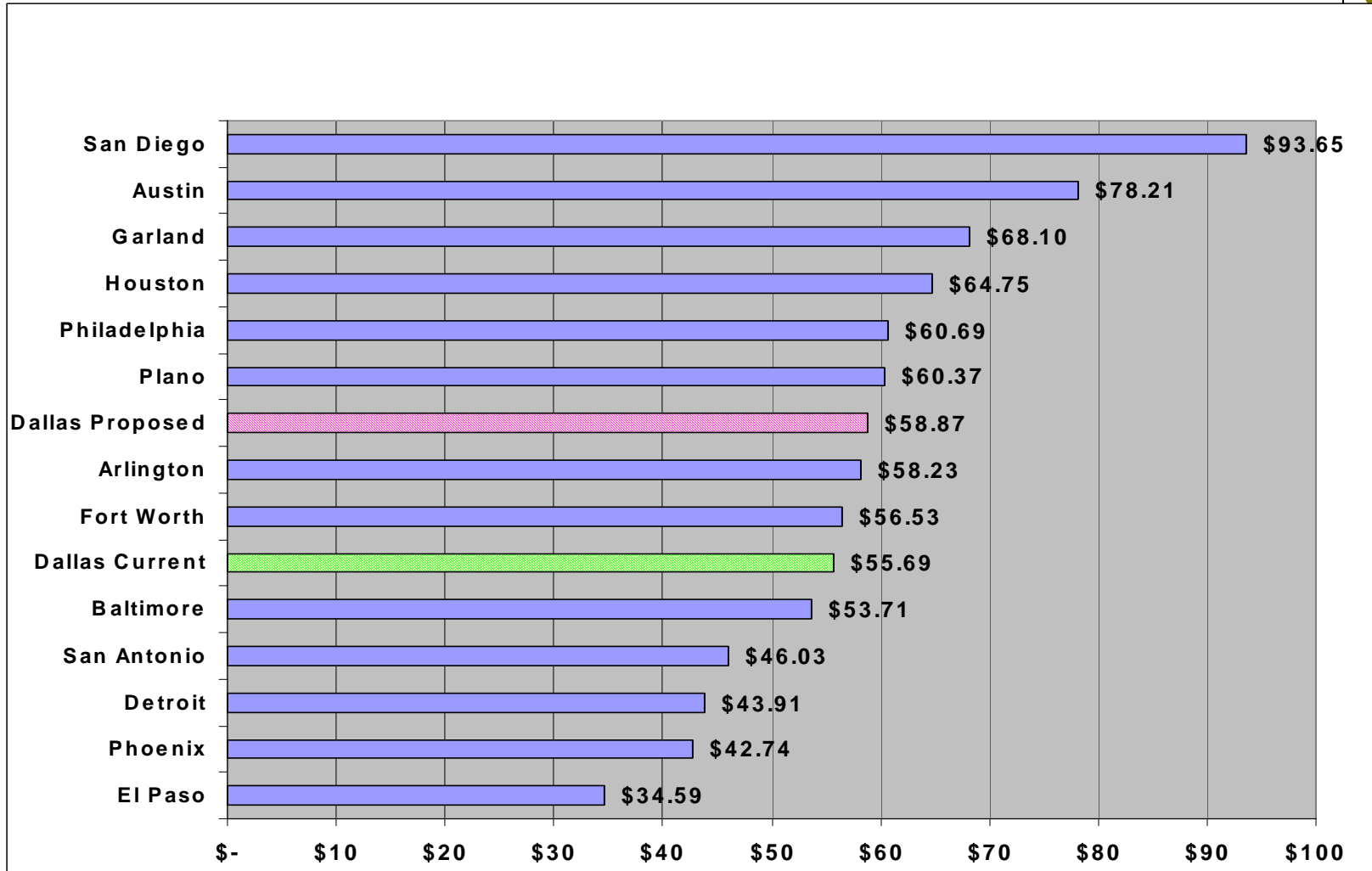
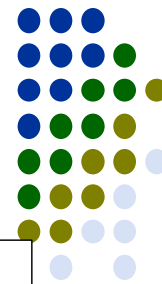
^b Average water use 6,497 gallons and sewer use: 6,400 gallons

^c Average water use 12,087 gallons and sewer use: 6,400 gallons

^d Average water use 30,308 gallons and sewer use: 6,400 gallons

85% of residential customers will see an average monthly bill increase of \$4.14 or less

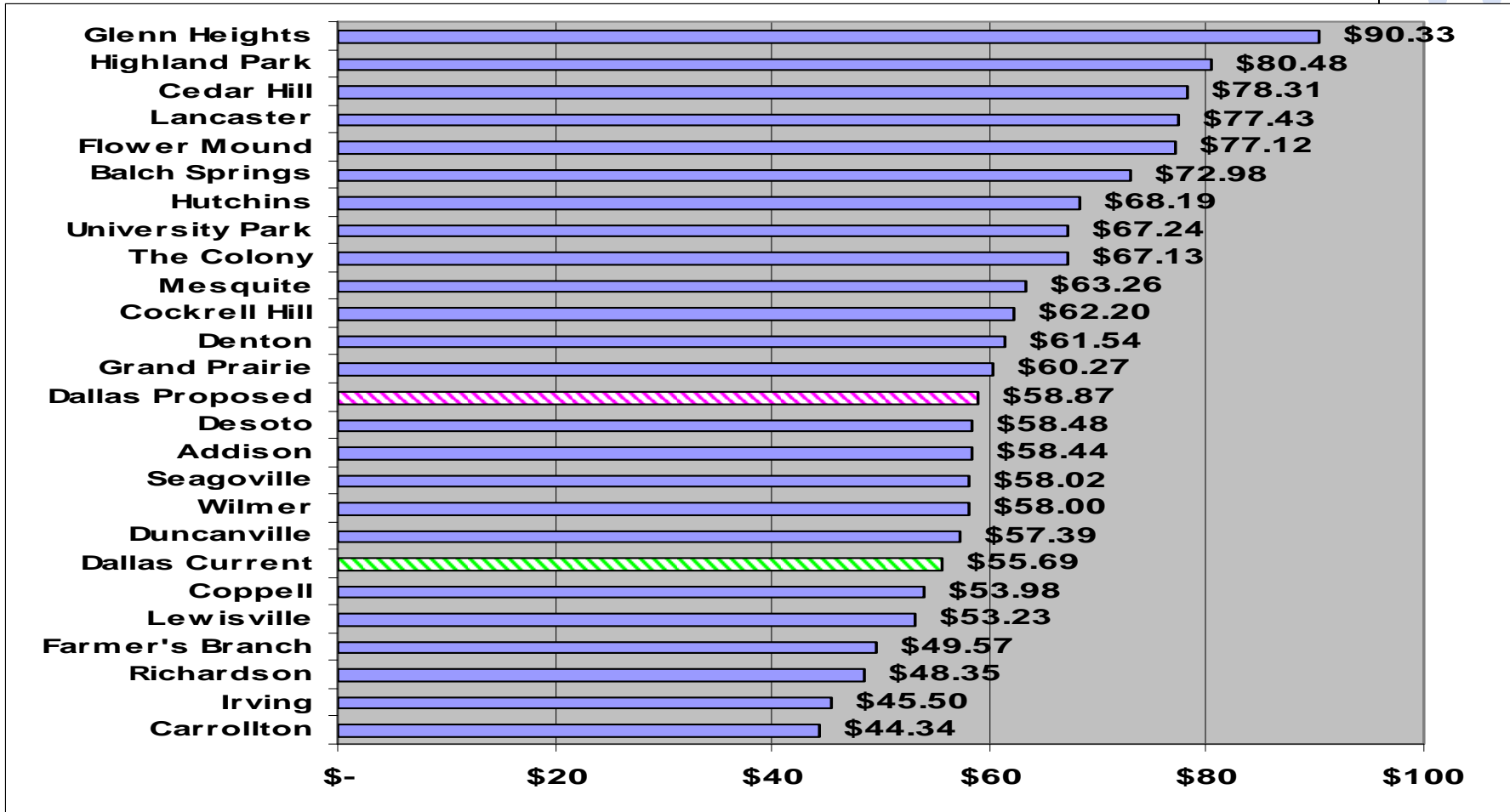
Index Cities Comparison of Average Monthly Water & Sewer Residential Bills



Note: Bill comparison based on rates effective June 2011; water consumption of 8,300 gallons; and 6,400 gallon Winter Months Average for sewer.

It is unknown at this time if index cities will have rate changes for FY12.

Customer Cities Comparison of Average Monthly Water & Sewer Residential Bills



Note: Bill comparison based on rates effective June 2011; water consumption of 8,300 gallons; and 6,400 gallon Winter Months Average for sewer.

It is unknown at this time if customer cities will have rate changes for FY12.

Other Fee-Based Services



Sanitation Services:

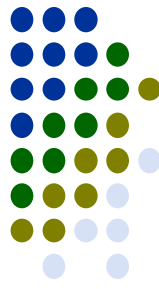
- No change in service to customers
 - Continue OneDay Dallas for solid waste and recycling
 - Continue monthly bulky trash and brush removal
- Maintain full-cost recovery for services provided
- Residential fee will not change, stays at current \$20.25 per month
- McCommas Landfill gate fee per ton will not change, stays at \$21.50 per ton

Storm Drainage Management:

- No change is proposed in FY12 for the Storm Drainage Management fee

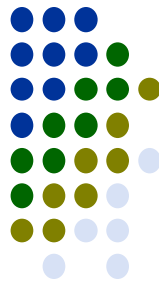
State Law Taxation Requirements

State Law Taxation Requirements



- State Law requires public notice of tax rate calculations
- Allows taxpayers to roll back or limit tax increase in certain cases
- **Proposed Rate = 79.70¢**
- **Effective Rate = 81.78¢**
 - Generates same amount of revenue in new fiscal year on taxable property that was taxed in previous fiscal year
 - Effective rate would generate an additional \$16.4m in property tax revenue over proposed budget
- **Rollback rate = 84.27¢**
 - Allows for general fund portion of Effective rate plus 8%
 - Allows debt service portion necessary to cover debt service costs
 - If a rate above 84.27¢ is adopted, voters may petition for an election to reduce the rate to the Rollback rate
 - Rollback rate would generate an additional \$36.1m in property tax revenue over proposed budget
- **Notice and Hearing Rate = 81.78¢** is the lower of either the Effective rate or the Rollback rate

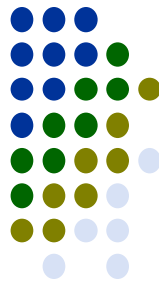
State Law Taxation Requirements



- Requirements if Notice and Hearing Rate is to be exceeded and if Council desires to reserve the option to adopt a tax rate higher than 81.78¢
 - Vote to consider a specific tax rate higher than the Notice and Hearing Rate (August 24th)
 - Schedule and publish date/time for two public hearings
 - Hold two tax rate public hearings (September 7th and 12th)
 - Schedule and publish date/time of meeting to adopt tax rate
 - Meet to adopt tax rate
 - **If these steps not taken, maximum tax rate = 81.78¢**
- Recap
 - Current rate = 79.70¢
 - Effective rate = 81.78¢
 - Rollback rate = 84.27¢
 - Notice and Hearing rate = 81.78¢
 - Proposed rate = 79.70¢
 - 1¢ of the tax rate generates \$7.9m in property tax revenue
 - 1% change of tax rate (0.80¢) generates \$6.3m in property tax revenue

Outlook Beyond FY 2011-12

Outlook Beyond FY12



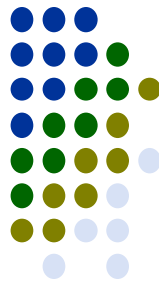
- Even through the last few years of economic recession, the City has:
 - Maintained focus on public safety and economic development
 - Lived within our means
 - Made necessary reductions
 - Continued to plan and invest in the future with the long-term goal of expanding the City's tax base
- Several projects are in progress that will have positive impact on future budgets
 - Convention Center Hotel
 - Margaret Hunt Hill Bridge
 - Woodall Rodgers Deck Park
 - Love Field Modernization Program
 - City Performance Hall
 - Belo Gardens

Outlook Beyond FY12



- Despite the City's efforts and the slight economic growth that is indicated locally, the global economy remains fragile which warrants caution
- Financial challenges may continue into future fiscal years and negatively impact the City's budget
 - Further decline in commercial tax base is possible and would reduce property tax revenues
 - Sales tax is a volatile revenue source
 - Expenses such as fuel and power could see further increase

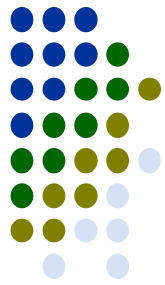
Outlook Beyond FY12



- Reductions put in place over last few years will need to be restored
 - Reductions such as deferred street and facility maintenance will begin to have long-term effect if not restored
 - Restoration of components of Police and Fire Meet and Confer agreement will be required in FY13
 - Restoration of civilian employee pay which is still between 1.9% and 4.9% less than in FY10
- Infrastructure needs and debt service requirements must be considered as future bond programs are developed
- Strategies to help City's budget outlook in future requires consideration

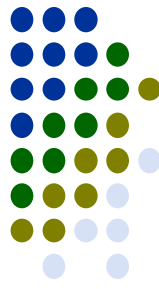
Schedule for August and September 2011

August & September 2011



August 8	Budget Workshop – City Council Briefed on Proposed FY12 Budget
August 8	Town hall Meetings begin – 41 scheduled
August 17	Council Briefings
August 22	Budget Workshop
August 24	Budget Public Hearing
September 6	Town hall Meetings end
September 7	Budget Workshop
September 14	Budget Adoption – First Reading
September 19	Amendment Workshop
September 21	Amendment Workshop (if necessary)
September 28	Budget Adoption – Final Reading

August & September 2011



- Dallas County Tax Office has requested the City to consider accelerating the date of adoption of the FY12 budget and setting the tax rate
 - Tax Office has requested a September 21st adoption instead of September 28th as currently scheduled
 - An accelerated schedule will enable Dallas County to issue tax bills by October 1st with taxes due January 31, 2012
 - Current City calendar and schedule did not assume this shorter schedule
 - Adjusting the schedule at this point gives the Council and citizens less time for review and discussion of the upcoming budget

City Auditor's Opinion and Revenue Review

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 12, 2011