
MEMORANDUM

TO: Honorable Mayor and City Council

FROM: Cliff Keheley, City Manager

DATE: August 27, 2019

SUBJECT: Fiscal Year 2019-20 Proposed Budget Highlights

The fiscal year 2019-20 budget was prepared with the continued guiding principles of focusing on City Council strategic goals and objectives. Below is a summary of the budget highlights for the 2019-20 proposed budget as compared to 2018-19 amended budget:

General Fund:

Revenues

- The property tax rate remains the same at \$0.734; however, the budget does include \$4,232,870 in new revenues through increased valuation in the tax roll and new property added to the tax roll.
- Sales tax is projected to remain flat.
- Gross Receipts for commercial sanitation contract is a slight increase.
- License and Permits increase of \$140,850
 - From various fee changes:
 - Re-roof Permit increase from \$50 to \$65.
 - Single-Family Residential Permits increase from \$950 to \$1,100.
 - Electrical Permit increase from \$55 to \$65.
 - Plumbing Permit increase from \$55 to \$65.
 - Mechanical Permit increase from \$55 to \$65.
 - Increase Apartment Inspection Fee from \$13 to \$15.
 - Contractor Registration fee increase from \$100 to \$110.
 - From new fees:
 - New Hotel Annual Registration fee of \$10 per room.
 - New Rental Certificate of Occupancy inspection fee.
 - Decrease of (\$200,000) in Telecommunications/ROW fees due to legislative changes.
- Increase of \$675,000 for Charges for Services due to proposed \$1.50 per month increase in Residential Solid Waste fee. Fifty cents of this will be used to offset the costs of the Solid Waste Master Plan.
- Reduction of (\$750,000) under Other Revenue due to the potential discontinuation of the Medicare Ambulance Supplemental Payment program.
- Increase of \$761,300 in Transfers In as follows:
 - Decrease of (\$609,000) from a one-time contribution from the Capital Projects Reserve Fund in Fiscal Year 2018-19
 - \$350,000 was transferred to the General Liability Fund.

- \$259,000 was for TIRZ administration and other General Fund expenditure needs.
- Increase of \$1,320,400 from the Water and Sewer Operating Fund due to the Cost Allocation plan updates for new fiscal year.
- Increase of \$49,900 from the Drainage Utility District Fund due to the Cost Allocation plan updates for new fiscal year.

Expenditures

- Two percent merit increase for all general government employees on their anniversary date - \$294,000
- Two percent merit increase for sworn public safety effective on January 1, 2020 - \$703,000
- Five percent step increase for 62 police officers and 48 firefighters who have less than six years of service - \$278,000
- Increase in required contribution to the Texas Municipal Retirement System (TMRS) to include non-repeating 50% cost of living adjustment (COLA) - \$481,460
- Increase City's contribution to the Group Medical Insurance Fund - \$150,000
- Separation pay that is a portion of unused sick and vacation leave paid at retirement or resignation - \$100,000
- Additional request to fund a second set of bunker gear for Fire - \$186,250
- Increase for 380 Agreement Incentives - \$244,190
- Increases in departmental operating expenses including full effect of merit increases from Fiscal Year 2018-19 and cost allocation changes - \$1,399,230
- Travel & Training reduction – (\$70,000)
- Environmental Code abatement contract reduction – (\$108,000)
- Proposed Budget Offers including eight new full-time positions – \$916,470
 - Three Firefighters for staffing of Ambulance 06 - \$296,000
 - Animal Services Officer - \$50,320
 - Police Officer - \$93,250
 - Building Inspector - \$65,000
 - Police Property Room Supervisor - \$69,500
 - Public Safety Administrator in Information Technology - \$73,000
 - Firefighter Ride-out Pay increase from \$30 to \$40 per 24-hour shift - \$64,000
 - Firefighter Bilingual Pay - \$5,400
 - Solid Waste Master Plan - \$200,000

Water/Sewer Fund:

Revenues

- City water and sewer rates will increase 4.5 percent.
- Decrease in sale of bulk water to match estimate for Fiscal Year 2019-20.

Expenditures

- Increase for purchase of treated water from North Texas Municipal Water District (NTMWD) - \$505,740
- Increase for wastewater treatment from NTMWD - \$1,101,900
- Increase Debt service requirements - \$623,240
- Decrease in capital outlay needs for FY2019-20 in the amount of - (\$163,510)

- Increases in departmental operating expenses including two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund - \$621,090.
- Net decrease from implementation of cost allocation plan – (\$437,850)
- Proposed Budget Offer for one full-time meter reader position - \$78,000

DUD Operating Fund:

Revenues

- Slight increase in interest income.
- Residential drainage fee increase of fifty cents from \$4.50 to \$5.00 per month.
- Commercial drainage fee increase of two cents per square foot of impervious area from \$0.10 to \$0.12.
- No transfer in from DUD Revenue Reserve Fund scheduled for Fiscal Year 2019-20.

Expenditures

- Decrease in DUD Operations due to one-time 380 incentive payment and rolled contracts in Fiscal Year 2018-19.
- Increases in departmental operating expenses including two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund
- Increase of \$49,900 for transfer out to General Fund for cost allocation plan updates for new fiscal year.
- Increase of \$64,640 for debt service requirements.
- Proposed Budget Offer for the Drainage Maintenance and Construction Program includes three full-time positions and capital - \$554,000
 - Maintenance Crew Chief, Maintenance Worker II and Equipment Operator - \$144,000
 - Capital - \$410,000

Airport Operating Fund:

Revenues

- Increase in hangar rentals is due to new hangar fees proposed for Fiscal Year 2019-20.
- Decrease in fuels sales based on estimated fuel sales for Fiscal Year 2019-20.
- Other revenue changes due to proposed fee changes for the Fiscal Year 2019-20.

Expenditures

- Increase in personal services includes two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund.
- Decrease in fuel supplies in relation to the decrease in estimated fuels sales.
- Increase in contractual services for additional scheduled maintenance items, lease for additional fueling truck for Jet A and IT cost allocation changes.
- Capital outlay includes purchase of aircraft tug and tractor trimmer.

Golf Course Fund:

Increases in revenues and expenses are minimal for fiscal year 2019-20. Increase in personal services includes two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund.

Group Medical Insurance Fund:

The fund is projected to have excess revenues of \$161,570 for fiscal year 2019-20 to help reduce the overall fund deficit. Fiscal year 2019-20 budget includes an additional \$250,000 Employer Contributions along with a ten percent retiree rate increase. There are minimal increases in expenditures with the major changes including an increase of \$115,000 in Health Claims and decrease of (\$200,000) in HSA Contributions due to plan changes.

General Liability Fund:

No significant changes are projected in the General Liability Fund other than the decrease in revenues and expenditures of (\$350,000) that are budgeted in Fiscal Year 2018-19 to transfer in from the General Fund to cover a few large worker's compensation claims. 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 \$7,820 for fiscal year 2019-20 that will be used to reduce the deficit fund balance.

Hotel Occupancy Tax Fund:

The Hotel Occupancy Tax fund revenue is projected to have an increase of \$200,000 from increase in hotel stays. The overall decrease in the expenditure budget of \$146,108 is from one-time contract services provided during Fiscal Year 2018-19.

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 available fund balance of \$324,574 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; therefore, it significantly reduced the amount of revenue that will be collected in the Photo Enforcement Fund. The remaining revenue source is from the photographic enforcement program for school bus arm violations. The proposed fiscal Year 2019-20 budget includes a transfer to the General Fund of \$150,000.

Child Safety Fund:

The Child Safety Fund was established in 2019. Starting in January 1, 2019, motorist are charged a child safety fee in Dallas County when they register their vehicles. This fee is distributed to the cities within Dallas County on a quarterly basis. The City anticipates receiving \$160,000 from Dallas County for Fiscal Year 2019-20. 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 reduced by (\$50,000) in order to maintain positive fund balance.

Community Development Block Grant Program Fund:

The revenues and expenditures match the approved Program Year 2019-20 Community Development Block Grant Annual Action Plan.

Housing Choice Voucher Program Fund:

No revenue changes for the fund. Expenditure increases include two-percent merit increase for all employees; required contribution to TMRS and increased City contribution to Group Medical Insurance Fund.

Public, Educational and Government Access Fund:

No revenue changes for the fund. Expenditures include \$187,000 for new production equipment at the Mesquite Independent School District's production studio in the Technology Excellence Center and \$75,000 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 2019-20 budget approved by the Mesquite Quality of Life Corporation on July 24, 2019. 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 2020 located in tab 6 of the Council Budget Binder.

Municipal Court Technology Fund:

No revenue changes for the fund. An audio and visual upgrade project for the courtrooms has been completed in Fiscal Year 2018-19; therefore, the only expenditure increase for Fiscal Year 2019-20 is for contractual services related to cost allocation plan updates for the new fiscal year.

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 2019-20 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. 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 2019-20, the budget includes \$125,000 for capital replacements for the Conference Center and Exhibit Hall with a remaining fund balance of \$754,165.

Capital Budget:

Below includes the major funding sources of the Capital Budget for fiscal year 2019-20.

- Certificates of Obligation - \$11,680,000
- General Obligation Street Bonds - \$16,500,000
- Water and Sewer Revenue Bonds - \$21,520,000
- Drainage Utility District - \$2,000,000
- 4B Sales Tax - \$11,693,250



Cliff Keheley
City Manager