

FISCAL YEARS 2018 TO 2022
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.
- Revenues from credit card fees will be reduced during FY 2017 based on a staff recommendation to reduce the fee from 3% to 2%. An ordinance to make this change will be presented to the Council when an implementation plan is complete.
- Compensation increase pool has been projected at 2% in FY's 2018 and 2019 and at 3% per year in FY's 2020 to 2022.
- 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 5% for FY 2018, 6.5% for FY 2019, 1.5% for FY 2020, 3% per year for FY 2021 and 3.5% for FY 2022.
- 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, FY 2020 and FY 2022.
- Overhead Allocation Charges are projected for FY's 2018 and 2019 based on forecasts prepared as part of the FY 2017 budget and to have 3% growth annually thereafter.

General Fund

Sources of Funds

- The FY 2017 recurring sources of funds have been re-estimated and are projected to be \$1,391,729 or 1.5% less than original budget with more than half the shortfall being in Fines and Forfeitures. These re-estimates are used as the base for the future year projections.
- Ad Valorem taxes are projected to increase by 6% in FY 2018, 2% in FY 2019 and then increase by 1% each year thereafter.
- Franchise Fees are expected to change as follows:
 - Telecommunications – 3% annual decrease
 - Natural Gas – 1% annual increase
 - Electricity and Solid Waste – no change
 - Cable – 3% annual decrease
- Sales taxes are projected to increase by 2% each year.
- Fines and forfeitures are projected in FY 2018 to recover to approximately 97.6% of FY 2016 actual revenues and then 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.

In 2016, 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 continued 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 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 Leased 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 was approximately \$500,000 with \$375,000 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 2018 and 2019 are estimated based on forecasts prepared as part of the FY 2017 budget. FY's 2020 to 2022 are projected to have 2% growth annually.
- Other Additions:
 - Parks and Recreation maintenance costs for:
 - Maintenance costs for corridor enhancements are projected to increase cost by \$20,000 per year in FY 2019 and FY 2021.
 - Recreation Equipment Maintenance Worker at about \$55,000 per year starting in FY 2018.
 - Equipment for maintaining synthetic turf with a one-time cost of \$55,000 in FY 2018 and annual maintenance and replacement cost of \$7,425 starting in FY 2018.
- Non-recurring "One-time" Uses of Funds:
 - Subsidy of the Hotel/Motel Tax Fund is for FY 2018 and FY 2019 are estimated based on forecasts prepared as part of the FY 2017 budget. FY's 2020 to 2022 are projected to grow by 3% annually.
 - Subsidy of the Golf Course Fund is estimated at \$962,128 in FY 2017 and \$481,564 in FY 2018.

- General Fund projections for FY 2018 estimate the need for \$1,947,321 in resource increases or reduction in uses of funds. This represents 2% of recurring uses of funds or approximately 1.6 cents on the tax rate. City staff will continue to look for increased operational efficiencies in its existing operations through various initiatives.

Utility Fund

Sources of Funds

- 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 4% rate increase effective February 1, 2017, Utility Fund projections show needed rate increases of 5% in FY 2018, 6.7% in FY 2019, 1.5% in FY 2020, 3.1% in FY 2021 and 3.6% in FY 2022.
- These projections are highly dependent of weather patterns which are difficult to predict.

Uses of Funds

- Expenditures related to the contract with Dallas Water Utilities (DWU) for the purchase of treated water are forecasted to grow 3% annually.
- The expenditures for service of the Trinity River Authority (TRA) to treat Carrollton's wastewater flows are anticipated to change based on the projected rate changes plus a factor of 1% for growth. Projected increases in TRA rates in future years are 14.2% in FY 2018, 10.1% in FY 2019, 6.3% in FY 2020, 5.8% in FY 2021 and 9.1% in FY 2022.
- Fuel costs are projected to increase by 2% per year and other supplies and services are projected to increase by 1% per year.
- Fleet Replacement allocations for FY's 2018 and 2019 are estimated based on forecasts prepared as part of the FY 2017 budget. FY's 2020 to 2022 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.