



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: July 18, 2017

SUBJECT

Receive a report; hold a discussion, and give staff direction regarding the preliminary FY 2017-18 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast.

BACKGROUND

The purpose of this work session is to present the proposed budgets for the City's Water Utility and Wastewater Utility as recommended by the Public Utilities Board on June 26, 2017. The proposed budgets are attached as Exhibit 3 (Water Utility) and Exhibit 5 (Wastewater Utility). These attached budgets give line item expense detail by fund and also summary expenses by divisions.

The City's emphasis for this year's budget process is on cost containment while maintaining excellent system reliability and strong financial management of the City's Water and Wastewater Utility Systems. The proposed Water Utility budget calls for no rate adjustments in FY 2017-18. The operating revenues total \$47.809 million and operating expenses an equivalent \$47.809 million. The Capital Budget totals \$33.149 million with a bond sale of \$11.0 million.

The cost containment measures included in the recommended in the FY 2017-18 Water Utility budget are:

- Budgeting of salary savings due to regular turnover at 1.5% of salaries and benefits
- Reduction in several line item expenses based on reviews of historical expenses
- Balancing of debt issuance with timing of CIP projects and cash flow schedules
- Budgeting of revenue funded capital on a five year smoothing method while maintaining targets at 100% of distribution replacement funding and 25% of treatment plant infrastructure funding.

The proposed Wastewater Utility budget also calls for no rate adjustments in FY 2017-18. The operating revenues total \$33.230 million and operating expenses are \$34.023 million. The budget anticipates a use of \$793,000 in reserves related to the one-time additional reserve funds received from the 2016 Utility Refunding Bonds. The Capital Budget totals \$12.365 million with a bond sale of \$8.350 million.

The cost containment measures included in the recommended in the FY 2017-18 Wastewater Utility budget are:

- Reduction of 1.5 FTE's in wastewater collections
- Budgeting of salary savings due to regular turnover at 1.5% of salaries and benefits
- Reduction in several line item expenses based on reviews of historical expenses
- Delay of debt issuance based on currently available debt sale proceeds

Budgeting of revenue funded capital on a five year smoothing method while maintaining targets at 100% of collection replacement funding and 25% of treatment plant replacement funding

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Public Infrastructure

Related Goal: 2.3 Promote superior utility services and facilities

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Presentation – Water

Exhibit 3 – Proposed Water Budget

Exhibit 4 – Presentation – Wastewater

Exhibit 5 – Proposed Wastewater Budget

Respectfully submitted:
Chuck Springer, 940-349-8260
Director of Finance