
MEMORANDUM

TO: Honorable Mayor and City Council

FROM: Cliff Keheley, City Manager

DATE: August 16, 2021

SUBJECT: Fiscal Year 2021-22 Proposed Budget Highlights

The fiscal year 2021-22 budget was prepared with the continued efforts to align the City's limited resources with City Council strategic goals and objectives while also preparing for growth in the City. Below is a summary of the budget highlights for the 2021-22 proposed budget as compared to 2020-21 amended budget:

General Fund:

Revenues

- The property tax rate remains the same at \$0.70862; however, the budget does include \$5,441,860 in new revenues through increased valuation in the tax roll and new property added to the tax roll and will require an election per Senate Bill 2 because it exceeds the voter approval rate of .66560.
- Sales tax from general sales tax is projected to increase slightly by \$216,060.
- Increase in Fines and Forfeitures by \$50,000 for criminal fines.
- Increase of \$1,081,930 for Charges for Services is primarily due to proposed \$1.00 per month increase in residential solid waste fee and parks and recreation pool charge increase along with projected recovery from the pandemic for other programs and user fees.
- Increase in Other Revenues for sale of compost materials in the amount of \$20,000.
- Increase of \$87,450 in Contributions and Donations is a recovery from pandemic related to special events.
- Increase of \$37,920 in Enterprise Fund Payment in Lieu of Taxes (PILOT) and Franchise Fees is from the Water and Sewer Operating and Drainage Utility District (DUD) funds due to the Cost Allocation plan updates for the new fiscal year.

Expenditures

- Three percent merit increase for all general government employees on their anniversary date and sworn public safety effective January 1, 2022 - \$2,717,530.
- Five percent step increase for 64 police officers and 59 firefighters who have less than six years of service - \$289,640.
- Increase in required contribution to the Texas Municipal Retirement System (TMRS) that includes 50% cost of living adjustments (COLA) for retirees non-repeating (ad hoc) - \$484,170.
- City's contribution to the Group Medical Insurance to follow the Internal Service Funds Reserve Policy - \$550,000.
- Increase Separation pay that is a portion of unused sick and vacation leave paid at retirement or resignation - \$100,000.

- Increase for 380 Agreement Incentives - \$149,570.
- Increase in debt service costs - \$2,877,670.
- Increase for maintenance agreements and cost allocation charges - \$967,710.
- Operation reductions throughout the fund including one-time payment of \$2 million to TMRS in fiscal year 2021 – (\$2,994,370).
- Proposed Budget Offers – \$2,991,230
 - Additional police staffing for growth - \$562,200.
 - Additional fire staffing for four-man engines and trucks - \$1,076,400.
 - Cyber Security Program that includes a security analyst position - \$233,590.
 - Increase in pay for Field Training Officers - \$62,000.
 - Paramedic Ambulance Ride-out Pay Adjustment - \$49,100.
 - Competitive Pay for Public Safety - \$1,007,940.

Water/Sewer Fund:

Revenues

- No City water and sewer rate increases for fiscal year 2021-22.
- Increases in estimated water sales for new Markout customers and recovery from winter storm.
- Increase in estimated sewer service for recovery from winter storm.

Expenditures

- No increase for purchase of treated water from North Texas Municipal Water District (NTMWD).
- Increase for wastewater treatment from NTMWD of seven percent – \$966,890.
- Changes in departmental operating expenses including three percent merit increase, required contribution to TMRS, cost allocation charges, general liability charge, worker’s compensation charge and separation pay – \$236,490.
- Increase for 380 Agreement Incentives - \$298,000
- Decrease in transfer out to General Liability Insurance Fund – (\$239,480).
- Change in cost allocation of \$59,070.
- Increase debt service requirements – \$2,364,720.
- Proposed Budget Offers including nine new positions and capital - \$1,375,200
 - Vactor/Combination Truck and Maintenance, Repair and Inspection Crew - \$573,900.
 - Water Quality Inspector - \$96,050.
 - Public Works Dispatchers and Water Pump Station Monitor - \$88,200.
 - Water Distribution Repair Crew for Markout - \$560,350.
 - Production Technician for Markout - \$56,700.

DUD Operating Fund:

Revenues

- No increase for residential drainage fee.
- Commercial drainage fee increase of one cent per square foot of impervious area from \$0.14 to \$0.15.

Expenditures

- Changes in departmental operating expenses including three percent merit increase, required contribution to TMRS, cost allocation charges, general liability charge, and worker’s compensation charge along with budgeting for full staffing – \$226,240.
- Increase in capital outlay needs that includes a street sweeper– \$151,950.

- Change in cost allocation of \$34,620.
- Increase transfer out for DUD Capital Projects in the amount of \$250,000.
- Proposed Budget Offer for construction inspector - \$74,000.

Airport Operating Fund:

Revenues

- Increase in hangar rentals and fuels sales due to anticipated jet activity at the airport.
- Increase for proposed miscellaneous airport services fee changes.
- Decrease of (\$57,160) in Other Revenue due to Coronavirus Response and Relief Supplemental Appropriations (CRRSA) grant that was received in fiscal year 2020-21.

Expenditures

- Changes in departmental operating expenses including three percent merit increase, required contribution to TMRS, cost allocation charges, general liability charge, and worker's compensation charge.
- Increase in fuel supplies in relation to the increase in estimated fuels sales.
- Capital outlay includes computer replacements, two truck replacements and a snow plow.
- Debt Service increase to pay for the bonds sold in 2021 to fund the Transient FBO hangar.

Golf Course Fund:

Revenue includes a proposed five percent increase in green fees for fiscal year 2021-22. The increase in expenses includes three percent merit increase, required contribution to TMRS, cost allocation charges, general liability charge, and worker's compensation charge.

Group Medical Insurance Fund:

Fiscal year 2021-22 budget includes a transfer in from the General Fund in the amount of \$550,000 to follow the Internal Service Funds Reserve Policy that the annual budget will provide adequate revenues to cover expenditures each operating year. The employer contributions increase is from new positions added to the budget and the retiree contributions include a three percent proposed rate increase for retirees. Major expenditure changes include an increase of \$315,870 in Health Claims, \$100,000 in Pharmaceuticals and \$196,000 in Employee Wellness Program for public safety medical evaluations. The fund is projected to have excess revenues of \$1,280 for fiscal year 2021-2022.

General Liability Fund:

The fund is projected to have net income of \$93,120 for fiscal year 2021-22 that will be used to reduce the deficit fund balance. Revenue increases are from increase in the worker's compensation charges to departments. The increase in Personal Services is additional staff along with salary and benefit increases for the Risk Management division. Insurance premiums, general liability claims, and other expenditures are estimated for fiscal year 2021-22.

Hotel Occupancy Tax Fund:

The Hotel Occupancy Tax fund revenue is projected to have an increase of \$120,000 due to recovery from the pandemic. As a result, there are proposed increases in all programs

and entities that receive Hotel Occupancy Tax funds. No additional funds are proposed to be transferred to Capital Projects Reserve Funds for the Heritage Plaza Building Renovation project in fiscal year 2021-22.

Confiscated Seizure Fund:

The Police Department will bring their requests for the Confiscated Seizure Fund to City Council for approval throughout the year. The initial budget is set at a minimal amount. There is an estimated available fund balance of \$235,686 for requests in the new fiscal year.

Photo Enforcement Fund:

The legislative changes that occurred in fiscal year 2018-19 ended the red light camera program. The current revenue source is from the photographic enforcement program for school bus arm violations. The proposed fiscal Year 2021-22 budget includes a transfer to the General Fund of \$25,000.

Child Safety Fund:

The Child Safety Fund was established in 2019 when Dallas County began charging motorist a child safety fee when they register their vehicles. This fee is distributed to the cities within Dallas County. The City anticipates receiving \$200,000 from Dallas County for Fiscal Year 2021-22. The revenue collected will be transferred to the General Fund to help offset school crossing guard expenses that are shared with MISD.

911 Service Fee Fund:

There are no revenue changes in the 911 Service Fee Fund. Transfer out to General Fund is \$780,000 for fiscal year 2021-22 to offset public safety operations.

Community Development Block Grant Program Fund:

The revenues and expenditures match the approved Program Year 2021-22 Community Development Block Grant Annual Action Plan.

Housing Choice Voucher Program Fund:

No revenue changes for the fund. Slight expenditure increases for three percent merit increase, required contribution to TMRS, cost allocation charges, general liability charge, and worker's compensation charge. No additional Housing CARES Act funds are anticipated for fiscal year 2021-22.

Public, Educational and Government Access Fund:

No revenue changes for the fund. Expenditures include \$135,500 for new production equipment at the Mesquite Independent School District's production studio in the Technology Excellence Center and \$6,900 for new studio and field camera equipment for the City of Mesquite's video production studio.

Mesquite Quality of Life Corporation Fund:

The revenues and expenditures match the Fiscal Year 2021-22 budget approved by the Mesquite Quality of Life Corporation on Jun 23, 2021. The projects include transportation, public safety and parks and recreation improvements throughout the City. Detailed information can be reviewed in the Capital Improvement Budget for fiscal year 2021-22 located in tab 6 of the Council Budget Binder.

Municipal Court Technology Fund:

No revenue changes for the fund. Expenditure decreases are due to a reduction in cost allocation charges for fiscal year 2021-22.

Capital Projects Reserve Fund:

The Capital Projects Reserve Fund includes a transfer in from the General Fund for furniture replacement and a transfer in from TIRZ Funds for TIRZ Funds' administration.

Tax Increment Reinvestment Zone Funds:

The Fiscal Year 2021-22 proposed budget reflects revenues and expenses per the most recent project and finance plan approved by the TIRZ Board for each of the active Tax Increment Reinvestment Zones in the City.

Roadway Impact Fee and Water/Sewer Impact Fee Funds:

The revenue collected from Roadway Impact Fees and Water/Sewer Impact Fees will be used to offset the debt service related to capital projects in both areas.

Conference Center Capital Replacement Reserve Fund:

Ten percent of the proceeds from rental receipts of the exhibit hall operations and a rebate of net conference center room rental charges are accumulated into this fund each year to be used for replacement of items defined by an agreement between the City and Atrium Hotels, LP. For Fiscal Year 2021-22, the budget includes \$174,500 for supplies and replacements for the Conference Center with a remaining fund balance of \$354,024.

Capital Budget:

Below includes the major funding sources of the Capital Budget for fiscal year 2021-22.

- Certificates of Obligation paid by General Fund- \$13,724,825
- Certificates of Obligation paid by Other Funds - \$16,470,000
- General Obligation Street Bonds - \$16,500,000
- Water and Sewer Revenue Bonds - \$35,597,700
- Drainage Utility District - \$6,500,000
- 4B Sales Tax - \$9,534,040


Cliff Keheley
City Manager