

# Memorandum



CITY OF DALLAS

DATE January 14, 2011

TO Honorable Mayor and Members of the City Council

SUBJECT Budget Workshop #2: FY 2011-12 Preliminary Outlook

This briefing provides an overview of the major issues the City will be facing as the upcoming FY2011-12 budget is developed. The FY2011-12 revenues and expenditures discussed in the briefing are preliminary estimates provided as a range of forecasts to illustrate potential impact on the City's budget. We will be updating and refining these estimates as we receive more data. Additional briefings on the status of the budget will be provided during the upcoming months.

Please let me know if I can provide any additional information.

A handwritten signature in black ink, reading "Jeanne Chipperfield".

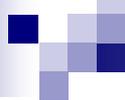
Jeanne Chipperfield  
Chief Financial Officer

C: Mary K. Suhm, City Manager  
Thomas P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Deborah Watkins, City Secretary  
Ryan S. Evans, First Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest Turner, Assistant City Manager  
Jack Ireland, Director, Office of Financial Services

# Budget Workshop #2: FY 2011-12 Preliminary Outlook

City Council Briefing – January 19, 2011





# Purpose

- Review schedule for development of FY 2011-12 budget
- Provide a preliminary outlook of general fund and debt service budgets for FY 2011-12

# Budget Schedule

- Development of FY 2011-12 budget is year-long process
  - Began Oct 2010 with update of Strategic Plan and ends with budget adoption in Sep 2011
- Budget being developed is for FY 2011-12 and covers period from Oct 1, 2011 through Sep 30, 2012

Oct 19	Budget Workshop #1: Update on results of citywide Strategic Plan
Jan 19	Budget Workshop #2: (A) preliminary outlook of general fund and debt service fund and (B) City Council confirm objectives and strategies for six Key Focus Areas (KFA)
Jan 25	Departments are invited to submit bids to accomplish City Council goals and objectives
Feb 16	Budget Workshop #3: Set overall “price” of government for FY 2011-12
Feb 25	Departments submit bids to CMO, OFS, and KFA Teams for funding consideration
Feb 28	“Price” (available funding) is allocated to each KFA
Mar 1-31	KFA Teams evaluate and prioritize bids/offers submitted by departments based on Council confirmed objectives and strategies; and “draw the line” when money allocated to KFA Team runs out

# Budget Schedule

Mar 9	Public Hearing
Apr 1-30	City Manager's Office reviews and refines rankings established by KFA Teams
May 18	Budget Workshop #4: Preliminary rankings
May 25	Public Hearing
May 26	Preliminary tax roll
Jun 15	Budget Workshop #5: Rankings and budget review
Jul 26	Certified tax roll
Aug 8	Budget Workshop #6: City Manager's recommended budget
Aug 8–Sep 6	Begin town hall meetings
Aug 22	Budget Workshop #7: Topics TBD
Aug 24	Public Hearing
Sep 7	Budget Workshop #8: Topics TBD
Sep 14	Adopt Budget at First Reading
Sep 19	Budget Workshop #9: Council Amendments
Sep 21	Budget Workshop #10: Council Amendments (if necessary)
Sep 28	Adopt Budget at Second Reading

# Preliminary Outlook

- Preliminary outlook is provided as range of forecasts to illustrate potential impact (“lesser” to “greater”) that various scenarios may have on revenues and expenditures
- Forecasts are very preliminary and will change before FY 2011-12 budget is recommended by City Manager on Aug 8
  - Forecasts are being made 9 months in advance of beginning of the 12-month fiscal year that runs through Sep 30, 2012 (21 months in future)
  - Limited new information is available since adoption of FY 2010-11 budget in Sep 2010 (3 months ago)

# Revenue Outlook

Revenues – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Property Tax – Decline of property tax base value forecast for FY 2011-12. Possible range from 4.23% value loss to 0.27% value loss.	(\$27.1)	(\$1.7)
Sales Tax – Increase above current year budget may range from 1.2% growth to 2.5% growth.	+\$1.7	+\$5.0
Landfill Revenues – Decline in landfill revenue is forecast. Revenue decline could be offset and revenue could increase with implementation of “flow control” for 12 full months of FY 2011-12.	(\$4.4)	+\$12.8
Other Revenues - Includes franchise fees, fund balance, sale of surplus property and abandonments.	(\$14.9)	(\$13.1)
<b>Total Possible Revenue Adjustments</b>	<b>(\$44.7)</b>	<b>+\$3.0</b>

# Expenditure Outlook

Expenditures – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
<p>Police and Fire – Meet and Confer Requirements (assumes revenue triggers are not met for FY 2011-12).</p> <ul style="list-style-type: none"> <li>•Retention incentive for recently hired officers.</li> <li>•Restore overtime pay in-lieu of comp time at mid-year.</li> <li>•Reduce mandatory city leave days from 5 to 3 for uniform personnel.</li> </ul>	+\$8.4	+\$8.4
<p>Public Safety adjustments include –</p> <ul style="list-style-type: none"> <li>•Hire police officers for half of attrition in FY 2011-12.</li> <li>•Purchase 200 replacement marked squad cars.</li> <li>•Purchase 19 ambulances.</li> <li>•Full-year-funding for truck at Fire Station #10 (Frankford at Tollway).</li> <li>•O&amp;M for Fire Station #50 (Keeneland at Walton Walker).</li> <li>•Purchase replacement protective equipment for firefighters.</li> <li>•Fund assessment center for police and fire promotional exams.</li> </ul>	+\$13.2	+\$13.2
<p>Sanitation – Implementation of “flow control” at landfill will require increased expense including equipment, personnel, permitting, infrastructure and enforcement of ordinance.</p>	n/a	+\$4.0

# Expenditure Outlook

Expenditures – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Electricity and Fuel – <ul style="list-style-type: none"> <li>•Oncor has filed rate case which will impact transmission and distribution cost.</li> <li>•Per gallon cost of fuel is expected to increase.</li> </ul>	+\$9.3	+\$3.2
Civilian personnel – reduce mandatory city leave days. Range indicates reducing days from 8 to 3 or from 8 to 5. (Meet and Confer requires reduction of mandatory city leave days from 5 to 3 for uniform employees.) Assume no restoration of salary reductions implemented in current year for civilian employees.	+\$4.1	+\$2.4
Employee/Retiree Health Benefits – Increased expense assumed at 4% and 10%. City’s share of total cost is 50%.	+\$5.8	+\$3.8
Miscellaneous expenditure adjustments include – zoo obligation, HR total compensation study, transfer to State for Super Bowl, TIF adjustments, ATTPAC, zoning and historic preservation.	+\$2.4	+\$0.9
Operation and Maintenance cost associated with capital improvement projects include – Woodall Rodgers tunnel maintenance/lighting, White Rock Hills Branch Library, and Elm Fork Soccer fields.	+\$3.6	+\$3.6

# Expenditure Outlook

Expenditures – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Debt Service adjustments include – <ul style="list-style-type: none"><li>•Decreased cost associated with debt issued prior to Dec 2010.</li><li>•Increased cost for full-year funding of commercial paper interest.</li><li>•Assumed issuance of GO Bonds to retire commercial paper.</li></ul>	+\$4.5	+\$4.5
<b>Total Possible Expenditure Adjustments</b>	<b>+\$51.3</b>	<b>+\$44.0</b>

# Outlook – Summary

Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Revenue adjustments	(\$44.7)	+\$3.0
Expenditure adjustments	+\$51.3	+\$44.0
<b>Differential</b>	<b>(\$96.0)</b>	<b>(\$41.0)</b>

- Preliminary outlook for FY 2011-12 indicates a differential between revenues and expenses ranging from \$41.0m to \$96.0m
- Differential will be eliminated by Aug 8 when City Manager recommends balanced budget
- Council feedback and confirmation of Key Focus Area objectives and strategies will be used in budget development and balancing FY 2011-12

# Other Considerations

- Federal Government's efforts to address current year spending levels which are still not final and FY 2011-12 budget (coming out on Feb 25), will possibly impact City's budget
  - Areas likely to be affected are non-defense, non-homeland security discretionary spending, including core local government grant programs such as CDBG, HOME, and local law enforcement assistance
- State Legislative action to close State's significant budget gap may possibly affect City's budget
  - Potential impacts include loss of franchise fees, loss of red light camera revenue, loss of transportation funding, TCEQ fee increases, additional State court costs tacked onto City issued citations, and unfunded mandates