



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: July 25, 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 Electric Utility and Solid Waste Utility as recommended by the Public Utilities Board on June 26, 2017. The proposed budgets are attached as Exhibit 3 (Electric) and Exhibit 6 (Solid Waste). Additional detail on the proposed Electric Capital Budget is attached as Exhibit 4. 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 Utility Systems. The proposed Electric Utility budget calls for an overall rate decrease of 1.0% in FY 2017-18. The operating revenues total \$173.7 million and operating expenses of 181.1 million. There is a planned drawdown of \$7.4 million of reserves to offset the final year of TMPA debt service payments. The Capital Budget totals \$100.786 million with a bond sale of \$54.0 million.

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

- Removing five vacant engineering positions and using engineering consulting services for these design duties
- Elimination of two management positions
- Budgeted for salary savings of \$308,000 for regular turnover
- Use of four internally developed software packages for improved EMO operations

The proposed Solid Waste Utility budget calls for no rate adjustments in FY 2017-18. The operating revenues total \$38.530 million and operating expenses are \$38.528 million. The Capital Budget totals \$11.616 million with a bond sale of \$9.030 million.

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

- Reduction of 2.0 FTE's in the public outreach division
- Budgeting of salary savings due to regular turnover at 1.5% of salaries and benefits
- Reduction in several line item expenses by \$620,294 based on reviews of historical expenses
- Reduction in FY 2016-17 CIP and associated debt issuance by \$9.4 million
- Reduction in communication service and equipment expense

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 – Electric
Exhibit 3 – Proposed Electric Budget
Exhibit 4 – Proposed Electric Capital Budget Detail
Exhibit 5 – Presentation – Solid Waste
Exhibit 6 – Proposed Solid Waste Budget

Respectfully submitted:
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