

Memorandum



Date June 14, 2013

To The Honorable Mayor and Members of the City Council

Subject Budget Workshop #3: FY 2013-14 Budget Development Update

The FY 2013-14 Budget Development Update briefing is attached for your review and will be presented at your June 19th meeting. Included with the briefing are Ranking Sheets compiled by each Key Focus Area Team listing all the services considered for funding in FY 2013-14.

While both revenue and expenditure estimates have been updated since the May budget briefing, the estimates are still considered preliminary and will be further analyzed and updated as more data becomes available through the summer.

A balanced budget recommendation will be presented on August 7th 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.


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 #3 – FY 2013-14 Budget Development Update

City Council Briefing – June 19, 2013



Purpose of Briefing

- Provide recap of February 6th and May 15th budget briefings
- Review progress made since last briefing and summarize current outlook as of June 19th
- Preview Dallas Water Utilities and Sanitation Services budget for FY 2013-14
- Provide status update of 2006 and 2012 bond programs
- Review next steps in developing a balanced budget for FY 2013-14 to present to Council on August 7th

Today's briefing is a "snapshot" towards developing a balanced budget to present to Council on August 7th. Numbers included in the briefing are estimates/projections and subject to further review and change.

FY 2013-14 Outlook

- Current year budget (FY 2012-13) was balanced and approved by Council on Sept 19, 2012
 - On-going monitoring of the current year ensures that expenditures do not exceed revenues and a monthly Financial Forecast Report is provided to Council
- Development of next year's budget (FY 2013-14) requires forecasting future changes in revenues and expenditures for the period Oct 1, 2013 through Sept 30, 2014
 - Budget development process focuses on balancing forecast revenues and forecast expenses

FY 2013-14 Outlook

- FY 2013-14 budget development also focuses on:
 - Maintaining current year service levels
 - Funding on-going obligations
 - Addressing most critical needs
- Eliminating differential or gap between revenues and expenses, and recommending a balanced budget is required
- Forecast for FY 2013-14 continues to be revised as new information becomes available and as additional analysis is completed

FY 2013-14 Outlook

- Current “snapshot”, indicates a differential or gap between forecast revenues and forecast expenses for next fiscal year to be \$22.7m

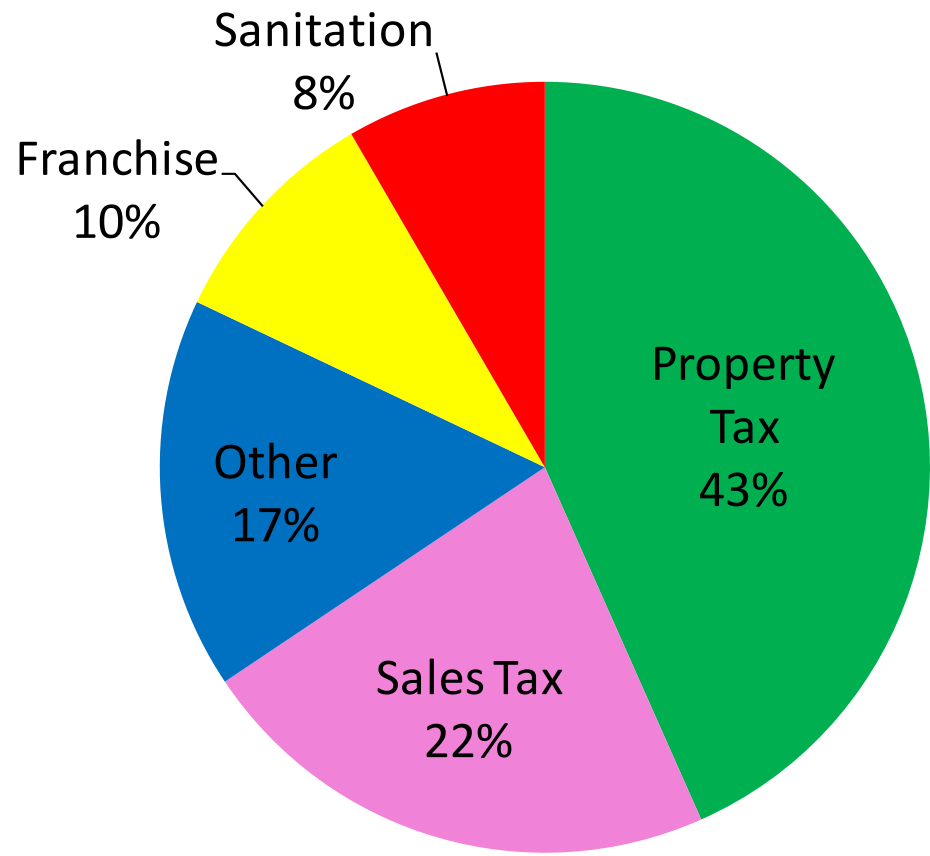
	Feb 2013 Forecast	May 2013 Forecast	June 2013 Forecast
Revenue Change	-\$5.7m	+\$11.2m	+\$36.5m
Expense Change	+\$31.4m	+\$47.2m	+\$59.2m
Differential or Gap	(\$37.1m)	(\$36.0m)	(\$22.7m)

- This differential or gap will be eliminated over the summer and **a balanced budget will be recommended on August 7th**

FY 2013-14 Revenue Update

FY 2013-14 Outlook – Revenue Update

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

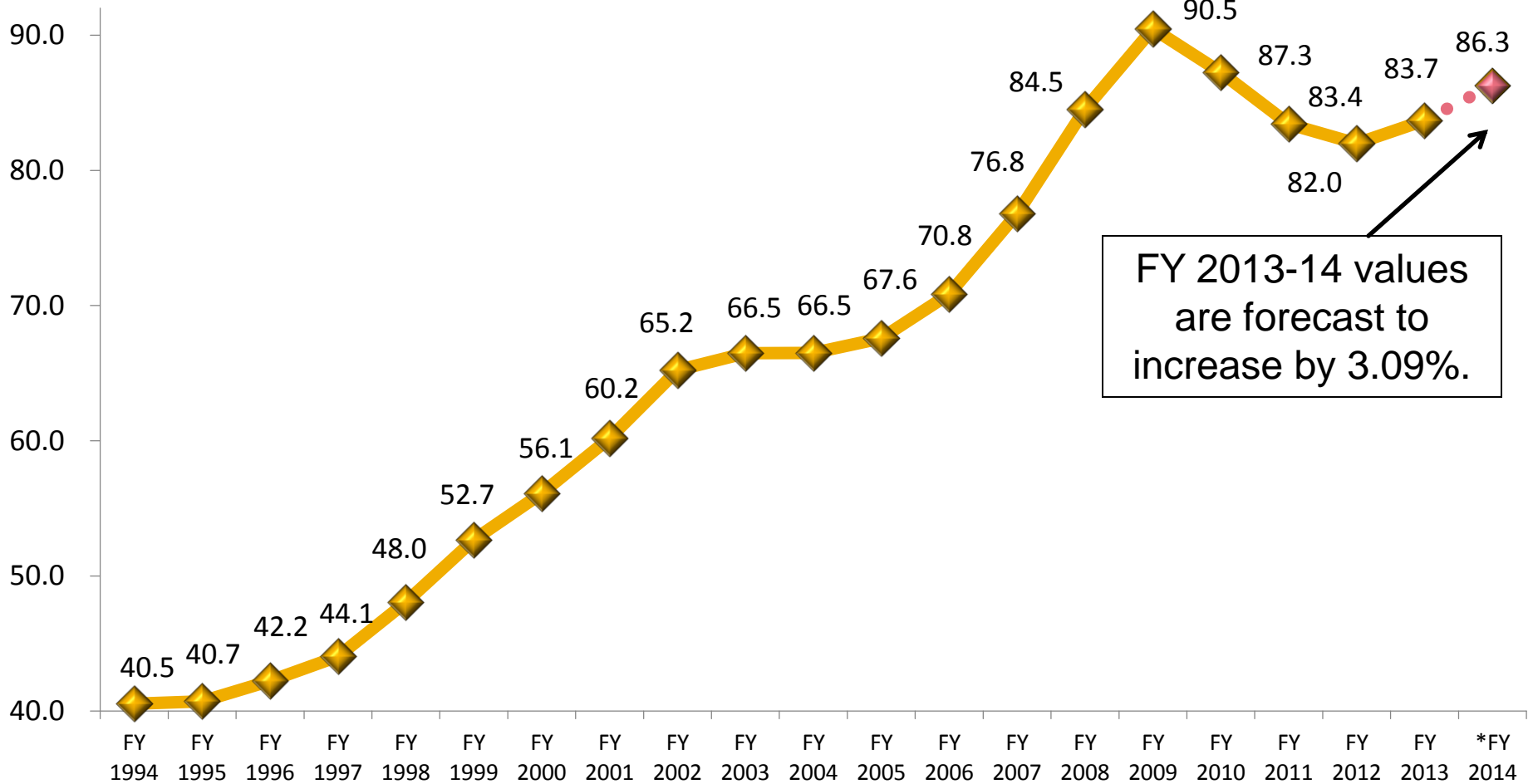


FY 2013-14 Outlook – Revenue Update

- Property tax revenue is single largest revenue source and accounts for about 43% of General Fund
 - Property values are appraised once per year and changes lag behind other economic conditions
 - Using preliminary data from the four appraisal districts, growth in the property tax base value is assumed to be about 3%
 - Current assumptions will allow \$0.0143 of the tax rate to temporarily shift to the general fund from the debt service fund during FY 2013-14 and FY 2014-15
 - Deadline for appraisal districts to certify tax rolls is July 25th
 - Once the tax rolls are certified, FY 2013-14 property tax revenue budget can be finalized

FY 2013-14 Outlook – Revenue Update

Property Values (\$ in Billions)



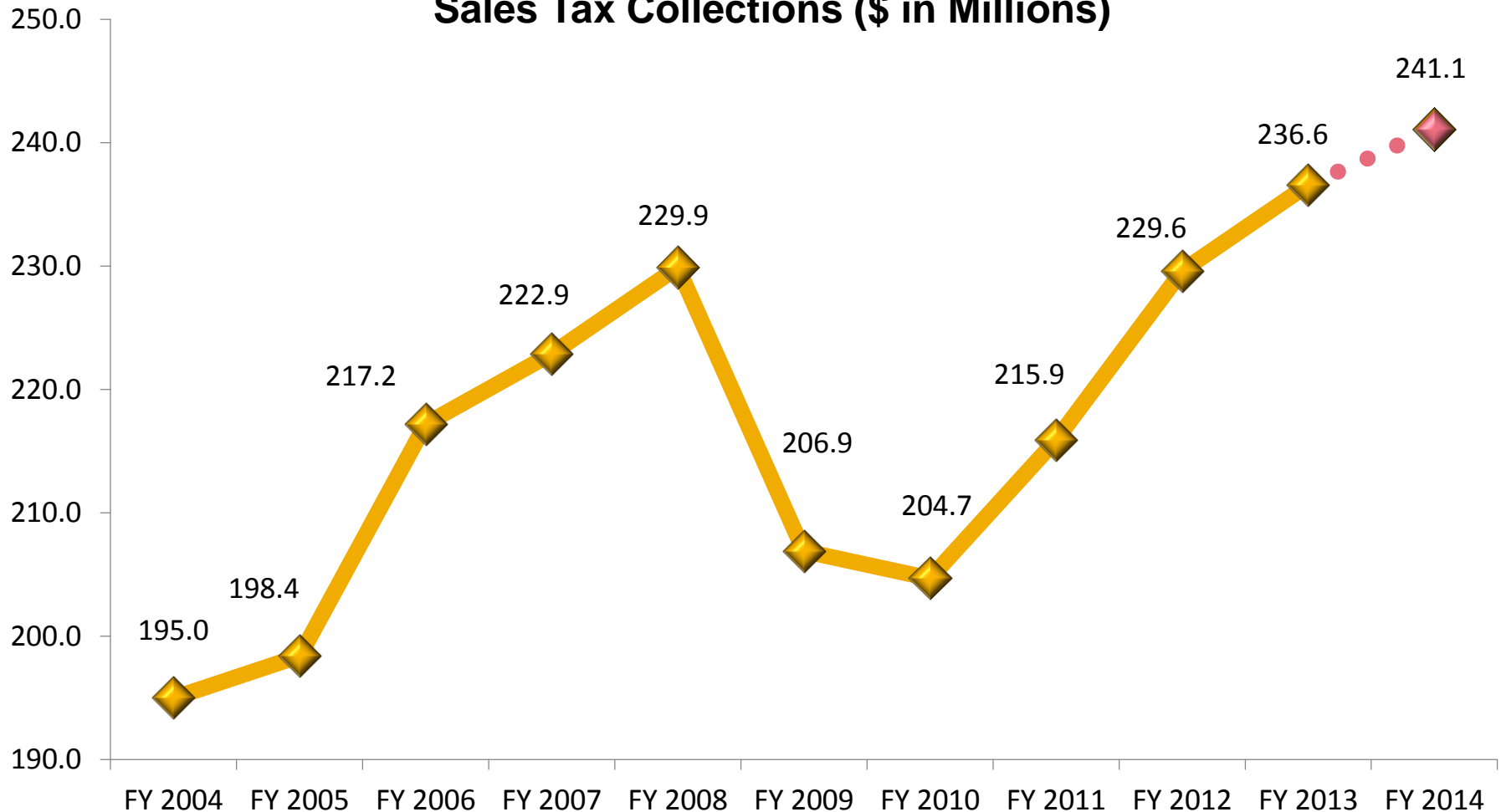
Note: FY 2013-14 property value is forecast to increase by 3.09%. Appraisal districts must certify tax roll by July 25, 2013.

FY 2013-14 Outlook – Revenue Update

- Sales tax revenue accounts for about 22% of General Fund
 - 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 38 consecutive months of growth in current period sales tax collections
 - It is assumed that total sales tax collections in FY 2013-14 will be 1.9% better than the current FY 2012-13 estimate

FY 2013-14 Outlook – Revenue Update

Sales Tax Collections (\$ in Millions)



Note: FY04 to FY12 are actual revenues. FY13 is the current estimate. FY14 is the current forecast.

FY 2013-14 Outlook – Revenue Update

- Franchise revenue accounts for about 10% of General Fund
 - While concern over the future of these revenues exist, there is no specific information with negative impact for FY 2013-14
 - Current trends indicate an increase of about \$1.7m in franchise revenue for FY 2013-14
- Sanitation revenues account for about 8% of General Fund
 - Residential collection and landfill tipping fees will continue to be analyzed through budget development process
 - Residential collection fees may require an increase of \$0.25 to \$0.50 per month

FY 2013-14 Outlook – Revenue Update

- Other revenues account for about 17% of General Fund and consist of licenses and permits, fines, charges for services, transfers, etc.
 - Examples of “other” revenues include municipal court, ambulance, parks, code, towing, parking, etc.
 - Current analysis of all other revenues indicates a net decrease of about \$0.7m primarily due to:
 - Decrease in Court revenues caused by a decline in the number of traffic citations being written
 - Decrease in transfers
 - Increase in EMS billing through the Medicaid supplemental payment program

FY 2013-14 Outlook – Revenue Update

- Revenues are now forecast to increase by \$36.5m from \$1,041.3m to \$1,077.8m for FY 2013-14 budget
- Any expense above this amount is the unfunded differential or gap

Revenue – Source of Funds	Feb 2013 Forecast	May 2013 Forecast	June 2013 Forecast
FY 2012-13 Adopted Revenues	\$1,041.3m	\$1,041.3m	\$1,041.3m
Property Tax	+\$2.4m	+\$8.9m	+\$25.4m
Sales Tax	+\$4.1m	+\$9.6m	+\$9.6m
Franchise revenue	No change at this point	+\$1.7m	+\$1.7m
Sanitation revenue	No change at this point	+0.5m	+\$0.5m
Other revenue changes (+/-)	-\$12.2m	-\$9.5m	-0.7m
Total Revenue Changes	-\$5.7m	+\$11.2m	+\$36.5m
FY 2013-14 Forecast Revenues	\$1,035.6m	\$1,052.5m	\$1,077.8m

FY 2013-14 Expense Update

FY 2013-14 Outlook – Expense Update

- Through the Spring, each department submitted bids based on need for services including any on-going obligations, cost increases, service restorations, and enhancements
- Key Focus Area teams were utilized to review, analyze and rank bids submitted for funding consideration by each department to determine which bids best accomplish objectives of KFA
- Bids were prioritized and ranked by KFA Teams with input from City Manager's team

FY 2013-14 Outlook – Expense Update

- Revised revenue forecast totaling \$1,077.8m has been allocated to each Key Focus Area to fund priority services
- Critical bids (services) which fall below the adjusted funding line are marked with an asterisk and considered higher priority to be added back should funding become available
 - Bids marked with an asterisk, \$22.7m, are expenses in excess of forecast revenue, therefore, considered the unfunded differential or gap
- Services/enhancements without an asterisk which fall below the funding line are not funded in FY 2013-14
 - Bids without an asterisk are primarily for enhanced service levels

FY 2013-14 Outlook – Ranking Sheets Summary

Key Focus Area	Services Above the Line – <u>“IS FUNDED”</u>	Higher Priority Services – <u>NOT FUNDED, but</u> <u>“SHOULD BE”</u> (Bids marked with *)	Lower Priority Services <u>“IS NOT FUNDED”</u> (Primarily Bids to Enhance Service Levels)
Public Safety	\$601.9m	\$10.9m	\$3.7m
Economic Vibrancy	\$88.0m	\$5.2m	\$8.2m
Clean Healthy Environment	\$92.8m	\$0.4m	\$0.7m
Culture, Arts & Recreation	\$69.5m	\$0.0m	\$3.7m
Educational Enhancements	\$17.9m	\$0.0m	\$2.8m
E3 Government	\$88.4m	\$3.3m	\$7.6m
E3 – Citywide Cost to be Distributed Later *	\$119.3m	\$2.9m	0.0m
Total	\$1,077.8m	\$22.7m	\$26.7m

* Note: E3 “funded” amount includes cost that will be distributed to other KFAs later in process, including CIS charges, Risk charges, electricity, fuel, employee health benefits, etc.

FY 2013-14 Outlook – Public Safety

- All current year Public Safety services are either above the funding line or have been indicated with an asterisk
- Examples of on-going Public Safety services include:
 - Fire and rescue emergency response
 - Emergency medical services
 - Police field patrol
 - Lew Sterrett jail contract and City detention center
 - Narcotics, criminal investigations, vice, police intelligence, etc.
 - Police Special Operations such as mounted, helicopter, tactical, traffic, and Love Field
 - Municipal court services
 - Security services for City facilities

FY 2013-14 Outlook – Public Safety (continued)

- Increased obligations and enhancements in FY 2013-14 include:
 - Full-year funding for police and fire education pay as part of the meet and confer agreement initiated in FY 2010-11
 - Full-year funding for police officer salary costs as necessary to comply with the COPS grant
 - Replacement of marked squad cars
 - Fund Step Pay for police and fire uniform personnel (temporarily suspended as part of FY 2010-11 meet and confer agreement)

FY 2013-14 Outlook – Public Safety (continued)

- Increased obligations and enhancements in FY 2013-14 include (continued):
 - Cost increase from Dallas County for Lew Sterrett jail contract
 - In response to Dallas population growth:
 - Add 20 officers above attrition, first of three year program (**enhancement**)
 - Add 10 call takers in 911 (**enhancement**)
 - Provide paramedic training to an additional 37 firefighters, for a total of 88 firefighters in FY 2013-14

FY 2013-14 Outlook – Economic Vibrancy

- All current year Economic Vibrancy services are either above the funding line or have been indicated with an asterisk
- Examples of on-going Economic Vibrancy services include:
 - Traffic safety and congestion management
 - Street Service Maintenance Areas including street repairs, ROW maintenance, crack sealing program, etc.
 - Street maintenance - asphalt and concrete
 - Economic Development initiatives such as area redevelopment, international business, small business, etc.
 - Operation and maintenance of Fair Park
 - Street lighting

FY 2013-14 Outlook – Economic Vibrancy (continued)

- Increased obligations and enhancements in FY 2013-14 include:
 - Traffic safety – leverage \$5m Federal funds to upgrade City’s aging traffic signal system
 - Street maintenance – additional 60 lane miles of slurry seal and 30 lane miles of micro surfacing (**enhancement**)
 - Street repair concrete – additional 15 lane miles of partial reconstruction (**enhancement**)
 - Business Development – add 2 positions to manage, coordinate, and accelerate complex development and redevelopment projects (**enhancement**)

FY 2013-14 Outlook – Economic Vibrancy (continued)

- Increased obligations and enhancements in FY 2013-14 include (continued):
 - Light-up Fair Park initiative (**enhancement**)
 - Underground storage tanks – provides for compliance with new regulations and long-term management of City-owned tanks
 - Historic preservation – 3rd of 3 years transferring cost from Building Inspection (enterprise fund) to General Fund

FY 2013-14 Outlook – Clean Healthy Environment

- All current year Clean Healthy Environment services are either above the funding line or have been indicated with an asterisk
- Examples of on-going Clean Healthy Environment services include:
 - Sanitation services
 - Environmental initiatives
 - Neighborhood code and nuisance abatement
 - Animal services

FY 2013-14 Outlook – Clean Healthy Environment (continued)

- Increased obligations and enhancements in FY 2013-14 include:
 - Food protection – add 2 sanitarians (**enhancement**)
 - Mosquito abatement – add 1 environmental specialist (**enhancement**)
 - The Bridge Homeless Assistance Center – additional support from the City (**enhancement**)
 - Additional funding will provide for a management analysis

FY 2013-14 Outlook – Culture, Arts, and Recreation

- All current year Culture, Arts, and Recreation services are above the funding line
- Examples of on-going Culture, Arts, and Recreation services include:
 - Cultural service contracts
 - City cultural centers and facilities
 - Recreation centers
 - Maintenance of park land
 - Dallas Zoo Management stipend
 - Aquatic services
 - Golf and tennis centers

FY 2013-14 Outlook – Culture, Arts, and Recreation (continued)

- Increased obligations and enhancements in FY 2013-14 include:
 - Zoo – increased funding to meet contractual obligation
 - Increased O&M associated with new facilities and improvements

FY 2013-14 Outlook – Educational Enhancements

- All current year Educational Enhancements services are above the funding line
- Examples of on-going Educational Enhancements services include:
 - Neighborhood libraries' hours and materials
 - Central library's hours and materials
 - Big Thought for Big Minds initiative
- Increased obligations and enhancements in FY 2013-14 include:
 - Begin replacement of public-use computers in libraries

FY 2013-14 Outlook – E3

Government

- All current year E3 Government services are either above the funding line or have been indicated with an asterisk
- Examples of on-going E3 Government services include:
 - City-wide costs such as appraisal districts, tax collection, independent audit, liability claims fund, TIF payments, payroll, financial reporting, etc.
 - Funding for costs that will be allocated across all services later in budget development process such as fuel, electricity, CIS, fleet, and risk charges

FY 2013-14 Outlook – E3 Government (continued)

- Increased obligations and enhancements in FY 2013-14 include:
 - Attorney's Office – add 5 positions in general counsel and litigation divisions, and expand collection efforts/revenue (**enhancement**)
 - Auditor's Office – restore 2 positions
 - Civil Service – restore 3 positions for civilian applicant processing
 - Ethics program – add 1 position to oversee Code of Ethics program (**enhancement**)
 - Add funding for Earned Income Tax Credit program
 - Master Lease program
 - CIS – spend-down of CIS fund balance was utilized in FY 2012-13
 - Compensation study – 2nd year of phased implementation of recommendations to improve pay in hard to fill and under-paid positions

FY 2013-14 Outlook – E3 Government (continued)

- Increased obligations and enhancements in FY 2013-14 include (continued):
 - Contingency reserve – increase funding to comply with FMPC
 - Hire actuary for new pension accounting requirements
 - Civilian merit
 - Equipment Services maintenance cost increase due to increasing fleet and aging fleet
 - Worker’s Comp, Liability, and Property Insurance increased to meet funding requirements

FY 2013-14 Outlook – Updated Differential

- Based on updated revenue forecast for FY 2013-14 compared to expenses ranked above the funding line plus the expenses ranked below the funding line but with an asterisk, the updated differential is \$22.7m
- Combination of strategies will be analyzed prior to August 7th budget recommendation in order to eliminate the remaining \$22.7m forecasted differential

**Other Considerations:
Dallas Water Utilities and
Sanitation Services**

Dallas Water Utilities

- Preliminary FY 2013-14 budget includes:
 - Operating budget of \$588.7m
 - Capital Budget of \$298.6m
- Total retail revenues projected to increase by 5.5%
 - Typical bill for residential customers may increase 4% to 5% above current rates
- Wholesale revenues estimated to increase by 2.8%
- Continue commitment to provide high quality and sufficient water and wastewater service to meet customer needs
- Continue Water Conservation Five-Year Strategic Plan to reduce per capita water consumption by 1.5% a year
- Future outlook on retail rates:
 - FY 2014-15 3.2% increase (previously briefed 5.6%)
 - FY 2015-16 4.9% increase (previously briefed 5.4%)

Sanitation Services

- FY 2013-14 budget will fund continuation of current services including:
 - OneDay Dallas residential solid waste and recycling collection services
 - Monthly residential brush and bulky collection services
 - Operation of McCommas landfill
- Residential collection fees are currently \$20.25 per month – fee adjustments are currently under review
 - 1.2% (\$0.25 per month) to 2.5% (\$0.50 per month) fee increase may be required for cost increases such as temporary labor contract, adjusting employee compensation to market, and fleet maintenance expenses
- McCommas landfill tipping fee is currently \$21.50 per ton – fee adjustments are currently under review

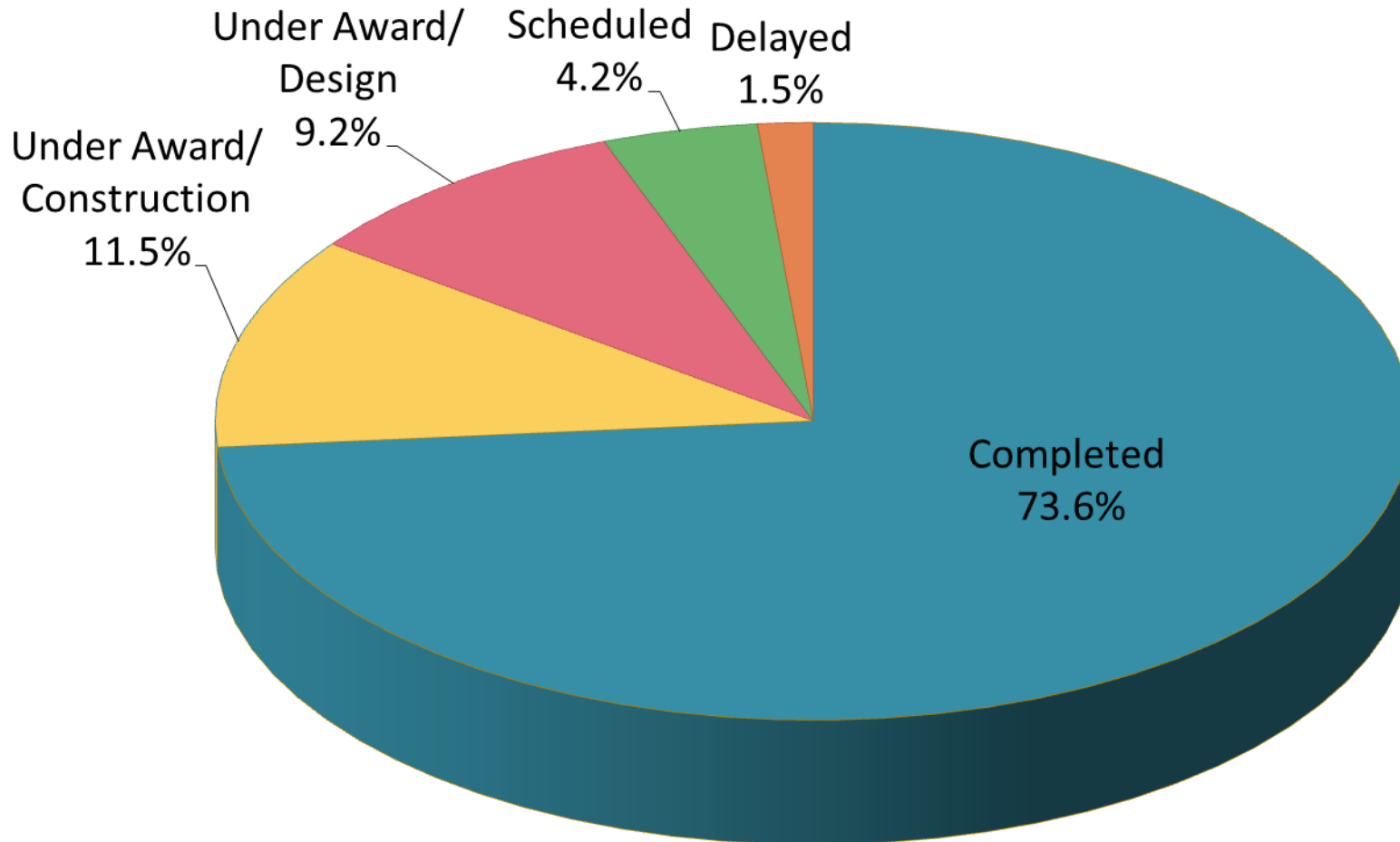
2006 and 2012 Bond Program Update

2006 Bond Program Status (As of May 31, 2013)

Proposition	# of Projects	Completed	Under Award/ Construction	Under Award/ Design	Scheduled	On Hold
1. Streets	766	82.5%	11.7%	4.6%	0.7%	0.5%
2. Flood Control	88	56.8%	19.3%	21.6%	0.0%	2.3%
3. Parks	358	67.3%	10.3%	12.0%	8.4%	2.0%
4. Libraries	31	51.6%	25.8%	19.4%	3.2%	0.0%
5. Cultural Facilities	22	59.1%	4.5%	0.0%	18.2%	18.2%
6. City Facilities	34	70.6%	0.0%	8.8%	14.7%	5.9%
7. Land Bank	N/A	0.0%	0.0%	0.0%	100.0%*	0.0%
8. Economic Develop.	N/A	N/A	All Funds Allocated/Under Negotiation			0.0%
9. Farmers' Market	1	5.0%	0.0%	0.0%	95.0%**	0.0%
10. Land Acquisition	N/A	30.3%	Various (69.7%)			0.0%
11. Court Facilities	1	0.0%	0.0%	100.0%	0.0%	0.0%
12. Public Safety Facilities	59	50.8%	6.8%	23.7%	18.6%	0.0%
Totals	1,360	73.6%	11.5%	9.2%	4.2%	1.4%

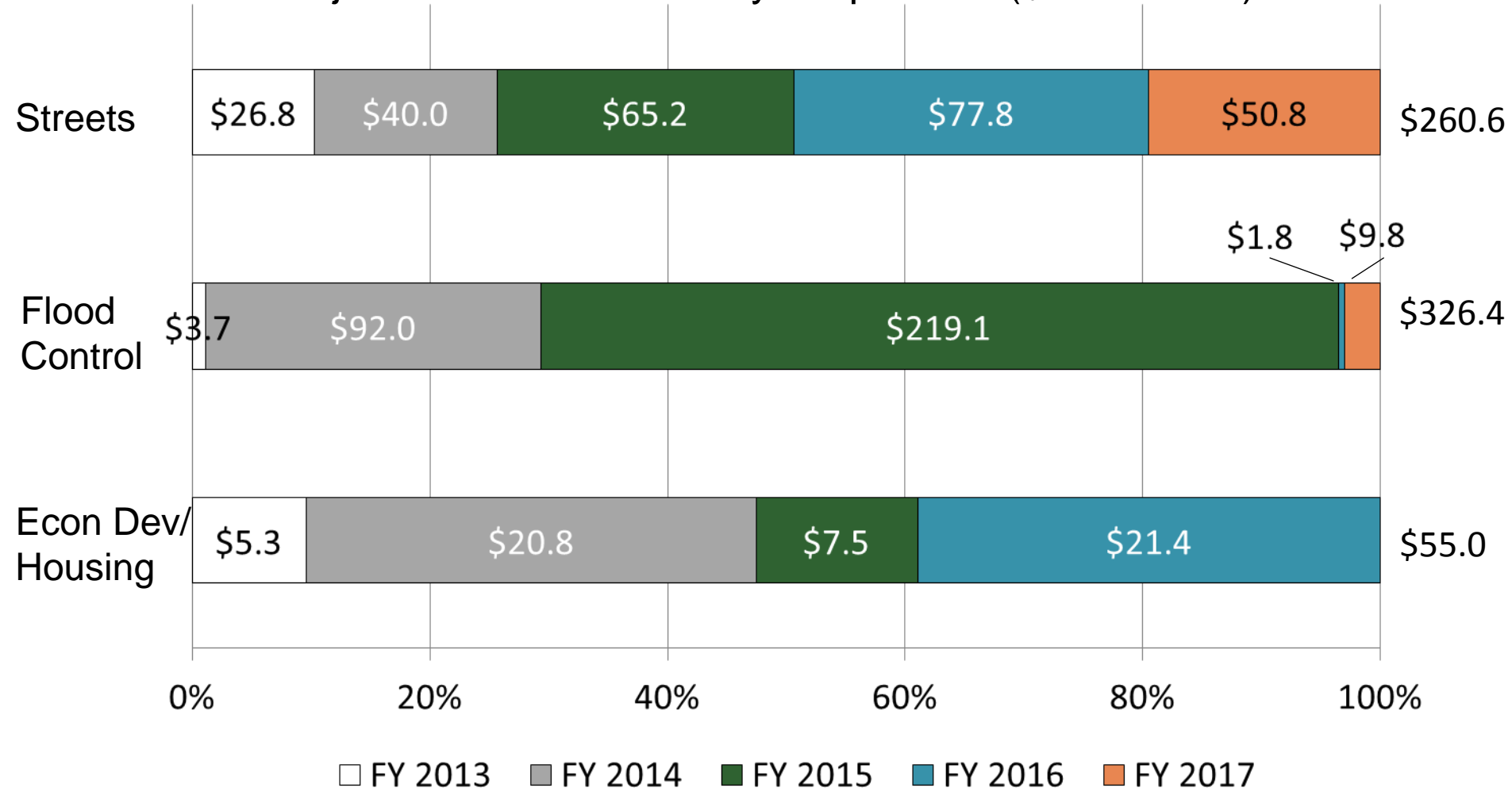
*Production volume reduced due to housing recession. **Funds reserved for privatization efforts.

2006 Bond Program Status (As of May 31, 2013)



2012 Bond Program Schedule

Project Award Schedule by Proposition (\$ in Millions)



Budget Schedule

Budget Schedule

✓ 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
✓ 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

Budget Schedule

✓Jun 19	Budget Workshop #3: Rankings and budget review
Jul 25	Certified tax roll
Aug 7 *	Budget Workshop #4: City Manager's recommended budget
Aug 8 *	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

* Note: On April 10, 2013, City Council approved an amendment to the 2013 calendar and advanced the CMO budget recommendation and start of town hall meetings.

Council comments and
questions regarding the
FY 2013-14 budget
update

Citizen Involvement

Option 1: Telephone Town Hall Meeting, LLC

- ❖ TTHM will provide Dallas with full production services, provides event performance reports, event recordings, and all pre-planning activities.
- ❖ TTHM also provides a dedicated toll-free phone number for participants to dial into manually. This number can be advertised prior to the call, and is included in the voicemails left at households that do not answer the call live.
- ❖ Offering includes a web-based control platform that allows the City to select screened questions from the audience to be brought live by the Co-Host.
- ❖ TTHM can also do a simultaneous webcast where participants may join online and listen to the live phone forum, or even watch an optional live video feed of their city council member during the event. Web participants can submit questions through Web Chat.
- ❖ TTHM cost for each council district to host one (1) 60 minute would be approx. \$4,500 (each).



Option 2: AT&T Connect (Webinar)

Web Conferencing

- Document presentation
- Flexible recording options
- Maximum 250 Participants (standard offering)

Audio Conferencing

- Mute, un-mute, participant count, lock/unlock session, etc.
- Optional security code
- Maximum 250 Participants (standard offering)

Video Conferencing

- Up to 4-way continuous-streaming multipoint video

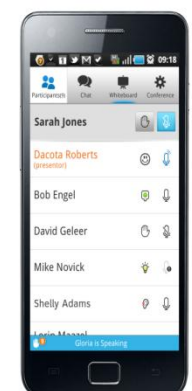
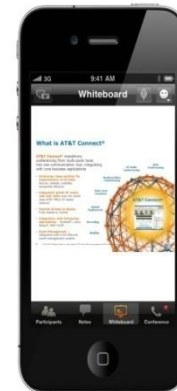
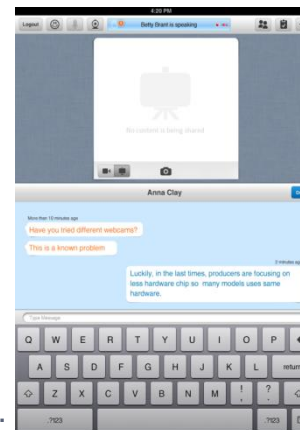
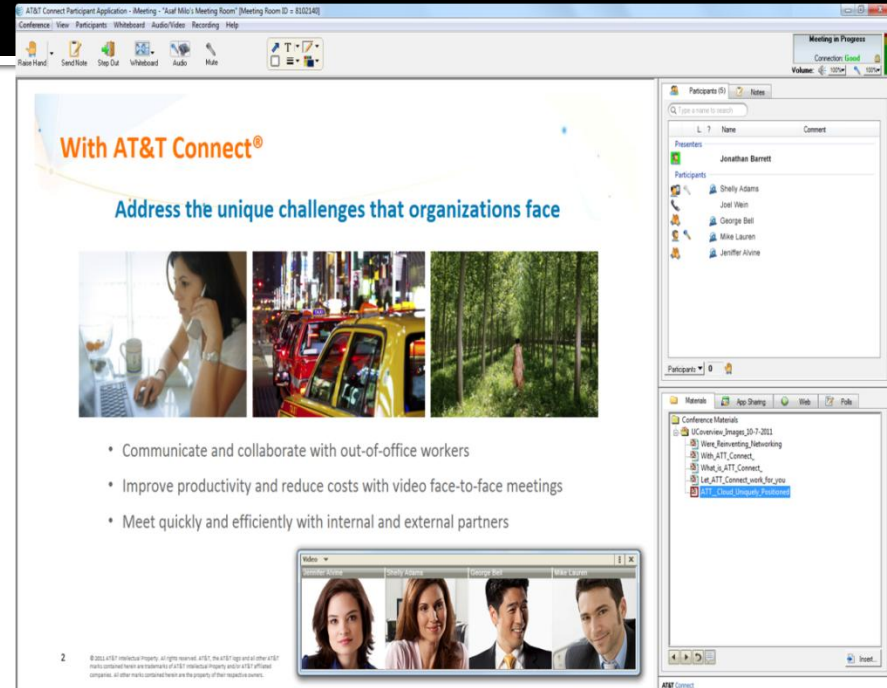
Accessibility

- Connect via Web, iPad, Smart Device, or Audio
- Features and options vary based on connection device
- Streaming Video using public internet

Cost and Management

- City responsible for setup, notification and management of each town hall meeting hosted
- Participant list is available for web participants only
- Estimated cost for each council district to host one (1) 60-minute town hall meeting is \$431.83 (each)

*Additional City cost to provide moderator & tech support to participants.



Option 3: Audio Only Conferencing

- ❖ Voice conference only (no video)
- ❖ Toll-free 800 dial-in number
- ❖ Operator Assisted Dial-In and Moderator for Participant Q & A
- ❖ Conference Recording Available
- ❖ Maximum of 250 participants (standard offering)
- ❖ City responsible for setup, notification and management of each town hall meeting hosted
- ❖ Participant list is available
- ❖ Estimated cost for each district to host one
(1) 60-minute town hall meeting
is \$6,300 (each)



*Without operator assistance, moderator and participant listing cost is \$1,500 less per town hall.

Option 4: DCNN + Audio Conferencing

- ❖ Live Audio /Visual Streaming of TownHall at City Council Chambers
- ❖ Toll-free 800 dial-in number (Max. 250 Call-In Participants)
- ❖ Operator Assisted Dial-In and Moderator for Participant Q & A
- ❖ Conference Recording Available
- ❖ City responsible for setup, notification and management of Town Hall meeting hosted
- ❖ Participant list is available
- ❖ Estimated cost for 60 Minute Town Hall is \$6,300



Appendix A

FY 2013-14 Ranking Sheets

Ranking Sheets

- Bid (Offer) Number (Column 1) – unique identifier assigned to each bid
- Bid Name (Column 2) – service title
- Bid Price (Column 3) – amount requested by department
- Recommended Amount (Column 4) – amount of funding recommended by the KFA Team which may be less than the bid price
- Running Total (Column 5) – remaining amount available to “spend”
- Revenue (Column 6) – revenue associated with that bid
- Reimbursement (Column 7) – additional funds from another source that add to the recommended amount as the total amount available for that service
- Comments/Impact Statement (Column 8) – additional information about the service including statement about reduction or source of reimbursements, etc.

Ranking Sheets

- “Is Funded” – Above the Funding Line Services are those services which currently are above funding line on Ranking Sheets and are considered to be funded in preliminary FY 2013-14 budget
- “Should be Funded” – Higher Priority Services are those services which fall “below funding line” but are designated as a higher priority to be restored to FY 2013-14 budget, should funding become available
- “Is Not Funded” – Lower Priority Services are those services and enhancements which fall “below funding line” and are subject to not being funded in FY 2013-14 budget