City of Dallas

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Legislation Details (With Text)

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On agenda:	6/9/2021	**Final action:**	

Title: Authorize the following revisions to the Financial Management Performance Criteria to: (1) decrease the year-to-year change of actual revenue from the levy of the ad valorem tax from 8 percent to 3.5 percent; (2) increase the minimum unassigned fund balance of the General Fund from 40 days to a range of not less than 50 days and not more than 70 days; (3) change the Contingency Reserve language to maintain a level based on General Fund expenditures and not based on replacing any amount used in the preceding year; (4) increase the unassigned fund balance for the Emergency Reserve from $25 million to 5 percent of General Fund expenditures but not less than $50 million; (5) change the comparison of the disabled and over 65 property tax exemption to the consumer price index for the elderly and year-over-year change in the average residential market value (whichever is greater) annually; (6) change the language of the effective-tax rate scenario budget to no-new-revenue tax rate scenario budget; (7) expand the criteria for the operating impact of capital improvements; (8) eliminate the capitalized interest requirement; (9) establish a competitive pay criteria; (10) establish a full-cost recovery consideration for grants; and (11) make certain conforming, semantic, grammatical and structural changes - Financing: No cost consideration to the City

Sponsors:

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Attachments: 1. Resolution

Date	Ver.	Action By	Action	Result

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: June 9, 2021

COUNCIL DISTRICT(S): N/A

DEPARTMENT: Office of Budget and Management Services

EXECUTIVE: Elizabeth Reich

SUBJECT

Authorize the following revisions to the Financial Management Performance Criteria to: **(1)** decrease the year-to-year change of actual revenue from the levy of the ad valorem tax from 8 percent to 3.5 percent; **(2)** increase the minimum unassigned fund balance of the General Fund from 40 days to a range of not less than 50 days and not more than 70 days; **(3)** change the Contingency Reserve language to maintain a level based on General Fund expenditures and not based on replacing any amount used in the preceding year; **(4)** increase the unassigned fund balance for the Emergency Reserve from $25 million to 5 percent of General Fund expenditures but not less than $50 million; **(5)** change the comparison of the disabled and over 65 property tax exemption to the consumer price index for the elderly and year-over-year change in the average residential market value (whichever is greater) annually; **(6)** change the language of the effective-tax rate scenario budget to no-new-revenue tax rate scenario budget; **(7)** expand the criteria for the operating impact of capital improvements; **(8)** eliminate the capitalized interest requirement; **(9)** establish a competitive pay criteria; **(10)** establish a full-cost recovery consideration for grants; and **(11)** make certain conforming, semantic, grammatical and structural changes - Financing: No cost consideration to the City

BACKGROUND

On March 15, 1978, City Council originally adopted the Financial Management Performance Criteria (FMPC) to provide standards and guidelines for the City's financial and managerial decision making and to provide for a periodic review of the criteria to maintain standards and guidelines consistent with current economic conditions by Resolution No. 78-2737. City Council adopted specific FMPC for the Water Utilities Department on July 8, 1981. The status of each criterion is updated annually and presented with the annual budget, at year-end, and with each bond sale.

The FMPC contain 54 criteria in seven categories: (1) operating program; (2) pension program; (3) budget and planning; (4) capital and debt management; (5) economic development; (6) accounting, auditing, and financial planning; and (7) grants and trusts. Proposed revisions include changes to language, new criteria, and the elimination of obsolete criteria. The proposed revisions are based on Government Finance Officers Association best practices and feedback from departments.

FMPC #1 currently states, "The year-to-year increase of actual revenue from the levy of the ad valorem tax will generally not exceed 8 percent; excluding taxable value gained through annexation or consolidation; excluding the value gained through new construction; excluding expenditure increases mandated by the voters or another governmental entity; and not excluding the valuation gained through revaluation or equalization programs." We recommend changing the year-to-year increase from 8 percent to 3.5 percent for consistency with the Texas Transparency Act of 2019 (SB2).

FMPC #2 currently states, "The unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained at a level not less than 40 days of the General Fund operating expenditures less debt service." We recommend increasing the unassigned fund balance to a range of not less than 50 days and not more than 70 days and using the excess for one-time or non-recurring costs.

FMPC #3 currently states, that the Contingency Reserve, a component of unassigned fund balance, shall be used to provide for unanticipated needs that arise during the year, funds used during the year shall be replaced in the budget process, and the reserve shall be maintained at a level ranging from 0.5 percent to 1.0 percent of budgeted departmental expenditures. We recommend allocating funds during the budget process based on a level from 0.5 percent to 1.0 percent of General Fund expenditures less debt service and not based on replacing any amount used in the preceding year.

FMPC #4 currently states, "Management shall designate up to 20 percent of the General Fund's projected unassigned fund balance but not less than $25 million to the Emergency Reserve." We recommend changing this minimum requirement from $25 million to 5 percent of General Fund expenditures but not less than $50 million.

FMPC #20 currently states, “Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.” We recommend expanding the language to include City Council authorization for each new or replacement facility/building or to renovate previously decommissioned facilities/buildings.

FMPC #23 currently states, “The City will compare the current disabled and over-65 exemption to the most recent annual CPI every two years and provide the analysis to City Council.” We recommend that the City compare the disabled or over-65 exemption to the most recent annual CPI-E and the year-over-year change in the average residential market value (whichever is greater) annually and provide the analysis of each scenario to City Council for consideration.

FMPC #24 currently states that the City Manager will develop an estimated Effective Tax Rate budget scenario and, if different from the City Manager’s recommended budget, will provide it to the City Council at the same time. We recommend changing the language to the “No-New-Revenue Tax Rate budget scenario” for consistency with the Texas Transparency Act of 2019 (SB2).

FMPC #28 currently states, “Interest expense incurred prior to actual operation will be capitalized only for facilities of enterprise activities.” We recommend deleting this criterion. The accounting entries are no longer required due to implementation of Governmental Accounting Standards Board Statement No. 89.

We recommend adding the following new criteria to FMPC:

Competitive Pay. The City shall attract, develop, motivate, reward, and retain a high-performing and diverse workforce. The City Manager shall provide analyses and recommendations for the City Council to consider in the budget development process each year to adjust employee pay. The recommendation for adjustments to uniformed employee pay will conform with the applicable meet and confer agreement. The recommendation for adjustments to non-uniformed/civilian employee pay will consider: (1) an annual survey of peer governmental entities; (2) an annual review of the Massachusetts Institute of Technology living wage; (3) a total compensation study every three years to assess market competitiveness; (4) parity with uniformed employee pay adjustments; and (5) budget capacity. Effective with the FY 2021-22 budget recommendation.

Full Cost Recovery from Grants. For each federal and state grant received by the City, staff will consider the feasibility and appropriateness of minimizing the use of local funds for indirect and/or administrative costs attributable to the grant and eligible or allowable expenses based on the grant agreement. Indirect and/or administrative costs will be recovered from the grant as defined by the grant agreement or as defined on the Indirect Cost Rate Proposal Plan calculated based upon the costs established in the Cost Allocation Plan (prepared annually). Effective for grants applied for after 10/1/21.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On October 8, 2014, City Council authorized changes to FMPC #9, by Resolution No. 14-1679.

On December 13, 2017, City Council authorized changes to (former) FMPC #6, #7, #9, #11, #15, #22, #27, #33, #41, #42, #44, #48, and #49 and added five new criteria.

The Government Performance and Financial Management Committee was briefed on May 24, 2021.

FISCAL INFORMATION

No cost consideration to the City.