FISCAL YEARS 2017 TO 2021
MULTI-YEAR BUDGET AND FINANCIAL FORECAST
KEY FINDINGS AND ASSUMPTIONS

General Assumptions

- Legislation could negatively or positively impact the City's financial forecasts but will not be included until passed.
- New programs representing recurring operating impacts should only be added after careful prioritization.
- Compensation increase pool has been projected at 2% in FY's 2017 and 2018 and at 3% per year in FY's 2019 to 2021.
- Health Insurance rates are projected to increase at a rate of 10% annually.
- The Utility Fund Payment in Lieu of Taxes (PILOT) made to the General Fund is expected to increase 1% annually.
- Changes in City Water and Sewer rates are estimated to increase by 7% for FY 2017, 6% for FY 2018 and 3% per year for FY's 2019 to 2021.
- Natural Gas expenditures are projected to increase 2% annually.
- Solid Waste expenditures are expected to increase by 3% annually.
- Electricity rates are expected to remain flat.
- Risk Allocation Charges are expected to increase by 5% in FY 2018 and again in FY 2020.
- Overhead Allocation Charges are projected for FY's 2017 and 2018 based on forecasts prepared as part of the FY 2016 budget and to have 3% growth annually thereafter.

General Fund

Sources of Funds

- The FY 2016 recurring sources of funds have been re-estimated and are projected to be $502,264 or 0.6% less than original budget. These re-estimates are used as the base for the future year projections.

- Ad Valorem taxes are projected to increase by 3% each year in FY 17 and 18 and then increase by 2% each year thereafter.

- Franchise Fees are expected to change as follows:
  - Telecommunications – 3% annual decrease (due to the loss of land lines)
  - Natural Gas – 1% annual increase
  - Electricity and Solid Waste – no change
  - Cable – 3% annual increase

- Sales taxes are projected to increase by 2% each year.

- Fines and forfeitures are projected to increase by 1% annually.

- Investment income is projected to increase 5% per year.

- All other revenue types are estimated to have no growth.

- Leased Vehicle Taxation - In response to concern expressed this year regarding the taxation of leased vehicles, staff has prepared additional information on leased vehicle taxation. The multi-year projections assume all leased vehicles will continue to be subject to ad valorem taxation.

  During the 2001 Legislative Session, a bill was passed which exempted personal use leased motor vehicles from taxation but allowed a municipality to continue the practice through the adoption of an ordinance. City Council passed Ordinance No. 2648 in 2001 which provided for the continuation of ad valorem taxation of personal leased vehicles. A survey completed by the State Comptroller's office in 2004 (the most recent year available) found 76 cities chose to continue taxing all leased vehicles, both personal and business.

Staff contacted the appraisal districts for Dallas, Collin and Denton counties to identify other cities that continue to tax personal use leased vehicles. Below are the cities in these counties that continue to tax personal use leased vehicles.

Addison	Carrollton	Cedar Hill
DeSoto	Garland	Lancaster
Mesquite	Richardson	Frisco
Prosper	Argyle	Lake Dallas
Pilot Point		

Additionally, City staff obtained updated values on personal use leased vehicles from the appraisal districts. The following is a summary of the information for the tax year 2015 (FY 2016):

County	Total Taxable Valuation of All Lease Vehicles	Total Taxable Valuation of Personal Use Leased Vehicles	Levy on all Leased Vehicles	Levy of Personal Use Leased Vehicles
Dallas	$24,258,537	$16,140,181	$148,675	$98,919
Denton	$58,000,000	$45,000,000	$355,468	$275,794

Based on the information provided, the total property tax levy for tax year 2015 for leased vehicles is $504,143 with $374,713 coming from personal use leased vehicles. This amount of revenue represents approximately one-third of a penny of tax rate.

Uses of Funds

- The baseline for Supplies and Contractual Services and Fleet Replacement allocations for FY's 2017 and 2018 are estimated based on forecasts prepared as part of the FY 2016 budget. FY's 2019 to 2021 are projected to have 2% growth annually.

- Other Additions:
  - Operating costs for the new full-time 5th Medic Unit are estimated at approximately $814,000 per year in FY 17.
  - Parks maintenance costs for new parks amenities, including dog parks, enhanced landscaping and trails of about $87,000 in FY 17 and an additional $62,000 in FY 18 plus $81,500 of startup equipment costs between the two years.
  - Maintenance costs for corridor enhancements are projected to increase cost by $20,000 per year in FY 17, FY 19 and FY 21.
  - Recurring costs of Bond Program additions are included as follows:
    - Splash Pad at about $34,000 per year starting FY 17.
    - New Police Station at about $46,000 per year starting May 2017.

- Non-recurring "One-time" Uses of Funds:
  - Subsidy of the Hotel/Motel Tax Fund is for FY 17 and FY 18 are estimated based on forecasts prepared as part of the FY 2016 budget. FY's 19 to 21 are projected to grow by 3% annually.
  - Subsidy of the Golf Course Fund for FY 17 and FY 18 are estimated at 50% of the prior year subsidy.

ATTACHMENT A

- General Fund projections for FY 2017 estimate the need for $2,190,232 in resource increases or reduction in uses of funds. This represents 2.3% of recurring uses of funds or approximately two cents on the tax rate. City staff will continue to look for increased operational efficiencies in its existing operations through various initiatives.

Utility Fund

<u>Sources of Funds</u>

- Water and Sewer base revenues are anticipated to increase by 1% annually due to growth in the customer base.

- Investment income is projected to increase 5% per year.

- All other Utility Fund revenues are expected to remain constant for future years.

- In addition to the 7.5% rate increase effective March 1, 2016, Utility Fund projections show needed rate increases of 6.6% in FY 2017, 5.6% in FY 2018, 2.9% in FY 2019, 3.6% in FY 2020 and 3.7% in FY 2021.

- These projections are highly dependent of weather patterns which are difficult to predict.

<u>Uses of Funds</u>

- Expenditures related to the contract with Dallas Water Utilities (DWU) for the purchase of treated water are budgeted to increase 13.6% in FY 16 and then are forecasted to grow 3% annually.

- The expenditures for the Trinity River Authority (TRA) to treat Carrollton's wastewater flows are anticipated to change based on the projected rate changes from TRA plus a factor of 1% for growth. TRA rates for FY 16 are budgeted to increase by 14.9%. Projected increases in TRA rates in future years are 11.2% in FY 2017, 7.5% in FY 2018, 6.1% in FY 2019, 7.7% in FY 2020 and 8.1% in FY 2021.

- All other Supplies and Contractual Services and Fleet Replacement allocations for FY's 2017 to 2018 are estimated based on forecasts prepared as part of the FY 2016 budget. FY's 2019 to 2021 are projected to have 2% growth annually.

- Debt service transfers are based on required funding for existing debt issues.

- Non-recurring funding for water and sewer line rehabilitation is projected to remain flat at $2.9 million.