

# Memorandum



CITY OF DALLAS

DATE May 30, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Five Texas Cities- Budget Comparisons

The Monday, June 2<sup>nd</sup> Budget, Finance and Audit Committee agenda will include a briefing on Five Texas Cities- Budget Comparisons.

Please let me know if you need additional information.

A handwritten signature in blue ink, reading "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

## Attachment

c: Honorable Mayor and Members of City Council  
A.C. Gonzalez, City Manager  
Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Ryan S. Evans, Interim First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Shawn Williams, Interim Public Information Officer  
Elsa Cantu, Assistant to the City Manager



# Five Texas Cities- Budget Comparisons

Budget, Finance, & Audit Committee

June 2, 2014

# Purpose

- Provide comparison of annual budgets for five largest cities in Texas
  - Dallas, Austin, Fort Worth, Houston, San Antonio
- Provide historical comparison of select budget metrics for City of Dallas
- No action of committee is required; briefing is informational only

# Texas Cities in Briefing

## Fort Worth

Pop-777,992  
Households- 269,000  
Sq. Miles- 350  
Budget- \$1.4 billion  
FTE- 6,359

## Austin

Pop-842,592  
Households- 331,000  
Sq. Miles- 272  
Budget- \$3.3 billion  
FTE- 12,372

## San Antonio

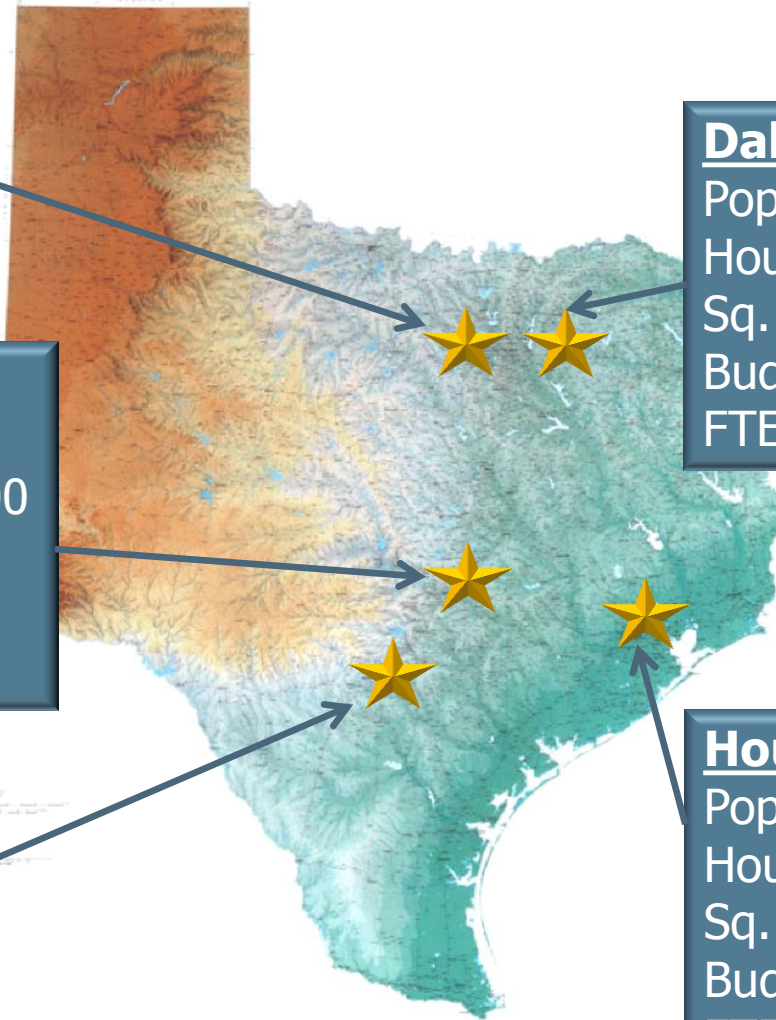
Pop-1,382,951  
Households- 481,000  
Sq. Miles- 467  
Budget- \$2.3 billion  
FTE- 11,292

## Dallas

Pop-1,241,162  
Households- 464,000  
Sq. Miles- 385  
Budget- \$2.8 billion  
FTE- 14,603

## Houston

Pop-2,160,821  
Households- 780,000  
Sq. Miles- 602  
Budget- \$4.1 billion  
FTE- 21,024



# Overview

- Comparison of budgets (even at a high-level) for other cities is difficult since every city categorizes budget items differently
  - Budgets for other four cities have been adjusted to match Dallas' general fund budget as much as possible:
    - For example, in Austin, San Antonio, and Fort Worth sanitation services are provided as an enterprise fund not part of general fund
    - Fort Worth has a ½ percent Crime Control District sales tax; those revenues have been added to its "Other Revenues" and expenses added to the Police Department
  - Still not an exact apples-to-apples comparison

# Overview and Observations

- Property tax bill is much more than tax rate; and includes value, exemptions, and rate
- Dallas homestead and over-65/disabled exemptions benefit home owners yet reduces revenue for City
- Sales tax dedicated to transit supports DART yet reduces revenue for City
- Transfers from City-owned electric/gas utilities (Austin/San Antonio) and other non-tax revenues (dedicated sales taxes/Transportation User Fees) reduce reliance on property tax

# Overview and Observations

- Dallas ranks below the average and 4<sup>th</sup> out of 5 for general fund expenditures per capita
- Dallas is tied for highest percentage of budget devoted to police and fire services at 58%
- Dallas' debt service tax rate has fallen by 10.5% since FY11

# Areas of Comparison

General Fund  
Revenues

Property Tax

Sales Tax

General Fund  
Expenses

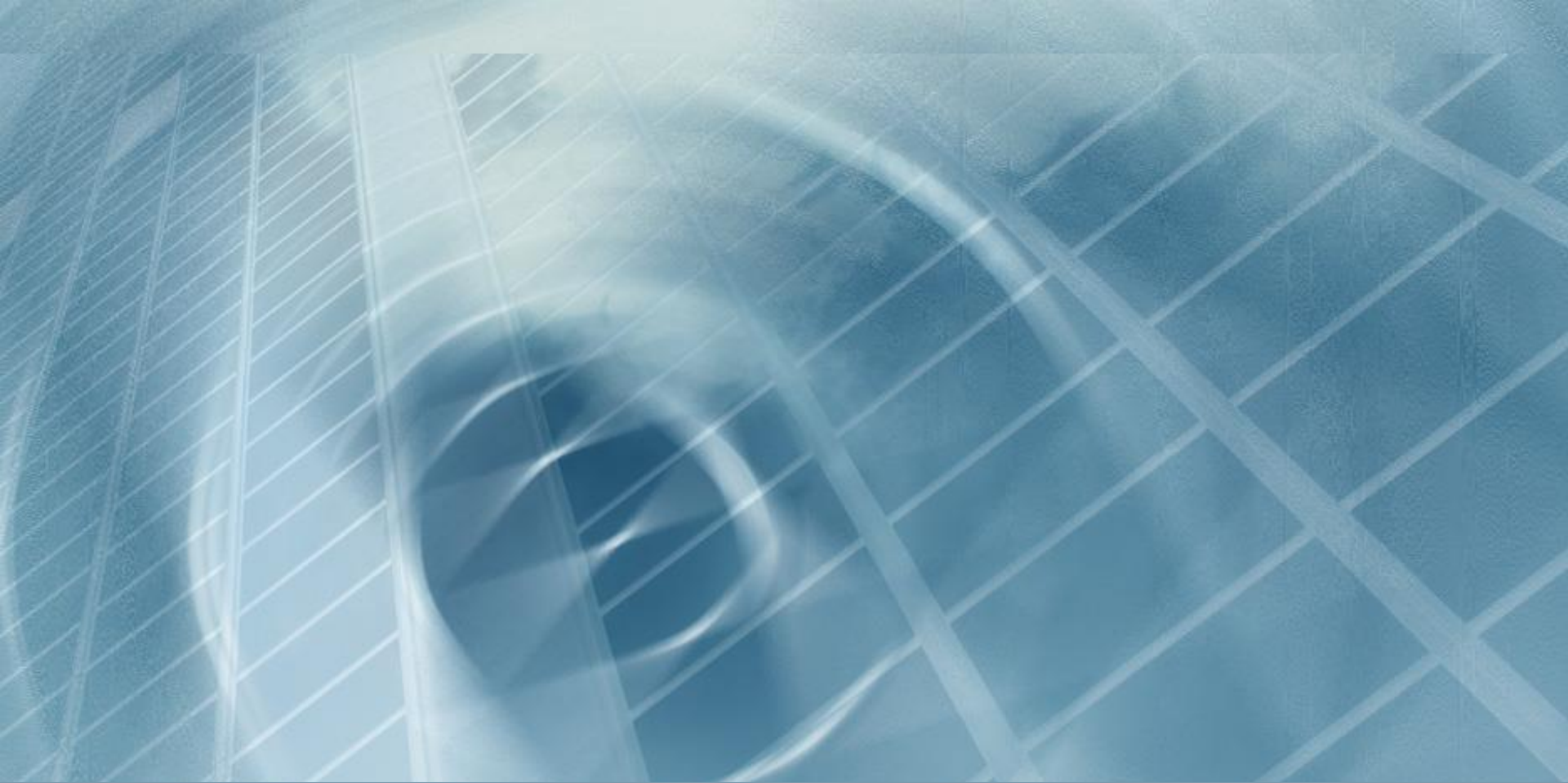
Public Safety  
(Police/Fire)

Debt Service

Non-General  
Fund Fees

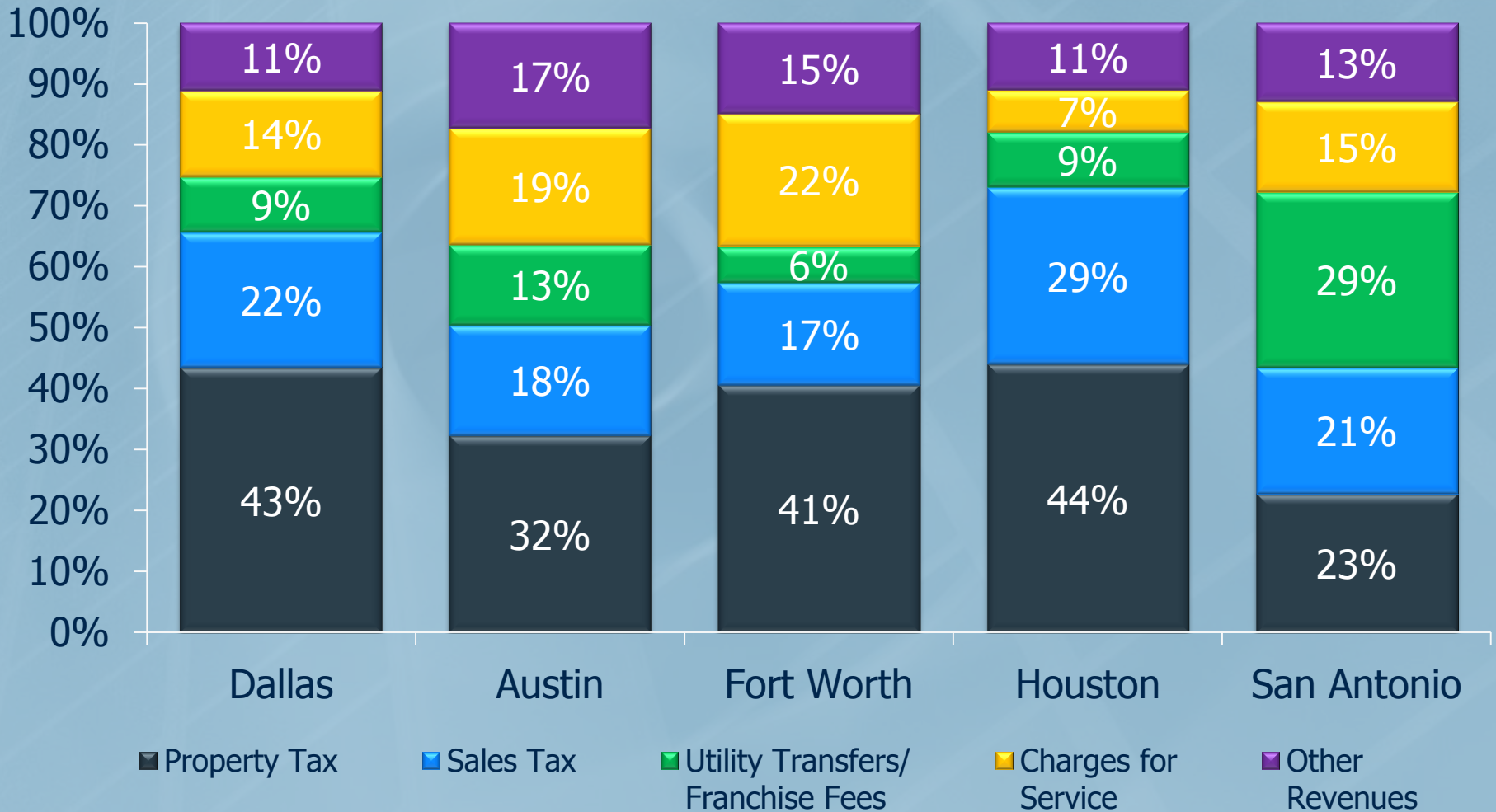
Average Cost  
for Citizen





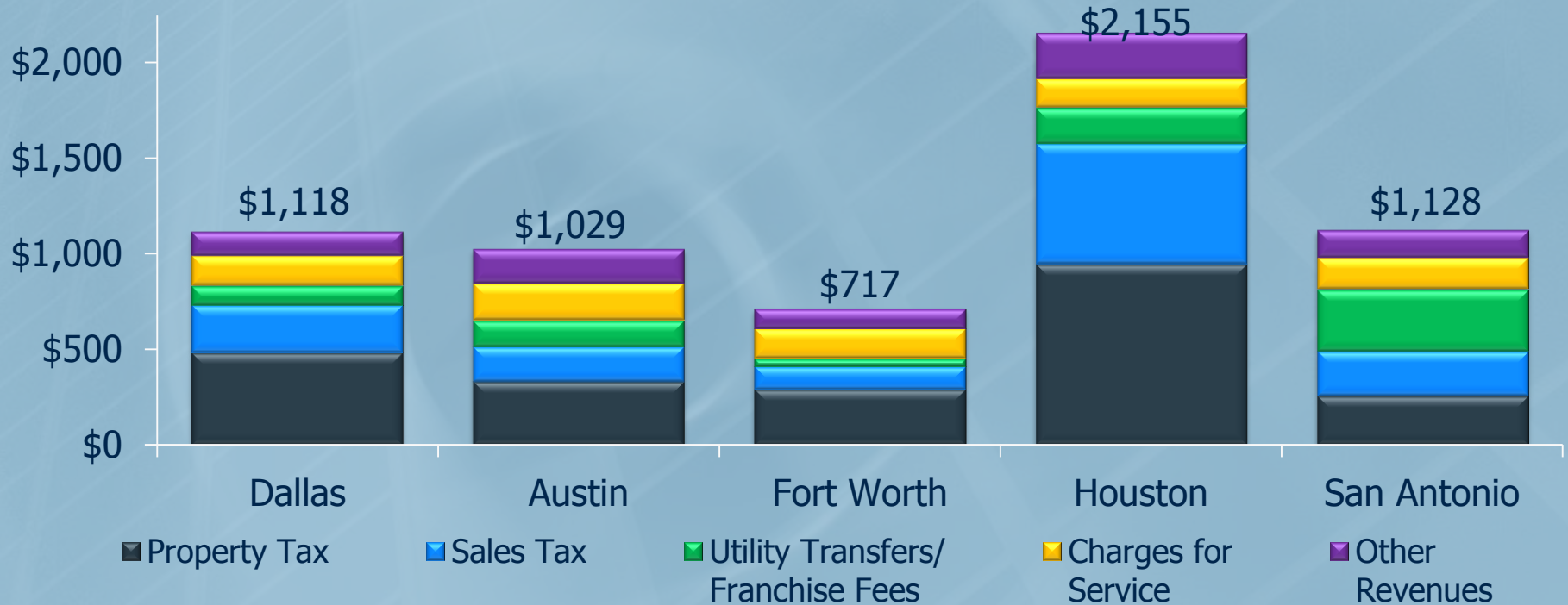
# General Fund Revenues

# FY14 General Fund Revenue Budget (Revenue Sources as % of Total)



Note: Adjustments made to other cities to be comparable to Dallas' general fund.

# FY14 General Fund Revenue Budget (\$ in Millions)



	Dallas	Austin	Fort Worth	Houston	San Antonio
Property Tax	\$483.9	\$334.2	\$293.3	\$945.4	\$259.1
Sales Tax	249.6	183.2	120.9	629.6	234.9
Utility/Franchise Fees	101.9	138.3	42.3	188.5	323.2
Charges for Service	157.8	193.8	155.6	151.4	165.5
Other Revenues	125.2	179.7	105.3	239.9	145.3

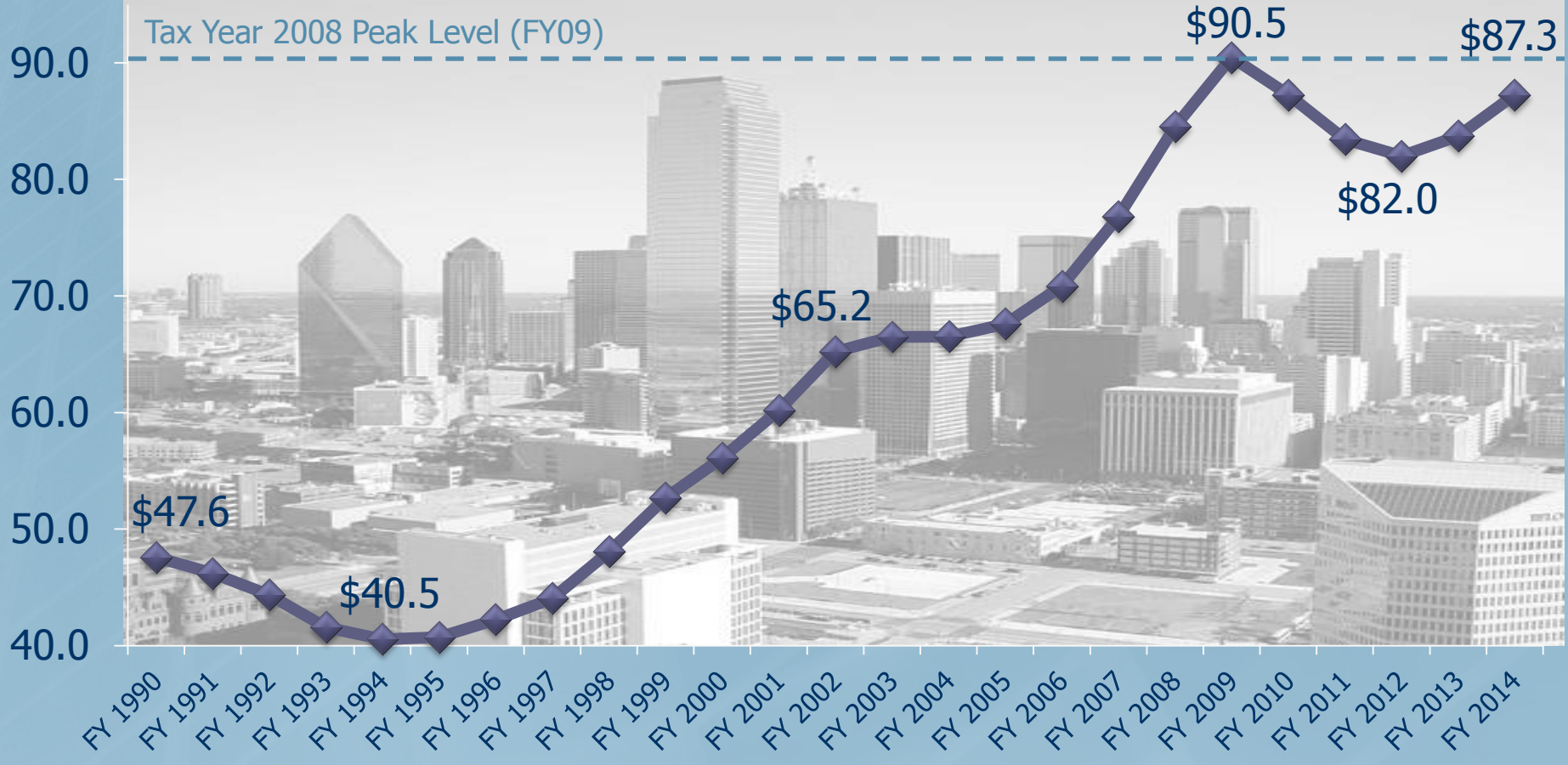
# Property Tax

- Property tax is typically largest source of general fund revenue for Texas cities
- Property tax payments from property owners (tax bill) is based on following:
  - Property values determined by Appraisal Districts
  - Tax rate set by City Council
  - Exemptions set by City Council



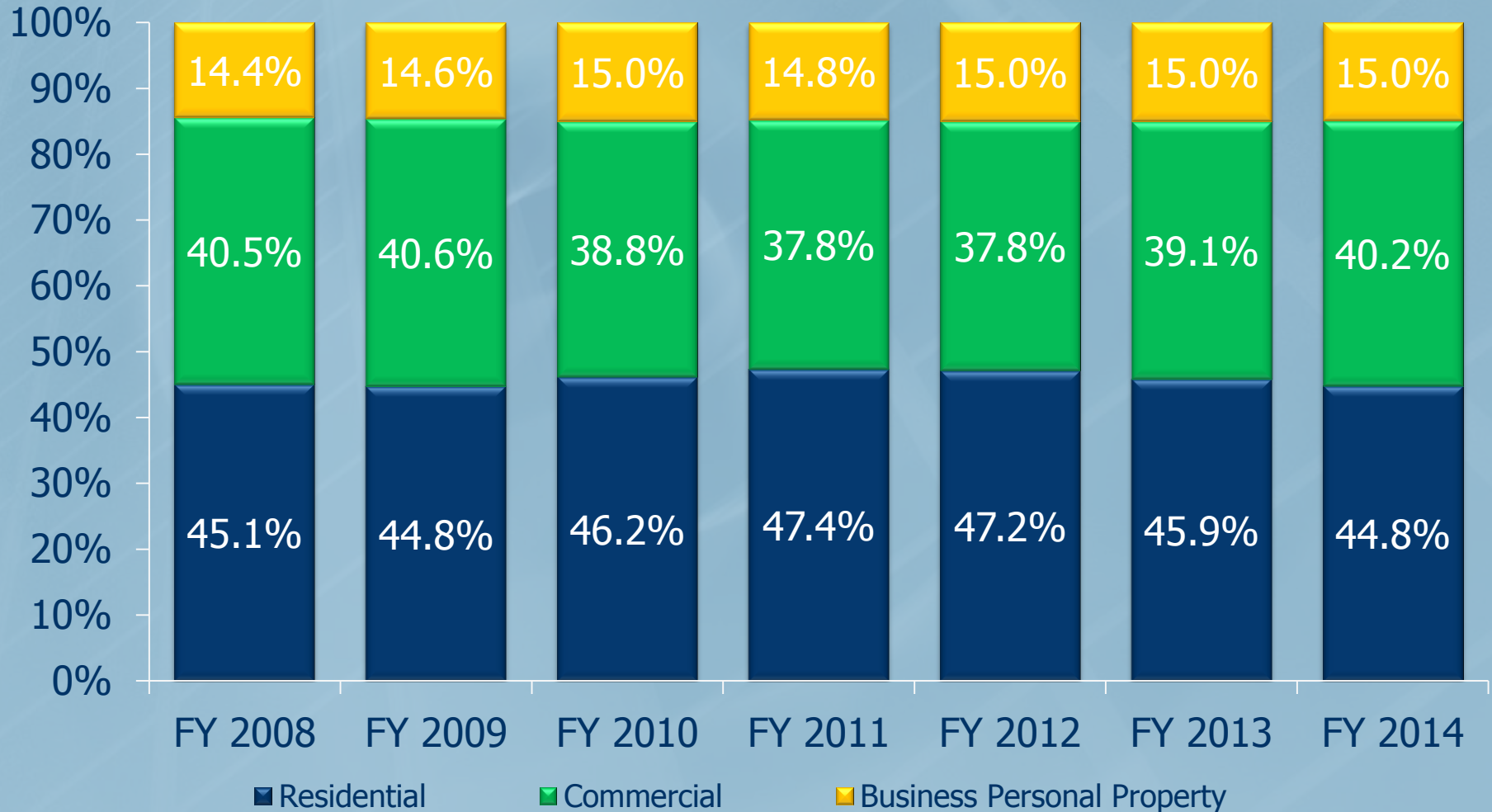
# Dallas Metric: Tax Base

(Total Certified Value in \$ Billions)



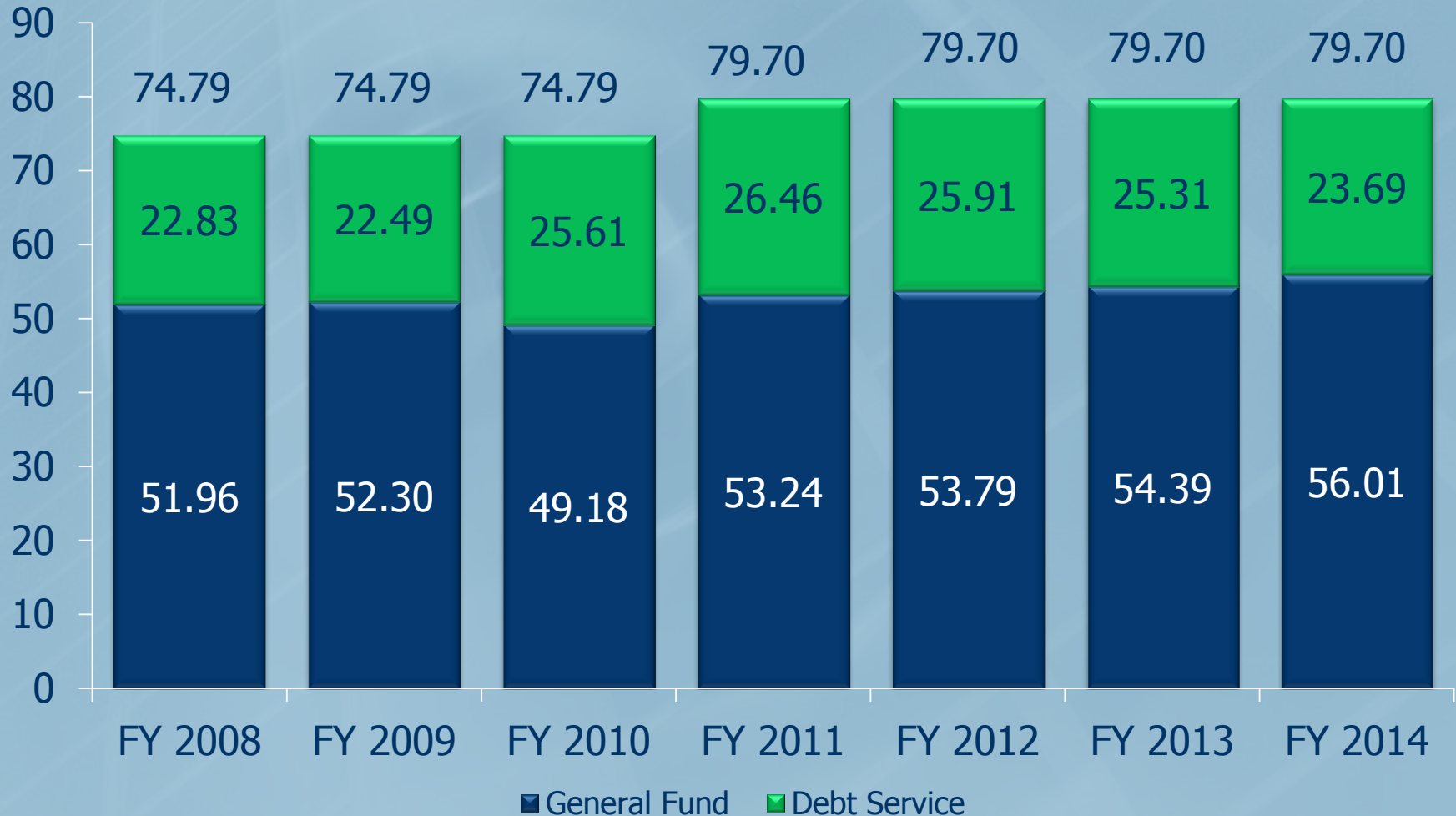
# Dallas Metric: Tax Base

(Percent Residential, Commercial, & BPP)

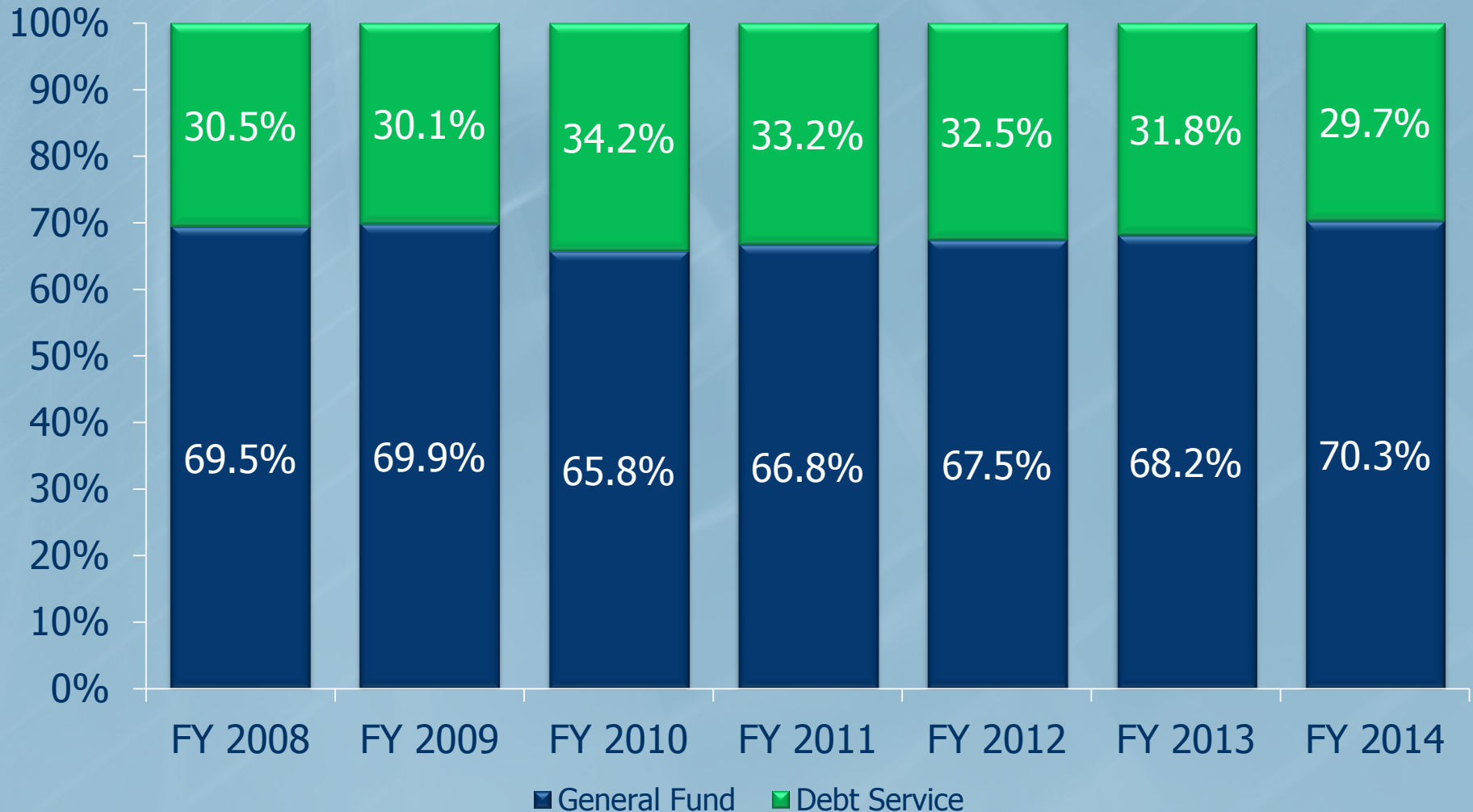


# Dallas Metric: Tax Rate

(Rate in Cents per \$100 Valuation)



# Dallas Metric: Tax Rate (Percent GF and DS)





# Property Tax Comparison

## (Most Recent Certified Roll)

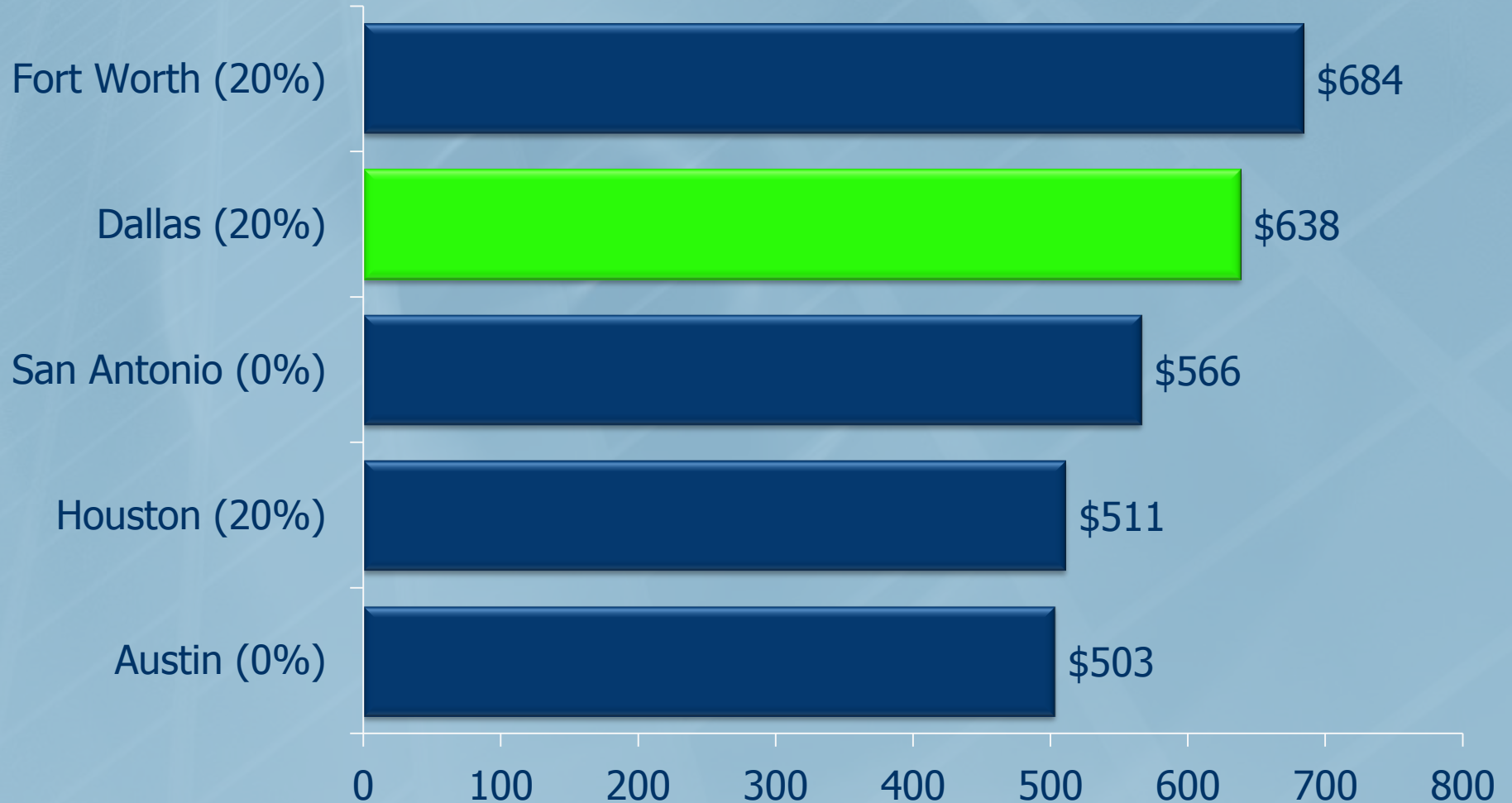
	<b>Dallas</b>	<b>Austin</b>	<b>Fort Worth</b>	<b>Houston</b>	<b>San Antonio</b>
Tax Base Value	\$87.25 billion	\$88.49 billion	\$44.27 billion	\$167.82 billion	\$75.19 billion
Residential	44.8%	48.9%	43.4%	38.9%	49.2%
Commercial	40.2%	40.6%	38.5%	46.0%	37.3%
Bus Personal Prop	15.0%	10.5%	18.1%	15.1%	13.5%
Property Tax Rate per \$100 valuation	\$0.7970	\$0.5027	\$0.8550	\$0.6388	\$0.5657
General Fund	70.3%	76.7%	79.1%	72.4%	62.6%
Debt Service	29.7%	23.3%	20.9%	27.6%	37.4%
Last Tax Rate Change	FY11-Increase from \$0.7479 to \$0.7970 (+6.6%)	FY13- Increase from \$0.4811 to \$0.5029 (+4.5%)	FY07- Decrease from \$0.8600 to \$0.8550 (-0.6%)	FY09- Increase from \$0.6338 to \$0.6388 (+0.8%)	FY10- Decrease from \$0.5671 to \$0.5657 (-0.3%)
City Exemptions: Homestead Over 65/Disabled	20% \$64,000	None \$51,000	20% \$40,000	20% \$80,000	None \$65,000

# Property Tax Comparison – Tax Bill

	<b>Dallas</b>	<b>Austin</b>	<b>Fort Worth</b>	<b>Houston</b>	<b>San Antonio</b>
Average Single-Family Residential Market Value	\$181,935	\$222,431	\$123,274	\$167,800	\$127,906
Value of Homestead Exemption	(\$36,387)	\$0	(\$24,655)	(\$33,560)	\$0
Average Homestead Taxable Value	\$145,548	\$222,431	\$98,619	\$134,240	\$127,906
Tax Rate/\$100	\$0.7970	\$0.5027	\$0.8550	\$0.6388	\$0.5657
Average City Property Tax Bill	\$1,160.02	\$1,118.16	\$843.19	\$857.53	\$723.56

Source: Appraisal Districts; Tax Year 2013

# Average Tax Bill for \$100,000 Home



\*Homestead exemption shown in parenthesis

# Property Tax – Observations

- Neither Austin or San Antonio have city homestead exemptions
- Both Austin and Fort Worth have lower over-65/disabled homestead exemptions than Dallas
- Of 5 cities, Austin has least favorable exemptions to homeowner (no homestead, \$51,000 over-65/disabled exemption)
- If Dallas had no homestead exemption, an additional \$7.6 billion in value would be taxable and generate additional \$59m in revenue at current rate
  - If City's tax rate were reduced to rate necessary to generate current revenue budget, tax rate could be reduced by \$0.069 (-8.7%) from \$0.7970 to \$0.7280

# Sales Tax

- Sales tax is also major revenue source for Texas cities
- Sales tax is more volatile and is reflective of health of local economy
  - Typically declines and recovers faster than property tax base
- State law caps total sales tax rate at 8.25%
  - 6.25% retained by State
  - 2.00% for local entities (cities, transit authorities)



# Dallas Metric: Sales Tax Revenue

(\$ in millions)



# Sales Tax Comparison

	Dallas	Austin	Fort Worth	Houston	San Antonio
Local Sales Tax Rates (net of the State's 6.25% rate)	2.00% 1%-City (GF) 1%-Transit	2.00% 1%-City (GF) 1%-Transit	2.00% 1%-City (GF) 0.5%-Crime Control District (City) 0.5%- Transit	2.00% 1%-City (GF) 1%-Transit	2.00% 1%-City (GF) 0.25%-Advanced Transportation District 0.125%-Linear Parks Development (City) 0.125%-Pre-K 4 SA Education (City) 0.5%-Transit
Sales Tax Revenue (FY13 GF Actual)	\$241.9m	\$170.8m	\$118.6m	\$605.9m	\$261.4m
Sales Tax per Capita	\$195	\$201	\$153	\$280	\$189
Unemployment	5.6%	4.6%	5.5%	5.5%	5.3%
Retail Occupancy	92.7%	95.1%	92.7%	93.7%	94.4%
% of Pop with Bachelor's Degree or Higher	29.0%	44.8%	26.0%	28.7%	24.2%
Median Household Income (City-level)	\$41,354	\$52,453	\$50,750	\$42,847	\$45,524

# Sales Tax – Observations

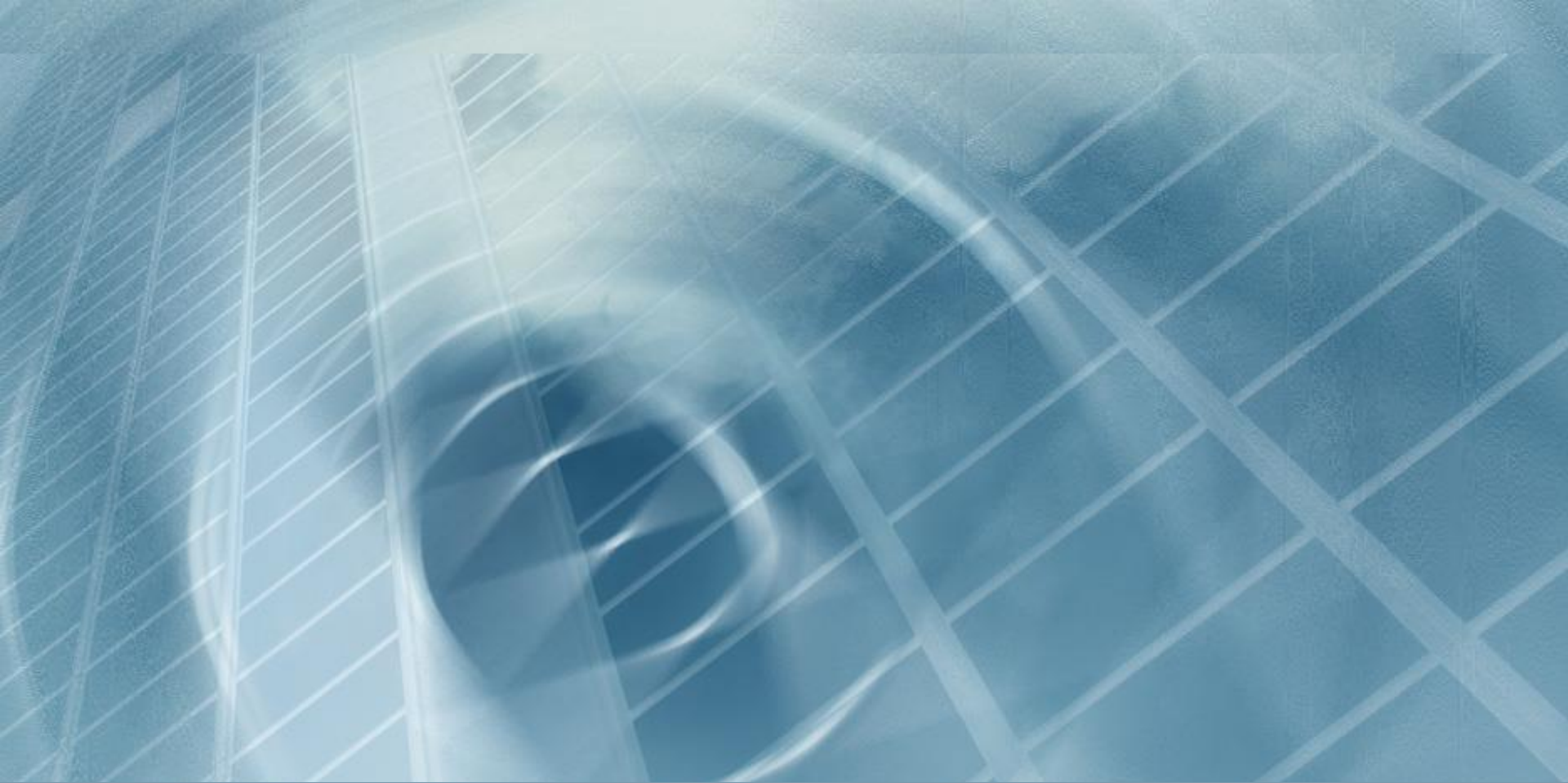
- Of sales tax rate in Dallas, 1% goes to DART while Fort Worth and San Antonio's transit rate is 0.5%
- Both Fort Worth and San Antonio use additional 0.5% for purposes such as crime control, infrastructure, parks, and Pre-K education
- If Dallas had 0.5% additional sales tax, it would equal \$124.8m for purposes other than DART
  - If property tax rate was lowered commensurate with this additional revenue, decrease would equal \$0.1464 (from \$0.7970 to \$0.6506)



# Other Major General Fund Revenues

- Both Austin and San Antonio have city-owned electric/gas utilities that provide significant resources for their general funds
  - Austin (electric only)-\$126m
  - San Antonio (gas and electric)-\$292m
  - Dallas electric/gas franchise fees-\$61m
    - If Dallas had a utility transfer above its franchise fee revenue, it would lower the tax rate \$0.0759-\$0.2709
- Austin also has a Transportation User Fee (\$46.5m) to fund street maintenance rather than rely on property tax for this purpose

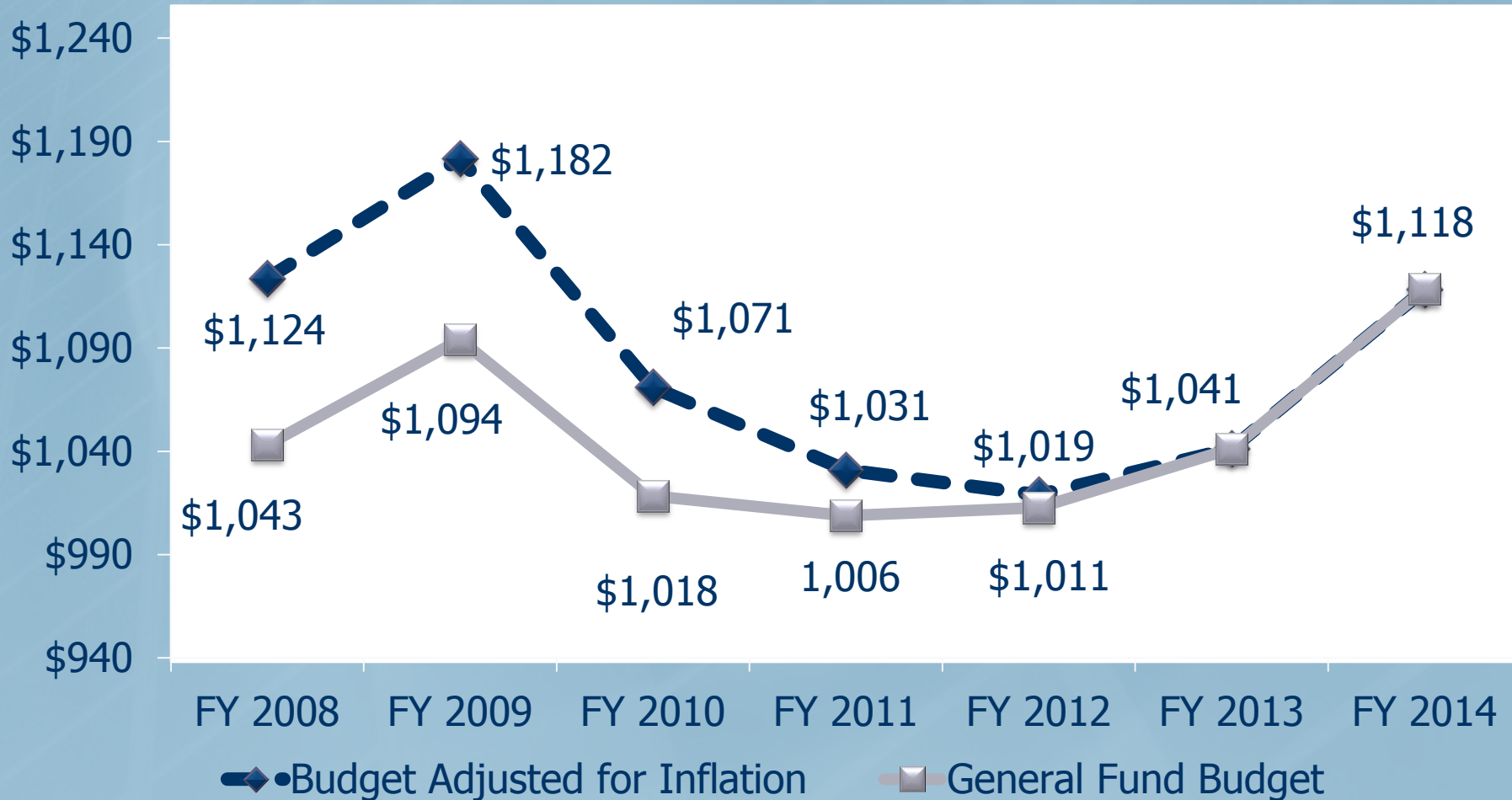




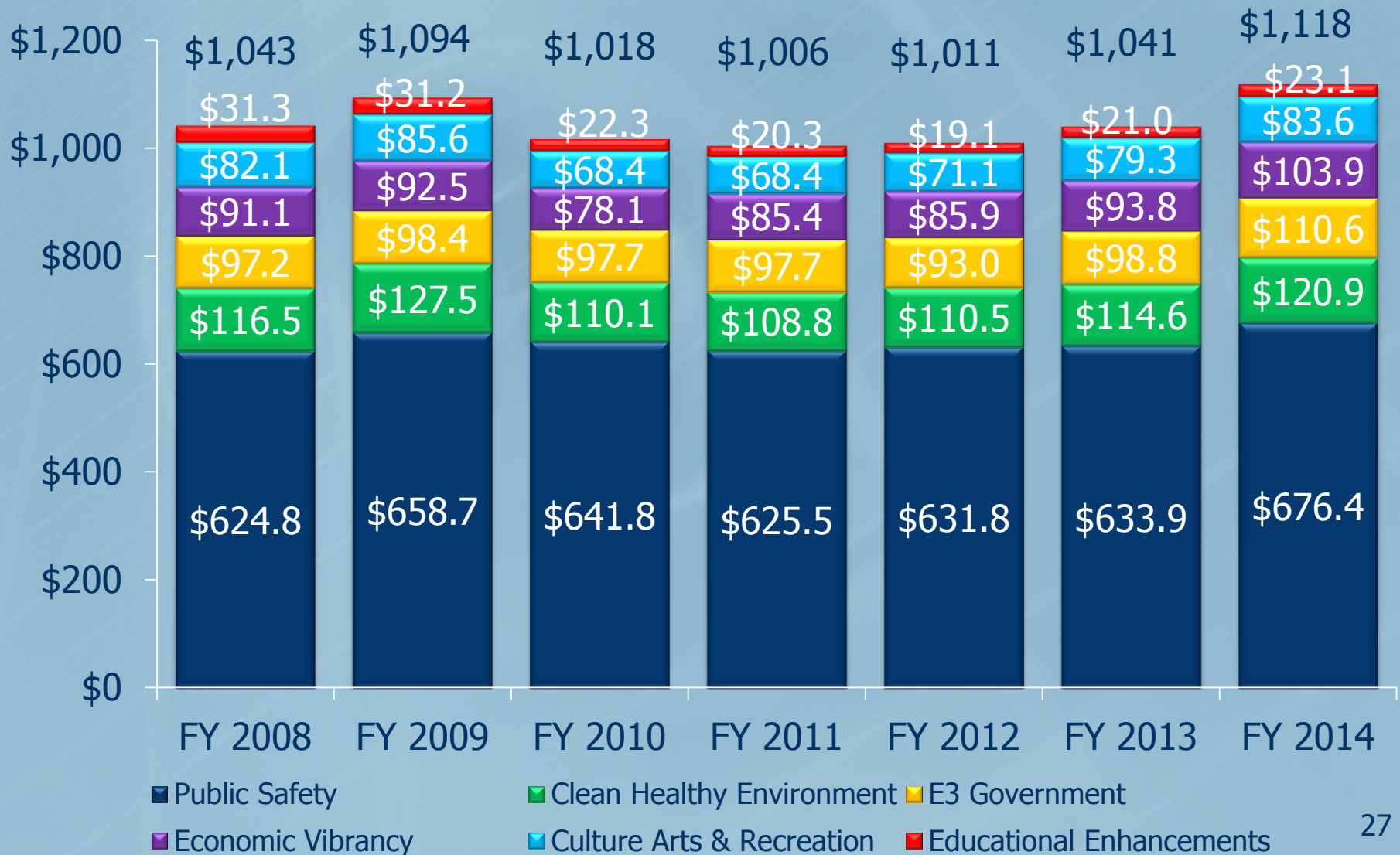
# General Fund Expenditures

# Dallas Metric: General Fund Expense Budget (Adjusted for Inflation)

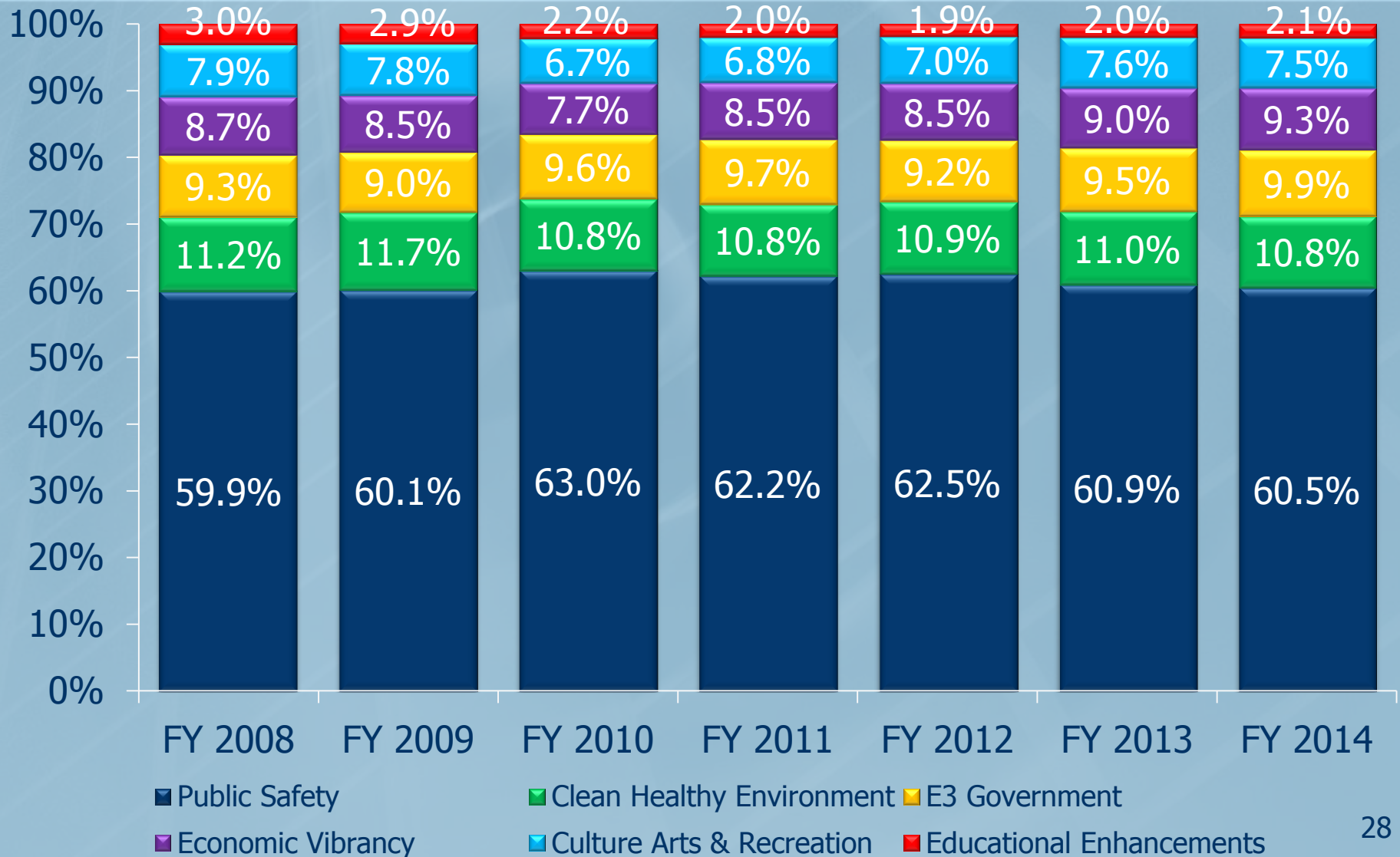
(\$ in millions)



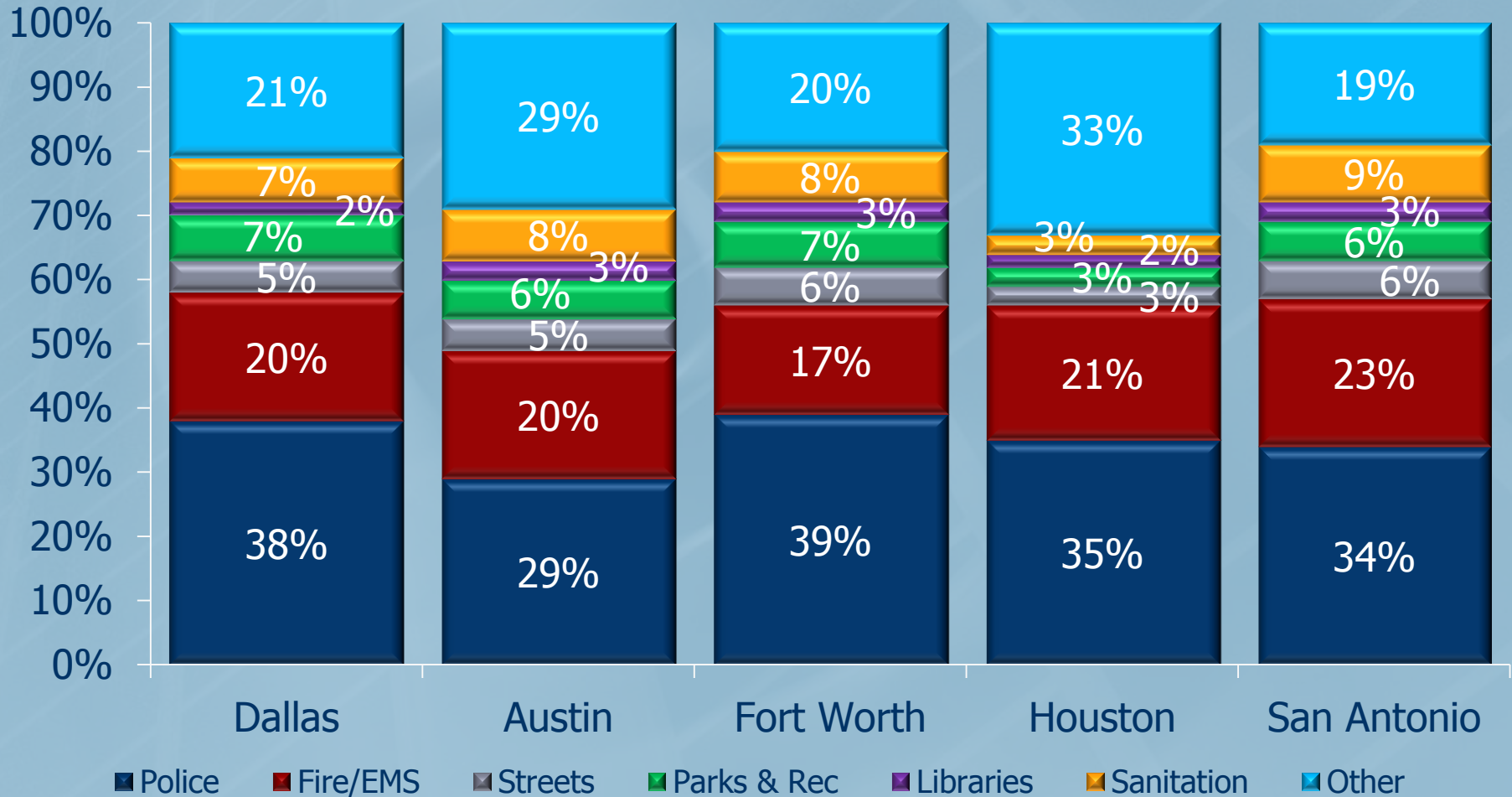
# Dallas Metric: Expenditure Budget by KFA



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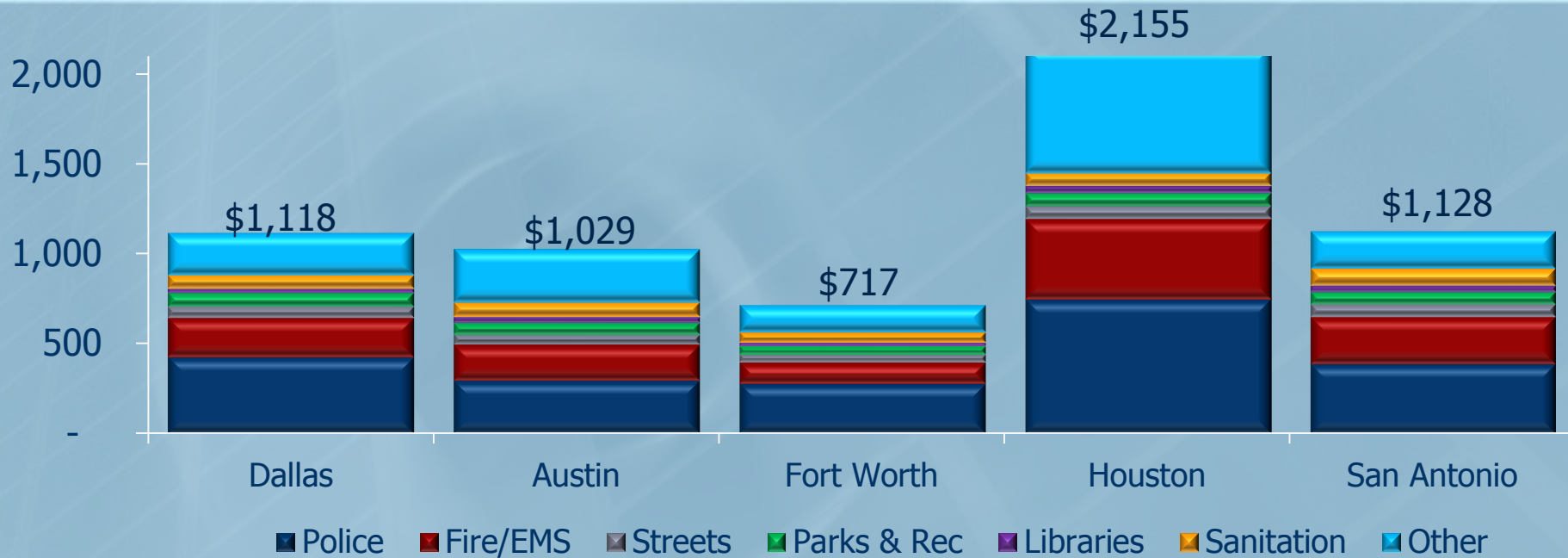


# FY14 General Fund Expenditures (Expenditures as % of Total)



Note: Adjustments made to other cities to be comparable to Dallas' general fund.

# FY14 General Fund Expenditures (\$ in millions)



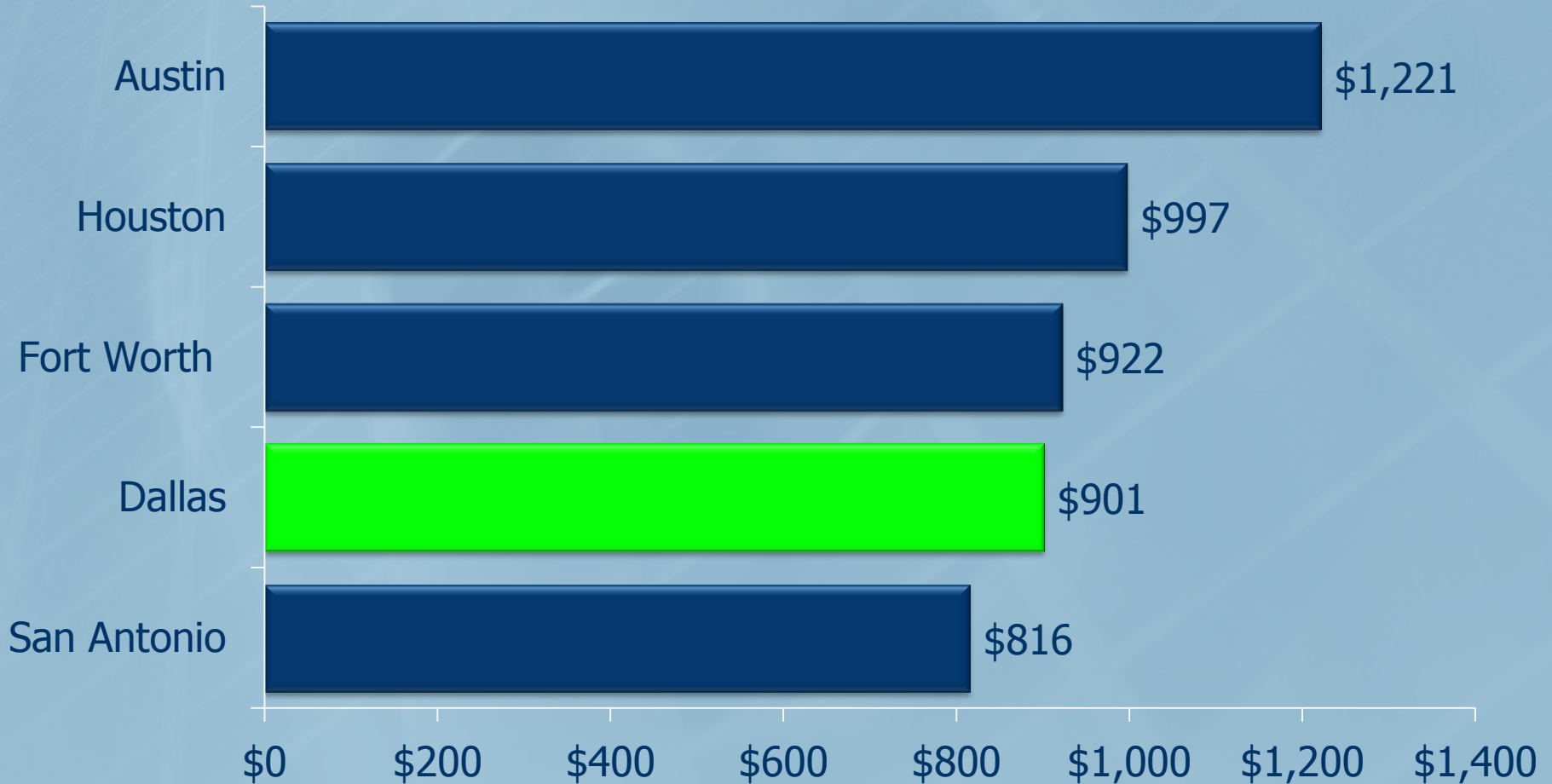
	Dallas	Austin	Fort Worth	Houston	San Antonio
Police	\$426.4	\$295.4	\$279.3	\$745.2	\$388.1
Fire/EMS	219.0	201.8	119.7	447.4	262.8
Streets	61.7	56.3	44.5	70.5	70.1
Parks & Rec	78.6	66.7	46.9	74.4	69.4
Libraries	22.4	31.4	19.0	38.3	33.6
Sanitation	74.4	80.7	56.1	73.2	95.8
Other Expenses	235.8	296.9	151.9	705.7	208.3

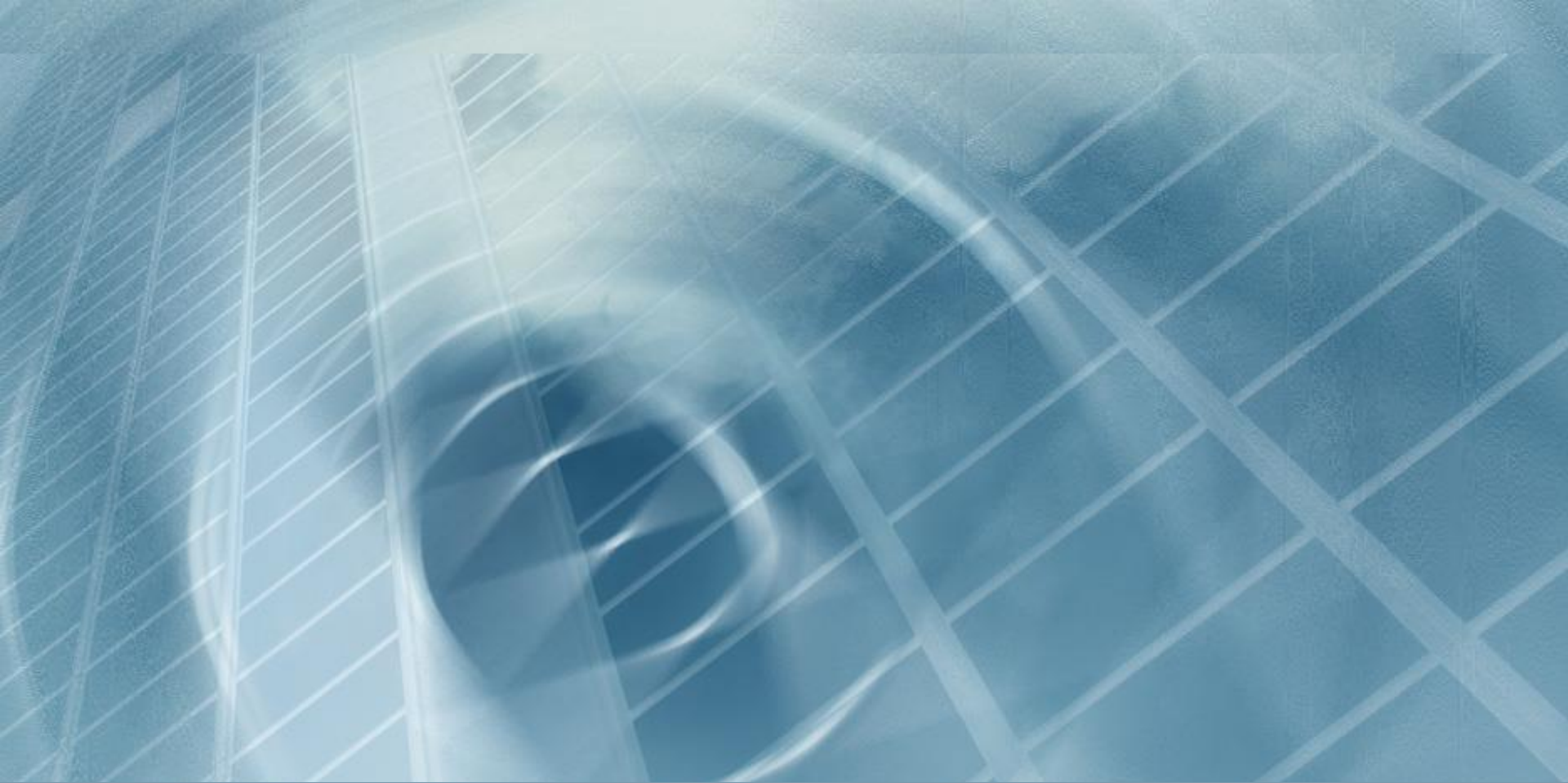
# Other General Fund Expenses

- Other expense category includes services such as:
  - Code Compliance
  - Housing/Human Services
  - Municipal Court
  - Economic Development
  - Cultural Affairs
  - Planning/Development Services/Historic Preservation
  - Street Lighting
  - Administrative Departments (HR, Legal, Audit, Finance)
  - Non-Departmental



# FY14 General Fund Expenditure Budget (Total Expenditure per Capita)





# Public Safety

# Public Safety Comparison – Fire

	Dallas	Austin	Fort Worth	Houston	San Antonio
Public Safety (Police + Fire) as % of GF*	58%	47%	51%	55%	58%
Fire/EMS Budget (FY14)	\$219m	\$202m	\$120m	\$447m	\$263m
Fire/EMS Uniform FTE's	1,938	1,605	884	3,741	1,663
Fire Stations	57	45	42	103	51
Sq. Miles covered by each Fire Station	6.75	6.04	8.33	5.84	9.16
ISO Rating (scale 1-10 1=Best)	2	2	2	1	2

Note: Fort Worth EMS is privatized and City subsidy was eliminated in FY11

\*% determined using cities' comparison to Dallas' general fund from previous slides.  
Dallas Public Safety KFA represents 60.4% which includes services of other departments.

# Public Safety Comparison – Police

	Dallas	Austin	Fort Worth	Houston	San Antonio
Police Budget (FY14)	\$426m	\$295m	\$279m	\$723m	\$382m
Police Budget per Capita	\$344	\$351	\$359	\$345	\$281
Police Uniform Strength	3,496	1,702	1,545	5,358	2,313
(per 1,000 Pop.)	2.77	2.05	2.01	2.53	1.67
Police Stations	7	4	5	12	6
Violent Crime Rate	0.68%	0.37%	0.51%	0.97%	0.64%
Property Crime Rate	4.14%	5.02%	4.50%	5.13%	5.78%
Total Crime Rate	4.82%	5.39%	5.01%	6.10%	6.42%

Note: Fort Worth Police includes 191 Uniform positions funded through Crime Control District Sales Tax

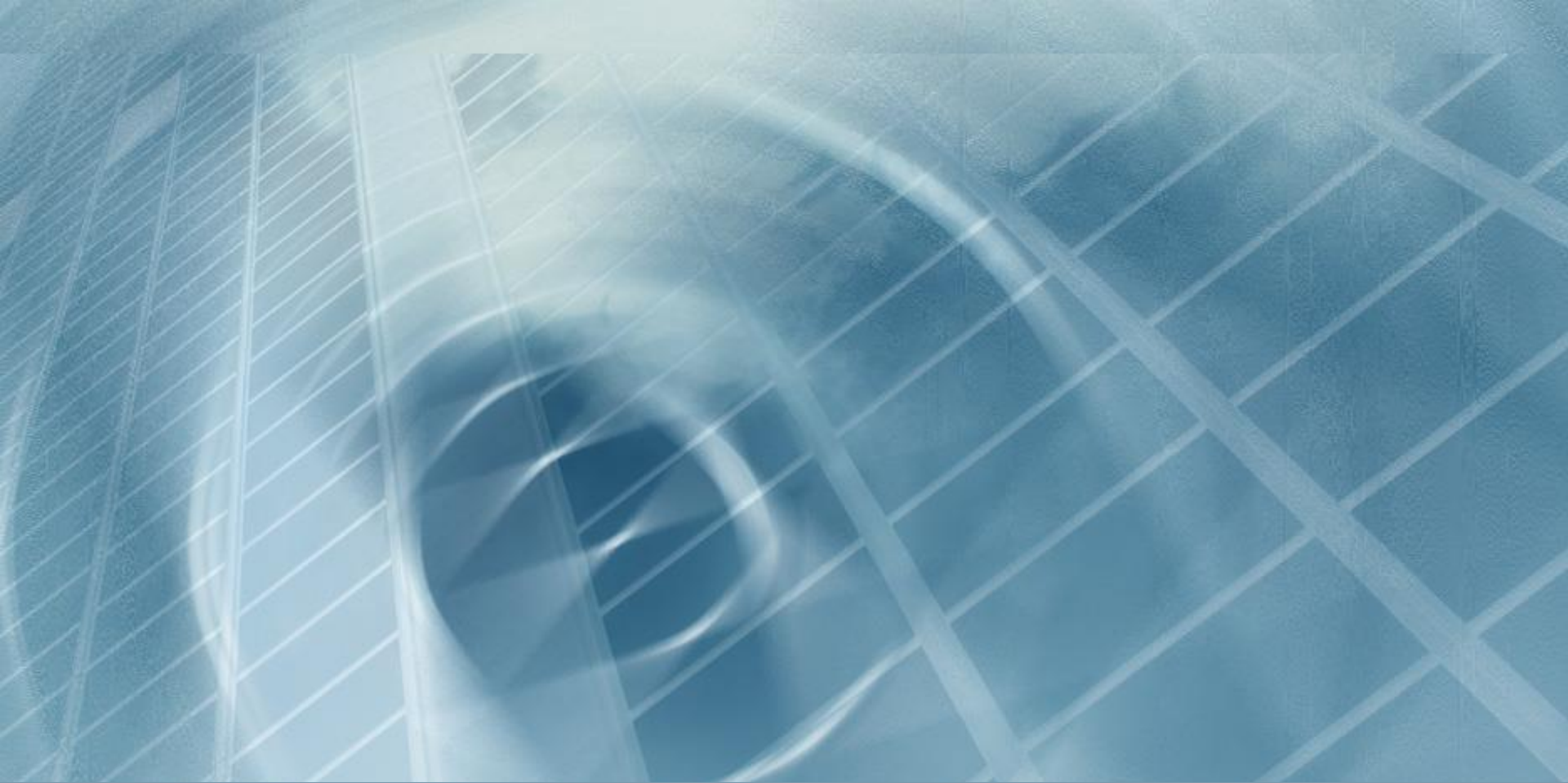
Crime Rate equals # of incidents divided by population; 2013 FBI UCR Statistics

# Public Safety – Police Observations

- Dallas has the highest officer per 1,000 population of the five cities
- If Dallas were to adjust to the other cities:

	<b>Dallas</b>	<b>Austin</b>	<b>Fort Worth</b>	<b>Houston</b>	<b>San Antonio</b>
Police Uniform Strength	3,496	1,702	1,545	5,358	2,313
(per 1,000 Pop.)	2.77	2.05	2.01	2.53	1.67
Dallas change in Strength to match city's officers per 1,000 Pop. (+/-)		(995)	(1,026)	(615)	(1,416)
Est. Budgetary Impact of Change		(\$71.2m)	(\$73.4m)	(\$43.9m)	(\$101.3m)

Note: Budgetary impact based on average salary and benefits of \$71,538/officer



# Debt Service

# Dallas Metric: Total Outstanding General Obligation Debt

(\$ in billions)



Note: FY14 projected balance as of 9/30/14. Assumes no debt issuance in FY14.

# Dallas Metric: Debt Service Budget as a Percent of Tax-supported Operating Budget

General Fund + Debt Service

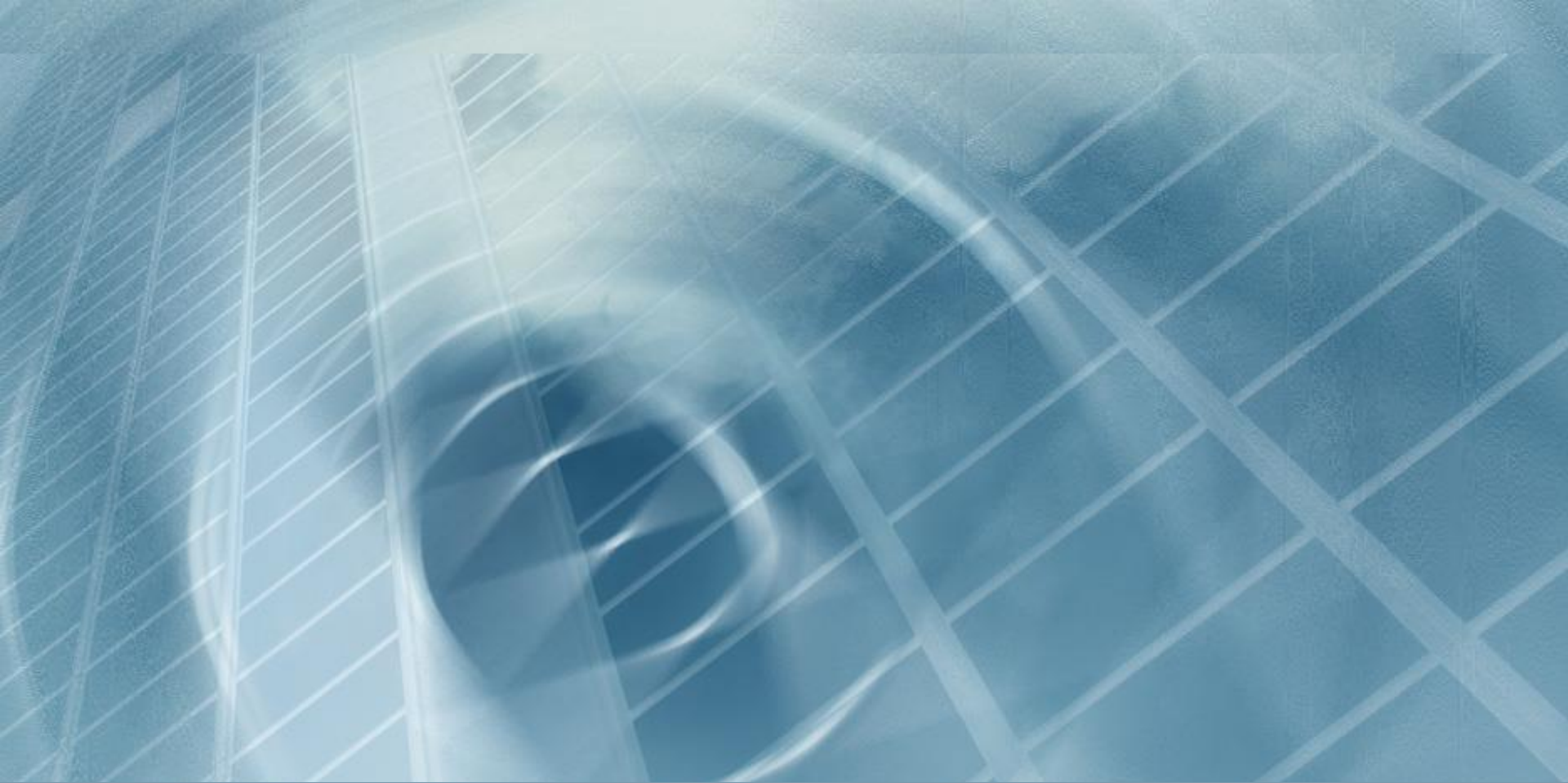


Note: FY14 assumes no debt issuance in FY14.



# Debt Service Comparison

	Dallas	Austin	Fort Worth	Houston	San Antonio
Bond Rating: Moody's S&P	Aa1 AA+	Aaa AAA	Aa1 AA+	Aa2 AA	Aaa AAA
Most Recent Bond Program	Nov 2012- \$642m Implement over 5 years	Nov 2012- \$306.6m Implement over 4 years	May 2014- \$292m Implement over 5 years	Nov 2012- \$410m Implement over 6 years	Nov 2012- \$596m Implement over 5 years
Outstanding General Obligation Debt	\$1,691m	\$881.9m	\$888.9m	\$3,332m	\$1,406m
GO Bond Maturities	20 Years	20 Years	20 Years	30 Years	20 Years
GO Debt per Capita	\$1,363	\$1,047	\$1,143	\$1,542	\$1,017
Debt Service Tax Rate (% of total rate)	\$0.2369 (29.7%)	\$0.1171 (23.3%)	\$0.1791 (20.9%)	\$0.1765 (27.6%)	\$0.2115 (37.4%)
FY14 Debt Service Budget	\$226.6m	\$141m	\$84.5m	\$296.9m	\$175.5m



# Average Annual Cost to Citizens

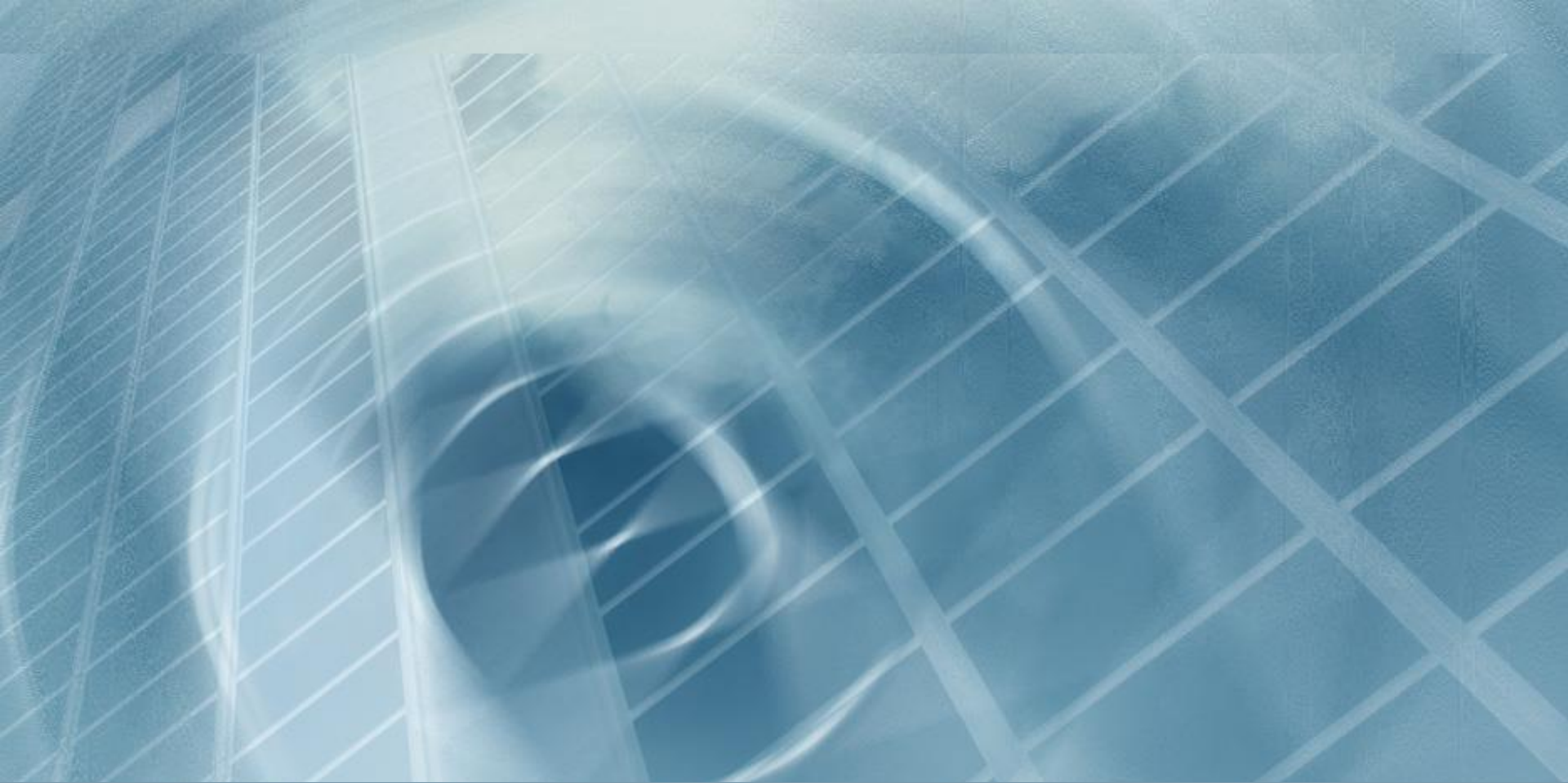
# Non-General Fund Fees (Typical Residential Monthly Bill)

	<b>Dallas</b>	<b>Austin</b>	<b>Fort Worth</b>	<b>Houston</b>	<b>San Antonio</b>
Storm Water	\$5.77	\$9.20	\$5.40	\$5.00	\$4.25
Sanitation	\$20.64	\$26.40	\$22.75	Included in tax rate	\$19.93
Water/Sewer	\$61.37	\$95.54	\$59.53	\$91.50	\$54.04
Parks Environmental Fee	N/A	N/A	N/A	N/A	\$1.00
Transportation User Fee	N/A	\$7.80	N/A	N/A	N/A

# Average Annual Cost to Citizens

	<b>Dallas</b>	<b>Austin*</b>	<b>Fort Worth</b>	<b>Houston</b>	<b>San Antonio*</b>
Property Tax Bill (City)	\$1,160.02	\$1,118.16	\$843.19	\$857.53	\$723.56
Storm Water	\$69.24	\$110.40	\$64.80	\$60.00	\$51.00
Sanitation	\$247.68	\$316.80	\$273.00	\$0	\$239.16
Water/Sewer	\$736.44	\$1,146.48	\$714.36	\$1,098.00	\$648.48
Parks Environmental Fee	\$0	\$0	\$0	\$0	\$12.00
Transportation User Fee	\$0	\$93.60	\$0	\$0	\$0
<b>Total</b>	<b>\$2,213.38</b>	<b>\$2,785.44</b>	<b>\$1,895.35</b>	<b>\$2,015.53</b>	<b>\$1,674.2</b>

\*Does not factor in impact of citizen payments made to City-owned electric/gas utilities which transfer funds to the General Fund



# Observations and Takeaways

# Observations

- Comparing budgets across cities, even in same state, is not apples-to-apples since every city categorizes budget items differently
- Total cost to citizens is result of much more than just property tax and includes fees for service such as sanitation and water/sewer charges

# Observations

- Property tax bill is much more than tax rate; and includes value, exemptions, and rate
- Dallas homestead and over-65/disabled exemptions benefit home owners yet reduces revenue for City
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- Transfers from City owned electric utilities and other non-tax revenues reduce reliance on property tax

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Questions?