

A Portal to the “New Era” FY19-20 and FY20-21: A 2-Year View



City Council Budget Workshop
July 15-16, 2019

2-Years of Considerable Events Ahead

- Opening of Public Safety Campus & Fire Station #3
- Completion of Senior Center Renovations
- Last two years of Serial Sale for 2015 Bond Program
- Census – City officially greater than 100,000
- Collins/Arapaho entitlement work completed, start of implementation
- Completion of Main Street road projects
- Near completion of Cotton Belt/Silver Line commuter trail
- Spring Creek Nature Area opening
- *The Gateway at CORE* construction underway: Main Street at 75
- Drury hotel opening
- Legislative Impacts.....

Legislative Impacts

Legislation that will Reduce Revenue or Increase Expenditures by Budget Year

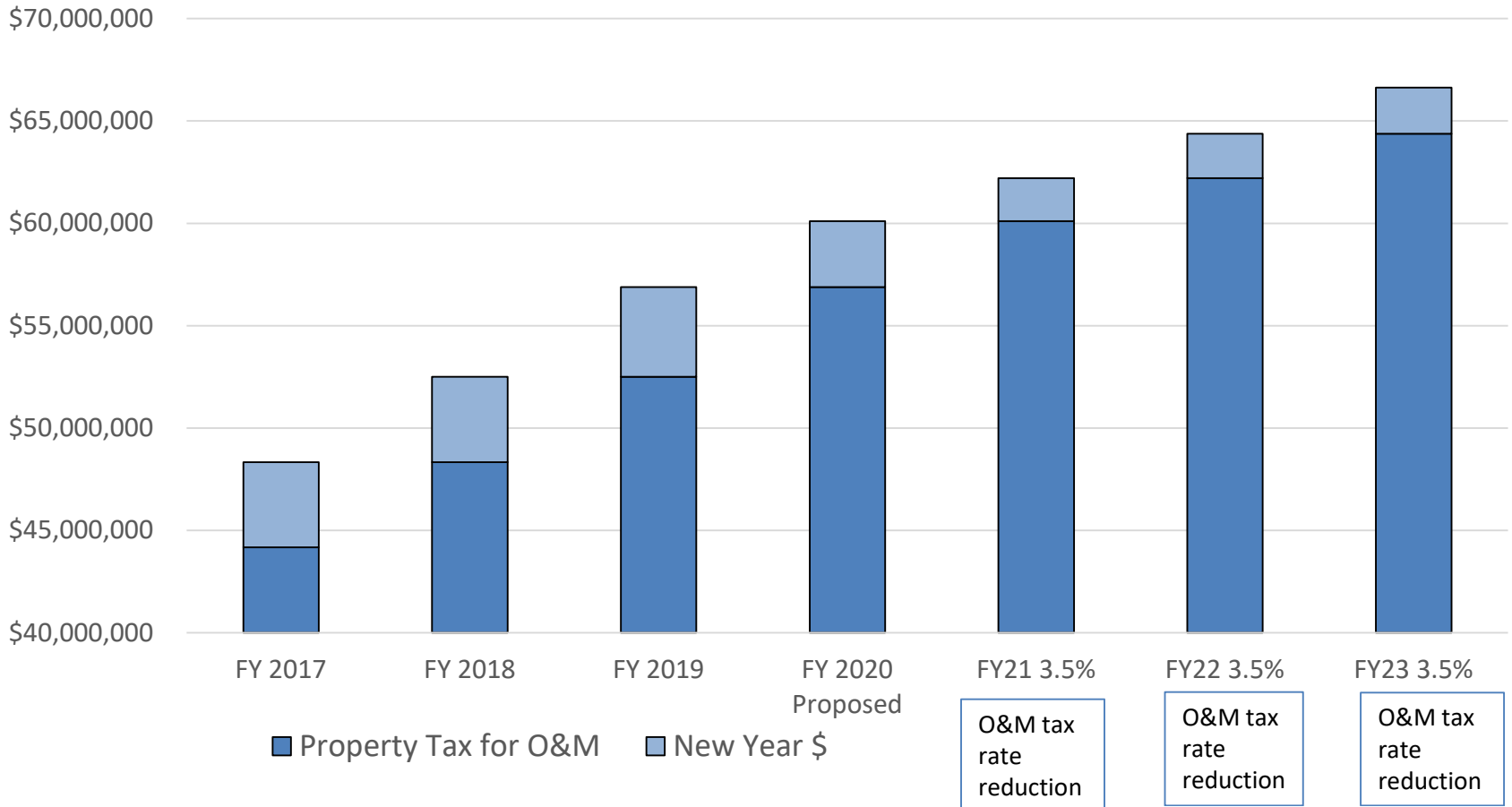
FY 18-19	FY 19-20	FY 20-21
HB 852 - Building Permit Fees	HB 1152 - Franchise Fees	SB 2 - 3.5% Cap
<i>HB 1631 - Red Light Cameras</i>	HB 346 - Municipal Court Fees	
HB 3834 - Cyber Security Training	HB 2048 - Repeal of Driver Responsibility Program	
	HB 2899 - Civil Liability for Plans, Specs, Etc.	

SB 2 Overview

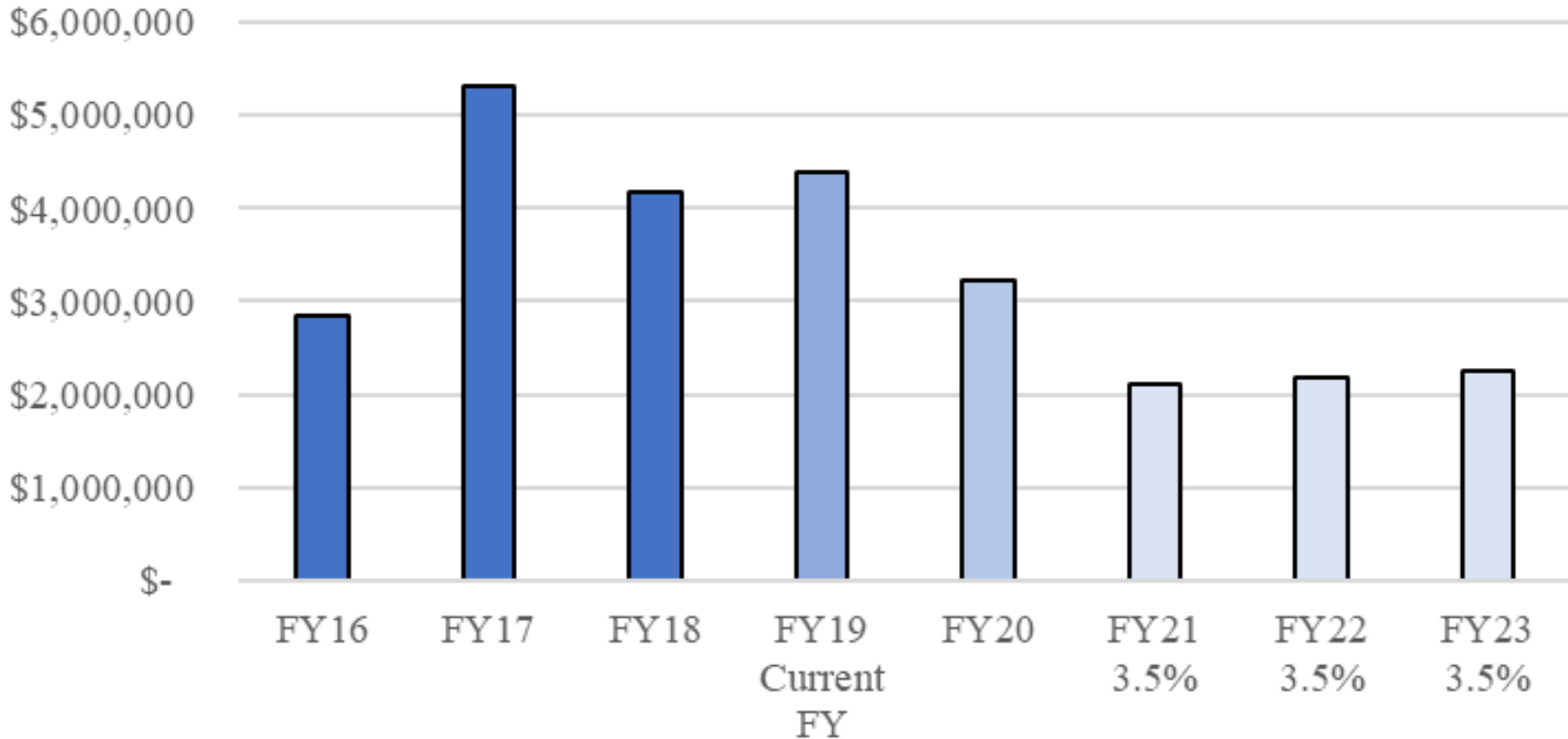
- Renames the current Rollback Rate to the Voter-Approval Rate
- Lowers the rollback threshold from 8% to 3.5% for cities over 30,000 in population
- Exceeding the Voter-Approval calculation requires a mandatory ratification election on the November Uniform Election Date
- Makes numerous calendar changes to the property tax appraisal process
- Requires Appraisal Districts to create a searchable property tax database showing individual values and estimated taxes based on the rates that each government proposes, as well as detailed information about the public hearing process

Property Tax Revenue – SB 2

Property Tax Revenue



Incremental Increase in Property Taxes for Operations (New Revenue)



Other Impactful Factors

- Competitive N. Texas talent market
- Medical and prescription cost drivers
- Aging infrastructure reconstruction and maintenance
- Aging facility reconstruction and maintenance
- Technology costs – replacement and escalation
- Mandates (Example: CMOM)
- Fuel, electricity, etc.
- Debt (ability to utilize certificates of obligation in the future)
- Weather patterns

FY19-20 Budget Aspirations

The FY19-20 City Manager's Proposed Budget aspires to achieve five key objectives:

- Sustain efforts to invest in the City's key infrastructure
- Establish ongoing funding strategy to update/replace the City's traffic and information technology legacy systems
- Provide a competitive and sustainable compensation and benefits program to retain and recruit high quality employees
- Continue efforts to transition the General Government Equipment Replacement Fund to a cash financed fund through a phased approach
- Increase the General Fund balance

Equipment Replacement Fund

Transition Strategy

- The FY18-19 Budget included a multi-year plan to begin the transition of the General Government Equipment Replacement Fund from a debt financed approach to a phased cash financed approach
- Series 2019 included the issuance of \$5.05 million for equipment to begin efforts
- In the FY19-20 budget, an additional \$1,803,416 will be transferred to this fund through the planned shift of debt to operations
- To further this transition, additional funds can be transferred to this fund by:
 - Shifting dedicated funding for Parks Maintenance from ½ penny to ¼ penny yields an additional \$405,429
 - Shifting dedicated funding for Economic Development from \$0.008 to \$0.005 yields an additional \$486,515
- A revised hybrid game plan is under development due to SB 2 constraints

General Fund – Fund Balance

- Fund balance growth has been fueled the past 5 years by the strategic utilization of year end savings
- As a result, each new year requires additional revenue to be budgeted to sustain the higher fund balance
- This can result in mid-year estimates and year ending actual fund balance being higher than the proposed budget
- This strategy has served the City very well as the projected fund balance for FY19-20 is estimated to have increased days of fund balance by 7.54 days since FY 15-16

General Fund - Fund Balance

Fiscal Year	Days of Fund Balance	Ending Fund Balance
FY15-16 Actual	61.83	\$20,203,898
FY16-17 Actual	63.96	\$21,899,288
FY17-18 Actual	67.72	\$23,986,031
FY18-19 Budget	66.00	\$24,621,196
FY18-19 Estimated	71.71	\$26,800,808
FY19-20 Proposed	69.37	\$27,208,561

Considerations for a New Era

- Careful evaluation of new programs/services to determine recurring expenses and impact on future budgets
- Re-examination of current master plans and key studies to ensure operating factors are identified and are affordable
- Reframe city comparison practices as SB 2 will have a different impact on cities: 4A/4B, or cities that are experiencing significant new growth
- Careful consideration of the City's programs/services to determine what is still essential to the community and what may no longer be a priority
- Analysis of user-based services to determine if adjustments are needed for some fees that have a direct benefit to specific users

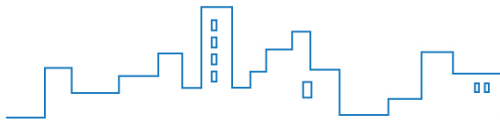
Sustaining Key Areas of Focus

- Notwithstanding these key 2-year considerations, the mission of Plan Our Work-Work Our Plan continues
- Attention continues to be devoted to initiatives in key areas, including:
 - Neighborhoods
 - Urban/Commercial Villages
 - Operations (Talent & Systems)
 - Infrastructure and Facilities
- Sustaining attention to these community priorities is critical, even as we embrace new budget development realities

2019-2020 Key Initiatives



Neighborhood Initiative



Urban/Commercial Village Initiative



Operations (Talent and Systems) Initiative



Infrastructure/Facilities Initiative



Neighborhood Initiatives



Multi-Year
Neighborhood
Park Maintenance
Strategies

Dedicated Funding
for Alley Repairs

Street
Maintenance
Strategies

Matching Fund
Beautification
Program

Home
Improvement
Incentive Program

Neighborhood Initiatives



FY19-20 Key Initiatives:

Neighborhood Parks Maintenance Strategies:

- Funding for neighborhood park improvements at 13 different parks

Dedicated Alley Funding:

- Dedicated funding for 43 alley repair projects

Street Maintenance Strategies:

- Three residential areas
- Collector street repairs – Floyd, Yale, Richardson Drive/Municipal, Apollo
- Arterial street repairs – W. Campbell, Centennial

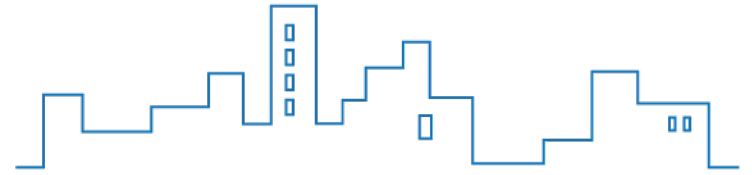
Matching Fund Beautification Program:

- Matching funds for five neighborhood projects

Home Improvement Incentive Program:

- Funding for 121 homes in FY19-20

Urban/Commercial Village Initiatives



The Core
(Main Street)

W. Spring Valley

Collins/Arapaho

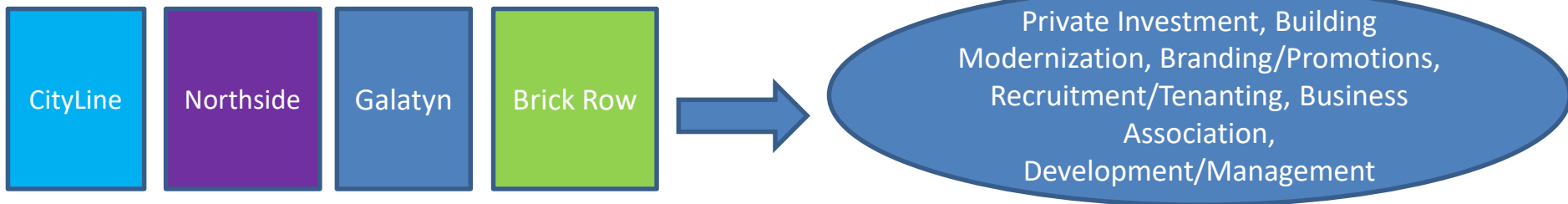
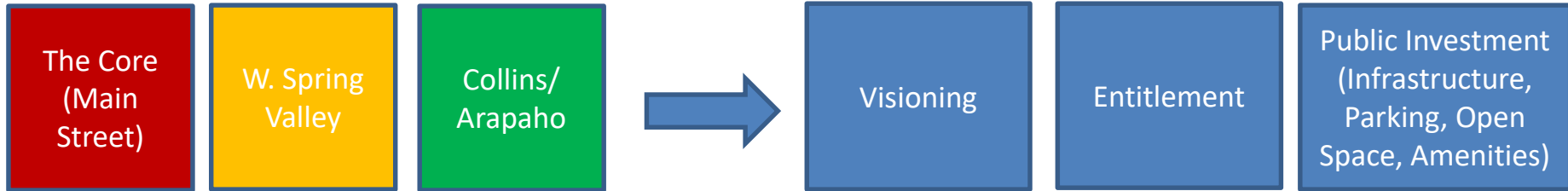
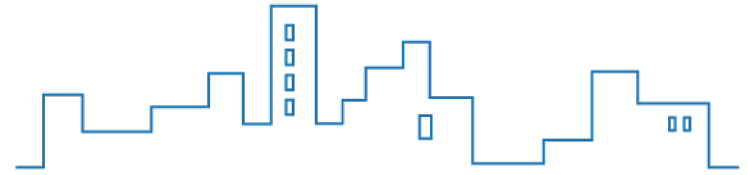
CityLine
Cooperative
Efforts

UTD/Northside

Galatyn
Campus

Brick Row

Urban/Commercial Village Initiative



Operations (Talent & Systems) Initiative



Information
Technology
Strategies

Traffic
Management
Strategies

Compensation
& Benefits
Strategies

Support of
Key City
Services

Operations (Talent & Systems) Initiative



FY19-20 Information Technology Key Initiatives:

- Replacement of Municipal Court software
- Replacement of payroll entry software
- Begin replacement of financial system software
- Implementation of technology at Fire Station #3

FY19-20 Traffic Management Strategies:

- Implementation of 4G network for traffic signals
- Implementation of 40 video detection cameras for traffic management

FY19-20 Compensation and Benefit Strategies:

- Compensation and benefits strategies are currently under consideration

FY19-20 Support of Key City Services:

- Support of the Police Department's electronic citation software and 9-1-1 public safety system

Infrastructure/Facilities Initiative



Street and Alley
Maintenance
Strategies

Traffic Signs and
Markings
Maintenance
Strategies

City Facilities
Maintenance
Strategies

Water/Sewer
Maintenance
Strategies

Drainage
Maintenance
Strategies

Infrastructure/Facilities Initiatives – Streets, Alleys, Traffic



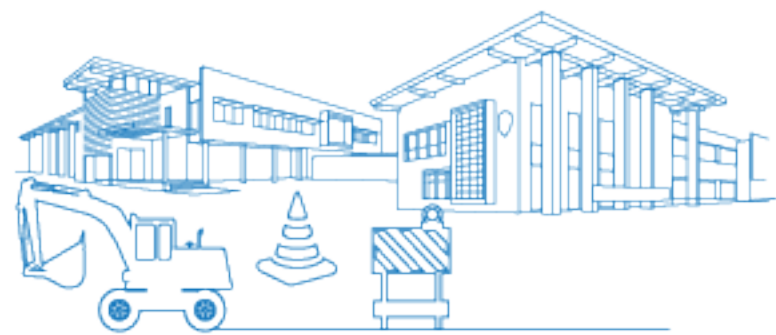
FY19-20 Street and Alley Key Initiatives:

- Increase in preventative maintenance funding through penny tax
- Increased focus on collectors through penny tax
- Continued focus on alley repairs through penny tax

FY19-20 Traffic Signs, Traffic Markings Key Initiatives:

- Replace small street name signs in Zones 5 and 6
- Replace markings and buttons along arterial and collector streets in conjunction with pavement program
- Add 1 mile of bike lanes - Spring Valley – Grove to Plano
- Update existing bike lanes at Yale – Buckingham to Campbell

Infrastructure/Facilities Initiatives - Facilities



FY19-20 General Fund Facilities Initiatives:

- City Hall air conditioning unit replacement
- Fire Training Center tank isolation
- Annual service contracts
- Preventative and corrective maintenance strategies

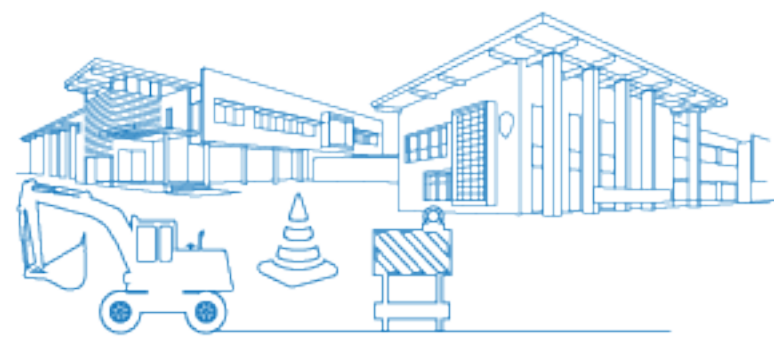
FY19-20 Water Fund Facilities Initiatives:

- Assessment of Collins and Renner elevated storage
- Electrical upgrades and improvements at Northside Pump Station

FY19-20 Eisemann Galatyn/Campus Initiatives:

- Eisemann Center drainage repairs
- Galatyn Campus and Eisemann Center step repairs

Infrastructure/Facilities Initiatives – Water Fund and Drainage Fund



FY19-20 Water Key Initiatives

- Northside Water Tower construction
- Meter replacement program
- Enhanced hydrant maintenance program
- Water main and valve repair and replacement program

FY19-20 Sewer Key Initiatives:

- Continuation of CMOM initiatives
- Cottonwood Basin condition assessment
- Duck Creek Basin rehabilitation
- Construction of sewer projects

FY19-20 Drainage Key Initiatives:

- Completion of stream assessment
- Completion of design and design/construction of flood prevention projects

Infrastructure/Facilities Initiatives - Future Bond Program Planning



The 2015 Bond Program was a six year program providing funding for projects through 2021. To best prepare for discussions about a future bond program, City staff has put together a two year work plan for consideration:

The Two Year Future Bond Program Work Plan includes:

- City Council direction on timing and priorities
- Key studies on City infrastructure/facilities
- City Council review and discussions about potential propositions
- City Council finalizing propositions and calling for an election
- Public education
- Bond election

Multi-Year Budget Development Focus

- Compromises will have to be considered in every budget decision, and balanced between key areas of focus
 - Reduced revenue growth will result in reduced flexibility and the need for increased innovation
 - Expenditures will be evaluated based on the recurring expenses that result
 - Departmental budgets will be constrained and departments will be required to prioritize needs
 - Impacts to services and programs are just a few of the likely outcomes

Budget Development Requirements/Guidelines

State and
Federal Laws

City Charter

City Council
Direction

City Financial
& Investment
Policies

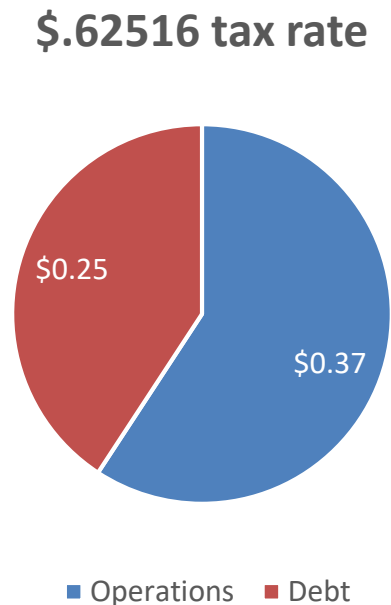
Fund
Accounting
Standards

Bond Rating
Criteria

July Budget Preparation Steps



General Fund - Property Tax



Preliminary Value Increases:

- Dallas County Appraisal District 14.5%
- Collin County Appraisal District: 7.6%
- PRELIM. TOTAL: 11.6%
- After TIF Total: 5.6%

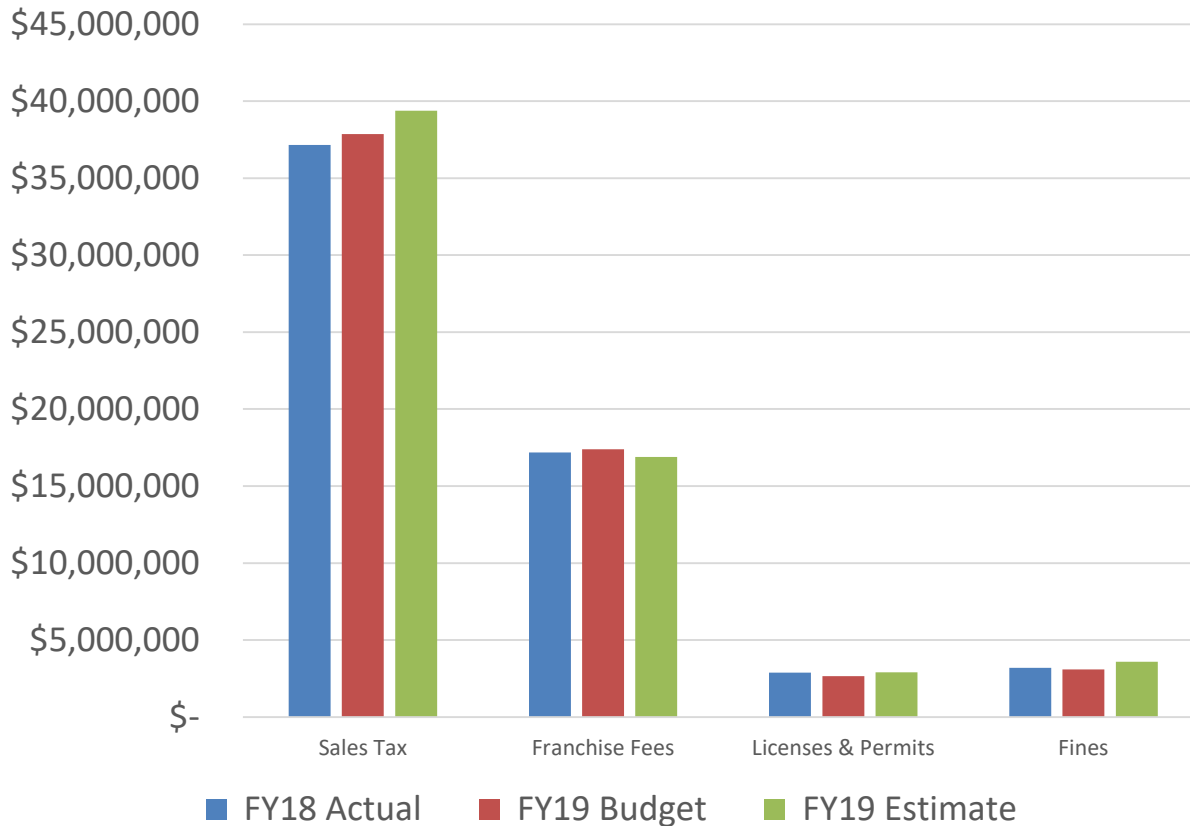
- Currently projecting at 5.6% increase for FY19-20
- Property taxes make up 43.4% of General Fund revenues

Senior Tax Exemption:

- Increased from \$85,000 to \$100,000
- Goal is to maintain a 30% projection objective
- Estimated cost of increase in the exemption: \$832,000

General Fund Revenues

General Fund Revenues

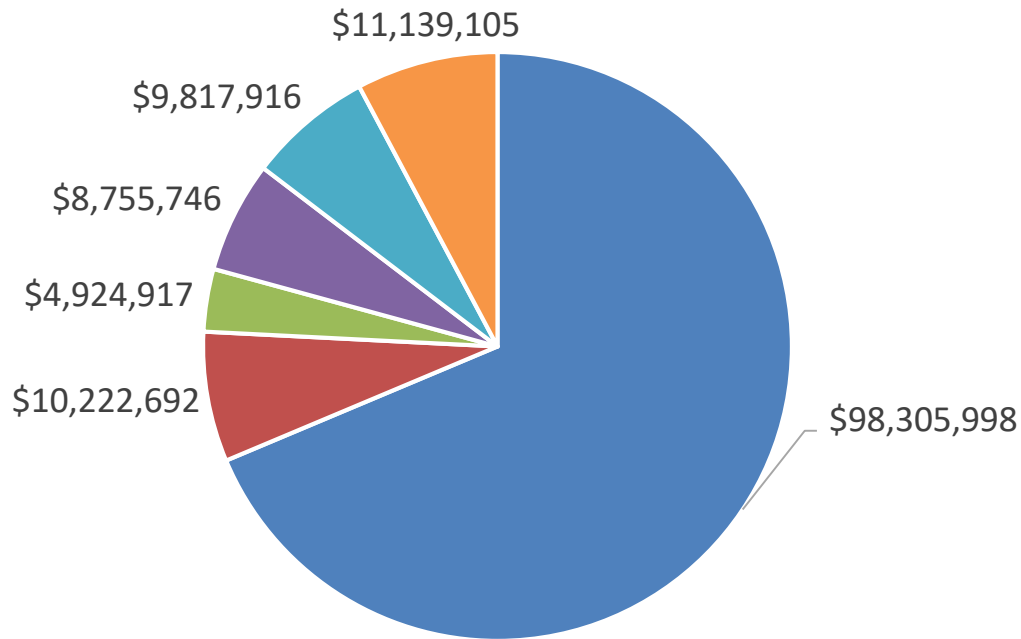


FY19-20 Budget Projections:

- Sales Tax: 2% increase
- Franchise Fees: 1% decrease
- Licenses & Permits: Flat
- Fines & Forfeitures: 7% decrease

FY19-20 Proposed General Fund Expenditures

FY 19-20 Proposed General Fund Expenditures

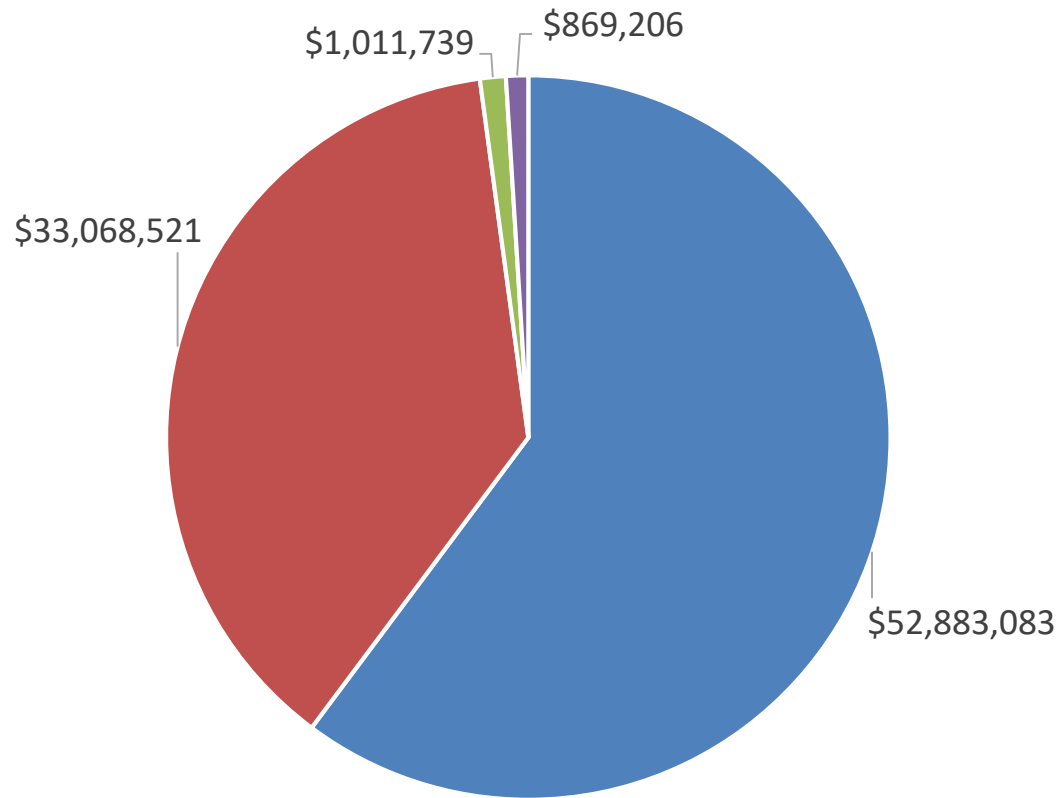


General Fund Expenditures:
 Personal Services: 68.7%
 Transfers: 7.8%
 Professional Services: 7.1%
 Supplies: 6.9%
 Contracts: 6.1%
 Maintenance: 3.4%

- Personal Services
- Professional Services
- Maintenance
- Contracts
- Supplies
- Transfers

FY19-20 Proposed Water/Sewer Fund

FY19-20 Proposed Water/Sewer Fund Revenue



■ Water Sales ■ Sewer Sales ■ Fees and Misc. Charges ■ Misc. 32

Water/Sewer Fund Expenditures:

- Maintenance: 65.6%
- Transfers Out: 11.1%
- Personal Services: 8.6%
- Debt Service: 7.4%
- Prof. Services: 4.5%
- Supplies: 1.3%
- Contracts: 1.2%

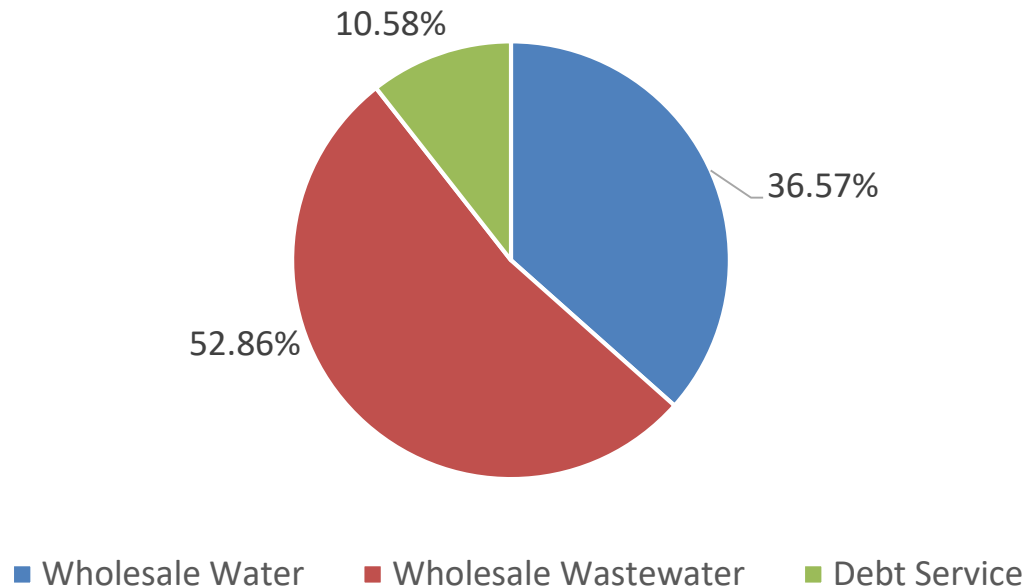
Key Elements:

- FY20 Days of Fund Balance: 76.71 days
- NTMWD wholesale water rate increase: \$771,000
- Increase from wholesale sewer providers: \$2,000,000
- Proposed City rate adjustment: 7.5%

FY19-20 Proposed Water/Sewer Fund

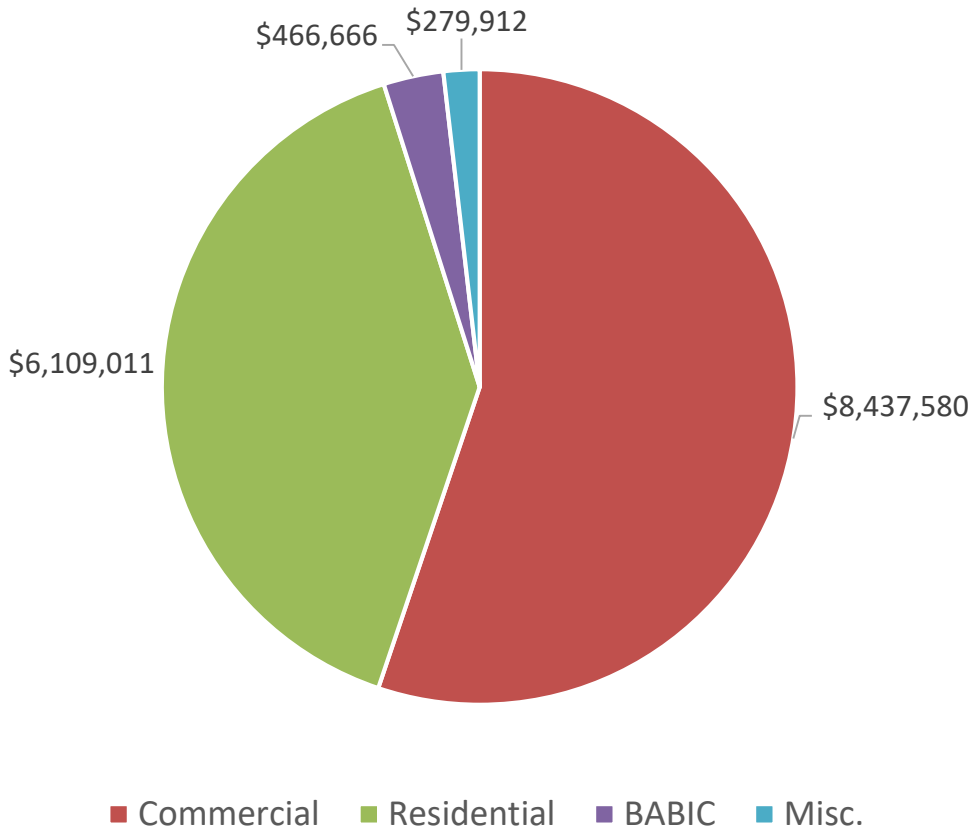
Water and Sewer services from our third party providers are experiencing both increased needs and additional mandates/requirements that necessitate additional capital projects. In addition, the City has additional debt service requirements for Water/Sewer Utility Fund capital projects. The chart below demonstrates the impact of these expense drivers that comprise the majority of the increase in Water/Sewer Utility Fund.

FY19-20 Water/Sewer Fund Expense Drivers



FY19-20 Proposed Solid Waste Fund

FY19-20 Proposed Solid Waste Fund Revenue



Solid Waste Expenditures:

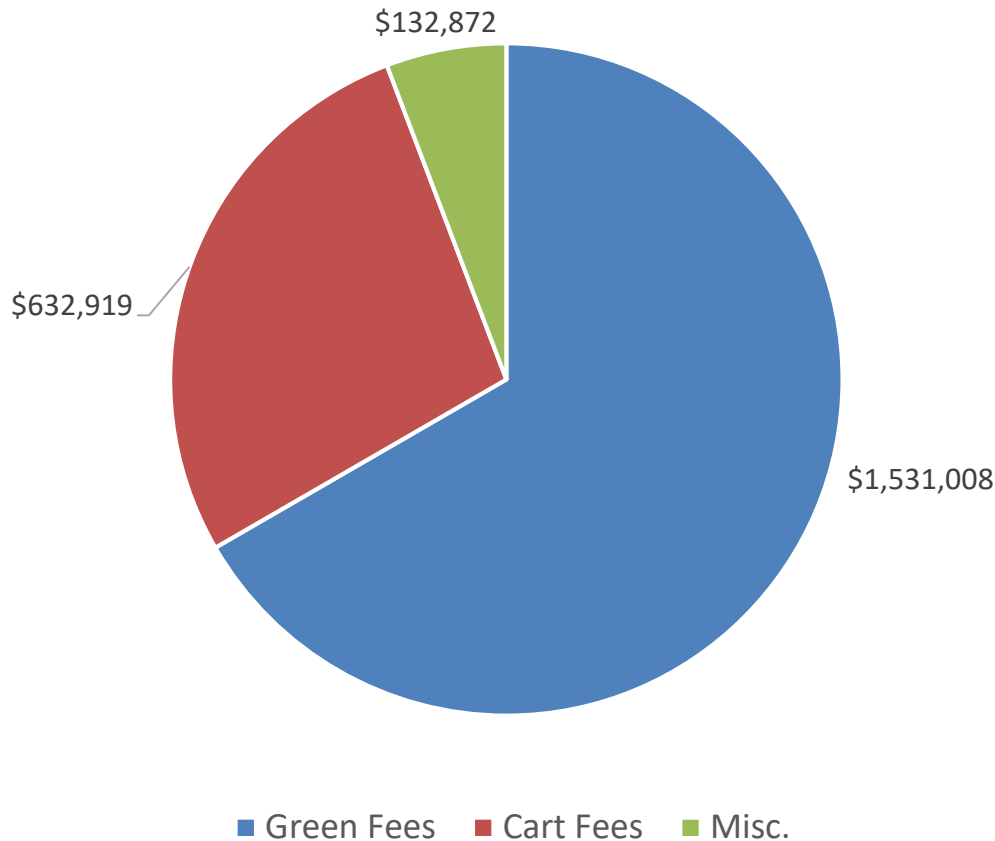
- Personal Services: 34.5%
- Maintenance: 28.3%
- Transfers: 20.2%
- Debt Service: 9.4%
- Contracts: 3.5%
- Prof. Services: 2.1%
- Supplies: 2.0%

Key Elements:

- FY20 Days of Fund Balance: 97.55 days
- Consideration of minimal fee change for select commercial service types

FY19-20 Proposed Golf Fund

FY19-20 Proposed Golf Fund Revenue



Golf Fund Expenditures:

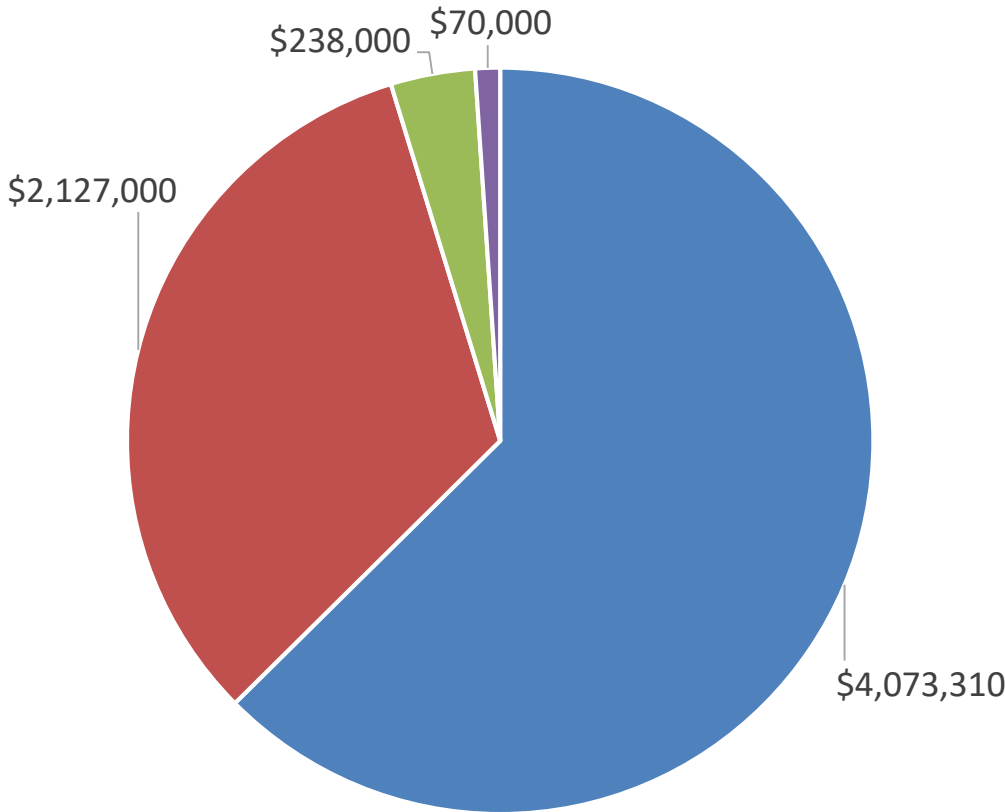
- Personal Services: 52.2%
- Supplies: 16.9%
- Maintenance: 10.5%
- Prof. Services: 9.5%
- Contracts: 6.4%
- Transfers: 4.5%

Key Elements:

- FY20 Days of Fund Balance: 24.52 days
- Replacement of Golf Maintenance Equipment: \$145,200

FY19-20 Proposed Hotel/Motel Fund

FY19-20 Proposed Hotel/Motel Fund
Revenue



Hotel/Motel Expenditures:

- Eisemann Center: 68.5%
- Transfers: 11.5%
- Parking Garage: 8.2%
- Arts Grants: 5.8%
- Capital Renewal: 4.7%

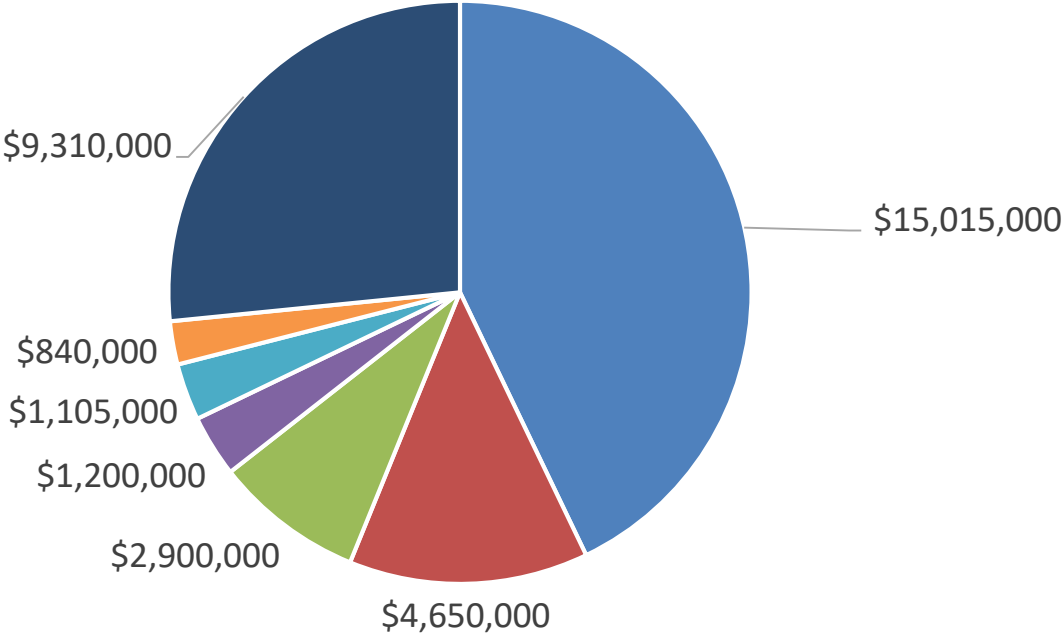
Key Elements:

- FY20 Fund Balance: \$1,609,747
- Capital Renewal projects for Eisemann Center and Galatyn Campus: \$300,000

■ Hotel/Motel Tax ■ Eisemann Center ■ Parking ■ Misc. 36

FY 2019-2020 Proposed Debt and Capital Program

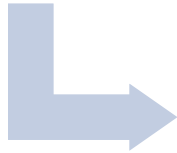
FY19-20 Debt and Capital Program



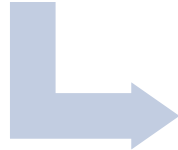
- Year 5 of G.O.
- 2020 Supplement
- General Fund Capital
- IT Equipment
- Fire Equipment
- Solid Waste Equip.
- Water/Sewer Equip.

Budget Workshop Summary

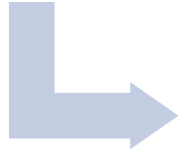
July: Incorporate City Council Feedback, Confirm Appraised Values



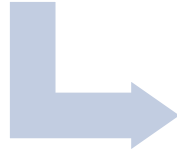
August 5th: Establish Public Hearing Dates and Rate



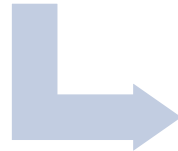
August 9th: City Manager Proposed Budget Filed



August 12th: Presentation of City Manager's Proposed Budget



August 19th & 26th: Budget Public Hearings



September 9th: Budget Adoption

Public Access to Budget Information:

- Web/Cable Access – Budget Workshops
- Web/Cable Access – Budget Work Sessions
- Web/City Secretary/Library – Copies of the Proposed Budget

Summary

- A well crafted budget is not only a fiscal game plan, it also sets forth a work plan for City Council attention and deployment of community resources to achieve these initiatives
- A 2-year perspective is not only helpful in the development of this budget, but it is also helpful in understanding the bandwidth requirements for the City Council, City staff and the community for many key initiatives
- The FY19-20 budget is still a “work in progress” and will continue to be refined. There are many remaining details to be completed before the August 9, 2019 filing. City Council input and direction is essential in developing a budget that is responsible and responsive to our community’s needs



RICHARDSON

T E X A S