

THE CITY OF
IRVING

TO: Honorable Mayor Gears and City Council

CC: Tommy Gonzalez, City Manager
Nancy Bartlett, Strategic Resources Team Director
Max S. Duplant, Chief Financial Officer

FROM: Bret W. Starr, Budget Administrator *BWS*

DATE: September 11, 2009

SUBJECT: Update on FY 2009-10 Proposed Budget

As a follow-up to Council's request for revised budget information following the changes made at the September 2nd work session, copies of the appropriation schedules for the proposed FY 2009-10 Budget are attached.

The changes made at budget retreat and at the September 2, 2009, work session have been itemized below. Please contact me at 972-721-3750 or at bstarr@cityofirving.org if you have any questions or require further information.

The Proposed FY 2009-10 Annual Operating Budget remains structurally balanced, with operating revenues matching operating expenditures. The tax rate will remain the same at \$0.5406. No program or service reductions are included in the budget, and no filled positions have been eliminated. Employees will continue to receive programmed step increases (3.5% steps for General Government, 5% steps for Police and Fire civil service). All current and new incentive programs are also fully funded.

The following one-time capital items will be funded from process improvement savings in the FY 2008-09 budget.

• Purchase of the Payne House	\$180,000
• Film Industry Incentive	\$200,000
• Valley Ranch Street Lighting	<u>\$250,000</u>
Total	\$630,000

The following programs have been incorporated into the **General Fund** Budget for FY 2009-10.

• Police Accident Incentive	\$200,000
• Police Education and Certification Incentive	\$150,000
• Fire Education and Certification Incentive	\$105,000
• Fire Sick Leave Buyback Incentive	<u>\$500,000</u>
Total	\$1,005,000

In the **Enterprise Fund**, without the 3.5% increase in water and sewer rates, the loss in projected revenues is \$2.6 million. To compensate for the decrease in revenue projections, \$2.6 million in transfers to the Water & Sewer Non-Bond CIP fund were reduced. The remaining budget of \$5.8 million will be transferred to fund replacement projects, but the number of projects completed in FY 2009-10 will be reduced and some projects may be delayed.

The Water and Sewer Non-Bond CIP program was established to provide pay-as-you-go funding for capital projects to reduce the need for bond sales and to provide a funding mechanism to offset revenue shortfalls such as the one that occurred at the end of 2007, where revenues fell below levels required by bond covenants.

In the **Solid Waste Services Fund**, without the \$1 increase and the companion 5% increase in the senior discount, \$450,000 in expenditures have been reduced. A capital project for perimeter screening berms in the amount of \$300,000 will be deferred until FY 2010-11. An additional \$150,000 in equipment maintenance has been reduced. This expenditure will be monitored closely, to ensure sufficient funds are available to maintain the Solid Waste fleet.

In the **Municipal Drainage Utility Fund**, without the \$0.65 increase in rates, revenues will be reduced by \$750,000. The proposed \$7.5 million bond sale will be scaled back to \$2 million, and the following improvement projects will be deferred until FY 2010-11 or later.

- Delaware Creek Drainage. \$2,500,000
- Neighborhood Alleys \$500,000
- Senter Road Drainage \$2,500,000

The \$2 million in MDU revenue bonds will be sold for the Lake Carolyn reclamation project. For neighborhood alleys, \$300,000 will be funded, but some alley projects will be deferred to the following years.

Increased contributions to the flood control districts remain in the budget. These costs make up \$1.01 of the current rate.

- Irving Flood Control District Section I \$450,000
- Dallas County Flood Control District I \$24,000
- Irving Flood Control District Section 3 \$72,000
- Dallas County Utility and Reclamation District \$584,000
- Total:** **\$1,170,000**

In next year's budget, we will be proposing a decrease in contributions to the Flood Control Districts as they have their own taxing authority to raise funds to finance their operations and maintenance independent of City of Irving contributions.

As has been previously presented, the Proposed FY 2009-10 Budget was balanced at the beginning of the budget process. Process improvement savings of \$12.7 million were used to offset \$7 million in revenue declines and \$7.5 million in adjustments to salaries, benefits, and contractual rebates. These process savings were achieved at the same time the City saw double digit increases in customer satisfaction as shown in the 2009 resident survey.

As additional requests for new projects and increases in service levels were proposed, dedicated revenue increases were identified to fund these items. Because the budget was structurally balanced, the decision by the Mayor to remove the fee increases off the agenda resulted in delays of some proposed projects, and not reductions in day-to-day operations and service levels.

As stated above, we need to monitor funds carefully, particularly Water and Sewer funds. As history has shown, if we do not stay ahead of pipeline replacement and continue to seek out new water sources, the city will face costly repairs and service interruptions from water main breaks and will pay increased costs to purchase water from other sources during future droughts. City staff will continue to look for ways to accelerate our replacement of aging infrastructure and continue to fund the acquisition and transmission of additional water resources to meet the City's future needs.