



FY 2022-23 City Manager's Proposed Budget

August 16, 2022



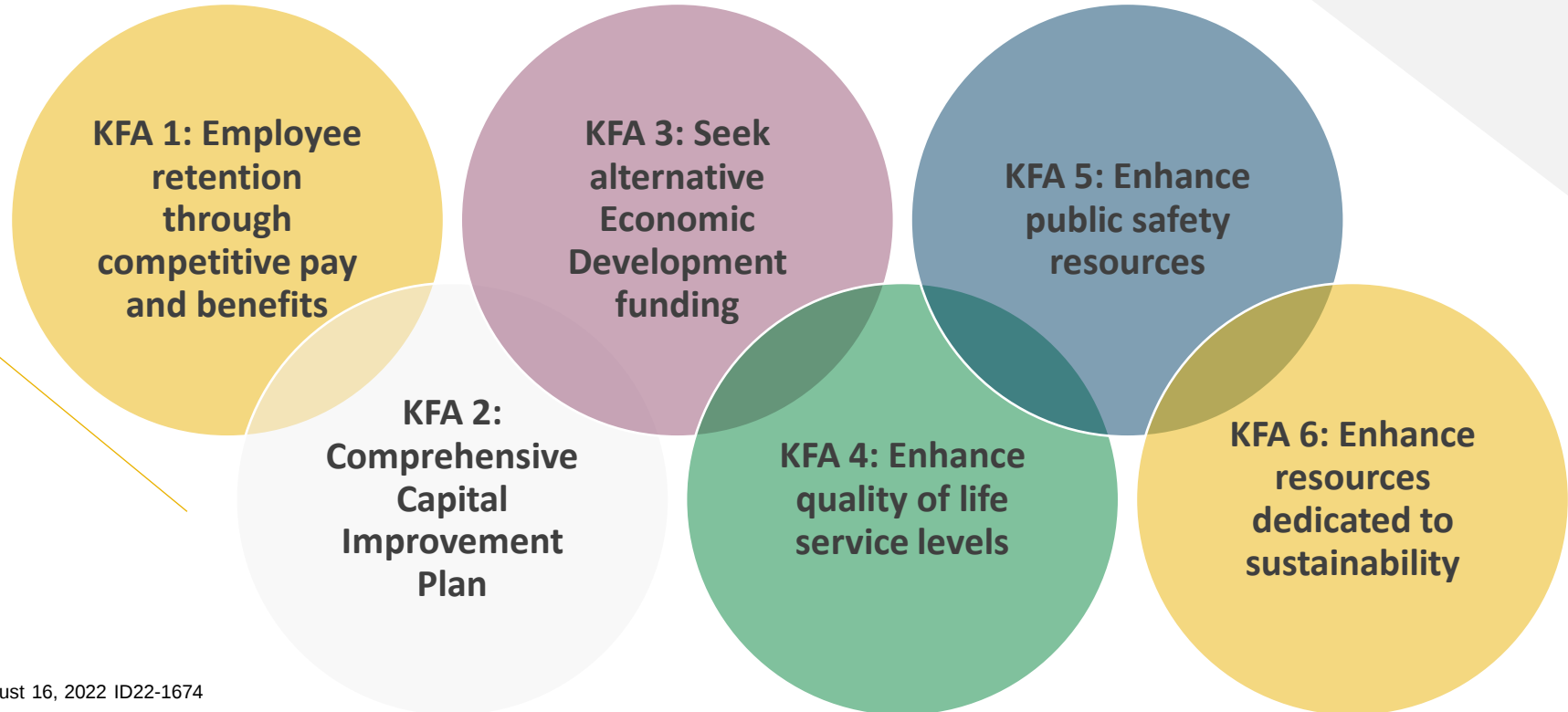
Presentation Objective

- Prior Discussion and Direction
- Key Focus Areas
- Compensation Assumptions
- Sales Tax Assumptions
- Assessed Value and Tax Rate Assumptions
- General Fund Forecast
- Next steps

Prior Discussion and Direction

- Staff discussed the proposed budget and tax rates with Council during the Budget Workshop on Saturday, August 6, 2022.
- Staff received direction from the City Council regarding the following items:
 - Fund Tier #4, which includes an additional 1% COLA increase for employees.
 - Increase tax rate to fund Tier #4, \$0.55568 to **\$0.560682**
 - Staff submitted a follow-up memo to address outstanding questions from the Budget Workshop.
- **Last work session before public hearings on September 20, 2022.**

Key Focus Areas Summary



Compensation & Benefits Assumptions

Compensation

- Salary Adjustments
 - **4% COLA** + 2% Merit (one-time) in FY 2022-23
 - 3% in FY 2024 - 2027
- Compensation Study
 - Expected completion mid-year FY 2022-23
 - Adjustments programmed in for salary adjustments as a result of study

Benefits

Health Insurance

- Assumes no change to City contributions
- No increase to employee contribution rates

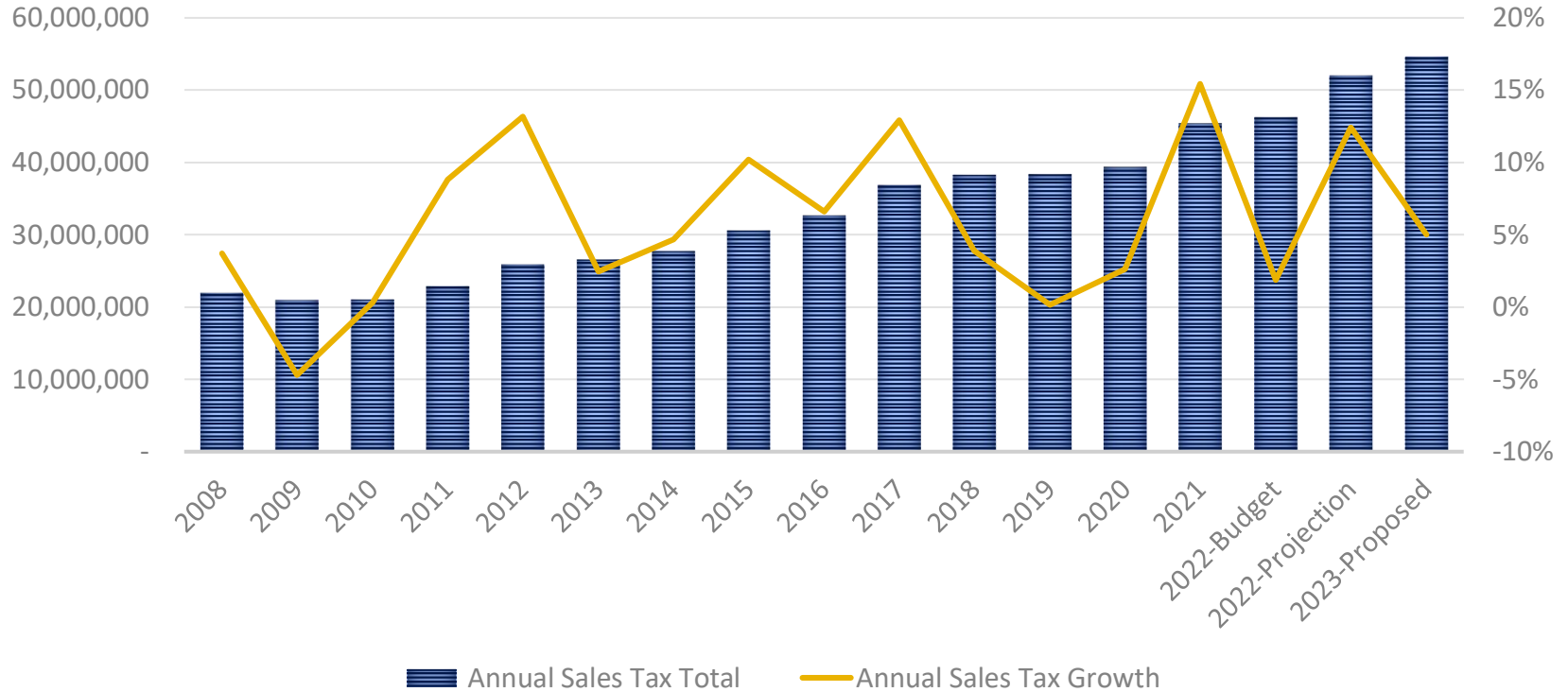
Retirement

- TMRS rate increase from 17.65% to 18.15%
- Fire pension remains at 18.5%

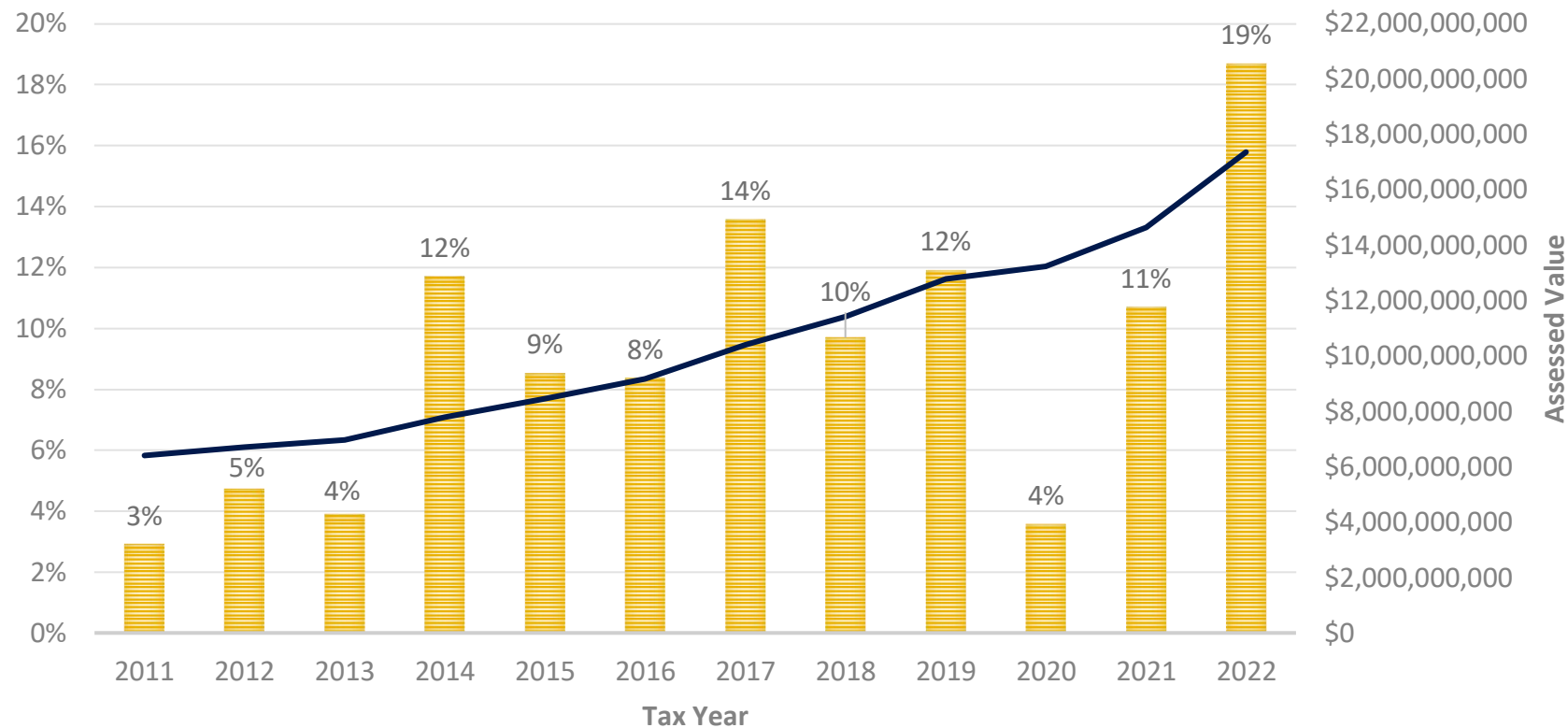
Assumptions for General Fund

- Assessed Values
 - FY 2022/23 – 19% increase from previous year
 - FY 2023/24 and future – Assumes reduced M&O tax rate to correspond with AV Increases
 - 99% Collection Rate
 - **Total revised proposed tax rate of \$0.560682 (decrease of 0.5 cent)**
- Sales Tax
 - FY 2022-23 – 5% above the revised estimate for FY 2021-22
 - FY 2022-23 and beyond – 3% increase
- Return on Investment (ROI)
 - Maintains 6% ROI for Electric Fund
- Franchise Fees
 - Transfer of \$15.1 million to Streets Improvement Fund (increase of \$623,672)

Sales Tax History



Assessed Value History



Assessed Value and Tax Rate Assumptions

- The City received Certified Estimates instead of Certified Totals from the Denton County Appraisal District (DCAD).
- If the Appraisal District has not approved appraisal records, the Chief Appraiser shall provide a certified estimate.
- Assessed values increased 19% from FY 2021-22, however, 11% of properties are still in review.
- The high percentage of protest creates uncertainty in total assessed values and revenues.

Values as of Certified Total or Certified Estimate ~ July 25 th Each Year				
Fiscal Year	Certified Value*	Total ARB Value	Total Assessed Value	Properties In Review
2022-23	\$15,526,387,812	\$1,834,872,127	\$17,361,259,939	11%
2021-22	\$13,828,457,000	\$811,257,679	\$14,639,714,679	6%
2020-21	\$8,563,757,277	\$5,930,330,015	\$14,494,087,292	41%
2019-20	\$12,545,128,503	\$244,259,543	\$12,789,388,046	2%
2018-19	\$10,936,139,629	\$491,429,271	\$11,427,568,900	4%

Assessed Value Assumptions

- Since July 25, 2021, the City's certified value has increased 19% or \$2.7 billion.
- The proposed budget is based on 80% of the \$1.8 billion under review returning to the total certified value.
- The proposed budget anticipates a collection rate of 99%.
- In FY 2020-21, protest values were upheld at 75%.

Assessed Values*			
	75% Scenario	80% Proposed Budget	85% Scenario
Certified Value	\$15,526,387,812	\$15,526,387,812	\$15,526,387,812
Protest Value	\$1,379,154,095	\$1,467,897,702	\$1,559,641,308
Total AV	\$16,905,541,907	\$16,994,285,514	\$17,086,029,120
Proposed Tax Rate	\$0.56068	\$0.56068	\$0.56068
Total Levy Difference from Proposed Budget	(\$339,926)	\$0	\$339,926

Tax Rate

Revised Proposed Tax Rate

Maintenance & Operation	\$0.356432 / \$100
<u>Debt Service</u>	<u>\$0.204250 / \$100</u>
Total Proposed Tax Rate	\$0.560682 / \$100

Required Tax Rate for FY23 Baseline Budget (including FY22 Mid-Year Amendments)

Maintenance & Operation	\$0.325332 / \$100
<u>Debt Service</u>	<u>\$0.204250 / \$100</u>
Total Required Tax Rate	\$0.529582 / \$100*

**Fund Balance below target in future fiscal years*

No-New-Revenue Rate	\$0.511429 / \$100
Voter Approval Rate	\$0.603743 / \$100

Tax Rate Discussion

	No New Revenue (NNR) Tax Rate	FY 23 Baseline + FY 22 Budget Amendment	Proposed Tax Rate (Tiers 1-3)	Revised Proposed Tax Rate (Tiers 1-4)
Tax Rate	\$0.511429	\$0.529582	\$0.55568	\$0.56068
General Fund Revenue	\$175,623,324	\$178,263,763	\$182,060,131	\$182,787,405
General Fund Expenses*	\$178,186,784	\$178,186,784	\$178,186,784	\$178,186,784
FY 2023 Supplementals	\$0	\$0	\$3,387,274	\$4,586,063
Net	(\$2,563,460)*	\$76,979*	\$486,073	\$14,558

Tax Rate Discussion

Fiscal Year	Operations Rate	Debt Rate	Total Rate	Average Taxable Value	Average Tax Bill
2023	\$0.356432	\$0.20425	\$0.56068	\$307,283	\$1,723
2023	\$0.35143	\$0.20425	\$0.55568	\$307,283	\$1,708
2022	\$0.35030	\$0.21538	\$0.56568	\$275,361	\$1,558
2021	\$0.38036	\$0.21009	\$0.59045	\$259,097	\$1,530
2020	\$0.38536	\$0.20509	\$0.59045	\$248,909	\$1,470
2019	\$0.40543	\$0.21505	\$0.62048	\$233,165	\$1,447
2018	\$0.43031	\$0.20755	\$0.63786	\$214,376	\$1,366
2017	\$0.46674	\$0.21660	\$0.68334	\$197,379	\$1,349

Revised Proposed Rate

Proposed Rate

- The **revised** proposed budget includes a tax rate equal to \$0.560682. Of this amount, \$0.356432 is provided to operation and maintenance expense and \$0.204250 for debt.
- The maintenance and operations rate increased by \$0.006, and the debt service rate will decrease by \$0.011, as a result of the increase in assessed values.
- The average residential property owner will see a **\$13.75/month** or **\$165/year** increase in their City property taxes.

General Fund Forecast

	FY 2020-21 Actual	FY 2021-22 Budget	FY 2021-22 Forecast	FY 2022-23 Proposed	FY 2023-2024 Projected	FY 2024-25 Projected	FY 2025-2026 Projected	FY 2026-2027 Projected
Beginning Fund Balance	\$ 33,782,211	\$ 39,013,842	\$ 38,499,990	\$ 40,400,516	\$ 40,415,074	\$ 41,233,575	\$ 42,111,029	\$ 43,346,823
Property Tax	49,495,424	49,727,138	49,306,801	57,835,663	59,966,604	62,244,809	64,683,259	67,296,311
Sales Tax	45,404,857	46,246,938	51,992,420	54,592,041	56,229,802	57,916,696	59,654,197	61,443,823
Other Revenues	52,893,554	54,351,492	52,247,753	56,385,993	56,904,357	57,765,387	57,948,782	59,308,858
Data Center Revenue				13,973,708	13,973,708	13,973,708	13,973,708	13,973,708
Total Revenues	\$ 147,793,835	\$ 150,325,568	\$ 153,546,974	\$ 182,787,405	\$ 187,074,472	\$ 191,900,600	\$ 196,259,946	\$ 202,022,701
Personnel Services	\$ 97,632,313	\$ 103,465,424	\$ 101,678,916	\$ 109,898,555	\$ 111,864,924	\$ 114,939,820	\$ 117,177,895	\$ 120,850,641
Maintenance & Operations	25,146,904	26,462,949	24,917,555	30,870,917	32,097,947	32,940,645	33,828,505	34,713,911
Transfers	20,296,840	20,065,369	22,232,984	22,247,843	22,675,751	23,356,023	24,056,704	24,778,405
One-Time Data Center Expenses				13,973,708	13,973,708	13,973,708	13,973,708	13,973,708
Approved Mid-Year Budget Amendments	-	-	1,302,603	1,195,761	1,231,633	1,268,582	1,306,640	1,345,839
One-Time Supplemental Packages	-	-	1,514,390	302,560	-	-	-	-
Recurring Supplemental Packages	-	-	-	4,283,503	4,412,008	4,544,368	4,680,699	4,821,120
Total Expenditures	\$ 143,076,056	\$ 149,993,742	\$ 151,646,448	\$ 182,772,847	\$ 186,255,971	\$ 191,023,146	\$ 195,024,151	\$ 200,483,624
Ending Fund Balance	\$ 38,499,990	\$ 39,345,668	\$ 40,400,516	\$ 40,415,074	\$ 41,233,575	\$ 42,111,029	\$ 43,346,823	\$ 44,885,900
Change in Fund Balance	\$ 4,717,779	\$ 331,826	\$ 1,900,526	\$ 14,558	\$ 818,501	\$ 877,454	\$ 1,235,794	\$ 1,539,077
Fund Balance as % of Total Expenditures	26.91%	26.23%	26.64%	23.94%	23.93%	23.78%	23.94%	24.07%

Supplemental Requests Summary

Total supplemental requests funded in Proposed Budget

- \$4,586,063

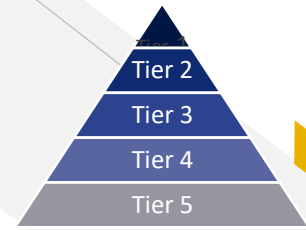
Council initiated supplemental requests funded in Proposed Budget

- \$257,922

Internal Service Fund supplemental requests funded in Proposed Budget

- \$1,767,882

Supplemental Package Summary General Fund



- Supplemental packages have been grouped into tiers ranging from 1-5.
- \$302,560 one-time Cost, \$4,841,959 recurring cost
- **Tiers 1-4 included in Proposed Budget**

	Increase Above Revised Proposed Rate	One-Time Cost	Recurring Cost	Tier Total	Total Cost
Tier 1	\$0.00	\$241,560	\$1,321,994	\$1,563,554	\$1,563,554
Tier 2	\$0.00	\$0	\$971,042	\$971,042	\$2,534,596
Tier 3	\$0.00	\$61,000	\$791,678	\$852,678	\$3,387,274
Tier 4	\$0.00	\$0	\$1,198,789	\$1,198,789	\$4,586,063
Tier 5	\$0.05	\$0	\$558,456	\$558,456	\$5,144,519

Supplemental Funding Requests – Tier #1 - Funded

Tier	Department	Program Title	FTEs	On-Going Cost	One-Time Costs	Total Cost
1	Council Initiative	Paid Parental Leave		\$257,922		\$257,922
1	Community Services	Community Development Manager*	1	\$132,041		\$132,041
1	Police	Police Officers	5	\$634,843	\$241,560	\$876,403
1	Police	Jailers (Civilian)	2	\$180,309		\$180,309
1	Human Resources	Business Partner	1	\$116,879		\$116,879
	Total		9	\$1,321,994	\$241,560	\$1,563,554

Supplemental Funding Requests – Tier #2 - Funded

Tier	Department	Program Title	FTEs	On-Going Cost	One-Time Costs	Total Cost
2	Human Resources	HR Generalist	1	\$102,997		\$102,997
2	Fire	Fire Fighters (Drivers)	2	\$299,110		\$299,110
2	Fire	Fire Inspector	1	\$116,000		\$116,000
2	Police	Digital Forensic Investigator	1	\$98,885		\$98,885
2	Legal	Intern	0.13	\$29,320		\$29,320
2	Community Services	Landlord Rental Maintenance Grant		\$100,000		\$100,000
2	Community Services	Affordable Housing Incentive Package		\$75,000		\$75,000
2	Libraries	Librarian	1	\$74,865		\$74,865
2	Libraries	Adult Services Librarian	1	\$74,865		\$74,865
	Total		7.13	\$971,042		\$971,042

Supplemental Funding Requests – Tier #3 - Funded

Tier	Department	Program Title	FTEs	On-Going Cost	One-Time Costs	Total Cost
3	Planning	Planning Technician*	1	\$84,565	\$6,000	\$90,565
3	Planning	Principal Planner*	1	\$94,045	\$6,000	\$100,045
3	Planning	Administrative Assistant*	1	\$59,392	\$2,500	\$61,892
3	Building Inspections	Building Safety Positions*	2	\$188,090	\$40,500	\$228,590
3	Building Inspections	Permit Technician Position*	1	\$70,008	\$6,000	\$76,008
3	Police	Public Safety Dispatch	2	\$207,017		\$207,017
3	Parks	Tennis Positions (expanded hours)		\$8,561		\$8,561
3	Parks	Aquatics Technician*	1	\$80,000		\$80,000
	Total		9	\$791,678	\$61,000	\$852,678

Supplemental Funding Requests – Tier #4 - Funded

Tier	Department	Program Title	FTEs	On-Going Cost	One-Time Costs	Total Cost
4	City Manager	Additional COLA Increase (1%)		\$1,036,789		\$1,036,789
4	City Manager	Sponsorship (Cash)		\$12,000		\$12,000
4	City Manager	Co-Sponsorship (In-Kind)		\$150,000		\$150,000
	Total			\$1,198,789		\$1,198,789

Supplemental Funding Requests – Tier #5 - Unfunded

Tier	Department	Program Title	FTEs	On-Going Cost	One-Time Costs	Total Cost
5	Libraries	Part-Time Positions	1.5	\$107,917		\$107,917
5	Police	Administrative Support Position	1	\$183,238		\$183,238
5	Parks	Park Maintenance Position	1	\$81,489		\$81,489
5	Parks	Parks Outdoor Supervisor	1	\$95,524		\$95,424
5	Parks	GIS Analyst	1	\$90,388		\$90,388
	Total		5.5	\$558,556		\$558,456

Position Summary

81.81

New Positions

25

Public Safety Positions

24

Utility Positions

17.68

Internal Service Fund

Fund	FY 2021-22 Budget	FY 2021-22 Estimate	FY 2022-23 Proposed	Increase
General Fund	903.40	917.66	957.79	40.13
Utilities	514.00	521.00	545.00	24.00
Internal Service, Special Revenue	335.37	337.54	355.22	17.68
Total	1,752.77	1,776.20	1,858.01	81.81

Tax Bill Impact

Residential Annual Tax and Utility Bill Impact

Tax Impact				
Fiscal Year	2021	2022	2023 – Proposed (Revised)	Comments
Tax Rate	\$0.59045	\$0.56568	\$0.560682	
Average Taxable Value	\$259,097	\$275,361	\$307,283*	
Average Tax Bill	\$1,530	\$1,558	\$1,723	\$165 Annual Increase
Utility Impact				
Water	\$559	\$531	\$531	No Rate Change
Wastewater	\$378	\$378	\$378	No Rate Change
Electric	\$1,334	\$1,334	\$1,334	No Rate Change
Solid Waste	\$246	\$246	\$246	No Rate Change
Average Utility Bill	\$2,517	\$2,489	\$2,489	
Total Average Bill	\$4,047	\$4,047	\$4,212	\$165.00 Annual Increase

Community Engagement Opportunities

- City Council Meetings (August)
- City of Denton Budget Webpage (Citizen feedback form)
- Budget Simulation Tool (Balancing Act)
- Public Tax Rate and Budget Hearing (September 20, 2022)

Next Steps

- August 16, 2022 – Max Tax Rate Adoption
- September 20, 2022 – Budget and Tax Rate Public Hearings
- September 27, 2022 – City Council Adopts Budget, Tax Rate, Rates and Capital Improvement Plan



Questions?