

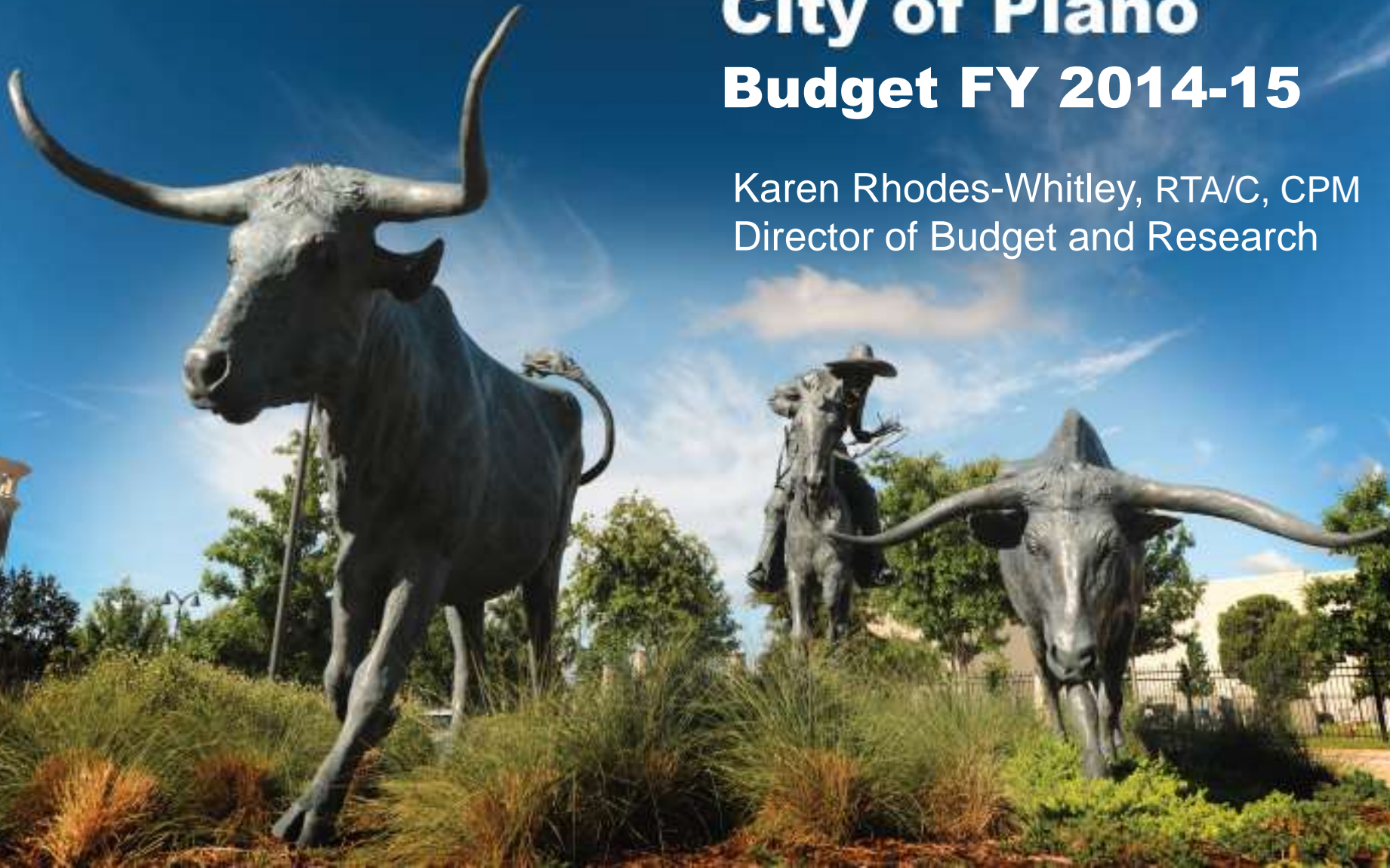
City of Excellence



City of Plano

Budget FY 2014-15

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FUND BASICS:

What are Funds?

What are the Type of Funds?

Why to Budget?



Funds and Fund Balance

- City finances are organized on the basis of Funds – based on function and purpose
- Each Fund is a separate, self-contained set of accounts, assets, liabilities, revenues and expenditures
- Smaller cities can operate with only one fund
- Plano has over 120 funds
- Each fund must operate as a separate entity



FUND TYPES - Government 1 of 3

Governmental Funds: account for operations not normally found in business

General Fund – used to account for all financial resources except those required to be accounted for in another fund. Resources are generated by property and other taxes, franchise fees, fines, licenses and fees for services. Operating expenditures support the service provided by the following functional areas: general government, public safety, public works and community services.

Example: General Fund = "01"



FUND TYPES – Governmental 2 of 3

Governmental Funds continued:

Special Revenue Funds – account for the accumulation and disbursement of restricted resources.

Examples: Grant Fund, PTN Fund, Criminal Invest. Fund, Muni. Court Tech. Fund.

Debt Service Fund – accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Payments of principal and interest are made from this fund for general obligation bonds, certificates of obligation and notes payable when due throughout the year.



FUND TYPES – Governmental 3 of 3

Governmental Funds continued:

Capital Projects Funds – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary type funds).

Examples: Municipal Facilities Fund, Park Improvement Fund, Street Improvement Fund, Capital Reserve Fund

Special Assessment Funds – account for financial resources received from special charges levied on property owners who benefit from a particular capital improvement or service.

Examples: Street Lighting Districts



FUND TYPES – Propriety 1 of 2

Proprietary Fund: account for records of operations similar to those found in business

Enterprise Funds – account for operations that are financed and operated in a manner similar to private business – where the intent of the City is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges.

Examples: Water & Sewer Fund, Sustainability & Environmental Services Fund, Convention & Tourism Fund, Golf Course Fund, Municipal Drainage Fund, Recreation Revolving Fund.



FUND TYPES – Proprietary/Fiduciary

Proprietary Funds continued:

Internal Service Funds – account for the financing of goods or services provided by one department for another.

Examples: Equipment Maintenance Fund, Municipal Warehouse Fund, Technology Services Fund, Property/Liability Loss Fund, Health Claims Fund.

Fiduciary Funds: also referred to as trust or agency funds account for assets held by a governmental unit in a trustee capacity or as an agent. Example: Law Enforcement Trust, RSP Truct



BUDGET BASICS

Why Budget?

What is Balanced?

General Fund Issues/Highlights



Why Budget the Funds?

In summary, the purpose of budgeting is to:

1. Provide a forecast of revenues and expenditures, that is, construct a model of how our business might perform financially if certain strategies, events and plans are carried out.
2. Enable the actual financial operation of the business to be measured against the forecast.
3. Legal requirements
4. Improve public accountability and transparency



What is a Balanced Budget?

- Balanced Budget
 - Beginning Balance + Revenues
 - \geq Expenditures
 - Required by state law
- Structurally Balanced Budget
 - Revenues \geq Expenditures
 - No use of fund balance to pay for expenses



Forms of Revenue (General Fund)

- ▶ Ad Valorem
- ▶ Sales Tax
- ▶ Franchise Fees
- ▶ Fines and Forfeitures
- ▶ Permits



Forms of Revenue (Non-General Fund)

- ▶ Water and Sewer Fund
- ▶ Municipal Drainage Fund
- ▶ Environmental Waste Services Fund
- ▶ Convention and Tourism Fund
- ▶ Golf Course Fund
- ▶ Recreation Fund



Property Tax Basics

- Revenue based upon value of property
- Determined by outside agency
 - Appraisal District determines “market value”
- City does not determine value of property
- Appraisal District does not set the tax rate



Elements of Property Tax Rate

- Operations and Maintenance (O&M)
 - Funds on-going General Fund operations
- Interest and Sinking (I&S)
 - Funds payments on debt for general government (not utility related) improvements
- Tax Rate = O&M rate + I&S rate
- Calculation:
 - $\text{Tax rate} \times \text{taxable value} / \$100 = \text{your City tax levy}$
(\$ paid to City)



Property Tax Definitions

- “Effective” Tax Rate
 - “A calculation, based upon new valuations, that gives the City the exact dollars in revenue as generated in the previous year”
- “Rollback” Rate
 - Taxpayers may petition for rollback tax election if City proposes tax increase over the “rollback rate”
 - “Rollback” rate = sum of:
 - 8% increase over the “effective” O&M rate, + I&S rate
 - Above 8% increase in O&M rate could trigger a rollback election



Truth in Taxation (aka TNT)

State laws that regulate public hearings & published notices for taxing entities

- Requires “Effective Rate” calculation be published
- If proposed tax rate is = or < then Effective Rate
 - No further action is required prior to adoption
- If proposed tax rate > then Effective Rate
 - Notices and Public Hearings are required
 - *Some exceptions for smaller cities or districts*



The **Effective Tax Rate** is basically the tax rate you would pass to collect the same tax revenue as last year (FY 2013-14) using this year's (FY 2014-15) appraised values.



EFFECTIVE TAX RATE

\$122,426,203



**FY 2013-14
Adjusted Total
Property Taxes**



\$26,065,692,085



**FY 2014-15
Adjusted Total
Property Value**



46.96¢



**This Year's
Effective Tax Rate**

48.86¢



**Proposed
Tax Rate**

-

46.96¢



**This Year's
Effective Tax Rate**

=

1.90¢



**Difference in
Tax Rate**

\$28,832,885,675



**Appraised
Property Value**

X

**1.90¢
(per \$100)**



**Difference in
Tax Rate**

=

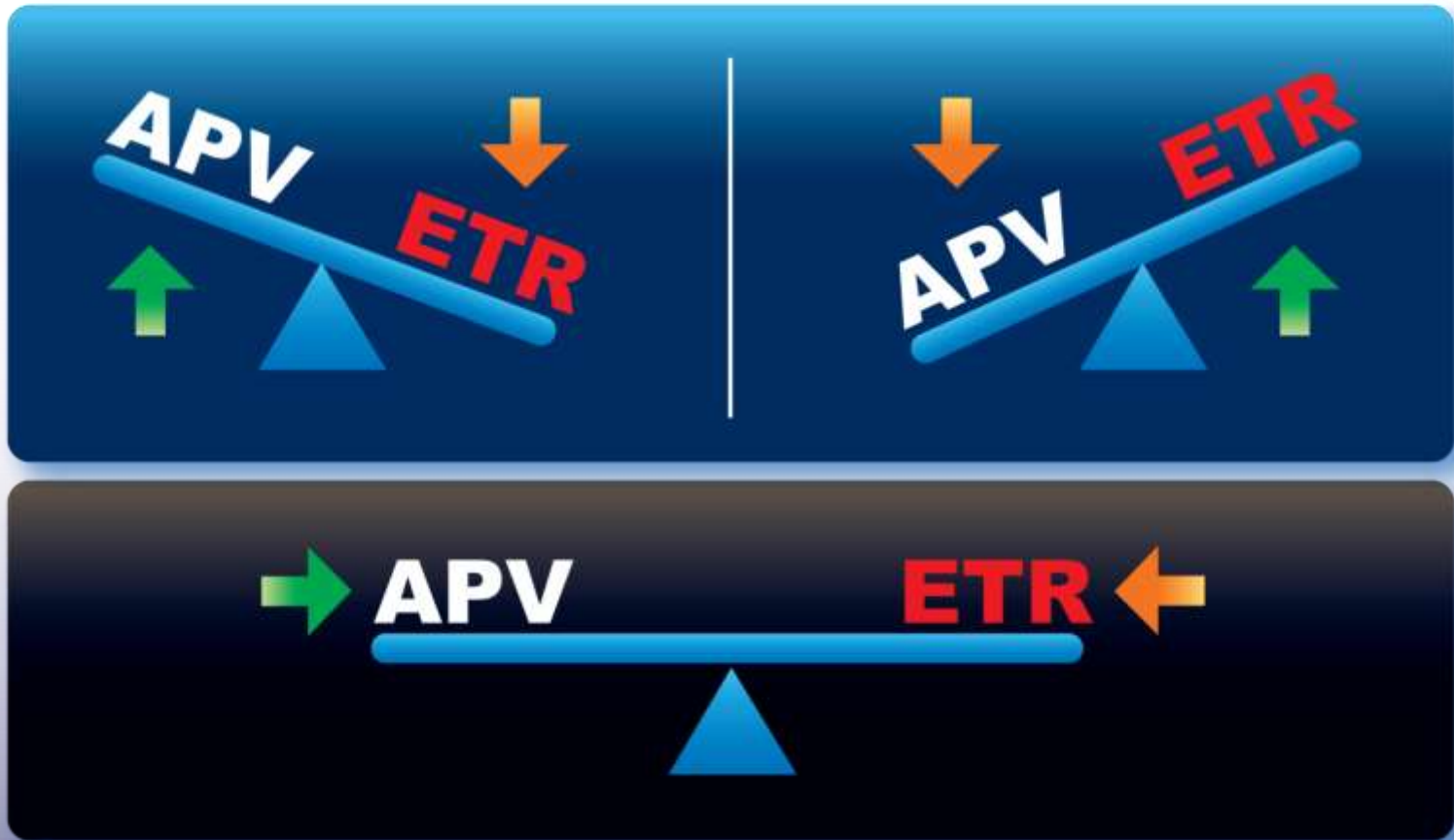
\$5,478,248



**Increase in Property
Tax Revenue**

Seesaw Effects

APV: Appraised Property Value **ETR:** Effective Tax Rate



The **Rollback Rate** allows a taxing unit to raise the same amount for operations as in the prior year plus provides for an additional 8% cushion.

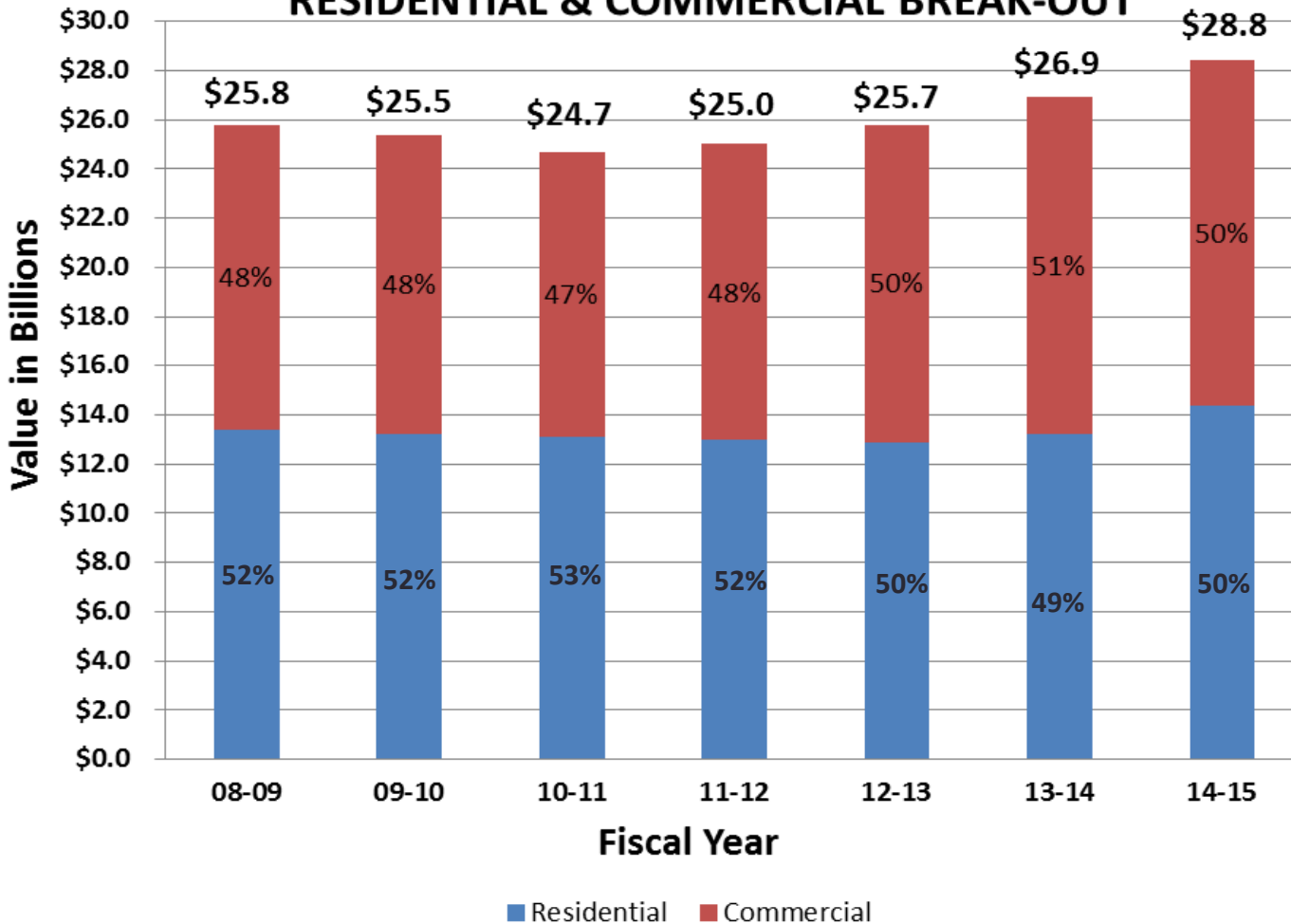


ROLLBACK RATE





ASSESSED PROPERTY VALUATIONS RESIDENTIAL & COMMERCIAL BREAK-OUT



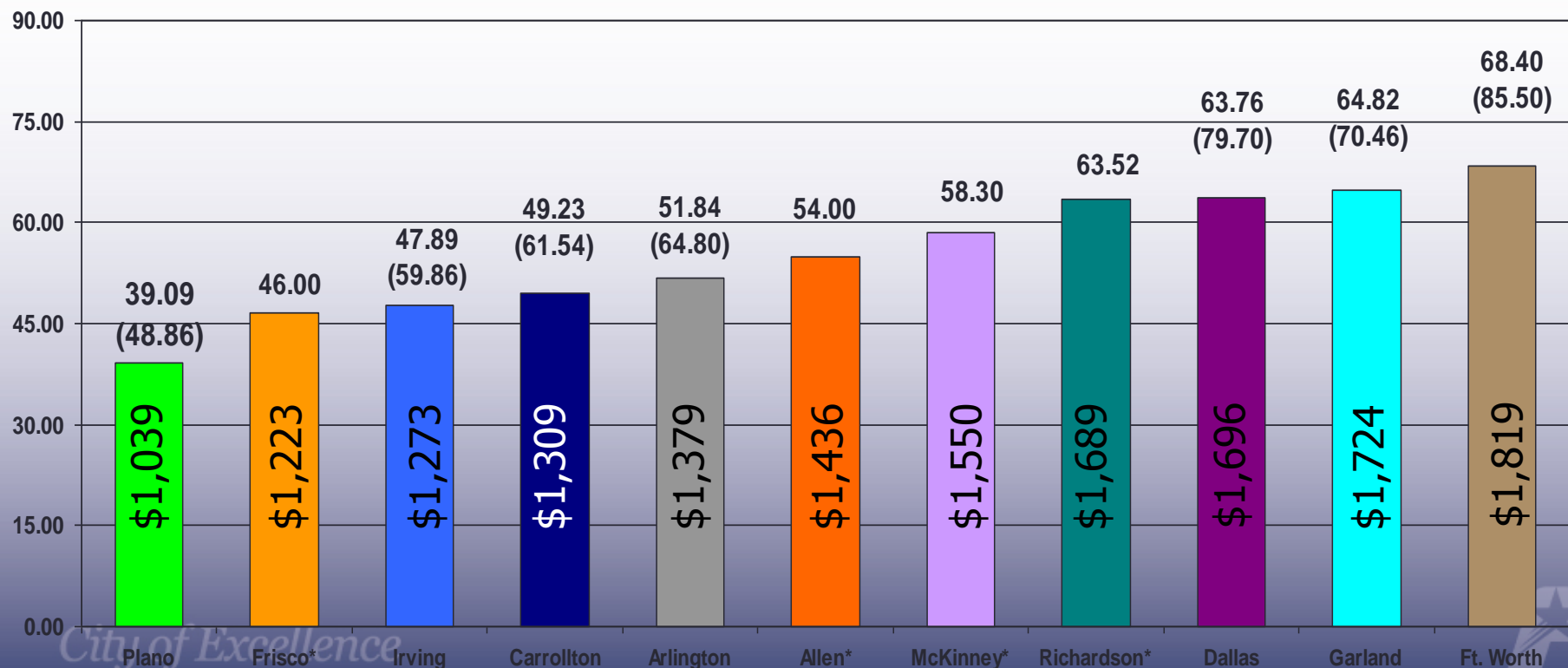
AD VALOREM TAX RATES

Residential Customers Only

With Homestead Exemption Applied to the Rate

**Plano and Surrounding Cities – 2014-15 Adopted Tax Rates
Based on Plano Average Home Value of \$265,930**

(Cents per \$100 Valuation)



* Cities do not offer Homestead Exemption

LOST REVENUE FROM AD VALOREM TAX EXEMPTIONS

	Average Home Value	**Total Exemptions APV	Lost Revenue From Exemptions	Lost Revenue Over-65 Tax Freeze
FY 2008-09	\$251,733	\$4.91 billion	\$23.2 million	\$604,117
FY 2009-10	\$249,679	\$5.10 billion	\$24.5 million	\$765,884
FY 2010-11	\$245,802	\$5.21 billion	\$25.4 million	\$779,912
FY 2011-12	\$245,074	\$5.22 billion	\$25.5 million	\$771,923
FY 2012-13	\$243,118	\$5.37 billion	\$26.2 million	\$753,197
FY 2013-14	\$248,817	\$5.53 billion	\$27.0 million	\$780,493
FY 2014-15	\$265,930	\$6.30 billion	\$30.8 million	\$1,056,114
**APV is Assessed Property Value				



TAXES AND THE AVERAGE HOME

2014-15 ADOPTED TAX RATES

Average Home Value \$ 265,930

	Tax Rate	\$ Amount	%
City of Plano	.4886	\$1,039	18.9%
PISD	1.4480	\$3,633	66.3%
Collin County	.2350	\$594	10.8%
CCCCD	.0819	\$218	4.0%
TOTAL TAXES/YEAR	2.2535	\$5,484	100.0%

► *Using the 2014-15 Adopted Tax Rate and the 2014 Average Home Value, this assumes that the General Homestead Exemptions were taken for the City of Plano (20%), for PISD (\$15,000), and Collin County (5%).*



CITY TAX COMPARISON

City	2014 Tax Rate	Homestead Exemption	Tax on \$125,000 Home	Tax on \$250,000 Home	Tax on \$400,000 Home
Allen	0.5400	0	\$675	\$1,350	\$2,160
Carrollton	0.6154	20%	\$615	\$1,231	\$1,969
Dallas	0.7970	20%	\$797	\$1,594	\$2,550
Frisco	0.4600	0	\$575	\$1,150	\$1,840
Garland	0.7046	8%	\$810	\$1,621	\$2,593
McKinney	0.5830	0	\$729	\$1,458	\$2,332
PLANO	0.4886	20%	\$489	\$977	\$1,564
Richardson	0.6352	0	\$794	\$1,588	\$2,541
Murphy	0.5700	0	\$713	\$1,425	\$2,280
Wylie	0.8789	0	\$1,099	\$2,197	\$3,516
Fort Worth	0.8550	20%	\$855	\$1,710	\$2,736
Arlington	0.6480	20%	\$648	\$1,296	\$2,074



Policy Review & Benchmarking

- Review policies annually during the budget process
- Clarify areas that may be confusing
- Look for new ways to improve the policy
 - Example: Addition of a “revenue shortfall contingency plan”



Trend Analysis

Ratios & Trend Analysis

- Financial indicators with acceptable levels
 - General Fund includes:
 - Fund balance/Equity
 - Working Capital
 - Current Ratio
 - Debt Ratio
- Track trends and compare to other like communities (benchmarking)



Conclusion

- Allow policies to guide City's financial operations
- Adhere to the guidelines addressed in the policies
- Benchmark to ensure policies are reasonable and achieve desired goals
- Communicate policies and guidelines to citizens and employees



Technical Resources

- GFOA – www.gfoa.org
 - Best Practices
 - Elected Officials Guide Series
- TML Series – www.tml.org
- GFOAT - www.gfoat.org
 - Finance Forum



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