



City of University Park

Fiscal Year 2017-2018 Budget

October 1, 2017 – September 30, 2018

September 19, 2017

This budget will raise more revenue from property taxes than last year's budget by an amount of \$404,407, which is a 2.19 percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$339,847.

The members of the governing body voted on the budget as follows:

FOR: Armstrong, Biddle, Lane, Moore, Prichard
AGAINST:
PRESENT AND NOT
VOTING:
ABSENT:

Property Tax Rate Comparison	2017-2018	2016-2017
Property Tax Rate:	\$0.248761/100	\$0.248761/100
Effective Tax Rate:	\$0.243419/100	\$0.240447/100
Effective Maintenance & Operations Tax Rate:	\$0.243419/100	\$0.240447/100
Rollback Tax Rate:	\$0.262892/100	\$0.259682/100
Debt Rate:	\$0.000000/100	\$0.000000/100

Total debt obligation for the City of University Park secured by property taxes: **\$ 0**

This cover page and accompanying information is required by T.L.G.C. Chapter 102, Section 102.007(d).



August 11, 2017

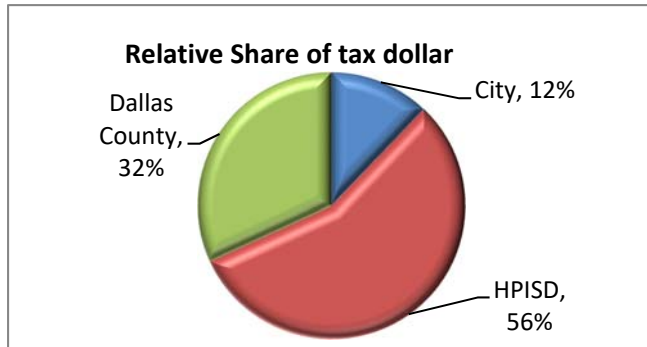
Dear Honorable Mayor and Members of the City Council,

I am pleased to present the proposed budget for Fiscal Year 2018 (FY18), which is the period October 1, 2017 – September 30, 2018. The FY18 budget totals \$50,893,909 across all budgeted funds, which represents a 1.2% increase from the prior year. Primarily, the budget is a financial document that outlines operational services and programs, but it is also a policy statement that identifies how resources are invested to meet community priorities and objectives.

The City remains financially stable with strong cash reserves and a commitment towards maintaining strong balances. However, economic conditions in the local housing market suggest that the years of robust growth in housing values are leveling off. The flattening of the housing market in University Park is evidenced by the relatively small growth (2.19%) in the appraised taxable value as set by the Dallas County Appraisal District (DCAD). The FY18 budget recommends a tax rate of 24.8761 cents per \$100 of taxable value, which is the same tax rate as the previous fiscal year. Based on this proposed rate, the average single-family homeowner with a homestead exemption will pay \$119 more annually in City property taxes – less than \$10 more per month.

Each year, the budgetary challenge is to provide a sustainable funding plan within a fiscally conservative framework. Since University Park is primarily a residential

community, the City relies heavily on property taxes to fund essential services. Despite this heavy reliance, City property taxes account for only 12 cents of every tax dollar collected, which is below the statewide average for municipalities. The proposed FY18 budget maintains this prudent approach, while providing necessary investment within the community.



While compiling the proposed budget, three investment themes emerged. The theme of the proposed FY18 budget is investment in the City's future which is encompassed in three categories: People, Infrastructure, and Service.

People

The City of University Park is primarily a service organization that depends on its workforce to provide services related to public safety, waste disposal, water, sewer, roads, and parks. Salaries and benefits of the City's workforce represent the single largest expenditure item within the budget, representing nearly 51% of all expenditures across all budgeted funds. To recruit and retain the most professional and dedicated public servants, the City must offer a competitive salary and benefit package commensurate to other area cities in the Dallas-Fort Worth area. While greater details are provided later in this report, specific investments identified within the FY18 budget concerning the City's workforce include:

- Market-based adjustment of 3% for all City personnel;
- Additional funding for the Firefighter Relief & Retirement Fund; and
- The addition of two full-time positions related to public safety, one within the Information Technology Department and the second within the Police Department Communications Division (Dispatch).

Infrastructure

The City maintains a variety of infrastructure and assets, some of which date back to the City's incorporation in 1924. Since retiring its debt in 2002, the City has been able to fund a Capital Improvement Program (CIP) based on a pay-as-you-go system. Without the added costs associated with debt, the City is better equipped to plan for major capital improvements to the City's water and sewer system, parks, and roads. Capital projects are funded by annual transfers from the General Fund and Utility Fund into the City's Capital Projects Fund. The FY18 budget proposes transfers totaling \$6.2 million into the Capital Projects fund, which represents a 5% increase from the prior year. Based on available resources from this type of capital investment, the following capital projects are anticipated in the upcoming fiscal year:

- Continued replacement of the City's aging water, sanitary sewer, and storm sewer system;
- Improvements to the Holmes Aquatic Center, including a new concessions area, restrooms, and a party rental room; and
- Replacement of the public safety radio system.

Service

Essential public services, ongoing care for existing City facilities, and the day-to-day operations of the various City departments provide a wide array of services that contribute to the high quality of life for residents in University Park. Maintaining this quality of life requires investment in materials, supplies, technology and equipment to ensure efficient and effective operations. The proposed FY18 budget provides the investment needed to ensure residents receive services that offer a unique, value-added experience. Examples of these services funded through this type of investment are represented in the table below.

Services	Frequency
Answered Telephone Calls in 9-1-1 Dispatch Center	30,500
Police Department Calls for Service	23,200
Emergency Medical Calls for Service	1,022
Parks Special Events	15
Annual Pool Passes to the Holmes Aquatic Center	2,300
Construction Permits Issued	2,000
Repair of Broken Water Mains	80

Budgetary & Strategic Planning Process

The City Council, City Manager's Office, and Department Directors develop a series of strategic initiatives during an annual retreat. The retreat provides an opportunity for the Governing Body and Staff to discuss issues facing the community and what actions are necessary to address those issues. The strategic initiatives are designed to give staff a work plan based on community priorities and objectives.

While the strategic planning process identifies the City Council's initiatives, the annual budgeting process identifies the funding needed to accomplish the objectives outlined in the initiatives. The table below summarizes the initiatives as adopted by the City Council and the funding sources for each initiative.

Initiative	Description	FY 18 Funding Source
Community Engagement	Merge all elements of community engagement into one, and continue efforts to inform and engage the public. Use social media when appropriate so that the public can make informed decisions.	Executive Department Operational Budget
Facilities and Capital Improvements	Continue to pursue Miracle Mile solutions. Assign parking development and reinforce UP boundaries to a Master Plan study. Continue to pursue solutions to address Peek Service Center at 4419 Worcola.	Various Departmental Operational Budgets & Capital Improvement Program
Governance	Work with Council liaisons and Committee chairs to develop an annual agenda for Council approval. Further define governance and how the committees should be used.	Executive Department Operational Budget
Redevelopment and Neighborhood Character	Pursue an update to the 1989 Master Plan. Continue to re-evaluate the City's code enforcement philosophy.	Community Development Operational Budget
Library Friends	Work with the Council liaison to clarify roles and objectives.	Executive Department Operational Budget
UP Public Arts Committee/Committee Development	Pursue a Public Art policy and campaign for Council consideration.	Parks Department Operational Budget

Sister Cities	Provide additional information for City Council consideration.	Executive Department Operational Budget
Signage, Park Connectivity, City Entrance Signs	Include these items in a Master Plan study, should City Council elect to pursue such a study.	Community Development Operational Budget

The annual budgeting process begins each year in April with the submission of operational budget requests from Department Directors. All line items within the operational budgets are reviewed and refined throughout the ensuing months by staff within the Finance and Executive Departments. Following the internal review, a final proposed budget is presented to the following citizen committees for review and recommendation to the City Council:

- Finance Advisory Committee;
- Employee Benefits Committee;
- Property, Casualty, & Liability Committee; and
- Library Governance Committee.

The final review process culminates in September with workshops and public hearings with the City Council.

Conclusion

I would like to commend the Departments Directors and various staff members who prepared the operational budgets for their continued efforts to maintain limited growth in discretionary expenditures. The City remains committed to providing exceptional municipal services with prudence and care.

The proposed budget is now ready for review by the Employee Benefits, Finance, Library Governance, and Insurance Advisory Committees. Staff proposes the following schedule to satisfy the public hearing and notice requirements for the FY2018 budget's adoption.

Date	Day	Description
August 11	Friday	Submit proposed budget to the City Council and City Secretary and set public hearing dates for budget review.
August 15	Tuesday	Hold first public hearing on maximum tax rate.
September 5	Tuesday	Hold second public hearing on maximum tax rate and hold first public hearing on proposed budget.
September 19	Tuesday	Continue public hearing on proposed budget.
September 19	Tuesday	Adopt budget and related ordinance to take effect October 1.

The remaining information contained within the budget overview provides greater detail and explanation of the proposed expenditures and revenues within the FY18 Budget. The following items are included within that information:

- Major Expenditure Analysis
- Fund Analysis
- Future Considerations

Staff looks forward to meeting with the City Council and advisory committees to discuss the budget in more detail. We will be happy to provide any additional information that will be helpful during your consideration.

Respectfully Submitted,

Robbie Corder
City Manager

Major Expenditure Analysis

Proposed expenditures across all budgeted funds for the next fiscal year total \$50,893,909, which is a 1.2% increase from the previous year. The table below compares the total expenditures for the City's four budgeted funds – General, Utility, Sanitation, and Storm Water. Three other funds – Capital Projects, Equipment Services, and Self-Insurance are not included in the formal budget, because their revenues are generated from the four budgeted funds.

Fund	FY2016 Actual Expenditures	FY2017 Adopted Budget	FY2018 Proposed Budget	\$ Change	% Change
General	\$ 29,627,707	\$ 30,703,346	\$ 31,416,105	\$ 712,759	2.3%
Utility	14,211,431	\$ 16,016,181	\$ 15,874,252	\$ (141,929)	-0.9%
Sanitation	3,105,027	\$ 3,097,397	\$ 3,153,552	\$ 56,155	1.8%
Storm Water	68,884	\$ 450,000	\$ 450,000	\$ -	0.0%
Total	\$ 47,013,049	\$ 50,266,924	\$ 50,893,909	\$ 626,985	1.2%

Over eighty percent (80%) of expenditures in the proposed budget are attributable to the expenditure categories shown in the table below. Collectively, these expenditures account for over seventy percent (70%) of the increase in the FY2018 budget. The financial impact of these six categories is demonstrated in the following table with additional information detailed below.

Major expenditure categories comparison

Category	FY2016 BUDGET	FY2017 BUDGET	FY2018 BUDGET	Change \$	Change %
Personnel costs	\$ 24,867,993	\$ 24,956,834	\$ 25,579,235	\$ 622,401	2.5%
Treatment charges	\$ 7,462,464	\$ 8,028,445	\$ 8,116,852	\$ 88,407	1.1%
Capital project funding	\$ 5,662,419	\$ 5,888,916	\$ 6,183,362	\$ 294,446	5.0%
Heat, light, water	\$ 579,300	\$ 563,100	\$ 410,597	\$ (152,503)	-27.1%
Equip. Replacement	\$ 695,731	\$ 878,725	\$ 920,465	\$ 41,740	4.8%
Fuel costs	\$ 422,400	\$ 362,996	\$ 370,860	\$ 7,864	2.2%
Subtotal	\$ 39,690,307	\$ 40,679,016	\$ 41,581,371	\$ 902,355	2.3%
Total adopted budget*	\$ 48,658,980	\$ 50,266,924	\$ 50,893,909	\$ 626,985	1.2%
Percent of budget	81.6%	80.9%	81.7%		

* - General, Utility, Sanitation and Storm Water Funds (Budgeted Funds).

Over the past year, the Consumer Price Index (CPI) for the Dallas-Fort Worth region has increased 2.1% and the Municipal Price Index (MCI), which more closely tracks services and goods a municipality purchases, increased 3.1%. The MCI is a statistic developed by *American City & County* magazine designed to show the specific effects of inflation on the costs of providing municipal services. It differs from the CPI by including elements common to cities such as health care, fuel, and construction materials. The City's overall expenditure increase across all budgeted funds of 1.2% is less than both inflationary indexes.

Personnel Costs

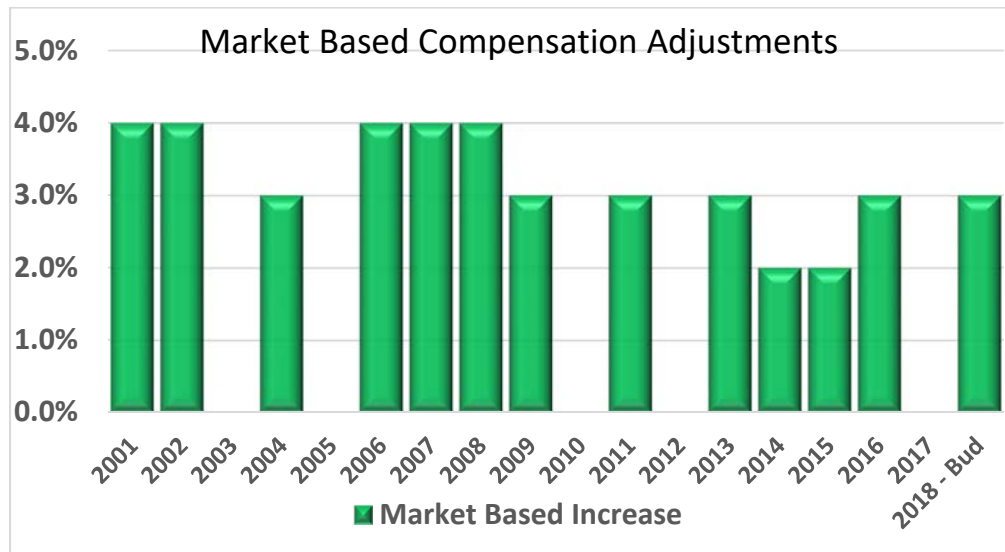
Salaries and benefits represent the single largest expenditure category, accounting for nearly fifty-one percent (51%) of the total budget. Additional details related to personnel costs are detailed below.

New Full-time Positions: The FY18 budget includes funding for two additional positions related to public safety. Additional details and costs are provided in the following table.

Position Title	Annual Cost	Background
Public Safety Technical Support Administrator	\$108,731	In recent years, the City has added significant technical capabilities to both Police and Fire operations, most recently with the \$377,000 capital investment in Next Generation 911. Since 2004, the City has also added software applications and hardware components throughout the entire organization, all while maintaining the same staffing levels within the Information Services Department. The Public Safety Technical Support Administrator will report to the Information Services Director, but will be dedicated to supporting the primary software applications of Police (OSSI) and Fire (Firehouse). In addition, the new position will be responsible for supporting the 911 Dispatch Center, parking enforcement, public safety radios, Municipal Court applications, and the new license plate reading technology.
911/311 Dispatcher	\$78,528	The City's 911 Dispatchers answer more than 30,000 emergency phone calls each year. Efforts are made to schedule two 911 Dispatchers on duty whenever, possible. However, current staffing levels do not allow for the scheduling of two Dispatchers during each shift. Small events, such as the shooting off of fireworks in the early morning hours, overwhelm the Dispatch Center if only one Dispatcher is on duty. This can result in 911 calls going unanswered. Chief Spradlin has requested funding for two additional Dispatchers, which will allow for the scheduling of two Dispatchers during each shift. The FY18 budget proposes the addition of one Dispatch position with a second position scheduled for funding in FY19.

Salaries: Since the City has enjoyed a historical low turnover rate with long-tenured employees, over seventy percent (70%) of employees are not eligible for a merit-based increase within the City's pay plan. The City's compensation package is essential in recruiting and retaining quality employees and needs to remain competitive. The proposed budget for FY2018 includes the following adjustments to employee salaries:

- *Market Increase:* Two methods for ensuring competitive balance within the market for the salaries of City employees are used. The City has contracted with a consultant to perform a compensation study that identifies salary levels for all pay classifications except police and fire. This study incorporates comparable data from both the public and private sector. Salaries for Police and Fire personnel are benchmarked separately against a select group of comparable cities within the DFW Metroplex. Based on both methods, the budget proposes a three percent (3%) market increase for all City personnel. Excluding adjustments for merit increases and position turnover (new employees as well as those receiving promotions generally start at a lower pay rate than their predecessor), the resulting gross salary expenditure increase due to the market adjustment is \$523,222. The following table illustrates the City's historical commitment to market-based adjustments as a compensation tool to attract the most qualified and professional public servants.



Benefits: The City also offers a comprehensive benefit package to its employees, including insurance, retirement, and longevity pay. The proposed budget for FY2018 includes the following adjustments to employee benefits:

- *Employee Health Insurance:* Employers continue to experience increases to healthcare costs, and the City of University Park is no exception. Uncertainty also remains regarding the future of the Affordable Care Act, and the financial implications associated with items

such as the Cadillac Tax, which is an excise tax on employers offering health plans above certain premium thresholds. Although medical claims remain mostly stable on a year-to-year basis, there is an upward trend to medical claims. The proposed budget recommends the City increase its health plan contribution by 4.5%. For a second consecutive year, no changes are recommended to the employee premiums for the upcoming year; however, increases to employee premiums and plan design are anticipated in FY2019. The Human Resources Department will undertake a thorough analysis of the City's health insurance plans and make recommendations for future changes designed to lower costs where available

- *Firefighter Pension:* University Park Fire Department personnel are the only City employees who do not participate in the Texas Municipal Retirement System (TMRS). The Firefighter Relief and Retirement Fund (FRRF) is a separate system governed by a local board made up of three firefighters, two local residents, and two City staff members. The fund is structured as a defined benefit plan and is currently underfunded on an actuarial basis.

In FY2015, the City initiated a temporary shift in the required contribution of participating members by decreasing fire personnel contributions from fifteen percent (15%) of gross pay to thirteen percent (13%). The shift was initiated to alleviate take-home pay issues associated with high pension contributions, and to explore long-term solutions to the funding shortfall within FRRF. The City sought to engage members of the plan and state legislators to develop a plan that would allow the City to develop a more sustainable retirement system for Fire personnel.

During the 85th State Legislative Session, the City and Firefighters proposed legislation (HB 3056) that would allow the City to direct all new hires within the Fire Department to TMRS. With Governor Abbott's signature of HB 3056, the City was able to create a legal path to direct new hires into TMRS, while maintaining and securing the financial benefits of existing firefighters within FRRF. To implement these changes and to recognize negotiations between the City and Firefighters, the FY18 budget provides annual funding in the amount of \$662,577 to permanently cap firefighter contributions participating in FRRF to ten percent (10%) of gross pay.

- *Texas Municipal Retirement System:* With the exception of Fire personnel, all City employees participate in TMRS, which is a modified defined contribution plan. In direct contrast to the FRRF, the City has funded almost 100% of the long-term actuarial liability within its TMRS account. Each year, the City receives a recommended contribution level from TMRS, and the proposed FY2018 budget reflects that recommendation with a contribution rate increase from 7.23% to 7.51%.

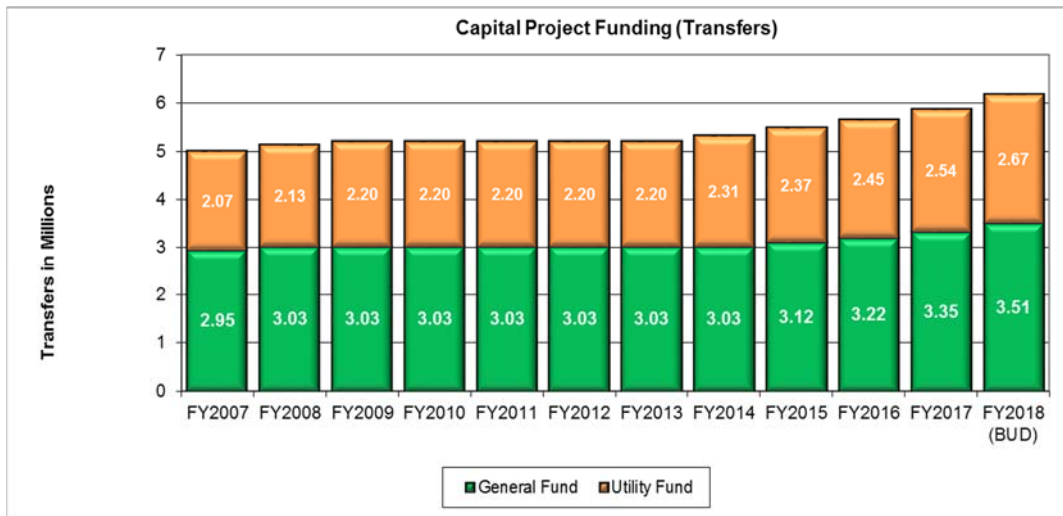
Water & Wastewater Treatment Charges

The City of University Park and Town of Highland Park are provided water through the Dallas County Park Cities Municipal Utility District (DCPCMUD) and wastewater services through the City of Dallas Water Utilities (DWU). The amount budgeted for outside treatment can vary dramatically from the amount actually expended, depending largely on weather and watering patterns. Hotter, drier years tend to result in higher water volumes. Higher volumes in turn may drive an increase in the subsequent year wastewater treatment costs, due to winter averaging.

For FY2018, the combined costs of water and wastewater treatment are expected to remain fairly even with last year, increasing only \$88,407, or 1.1%. The rate charged to the City by the DCPCMUD for the treatment of potable water is remaining the same as the previous fiscal year (\$2.4699 per 1,000 gallons), while usage is projected to decrease slightly, resulting in an anticipated cost decrease of \$324,273. The rate charged by DWU for wastewater treatment however, is increasing by \$0.2804 (11.4%) to \$2.7451 per 1,000 gallons treated. Combined with a 3.17% increase in average winter usage, the new rate will result in a wastewater cost increase of \$412,680.

Capital Expenditures

The proposed budget continues the tradition of funding capital projects for public works, technology, public safety and parks through a pay-as-you-go system. The City established a separate Capital Projects Fund that receives annual transfers from the General Fund and Utility Fund. The proposed budget recommends increasing transfers into the capital projects fund by five percent (5%) or \$294,446 for a total transfer of \$6,183,362.



The Capital Projects Review Committee is responsible for reviewing proposed projects and recommending an annual capital budget and five-year Capital Improvement Program (CIP) to the City Council. Each year, staff and the Capital Projects Review Committee review the status of ongoing projects, and prioritize future projects on a funding schedule. The City Council approves the capital budget through separate action to this budget, and changes to the capital budget

must be reviewed by the Capital Projects Committee before authorization by the City Council.

Equipment Replacement, Fuel & Electricity

The City has established a sinking fund for all new and replacement vehicles. Each department incurs yearly expenditures based on the depreciation schedule of the vehicles in its fleet. Once a vehicle is scheduled for replacement, the years of depreciation contributions made by the department are available within the fund to purchase a new vehicle. Contributions to the Equipment Services Fund will increase by \$37,051 this fiscal year, to a total budgeted amount of \$930,659.

Vehicles and equipment anticipated to be replaced in FY2018 are as follows:

Unit #	Dept	Description	Year	Make	Model	Service Life	Estimated Cost
6824	22	Pickup 3/4 Ton Ext Cab	2007	Chevy	C-2500	10	\$ 37,000
6549	34	Forklift	2003	Tailift	FG25P	15	33,000
6894	50	Chevrolet Impala	2007	Chev	Impala	10	37,000
1568	50	SUV -- Police patrol	2012	Chev	Tahoe	5	50,000
1570	50	SUV -- Police patrol	2012	Chev	Tahoe	5	50,000
1580	50	SUV -- Police patrol	2012	Chev	Tahoe	5	50,000
6942	60	Transfer Trailer	2008	Stego	SEC4090	10	65,000
6837	70	Aera-Vator	2006	First Products		10	30,000
6388	70	Truck, Brush, Open Top	2002	Intrnat'l.	4700	15	130,000
6564	70	Pickup	2003	Chevrolet	C2500	10	40,500
							\$ 522,500

The City’s fuel costs are expected to increase slightly this year. Last year, the City budgeted fuel costs at a rate of \$2.39 per gallon of gasoline and \$2.85 for diesel in accordance with U.S. Energy Information Administration (EIA) estimates. Using the new EIA estimates of \$2.43 and \$2.81 for gasoline and diesel respectively, budgeted fuel expenditures are expected to increase \$8,198 (2.2%) this fiscal year to a total budgeted cost of \$373,976.

The proposed budget provides for a significant decrease in the overall costs of utility services (electric, gas, & water) provided to City facilities, largely attributable to lower electricity costs. The City purchases electricity through participation in the Texas Coalition for Affordable Power (TCAP), which is a pool of cities that aggregate power needs to negotiate better electric prices for its members. Due to the execution of a new TCAP contract, the City anticipates a 26% reduction in the budgeted cost of power, decreasing the budgeted category cost from the previous year \$600,500 to \$438,596.

University Park Public Library

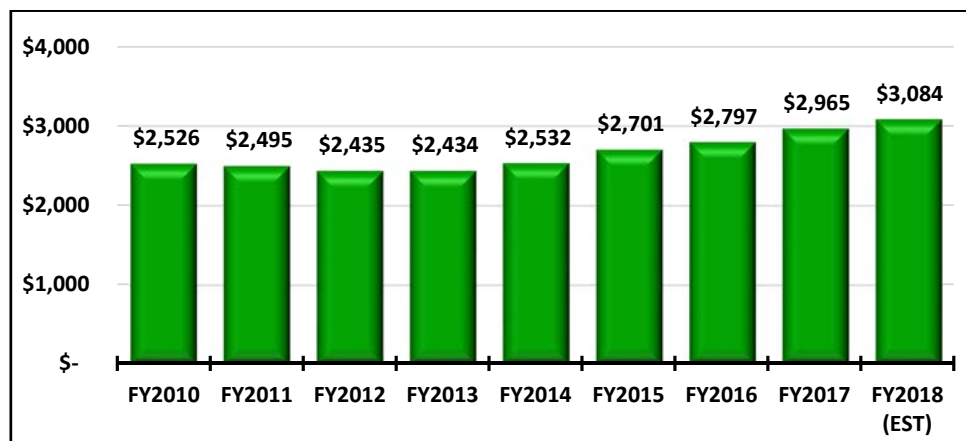
The City and the Friends of the Library will continue its pre-existing funding partnership whereby the Friends of the Library will fund \$300,000 annually towards the operation of the library. The proposed FY2018 budget for the University Public Library is \$801,197, which represents a 2.5% increase from the prior year.

Fund Analysis

General Fund

To finance all of the traditional local government services such as police, fire, parks, and public works, the City maintains a working balance within the General Fund financed by property taxes, sales taxes, franchise fees, building permit fees, and other smaller sources. Fund balance within the General Fund follows a predictable cash flow with receipts from property taxes coming in at the beginning of each calendar year. The City's financial policies call for a minimum fund balance of one month's operating expenses, which is approximately \$2.6 million. The beginning fund balance for FY17 was over \$6 million, well in excess of the required minimum fund balance. As the primary revenue source for the General Fund, the FY18 budget shows revenues from property tax totaling \$18,853,253.

Property Tax: The FY18 budget recommends maintaining the same tax rate of 24.8761 cents (per hundred dollars of value) as the previous year. With 2.2% growth in city-wide taxable value, the corresponding increase in property tax revenue is also 2.2%, or \$404,407. The average single-family property with a 20% homestead exemption will pay \$3,084 in property taxes to the City next fiscal year, an annual increase of \$119. The following table provides a historical perspective of property taxes related to the average single-family property.

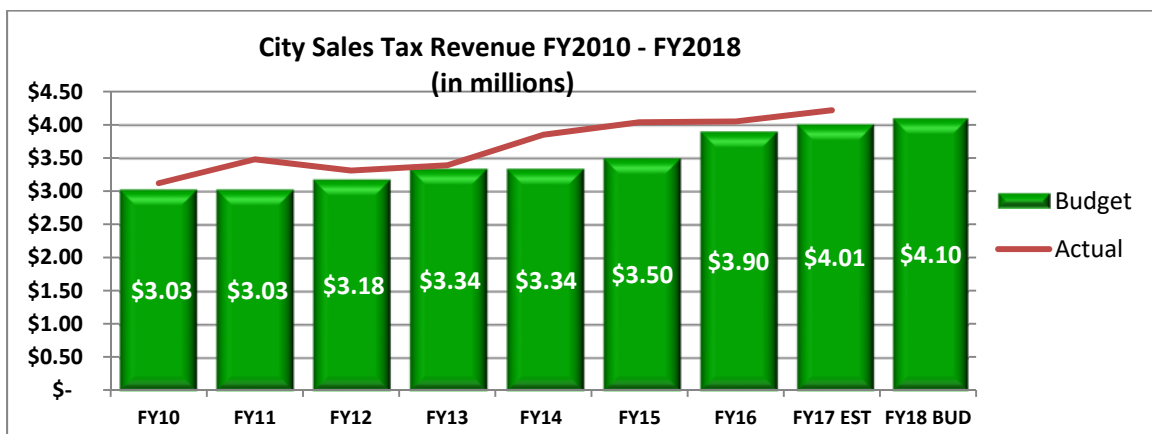


Truth in Taxation: The Texas Tax Code requires the calculation of an effective tax rate (ETR), which represents a calculated tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years. The City's tax collector, the Dallas County Tax Office (DCTO), performs the ETR calculation. The ETR is significant, because it determines the notice and hearing requirements a City must meet to comply with the Texas Truth in Taxation laws.

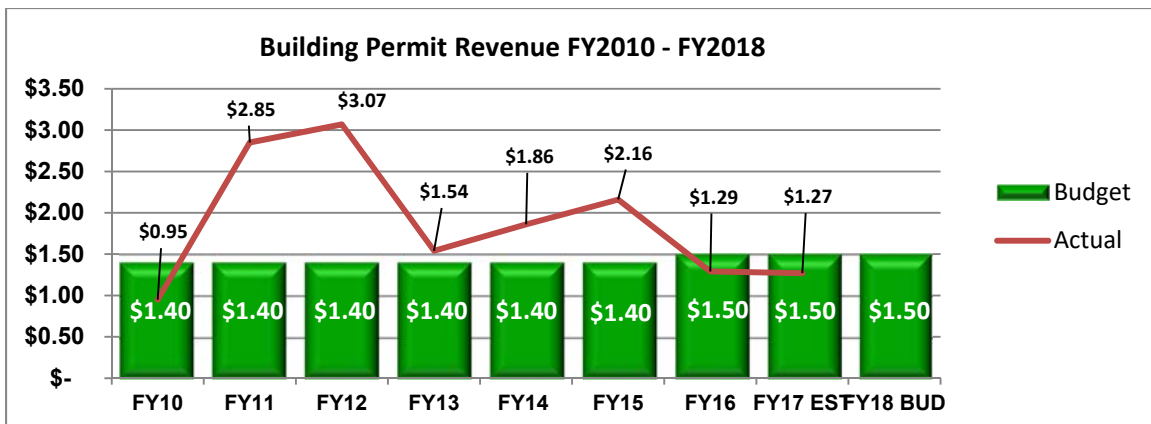
For FY2018, the proposed tax rate of \$0.248761 is higher than the ETR of \$0.243419; therefore, the City is required to hold two public hearings before adopting the FY2018 tax rate.

Revenues that support the General Fund that are derived from sources other than property taxes (and related amounts) account for 40% or \$12,426,000 of the General Fund’s revenues. These revenues are derived from a variety of sources, and a brief overview of these revenues is provided in the charts and graphs below.

Sales Tax: Revenue collected from City sales taxes has steadily risen for the last several years. Projected sales tax revenues for FY2017 are expected to meet budgeted projections within the FY17 budget. The City uses a sales tax analysis and reporting service to track and monitor sales tax within the community. The service provides a forecast for sales tax collection, with ratings ranging from “Optimistic” to “Pessimistic.” Given steady sales tax collections this year, the FY18 budget recommends the projected revenues from sales tax to increase from \$4,010,000 to \$4,100,000. This is a modest increase in projected revenue, slightly above the “pessimistic” sales tax growth projections for next year.



Building Permits: A number of factors can cause the revenue from building permits to fluctuate from year-to-year. Generally, the City receives most of its permit revenue from residential construction. When the local economy supports a strong construction market, the City will typically issue over 100 new single-family home permits in a year. Since 2014, the City has seen a year-to-year decrease in the number of new single-family construction starts, with just under 90 permits issued last year. However, a number of large, non-residential construction projects such as those planned on a number of school campuses and the Park Plaza development on Hillcrest Avenue will generate substantial permit revenues. As the table below indicates, the City selects a middle-of-the-road revenue projection for building permits to account for the fluctuation in construction activity. The FY18 budget continues this practice and recommends a revenue projection of \$1.5 million.

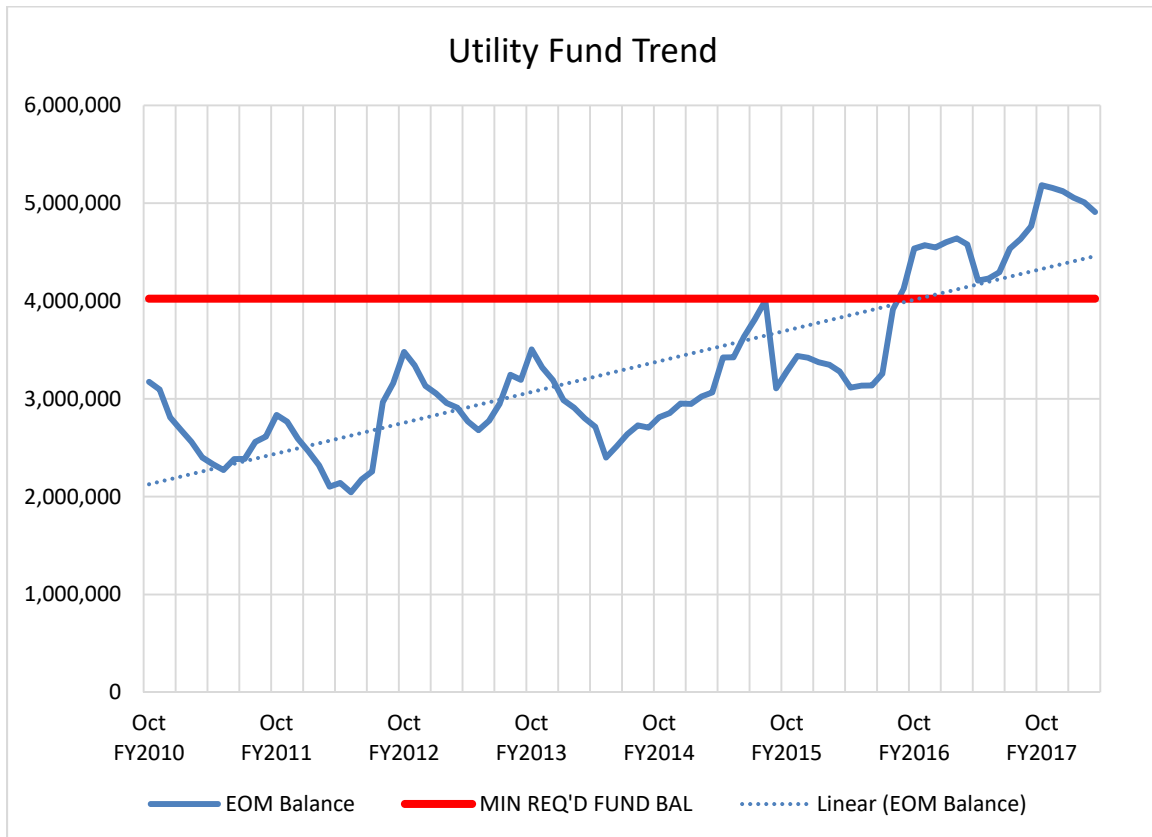


Franchise Fees: Cities collect fees for the use of municipal right-of-way from utility companies such as Atmos, AT&T, and Charter. These fees are established through a franchise agreement either at the local or state level. Revenues remain mostly consistent; however, as the market presents alternatives to traditional services for television and data consumption, revenues from the traditional providers may vary. The FY18 budget includes a revenue projection of \$2,185,000 for all franchise fees, a \$5,000 increase from the previous year.

Utility Fund

The additional revenues received from water and sewer rate adjustments in 2014 continue to provide positive growth for the fund balance within the Utility Fund. Rate adjustments were necessary to fund improvements at the water treatment plant operated by the Park Cities Municipal Utility District. However, operational costs continue to rise, specifically the (previously mentioned) treatment costs of sanitary sewer from Dallas Water Utilities. When combined with lower expected water sales, the Utility Fund balance shows a deficit of \$58,452. Since utility revenues and expenditures are so heavily volume dependent and may change dramatically from one year to the next, only minor adjustments to the base sewer rate are proposed. The base sewer rate has remained steady since 2014, when it was decreased from \$20.14 per month to \$10. The proposed 10% increase from \$10/month to \$11/month will generate an additional \$89,400 in revenue. As staff monitors revenues and expenditures throughout the year, the City Council may consider an additional rate increase mid-year.

The following chart provides a historical view of working capital in the Utility Fund.



Sanitation Fund

The City created the Sanitation Fund in 1994 to remove expenditures for the collection of solid waste from the General Fund. The FY18 budget continues to include a \$100,000 placeholder to allow for the accumulation of reserves toward future landfill needs. The City's financial policies require a minimum fund balance equal to three months operating expenses, which is approximately \$800,000. The beginning fund balance for FY17 was approximately \$1.5 million. However, the Sanitation Fund has struggled to maintain a positive cash flow in the recent and distant past. Despite a 10% increase in residential fees between FY16 and FY17, the fund continues to operate with an annual loss of fund balance. The FY18 budget includes projected increases to commercial collection fees and improved recycling revenue, but an operational deficit of \$18,802 is projected. While the structural deficit in the Sanitation Fund has been reduced, the greatest long-term concern for the Sanitation Fund is anticipated increases to landfill fees. The City currently has an operating agreement with the City of Garland landfill that is set to expire within the next ten years. Tipping fees under a new contract will increase dramatically, and rates will need to be evaluated accordingly.

Storm Water Fund

The Storm Water fund derives its revenue from a line item on monthly utility bills based upon the zoning district of the property owner. The fees that are directed to this fund are dedicated to pay for projects directly related to the City's storm water

system. The City has initiated a watershed study for a large portion of University Park to determine what improvements could be made to the system to alleviate flash flooding associated with surface water runoff. Substantial improvements to the storm sewer system have not been undertaken in several years. All potential improvements to the storm sewer system will be reviewed and funded through the Capital Projects Fund; however, future storm water fees could be increased to allow for transfers to the Capital Projects Fund from the Storm Water Fund.

Future Considerations

The proposed FY 2018 budget provides the funding needed to continue the outstanding services that enhance the public health, safety, and welfare of University Park residents. However, several of the items discussed in this memo will span beyond the limitations of a fiscal year, and future consideration must be given beyond the FY2018 budget. The following items represent a quick overview of those issues:

- *Firefighters Relief and Retirement Fund (FRRF):* The City was fortunate to develop a legislative solution by working with University Park Firefighters during the 85th Legislative Session to address a long-standing funding issue associated with the Firefighters Relief and Retirement Fund. The proposed solution as negotiated between all parties guarantees plan benefits as currently offered under FRRF, provided the Firefighters remaining in the plan not implement any future plan changes, including new benefits, unless required by law. In addition, the City will cap the contributions of the Firefighters who remain in FRRF at ten percent (10%) of gross pay. Based on future actuarial analysis and the long-term effects of a plan termination, the City must consider a sustainable solution for funding FRRF in the future. Due to actuarial practices and assumptions, the City will see an increase to the required actuarial contribution. Various funding options will be considered and presented to the Finance Advisory Committee and City Council.
- *Salaries and Benefits:* During the past couple years, the City's compensation studies have shown an imbalance between recommended adjustments to exempt, non-exempt, and public safety positions. The FY18 budget recommends a mid-year analysis of the pay plan structure to determine what (if any) changes are warranted to address the imbalance. While changes are anticipated to our national healthcare laws, the City will also need to consider how best to efficiently and effectively fund healthcare for City employees and their families. The City periodically increases premiums charged to employees and/or makes adjustments to the plan designs offered within the Exclusive Provider Organization (EPO) and the high deductible Health Savings Account (HSA). However, the City has not substantially changed its healthcare benefits programs in some time. Based on expected yet unknown changes to the regulatory environment, anticipated increases to healthcare costs, and overall increases to medical claims, staff recommends a comprehensive analysis by the Employee Benefits Committee of the City's health care benefits and funding. The study would target a three to five year outlook on issues surrounding healthcare, and recommend any needed changes to the City's healthcare coverage for employees.
- *Capital Improvement Funding:* The 1989 Master Plan identified an innovative funding approach for the replacement of the City's aging water and sewer system. The Master Plan initiated a program to replace a mile per year of water and sewer mains, and since 1989, the City has

successfully replaced approximately thirty-five percent (35%) of the water and sewer mains throughout the community. For reference, the City maintains approximately 64 miles of sanitary sewer mains and 89 miles of water mains. Funding for this program has been programmed within the Capital Projects Fund. However, increased construction costs have outpaced funding in recent years. The FY18 budget proposes a five percent (5%) increase in contributions to the Capital Fund from both the General Fund and Utility Fund. Additional increases in contributions will be needed to bring the replacement schedule back to a full mile per year. Additional pressure will be added to the Capital Projects Fund as the City seeks to implement a replacement schedule for the City's storm sewer system. During heavy rainfalls, the City experiences localized flooding from surface water runoff. The improvements to McFarlin Bridge helped address one of the primary storm water bottlenecks in the community. With a major downstream bottleneck removed, the City can now address capacity issues in the undersized storm sewer system. Primary improvements to the 25-mile storm sewer network would include adding new storm sewer lines and replacing existing lines with larger diameter pipes. Infrastructure improvements to the City's utilities are a primary concern; however, other city assets including the Holmes Aquatic Center, Peek Service Center, and road network also need capital investment.

- *Communications*: Successful communication of events and issues facing the community remains a City Council and staff priority. While the *Arbor*, the City's monthly newsletter, remains the primary source of information for most residents, the City has also initiated several new methods for increased communication. Most recently, the City partnered with a technology firm to create a Community Connect feature through Alexa-powered devices, like Echo, Echo Dot and Echo Show. The Community Connect allows residents to stay informed on City news, and it provides additional access to general information, hours of operation, and other pertinent City information. The City will continue to use social media and other communication platforms to ensure timely access to information. The next logical step for enhanced communications, is to expand two-way communication between residents and City government. This is not a new issue facing the community as it was an identified goal of the 1989 Master Plan. As the City looks to begin the process of updating and replacing the 1989 Master Plan, seeking resident input and meaningful engagement will be a key element in determining the ultimate success of the Master Plan.

City of University Park

Proposed Budget by Fund and Department

AS OF AUGUST 18, 2017

Fund/Org Unit/Department	FY2016 Actual Results	FY2017 Adopted Budget	FY2018 Proposed Budget	\$ Change	% Change
GENERAL FUND					
Total Revenue	\$ 30,219,389	\$ 30,703,346	\$ 31,419,253	\$ 715,907	2.3%
Expenditures					
01-02 EXECUTIVE	\$ 1,002,422	\$ 1,211,787	\$ 1,249,307	\$ 37,520	3.1%
01-03 FINANCE	1,010,221	1,069,681	1,131,146	61,465	5.7%
01-04 HUMAN RESOURCES	353,124	383,248	394,710	11,462	3.0%
01-05 INFORMATION SERVICES	952,927	1,107,715	1,247,116	139,401	12.6%
01-06 LIBRARY	787,319	781,283	801,197	19,914	2.5%
01-10 COURT	393,077	412,965	420,150	7,185	1.7%
01-19 COMMUNITY DEVELOPMENT	1,095,759	1,073,078	1,179,059	105,981	9.9%
01-20 ENGINEERING	748,210	738,352	722,157	(16,195)	-2.2%
01-25 TRAFFIC	941,743	1,040,060	1,012,900	(27,160)	-2.6%
01-35 FACILITY MAINTENANCE	636,353	677,514	656,792	(20,722)	-3.1%
01-40 FIRE	5,658,401	6,019,751	5,874,332	(145,419)	-2.4%
01-50 POLICE	7,005,513	7,605,654	7,918,906	313,252	4.1%
01-70 PARKS	2,872,782	2,991,248	3,055,759	64,511	2.2%
01-75 SWIMMING POOL	367,477	404,560	440,795	36,235	9.0%
01-80 STREETS	1,742,353	1,841,928	1,798,982	(42,946)	-2.3%
01-85 TRANSFERS	4,060,027	3,344,522	3,512,797	168,275	5.0%
Total Expenditures	\$ 29,627,708	\$ 30,703,346	\$ 31,416,105	\$ 712,759	2.3%
GENERAL FUND SURPLUS/(DEFICIT)	\$ 591,681	\$ -	\$ 3,148	\$ 3,148	
WATER AND SEWER FUND					
Total Revenue	\$ 14,620,660	\$ 16,024,650	\$ 15,815,800	\$ (208,850)	-1.3%
Expenditures					
02-21 UTILITY OFFICE	\$ 7,868,807	\$ 9,258,373	\$ 9,324,829	\$ 66,456	0.7%
01-22 UTILITIES	3,736,015	4,264,413	3,928,858	(335,555)	-7.9%
02-85 TRANSFERS	2,445,576	2,493,395	2,620,565	127,170	5.1%
Total Expenditures	\$ 14,050,398	\$ 16,016,181	\$ 15,874,252	\$ (141,929)	-0.9%
WATER AND SEWER FUND SURPLUS/(DEFICIT)	\$ 570,262	\$ 8,469	\$ (58,452)	\$ (66,921)	
SANITATION FUND					
Total Revenue	\$ 2,865,000	\$ 3,046,850	\$ 3,134,750	\$ 87,900	2.9%
Expenditures					
04-60 EXPENDITURES	\$ 2,974,353	\$ 3,097,397	\$ 3,153,552	\$ 56,155	1.8%
Total Expenditures	\$ 2,974,353	\$ 3,097,397	\$ 3,153,552	\$ 56,155	1.8%
SANITATION FUND SURPLUS/(DEFICIT)	\$ (109,353)	\$ (50,547)	\$ (18,802)	\$ 31,745	
STORM WATER FUND					
Total Revenue	\$ 434,684	\$ 453,052	\$ 475,000	\$ 21,948	4.8%
Expenditures					
05-23 STORM WATER	\$ 68,884	\$ 400,000	\$ 400,000	\$ -	0.0%
05-85 TRANSFERS	\$ -	\$ 50,000	\$ 50,000	\$ -	N/A
Total Expenditures	\$ 68,884	\$ 450,000	\$ 450,000	\$ -	0.0%
STORM WATER FUND SURPLUS/(DEFICIT)	\$ 365,800	\$ 3,052	\$ 25,000	\$ 21,948	
TOTAL REVENUES	\$ 48,139,733	\$ 50,227,898	\$ 50,844,803	\$ 616,905	1.2%
TOTAL EXPENDITURES	\$ 46,721,343	\$ 50,266,924	\$ 50,893,909	\$ 626,985	1.2%
TOTAL SURPLUS/(DEFICIT)	\$ 1,418,390	\$ (39,026)	\$ (49,106)	\$ (10,080)	

City of University Park

Property Tax Impact

AS OF AUGUST 18, 2017

	FY2016 Adopted Budget	FY2017 Proposed Budget	FY2018 Proposed Budget	\$ Change	% Change
TOTAL CERTIFIED TAXABLE VALUE	\$ 6,831,257,440	\$ 7,416,287,915	\$ 7,578,861,993	\$ 162,574,078	2.2%
TOTAL GENERAL FUND REVENUES:	\$ 29,924,786	\$ 30,703,346	\$ 31,419,253	\$ 715,907	2.3%
NON-PROPERTY TAX REVENUE					
Sales tax	\$ 4,060,000	\$ 4,230,000	\$ 4,320,000	\$ 90,000	2.1%
Franchise fees	2,205,000	2,180,000	2,185,000	5,000	0.2%
Building permits/licenses	1,609,000	1,609,500	1,609,500	-	0.0%
Fines and Fees	2,264,700	2,341,500	2,405,500	64,000	2.7%
Park and Pool revenue	336,000	323,000	305,500	(17,500)	-5.4%
Auction proceeds	10,000	10,000	10,000	-	0.0%
Utility Fund contribution	666,000	700,000	700,000	-	0.0%
Interest earnings	150,000	225,000	300,000	75,000	33.3%
Miscellaneous and other	821,000	535,500	590,500	55,000	10.3%
Total Non-Property Tax Revenue	\$ 12,121,700	\$ 12,154,500	\$ 12,426,000	\$ 271,500	2.2%
PROPERTY TAX REVENUE					
Operations & Maintenance (O&M)	\$ 17,688,086	\$ 18,448,846	\$ 18,853,253	\$ 404,407	2.2%
Penalty/interest & attorney's fees	95,000	80,000	100,000	20,000	25.0%
Delinquent (prior years) taxes	20,000	20,000	40,000	20,000	100.0%
Total Prop Tax Revenue Request	\$ 17,803,086	\$ 18,548,846	\$ 18,993,253	\$ 444,407	2.4%
DEBT SERVICE REQUIREMENT	\$ -	\$ -	\$ -	\$ -	0.0%
PROPERTY TAX RATE					
Operations & Maintenance (O&M)	\$ 0.25893	\$ 0.248761	\$ 0.248761	\$ (0.000000)	0.0%
Debt Service	-	-	-	-	0.0%
Total Property Tax Rate per \$100	\$ 0.258929	\$ 0.248761	\$ 0.248761	\$ (0.000000)	0.0%
IMPACT ON "TYPICAL" HOMEOWNER					
Average single-family home market value*	\$ 1,350,219	\$ 1,489,862	\$ 1,549,797	\$ 59,935	4.0%
Less: 20% homestead exemption	(270,044)	(297,972)	(309,959)	(11,987)	4.0%
Average single-family home taxable value	\$ 1,080,175	\$ 1,191,890	\$ 1,239,837	\$ 47,948	4.0%
Tax levy	\$ 2,797	\$ 2,965	\$ 3,084	\$ 119	4.0%
Change in levy from prior year	\$362	\$168	\$119		

* Note: The change in the market value of an average single-family home may be different than the aggregate market value change of all properties within the City.