

Memorandum



CITY OF DALLAS

DATE November 25, 2015

TO The Honorable Mayor and Members of the City Council

SUBJECT FY 2016-17 Budget Workshop #1: Preliminary Outlook

On Wednesday, December 2, 2015, the City Council will be briefed on the FY 2016-17 - Budget Workshop #1: Preliminary Outlook. The briefing is attached for your review.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

Attachment

c: 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, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



FY 2016-17 Budget Workshop #1: Preliminary Outlook

City Council Briefing
December 2, 2015

Outline of Briefing

- Recap FY15 and FY16 budgets
- Preliminary outlook for FY17
- Council policy direction and priorities for FY17
- Citizen involvement
- FY17 budget schedule
- Questions and comments



Recap FY15 and FY16 Budgets

Budget allocations changed from FY15 to FY16

Expenditures	FY15 Amended	FY16 Adopted	% Change
General Fund	\$1,094,368,751	\$1,144,800,000	4.61% *
General Obligation Debt Service	229,908,362	255,325,736	11.06% *
Aviation	90,944,784	93,875,967	3.22%
Convention and Event Services	82,045,050	82,938,892	1.09%
Municipal Radio	2,061,761	2,054,549	-0.35%
Sanitation Services	75,994,350	86,480,147	13.80%
Storm Drainage Management	53,598,761	51,416,846	-4.07%
Sustainable Development & Construction	26,838,534	30,696,618	14.38%
Water Utilities	614,521,177	645,128,387	4.98%
Total Operating Budget	\$2,270,281,530	\$2,392,717,142	5.39%
General Purpose Capital Budget	204,950,503	462,968,883	125.9% *
Enterprise Fund Capital Budget	349,584,178	241,786,923	-30.80%
Total Budget	\$2,824,816,211	\$3,097,472,948	9.65%

* Note: FY15 General Fund restated to exclude Sanitation Services. FY16 Debt Service expense includes use of \$25m cash to retire Commercial Paper. FY16 General Purpose Capital Budget includes Mill Creek drainage project.

Close out information for FY15

- Strategic plan and performance measure recap of FY15 will be provided in January 2016
- Comprehensive Annual Financial Report (CAFR) and end of year financial report to recap FY15 will be provided in May 2016
- Following slides provide examples of accomplishments for each Key Focus Area (KFA) for FY15

Examples of accomplishments from FY15

▪ Public Safety KFA

- 11th consecutive year with crime reduction; totaling 52% reduction in overall crime (on track for 2015 to be 12th consecutive year)
- Improved to 5th safest major US city from previous 6th position
- Mobile Community Healthcare Program realized 91% reduction of 911 calls from initial 97 patients enrolled in MCHP
- Municipal Courts collection per citation increased by another 11% (total of 197% increase since FY07)
- Responded to and contained Ebola crisis

Examples of accomplishments from FY15

▪ Economic Vibrancy KFA

- Issued building permits valued at \$4.3B (30% increase from FY14)
- Completed Wright Amendment repeal with 60% increase in traffic; and began construction of new 5,000 space parking garage at Love Field
- 16 citywide events held at convention center drawing over 1 million visitors and creating economic impact of nearly \$700m
- Public support (grants, tax abatements) leveraged \$100m+ of private investment (approximately \$10 private to \$1 public) and over 3 million square feet of new industrial/warehouse and manufacturing space in southern Dallas
- Completed Long Range Water Supply Plan and City Council adopted water management strategies to meet Dallas' future water supply needs
 - Identified/prioritized water supply capital projects needed to meet future water demands through 2070
- Repaired about 38,000 potholes, an increase of about 25% from prior years
- Completed 40 street resurfacing projects for total of over 50 lane miles

Examples of accomplishments from FY15

- Clean Healthy Environment KFA
 - Water Conservation Program continues progress; decreased per capita consumption by 27%; estimated 250 BG saved since 2001
 - Achieved peak live-release rate of 52.2% for all animal intakes (over 28,000 intakes)
 - Added 56 new surveillance cameras to enforce against illegal dumping
 - Illegal dump team responded to 243% increase in service requests
 - Mowed/cleaned 33,000 properties, removed/disposed of 20,000 illegally dumped tires, demolished 200 dilapidated properties
 - Completed 42 energy efficiency-related construction projects

Examples of accomplishments from FY15

- Culture, Arts, Recreation, and Education KFA
 - Opened 13 library locations 7-days-a-week; hired/trained over 150 new employees (achieved new peak number of hours)
 - Recreation centers and youth programs had 1.3 million visitors/participants and zoo welcomed 1 million visitors (new peak year for both)
 - Completed Texas Horse Park
 - Restored public art maintenance program, hired collection/conservation manager, assessed over 35% of public art collection, and conserved high profile pieces such as Henry Moore's "The Dallas Piece", Octavio Medellin windows, and original Pegasus

Examples of accomplishments from FY15

- E-Government KFA

- Over-hauled DallasCityHall.com
- Transitioned last 16 applications from mainframe to modern platforms and retired decades old computing system
- Improved procurement efficiency by increasing percent of goods/services purchased on master agreement to 96%

Council priorities provided direction for FY16 budget development

- Priorities identified during Council Planning Retreat in January 2015
 - 1) Invest in technology to improve service and efficiencies
 - 2) Focus on top 3 priorities identified in citizen survey:
 - A) Maintenance of infrastructure
 - B) Code enforcement
 - C) Police service
 - 3) Phase increases in percent of budget allocated to Culture, Arts, Recreation, and Education (CARE) KFA
 - 4) Scrutinize services for efficiencies and cost reductions

FY16 budget is aligned to Council priorities

Council Priority	FY16 Budget Highlight
#1 – Information technology	Over \$94m technology funded in FY16 (\$68.2m for ongoing operations and \$26.2m for new technology).
#2A – Citizen priority: infrastructure	\$16.8m added for street/alley improvements which will increase number of street lane miles by 17% and alley lane miles by 33%. Accelerated \$7.3m of bond funds to accomplish zero degradation during FY16.
#2B – Citizen priority: code enforcement	15 new positions added in Animal Services to respond to loose dog complaints. DAS total budget increased by nearly \$2.0m over FY14. Added 3 inspectors dedicated to multi-family inspections. 1 code inspector and 1 prosecutor added in neighborhood code and community prosecution.
#2C – Citizen priority: police service	Funding allows for hiring 200 officers for attrition and adding 30 public service officers (civilians). Continued Meet and Confer agreement that increased uniform employee pay. \$1m set aside for security at police facilities.

FY16 budget is aligned to Council priorities

Council Priority	FY16 Budget Highlight
#3A – CARE KFA: cultural arts	DCVB contract amendment will allow for \$1.4m of Hotel Occupancy Tax to be used for cultural programming contracts.
#3B – CARE KFA: recreation	Senior Program Division restored within Park and Recreation for dedicated programming across city for senior citizens.
#3C – CARE KFA: education	FY16 fulfilled 2 nd of 2 year funding agreement and results in library hours being at historic peak for hours of service. Materials funding maintained at new peak level.
#4 – Efficiencies and cost reductions	Approximately \$15.7m of reductions from optimizing staffing levels, adjustments in salary budgets to recognize vacancies/delayed hiring, reductions due to improved fuel prices, adjustments to contracts, and reductions from line-item reviews.



Preliminary Outlook for FY17

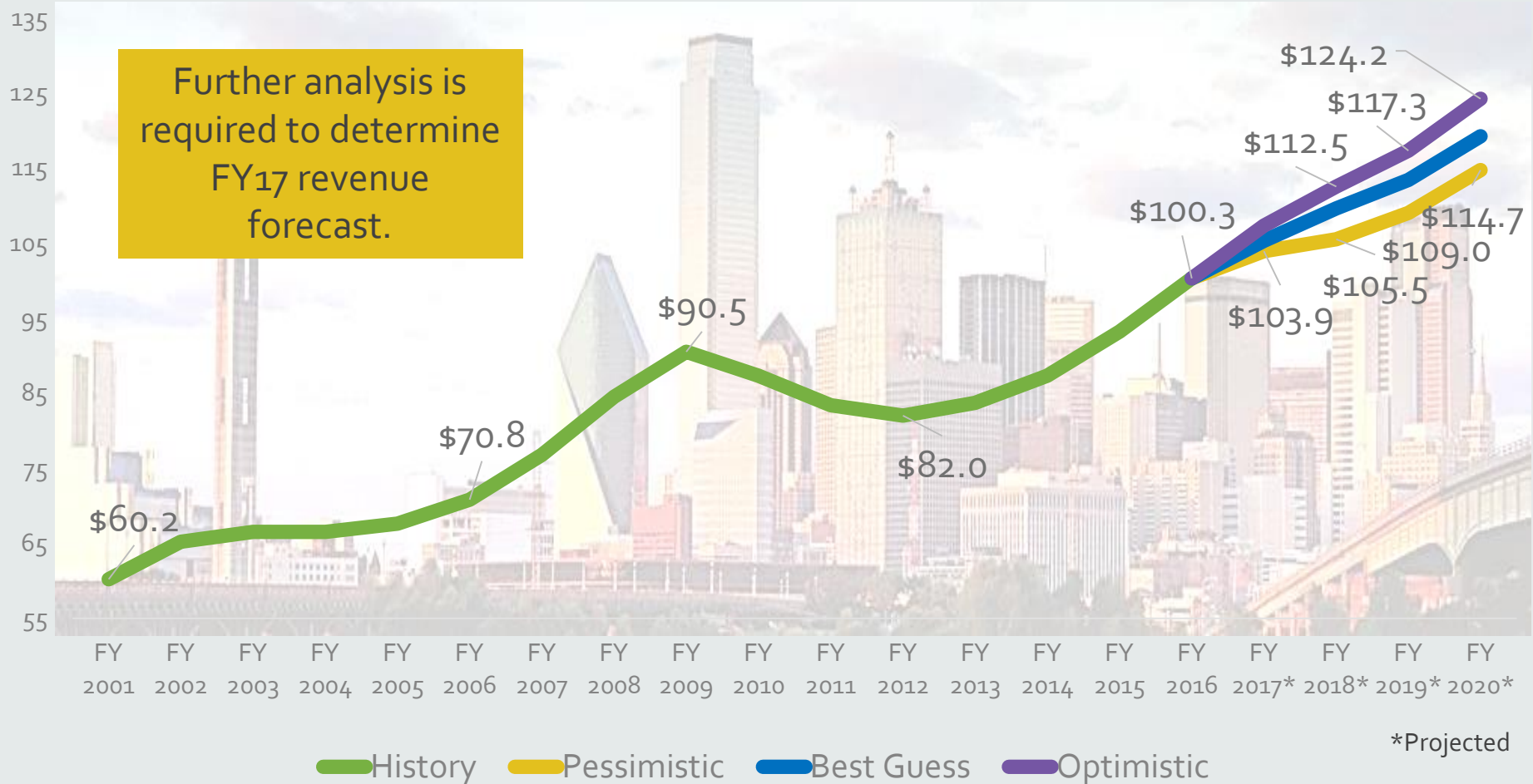
Economic outlook is good for foreseeable future

- Since 2006, DFW annual Real Gross Domestic Product (Real GDP) percentage growth has outpaced US Real GDP growth
 - Real GDP grew 8.5% for DFW in 2014 as compared to 2.4% for US
- Through 3rd quarter 2015, DFW ranks 8th in nation in total office space inventory and 5th in office space inventory under construction
- City and area industry diversity remains strong
- Dallas has consistently outperformed nation's unemployment rate for 96 consecutive months
 - October 2015 non-seasonally adjusted unemployment rate is 4.1% in Dallas compared to 4.5% in Texas and 4.8% in US

Economic outlook is good for foreseeable future

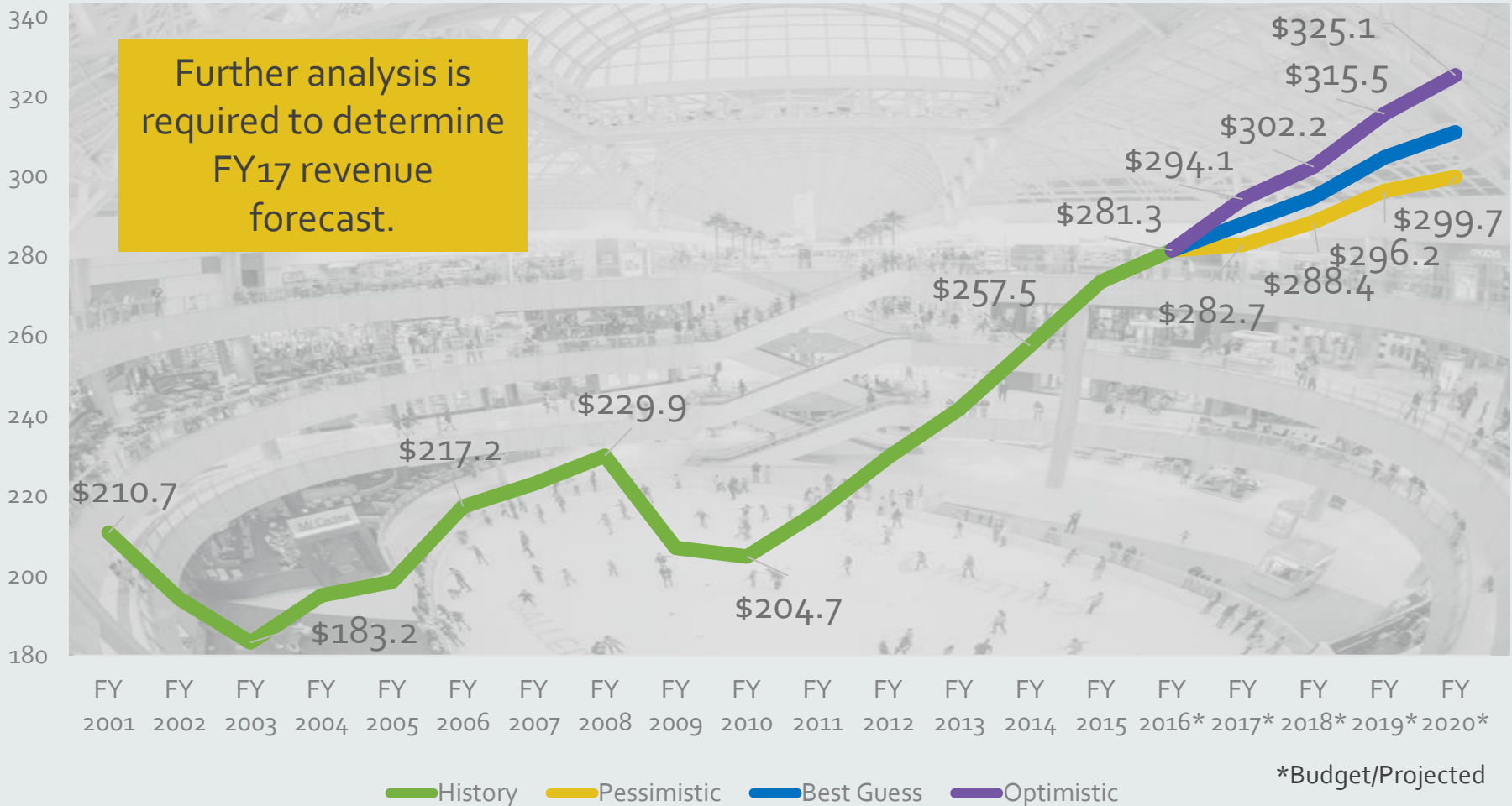
- Property tax base values have grown 22.35% since tax year 2011, with tax year 2015 being new peak year
 - 2.06% in 2012
 - 4.27% in 2013
 - 6.75% in 2014
 - 7.71% in 2015
- Sales tax has grown 33.62% since FY10, with FY15 being new peak year
 - Sales tax has had positive growth in current collections for 66 out of 67 months

Property tax base values are forecast to continue to grow (\$ in Billions)



Note: Forecasts are preliminary and will change through budget development process and as additional information is available.

Sales tax revenues are forecast to continue to grow (\$ in Millions)



Expenses already committed to for FY17

Uniform compensation – full-year funding for FY16 step pay increase as part of current Meet and Confer agreement (\$7.6m)

Civilian employee pay adjustments – full-year funding for FY16 average 3% merit on 12/2/15 (\$1.1m)

Master lease cost increases – required to pay debt for equipment and technology enhancements added in FY16 budget (\$3.2m)

Tax Increment Financing cost increase as property values within TIF districts increase (\$5.5m)

O&M cost required in FY17 for capital projects being completed and placed in-service (includes year-2 O&M for Oak Cliff Streetcar) (\$2.6m)

Expenses currently assumed for FY17

Require Future Council Direction

Street and alley improvements – assume continued commitment to plan briefed to Council in April 2014 (\$28.3m)

Uniform compensation – assume step pay increases will continue in FY17 even though current Meet & Confer Agreement will expire (\$15.2m full-year cost)

Civilian employee pay adjustments – assume continued commitment to civilian employees for average 3% merit in FY17 (\$6.5m full-year cost)

Uniform and civilian employee/retiree health benefit cost increases; assumed at 5% increase (\$4.0m)

Expenses currently assumed for FY17

Require Future Council Direction

Master lease cost increases – assume continued replacement/addition of technology and equipment using master lease program (cost TBD)

Liability cost increases anticipated due to increased litigation (cost TBD)

Efficiencies and cost reductions – continued efforts to identify improvements through Center for Performance Excellence lean/six sigma, sunset review, and other line-item analysis (expense reduction TBD)

Efficiency and cost reduction efforts will continue for FY17 budget

- Center for Performance Excellence continues to train employees in Lean/Six Sigma processes and deploy process improvement throughout organization
 - Over 200 employees trained and 53 projects underway
- 2nd year of Sunset Review is underway with work continuing within 7 departments reviewed in FY15 and within 7 additional departments being reviewed in FY16
- Implementation of budget development software is underway and expected to improve salary analysis and line-item review for FY17 budget

Preliminary Outlook for General Fund

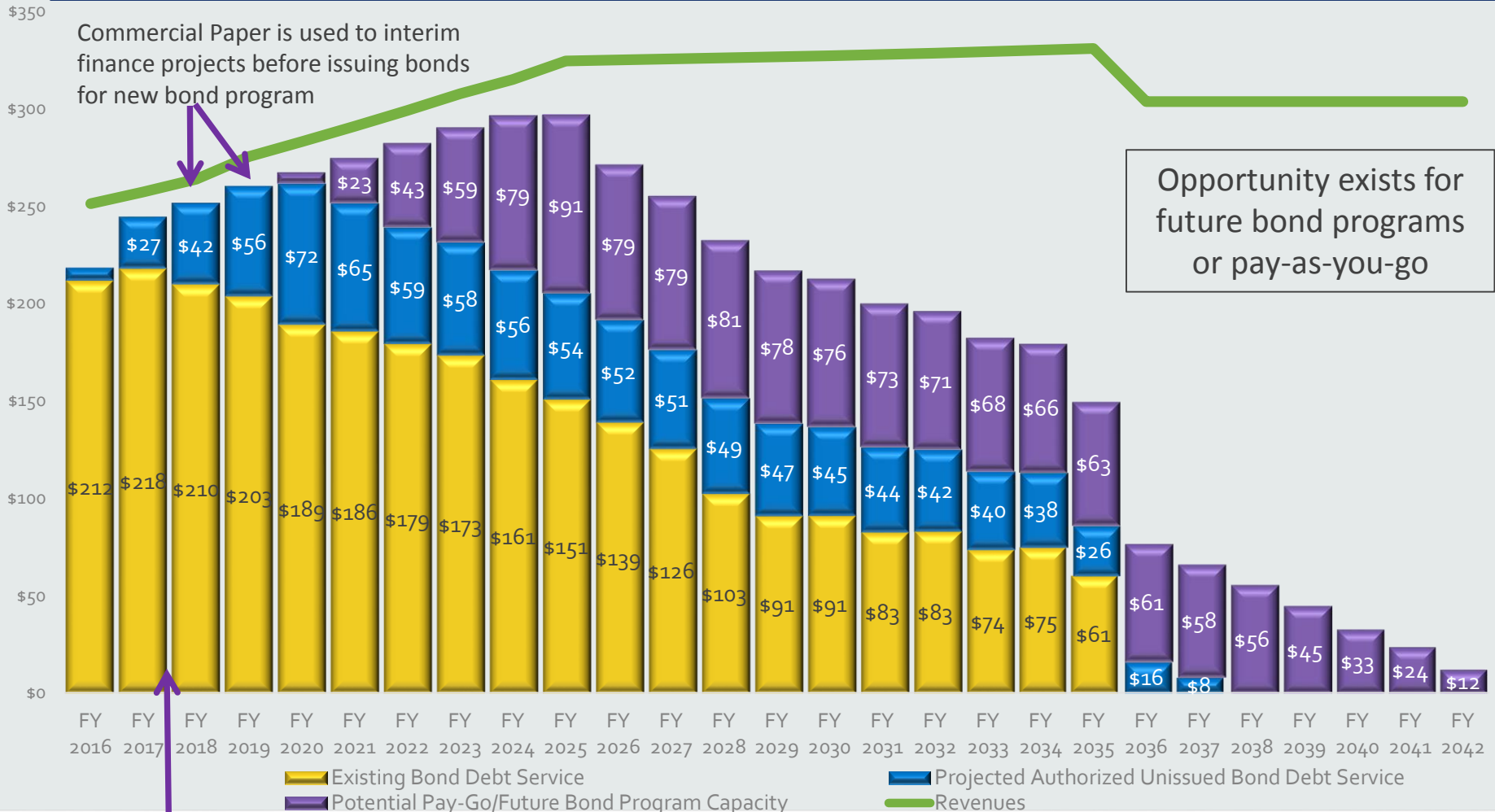
	FY 2015-16 Adopted Budget	FY 2016-17 Forecast	FY 2017-18 Forecast	FY 2018-19 Forecast	FY 2019-20 Forecast
General Fund Revenue	\$1,144.8m	\$1,176.9m	\$1,193.5m	\$1,223.1m	\$1,259.9m
General Fund Expense	\$1,144.8m	\$1,226.0m	\$1,259.4m	\$1,308.2m	\$1,354.2m
Variance/Gap	\$0	(\$49.1m)	(\$65.9m)	(\$85.1m)	(\$94.3m)

Note: Forecasts are preliminary and will change through budget development process and as additional information is available.

Preliminary Outlook for Debt Service Fund

- General obligation (GO) debt is primary means of paying for long-term capital improvements such as streets, flood protection, parks, facilities, etc.
- In January 2016, briefing will be provided to begin to discuss schedule for future bond program
- Following slide provides chart that shows outstanding debt and previous financial capacity calculated
 - Updates will be provided for January 2016 briefing

Preliminary Outlook for Debt Service Fund (\$ in millions)



Potential future bond election in Nov 2017 (FY18) and begin projects using Commercial Paper.



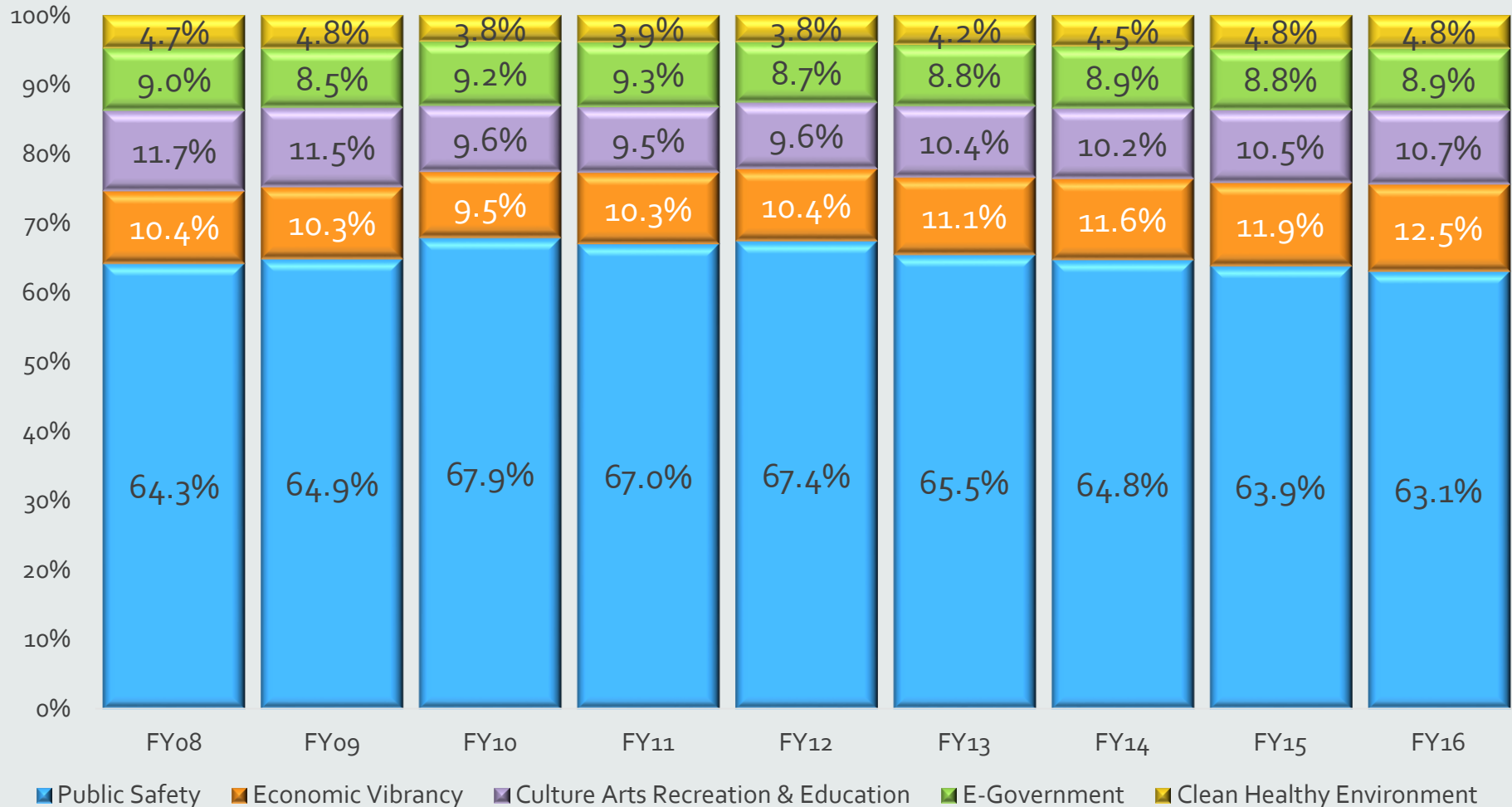
Council Policy Direction and Priorities for FY₁₇

Council has established overall expectations

- Current KFA goals

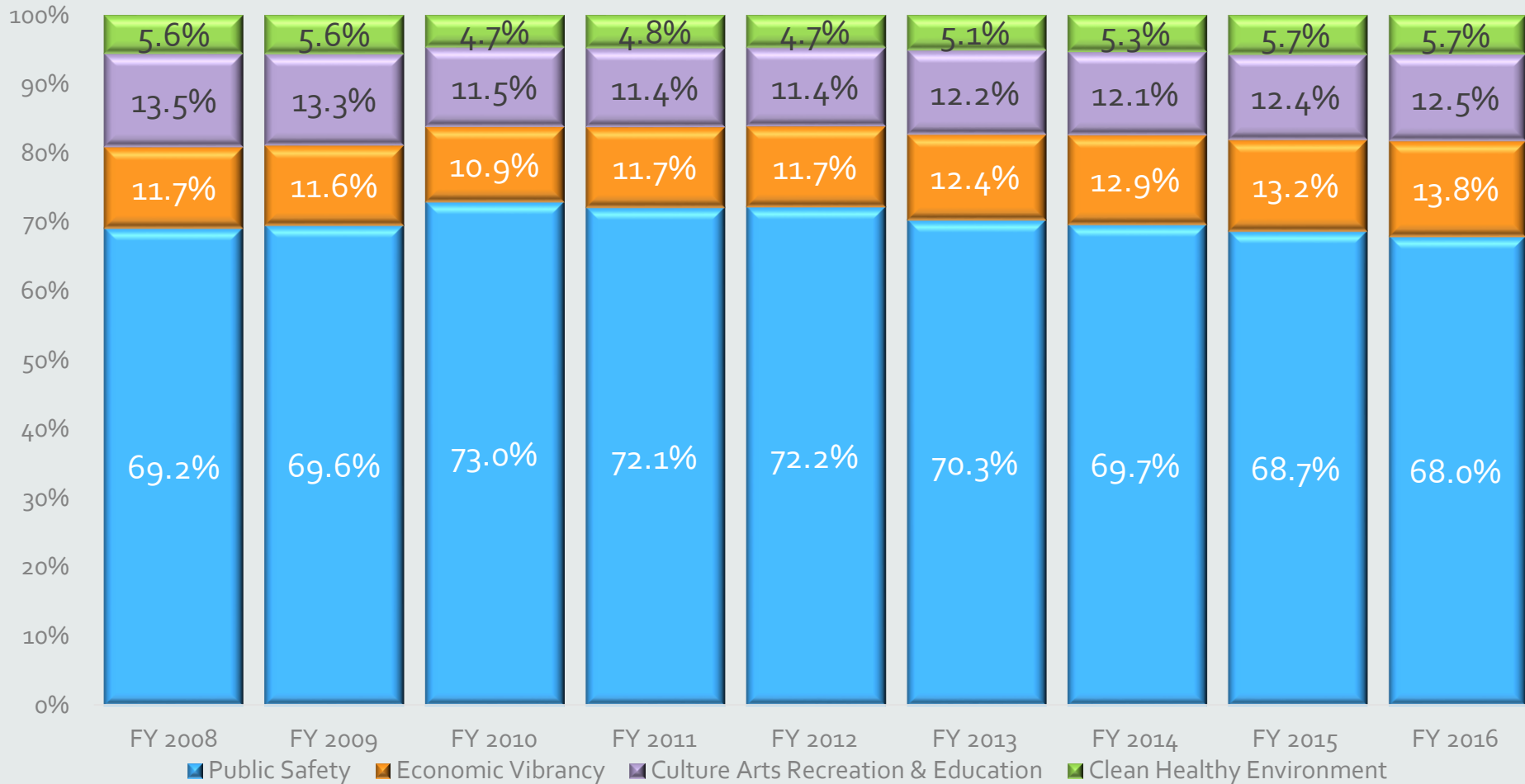
- 1) Public Safety – enhance public safety to ensure people feel safe and secure where they live, work, and play
- 2) Economic Vibrancy – grow a sustainable economy by job creation, private investment in the region, a broadened tax base, sustainable neighborhoods, and livability and quality of the built environment
- 3) Clean Healthy Environment – Create a sustainable community with a clean, healthy environment
- 4) Culture, Arts, Recreation, and Education – support lifelong opportunities for Dallas residents and visitors in cultural, artistic, recreational, and educational programs that contribute to Dallas' prosperity, health and well-being
- 5) E-Government – provide excellent government services to meet the needs of the City

General Fund resources allocated to achieve 5 goals



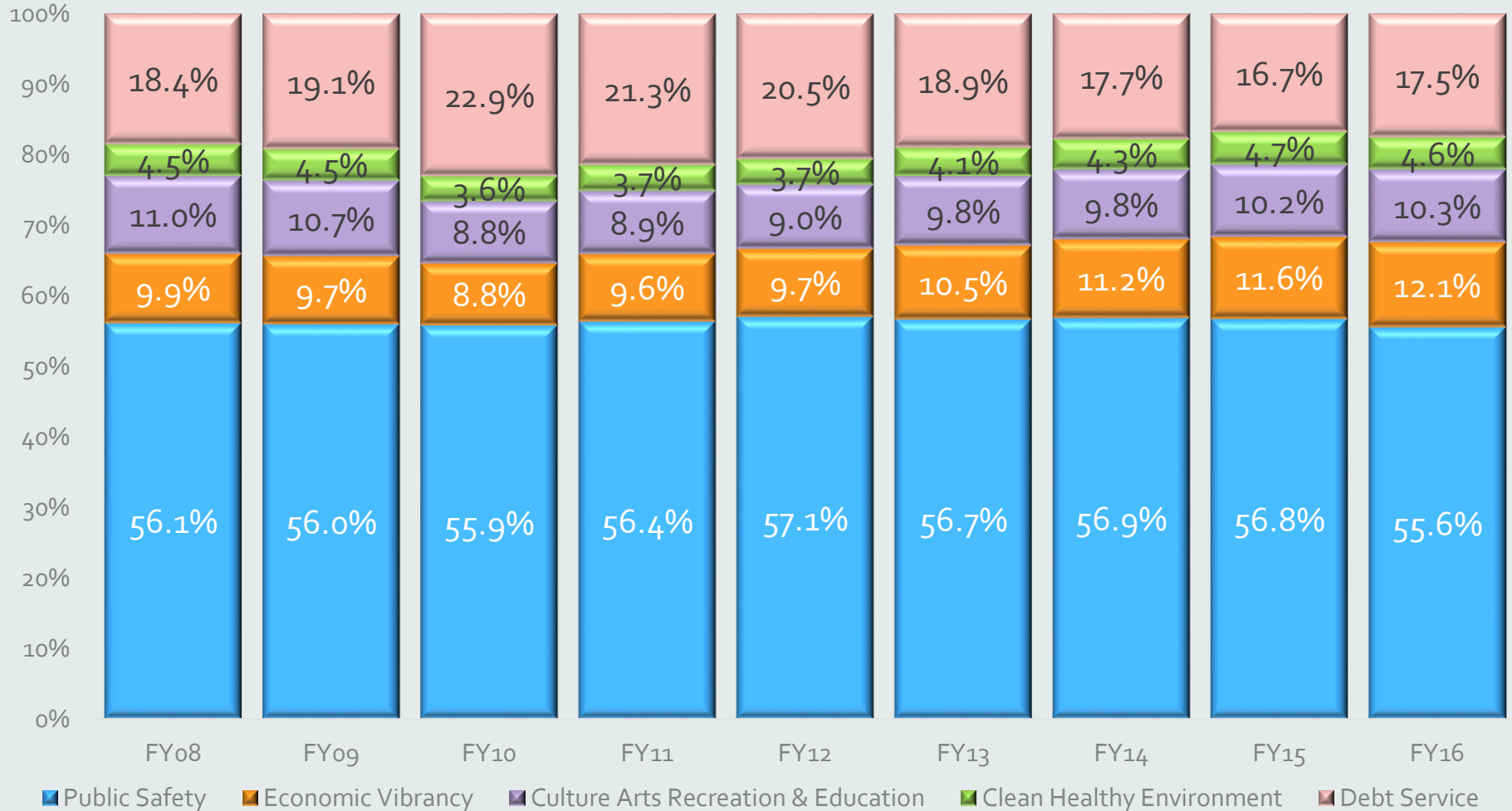
Note: Prior years have been restated to exclude Sanitation Services budget.

E-Gov KFA supports and can be distributed to other 4 KFAs



*E-Gov KFA retroactively distributed for all years based on allocations; Sanitation excluded.

Property tax supports both General Fund KFAs and Debt Service



*E-Gov KFA retroactively distributed for all years based on allocations; Sanitation excluded

Council priorities provide direction for determining budget allocations

- FY16 budget was developed to focus on Council priorities (identified during January 2015 retreat)
 - 1) Invest in technology to improve service and efficiencies
 - 2) Focus on top 3 priorities identified in citizen survey:
 - A) Maintenance of infrastructure
 - B) Code enforcement
 - C) Police service
 - 3) Phase increases in percent of budget allocated to Culture, Arts, Recreation, and Education (CARE) KFA
 - 4) Scrutinize services for efficiencies and cost reductions
- At February 2016 Council Planning Retreat, Council will again be asked to identify high level priorities/goals for FY17 budget

Council direction also needed regarding other challenges/issues

- Other challenges/issues include:
 - Infrastructure improvements: streets, flood protection, parks, facilities, etc.
 - Pension
 - Neighborhood Plus implementation
 - Fair Park public-private partnership
 - Police and Fire compensation (possible Meet and Confer agreement)
 - Service enhancements
 - Homelessness

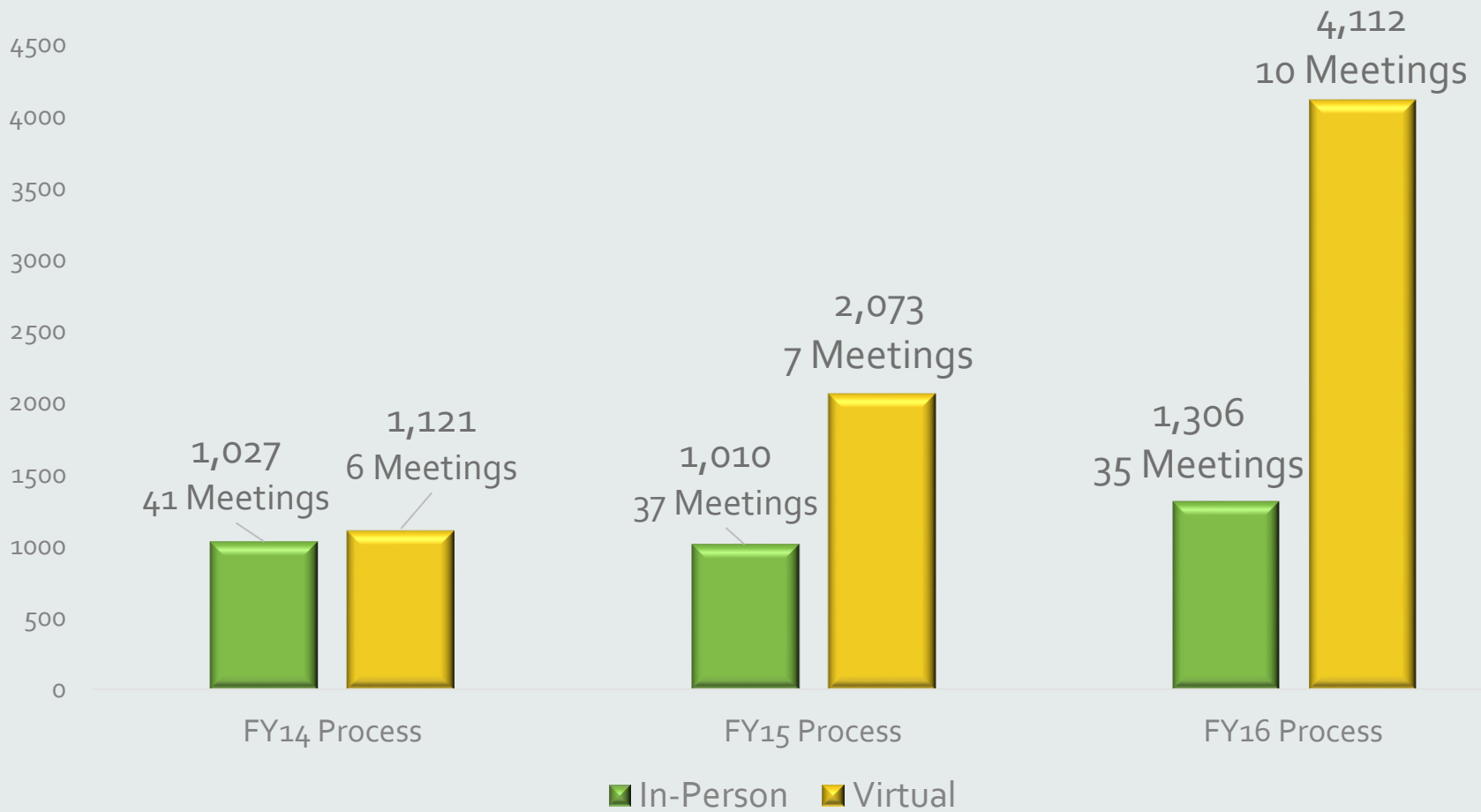


Citizen Involvement

Nearly 8,500 citizens participated in FY16 budget development process

- Community survey – 1,523 citizens (at least 100 per council district)
 - Statistically significant results (95% confidence level) presented to Council 11/5/14 by ETC Institute
- Public hearings at Dallas City Hall – 18 citizens
 - Three public hearings on 3/25/15, 5/27/15, and 8/26/15
 - Two tax rate public hearings on 9/2/15 and 9/16/15
- On-line citizen survey – 1,509 citizens
 - TalkDallas.com online survey during June
 - Focus on obtaining Board and Commission member participation
 - 45% participant increase over prior year survey
- Town hall meetings – 5,418 citizens
 - 35 traditional town hall meetings during August – 1,306 (average 37)
 - 10 virtual town hall meetings during August – 4,112 (average 411)

Virtual town hall meetings have significantly better participation than traditional meetings



Surveys from virtual meetings are consistent with 2014 community survey

- Citizen responses during virtual town hall meetings mirror that of 2014 community survey and included:
 - Street maintenance (39%) and public safety (32%) are 2 most important issues facing neighborhoods
 - Crime (43%) and street/traffic condition (38%) are reported as 2 most concerning issues
- TV News (54%) and newspaper (32%) are primary means that citizens get information about City

More citizen involvement planned for FY17 budget development process

- In addition to efforts used to engage citizens for FY16 budget development, following is planned for FY17 budget development
 - Private vendor in process of conducting Business Survey now with results expected to be presented to Council in Spring
 - Procurement process is underway to select vendor to conduct Community Survey again in 2016, with results expected in June
 - Engage Youth Commission in budget prioritization exercise



FY17 Budget Schedule

Dec 2 (Today)	Budget Workshop #1: preliminary outlook
Feb 2-3	Council-Staff Planning Session (Budget Workshop #2)
March 2	Budget Workshop #3: initial gap
March 23	Budget Public Hearing
May 4	Budget Workshop #4: general fund update (On-line link provided to all funding requests although not fully vetted at this point in process – amounts will still change)
May 25	Budget Public Hearing
June 15	Budget Workshop #5: outlook for all funds
July 25	Appraisal Districts certify 2016 tax roll
Aug 5	Deliver City Manager's recommended budget to Council Members
Aug 9	Budget Workshop #6: City Manager's recommended budget
Aug 9-Sept 1	Budget Town Hall Meetings
Aug 17	Budget Workshop #7: Topics TBD
Aug 24	Budget Public Hearing
Aug 30	Budget Workshop #8 (optional): Topics TBD
Sept 7	Budget Workshop #9: Council amendments
Sept 7	Adopt budget on First Reading
Sept 13	Budget Workshop #10: Amendments (if necessary)
Sept 21	Adopt budget on Second Reading and adopt tax rate
Oct 1	Begin FY17



Questions and Comments