

City of Garland

2010-11 Proposed Budget

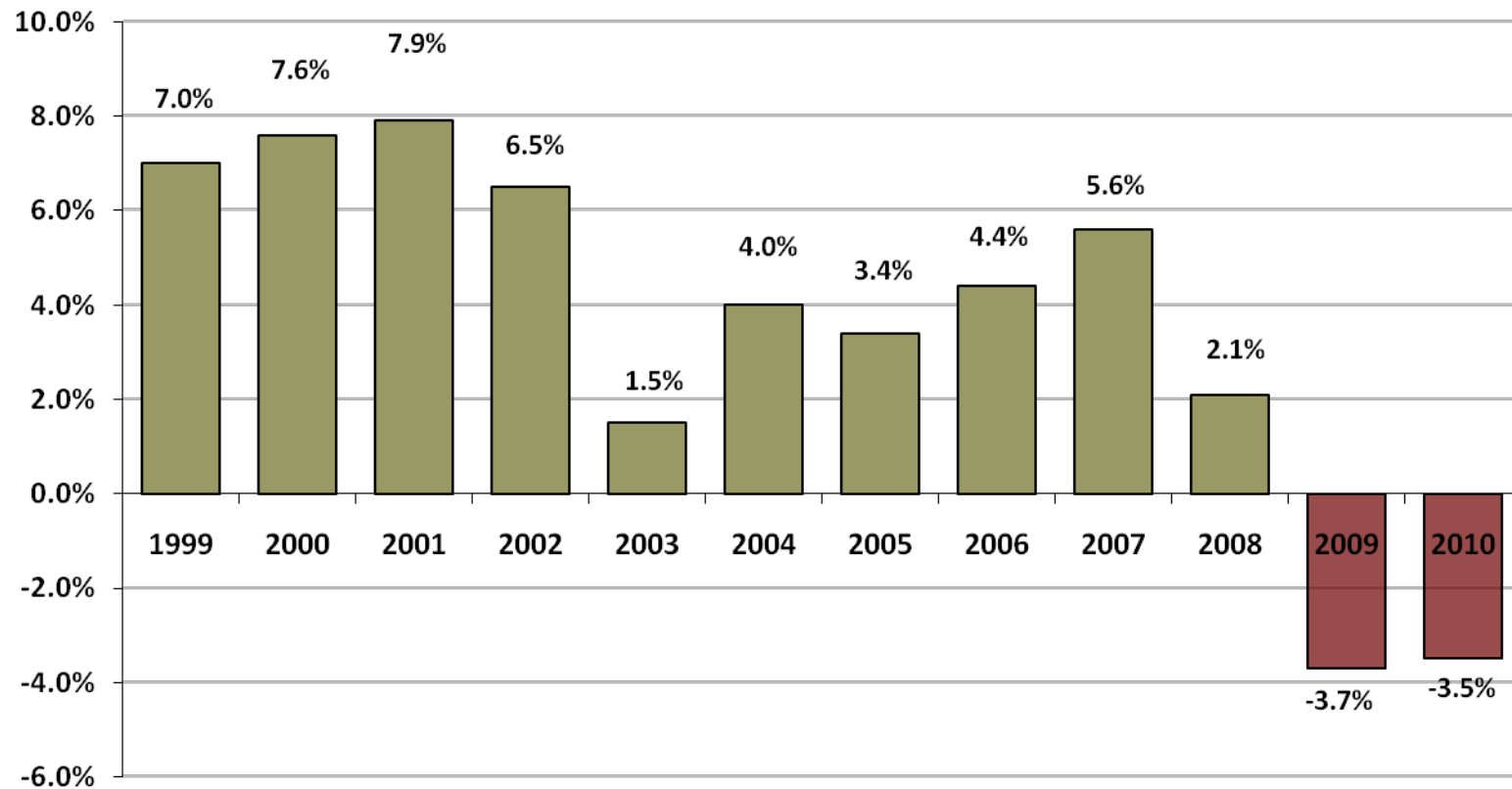
Preview – Council Work Session

August 2, 2010

Impacts of Recession - Garland

Property Tax Base - Percentage Change

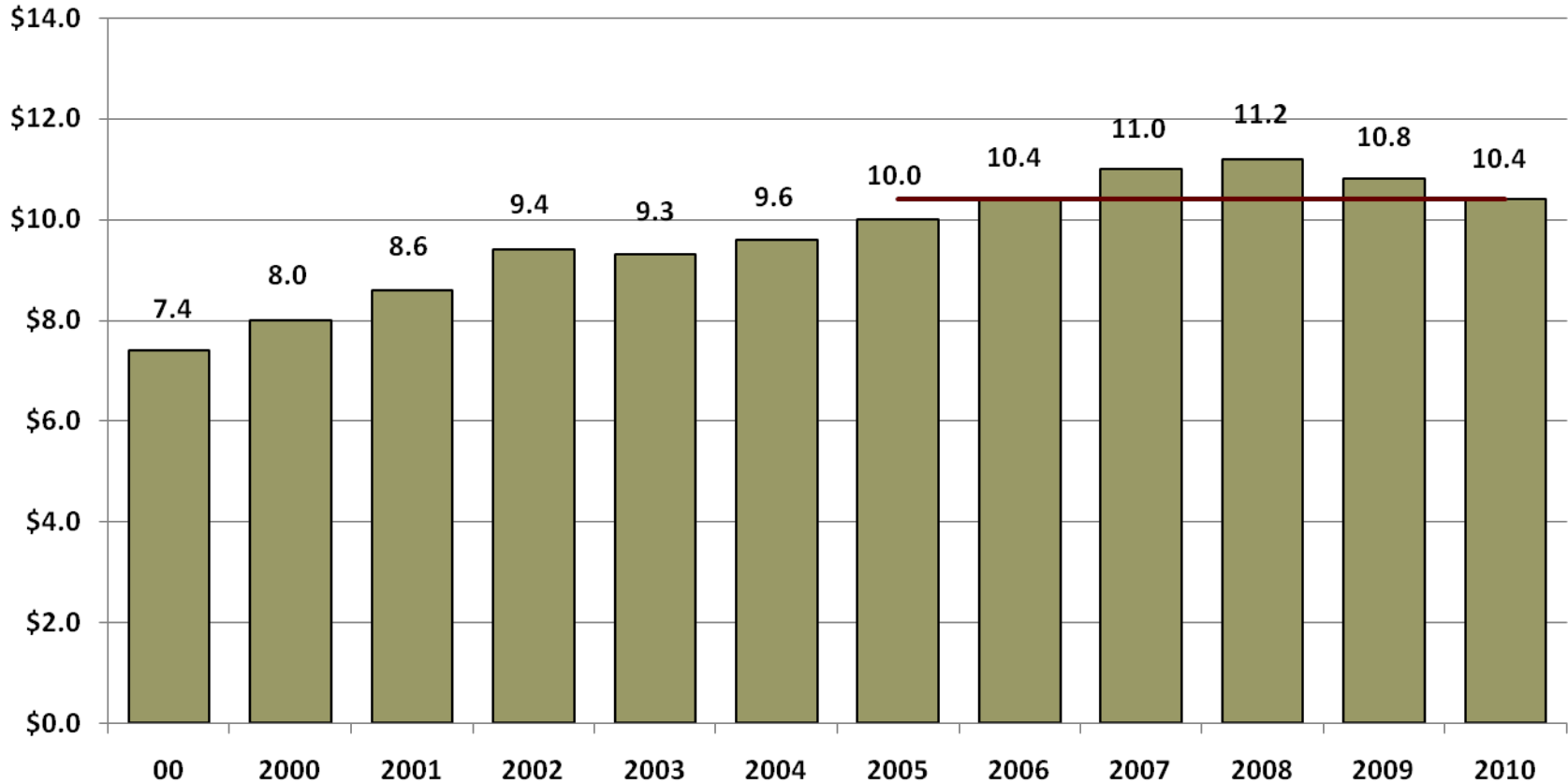
(With Impact of Freeport and Homestead Exemption)



2010 represents the second consecutive year of decline in the Tax Base. This past year, the Tax Base lost \$376.6 million or 3.5% of its value. Total value lost since 2008 - \$795.1 million or 7.1% - equivalent to the past five years of new construction.

Property Tax Base

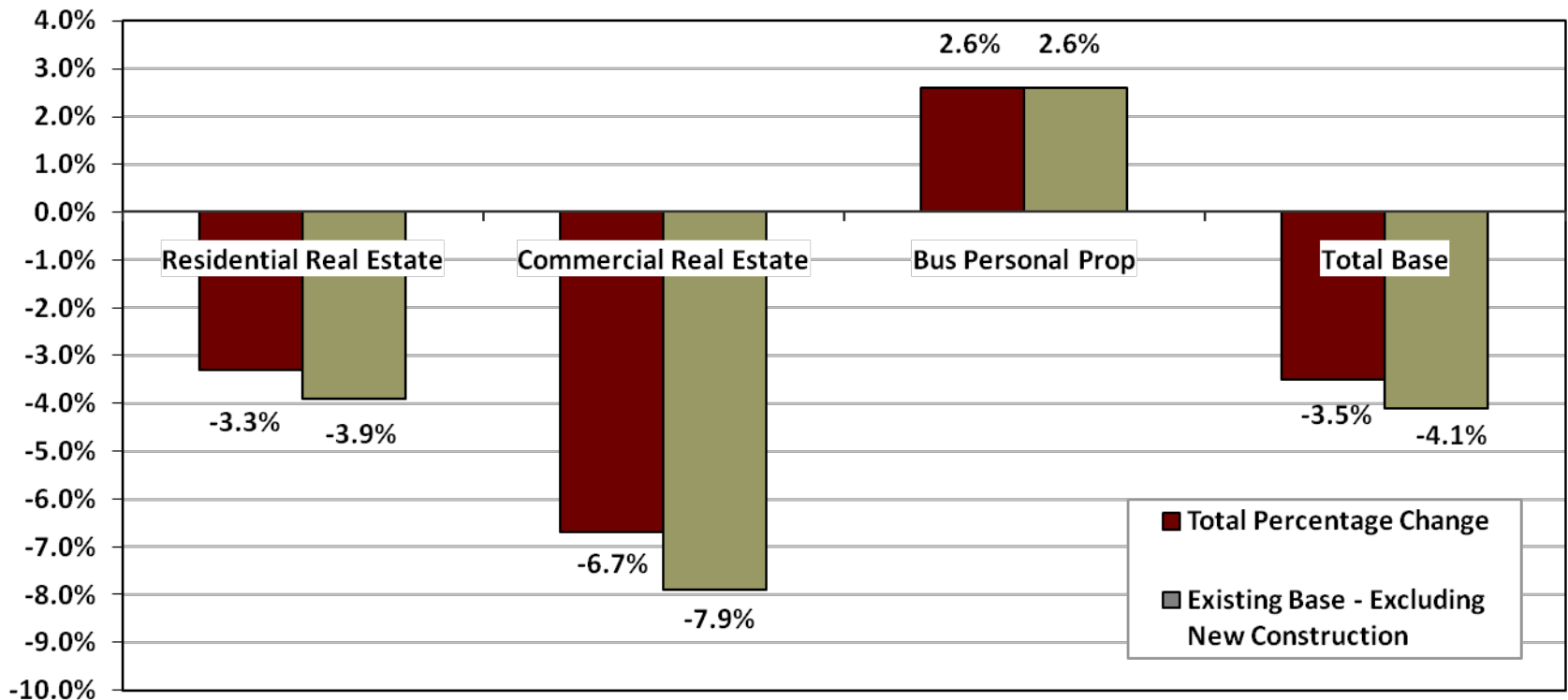
In Billions – Certified Values



The 2010 Tax base certified at \$10,425,690,876 – equivalent to 2006 levels.

2010 Property Tax Base

Change in Components

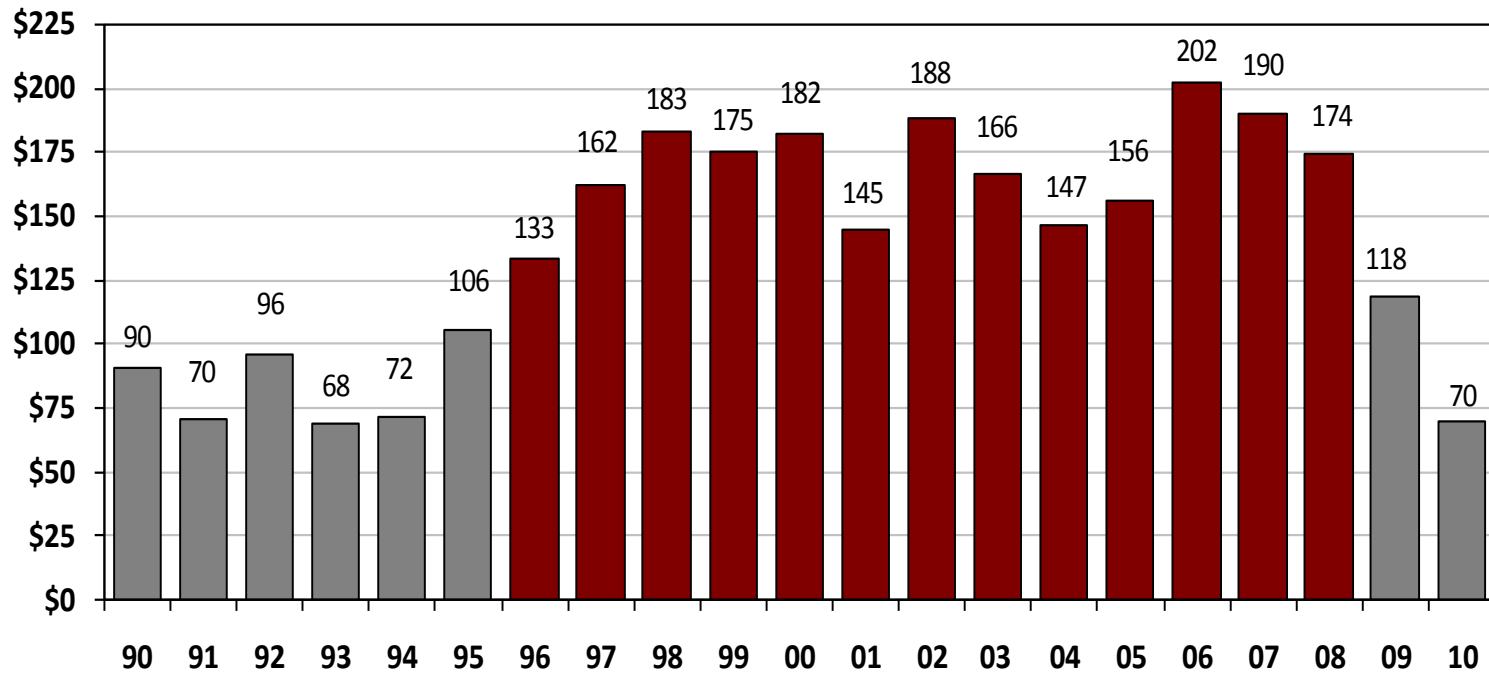


2009 Existing Values – Resid. (3.5%), Comm (8.3%), BPP (2.8%)

Recent Market Data suggest that prices have stabilized – not seeing material declines – but not seeing sustained improvement either.

Property Tax Base Growth

New Construction Values – In Millions



New Construction boom from 1996 to 2008 – average \$169.5 million a year.

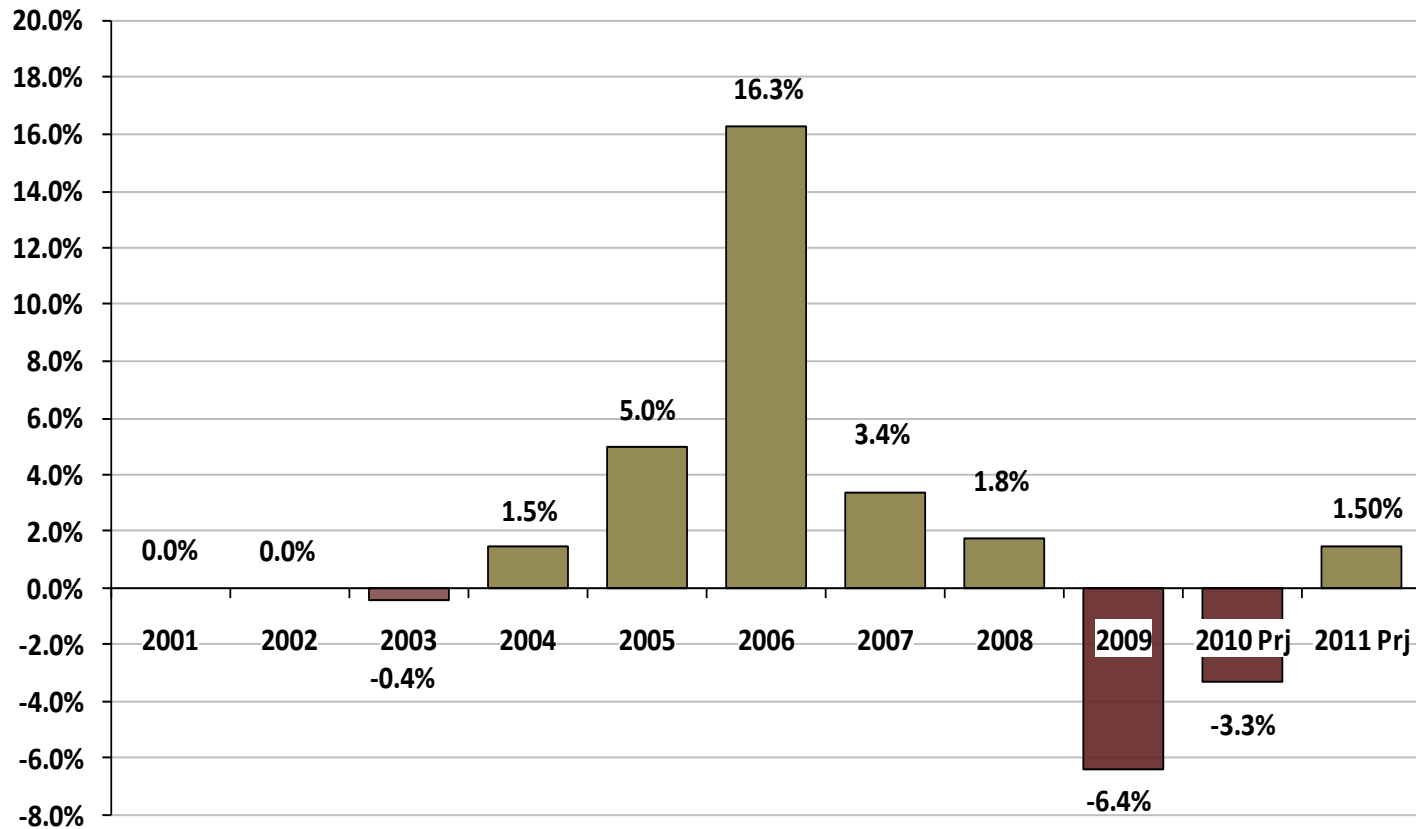
A total of 47.4% of growth in the tax base came from new construction from 2004-2008.

2010 - Declined to \$70 million – levels not seen since early 1990s.

Building Permits indicate that new construction is holding at last year's levels.

Sales Tax Revenue – Percentage Change

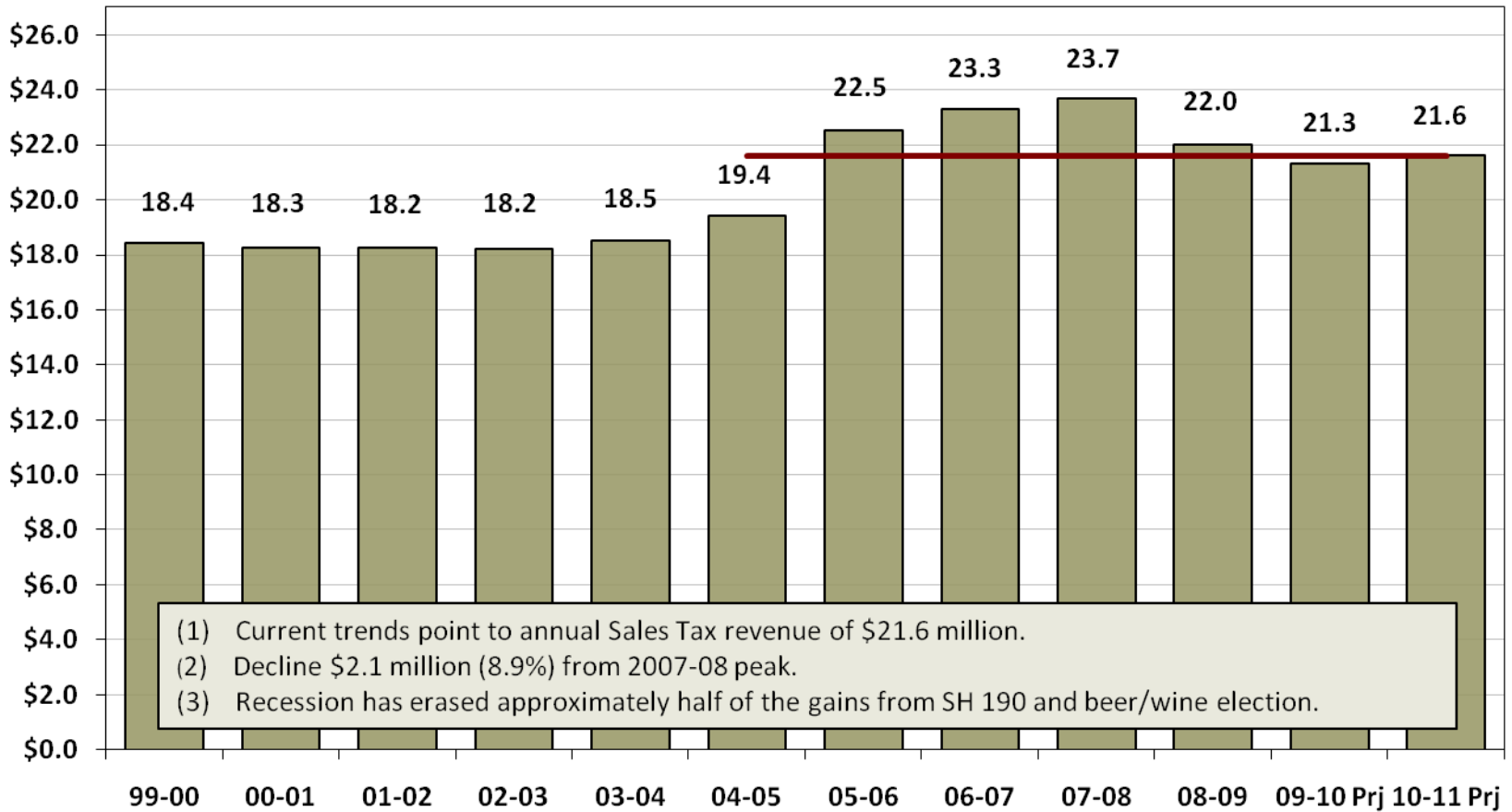
(Gross Sales Tax Revenues before Adjustments for Incentives)



2009 - \$1.7 million decline. 2010 – Additional \$734,000 decline. 2011 - \$322,000 increase.
Garland Sales Tax revenue declined more than the Metroplex average in 2009 and 2010.
Past three months reflect positive growth - 3.8% average.

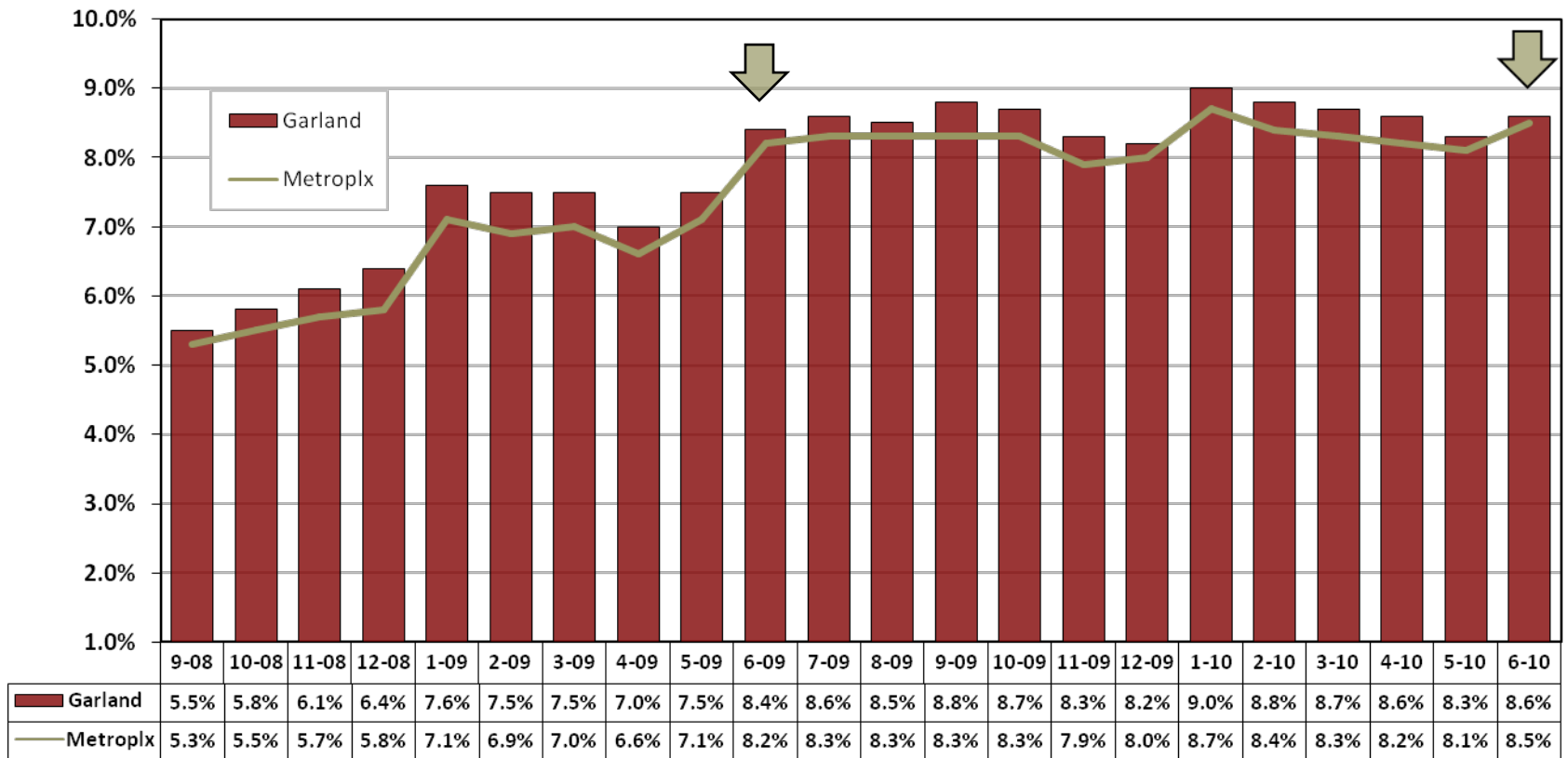
Annual Sales Tax Revenue

In Millions



Garland Unemployment Rate

With Metroplex Comparison

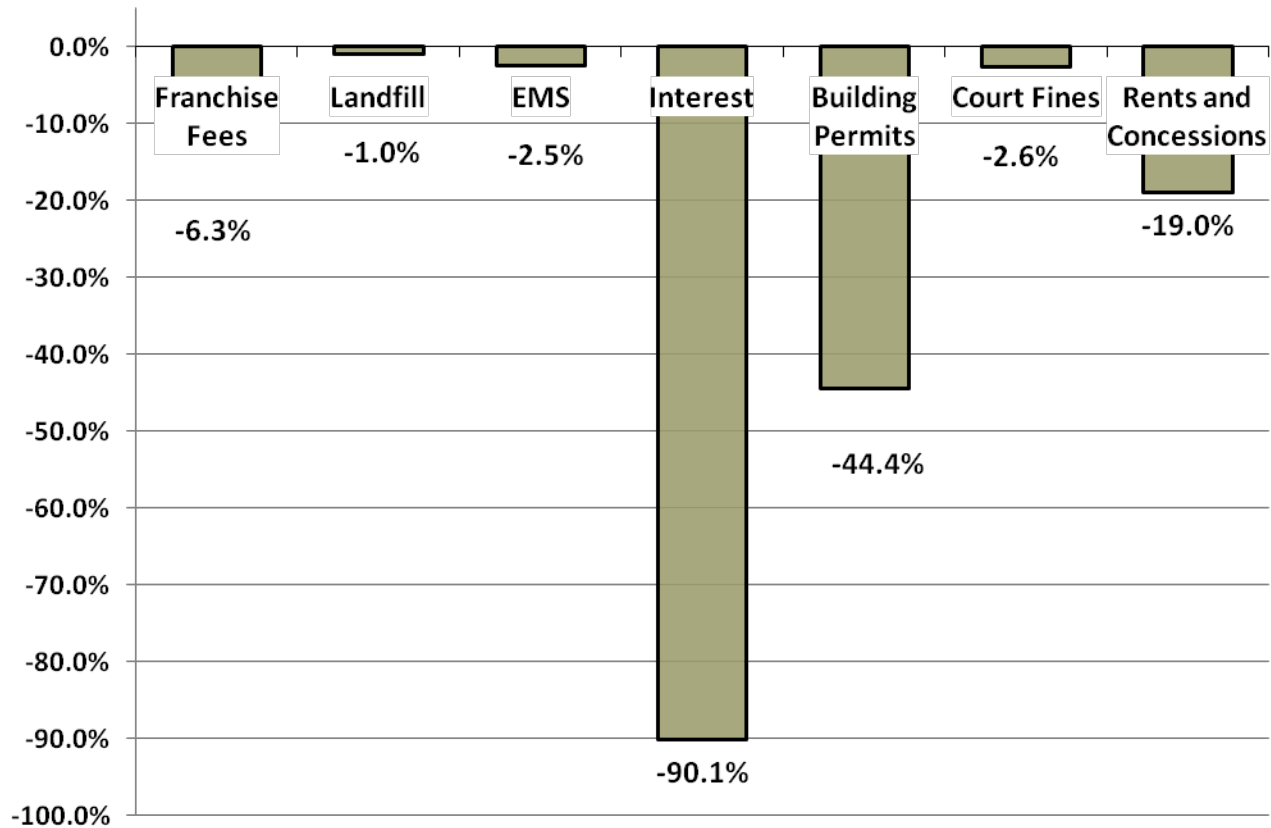


Garland Claims in June 2010 – 9,552.

0.2% Worse Than One Year Earlier.

Other General Fund Revenues

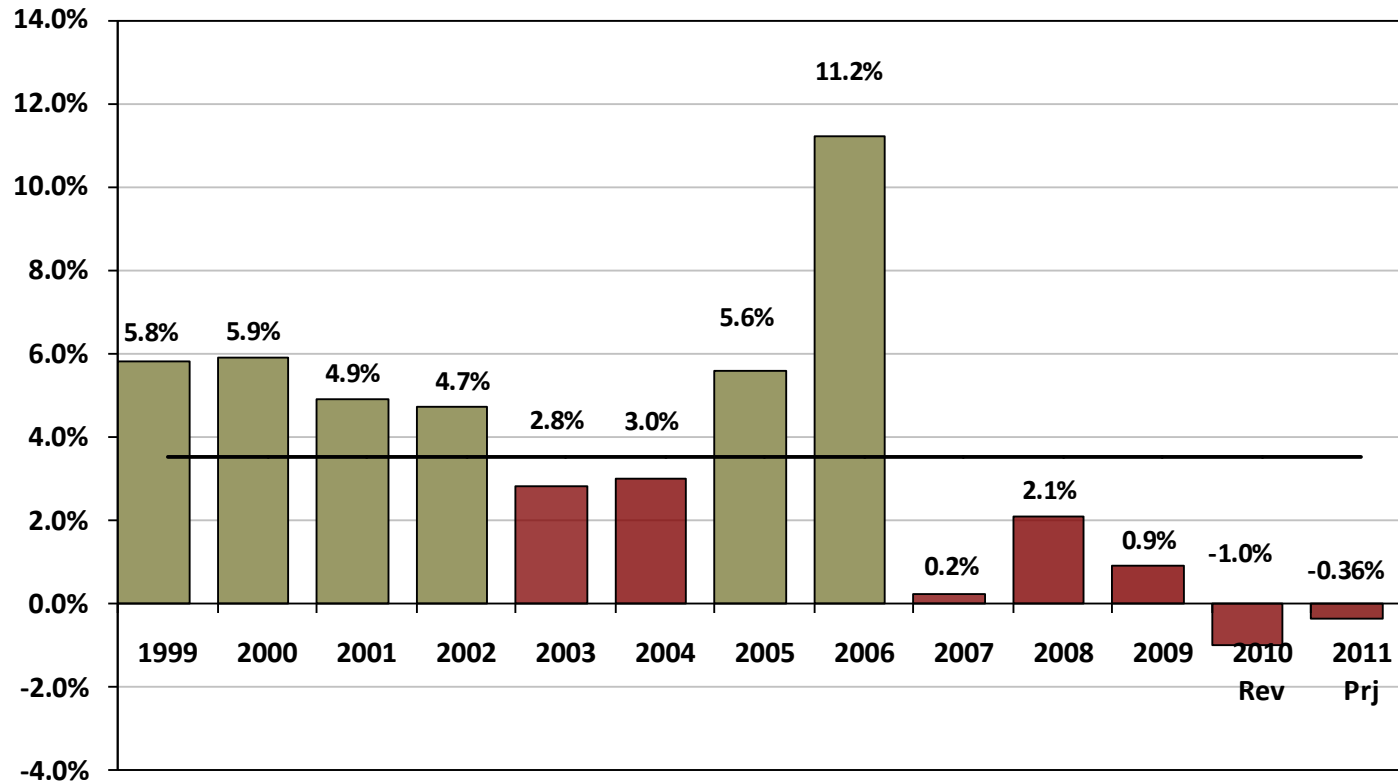
Impacted by Recession



Based on percentage change from 2006-07 Actuals to 2010-11 Proposed Revenues.

General Fund Revenue – Annual Percentage Growth

Revenue Requirement – 3.5% Benchmark



Fifth year of sub-par revenue growth.

2010-11 Excludes revenue enhancement measures included in the Proposed Budget.
Based on year-end actuals adjusted for conversion to GP&L ROI methodology.



Summary of Local Economic Outlook

- Freefall seen in the local economy this time last year is no longer present.
- Further declines of any significance do not appear likely – but improvement remains elusive.
- Sales Tax has recovered from lows, but sustained increases will be hampered by a lack of progress in bringing down unemployment.
- We may have found “the bottom”...and may be here awhile.

2010-11 Proposed Budget



City Manager's Priorities

2010-11 Proposed Budget

- ❑ Maintain Current Property Tax Rate.
- ❑ Maintain Current Service Levels.
- ❑ Fund Opening of the New Harris Hollabaugh Recreation Center.
- ❑ Partially restore funding cuts made in Street Maintenance Funding in FY 2009-10.
- ❑ Restore 1.15% Reduction Taken in Employee Compensation in FY 2009-10 and Public Safety Step Increases.

General Fund Budget

Financial Overview

Resources – Changes	
Property Tax	(1,673,000)
Sales Tax	1,187,000
GP&L ROI Transfer (7.4% to 7.9%)	0
All Other Revenues	15,000
Net Change in Revenues	(471,000)
One-Time Reserves Utilized in 2009-10	(1,394,000)
Total Projected Change in Resources	(1,865,000)

General Fund Budget

Financial Overview

Expenditures – Changes	
Base Requirements:	
Benefits – Health and TMRS	632,000
Fleet and Fuel Costs	388,000
Support Services and All Other	480,000
Total Projected Change in Base Expenditures	1,500,000
City Manager – Priority Items:	
Hollabaugh Recreation Center	229,000
Compensation – Restore 1.15% and Step Increases	1,065,000
Infrastructure Repair Transfer – Partially Restored	250,000
Total Priority Items	1,544,000
Total Proposed Change in Expenditures	3,044,000

General Fund Budget

Financial Overview

2010-11 Preliminary Deficit	
Revenues	(471,000)
One-Time Reserve Funds	(1,394,000)
Total Change in Resources	(1,865,000)
Base Expenditures	1,500,000
Priority Expenditures	1,544,000
Total Change in Expenditures	3,044,000
Fund Balance Requirements	188,000
Total Preliminary (Deficit)	(5,097,000)

2010-11 Deficit Elimination

Proposals

Total Preliminary Deficit	(5,097,000)
Debt Service Management Strategy – ½ cent on tax rate	500,000
In-Lieu-of Franchise Fee – Residential Solid Waste	656,000
Emergency Medical Services (EMS) Fee - \$1.50	1,224,000
Position and Expenditure Reductions	574,000
Excess Fund Balance	2,193,000
Available Funding Not Designated – Excess Fund Balance	50,000

Debt Service Management Strategy

Proposal

- (1) Take advantage of call options and low interest rate to refinance.
- (2) New GO/CO issues - first two years interest only – principal spread over remaining 15 years – does not extend pay-off.
- (3) Take advantage of 0.30% Commercial Paper interest rate – rollover moved from 2011 to 2012.
- (4) Cumulative impact of (2) and (3) is to move a portion of new debt service requirements into years where existing debt service is declining.
- (5) Allows for 2004 Bond Program to be completed without further tax rate increases.
- (6) Allows Debt Service Tax Rate to be decreased by ½-cent and O&M rate to be increased by the same amount. Results in additional \$500,000 to General Fund.
- (7) Future Debt Service Tax Rate reductions are possible depending on growth in tax base.



Residential Solid Waste Collection – In-Lieu-of Franchise Fee

Proposal

- (1) Five Percent In-Lieu-of Franchise Fee - from General Fund to Environmental Waste Services Fund on amounts charged for residential waste collection – is not an item on customer's bill but a component of the monthly rate.

- (2) Is Consistent with In-Lieu-of Franchise Fees Charged for Other City Utilities – Commercial Waste Collection, Water, and Wastewater services for use of rights-of-way. Residential collection accounts for significant deterioration of alleys.

- (3) Revenue Benefit to General Fund - \$656,000.

Emergency Medical Services Fee - \$1.50

Proposal

SB 1896 allows qualifying cities, where Emergency Medical Services (EMS) are provided through a fire department, to charge a monthly fee for EMS and to collect the fee in conjunction with the monthly bill for utility service.

\$1.50 Fee Generates \$1.2 Million Annually

	Unrecovered Costs
EMS Revenues	2,100,000
Operating and Capital Costs	(3,600,000)
Net (Unrecovered Costs)	(1,500,000)
Number of Water Accounts	68,000
Monthly Fee Required to Recover Costs	\$1.84

Budgeted EMS Cost - \$7.5 Million - \$3.6 Million takes into account that EMS personnel are utilized in responding to fire emergencies. Current EMS Cost Recovery 58.3%.

2010-11 Deficit Elimination

Proposals - Recap

Total Preliminary Deficit	(5,097,000)
Debt Service Management Strategy – ½ cent on tax rate	500,000
In-Lieu-of Franchise Fee – Residential Solid Waste	656,000
Emergency Medical Services (EMS) Fee - \$1.50	1,224,000
Position and Expenditure Reductions	574,000
Excess Fund Balance from Prior Year	2,193,000
Available Funding Not Designated – Excess Fund Balance	50,000

Proposed Utility Rates

Residential Waste Collection
Stormwater
Water
Wastewater
Electric

Residential Solid Waste Rates


Extra Container Charge \$6.10

- (1) Proposing \$6.10 charge for each additional residential container – effective November 1st.
- (2) Currently, citizens reimburse City for cost of additional container – approx \$58.00.
- (3) Credit would be given if container was acquired after November 1, 2009.
- (4) Allows for 75-cent reduction in base rate.
- (5) If not implemented, 65-cent increase in rate will be necessary.

	Current	Change	Proposed
Monthly Base Rate	17.33	(0.75)	16.58
Extra Container Rate	NA	6.10	6.10
X Container One-Time	57.91 w/tax	(57.91)	NA

Proposed Stormwater Fees

Multi-Year Schedule



	2008-09	2009-10 Y1	2010-11 Y2	2011-12 Y3	Multi-Yr Increase
Residential – Small	1.20	1.32	1.44	1.50	0.30
Residential – Medium	2.40	2.64	2.88	3.00	0.60
Residential – Large	3.60	3.96	4.32	4.50	0.90
Commercial Per 100 Sq Feet	0.06	0.066	0.072	0.075	0.015

24-Cent Residential Monthly Increase

Increases in Stormwater Fee initiated in 2009-10 in order to maintain funding for \$250,000 a year in Drainage projects (thereby reduce debt-funding in CIP) and absorb \$352,000 a year in litter control expenditures funded by the General Fund prior to 2009-10.

Proposed 2010-11 Utility Rates

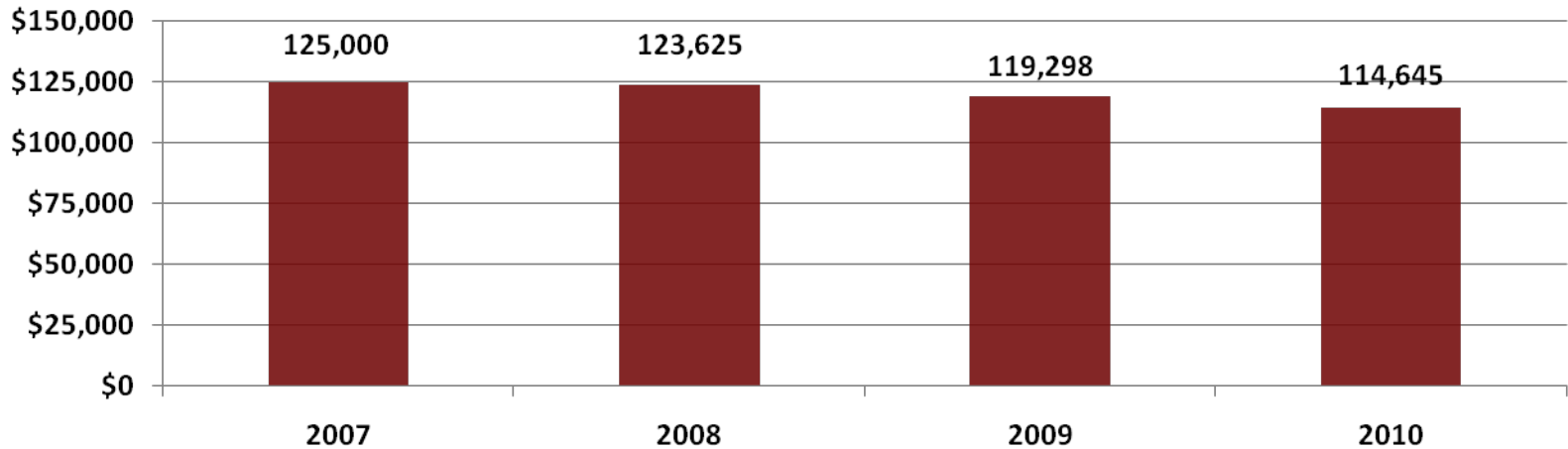
(Based on Typical Residential User - Monthly Average)

<u>Utility Services</u>	<u>2009-10 Monthly Charge</u>	<u>Proposed Change</u>	<u>2010-11 Monthly Charge</u>
Electric	\$ 153.04	(1.09)	\$ 151.95
Water	30.95	3.77	34.72
Sewer	39.79	None	39.79
Trash and Recycling	17.33	(0.75)	16.58
Stormwater Fee	<u>2.64</u>	<u>0.24</u>	<u>2.88</u>
Totals	<u>\$ 243.75</u>	<u>2.17</u>	<u>\$ 245.92</u>

- (1) Extra container charge of \$6.10 also being proposed.
- (2) GP&L summer RAF temporarily reduced through October 2010.

Impact of Declining Property Values

(Based on Home Valued at \$125,000 in 2007)



	2007-08	2008-09	2009-10	2010-11	Cumulative
Value Change	Base Year	(1.1%)	(3.5%)	(3.9%)	(8.3%)
Tax Rate – Cents	68.86	69.96	70.46	70.46	1.60
Property Taxes	\$ 791.89	\$ 795.09	\$ 773.33	\$ 743.17	(\$ 48.72)
Annual Change in Prop Taxes	Base Year	\$ 3.20	(\$ 21.76)	(\$30.16)	

Property Taxes include impact of 8% Homestead Exemption.
 Percent Decline in Property Taxes Paid – Cumulative 6.2%.
 Equivalent to a 4.6-Cent Decrease in Property Tax Rate.

Proposed 2010-11 Budget

In Summary

- (1) Maintains Current (Combined) Tax Rate of 70.46 cents.
- (2) Maintains Current Service Levels.
- (3) Funds Opening of Hollabaugh Recreation Center.
- (4) Restores \$250,000 in Street Maintenance Funding.
- (5) Implements \$6.10 Monthly Charge for Residential Extra Container Service.
- (6) Net Impact for Utility Services (Average Resident) and EMS Fee - \$3.67 monthly.
- (7) Avg. homeowner – Approx. \$30 annual (\$2.51 monthly) decline in City property taxes.
- (8) Restores 1.15% Reduction in Employee Salaries and Civil Service Step Increases.



2010-11 Proposed Budget Totals

General Fund, GO Debt Service Fund, Utility Funds,
Other Enterprise Funds and Grant Funds

\$524.1 Million

Decrease of \$45.4 Million (8.0%)

Decrease is Primarily Related to Fuel and Energy
Cost in the Electric Utility

General Fund

\$134.0 Million

Increase of \$2.47 Million (1.9%)

Budget Review Calendar

Date	Day	Start Time	Activity
Aug 2	Monday	Normal Work Session	Budget Highlights
Aug 3	Tuesday	Reg Session	Formal Presentation
Aug 16	Monday	Normal Work Session	Budget Presentations
Aug 17	Tuesday	Reg Session	Public Hearing
Aug 30	Monday	Special Session 7:00	Public Hearing
Aug 30	Monday	Special WS After PH	Budget Work Session
Sept 7	Tuesday	Reg Session	Adoption of Budget
Sept 20	Monday		DEADLINE FOR ADOPTION