

# Memorandum



CITY OF DALLAS

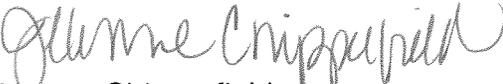
**Date** January 31, 2014

**To** The Honorable Mayor and Members of the City Council

**Subject** Budget Workshop #1: FY 2014-15 Preliminary Outlook

The FY 2014-15 Preliminary Outlook briefing is attached for your review and will be presented at your February 5<sup>th</sup> meeting. The revenue and expenditure changes included in the briefing are preliminary estimates to illustrate potential impact on next year's budget. Revenue and expenditure estimates will be updated as more data becomes available over the coming months. Additional briefings on the FY 2014-15 budget will be presented on May 21<sup>st</sup> and June 18<sup>th</sup>. A balanced budget recommendation will be presented on August 12<sup>th</sup> for the fiscal year beginning on October 1, 2014 and ending on September 30, 2015.

Please let me know if I can provide additional information.

  
Jeanne Chipperfield,  
Chief Financial Officer

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



# Budget Workshop #1:

# FY 2014-15 Preliminary Outlook

City Council Briefing - February 5, 2014

# Purpose

- Provide a preliminary outlook of general fund budget for FY 2014-15 (FY15)
- Review budget development process for FY15

An aerial night view of a city, likely New York City, seen from the perspective of someone on a Ferris wheel. The dark metal spokes of the wheel are visible in the foreground, framing the city below. The city lights are bright against the dark sky, with several prominent skyscrapers. The overall tone is dark and moody.

# Preliminary FY 2014-15 General Fund Outlook

# Preliminary General Fund Outlook

- Current fiscal year (FY14) budget is balanced
- Outlook for next fiscal year (FY15) uses forecasts of revenue and expenditure changes
  - 20 months into future (Oct 1, 2014 to Sep 30, 2015)
- Forecasts for next fiscal year are preliminary and will change before a balanced budget is recommended on Aug 12
- Updated outlook will be provided on May 21 and June 18

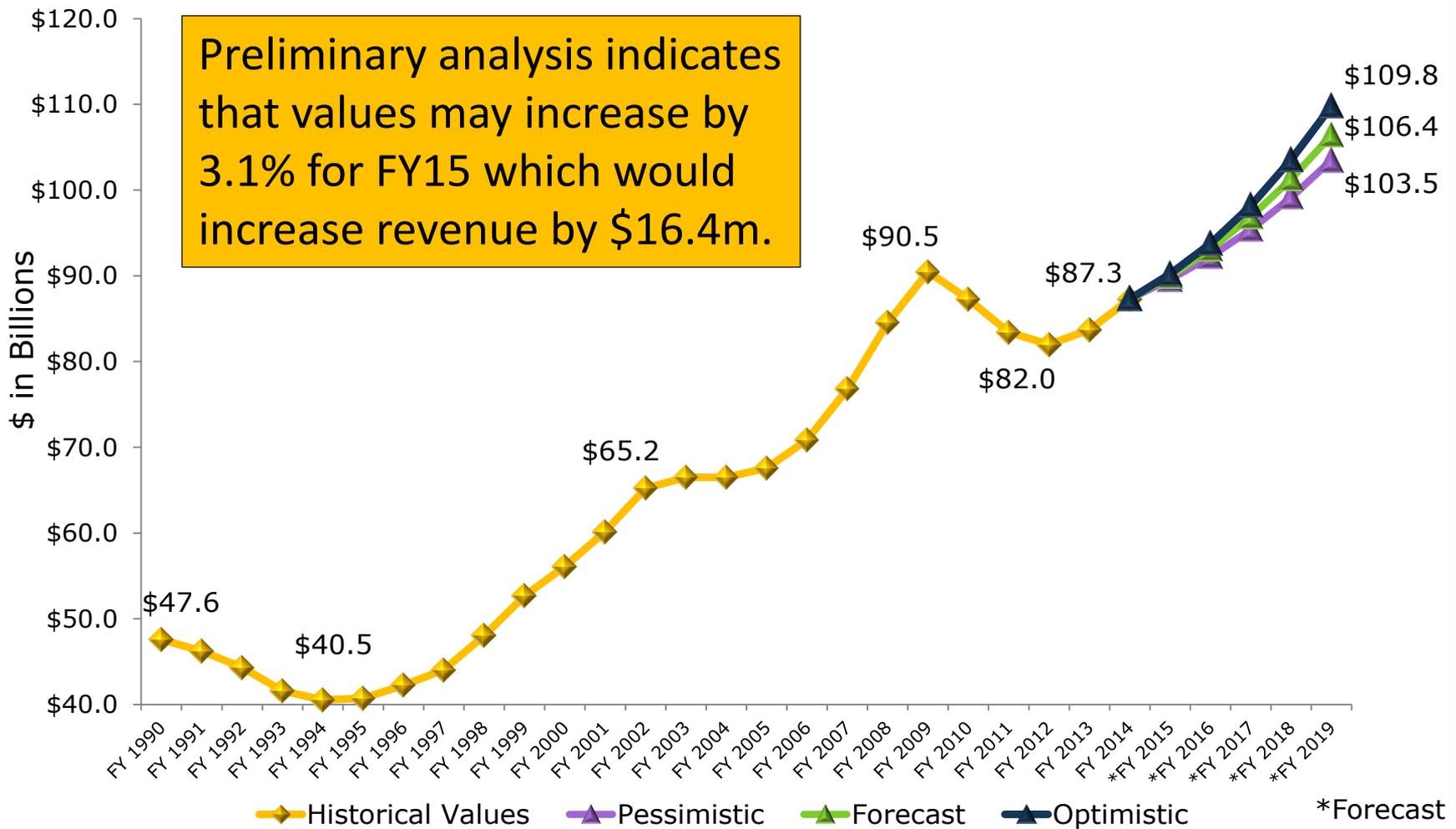
# Preliminary Outlook – Revenue

- Two most significant revenues are:
  - Property tax
  - Sales tax
- Five-year forecast for these two revenues has been updated
- Other revenues will be analyzed and updated as additional information becomes available

# Preliminary Forecast – Property Tax

- Property Tax: values certified by four appraisal districts and tax rate set by Council
- Appraisal districts release preliminary values in mid-May and certified values by July 25
- FY14 was 2<sup>nd</sup> year of growth in property values after 3 years of declining values
- Current analysis indicates additional growth of 3.1% may occur for FY15

# Property Tax Value Forecast



# Preliminary Forecast – Property Tax

- FY15 forecast assumes tax rate will remain at current rate of \$0.7970 per \$100 valuation
  - Consistent with assumption made when Council approved increased cost for police and fire Meet and Confer Agreement on Dec 11, 2013
- Council scheduled to set FY15 tax rate on Sep 17

# Preliminary Outlook – Property Tax

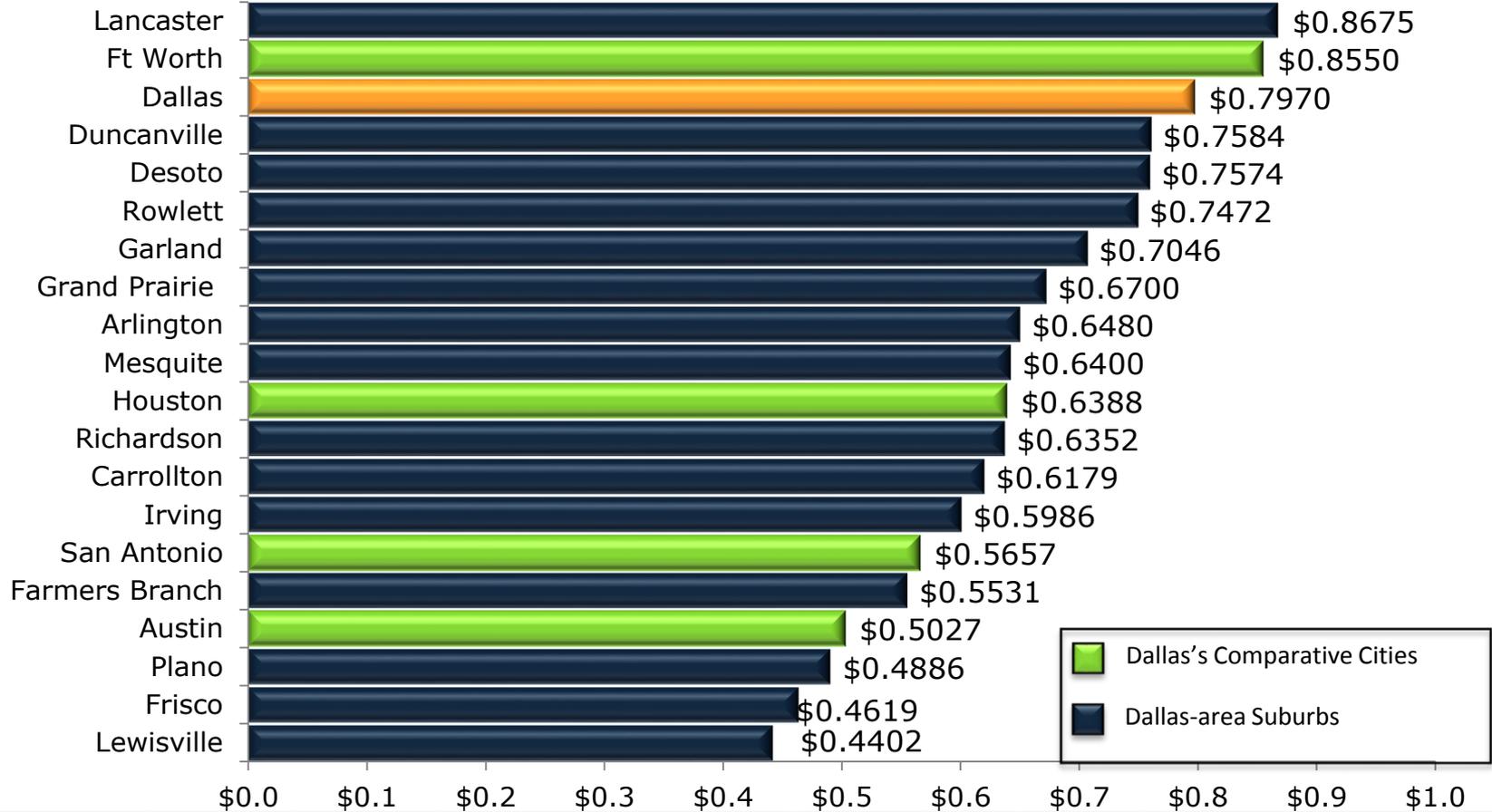
- Effective tax rate generates same amount of revenue in new fiscal year as previous fiscal year
  - Excludes new construction
- Rate is calculated by Dallas County Tax Office after values are certified (available in early Aug)
- Effective tax rate for FY14 would have reduced revenue growth by \$17.2m

# Property Tax Comparison

- Simply comparing tax rates does not tell whole story
  - Other revenue sources such as City-owned electric utilities, or other fees provide significant revenues
  - Most suburbs:
    - Do not offer big City services/infrastructure
    - Have newer infrastructure
- Following slide compares only property tax rate for selected cities/suburbs

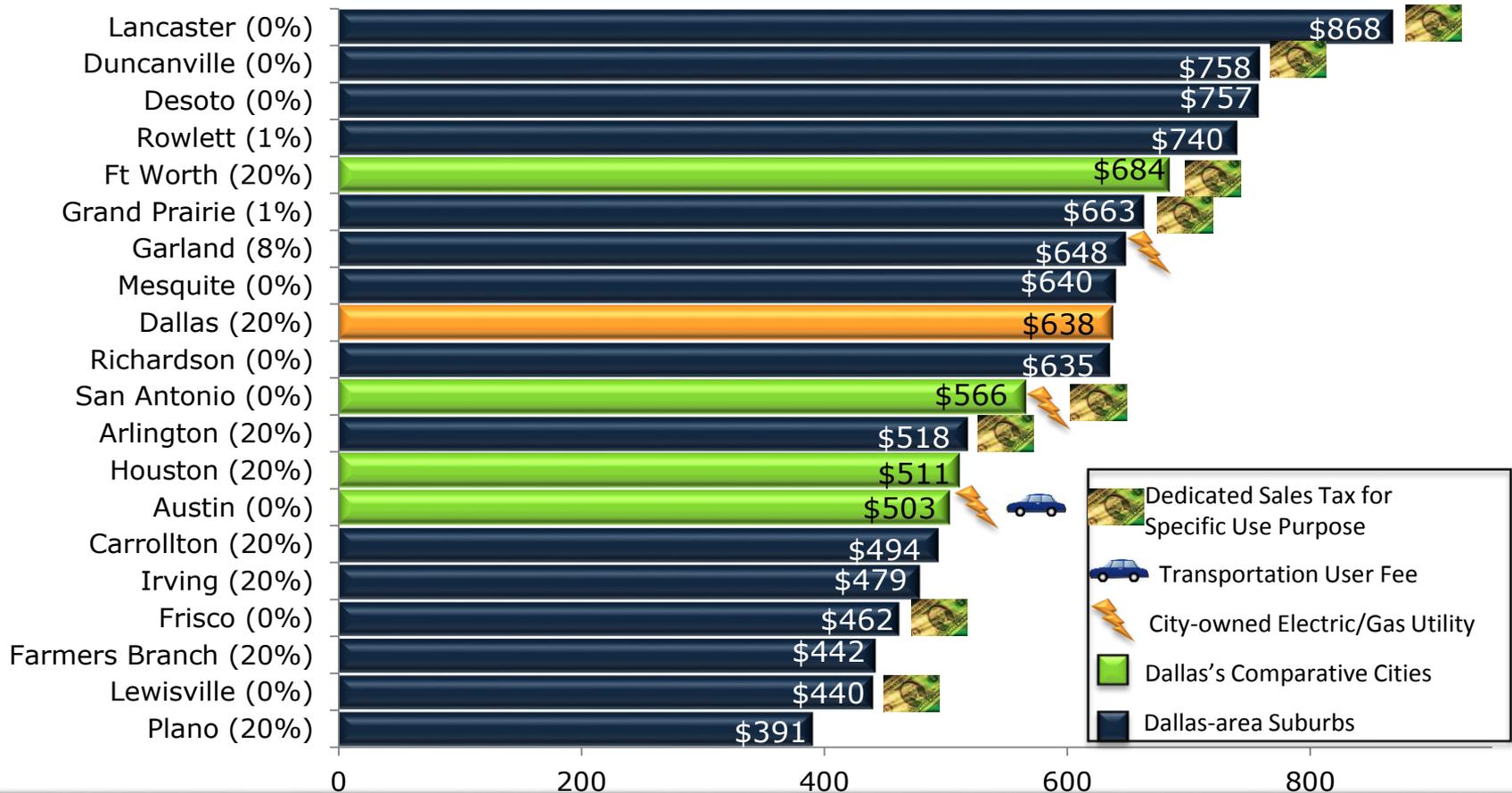
# Preliminary Outlook – Property Tax

FY 2013-14 Adopted Tax Rates  
(per \$100 valuation)



# Preliminary Outlook – Property Tax

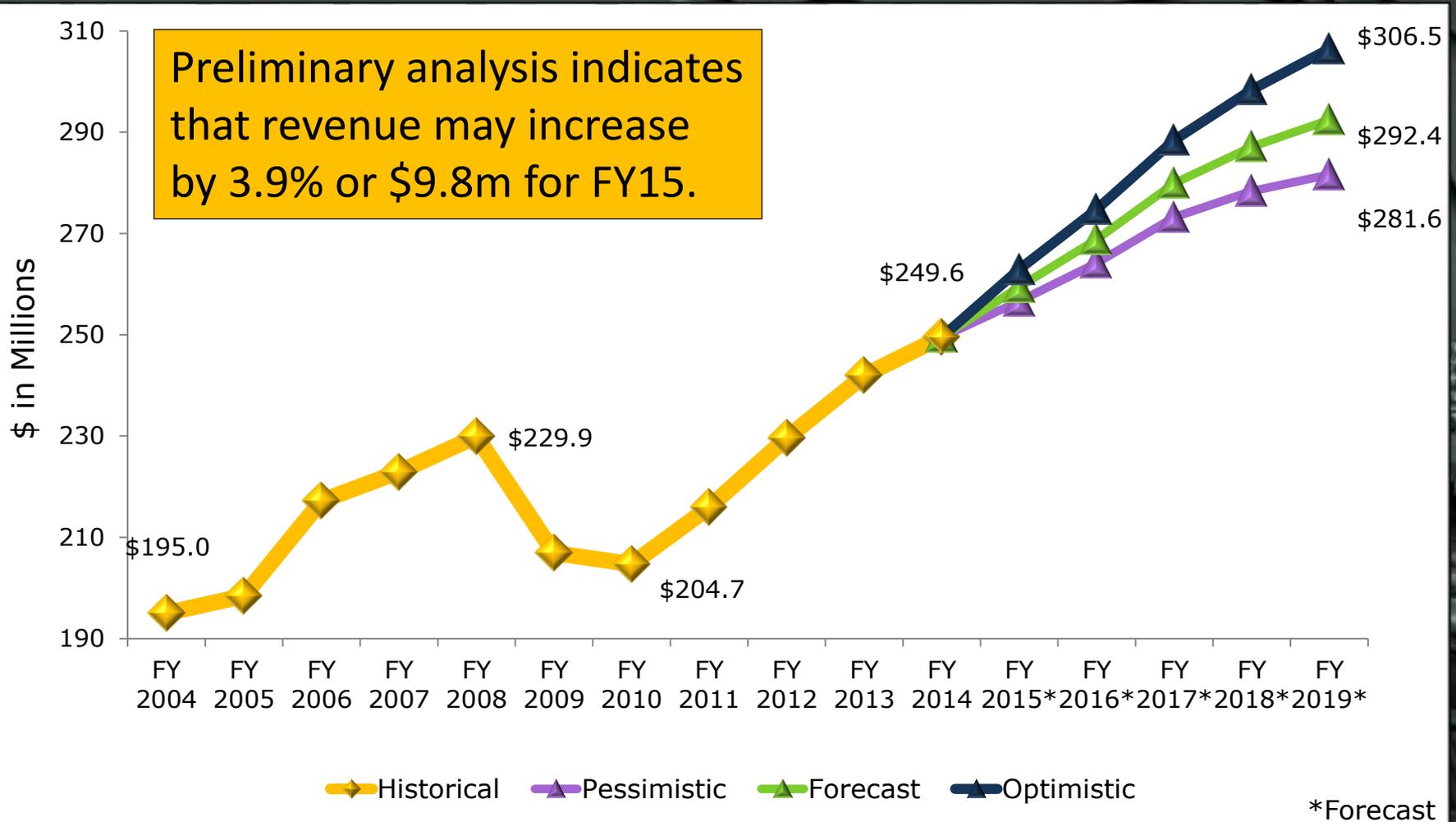
Tax bill on home valued at \$100,000 taking into consideration homestead exemption



# Preliminary Forecast – Sales Tax

- Sales Tax: 6.25% retained by the State, 1% allocated to DART, and 1% allocated to the City
- Revenue peaked in FY13 and exceeded previous peak prior to recession in FY08
- Since March 2010, City has had 45 consecutive months of growth in current period sales tax collections
- FY14 (current year) budget is 3.2% higher than FY13 actual revenue
- Forecast indicates growth of 3.9% may occur for FY15

# Sales Tax Revenue Forecast



# Preliminary Outlook – Revenues

- Other revenue adjustments known at this time include:
  - Eliminate back-payment from Medicaid Supplemental Program
  - Expiration of private waste-hauler contract
- As information becomes available, all general fund revenues will be reviewed and updated

# Preliminary Outlook – Revenue

- Preliminary revenue forecast indicates revenues for FY15 may be about \$9.7m more than revenues for FY14

Preliminary Revenue Adjustments	In Million Dollars
Property Tax – based on current forecast with 3.1% growth	+\$16.4m
Sales Tax – based on current forecast with 3.9% growth	+\$9.8m
Other revenue changes (+/-)	- \$16.5m
<b>Total Preliminary Revenue Adjustments</b>	<b>+\$9.7m</b>

# Preliminary Outlook – On-Going Obligations

- FY15 budget development focuses on no reductions to service levels and meeting on-going obligations

On-Going Obligations for FY15	In Million Dollars
Police and fire meet and confer agreement – full-year funding for first year (FY14) step increase and partial year funding for second year (FY15) step increase	+\$15.1m
Police and fire meet and confer agreement – across the board pay increase required if property tax values increase by 3.3% or more; current assumption is growth of 3.1%	N/A
Police sworn strength – full-year funding for 20 additional officers hired in FY14 and continue to add to the force with 20 additional officers to be hired in FY15	+\$1.5m
EMS – eliminate one-time enhancements added in FY14 using one-time Medicaid revenue; enhanced number of officers receiving paramedic training and cost associated with Community Paramedic program	- \$5.8m
Civilian employee – full-year funding for merit pay added in FY14 and funding for merit program in FY15	+\$8.2m

# Preliminary Outlook – On-Going Obligations

<b>On-Going Obligations for FY15</b>	<b>In Million Dollars</b>
Full-year funding for positions added in current year	+\$0.5m
O&M cost for capital projects placed in-service	+\$1.7m
Master lease program – new payments associated with FY14 and FY15 purchases	+\$5.0m
CIS and 911 funds - spend-down of excess fund balance was utilized in FY14	+\$2.2m
Contingency Reserve Fund – replenish fund after use in FY14 for emergency repairs at Central Library	+\$2.1m
Employee Health Benefit – increased cost associated with Affordable Care Act (\$1.1m); and potential increased cost for employee/retiree health benefits (\$8.1m)	+\$9.2m
Worker’s Comp – used prior year carry forward revenue to offset FY14 needs	+\$2.0m
Miscellaneous other adjustments	+\$0.7m
<b>Total On-Going Obligations</b>	<b>+\$42.4m</b>

# Preliminary Outlook – Summary

- Preliminary outlook for FY15 indicates a differential or gap between revenues and on-going obligations of \$32.7m

Adjustments for FY15	In Million Dollars
Revenue adjustments – increased revenue from slide 16	+\$9.7m
On-Going obligations – increased obligations from slide 18	+\$42.4m
Preliminary Differential/Gap	\$32.7m

# Preliminary Outlook – Other Considerations

- Significant reductions in services to citizens occurred during recent recession; examples include:
  - Library hours
  - Recreation center hours
  - Park land maintenance
  - Cultural programming

# Preliminary Outlook – Other Considerations

- Infrastructure needs were deferred due to budget constraints; examples include:
  - Street maintenance
  - Building maintenance
  - Traffic signals
  - Information technology

# Preliminary Outlook – Other Considerations

- Other enhancements to consider; examples include:
  - Animal control
  - Senior services
  - Economic development
  - Recreational activities

# Preliminary Outlook – Summary

- Outlook for FY15 indicates a differential between revenues and on-going obligations of \$32.7m
  - City Council's direction on service restorations, enhancements, and/or reductions is requested
- Revenue and expense forecasts will change as more information becomes available
- Update briefings will be provided in May and June
- Differential or gap will be eliminated by Aug 12 when balanced budget is recommended



# Budget Process

# Budget Process

- Budget process typically includes participation by:
  - Citizens
  - Council
  - City staff (department staff, KFA teams, and management)

# Budget Process – Citizens

- Citizen comments will be received at 3 public hearings on March 26, May 28, and Aug 27
- In-person and “virtual” town hall meetings will be held in August
- Additionally, new citizen engagement software available this Spring will expand opportunities for citizens to identify budget priorities

# Budget Process – Council

- Council input will be received at each scheduled budget briefing: Feb 5, May 21, and June 18
- Additionally, strategic planning will continue through Council committees and a briefing will be scheduled in April

# Budget Process – City Staff

- City staff will expand focus for FY15 to include:
  - Emphasis on refining performance measures
  - Analysis of “best practices” previously identified by KFA teams and presented to committees
  - Review of processes for efficiencies
  - Identification of new revenue sources

# Budget Schedule

Feb 5	Budget Workshop #1: Preliminary outlook of general fund
Mar 6	Departments submit bids to the City Manager's Office and Office of Financial Services for funding consideration; and departments submit performance measures to Office of Strategic Customer Services for review
Mar 26	Budget Public Hearing
April	Council confirm Strategic Plan goals, objectives, and strategies
May 15	Preliminary tax values available from appraisal districts
May 21	Budget Workshop #2: Update outlook of FY 2014-15 budget
May 28	Budget Public Hearing
Jun 18	Budget Workshop #3: Update outlook of FY 2014-15 budget
Jul 25	Appraisal Districts certify 2014 tax roll for FY 2014-15
Aug 1	Dallas County Tax Office provides calculated roll-back and effective tax rates
Aug 8	Deliver City Manager's recommended budget to Council members

# Budget Schedule

Aug 12	Budget Workshop #4: City Manager's recommended budget
Aug 12	Begin town hall meetings
Aug 20	Budget Workshop #5: Topics TBD
Aug 26	Budget Workshop #6: Topics TBD
Aug 27	Budget Public Hearing
Aug 29	End town hall meetings
Sep 3	Adopt Budget on First Reading
Sep 3	Tax Rate Public Hearing #1 (if necessary)
Sep 9	Budget Workshop #7: Council Amendments
Sep 9	Tax Rate Public Hearing #2 (if necessary)
Sep 17	Adopt Budget on Second Reading and Adopt Tax Rate
Oct 1	Begin FY 2014-15

An aerial view of a city at night, seen through the spokes of a Ferris wheel. The city lights are visible in the background, and the Ferris wheel's structure is in the foreground. The image is in black and white with a blue tint.

# Questions and Council Input