



# **BUDGET UPDATE**

*[FEBRUARY 5, 2019]*

**20** IN  
2020 | POWER IN THE VISION

# Agenda

- 2019 Bond Ratings
- Budget Challenges and Cost Drivers
- Recent investments
- FY 2019 1<sup>st</sup> Quarter Update



# 2019 Bond Ratings

# 2019 Bond Ratings

- Jan. 2019 - Both raters have affirmed the City's "AA" rating with a stable outlook

- S & P Global

- Very strong management, with strong financial policies
- Strong budgetary performance and flexibility

- Fitch

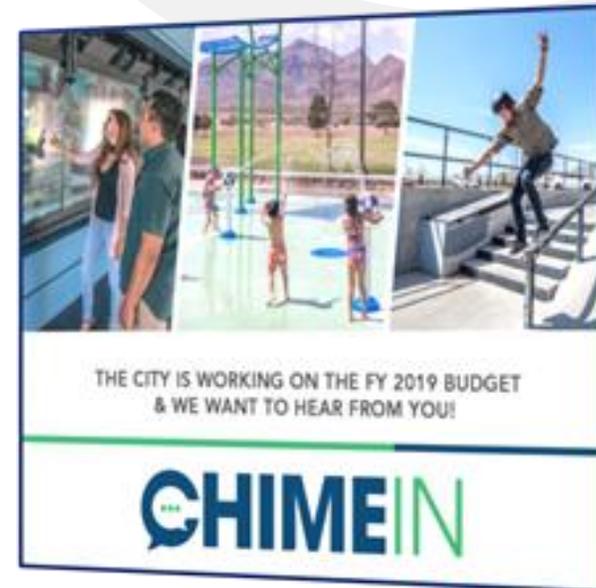
- Expects solid revenue performance going forward due to ongoing population and income expansion, bolstered by positive local economic development
- Expects that continued growth in the resource base will keep the liability burden in the moderate range
- Views the city's budget management as satisfactory, marked by a trend of stable financial performance



# **Budget Challenges And Cost Drivers**

# Budget Challenges

- Reoccurring (annual) funding sources for maintenance and capital
  - Street maintenance projects (Street Maintenance Fee)
  - Public safety vehicles and equipment
  - Parks amenities (shades, lighting, etc)
  - Facilities
  - IT infrastructure
- Median landscaping/maintenance (2013 landscaping ordinance) – TXDOT agreements



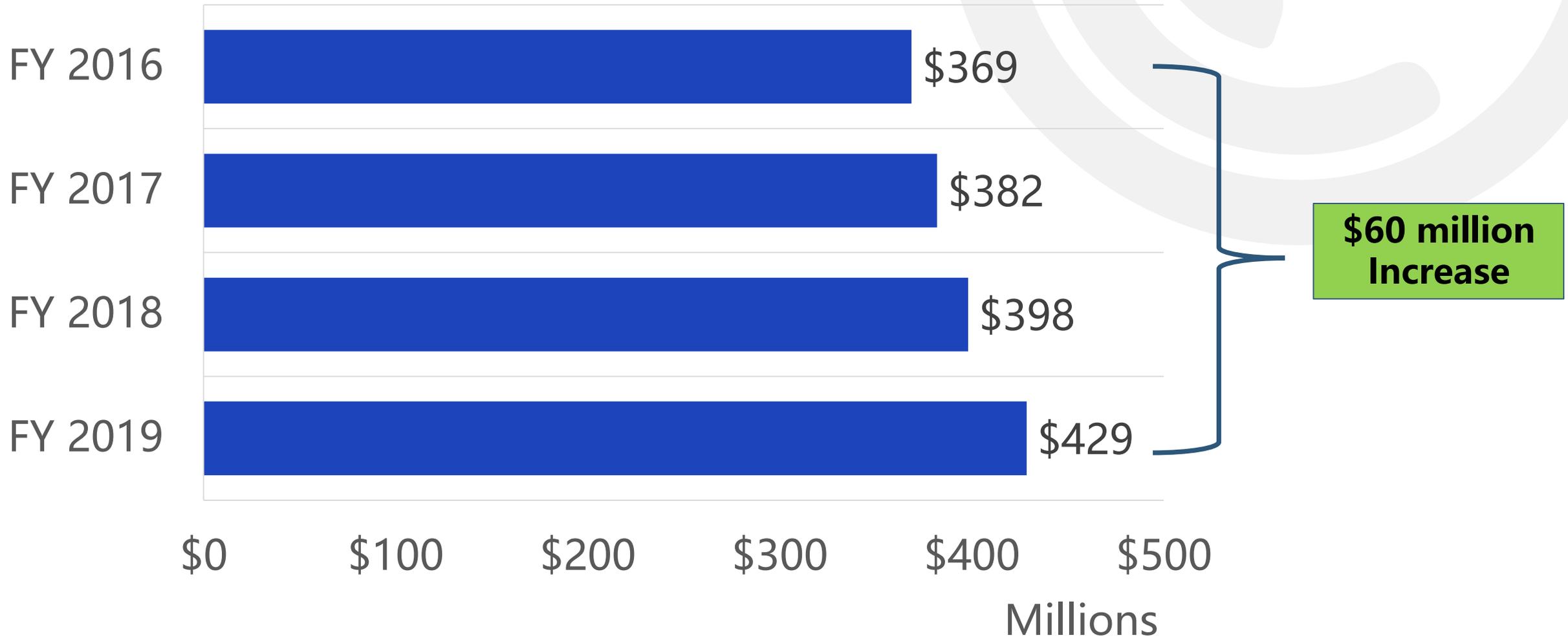
# Budget Challenges

- Potential state legislative changes (property tax revenue cap, red light cameras, etc)
- Future funding for implementing recommendations from masterplans or corridor studies
- Pension
- Reserves
- Retiree Healthcare (OPEB unfunded liability)

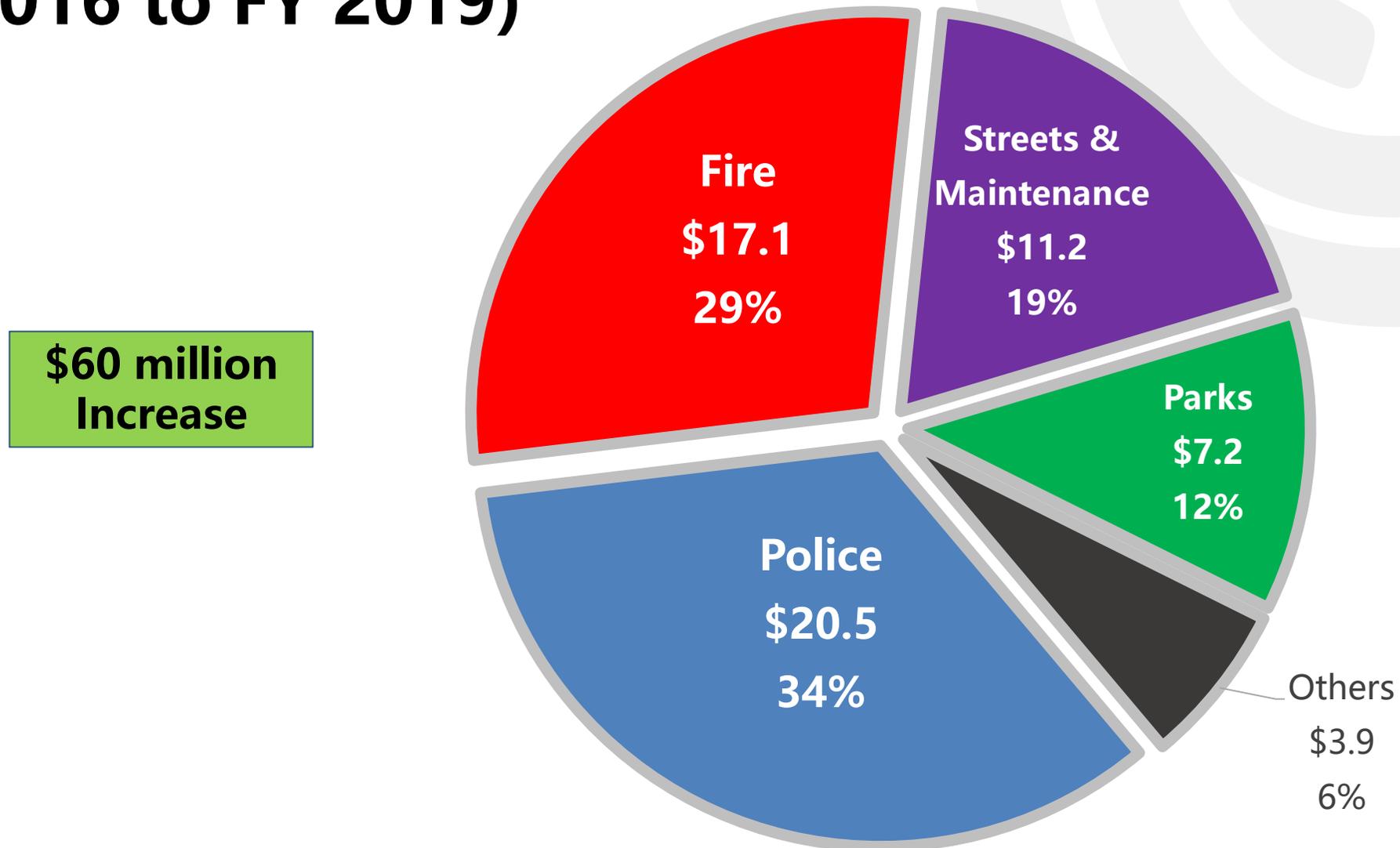
# Budget Cost Drivers

- Employee Costs – salaries, healthcare, pension, etc.
- Public safety collective bargaining
- Police staffing (new Officers and Crisis Intervention Team)
- Quality of Life projects
- Debt Service

# General Fund Budget

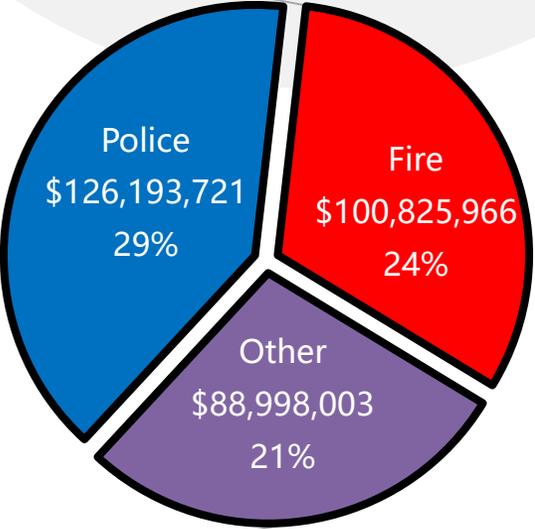
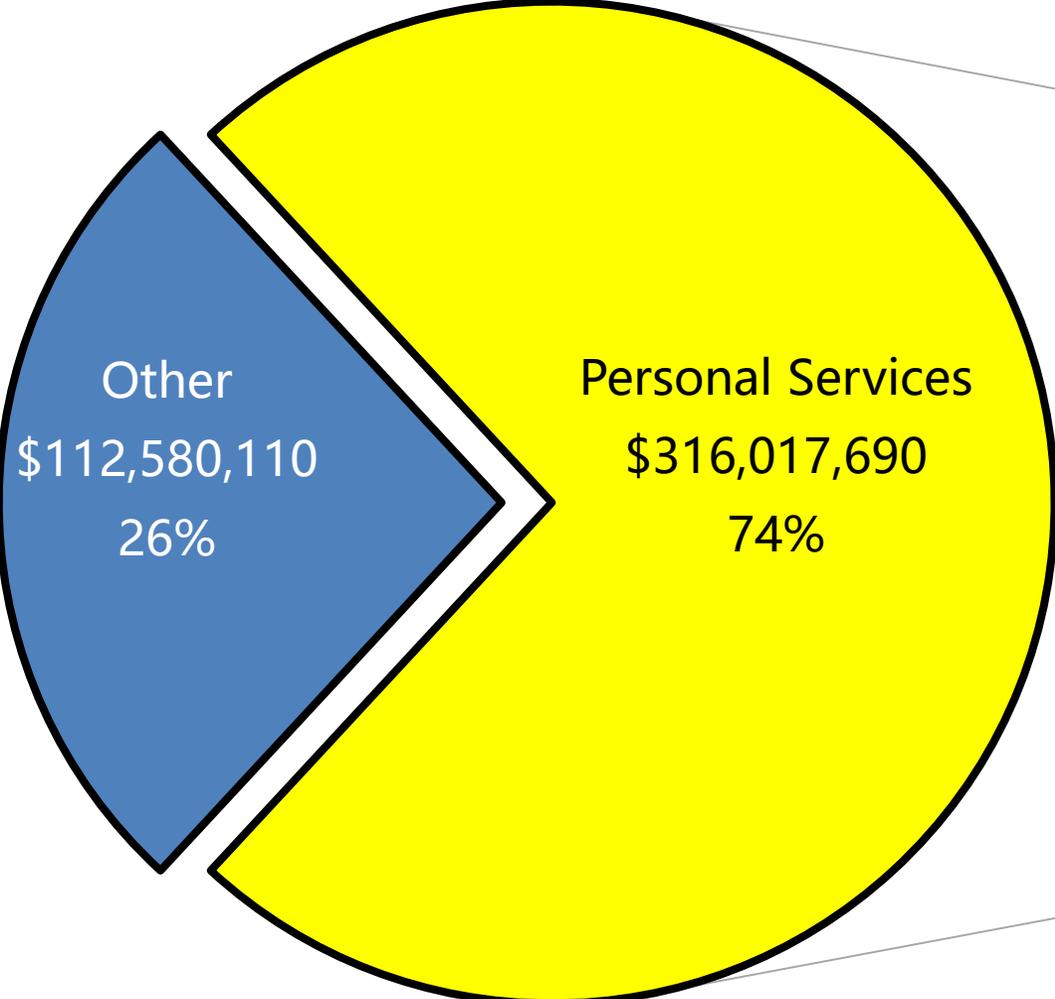


# General Fund Budget Increases (FY 2016 to FY 2019)



# Budget Cost Drivers

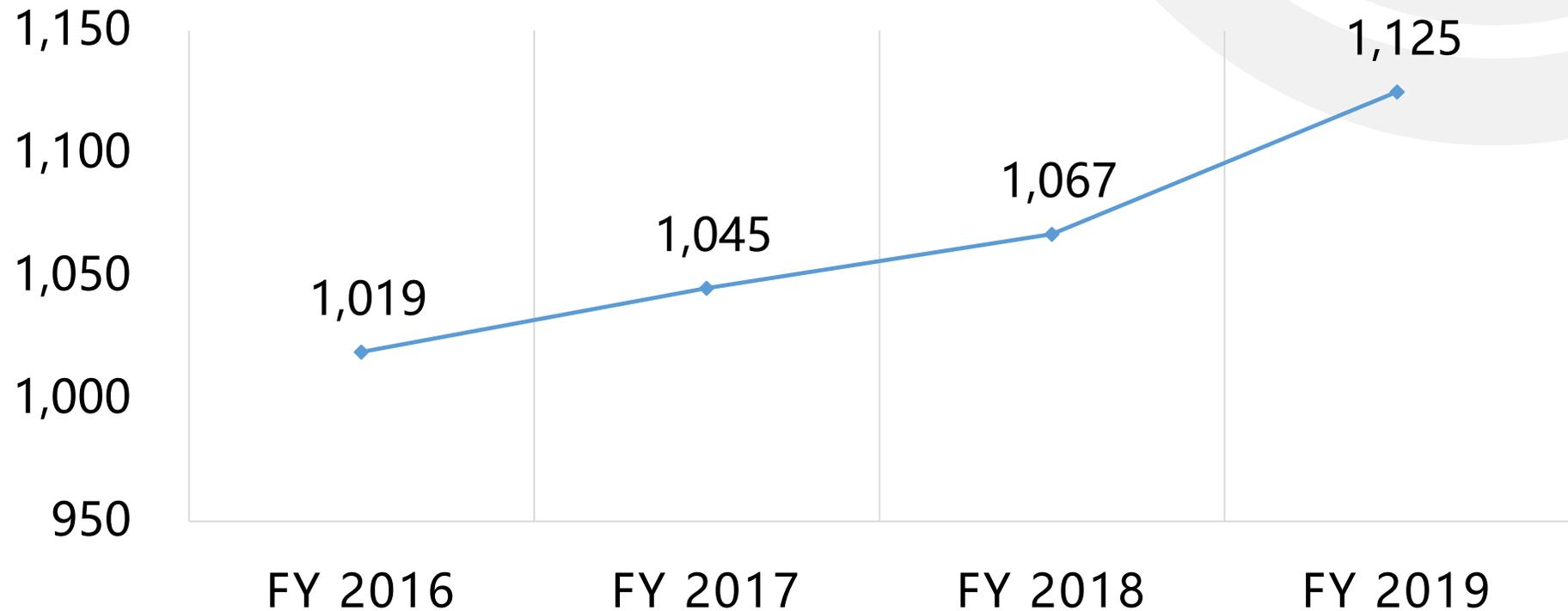
FY 2019 General Fund Budget - \$428,597,800



# Budget Cost Drivers

## Police Uniform Staffing

Net Increase of 106



- FY 2019 is a year-end estimate

# Budget Cost Drivers

## Quality of Life Bond Projects

- Operations and maintenance costs are being included in budgets (state of the art facilities). For ex.
  - Staffing
  - Materials and supplies
  - Utilities
- Examples include: Eastside sports complex, Westside Natatorium, Asian Gateway and Endangered Species Carousel at the Zoo



# Budget Cost Drivers

## Debt Service

- Long term investments in streets, infrastructure, public safety, and quality of life
- Projects have been accelerated from original schedules
- Remaining amount to be issued from 2012 Quality of Life, 2012 Streets CIP, and 2017 – 2019 Capital Plans



# Recent Investments

# Public Safety Investments

- Collective Bargain Agreements – contractual obligations
- Police Officer staffing increase
- Prisoner custody transport service
- Crisis Intervention Team
- 911 Communicators
- Fire trucks and ambulances
- Police cars

# Public Safety Investments

- Creation of Metro Unit and Animal Cruelty Task Force
- Additional Fire fleet maintenance positions
- Fire station restroom improvements
- Replacement of Fire Station #12
- Implemented Mobile Fleet Service for preventive maintenance
- Added surveillance cameras in high visibility areas including Union Plaza and Star on the Mountain

# Streets Investments

- \$7 million annually dedicated for 50 residential street maintenance projects
- Accelerated scheduled completion for resurfacing and reconstruction projects
- Increased pothole patching and street striping material budget
- ADA on-demand request funding
- Median landscaping (2013 landscaping ordinance)
- New signalized traffic intersections

# Animal Services Investments

- Creation of stand-alone department in 2016
  - \$2.9 million additional investment over last three years
  - Staffing
  - Capital investment
  - Operating and maintenance costs
- Live-release rate has improved from **24% to 84%!**

# Quality of Life Investments

- Operating and maintenance costs for bond projects
- Playground replacements
- Turf renovation team
- Winterfest
- Spray parks, plus additional amenities
- Wi-Fi expansion at quality of life facilities

# Employee Investments

- Compensation
  - Increases included last four years (lump sum and % increases)
  - Increased minimum wage to \$10.37 (for all full-time, part-time and seasonal positions)
- Healthcare/Wellness program
- Incentives
- Recognitions
- Professional development – tuition assistance, LSS, cross-functional teams

# Workforce Focus Investments

- Investing in critical functions to limit risk and liability:
  - Grants division
  - Contract Compliance
  - Internal Audit
  - Risk management
  - Purchasing
  - Capital Improvement Department



# **1<sup>st</sup> Quarter General Fund Financial Report**

# FY 2019 General Fund Summary

**Starting Fund Balance (9/1/18)** **\$46,379,368**

**Plus Estimated Revenues** **\$429,388,511**

**Less Estimated Expenses** **\$429,123,687**

**Estimated Ending Fund Balance (8/31/19)** **\$46,644,191**

**Estimated Surplus**

**\$264,823**



# FY 2019 General Fund Revenue

REVENUE	FY 2019 Budget	FY 2019 Actual YTD	FY 2019 Actual YTD %
Property Taxes	193,554,893	7,136,339	3.7%
Sales Taxes	93,763,721	23,243,182	24.8%
Franchise Taxes	52,661,354	15,297,952	29.0%
Charges for Services	32,517,730	4,432,761	13.6%
Fines and Forfeitures	7,541,245	2,276,279	30.2%
Licenses and Permits	13,148,935	3,175,018	24.1%
Intergovernmental	446,988	0	0.0%
County Participation	537,341	0	0.0%
Interest	200,000	0	0.0%
Rents and Other	2,241,265	331,884	14.8%
Other Sources (Uses)	31,984,328	4,121,555	12.9%
<b>Total Revenue</b>	<b>428,597,800</b>	<b>60,014,970</b>	<b>14.0%</b>

# FY 2019 General Fund Revenue

- Sales taxes exceeding budget expectations
- Franchise fees meeting budget expectations
- Fines and forfeitures exceeding budget expectations
- Licenses and permits slightly below budget expectations

# FY 2019 General Fund Expenses

	FY 2019 Budget	FY 2019 Actual YTD	FY 2019 Actual YTD %
<b>EXPENDITURES</b>			
Economic Development	1,963,563	317,067	16.1%
Public Safety	257,815,741	57,978,184	22.5%
Visual Image	7,857,127	1,881,694	23.9%
Quality of Life	45,396,094	9,863,163	21.7%
Communication	12,106,792	4,280,163	35.4%
Sound Governance	46,428,835	12,666,729	27.3%
Infrastructure	49,802,126	10,003,568	20.1%
Sustainability	7,227,521	1,498,825	20.7%
<b>TOTAL EXPENDITURES</b>	<b>428,597,800</b>	<b>98,489,394</b>	<b>23.0%</b>

# FY 2019 General Fund Expenses

- Overall expenses are meeting budget expectations
- In particular, the Budget Office will closely monitor the following areas in order to maintain budget discipline:
  - Utilities – water and electricity
  - Fuel and vehicle maintenance
  - Overtime
  - Legal expenses related to current litigation
  - May special election (unplanned cost)

# FY 2019 General Fund Summary

**Starting Fund Balance (9/1/18)** **\$46,379,368**

**Plus Estimated Revenues** **\$429,388,511**

**Less Estimated Expenses** **\$429,123,687**

**Estimated Ending Fund Balance (8/31/19)** **\$46,644,191**

**Estimated Surplus**

**\$264,823**





# Questions