

A Portal to the “New Era”

FY19-20 and FY20-21: A 2-Year View



Second Public Hearing of Proposed FY19-20 Proposed Budget
August 26, 2019

2-Years of Considerable Events Ahead

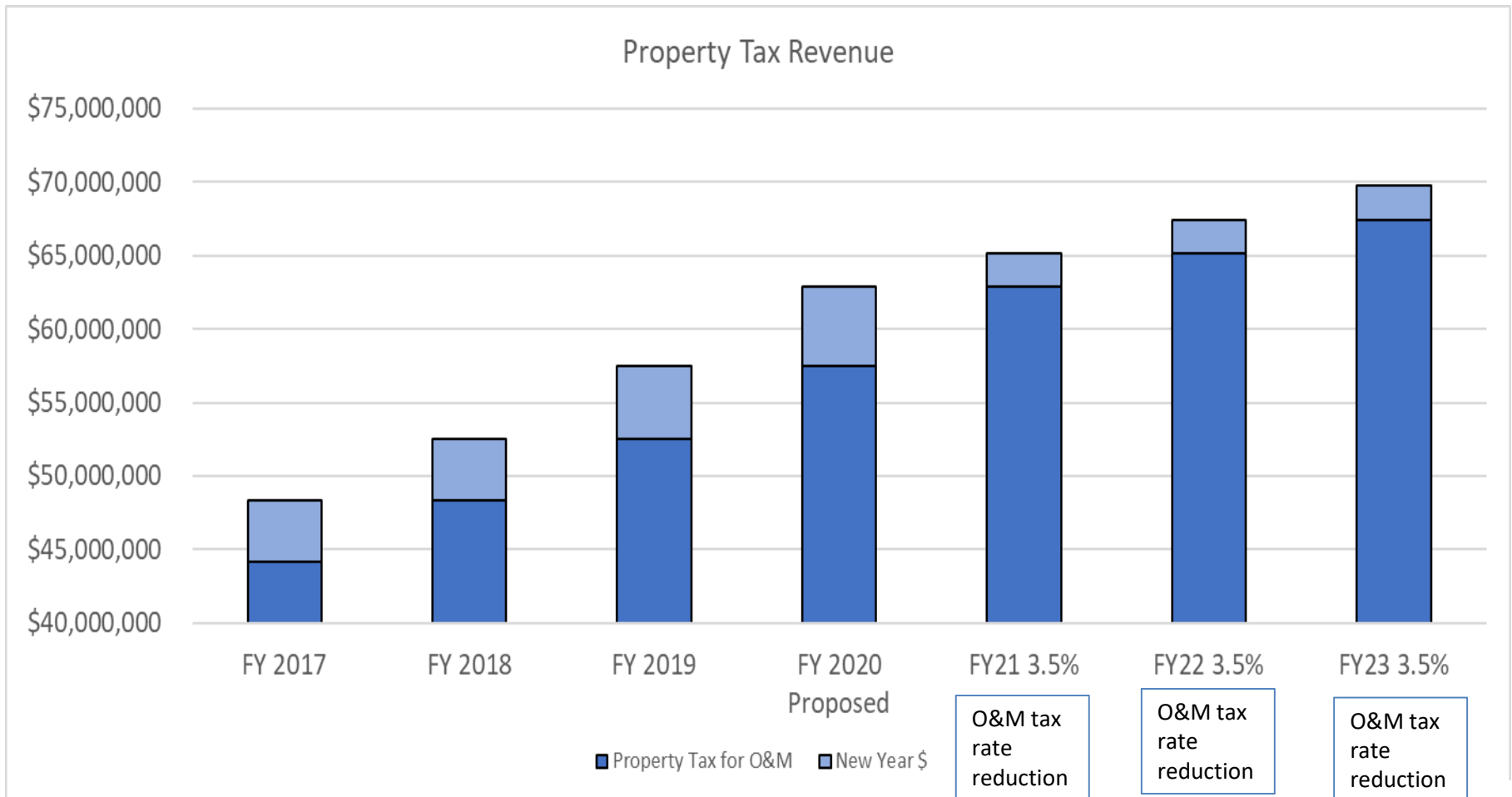
- Opening of Public Safety Campus & Fire Station #3
- Completion of Senior Center Renovations
- Last two years of Serial Sale for 2015 Bond Program
- Census – City officially greater than 100,000
- Collins/Arapaho entitlement work completed, start of implementation
- Completion of Main Street road projects
- Near completion of Cotton Belt/Silver Line commuter rail
- Spring Creek Nature Area opening
- *The Gateway at CORE* construction underway: Main Street at 75
- Drury hotel opening
- Legislative Impacts.....

Legislative Impacts

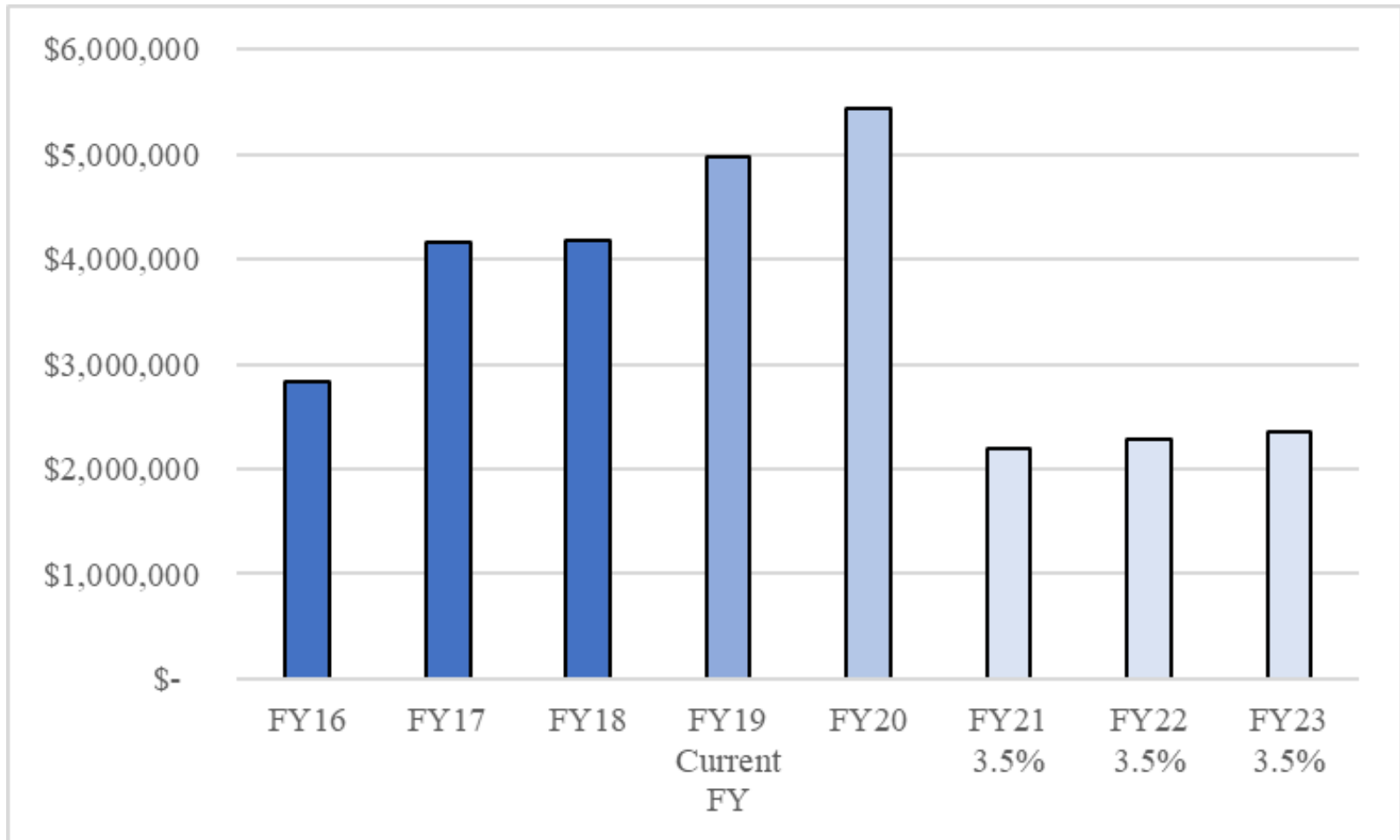
Legislation that will Reduce Revenue or Increase Expenditures by Budget Year

| FY 18-19 | FY 19-20 | FY 20-21 |
|------------------------------------|---|-----------------|
| HB 852 - Building Permit Fees | HB 1152 - Franchise Fees | SB 2 - 3.5% Cap |
| <i>HB 1631 - Red Light Cameras</i> | HB 346 - Municipal Court Fees | |
| HB 3834 - Cyber Security Training | HB 2048 - Repeal of Driver Responsibility Program | |
| | HB 2899 - Civil Liability for Plans, Specs, Etc. | |

Property Tax Revenue – SB 2



Incremental Increase in Property Taxes for Operations (New Revenue)



Considerations for a New Era

- Careful **evaluation of new programs/services** to determine recurring expenses and impact on future budgets
- Re-examination of current master plans and key studies to ensure **operating factors are identified** and are affordable
- **Reframe city comparison** practices as SB 2 will have a different impact on cities: 4A/4B, or cities that are experiencing significant new growth
- Careful consideration of the City's programs/services to determine what is still **essential to the community** and what may no longer be a priority
- Analysis of user-based services to determine if adjustments are needed for some **fees** that have a direct benefit to specific users

Sustaining Key Areas of Focus

- Notwithstanding these key 2-year considerations, the mission of Plan Our Work-Work Our Plan continues
- Attention continues to be devoted to initiatives in key areas, including:
 - Neighborhoods
 - Urban/Commercial Villages
 - Operations (Talent & Systems)
 - Infrastructure and Facilities
- Sustaining attention to these community priorities is critical, even as we embrace new budget development realities

Neighborhood Initiatives



Multi-Year
Neighborhood
Park Maintenance
Strategies

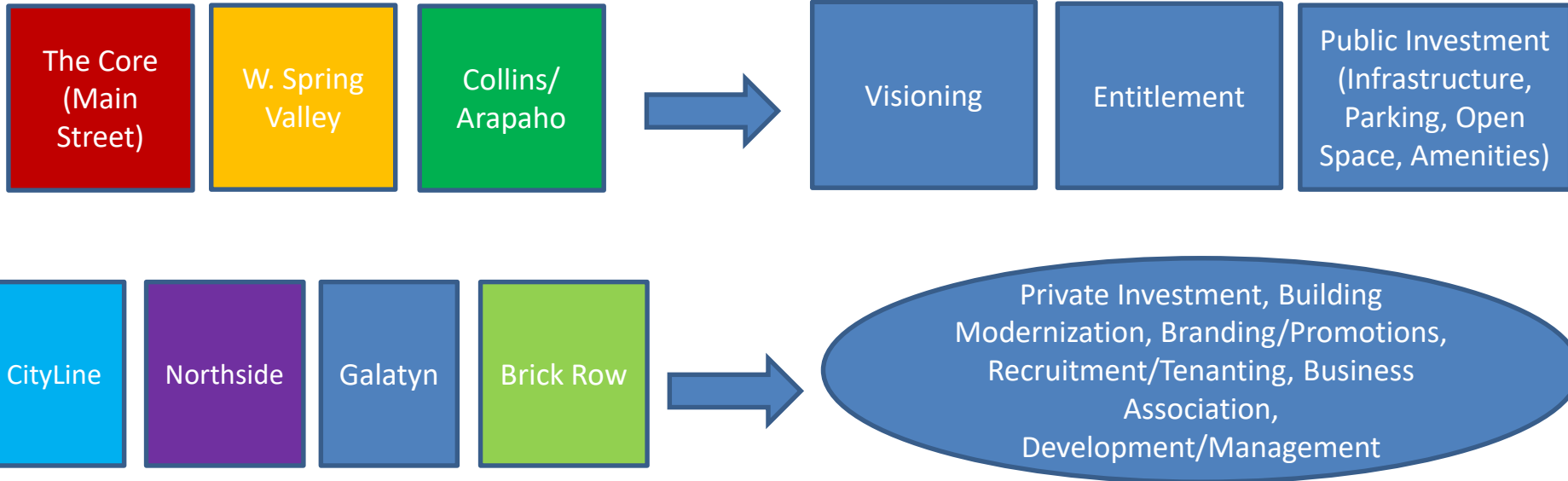
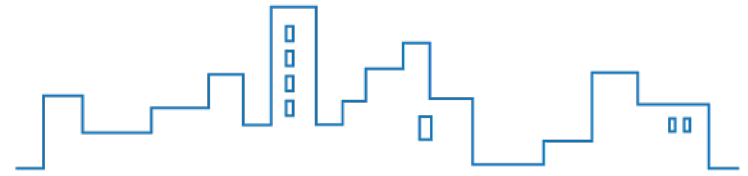
Dedicated Funding
for Alley Repairs

Street
Maintenance
Strategies

Matching Fund
Beautification
Program

Home
Improvement
Incentive Program

Urban/Commercial Village Initiative



Operations (Talent & Systems) Initiative



Information
Technology
Strategies

Traffic
Management
Strategies

Compensation
& Benefits
Strategies

Support of
Key City
Services

Infrastructure/Facilities Initiative



Street and Alley
Maintenance
Strategies

Traffic Signs and
Markings
Maintenance
Strategies

City Facilities
Maintenance
Strategies

Water/Sewer
Maintenance
Strategies

Drainage
Maintenance
Strategies

FY 2019-2020 Combined Budget

| Combined Budget | | | | |
|--------------------------------|---------------------------|-------------------------|------------------|----------|
| | 2018-2019 Estimate | 2019-2020 Budget | Est./Bud. | % |
| Beginning Fund Balances | \$74,740,870 | \$74,967,233 | \$226,362 | 0.3% |
| Revenues | \$286,802,917 | \$304,804,522 | \$18,001,605 | 6.3% |
| Expenditures | \$286,576,555 | \$298,355,410 | \$11,778,855 | 4.1% |
| Ending Fund Balances | \$74,967,233 | \$81,416,345 | \$6,449,112 | 8.6% |

FY 2019-2020 General Fund

| General Fund Budget | | | | |
|--------------------------------|----------------------------|-------------------------|------------------|----------|
| | 2018-2019 Estimated | 2019-2020 Budget | Est./Bud. | % |
| Beginning Fund Balances | \$24,517,518 | \$26,797,078 | \$2,279,560 | 9.3% |
| Revenues | \$138,689,657 | \$144,432,237 | \$5,742,580 | 4.1% |
| Expenditures | \$136,410,097 | \$143,581,454 | \$7,171,357 | 5.3% |
| Ending Fund Balances | \$26,797,078 | \$27,647,861 | \$850,783 | 3.2% |

Required Budget Narrative:

(Front Cover Page)

“This budget will raise more total property taxes than last year’s budget by \$8,152,761 (7.65%) and of that amount \$1,218,401 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 and by obligations, a portion of 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.

Property Tax Increase Explained: \$8.2 million

| | | |
|--|---------------------|---------------------------|
| Increase in Property Tax Revenue | | \$ 8,152,761 |
| Increase in Expenditures | | |
| Item Description | Amount | Remaining Increase |
| Tax Increment Financing District 1 Increase | \$ 624,242 | \$ 7,528,519 |
| Tax Increment Financing District 2 Increase | \$ 270,871 | \$ 7,257,648 |
| Tax Increment Financing District 3 Increase | \$ 120,431 | \$ 7,137,217 |
| Debt Service Increase | \$ 1,692,538 | \$ 5,444,679 |
| Operations Increases From FY19 Budgeted Amounts | | |
| Public Safety Initiatives | | |
| Public Safety Movement within Approved Pay Ranges | \$ 1,385,533 | |
| Full Year funding for 1 Sgt. positions hired mid year FY19 | 122,000 | |
| Information Technology Specialist II (Public Safety) | 100,528 | |
| Full Year funding for 6 Public Safety Complex custodial positions funded partial year FY19 | 134,000 | |
| Sub Total Public Safety Initiatives | \$ 1,742,061 | \$ 3,702,618 |
| Street/Alley Rehabilitation Initiatives | | |
| Street Rehab \$0.025 value increase | \$ 285,416 | |
| Alley Rehabilitation \$0.01 value increase | 114,166 | |
| Sub Total Street/Alley Rehabilitation Initiatives | \$ 399,582 | \$ 3,303,036 |
| Information Tech and Traffic Initiatives | \$ 1,850,000 | \$ 1,453,036 |
| Information Technology addt'l. Cloud Computing Resources | \$ 81,180 | \$ 1,371,856 |
| Equipment Replacement Fund (ERF) Funding | | |
| Shift of 1/4 cent from Parks Maint to ERF | \$ (412,580) | |
| Shift of 3/10 cent from Economic Dev. to ERF | (495,096) | |
| Second Year Funding for Equipment Replacement Fund | 2,311,475 | |
| Sub Total Equipment Replacement Fund | \$ 1,403,799 | \$ (31,943) |

2019 Certified Tax Roll Comparison

| 2019 Certified Tax Roll Comparison August 2019 | |
|---|--------------|
| Entity | % Change |
| Fort Worth | 13.65% |
| Arlington | 13.27% |
| Grand Prairie | 10.23% |
| Carrollton | 8.96% |
| Irving | 8.67% |
| Richardson - CCAD | 8.02% |
| McKinney | 7.93% |
| Mesquite | 7.63% |
| Richardson Total | 7.51% |
| Dallas County | 7.49% |
| Garland | 7.41% |
| Collin County | 7.20% |
| Richardson - DCAD | 7.14% |
| Dallas | 7.07% |
| Frisco | 6.94% |
| Allen | 5.71% |
| Plano | 5.01% |

Assessed Valuation

- Total assessed valuation assumes a \$1.3 billion increase in certified assessed valuation plus \$227.2 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 (\$1.8billion).

| | 2018 | 2019 | % Difference |
|--|-------------------------|-------------------------|---------------------|
| Certified | \$16,850,380,841 | \$18,115,085,706 | 7.51% |
| Values In Dispute | \$187,772,485 | \$227,175,512 | 21.0% |
| Tax Increment Financing District 1 | (\$779,563,666) | (\$879,416,749) | 12.8% |
| Tax Increment Financing District 2 | (\$787,119,523) | (\$830,447,820) | 5.50% |
| Tax Increment Financing District 3 | (\$109,937,793) | (\$129,201,808) | 17.5% |
| Taxable Value for General Fund Debt and O/M | \$15,361,532,344 | \$16,503,194,841 | 7.43% |

| Property Tax Rate | | |
|----------------------------------|------------------|------------------|
| | 2018-2019 | 2019-2020 |
| Operations & Maintenance (O & M) | \$0.37413 | \$0.38124 |
| Debt Service | \$0.25103 | \$0.24392 |
| Total | \$0.62516 | \$0.62516 |

Tax Rate Calculations

| 2019-2020 Tax Rate Calculations | | | |
|--|-------------|-------------------|----------------|
| | Rate | Difference | Revenue |
| 2019-2020 Rate | \$0.62516 | - | - |
| Rollback Rate | \$0.62517 | \$0.00001 | \$1,650 |
| Effective Rate | \$0.58991 | (\$0.03525) | (\$5,817,376) |

- The tax rate adoption ordinance will refer to what is “effectively an 5.98 percent increase in the tax rate”. This is the percent change of the proposed tax rate \$0.62516 above the effective rate \$0.58991.

Tax Roll Increase

| Roll Increase – Taxable Values | | | | | | | | |
|--------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|-------------------|-------------|
| | Residential | % Change | Commercial | % Change | BPP | % Change | Total | % Change |
| 2019 | \$ 7,234,114,768 | 5.17% | \$ 7,709,013,784 | 7.23% | \$ 3,171,957,154 | 14.00% | \$ 18,115,085,706 | 7.51% |
| 2018 | \$ 6,878,420,600 | 10.78% | \$ 7,189,562,607 | 10.00% | \$ 2,782,397,634 | 0.62% | \$ 16,850,380,841 | 8.64% |
| 2017 | \$ 6,208,971,875 | 7.68% | \$ 6,535,677,328 | 19.13% | \$ 2,765,191,422 | 0.98% | \$ 15,509,840,625 | 10.86% |
| 2016 | \$ 5,766,003,571 | 10.69% | \$5,486,130,258 | 12.98% | \$2,738,387,617 | 25.43% | \$13,990,521,446 | 14.23% |
| 2015 | \$ 5,209,050,756 | 6.95% | \$4,855,828,650 | 11.47% | \$2,183,157,886 | 8.67% | \$12,248,037,292 | 9.01% |
| 2014 | \$ 4,870,390,715 | 3.92% | \$4,356,084,831 | 8.99% | \$2,008,982,551 | -0.75% | \$11,235,458,097 | 4.93% |
| 2013 | \$4,686,522,612 | 0.94% | \$3,996,773,284 | 8.97% | \$2,024,115,794 | 14.42% | \$10,707,411,690 | 6.23% |
| 2012 | \$ 4,642,723,828 | -0.88% | \$3,667,775,991 | 11.33% | \$1,769,065,742 | 0.07% | \$10,079,565,561 | 3.42% |
| 2011 | \$ 4,684,107,745 | 1.45% | \$3,294,460,395 | 0.68% | \$1,767,914,290 | 4.90% | \$9,746,482,430 | 0.36% |
| 2010 | \$ 4,753,636,539 | 1.15% | \$3,272,140,875 | -7.20% | \$1,685,380,954 | 1.62% | \$9,711,158,368 | -1.75% |

Percent of Total Value

| Percent of Total Value | | | | |
|------------------------|-------------|------------|-----|-------|
| Tax Year | Residential | Commercial | BPP | Total |
| 2019 | 39% | 43% | 18% | 100% |
| 2018 | 41% | 42% | 17% | 100% |
| 2017 | 40% | 42% | 18% | 100% |
| 2016 | 41% | 39% | 20% | 100% |
| 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% |

Change In Residential Market Valuations

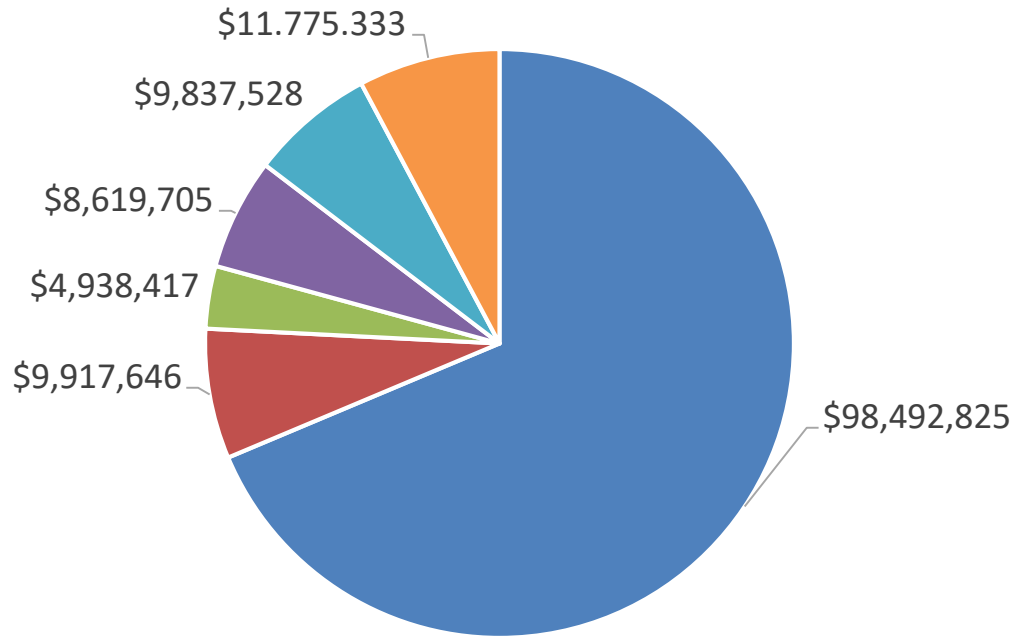
| Number of Residential Properties Affected by Market Valuation | | | | |
|--|---------------------|-----------------------------------|---------------------|-----------------------------------|
| | 2018-2019 | | 2019-2020 | |
| Impact | # Properties | % of Total Res. Properties | # Properties | % of Total Res. Properties |
| No Change | 2,459 | 8.70% | 9,901 | 35.30% |
| Decrease | 524 | 1.85% | 3,051 | 10.88% |
| Increase 0% - 5% | 4,369 | 15.46% | 4,463 | 15.91% |
| Increase 6% - 10% | 6,413 | 22.70% | 4,050 | 14.44% |
| Increase >10% | 14,488 | 51.28% | 6,587 | 23.48% |
| Total Res. Properties | 28,253 | 100.00% | 28,052 | 100.00% |

Average Senior Home Value

| Average Senior Home Value Statistics | | | | | | |
|---|---------------------------|-----------------------------------|-----------------------|---|-----------------------------------|-------------------------|
| Tax Year | Qualifying Parcels | % Change From Year to Year | Senior Exempt. | Average Senior Home Market Value | % Change From Year to Year | % of Total Value |
| 2019 | 8,328 | 1.23% | \$100,000 | \$301,583 | 5.56% | 33.16% |
| 2018 | 8,227 | 2.67% | \$85,000 | \$285,693 | 12.43% | 29.75% |
| 2017 | 8,013 | 1.65% | \$80,000 | \$254,115 | 10.71% | 31.48% |
| 2016 | 7,883 | 2.38% | \$70,000 | \$229,526 | 13.52% | 30.50% |
| 2015 | 7,700 | 1.36% | \$60,000 | \$202,187 | 7.98% | 29.68% |
| 2014 | 7,597 | 2.23% | \$60,000 | \$187,251 | 3.88% | 32.04% |
| 2013 | 7,431 | 2.17% | \$55,000 | \$180,265 | 0.93% | 30.51% |
| 2012 | 7,273 | 4.32% | \$55,000 | \$178,609 | -0.10% | 30.79% |
| 2011 | 6,972 | 3.00% | \$55,000 | \$178,788 | 0.40% | 30.76% |
| 2010 | 6,769 | 3.14% | \$55,000 | \$178,079 | -0.49% | 30.89% |

FY19-20 Proposed General Fund Expenditures

FY 19-20 Proposed General Fund Expenditures



General Fund Expenditures:
Personal Services: 68.6%
Transfers: 8.2%
Professional Services: 6.9%
Supplies: 6.9%
Contracts: 6.0%
Maintenance: 3.4%

- Personal Services
- Professional Services
- Maintenance
- Contracts
- Supplies
- Transfers

FY 2019-2020 General Fund Expenditures

- Total Expenditures and Transfers for the General Fund are projected at \$143.6 million, an increase of \$7.2 million from the FY 2018-2019 year-end estimates.
- **Personal Services** –Personal Services increase of 4.5% from the year-end estimate of \$94.3 million and account for 68.6% of the total General Fund operating budget. The key personnel issues addressed in this proposal include;
 - **Public Safety** movement within approved pay plan ranges =\$1.4 million
 - Full year funding of the **Sergeant** position added mid-year FY 2019 = \$122,000
 - **Information Technology Specialist II** for the Public Safety Complex = \$100,528
 - Full year funding of the **6 custodial personnel** funded for a partial year last year, also to support the new Public Safety Facility = \$134,000
 - Non-public safety open range adjustment = \$605,000
 - Market Adjustments = \$64,000

FY 2019-2020 General Fund Expenditures

- **Non-Personnel Operations** – For FY 2019-2020, Non-Personal Services operating line items are currently proposed at \$33.3 million, a decrease of (\$605,000) or -1.8% from year end estimates, maintaining all activities at the same high level of service currently provided.
 - **Professional Services** decrease (\$393,000) or -3.8%
 - **Maintenance** increase \$135,000 or 2.8%
 - **Contracts** decrease (\$105,000) or -1.2%
 - **Supplies Categories** decrease (\$192,000)

FY 2019-2020 General Fund Expenditures

- **Transfers Out**
 - **Street Rehabilitation** – increases \$285,000 or 7.4%
 - **Alley Rehabilitation** - increases \$114,000 or 7.4%
 - **Information Technologies and Traffic Initiatives** – New this year is a dedication of an annual \$1.85 million to begin I.T. and Traffic technology upgrades
 - **Economic Development** –This will provide \$825,000 for economic development work
 - **Parks Maintenance** will provide \$412,000 in designated funding for maintenance projects in 13 neighborhood parks
 - **Equipment Replacement Fund** – this second year of a multi-year transition from the use of short-term Certificates of Obligation to a pay as you go strategy for General Fund related machinery and equipment will be \$2.9 million.
- **Fund Balance** – The proposed budget ends the year at 70.3 days, or 10.3 days over the Council prescribed 60.0 days of fund balance.

FY 2019-2020 Proposed Capital Improvement Program

| Amount | Type | Purpose |
|------------------------|--------------|--|
| \$15.015 million | GO | 2015 GO Bond Program 20-Yr |
| \$4.65 million | CO | General Government Supplement 4/15/20-Yr |
| \$1.20 million | CO | IT Equipment 4-Yr |
| \$1.105 million | CO | Fire Equipment 8-Yr |
| \$9.31 million | CO | Water & Sewer CIP 15/20-Yr |
| \$0.84 million | CO | Solid Waste Equipment 8-Yr |
| \$32.12 million | Total | |

FY 2019-2020 Water and Sewer Fund

- Projected revenues for FY 2019-2020 are based on a 7.5% rate increase for both the water and sewer retail rates.
 - The increase would go into effect with the first billing in November of 2019.
- Expenditures and Transfers are proposed at \$85.5 million representing an increase of \$3.2 million or 3.9% over year-end estimates.
 - Together, the wholesale cost of water and sewer treatment services account for \$53.8 million or 63.0% of the total expenses
 - The debt service transfer increases \$197,000 to \$6.3 million to cover debt obligations for this fund.
- Fund Balance is projected at 76.9 days, 13.1 days below the City Council approved policy of 90 days, with an outlook towards restoration as weather normalizes.

FY 2019-2020 Solid Waste Fund

- Total revenues are projected to be \$206,000 over year-end estimates.
 - No residential rate change is proposed
 - A market driven increase is proposed to Commercial front load (7%) and open top (10%) container service fees
- Total expenditures and transfers are proposed at \$15.1 million, a decrease of (\$152,000) or -1.0% from the year-end estimate of \$15.3 million
- The Debt Service Transfer of \$1.4 million is \$2,000 higher than year-end estimate and represents the current payment due on equipment debt issuance.
- FY 2019-2020 fund balance is proposed at 99.14 days. This achieves the goal established in the adopted financial policy of “60 days building towards 90.”

FY 2019-2020 Golf Fund

- Revenues for the Golf Fund are projected at \$2.3 million for FY 2019-2020 representing an increase of \$218,000 over year-end (excluding the FY19 General Fund Transfer In).
- Total Expenditures and Transfers for the Golf Fund are proposed at \$2.3 million, an increase of \$37,000 from year-end.
- Given the projected revenue and expenditure performance, the fund balance should end the year with 27.6 days, 2.4 days below the Council approved financial policy of “30 building to 60 days”.

FY 2019-2020 Hotel Motel Tax Fund

- Total Revenues for the Hotel/Motel Tax Fund are projected at \$6.5 million for next year, reflecting an 1.9% increase in overall revenues
- Total Expenditures and Transfers are proposed at \$6.4 million reflecting a (\$648,000) decrease from current year-end expenditures
- The Fund Balance is projected to end the year at \$1.6 million, net of \$1.0 million set aside for future roof repair/replacement

Resident Impact of the Proposed FY 2019-20 Budget

- Water and Sewer Services Rate increase of 7.5% effective with the first billing in November, 2019
 - Sample residential bill increases \$7.90/month**
 - Water bill increases \$5.32/month
 - Sewer bill increases \$2.58/month
 - (Based on 8,000 gallons a month from Oct. through May & 18,000 gallons a month for June through Sept.)
- No Residential Solid Waste Services rate change is proposed
 - Commercial Front Load and Open Top service will see market driven increases of 7% and 10% respectively
- 46.2% of residential properties will see either no change or a decrease in their property value while another 15.9% increase 5% or less

Summary

- The Proposed 2019-2020 budget will be the seventh year of an intensive focus on enhanced infrastructure maintenance.
- The Proposed budget 2019-2020 budget devotes resources to the following key initiatives:
 - Neighborhoods
 - Urban/Commercial Villages
 - Operations (Talent & Systems)
 - Infrastructure and Facilities
- We appreciate the budget dialogue with the City Council and community over the last several months.

Next Steps

- September 9, 2019 – Adopt Budget
 - Adopt the Budget Ordinance for FY20
 - Adopt the Tax Rate Ordinance for FY20
 - Adopt the Water and Sewer Rate Ordinance setting new rates for FY20
 - Adopt the Commercial Solid Waste Ordinance setting new rates for Commercial Open Top and Front Load Container Service



RICHARDSON

TEXAS