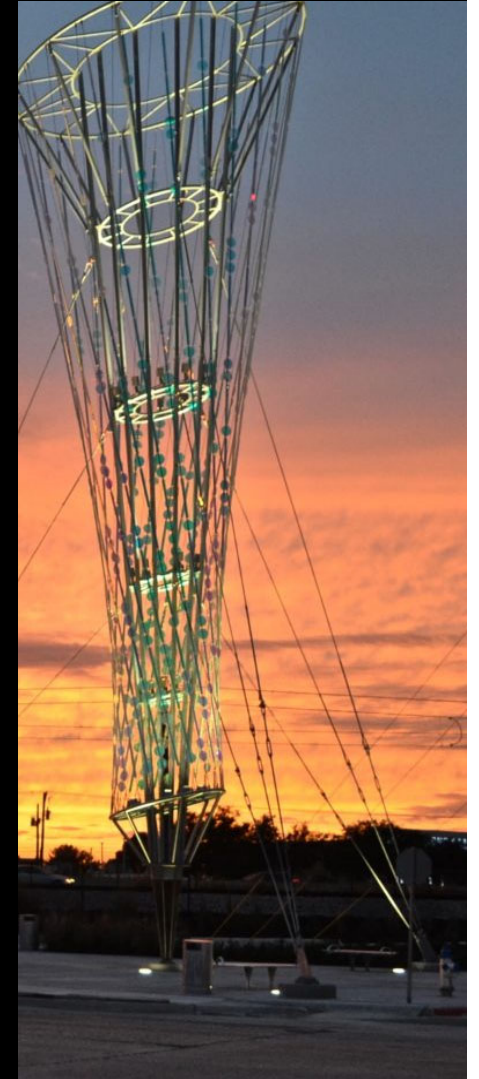

*Tax Rate Hearing for
Budget 2021-2022*

*Our Dawning
Restoration:
A Measured Response*

City of Richardson, Texas 2021-2022 Budget

City Council Budget Work Session
Monday, August 16, 2021



|| The Recent Challenging “Darkness” of 2020-21

- The 2021-22 Budget follows one of the most challenging times:
 - The full-year impact of the COVID pandemic
 - An impactful statewide winter storm
 - A delayed property tax appraisal process
 - An uncertain sales tax forecasting environment
 - Consequential city service and program modifications
 - Personal, community & economic challenges and compelled transitions
 - Emotional fortitude and confidence to adapt and sustain





A “Dawning” Environment

- So, what did we awaken to?
 - A community anxious to reengage
 - A “stimulated” economy - on top of the DFW’s nationally-ranked relocation impacts
 - Pent-up demands for employment, services and materials
 - Restorative demands for employment, services and materials
 - A mixed-impact community
 - A mixed impact tax base

Our Measured Restoration

- Strong fiscal disciplines served Richardson well over these challenges
 - Position freezes, cautious revenue estimates, fund balance management, careful grant utilizations, maximized planning opportunities
- **Restoration** has been a careful process of reexamination, revalidation, and reactivation as the circumstances now warrant – *with monitoring*
- This 2021-22 Budget does offer a strong mix of reactivated initiatives while maintaining guarded fiscal attention



The “2021-22 Dawning Day” Ahead: Context for Service Delivery in Evolving Times

- Focus on Measured Restoration
- Mixed Impact / Changing / Evolving Public Health Policy Instructions and Community Response
- Strained Supply Chain Impacts
- Self-Selection & Accommodation
- Go/No-Go Moments, Ready-but Wait/Verify
- Fractional Starts and Impacts
- Contingencies for Change/ Cancellations
- Patience and Flexibility



Combined Funds

Total FY 2021-2022 Combined Budget

Combined Budget (p. 17)				
	FY 2020-2021 Estimate	FY 2021-2022 Budget	Estimate/Budget	% Change
Beginning Fund Balance	\$109,342,489	\$102,890,257	(\$6,452,232)	-5.9%
Revenues	306,697,012	329,289,412	22,592,400	7.4%
Expenditures	313,149,244	330,788,419	17,639,175	5.6%
Ending Fund Balance	\$102,890,257	\$101,391,250	(\$1,499,007)	-1.5%

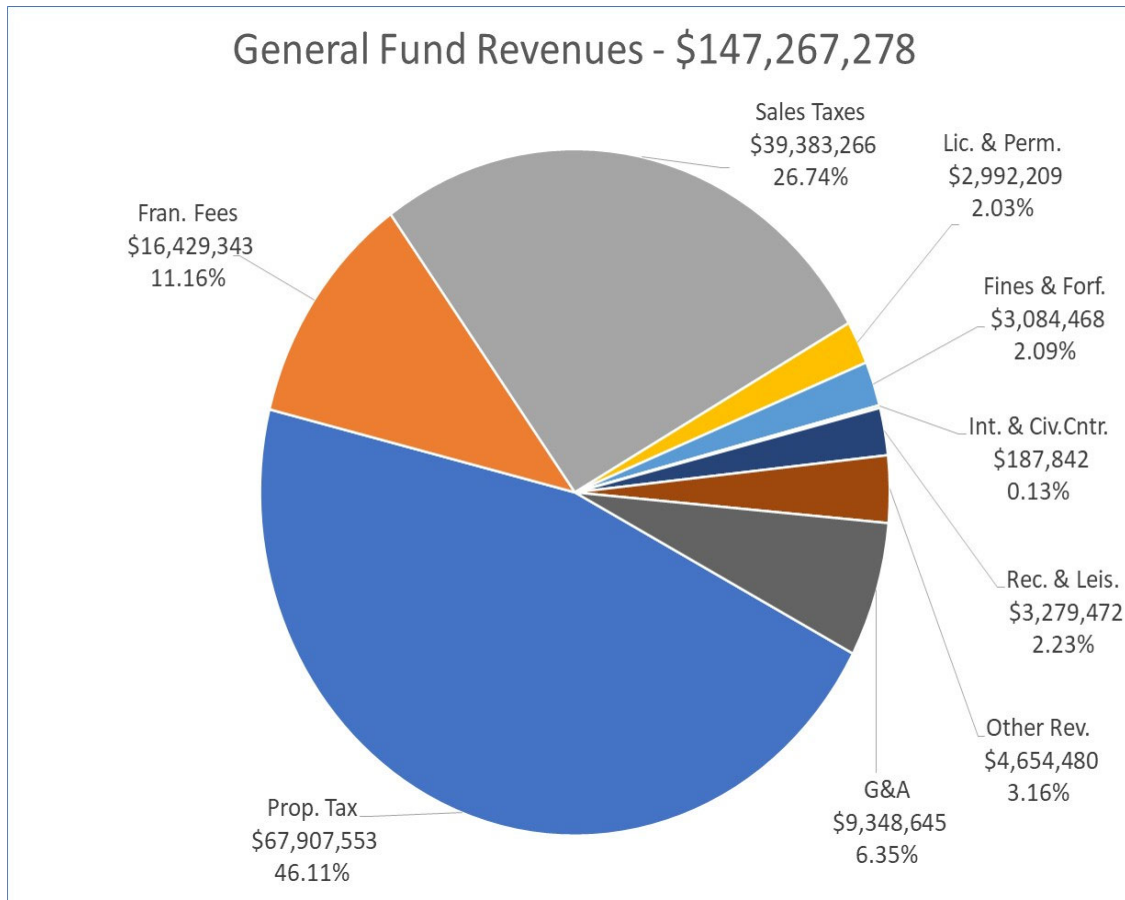
General Fund



FY 2021-2022 General Fund Budget

General Fund Budget (p. 21)				
	FY 2020-2021 Estimate	FY 2021-2022 Budget	Estimate/Budget	% Change
Beginning Fund Balance	\$44,590,409	\$38,619,587	(\$5,970,822)	-13.4%
Revenues	149,906,704	147,267,278	(2,639,426)	-1.8%
Expenditures	155,877,526	148,982,594	(6,894,932)	-4.4%
Ending Fund Balance	\$38,619,587	\$36,904,271	(\$1,715,316)	-4.4%

FY 2021-2022 General Fund Revenues



General Fund Revenues:

- 3.97% increase in the Certified Values
- Moves a portion of Debt Rate to Operations and Maintenance to fund cash funded replacement of IT equipment
- \$0.01 reduction to the City's Tax Rate
- Continues to be conservative in the projection of sales tax
- Parks and Recreation revenues reflect a phased in approach to reactivating Community Events

FY 2022 Property Tax Analysis

Assessed Valuation

	2020 Tax Year	2021 Tax Year	Change
Certified	\$18,597,570,819	\$19,669,556,707	\$1,071,985,888
Values in Dispute	680,685,053	290,679,595	(390,005,458)
Total Tax Values	19,278,255,872	19,960,236,302	681,980,430
TIF Values	(1,980,608,899)	(1,976,362,619)	4,246,280
Total for Gen/Debt Service	\$17,297,646,973	\$17,983,873,683	\$686,226,710

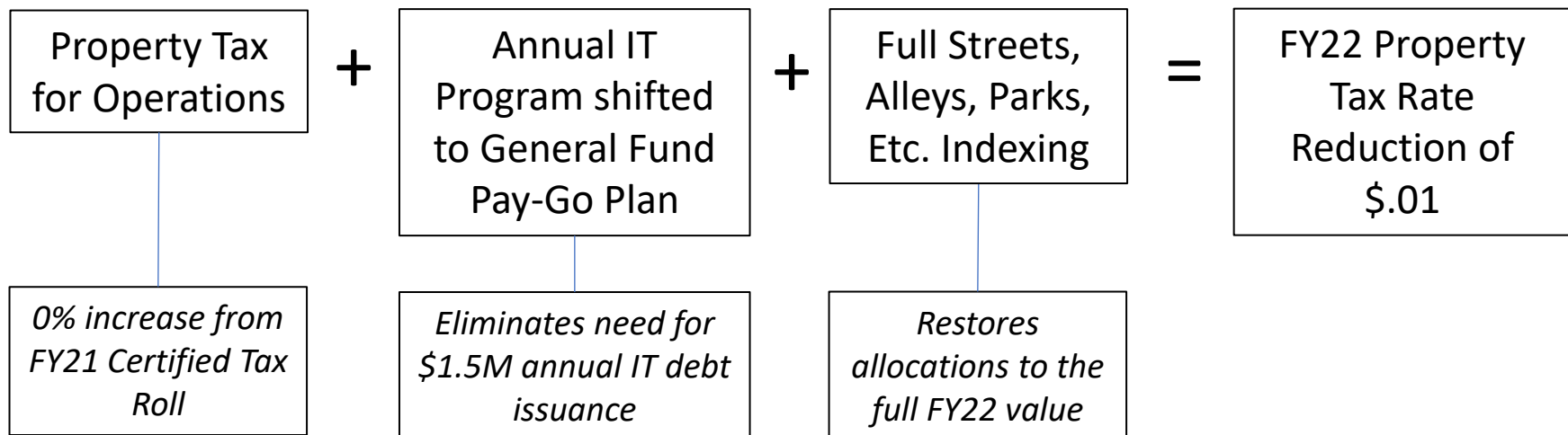
- Values in Dispute represent properties that did not complete the Appraisal Review Board process by the certification deadline
- The 2021 total tax values reflect a 3.54% increase from 2020
- Adjusting for TIF values not available for general purposes results in a 3.97% increase from 2020 for General Fund/Debt Service needs

Assessed Valuation

- Tax Rate Management Considerations:
 - Appraisal Change Components
 - Taxpayer Impacts
 - Senior Citizen Impact
 - Trends and Averages
 - Maintenance Realities
 - Guidance of Current Law
 - Debt Management
 - Stewardship of Resources

FY22 General Fund Property Tax Consideration

An Approach for a \$.01 Property Tax Rate Reduction



Required Budget Narrative:

(Front Cover Page)

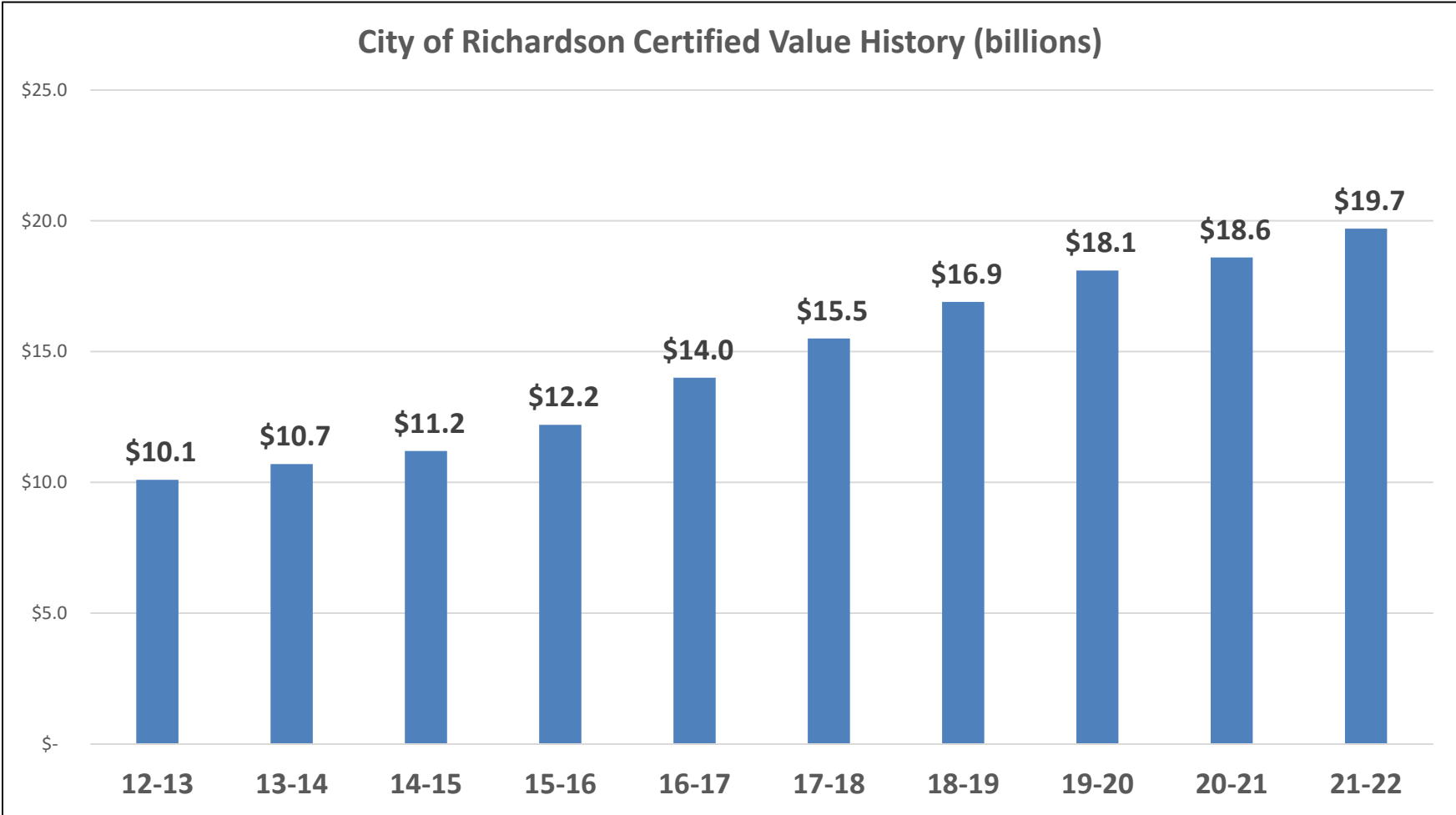
“This budget will raise more revenue from property taxes than last year’s budget by an amount of \$8,482,583, which is a 7.42 percent increase from last year’s budget. The property tax revenue to be raised from new property added to the tax roll this year is \$1,677,825.”

- This specific language is required by the Local Government Code, section 102.005(b). This calculation represents a comparison of certified tax rolls and *includes* TIF values. In practice and by obligations, a portion of appraised value in the TIF areas are segregated into separate funds and not included in the General Fund O&M and Debt portions of property tax revenue.
- This revenue is generated through a true up of the FY 2021 Certified Estimate, growth in new value and the reappraisal of existing properties.

Property Tax Increase Explained @ \$8.48 million

Effective to Proposed Tax Rate FY 2021-22	
Increase in Property Tax Revenue (\$0.61516 - \$0.01 Reduction)	\$ 8,482,583
Step Down	
True-Up of FY 2020-21 Certified Estimate to Certified Roll	\$ 6,215,138
Tax Increment Financing District 1 Increase/(Decrease)	22,721
Tax Increment Financing District 2 Increase/(Decrease)	(62,314)
Tax Increment Financing District 3 Increase/(Decrease)	(184,589)
Debt Service Increase	3,264,720
Restore Traditional Indexing Initiatives	
Street Rehab - \$0.025 (Previously frozen at FY 2018-19 Level)	\$ 655,585
Alley Rehab - \$0.01 (Previously frozen at FY 2018-19 Level)	262,234
Economic Development - \$0.005 (Previously frozen at FY 2018-19 Level)	74,034
Parks Maintenance - \$0.0025 (Previously frozen at FY 2018-19 Level)	37,018
Sub Total Street/Alley Rehabilitation Initiatives	\$ 1,028,871
Equipment Replacement Funding (ERF) - \$0.0185 (previously funded at static \$2.9 million)	415,542
IT Equipment Replacement Initiative (transiting to pay-as-you-go)	1,500,000
Special Projects	-
Remaining Additional Property Taxes	\$ (3,717,506)

FY 2021-2022 Assessed Valuation



Tax Rate Mechanics

2021-2022 Tax Rate Calculations			
	M&O	Debt	Total
No New Revenue Rate	\$0.37083	\$0.23619	\$0.60702
2021-2022 Proposed Rate	\$0.37721	\$0.23795	\$0.61516
Public Hearing/Advertised Rate	\$0.38721	\$0.23795	\$0.62516
Voter Approval Rate	\$0.42561	\$0.23795	\$0.66356

- The Voter Approval Rate is the sum of the maintenance and operations portion of the No New Revenue Rate increased by 3.5%, plus the required Debt Rate and the Unused Increment from the last three tax years.
- The Unused Increment is calculated as the adopted tax rate less the Voter Approval Rate for the given tax year.
- For FY 2021, the City Council adopted a \$0.62516 tax rate, and the Voter Approval Rate was \$0.66697, yielding an Unused Increment of \$0.04181

Senior Exemption

- The City Council reviewed the Over 65 and Disabled Persons tax exemption on February 8th and kept the exemption steady at \$100,000 a year.
 - The adopted exemption maintains the goal of providing a 30% tax benefit and save those receiving the exemption an average of \$615 a year in City property taxes.
 - The average value of a senior's home would have to increase by 4.7% before the \$100,000 exemption fell below the 30% financial policy goal.
 - At \$100,000, the exempted taxes are estimated to total \$5,264,297 with an incremental cost to the City of \$120,206 over last year.

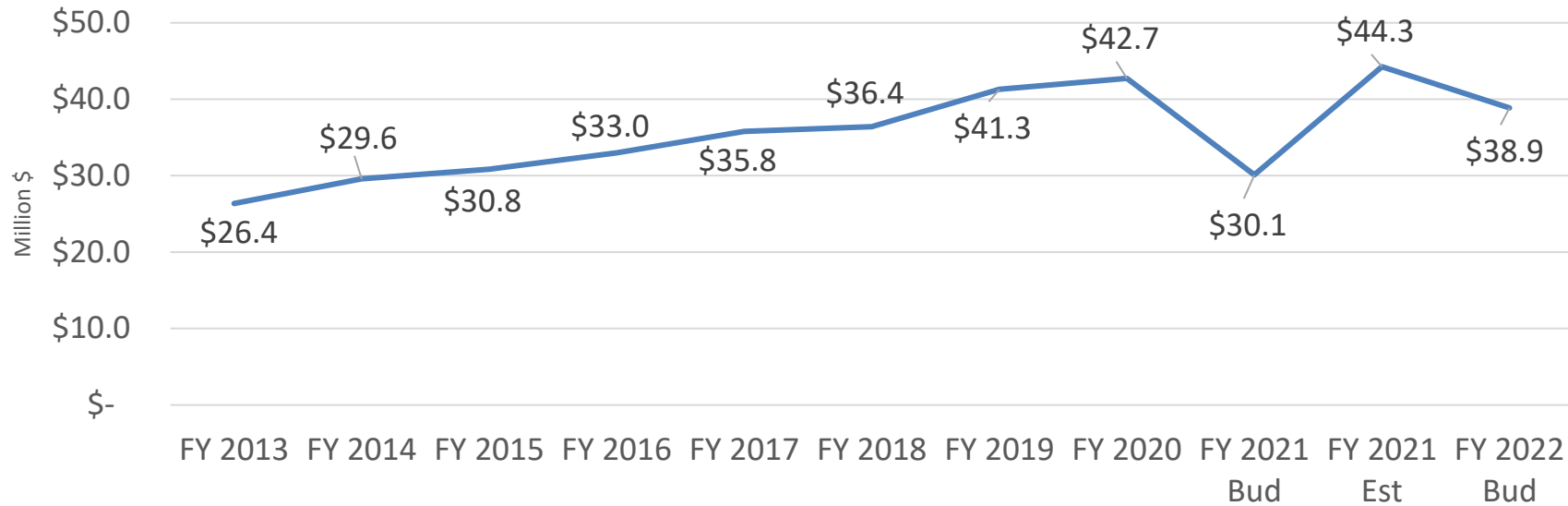
Property Taxes

- **Property Taxes**

- Total Property Taxes are projected at \$67.9 million or \$2.3 million above the FY21 year-end estimate
- Includes a \$0.01 reduction in the City's overall Tax Rate
- Maintains senior tax exemption at \$100,000
- Begin a pay-as-you-go initiative for the replacement of computer hardware, that was previously funded through the use of short-term debt
- Restores full indexing of infrastructure dedications to their FY22 values

Sales Taxes

Sales Tax History



- **Sales and Other Business Taxes**

- Total Sales and Other Business Taxes are projected at \$39.4 million or (\$5.4 million) below the FY21 year-end estimate
- The City will continue to take a conservative approach in its revenue projections in response to the evolving economic recovery.
- The \$38.9 million projection for Sales Tax includes the estimated impact of a Comptroller rule change going into effect in October 2021 that modernizes the place of business and classifies internet-based transactions as “destination based”

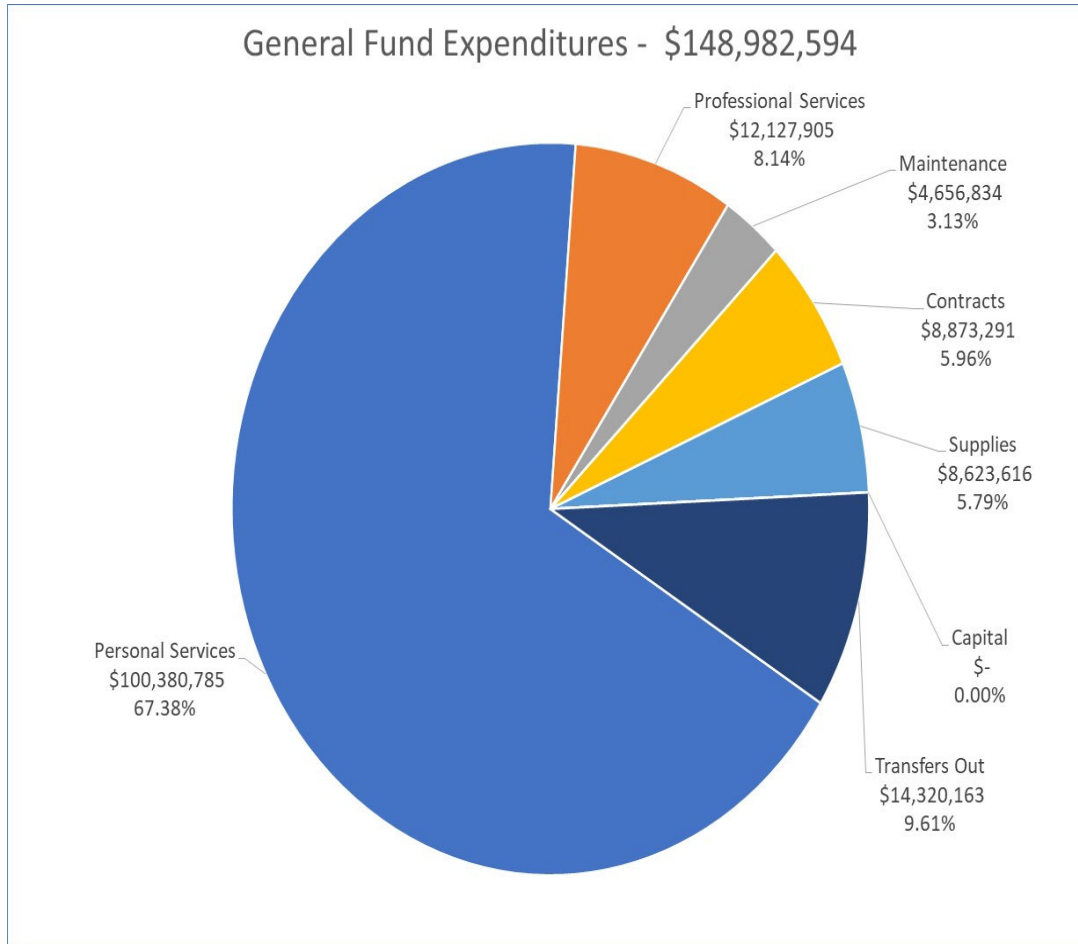
Remaining Revenues

- **Franchise Fees** are projected at \$16.4 million or \$32,000 above the FY21 year-end estimate
 - Consists of electric, telephone, Gas, Cable franchises, as well as franchise fees from the City's Water and Sewer and Solid Waste Services Funds
- **License and Permits** are projected at \$3.0 million, or (\$134,000) below the FY21 year-end estimate
 - Projection removes large permits received in FY21 but continues the trend of strong activity
- Revenue from **Money and Property** is expected to increase \$88,000 from its estimated year-end position
 - Still being impacted by lower interest rates
 - Civic Center books are continued to be on hold

Remaining Revenues (continued)

- Revenue from **Recreation and Leisure** activities are projected at \$3.3 million, which is up \$1.5 million from the FY21 year-end estimate
 - Reflects reactivating special events:
 - The Wildflower! Festival
 - Spring 2022 Cottonwood Art Festival and Fall 2022 planning
 - Huffhines Arts Trails/Pawtoberfest
 - Family 4th
 - Santa’s Village and Christmas Parade
 - Corporate Challenge
- Revenues in the **Other Revenue** category are projected at \$4.7 million, a reduction of (\$1.4 million) from the FY21 estimate
- Revenue from **General and Administrative Charges (G&A)** are projected at \$9.3 million

FY 2021-2022 General Fund Expenditures



General Fund Expenditures:

- Includes a reserve for a Public Safety Pay Plan adjustment and a merit-based pay increase for general government employees
- Budget has allowed for a gradual restoration of select positions that were frozen and expenditures that were reduced in FY21
- Allow the reactivation of community events as appropriate based on regional health, safety, and economic conditions
- Transitions the replacement of IT equipment from short-term debt to pay-as-you-go
- Restores full indexing of infrastructure initiatives
- Fund Balance: 90.41 days

General Fund Expenses

- **Personal Services** projected to increase \$4.9 million from the FY21 Year-End Estimate
 - Includes funding for 826 authorized positions
 - 14 positions remain frozen and unfunded
 - Includes reserve for Public Safety pay plan adjustments and merit-based pay increases for non-public safety
- **Non-Personnel Operations** – For FY 2021-2022, Non-Personal Services operating line items are currently proposed at \$34.3 million, a decrease of (\$1.4 million) or -3.9% from year end
- **Transfers Out** – All dedications for Street (\$0.025) and Alley Rehabilitation (\$0.01), Parks Maintenance (\$0.0025), and Economic Development (\$0.005) have been returned to their tradition indexes. Equipment Replacement will be indexed at \$0.0185
 - New in FY 2021-2022, the City will begin a **pay-as-you-go strategy** for the **replacement of computer hardware**
- **Fund Balance** -The proposed budget ends the year 90.41 days, or 30.39 days over the Council prescribed 60.0 days

FY 2021-2022 General Fund Proposed verses Filed

FY 2021-2022 Tax Rate and Budget Options			
	As Filed	\$0.01 Reduction	Variance
	\$0.62516	\$0.61516	
Beginning Fund Balance	\$ 38,619,587	\$ 38,619,587	\$ -
General Property Taxes	\$ 69,705,940	\$ 67,907,553	\$ (1,798,387)
Remaining Revenues	79,359,725	79,359,725	-
Total Revenues	\$ 149,065,665	\$ 147,267,278	\$ (1,798,387)
Operating Expenditures	\$ 134,662,431	\$ 134,662,431	\$ -
Street Rehabilitation (\$0.025)	4,495,968	4,495,968	-
Alley Rehabilitation (\$0.01)	1,798,387	1,798,387	-
Parks Maintenance (\$0.0025)	449,597	449,597	-
Economic Development (\$0.005)	899,194	899,194	-
Equipment Replacement (\$0.0185)	3,327,017	3,327,017	-
IT Equipment Replacement	1,500,000	1,500,000	-
IT & Traffic Initiatives	1,850,000	1,850,000	-
Unassigned	1,450,000	-	(1,450,000)
	\$ 150,432,594	\$ 148,982,594	\$ (1,450,000)
Ending Fund Balance	\$ 37,252,658	\$ 36,904,271	\$ (348,387)
Days of Fund Balance	90.39	90.41	0.02

Capital and Debt Planning

Series 2022 Debt Factors

- Stewardship of AAA bond rating from Moody's and Standard & Poor's
- Continued conservative property value growth and interest rate modeling assumptions
- Annual equipment/infrastructure needs for Fire, Solid Waste, Water & Sewer
- Year One of 2021 GO Bond Program, if authorized

MOODY'S

AAA

S&P Global

Series 2022 Proposed

Purpose	Type	Amount
2021 GO Bond Election – Year 1*	GO	\$45.00 million
Fire Equipment 8-Yr	CO	\$1.36 million
Water & Sewer CIP 15/20-Yr	CO	\$12.15 million
Solid Waste Equipment 8-Yr	CO	\$1.23 million
	Total	\$59.74 million

* Contingent upon calling November 2021 election and being approved by voters

Water and Sewer Fund

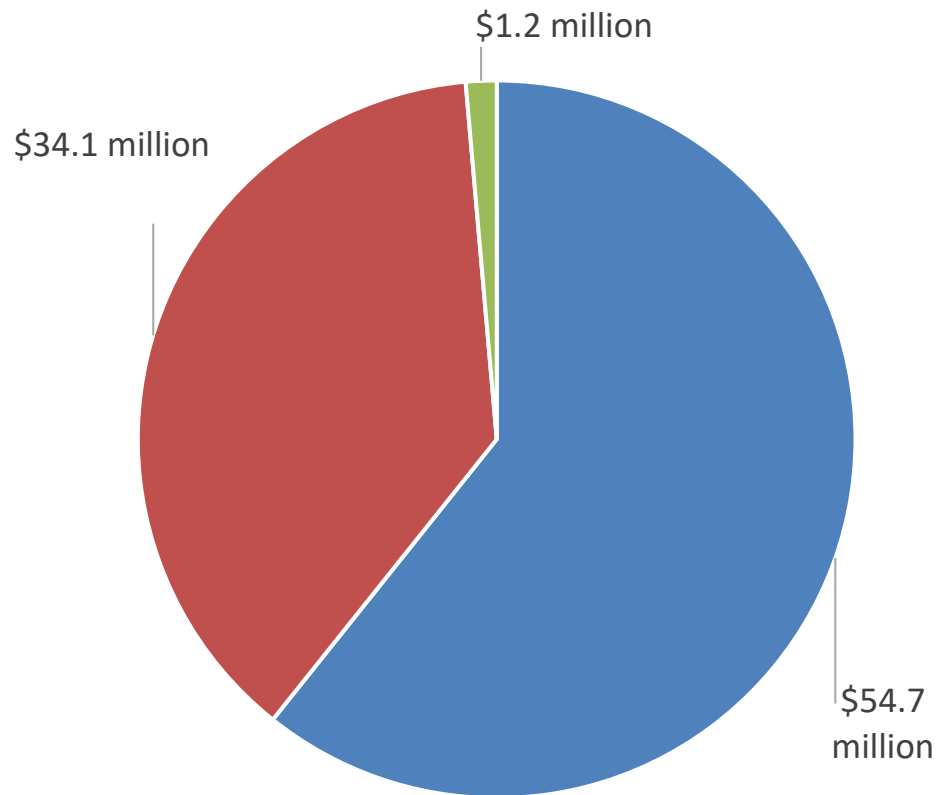


FY 2021-2022 Water and Sewer Waste Fund

Water and Sewer Fund Budget (p. 29)				
	FY 2020-2021 Estimate	FY 2021-2022 Budget	Estimate/Budget	% Change
Beginning Fund Balance	\$22,493,839	\$21,275,831	(\$1,218,008)	-5.4%
Revenues	84,389,182	89,990,919	5,601,737	6.6%
Expenditures	85,607,190	89,162,615	3,555,425	4.2%
Ending Fund Balance	\$21,275,831	\$22,104,135	\$828,304	3.9%

FY21-22 Water and Sewer Fund

FY21-22 Water/Sewer Fund Revenue



■ Water Sales ■ Sewer Sales ■ Misc. and Fees

Water/Sewer Fund Expenditures:

- Maintenance: 64.1%
- Oper. Transfers: 10.8%
- Personal Services: 8.2%
- Debt Service: 7.9%
- Prof. Services: 3.9%
- Capital Support: 2.2%
- Contracts: 1.6%
- Supplies: 1.1%
- Capital: 0.1%

Key Elements:

- 2.5% rate adjustments
- FY22 Days of Fund Balance: 90.49 days

FY 20-21 Water and Sewer Fund (p. 29)

- Projected revenues for FY 2021-2022 are based on a 2.5% increase to the City's current water and sewer retail rates
 - Revenue from Water Sales and Charges is programmed at \$54.7 million representing a 6.7% increase from year-end
 - Sewer Sales are budgeted at \$34.1 million or 4.8% above year-end
 - Remaining revenues combined increase \$590,000 based on a budget of \$1.3 million
- Expenditures and Transfers are proposed at \$89.2 million representing an increase of \$3.6 million or 4.2% over year-end estimates.
 - Together, the wholesale cost of water and sewer treatment services account for \$54.9 million or 61.6% of the total expenses
- Fund Balance is projected at 90.49 days, in compliance with the City Council approved Financial Policy for the Water and Sewer Fund of "90 Days in Fund Balance"

Solid Waste Services Fund

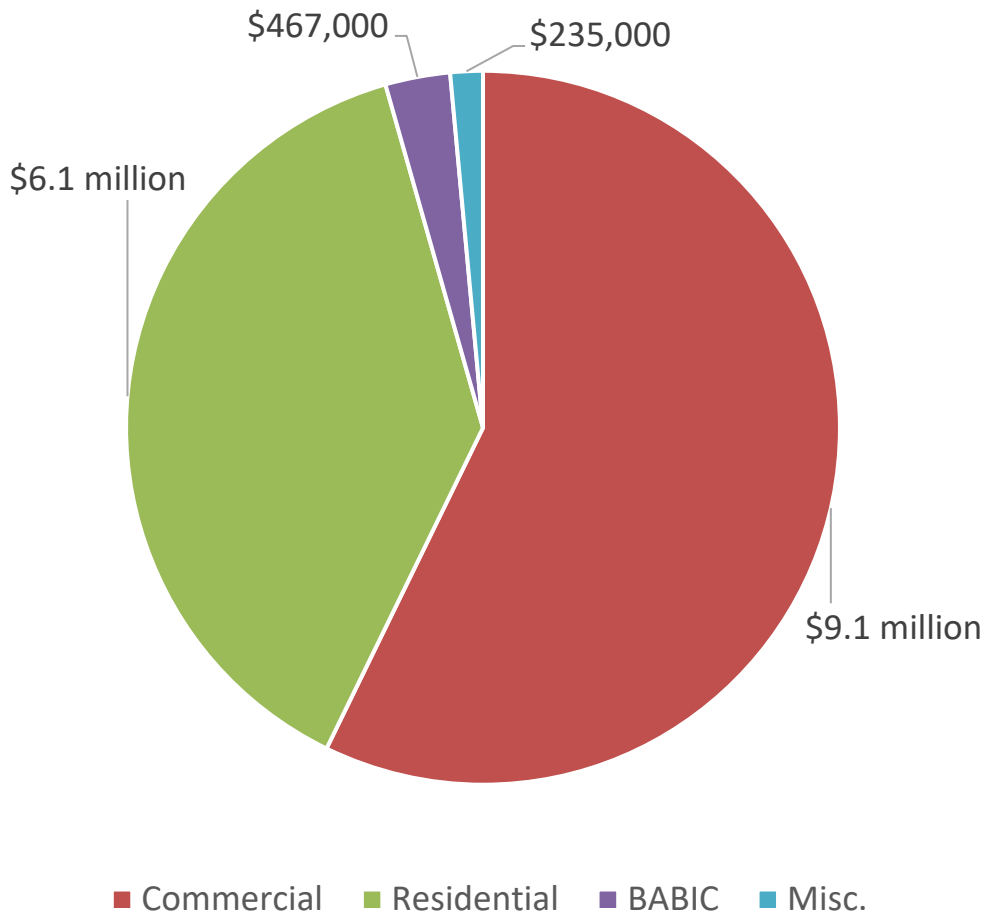


FY 2021-2022 Solid Waste Services Fund

Solid Waste Services Fund Budget (p. 35)				
	FY 2020-2021 Estimate	FY 2021-2022 Budget	Estimate/Budget	% Change
Beginning Fund Balance	\$3,863,714	\$3,849,865	(\$13,849)	-0.4%
Revenues	15,265,576	15,911,215	645,639	4.2%
Expenditures	15,279,425	15,847,323	567,898	3.7%
Ending Fund Balance	\$3,849,865	\$3,913,757	\$63,892	1.7%

FY21-22 Solid Waste Services Fund

FY21-22 Solid Waste Fund Revenue



Solid Waste Expenditures:

- Personal Services: 37.3%
- Maintenance: 25.9%
- Oper. Transfers: 20.6%
- Debt Service: 8.6%
- Contracts: 3.4%
- Prof. Services: 2.3%
- Supplies: 1.8%

Key Elements:

- FY22 Days of Fund Balance: 90.14 days
- No residential fee changes
- Includes commercial fee change to remain competitive within the commercial market

FY20-21 Solid Waste Fund (p. 35)

- Total revenues are projected to be \$646,000 over year-end estimates.
 - No residential rate change is proposed
 - Includes market driven commercial rate increases
- Total expenditures and transfers are proposed at \$15.8 million, an increase of \$568,000 or 3.7% over the year-end estimate of \$15.3 million.
 - Personal Services increase \$122,000 or 2.1% over year-end estimates and reflects full staffing and a modification to the pay plan for Drivers/Loaders in order to improve recruitment efforts
 - Landfill expenses account for 24.1% of the fund's total expenditures
- FY 2021-2022 fund balance is proposed at 90.14 days. This achieves the goal established in the adopted financial policy of “60 days building towards 90”



Golf Fund

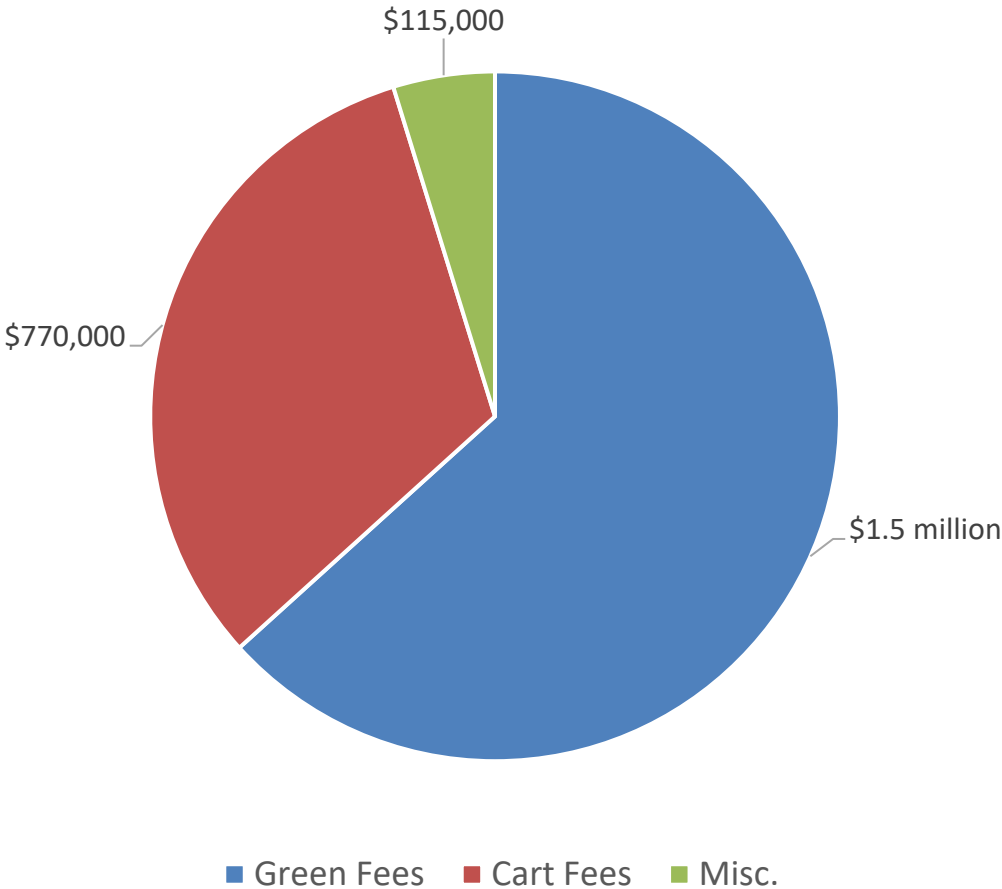


FY 2021-2022 Golf Fund

Golf Fund Budget (p. 41)				
	FY 2020-2021 Estimate	FY 2021-2022 Budget	Estimate/Budget	% Change
Beginning Fund Balance	\$450,112	\$465,725	\$15,613	3.5%
Revenues	2,830,983	2,412,316	(418,667)	-14.8%
Expenditures	2,815,370	2,466,091	(349,279)	-12.4%
Ending Fund Balance	\$465,725	\$411,950	(\$53,775)	-11.5%

FY21-22 Proposed Golf Fund

FY21-22 Golf Fund Revenue



Golf Fund Expenditures:

- Personal Services: 48.4%
- Supplies: 16.1%
- Maintenance: 10.2%
- Prof. Services: 9.4%
- Transfers: 8.7%
- Contracts: 7.2%

Key Elements:

- FY22 Days of Fund Balance: 60.97 days
- Continued funding of Golf Operations Reserve
- Replacement of Golf Maintenance Equipment: \$220,000

Golf Fund (p. 41)

- Revenues for the Golf Fund are projected at \$2.4 million for FY 2021-2022 representing a decrease of (\$419,000) from year-end
 - Green fees of \$1.5 million represents a reduction of (\$273,000) from year-end and reflects a conservative projection of rounds played and includes no change to the current fee structure
- Total Expenditures and Transfers for the Golf Fund are proposed at \$2.5 million, a decrease of (\$349,000) as a result of removing the one-time transfer out projected in FY 2020-2021
- Fund balance should end the year with 60.97 days in compliance with the Council approved financial policy of “30 building to 60 days”

Hotel/Motel Tax Fund

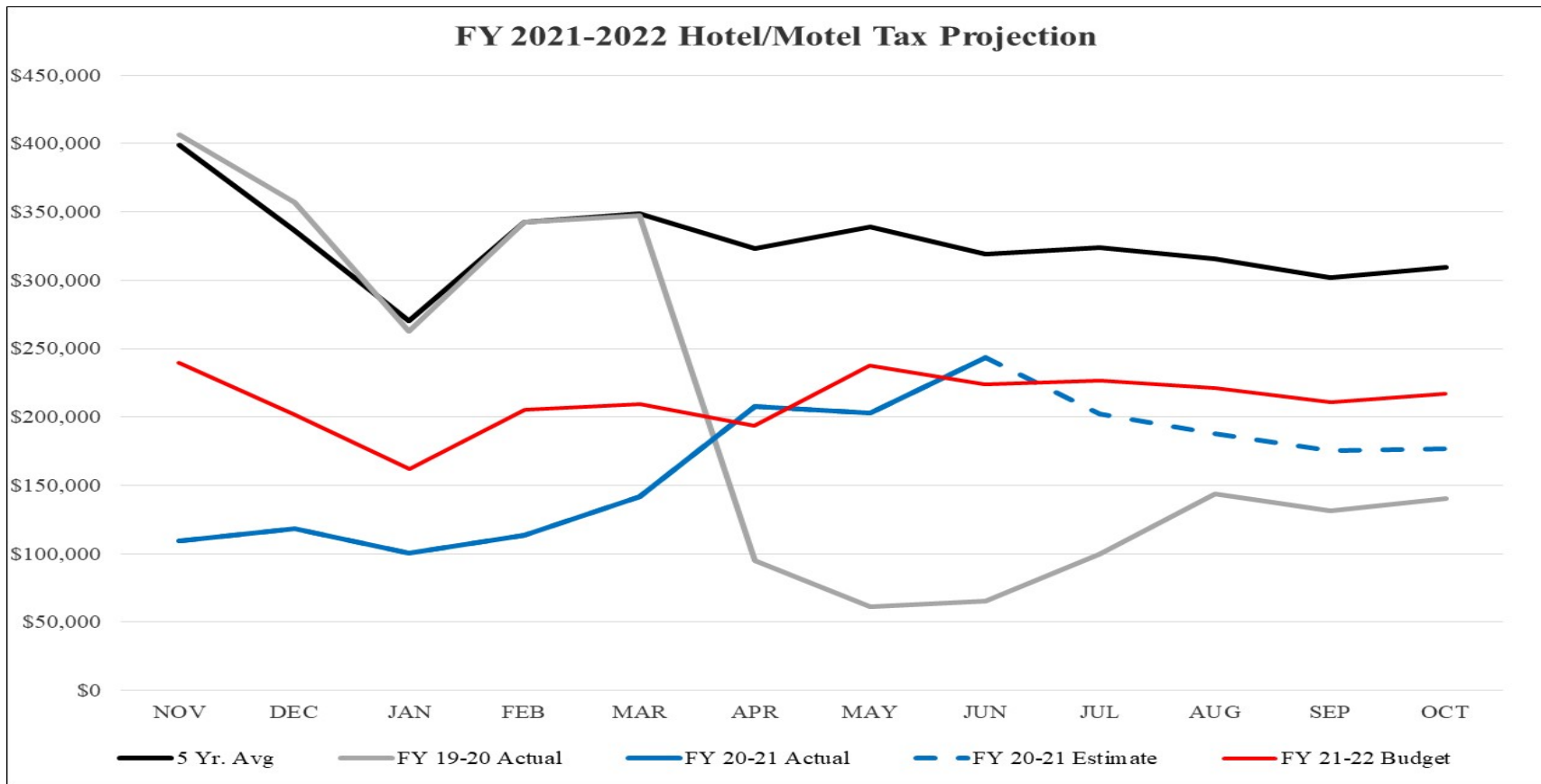


FY 2021-2022 Hotel/Motel Fund

Hotel/Motel Tax Fund Budget (p. 45)				
	FY 2020-2021 Estimate	FY 2021-2022 Budget	Estimate/Budget	% Change
Beginning Fund Balance	\$3,057,182	\$3,645,878	\$588,696	19.3%
Revenues	3,492,909	3,937,436	444,527	12.7%
Expenditures	2,904,213	3,297,375	393,162	13.5%
Ending Fund Balance	\$3,645,878	\$4,285,939	\$640,061	17.6%

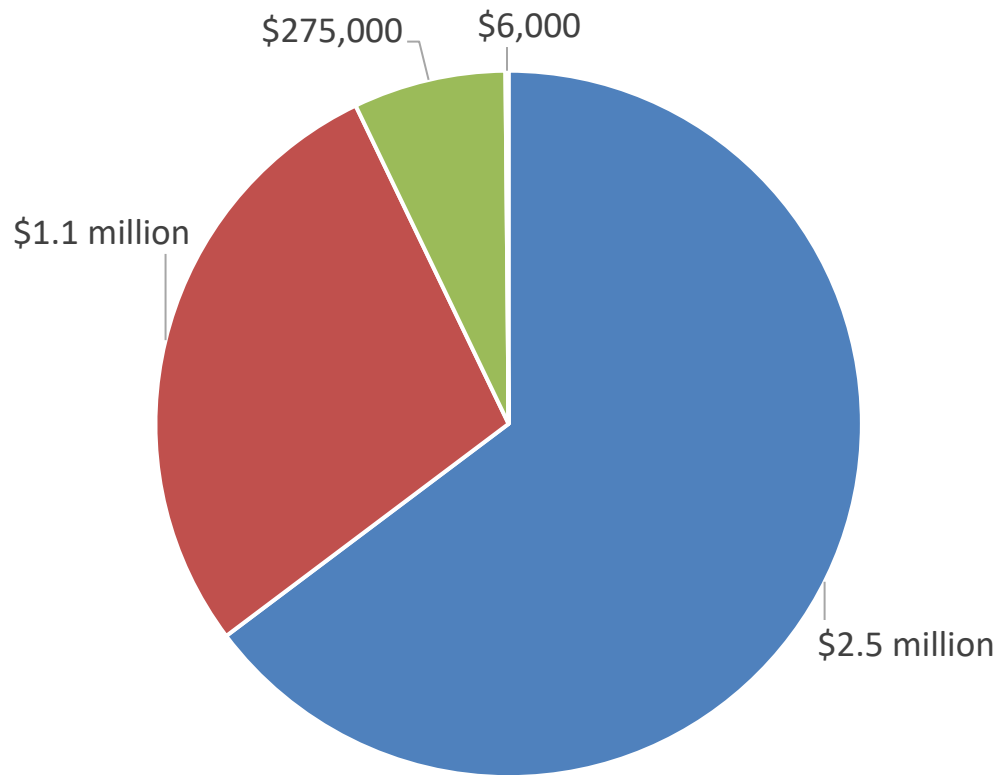
Hotel/Motel Tax Forecast

- Current trends point to a boost from leisure travel in Richardson during the summer months of 2021. All aspects of travel are anticipated to have a modest rebound in FY22



FY21-22 Proposed Hotel/Motel Fund

FY21-22 Hotel/Motel Fund Revenue



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

Hotel/Motel Expenditures:

- Eisemann Center: 75.5%
- Oper. Transfers: 9.8%
- Parking Garage: 7.4%
- Arts Grants: 6.7%
- Misc: 0.6%

Key Elements:

- FY22 Fund Balance: \$4,285,939

Budget Details Summary

- Property Tax revenue increases 3.6%
- Includes a \$0.01 reduction in the City's Tax Rate
- Maintains Senior Tax Exemption at \$100,000
- Continues to remain conservative with our Sales Tax projection in response to the ongoing COVID-19 pandemic and upcoming Comptroller rule changes
- Total General Fund expenditures reduced by \$6.9 million from FY 2020-2021
- Includes reserves for Public Safety pay plan changes and merit-based increase for non-Public Safety employees
- Continuation of maintenance strategies at full funding
- Reactivations of community events as appropriate based on regional health and safety guidelines
- Focuses on core services and programs
- Continues monitoring of the COVID-19 pandemic
- 2.5% water/sewer rate increase to support system upgrades and improvements
- No solid waste rate increase for residents
- Market driven commercial solid waste rate increases
- Initiates strategic studies for Parks, Traffic and at Sherrill Park
- Reactivate an "Eisemann Presents Lite" as calendars and artists/booking conditions allow

Budget Notifications

- Feb. 5, 2021 Facilities/Drainage/PARD Reports - Week In Review, Richardson Today, Facebook, Twitter, NextDoor
- March 19, 2021 Eng/Cap Projects/Bond Reports - Week In Review, Richardson Today, Facebook, Twitter, NextDoor
- April 9, 2021 Bond Program Updates - Week In Review, Richardson Today online, Facebook, Twitter, NextDoor
- April 30, 2021 Bond Program Updates - Week In Review, Richardson Today online, Facebook, Twitter, NextDoor
- May 21, 2021 2nd quarter financial report - Week In Review, Facebook, Twitter, NextDoor
- May 21, 2021 Hotel/Motel Fund Update - Week In Review, Richardson Today online, Facebook, Twitter, NextDoor
- May 28, 2021 Preliminary Tax Rolls Released - Week In Review, Facebook, Twitter, NextDoor
- July 23, 2021 Maintenance Strategies Updates - Week In Review, Richardson Today online, Facebook, Twitter, NextDoor
- July 23, 2021 Promote Budget Workshop - Week In Review, Richardson Today online, Facebook, Twitter, NextDoor
- **July 26-27, 2021** **Budget Workshop - Richardson City Hall and online**
- July 30, 2021 Budget Workshop Available for Viewing - Week In Review, Facebook, Twitter, NextDoor
- August 6, 2021 Proposed Budget Released - Week In Review, Richardson Today online, Facebook, Twitter, NextDoor
- **August 6, 2021** **FY 2020-2021 Budget Filed - Web-Site, City Secretary's Office, Library**
- August 9, 2021 Notice of Tax Rate - – Web Site Home Page and Truth in Taxation Page
- **August 9, 2021** **City Manager Budget Presentation – Richardson City Hall, Web Site**
- August 9, 2021 City's Tax Rate Information - Collin County Taxpayer Transparency Web Site
- August 9, 2021 City's Tax Rate Information - Dallas County Taxpayer Transparency Web Site
- August 13, 2021 Notice of Meeting to Vote on Tax Rate - Web Site Home Page, Truth in Taxation Page and CITV
- **August 16, 2021** **Public Hearing on FY2020-2021 Budget - Richardson City Hall and online**
- August 20, 2021 Notice of Meeting to Vote on Tax Rate - Dallas Morning News
- **August 23, 2021** **Public Hearing/Adoption of FY2020-2021 Budget - Richardson City Hall and online**

Budget Workshop Summary

August 16th &
23rd: Budget
Public Hearings



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

August 23rd :
Budget
Adoption



RICHARDSON

TEXAS