

Memorandum



CITY OF DALLAS

DATE June 15, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **FY 2018-19 and FY 2019-20 Biennial Budget Update**

On June 20, 2018, the Office of Budget will brief Council on the FY 2018-19 and FY 2019-20 Biennial Budget Update. I have attached the presentation materials for your review.

Please let me know if you have any questions.

M. Elizabeth Reich

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billierae Johnson, City Secretary
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

FY 2018-19 and FY 2019-20 Biennial Budget Update

**City Council Briefing
June 20, 2018**

**Elizabeth Reich, CFO
Jack Ireland, Budget Director
Janette Weedon, Budget Assistant Director**



City of Dallas

Purpose of Briefing

- Recap biennial budget for FY 2017-18 (FY18) and FY 2018-19 (FY19)
- Review additional considerations for biennial budget development for FY 2018-19 (FY19) and FY 2019-20 (FY20)
- Provide schedule and next steps
- Receive feedback from City Council

Recap FY 2017-18 (FY18) and FY 2018-19 (FY19) Biennial Budget



Biennial Budget – FY18 & FY19

- City Manager recommended balanced budget for both FY18 and FY19 on 8/8/17
- City Council made amendments and adopted FY18 budget on 9/20/17
 - Current fiscal year began on 10/1/17 and runs through 9/30/18
 - Budget amendments have been approved by Council as necessary
- Planned budget for FY19 is basis for rolling biennial budget which will include FY19 and FY20
 - Balanced biennial budget will be presented to Council on 8/14/18

Biennial Budget – FY18 & FY19

(Data is from page 4 of FY18 adopted budget)

Expenditure	FY 2016-17 Amended	FY 2017-18 Adopted	FY 2018-19 Planned
General Fund	\$1,239,517,710	\$1,276,420,942	\$1,322,050,654
Aviation	108,885,992	127,028,405	134,895,621
Convention and Event Services	97,478,329	97,787,266	101,388,912
Municipal Radio	2,032,482	2,051,318	2,086,407
Sanitation Services	100,541,054	102,279,097	104,082,739
Storm Drainage Management	54,657,769	55,936,837	58,436,837
Sustainable Development and Construction	36,090,295	32,376,190	32,492,994
Water Utilities	657,464,737	667,471,388	687,671,388
Debt Service	261,865,145	267,322,998	287,416,255
Total Operating Budget	2,558,533,513	2,628,674,441	2,730,521,807
General Purpose Capital	177,410,919	148,489,745	123,326,860
Enterprise Capital	347,256,085	343,565,793	338,442,638
Total Capital Budget	524,667,004	492,055,538	461,769,498
Total Budget	\$3,083,200,517	\$3,120,729,979	\$3,192,291,305



General Fund Revenues Assumed for FY19

- General Fund budget is primarily supported by property tax (51%) and sales tax (24%)
- Property tax values are assumed to grow by 7.22% while maintaining current tax rate of 78.04¢ per \$100 valuation
- Sales tax revenues are assumed to grow by 3.5%

	FY18	FY19	FY20	FY21	FY22
Property Tax	7.18%	7.22%	6.8%	6.3%	6.1%
Sales Tax	3.8%	3.5%	3.2%	1.6%	2.0%

General Fund Expenses Assumed for FY19

- Planned budget assumes increase in expenses necessary to continue current services at current service levels
- Expense assumptions include:
 - Increases for current Meet and Confer agreement, uniform step pay, civilian merit, pension, and employee/retiree health benefits
 - Increases for on-going expenses such as TIF payments and Master Lease debt cost

General Fund Expenses Assumed for FY19

- Enhanced expenses for FY19 include:
 - One front line and one peak demand EMS unit
 - Additional City Attorney to address substandard properties
 - Increased funding level for major maintenance of City facilities
 - Increased funding level for street and alley improvements through pay-as-you-go
 - Compensation study
 - Historic Preservation resource survey
 - May 2019 election
 - O&M cost for three additional aquatic facilities

Enterprise Fund Revenues Assumed for FY19

(Data is from page 12 of FY18 adopted budget)

- Enterprise Fund budgets are primarily supported by fees charged to customers
- Fees are assumed to increase in FY19 to fully recover the cost of services

Typical Residential Monthly Bill for each Service

Dallas Water Utilities

- FY17 = \$66.09
- FY18 = \$67.12
- FY19 = \$68.99

Sanitation Services

- FY17 = \$24.32
- FY18 = \$25.18
- FY19 = \$25.84

Storm Drainage Management

- FY17 = \$6.46
- FY18 = \$7.09
- FY19 = \$7.41

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Additional Considerations for FY 2018-19 (FY19) and FY 2019-20 (FY20) Biennial Budget

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Biennial Budget – FY19 & FY20

- Planned budget for FY19 (presented to Council 8/6/17) is basis for rolling biennial budget for FY19 and FY20
 - FY19 is already balanced and will primarily “stay-the-course” with minimal adjustments
 - FY20 will be balanced over next two months and will allow for programmatic changes and/or new direction
- Budget development process is well underway and balanced biennial budget will be recommended to Council on 8/14/18
 - Council will review and may amend one or both years of biennial
 - Council will only adopt FY19 budget on 9/18/18

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City Council Planning Session

- City Council Planning Session was held 2/21/18
- Overarching initiatives were prioritized by Council
 - Top priorities are listed below with full list in appendix
- Council's prioritized initiatives will be considered through biennial budget development process

Count	Overarching Initiatives from 2018 Council Retreat
11	Comprehensive Housing Policy/Strategic Plan
9	Strategic Plan to End homelessness
8	Comprehensive Economic Development Policy/Strategic Plan
8	Develop and Implement a 5-year Infrastructure Management Program
8	Sustainable Development and Construction Improvements "One Stop Shop"
7	CDBG/HOME Consolidated Plan Alignment and Accountability
7	Comprehensive Transportation and Mobility Strategy
7	Develop a Comprehensive Database of all City-owned buildings/land
7	Develop Effective Strategy to Reduce/Eliminate Aggressive Panhandling
7	Update the City's Comprehensive Plan

2018 Community Survey

- On 5/2/18, Council received report on 2018 Community Survey conducted by ETC Institute
- Survey participants were randomly selected with 1,442 completed responses received
 - At least 100 completed per Council district
- Survey results have 95% confidence level with +/- 2.6% margin of error
- Summary and conclusions from 2018 Community Survey is on following slides

2018 Community Survey

(2018 Community Survey – 5/2/18 briefing, slide 26)

Summary and Conclusions

- Residents have a positive perception of the City
 - 72% rated the overall quality of life as “excellent” or “good”; only 4% gave a rating of “poor”
- Overall satisfaction with City services is 9% above the national average for large US cities
- Dallas is setting the standard for customer service among large U.S. cities
- Top priorities for residents were:
 - Infrastructure maintenance
 - Police services
 - Code enforcement

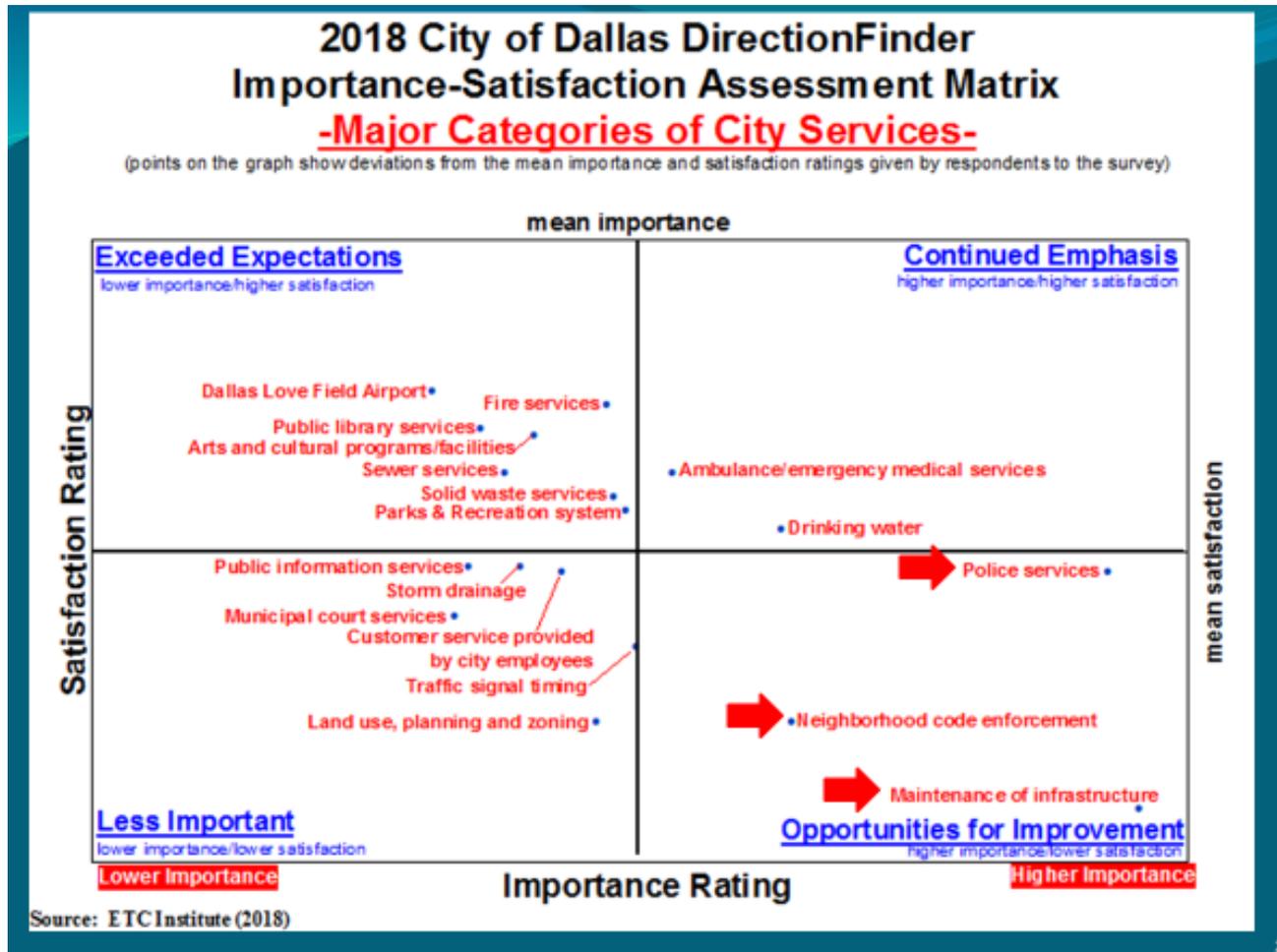
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2018 Community Survey

(2018 Community Survey – 5/2/18 briefing, slide 25)



2018 Community Survey

(2018 Community Survey – 5/2/18 briefing, slide 24)

2018 Importance-Satisfaction Rating City of Dallas Major Categories of City Services						
Category of Service	Most Important %	Most Important Rank	Satisfaction %	Satisfaction Rank	Importance-Satisfaction Rating	I-S Rating Rank
Very High Priority (IS > .20)						
Maintenance of infrastructure	55%	1	24%	18	0.4180	1
Police services	53%	2	62%	12	0.2014	2
High Priority (IS .10-.20)						
Neighborhood code enforcement	30%	3	37%	17	0.1890	3
Medium Priority (IS < .10)						
Land use, planning, and zoning	15%	10	38%	16	0.0930	4
Drinking water	29%	4	68%	9	0.0928	5
Traffic signal timing	18%	6	51%	15	0.0882	6
Parks and recreation system	18%	7	71%	8	0.0522	7
Customer service provided by city employees	13%	11	62%	13	0.0494	8
Ambulance/emergency medical services	21%	5	78%	6	0.0462	9
Solid waste services	17%	8	75%	7	0.0425	10
Storm drainage	10%	13	63%	10	0.0370	11
Municipal court services	5%	17	55%	14	0.0225	12
Public information services	6%	16	63%	11	0.0222	13
Sewer services	9%	14	78%	5	0.0198	14
Art and Cultural programs/facilities	11%	12	84%	4	0.0176	15
Fire services	16%	9	89%	2	0.0176	16
Public library services	7%	15	85%	3	0.0105	17
Dallas Love Field Airport	3%	18	91%	1	0.0027	18

Overall Priorities: ←

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Community Engagement

- Additional citizen input received at community engagement outings and through on-line survey
 - Started annual on-line survey in May 2014 seeking input from more citizens than the few that speak at public hearings
 - Began additional community outreach in March 2017 and again in Spring 2018
- Annual budget survey provides another opportunity for citizens to give input yet results are not considered statistically valid
 - 152 surveys completed at community events
 - 2,184 surveys completed on-line

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Community Engagement

- Below are responses from annual budget survey conducted on-line and at community outings

How should \$100 be allocated?	
City Services	% of Allocation
Police	43%
Fire & Ambulance	25%
Street & Alley	7%
Park & Open Space	6%
Libraries	4%
Recreation Centers	3%
Animal Services	3%
Neighborhood Code	3%
Housing Programs	2%
Social Services	2%
Economic Development	2%
Cultural Services	1%

Which service should be increased?	
City Services	% of Responses
Police	33%
Street & Alley	32%
Park & Open Space	5%
Housing Programs	5%
Animal Services	4%
Economic Development	4%
Social Services	4%
Libraries	3%
Fire & Ambulance	3%
Recreation Centers	3%
Cultural Services	2%
Neighborhood Code	2%

Which service should be decreased?	
City Services	% of Responses
Cultural Services	34%
Economic Development	13%
Housing Programs	12%
Neighborhood Code	12%
Animal Services	6%
Social Services	6%
Park & Open Space	5%
Libraries	5%
Police	4%
Street & Alley	1%
Fire & Ambulance	1%
Recreation Centers	1%

Economic Forecast

- Five-year forecast for sales tax and property tax used in current biennial have been updated
- National economic conditions indicate positive national growth, but at slowing rate
- Regional economic conditions indicate continued overall growth, but slowing for both retail and real estate

Economic Forecast – Sales Tax

Factors Shaping Outlook

Positive:

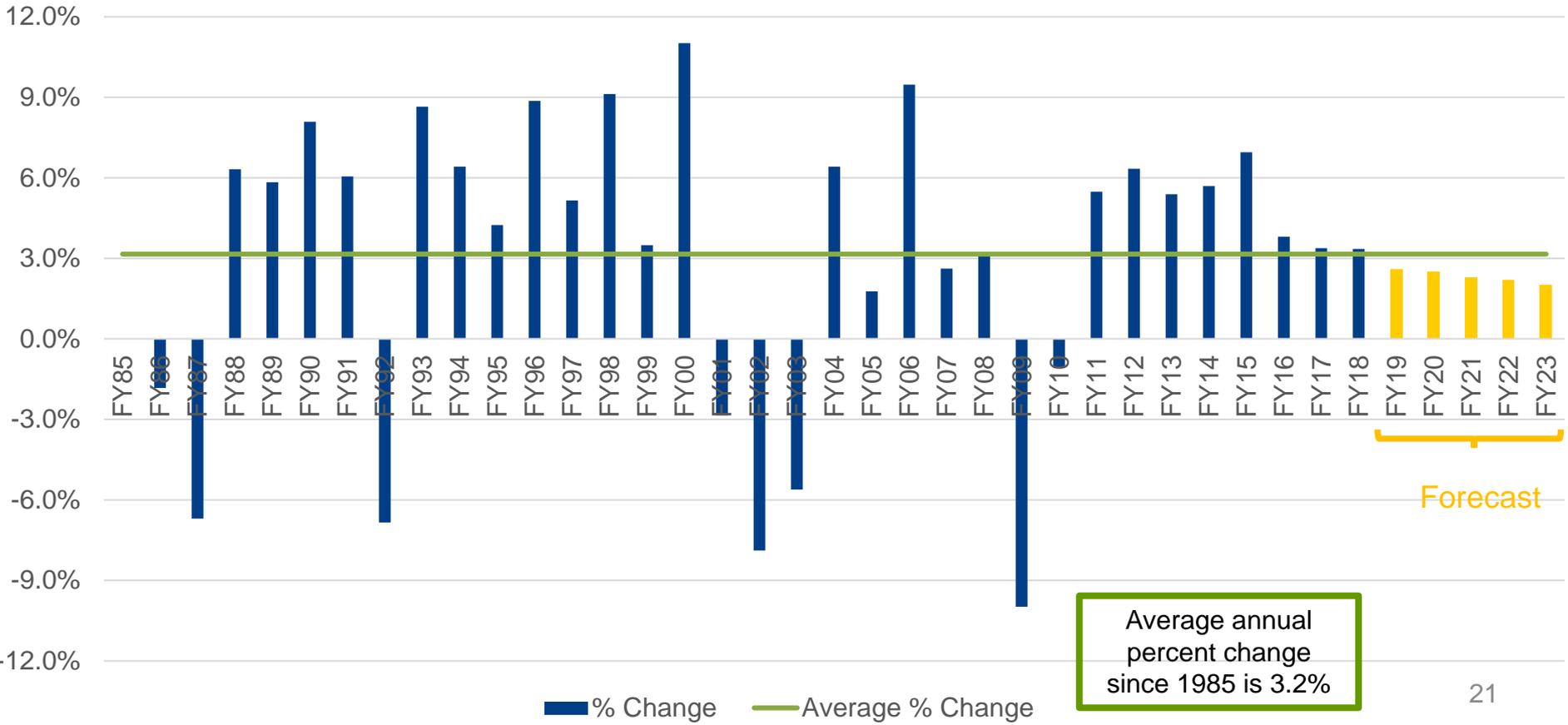
Local job & household expansion,
Wage growth,
Rising level of overnight visitors,
Consumer confidence,
Construction & development

Negative:

Slowing rates of economic growth,
Rising interest rates,
Increasing retail competition from suburbs,
E-Commerce

Fiscal Year	Forecast – July 2017	Forecast – June 2018
FY18	3.8%	N/A
FY19	3.5%	2.6%
FY20	3.2%	2.5%
FY21	1.6%	2.3%
FY22	2.0%	2.2%
FY23	N/A	2.0%

Sales Tax Revenue – % Change



Average annual percent change since 1985 is 3.2%

Economic Forecast – Property Value

Factors Shaping Outlook

Positive:

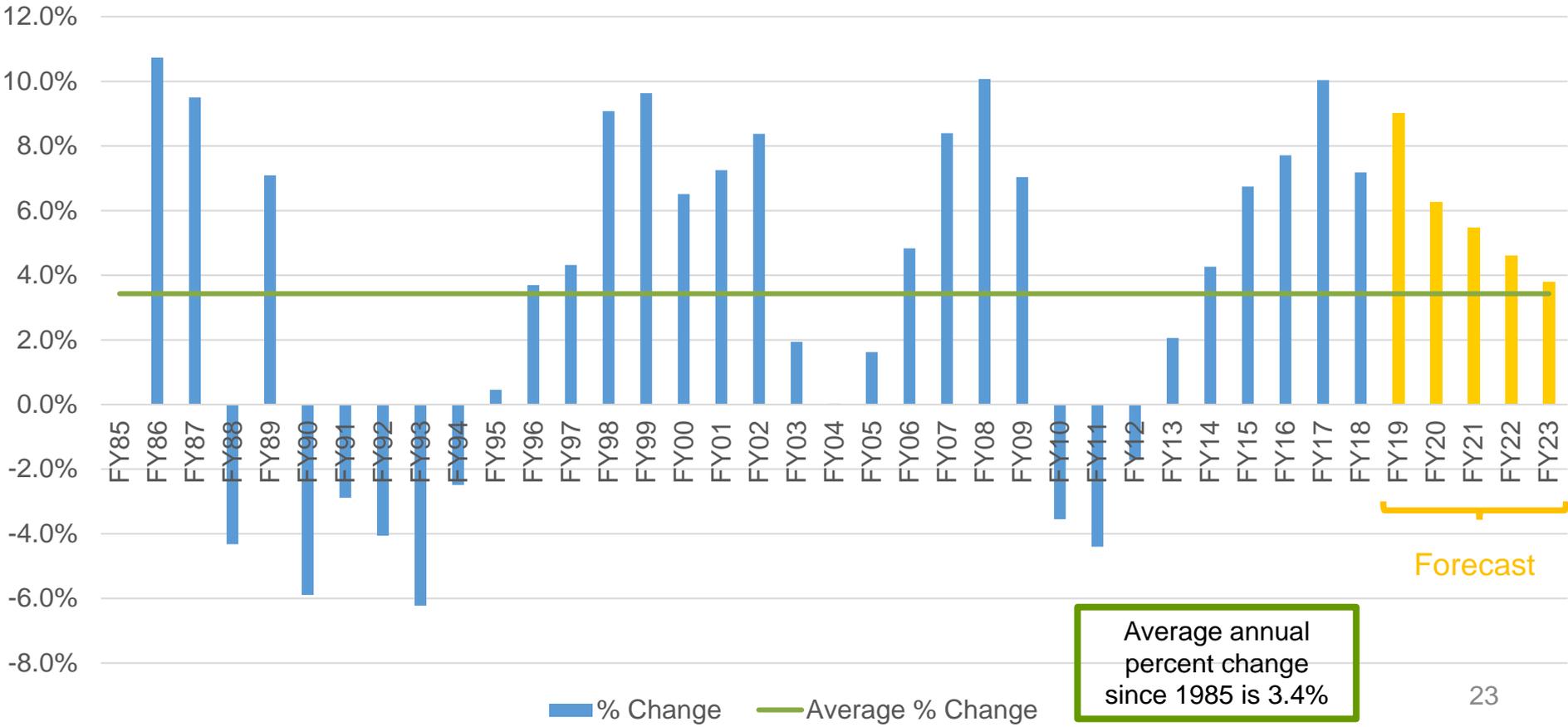
Interest rates/cost of money,
Local job & household growth,
Wage growth,
Institutional capital interest in region

Negative:

Interest rates,
Cost of construction,
Underwriting standards

Fiscal Year	Forecast – July 2017	Forecast – June 2018
FY18	7.18%	N/A
FY19	7.22%	9.0%
FY20	6.8%	6.3%
FY21	6.3%	5.5%
FY22	6.1%	4.6%
FY23	N/A	3.8%

Property Value – % Change



Effective Tax Rate

- On 12/13/17, Council adopted new FMPC criteria which requires analysis of and presentation of an “effective tax rate” scenario
 - Effective tax rate calculation will be provided by Dallas County Tax Office in early August
 - Effective tax rate will generate \$35m to \$40m less revenue than in FY19 planned budget and this will require same amount of expenses to be cut from General Fund
 - Effective tax rate scenario will be provided on 8/14/18

Uniform Hiring and Attrition

- Uniform hiring/attrition and compensation continue to have significant budget impact
 - Impact must be considered as part of biennial budget development
- Hiring and attrition forecast

Uniform Hiring and Attrition Forecast	Police FY 18 Projection	Police (5/31/18)	Fire FY18 Projection	Fire (5/31/18)
10/1/2017	3,094	3,070	1,811	1,810
Attrition 10/1/17 to 5/31/18		(180)		(106)
Hiring 10/1/17 to 5/31/18		130		171
5/31/2018		3,020		1,875
Forecast Attrition 6/1/18 to 9/30/18		(62)		(48)
Forecast Hiring 6/1/18 to 9/30/18		86		109
10/1/2018	3,094	3,044	1,936	1,936

Uniform Compensation

- Current police and fire meet and confer agreement was approved by Council on 12/14/16
 - Agreement terminates on 9/30/19
- Agreement anticipated compensation increases for police and fire uniform employees in FY17, FY18, FY19, and FY20 forecast to be \$89.4m
 - FY20 cost is full-year funding for pay increases that are effective in FY19

Other Considerations

- 8/14/18 budget recommendation will align dollars and positions to match any organizational changes or realignments being proposed
 - School crossing guard program and City facility security will be consolidated in Marshal's Office
- Budget recommendation will consider any civilian and uniform employee compensation and benefits changes for FY20
- Consider opportunities to improve equity throughout city by allocating resources to address specific needs

Alternative Service Delivery

- Alternative service delivery models are being considered for two major City operations but recommendations will be after budget discussions begin on 8/14/18
- Fair Park
 - Three qualified firms submitted proposals in October 2017
 - Evaluation and interviews have been conducted and “best and final offers” have been received
 - Recommended agreement is anticipated in August 2018 for consideration by Park Board followed by City Council
- Kay Bailey Hutchison Convention Center
 - Request for proposals was advertised in May 2018
 - Proposals from qualified vendors are due in July 2018
 - Recommendation to Council is anticipated Fall 2018

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Enterprise Fund Fees

- Preliminary update for Enterprise Fund fees is provided below for both FY19 and FY20
 - Amounts listed may change to account for additional expenses that are still under consideration and/or service delivery changes

Typical Residential Monthly Bill for each Service

Dallas Water Utilities

- FY17 = \$66.09
- FY18 = \$67.12
- ~~FY19 = \$68.99~~
- FY19 = \$65.30
- FY20 = \$65.30

Sanitation Services

- FY17 = \$24.32
- FY18 = \$25.18
- ~~FY19 = \$25.84~~
- FY19 = \$25.88
- FY20 = \$26.30

Storm Drainage Management

- FY17 = \$6.46
- FY18 = \$7.09
- FY19 = \$7.41
- FY19 = \$7.41
- FY20 = \$7.73

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Enterprise Fund Revenues

- Dallas Water Utilities' retail cost of service study and settlement of Sabine River Authority litigation have resulted in revised forecast for FY19 and future years
 - DWU's 5-year forecast of average annual increases is reduced from 2.4% per year to 1.6% per year (no increase needed until FY21)
- Sanitation residential fee increase is primarily driven by personnel and fleet costs
 - Other programmatic changes and costs are being reviewed which may impact fee
- Storm Water fee increase is primarily due to “pay-as-you-go” capital projects and neighborhood drainage maintenance

Schedule and Next Steps



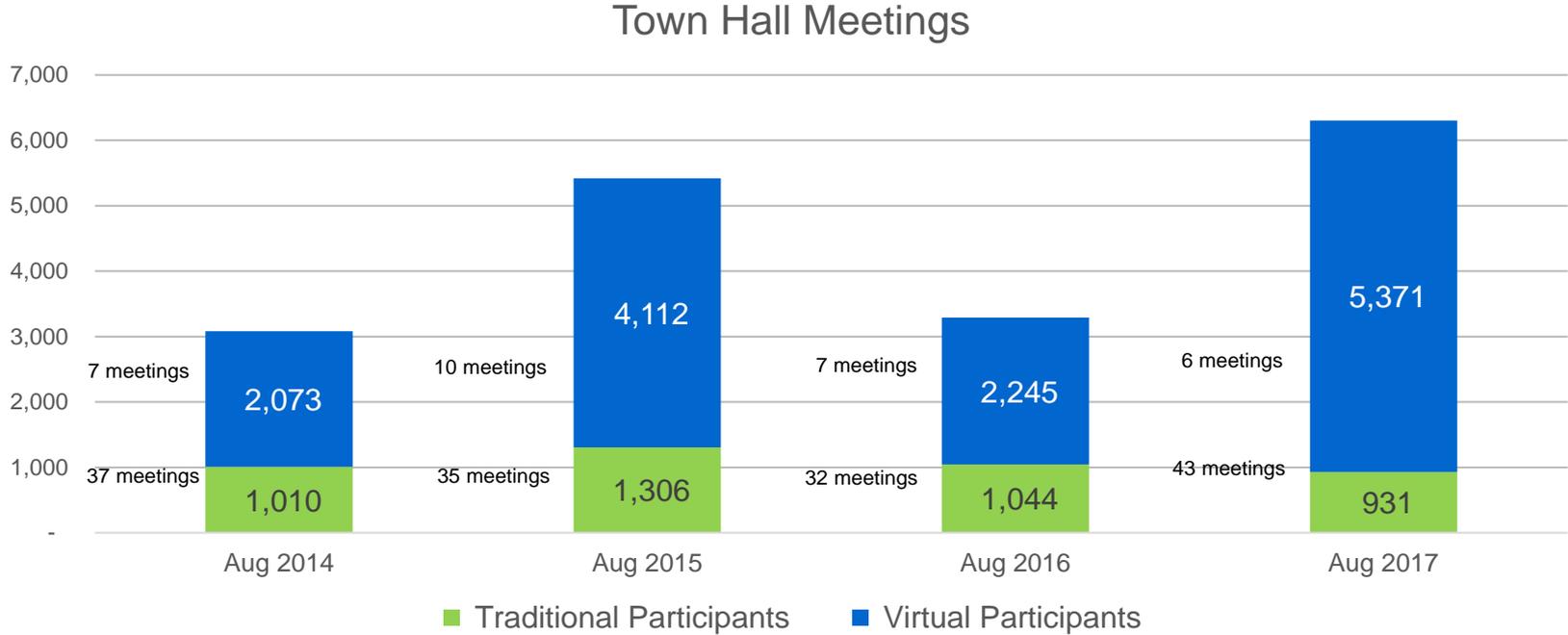
Budget Development Schedule

Date	Activity
1/3	Kick-off 2018 Community Survey
2/21	City Council Planning Session
3/10 to 5/4	Community engagement meetings and informal survey
3/21	Budget briefing – biennial budget and process/schedule
3/28	Public Hearing
5/2	Budget briefing – 2018 Community Survey results
5/9	Public Hearing
6/20	Budget briefing – update
8/14	Budget briefing – City Manager recommended budget, Truth-in-Taxation, and one Strategic Priority
8/15	Budget briefing – Strategic Priorities briefings
8/16 to 8/30	Council Member town hall meetings
8/20	Committee meetings – Strategic Priorities and discuss amendments
8/22	Public Hearing
8/27	Committee meetings – Strategic Priorities and discuss amendments
8/29	Budget workshop – committee chairs report and discuss amendments (straw votes anticipated)
9/5	Approve budget on First Reading and Tax Rate Public Hearing (if needed)
9/11	Budget workshop – optional
9/12	Tax Rate Public Hearing (if needed)
9/18	Approve budget on Second Reading; set tax rate; and consider other budget related items

Council Member Town Hall Meetings

- Council Members are encouraged to host meetings from 8/16/18 through 8/30/18
 - Virtual meetings:
 - Webcast and by phone
 - Historically reach larger audiences
 - We have capacity for up to seven virtual meetings
 - Council members may consider joint virtual meetings
 - Traditional meetings:
 - Held at district locations
 - Up to two per council district with staff in attendance
 - Materials will be provided to Council Members if additional meetings are scheduled
- Council Members should notify Mayor and Council Office Managing Director of date, time, and location of town hall meetings no later than 7/10/18

Council Member Town Hall Meetings



Committee Meetings and Amendments

- Council proposed budget amendments will be discussed during Committee meetings

8/20/18	<ul style="list-style-type: none">• Economic Development & Housing at 9 a.m.• Human & Social Needs at 11 a.m.• Government Performance & Financial Management at 2 p.m.
8/27/18	<ul style="list-style-type: none">• Quality of Life, Arts, & Culture at 9 a.m.• Public Safety & Criminal Justice at 11 a.m.• Mobility Solutions, Infrastructure, & Sustainability at 2 p.m.

- Committee chairs will recap committee amendment discussions on 8/29/18
 - Straw votes on amendments are anticipated
- Amendments supported by majority on 8/29/18 will be included in budget ordinance for approval on First Reading on 9/5/18

Next Steps

- July 10 – Notify City Manager’s Office of date, time, and location for Council Member hosted town hall meetings
- July 25 – Receive certified tax values from appraisal districts
- August 10 – Provide City Council with budget document and briefing materials
- August 14 – City Council briefing on recommended biennial budget, truth-in-taxation, and Public Safety Strategic Priority
- August 15 – City Council briefing on other five Strategic Priorities
- August 16 – Begin town hall meetings

Appendix



City Council Planning Session

Total	17/18	18/19	Overarching Initiatives
11	9	2	Comprehensive Housing Policy/Strategic Plan
9	6	3	Strategic Plan to End Homelessness
8	4	4	Comprehensive Economic Development Policy/Strategic Plan
8	2	6	Develop and Implement a 5-year Infrastructure Management Program
8	7	1	Sustainable Development and Construction Improvements "One Stop Shop"
7	3	4	CDBG/HOME Consolidated Plan Alignment and Accountability
7	7	0	Comprehensive Transportation and Mobility Strategy
7	1	6	Develop a Comprehensive Database of all City-owned Building and Land
7	4	3	Develop and Effective Strategy to Reduce/Eliminate Aggressive Panhandling
7	3	4	Update the City's Comprehensive Plan
6	2	4	Alley and Sidewalk Repair Improvement Programs
6	3	3	Develop a Green Space Plan
6	1	5	Mixed Use and Transit Oriented Development
6	2	4	Multi-Family Recycling Ordinance
5	4	1	Comprehensive Park Land Dedication and Tree Mitigation Policy/Ordinance
5	1	4	Develop Senior Living Strategic Plan
5	3	2	Develop/update Dallas Police Department Strategic Plan
5	2	3	Fair Park Management & Operations Contract
5	1	4	Redevelopment of Underutilized Commercial/Retail Centers
4	1	3	Establish a Comprehensive Plan for Smart Streetlight Conversion



City Council Planning Session

Total	17/18	18/19	Overarching Initiatives
4	2	2	Establish a Unified Development Code to Standardize Development Activities and Requirements
4	3	1	Targeted Economic Development Programs
4	2	2	Tax Relief and Spending Control Strategy
3	3	0	Affordable and Mixed Income Housing Development
3	0	3	Community Oriented Code Compliance and Responsiveness
3	2	1	Dallas Animal Services Comprehensive Code Review
3	1	2	Develop a Diversity, Equity and Inclusion Plan
3	2	1	Develop a Smart City Strategy
3	1	2	Gentrification Mitigation Strategy Development
3	1	2	Improve the Use of Data Throughout the City Organization to Inform Policy Development and Decision Making
2	0	2	Availability and Disparity Study
2	1	1	Develop a Citywide Litter Policy and Litter Abatement Plan
2	2	0	Develop an Anchor Institution Program
2	1	1	Programs to Improve the City's Housing Stock
2	1	1	RIGHT Care Pilot Program Implementation
1	0	1	City Council Professional Development and Training
1	0	1	Creation of City Council District Scorecards
1	0	1	Cultural Plan 2018
1	1	0	Develop a Digital Equity Strategy
1	0	1	Develop a Proactive Business Recruitment and Retention Plan
1	0	1	Develop/update Dallas Fire Rescue Strategic Plan
1	1	0	Street Feeding Ordinance and Policy Review
0	0	0	Develop a Strategy to Eliminate Food Desert in Southern Dallas
0	0	0	Develop Contractor Accountability Guidelines
0	0	0	Downtown Parking Utilization and Parking Efficiency Study
0	0	0	Fleet Management Efficiency Study
0	0	0	Streamline/Automate the Assistance Programs Across All Providers



FY 2018-19 and FY 2019-20 Biennial Budget Update

**City Council Briefing
June 20, 2018**

**Elizabeth Reich, CFO
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City of Dallas