

Memorandum



CITY OF DALLAS

DATE August 28, 2015

TO The Honorable Mayor and Members of the City Council

SUBJECT FY 2015-16 Budget Workshop #9: \$24.4m Reduction Option

On Wednesday, September 2, 2015, the City Council will be briefed on a \$24.4m Reduction Option. The briefing is attached for your review.

Please let me know if you need additional information.



A.C. Gonzalez
City Manager

c: 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
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



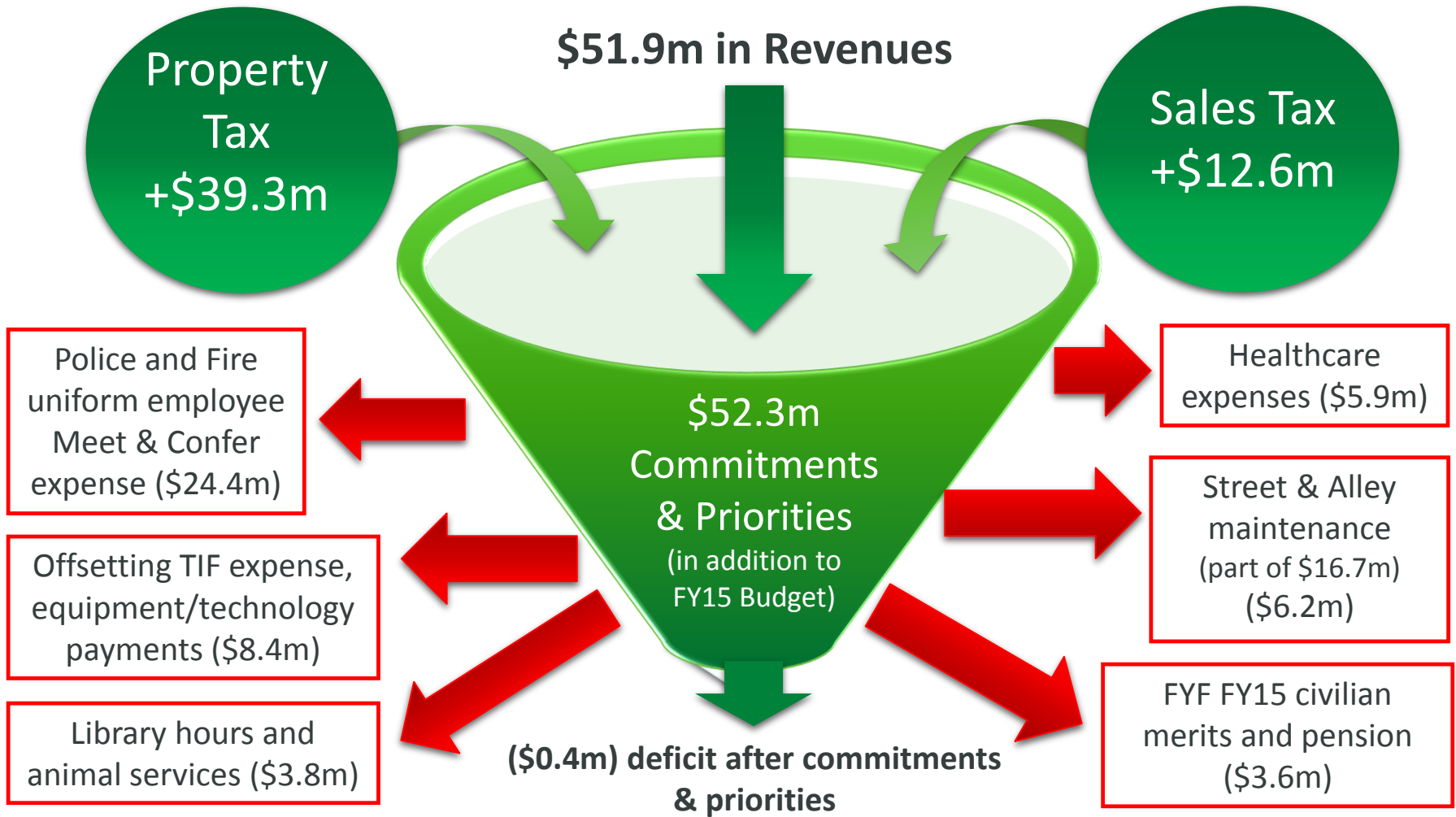
FY 2015-16 Budget Workshop #9: \$24.4m Reduction Option

City Council Briefing
Wednesday September 2, 2015

Overview

- On August 11th, City Manager proposed a balanced budget for FY16 totaling \$3.1 billion
- Proposed budget was developed to address on-going commitments and focus on Council priorities that had been identified:
 1. Technology
 2. Citizen top priorities (from survey): maintenance of infrastructure, code compliance, and police
 3. Culture, Arts, Recreation, and Education (CARE) Key Focus Area (KFA)
 4. Cost reductions and efficiencies

FY16 General Fund Major Revenue and Expense Challenge



Council Feedback

- Since August 11th presentation of City Manager's proposed budget for FY16, Council members have expressed interest in amending proposed budget, including:
 - Elimination of \$3.0m of fund balance for Street and Alley Maintenance
 - Addition of \$7.3m for Street and Alley Maintenance to stop degradation
 - Reduction of property tax rate by \$0.0144 which is \$14.1m of revenue
- Today's briefing provides additional information on above three areas and provides reduction options/impacts totaling \$24.4m

Street and Alley Funding

- City Council was briefed in April 2015 on condition of streets and alleys
- April briefing included 10-year financial plan to bring system up to 87% satisfaction rating
 - Plan requires 20% increase in street funding and 30% increase in alley funding annually to reach target
 - Additionally, requires 65% of potential \$1 billion 2017 bond program and 65% of potential \$1 billion 2023 bond program to be allocated to streets
 - 10-year plan acknowledged further street degradation would occur prior to implementing 2017 bond program
- April briefing concluded that additional \$16.7m would be needed in FY16 budget

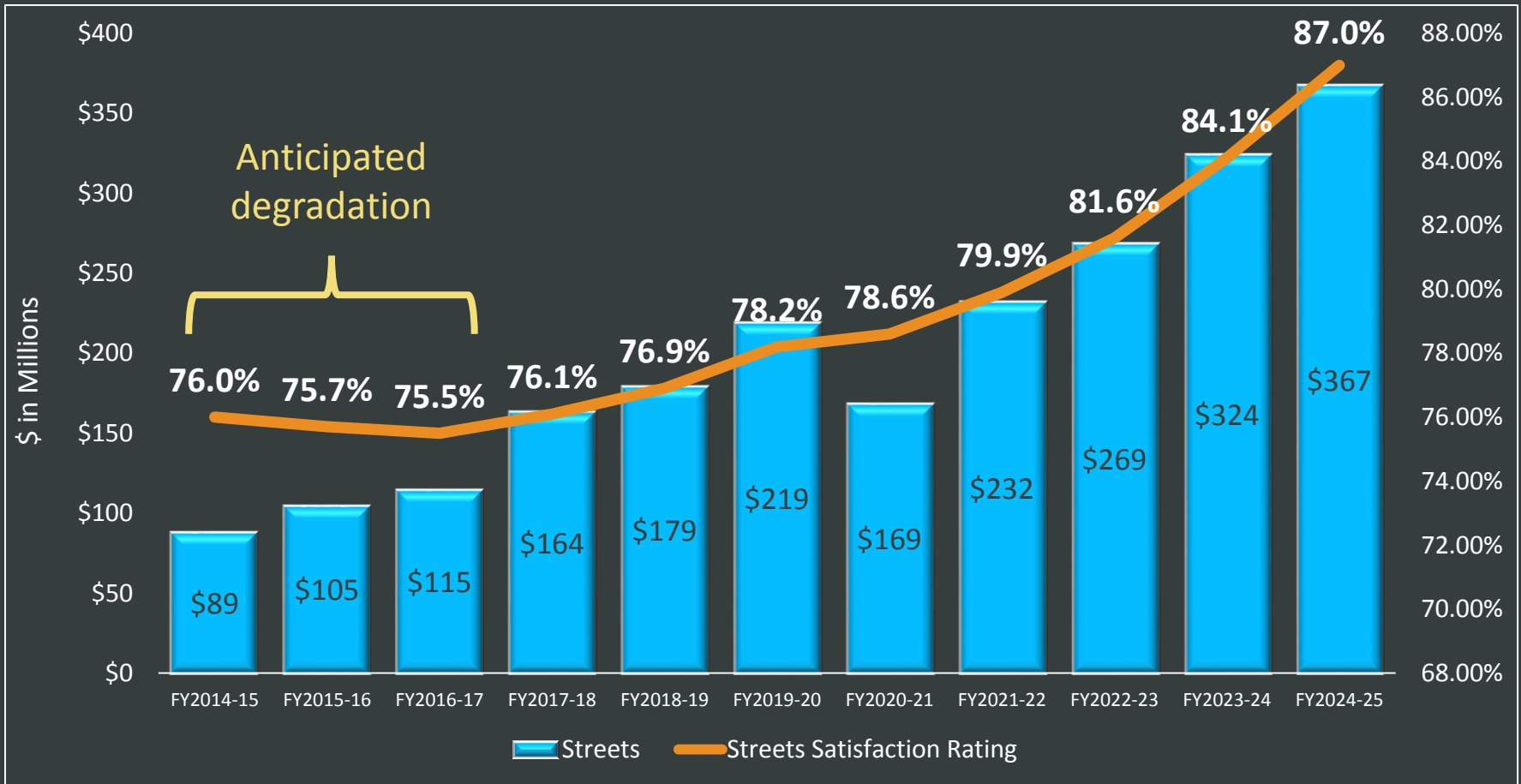
Use of Fund Balance

- An amendment to FMPC was proposed to BFA Committee on August 17th that would allow use of up to \$3m for one-time capital investment in transportation and/or City facility improvements as long as prior year's ending balance increased by at least 5% and as long as 30-day minimum is maintained
- BFA Committee did not recommend use of \$3.0m from fund balance
- See appendix for more detail

Street and Alley Funding Degradation of Condition

- As noted earlier, 10-year funding strategy acknowledges continued degradation until implementation of future bond program
 - 2.4% annual decline was assumed
 - \$16.7m in proposed budget addresses 87% of decline
- 0% degradation will require extra \$7.3m in funding for FY16 in addition to \$16.7m in proposed budget

10 Year Model – Street Expenditures & Impact on Satisfaction Rating (“All-In” Scenario)



Street and Alley Funding

- In order to fund street and alley improvements in FY16 at a level that will stop degradation and **not** use any of FY14 ending fund balance, \$10.3m funding must be identified

Eliminate use of General Fund FY14 ending fund balance	\$3.0m
Additional funding necessary to have 0% degradation	\$7.3m
Total of additional funds needed	\$10.3m

Tax Rate Reduction

- During August 19th Council briefing on tax rate requirements, several Council members expressed interest in reducing property tax rate and suggested tax rate should be lowered equivalent of \$14.1m
- Property tax revenue of \$14.1m is equal to \$0.0144 tax rate
 - This reduction would lower tax rate by \$0.0144 from proposed rate of \$0.7970 to \$0.7826
- Reduction of property tax rate and revenue will require expenditure reductions of \$14.1m in order to maintain balanced budget

Tax Rate Change Impact

FY16 residential value is 44.3% and commercial/BPP value is 55.7%. Of the residential, 59.3% is homestead property. Below table shows impact on homestead tax payer.

Tax Rate Change per \$100 Valuation	Revenue Impact	Annual Tax Bill Impact	
		\$100K home with Homestead Exemption	\$218K home (Certified Avg. Value of Homestead)
\$0.01	\$9,786,112	\$8.00	\$17.41
\$0.0144	\$14,092,002	\$11.52	\$25.07
\$0.02	\$19,572,225	\$16.00	\$34.82
\$0.03	\$29,358,337	\$24.00	\$52.22
\$0.0371	\$36,311,370	\$29.68	\$64.59

Reduction Options and Impacts

Item	Fiscal Impact
Elimination of one-time transfer of \$3m from FY14 ending balance from \$16.7m proposed budget for street and alley improvements	\$3.0m
Addition of funds for street and alley improvement for 0% degradation in FY16	\$7.3m
Reduction of property tax rate by \$0.0144	\$14.1m
Expenditure Reductions necessary to FY16 Proposed Budget	\$24.4m

Reduction Options and Impacts

- Data available during budget development was used to make FY16 projections
 - Since that time, additional data for commodities market has indicated that City's expense for fuel will be lower in FY16 than projected in proposed budget
 - Potential savings to General Fund for FY16 - \$1.58m
- Tax Increment Financing (TIF) district transfers are determined by City's tax rate
 - Reducing tax rate by \$0.0144 will reduce City's transfer to TIF funds by \$658,522

Reduction Options and Impacts

- New initiatives in FY16 proposed budget and services which may have lesser or not immediate impact were also reviewed for reduction
- Reductions in this area include initiatives such as:
 - Neighborhood Plus - \$750,000 – Eliminate funding added to Neighborhood Plus program for FY16
 - Park mowing contractual services - \$1.2m – reduce mowing cycles from average of 10 days to average of 14 days
 - Major maintenance of City facilities - \$2.3m – reduce major maintenance repairs at City buildings such as DMA, City Hall garage, and libraries
 - Current needs inventory indicates major maintenance needs in excess of \$167m
 - Continued deferral of major maintenance will lead to more costly repairs later

Reduction Options and Impacts

- Reductions continued:
 - Underground storage tank removal - \$0.3m – UST removal program will cease and potentially have future impact with TCEQ and EPA
 - Public Safety Officers - \$0.9m – Cancel plan to hire 30 civilians that would allow for redeployment of uniform officers to call-answering duties
- Reduction options outlined on previous two slides equal \$7.7m

Reduction Options and Impacts

- Following slides identify expense reduction options equal to \$16.7m and impacts identified by departments
- Most reductions are calculated for each department based on variance in FY15 FTE estimate and FY16 proposed FTEs
 - Calculation is based on suggestion that FTE variances represent increases in staffing beyond needed levels
 - Cuts are proportionately allocated based on departmental FTE variances
 - City Auditor's Office excluded from consideration

General Fund Departments	FY15 FTE Budget	FY15 FTE Estimate	FY16 FTE Proposed Budget	Variance for Proposed to FY15 Estimate	FY16 % of Total After Adjustments	Number of FTE to cut by Department	Dollar Cut based on Department Average Salary
Building Services (EBS)	265.40	258.90	255.50	-3.40	0.0%	0.0	0.0
Business Dev and Procurement	32.00	30.60	31.70	1.10	0.3%	0.9	55,469
City Attorney's Office	151.00	145.50	152.90	7.40	1.7%	5.9	537,052
City Auditor	23.10	22.40	25.00	2.60	0.6%	2.1	225,833
City Controller's Office	59.80	53.10	51.70	-1.40	0.0%	0.0	0.0
City Manager's Office	14.00	14.00	14.00	0.00	0.0%	0.0	0.0
City Secretary's Office	17.00	17.00	18.00	1.00	0.2%	0.8	59,075
Civil Service	25.00	23.70	25.00	1.30	0.3%	1.0	80,341
Code Compliance	450.50	399.00	449.10	50.10	11.8%	40.3	2,208,257
Court and Detention Services	175.50	168.90	178.00	9.10	2.2%	7.3	356,311
Fire Rescue	2,109.60	2,066.60	2,117.50	50.90	12.0%	40.9	2,205,789
Housing / Community Services	61.40	56.10	60.50	4.40	1.0%	3.5	233,845
Human Resources	43.00	41.70	46.20	4.50	1.1%	3.6	253,870
Judiciary	40.10	36.10	39.10	3.00	0.7%	2.4	180,532
Library	350.00	320.60	391.00	70.40	16.6%	56.6	2,350,867
Management Services	180.70	178.00	186.30	8.30	2.0%	6.7	392,191
Mayor and City Council	35.50	39.00	35.50	-3.50	0.0%	0.0	0.0
Non-Departmental	1.00	1.00	0.00	-1.00	0.0%	0.0	0.0
Office of Cultural Affairs	71.30	65.30	69.10	3.80	0.9%	3.1	111,074
Office of Economic Development	45.50	36.30	46.00	9.70	2.3%	7.8	684,087
Office of Financial Services	28.00	26.70	27.70	1.00	0.2%	0.8	67,526
Park and Recreation	937.50	835.30	949.70	114.40	25.3%	85.9	2,823,561
Planning and Urban Design	29.30	28.10	40.20	12.10	0.7%	2.5	200,068
Police	4,240.00	4,246.40	4,282.70	36.30	3.3%	11.1	553,055
Public Works	168.00	140.80	164.60	23.80	5.6%	19.1	1,475,216
Sanitation Services	861.40	793.80	861.40	67.60	0.0%	0.0	0.0
Streets Services	598.30	558.30	591.20	32.90	7.8%	26.5	1,241,278
Streets Services- Lights	1.00	1.00	4.00	3.00	0.7%	2.4	113,186
Sustainable Dev and Construction	37.60	34.30	40.50	6.20	1.5%	5.0	354,736
Trinity Watershed Management	17.60	11.80	16.50	4.70	1.1%	3.8	161,334
General Fund Total	11,070.10	10,650.30	11,170.60	520.30	100.00%	340.00	\$16,924,554

Reduction Options and Impacts

Department	Reduction	Option and Impact
Purchasing	\$55,469	Eliminate 1 Buyer position that will impede City's ability to solicit small dollar (<\$50k) procurements. Work will be allocated from centralized Purchasing office back to departments. Decentralization will eliminate controls, benefits, and potentially lead to higher costs. (1 RIF)
City Attorney	\$537,052	Special projects such as blight remediation and DPFP System pension analysis would be delayed or not supported. New community prosecutor for multi-family would not be added. New northeast community court would not be opened. Training of police recruits in academy would be reduced. (3 RIFs)
City Secretary	\$59,075	Reduce record storage contact by bringing approximately 30,000 boxes, currently in storage, in-house (approximately \$2/box).
Civil Service	\$80,341	Reduce funding for Police Job Analysis project which will lead to continuation of using outdated promotional and entry-level exams. This could lead to potential litigation.
Code	\$2,208,257	Reduce demolition by 75% resulting in 222 less structures being demolished. Reduce number of lots mowed and cleaned by 34% (12,000) by eliminating mowing contract. Eliminate towing and certified notices for junk motor vehicle enforcement.

Reduction Options and Impacts

Department	Reduction	Option and Impact
Courts	\$356,311	Potential to increase revenue and reduce two additional clerk positions from two courtrooms. This further reduces already assumed cuts identified through Sunset Review and FY16 proposed budget without testing reductions already being proposed.
Fire	\$2,205,789	Hire 57 instead of the planned 80 new recruits hired each fiscal year to keep up with attrition. Falling behind in hiring for attrition will lead to increased overtime in FY17 and subsequent years until hiring is caught up.
Police	\$535,055	Reduction to overtime proposed in FY16 to address violent crime.
Housing	\$233,845	Reduce funding for emergency home repair for Seniors program
Human Resources	\$253,870	Reduce tuition reimbursement program, DART bus pass subsidy for employees and delay hiring.
Library	\$2,350,867	Eliminate year 2 of 2-year plan to expand library hours and do not hire planned staff to provide the enhanced library services. Delay technology upgrades. Delay purchase of laptops for branches that are needed to facilitate computer classes.

Reduction Options and Impacts

Department	Reduction	Option and Impact
Mgmt Services	\$392,191	Delay hiring 5 positions which will impact internal control review assistance and data analytics, delay implementation of contaminated soil management program, and reduce funding for siren maintenance.
Judiciary	\$180,532	Reduce funding for associate judges and bailiffs. This further reduces cuts already included in FY16 budget resulting from Sunset Review.
OCA	\$111,074	Reduce funding to Cultural Organizations Program (COP), which provides operational support to established organizations with budgets of \$100,000 or higher. Reduction would be offset by a portion of new Hotel Occupancy Tax allocation, resulting in less HOT funding for new initiatives and other cultural programs.
Economic Develop.	\$684,087	Eliminate City's North Texas Commission Membership. Eliminate Earned Income Tax Credit program. Reduction of Coordinator position would negatively affect international business initiatives (1 RIF), and eliminate two positions or 40% of Business Expansion and Retention Program.
Financial Services	\$67,526	Eliminate senior budget analyst position impacting departments ability to provide analysis and timely response to CMO/Council. (1 RIF)

Reduction Options and Impacts

Department	Reduction	Option and Impact
Parks	\$2,823,561	Eliminate horticulture program, decrease litter pick-up cycles, reduce pool schedule from 10 weeks to 8 weeks per summer and reduce hours open during each week, reduce recreation center operating hours by a total of 10,920 hours, reduce after-school program by 50%, eliminate subsidized summer camp, eliminate trades positions that repair/maintain park system, reduce programming at Fair Park including year-round Esplanade, and fountains. (Eliminate 59.9 FTEs, 29 RIFs)
Public Works	\$1,475,216	Due to most positions in Public Works being reimbursed from bond funds, only non-reimbursable work can be reduced, which then falls to only a few programs. For these programs, a reduction of 19 FTE's would mean that the street condition assessment program would be eliminated, response time for air pollution complaints would increase, the energy saving program for City facilities would cease thereby causing increased energy consumption and higher utility costs, and the tracking/liaison work on State and Federal projects within the city would be reduced. (19 RIFs) - Red light camera, parking and school bus stop arm citations will need to be transferred to and resolved in municipal courts for those cited and wishing to contest their citation.

Reduction Options and Impacts

Department	Reduction	Option and Impact
Planning & Urban Design	\$200,068	Eliminate Neighborhood Plus program (3 RIFS)
Streets	\$1,241,278	A reduction of 20.7 FTEs will reduce the amount of planned work on street maintenance projects that otherwise would have been done by increasing the use of overtime or contracted out work.
Street Lights	\$113,186	Reduce maintenance and repairs at Klyde Warren Park Tunnel.
Sustainable Develop.	\$354,736	Eliminate proposed enhancements to Historic Preservation section needed to implement recommendations of Historic Preservation Task Force and eliminate two positions that would delay initiatives on code amendments and Planned Development Districts. (3 RIFs)
Trinity	\$161,334	Eliminate 3.5 FTEs which will reduce city hosted activities and proactive programming within the Corridor from Royal to IH20 and citizen interaction, elimination of programmed lighting at MLK/Cedar Crest, and routine maintenance cycles.
Total	\$16,698,721	60 Reduction-in-Force (RIF)

Summary

- Council feedback indicates desire for amendments to proposed budget
 - Elimination of \$3.0m of fund balance for Street and Alley Maintenance
 - Addition of \$7.3m for Street and Alley Maintenance to stop degradation
 - Reduction of property tax rate by \$0.0144 which is \$14.1m of revenue
- Reduction of \$24.4m is **not** recommended due to impact on existing service delivery and need for enhanced services in FY16
- \$1.58m reduction from fuel savings is supported

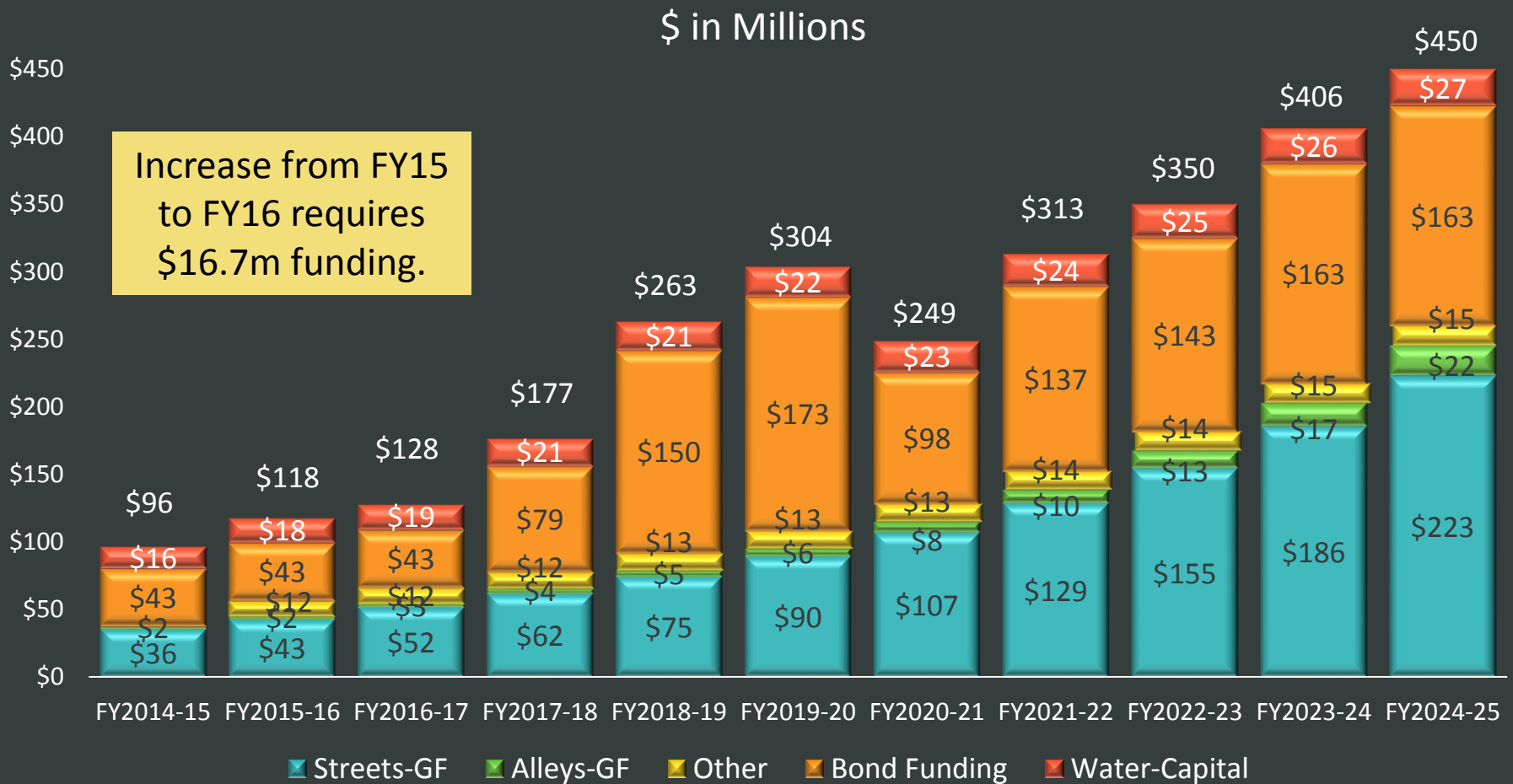
Next Steps

Date	Activity
Wednesday, Sept 9	First Reading of Appropriation Ordinances for FY16
Thursday, Sept 10	Balanced budget amendments are due to City Manager so they can be distributed to full Council following day
Friday, Sept 11	Publish Appropriation Ordinances in newspaper
Wednesday, Sept 16	Second tax rate public hearing
Wednesday, Sept 16	Council amendment workshop and straw votes
Tuesday, Sept 22 (7 a.m.)	Adopt Appropriation Ordinances (including any amendments approved through straw votes) and set Tax Rate
Thursday, Oct 1	Begin fiscal year 2015-2016

Questions & Discussion

Appendix

Street and Alley Funding 10-Year Model-Funding (“All-In” Scenario)



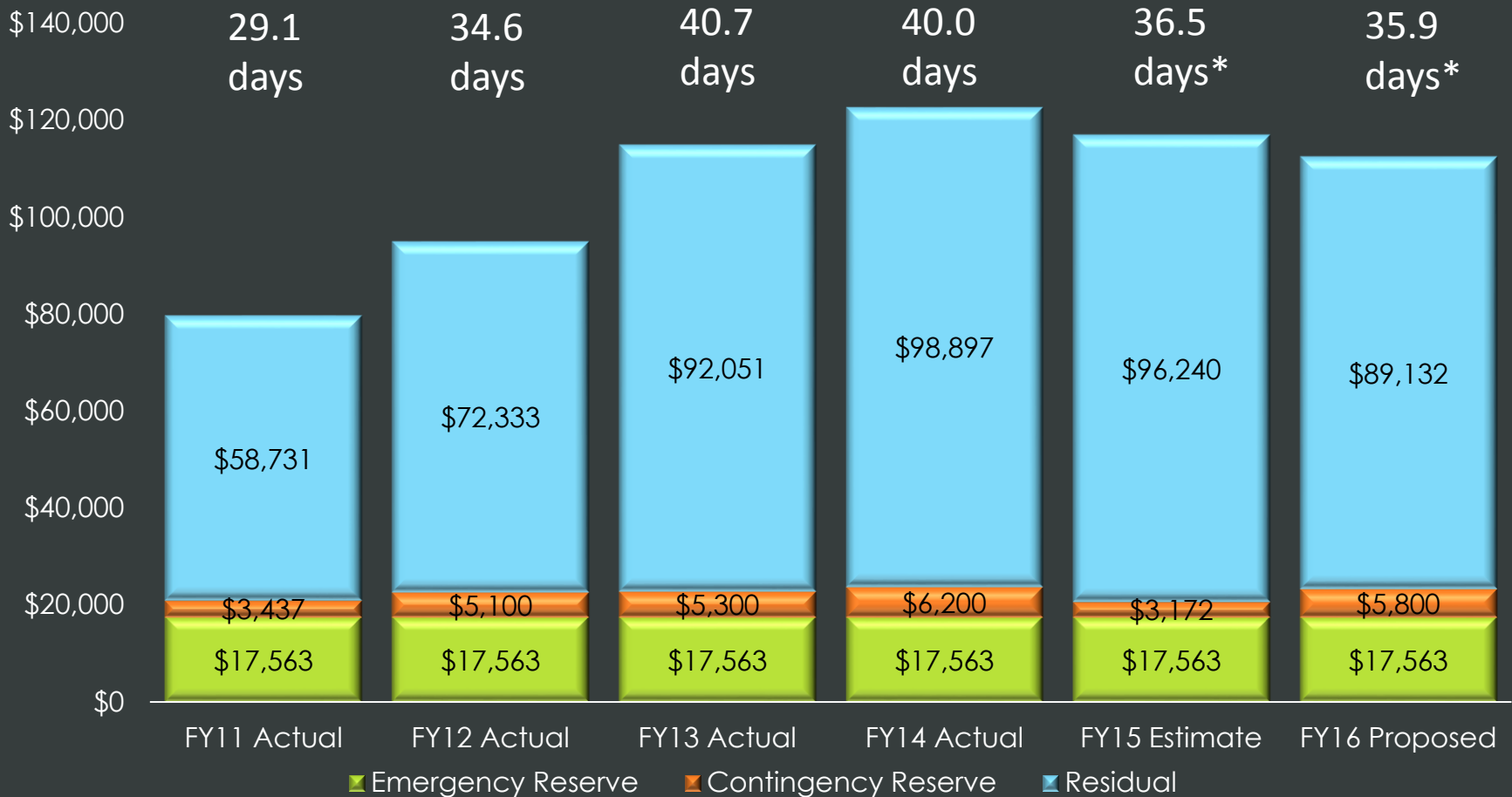
Street and Alley Funding (Proposed Budget)

Sources of Funds:	
Property tax revenue above 6.5% growth	\$6.2m
DWU street rental increase from 5% to 6%	5.1m
One-time transfer of excess FY14 General Fund ending balance	3.0m
Establish 1% Sanitation franchise fee (phase to 4% over 4 years)	0.7m
Miscellaneous one-time funds	1.7m
Subtotal Sources of Funds	\$16.7m
Uses of Funds:	
Street Maintenance	\$16.2m
Alley Maintenance	\$0.5m
Subtotal Uses of Funds	\$16.7m
Street and Alley Improvement Fund	\$16.7m
Street Services General Fund Maintenance Budget	\$37.6m
2006 and 2012 Bond Projects (for Streets & Alleys)	\$59.5m
Total FY16 Street & Alley Improvement Budget	\$113.8m

Use of Fund Balance

- \$3.0m one-time transfer of FY14 excess ending balance was proposed as one of sources of funds for street and alleys
- Currently, City's Financial Management Performance Criteria (FMPC) requires unassigned fund balance to be no less than 30 days of General Fund operating expenditures
 - No criteria currently exists for use of fund balance in excess of 30-day minimum
- Since FY14 ending balance had grown by 6.74% or \$7.75m above FY13 balance, and since 35.9 days is proposed to be maintained in FY16, \$3.0m is included in FY16 budget for street and alley improvements (pending Council approval of FMPC amendment)

Use of Fund Balance Reserve Levels (\$ in Thousands)



Notes: FY15 estimate includes Council approved uses of Contingency Reserve throughout FY15 and assumes \$3.0m to be used for streets and alleys as part of FY16 budget. Reduction from FY15 estimate to FY16 proposed is due to transfer of \$7m of balance to establish 30-day reserve fund for Sanitation Enterprise Fund.