

# Memorandum



**Date** January 27, 2012

**To** The Honorable Mayor and Members of the City Council

**Subject** Budget Workshop #2: FY 2012-13 Preliminary Outlook

The FY 2012-13 Preliminary Outlook briefing is attached for your review and will be presented at your February 1<sup>st</sup> meeting. The revenue and expenditure changes included in the briefing are preliminary estimates provided as a range of forecasts to illustrate potential impact on next year's budget. Revenue and expenditure estimates will be updated as more data becomes available. Additional briefings on the FY 2012-13 budget will be presented during the upcoming months. A balanced budget recommendation will be presented on August 13<sup>th</sup> for the fiscal year beginning on October 1, 2012 and ending on September 30, 2013.

Please let me know if I can provide additional information.



Jeanne Chipperfield,  
Chief Financial Officer

## Attachment

c: Mary K. Suhm, City Manager  
Thomas P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Rosa Rios, Interim City Secretary  
Judge C. Victor Lander  
A.C. Gonzalez, First Assistant City Manager  
Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jack Ireland, Director, Office of Financial Services

# Budget Workshop #2: FY 2012-13 Preliminary Outlook

City Council Briefing – February 1, 2012





# Purpose of Briefing

- Review schedule for development of FY 2012-13 budget
- Provide a preliminary outlook of general fund budget for FY 2012-13

# Budget Schedule

- Budget being developed is for FY 2012-13 and covers period from Oct 1, 2012 through Sep 30, 2013
- Budget development is year-round process and key dates for FY 2012-13 development include:

✓ Jan 18	Budget Workshop #1: confirm strategies for six Key Focus Areas (KFA)
✓ Jan 26	Departments invited to submit bids to accomplish City Council strategies
Feb 1	Budget Workshop #2: preliminary outlook of general fund
Mar 9	Departments submit final bids to CMO, OFS, and KFA Teams for funding consideration
Mar 16 to Apr 13	KFA Teams evaluate and prioritize bids/offers submitted by departments based on Council confirmed strategies
Mar 28	Public Hearing

# Budget Schedule

Apr 16 to May 11	City Manager's Office reviews and refines rankings established by KFA Teams
May 16	Budget Workshop #3: Preliminary rankings
May 17	Preliminary tax roll
May 23	Public Hearing
Jun 20	Budget Workshop #4: Rankings and budget review
Jul 25	Certified tax roll
Aug 13	Budget Workshop #5: City Manager's recommended budget
Aug 13 to Sep 4	Town hall meetings
Aug 15	Budget Workshop #6: Topics TBD
Aug 22	Public Hearing
Aug 27	Budget Workshop #7: Topics TBD
Sep 5	Adopt Budget at First Reading
Sep 10	Budget Workshop #8: Council Amendments
Sep 19	Adopt Budget at Second Reading (3 <sup>rd</sup> Wednesday to comply with request of Dallas County Tax Office rather than 4 <sup>th</sup> Wednesday as typical)

# 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 2012-13 budget is recommended on Aug 13
  - Limited new information is available since adoption of FY 2011-12 budget in Sep 2011
  - Forecasts are being made 20 months into future (through end of FY 2012-13 on Sep 30, 2013)
- Updated outlook for FY 2012-13 will be provided on May 16 at Budget Workshop

# Revenue Outlook

<b>Revenues – Possible Adjustments – In Million Dollars</b>	<b>“Greater Impact”</b>	<b>“Lesser Impact”</b>
Property Tax – Possible range from 2.1% value loss to 0.1% value increase	(\$8.9)	+\$0.4
Sales Tax – Possible range from 0.7% decline to 1.6% growth	(\$1.5)	+\$3.5
Other Revenues - Includes revenues such as franchise fees, sale of surplus property and abandonments	(\$14.2)	(\$2.6)
<b>Total Possible Revenue Adjustments</b>	<b>(\$24.6)</b>	<b>+\$1.3</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 2012-13)</p> <ul style="list-style-type: none"> <li>•Eliminate remaining 3 Mandatory City Leave days</li> <li>•3% cost of living adjustment</li> <li>•Education Incentive Pay</li> <li>•Add 2 holidays</li> <li>•Retention incentive bonus for recently hired officers</li> <li>•Full-year-funding for overtime pay in-lieu of comp time</li> <li>•Reinstate wellness program</li> </ul> <p>Note: Meet &amp; Confer is 3-year agreement approved by City Council on August 11, 2010 that resulted in over \$26.2m savings in FY 2010-11 and FY 2011-12.</p>	<p>+\$28.7</p>	<p>+\$28.7</p>



# Expenditure Outlook

Expenditures – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
<p>Public Safety adjustments include –</p> <ul style="list-style-type: none"> <li>•Fire-Rescue overtime savings result of hiring 200 recruits in FY 2011-12</li> <li>•Paramedic training restored after being deferred due to previous budget reductions</li> <li>•Police uniform salary adjustments – assume hiring for full attrition in both FY 2011-12 and FY 2012-13</li> <li>•COPS grant funding ends, and City must pick-up cost for 50 officers</li> <li>•O&amp;M cost for Fire Station #27 (Douglas &amp; NW Hwy.) and #50 (Keeneland &amp; Walton Walker)</li> </ul>	+\$1.4	(\$2.3)
<p>Electricity and Fuel –</p> <ul style="list-style-type: none"> <li>•Oncor rate adjustment in FY 2011-12 has full-year impact in FY 2012-13</li> <li>•Per gallon cost of fuel may increase (range \$3.93 to \$3.20 per gallon); fuel prices are volatile and will continue to be monitored</li> </ul>	+\$4.7	+\$0.6

# Expenditure Outlook

Expenditures – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Civilian personnel – <ul style="list-style-type: none"> <li>•Eliminate remaining 4 Mandatory City Leave days</li> <li>•Restore pay reductions put in place on October 1, 2010</li> </ul>	+\$6.4	+\$6.4
Quality of Life contracts and other commitments – <ul style="list-style-type: none"> <li>•AT&amp;T Performing Arts Center – increase by \$0.8m from \$1.7m in current year to \$2.5m for FY 2012-13 (contract amount)</li> <li>•Zoo contract increase</li> <li>•Recreation Centers – restore funding for centers closed due to renovation during FY 2011-12</li> <li>•Library materials increase</li> </ul>	+\$5.9	+\$5.9

# Expenditure Outlook

Expenditures – Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Employee/Retiree Health Benefits – Increased expense assumed at 5% and 8% (City’s share of total cost is approximately 50%)	+\$4.6	+\$3.7
Equipment, Maintenance, etc. – <ul style="list-style-type: none"> <li>•Equipment and technology purchases through Master Lease program</li> <li>•Commercial Paper interest cost</li> <li>•O&amp;M cost associated with capital projects</li> <li>•Street striping and signage</li> <li>•Building and Major Maintenance funding for critical facility needs</li> </ul>	+\$10.7	+\$7.2
<b>Total Possible Expenditure Adjustments</b>	<b>+\$62.4</b>	<b>+\$50.2</b>

# Other Considerations

- Debt service budget for FY 2012-13 is being developed independent of general fund budget
  - Revenue in debt service fund will be based on value of property tax base
    - No shift of tax rate between funds is assumed
  - Expense in debt service fund will be impacted by amount of new debt to be issued in FY 2012-13 for purpose of retiring commercial paper
    - Commercial paper is used as short-term financing for capital projects and then retired with long-term general obligation bonds

# Outlook – Summary

Possible Adjustments – In Million Dollars	“Greater Impact”	“Lesser Impact”
Revenue adjustments	(\$24.6)	+\$1.3
Expenditure adjustments	+\$62.4	+\$50.2
<b>Differential</b>	<b>\$87.0</b>	<b>\$48.9</b>

- Preliminary outlook for FY 2012-13 indicates a differential between revenues and expenses ranging from \$48.9m to \$87.0m
- Differential will be eliminated by Aug 13 when City Manager recommends balanced budget
- Council feedback and Key Focus Area strategies will be used in budget development and balancing FY 2012-13