

Preliminary Budget Presentation

Chuck Springer – Finance June 5, 2017

Objective

- Present overview of budget structure and budget process
- Present **preliminary** estimates for FY 2017-18 Budget
- Focus on General, Water, Wastewater and Solid Waste Funds (Additional funds to be presented during departmental budget presentations)
- Receive direction from City Council on budget priorities

Budgetary Overview

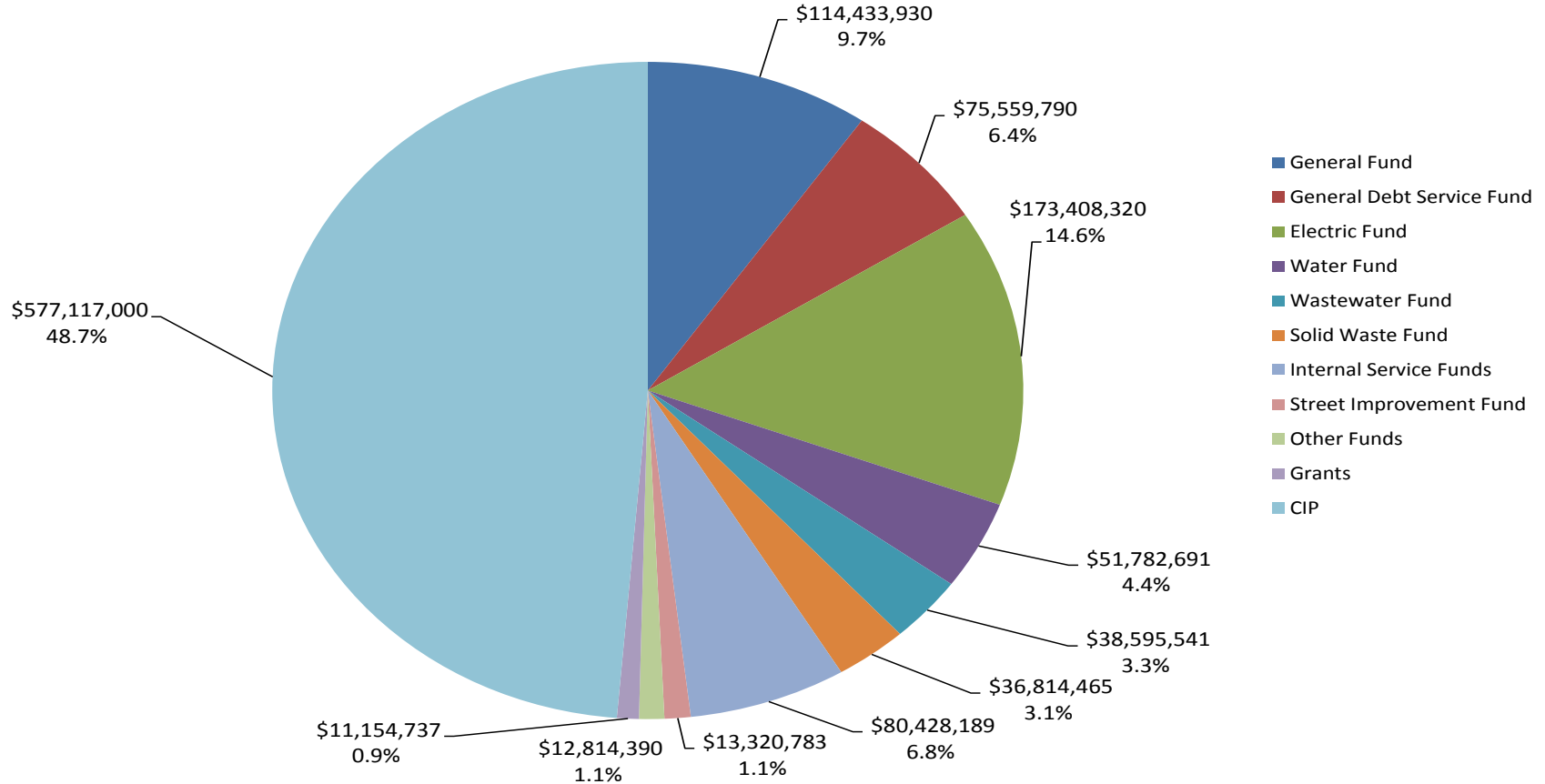
- City is required by state law to annually adopt a budget and set a property tax rate by September 30 (City's fiscal year is October 1st to September 30th)
- Tax rate requires City Council vote of 60% (5 or more), budget is a simple majority vote (4 or more)
 - If a tax rate is not adopted by a 60% vote, the lower of the prior year tax rate or calculated effective tax rate becomes the tax rate. (Texas Tax Code Section 26.05)
 - If a budget is not adopted by a simple majority, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the City Council. (City Charter Section 8.05)
- Adopted budget covers all operating and capital expenditures

City Funds

- Major Operating Funds - General, Debt Service, Electric, Water, Wastewater, Solid Waste, Airport, Street Improvement, Tourist and Convention
- Internal Service Funds – Technology Services, Materials Management, Fleet, Risk Retention, Health Insurance, Engineering Services
- Capital Funds – General Government, Electric, Water, Wastewater, Solid Waste and Airport
- Special Revenue Funds – Recreation, Police Confiscation, Police Academy, Traffic Safety, Economic Development Investment, Downtown Reinvestment, Parks Gas Well, Roadway Impact Fee, Tree Mitigation, Public Education Government, McKenna Trust, Parkland Dedication Trust, Parkland Development Trust, Downtown TIRZ, Westpark TIRZ, Donation (Police, Fire, Animal Control, Library) and Grant Funding

FY 2016-17 Budget by Fund

\$1,185,600,124 for all Funds



Budgetary Themes

- ❑ Focus on cost containment and organizational efficiency
- ❑ Proposed budgets set at no net rate increases and effective property tax rate
- ❑ Continue street maintenance expansion
- ❑ Expanded Public Safety response capacity
- ❑ Maintain utility infrastructure – replacement and expansion
- ❑ Maintain competitive compensation plan
- ❑ Continue conservative budgetary and management practices as emphasized by the rating agencies

General Fund

□ Neighborhood Services

- Building Inspections, Community Improvement Services, Libraries, Parks and Recreation, Planning, Gas Well Review, Community Development

□ Public Safety

- Fire, Police, Animal Services, Municipal Court and Judge

□ Transportation

- Traffic Operations and Transportation

□ Administrative and Community Services

- City Manager's Office (City Council), Economic Development, Facilities Management, Finance, Human Resources, Internal Audit, Legal Administration, Public Communications

General Fund Projection Assumptions

- Assessed Value Increases
 - FY 2017-18 – **9.0 - 11.0%**
 - FY 2018-19 and beyond – approximately 2.0% (just new value added to tax roll)
- Total Effective Tax Rate
 - Tax rate set at a **rough estimate** of effective tax rate of **\$0.660** (2.3 cents below current rate)
- Sales Tax
 - FY 2017-18 – 3.0% above **revised estimate** for FY 2016-17 (net after one-time construction sales tax grants)
 - FY 2018-19 and beyond - 3.0% (net after economic development incentive grants)
- Franchise Fees
 - All growth in franchise fee revenues and an **additional** \$622,000 transferred **annually** to Street Improvement Fund (based on ten year plan to transfer all franchise fees to street improvement)
- Return on Investment
 - Payments from Electric, Water and Wastewater Utilities to the General Fund at 3.5% of revenues. Estimate of \$8.0 million for FY 2017-18
- Cost of Service (Indirect Cost) Transfer
 - Allocation of General Fund costs (City Manager's Office, Human Resources, Finance, Facilities, Legal, Public Communications) to other funds. Estimated payments to General Fund of \$7.9 million for FY 2017-18

Compensation and Benefits Assumptions

- FY 2017-18 has 3.0% average merit increase and increases for civil service based on meet and confer agreement
- Future FY's have 3.0% average estimated increase
- Health insurance
 - Assumes a 3.0% increase in City contributions
 - Employee contribution rates to be determined
- Retirement
 - TMRS rate decreased to 17.31% from 17.48%
 - Fire Pension rate estimated at 18.5%

Cost Containment – FTE Reductions

General Fund

	FTE's	Position Title	Salary & Benefits
General Fund	1.0	ACM	\$ 301,179
	1.0	ACM	\$ 218,470
	1.0	Exec. Assist	\$ 93,901
	1.35	Parks Custodian ¹	\$ 3,257
	1.0	CIS Division Manager	\$ 115,205
	1.0	Landscape Administrator	\$ 109,197
	1.0	Assistant Bld Official	\$ 114,715
	1.0	Building Inspector I	\$ 65,000
	1.0	Plans Examiner II	\$ 79,653
	1.0	Administrative Assistant III	\$ 65,635
Subtotals	10.35		\$1,166,212

¹ Replacing with outside contracted custodial services

Cost Containment – FTE Reductions

Other Funds

	FTE's	Position Title	Salary & Benefits
Airport	1.0	Director of Aviation	\$ 184,512
Water	1.0	Customer Service Supervisor	\$ 75,172
	1.0	Budget and Resource Coord	\$ 60,970
	1.0	Customer Service Team Lead	\$ 45,801
	0.5	Building Attendant	\$ 8,956
	0.5	Eng. Tech-Intern II	\$ 12,170
	4.0		\$ 203,070
Wastewater	1	Field Service Supervisor	\$ 87,931
	0.5	Administrative Intern	\$ 12,315
	1.5		\$ 100,246
Solid Waste	1.0	Public Outreach Manager	\$ 112,386
	1.0	SW & Recycling Bus Acct Coord	\$ 90,442
	2.0		\$ 202,828
Electric	1.0	Energy Market Manager	\$ 233,207
	1.0	Executive Manager of Administration	\$ 241,707
	2.0		\$ 474,914
Grand Total	20.85		\$2,331,782

Proposed Current Year Changes

	FTE's	Position Title	Salary & Benefits	Support	Vehicles	
General Fund	5.0	Patrol Officer	\$ 490,715	\$ 58,290	\$ 184,662	\$ 733,667
(Police)	1.0	Crime Analyst	\$ 68,826	\$ 8,245	\$ -	\$ 77,071
Totals	6.00					\$810,738

Staff recommends funding these positions immediately from the savings due to FTE reductions in the General Fund to meet the next scheduled Police academy class. One of the three vehicles is proposed to be purchased from Police seizure funds.

Five Year Financial Forecast

- Purpose of Forecast
 - Evaluate budgetary decisions for long-term impacts under conservative scenarios
 - Ensure financial affordability and sustainability of budgetary decisions
 - Assumptions are conservative with the hope that future years will perform better than projected

Preliminary General Fund Projection (Property Taxes at Effective Rate)

	Amended Budget 2016-17	Current Estimate 2016-17	Preliminary Budget 2017-18	Year 2 Projected 2018-19	Year 3 Projected 2019-20	Year 4 Projected 2020-21	Year 5 Projected 2021-22
Beginning Fund Balance	\$ 28,169,848	\$ 28,169,848	\$ 30,149,572	\$ 30,150,238	\$ 29,560,983	\$ 27,336,306	\$ 25,234,058
Property Tax	\$ 43,146,135	\$ 43,146,135	\$ 44,900,237	\$ 45,843,142	\$ 46,782,926	\$ 47,718,585	\$ 48,663,414
Sales Tax	\$ 32,835,370	\$ 35,261,000	\$ 35,857,000	\$ 36,932,710	\$ 38,040,691	\$ 39,181,912	\$ 40,357,369
Other Revenues	\$ 38,353,060	\$ 37,984,566	\$ 38,276,558	\$ 38,582,025	\$ 38,298,385	\$ 38,424,588	\$ 38,502,994
Total Revenues	\$ 114,334,565	\$ 116,391,701	\$ 119,033,795	\$ 121,357,877	\$ 123,122,002	\$ 125,325,085	\$ 127,523,777
Base Expenditures	\$ 114,808,930	\$ 114,411,977	\$ 117,369,129	\$ 120,647,132	\$ 124,046,679	\$ 126,127,333	\$ 129,664,012
New Recurring Expenses	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000
New One-Time Expenses	\$ -	\$ -	\$ 364,000	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 114,808,930	\$ 114,411,977	\$ 119,033,129	\$ 121,947,132	\$ 125,346,679	\$ 127,427,333	\$ 130,964,012
Ending Fund Balance	\$ 27,695,483	\$ 30,149,572	\$ 30,150,238	\$ 29,560,983	\$ 27,336,306	\$ 25,234,058	\$ 21,793,823
Change in Fund Balance	\$ (474,365)	\$ 1,979,724	\$ 666	\$ (589,255)	\$ (2,224,677)	\$ (2,102,248)	\$ (3,440,235)
Fund Balance as % of Expend.	24.1%	26.4%	25.3%	24.2%	21.8%	19.8%	16.6%

Assumes an additional \$622,000 is transferred annually to the Street Improvement Fund and FY 2017-18 includes additional personnel in the Police Department.

Fund balance minimum target of 20%, with up to additional 5% resiliency reserve.

General Fund Supplement Requests

	<u>Recurring</u>	<u>One-Time</u>	<u>Total</u>
Police Patrol Staff ⁽¹⁾	\$ 508,575	\$ 225,092	\$ 733,667
Crime Analyst ⁽¹⁾	\$ 70,726	\$ 6,345	\$ 77,071
Medic Unit Station 4 ⁽²⁾	\$ 650,317	\$ 353,433	\$1,003,750
Additional Crime Analyst	\$ 70,726	\$ 6,345	\$ 77,071
Crime Scene Investigator	\$ 81,849	\$ 58,406	\$ 140,255
Two Civilian Jail Staff	\$ 192,599	\$ 12,600	\$ 205,199
Other Police Requests	\$ 100,561	\$ 118,600	\$ 219,161
EMS Captain	\$ 164,880	\$ 450	\$ 165,330
Fire Recruitment	\$ 15,000	\$ -	\$ 15,000
Other Fire Department Requests	\$ 123,932	\$ 355,009	\$ 478,941
Parks Capital Maintenance	\$ 300,000	\$ -	\$ 300,000
Trails Fitness Equipment	\$ -	\$ 100,000	\$ 100,000
Traffic Signal Replacements	\$ 760,000	\$ -	\$ 760,000
Parking Lot Replacement and Maintenance	\$ 50,000	\$ 850,000	\$ 900,000
Staff Auditor	\$ 48,695	\$ -	\$ 48,695
Other Potential Priorities	\$ 1,246,947	\$ 1,000,638	\$2,247,585
Total	\$ 4,384,807	\$ 3,086,918	\$ 7,471,725

⁽¹⁾ Recommend funding in current fiscal year

⁽²⁾ Top priority for FY 2017-18 funding

Water Utility Fund - Proposed

- No rate increase proposed for FY 2017-18
- Improved debt service efficiency by balancing CIP projects and cash flow schedules.
- Reduced \$615,519 from O&M budget (FY17 to FY18)
- Reduced revenue funded capital variability by leveling over 5 years
- Condition assessment for the 30 inch raw water transmission pipeline from Lake Lewisville to the Water Treatment Plant.
 - Robotics inspection complete; final report in June.
- Flow tested Lake Lewisville Water Treatment Plant to verify plant performance after 2016 plant rehabilitation and process upgrade.
- Rehabilitated ozone generators at the Lake Ray Roberts Plant to improve system reliability and performance.

Water Utility Fund - Forecast

	Actual FY 2016	Budget FY 2017	Estimate FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues (x 1,000)								
Rate Revenue	\$32,804	\$37,334	\$35,530	\$37,120	\$38,086	\$38,008	\$38,150	\$38,919
Non Rate Revenue	\$14,299*	\$7,449	\$6,679	\$6,934	\$7,106	\$7,302	\$7,447	\$7,623
Impact Fee From Reserves	\$4,000	\$4,000	\$4,000	\$3,755	\$4,534	\$5,200	\$5,200	\$4,800
Subtotal	\$51,104	\$48,783	\$46,208	\$47,809	\$49,726	\$50,510	\$50,797	\$51,342
Planned Use of Reserves	0	3,000	3,299	0	0	0	0	0
TOTAL REVENUE	\$51,104	\$51,783	\$49,507	\$47,809	\$49,726	\$50,510	\$50,797	\$51,342
Expenditures (x 1,000)								
O&M	\$17,844	\$22,417	\$20,679	\$21,505	\$21,914	\$22,586	\$23,143	\$24,262
Revenue Funded Capital	\$8,035	\$12,394	\$12,447	\$8,269	\$8,269	\$8,269	\$8,269	\$8,269
Transfers (Internal and External)	\$2,046	\$2,223	\$2,098	\$2,174	\$2,256	\$2,367	\$2,427	\$2,489
ROI/Franchise Fee	\$2,849	\$3,217	\$3,087	\$3,224	\$3,307	\$3,302	\$3,310	\$3,377
Debt Service	\$13,443	\$11,533	\$11,195	\$12,638	\$13,508	\$14,765	\$14,024	\$13,113
TOTAL EXPENSE	\$44,217	\$51,783	\$49,507	\$47,809	\$49,254	\$51,289	\$51,173	\$51,510
Net Income	\$6,887*	\$0	\$0	\$0	\$472	(\$778)	(\$376)	(\$167)
Rate Increases	5.0%	5.0%	5.0%	0.0%	0.0%	2.0%	2.0%	2.0%
RESERVE BALANCES								
Wrking Cptl + Op Reserve	\$24,150	\$21,599	\$20,601	\$20,351	\$20,573	\$19,545	\$19,169	\$19,002
Number of Working Days (Target 120-180 Days)	199	152	152	155	152	139	137	135
Development Plan Lines	\$0	\$0	\$250	\$500	\$750	\$1,000	\$1,000	\$1,000
Impact Fee Reserve	\$5,607	\$5,225	\$5,281	\$5,250	\$4,440	\$2,980	\$1,970	\$1,140
Debt Coverage Ratio - 1.25	2.34	2.48	2.42	1.96	1.93	1.77	1.84	1.92

Wastewater Utility Fund

- No rate increase proposed for FY 2017-18
- Continued to meet EPA Administrative Order requirements
 - Operation and maintenance program resulted in rescinded EPA consent decree, saving over \$100 million in studies, design, and construction
- Eliminated FTEs (Collections - savings of \$100,246)
- Reduced \$254,739 from O&M budget (FY17 to FY18)
- Reduced revenue funded capital variability by leveling over 5 years
- Implemented improvements to meet TCEQ mandated phosphorus limit

Wastewater Utility Fund Forecast

	Actual FY 2016	Budget FY 2017	Estimate FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues (x 1,000)								
Rate Revenue	\$28,033	\$27,895	\$28,222	\$28,762	\$29,017	\$30,350	\$31,242	\$32,146
Non Rate Revenue	8,622*	2,883	2,400	2,469	2,516	2,556	2,397	2,459
Impact Fee from Reserves	2,000	3,520	3,520	2,000	2,000	2,000	1,500	1,500
Subtotal	\$38,655	\$34,298	\$34,142	\$33,230	\$33,533	\$34,906	\$35,139	\$36,106
Planned Use of Reserves	0	4,298	3,316	0	0	0	0	0
TOTAL REVENUES	\$38,655	\$38,596	\$37,458	\$33,230	\$33,533	\$34,906	\$35,139	\$36,106
Expenditures (x 1,000)								
O&M	\$13,915	\$15,779	\$14,614	\$15,430	\$15,743	\$16,164	\$16,547	\$16,954
Revenue Funded Capital	5,515	10,265	10,594	5,942	5,942	5,942	5,942	5,942
Transfers (Internal and External)	3,268	3,504	3,277	3,292	3,397	3,495	3,567	3,651
ROI/Franchise Fee	2,071	2,140	2,154	2,191	2,210	2,321	2,378	2,452
Debt Service	7,637	6,907	6,818	7,167	7,499	7,718	6,340	5,841
TOTAL EXPENSES	\$32,408	\$38,596	\$37,458	\$34,023	\$34,791	\$35,640	\$34,773	\$34,840
Net Income	\$6,247*	\$0	\$0	(\$793)	(\$1,258)	(\$734)	\$365	\$1,266
Rate Increases	2.0%	2.0%	2.0%	0.0%	0.0%	2.0%	2.0%	2.0%

	Actual FY 2016	Budget FY 2017	Estimate FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
RESERVE BALANCES								
Working Capital + Reserve (Target 100 – 140 days)	\$18,107	\$12,586	\$14,591	\$13,598	\$12,140	\$11,206	\$11,506	\$12,772
Number of Working Days	204	119	142	146	127	115	121	134
Development Plan Lines	\$135	\$335	\$335	\$535	\$735	\$935	\$1,000	\$1,000
Drainage Reserve	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Impact Fee Reserve	\$3,285	\$1,566	\$1,756	\$1,675	\$1,542	\$1,440	\$1,882	\$2,262
Debt Coverage Ratio	2.81	2.80	2.87	2.02	1.92	1.98	2.37	2.65

*Includes one-time transfer of \$4.4 million related to refunding of the Utility Revenue Bonds and release of related reserve funds.

Solid Waste and Recycling Fund

- ❑ No rate increase proposed for FY 2017-18
- ❑ Expanded alternative fuels facility (estimated completion Fall 2017)
 - Compressed Natural Gas (CNG), currently \$0.50 per gallon equivalent less than diesel
- ❑ Began current landfill cell construction (estimated completion 2017)
 - Estimated life of cell is 10 years
- ❑ Reduced FY16-17 CIP by \$9.4 M (Annual debt service savings of \$1.1M)
- ❑ Transitioned construction crew (7 FTEs) to mining operations
- ❑ Reduced O&M expenses FY16-17 to FY17-18 by \$620,294
- ❑ Eliminated FTEs (savings of \$202,625)

Solid Waste Fund Forecast

				Actual FY 2016	Budget FY 2017	Projection FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues (x 1,000)											
Collection Services Revenue				\$24,741	\$26,558	\$26,385	\$27,469	\$28,604	\$29,577	\$30,398	\$31,465
Other Revenues				\$8,120	\$10,292	\$9,212	\$10,038	\$11,976	\$11,669	\$12,263	\$12,781
	Subtotal			\$32,861	\$36,850	\$35,597	\$38,018	\$40,580	\$41,246	\$42,661	\$44,246
Planned Use of Reserves *				\$0	\$0	\$0	\$512	\$0	\$0	\$0	\$0
TOTAL REVENUES				\$32,861	\$36,850	\$35,597	\$38,530	\$40,580	\$41,246	\$42,661	\$44,246
Expenditures (x 1,000)											
O&M				\$17,136	\$20,733	\$19,820	\$20,812	\$22,158	\$22,999	\$23,940	\$25,043
Fixed Assets				\$2,213	\$3,169	\$2,559	\$2,771	\$2,141	\$2,234	\$2,718	\$2,981
Transfers (Internal and External)				\$2,540	\$2,698	\$2,696	\$2,966	\$3,050	\$3,137	\$3,426	\$3,588
Franchise Fee				\$1,577	\$1,809	\$1,780	\$1,901	\$1,999	\$2,062	\$2,133	\$2,212
Debt Service				\$7,325	\$8,140	\$8,082	\$9,699	\$10,367	\$10,876	\$10,413	\$9,900
Closure/Post-Closure				\$398	\$266	\$266	\$379	\$374	\$392	\$409	\$428
TOTAL EXPENSES				\$31,190	\$36,814	\$35,202	\$38,528	\$40,089	\$41,700	\$43,039	\$44,152
Net Income				\$1,671	\$36	\$395	\$1	\$491	(\$454)	(\$378)	\$93
Rate Increases				3%	2%	2%	0%	0%	0%	0%	1%
RESERVE BALANCES											
Wrkg Cptl + Op Reserve				\$7,751	\$6,081	\$8,146	\$8,147	\$8,638	\$8,184	\$7,806	\$7,900
Number of Working Days (Target 52-66 Days)				91	60	84	77	79	72	66	65
Closure/Post-Closure Fund				\$7,381	\$7,044	\$7,699	\$8,137	\$7,973	\$8,430	\$8,908	\$9,409
Debt Coverage Ratio				1.75	1.62	1.59	1.48	1.45	1.35	1.43	1.53

*Includes one-time transfer of \$511,510 related to property purchase proceeds from Solid Waste acreage sold to Denton Municipal Electric for future substation.

Budget Transparency

- Dedicated budget page on website
 - Budget idea submission form
 - Posting all presentations, proposed budget and budgetary agenda items
- Social media push

Departmental Presentations

- Presentations from today through July at each scheduled meeting
- Areas to be covered:
 - Structure and Staffing
 - Goals and Accomplishments
 - Performance Measures
 - Cost Containment
 - Process Improvements

Budgetary Dates

- ❑ Utility Budgets recommendations from PUB – June 26
- ❑ Departmental Presentations – June 5 through July 25
- ❑ Final Certified Value – July 25
- ❑ City Manager Budget and City Council Workshop – August 3
- ❑ Public Hearings – August 15 and September 12
 - Tax Rate Hearings and Budget Hearing
- ❑ Budget Adoption – September 19

Questions?

