

City Council Work Session Handouts

August 27, 2018

- I. Public Hearing Presentation for FY 2018-2019 Proposed Budget and Proposed Tax Rate of \$0.62516 Per \$100 Valuation for FY 2018-2019

Path Taking & Path Making 2018-19: Strengthening the Municipal Services Value Proposition

2018-2019 Fiscal Year
City of Richardson, Texas
Municipal Budget Presentation

City Council Presentation
August 27, 2018



Path Taking & Path Making 2018-19:

Strengthening the Municipal Services Value Proposition

“The Municipal Services Value Proposition”

- The delivery and enjoyment of quality municipal services
- Utilize all avenues/channels of feedback to confirm that we continue to deliver value.
- This 2018-19 Budget will again offer a mixture of routes ... path taking in some cases... path making in others... as we seek to *strengthen our Richardson municipal service proposition.*

“Path Taking”

- A vivid set of City Council Goals and Strategies
- Continue to build days of Fund Balance in the General Fund
- Continue construction of the Public Safety Campus
- Implementation of street, alley and traffic improvement projects

“Path Making”

- Development of the Collins/Arapaho TOD and Innovation District Study
- Continued planning with DART regarding the Cottonbelt Rail Line
- Planning and design for the Main Street infrastructure strategies
- Strengthen neighborhood park maintenance funding and prior year’s commitment to targeted alley maintenance funding

Our Sustainable Budget Attentions

Enhanced
Infrastructure
Maintenance

Public Safety
Resources

Economic
Development
and Renewal

Enhanced
Customer &
City
Experience



FY 2018-2019 Combined Budget

| Combined Budget | | | | |
|--------------------------------|---------------------------|-------------------------|------------------|----------|
| | 2017-2018 Estimate | 2018-2019 Budget | Est./Bud. | % |
| Beginning Fund Balances | \$64,951,765 | \$68,729,351 | \$3,777,586 | 5.8% |
| Revenues | \$275,469,460 | \$290,372,025 | \$14,902,565 | 5.4% |
| Expenditures | \$271,691,874 | \$283,464,544 | \$11,772,670 | 4.3% |
| Ending Fund Balances | \$68,729,351 | \$75,636,832 | \$6,907,481 | 10.1% |

FY 2018-2019 General Fund

| General Fund Budget | | | | |
|--------------------------------|----------------------------|-------------------------|------------------|----------|
| | 2017-2018 Estimated | 2018-2019 Budget | Est./Bud. | % |
| Beginning Fund Balances | \$22,461,755 | \$22,894,708 | \$432,953 | 1.9% |
| Revenues | \$130,691,866 | \$137,886,387 | \$7,194,521 | 5.5% |
| Expenditures | \$130,258,913 | \$136,159,899 | \$5,900,986 | 4.5% |
| Ending Fund Balances | \$22,894,708 | \$24,621,196 | \$1,726,488 | 7.5% |

Required Budget Narrative:

(Front Cover Page)

“This budget will raise more total property taxes than last year’s budget by \$8,970,578 (9.20%) and of that amount \$1,310,946 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: \$9.0 million

| | | |
|--|---------------------|---------------------------|
| Increase in Property Tax Revenue | | \$ 8,970,578 |
| Increase in Expenditures | | |
| Item Description | Amount | Remaining Increase |
| Tax Increment Financing District 1 Increase | \$ 733,123 | \$ 8,237,455 |
| Tax Increment Financing District 2 Increase | \$ 543,471 | \$ 7,693,984 |
| Tax Increment Financing District 3 Increase | \$ 295,120 | \$ 7,398,864 |
| Debt Service Increase | \$ 2,429,378 | \$ 4,969,486 |
| Operations Increases From FY18 Budgeted Amounts | | |
| Public Safety Initiatives | | |
| Public Safety Movement within Approved Pay Ranges | \$ 1,600,000 | |
| Full Year funding for 2 positions hired mid year FY18 | 124,000 | |
| Sub Total Public Safety Initiatives | \$ 1,724,000 | \$ 3,245,486 |
| Street/Alley Rehabilitation Initiatives | | |
| Street Rehab \$0.025 value increase | \$ 295,879 | |
| Alley Rehabilitation increase to \$0.01 and value increase | 827,252 | |
| Sub Total Street/Alley Rehabilitation Initiatives | \$ 1,123,131 | \$ 2,122,355 |
| Economic Dev. partial penny AV growth increase | \$ 94,682 | \$ 2,027,673 |
| First Year Funding for Equipment Replacement Fund | \$ 600,000 | \$ 1,427,673 |
| General Maintenance Initiatives | | |
| Parks Maintenance Initiatives at 10 locations | \$ 768,077 | |
| General Facility Maintenance | 680,000 | |
| Sub Total General Maintenance Initiatives | \$ 1,448,077 | \$ (20,404) |

2018 Certified Tax Roll Comparison

| 2018 Certified Tax Roll Comparison August 2018 | |
|---|--------------|
| Entity | % Change |
| McKinney | 11.18% |
| Garland | 11.03% |
| Collin County | 10.68% |
| Fort Worth | 10.63% |
| Frisco | 10.54% |
| Arlington | 10.36% |
| Mesquite | 10.14% |
| Allen | 10.05% |
| Dallas | 10.04% |
| Dallas County | 9.85% |
| Carrollton | 9.47% |
| Richardson -CCAD | 9.02% |
| Grand Prairie | 8.78% |
| Richardson Total | 8.64% |
| Richardson - DCAD | 8.37% |
| Plano | 8.13% |
| Irving | 7.36% |

Assessed Valuation

Total assessed valuation assumes a \$1.3 billion increase in certified assessed valuation plus \$187.8 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 (\$1.7 billion).

| | 2017 | 2018 | % Difference |
|--|-------------------------|-------------------------|---------------------|
| Certified | \$15,509,840,625 | \$16,850,380,841 | 8.64% |
| Values In Dispute | \$93,387,516 | \$187,772,485 | 101.1% |
| Tax Increment Financing District 1 | (\$662,293,996) | (\$779,563,666) | 17.7% |
| Tax Increment Financing District 2 | (\$700,186,342) | (\$787,119,523) | 12.4% |
| Tax Increment Financing District 3 | (\$62,730,629) | (\$109,937,793) | 75.3% |
| Taxable Value for General Fund Debt and O/M | \$14,178,017,174 | \$15,361,532,344 | 8.35% |

| Property Tax Rate | | |
|----------------------------------|------------------|------------------|
| | 2017-2018 | 2018-2019 |
| Operations & Maintenance (O & M) | \$0.37031 | \$0.37413 |
| Debt Service | \$0.25485 | \$0.25103 |
| Total | \$0.62516 | \$0.62516 |

Tax Rate Calculations

| 2018-2019 Tax Rate Calculations | | | |
|--|-------------|-------------------|----------------|
| | Rate | Difference | Revenue |
| 2018-2019 Rate | \$0.62516 | - | - |
| Rollback Rate | \$0.62517 | \$0.00001 | \$1,536 |
| Effective Rate | \$0.58485 | (\$0.04031) | (\$6,192,234) |

- The tax rate adoption ordinance will refer to what is “effectively an 6.89 percent increase in the tax rate”. This is the percent change of the proposed tax rate \$0.62516 above the effective rate \$0.58485.

FY 2018-2019 Assessed Valuation

| Valuation Including New Improvements | | | |
|---|----------------------------|------------------------------|--------------|
| District | 2018 Certified Roll | 2018 New Improvements | % |
| CCAD | \$7,014,752,668 | \$286,849,040 | 4.09% |
| DCAD | \$9,835,628,173 | \$133,941,250 | 1.36% |
| Total | \$16,850,380,841 | \$420,790,290 | 2.50% |

Tax Roll Increase

| Roll Increase – Taxable Values | | | | | | | | |
|--------------------------------|-------------------------|---------------|------------------------|---------------|-------------------------|--------------|-------------------------|--------------|
| | Residential | % Change | Commercial | % Change | BPP | % Change | Total | % Change |
| 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% |
| 2009 | \$ 4,699,651,917 | -0.90% | \$3,525,971,862 | -2.21% | \$1,658,474,266 | 5.85% | \$9,884,098,045 | -0.31% |

Percent of Total Value

| Percent of Total Value | | | | |
|------------------------|-------------|------------|-----|-------|
| Tax Year | Residential | Commercial | BPP | Total |
| 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% |
| 2009 | 47% | 36% | 17% | 100% |

Change In Residential Market Valuations

| Number of Residential Properties Affected by Market Valuation | | | | |
|--|---------------------|-----------------------------------|---------------------|-----------------------------------|
| | 2017-2018 | | 2018-2019 | |
| Impact | # Properties | % of Total Res. Properties | # Properties | % of Total Res. Properties |
| No Change | 4,545 | 16.19% | 2,459 | 8.70% |
| Decrease | 1,056 | 3.76% | 524 | 1.85% |
| Increase 0% - 5% | 3,999 | 14.24% | 4,369 | 15.46% |
| Increase 6% - 10% | 4,406 | 15.69% | 6,413 | 22.70% |
| Increase >10% | 14,071 | 50.12% | 14,488 | 51.28% |
| Total Res. Properties | 28,077 | 100.00% | 28,253 | 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 |
| 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% |
| 2009 | 6,563 | 4.14% | \$55,000 | \$178,961 | 0.49% | 30.73% |

FY 2018-2019 General Fund

| Classification of General Fund Expenditures | | |
|--|----------------------------|-----------------------------|
| <u>Operating Expenditures</u> | Proposed Budget | Percent of Total |
| Personal Services | \$ 95,615,469 | 70.22% |
| Professional Services | 10,190,708 | 7.48% |
| Maintenance | 4,919,770 | 3.61% |
| Contracts | 8,293,405 | 6.09% |
| Supplies | 9,167,011 | 6.73% |
| Capital | - | 0.00% |
| <u>Total Operating Expenditures</u> | \$ 128,186,363 | 94.14% |
| Transfers Out | \$ 7,973,536 | 5.86% |
| <u>Total Operating Expenditures and Transfers</u> | \$ 136,159,899 | 100.00% |

Key Budget Elements for 2018-2019: Public Safety Initiatives

- The FY 2018-2019 Budget includes several efforts to enhance public safety resources including:
 - Capital funding for Public Safety Campus and Fire Station #3 projects that was approved in the 2015 Bond Program.
 - Full year funding of additional Public Safety positions initially funded in the FY2017-2018 Budget.
 - Funding for Public Safety movement within approved pay plan ranges.
 - Replacement of vehicles for the Police Department, replacement of a Quint fire apparatus and an ambulance.
 - Funding for replacement of the Fire Department's SCBA* equipment.
 - Funding for department issued firearms and rifles for sworn Police Department personnel.



* SCBA (Self-Contained Breathing Apparatus)

Key Budget Elements for 2018-2019:

Infrastructure Maintenance - General Fund

Streets Rehabilitation - Proposed budget includes 2.5 cents of property tax for the rehabilitation of arterial streets, collector streets and neighborhoods zones.

Alley Rehabilitation - The half cent dedication, begun two years ago increases this year to a full penny of the tax rate and will provide \$1,536,000 to the rehabilitation program for alleys in similar fashion to the Street Rehabilitation program.

Bridge Railings - In 2018-2019, 9 bridges will be repaired and enhanced.

Traffic Signs & Pavement Markings - Proposed budget includes funding for:

- Small street name signs in 2 zones plus replacing 1,000+ traffic control and guide signs and overhead street name signs as needed.
- Replacing markings on streets repaired via pavement rehab program.
- Updating 2 existing bike lanes and adding 1 mile of bike lane.

Key Budget Elements for 2018-2019: Infrastructure Maintenance Activities

| | FY 14-15 Actual | FY15-FY16 Actual | FY16-FY17 Actual | FY 17-18 Projected | FY 18-19 Proposed |
|------------------------------|--------------------|---------------------|---------------------|-----------------------|----------------------|
| Street Rehabilitation * | \$2,169,563 | \$2,322,813 | \$3,262,709 | \$3,544,504 | \$3,841,000 |
| Alley Rehabilitation * | \$0 | \$0 | \$653,000 | \$709,000 | \$1,536,000 |
| Bridge Railings | \$320,000 | \$300,000 | \$300,000 | \$0 | \$100,000 |
| Pavement Markings | \$300,000** | \$350,000** | \$400,000 | \$400,000 | \$400,000 |
| Street Name Sign Replacement | \$100,000** | \$100,000** | \$100,000 | \$100,000 | \$100,000 |
| TOTAL | \$2,889,563 | \$3,072,813 | \$4,715,709 | \$4,753,504 | \$5,977,000 |

* Property Tax Dedication

**Included funding from the Traffic Safety Fund

Key Budget Elements for 2018-2019: Maintenance Activities – Neighborhood Parks

Neighborhood Parks Multi-Year Strategy:

An enhanced FY18-19 maintenance strategy is proposed following an assessment of parks capital assets.

The FY 2018-2019 Proposed Budget includes proposed sustained funding for parks capital asset management, maintenance and repair. For this 2018-2019, 10 neighborhood parks would be impacted:

- Park restroom renovation and replacement at several parks including Breckinridge, Terrace, Cottonwood, Huffhines, Foxboro and Lookout parks.
- Replacement of tennis court fencing and resurfacing Mimosa, Richland Park and Heights Park.
- Replace backstop at Crowley Park.
- Replace irrigation system in Huffhines Woods



Key Budget Elements for 2018-2019: Maintenance Activities - Neighborhood Parks

| | FY17-18 Budget | FY 18-19 Proposed |
|---|------------------|-------------------|
| Annual C.O. Funding | \$132,000 | \$0 |
| ½ Cent Dedication of the Tax Rate for Parks Maintenance Projects | \$0 | \$768,000 |
| G.O. Bonds | \$163,000 | \$202,000 |
| TOTAL | \$295,000 | \$970,000 |

FY 2018-2019 General Fund

- Total Expenditures and Transfers for the General Fund are projected at \$136.2 million, an increase of \$5.9 million from the FY 2017-2018 year-end estimates.
- **Personal Services** –increase of 4.1% from the year-end and include;
 - *Public Safety movement within approved pay plan ranges = \$1.6 million*
 - *Full year funding of the 2 new police officers authorized last year = \$124,000*
 - *Non-public safety Open Range adjustment = \$692,000*
 - *Market Adjustment = \$120,000*

FY 2018-2019 General Fund

- **Non-Personnel Operations** – For FY 2018-2019, Non-Personal Services operating line items are currently proposed at \$32.6 million, an increase of 2.6% from year end estimates, maintaining all activities at the same high level of service currently provided.
 - **Professional Services** – Increase \$400,000 or 4.1%
 - **Maintenance** – Increase \$725,000 or 17.3%
 - **Contracts** – Increase \$344,000 or 4.3%
 - **Supplies** – Decrease (\$522,000) or -5.4%
 - **Capital** – Decreases (\$135,000)

FY 2018-2019 General Fund

- **Transfers Out**

- **Street Rehabilitation** – Increases \$296,000
- **Alley Rehabilitation** – increases to a full penny dedication = \$827,000
- **Parks Maintenance** – (Itemized on slide 20) New this year, a ½ cent of the Property Tax Rate will be set aside for on-going parks maintenance = \$768,000
- **Economic Development** – Increases \$95,000
- **Equipment Replacement Fund** – This represents the first of a four year transition to “pay-as-you-go” capital equipment replacement = \$600,000

- **Fund Balance**

- The proposed budget ends the year 66.0 days, or 6.0 days over the Council prescribed 60.0 days

Series 2019 Capital Improvement Plan

| Amount | Type | Purpose |
|------------------------|--------------|--|
| \$2.9 million | CO | General Fund Equipment 4-Yr |
| \$1.2 million | CO | Information Technology Equipment 4-Yr |
| \$1.975 million | CO | Fire Equipment 8-Yr |
| \$14.76 million | CO | General Government Supplement 4/15/20-Yr |
| \$18.405 million | GO | 2015 GO Bond Program 20-Yr |
| \$8.655 million | CO | Water & Sewer CIP 15/20-Yr |
| \$1.455 million | CO | Solid Waste Equipment 8-Yr |
| \$49.35 million | Total | |

FY 2018-2019 Water and Sewer Fund

- On June 4, 2018, the North Texas Municipal Water District staff gave City Council an update on the Districts Water Supply Plan and other initiatives.
 - A copy of that presentation and video of the remarks are available online at www.cor.net.
- Projected revenues for FY 2018-2019 are based on a 9.5% rate increase for both the water and sewer retail rates.
 - The increase would go into effect with the first billing in November of 2018. The estimated average household impact = \$110.28/year.
- Expenditures and Transfers are proposed at \$82.0 million representing an increase of \$4.4 million or 5.7% over year-end estimates.
 - Together, the wholesale cost of water and sewer treatment services account for \$51.5 million or 62.9% of the total expenses.
 - The debt service transfer increases \$604,000 to \$6.1 million to cover debt obligations for this fund.
- Fund Balance is projected at 80.8 days, 9.2 days below the City Council approved policy of 90 days.

FY 2018-2019 Solid Waste Fund

- Revenues are projected to be \$8,000 over year-end estimates.
 - No rate change is proposed for either Residential or Commercial collections fees.
- Total expenditures and transfers are proposed at \$15.0 million, an increase of \$189,000 or 1.3% over the year-end estimate of \$14.8 million.
- The Debt Service Transfer of \$1.4 million is \$18,000 higher than year-end estimate and represents the current payment due on equipment debt issuance.
- FY 2018-2019 fund balance is proposed at 98.2 days. This achieves the goal established in the adopted financial policy of “60 days building towards 90”.

FY 2018-2019 Golf Fund

- Revenues for the Golf Fund are projected at \$2.4 million for FY 2018-2019 representing an increase of \$170,000 or 7.8% over year-end.
- Total Expenditures and Transfers for the Golf Fund are proposed at \$2.3 million, an increase of \$71,000 from year-end.
- Given the projected revenue and expenditure performance, the fund balance should end the year with 30.1 days, in compliance with the Council approved financial policy of “30 building to 60 days”.

FY 2018-2019 Hotel/Motel Tax Fund

- Total Revenues for the Hotel/Motel Tax Fund are projected at \$7.1 million for next year, reflecting an 8.1% increase in overall revenues.
- Total Expenditures and Transfers for FY 2018-2019 are proposed at \$6.7 million reflecting a \$60,000 increase from current year-end expenditures.
- Eisemann Center Capital/Renewal Expenditures of \$145,000 includes;
 - \$75,000 is planned for joint/crack sealing and general painting
 - \$70,000 for replacement of sound processors throughout the facility
- Galatyn Campus Renewal of \$160,000 includes;
 - \$10,000 for wayfinding signs
 - \$150,000 is budgeted for plaza improvements/repairs including tree grates and retaining walls repair, bollards, tree replacement/ relocation, irrigation improvements, pavement delineation, and site furnishings

Summary

- The 2018-19 budget will be the sixth year of an intensive focus on enhanced infrastructure maintenance.
- Prior budgets initiated articulate plans and dedicated funding strategies to foster enhanced street, traffic, and roadside amenity maintenance.
 - This 2018-19 budget adds the next year of enhanced infrastructure maintenance initiatives and increases resources for neighborhood parks and alleys.



We appreciate the budget dialogue with the City Council over the last several months.

Next Steps

- Further opportunities to provide access and to gain public input are scheduled before final adoption.
 - Web, City Secretary & Library copies of the filed budget provided
 - Budget Adoption on September 10, 2018
- Video replay of the Council Budget Workshop held July 16 – 17, as well as the Budget Presentation from August 13 and the August 20 Public Hearing on the tax rate, are available on-line through web/cable access