

City Council Work Session Handouts

August 17, 2015

- I. 2015-2016 Fiscal Year Municipal Budget Presentation

2015-2016 Fiscal Year City of Richardson, Texas Municipal Budget Presentation

- A “Three-Strong” Plan:***
- Budget 2015-16***
 - Charter Refresh***
 - 2015 G.O. Bond Program***



City Council Budget Presentation
August 17, 2015

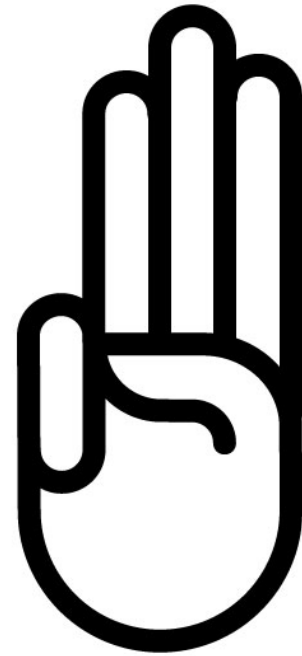
A Busy Summer of Preparation

- The Summer of 2015 finds us active in the preparation of three significant activities that will shape the 2015-16 fiscal year:
 - The **2015-16 Operating Budget**
 - The completion of a comprehensive **City Charter refresh** to submit for voter approval
 - The development of a no-tax increase **2015 General Obligation Bond Program** to continue to develop and renew key capital elements of the community
- *Three Pronged/Three Strong* - Each of these is a special effort and has strong implications and impacts for our future Richardson community.



Stacked Initiatives, Sustained Attention

- The key theme of these recent budgets have been:
 - Enhanced infrastructure maintenance
 - Public Safety facility and staff enhancements
 - Economic Development funding
 - Enhanced customer and City experiences
- The 2015-16 budget will be the **third** year of an intensive focus on enhanced infrastructure maintenance.



Stacked Initiatives... Sustained Attention

City Infrastructure and Funding



The diagram consists of four horizontal blue arrows pointing to the right, stacked vertically. Each arrow is longer than the one above it, and each starts further to the right than the previous one, creating a staircase effect. The text for each initiative is written in white on the blue background of the arrow.

Public Safety Facilities and Staffing

E.D. Funding & Toolbox

*Customer/City
Experiences*

Stacked Initiatives... Sustained Attention

City Infrastructure and Funding

- Year 3 of Enhanced Efforts regarding Streets, Screening Walls, Bridge Railing, Traffic Signs and Pavement Markings
- Initiation of Maintenance Strategy focused on the Water Distribution System and Sewer Collection System

Public Safety Facilities and Staffing

- Additional staffing including 3 Firefighters to staff ambulance full-time at Fire Station #3 and 5 additional Police personnel
- Proposed bond funding of Public Safety Complex and Fire Station #3 renovations
- Additional security for public safety complex

Stacked Initiatives...

Sustained Attention

E.D. Funding & Toolbox

- Increase in funding for Economic Development activities
- Continued efforts to enhance investments within the TIF zones for future growth

Customer/City Experiences

- Proposed bond funding to improve customer service experiences at City Hall, Animal Shelter and Library
- Funding for enhancements and repairs to neighborhood parks and pools
- Community Arts Initiatives

Budget Development Objectives

- Continue the strong alignment of municipal resources around the key themes of the Council's goals: sustained infrastructure enhancements, quality public safety services, strong comprehensive planning, neighborhood integrity and renewal, active economic development and strong fiscal management.
- Develop a 2015-2016 Budget and Work Plan that requires no new property tax rate change.



Budget Development Objectives

- Commit to Maintenance.
 - 2 pennies dedicated to Street Maintenance
 - Year 3 Strategies for Key Maintenance Activities
 - Initiate enhanced water distribution and sewer collection systems maintenance strategies
- Maintain Senior Tax Exemption at \$60,000 to maintain the 30% goal
- Continue with Police and Fire/EMS Staffing Initiatives
- Sustain a Competitive Employee Compensation and Benefits Profile



FY 2015-2016 Combined Budget

Combined Budget				
	2014-2015 Estimated	2015-2016 Budget	Est./Bud.	%
Beginning Fund Balances	\$48,697,775	\$46,793,918	(\$1,903,857)	-3.9%
Revenues	\$216,844,728	\$233,749,542	\$16,904,814	7.8%
Expenditures	\$218,748,585	\$232,217,969	\$13,469,384	6.2%
Ending Fund Balances	\$46,793,918	\$48,460,491	\$1,666,573	3.6%

FY 2015-2016 Combined Budget

- 2015-2016 Key Budget Elements:
 - Enhanced maintenance and staffing initiatives in the General Fund with no property tax increase
 - Total General Fund Expenditure increase of 3.2%
 - Enhanced maintenance initiatives in the Water and Sewer Fund
 - 8.0% increase in Water and Sewer Rates
 - No Solid Waste rate change
 - Course 1 renovation completion at Sherrill Park
 - Hotel/Motel Tax Fund continues to remain strong

FY 2015-2016 General Fund

General Fund Budget				
	2014-2015 Estimated	2015-2016 Budget	Est./Bud.	%
Beginning Fund Balances	\$18,856,597	\$18,381,455	(\$475,142)	-2.5%
Revenues	\$110,912,570	\$115,443,915	\$4,531,345	4.1%
Expenditures	\$111,387,712	\$114,927,193	\$3,539,481	3.2%
Ending Fund Balances	\$18,381,455	\$18,898,177	\$516,722	2.8%

FY 2015-2016

General Fund Revenue Overview

- \$4,531,000 or 4.1% increase
 - Property Taxes increase \$4,503,000
 - Franchise Fees increase \$606,000
 - Sales Tax decrease (\$287,000)
 - License and Permits decrease (\$604,000)
 - Remaining Revenues increase \$313,000

Key Budget Elements for 2015-2016:

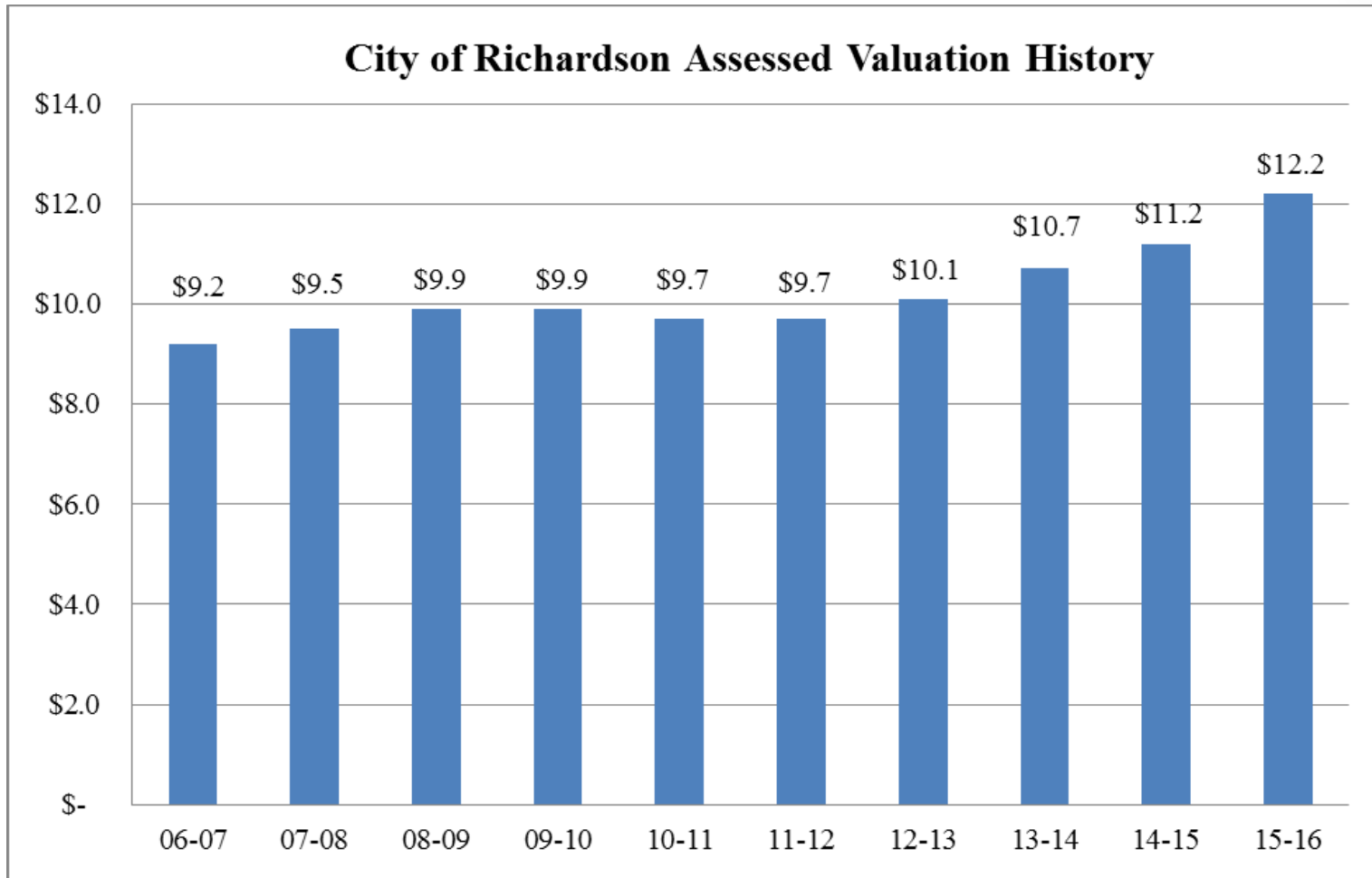
Property Tax

- Final tax rolls have been received from both DCAD and CCAD. Combined, the certified value increases 9.0%.
 - The effective increase for the General Fund is 7.1%, after excluding the TIF districts and adding the values still in ARB.
- **No tax rate change is proposed.** The current \$0.63516 rate will be used in budget development.
- The adjustment of one penny from debt to operations is proposed in this year's budget.
 - Operations: \$0.38031
 - Debt: \$0.25485
 - Total: \$0.63516
- The Senior Exemption's remains at \$60,000 to maintain the 30% protection objective for 2015-2016.
- Property taxes provide about 39% of the entire General Fund resources.

2015 Certified Tax Roll Comparison

2015 Certified Tax Roll Comparisons	
August 2015	
Entity	% Change
Frisco	14.00%
McKinney	13.46%
Collin County	11.04%
Allen	10.81%
Richardson (CCAD)	9.98%
Irving	9.68%
Richardson (Total)	9.01%
Richardson (DCAD)	8.42%
Plano	8.10%
Dallas	7.77%
Dallas County	7.49%
Grand Prairie	6.79%
Garland	6.29%
Carrollton	5.96%
Mesquite	4.27%
Arlington	3.70%
<i>Fort Worth</i>	<i>0.08%</i>

FY 2015-2016 Assessed Valuation



Percent of Total Value

Percent of Total Value				
Tax Year	Residential	Commercial	BPP	Total
2015	42%	40%	18%	100%
2014	43%	39%	18%	100%
2013	44%	37%	19%	100%
2012	46%	36%	18%	100%
2011	48%	34%	18%	100%
2010	49%	34%	17%	100%
2009	47%	36%	17%	100%
2008	48%	36%	16%	100%
2007	49%	36%	15%	100%
2006	50%	35%	15%	100%
2005	52%	32%	16%	100%

Change In Residential Valuations

Number Residential Properties Affected by Valuation				
	2014-2015		2015-2016	
Impact	# Properties	% of Total Res. Properties	# Properties	% of Total Res. Properties
No Change	11,376	40.2%	5,494	19.5%
Decrease	2,844	10.1%	1,206	4.3%
Increase 0% - 5%	8,473	29.9%	8,587	30.4%
Increase 6% - 10%	3,180	11.2%	6,742	23.9%
Increase >10%	2,435	8.6%	6,180	21.9%
Total Res. Properties	28,308	100.0%	28,209	100.0%

Assessed Valuation

- Total assessed valuation assumes a 9.01% increase in certified assessed valuation plus \$73.1 Million of “Values in Dispute”, that could be added to the certified roll once the cases have been finalized and allows for deduction of the Tax Increment Financing Districts values of (\$707.1 million).

	2014	2015	% Difference
Certified	\$11,235,458,097	\$12,248,037,292	9.01%
Values In Dispute	\$39,536,840	\$73,115,057	84.93%
Tax Increment Financing District 1	(\$328,200,971)	(\$390,724,254)	19.05%
Tax Increment Financing District 2	(\$94,883,120)	(\$306,204,021)	222.71%
Tax Increment Financing District 3	(\$4,095,851)	(\$10,156,750)	147.98%
Taxable Value for General Fund Debt and O/M	\$10,847,814,995	\$11,614,067,324	7.06%

Property Tax Rate		
	2014-2015	2015-2016
Operations & Maintenance (O & M)	\$0.37031	\$0.38031
Debt Service	\$0.26485	\$0.25485
Total	\$0.63516	\$0.63516

Tax Rate Calculations

2015-2016 Tax Rate Calculations			
	Rate	Difference	Revenue
2015-2016 Rate	\$0.63516	-	-
Rollback Rate	\$0.63659	\$0.00143	\$166,081
Effective Rate	\$0.60638	(\$0.02878)	(\$3,342,529)

2014-2015 Tax Rate Calculations			
	Rate	Difference	Revenue
2014-2015 Rate	\$0.63516	-	-
Rollback Rate	\$0.64862	\$0.01346	\$1,460,116
Effective Rate	\$0.61785	(\$0.01731)	(\$1,877,757)

Required Budget Narrative:

“This budget will raise more total property taxes than last year’s budget by \$6,644,773 (9.28%) and of that amount \$822,601 is tax raised from new property added to the tax roll this year.”

- This specific language is required by the Local Government Code, section 102.005(b). This calculation represents a comparison of certified tax rolls and ***includes*** TIF values. In practice, appraised value in the TIF areas are segregated into separate funds and not included in the General Fund O&M and Debt portions of property tax revenue.
- This revenue is generated through growth in new value and the reappraisal of existing properties and not through an increase in the current property tax rate of \$0.63516.

Sales and Other Business Taxes

- Sales and Other Business Taxes are projected at \$30.1 million for next year reflecting a decrease of (\$287,000) or -0.9% from estimated year-end revenues.
 - Mixed Beverage and Bingo receipts are anticipated to increase modestly by \$5,000 over year-end.
 - Sales Tax, the largest of the three in this category, is projected to increase \$579,000 or 2.0% from year-end estimates for “base to base” collections, Year-end 2014-2015 estimate includes a total of \$872,000 in “significant”, non-recurring audit adjustments. Those adjustments are not included in the forecast for next year, only the “base” collection.

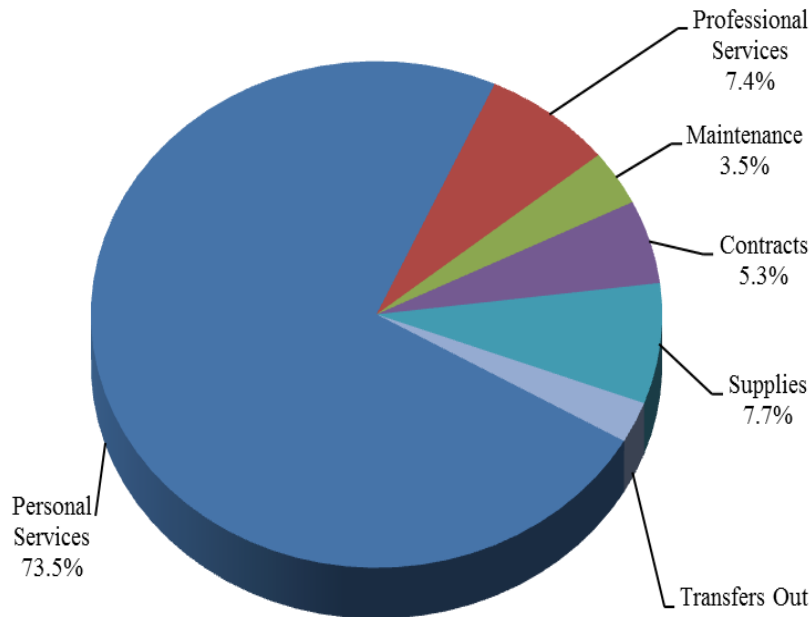
FY 2015-2016

General Fund Expenditures

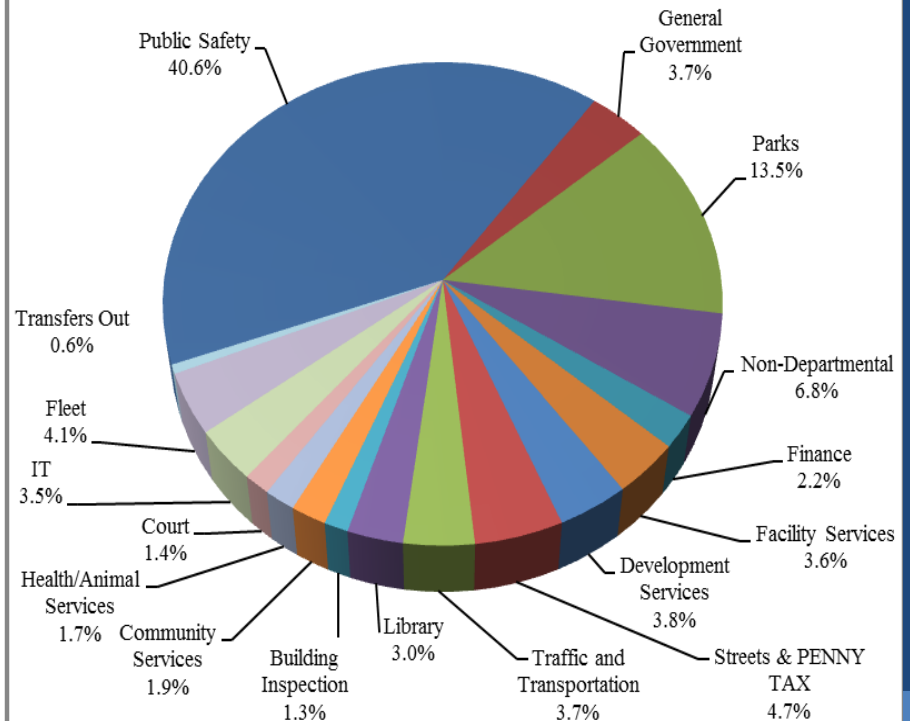
Classification of General Fund Expenditures		
	Proposed Budget	Percent of Total
<u>Operating Expenditures</u>		
Personal Services	\$ 84,425,998	73.46%
Professional Services	8,471,879	7.37%
Maintenance	4,050,024	3.52%
Contracts	6,125,169	5.33%
Supplies	8,834,426	7.69%
Capital	-	
<u>Total Operating Expenditures</u>	\$ 111,907,496	97.37%
Transfers Out	\$ 3,019,697	2.63%
<u>Total Operating Expenditures and Transfers</u>	\$ 114,927,193	100.00%

FY 2015-2016 General Fund Expenditures

FY 2015-2016 General Fund Expenditures - \$114,927,193



FY 2015-2016 General Fund Expenditures - \$114,927,193



FY 2015-2016

General Fund Expenditures

- Total Expenditures and Transfers for the General Fund are projected at \$114.9 million, an increase of \$3.5 million FY 2015-2016 year-end estimates.
- **Personal Services** – Personnel is always the largest expense and most valuable resource for an organization whose primary purpose is the provision of services to the public. Personal Services are presented at \$84.4 million, an increase of 7.3% from the year-end estimate of \$78.7 million and account for 73.4% of the total General Fund operating budget.

Key Budget Elements for 2015-2016: Staffing & Compensation

- Support for compensation steps (up to 5%) is proposed for the 55% of employees still within ranges.
- In 2015-2016, the City Managers proposed budget includes the following public safety resources:
 - Hiring four additional Police Officers and one Evidence/Property Technician.
 - Hiring three additional Firefighters to make the 5th EMS Unit (Station 3) 24 hours
- In addition to the public safety staff, an Environmental Health Inspector will be added this year to assist with growing demands for inspections while the Tax Department will add a Sr. Financial Analyst as the demands in that area increase with the full activation of the TIF Districts.

Key Budget Elements for 2015-2016: Staffing & Compensation

- A compensation adjustment plan is being proposed to remain regionally competitive with other communities.
- Funding health benefits (CORPlan) continues to be a challenge. Our work plan is multifaceted:
 - Continue and strengthen the promotion of the **wellness programming** that focuses on employees being proactive in maintaining healthy practices
 - Consider **plan adjustments** that minimizes the impact to most employees and retirees and challenges employees and retirees to be more responsible consumers of health care expenses
 - Increase the City's **funding** for health benefits – and sustain the funding as part of “current receipts” each year
 - Initiate a **two year strategy** to allocate additional resources during budget development to increase resources for health benefits

Key Budget Elements for 2015-2016: Maintenance Activities - General Fund

Streets

Proposed budget includes 2 cents of property tax for:

- Two arterials and two neighborhoods zones

Screening Walls & Bridge Railings

Proposed budget includes funding for:

- City owned walls, entry features and bridges will be painted and washed on a rotational basis
- Five bridges will be repaired and enhanced

Traffic Signs & Pavement Markings

Proposed budget includes funding for:

- Small street name signs in two zones
- Markings on streets repaired via rehab program
- Updating one bike lane and adding one mile of bike lane

Key Budget Elements for 2015-2016: Maintenance Activities – General Fund

	FY 12-13 Actual	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Proposed
Street Maintenance Strategy	\$1,235,000	\$1,985,000	\$2,465,000	\$2,739,000
Screening Walls	\$40,000	\$120,000	\$120,000	\$50,000
Bridge Railings	\$115,000	\$225,000	\$320,000	\$300,000
Pavement Markings	\$165,000*	\$250,000*	\$300,000*	\$350,000*
Street Name Sign Replacement	\$72,500	\$100,000	\$100,000	\$100,000
TOTAL	\$1,627,500	\$2,680,000	\$3,305,000	\$3,539,000

* Includes funding from the Traffic Safety Fund

FY 2015-2016

General Fund Expenditures

- **Non-Personnel Operations** – For FY 2015-2016, Non-Personal Services operating line items are currently proposed at \$27.0 million, an increase of \$288,000 or 1.0% from year end estimates while maintaining all activities at the same high level of service currently provided.
- **Street Rehabilitation** – For the last 18 years, the City dedicated a portion of the total tax rate to street rehabilitation. This year, the dedication of the full two cents will provide \$2.3 million. This funding will allow for ongoing street leveling, crack sealing and “clean sweep” projects. Along with \$400,000 of operations funds, this will increase our commitment to just over \$2.7 million for FY 2015-2016.
- **Economic Development** – increases \$154,000 as the original half cent grows to 6/10ths of a penny for 15-16.
- **Fund Balance** – The proposed budget ends the year at the Council prescribed 60.0 days of fund balance.

FY 2015-2016

Water and Sewer Fund Revenues

- On June 15, 2015, the Executive Director of the North Texas Municipal Water District gave Council an update on the Districts Water Supply Plan and other initiatives.
 - In addition to the 11.2% increase in the cost of wholesale water outlined in that presentation, Mr. Kula discussed sewer treatment initiatives that will require the district to raise the costs of sewer treatment 16.7% for City sewer flowing into the Upper East Fork Interceptor and a similar 11.6% increase for sewer flowing into the Regional Waste Water System.
- This budget is based on these factors as well as an increased emphasis on addressing the City's aging infrastructure through enhanced inflow and infiltration (I&I) abatement efforts and general system maintenance including, but not limited to line and valve repair/replacement.
- Projected revenues for FY 2015-2016 are based on an 8.0% rate increase for both the water and sewer retail rates. The increase would go into effect with the first billing in November of 2015.

FY 2015-2016

Water and Sewer Fund Expenditures

- Expenditures and Transfers are proposed at \$63.7 million representing an increase of \$5.3 million or 9.1% over year-end estimates.
 - Together, the wholesale cost of water and sewer treatment services account for \$37.5 million or 59.0% of the total expenses.
 - This proposal sets aside \$500,000 to help implement a maintenance plan that will be responsive to likely EPA recommendations. The specific use of these funds will be fully outlined once a corrective action plan is developed.
 - \$80,000 in additional funding for the water line replacement program
 - An additional \$75,000 for remote camera line inspections
- Fund Balance is budgeted at 79.7 days. With a blended strategy of increased consumption and strategic increases to our rate structure based on increasing wholesale costs, we plan to be back at 90 days by the end of 2016-2017.

FY 2015-2016

Solid Waste Fund

- Total revenues are projected to be (\$21,000) below year-end estimates.
- Residential Collections are budgeted flat from year-end estimates at \$5.2 million and assumes no change for 2015-2016 in the City's residential solid waste rate and the continuation of the reduced rate for seniors.
- Commercial Collections Fees are expected to decrease -1.6% or (\$111,000) from year end estimates. This represents the portion of the C&D program we consider as non-recurring revenue.
- Total expenditures and transfers are proposed at \$13.5 million, an increase of \$261,000 or 2.0% over the year-end estimate of \$13.3 million.
- FY 2015-2016 fund balance is proposed at 90.2 days. This achieves the goal established in the adopted financial policy of "60 days building towards 90."

FY 2015-2016 Golf Fund

- Revenues for the Golf Fund are projected at \$2.2 million for FY 2015-2016 representing an increase of \$361,000 or 19.6% over year-end.
- Total Expenditures and Transfers for the Golf Fund are proposed at \$2.2 million, an increase of \$184,000 from year-end.
- Given the projected revenue and expenditure performance, the fund balance should end the year with 22.4 days, 7.6 days below the Council approved “30 building to 60” days.

FY 2015-2016

Hotel/Motel Tax Fund

- Total Revenues for the Hotel/Motel Tax Fund are projected at \$6.2 million for next year, reflecting a 6.5% increase in overall revenues.
- Total Expenditures and Transfers for 2015-2016 are proposed at \$6.4 million reflecting a \$220,000 increase from current year-end expenditures.

FY 2015-2016 Drainage Fund

- A presentation of the proposed Drainage Fund was presented at the July 13th City Council meeting. \$1.025 million of current General Fund expenses related to this program (engineering, enforcement, inspection, etc.) will be supported by the Drainage Utility Fund.
- Additionally, about \$1.675 million in annual stormwater/drainage capital improvements and contract services will be funded.
- The use of these funds is reflected in the Drainage Utility Fund as well as a transferred portion to the General Fund for specific cost allocated support.

FY 2015-2016

Capital Improvement Plan

Series 2016: 2015-16 Debt Issuance Program Proposed – All Funds

• Amount	Bond Type	Purpose	Debt Service
• \$2.9 million	C.O.	Capital Equipment	4 yr. General Debt Service
• \$1.4 million	C.O.	Fire Equipment	8 yr. General Debt Service
• \$2.0 million	C.O.	Water & Sewer CIP	15/20 yr. Water & Sewer Debt Service
• \$1.1 million	C.O.	Capital Equipment	8 yr. Solid Waste Debt Service
• \$7.4 million	Total.		

- In compliance with City of Richardson Home Rule Charter, Section 11.02(f), a report is included in the filed budget in response to the requirement of a listing of capital projects which should be considered within the next five years.

Next Steps

- Further opportunities to provide access and to gain public input are scheduled before final adoption.
 - July 14-15 Council Budget Work Session and August 10 Budget Presentation – Web/Cable Access
 - Web, City Secretary & Library copies of the filed budget provided
 - Budget/Tax Rate Public Hearings on August 24, 2015
 - Budget Adoption on September 14, 2015

