



MEMO

To: Mayor and City Council Members
From: Chris Hillman, City Manager
Date: August 11, 2017
Subject: Proposed FY 2017-18 Annual Operating Budget

It is my privilege to present the FY 2017-18 proposed budget. This budget represents months of work by a dedicated budget team and department directors. Both commercial and residential growth continue to be strong, with more than an \$800 million increase in construction permits issued contributing to a \$500 million increase in taxable values, which is the highest in 15 years. This new growth comes with the challenge of increasing demands for service resulting in structural increases in the cost of providing services. The three priorities in developing the proposed budget have been: maintaining current service levels; maintaining and improving the city's current infrastructure, equipment, facilities, services, and programs; and continuing to unwind budget-balancing decisions made during the last recession. Overall, the budget continues Irving's fiscally sound and conservative approach to managing taxpayer dollars.

Over the past two years, the budgets have been focused on important public safety improvements: adding apparatus and 42 new positions for Fire Station No. 12, nine new positions for Medic 1, adding eight police officers for a new beat, staffing the police fusion unit, and building the phase one of the new Public Safety Training Facility. While public safety remains a priority, the proposed budget focuses on many critical needs across the city's operations. Infrastructure replacement is a key focus of the proposed budget, with additional funding dedicated to the Road to the Future and additional personnel and resources to improve information technology, including the replacement of the city's outdated utility billing system and enterprise resource planning (ERP) software system, which manages the city's financial and human resources system.

The North Texas region continues to experience strong growth, resulting in rising sales tax collections over the past few years. The past two years have seen a slowing in the rate of growth compared with the preceding two years, and the overall economic outlook for the next several years is increasingly uncertain. While the majority of the state has felt a large economic impact from the contraction in the energy economy, the North Texas region has been largely insulated due to a more diversified economy and several large corporate relocations to the area. For Irving, the largest impact is on sales tax revenues, which are projected at a slight increase compared with the previous year's adopted budget. Other general revenues have flattened or declined, while property and construction-related revenues continue to rise.

Long-Term Operational and Capital Needs

We continue to develop and implement a multi-year operational and capital strategy to address the many competing needs and challenges facing the city. The city is poised for continued growth in the next few years as new residential and commercial developments bring more residents, jobs, shopping, and entertainment opportunities to the city. However, this new growth increases the demand for city services. This budget recognizes these needs by addressing staffing and resource allocation in key areas without increasing the tax rate.

Total general fund revenues are increasing by \$9.3 million (or 4.2 percent). Contractually obligated transfers of \$1.36 million leave net revenue available for general fund operations at approximately \$7.9 million. Of this amount, \$2.6 million is dedicated to increased infrastructure funding. The full-year cost of prior year salary increases is also funded, as well as step and merit increases for all employees. Cost of living increases for general government employees and market adjustments for police and fire civil service employees, to be implemented January 1, 2018, are being partially offset by projected vacancy savings.

A significant focus of this budget is on infrastructure replacement. The budget provides for three major infrastructure enhancement areas:

- An increase in funding of \$1.1 million has been set aside in Non-Bond CIP as dedicated funding for additional street projects and/or bonding capacity. This brings the total annual amount of funding to \$2.2 million. This represents the one-cent dedication recommended in the Long Term Financial Plan to fund the Road to the Future.
- Information technology improvements include not only the replacement of the city's utility billing and enterprise resource planning financial software, but a dedicated upgrade of supporting infrastructure and processes. For FY 2017-18, the software replacement project is projected to cost \$8 million in capital as well as \$1.13 million in related network improvements.
- Vehicle replacement continues to be a high priority. The proposed budget allocates \$2.5 million in pay-as-you-go funding for vehicle replacements in the General Fund and an increase in capital lease payments of \$385,327 to a total of just over \$1 million for major fire apparatus replacements. More investment in fleet replacement needs to be recognized in future years.

For the water and sewer system fund, additional growth in the city, coupled with increasing pass-through costs for water and sewer have led to increases in operating costs. The proposed budget also increases pay-as-you-go funding for capital replacement projects, reducing the need to finance these projects with the issuance of bonds. The proposed budget includes a 6 percent increase for Water and Sewer rates. This rate follows the resolution adopted by City Council to increase rates over a five year period in order to maintain financial stability and address the operating and capital needs of the water and sewer system.

The solid waste services fund proposed budget maintains the current service levels as residential growth continues to increase the demand for services. Increasing operating maintenance and equipment replacement costs require a proposed rate increase of 5 percent.

Strategic Planning

Since the adoption of the first strategic plan in 2005, the value of a strategic approach has been proven. Resident satisfaction with the appearance of the city, quality of life, and other significant indicators of success have risen. The city has stayed focused on what is most important to our customers and what drives advancement in the areas that matter most to them. The city's strategic planning workshop, conducted in February 2015, to update and refresh the city's ten-year-old plan, resulted in a framework to guide the decisions over the next three to five years. Areas of strategic focus include financial sustainability, systematic infrastructure investment, service excellence, economic development, inclusive and collaborative governance, and ensuring a talented and energized workforce. In addition, a total of 25 supporting objectives were created and prioritized by the council to guide staff in the formulation of the annual budget and departmental business plan initiatives.

Key initiatives, detailed in departmental business plans, support the achievement of the council's strategic objectives. These include:

Initiatives in Progress:

- Development and construction of a Convention Center hotel
- Construction of the Irving Music Factory
- Development of an Irving Museum and Heritage Center
- Enhancements to the Twin Wells Golf Course
- Implementation of automated metering infrastructure
- Development of Hidden Ridge/Verizon site
- Creation of a succession plan
- Development of former stadium site
- Expansion of Georgia Farrow Recreation Center
- Launch of Citizens Academy

Completed Initiatives

- Assessment of Solid Waste Services
- Establishment of an entrepreneurial center
- Construction of Fire Station No. 12
- Construction of a new fire training facility
- Development of an economic development strategic plan
- Placement of a ninth frontline ambulance into service
- Completion of a comprehensive pavement assessment program
- Launch of "The Irving Innovation Project"
- Implementation of a long-term financial plan
- Adoption of revised comprehensive plan
- Enhancements to the Twin Wells Golf Course
- Development of information technology strategic plan

Financial Stability

The adopted budget projects revenues and expenditures required to sustain or improve service levels and presents a structurally balanced budget where operating costs are funded from operating revenues to maintain fund balances. It addresses capital needs for the present and future. This strong financial management approach has allowed the city to endure economic ups and downs with resiliency. Irving's large corporate tax base, formal investment and reserve policies, and healthy reserves have allowed the city to maintain its Aaa bond rating for general obligation debt and Aa2 for water and sewer revenue debt. The city's overall strong credit ratings have saved taxpayers and ratepayers millions in annual interest costs related to outstanding debt.

FY 2016-17 Accomplishments

Road to the Future

Resident surveys have consistently shown that road maintenance and improvement is the highest ranked priority throughout the city. With this in mind, the city has developed "Road to the Future," a plan to achieve the goal of investing \$100 million in street improvements over a five-year period. The FY 2016-17 Capital Improvement Plan included \$1.1 million in pay-as-you-go capital funding for street rehabilitation. This increases to \$2.2 million in the FY 2017-18 proposed budget and will also allow for the capacity to sell an additional \$22.5 million in bonds for street rehabilitation and reconstruction as a component of the \$100 million goal.

The Road to the Future will provide for the reconstruction and rehabilitation of streets based on the pavement assessment completed in FY 2015-16. Additionally, water and wastewater main and storm sewer replacements will be coordinated with the street reconstruction projects. Rehabilitation will include overlay and/or other methods of increasing the life of the street.

Capital Improvement Program Projects

Through the end of July, construction has been completed on eight water and wastewater projects, four park projects, three drainage projects, one trail project, and four facilities projects totaling \$16.1 million. In addition, 28 projects are under construction and 45 projects are under design.

Delaware Creek Housing Development

The city landbanked approximately 20.64 acres along Delaware Creek, just at the southwest edge of the Heritage Crossing Redevelopment Initiative. This land is being developed in multiple phases into a single-family residential area to accommodate over 100 new homes. Phase I has been fully developed into 40 lots, with nearly half of the homes already built in the first six months since being released to K. Hovnanian Homes, the builder. These homes are selling in the low \$300,000s, and sales are exceeding expectations. Planning is underway for the next phase of development to keep up with demand. This development is seen as a catalyst for further development in the downtown area.

Insurance Services Office (ISO) Rating

Beginning Nov. 1, 2017, Irving will become one of only 27 cities in the state and 98 cities across the country with an ISO (Insurance Services Office) rating of 1. Every municipality is given an ISO rating, which ranges from 1 to 10, where 1 is the highest and 10 is the lowest. The score is distributed based on a city's emergency communication, water distribution system, and fire department. Since the city

received an ISO-2 rating in 2015, a primary goal of the city has been to achieve an ISO-1 rating. A key component in achieving the rating has been the addition of Fire Station No. 12, which will reduce response times in the northern area of the city. The station houses three companies with 42 additional Fire personnel. The change in ISO ratings will mean lower insurance rates for existing residential and commercial properties and will provide an added economic development incentive.

Fire Station No. 12

The addition of a 12th fire station has been anticipated for many years, as commercial and residential growth in the Valley Ranch and Hackberry Creek areas has increased the demand for Fire and EMS services. The station opened in 2017 and consists of an engine company, a ladder company, and an ambulance company for a total of 42 additional Fire personnel. The station is located on the south side of Interstate 635 just west of the Olympus Drive bridge.

Public Safety Training Facility – Phase I

The city has built the first phase a new public safety training facility to replace the current site, which is aging and is adjacent to residential neighborhoods. The first phase of the facility, completed in July 2017, includes construction of a burn tower and classrooms. To share resources, reduce capital and operating costs, and promote regional cooperation, Irving has entered into an agreement with the City of Grand Prairie for joint use of the facility and sharing of the operating and capital costs. Additional phases will include both police and fire training facilities.

FEMA Integrated Emergency Management Course

Personnel representing 21 city departments, along with county and state representatives, attended the Federal Emergency Management Agency (FEMA) Integrated Emergency Management Course (IEMC) in July, 2017. The four-day exercise-based training activity gave personnel practice in simulated, but highly realistic, crisis situations customized to the city of Irving. The city was one of only eight to ten entities selected each year for the training and the only participant from FEMA Region VI. Funding for the training was provided by a FEMA grant. The course brought staff together to manage and respond to different emergency situations in an effort to evaluate response capabilities, collaboration and training, and to identify strengths and weaknesses. If an emergency happens, the experience gained by placing city personnel and first responders in simulated scenarios will help them provide the best possible service to the community.

2017 Imagine Irving Comprehensive Plan

After more than 2½ years of Citizens Advisory Committee meetings, neighborhood workshops, presentations to neighborhood associations and civic organizations, stakeholder interviews, online and in-person surveys, consultation with staff members in all city departments, attendance at numerous events and fairs, and briefings to the Planning and Zoning Commission and City Council, the 2017 Imagine Irving Comprehensive Plan was adopted unanimously by the City Council on July 20, 2017. This is the first full update of the Plan since the last update 20 years ago in February 1997. Its primary functions are to form the basis for making land use decisions/zoning recommendations and to provide guidance to the City's 3-5 year Strategic Plan which in turn drives the City's Financial Plan related to budgeting, business plans and strategic maintenance.

The Imagine Irving Plan provides policy guidelines for the next 20 to 30 years in virtually all areas of city operations. Chapters of the plan include Land Use and Urban Design; Housing and Neighborhoods;

Transportation; Infrastructure; Parks, Trails and Open Space; Economic Development; Conservation, Sustainability and Green Initiatives; Waste Management and Materials Recycling; Communications and Technology; Public Safety; Community Amenities; Fiscal Security; Poverty, Health and Education; Intergovernmental Relations; and Small Area Planning. Each chapter includes goals and strategies to guide the city's strategic plan, capital improvement program, and individual department business plans for each fiscal year. The Imagine Irving Plan includes a total of 83 goals and 320 strategies along with recommendations for implementation.

Economic Development Strategic Plan

In order to respond to the highly competitive economic development environment, Economic Development staff worked with the Greater Irving-Las Colinas Chamber of Commerce, Irving Convention and Visitors Bureau, other outside agencies, and TIP Strategies, a consulting firm that assists cities with planning economic development initiatives, to assist in the development of a five-year Economic Development Strategic Plan. The plan was also developed with input from local business and community leaders. The plan was accepted by the City Council in FY 2016-17. It provides a roadmap for Irving's economic development program for the next five years. The action items in the plan will guide staff activities to advance the Irving economy for the next five years.

Economic Development

The city's continued focus on economic development has made Irving a leading national and international business center. As a frontrunner in the North Texas area for attracting and retaining top corporations, Irving boasts 52 Fortune 500 companies with a headquarters or corporate presence in the city.

Efficient building permitting processes are key to sound economic development. Exceptionally efficient processes also create a competitive advantage for business expansions and relocations. Irving's multi-departmental plan review team is literally a world-class operation, exceeding national efficiency standards by completing new commercial plan reviews in less than six days compared with the leading national standard of over 25 days.

The city also promotes economic development by providing sales tax and property tax rebates as incentives when necessary. For FY 2017-18, the total amount of payments is projected to be \$12.25 million, a \$65,000 decrease from the prior year. The amount of incentive is determined by the business delivering increases in taxable value, revenues generated, or job growth specified in the individual agreements. The City of Irving continues to focus on projects that will facilitate economic development.

Pioneer-Verizon/Hidden Ridge Development

Pioneer Natural Resources is expanding their presence in Irving by developing a \$350 million office campus on a 37-acre site as part of Verizon's Hidden Ridge development. Adjacent to Verizon's existing regional office, Hidden Ridge will be a mixed-use development with a new DART commuter rail station connecting Dallas/Fort Worth International Airport to downtown Dallas. The Hidden Ridge project will include offices, retail shops, apartments, town homes, open space, and a hotel. The

development will have room for 10,000 employees and has a projected value of over \$1 billion when completed.

Planned Unit Development #6/Stadium Site

Planned Unit Development (PUD) #6 zoning was approved in 2015, establishing a new Transit Oriented Development District on about 1,000 acres surrounding the former stadium site. In 2016, the city created Tax Increment Reinvestment Zone (TIRZ) #6 with the same boundaries as the zoning to provide the necessary financial tools to assist in redevelopment.

The development will be served by two DART light rail stations. The first station is complete, and serves the University of Dallas. In July 2017, the city approved an agreement with TxDOT to build a \$45 million signature bridge in the center of the district, connecting the former stadium site to both SH 114 and the second DART light rail station, which will be completed with future development on the site. The bridge is critical for redevelopment of the approximately 218 acres north of SH 114, as it is the primary vehicular access for this area. The bridge is slated to be completed in 2019.

The district will yield about 400 acres of developable property that will be a primary growth area for the City of Irving in the years to come.

Water Street

The Water Street Development, located in the center of the Las Colinas Urban Center, is a mixed-use project that includes luxury apartments and more than 60,000 square feet of retail shops and restaurants. The development is projected to add over \$42 million in taxable value and may be eligible for a \$14.4 million reimbursement from Tax Increment Financing (TIF) project funds. The project will include a plaza for special events and public pathways with access to Lake Carolyn.

Convention Center Hotel

Construction began in 2017 on a Westin branded Convention Center headquarters hotel. This is a key component of the city's Convention Center district, which includes the Irving Music Factory and the successful Irving Convention Center. A Master Development Agreement was approved by the City Council in June 2016. The hotel is expected to include 359 rooms and approximately 16,000 square feet of meeting space (including a 10,000-square-foot ballroom). The hotel will be operated in cooperation with the Convention Center, with a block of rooms set aside for convention group sales, and meeting space agreements that allow the hotel operator to use available space at the Convention Center, and vice versa as needed. Concurrently, the city is constructing an 840-space parking garage for the Convention Center, with 275 spaces leased for use by the hotel.

Irving Music Factory

In 2016, construction began on the Irving Music Factory. This 18-acre complex is adjacent to the Irving Convention Center and the Convention Center hotel. The venue includes an 8,000-seat amphitheater, restaurants, additional entertainment venues, an office tower, and retail space. The entertainment complex will attract patrons from across the North Texas region, as well as those in town attending conferences. Additionally, it will provide Irving residents and the business community a place to visit for dining and entertainment. The first performance is scheduled for August 31, 2017, with new restaurants and shops opening throughout the remainder of the year.

Other significant economic development activity in 2017 includes:

- **Allstate:** The insurance company with large operations in Irving (1,400 workers currently), will add 550 jobs at an average salary of \$63,000 and invest \$5 million at their facility.
- **Atos:** An information technology firm based in Paris, France, established a 90,000-square-foot operation in a new building on Regent Boulevard with 500 new jobs at an average salary of \$70,000. The development is estimated to increase real property tax value by \$4 million and business personal property tax value by \$3 million.
- **Oki Data Americas:** A printing technology company based in Japan will establish its U.S. headquarters in Irving, occupying 15,000 square feet on Freeport Parkway. It will employ a staff of 104 with an average salary of \$86,000. The business will add \$1.17 million in real property tax value and \$2 million in business personal property tax value.
- **Crane Worldwide Logistics:** A full-service logistics company will build a 325,000-square-foot industrial facility on Valley View Lane in Irving. The company has committed to hire 100 employees at an average salary of \$60,000 and add \$11 million in combined real and business personal property tax value.
- **QTS:** The company that operates a major data center in Irving will expand operations and add \$45 million in combined real and business personal property tax value at its facility on Longhorn Drive.
- **Cognizant Technology Solutions:** A provider of information technology consulting services will occupy a 93,000-square-foot building and hire 1,090 employees at an average salary of \$70,000. The company will add \$7.5 million in new real property tax value and \$2.8 million in new business personal property tax value.
- **Gartner Inc.:** An information technology research and advisory firm will occupy 150,000 square feet of office space and add 800 employees at an average salary of \$75,000. The company will invest \$7.3 million in real property and add new business personal property tax value of \$1.5 million.
- **Pei Wei:** The national restaurant chain plans to relocate its headquarters to Irving to 30,000 square feet of office space. It will bring 35 employees to the city at an average salary of \$125,000 and add \$500,000 in new real property tax value and \$250,000 in new business personal property tax value.

FY 2017-18 Overview

Economic Trends

The city is currently seeing indications of sustained economic growth. Economic indicators continue to be positive, but at slower growth rates than in previous years. For example, hotel occupancy tax revenues, a leading economic indicator, are climbing and are up 6.4 percent in the current year from FY 2014-15 and up 7.1 percent over the past five years. Other indicators include:

- Property values have increased by 5.9 percent from \$22.98 billion to \$24.27 billion, which includes \$502 million in new construction.
- A large number of lots are being prepared for building permits as well as several new subdivisions that are in the platting stage. Staff estimates between 2,500 and 3,000 new

single-family residences will be built in the next five years, a rate that is comparable to growth not seen since the 1950s and 1960s.

- Commercial vacancy rates remain low throughout the city, with overall vacancy rates at 12.7 percent in 2017.

Commitments and Challenges

The FY 2017-18 budget continues to follow a fiscally prudent course, while allowing for new and expanded programs that align with the Irving Strategic Plan. Irving is seeing a significant uptick in new construction, which is positive. However, the growth is straining current capacity (fire, police, solid waste, streets, water, wastewater, etc.), requiring additional capital outlay and operating dollars to meet increasing service demand.

A significant portion of the development of the FY 2017-18 budget was driven by commitments made in prior years and contractual obligations to other entities. Approximately 15 percent of the budgeted expenditure increase comes from increased payments into the city’s six tax increment financing (TIF) districts. Other commitments include the third repayment of one quarter of the loan from the Museum Fund used to complete the Texas Musicians Museum. Operationally, the full impact of the salary adjustments approved at three-quarters of the year for FY 2016-17 will add approximately \$800,000 to the adopted budget in the General Fund alone.

In the Water and Sewer Fund, expenditure increases are being driven in part by pass-through costs for wastewater treatment from the Trinity River Authority. These pass-through costs are expected to continue to rise in future years.

During the most recent recession, one strategy used to balance the General Fund budget was to shift personnel costs, where appropriate, to special revenue funds. Unwinding this strategy is being phased in over several years to minimize disruptions in the budget. For FY 2017-18, three full-time positions are being shifted from the Municipal Drainage Utility (MDU) Fund to the General Fund budget. This will allow the MDU Fund to increase funds allocated to neighborhood drainage projects.

FY 2017-18 Budget in Brief

For FY 2017-18, the city saw a \$1.3 billion increase in property values, with approximately \$502 million in new construction, the highest level of new construction since 2000. New construction values were split almost evenly between commercial and residential development. Total commercial property values increased by 6 percent with only a 4 percent increase in existing values. Business personal property values increased by 1.25 percent in total. Total residential values, including new construction, have increased by 8.84 percent, while values of existing properties increased by only 4.4 percent.

Budget Information at a Glance		
	FY 2016-17	FY 2017-18
Property Values	\$22.98 billion	\$24.27 billion
Property Tax Rate	\$0.5941	\$0.5941
Average Home Value	\$153,006	\$164,939
G.O. Bond Rating	Aaa/AAA	Aaa/AAA
Water Rate Increase	7.0%	6.0%
Sanitation Rate Increase	19.0%	5.0%
Drainage Rate Increase	None	None
Number of FT Employees	1,881	1,892
Number of PT Employees	442	442

The FY 2017-18 budget maintains the current tax rate of \$0.5941 per \$100 of valuation (all tax rate references shown in cents). This rate is higher than the effective tax rate for FY 2017-18, but well below the rollback rate. Adopting the current tax rate provides sufficient funding for service enhancements, including full funding for the Road to the Future, operational funding and projects related to the replacement of the ERP software, and increased technology and vehicle replacements. It also allows the city to maintain a competitive compensation plan, including the full-year cost-of-living and market-based salary increases implemented in the prior year, implementation of additional cost-of-living-adjustments (COLA) and market-based salary increases in the second quarter of this year, health insurance benefits, economic development contractual obligations, and additional personnel to meet the most critical service needs of multiple departments.

A rate increase for both Water and Sewer of 6 percent is necessary to meet increased pass-through costs, infrastructure replacement, and increased service demand. This is the third increase of a five-year plan to provide for the ongoing financial stability of the Water and Sewer system and is in line with the resolution adopted by the council in FY 2015-16.

A 5 percent rate increase in Solid Waste Services is necessary to continue to provide current service levels while replacing vehicles and to finance expansion of the landfill necessary to accommodate continued residential growth. A new tipping fee charge of \$40 per ton is proposed for all customers at the landfill.

Health Insurance

The city has been proactive in managing health costs and improving employee wellness. In the past two years, the city has made significant changes to the health insurance program to reduce costs and make the city's plans comparable to other benchmark entities through premium increases and plan design changes. The impact of these changes continues to be seen as 12-month average costs per employee for both medical and prescription claims continue to decrease.

For FY 2017-18, no changes in plan design or healthcare premiums are proposed. A \$500 contribution to Health Savings Accounts for employees choosing the high-deductible health insurance plan is included in the proposed budget. Two new services are being added to the city's health insurance plans. The personal advocacy tool will provide employees and their enrolled dependents a service in which they may call to have health care services, procedures, etc., reviewed to ensure that the most cost effective products and/or services are being obtained. This service will also review billing concerns to ensure that the charges are correct. The open enrollment tool will help employees make the best decision on which health insurance plans to purchase based on their individual needs and budgets. In addition, this tool will ensure that employees' insurance elections are fed directly into the payroll system and into the insurance companies' systems. This will reduce the risk of human error when the HR staff makes employees' changes to plan coverages.

Service Enhancements

Replacement of ERP Software and Related IT Improvements

The proposed budget provides funding for improvements identified in the first year of the five-year IT Strategic Plan. The five-year plan addresses critical needs for replacement and upgrade of technology systems and infrastructure that support the needs of the departments. The largest

initiative in this first strategic period is the replacement of the city's 23-year-old financial enterprise resource planning (ERP) application that is estimated to take three years to implement. The ERP software encompasses accounting, accounts payable, budgeting, payroll, human resources and other management systems. Additional improvements are to replace an outgrown utility billing software system, implementation of basic network capacity increases at remote city buildings and internet services, as well as a variety of improvements to provide resiliency to the support of critical systems.

Parks and Recreation Master Plan

The Parks, Recreation, and Open Space Master Plan was adopted in 1996 and last updated in 2000. The city's 2016 Imagine Irving Comprehensive Plan identified resident priorities on upgrading and improving parks and recreation facilities and amenities as well as future development. The comprehensive plan sets a general baseline in which a robust Parks Master Plan can then move forward. The Master Plan will provide strong community engagement in defining the direction the department will move and assist Council in setting goals and objectives for future budgets. As an added benefit, developmental funding is available through the Texas Parks and Wildlife Department when a Master Plan is current.

New Positions

The FY 2017-18 proposed budget includes a total of 11 new full-time positions across all funds. These positions address critical needs for the various departments and can be attributed to the growth of the city and the increasing demand for city services. The salary and benefit costs of the proposed positions are as follows:

- A Senior Emergency Management Specialist is proposed for the Emergency Management division of the Police Department for a cost of \$73,760. This position will handle more complex tasks and will allow an emergency management position to be assigned to the Fire Department.
- To meet increasing workloads and to improve customer service for Animal Services, two position increases are proposed. An Outreach Coordinator will assist at the shelter in coordinating with rescue groups and engaging volunteers to care for animals at the shelter and increase adoption rates at a cost of \$69,671. A Senior Animal Services Officer will provide necessary supervision of other field employees and increase the number of animal service officers in the field for a total cost of \$69,226.
- As part of the Information Technology strategic assessment, an additional Network Specialist position is recommended to provide dedicated support to maintain storage and server infrastructure for a cost of \$97,362.
- The city has experienced commercial and residential development over the last several years, with the current year's new construction values being the highest in the past 15 years. Two full-time positions, an Electrical Inspector and a Mechanical Inspector, are proposed for the Inspections Department at a cost of \$99,705 each to meet this demand and maintain the high level of service provided to builders.
- In order to maintain high levels of customer service to our employees and provide necessary legal and civil service support, an Assistant Employee Relations Advisor is proposed for Human Resources at \$66,269.
- Building Maintenance will add a Custodian position to provide maintenance for new city facilities, especially the former Central Library building for a total cost of \$37,245.

- The Fire Department will add an EMS Training Specialist to provide state-required continuing education for all paramedics and EMTs. Currently, this service is provided by contract with UT Southwestern Medical Center. By hiring this employee, the city will save \$47,279.
- In the Water department, an Engineering Manager position is proposed at a cost of \$134,612 to oversee the capital improvement program through design and construction and assist with the operation and maintenance of the Water Utility's capital assets.
- Two part-time Maintenance Intern positions at a cost of \$14,260 will provide Irving ISD students with the knowledge, skills, and abilities to become full-time utility maintenance workers upon graduation.
- In the Irving Arts Center, the part-time Events Manager was converted to full time while a vacant part-time Theater Technician position was eliminated.
- Additionally, three positions, a Groundskeeper II in Parks, an Administrative Assistant in CIP, and a Maintenance Worker II in Transportation were moved from the MDU fund to the General Fund at a cost of \$343,992. This is an increase to the General Fund budget while the funding in the MDU was reallocated to neighborhood drainage projects.

Twin Wells Golf Course

The city is moving forward with the renovation of Twin Wells, its municipal golf course. Phase 1 of the renovations includes the installation of a new turf grass irrigation system for the 18-hole course and driving range, and the replacement of the Trinity River pumping facility, which allows for the reuse of water for irrigation. At the completion of Phase 1, new turf grass will be installed. The total project budget is not to exceed \$5 million. The course was closed in October 2016 to begin improvements. Reopening is anticipated in late 2018.

Drainage Assessment

In order to prepare a long-term drainage funding plan, the CIP Department will complete a drainage assessment in FY 2017-18. This assessment will include analysis of channel conditions, study of neighborhood and local flooding, and identification of necessary drainage improvements, including cost projection estimates and possible funding sources.

Analysis of Extending the Term of TIF #1

Tax Increment Reinvestment Zone 1 (TIF #1) was created by the City of Irving in 1998. The primary reason for the creation of the zone was to address the development disincentives of the Dallas County Utility and Reclamation District (DCURD) tax rate, which had continued to increase throughout the 1990s. The zone consists of approximately 3,390 acres of land and has boundaries that essentially mirror those of DCURD. The TIF #1 Project and Financing Plan was created to provide essential infrastructure intended to encourage development in the zone. TIF #1 has a term of 20 years and will expire December 31, 2018, unless extended by the Irving City Council. The city has hired an outside agency to review historical values and project future values in the zone to provide the TIF #1 Board and City Council with information necessary to determine the effect of extending the zone.

Municipal Energy Contract

Energy Procurement/Environmental Stewardship Staff is pursuing a three to five year energy contract for the City. Additionally we are exploring opportunities to incorporate a percentage of

sustainable energy into our portfolio. This effort is being undertaken while balancing financial responsibility and environmental stewardship.

Irving Museum and Heritage Center

Design of both the building and the exhibits for the Irving Museum and Heritage Center are currently underway. The museum will include the city archives and will be located in a portion of the former Central Library building adjacent to City Hall. Once design is substantially complete, renovation of the building and preparation of the museum exhibits will begin, with completion of the project in 2018. A construction budget of \$3 million has been set aside in the Museum Fund, and the allocation of \$600,000 in fund balance from the Museum Fund will help cover operations and maintenance costs for future years. The Museum and Heritage Center, all other city museums, and the Arts Center have been reorganized under the Arts and Cultural Affairs management team to provide comprehensive management for Irving’s cultural programs and facilities.

The Study: Irving’s Innovation Center

The city has contracted with the Indigo Group to provide support and professional guidance to entrepreneurs from businesses, colleges, and professional organizations. The Study opened in May, 2017.

This entrepreneurial center features co-working space and private meeting rooms. It will provide a resource for small-business professionals looking to utilize the space periodically or on an extended basis. There is no set blueprint for participants. Residents, professionals and students of all backgrounds can benefit from the center’s programs and learning opportunities. The Study will serve as a valuable resource for those seeking professional development, such as women’s and veterans’ entrepreneur empowerment programs; training, certifications, and STEM programming; continued learning opportunities for adults; partnerships with corporate and academic institutions; and a digital database connecting job seekers with potential employers.

Irving Main Street Arts

The Irving Arts Center, in support of the Heritage Crossing Redevelopment Initiative, will repurpose a city-owned building on Main Street into a new programmed art gallery to promote the arts downtown and create new activity. Additionally, the city is in the process of creating an outdoor plaza adjacent to the Main Street Art Gallery for use not only by the gallery, but also residents as they visit and shop the downtown merchants.

Irving 360° Civic Academy

The civic academy, beginning this fall, is a program created and organized by the City of Irving to educate residents and members of the business community about city government. It is designed to encourage engagement and help to create a collaborative and inclusive government.

Summary of Operating Expenditures for Major Operating Funds

Fund/Program	2016-17 Adopted Budget	2017-18 Proposed Budget
General Fund	\$ 223,006,128	\$ 232,351,546
Water and Sewer	95,761,512	103,864,150
Solid Waste Services	14,503,113	15,993,177
Municipal Drainage Utility	5,259,352	5,270,755
HOT Revenue Funds:		
ICVB	9,670,219	10,024,006
Arts Center	5,867,477	6,426,443
Preservation and Redevelopment	86,350	146,695
Museums	3,350,102	2,458,138
Housing and Human Services	2,936,118	2,898,675
Total Major Funds	\$ 360,440,371	\$ 379,433,585

General Fund Budget

The General Fund is the city's main operating fund and contains the majority of the city's operations and departments. The FY 2017-18 proposed budget for the General Fund is \$232.3 million. This represents a \$9.3 million increase over the FY 2016-17 adopted budget of \$223 million or 4.2 percent. Approximately \$1.36 million of the revenue increase is allocated to increased transfers to the TIF funds. Salary increases include full year funding of market and COLA adjustments implemented in FY 2016-17 as well as funding for three-quarters of the year for proposed salary market and COLA adjustments for FY 2017-18. Payments for accrued time off have also increased as higher numbers of tenured employees choose to retire each year. The third repayment of \$250,000 for the \$1 million loan from the Museum Fund for construction of the Texas Musicians Museum in FY 2013-14 is also included in the budget.

New programs also are included in the budget, including operational increases for the ERP software replacement and related IT network improvements, a Parks and Recreation master plan, funding for nine new positions to meet the most critical departmental needs, and new equipment for street maintenance. Additional supplemental requests, including those mentioned above, account for \$2.5 million in increased budget for the General Fund. Increased funding for street maintenance projects totals \$1.1 million in transfers from the General Fund to the Non-Bond Capital Improvement Fund. Increased funding for technology and fleet replacements is an additional \$730,000.

General Fund Revenues

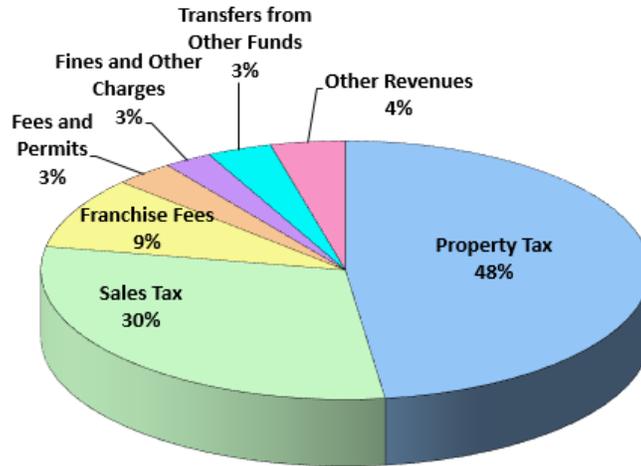
Approximately 77 percent of General Fund revenues come from property and sales taxes. For the FY 2017-18 budget, property tax revenues and related development fees are showing significant increases related to new commercial and residential construction. Sales tax revenues continue to increase, but at a slower rate. The remainder of general revenues has increased slightly from the prior year.

Property Tax

Net property tax revenues to the General Fund are estimated to be \$110.9 million, an increase of just over \$6 million or 5.59 percent over the FY 2016-17 budget. These revenues are offset by increased payments to TIF districts of \$1.36 million, which are accounted for as expenditures in the budget.

Property tax is allocated between the General Fund for maintenance and operations expenses and the Debt Service Fund to pay for the city’s general debt obligations. The tax rate maintains the current rate of \$0.5941 per \$100 of valuation, but the allocation has shifted slightly, with \$0.4650 to the General Fund and \$0.1291 to debt service. This represents an increase in funding to debt service of just over \$1.4 million.

**General Fund Revenues by Classification
FY 2017-18 Budget
\$232,351,546**



TIF Districts

The portions of the property tax revenue payable to the city’s Tax Increment Financing (TIF) Districts and to developers based on incentive agreements are reflected in the budget as expenditures. The city currently has six districts. TIF #1 encompasses much of the Las Colinas area. TIF #2 is centered on Irving Boulevard from SH 183 to Loop 12 to encourage redevelopment. TIFs #3, #4, and #5 are residential development TIFs that provided initial capital through the issuance of certificates of obligation for infrastructure within the Bridges of Las Colinas, Ranchview (Campion Hollows), and Parkside Estates neighborhoods, respectively. The bonds for the residential TIFs will be repaid through a combination of incremental property taxes paid into each district and special assessments on the properties in those districts. The residential TIF districts provided a method to finance infrastructure necessary to develop these areas, which is being repaid by the growth in property values from these developments. A sixth district was created in FY 2015-16 to assist development in the area around the former stadium site. For FY 2017-18, TIF growth has generated more than \$9.5 million incremental value, an increase of over \$1.35 million from the prior year.

TIF District	2017 Value Certified	Tax Increment	Allocation Factor	2017 Taxes Paid to TIF Districts	Increase
#1 Las Colinas	\$ 3,304,763,429	\$ 2,385,880,219	77.5%	8,598,116	\$ 964,409
#2 Irving Blvd.	243,848,623	36,993,597	65%	111,813	29,665
#3 Bridges of Las Colinas	161,684,666	153,136,426	50%	356,042	122,780
#4 Ranchview	48,584,955	45,785,025	50%	106,450	29,314
#5 Parkside Estates	163,728,581	145,894,815	50%	339,205	206,206
#6 Stadium Site	77,418,580	2,343,330	50%	5,448	5,448
Total	\$4,000,028,834	\$ 2,770,033,412		\$ 9,517,075	\$ 1,357,821

Sales Tax

After several years of strong growth above 8 percent, sales tax revenues grew at a reduced rate of 2.5 percent last year. Collections through the current year are trending up slightly, with a projection of 3.13 percent growth to \$67.7 million as monthly collections fluctuate above and below prior year collections. During the current year, the city has been repaying a negative audit adjustment incurred in FY 2015-16 at \$90,000 per month or \$1.08 million for the year. These payments will end after four months in FY 2017-18, with the increased net revenue accounting for the 3 percent increase in revenues from current year projections to a projected \$69.6 million for the proposed budget.

Other Revenues

The remainder of general revenues totals \$51.3 million, a \$470,000 or just under 1 percent increase from the prior year. Increases in development and inspection fees, cost reimbursements, and miscellaneous revenues are partially offset by slight decreases in franchise fees, fines, recreation, and sale of goods.

General Fund Expenditures

Salaries

We are a service organization. As illustrated by the table to the right, approximately 68 percent of the General Fund budget is allocated to personnel costs. Retaining and attracting quality employees to work in Irving is essential to maintaining and providing exceptional city services to Irving residents and businesses. This budget addresses that need with continual funding of the city’s general government and civil service compensation plans.

The city provided a mid-fiscal year COLA/market adjustment in January 2017 for FY 2016-17. Only the dollars needed to fund nine months’ worth of cost were budgeted in the current year, with the full annual cost then needing to be absorbed in the proposed budget in addition to any new increases provided.

This year’s budget continues to fully fund merit/step increases for both general government and civil services employees. A 2.0 percent cost of living adjustment for general government employees and a market adjustment for police and fire civil service employees will be implemented at the beginning of the second quarter of the fiscal year. The market adjustment has been projected as a 3% increase overall, but individual salary grades for Police and Fire civil service positions will be adjusted to the 65th percentile according to a salary survey of benchmark cities in the fall of 2017.

General Fund Budget Expenditures			
Salaries and Wages		120,802,705	
Benefits		37,248,997	
Personnel Costs	\$	158,051,702	68.0%
Development Incentives		12,252,771	
Transfers		21,094,874	
Insurance		3,799,280	
Utilities		7,261,833	
Fixed Costs	\$	44,408,758	19.1%
Supplies		6,554,891	
Maintenance		9,725,643	
Outside Services		9,994,573	
Miscellaneous		2,863,444	
Capital		752,534	
Operating Costs	\$	29,891,085	12.9%
Total Budget:	\$	232,351,545	

Salary costs have increased by just over \$4 million for the General Fund to \$120.6 million, including proposed personnel additions. The following are key salary-related programs in the FY 2017-18 budget.

- Full-year costs of the three-quarter-year cost-of-living and market adjustments implemented in FY 2016-17 are an additional \$800,000.
- The FY 2017-18 proposed three-quarter-year general government COLA and civil service market adjustments are projected to increase the salary budget by just over \$2 million.
- Costs for retiree accrued vacation and sick leave balances have been increasing in recent years as larger numbers of tenured employees choose to retire from the city. Upon retirement, accrued but unused vacation time, compensatory time and (in the case of civil service) sick leave accruals are paid out to those employees. In FY 2017-18, an additional \$700,000 is budgeted for these payments, which is comparable to current trends.
- Salary increases related to supplemental requests total \$706,020. This includes:
 - The transfer of three positions from the MDU fund.
 - Nine new positions across multiple General Fund departments.
 - An increase in pay for seasonal aquatics workers to remain competitive with surrounding cities and private attractions.
 - State-mandated certification pay for public safety dispatchers.
 - Reclassifications of several existing positions to reflect changes in job duties and responsibilities.
- These cost increases are partially offset by the recognition of approximately \$1.6 million in anticipated vacancy savings. While no positions are budgeted to be held vacant, the normal time that elapses from the separation of employees until the position can be filled through the normal hiring process allows for salary savings to be recognized and included in the proposed budget.

Benefits

General Fund benefit costs increased by a total of \$375,000 to \$37.25 million. Overall this represents a 0.9 percent increase from the prior year's adopted budget.

- Health insurance budgets for the General Fund decreased by \$794,000 as existing employees shifted to less expensive health plans during open enrollment and new employees chose less expensive health plans than had been budgeted.
- Benefit increases tied to the proposed three-quarter-year market and COLA adjustments are projected at \$338,818.
- Increases related to the additional positions for proposed supplemental requests total \$331,229.
- Other benefit costs have increased by \$275,329. This is primarily related to step increases for existing employees.

The city offers three pension programs for employees. Fire Department employees are covered under the Firefighters' Relief and Retirement Fund (FRRF). General government employees and Police civil service employees are eligible for both the Texas Municipal Retirement System (TMRS) and Supplemental Benefit Program (SBP), which replaces Social Security for full-time employees. Adjustments made in prior years have stabilized the city's commitments to all three funds. The increase in the city's contribution rate for TMRS is based on a review of actuarial assumptions for the value of assets in the fund, contribution rates, and liability experience. While the contribution rate

for TMRS will increase by seven basis points to 14.68 percent, the contribution rate for the SBP plan will decrease by seven basis points to 2.07 percent. The overall pension contribution rate will remain at the City Charter cap set for pensions of 16.75 percent. The rate for FRRF will also be maintained at 16.75 percent.

The TMRS and SBP information shown below has been updated based on actuarial valuation reports received after the most recent Comprehensive Annual Financial Report was issued. The information provided here is the most current.

Category	TMRS 12/31/2015	SBP 1/1/2016	FRRF 12/31/2015
Actuarial value of assets	\$ 607,649,084	\$ 53,607,895	\$ 184,782,020
Actuarial accrued liability	674,138,386	74,102,638	246,655,353
Percentage Funded	90.1%	72.3%	74.9%

As a comparison, the funded ratio of TMRS as a whole is 86.3 percent for the 864 active cities that participate in the plan.

Operating Expenditures

Operational costs, excluding salaries and benefits, have increased for the General Fund. The budget for operational costs totals \$74.5 million, an increase of over \$5.3 million from the FY 2016-17 budget of \$69.2 million. The total increase in non-personnel base budget expenditures was only \$102,286. Through the budget review process, almost \$493,000 in expenditure reductions were identified. Operating costs include supplies, structural and equipment maintenance, fuel costs, utilities, equipment replacement, outside services, contractual obligations and tax allocations to the TIF districts. While several key cost drivers are increasing, other expenses have been reduced. During the City Manager’s budget review process, approximately \$493,000 in operational reductions were identified. The significant changes in operating costs from the prior year include:

- Increased transfers to the six TIF Districts at just below \$1.36 million.
- Increased operating funding for the Road to the Future, \$1.1 million.
- IT network improvements related to the software replacement projects, \$787,362.
- Increased transfers to the Technology Fund, \$345,000.
- Increased transfer to the Vehicle and Equipment Replacement Fund for Fire apparatus leases, \$385,327.
- Increase for the FY 2017-18 Chamber of Commerce contract, \$400,000.
- Phase One of the Fire Department’s SCBA replacement, \$260,000.
- Purchase of a Volumetric Mixer and Cement Silo for Transportation, \$287,139.
- Partial funding for an ADA Sidewalk assessment, \$50,000.

Water and Sewer System Budget

The Water and Sewer System Fund is the second largest operating fund in the city with an FY 2017-18 budget of approximately \$103.86 million. The proposed budget increases operating expenditures by 0.7 percent with an 8.5 percent increase in expenditures overall when compared with the FY 2016-17

adopted budget of approximately \$95.8 million. As an enterprise fund, charges for services provided are expected to fund all operations, capital, and debt service expenditures of the system.

The Trinity River Authority (TRA), the city's sewage treatment provider, has implemented a multi-year capital program and is passing the costs through to its users. A \$1 million increase is anticipated for FY 2017-18 for sewage treatment costs to TRA. In addition, pass-through costs for water purchase and treatment as well as regulatory requirements make up a significant part of the budget for which the city has little or no control. Increases in other pass-through costs total more than \$500,000. Together, these costs represent \$35.7 million or 36 percent of the Water and Sewer Fund FY 2017-18 budget. The proposed budget also increases transfers to Water and Sewer Non-Bond CIP by \$5.5 million to \$12.05 million. These transfers increase the cash-funded CIP budget for the water fund to 47 percent of the total, reducing the amount of debt financing required for infrastructure projects. The proposed budget includes a six percent increase in water and sewer rates. This is the third increase of a five-year plan to provide for the ongoing financial stability of the Water and Sewer system and is in line with the resolution adopted by the council in FY 2015-16.

The water and sewer system has high fixed costs in the operations and infrastructure needed to meet peak demand while being funded from the revenues of a much lower average usage level. Water and sewer revenues are projected based on an average year's usage, taking rainfall and temperature into account. Exceptionally cool weather and above average rainfall can significantly affect water revenues. The revenue impact of water conservation measures is another factor to be considered. Staff monitors the revenue and expenditures of the fund monthly and will bring to the City Council's attention deviations from projections so that corrective actions can be implemented during FY 2017-18 to ensure the financial stability of the fund and the ability to meet all contractual obligations and debt covenants.

Solid Waste Services Budget

Solid Waste Services is also an enterprise fund where user fees pay for costs of service. The city provides twice-weekly manual curbside refuse collection; weekly recycling; brush and bulky waste collection; and curbside household hazardous waste collection as well as resident access to the municipal landfill. Commercial and multifamily service is primarily provided by private waste haulers.

For several years, solid waste equipment replacement funding has been below levels necessary to maintain an adequate service life of the fleet. For FY 2017-18, replacements of \$3.5 million have been budgeted. This is above the amounts in prior years, but is below the amount projected for replacements in future years.

Solid Waste Services continues to face several challenges, including hiring and retaining workers; risk management, health, and safety issues; equipment replacement needs; and landfill development needs. The FY 2017-18 budget maintains the current service delivery model. Increasing operating maintenance and equipment replacement costs require a proposed rate increase of 5 percent. The total budget for the Solid Waste Services Fund for FY 2016-17 is just below \$16 million.

A new tipping fee charge of \$40 per ton is proposed for all customers at the landfill. This fee will cover the approximately 9,000 tons of waste deposited in the landfill annually at no charge. A roll-off

container will be provided as a convenience for residents with small loads, but a charge will be assessed for any trip to the landfill.

Municipal Drainage Utility Fund Budget

Residents and businesses pay a monthly fee for drainage that generates \$5.27 million in annual revenues. Expenditures are budgeted at \$5.27 million, of which approximately 42 percent is allocated to salaries and benefits for drainage operations. The projects and operations of this fund meet the requirements related to the city's storm water permit. The fund also pays for neighborhood drainage projects, partnerships with three of the four flood control districts within Irving, and personnel to design, build and maintain the storm water drainage network. For FY 2017-18, three positions that were funded in the drainage fund are being returned to the General Fund. This shift in personnel frees up approximately \$343,992 that has been reallocated to neighborhood drainage projects with no increase in the overall budget of the drainage utility.

Hotel Occupancy Tax Funds

Hotel Occupancy Tax (HOT) revenue funds the operations of the Irving Convention and Visitors Bureau, Irving Arts Center, museums, and the Irving Convention Center. The city collects a 9 percent local hotel occupancy tax. The tax is allocated to fund several programs and departments, with 5 percent used for the expenditures of the HOT-related operating departments and programs, 2 percent allocated to the debt service related to the construction of the Irving Convention Center, and an additional 2 percent (Brimer) HOT tax, which was approved by voters in 2007 for the development and construction of the entertainment venue.

Total HOT revenues for FY 2017-18 are projected at approximately \$26.8 million. This is a conservative increase of 1.5 percent above current year projections. Hotel occupancy revenues are very volatile and are sensitive to changes in the national and regional business cycle. This is especially evident in Irving, where the majority of hotel occupancy taxes are paid by business travelers, and travel tends to be the first expense reduced during business contractions. Other factors have also been shown to have temporary impacts on revenue trends.

The Irving Convention Center is the first of a three-phase project envisioned by the city to attract additional visitors to Irving by providing a headquarters hotel as well as entertainment and dining options within walking distance of the Convention Center. The next phase is the Irving Music Factory, the entertainment venue authorized by Irving voters in 2007 on the site anchored by the Convention Center. The first concerts at the Pavilion are scheduled for August 31, 2017, with additional restaurants, offices, and amenities continuing to open throughout the rest of 2017. The final phase will be the Convention Center hotel, which will sit between the Convention Center and the Irving Music Factory. The hotel is scheduled for completion in winter 2018.

Refunding of 2009 Convention Center Debt

In 2009, the city issued \$125.9 million of Combination Tax and Hotel Occupancy Tax Certificates of Obligation to fund the construction of the Irving Convention Center. Based on current market

conditions, the city plans to refund the outstanding bonds in FY 2017-18 and expects to achieve a reduction in total debt service of more than \$45 million dollars. The savings of this refunding are anticipated to be recognized in future years, beginning in FY 2018-19. As a result, the impact of this refunding is not reflected in the debt service projections of the proposed budget.

Capital Expenses

The city currently has authorization to issue \$231.96 million in General Obligation bonds for various infrastructure improvements from bond elections in 1999 and 2006. This funding supports the reconstruction and expansion of major thoroughfares; the construction of new parks, libraries, and fire stations; and new programs and facilities.

The City Council and city management have adjusted the size of each year's capital program to ensure that the volume of projects was within the capability of staff to manage, and also to provide a reasonable debt capacity on the tax base. The City Council and city management have focused on funding projects that were the highest priority, had the most impact on the community, and met the goals and objectives of the Strategic Plan. The total capital program for FY 2017-18 is \$85.9 million, with \$66.8 million financed by debt issuance. This includes the issuance of \$42.5 million in General Obligation bonds, \$8 million in Certificates of Obligation, and \$16.3 million in Water and Sewer revenue bonds. General debt will fund: the city's share of construction and project management costs for State Highway 183 expansion, including drainage improvements for Upper Delaware Creek; the reconstruction of South Nursery Drive; neighborhood street projects;

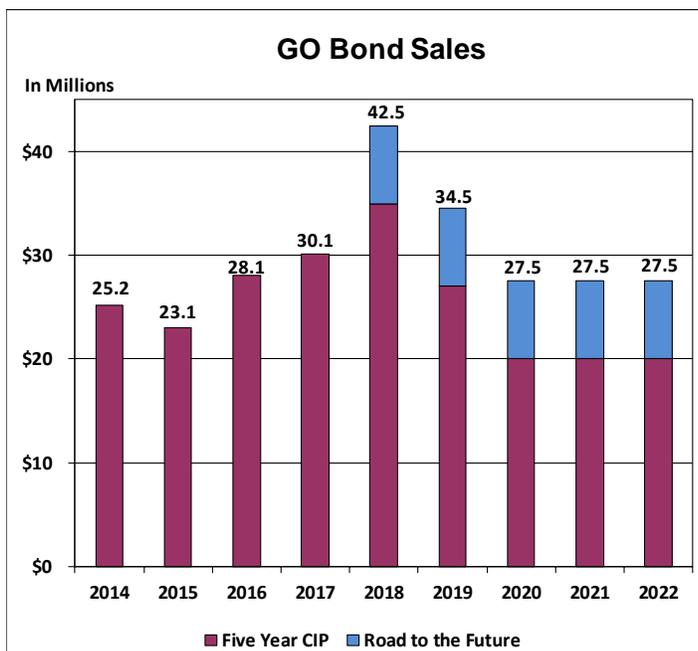
Capital Improvement Program FY 2017-18		
	Debt Financing	Other Sources
Ada, Virginia, Delaware, Carroll and Delaware/Carroll Connector	\$ 600,000	\$ -
Hawthorne and Abelia	2,800,000	-
S. Nursery - Hunter Ferrell to Oakdale	4,100,000	-
Hard Rock and Pioneer	4,800,000	-
TxDOT Participation - SH 183 Expansion	900,000	-
Street Reconstruction/SH 183 Drainage	2,000,000	-
Road to the Future - Year 2	-	2,200,000
TxDOT Participation - Conflans	1,500,000	-
Neighborhood Street Reconstruction - Water and Wastewater	2,000,000	-
Street Rehabilitation	5,500,000	-
Deed Georeferencing		40,000
Upper Delaware Creek Drainage	11,720,000	
Campion Trails	1,200,000	
Cimarron Pool Rehab	800,000	
Heritage Aquatic Center Dectron System	495,000	65,000
Community/Neighborhood Park Development	700,000	
Millennium Fountain Rehabilitation	500,000	
Park Security Lighting Improvements	135,000	
Briery Fuel Tank Replacement	1,300,000	
Fire Facility Design - Station #4 and Apparatus Storage	700,000	-
In-Car Police Video Communication System	750,000	-
Traffic Operations Center		1,000,000
General CIP	\$42,500,000	\$ 3,305,000
Annual Water Main Replacement Program	3,500,000	1,500,000
Road to the Future - Water Line Replacements	1,410,000	
Northgate Pump Station - 5 MG Tank		4,500,000
Northgate Pump Station - Booster Pump	300,000	
SH 183 Drainage/Upper Delaware	320,000	
Hackberry Pump Station - Replace Pump Drive		350,000
Story Elevated Storage Rehab		2,000,000
Walnut Hill Elevated Storage Rehab Design		200,000
Large Meter/Vault Replacements		500,000
Advanced Metering Infrastructure Project		1,000,000
Annual Sewer Main Replacement Program	2,500,000	1,500,000
Road to the Future - Sewer Line Replacements	1,320,000	
Wastewater Master Plan - 18" Betsy S of SH 183	1,500,000	
Wastewater Master Plan - 60" Hackberry/Cottonwood Interceptor	450,000	
SH 183 Drainage/Upper Delaware - SH 183 to Story	1,190,000	
SH 183 Drainage/Upper Delaware - Cripple Creek to SH 183	3,820,000	
Urban Center Sewage Pump Station		2,092,272
Utility Billing System Replacement		1,000,000
Water & Sewer System	\$16,310,000	\$14,642,272
Information Technology - ERP Replacement	8,000,000	
Certificates of Obligation	\$ 8,000,000	\$ -
Neighborhood Drainage		1,145,782
Municipal Drainage Utility	\$ -	\$ 1,145,782
Total	\$66,810,000	\$19,093,054

street rehabilitation; construction of the next section of Campion Trails; rehabilitation of aquatic facilities at Cimarron Pool and the Heritage Senior Center; replacement of lighting and installation of fencing to increase security at several parks; replacement of in-ground fuel storage tanks at the Briery yard; purchase and installation of in-car video equipment for the Police Department; and the design of Fire Station No. 4.

Water and Sewer revenue bonds in the amount of \$16.31 million will fund water and sewer main replacements and replacement of several sewer interceptor lines identified in the wastewater master plan.

Funding for the Enterprise Resource Planning (ERP) software replacement project includes \$8 million in capital equipment that are planned to be funded through the issuance of certificates of obligation.

The remaining \$19.1 million in projects will be financed from non-debt sources of funds, including cash reserves. Funding of capital projects from operating budgets or reserves continues to be a focus. For General non-bond projects, \$3.3 million has been allocated from various sources for street reconstruction, the traffic operations center, assistance with aquatic feature improvements at the Heritage Senior Center and deed georeferencing. Water and Sewer Fund balances in excess of reserve requirements are transferred to a non-bond capital fund to finance capital projects. These savings are used to finance projects and reduce the amount of future debt issuances. For the non-bond CIP budget, over \$14.6 million in water and sewer projects have been identified, as noted in the chart above. Municipal Drainage Utility operating transfers will fund neighborhood drainage improvements of over \$1.1 million.



A key focus of infrastructure improvements is street projects. Just over \$2.2 million in General Fund revenues have been identified in the FY 2017-18 budget to increase funding for street projects as part of the Road to the Future, which will fund \$100 million in street improvements over five years.

The city often uses long-term debt to finance major capital purchases such as those listed above. The city issues several different types of debt. Each type is issued for a specific purpose and is funded by one or more specific revenue streams over the term of the debt. A list of all outstanding debt, which totals \$773,390,000 in principal at Sept. 30,

2017, can be found in the Debt Service section of the budget. Of the total principal outstanding, \$234.51 million is payable from property taxes, with the remaining \$538.88 million paid from revenue sources associated with the purpose the debt was issued for, including water and sewer revenues and hotel occupancy taxes. As can be seen from the chart of GO Bond Sales, the level of debt issued each

year has been adjusted to match the financial capacity of the city. In 2016, the city re-evaluated its debt service capacity and determined that additional growth in taxable values had created additional capacity to issue bonds for capital projects while maintaining the existing tax rate for debt near 13 cents per \$100 valuation. Beginning in FY 2017-18, \$7.5 million per year for five years or \$30 million in total has been dedicated to street projects as part of the Road to the Future initiative. This is in addition to the projects previously proposed in the five-year Capital Improvement Program (CIP).

In Conclusion

The proposed budget is the product of many hours of development and detailed review. The process of matching limited resources with multiple needs proved to be challenging, but not insurmountable. The budget addresses a wide variety of needs to provide the staffing and infrastructure improvements necessary to maintain the high standard of services and amenities provided to our residents, visitors, and businesses. I would like to express my appreciation to our managers, directors, city departments, and the budget team for the long hours of work and review that they have put into developing the proposed budget. Mostly I would like to thank the hard-working employees who help residents every day and who continue to make Irving a better, cleaner, safer place in which to work, live, and play.

A handwritten signature in black ink, appearing to read "Chris Hillman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chris Hillman
City Manager