
MEMORANDUM

TO: Honorable Mayor and City Council

FROM: Cliff Keheley, City Manager

DATE: August 29, 2018

SUBJECT: Fiscal Year 2018-19 Proposed Budget Highlights

The fiscal year 2018-19 budget was prepared with the continued guiding principles of focusing on City Council goals and priorities and maintaining a strong financial condition and becoming a data driven organization. Below is a summary of the budget highlights for the 2018-19 proposed budget:

General Fund:

Revenues

- Property tax rate increase from \$0.687 to \$0.734. Total property tax increase of 4.7 cents is for debt service related to the Residential Street Bonds. With the proposed property tax rate increase, new revenue through increased valuation in the tax roll and new property added to the tax roll, the budget includes \$7,472,000 increase in property tax revenue.
- Sales tax is projected to increase slightly by \$200,000
- Increase of \$950,080 for Charges for Services
 - MISD Tax appropriation is estimated to increase by \$80,080 to cover their portion of the Tax Office operations.
 - Increase of \$770,000 due to proposed \$1.75 per month increase in Residential Solid Waste fee. A portion of this will be used to offset the costs of the new Rear Load Tipper Pilot program.
 - Increase of \$100,000 due to proposed \$5 per month increase in Commercial Solid Waste fee. This is be used to offset the costs of the new High Impact Litter Control program.
- Reduction of \$500,000 under Other Revenue due to the potential discontinuation of the Medicare Ambulance Supplemental Payment program.
- Decrease of \$500,000 in Transfers In due to a one-time contribution from the Capital Projects Reserve Fund in Fiscal Year 2017-18 that was transferred to the Group Medical Insurance Fund.

Expenditures

- Net increase in Debt Service Requirements - \$2,450,000 (\$3,000,000 for Residential Street Bonds less \$550,000 for debt service fluctuations in other bond issues)
- Two percent merit increase for all general government employees on their anniversary date - \$295,000
- Three percent merit increase for sworn public safety effective on January 1, 2019 - \$983,000

- Five percent step increase for 66 police officers and 38 firefighters who have less than five years of service - \$240,000
- Step increase for all sworn public safety with over five years of service effective on April 1, 2019 - \$543,000
- Required contribution to the Texas Municipal Retirement System (TMRS) to set updated service credits to auto renewal with no cost of living adjustment (COLA) - \$1,633,800
- Increase City's contribution to the Group Medical Insurance Fund - \$750,000
- Decrease of \$500,000 in Transfer Outs due to a one-time transfer to the Group Medical Insurance Fund in Fiscal Year 2017-18.
- Increase of \$343,596 related to departmental changes throughout the City.
- Proposed Budget Offers include nine new full-time positions – \$919,000
 - Police Patrol Enhanced Presence and Visibility - \$238,750
 - 1 Patrol Police Officer
 - 3 School Resource Officers
 - Fire Staffing of Ambulance 06 - \$263,250
 - 3 Firefighters
 - Public Works Enhanced Street Maintenance - \$200,000
 - High Impact Litter Control - \$100,000
 - 2 Parks Ground Maintenance Technicians
 - 1 Vehicle
 - Rear Load Tipper Pilot Program - \$117,000

Water/Sewer Fund:

Revenues

- City water and sewer rates will increase 4.5 percent.

Expenditures

- Increase for purchase of treated water from North Texas Municipal Water District (NTMWD) by 10 percent- \$2,226,750
- Increase for wastewater treatment from NTMWD by 6 percent - \$559,790
- Increase for NTMWD East Fork Sewer Line offset by revenue - \$48,230
- Increase Debt service requirements - \$374,900
- Decrease in capital outlay needs for FY2018-19 in the amount of - (\$255,350)
- Increase in divisions' operating expenses including two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund - \$451,720
- Proposed Budget Offers include five full-time positions and one part-time position - \$422,000
 - Elimination of Fats, Oils & Grease (FOG) Program - \$168,000
 - 1 Grease Trap Inspector
 - 2 Maintenance Worker IIs
 - Enhanced Water Sampling Program - \$76,000
 - 1 Water Production Technician
 - Utilities GPS Tracking Pilot Program - \$31,000
 - Improved Utilities Communication and Operations with Laptops - \$31,000
 - Utilities Sustainability Program - \$27,000
 - 1 Part-time Graduate Intern
 - New Asset Management Analyst - \$89,000
 - 1 Asset Management Analyst

DUD Operating Fund:

Revenues

- No proposed DUD rate increase.
- Slight projected increase in collection of residential drainage fees.
- Approximately six percent increase in collection of commercial drainage fees.

Expenditures

- No capital outlay requests for FY2018-19
- Decrease in Debt service requirements
- Increase in divisions' operating expenses including two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund

Airport Operating Fund:

Revenues

- Additional hangers will be available to rent in FY2018-19 - \$33,780
- Increase of fuels sales is a result of an increase in ramp fees that require a minimum fuel purchase in order for ramp fees to be waived - \$168,510
- Slight projected increase in Airport Lease Receipts

Expenditures

- Increase in Personal Services includes four part-time positions being reclassified to full-time along with two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund
- Minor increases to fuel supplies and other supplies for the Airport
- Increase in Contractual Services is for RAMP grant projects and other maintenance improvements at the Airport
- Increase in Capital Outlay is for fuel point of sale computer system and plane skate

Golf Course Fund:

This is the third fiscal year that the Golf Course will be reported as a separate enterprise fund. Increases in expenses are minimal for fiscal year 2018-19 with a reallocation of expenditure budget between supplies and contractual services and increase for golf cart capital lease.

Group Medical Insurance Fund:

The fund is projected to have excess revenues of \$239,650 for fiscal year 2018-19 to help reduce the overall fund deficit. Fiscal year 2018-19 budget includes a ten percent Employer Contributions rate increase and ten percent employee and retiree rate increase. There is a minimal increase of \$75,000 in Health Claims and decrease of \$450,000 in Pharmaceutical costs due to plan changes. A one-time decrease in Administrative Fees is proposed with signing a five-year agreement with Blue Cross Blue Shield.

General Liability Fund:

No significant changes are projected in the General Liability Fund. The increase in personal services is related to salary and benefit increases for the Risk Management division. The fund is projected to have net income of \$197,670 for fiscal year 2018-19 that will be used to reduce the deficit fund balance.

Hotel Occupancy Tax Fund:

No significant changes are projected in the Hotel Occupancy Tax Fund except for the decrease in transfer to the Convention Center Capital Replacement Reserve Fund.

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.

Capital Projects Reserve Fund:

The Capital Projects Reserve Fund includes a transfer in from the General Fund to offset the funding of the business incentive agreement with Ashley Furniture and furniture replacement. In addition, an increase of \$27,030 is for administration charge related to TIRZ Funds' administration. This is a work order credit back to the General Fund for the costs of positions that provide administration of the TIRZ Funds.

Rodeo City Tax Increment Reinvestment Zone:

The Rodeo City Tax Increment Reinvestment Zone ends December 31, 2018 and at this time has not been expanded; therefore, there is no proposed budget for Fiscal Year 2018-19.

Towne Centre Tax Increment Reinvestment Zone:

Revenues

- Increase City of Mesquite's tax portion by \$443,037.
- Increase MISD's tax portion by \$531,762

Expenditures

- Expenses and projects funded for fiscal year 2018-19 were approved in the updated project and finance plan for Town Centre TIRZ (TIRZ Administration Fee, LBJ Project Debt Service, Gus Thomasson Rebuild from IH-80 to Town East, Hike and Bike Heritage Trail Phase II, Pavement Improvements throughout Zone, Downtown Manager, Downtown Infrastructure, Downtown Office Space Renovations, Front Street Reconstruction, Highway Corridor Maintenance and Economic Development Incentives)

Gus Thomasson Tax Increment Reinvestment Zone Fund:

The Gus Thomasson Tax Increment Reinvestment Zone project and finance plan was approved in Fiscal Year 2017-18; therefore, a budget is being proposed for Fiscal Year 2018-19. The proposed budget includes an administrative fee of \$50,000 that will be transferred to the Capital Projects Reserve Fund for City administration of the TIRZ fund and \$75,000 for economic development incentives.

Town East / Skyline Tax Increment Reinvestment Zone Fund:

The Town East / Skyline Tax Increment Reinvestment Zone project and finance plan was approved in Fiscal Year 2017-18; therefore, a budget is being proposed for Fiscal Year 2018-19. The proposed budget includes an administrative fee of \$50,000 that will be transferred to the Capital Projects Reserve Fund City administration of the TIRZ fund and \$200,000 for debt services costs related to capital projects.

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. Increase in revenues is due to new development throughout the City.

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 capital items defined by an agreement between the City and Atrium Hotels, LP. For Fiscal Year 2018-19, the budget includes \$250,000 for design and engineering services related to major improvements planned for the Convention Center in future years.

Capital Budget:

Detailed information regarding the capital budget can be reviewed in the Capital Improvement Plan (CIP) located in tab 6 of the Council Budget Binder. Below includes the major funding sources of the Capital Budget for fiscal year 2018-19.

- Certificates of Obligation - \$22,080,000
- Water and Sewer Revenue Bonds - \$14,020,000
- 4B Sales Tax - \$11,508,850
- Drainage Utility District - \$10,800,000 (includes \$2.5 million cash and \$8.3 million bonds)


Cliff Keheley
City Manager