Budget & Tax Rate

September 12, 2023

ID 23-1407 9/12/2023

Presentation Outline

- Property & Sales Tax Overview
- General Fund Forecast
- Electric Fund Forecast
- Environmental Services Fund
- Rate and Fee Changes

Appraised Values

Tax Year	2017	2018	2019	2020	2021	2022	2023
Certified Value ($Billions)	$ 10.3	$11.3	$ 12.6	$ 13.6	$14.4	$16.7	$19.2
Value Change ($Millions)	$1,214	$984	$1,303	$730	$1,052	$2,361	$2,522
Percent Change	13.6%	9.7%	11.5%	6.0%	7.9%	16.4%	15.0%

- Total Certified Appraised Value is $19.2 billion (excluding TIRZ & values under ARB)
    - 15.0% increase compared to 2022 certified value of $16.7 billion
    - $2.5 billion increase in value
        - $1.0 billion in new value
        - $1.5 billion from change in existing properties

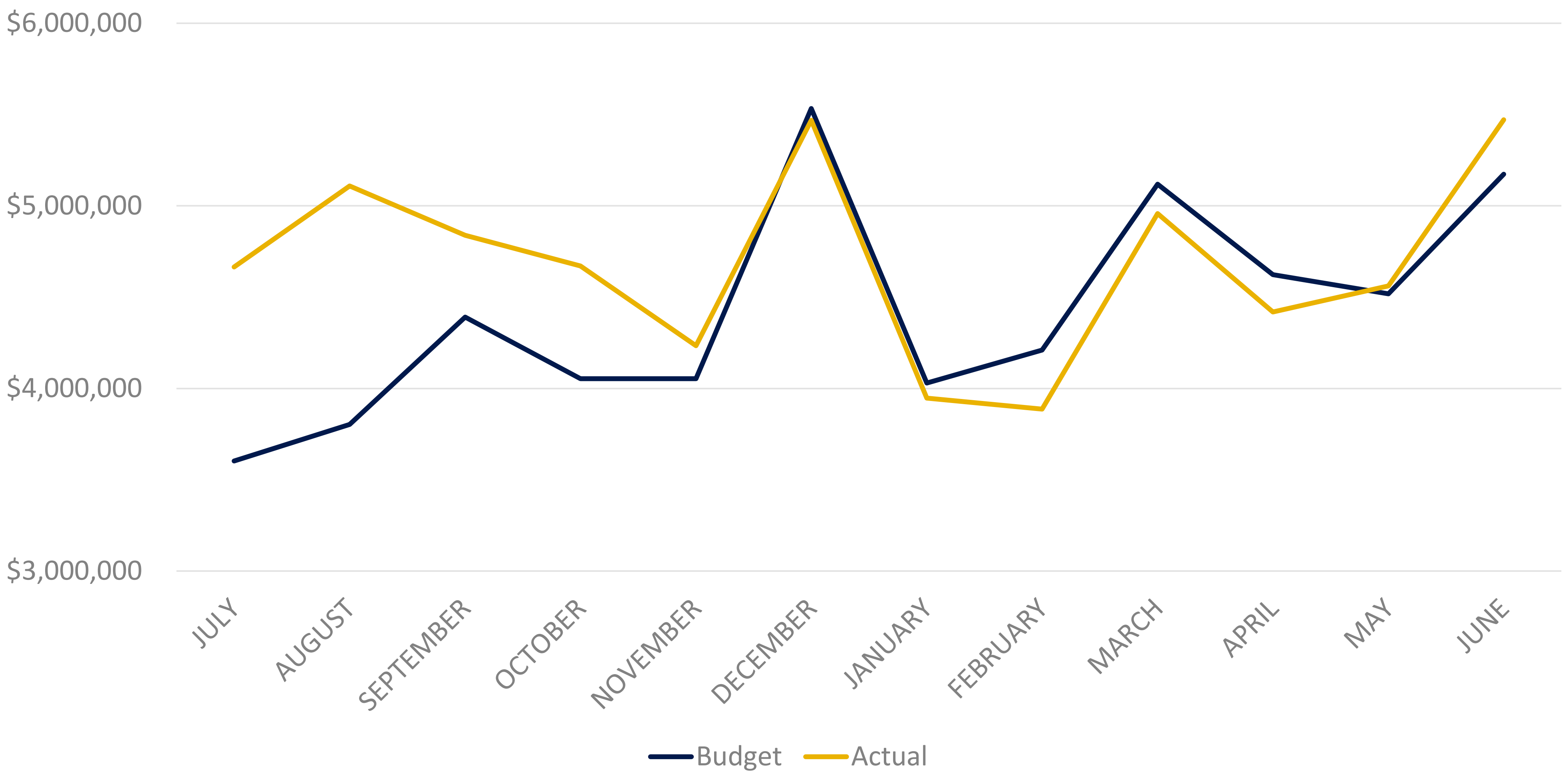
- 1.3% of values are under review ($209 million)
- Excluding frozen values, taxable value is $17.1 billion (8.8% increase)

- Average taxable home value increased from $307,283 to $344,731

Financial Impact of S.B. 2 Appraisal Cap

- S.B. 2 addresses various aspects of property tax relief, including:
  - A 20% appraisal cap for non-homesteaded properties that are valued at $5 million and under as a three-year pilot project.
- S.B. 2, if approved by voters in November, will take effect for the 2024 tax year. It will not impact the upcoming fiscal year.
- Data is not readily available from DCAD in a format that allows staff to accurately assess the impact of SB2 in the current tax year.
- The appraisal district will provide an analysis and/or estimate to the City concerning S.B. 2 as part of the preliminary values delivered to us beginning in late April 2024.

Sales Tax Collection – Prior 12 Months



Property Tax Rate

Proposed Tax Rate	
Maintenance & Operation	$0.354780 / $100
Debt Service	$0.205902 / $100
Total Proposed Tax Rate	**$0.560682 / $100**
No-New-Revenue Rate	$0.494865 / $100
Voter Approval Rate	$0.570783 / $100
Published Max Tax Rate	$0.565682 / $100

Tax Rate Discussion

	No New Revenue (NNR) Tax Rate	Proposed Tax Rate	½ Cent Tax Rate Increase
Tax Rate	$0.494865	**$0.560682**	$0.565682
General Fund Revenue	$178,365,776	$189,069,564	$189,978,824
General Fund Expenses	$184,090,974	$184,090,974	$184,090,974
FY 2024 Supplementals	$0	$4,048,581	$4,048,581
Net	**($5,725,198)***	**$930,009**	**$1,839,269**

* Fund Balance below target in future years

General Fund Forecast

	FY 2022-2023 Adopted	FY 2022-2023 Estimate	FY 2023-2024 Proposed	FY 2024-2025 Projected	FY 2025-2026 Projected	FY 2026-2027 Projected	FY 2027-2028 Projected
Beginning Fund Balance	**$ 41,019,401**	**$ 46,100,223**	**$ 45,611,075**	**$ 45,771,585**	**$ 45,771,585**	**$ 48,179,210**	**$ 49,817,725**
Property Tax	$ 57,777,662	$ 57,223,654	$ 64,966,347	$ 67,303,048	$ 69,710,037	$ 72,188,416	$ 74,739,222
Sales Tax	54,722,022	56,704,324	57,545,000	58,961,162	60,459,150	62,036,431	63,691,025
Franchise Agreements	2,716,117	6,262,879	4,644,220	5,221,305	5,966,233	6,996,256	7,596,694
Other Taxes	458,003	446,728	456,554	492,556	531,397	573,301	618,509
Service Fees	8,370,595	9,211,368	12,227,100	12,686,615	13,417,866	14,207,560	15,061,591
Fines and Fees	2,396,756	1,867,509	1,893,586	1,922,688	1,955,000	1,990,754	2,030,226
Licenses and Permits	8,858,784	6,285,067	7,934,673	8,288,827	8,661,817	9,054,701	9,468,599
Transfers / Other Revenue	47,559,446	37,903,916	39,402,084	40,409,882	41,592,465	42,078,253	43,515,979
Total Revenue	**182,589,385**	**$ 175,905,443**	**$ 189,069,564**	**$ 195,286,082**	**$ 202,293,966**	**$ 209,125,673**	**$ 216,721,846**
Personnel Services	113,728,222	$ 117,687,993	$ 128,000,228	$ 132,601,094	$ 137,589,404	$ 143,513,284	$ 148,512,030
Materials & Supplies	3,980,661	3,648,934	4,387,609	4,519,237	4,654,814	4,794,459	4,938,293
Maintenance & Repair	2,102,822	2,079,830	2,230,716	2,297,637	2,366,567	2,437,564	2,510,691
Insurance	3,253,712	3,576,672	4,124,565	4,330,793	4,547,333	4,774,700	5,013,435
Miscellaneous	2,687,199	2,209,621	3,113,469	3,206,873	3,303,079	3,402,172	3,504,237
Operations	20,721,674	21,571,228	22,432,389	23,236,458	23,945,394	24,704,377	25,548,674
Transfers & Other Expenses	35,789,990	25,264,980	23,132,629	26,043,658	26,817,342	27,550,524	28,269,958
Fixed Assets	588,567	532,866	601,967	620,026	638,627	657,786	677,519
Total Expenditures	**182,852,847**	**176,572,124**	**188,095,027**	**192,895,091**	**199,886,341**	**207,487,158**	**214,076,687**
Ending Fund Balance	**41,025,939**	**$ 45,433,542**	**$ 45,759,576**	**$ 48,162,576**	**$ 48,179,210**	**$ 49,817,725**	**$ 52,462,884**
Change in Fund Balance	$ 6,538	$ (666,681)	$ 930,009	$ 2,390,991	$ 2,407,625	$ 1,638,515	$ 2,645,159
Fund Balance as % of Total Expenditures	**22.43%**	**25.73%**	**24.32%**	**24.97%**	**24.10%**	**24.01%**	**24.51%**

General Fund Budget Changes

Category	FY 2023 Adopted	FY 2024 Proposed	Primary Driver
Personnel Services	$113.7M	$127.9M	Comp & Class +$8.4M; Rec Fund +$3.6M; 2023 Mid-Year Additions +0.2M; Supplementals +$2M
Materials & Supplies	$3.9M	$4.3M	Rec Fund +$0.4M
Maintenance & Repair	$2.1M	$2.2M	Increased Contract Costs +$0.1M
Insurance	$3.2M	$4.1M	Risk Premium Increase +$0.9M
Operations	$20.7M	$22.4M	New FTE Costs; Contract Costs +$1.7M
Transfers	$21.9M	$23.2M	Facilities (Rec); Tech Svcs; Supplementals +$3M
Fixed Assets	$0.5M	$0.6M	New FTE Computers +$0.1M

Balancing Act Feedback

- 58 total budget submissions as of 8/29/23
- 800+ total page views

<u>Tax Rate Submission Feedback</u>

- 11 Responses – Increase the rate by ½ cent ($0.565682)*
- 34 Responses – Keep the proposed rate ($0.560682)
- 7 Responses – Decrease the rate by ½ cent ($0.555682)
- 6 Responses – Decrease the rate by 1 cent ($0.550682)

* Increase in rate is accompanied by feedback to increase the Roadway Funding Strategy by $1-2 million (based on selections).

Supplemental Packages – General Fund

Department	Program Title	FTEs	Total Cost
Non-Departmental	Merit Increase	-	$1,106,625
Fire	Firefighters, Quartermaster, EM Specialist	12*	950,344
Police	Police Sergeant, Digital Forensic Analyst, Civilian Jailer	3	466,583
Streets	**Roadway Funding Strategy**	**-**	**-**
Community Services	CIS Solid Waste Officer, Homeless Programs Coordinator Reclass, Ambassador Program	1	653,880
Animal Services	**Animal Services Technician, Animal Services Officer, Volunteer Coordinator**	**3**	**185,982**
Development Services	Building Inspector, Tree & Landscape Planner	2	245,330
Library	Senior Library Specialist	0.5	28,609
Human Resources	Recruitment Strategies, Reorganization	1	65,000
Parks & Recreation	Parks Foundation Position, Field Service Worker II	2.5	111,611
Internal Audit	Compliance Specialist	1	90,903
Economic Development	Main Street Position, EDP Contract Increase	1	50,000
City Manager's Office	Senior Management Analyst	1	93,714
Total		**28**	**$4,048,581**

**6 FTEs funded from SAFER grant*

Supplemental Funding

- Placeholder for priority initiatives
- Additional considerations
    - Park Land property acquisition
    - Fire Station property acquisition

Data Center Revenue

- FY24 General Fund Allocation Recommendation
  - Sustainability Framework Fund (16%)
  - Streets Capital (62%)
  - Catalyst Fund (21%)

Utility Funds & Rates

Electric Fund

	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Preliminary	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected
Beginning Fund Balance	**$ 117,982,597**	**$ 140,776,983**	**$ 140,776,983**	**$ 170,213,170**	**$ 152,456,771**	**$ 140,147,277**	**$ 139,577,738**	**$ 138,249,485**
Resources								
Base Rate Revenues	$ 100,949,952	$ 95,753,542	$ 104,900,317	$ 104,394,786	$ 109,794,478	$ 116,192,698	$ 122,462,370	$ 129,676,577
ECA Revenues	55,973,083	52,488,565	58,063,224	66,916,984	70,378,183	74,479,438	78,498,293	83,122,594
Non-rate Revenues	151,380,353	251,669,654	153,645,203	119,085,425	127,474,269	134,203,018	136,800,631	140,839,089
Total Revenues	$ 308,303,388	$ 399,911,761	$ 316,608,744	$ 290,397,196	$ 307,646,930	$ 324,875,153	$ 337,761,294	$ 353,638,260
Use of Reserves	-	15,506,380	-	17,756,399	12,309,494	569,539	1,328,253	-
Total Resources	**$ 308,303,388**	**$ 415,418,141**	**$ 316,608,744**	**$ 308,153,595**	**$ 319,956,424**	**$ 325,444,693**	**$ 339,089,547**	**$ 353,638,260**
Expenditures								
Purchase Power	$ 125,899,765	$ 234,805,395	$ 112,550,163	$ 116,110,083	$ 125,842,321	$ 128,533,820	$ 133,090,418	$ 139,768,111
Transmission of Power	21,460,710	22,102,442	22,102,442	24,737,092	25,108,148	25,484,771	25,867,042	26,255,048
Personnel	20,377,974	24,893,470	22,379,617	26,090,466	26,873,180	27,679,375	28,509,757	29,365,049
O&M	12,940,493	19,186,910	19,186,910	23,969,028	22,533,550	22,943,761	23,362,176	23,788,959
Cost of Service Transfers	16,806,491	15,454,928	15,454,928	19,943,469	20,541,774	21,158,027	21,792,768	22,446,551
ROI & Franchise Fee	26,166,548	35,379,937	28,503,437	25,141,239	26,618,550	28,200,240	29,429,902	30,776,197
NON DEC Debt Service	43,565,146	45,136,723	45,136,723	47,185,218	49,359,776	49,410,200	53,974,611	57,263,457
DEC Debt	18,291,875	17,308,336	17,308,336	18,077,000	18,077,125	18,073,500	18,075,875	18,077,375
Revenue Funded Capital	-	1,150,000	4,550,000	6,900,000	5,002,000	3,961,000	4,987,000	995,000
Total Expenditures	**$ 285,509,002**	**$ 415,418,141**	**$ 287,172,556**	**$ 308,153,595**	**$ 319,956,424**	**$ 325,444,693**	**$ 339,089,547**	**$ 348,735,746**
Ending Fund Balance	**$ 140,776,983**	**$ 125,270,603**	**$ 170,213,170**	**$ 152,456,771**	**$ 140,147,277**	**$ 139,577,738**	**$ 138,249,485**	**$ 143,151,999**
Net Change	$ 22,794,386	$ -	$ 29,436,187	$ -	$ -	$ -	$ -	$ 4,902,514
Revenue Required Increase	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	4.0%	4.0%
Working Capital	22,840,720	33,233,451	22,973,805	24,652,288	25,596,514	26,035,575	27,127,164	27,898,860
Operating Reserve	117,936,263	92,037,152	147,239,366	127,804,484	114,550,763	113,542,162	111,122,321	115,253,139
Target Reserves								
Wrking Cptl - 8% / Op Reserve - 38%	$127,810,586	$125,966,906	$113,842,289	$ 120,103,676	$123,609,371	$125,462,251	$131,342,757	$135,537,907
Wrking Cptl - 8% / Op Reserve - 61%	$191,715,878	$188,950,360	$170,763,433	$ 180,155,514	$185,414,056	$188,193,377	$197,014,136	$203,306,860
Ending Fund Balance Target Met	YES	NO	YES	YES	YES	YES	YES	YES
Debt Service Coverage Ratio (DSCR)	1.79	1.34	2.00	1.22	1.29	1.47	1.46	1.49

Environmental Services Fund

- Environmental Services currently operates within the General Fund, Water, Wastewater, & Solid Waste creating financial and operational inefficiencies.

- Propose to create an Environmental Services Fund by consolidating existing divisions under one account structure. No additional funding requested, existing budgets will shift.

- Fund Structure
  - Administration
  - Water Sustainability (Currently in W)
  - Industrial Pretreatment (Currently in WW)
  - Municipal Labs (Currently in W/WW)
  - Gas Well Inspection (Currently in GF)
  - Landfill Compliance (Currently in SW)

Proposed Fee Changes

Department	Description	FY 2023	FY 2024
Solid Waste and Recycling	COD – Grass, Leaves, Brush <12’	$25	$30
	COD – Grass, Leaves, Brush >12’	30	35
	Non-COD – Brush Rate	35	40
	Minimum Charge – Brush	25	30
	Cart Change Fee	-	50
	Recycling Cart*	-	15
	Contaminated Grass, Brush, Leave	44	-
	Whole Trees & Stumps	50	-
	Clean Concrete	22	-
Wastewater	Dyno Dirt Overs (per cubic yard)	3	-
Electric	Rooftop Solar Rebate		Eliminated

*The fee would only apply to residents receiving 3 or more recycling carts

Proposed Rate Changes

Utility Rate Increases / (Decreases)									
Utility	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
Electric	4.50%	4.50%	-1.20%	-3.50%	-	-	-	-	-
Water	6.30%	4.30%	-	-	-	-2.00%	-	-	-
Wastewater	2.70%	1.80%	-	-5.00%	-	-	-	-	11.00%
Solid Waste	2.40%	4.00%	-	-12.00%	-12.00%	-5.00%	-	-	-

- The FY 2024 budget proposes a rate increase of 11% for Wastewater.
- No proposed rate increases for Electric, Water, or Solid Waste.

Next Steps

- **September 19, 2023 – Budget & Tax Rate Hearings**
  - Public Meeting on Tax Rate
    - Public hearing is required if max tax rate exceeds the no-new-revenue rate or the voter approval rate.
    - Proposed max tax rate exceeds the no-new-revenue rate.
  - A public meeting is required before the tax rate is adopted.
  - Citizens have opportunity to provide input on proposed tax rate and budget during public hearings.

- **September 26, 2023 – Budget, CIP, Tax Rate Adoption**

Questions


CAMPUS
LAURA & CINDY
ARE ENGAGED!
Downtown Square
DCTA Transit Center
Development Services