



City of Dallas

FY 2022-23 and FY 2023-24 Biennial Budget Update

**City Council Briefing
June 15, 2022**

M. Elizabeth Reich, Chief Financial Officer

**Jack Ireland, Director
Budget and Management Services**

Presentation Overview



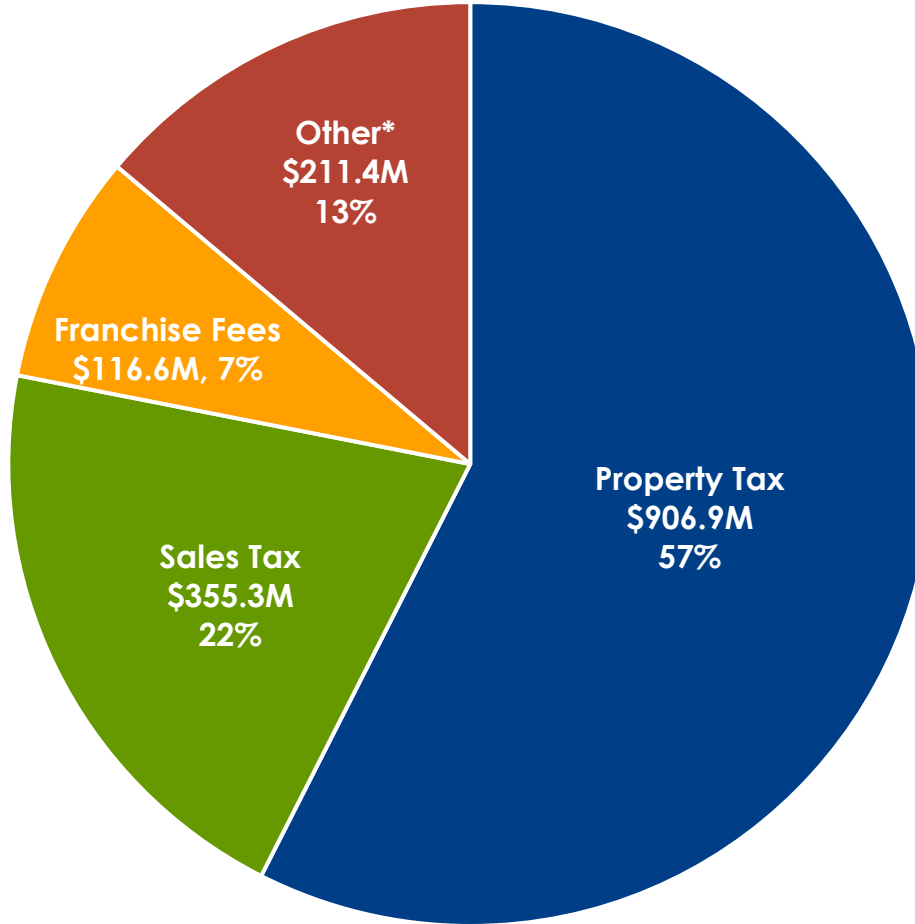
- Provide update on General Fund revenue
- Discuss Enterprise Fund cost of service
- Provide update on community engagement
- Discuss equity focused budget
- Discuss ARPA Local Fiscal Recovery Funds
- Review schedule and next steps





General Fund Revenues

FY23 Planned Budget – General Fund Revenue



General Fund Revenue =
\$1.59 Billion



*Note: Other revenues include charges for service, fines, intergovernmental transfers, etc.

Property Tax



- Revenue is governed by State law and is based on (1) property value, (2) exemptions, and (3) tax rate
 - SB2 caps revenue for property taxed in the prior year excluding new construction to 3.5% growth
- Property values for FY23 will not be known until July 25
 - FY23 planned budget assumed values would be \$161.4 billion
 - Preliminary value as of May 2022 is \$193.0 billion but will erode as appraisal districts resolve property owners' protests
 - Will receive certified values from four appraisal districts on July 25

	Erosion % Change	Preliminary Value (May 2022)	<u>Potential</u> Certified Value (July 2022)
3-Year Average	(7.6%)	\$193.0B	\$178.3B
Prior Year	(6.0%)	\$193.0B	\$181.4B



Property Tax



- Age 65/older and disabled exemption increased from \$107,000 to \$115,500 by City Council on June 8
 - Estimated \$4.9 million revenue foregone
- City Council has lowered adopted tax rate for the last six years for a total reduction of 2.37¢ or 3.0%
 - Total tax rate is 77.33¢ per \$100 valuation
 - General Fund: 56.58¢ or 73%
 - Debt Service: 20.75¢ or 27%
- Tax rate reductions result in revenue foregone
 - 1.00¢ = \$15.4 million
 - 0.50¢ = \$7.7 million
 - 0.25¢ = \$3.8 million



Sales Tax



- Sales tax is most volatile source of revenue and is affected by local, national, and global factors
- Revenue in current year is better than projected and has rebounded more quickly than anticipated following 2020 COVID outbreak
- Current year forecast is now \$375.5 million compared to \$344.3 million budgeted
- Five-year forecast including FY23 and FY24 is currently being updated by contract economist
(increased revenue projection is anticipated)



Fee Review



- Fees reviewed this year in compliance with FMPC #12 include:
 - Housing and Neighborhood Revitalization
 - Office of Environmental Quality and Sustainability – Air Quality
 - Public Works
 - Criminal Nuisance Abatement Program fees
 - Dallas Police Department, Dallas Fire Rescue, Code Compliance, and City Attorney's Office
- Full cost recovery will result in fee increases and add revenue to support service delivery
- Fee recommendation will be discussed at GPFM on June 27 and included in FY23 proposed budget in August



General Fund Expense Drivers



- Ensure community and MCC priorities are addressed including following examples:
 - Employ multipronged approach to reduce crime
 - Improve the City's permitting process
 - Further CECAP and environmental initiatives
- Consider inflationary factors that affect expenses
 - Living wage increase is more than expected
 - Fuel increases during current year are expected to continue
 - Master agreement and contract service provider costs will be passed on to City
- Implement the remaining market pay adjustments for police and fire uniformed personnel as agreed in the current Meet and Confer agreement that expires on September 30, 2022





Enterprise Cost of Service

Enterprise Cost of Service



- Dallas Water Utilities (DWU), Storm Drainage Management (SDM) and Sanitation Services (SAN) all operate as self-supported business units
 - Enterprise Funds must recover the full-cost of their service delivery through fees and charges, and are not supported by the General Fund
 - Each business unit reviews their charges annually and recommends adjustments as necessary
 - Preliminary adjustments are available now, but additional citywide costs will be added prior to the budget recommendation in August
 - Employee pay, health benefits, liability, property insurance, fleet maintenance, and information technology are under-review



Enterprise Cost of Service



- DWU rate increase for FY23 is due to:
 - Increases in chemical costs, increases in debt service payments due to timing of SWIFT bond sales, fleet replacement, and increases in operational costs for the Integrated Pipeline Project
- SDM fee increase for FY23 is due to:
 - Increases in funding capital costs to address 10-year capital improvement plan, equipment needs, and increases associated with traditional and natural flood risk management actions
- SAN fee increase for FY23 is due to:
 - Increased cost of fuel, roll carts, and franchise fee paid to the Street and Alley Improvement Fund
 - Enhancements to improve safety, communication, and operating efficiency are being considered



Enterprise Cost of Service



	FY21	FY22	FY23 Proposed	FY24 Planned	FY25	FY26
DWU water/wastewater *	\$ 63.79	\$ 66.94	\$ 69.62	\$ 71.36	\$ 72.21	\$ 75.61
Dollar Change		\$ 3.15	\$ 2.68	\$ 1.74	\$ 0.85	\$ 3.40
Percent Change		4.9%	4.0%	2.5%	1.2%	4.7%
*Monthly residential bill comprised of 5/8" meter, 8,300 gallons of water use, winter months' wastewater average of 5,300 gallons						
Storm Drainage Management **	\$ 8.41	\$ 8.82	\$ 9.22	\$ 9.68	\$ 10.16	\$ 10.72
Dollar Change		\$ 0.41	\$ 0.40	\$ 0.46	\$ 0.48	\$ 0.56
Percent Change		4.9%	4.5%	5.0%	5.0%	5.5%
**Average monthly residential stormwater bill						

Note: Future year rates/fees are based on information through May 2022 and will be adjusted prior to budget recommendation in August 2022.



Enterprise Cost of Service



	FY21	FY22	FY23 Proposed	FY24 Planned	FY25	FY26
SAN - Residential Collection ***	\$ 30.52	\$ 34.30	\$ 35.70	\$ 36.37	\$ 37.33	\$ 38.34
Dollar Change		\$ 3.78	\$ 1.40	\$ 0.67	\$ 0.96	\$ 1.01
Percent Change		12.4%	4.1%	1.9%	2.6%	2.7%
***Monthly residential collection						
SAN – McCommas Bluff ****	\$ 34.20	\$ 34.88	\$ 37.67	\$ 38.80	\$ 39.96	\$ 41.16
Dollar Change		\$ 0.68	\$ 2.79	\$ 1.13	\$ 1.16	\$ 1.20
Percent Change		2.0%	8.0%	3.0%	3.0%	3.0%
****Per ton gate rate						
Additionally, a new \$2 per ton Environmental Fee is recommended for commercial customers at McCommas Bluff Landfill.						

Note: Future year rates/fees are based on information through May 2022 and will be adjusted prior to budget recommendation in August 2022.





Community Engagement

Community Engagement



- Three public hearings held at City Council meetings – March 9, May 25, and August 24
- Spring listening sessions held March 28 - 31
 - Led by Mayor and City Council Office (MCC)
 - 18 total sessions, with 435 attendees
 - Top 3 points of discussion
 - Environmental/Sustainability
 - Streets and roads
 - Public safety
- Council-hosted budget town hall meetings planned for August 11-25
 - Dates, times, locations, and format (virtual vs in-person) should be submitted by July 1



Community Engagement



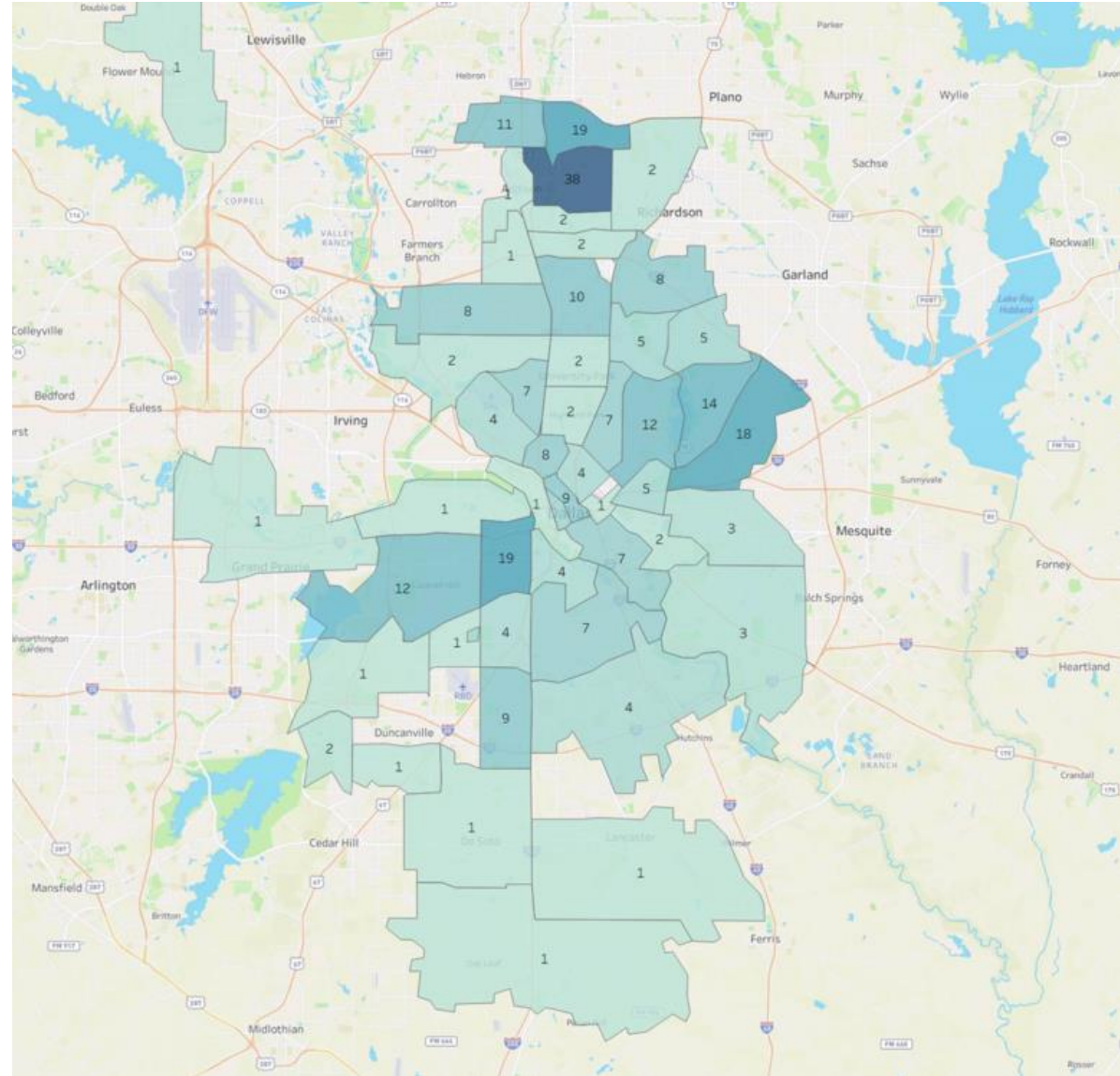
- Community and business survey data and results have been delayed
 - Current process is under review due to low response rate and concern over validity of survey sampling methods
 - BMS/POM currently working with the contract supplier to identify next steps including implementation of remedy plan with current supplier or procure a new supplier via AA
- Budget Priorities Survey (May 2 – July 2)
 - Online (English and Spanish)
 - Paper copies at libraries and recreation facilities in equity high impact zip codes (English, Spanish, and Vietnamese)
 - As of June 8, responses received from 320 residents



Budget Priorities Survey – Preliminary Data



- Respondents are mapped based on zip codes provided
- Survey outreach and advertising continues through City's blog and social media channels in English and Spanish (May and June)



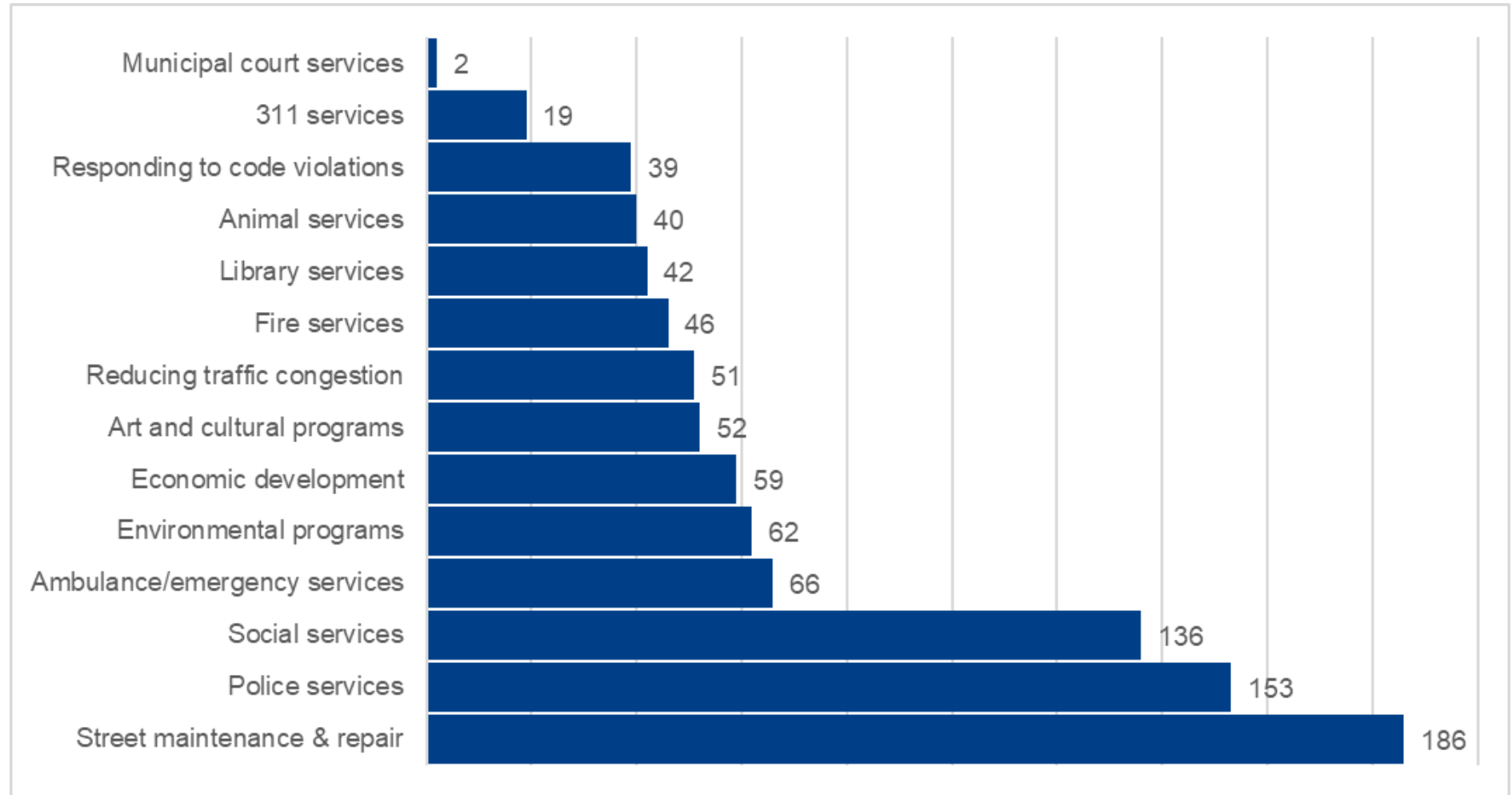
Note: Survey data is through June 8. Additional data will be collected through July 2.



Budget Priorities Survey – Preliminary Data



If you could **increase** funding to three service areas, which three would you choose?

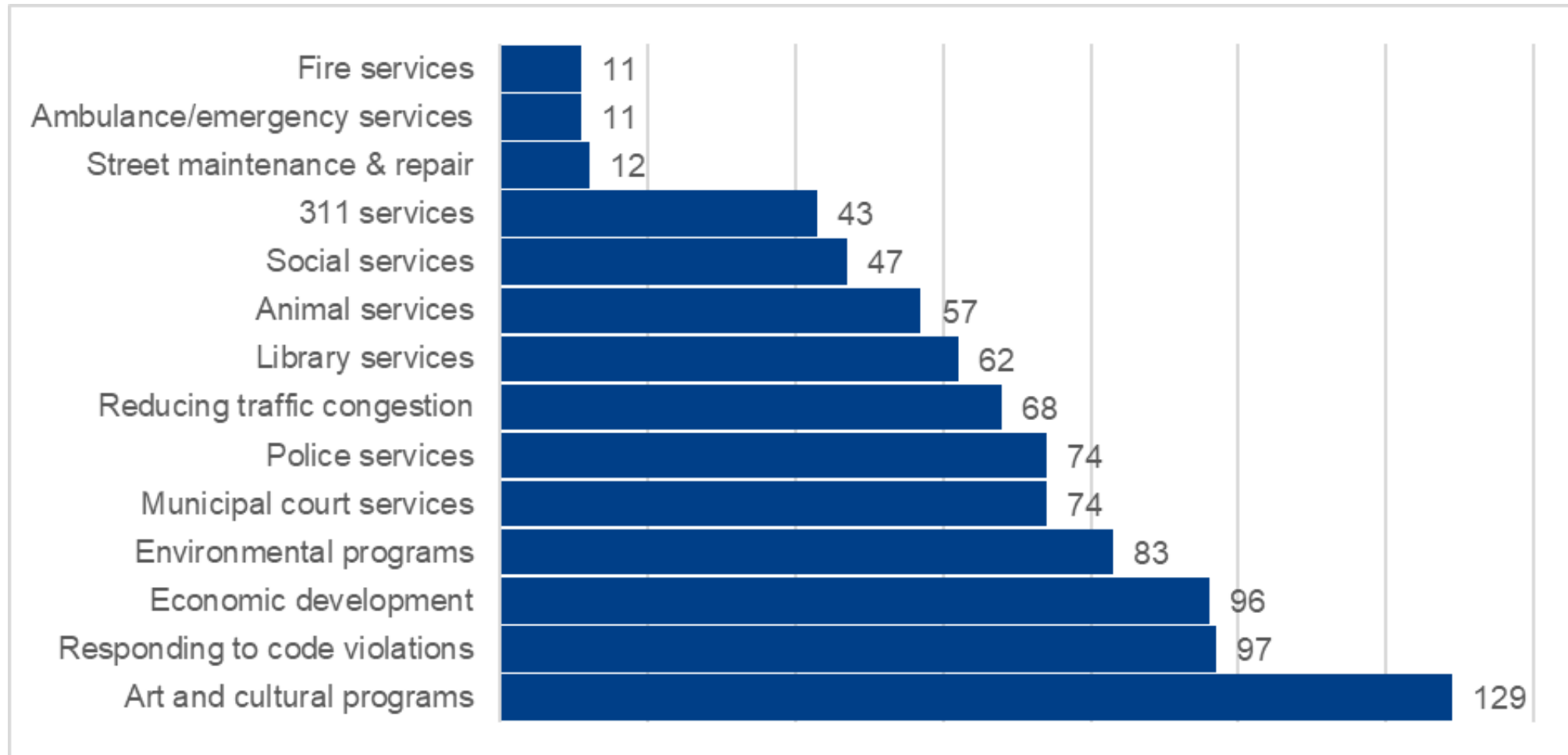


Note: Survey data is through June 8. Additional data will be collected through July 2.

Budget Priorities Survey – Preliminary Data



If you could **decrease** funding to three service areas, which three would you choose?

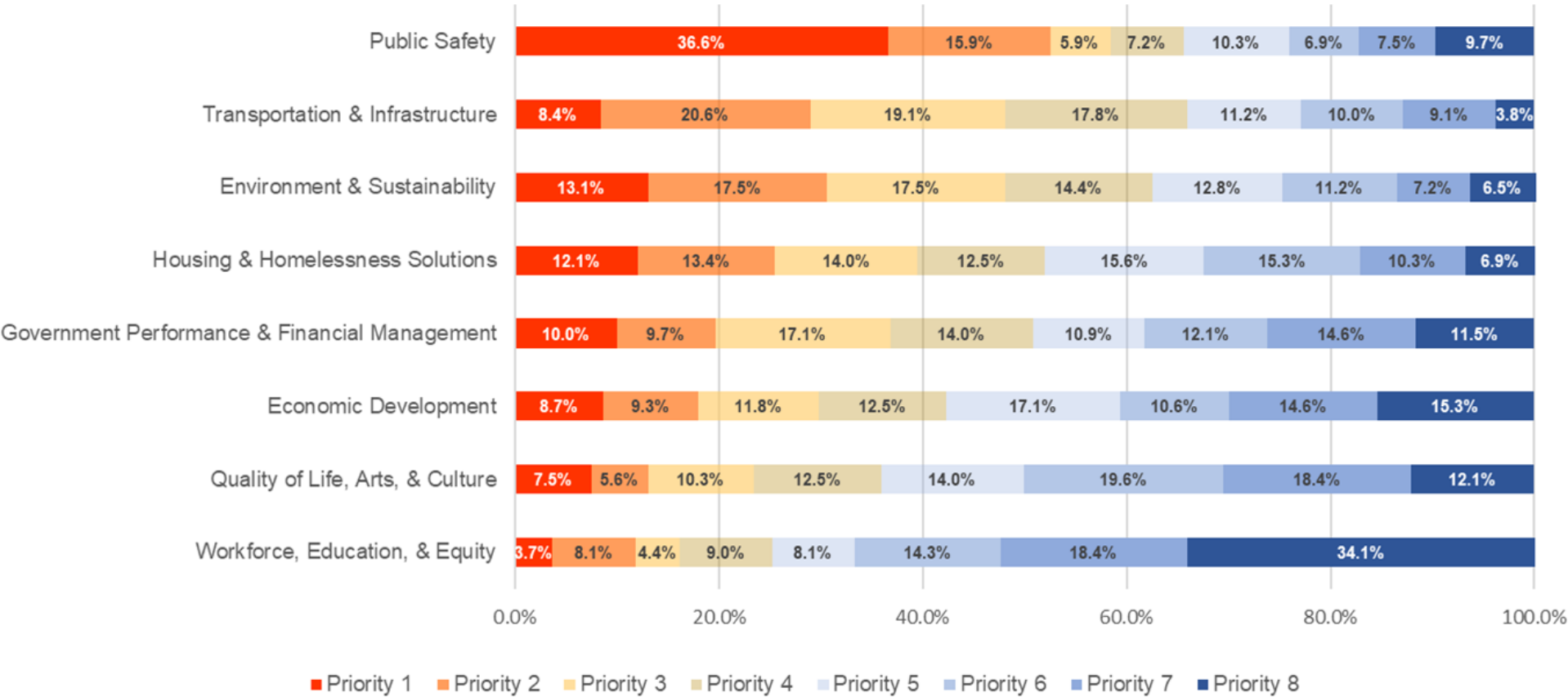


Note: Survey data is through June 8. Additional data will be collected through July 2.

Budget Priorities Survey - Preliminary Data



Ranking of City's 8 Strategic Priorities Areas



*most importance (top) with least important (bottom)



Note: Survey data is through June 8. Additional data will be collected through July 2.

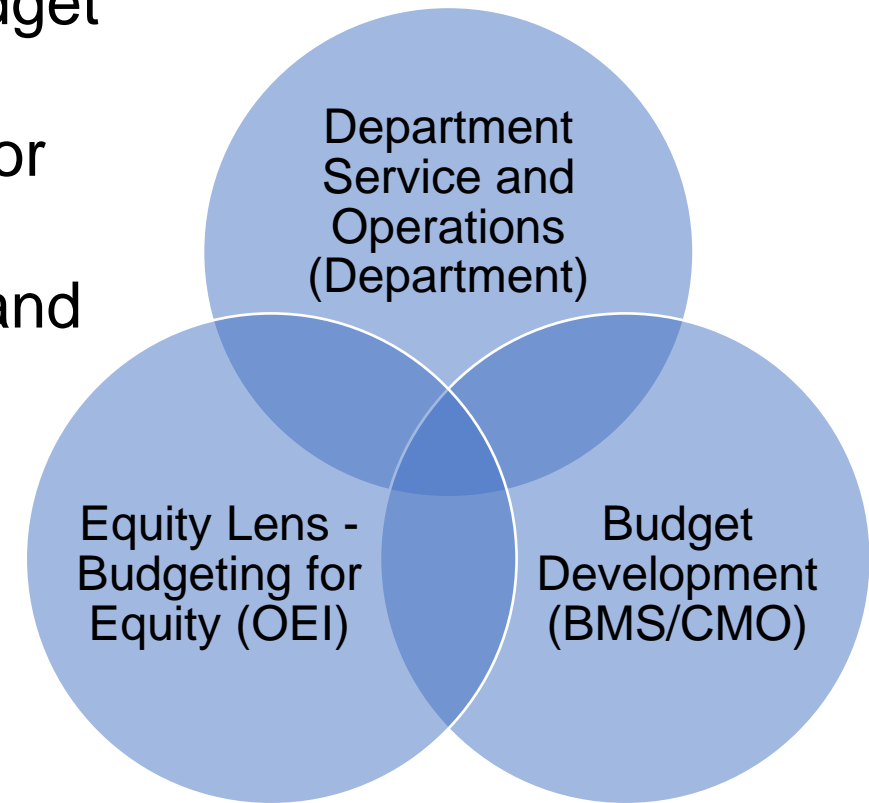


Equity Focus Budget

Equity Focused Budget



- Equity Focused Budget has an opportunity to transform, reimagine, and evolve service delivery and operations to increase equity
 - Evaluate priorities and processes with existing budget and resources
 - Prioritize resources to areas in communities of color (COC) and lower-income neighborhoods (LIN)
 - Utilize data (demographic, community indicators, and research) to support equity initiatives
 - Highlight existing equity work within the City and maximize opportunities to expand



Equity Focused Budget



- Further integrate Budgeting for Equity tool (Office of Equity and Inclusion) into the budget development process (Budget and Management Services) to further fine tune department's equity lens
 - Support policy decisions from Office of Equity and Inclusion and direction from stakeholders
 - Streamline use of department budget submissions, equity initiatives, and data sources to reduce duplicative reporting
 - Highlight departments' equity initiatives and align with relevant data sets
 - Report outcomes and successes to model future best practices



Equity Focused Budget



- Equity is embedded in budget development process:
 - Equity impact statements are incorporated in departmental budget submission
 - Office of Equity and Inclusion assesses department enhancement requests annually through Budgeting for Equity process
 - Budget book highlights equity programs, services, and initiatives
 - Executive summary
 - Community profile
 - Strategic priorities
 - Department narratives



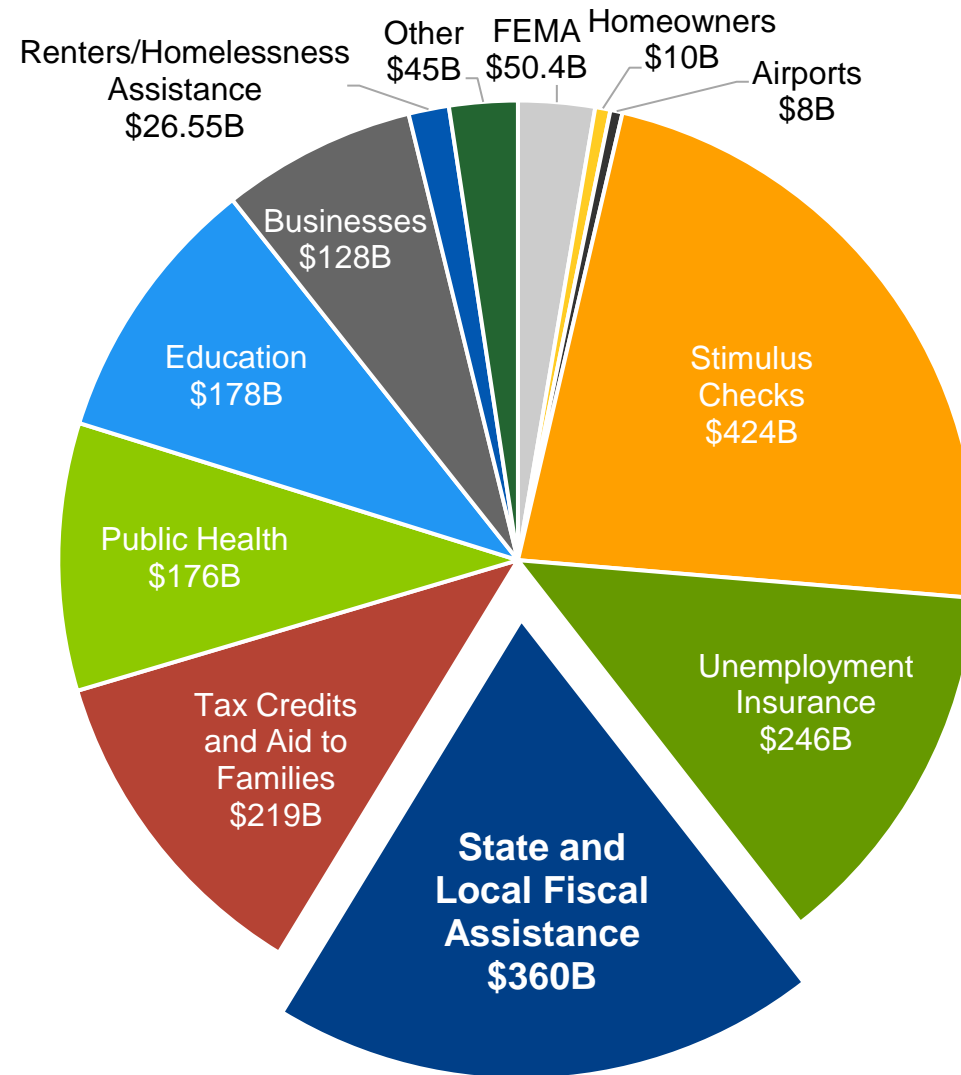


ARPA Local Fiscal Recovery Funds

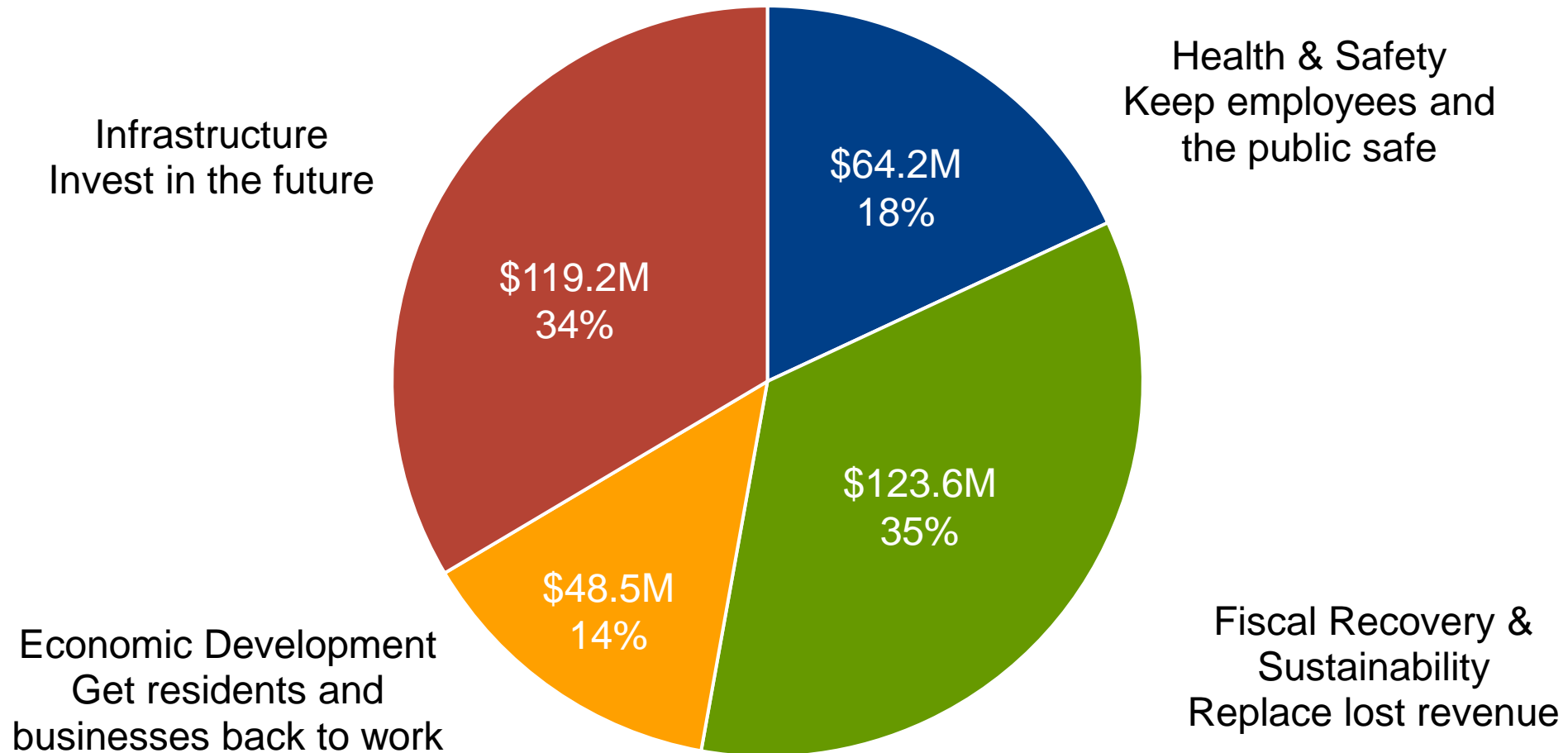
American Rescue Plan Act (ARPA)



- President Biden signed the **\$1.9 trillion** American Rescue Plan Act of 2021 (ARPA) into law on March 11, 2021
- City of Dallas has received \$355.4 million from Local Fiscal Recovery Funds (second tranche received June 7, 2022)



ARPA Spending Framework



Does not include an additional \$22.4M for health and safety for residents experiencing homelessness

ARPA Discretionary Funds



- As part of \$355.4 million funds received, \$16 million was set aside to target specific needs identified by the Mayor and each City Council member
 - \$2 million for the Mayor
 - \$1 million for each Council District
 - The Mayor and each Council Member needs to identify their specific programs and identify the allocation to each
- Broad eligible categories for use of Local Fiscal Recovery Funds include:

Respond to
COVID-19 or its
economic impacts

Replace revenue
lost due to
COVID-19

Provide premium
pay for eligible
essential workers

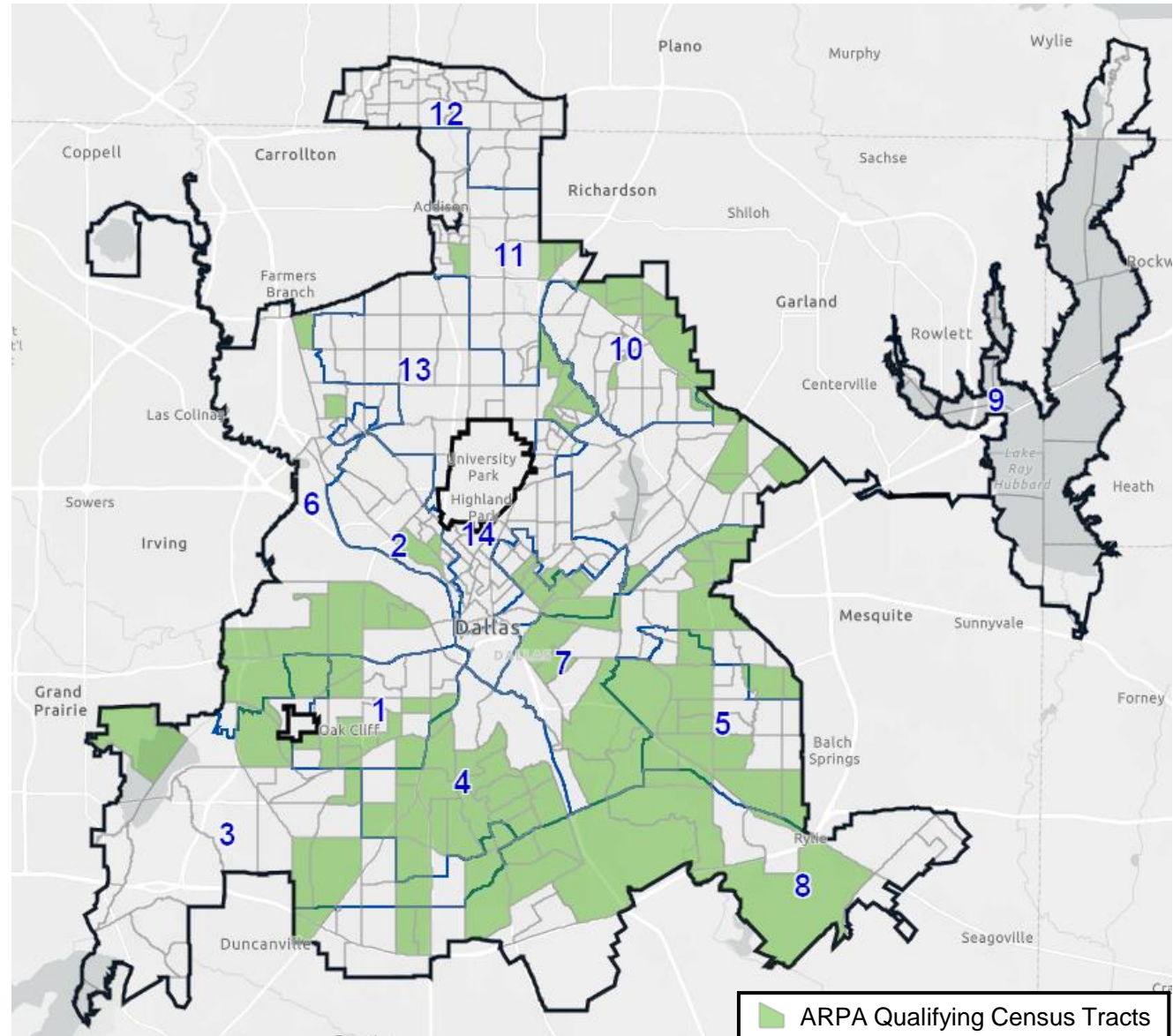
Invest in water,
sewer, and
broadband
infrastructure



ARPA Discretionary Funds



- Recent guidance from US Treasury has given greater flexibility for use of funds within Qualified Census Tracts and to address needs of communities disproportionately impacted by COVID



* The map can be found here: [ARPA Qualified Tracts Identifier \(arcgis.com\)](https://arcgis.com)



ARPA Discretionary Funds



- Discussion with Council Members earlier this year identified several activities that have been reviewed to determine their eligibility, and include the following:

Row #	Program or Activity	Eligible citywide	Eligible Impacted Business, Household or Community only	Eligible Qualified Census Tract only	Not eligible
1	Bike lane (striping or infrastructure improvements)			X	
2	Broadband infrastructure	X			
3	Building permit improvements				X
4	Childcare and childcare provider assistance		X	X	
5	City technology infrastructure systems (increase/improve access to government services)	X			
6	Code compliance (blight remediation, lighting, overgrown vegetation)			X	
7	COVID vaccination, testing, education	X			
8	Day labor		X		
9	Entrepreneurship/Innovation Center		X	X	
10	Food security (grocery store, community garden)			X	
11	Food security and essential services		X	X	
12	Front line workers at care facilities	X			



ARPA Discretionary Funds



Row #	Program or Activity	Eligible citywide	Eligible Impacted Business, Household or Community only	Eligible Qualified Census Tract only	Not eligible
13	Home repair (weatherization, seniors, workforce development, smart thermometers, etc.)		X	X	
14	Infrastructure (ADA, alleys, pedestrian crossings, signals, sidewalks, curbs)			X	
15	Landmark/historic survey				X
16	Library community room - Renner Frankford Library				X
17	Mental health assistance		X	X	
18	Panhandling signage				X
19	Park land (Better Block green space)			X	
20	Park land acquisition				X
21	Senior assistance, senior facility assistance, mental health, isolation services		X	X	
22	Skate park construction				X
23	Small Business Assistance		X	X	
24	Small Business Assistance (facility and/or infrastructure improvements)			X	
25	Social service programs offered by Office of Community Care		X	X	
26	Traffic calming (speed humps, lights, signage)			X	
27	Trail connectivity			X	
28	Vickery Meadows community			X	
29	Water/sewer infrastructure	X			
30	Workforce development		X		
31	911/311/radio access (technology for underserved areas)	X			





Budget Development Schedule and Next Steps

Budget Development Schedule



Date	Activity
March 9	Budget Public Hearing*
March 28-31	Budget Town Hall Meetings – Listening Sessions in Advance of Budget Preparation*
May 4	Budget Workshop
May 25	Budget Public Hearing*
June 15	Budget Workshop
July 25	Central Appraisal Districts provide certified property values to the City
August 6	Deliver budget documents and supporting materials to MCC offices by noon
August 9	Budget Workshop: City Manager's Recommended Budget
August 11- 25	Budget Town Hall Meetings*
August 17	Budget Workshop
August 24	Budget Public Hearing*
August 31	Budget Workshop: Consider Amendments (straw votes anticipated)
September 7	Adopt budget on First Reading
September 21	Adopt tax rate and budget on Final Reading
October 1	Fiscal year begins



*Opportunities for Public Input

Next Steps



- City Council members are invited to submit their top three budget priorities to City Manager with follow-up meetings with CFO and Budget Director prior to July recess if requested
 - 6 of 15 received as of June 10
- City Council members are requested to submit the dates, times, location, and format (virtual vs in-person) of budget town hall meetings to the MCC director by July 1
 - Budget town hall meetings are scheduled August 11 through August 25
- City Council members are requested to identify activities and allocation of ARPA discretionary funds
 - \$1 million for each City Council member and \$2 million for the Mayor





City of Dallas

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