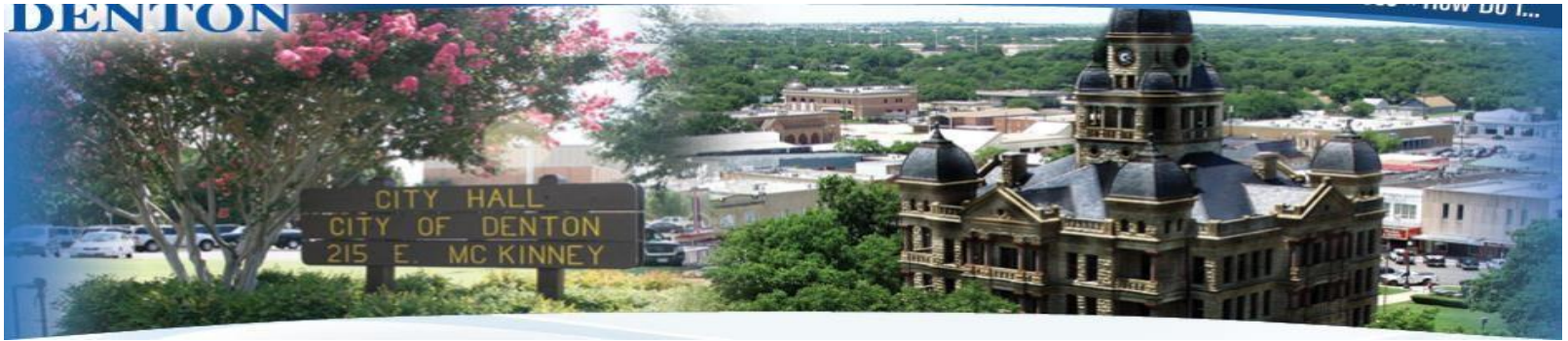


DENTON



City Manager's FY 2017-18 Proposed Budget

Budgetary Priorities

- ❑ Reduce inefficiencies, costs and duplication of services
- ❑ Cost containment strategies for all funds
- ❑ Baseline budgets for all funds that assume a “no increase” in rates, fees or taxes
- ❑ Expand Public Safety response capacity
- ❑ Continue Street Maintenance expansion
- ❑ Maintenance of other general government infrastructure (traffic signals, parking lots, sidewalks, buildings)
- ❑ Utility Infrastructure – replacement and expansion
- ❑ Maintain competitive compensation plan
- ❑ Maintain conservative budgetary and management practices as recognized by the rating agencies

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 Building Official	\$ 114,715
	1.0	Building Inspector I	\$ 65,000
	1.0	Plans Examiner II	\$ 79,653
	1.0	Marketing Assistant	\$ 71,055
	1.0	Administrative Intern	\$ 31,589
	1.0	Administrative Assistant III	\$ 65,635
Subtotals	12.35		\$1,268,856

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 Coordinator	\$ 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 Coordinator	\$ 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	22.85		\$2,434,426

Assumptions for General Fund

- Assessed Value Increases
 - FY 2017-18 – 13.32%
 - FY 2018-19 and beyond – approximately 2.0% (just new value added to tax roll)
- Debt Service Portion of Tax Rate
 - Decrease of \$0.00905 to \$0.207545 in FY 17-18
- M&O Portion of Tax Rate
 - Decrease of \$0.03643 from \$0.46674 in FY 2016-17 to \$0.430311 in FY 2017-18
 - **Total proposed tax rate of \$0.637856 (decrease of 4.548 cents)**
- 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)

Assumptions Continued

- 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
- Police Additions
 - FY 2017-18 includes full year of expenditures for 5 patrol officers and 1 crime analyst added in FY 2016-17
- Other Position Additions in FY 2017-18
 - Fire Medic Unit #4 – 6 personnel
 - Intern Audit - 1 staff auditor
- Fund Balance
 - Minimum of 20% with a 5.0% resiliency reserve up to 25%

Vacancy Management/Salary Savings

- Budgeted savings in FY 2017-18 - \$1.5 million in General Fund
 - Also budgeted savings in utility funds for FY 2017-18
- Savings from normal turnover and management control over filling of vacant positions
- Adds additional flexibility to deal with any revenue shortfalls

Compensation and Benefits

- ❑ Civil Service pay adjustments to maintain meet and confer agreement (5% above survey cities average) and STEP increases
- ❑ All other 3.0% average merit increase
- ❑ Future FY's have 3.0% merit package
- ❑ Health insurance funding has no increase in City or employee contributions for FY 2017-18
- ❑ Retirement
 - TMRS rate decreased to 17.31% from 17.48%
 - Fire pension rate estimated at 18.5%

Property Values and Tax Rate

Proposed Tax Rate

Maintenance & Operation	\$0.430311 / \$100
Debt Service	<u>\$0.207545 / \$100</u>
Total Proposed Tax Rate	\$0.637856 / \$100

Effective Tax Rate	\$0.637856 / \$100
---------------------------	--------------------

Rollback Tax Rate	\$0.689689 / \$100
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Certified Taxable Value*	\$10,332,106,452
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Value Increase	13.32%
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* Excluding TIRZ Values

Appraised Values

Tax Year	2012	2013	2014	2015	2016	2017
Final Value (\$Billions)	\$6.706	\$6.962	\$7.761	\$8.424	\$9.117	\$10.332
Value Change (\$Millions)	\$294.3	\$255.8	\$798.9	\$662.9	\$693.4	\$1,214.6
Percent Change	4.59%	3.81%	11.47%	8.54%	8.23%	13.32%

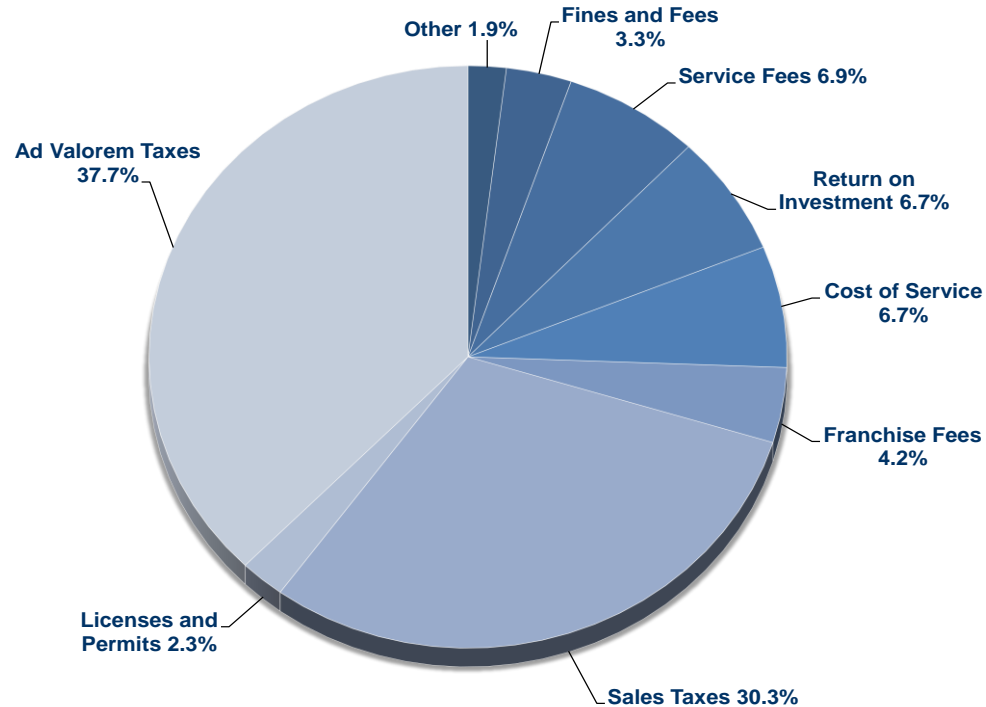
- Certified appraised value is \$10.332 billion for 2017 (excluding TIRZ).
 - 13.32% increase compared to 2016 Value of \$9.117 Billion
 - \$1.214 billion total increase in value, \$288.6 million (3.16%) from new construction and \$926.0 million (10.16%) from the increase in existing property appraisal
- Average homestead taxable value increased from \$195,882 to \$214,136
 - Average city homeowner taxes from \$1,339 to \$1,366 at proposed rate

Sales Tax

Fiscal Year	Sales Tax Collections	% Change
FY 2007-08	\$21,984,936	3.9%
FY 2008-09	\$20,950,796	(4.7%)
FY 2009-10	\$21,015,173	0.3%
FY 2010-11	\$22,871,281	8.8%
FY 2011-12	\$25,886,940	13.2%
FY 2012-13	\$26,522,473	2.5%
FY 2013-14	\$27,764,114	4.7%
FY 2014-15	\$30,601,965	10.2%
FY 2015-16	\$32,624,297	6.6%
FY 2016-17 (includes sales tax during construction for WinCo and Convention Hotel)	\$36,027,994	10.4%
FY 2017-18 Budget (3.0% after adjustments)	\$36,181,384	0.4%

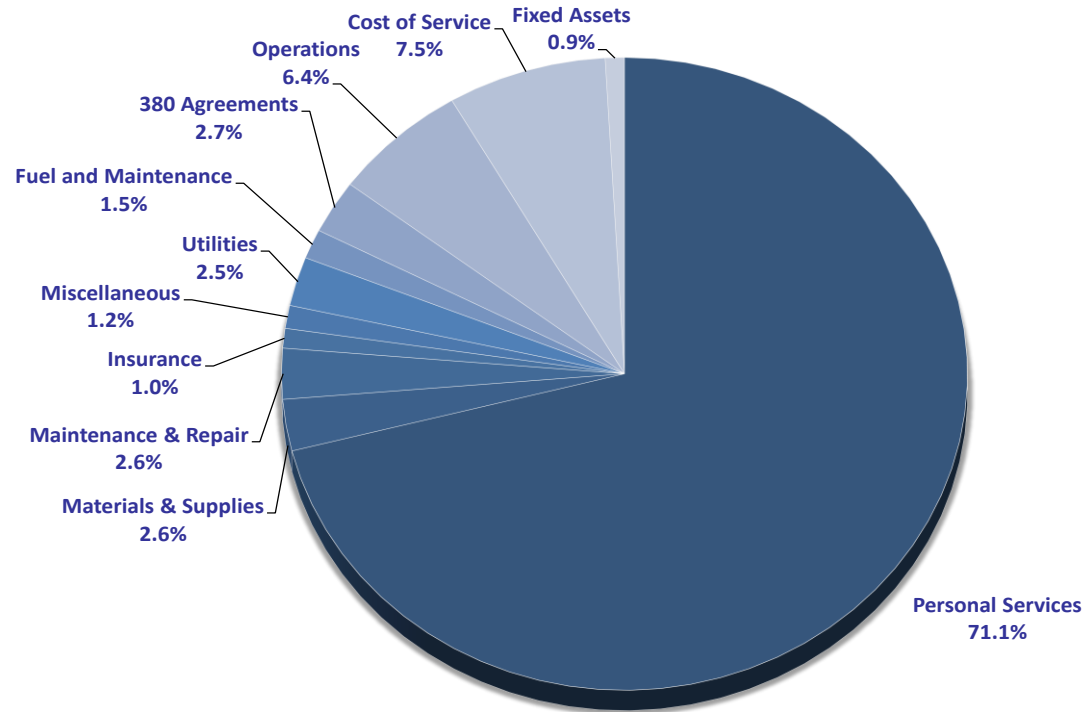
General Fund Revenue

FY 2017-18 Proposed Budget



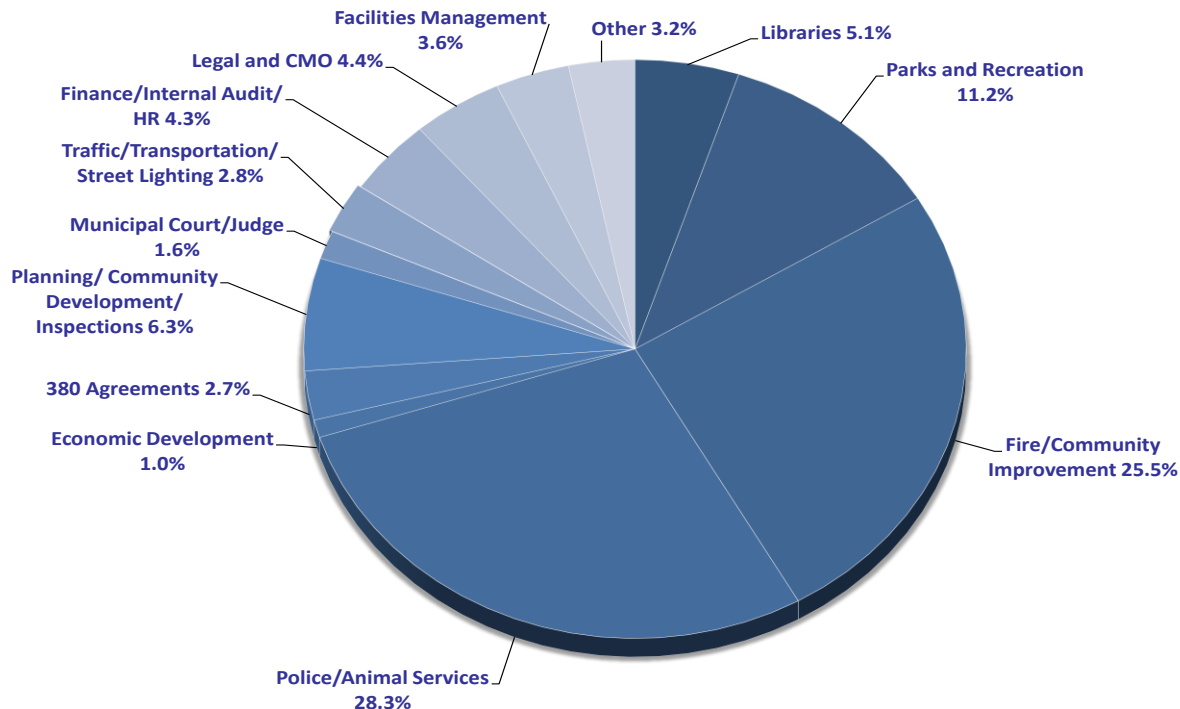
General Fund Expenditures by Category

FY 2017-18 Proposed Budget



General Fund Expenditures by Function

FY 2017-18 Proposed Budget



General Fund Baseline – Effective Rate

(10 Year Franchise Fees Transition)

	Proposed 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	\$ 28,168,485	\$ 28,167,806	\$ 27,385,510	\$ 24,797,686	\$ 21,658,826
Revenues	\$ 119,545,372	\$ 121,731,265	\$ 123,751,728	\$ 125,841,462	\$ 128,058,582
Expenditures	\$ 119,546,051	\$ 121,929,109	\$ 125,023,273	\$ 126,940,930	\$ 130,273,548
Denton County ESD #1		\$ 334,452	\$ 316,279	\$ 289,392	\$ 279,621
New Baseline Expenses		\$ 250,000	\$ 500,000	\$ 750,000	\$ 1,000,000
New Supplemental Expenses	-	-	500,000	1,000,000	1,500,000
Total Anticipated Expenditures	119,546,051	122,513,561	126,339,552	128,980,322	133,053,169
Ending Fund Balance	\$ 28,167,806	\$ 27,385,510	\$ 24,797,686	\$ 21,658,826	\$ 16,664,239
Change in Fund Balance	\$ (679)	\$ (782,296)	\$ (2,587,824)	\$ (3,138,860)	\$ (4,994,587)
Fund Balance as % of Expend.	23.6%	22.4%	19.6%	16.8%	12.5%
Cumulative Transfer to Street Imp. Fund (reduction in GF Revenue)	\$ 622,000	\$ 1,244,000	\$ 1,866,000	\$ 2,488,000	\$ 3,110,000

Fund Balance Goal is minimum of 20% and additional 5% resiliency reserve

General Fund – 4.0% AV Growth

(10 Year Franchise Fees Transition)

	Proposed 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	\$ 28,168,485	\$ 28,167,806	\$ 28,241,737	\$ 27,234,553	\$ 26,682,784
Revenues	\$ 119,545,372	\$ 122,587,492	\$ 125,332,368	\$ 128,428,553	\$ 131,720,866
Expenditures	\$ 119,546,051	\$ 121,929,109	\$ 125,023,273	\$ 126,940,930	\$ 130,273,548
Denton County ESD #1		\$ 334,452	\$ 316,279	\$ 289,392	\$ 279,621
New Baseline Expenses		\$ 250,000	\$ 500,000	\$ 750,000	\$ 1,000,000
New Supplemental Expenses	-	-	500,000	1,000,000	1,500,000
Total Anticipated Expenditures	119,546,051	122,513,561	126,339,552	128,980,322	133,053,169
Ending Fund Balance	\$ 28,167,806	\$ 28,241,737	\$ 27,234,553	\$ 26,682,784	\$ 25,350,481
Change in Fund Balance	\$ (679)	\$ 73,931	\$ (1,007,184)	\$ (551,769)	\$ (1,332,303)
Fund Balance as % of Expend.	23.6%	23.1%	21.6%	20.7%	19.1%
Cumulative Transfer to Street Imp. Fund (reduction in GF Revenue)	\$ 622,000	\$ 1,244,000	\$ 1,866,000	\$ 2,488,000	\$ 3,110,000

Fund Balance Goal is minimum of 20% and additional 5% resiliency reserve

General Fund Supplemental Packages

FY 2017-18

<u>Department</u>	<u>Package</u>	<u>Net Cost</u>
Planning	Permitting Software Replacement	\$ 100,000
Planning	Historical Plan	60,000
Parks	Capital Maintenance Program	300,000
Fire Department	Medical Unit 4	1,003,750
Police	Taser System Upgrade and Expansion	80,181
Police	Taser Cartridge and Battery Replacements	20,380
Transportation	Bike Pavement Marking Replacement	50,000
Facilities Management	Parking Lot Annual Maintenance	34,219
City Manager's Office	November Charter Election	24,557
City Council	Pay for Council Members	14,846
City Manager's Office	Customer Relationship Management Software	21,823
City Manager's Office	Quarterly Newsletter	150,000
Budget & Treasury	Budgeting Software	10,270
Internal Audit	Staff Auditor	32,765
Library	Library Materials for Customers	20,000
City Council	Increase in Homelessness Initiatives	\$ 40,000
Total Net Cost		\$ 1,962,791

Funding Options – Additional One Cent

- Each one cent of the tax rate equals \$1.033 million
- Budgetary Options (mix and match)
 - Additional supplemental packages
 - Cash funding instead of debt funding
 - Vehicles (5 year debt)
 - Facility Improvement (10 year debt)
 - Other general debt funding (20 year debt)
 - Annual capital replacement funding

All City Funds Review

- Reviewed all City Funds for restrictions and availability of balances
 - Readers guide under budgeted funds – pages 24-28
- Recommendations
 - Return \$2.0 million from Risk Fund to operating funds based on charges (**additional \$972,762 for General Fund FY 2016-17**)
 - Withhold contribution to Health Insurance Fund for two payrolls in current year (**additional \$859,000 for General Fund FY 2016-17**)
 - Consider expanding the allowed uses for Park Dedication and Development Funds
 - Use Recreation Fund balance for replacement of recreation equipment
 - Use Traffic Safety Fund for additional traffic signal replacement

Supplemental Packages Funded in Current FY

Planning	Permitting Software Replacement	\$ 500,000
Parks	American Legion Hall Replacement	614,712
Fire Department	Patient Lift System	54,897
Fire Department	Fire Station Alerting System	91,387
Fire Department	PPE Commercial Washing Machine	15,000
Fire Department	Personal Protective Equipment	50,000
Fire Department	Mobile Pump Tester & Simulator	59,500
Fire Department	Key Box System	33,000
Police	Patrol Personnel Vehicles	123,108
Police	Criminal Investigations Bureau Vehicles	59,300
Transportation	Bike Plan Update	50,000
Budget & Treasury	Budgeting Software	48,000
Traffic Operations	Signals - FM 2499/Robinson Road - design	40,000
Traffic Operations	FM 2181/Sundown	400,000
Traffic Operations	FM 2181/ Guyer High School	400,000
	Parking Lot Replacement - City Hall East,	
Facilities Management	Denia Recreation, Northlakes Complex,	<u>\$ 1,666,269</u>
	Portions of Service Center	

Total Net Cost \$ 4,205,173

Park Development and Dedication

- ❑ Currently these funds can only be used for neighborhood park development or land purchases within one mile of the development paying fees
- ❑ Projected combined fund balance of \$4.334 million by 9-30-2018
- ❑ Recommend consideration to expand type of park development and purchases to include community parks and trails
- ❑ Recommend expanding distance requirement for these additional types of facilities
- ❑ If acceptable, Parks staff will take to this issue to the Park, Recreation and Beautification Board and bring any recommendations to the City Council

Street Improvement Fund

(10 Year Franchise Fee Transition)

	FY 2011-12 Actual	FY 2015-16 Actual	FY 2016-17 Projected	FY 2017-18 Proposed	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21* Projected	FY 2021-22* Projected
Franchise Fees	\$ 5,585,086	\$ 9,412,250	\$ 11,417,843	\$ 12,476,060	\$ 14,106,505	\$ 14,647,222	\$ 15,525,700	\$ 16,515,210
Bond Sale Savings	194,382	864,752	997,363	1,118,135	1,229,797	1,328,026	1,425,359	1,468,120
Street Cut Fees and Interest	<u>366,229</u>	<u>429,732</u>	<u>360,000</u>	<u>367,000</u>	<u>374,140</u>	<u>381,423</u>	<u>388,851</u>	<u>400,217</u>
Total Operating Revenues	\$ 6,145,697	\$ 10,706,734	\$ 12,775,206	\$ 13,961,195	\$ 15,710,442	\$ 16,356,671	\$ 17,339,910	\$ 18,383,547
Operating Expenditures	\$ 6,075,534	\$ 10,296,332	\$ 13,320,783	\$ 13,961,195	\$ 15,710,442	\$ 16,356,671	\$ 17,339,910	\$ 18,383,547
Bond Sales*	<u>-</u>	<u>4,000,000</u>	<u>4,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>6,500,000</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$ 6,075,534	\$ 14,296,332	\$ 17,820,783	\$ 21,461,195	\$ 23,210,442	\$ 22,856,671	\$ 17,339,910	\$ 18,383,547

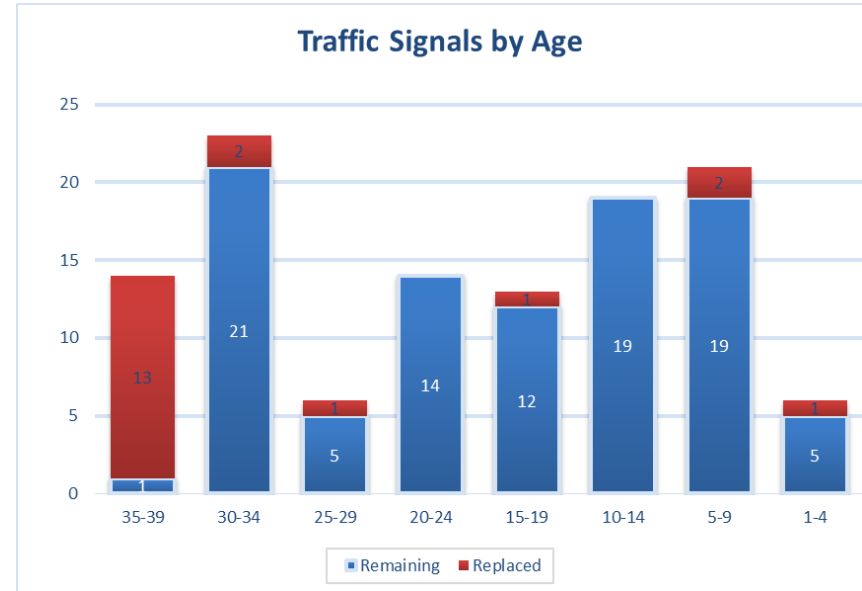
*Bond sale amount depends on future bond election

Traffic Safety Fund

- ❑ Replacement of three traffic signals - \$1,200,000
- ❑ Drawdown of fund balance by \$859,847
- ❑ Total Expenditures - \$2,935,447

Traffic Signal Aging Summary

- City has 116 traffic signals
- Replaced or funded to be replaced currently totals 20
- Replacements have been done through 2014 bond program (12 signals), state replacements and annually budgeted replacements



Tax Increment Reinvestment Zones

- TIRZ #1 (Downtown) established in 2010
 - Base value of \$79,356,854 and 2017 value of \$142,050,751
 - Estimated revenue for FY 2017-18 of \$379,902
 - Incentive payment budgeted at \$76,000

- TIRZ #2 (Westpark) established in 2012
 - Base value of \$119,458 and 2017 value of \$63,108,366
 - Estimated revenue for FY 2017-18 of \$185,746
 - Budgeted to pay grant of revenues collected annually for improvement in this TIRZ

Downtown Reinvestment Fund

- ❑ Current Fund Balance - \$206,000 (less 4 project commitments of \$100,000) leaves \$106,000
- ❑ Ordinance #2013-237 is still in place
- ❑ \$100,000 transfer to this fund for FY 2016-17 has not yet been made
- ❑ Options
 - Maintain current ordinance transferring \$100,000 this year and \$100,000 in FY 2017-18 to this fund
 - Amend Ordinance # 2013-237 (must be prior to 9/30/2017 to change current year's transfer)

Tree Mitigation Fund

- Budget Expenditures - \$645,870
 - Parks tree planting - \$225,000
 - Tree rebates and KDB tree program - \$360,870
 - Comprehensive urban forestry plan - \$60,000

Special Revenue Funds

- Tourist and Convention Fund
 - Estimated revenues of \$3,052,174
 - First year of incentive payment for HOT taxes to Convention Center Hotel (estimated at \$658,234)
 - Preliminary HOT Committee recommendation includes improvements at Denton County Historical Park (\$195,276)
 - HOT Committee recommendations to be submitted to City Council once finalized
- Recreation Fund - \$2,393,574
- Airport Fund - \$1,715,628
- Police Confiscation Fund - \$375,584
- Economic Development Incentive Fund - \$450,000

Special Revenue Funds

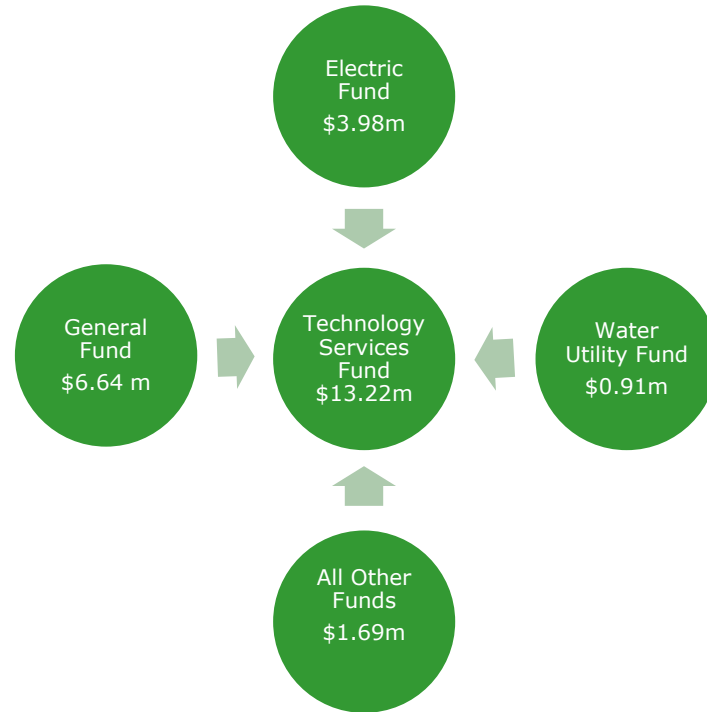
- ❑ Police Academy Fund - \$75,000
- ❑ Parks Gas Well Fund - \$100,000
- ❑ Roadway Impact Fund - \$525,000
- ❑ Public Education Government Fund - \$296,000
- ❑ Parkland Dedication - \$400,000
- ❑ Parkland Development - \$500,000
- ❑ Donation Funds - \$195,000

Special Revenue Fund Supplemental Packages

FY 2017-18

<u>Fund</u>	<u>Package</u>	<u>Net Cost</u>
Recreation Fund	Recreation Center Equipment and Amenities	200,000
Street Improvement	Concrete pavement, curb, gutter ,sidewalk	960,000
Street Improvement	Crack Seal	360,000
Street Improvement	Micro Seal	143,394
Airport	Air Control Tower Equipment Replacement	90,000
Airport	Taxi lane Quebec Restroom	65,000
Tree Mitigation	Urban Forestry Comprehensive Plan	60,000
Police Confiscation	Patrol Personnel Vehicles	61,554
Police Confiscation	Criminal Investigations Bureau Vehicles	59,300
Traffic Safety	Traffic Signal Replacements	<u>1,200,000</u>
Total Net Cost		\$ 3,199,248

Internal Service Fund Flow Chart



Basis - Internal Service Fund Charges

- Technology Services Fund
 - Computers/devices
 - Software support costs
 - Staff time for applications and GIS
- Fleet Management Fund – fuel purchased and direct maintenance costs
- Materials Management Fund – goods purchased from warehouse and purchase orders issued
- Risk Retention Fund – claims history and workers compensation risk profile
- Health Insurance Fund – employees
- Engineering Services Fund – direct time charges

Additional Types of Transfers

- Indirect Costs Allocations
 - (examples of General Fund and Customer Service)
- Internal Utility Franchise Fees
- Revenue Funded Capital
- Return on Investment

Internal Service Funds

- ❑ Technology Services - \$14,624,209
- ❑ Materials Management - \$18,118,858
- ❑ Fleet Management - \$11,197,277
- ❑ Risk Retention - \$3,485,772
- ❑ Health Insurance - \$30,240,420
- ❑ Engineering Services - \$5,157,810

Internal Service Funds Supplemental Packages

FY 2017-18

Fleet Services	Heavy Equipment Technician	(59,607)
Materials Management	Manlift	40,000
Technology Services	FTE Reclassification	13,902
Technology Services	Dispatch Recording System Upgrade	127,000
Technology Services	Fire Small Tools	10,200
Technology Services	JD Edwards Upgrade	400,000
Technology Services	DME Capital Costs	585,000
Technology Services	Cisco Equipment Replacement	565,000
Technology Services	DR Backup Site Replacement (Vblock)	200,000
Technology Services	DR Backup Site Replacement (Vplex)	200,000
Technology Services	Data Domain	50,000
Technology Services	City Wide PC Refresh	470,000
Technology Services	2 Factor Authentication	10,000
Technology Services	Open Data /Budget Transparency Portal	45,000
Engineering	Traffic Count Services	20,000
Engineering	Traffic Count Cameras	20,000
Total Net Cost		\$ 2,696,495

Utility Funds – Operating Expenditures

- ❑ Electric - \$181.041 million
- ❑ Water - \$47.809 million
- ❑ Wastewater - \$34.023 million
- ❑ Solid Waste - \$38.528 million

Monthly Rate Impact – Average Residential Customer

	FY 2017	FY 2018	Increase	Change
Electric (1,300 kWh)	\$140.47	\$138.73	(\$1.74)	-1.2%
Water (9,200 gallons)	\$54.18	\$54.18	\$0.00	0.0%
Wastewater (6,000 gallons)	\$35.55	\$35.55	\$0.00	0.0%
Solid Waste (Standard + recycle cart)	\$27.85	\$27.85	\$0.00	0.0%
Total	\$258.05	\$256.31	(\$1.74)	-0.7%

FY 2017-18 Capital Program

- **Total new funding including utilities is \$154.333 million**
 - Utility CO's - \$82.380 million
 - Utility revenue funded - \$32.028 million
 - General Government Debt - \$38.525 million
 - General Government revenue funded - \$1.4 million
- **General Government Proposed Debt**
 - Street Reconstruction (2014) - \$7.5 million
 - Street Expansion, Sidewalks, Traffic Signals (2014)- \$13.84 million
 - Drainage (2014) - \$2.585 million
 - Parks (2014) - \$1.265 million
 - Fire Station #3 - \$1.275 million
 - Airport Runway Matching Funds - \$3.56 million
 - Vehicle Replacements - \$3.49 million
 - Facility Improvements - \$1.5 million
 - Fleet Maintenance Facility- \$3.51 million

Position Additions for FY 2017-18

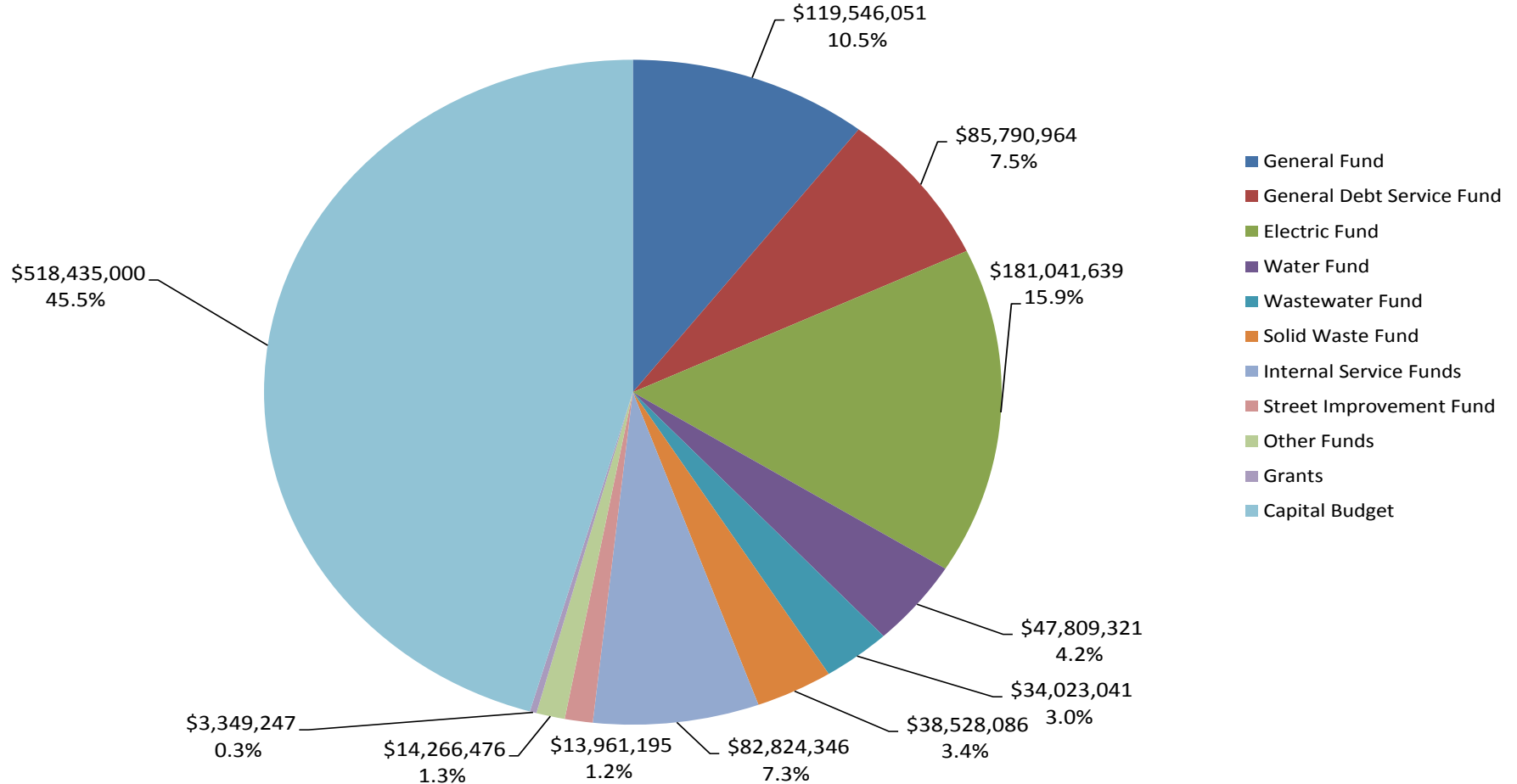
(Total City FTEs – 1,640.71)

Fund	Additional FTE's
Electric (for Denton Energy Center)	8.0
Fleet Services	1.0
<u>General Fund</u>	
Fire	6.0
Internal Audit	<u>1.0</u>
Total	16.0

Net increase from FY 2016-17 Budget is 4.15 positions

FY 2017-18 Budget by Fund

\$1,139,575,366 for all Funds



Next Steps

- ❑ Vote on Proposed Tax Rate for required notices – (Today's meeting)
- ❑ Public Hearings – August 15th and September 12th
- ❑ Budget Discussions – set at all work sessions from August 8th through September 19th
- ❑ Budget Adoption – September 19th

Questions?

