

Memorandum



CITY OF DALLAS

DATE Friday 26, 2016

TO The Honorable Mayor and Members of the City Council

SUBJECT FY 2016-17 Budget Workshop #3: General Fund Gap Update

On Wednesday, March 2, 2016, the City Council will be briefed on a "General Fund Gap Update". The briefing is attached for your review.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



FY 2016-17 Budget Workshop #3: General Fund Gap Update

March 2, 2016

Budget development process

Sept 21
Budget Adoption

Aug-Sept
Council Deliberations

Aug 9 CMO
Recommendation

June 15
Budget Update

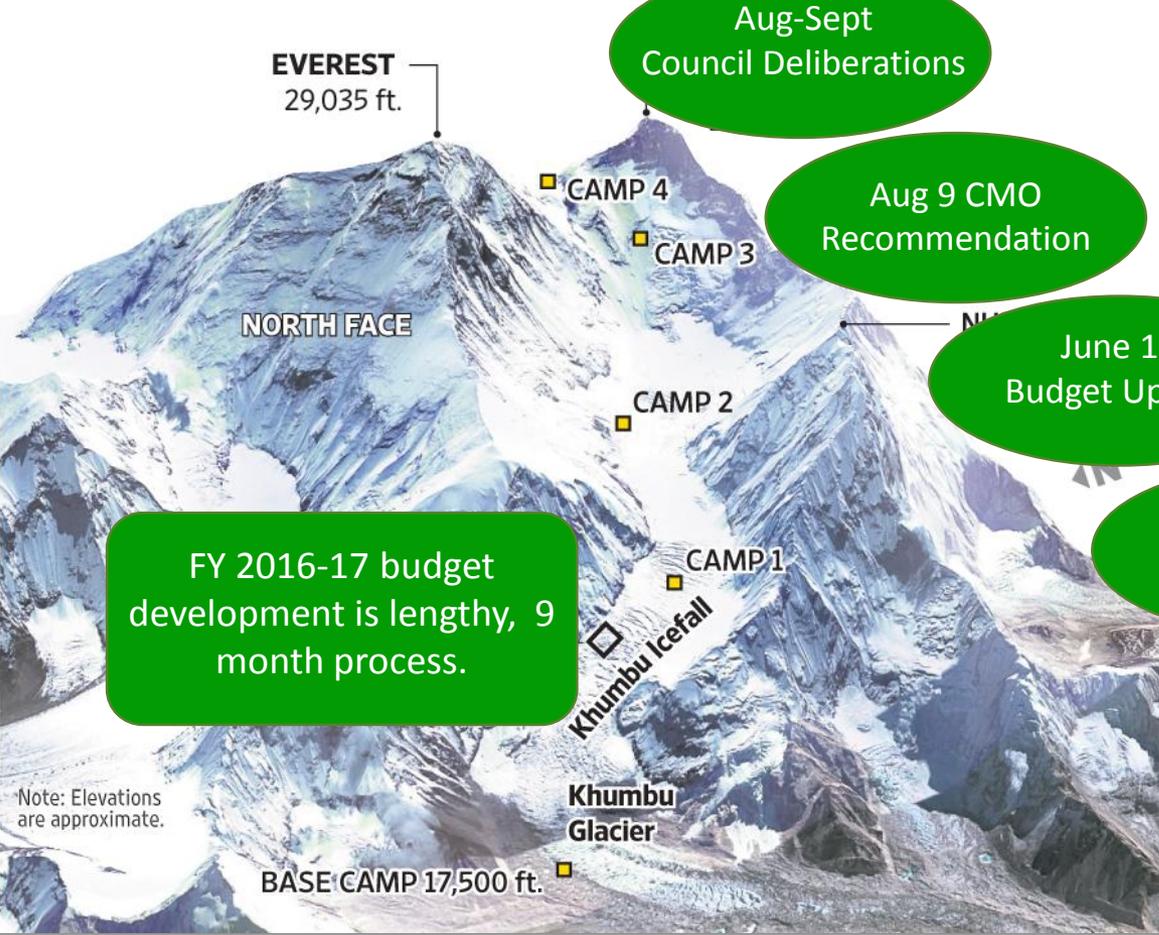
May 4
Options

March 2
Gap Update

✓ Feb 3
Council Input



FY 2016-17 budget development is lengthy, 9 month process.



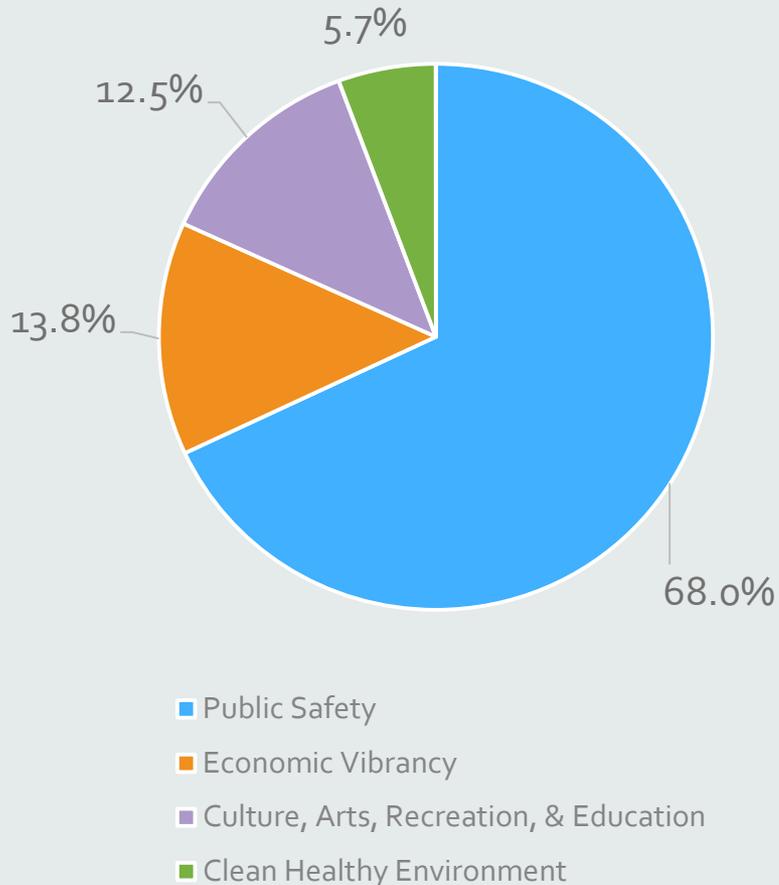
Purpose of briefing

- Update council on FY 2016-17 (FY17) general fund budget
 - Review input received from City Council during February 2&3 retreat
 - Discuss changes in FY17 general fund gap
 - Discuss path forward in budget development process
- Questions and comments



Follow-up to February 2&3, 2016 Council Retreat
Council Initial Input in FY17 General Fund Budget

Should KFA allocations be adjusted for FY17 general fund budget?



Key Focus Area	FY16 Percent	Increase Percent	Same Percent	Decrease Percent
Public Safety	68.0%	1	2	9
Economic Vibrancy	13.8%	5	6	1
Culture, Arts, Recreation & Education	12.5%	6	4	2
Clean Healthy Environment	5.7%	5	7	0

Note: For each KFA with increase in percent, there should be an offsetting decrease in percent for another KFA.

What are top 3 guiding principles for FY17 general fund budget?

Potential Guiding Principles	Count	Percent
Focus resources on infrastructure needs	11 (*12)	28%
Focus resources to address neighborhood issues	7	18%
Focus budget allocations on citizen priorities	5	13%
Scrutinize services for efficiencies and cost reductions	5	13%
Invest in technology to improve services and efficiencies	2	5%
Invest in uniform employees through increased compensation (including pension system)	2	5%
Reduce civilian staffing levels	2 (*4)	5%
Others? Cultural Arts	2	5%
Decrease ad valorem tax rate	1	3%
Maintain service levels next year (FY17) at the same level provided during current year (FY16)	1	3%
Enhance or expand service levels above those provided in current year	1	3%
Maintain current ad valorem tax rate	0	0%
Target allocations to areas with highest concentration of needs	0	0%
Invest in civilian employees through fair compensation and improved training	0	0%
Others? Social services	0	0%
Total	39 (*42)	

Note: 14 council members participated in exercise. *Two areas received duplicate votes.

What is level of support for including each item in FY17 general fund budget?

1 Strongly Support (Yes); 2 Somewhat Support; 3 Somewhat Oppose; 4 Strongly Oppose (No)

1 Yes	2	3	4 No	Question – <u>Should the FY17 General Fund budget....?</u>
14	1	0	0	(11)... include funding to achieve net zero degradation in street and alley condition until the implementation of the next bond program?
12	2	0	1	(10)... include service/expense reductions? If so, what services/expenses?
6	5	2	2	(8)... include funding for additional police officers above attrition?
4	7	4	0	(2)... include funding for a merit increase program for civilian employees?
7	2	3	3	(9)... include new services and/or enhancements? If so, what services/enhancements?
5	4	4	2	(7)... include funding to further Neighborhood Plus initiatives?
4	5	3	3	(5)... include increased funding for Fair Park as needed as part of the public-private partnership proposal?
3	6	6	0	(4)... include funding for employee/retiree health benefit cost increases?
3	6	4	2	(6)... include funding to continue both fleet replacement and information technology replacement/upgrades through the master lease financing program?
3	6	3	3	(3)... address police and fire uniform employee compensation?
2	5	3	5	(1)... limit property tax revenue by lowering the ad valorem tax rate?

Note: 15 council members participated in exercise.

Note: Number in parenthesis corresponds to question number during retreat.

What is level of support for including each item in FY17 general fund budget?

▪ Question #9 – Adds and Enhancements

- Park and Recreation
- Marketing/messaging of Park and Recreation
- Senior programming
- Cultural Arts
- Public Safety Officers

▪ Question #10 – Reductions

- Head count (stop the growth)
- City Attorney's Office
- Outsource services
- Hiring process
- Public Health
- Council lunch
- HVAC efficiencies

What are top 3 items that should be included in FY17 general fund budget?

Question – <u>Should the FY17 General Fund budget....?</u>	Count	Percent
(11)... include funding to achieve net zero degradation in street and alley condition until the implementation of the next bond program?	11	27%
(3)... address police and fire uniform employee compensation?	5	12%
(8)... include funding for additional police officers above attrition?	5	12%
(10)... include service/expense reductions? If so, what services/expenses?	5	12%
(5)... include increased funding for Fair Park as needed as part of the public-private partnership proposal?	4	10%
(7)... include funding to further Neighborhood Plus initiatives?	4	10%
(9)... include new services and/or enhancements? If so, what services/enhancements?	3	7%
(2)... include funding for a merit increase program for civilian employees?	2	5%
(1)... limit property tax revenue by lowering the ad valorem tax rate?	1 (*2)	2%
(4)... include funding for employee/retiree health benefit cost increases?	1	2%
(6)... include funding to continue both fleet replacement and information technology replacement/upgrades through the master lease financing program?	0	0%
Total	41 (*42)	

Note: 14 council members participated in exercise. *One area received duplicate votes.

Note: Number in parenthesis corresponds to question number during retreat.

Staff take-away from Council input

- Strong support to focus funds on infrastructure (streets/alleys)
- Clear direction to reduce expenses – through efficiencies and cost reductions
- Conflicting direction on Public Safety – preference to reduce percent allocated to Public Safety Key Focus Area, yet supportive of increased compensation for uniform employees and supportive of hiring police officers above attrition
- Conflicting direction to add/enhance services while overall direction to reduce costs
- Divided direction on property tax rate

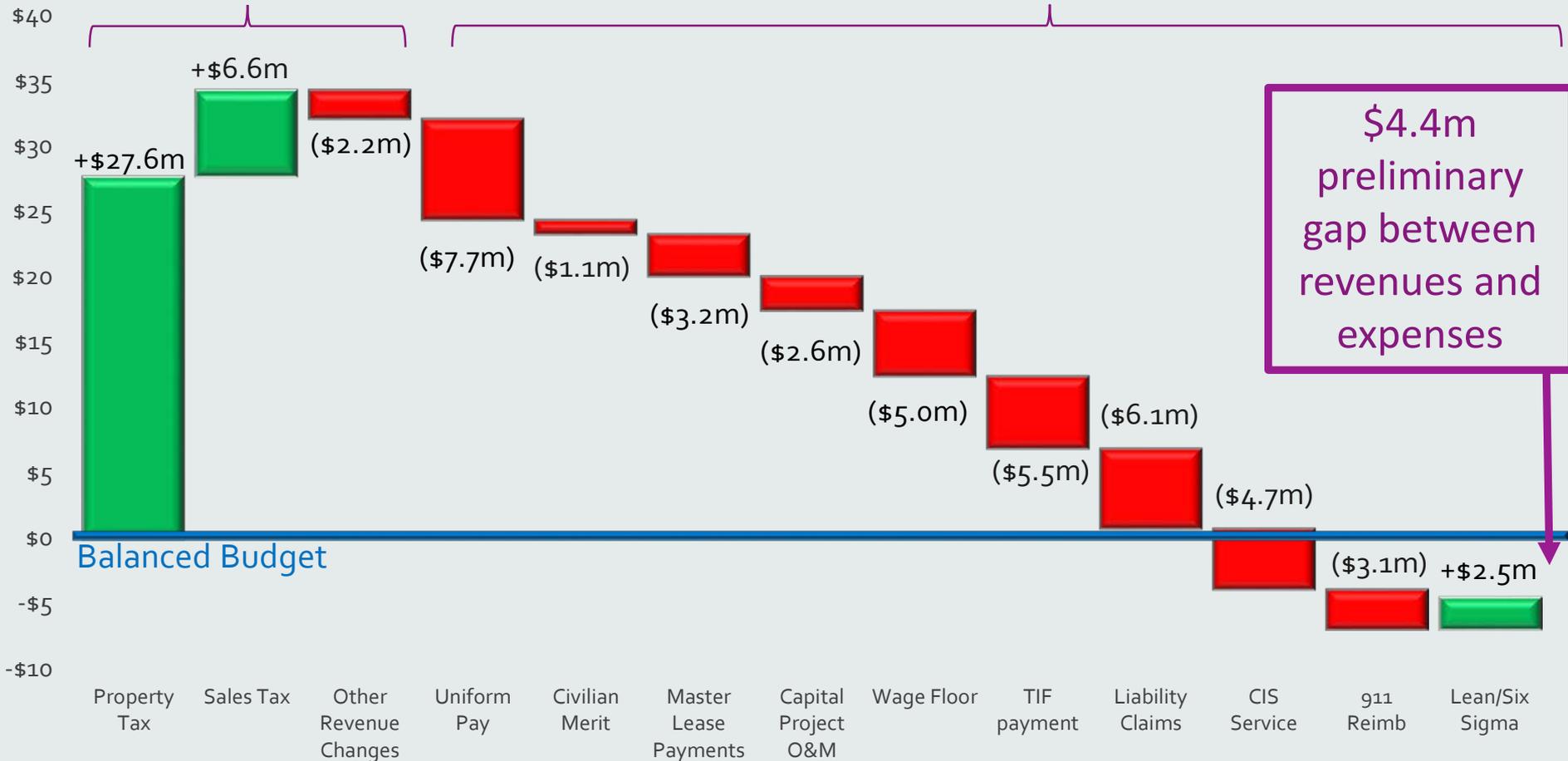


FY17 General Fund Gap Update

Recap of Council retreat: Preliminary projections for FY17 General Fund

Revenue Changes: +\$32.1m

Expense Changes: (\$36.5m)



\$4.4m
preliminary
gap between
revenues and
expenses

Note: Forecasts are preliminary and will change through budget development process and as additional information is available.

Preliminary projections for costs supported by Council input

(*Council support includes both strongly support and somewhat support)

Question – <u>Should the FY17 General Fund budget....?</u>	Council Support*	Low Estimate	High Estimate
(1)... limit property tax revenue by lowering the ad valorem tax rate ?	7	N/A	N/A
(2)... include funding for a merit increase program for civilian employees?	11	\$4.3m	\$8.7m
(3)... address police and fire uniform employee compensation ? <ul style="list-style-type: none"> ➤ Pending Meet and Confer discussions ➤ One Step costs \$7.7m 1st year and additional \$7.7m 2nd year for full-year-funding 	9	TBD	TBD
(4)... include funding for employee/retiree health benefit cost increases?	9	\$3.9m	\$11.9m
(5)... include increased funding for Fair Park as needed as part of the public-private partnership proposal? <ul style="list-style-type: none"> ➤ Pending further discussions regarding public-private partnership 	9	TBD	\$24.2m
(6)... include funding to continue both fleet replacement and information technology replacement/upgrades through the master lease financing program?	9	\$1.0m	\$3.0m
(7)... include funding to further Neighborhood Plus initiatives?	9	TBD	TBD
(8)... include funding for additional police officers above attrition?	11	\$1.1m	\$2.3m
(9)... include new services and/or enhancements ? If so, what services/enhancements?	9	TBD	TBD
(10)... include service/expense reductions ? If so, what services/expenses?	14	TBD	TBD
(11)... include funding to achieve net zero degradation in street and alley condition until the implementation of the next bond program?	15	\$6.4m	\$28.3m
Total of Preliminary Cost Estimates		+/- \$16.7m	+/- \$78.4m

Note: Forecasts are preliminary and will change through budget development process and as additional information is available.

Preliminary projections for FY17 General Fund

	FY 2016-17 Preliminary Projection	FY 2016-17 Updated Projection (after Council input) Low Estimate	FY 2016-17 Updated Projection (after Council input) High Estimate
FY17 Preliminary revenue projection	\$32.1m	\$32.1m	\$32.1m
FY17 Preliminary commitments & adjustments	\$36.5m	\$36.5m	\$36.5m
Updated expenses based on Council input	N/A	+/- \$16.7m	+/- \$78.4m
Variance or Gap	(\$4.4m)	(\$21.1m)	(\$82.8m)



Path Forward in Budget Development Process

Preliminary projections for FY17 general fund budget result in a \$21.1m to \$82.8m gap

- In order to close gap and present a balanced budget on August 9th, additional information must be compiled, analysis completed, and decisions made
- Both expense reductions and revenue increases must be considered

Revenue considerations

- Property tax
 - Currently 5.0% growth and FY16 tax rate are assumed
 - Each \$0.01 change in tax rate changes revenue by approximately \$9.8m
 - Each 1% growth in tax base generates approximately \$7.8m revenue
 - Four appraisal districts will certify tax roll on July 25th
- Sales tax
 - Currently 2.4% growth is assumed
 - Each 1% increase in sales tax generates approximately \$2.8m revenue
 - Analysis will continue each month as sales tax revenue is received and final projection will be made in July
- Other revenues
 - All general fund revenues are currently being reviewed by each department and updates will be included in future council updates

Expense considerations

- Expenses will need to be cut to eliminate gap of this magnitude
 - Significant expense reductions will have service impacts
- All general fund departments have been given task of identifying reductions of 7% and including those with budget submissions due to Office of Financial Services during March
 - Expense reductions submitted by departments will be vetted and submitted to Council at a future budget workshop
- 7% reductions in Police and Fire will require cutting uniform personnel and 7% reduction in Streets will result in street condition deterioration
 - Excluding these 3 departments from reductions will require 25% reductions in all other general fund departments

7% and 25% expense reductions – *expense reductions will have service impacts*

General Fund Department	7% Reduction	25% Reduction
Business Development & Procurement	(186,132)	(670,506)
City Attorney's Office	(1,115,189)	(4,017,250)
City Auditor's Office	No Reduction	No Reduction
City Controller's Office	(326,988)	(1,177,909)
City Manager's Office	(172,758)	(622,329)
City Secretary's Office	(123,749)	(445,781)
Civil Service	(157,501)	(567,367)
Code Compliance Services	(2,553,634)	(9,198,964)
Court and Detention Services	(787,292)	(2,836,067)
Equipment & Building Services	(1,555,788)	(5,604,423)
Fire-Rescue	(16,660,256)	No Reduction
Housing & Community Services	(764,284)	(2,753,184)
Human Resources	(342,424)	(1,233,515)
Judiciary	(237,582)	(855,841)
Library	(1,864,747)	(6,717,384)
Management Services	(992,262)	(3,574,427)
Mayor and Council	(283,203)	(1,020,182)
Office of Cultural Affairs	(995,288)	(3,585,328)
Office of Economic Development	(230,554)	(830,527)
Office of Financial Services	(188,822)	(680,195)
Park & Recreation	(5,569,161)	(20,061,812)
Planning & Urban Design	(312,105)	(1,124,298)
Police	(30,173,533)	No Reduction
Public Works	(888,675)	(3,201,277)
Street Services	(4,984,038)	No Reduction
Sustainable Development & Construction	(174,178)	(627,441)
Trinity Watershed Management	(89,972)	(324,107)
Total	(\$71,730,115)	(\$71,730,115)

General Fund personnel

- Budget dollars – \$883.1m (77.3%) budgeted for salaries and benefits in FY16
 - Includes uniform & civilian salaries, paid leave, overtime, FICA, City payroll temporaries, life & health insurance, unemployment payments, worker’s comp premiums, pension contributions
- Positions – 12,557 specific jobs with a unique identification number in FY16
 - Includes both uniform (6,460) and civilian (6,097)
 - No distinction between full-time, part-time, seasonal, temporary, or interns
 - Position changes (add, delete, reclassify) are authorized each year at time of budget approval
- Headcount* – 9,537 employees on City’s payroll in February 2016
 - Includes both uniform and civilian employees on City’s payroll at any given point in time (changes day to day as employees begin/end employment with City)
- Full-time-equivalents* (FTEs) – 10,316.7 FTEs allocated for FY16
 - FTE is ratio of total number of hours paid during a year to number of working hours in a year (2,080 hours for all except uniform fire personnel which is 2,808 hours)
 - Effective FY16, FTE further clarified to only include hours worked by employees on City of Dallas’ payroll, and does not include contract day labor or contract temporaries

*Note: Headcount and FTE graphs included in appendix.

General Fund personnel

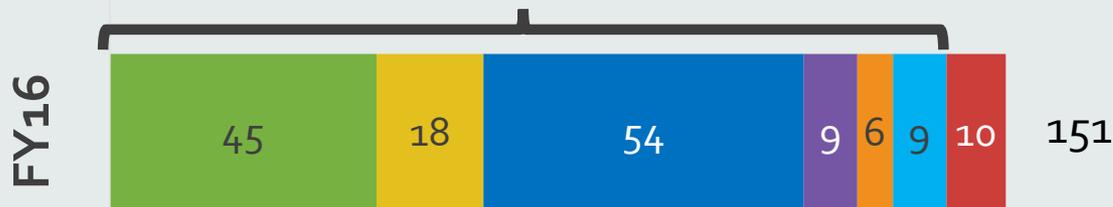
- As part of FY17 budget development, changes are proposed
 - Use dollars and positions, not FTEs or headcount, as primary method to describe personnel
 - Right-size salary budgets to better recognize vacancy rate and hiring process
 - Reallocate budget between salaries and expenditure classification where actual expenditures are being incurred
 - Eliminate positions that have been added over years that are no longer funded
 - Research and recommend any other measure for counting personnel that may be appropriate

General Fund personnel

- Using positions to describe personnel has both pros and cons
 - Example cons:
 - Variance between position count and current headcount exists since several positions are not funded, are only partially funded, are seasonal and not used until spring/summer, or are vacant
 - Position clean-up is required in order to eliminate existing positions that do not have any funding/budget currently assigned to them
 - Each position is funded at a different amount depending upon whether it is a full-time position, part-time position, seasonal position, etc.
 - Example pros:
 - Positions are constant throughout year while headcount changes day to day and FTEs require projections and additional calculations
 - Positions are less complex and more transparent
 - Position changes (adds, deletes, reclassifications) are approved annually on same agenda as budget

396 positions added to general fund in FY16 and FY15

93% of positions added are in City service delivery departments



96% of positions added are in City service delivery departments



■ Libraries
 ■ Code
 ■ Police/Fire/EMS/Courts
 ■ Parks/Arts
 ■ Streets
 ■ Neigh+/Hist Pres
 ■ Other

Other includes City Attorney, City Auditor, City Secretary, HR, Resiliency, Open Records, Internal Controls, Ethics/Diversity, etc.

Note: FY16 and FY15 added positions are listed in appendix.

Moving forward – budget development process

- No single strategy will eliminate gap between general fund revenue and expenses
- All revenues and expenses must be reviewed and analyzed
- Lean/Six Sigma, Sunset Review, and Line-Item budget review will identify some savings through budget development process
- However, other decisions will have to be made regarding Council and citizen priorities
- May 4th briefing will begin to provide Council with options and seek additional Council input on balancing FY17 budget

✓ Dec 2	Budget Workshop #1: preliminary outlook
✓ Feb 2-3	Council-Staff Planning Session (Budget Workshop #2: council direction)
✓ March 2	Budget Workshop #3: gap update
March 23	Budget Public Hearing
May 4	Budget Workshop #4: general fund update and options (On-line link provided to all funding requests although not fully vetted at this point in process – amounts will still change)
May 25	Budget Public Hearing
June 15	Budget Workshop #5: outlook for all funds
July 25	Appraisal Districts certify 2016 tax roll
Aug 5	Deliver City Manager's recommended budget to Council Members
Aug 9	Budget Workshop #6: City Manager's recommended budget
Aug 9-Sept 1	Budget Town Hall Meetings
Aug 17	Budget Workshop #7: Topics TBD
Aug 24	Budget Public Hearing
Aug 30	Budget Workshop #8 (optional): Topics TBD
Sept 7	Budget Workshop #9: Council amendments
Sept 7	Adopt budget on First Reading
Sept 13	Budget Workshop #10: Amendments (if necessary)
Sept 21	Adopt budget on Second Reading and adopt tax rate
Oct 1	Begin FY17



Questions and Comments



Appendix

396 positions added to general fund in FY16 and FY15

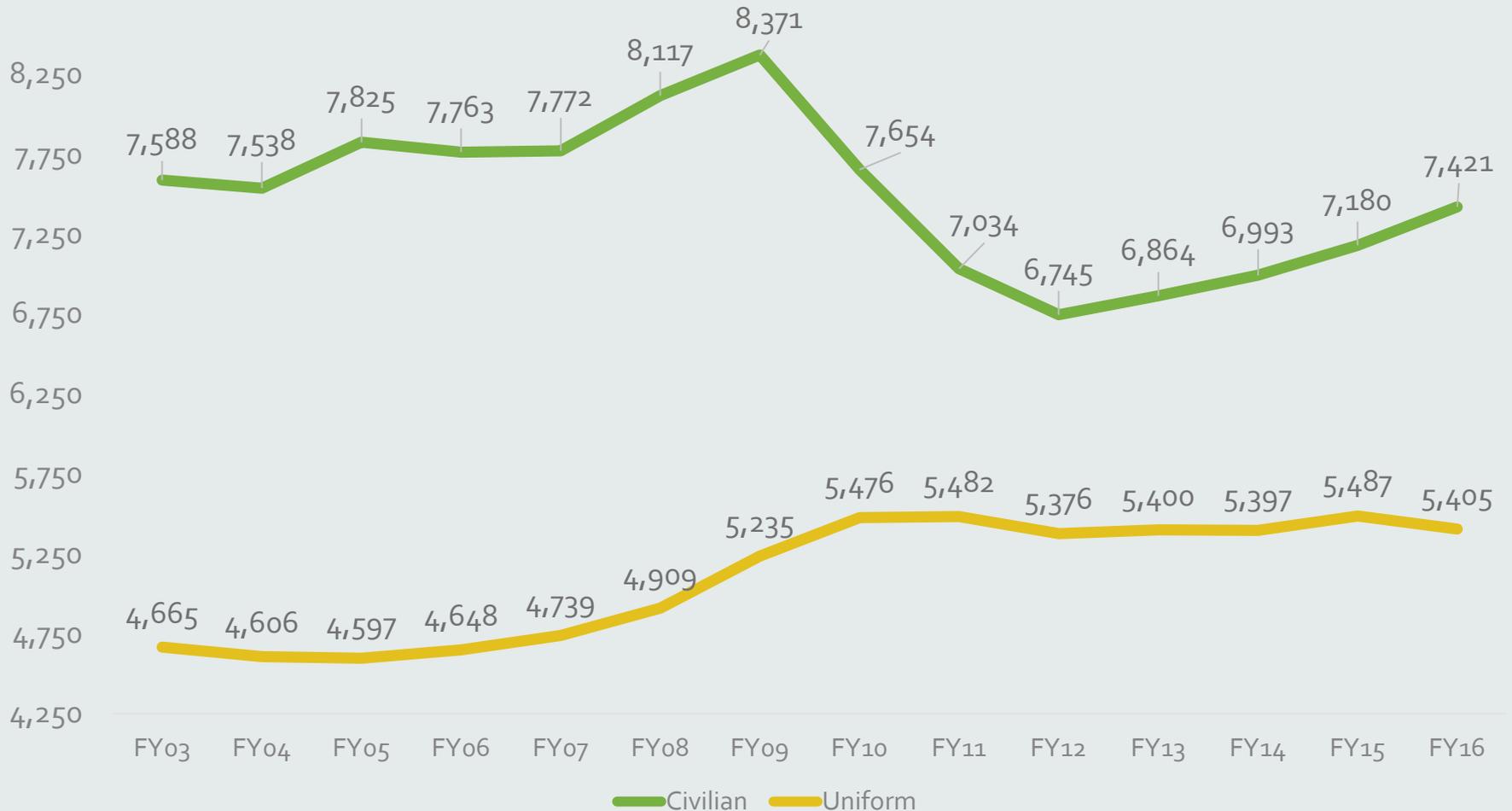
151 positions added in FY16

- 45 – Library enhancement for year 2 of 2
- 30 – Public Safety Officers
- 18 – Code including Animal Services
- 12 – Marshals
- 8 – Paramedics for Mobile Community Health Program
- 7 – Neighborhood Plus
- 7 – Park including new Senior Division
- 6 – Streets (street striping & Woodall Rogers tunnel)
- 2 – Community courts
- 2 – Historic preservation planners
- 2 – Police uniform
- 2 – Cultural Arts
- 7 – Resiliency, ADA/Title VI, Employee Advisory
- 2 – Human Resources
- 1 – City Secretary’s Office

245 positions added in FY15

- 96 – Library enhancement for year 1 of 2
- 48 – Paramedics for Mobile Community Health Program and positions for paramedic training
- 22 – Code - single use bag ordinance and PetSmart adoption
- 21 – Public Safety Officers
- 9 – Recreation center enhancement
- 9 – Continental Bridge programming and maintenance
- 8 – department of Planning & Neighborhood Vitality
- 6 – Streets – inspectors and asphalt repair
- 5 – Fire department
- 4 – Police uniform
- 3 – Courts illegal dumping
- 2 – Senior medical transportation
- 2 – Cultural Affairs and public art
- 1 – Security Officer
- 1 – City Secretary’s Office
- 1 – Open Records
- 1 – Ethics/Diversity
- 1 – Internal Controls
- 1 – Wellness
- 2 – City Attorney’s Office
- 2 – City Auditor’s Office

Headcount – historical active personnel (All City funds as of Dec 31st of each year)



Note: This is a sub-set of total headcount for all City funds as of Dec 31st of each year and only includes those that are pension-eligible.

Full-time equivalents

General Fund Departments	FY15 FTE Budget	FY15 FTE Actual	FY16 FTE Budget
Business Development & Procurement	32.0	31.6	31.7
City Attorney's Office	151.0	139.2	153.9
City Auditor's Office	23.1	22.9	25.0
City Controller's Office	59.8	44.2	51.7
City Manager's Office	14.0	15.0	14.0
City Secretary's Office & Elections	17.0	16.6	18.0
Civil Service	25.0	22.3	25.0
Code Compliance	450.5	394.6	460.6
Court & Detention Services	175.5	151.9	178.0
Equipment & Building Services	265.4	250.5	255.5
Fire-Rescue	2,109.6	2,204.0	2,117.5
Housing & Community Services	61.4	49.5	60.5
Human Resources	43.0	49.4	46.2
Judiciary	40.1	33.4	39.1
Library	350.0	312.8	391.0
Management Services	180.7	163.2	181.8
Mayor & City Council	35.5	44.6	35.5
Non-Departmental	1.0	1.0	0.0
Office of Cultural Affairs	71.3	62.5	68.6
Office of Economic Development	45.5	36.5	46.0
Office of Financial Services	28.0	27.3	27.7
Park & Recreation	937.5	801.4	949.7
Planning & Urban Design	29.3	18.9	40.2
Police	4,240.0	4,163.2	4,282.7
Public Works & Transportation	168.0	139.9	164.6
Street Services & Street Lighting	599.3	574.7	595.2
Sustainable Development & Construction	37.6	31.0	40.5
Trinity Watershed Management	17.6	7.7	16.5
Total General Fund FTEs	10,208.7	9,809.5	10,316.7