

# **Budget Workshop #7: City Manager's Proposed FY2009-10 Budget**

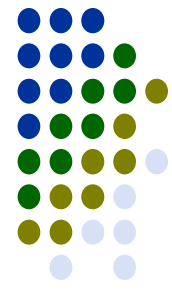
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***Recommended by  
Mary K. Suhm, City Manager***

***Presented to the Dallas City Council  
August 10, 2009***

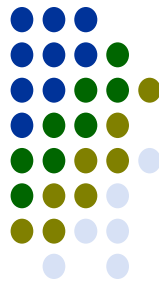


**City of Dallas**

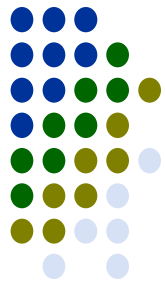


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# Overview

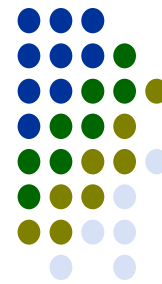


- Review Status of Budgeting For Outcomes
- Review Price of Government (POG) in Dallas
- Recommended FY2009-10 Budget
- National Overview
- Major General Fund Expense and Revenue Changes
- Key Focus Area Highlights
- Fee-Based Services: Overview of Other Funds
- State Law Taxation Requirements
- Property Tax Exemptions
- FY2010-11 Outlook
- City Auditor's Opinion and Revenue Review
- 2009 Calendar: August and September
- Council Feedback



# *Where are we in the Process?*

- ✓ City Council established citywide objectives
- ✓ Council set strategic direction for FY2009-10
- ✓ 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



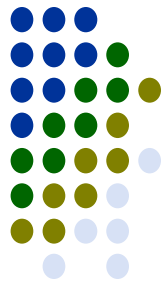
# *Price of Government in Dallas*

FY 2007-08 Price of Government	\$1,962,000,000
FY2009-10 Price of Government (Preliminarily set in February's Budget Workshop #4)	\$1,930,000,000
FY2009-10 Price of Government (Per City Manager's Proposed Budget)	\$1,908,173,000

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

# **Proposed FY2009-10 Budget**

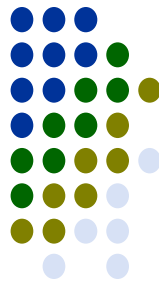
# *Guiding Principles*



In the face of global economic challenges, the budget has been developed from the guiding principles found in the Council's strategic plan:

- Commitment to Public Safety enhancements
- Investment in infrastructure and economic development
- Effective management, focusing on core services, shrinking government, finding efficiencies, positioning the City for recovery
- Leadership in environmental sustainability

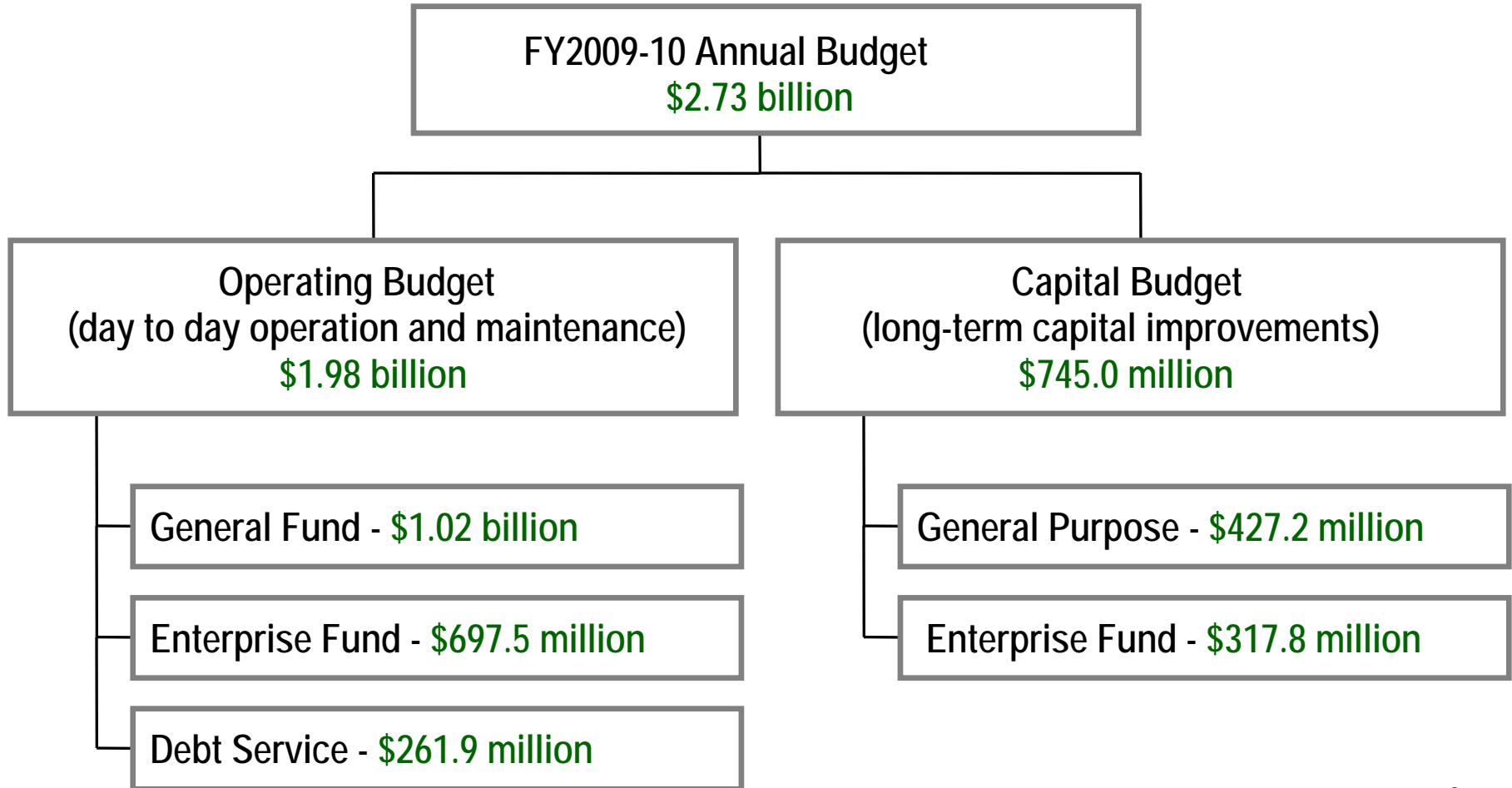
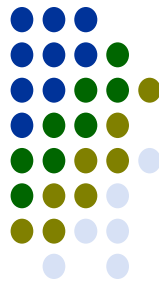
# *Budget Summary*



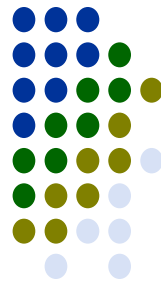
- No service reduction to uniform services and Code Compliance
- Remainder of General Fund services reduced
  - Department reductions of 20-30%
- Implementation of 2006 Bond Program will continue
- Management support structure reduced to coincide with reduction in services
  - 22 executive positions eliminated/reduced
- Number of departments/offices reduced from 31 to 22



# ***FY2009-10 Proposed Budget***



# Proposed Budget by Key Focus Area



FY2009-10 Annual Budget  
\$2.73 billion

Operating Budget  
\$1.98 billion

Capital Budget  
\$745.0 million

Public Safety \$655.4m

Economic Vibrancy \$556.2m

Clean, Health Environment \$222.1m

Culture, Arts & Recreation \$69.4m

Education \$21.9m

E3 Government \$188.7m

Debt Service \$261.9m

Public Safety \$45.4m

Economic Vibrancy \$160.5m

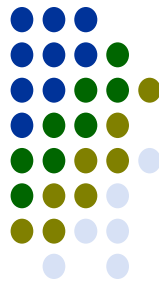
Clean, Health Environment \$347.6m

Culture, Arts & Recreation \$135.2m

Education \$7.0m

E<sup>3</sup> Government \$49.3m

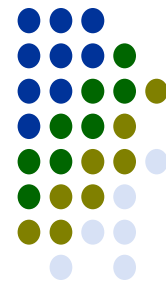
# *National Overview*



- Dallas is not alone in its financial position
- Many large cities across the nation are in a comparable or even worse financial condition and are making similar recommendations to balance their budgets
  - Consumer spending has declined and has led to reductions in sales tax revenues
  - Real estate based taxes have declined
  - Service cuts in other cities are closing libraries, recreation centers, reduced trash collection, and cutting fire fighters
  - Some police departments are cutting sworn staff
  - Cities have imposed wage and hiring freezes; eliminated vacant positions and reduced headcount through attrition and layoffs
  - Cities are tending to focus on fees rather than taxes

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

# *Major General Fund Revenue Changes*



- Property tax revenue reduction
  - No tax rate increase
  - 3.55% tax base value loss
- Sales tax revenue reduction -1.4% below current estimate
- Economy-related revenue losses, including landfill fees and interest earnings
- Atmos Gas franchise revenue loss due to significantly lower natural gas prices
- Fee increases/new fees – high-rise inspection, Fair Park parking, athletic fields, Park special event fees, multi-tenant inspection fees
- General Fund's fund balance reduced
  - Maintains FMPC requirement for reserves

# *Major General Fund Expense Changes*



- Significant service reductions
- Full year funding of Public Safety costs
  - Police and Fire pay plan
  - Full year funding for 200 additional Police officers hired in FY08-09
  - 200 marked squad replacements
- Debt Service for authorized bond program

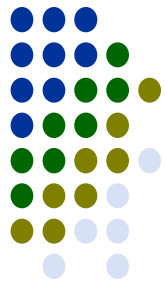
# Key Focus Area (KFA) Highlights





# *Public Safety*

## *KFA Highlights*



### **Enhancements include:**

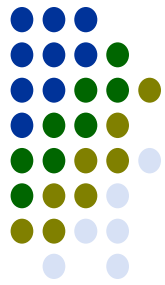
- Police force increased by 191 police officers
  - 100 general fund, 91 federal grants
- Anticipated attrition of 176 for a total of 367 new hires
- DFD apparatus replacement on an accelerated schedule
- Process improvements implemented to enhance collections in Court Services





# *Public Safety*

## *KFA Highlights*



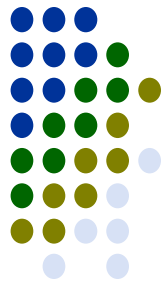
### **Current Services include:**

- Emergency call response by Police field patrol
- Criminal investigations – property, vice, narcotics, youth and family, and crimes against persons
- Police property room and auto pound operations
- EMS and Fire-Rescue emergency response
- Fire prevention inspections
- Arson investigations
- Municipal Courts and Judiciary



# *Public Safety*

## *KFA Highlights*



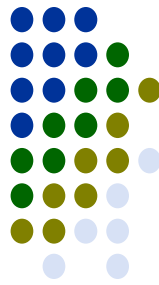
### **Reductions include:**

- Police overtime - reduced by 25% due to increased number of officers on the Police force
- Police civilians reduced by 165
- No step pay increases for uniformed staff



# *Economic Vibrancy*

## *KFA Highlights*



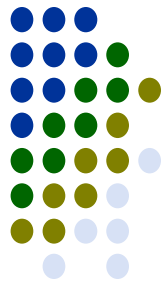
### **Enhancements include:**

- \$6.8m funding for Public/Private Partnership from Dallas Water Utilities Payment in Lieu of Taxes (PILOT) funds
  - \$800k increase over FY08-09 funding level
- Begin implementation of the Love Field Master Plan
- Start construction of the Convention Center Hotel
- Staffing and equipment increase to comply with Corps of Engineers' new standards for maintenance, including:
  - Levees, sumps and associated channels, buildings, pump stations and pressure sewers
  - Erosion prevention and repair



# *Economic Vibrancy*

## *KFA Highlights*

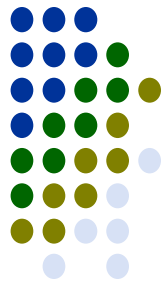


### **Current Services include:**

- \$125.3m continued investment in streets
  - March 2010 bond sale includes \$106.1m for Street and Thoroughfare improvements
- Basic street repairs, such as pothole patching
- Fair Park operations and maintenance
- Land Use, transportation and infrastructure planning



# *Economic Vibrancy Highlights*

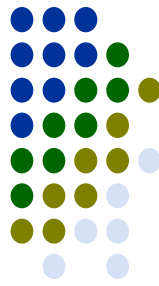


## **Reductions include:**

- Slurry seal and microsurfacing street treatment contracts eliminated
- Mowing cycles reduced from 21 to 18
- Tree trimming and litter programs reduced
- Street striping and traffic sign replacements reduced
- Building Inspection services reduced in response to decreased demand for building permits
- International travel for business recruitment reduced



# *Clean, Healthy Environment KFA Highlights*

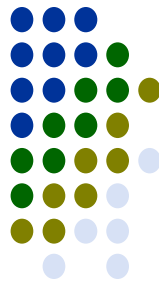


## **Enhancements include:**

- ***OneDay Dallas*** (same day, once-a-week garbage and recycling collection) implemented city-wide
  - Results in \$0.64/reduction in monthly fee
- Seniors' ombudsman added
  - Will assist and direct seniors to available services
- Health and senior services enhanced through better communication and coordination with Dallas County/Parkland



# *Clean, Healthy Environment KFA Highlights*

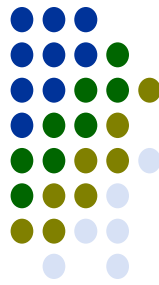


## **Current Services include:**

- Comprehensive homeless outreach
- Senior transportation initiative
- Pride in Your Neighborhood Program
  - Continue the program started in partnership with Keep Dallas Beautiful to add up to six additional neighborhoods intent on beautification, litter removal and code compliance and establishing a unique neighborhood identity
- Demolition – contracted services and oversight



# *Clean, Healthy Environment KFA Highlights*



## **Reductions include:**

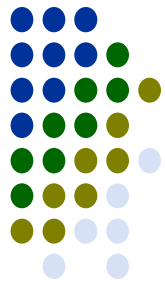
- General Fund public health and social services eliminated; grant-funded services remain
- Utility Pay Stations eliminated; pursue private enterprise option





# *Culture, Arts & Recreation*

## *KFA Highlights*



### **Enhancements include:**

- Dallas Zoo – Proposal to transfer management to the Dallas Zoological Society

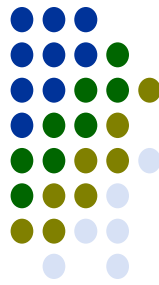
### **Current Services include:**

- Recreation centers
- 7 swimming pools and Bahama Beach will be open
- Park land maintenance
- Cultural facilities and cultural contracts



# *Culture, Arts & Recreation*

## *KFA Highlights*

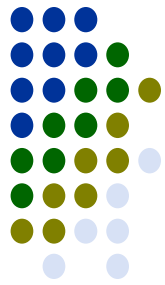


### **Reductions include:**

- Park maintenance and weekend litter clean up reduced
- Recreation Center hours:
  - Large centers reduced from 60 to 45
  - Small centers reduced from 45 to 30
- 14 swimming pools will be closed for renovation
- Support for the Arts
  - Cultural service contracts reduced by 30%
  - Cultural facilities utilities support capped at FY09 levels
  - Neighborhood Touring Program reduced by 66%



# ***Educational Enhancements KFA Highlights***



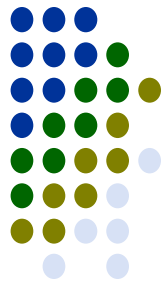
## **Current Services include:**

- Neighborhood libraries
- Central Library
- Big Thought reduced 9% (administrative cost)
- Bookmobiles



# *Educational Enhancements*

## *KFA Highlights*



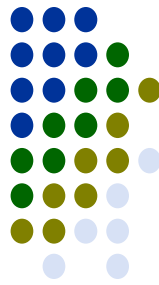
### **Reductions include:**

- Neighborhood libraries
  - 23 branches reduced from average 47 hours to 40 hours
- Central Library
  - Hours reduced from 68 to 44 hours per week
- Library materials reduced from \$3.7m to \$1.3m



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

## *KFA Highlights*



### **Enhancements include:**

- 2010 Census support

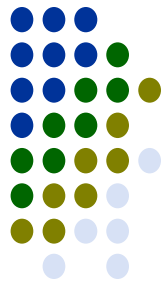
### **Current Services include:**

- 311 call taking
- City administrative services
  - e.g. City Attorney's Office, City Secretary's Office, City Auditor's Office, City Manager's Office, Business Development & Procurement Services, Human Resources Department
- Fund Contingency Reserve, Liability/Claims fund
- Department consolidation



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

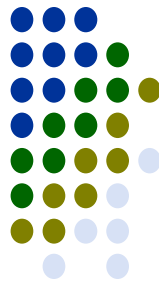
## *KFA Highlights*



### **Reductions include:**

- 311 call taking hours reduced
- Most land survey functions outsourced
- Facility operation, maintenance and repair reduced
- Accounts Payable reduced
- Efficiency Team reduced
- Strategic Customer Services reduced
- Public Information Office reduced
- City administrative services reduced

# *Workforce Impact*



- 2% pay reduction for civilians via 5 scheduled furlough days
- No civilian pay for performance increases
- No step pay increases for uniformed staff
- Health benefits
  - Employee premiums unchanged
  - Retiree (under 65) health benefit premiums raised \$25 monthly

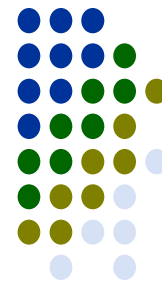
# *Workforce Impact*



- Reduction in force
  - 1400 funded positions eliminated
  - 840 civilian layoffs
- American Recovery and Reinvestment Act stimulus funds to help alleviate the pressure on the FY2009-10 general fund
  - Positions may be split to create part-time positions where feasible, thereby maximizing employment opportunities for current employees receiving Reduction in Force (RIF) notices
- Positions are available in ARRA funds, enterprise and other grant funds; and some in the General Fund (critical positions) for which RIF'd employees may apply



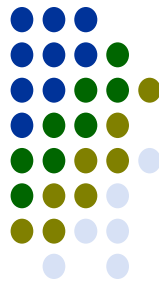
# *Budget Recap*



- FY2009-10 budget positions the City well for recovery and enables the City to continue:
  - Commitment to Public Safety enhancements
  - Investment in the City's infrastructure and economic development projects to grow the tax base
  - Effective municipal management focusing on core services, shrinking government, finding efficiencies and positioning the City for recovery
  - Leadership in environmental sustainability

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

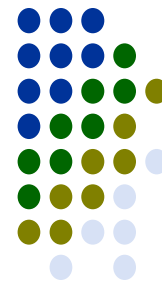
# Sanitation Services



## Expense/Revenue Assumptions:

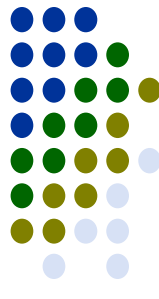
- Maintain full-cost recovery for services provided
  - FY 2009-10 Proposed Budget of \$74.5m
  - Extend **OneDAY Dallas** service citywide for a \$2.0m cost savings
  - Reduce the Sanitation residential rate by \$0.64
    - From \$20.98 to \$20.34 monthly
    - Annual savings of \$7.68 per household
- No landfill rate increase
- Estimated net revenue to General Fund of \$14.5m from landfill operation
- Detailed Sanitation Services briefing to be presented on August 19, 2009

# Sanitation Services



<b>FY08-09 Current Sanitation Fee</b>		<b>\$20.98</b>
<i>OneDAY Dallas</i> – city-wide	(\$0.83)	
Fuel cost reduction	(\$0.84)	
Postpone landfill equipment purchase	(\$0.06)	
Staff furloughs	(\$0.08)	
Landfill and transfer station savings (reduced hours, savings on concrete and tire processing, and biotech materials)	(\$0.18)	
Household Hazardous Waste Program	\$0.30	
Sanitation staff cost (pension, FY09 merits, positions)	\$0.37	
Day labor usage	\$0.10	
Capital construction (landfill waste cell fund)	\$0.14	
Pride in Your Neighborhood program	\$0.17	
SAP upgrade for Sanitation customer billing	\$0.12	
Reallocation of Landfill costs and overhead adjustments	\$0.08	
All other expenses to maintain services	\$0.07	
<i>Sanitation Fee Impact</i>		<i>(\$0.64)</i>
<b>FY09-10 Proposed Sanitation Fee</b>		<b>\$20.34</b>

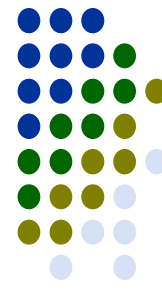
# *Dallas Water Utilities*



- The Proposed Budget includes:
  - Operating Budget of \$530.4m
  - Capital Budget of \$293.3m
  - Overall retail rate increase by 4.2%
- 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:

FY 2011	4.2% increase
FY 2012	6.2% increase
- Detailed DWU briefing will be presented on August 19, 2009

# Dallas Water Utilities



## Proposed Rate Adjustment Impact 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	\$19.74	\$20.36	\$0.62 <sup>a</sup>	3.1%	66,531	28.4%
4,001 to 10,000 gallons	\$47.42	\$48.90	\$1.49 <sup>b</sup>	3.1%	98,579	42.1%
10,001 to 15,000 gallons	\$66.80	\$69.59	\$2.80 <sup>c</sup>	4.2%	30,144	12.9%
Above 15,000 gallons (Includes conservation tier rate)	\$160.61	\$170.13	\$9.52 <sup>d</sup>	5.9%	<u>38,656</u>	<u>16.5%</u>
<b>Total</b>					233,909	100.0%

Data based on January 2008 through December 2008 usage

<sup>a</sup> Average water and sewer use: 2,170 gallons

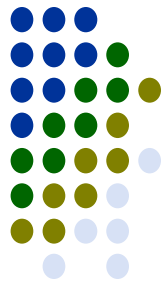
<sup>b</sup> Average water and sewer use: 6,471 gallons

<sup>c</sup> Average water use 12,074 gallons and sewer use: 6,800 gallons

<sup>d</sup> Average water use 31,414 gallons and sewer use: 6,800 gallons

84% of residential customers will see an average monthly bill increase of \$2.80 or less

# *Storm Water Drainage Management*



- The proposed FY2009-10 Storm Water Drainage Management (SDM) Fund budget increases from \$35.1m to \$44.7m driven largely by the following expenses:

Enhanced levee maintenance	\$7.0m
Flood protection/storm drainage debt service	\$5.0m
Illegal dumping	\$0.5m
ISO audits (Environmental, Safety and Quality Management Systems)	\$0.2m
Mosquito control	\$0.1m
<b>Total additional expenses</b>	<b>\$12.8m</b>
Reductions in current expenses	(\$3.2m)
<b>Additional revenue required through rate adjustment</b>	<b>\$9.6m</b>

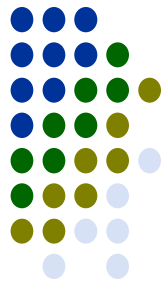
# *Storm Water Drainage Management*



- Proposed Rate Adjustments
  - Weighted average monthly rate increase of \$1.72 for residential customers
  - Average residential monthly rate of \$7.01 (currently \$5.29)
  - Non-residential increases commensurate with the amount of runoff generated:
  - Modest rate adjustments for vacant properties



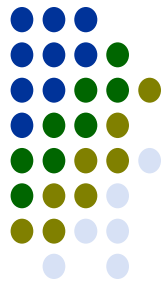
# Storm Water Drainage Management



## Proposed Rates with Tier Adjustments

	Gross Area (sf)	Rate	Accounts
<b>Tier 1</b>			
Current	Up to 4,500	\$2.50	16,756 (6.8 %)
<b>Proposed</b>	<b>Up to 6,000</b>	<b>\$3.65</b>	<b>35,147 (14.3 %)</b>
<b>Tier 2</b>			
Current	4,501 - 9,000	\$3.99	137,397 (55.8 %)
<b>Proposed</b>	<b>6,001- 8,000</b>	<b>\$5.77</b>	<b>84,390 (34.3 %)</b>
<b>Tier 3</b>			
Current	9,001 - 20,000	\$5.80	79,559 (32.3 %)
<b>Proposed</b>	<b>8,001 - 17,000</b>	<b>\$7.77</b>	<b>107,455 (43.6 %)</b>
<b>Tier 4</b>			
Current	20,001 - 40,000	\$10.16	8,935 (3.6 %)
<b>Proposed</b>	<b>17,001 - 215,000</b>	<b>\$13.87</b>	<b>19,105 (7.8 %)</b>
<b>Tier 5</b>			
Current	Greater than 40,000	\$43.06	3,710 (1.5 %)
<b>Proposed</b>	<b>Greater than 215,000</b>	<b>\$43.87</b>	<b>260 (0.1 %)</b>

# Storm Water Drainage Management

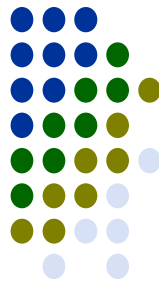


## Impact on Residential Accounts

	Current Monthly Rate	Proposed Monthly Rate	Proposed Monthly Change
<b>Current Tier 1 ( 16,756 Accounts)</b>			
All 16,756 will fall in the Proposed Tier 1	\$2.50	\$3.65	\$1.15
<b>Current Tier 2 (137,397 Accounts)</b>			
18,391 will fall in the Proposed Tier 1	\$3.99	\$3.65	(\$0.34)
84,390 will fall in the Proposed Tier 2	\$3.99	\$5.77	\$1.78
34,616 will fall in the Proposed Tier 3	\$3.99	\$7.77	\$3.78
<b>Current Tier 3 (79,559 Accounts)</b>			
72,839 will fall into the Proposed Tier 3	\$5.80	\$7.77	\$1.97
6,720 will fall into the Proposed Tier 4	\$5.80	\$13.87	\$8.07
<b>Current Tier 4 (8,935 Accounts)</b>			
8,935 will fall into the Proposed Tier 4	\$10.16	\$13.87	\$3.71
<b>Current Tier 5 (3,710 Accounts)</b>			
3,450 will fall into the Proposed Tier 4	\$43.06	\$13.87	(\$29.19)
260 will fall into the Proposed Tier 5	\$43.06	\$43.87	\$0.81
<b>Total Accounts: 246,357</b>			

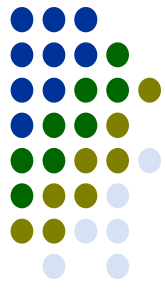
# **State Law Taxation Requirements**

# *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¢**

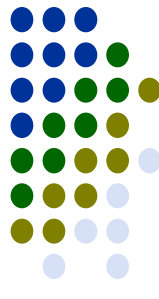
**Effective Rate = 79.37¢**

- 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 \$38.5m in property tax revenue over proposed budget

**Rollback rate = 84.89¢**

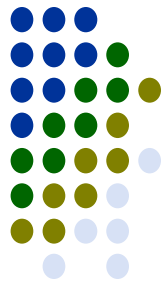
- Allows for general fund portion of Effective rate plus 8%
- Allows debt service portion necessary to cover debt service costs
- If a rate above 84.89¢ is adopted voters may petition for an election to reduce the rate to the Rollback rate
- Rollback rate would generate an additional \$84.9m in property tax revenue over proposed budget

# *State Law Taxation Requirements*



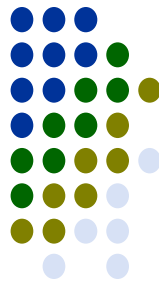
- The Notice and Hearing Rate is the lower of either the Effective rate or the Rollback rate
- Two Tax Rate Public Hearings are required if the Notice and Hearing Rate will be exceeded
- Tax rate adoption ordinance must state the percent increase over the Effective rate and the increased operations and 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 = 79.37¢*

# *State Law Taxation Requirements*



- If Council desires to reserve the option to adopt a tax rate higher than 79.37¢, the following schedule is recommended:
  - August 24<sup>th</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 2<sup>nd</sup> – Publish public hearing notification
  - September 9<sup>th</sup> and 16<sup>th</sup> – Hold public hearings



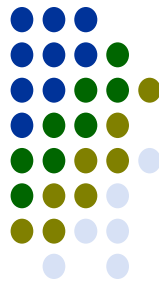
# State Law Taxation Requirements



- **Recap**
  - Current rate = 74.79¢
  - Effective rate = 79.37¢
  - Rollback rate = 84.89¢
  - Notice and Hearing rate = 79.37¢
  - Proposed rate = 74.79¢
  - 1¢ of the tax rate generates \$8.4m in property tax revenue
  - 1% change of tax rate (0.75¢) generates \$6.3m in property tax revenue
- **August 24<sup>th</sup>**
  - Ability to adopt a rate greater than 79.37¢ requires a Council vote on August 24<sup>th</sup>
  - Would retain tax rate flexibility

# Property Tax Exemptions

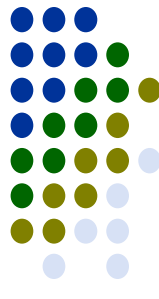
# *Property Tax Exemptions*



- 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
- Review 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 FY2015-16)
  - Exemption increase would begin in FY2010-11
  - Exemption would be \$100,000 in FY2015-16
- Council action would be required in the Spring of 2010

# **FY2010-11 Outlook**

# ***FY2010-11 Outlook***

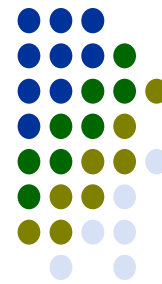


## **Financial challenges may continue into FY2010-11 Budget**

- Potential significant decrease in commercial tax base
  - Building permit activity remains down
- Sales tax remains volatile
- FY2009-10 Proposed Budget includes non-recurring revenues and reimbursements
- Costs deferred from FY2009-10 budget
  - Long-term effects of budget reductions may begin, such as deterioration of street and facility conditions
- Debt service costs associated with 2006 Bond Program increasing

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

# **2009 Calendar: August and September**

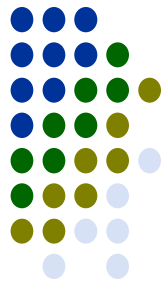


# *Future Budget Briefings*

- **August 19**
  - Sanitation/Recycling
  - Storm Water
  - Water/Wastewater
- **August 24**
  - State Taxation Law Requirements
  - Others to be identified
- **September 2**
  - Others to be identified



# August 2009



S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10 W TH – begin	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24/31 W – 24 <sup>th</sup>	25	26 PH	27	28	29

**AW:** Amendment Workshop

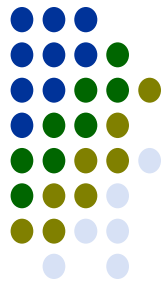
**BA:** Budget Adoption

**PH:** Public Hearing

**TH:** Town Hall Meeting

**W:** Workshop

# September 2009



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

**AW:** Amendment Workshop

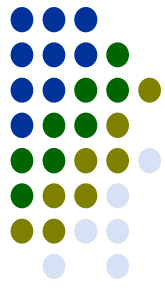
**BA:** Budget Adoption

**PH:** Public Hearing

**TH:** 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 14, 2009