

# City of Garland

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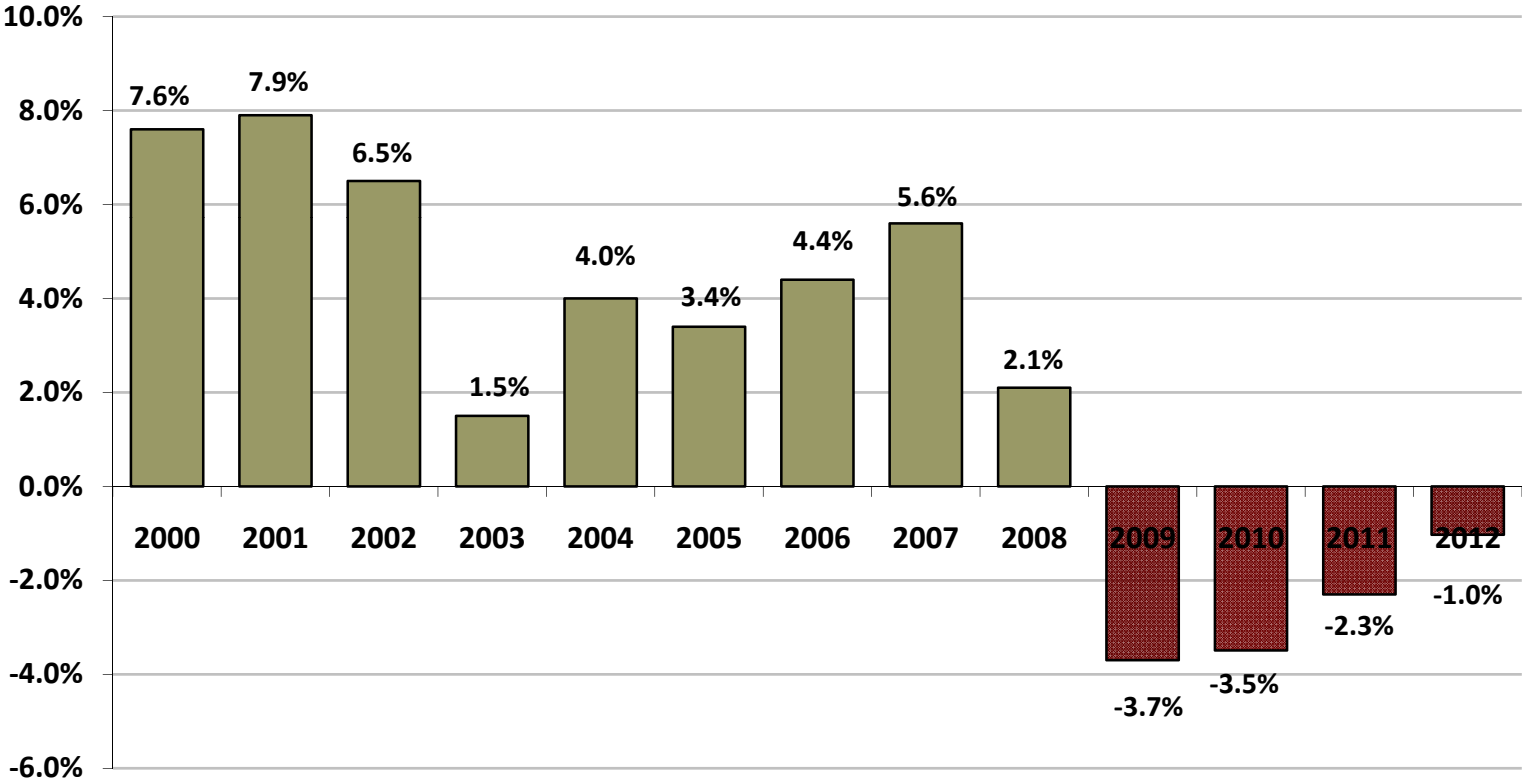
**2012-13 Proposed Budget**  
Preview – Council Work Session  
August 6, 2012

## **Current Economic Environment - Garland**

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# Certified Property Tax Base – Percentage Change

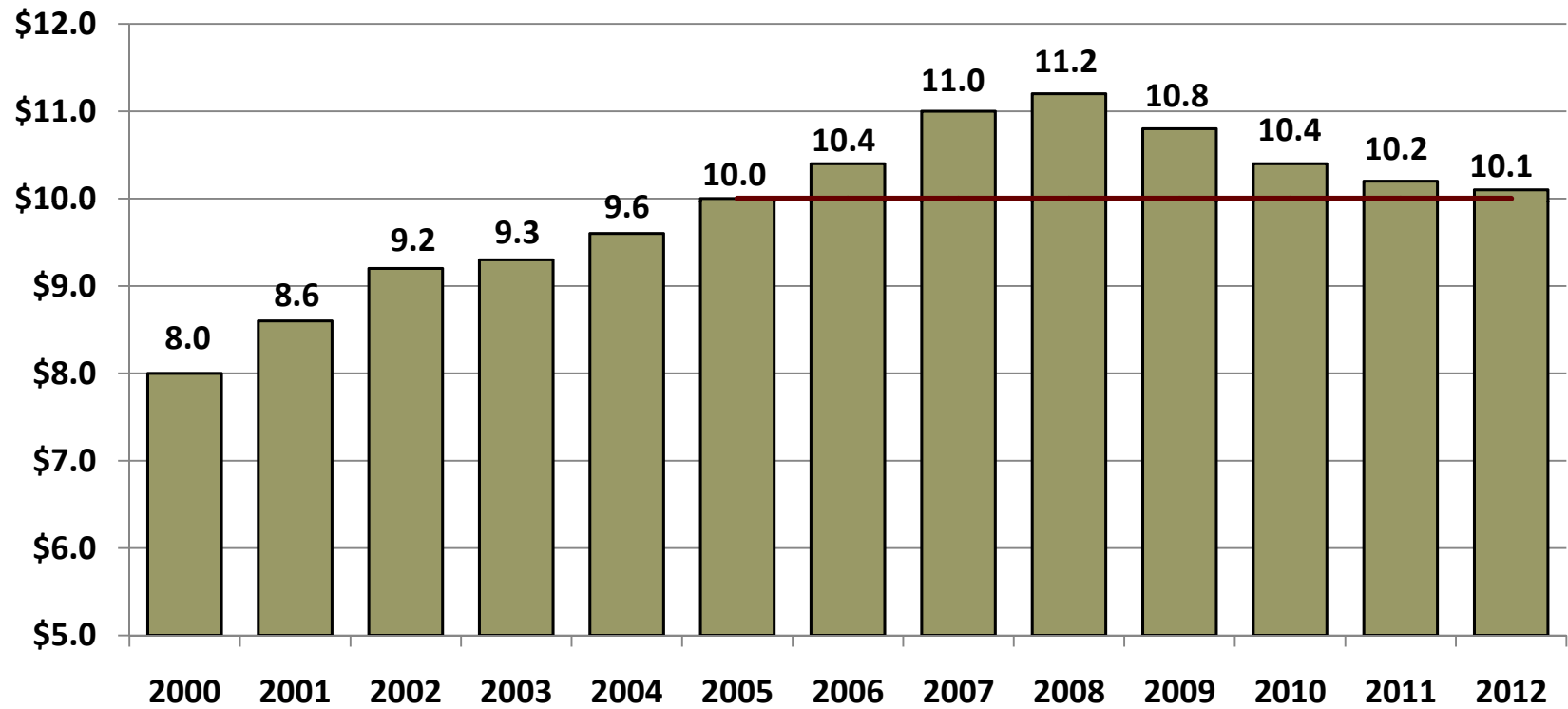
(With Impact of Freeport and Homestead Exemption)



Loss of \$105.5 million of value in 2012 (1.03%).

# Certified Property Tax Base

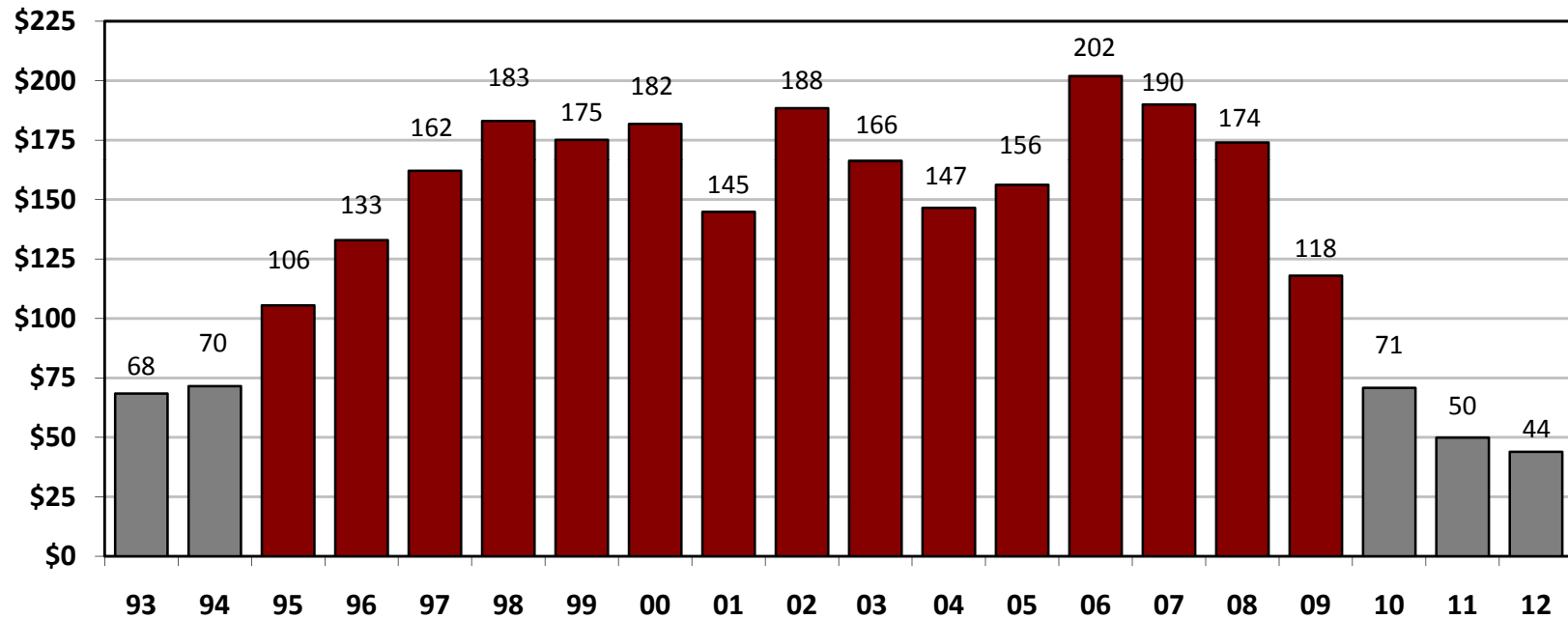
In Billions – Certified Values



Total value lost since 2008 – \$1.13 billion or 10.1 % since peak in 2008. Return to 2005 levels.

# Certified Property Tax Base Growth

New Construction Values – In Millions



New Construction boom from 1995 to 2009.

Certified values reflect the lowest levels of new construction on record.

2013 is expected to improve based on recent trends in Building Permits – \$85 million YTD.

A total of 47.4% of growth in the tax base came from new construction from 2004-2008.

## 2012 Certified Property Tax Base – Change by Category

(In Millions)

	<b>Residential</b>	<b>Commercial</b>	<b>BPP</b>	<b>Total Base</b>
<b>Total Tax Base Valuation</b>	\$5,840	\$2,820	\$1,424	\$10,084
<b>Change from Prior Year</b>	(\$158.6)	\$53.4	(\$0.3)	(\$105.5)
<b>Percentage Change</b>	<b>(2.6%)</b>	<b>1.9%</b>	<b>0.0%</b>	<b>(1.0%)</b>
<b>New Construction Included</b>	\$31.3	\$12.1	\$0.5	\$43.9
<b>Excluding New Construction</b>	<b>(3.2%)</b>	<b>1.5%</b>	<b>(0.1%)</b>	<b>(1.5%)</b>

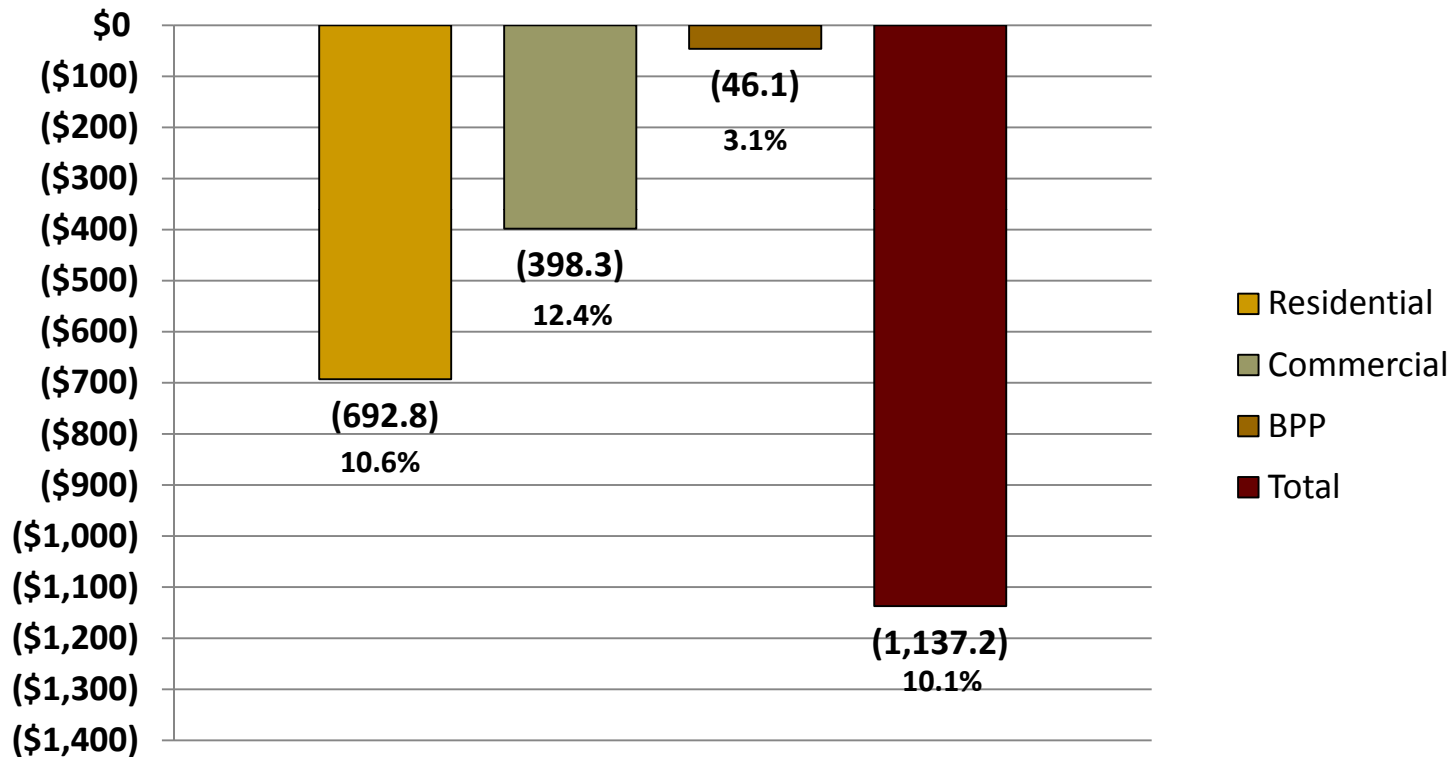
**Notes:**

Commercial – Commercial real estate only.

BPP – Business Personal Property such as inventory and equipment – excludes real estate.

# Cumulative Change in Tax Base by Category

Decline Since 2008 Certified (In Millions)



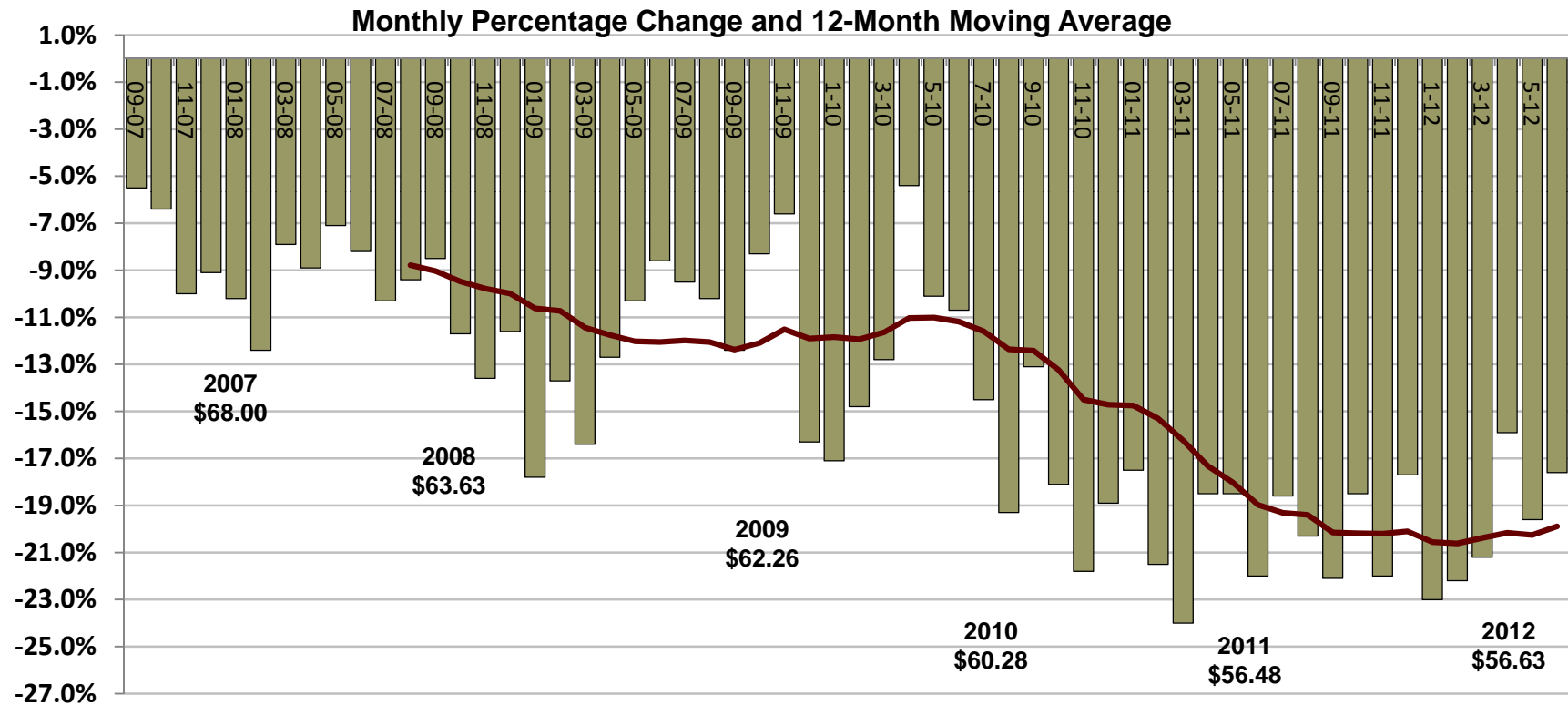
**Includes Impact of \$456.6 Million in New Construction**

**Notes:**

Excluding new construction, tax base has lost \$1.593 Billion (14.2%).

# Residential Property Values – Garland Market Data

Change from Pre-Recession Levels (Price per Square Foot)



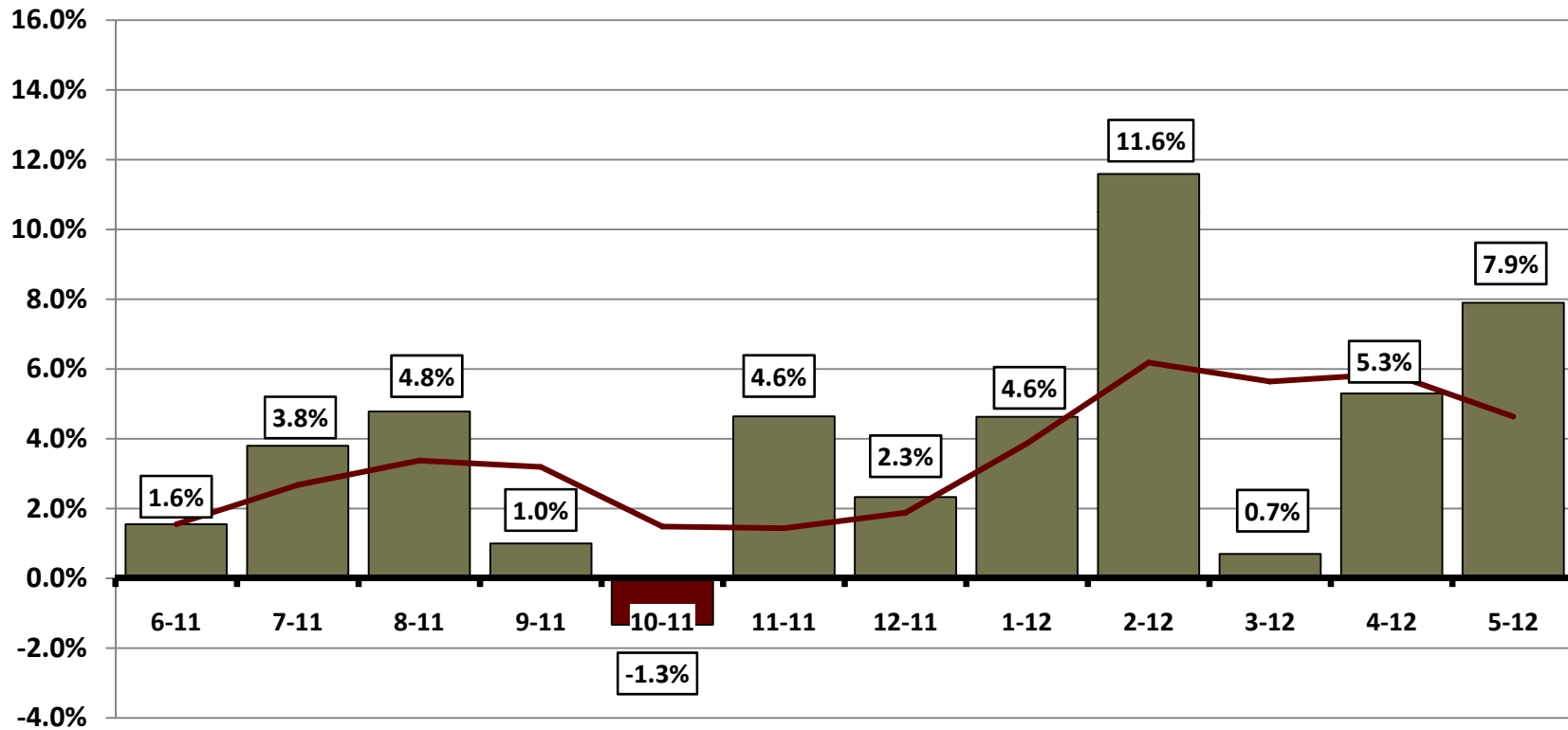
**Notes:**

- (1) Weighted to reflect Garland’s total housing stock.
- (2) Based on 12-Month Moving Average – Housing Prices have declined approximately 19.9% from 2007 pre-recession levels – DCAD appraisals have recognized only 12.8% so far.



## Sales Tax Revenue Trend –

Percentage Change from Prior Year – Excluding Prior Period Adjustments



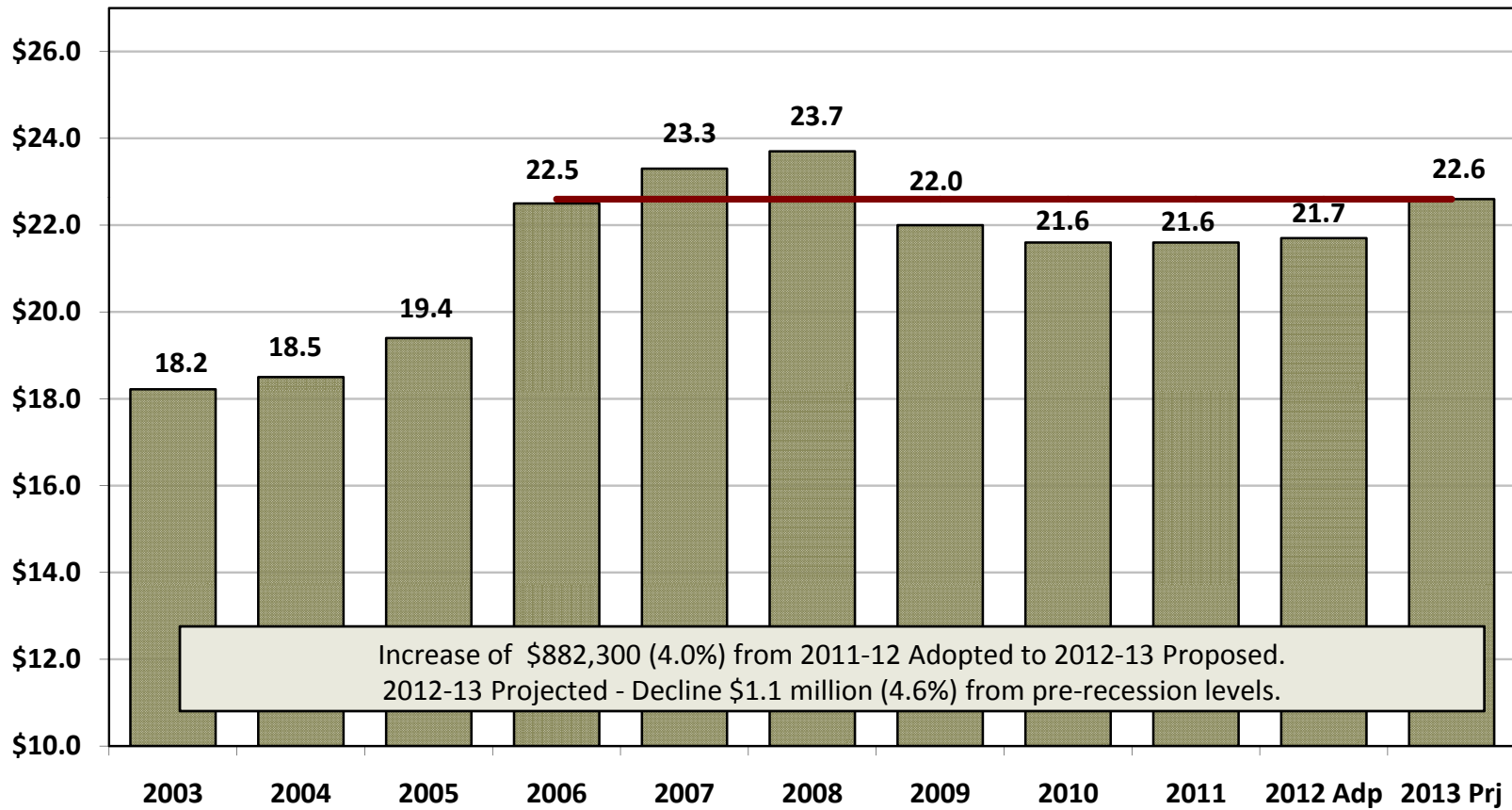
**Notes:**

Does not include prior period collections or audit adjustments.

Reflects month of transaction – not when funds were received by City.

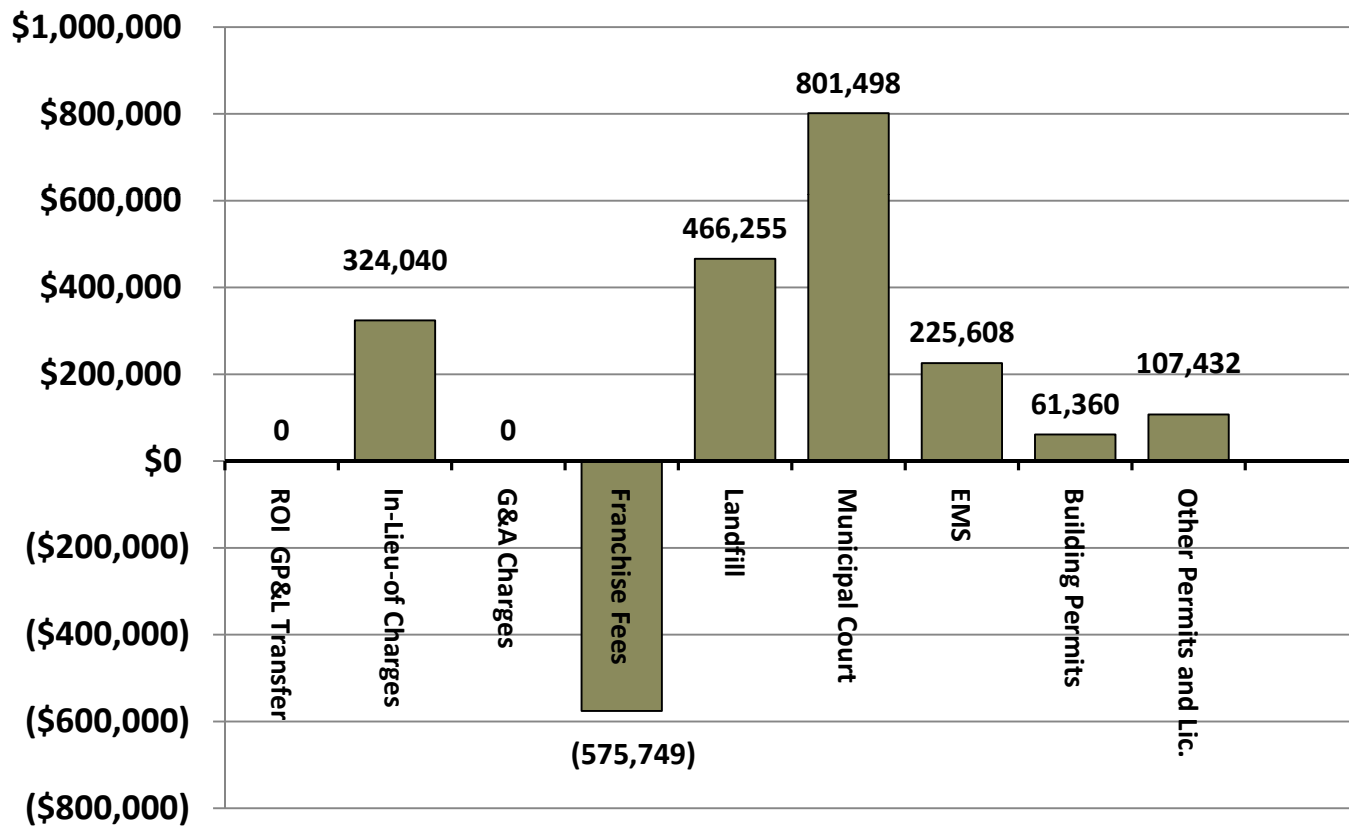
# Garland Annual Sales Tax Revenue

Before Incentives (In Millions)



# Other General Fund Revenues

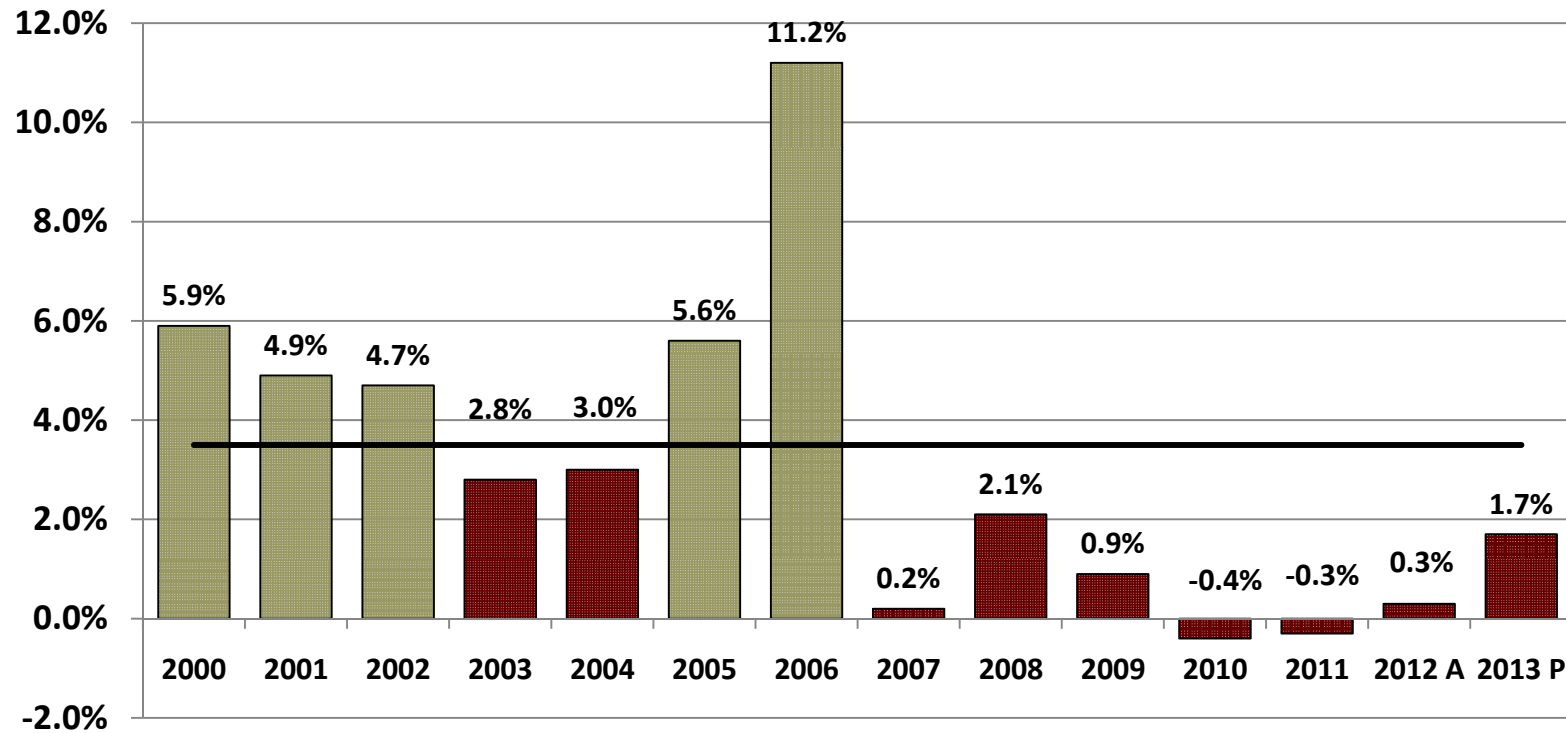
Projected Growth in FY 2012-13 Based on Recent Trends



Based on change from 2011-12 Adopted to 2012-13 Proposed Revenues.

# General Fund Revenue – Annual Percentage Growth

Revenue Requirement – 3.5% Benchmark



**Notes:**

Seventh consecutive year of sub-par General Fund revenue growth.

2012-13 Projected growth in current revenues – \$2.2 million.

Based on year-end actuals adjusted for conversion to GP&L ROI methodology.



## Recap of Local Economic Outlook

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- After going through two downturns, residential property values appear to have stabilized – hopefully finding “the bottom.”
- Certified new construction values are down, but there are encouraging signs for next year’s tax base valuations.
- Sales tax revenues are volatile but, overall, sustaining an upward trend.
- Many other General Fund revenues are showing positive growth.
- The worst of the economic downturn may be behind us – but substantial revenue growth depends on a recovery in home values.

**2012-13 Proposed Budget**

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## **City Manager's Priorities and Philosophies**

2012-13 Proposed Budget

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- Maintain Property Tax Rate at 70.46 cents per \$100 of valuation.
- Maintain current service levels.
- Provide employee compensation increases to the extent funding will allow.

# General Fund

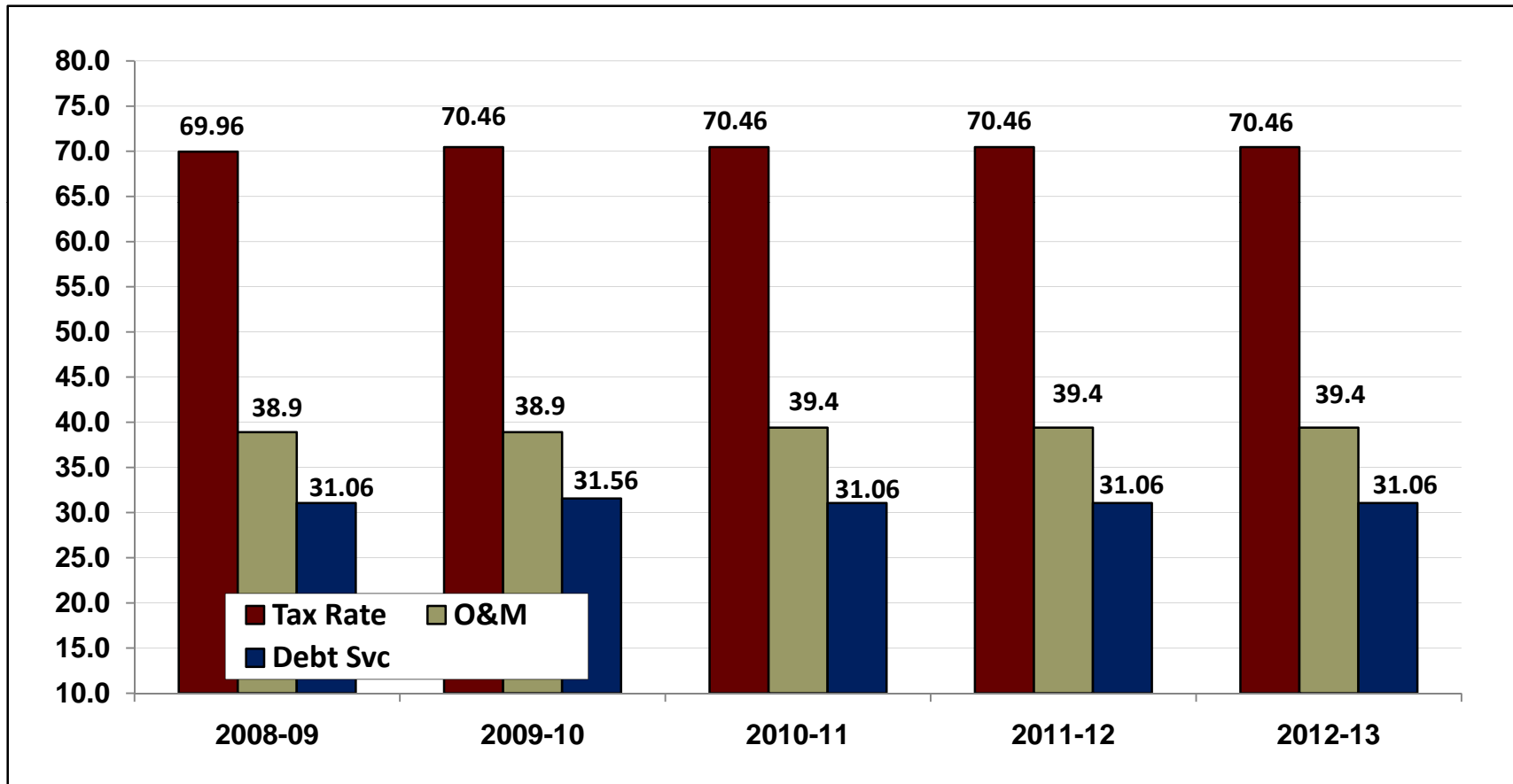
2012-13 Proposed Budget (Rounded to Nearest Hundred)

<b>Funding Resources</b>	
Revenues	\$133,984,200
Excess Available Fund Balance	2,456,400
<b>Total Funding Resources</b>	<b>\$136,440,600</b>
<b>Funding Uses</b>	
Salaries and Benefits	\$ 98,441,400
Operating Expenditures, Capital, and Transfers	37,920,500
<b>Total Funding Uses</b>	<b>\$136,361,900</b>
<b>Excess Reserves above Requirement</b>	<b>\$ 78,700</b>
<b>Fund Balance Reserve – 30-Day Requirement Met</b>	<b>\$ 10,554,900</b>



# Property Tax Rates

Cents Per \$100 of Valuation



Fourth Consecutive Year at 70.46 Cents Per \$100 Valuation

# General Fund Proposed Budget

## Significant Changes from 2011-12 Adopted Budget

### Resources – Changes:

Property Tax (net of increase in collections)	\$ (61,000)
Sales Tax (net of incentives)	752,000
GP&L ROI Transfer (7.89% to 8.5%)	0
Franchise Fees	(576,000)
Landfill	466,000
EMS Transport Fees	226,000
Water, Wastewater, and Solid Waste – In-Lieu Charges	324,000
Municipal Court	823,000
Other Revenues	289,000
Net Change in Ongoing Revenues	<u>\$2,243,000</u>
Change in Available One-Time Fund Balance	\$1,742,000
<b>Total Projected Change in Resources</b>	<b><u>\$3,985,000</u></b>

# General Fund Proposed Budget

## Significant Changes from 2011-12 Adopted Budget

<b>Expenditures – Changes:</b>	
One-Time Lump Sum Salary Payment	\$1,923,000
Civil Service Structure Adjustment	481,000
General Schedule Market Adjustment	161,000
Other Public Safety Compensation Adjustments	331,000
One Rental Inspector Added	57,000
Benefits –Health Insurance	890,000
Benefits – TMRS Decrease in Contribution Rate	(1,153,000)
Operating and Capital	(55,000)
IT Replacement Charges	150,000
IT Project Charges	444,000
Support Services, Transfers, and All Other	677,000
<b>Total Proposed Change in Expenditures</b>	<b>\$3,906,000</b>
<b>Percentage Change</b>	<b>2.9%</b>



# Proposed Budget Impacts for City Employees

FY 2012-13

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## Proposed Salary Increases

Classification	Ongoing	One-Time
Public Safety – Civil Service Structure	1%	2%
Public Safety – Civil Service Step	Included	
Skill-Based – Utilities Structure	1%	2%
General Schedule – Market	Included	
General Schedule		3%

Base salary increases have been forgone for the past 3 years. A one-time lump sum payment of 3% was provided in April 2012.



## **Proposed Budget Impacts to City Employees (Continued)**

FY 2012-13

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### **Employee Health Insurance – Assuming Family Coverage**

- (a) No Change in Month Premiums – C2W Program Participation.
- (b) Premium Increase of \$20.00 Per Month – Without C2W.

Employee health insurance premiums have not been increased since 2008-09 when salary increases were foregone. Through FY 2012-13, the City will have absorbed \$2.7 million that otherwise would have been paid by employees.

# Texas Municipal Retirement System (TMRS)

## Changes in Contribution Rates for Employee Pensions

<b>Rate Requirements:</b>	
TMRS City Contribution Rate – January 1, 2011	17.42%
TMRS City Contribution Rate – January 1, 2012	12.07%
TMRS City Contribution Rate – Effective January 1, 2013	11.70%
Total Rate Reduction	5.72%
<b>Impact to General Fund:</b>	
Reduction in City Contributions – FY 2011-12	\$ 2,939,000
Additional Reduction in City Contributions – FY 2012-13	\$ 1,153,000

**Reductions in TMRS rates prevented significant impacts to City services and employees.**

# Proposed Utility Rates

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Residential Waste Collection  
Stormwater  
Water  
Wastewater  
Electric

## 2012-13 Proposed Utility Rates

(Based on Typical Residential User – Monthly Average)

<u>Utility Services</u>	<u>2011-12 Monthly Charge</u>	<u>Proposed Change</u>	<u>2012-13 Monthly Charge</u>
Electric	\$ 140.04	None	\$ 140.04
Water	35.81	3.30	39.11
Sewer	39.79	None	39.79
Trash and Recycling	16.58	1.00	17.58
Stormwater Fee	<u>2.88</u>	<u>None</u>	<u>2.88</u>
<b>Totals</b>	<u>\$ 235.10</u>	<u>4.30</u>	<u>\$239.40</u>

Electric Utility – rates remain unchanged due to \$31.2 million transfer from the Rate Mitigation Fund.





## **2012-13 Proposed Consolidated Budget**

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General Fund, GO Debt Service Fund, Utility Funds,  
Other Enterprise Funds, and Grant Funds

**\$572.5 Million**

Increase of \$58.8 Million (11.4%)

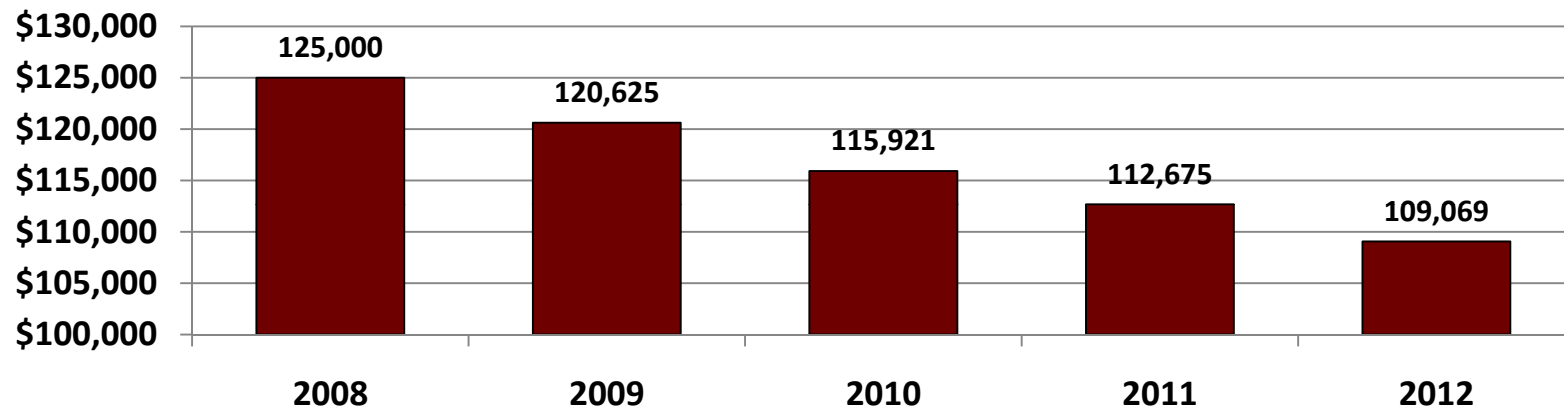
Increase is Primarily Related to Electric Fuel, TMPA Costs,  
and Utility Transfers to CIP

**General Fund - \$136.4 Million**

Increase of \$3.9 million (2.9%)

# Impact of Declining Property Values for Taxpayers

(Based on Home Valued at \$125,000 in 2008)



	2008-09	2009-10	2010-11	2011-12	2012-13	Cumulative
<b>Value Change</b>	<b>Base Year</b>	(3.5%)	(3.9%)	(2.8%)	(3.2%)	(12.8%)
<b>Tax Rate – Cents</b>	<b>69.96</b>	70.46	70.46	70.46	70.46	0.5
<b>Property Taxes</b>	<b>\$ 804.54</b>	\$781.93	\$ 751.44	\$730.40	\$707.02	(\$97.52)
<b>Annual Change in Property Taxes</b>	<b>Base Year</b>	(\$ 22.61)	(\$30.49)	(\$21.04)	(\$23.38)	

Property Taxes include impact of 8% Homestead Exemption.

Percent Decline in Property Taxes Paid – Cumulative 12.2%.


Equivalent to a 9.7-cent Decrease in Property Tax Rate from 2008 – 2.3 cents for 2012-13.



# Proposed 2012-13 Budget

## Summary and Review

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- (1) Maintains Current Tax Rate at 70.46 cents.
  - (2) Maintains Current Service Levels.
  - (3) Provide Employee Compensation Increases to the Extent Funding will Allow.
  - (4) Increases Monthly Water Bills by an Average of \$3.30.
  - (5) Increases Monthly Residential Solid Waste Collection by \$1.00.
  - (6) Includes Transfer of \$31.2 Million from Rate Mitigation Fund to Electric Utility Fund.
  - (7) A \$23 Reduction in Annual City Property Taxes for Average Residential Property – Bringing the Total Reduction to \$97.34 (12.2%) Since 2008.

## Budget Review Calendar

<b>Date</b>	<b>Day</b>	<b>Start Time</b>	<b>Activity</b>
<b>Aug. 6</b>	Monday	Normal Work Session	Budget Highlights (including Compensation and Benefits)
<b>Aug. 7</b>	Tuesday	Regular Session	Formal Presentation
<b>Aug. 20</b>	Monday	Normal Work Session	Budget Presentations
<b>Aug. 21</b>	<b>Tuesday</b>	<b>Regular Session</b>	<b>Public Hearing</b>
<b>Aug. 23</b>	Thursday	Special Budget Work Session 6:00 P.M.	Budget Work Session Budget Presentations
<b>Aug. 30</b>	Thursday	Special Budget Work Session 6:00 P.M.	Budget Work Session Budget Presentations
<b>Aug. 30</b>	<b>Thursday</b>	<b>Special Session</b> <b>7:00 P.M.</b>	<b>Public Hearing</b>
<b>Sept. 4</b>	<b>Tuesday</b>	<b>Regular Session</b>	<b>Adoption of Budget</b>
<b>Sept. 18</b>	Tuesday	Regular Session	<b>DEADLINE FOR ADOPTION</b>