

Memorandum



CITY OF DALLAS

DATE April 2, 2010

TO The Honorable Mayor and Members of the City Council

SUBJECT FY 2010-11 Budget Workshop #4 – Setting the Price of Government

On January 20th, you reviewed presentations from each of the six Key Focus Area (KFA) Teams. The KFA Teams have incorporated your changes to the objectives and strategies in the Request for Results. Departments have prepared offers that will be reviewed by the KFA Teams. As the next step in the process, we ask you to set a preliminary "Price of Government" for the City of Dallas. This "price" can change prior to budget adoption on September 22nd, but will provide staff with a "starting point" to prepare a recommended FY 2010-11 budget.

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


Mary K. Suhm
City Manager

Attachment

c: Thomas P. Perkins, Jr., City Attorney
Deborah A. Watkins, City Secretary
Craig Kinton, City Auditor
C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
A.C. Gonzales, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Helena Stevens-Thompson

FY 2010-11 Budget Workshop #4 – Setting the Price of Government

April 7, 2010





Purpose of This Session

- Update Council on FY 2010-11 Budgeting for Outcomes process
- Describe methodology to set “Price of Government” for City of Dallas
- Recommend a “Price of Government” for City of Dallas for FY 2010-11

Steps in Budgeting For Outcomes Process

- ✓ July 29th – Budget Workshop #1 – During Council retreat, Citywide results and indicators were established
- ✓ October 19th – Budget Workshop #2 – During Council meeting, work completed at July council retreat was confirmed and Strategic Plan was finalized
- ✓ January 20th – Budget Workshop #3 – Council reviewed strategies for each Key Focus Area that are designed to achieve desired results
- ✓ February 1st – Departments were asked to submit offers that will carry out the strategies in order to achieve desired results
- Today – Budget Workshop #4 – Set overall “price” of Dallas government for FY 2010-11
- Allocate “price” to each Key Focus Area
- Evaluate and prioritize offers in each Key Focus Area
- Buy down list of offers until money runs out (“draw the line”)
- Build final budget to present to Council on August 9th

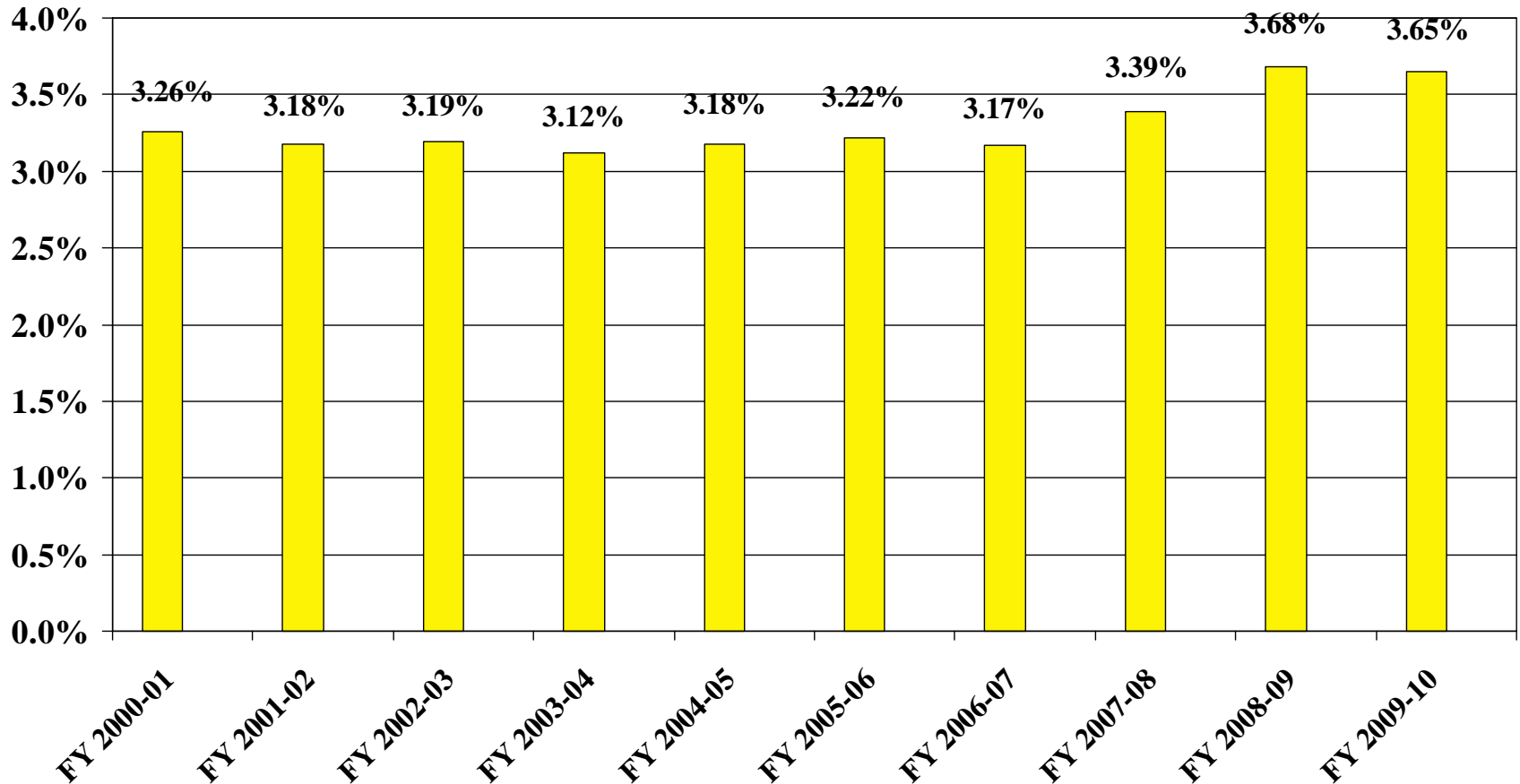
Setting the “Price” of Dallas Government

- “Price” is what residents of Dallas are “willing” to pay for services they receive
 - “Price” includes what residents pay through all taxes, fees, and charges (see Appendix A)
- “Price” is expressed as percentage of residents’ gross personal income used to pay for local services
- A “price” will be recommended to City Council as a starting point to build FY 2010-11 budget
 - This price can change prior to budget adoption on September 22, 2010

Trends for “Price of Government” in Dallas

- Since 2001, “price” of Dallas government has fluctuated between 3.12% and 3.68% due to changes in personal income and revenue
- In FY 2009-10, “Price of Government” in Dallas is \$1.911 billion or 3.65% of personal income

Trends for “Price of Government” in Dallas



Note: See Appendix B - Gross Personal Income Statistics

“Price” Determined by Two Methods

- **Method 1** – “Price” based on a percentage of personal income
- Using this parameter as framework for FY 2010-11 (in current dollars)
 - 3.68% (10 year high) = \$1.971 billion
 - 3.12% (10 year low) = \$1.671 billion
 - 3.65% (FY 2009-10 “price”) = \$1.955 billion

“Price” Determined by Two Methods

- **Method 2** – “Price” based on revenue estimates driven by current policy, including no tax rate increase:

FY 2009-10 revenues	\$1,911.4m
Ad Valorem tax base (8.5% total value loss) (delay increase in over 65/disabled exemption)	(\$53.6m)
Sales tax (flat with FY 2009-10 estimate)	(\$8.4m)
Atmos Gas franchise fee increase (full year)	\$1.0m
Oncor Electric franchise fee	(\$2.9m)
Municipal Court	(\$2.7m)
Sanitation Services private disposal	(\$1.4m)
Sanitation Services rate decrease – \$0.65 per month (Council Briefing August 2009)	(\$1.6m)
Sanitation Services rate increase - \$0.36 per month for sanitation emergency response reserve	\$1.0m
Water & Wastewater rate increase – 4.2% (Council Briefing August 2009)	\$19.8m
Other revenue adjustments	(\$12.0m)
FY 2010-11 projected total revenue	\$1,850.6m

- Based on revenue estimates, “price” would decrease to 3.46% of personal income

“Price” Determined by Two Methods


- Method 1 – Maintaining FY 2009-10 “price” of 3.65% will yield \$1.955 billion in FY 2010-11
- Method 2 – Establishing a new “price” based on current revenue estimates of \$1.851 billion for FY 2010-11 results in “price” of 3.46% of personal income
- Recommend using more conservative “price” as starting point for developing FY 2010-11 budget
 - Recommend preliminary “price” for FY 2010-11 budget be 3.46% which will yield \$1.851 billion
 - This price can change prior to budget adoption on September 22, 2010

Expenditure Outlook for FY 2010-11

Expenditure Increases and Decreases	
Full-year funding for new police officers added in FY 2009-10	\$5.5m
<u>No</u> police officers above attrition to be hired in FY 2010-11	\$0.0m
Staffing for truck added at Fire Station #10	\$0.8m
Replacement ambulances	\$3.0m
Pay steps for sworn employees will <u>not</u> be reinstated in FY 2010-11	\$0.0m
Merit pay for civilian employees will <u>not</u> be reinstated in FY 2010-11	\$0.0m
General Obligation Debt Service (assume implementation of commercial paper program)	(\$0.6m)
Sanitation and recycling programs	(\$1.6m)
Sanitation emergency response reserve	\$1.0m
Water and Wastewater costs for needed capital investment	\$19.8m
May 2011 election	\$1.0m
Replenish Contingency Reserve (includes \$1.0m for Alcohol Sales petition and November election)	\$3.4m
Bond Program O&M	\$0.1m
Continue 5 civilian furlough days in FY 2010-11, same as in FY 2009-10	\$0.0m
Increase cost for contract wrecker service	\$0.6m

Recommendation

- “Price” is what residents of Dallas are willing to pay for services they receive
- Current year “price” is 3.65% of personal income
- \$1.851 billion (based on available revenues) is recommended as starting point for developing FY 2010-11 budget which decreases “price” to 3.46% of personal income
 - This “price” can be adjusted prior to budget adoption on September 22, 2010
- Additional budget workshops will be held on May 19th and June 16th, prior to budget recommendation on August 9th

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- Appendix A - List of taxes, fees, and charges
 - Appendix B - Gross Personal Income Statistics

Appendix A – List of taxes, fees, and charges

- Property tax for both general fund and debt service
- Sales tax
- Franchise fees – telephone, gas, electricity and cable TV
- Licenses and permits – commercial container fee, taxicab permits, liquor licenses, dog/cat registration, etc.
- Fines – court, parking, red light camera, etc.
- Charges for services – sanitation, storm water, water/sewer, ambulance, security alarm, etc.

Appendix B - Gross Personal Income Statistics

Year	Gross Personal Income	Percent Change From Prior Year
2001	\$41,814,519,354	2.56%
2002	\$42,176,150,410	0.86%
2003	\$42,834,409,381	1.56%
2004	\$44,897,075,934	4.82%
2005	\$47,304,573,339	5.36%
2006	\$51,712,846,678	9.32%
2007	\$54,665,549,957	5.71%
2008	\$55,866,298,461	2.20%
2009	\$53,298,912,474	-4.60%
2010	\$52,362,285,110	-1.76%
2011	\$53,555,584,426	2.28%

Note: Years 2001-2007 are based on actuals as reported by the Bureau of Economic Analysis, Department of Commerce. Years 2008-2011 are estimates based on a regression analysis of Congressional Budget Office forecasts of Gross Domestic Product.