

**AGENDA**  
**City of Irving**  
**Irving City Council Special Meeting**  
**Monday, December 2, 2019 at 10:00 AM**  
**Westin Irving Convention Center at Las Colinas, Melody Room**  
**400 West Las Colinas Boulevard,**  
**Irving, TX 75039**

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1. Citizen Comments on Items Listed on the Agenda
2. Discuss Debt Service Tax Rate increase and Senate Bill 2 Property Tax Revenue Cap and its effects on City revenue
3. Sensitivity Analysis
  - a. Ad Valorem Taxable Values
  - b. Inflation Factor for Bond Projects
  - c. Future Bond Interest Rates, Bond Premiums and Refundings
4. Future Bond Capacity
5. 2020 Bond Election Citizen Bond Task Force Committee ("Committee") Recommendations by Proposition
  - a. Recap of total amounts recommended by Committee
    - i. Street and Transportation Improvements
    - ii. City Facilities and Infrastructure
    - iii. Public Safety Joint Facilities
    - iv. Police Services
    - v. Fire Services
    - vi. Park and Recreation Services
    - vii. Information Technology Services
    - viii. Library Services
6. 2020 Bond Election City Council Recommendation Discussion

**EXECUTIVE SESSION**

7. Economic Development Negotiations - Project Summit  
Open Meetings Act § 551.087
8. Legal Advice – Entertainment Center Lease  
Open Meetings Act § 551.071

**CERTIFICATION**

I, the undersigned authority, do hereby certify that this notice of meeting was posted on the kiosk at City Hall of the City of Irving, Texas, a place readily accessible to the general public at all times, and said notice was posted by the following date and time:

11-26-19 at 4:14pm and will remain so posted at least 72 hours before said meeting convened.

  
\_\_\_\_\_  
Deputy Clerk, City Secretary's Office

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This meeting can be adjourned and reconvened, if necessary, the following regular business day.

Any item on this posted agenda could be discussed in executive session as long as it is within one of the permitted categories under sections 551.071 through 551.076 and section 551.087 of the Texas Government Code.

A member of the public may address the governing body regarding an item on the agenda either before or during the body's consideration of the item, upon being recognized by the presiding officer or the consent of the body.

This facility is physically accessible and parking spaces for the disabled are available. Accommodations for people with disabilities are available upon request. Requests for accommodations must be made 48 hours prior to the meeting. Contact the City Secretary's Office at 972-721-2493 or Relay Texas at 7-1-1 or 1-800-735-2988.



Item 2 - Debt Service Tax Rate increase and Senate Bill 2 Property Tax Revenue Cap impact on Maintenance and Operation Revenues

City Council Work Session  
December 2, 2019



## Overview

- Estimate the impact Senate Bill 2 has on
  - Debt Service Tax Rate
  - Maintenance and Operations Rate
    - Ad Valorem Taxes
      - 3.5% Voter Approval Rate (Revenue Cap)
      - New Construction
  - Key Maintenance and Operations (M&O) Costs
    - Salaries and Benefits
    - Development Incentive Agreements
    - Transfers to TIF Districts
    - Facility, Infrastructure and Technology Maintenance

## Debt Service Tax Rate Task

- Estimate impact on Bond Capacity when a reduction in the Maintenance and Operations Tax Rate caused by Senate Bill 2 is added to the Debt Service Tax Rate to maintain a total tax rate of .5941 per hundred dollars taxable valuation.
  - Perform a “What If” calculation assuming Senate Bill 2 had been in place in FY19-20
  - Debt Capacity Calculation based on results
  - Probable Timeline

3

## Senate Bill 2 Recap

- Replaces 8% Rollback Rate with a Voter Approval Rate of 3.5%.
- Intent is to limit amount of tax revenue generated on increases in taxable value to 3.5% year over year, excluding new construction.
  - Because of changes in exemptions and tax incentives (Tax Increment Financing Zones, Tax Abatements, Economic Development), the calculation is more complex than it sounds.

4

## Funding Options

- Current Debt Service allocation of 0.5941 tax rate is 0.1200
- Citizen Bond Task Force Committee presented several options to increase debt service capacity:
  - Maintain 0.1200 allocation
  - Increase allocation to 0.1300
  - Increase allocation to 0.1400
- Depending on timing and growth in total taxable value, these scenarios to adjust the allocation of the tax rate from M&O to I&S would not necessarily increase the total tax rate of 0.5941

5

## FY19-20 What If Calculation

- If Senate Bill 2 had been in place for the FY19-20 Fiscal/Budget Year (based on 2019 Taxable Values provided to the City July 25, 2019), the estimated amount over the Voter Approval Rate Cap of 3.5% would have been \$1,563,798.
- If that amount had been included in the Debt Service rate, the change in components of the Tax Rate would be:

Component	Before	After
Maintenance & Operations	.4741	.4685
Debt Service	.1200	.1256
<b>Total Tax Rate</b>	<b>.5941</b>	<b>.5941</b>

6

## Debt Capacity Calculation

- To move the \$1,563,798 into the Debt Service Fund would require the City
  - To use the first year's amount to cash fund refundable debt, then
  - The second and following year's cash could be used to support new debt.
- Cash funding refundable debt would generate additional debt service cash in the second and following years.
  - Example is based on an additional \$170,000 a year for Debt Service
- Total Cash Flow to support debt in second and subsequent years would be \$1,733,798 (\$1,563,798 + \$170,000)
- Capacity Increase using level annual principal repayment, would be about \$25 million for a 20 year issue

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## Probable Timeline could have been

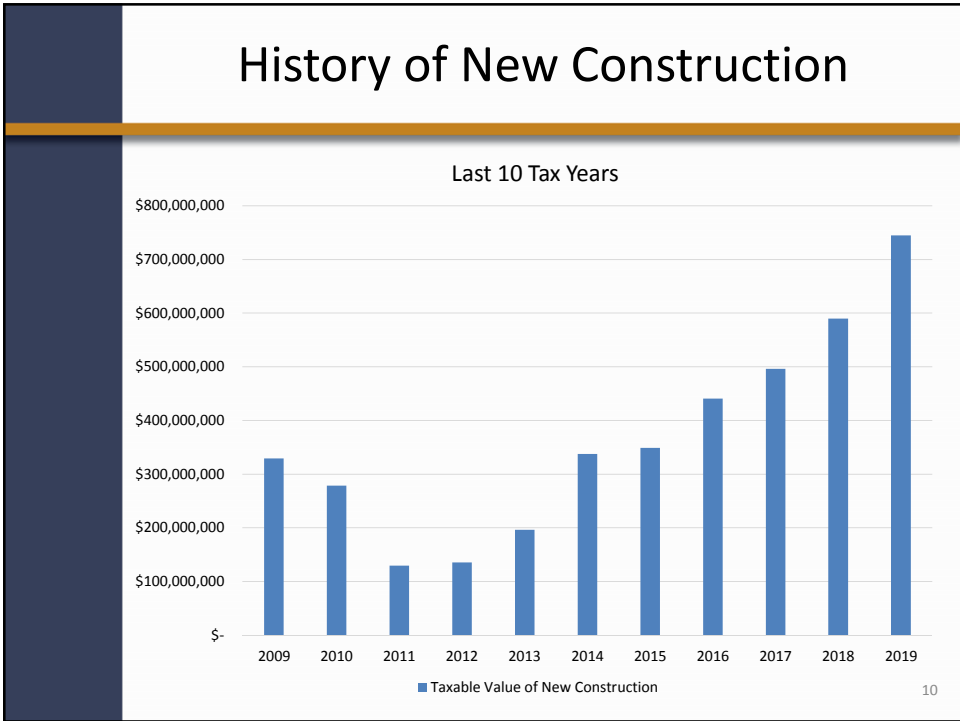
- May 2019 - Council Debt Service and Capital Improvement Program (CIP) in Budget and Strategic Planning Session
- August 2019 – Staff presents updated Debt Service and CIP budgets (including the \$25 million increase in FY19-20), using any additional amount to maintain Total Tax Rate at .5941
- July 2020
  - Uses \$1.564 million to Cash Fund Refunding
  - Issued new debt based on an additional capacity of \$25 million
- FY20-21 – First debt payment made on new debt

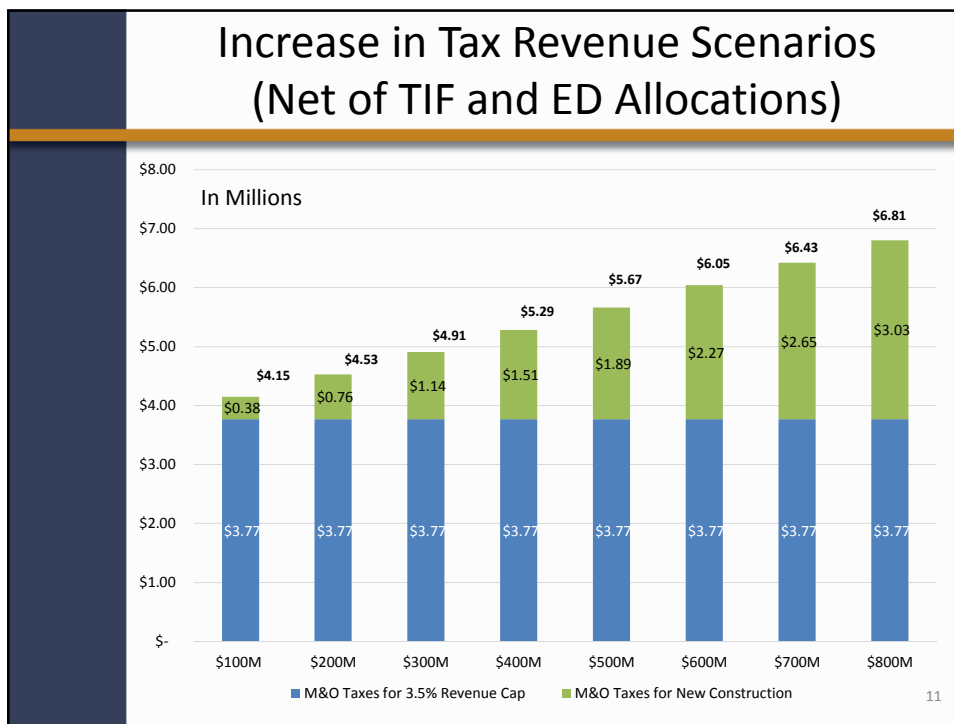
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## FY20-21 M&O Revenue Cap Impact

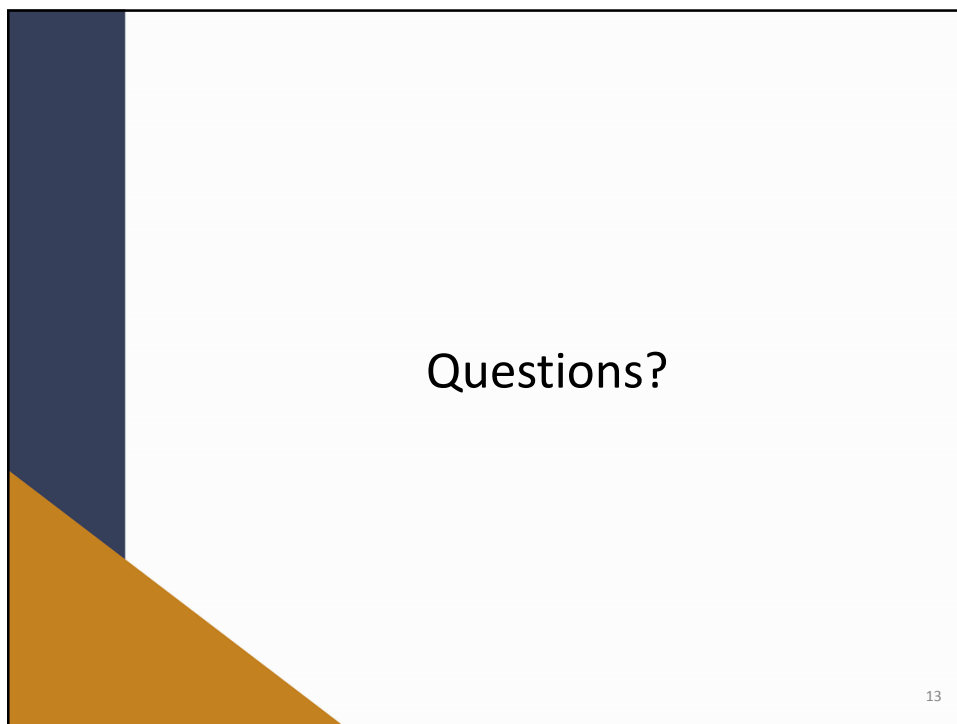
- Revenue Cap at 3.5%
  - Simplified calculation is to add 3.5% to the FY19-20 M&O Taxes
    - \$107.7 million \* 3.5% = \$3.77 million

9





- ### Key M&O Costs
- Salaries and Benefits
    - Step Increases for General Fund, including General Government and Police and Fire Civil Service have an annual cost of \$3.6 million
    - 3% Market Adjustments for Police and Fire and 1.5% Cost of Living Adjustment for remaining City Employees have an annual cost of \$3.5 million
  - Current deficiencies in Facility, Infrastructure and Technology Maintenance
  - Certain Economic Development Incentives
  - Addition of new facilities constructed with Bond Funds will have new M&O costs
- 12







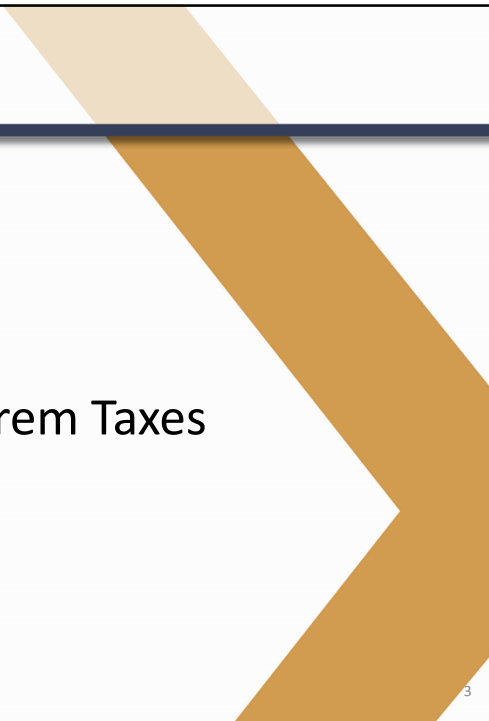
## Item 3 - Sensitivity Analysis

City Council Work Session  
December 2, 2019



## Sensitivity Analysis

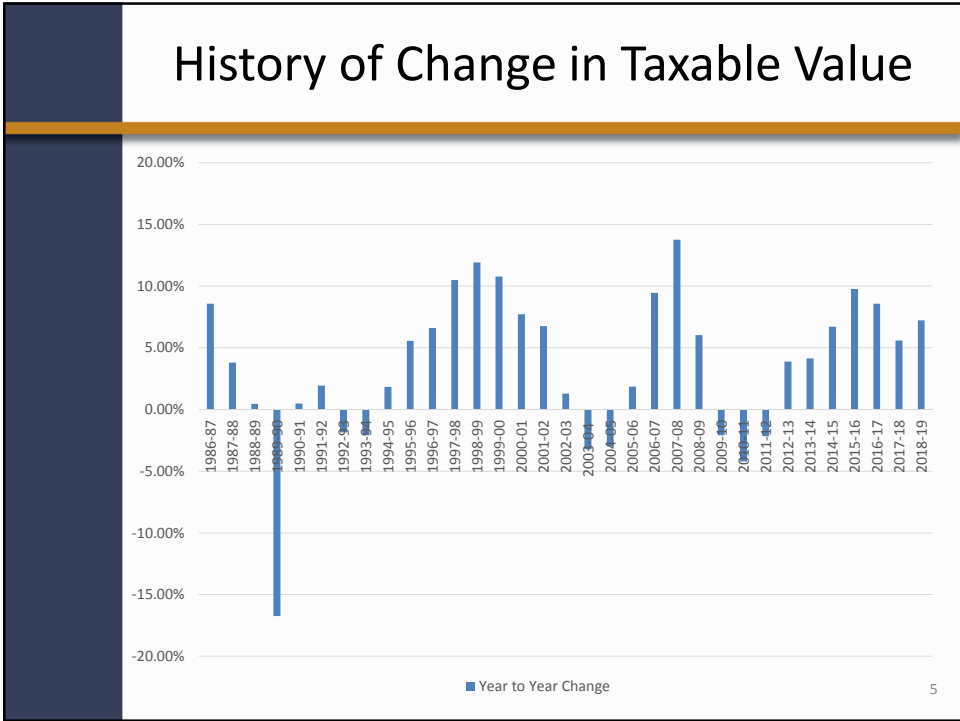
- Ad Valorem Taxes
  - History of Taxable Value Changes
  - Base Projection
  - Sensitivity Analysis
- Project Costs at Various Inflation Factors
- Other Items Influencing Capacity
  - Bond Interest Rates
  - Refundings



## Ad Valorem Taxes

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- ## Base Projection
- Assumes Taxable Value will increase:
    - 6% in year 1
    - 4% in year 2
    - 3% in years 3 and 4
    - 2% in year 5 and future years
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### List of Scenarios used in the Sensitivity Analysis

Scenarios	Scenarios
1-Base Growth Rate	12-1994 - 2009 Recession
2-Base Plus 1%	13-1995 - 2010 Recession
3-Base Minus 1%	14-1996 - 2011 Recession
4-1986 - 2001 Recession	15-1997 - 2012 Recession
5-1987 - 2002 Recession	16-1998 - 2013 Recession
6-1988 - 2003 Recession	17-1999 - 2014 Recession
7-1989 - 2004 Recession	18-2000 - 2015 Recession
8-1990 - 2005 Recession	19-2001 - 2016 Recession
9-1991 - 2006 Recession	20-2002 - 2017 Recession
10-1992 - 2007 Recession	21-2003 - 2018 Recession
11-1993 - 2008 Recession	22-2004 - 2019 Recession

Scenarios 4 to 22 were calculated using a 15 year rolling average

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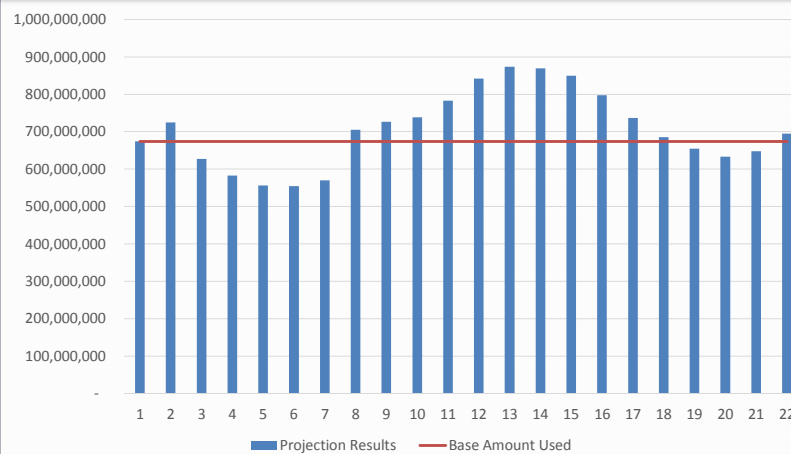
## List of Scenarios used in the Sensitivity Analysis - Reprint

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## Change in Taxable Value Sensitivity Analysis – 15 year Rolling Average



Scenarios are listed in the table on the previous page

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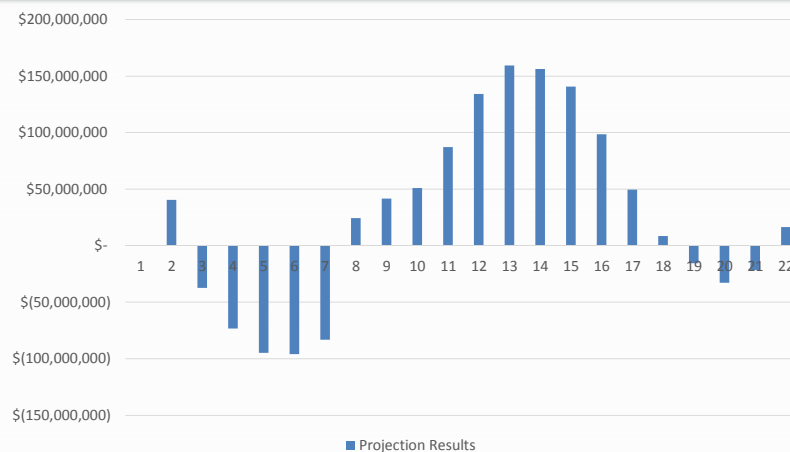
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Scenarios 4 to 22 were calculated using a 15 year rolling average

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## Change in Possible Bonded Debt Sensitivity Analysis – 15 year Rolling Average



Scenarios are listed in the table on an earlier page

10

## Ad Valorem Taxes Conclusion

We are comfortable the Taxable Value growth assumption is realistic.

11

## Project Costs at Various Inflation Factors

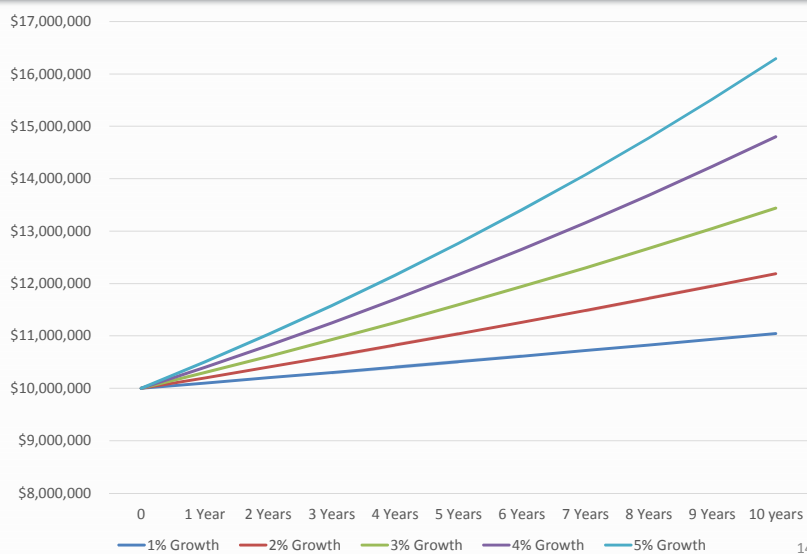
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## Inflation Factor

- Recognizing the projects will not be completed in the first year, it is necessary to add an inflation factor.
- To calculate that factor, we need to understand not only which projects are being proposed but when they are expected to be completed.

13

## Growth of a \$10 Million Project over a 10-Year Period at various Inflation Factors



14

## Project Costs at 3% Inflation Factor

Year	Project Cost	Cumulative Inflation Factor
Base	45,000,000	
1	46,350,000	3.00%
2	47,740,500	6.09%
3	49,172,715	9.27%
4	50,647,896	12.55%
5	52,167,333	15.93%
6	53,732,333	19.41%
7	55,344,324	22.99%
8	57,004,654	26.67%
9	58,714,793	30.48%
10	60,476,237	34.39%

As an example, \$45 million in projects at today's cost, would cost \$60.4 million in 10 years with an inflation factor of 3% per year

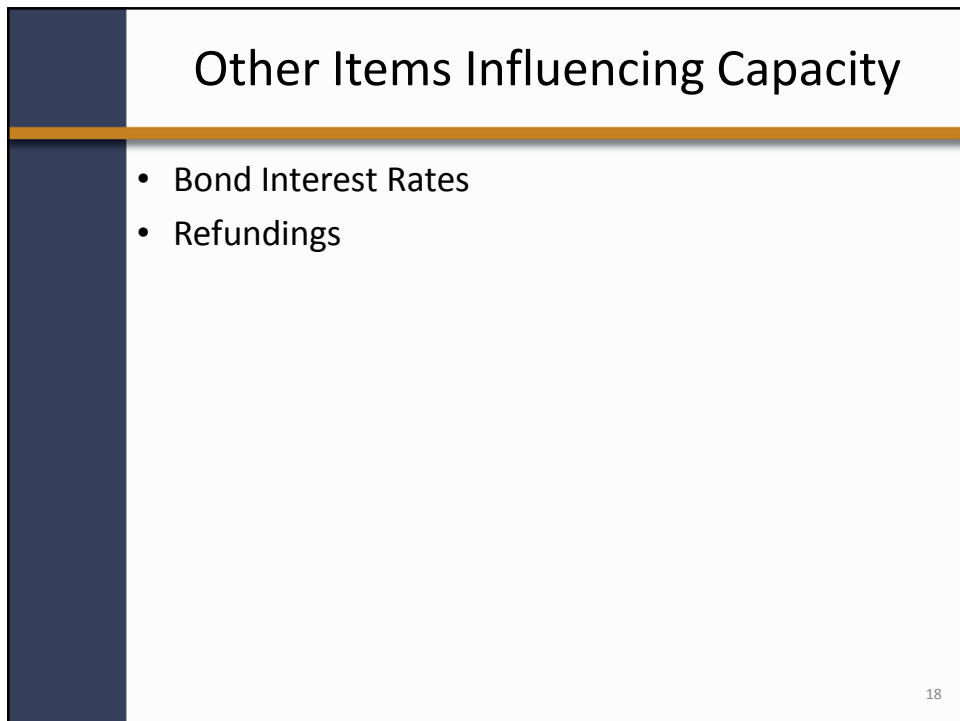
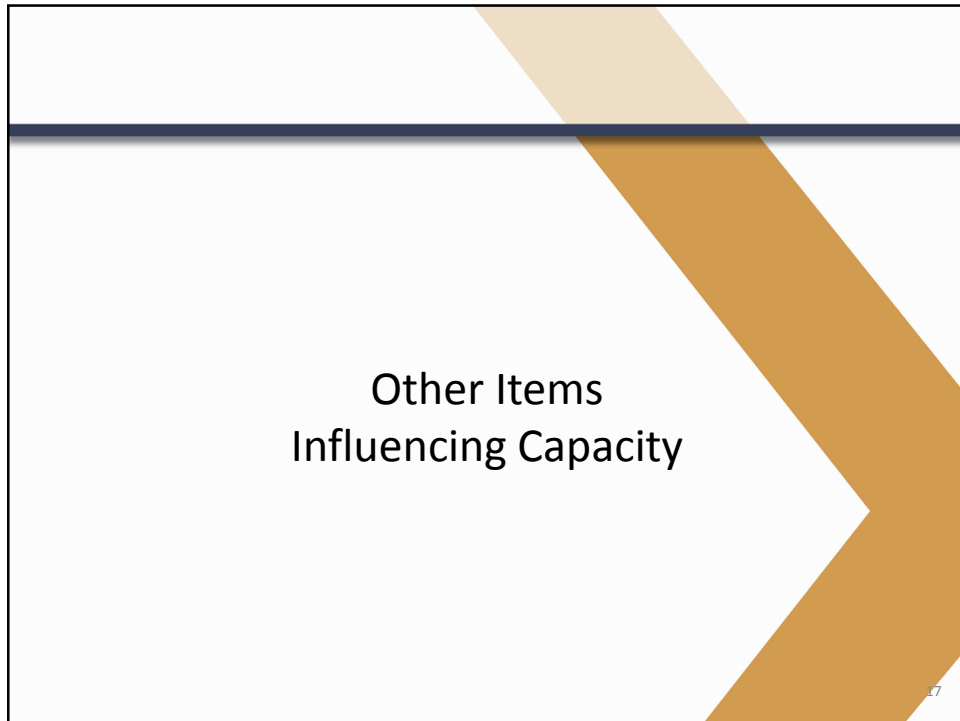
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## Inflation Factor Conclusion

- We recommend an inflation factor be added to the cost of the projects
- Since some projects will be completed in the first year and some in the last, we can use a blended inflation factor to apply to the Proposition groups
  - For projects constructed fairly evenly over the 10 year period, the 3% inflation factor to be applied to the Proposition group would be 16%, or about \$64 million
  - For individual projects, we would need to know the projected construction year and apply the appropriate factor from the table shown on the previous page

16





## Bond Interest Rates

- The base Bond Capacity calculations use conservative interest rates
  - Bonds are usually sold at a premium
  - Over the last two years, premiums have been in the 12% to 14% range.
  - Assuming rates remain low, we can expect similar results in the future – estimate of \$4 million a year in additional capacity

19

## Refundings

- The City generally saves funds when bonds are Refunded
  - This is magnified by the repayment of the \$4.8 million Hotel Occupancy Tax Loan over the next 5 to 6 years
  - The Refunding we completed in July 2019 would have generated \$2.5 million in additional capacity.

20

## Other Items Influencing Capacity Conclusion

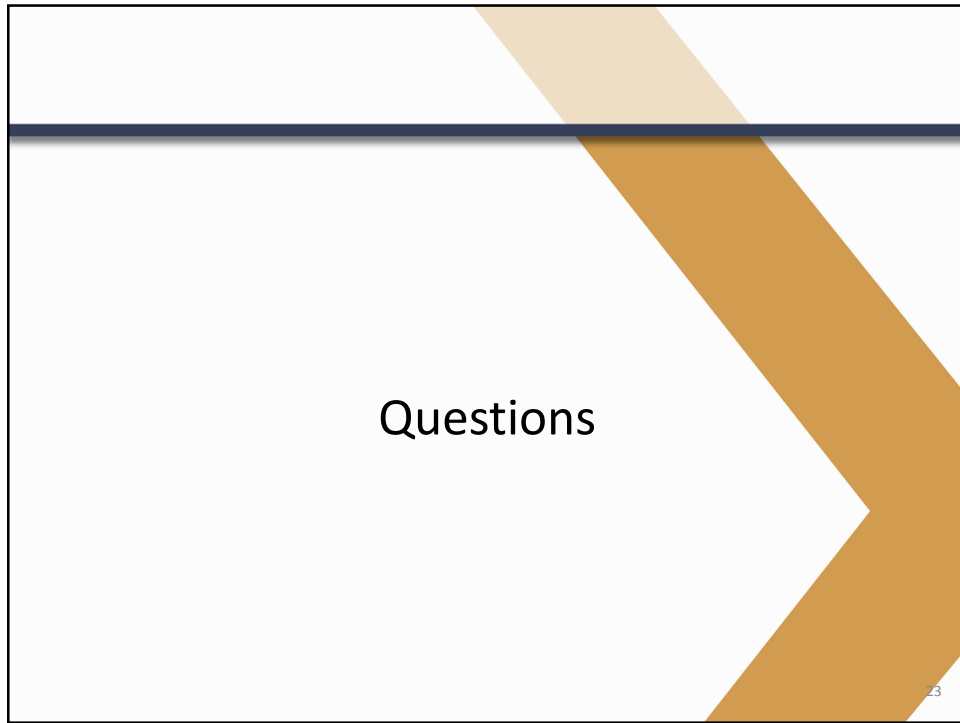
- We believe the additional capacity created by Bond Premiums, and savings from Refundings (magnified by the repayment of the HOT Loan) will provide enough revenues to cover the \$65 million inflation factor

21

## Overall Conclusion

- We recommend the Council identify proposed Bond Projects using current project value estimates, then
  - Finance and Capital Improvement Program Staff will work together to predict when projects will be constructed, then
  - Finance will calculate the appropriate Inflation Factor to be added to each Proposition
- We believe this approach is low risk, for projects can only be completed when Tax Capacity is sufficient to issue Bonds.

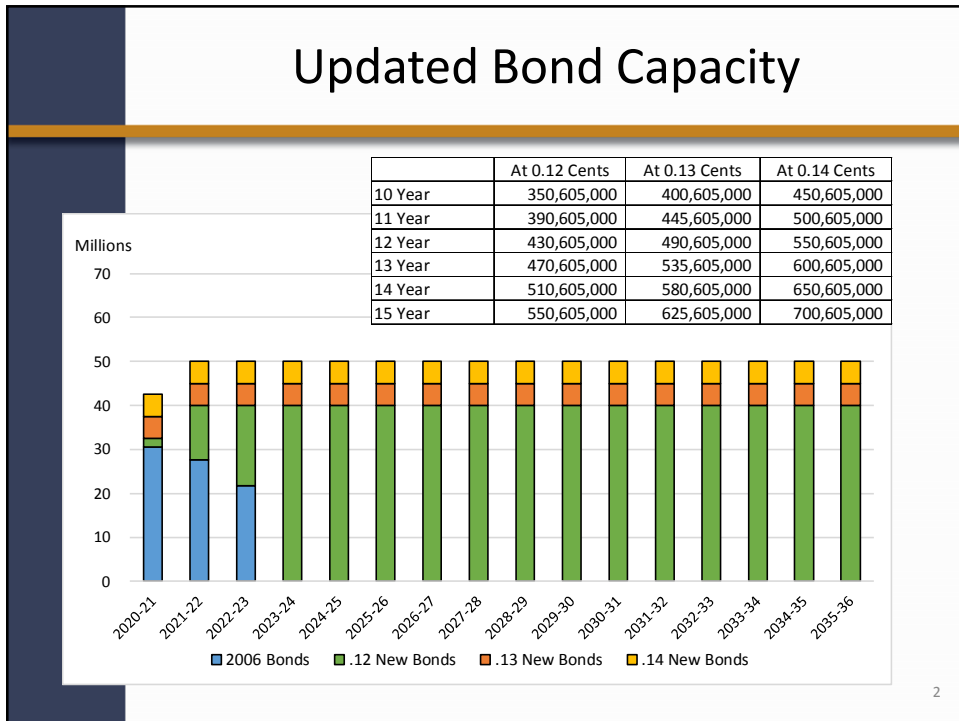
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## Item 4 - Future Bond Capacity

City Council Work Session  
December 2, 2019

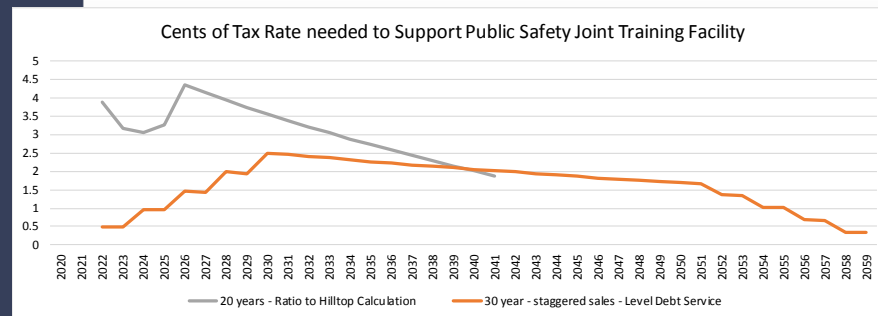



## Public Safety Training Facility

- Size and scope of project is so large, an alternate financing approach should be considered.
- Based on the assumptions the project:
  - Has a current construction cost estimate of \$137 million,
  - Will be done in stages over the next 10 years, and
  - Including a 5% inflation factor each year,
- Using a 30 year term (instead of 20) and level annual debt service payments (instead of equal principal), would increase the bond capacity in the 2021 to 2030 time period by about \$80 million.

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## Public Safety Joint Facility Funding



The cents of tax rate difference between the gray and orange lines for the 2022-2031 Period generates the debt service to provide the additional \$80M Bond Capacity


4





**Item 5 - 2020 Bond Election Citizen  
 Bond Task Force Committee  
 Recommendations by Proposition**

City Council Work Session  
 December 2, 2019



## Committee Recommendations

	Capital Costs	Annual Operating Costs
PROPOSITION NO. 1 - STREET AND TRANSPORTATION IMPROVEMENTS	\$227,780,000	
PROPOSITION No. 2 - CITY FACILITIES AND INFRASTRUCTURE	\$24,500,000	
PROPOSITION No. 3 - PUBLIC SAFETY JOINT FACILITIES	\$137,000,000	
PROPOSITION No. 4 - POLICE SERVICES	\$29,800,000	
PROPOSITION No. 5 - FIRE SERVICES	\$41,100,000	\$3,250,000
PROPOSITION No. 6 - PARK AND RECREATION SERVICES	\$76,320,000	\$716,411
PROPOSITION No. 7 - INFORMATION TECHNOLOGY SERVICES	\$15,000,000	\$413,000
PROPOSITION No. 8 - LIBRARY SERVICES	18,500,000	559,788
<b>GRAND TOTAL</b>	<b><u>\$570,000,000</u></b>	<b><u>\$4,939,199</u></b>



# Proposition 1

	<u>Capital Costs</u>	<u>Annual Operating Costs</u>
<b><u>PROPOSITION NO. 1 - STREET AND TRANSPORTATION IMPROVEMENTS</u></b>		
<u>Street Lighting</u>	\$4,000,000	
<u>Traffic Signals</u>	\$8,000,000	
<u>Sidewalks</u>	\$21,500,000	
<u>Alleyways</u>	\$5,000,000	
<u>Traffic Congestion Relief</u>	\$3,000,000	
<u>Paving Improvements</u>	\$156,280,000	
<u>Project Participation</u>	\$30,000,000	
<b>SUBTOTAL</b>	<b>\$227,780,000</b>	

3

# Proposition 2

	<u>Capital Costs</u>	<u>Annual Operating Costs</u>
<b><u>PROPOSITION No. 2 - CITY FACILITIES AND INFRASTRUCTURE</u></b>		
<u>City Facilities</u>		24,500,000
Bear Creek Stabilization	1,000,000	
Irving Arts Center Roof Replacement	3,000,000	
Irving Arts Center HVAC	1,000,000	
Valley View Municipal Complex	2,500,000	
Fleet Services	5,000,000	
General government facilities reconstruction, remodel and replacement		
Priority 1	4,700,000	
Priority 2	5,100,000	
Priority 3	1,900,000	
Priority 4	300,000	
<b>SUBTOTAL</b>		<b>\$24,500,000</b>

4

## Proposition 3

	Capital Costs	Annual Operating Costs
<b><u>PROPOSITION No. 3 - PUBLIC SAFETY JOINT FACILITIES</u></b>		
<b><u>Joint Police and Fire Operations and Training Facility</u></b>		
Police and Fire Dispatch		
Emergency Operations Center		
North Police Station Relocation		
Joint Training Facilities	\$25,000,000	
Driving Skills/Training Pad	\$6,000,000	
		\$69,000,000
<b><u>Police Facilities at Joint Training and Operations Center</u></b>		
Gun Range	\$13,500,000	
ALERRT Training Facility	\$12,500,000	
Vehicle Storage Facility	\$2,200,000	
		\$36,000,000
<b><u>Fire Facilities at Joint Training and Operations Center</u></b>		
Specialty Fire Training Classroom	1,000,000	
		\$1,000,000
<b>SUBTOTAL</b>	<b>\$137,000,000</b>	

5

## Propositions 4 & 5

	Capital Costs	Annual Operating Costs
<b><u>PROPOSITION No. 4 - POLICE SERVICES</u></b>		
<b><u>Police Facilities</u></b>		
Property/Evidence Building	17,500,000	
Police Information Technology	5,800,000	
Animal Care Campus Expansion	5,500,000	
Criminal Justice Center Renovations	1,000,000	
		\$29,800,000
<b>SUBTOTAL</b>	<b>\$29,800,000</b>	
<b><u>PROPOSITION No. 5 - FIRE SERVICES</u></b>		
<b><u>Fire Facilities</u></b>		
Central Fire Station	6,600,000	\$2,300,000
Fire Station # 8	8,500,000	\$950,000
Fire Station # 9	7,000,000	
Fire Station # 3	7,000,000	
Other Fire Station Renovations	5,000,000	
Fire Station # 7	7,000,000	
		\$41,100,000
<b>SUBTOTAL</b>	<b>\$41,100,000</b>	<b>\$3,250,000</b>

6

## Proposition 6

	<u>Capital Costs</u>	<u>Annual Operating Costs</u>
<b><u>PROPOSTION No. 6 - PARK AND RECREATION SERVICES</u></b>		
<b><u>Park Development</u></b>		
Fritz Park Phase I	5,100,000	
Southwest & Oak Meadows Park	2,900,000	
Lively Park	3,000,000	
	<b>\$11,000,000</b>	
<b><u>Recreation Facilities</u></b>		
Irving Golf Club	2,120,000	
Soccer Complex	3,200,000	
North Recreation Center Expansion	20,000,000	\$577,401
Senter Recreation Center Expansion	25,000,000	\$139,010
	<b>\$50,320,000</b>	
<b><u>Land Acquisition</u></b>		
Airport Property	10,000,000	
Mustang Recreation Center Expansion	5,000,000	
	<b>\$15,000,000</b>	
<b>SUBTOTAL</b>	<b>\$76,320,000</b>	<b>\$716,411</b>

7

## Propositions 7 & 8

	<u>Capital Costs</u>	<u>Annual Operating Costs</u>
<b><u>PROPOSITION No. 7 - INFORMATION TECHNOLOGY SERVICES</u></b>		
<b><u>Fiber Optics Network</u></b>		
Mission-Critical Facilities Connectivity Jump-start tangible Smart Cities technologies from the expanded fiber network	10,000,000	\$275,471
	5,000,000	\$137,529
<b>SUBTOTAL</b>	<b>\$15,000,000</b>	<b>\$413,000</b>
<b><u>PROPOSITION No. 8 - LIBRARY SERVICES</u></b>		
<b><u>Library Services</u></b>		
Construct New Library	17,400,000	\$479,788
Library Technology	650,000	\$50,000
Alternative Library Service Points	450,000	\$30,000
<b>SUBTOTAL</b>	<b>18,500,000</b>	<b>559,788</b>

8

