

SETTING THE PRICE OF CITY GOVERNMENT

City Council Session
February 21, 2007





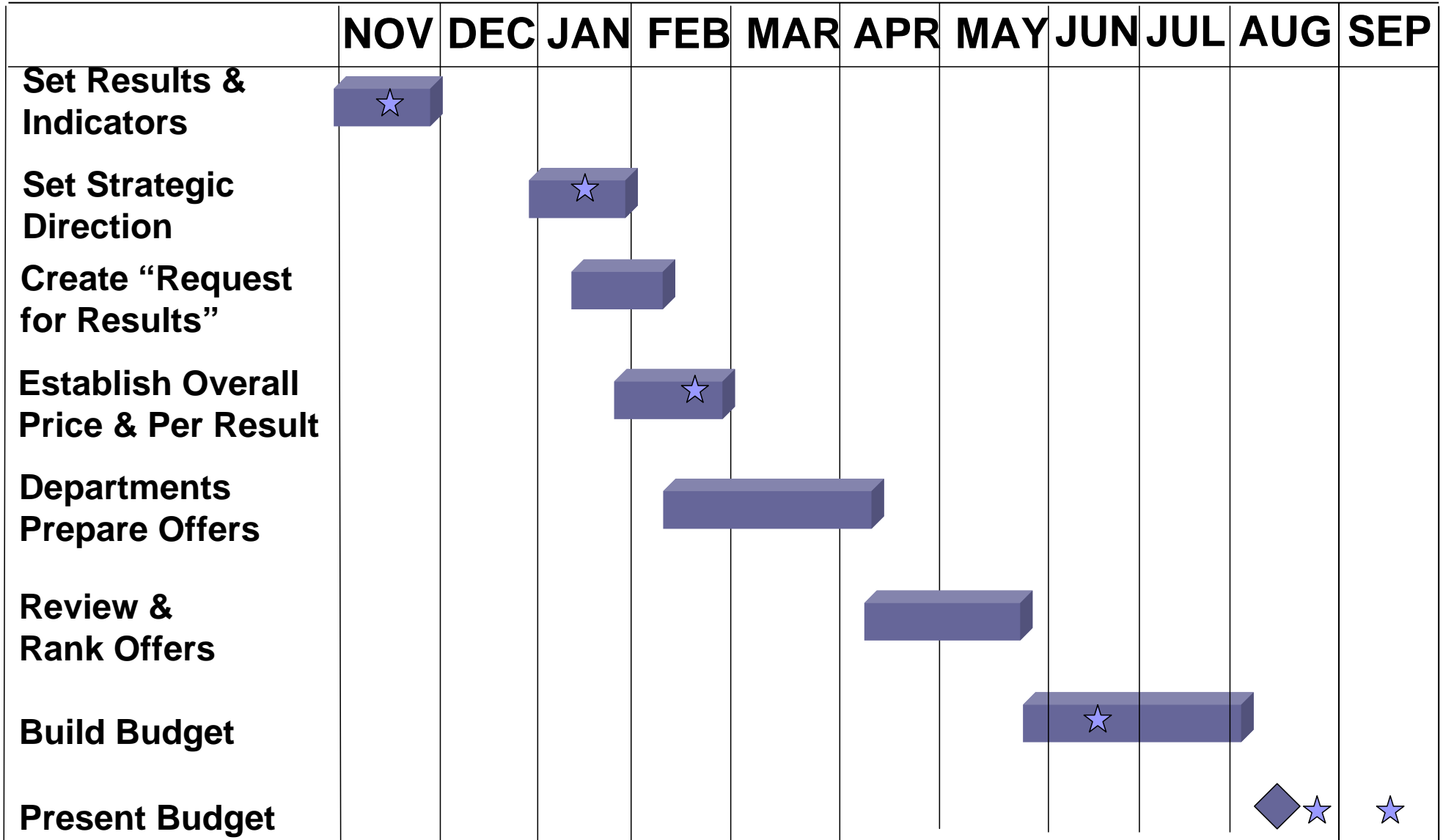
Purpose of This Session

- Update Council on the FY 2007-08 Budgeting for Outcomes Process
- Describe Methodology to Set the “Price of Government” for the city of Dallas
- Recommend a “Price of Government” for the city of Dallas for FY 2007-08

Steps in Budgeting For Outcomes Process

- ✓ Establish Citywide Results & Indicators
- ✓ Set Strategic Direction for FY 2007-08
- ✓ Create “Requests for Results”
- ✓ Invite Departments to Make Offers
- Set Overall “Price” of Dallas Government
- Allocate “Price” to Each Result
- Evaluate & Prioritize Offers in Each Result
- Buy Down the List of Offers Until the Money Runs Out (“draw the line”)
- Build Final Budget to Present to Council

BFO Timeline



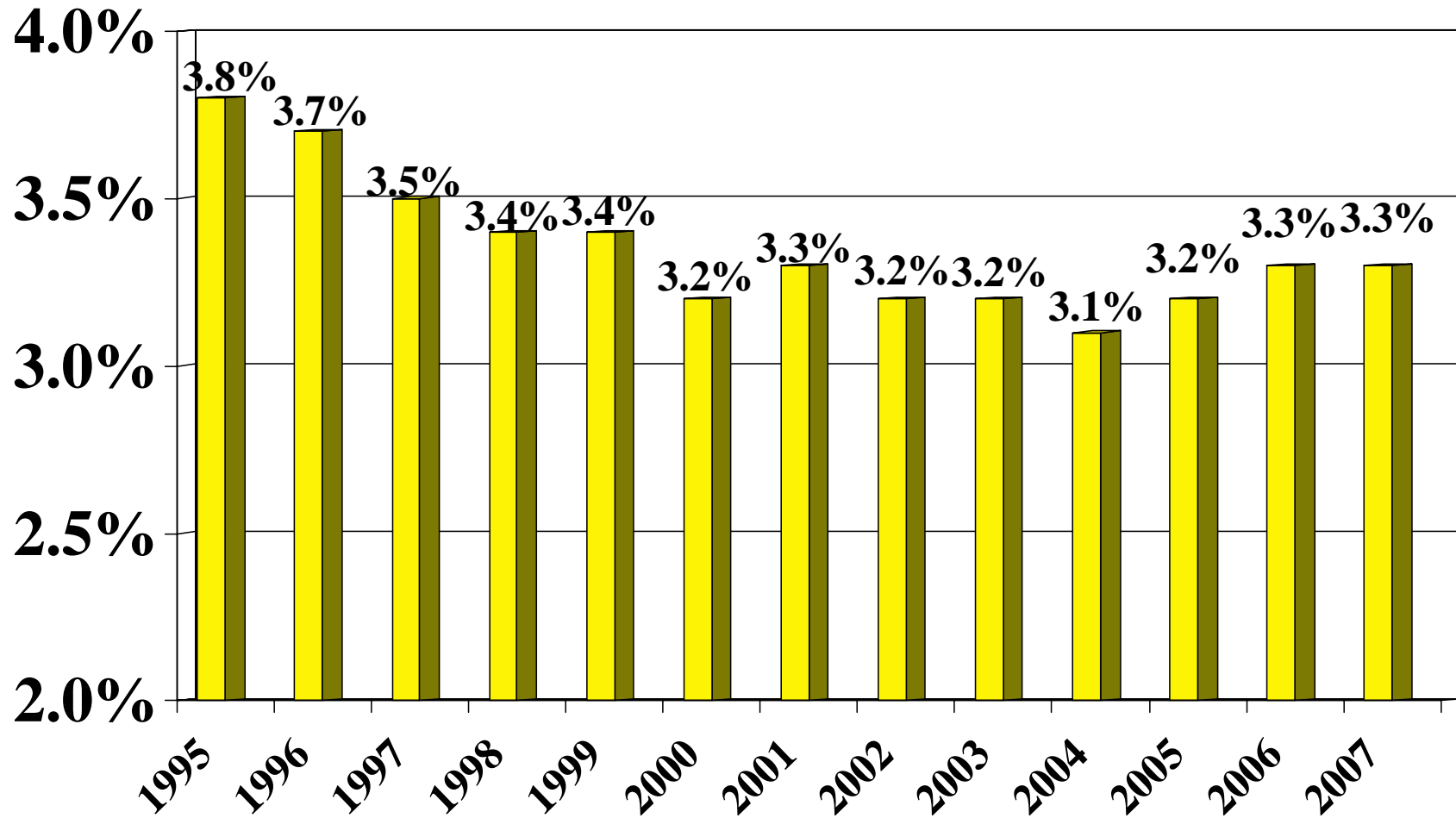
Setting the “Price” of Dallas Government

- The “Price” is what the residents of Dallas are willing to pay for the services they receive
- “Price” = Amount of locally-generated city revenue as a % of gross personal income
- Includes all taxes, fees, and charges
- A price will be recommended to the City Council as a starting point to build the FY 2007-08 Budget
 - This price can change prior to budget adoption on September 26, 2007

Trends as % of Personal Income

- Since 1995 the “Price” of Dallas Government has:
 - Decreased:
 - From 3.8% in 1995
 - To 3.3% in 2006
- The price of 1995 is equivalent to \$2.131 billion in 2006 dollars
- In FY 2006-07 the “Price of Government” in Dallas is \$1.736 billion or 3.3%
 - One of the lowest “Prices” in the last 12 years

Historical "Price" of Dallas Government



“Price” as a % of Personal Income

- Using this parameter as framework for FY 07-08:
(in current dollars)
 - 3.8% (12 year high) \$2.131 billion
 - 3.4% (12 year avg.) \$1.907 billion
 - 3.3% (current year) \$1.850 billion

Price Determination by Two Methods

- The “Price” should reflect what the residents of Dallas are willing to pay for the services they receive
1. 3.3% (% for 2 previous years) as the “Price” for FY 07-08 yields \$1.850 billion
 2. Price based on revenue estimates driven by current policy yields:

□ FY 06-07 “Price”	\$ 1.736 billion
□ 3.07% Ad Valorem Base Growth (Same rate assumed for Bond Program)	\$ 0.017 billion
□ 4.55¢ Ad Valorem Tax Rate Increase (Voter Approved)	\$ 0.035 billion
□ 4.4% Sales Tax Growth	\$ 0.010 billion
□ Water & Wastewater Rate Increase (Council Briefing 8/16/06)	\$ 0.028 billion
□ Sanitation Services Rate Increase (Council Briefing 9/6/06)	\$ 0.002 billion
□ Other Net Revenue Changes	<u>(\$ 0.001 billion)</u>
Total	\$ 1.827 billion

Price Determination by Two Methods (cont.)

- In FY 07-08 3.3% would yield a “Price” of \$1.850 billion
- Revenue estimates, based on current policy, would yield approximately a price of \$1.827 billion
- These are *very early* and *very high level* revenue projections that can change in the next months
- Recommend using revenue estimates as the starting point or framework in developing the FY 07-08 Budget
- Recommended “Price of Government” for FY 07-08 Budget - \$1.827 billion

Expenditure Outlook for FY07-08 based on Current Policy Direction

Police and Fire Pay Plan (Increase Certification Pay for Police; Retention Bonus; Additional Step for all ranks)	\$ 18.5 M
Full Year Funding for 100 officers added in FY 06-07; Full Funding for additional 44 officers gained in FY 06-07; and additional officers receiving Certification Pay	\$ 6.4 M
130 Additional Police Officers FY 07-08	\$ 2.8 M
General Obligation Debt Service (to meet voter approved obligations)	\$ 31.0 M
Sanitation / Recycling Programs	\$ 3.4 M
Continue program to purchase fleet with Cash vs. Equipment Notes	\$ 3.7 M
Water/Wastewater costs for needed Capital Investment	\$ 28.4 M
Employee/Retiree Health Benefits (8% for City's contribution) (Also 8% increase for participants)	
General Fund	\$ 3.1 M
Other Funds	\$ 0.8 M
Civilian Merits (average 3% - January 2008)	
General Fund	\$ 6.3 M
Other Funds	\$ 2.5 M
Increase contribution to Liability Reserve	\$ 7.1 M

Recommendation

- The “Price” is what the residents of Dallas are willing to pay for the services they receive
- The current year “Price” is 3.3% (one of the lowest in the last 12 years)
- \$1.827 billion is recommended as the starting point in developing the FY 07-08 Budget
- This price can be adjusted prior to budget adoption on September 26, 2007



Discussion