

Memorandum



Date May 11, 2012

To The Honorable Mayor and Members of the City Council

Subject Budget Workshop #3: FY 2012-13 Budget Development Update

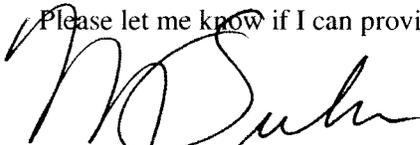
The FY 2012-13 Budget Development Update briefing is attached for your review and will be presented at your May 16th meeting. Since the preliminary outlook presented on February 1st that forecast a differential (or gap) for FY 2012-13 ranging from \$48.9m to \$87.0m, the FY 2012-13 budget development process has proceeded prudently. The numbers included in this briefing are estimates/projections and subject to further review and change as the process continues over the next three months.

Revenue estimates have been updated and departments have prepared zero-based funding requests for FY 2012-13. The funding requests or bids have been reviewed and ranked by the six Key Focus Area Teams made up of a cross-section of staff from throughout the organization. The ranking sheets are attached to the briefing.

At this point, revenue estimates allow for the funding of \$1,011.5m of services for FY 2012-13. There are additional services that “should be funded” that total \$42.7m. These services will be funded if additional revenue or other savings are identified. These services are listed below the funding lines on each of the ranking sheets and are notated with an asterisk (*).

Revenue and expenditure estimates will continue to be updated as more data becomes available and as additional analysis is completed. An additional update briefing will be presented on June 20th. A balanced budget recommendation will be presented on August 13th 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.



Mary K. Suhm,
City Manager

c: Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Rosa Rios, 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
Jeanne Chipperfield, Chief Financial Officer
Jack Ireland, Director, Office of Financial Services

Budget Workshop #3 – FY 2012-13 Budget Development Update

City Council Briefing – May 16, 2012



Purpose of Briefing

- Update Council on progress made in development of FY 2012-13 budget
 - Briefing is a “snapshot” as of May 11th towards developing a balanced budget to present to Council on August 13th
 - Numbers included in briefing are estimates/projections and subject to further review and change
- Review both revenue and expenditures
 - Forecast revenues to be included in FY 2012-13
 - Ranking of expenses developed by Key Focus Area (KFA) Teams
 - Identify Lower Priority Services subject to reduction or elimination
- Review next steps in developing a balanced budget for FY 2012-13

Looking Back

- Period of economic growth experienced by City prior to FY 2008-09 ended as result of international recession
- Recession resulted in budget challenges for FY 2009-10, FY 2010-11, and FY 2011-12
- Although some revenue improvement is indicated, the approach to the FY 2012-13 budget development is prudent

Looking Back

- In February 2012, an early forecast indicated that City would have less revenue and more expenses in FY 2012-13 than City has this year (FY 2011-12)
- Combination of revenue and expense changes indicated a differential for October 1, 2012 through September 30, 2013 (FY 2012-13) to be between \$48.9m to \$87.0m

	Lesser Impact	Greater Impact
Revenue changes	+\$1.3m	(\$24.6m)
Expenditure changes	+\$50.2m	+\$62.4m
Differential	(\$48.9m)	(\$87.0m)

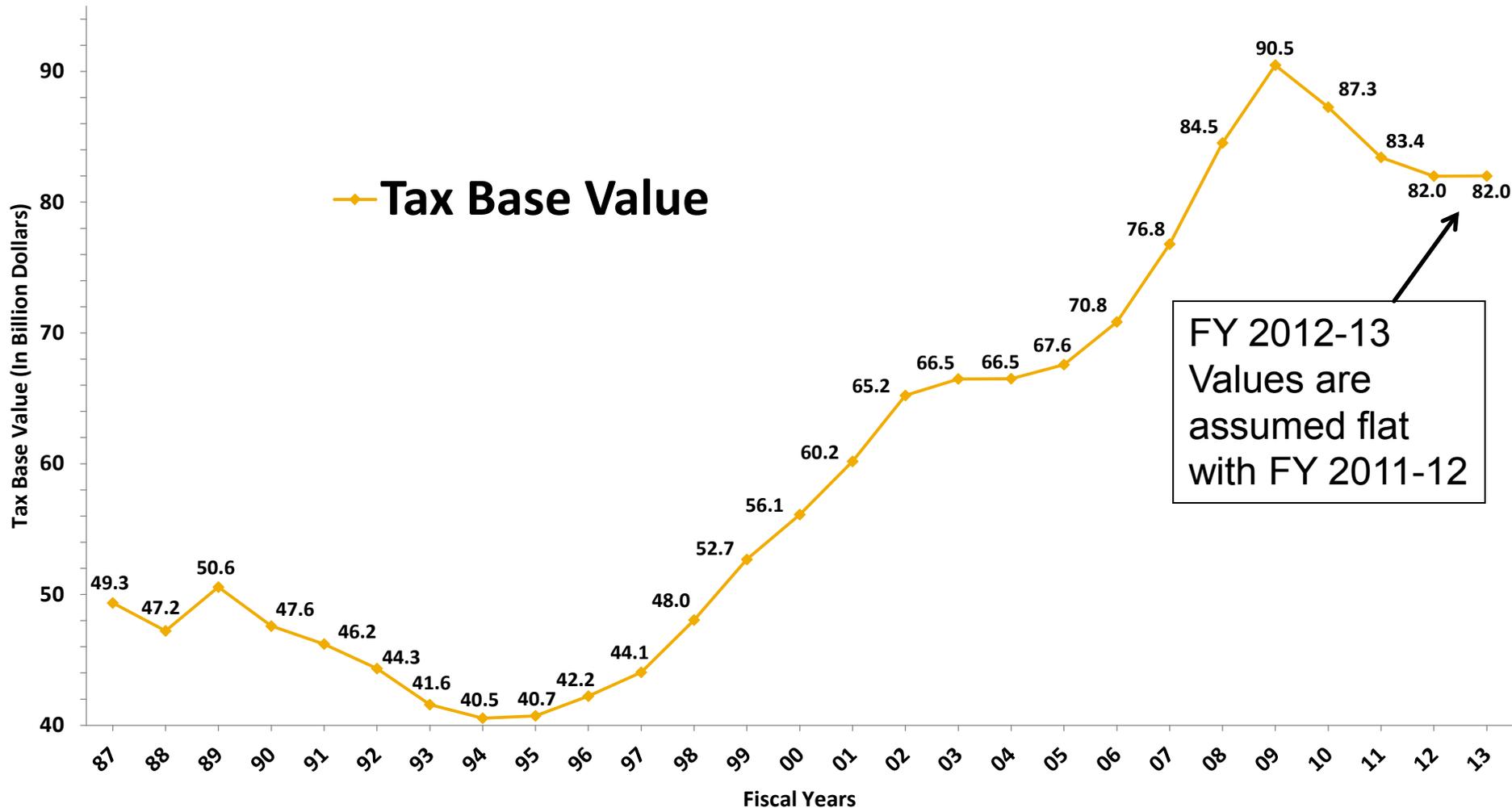
FY 2012-13 Outlook

- Eliminating differential and recommending a balanced budget on August 13th is required
- Today's outlook for FY 2012-13 is a snapshot that shows progress since February briefing and current status
- All revenue and expense forecasts will continue to be analyzed and updated as we move forward to City Manager's recommendation on August 13th

FY 2012-13 Outlook – Revenue Update

- Property tax revenue is single largest revenue source and accounts for about 43% of General Fund
 - Property values are appraised once per year and changes lag behind other economic conditions
 - After 15 years of growth in the tax base, property values decreased by 3.55% in FY 2009-10, 4.40% in FY 2010-11, and 1.72% in FY 2011-12
 - February briefing assumed that property values would decline by about 2%, however, it is now assumed that total values will remain flat for FY 2012-13
 - Deadline for appraisal districts to certify tax rolls is July 25th

FY 2012-13 Outlook – Revenue Update

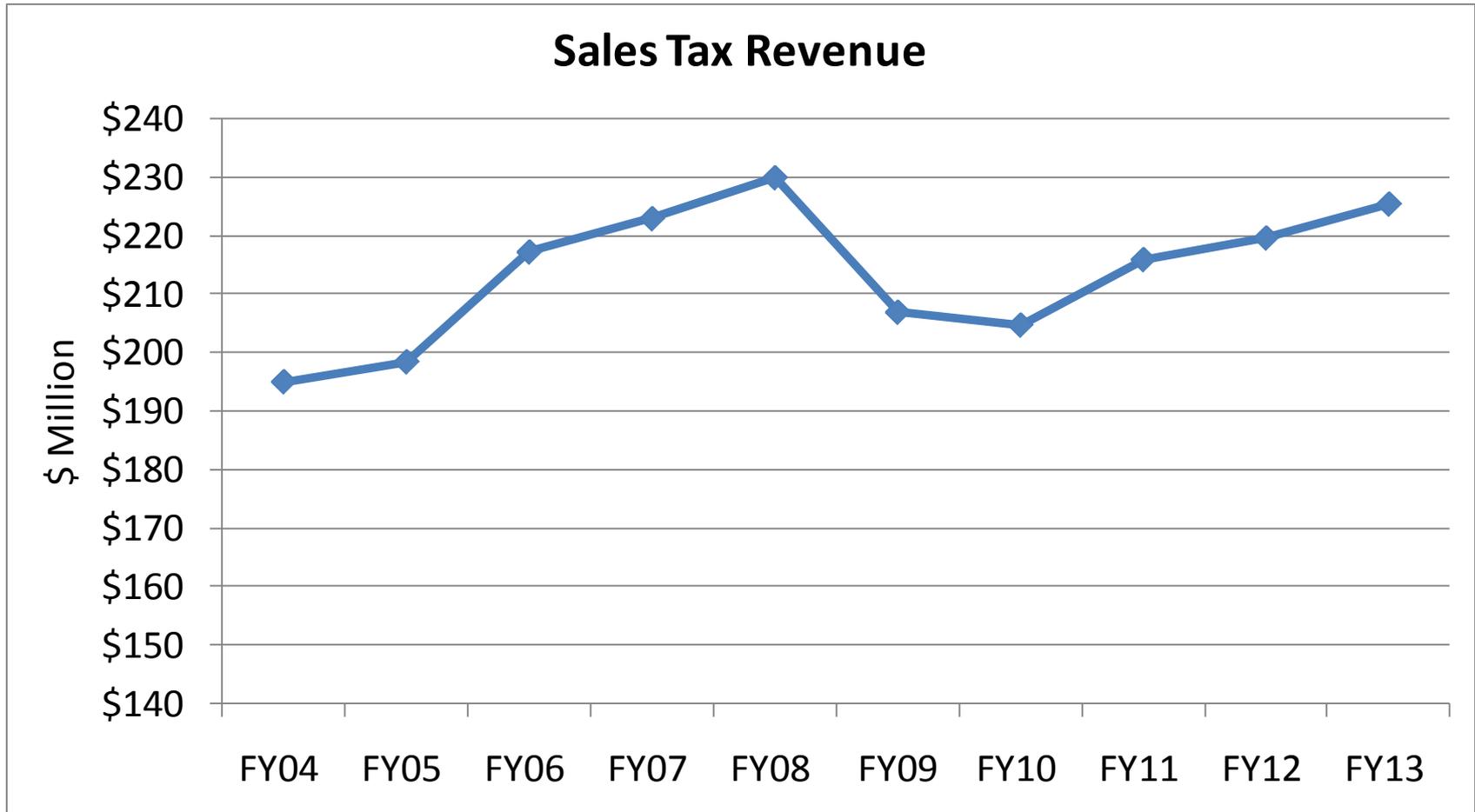


Note: FY 2012-13 property value is assumed to remain flat. Appraisal districts must certify tax roll by July 25, 2012.

FY 2012-13 Outlook – Revenue Update

- Sales tax revenue accounts for about 22% of General Fund revenue
 - Modest gains have been seen over last 25 months when current period collections are compared to same month of previous year; however, this was preceded by 16 months of decline
 - FY 2012-13 is forecast to be almost 3% better than the current year estimate, however, this is still \$4.5m less or nearly 2% less than actual revenues in FY 2007-08 before economic downturn

FY 2012-13 Outlook – Revenue Update



Note: FY04 to FY11 are actual revenues. FY12 is estimate. FY13 is current forecast.

FY 2012-13 Outlook – Revenue Update

- Revenues are now forecast to increase slightly from \$1,011.4m for current year (FY 2011-12) budget to \$1,011.5m for next year (FY 2012-13) budget

Revenue Forecast – Source of Funds	Feb 2012 “Greater Impact”	Changes since Feb 2012 Forecast	May 2012 Forecast
FY 2011-12 Adopted Revenues			\$1,011.4m
Property Tax	(\$8.9m)	+\$8.9m	\$0.0m
Sales Tax	(\$1.5m)	+\$11.4m	+\$9.9m
Other revenues	(\$14.2m)	+\$4.4m	(\$9.8m)
Total Revenue Changes	(\$24.6m)	+\$24.7m	+\$0.1m
FY 2012-13 Forecast Revenues			\$1,011.5m

- Any expense above the forecast revenue (\$1,011.5m) is considered the unfunded differential (or gap)

FY 2012-13 Outlook – Expense Update

- February briefing assumed that additional expenses would be required for FY 2012-13
- Examples include but are not limited to the following:
 - 3rd year of Meet and Confer Agreement, \$28.4m (over \$26.2m savings in FY 2010-11 and FY 2011-12)
 - Civilian employee – restore pay for tiered pay reductions put in place in FY 2010-11, \$4.2m
 - Civilian employee – eliminate 4 remaining Mandatory City Leave days, \$2.8m
 - Fuel prices, \$4.1m
 - Electricity transmission and distribution costs, \$0.6m
 - Employee Health Benefits, \$4.6m
 - Increasing obligations in public private partnerships such as with the Zoo and ATTPAC, \$2.8m
 - Operational cost for capital projects being placed in-service, \$4.4m
 - Cost to finance purchase of equipment and technology using Master Lease program, \$2.3m
 - Service enhancements or increases such as library materials, recreation centers, building maintenance, street striping/signage, etc., \$7.6m
 - Public safety adjustments such as COPs hiring grant and paramedic training, \$5.3m

FY 2012-13 Outlook – Expense Update

- Since February briefing, each department has submitted bids for service totaling \$1,063.4m based on each department's needs for FY 2012-13 including any cost increases and enhancements
- Key Focus Area teams were utilized to review, analyze and rank bids submitted for funding consideration by each department to determine which bids best accomplish objectives of KFA
- Bids were prioritized and ranked by KFA Teams with input from City Manager's team

FY 2012-13 Outlook – Expense Update

- Forecast revenues totaling \$1,011.5m was allocated to each Key Focus Area proportionate to the base amount budgeted for each area in prior year
- Critical bids (services) which fall below funding line after KFA Team ranking are marked with an asterisk and considered higher priority to be added back should funding become available
 - Bids marked with an asterisk are expenses in excess of forecast revenue, therefore, considered the unfunded differential (or gap)
- Services without an asterisk which fall below the funding line are subject to elimination and thus not provided in FY 2012-13

FY 2012-13 Outlook – Expense Update

- Ranking Sheets indicate prioritized and ranked services by KFA Teams with input from City Manager’s Team
 - Revenue is available to fund bids totaling \$1,011.5m
 - “Is Funded” – Bids totaling \$1,011.5m are above the funding line and anticipated to be included in the FY 2012-13 budget
 - Revenue is not currently available to fund bids that are below the funding/revenue line
 - “Should Be Funded” – Bids totaling \$42.7m marked with an asterisk indicating these are Higher Priority services to be funded should revenue become available (unfunded differential or gap)
 - “Is Not Funded” – Bids totaling \$5.0m without an asterisk indicating these are Lower Priority services that will likely not be funded for FY 2012-13

FY 2012-13 Outlook – Ranking Sheets Summary

Key Focus Area	Services Above the Line – <u>“IS FUNDED”</u>	Higher Priority *** Services – <u>NOT FUNDED, but “SHOULD BE”</u>	Lower Priority Services <u>“IS NOT FUNDED”</u>
Public Safety	\$571.3m	\$23.9m	\$3.5m
Economic Vibrancy	\$75.2m	\$5.2m	\$0.5m
Clean Healthy Environment	\$87.3m	\$4.8m	\$0.0m
Culture, Arts & Recreation	\$61.0m	\$4.9m	\$0.6m
Educational Enhancements	\$15.8m	\$1.4m	\$0.0m
E3 Government	\$89.2m	\$2.5m	\$0.4m
E3 – Citywide Cost to be Distributed Later	\$111.7m		
Total	\$1,011.5m	\$42.7m	\$5.0m

* E3 “funded” amount includes cost that will be distributed to other KFA s later in process, including CIS charges, Risk charges, electricity, fuel, employee health benefits, etc.

FY 2012-13 Outlook – Ranking Sheets

Summary

- Is Funded – \$1,011.5m above the line; enough revenue is forecast to fund these services
- Should be Funded – \$42.7m marked with asterisk; although not enough revenue is forecast at this time to cover these services, effort is underway to determine a means of funding them – (unfunded differential or gap)
- Is Not Funded – \$5.0m below funding line with no asterisk; not enough revenue so these services are not funded

FY 2012-13 Outlook – Public Safety

- See Appendix for Public Safety bids and rankings

Services Above the Line (Is Funded)	Higher Priority *** Services (Should be Funded)	Lower Priority Services (Is Not Funded)
\$571.3m	\$23.9m	\$3.5m

- “Is Funded” highlights
 - Police field patrol
 - Fire and rescue emergency response services include addition of over 10,000 hours of EMS response capabilities by converting 8 peak demand units to 5 full-time units
 - Municipal court services
 - Emergency medical services
 - Lew Sterrett jail contract and City Detention Center

FY 2012-13 Outlook – Public Safety (continued)

- “Is Funded” highlights (continued)
 - Narcotics, criminal investigations, vice, police intelligence, etc.
 - Police Special Operations such as mounted, helicopter, tactical, traffic, and Love Field
 - Police recruitment, personnel, academy and in-service training
 - Auto pound, communications/dispatch, prisoner processing, and evidence/property storage
 - Fire dispatch and communications
 - Recruitment and training of fire/rescue officers including training for 66 paramedics
 - Security Services for City facilities at a reduced level
 - Meet and Confer requirements (enhancement)

FY 2012-13 Outlook – Public Safety (continued)

- “Should be Funded” highlights
 - Police civilian support (partially funded)
 - Police full-year-funding for FY 2011-12 hiring and officers to match anticipated FY 2012-13 attrition
 - Hiring of fire recruits to match anticipated FY 2012-13 attrition
 - Marked squad car replacements to meet utilization needs
 - Police Legal Liaison and Prosecution for general legal counsel and training to police officers
 - Southern Dallas highway coverage agreement with County and NCTCOG
 - Automatic Assistance payment to City of Garland for service on I-30 and around Lake Ray Hubbard

FY 2012-13 Outlook – Public Safety (continued)

- “Should be Funded” highlights (continued)
 - Security Service for City facilities including Southeast Service Center, Municipal Courts, Oak Cliff Municipal Center, and West Dallas Multi-purpose Center
 - Security Service for City facilities including expanded use of technology and additional staffing (enhancement)
 - Personal Protective Equipment and LifePak machines for fire fighters
 - Replacement of 14 ambulances (debt financing instead of cash)
- “Is Not Funded” highlights
 - School crossing guards (working with Dallas County Schools to assume this function)
 - One Fire-Rescue battalion reduction

FY 2012-13 Outlook – Economic Vibrancy

- See Appendix for Economic Vibrancy bids and rankings

Services Above the Line (Is Funded)	Higher Priority *** Services (Should be Funded)	Lower Priority Services (Is Not Funded)
\$75.2m	\$5.2m	\$0.5m

- “Is Funded” highlights
 - Street lighting
 - Street Service Maintenance Areas
 - Traffic Safety and Congestion Management
 - Traffic operations including enhancement for additional street striping and signage
 - Economic Development initiatives

FY 2012-13 Outlook – Economic Vibrancy (continued)

- “Is Funded” highlights (continued)
 - Public Works’ bond program implementation for streets proposition capital improvements
 - Street Repairs – asphalt repairs fully funded and concrete repairs funded at a reduced level
 - Right-of-way maintenance funded at a reduced level
- “Should be Funded” highlights
 - Street Repairs – restore concrete repairs to current year level
 - Right-of-way maintenance – restore service to current year level
 - Traffic operations proactive replacement of LED bulbs
- “Is Not Funded” highlights
 - Public Works’ staffing (6 positions) associated with City facility improvement projects not considered for inclusion in the 2012 bond program

FY 2012-13 Outlook – Clean Healthy Environment

- See Appendix for Clean Healthy Environment bids and rankings

Services Above the Line (Is Funded)	Higher Priority *** Services (Should be Funded)	Lower Priority Services (Is Not Funded)
\$87.3m	\$4.8m	\$0.0m

- “Is Funded” highlights
 - Sanitation services
 - Environmental initiatives
 - Neighborhood code and nuisance abatement (at reduced levels)
 - Animal services

FY 2012-13 Outlook – Clean Healthy Environment (continued)

- “Is Funded” highlights (continued)
 - Comprehensive homeless outreach
 - Martin Luther King, Jr. and West Dallas centers
 - Restaurant and Bar inspections team including 5 sanitarians (enhancement)
- “Should be Funded” highlights
 - Restore 64 positions to maintain current response time to service requests in Neighborhood Code and Nuisance Abatement
 - Add 8 positions to provide permitting and enforcement for a new boarding house ordinance (enhancement)

FY 2012-13 Outlook – Clean Healthy Environment (continued)

- “Should be Funded” highlights (continued)
 - Restore 2 positions to address regional efforts to improve air quality
 - Restore 3 positions for enforcement of criminal and code violations and fund 7 positions in community prosecutors
 - Enhance maintenance program for HVAC system at animal shelter and restoration of supplies and professional services in the Animal Services division, including items such as animal ID collars and a wildlife management contract

FY 2012-13 Outlook – Culture, Arts, and Recreation

- See Appendix for Culture, Arts, and Recreation bids and rankings

Services Above the Line (Is Funded)	Higher Priority *** Services (Should be Funded)	Lower Priority Services (Is Not Funded)
\$61.0m	\$4.9m	\$0.6m

- “Is Funded” highlights
 - 41 recreation centers will be operated: 55 hours at 35 large centers and 40 hours at 6 small centers (increased level since 14 centers were closed for periods in FY 2011-12 due to construction activity)
 - Aquatic services maintained at same level as current year
 - Golf and tennis centers will be in operation and supported by fees
 - Park Land Maintained – currently funded at 79% of current level
 - Commitment to public private partnerships such as the Zoo, Arboretum, Texas Discovery Garden, etc.

FY 2012-13 Outlook – Culture, Arts, and Recreation (continued)

- “Is Funded” highlights (continued)
 - 5 City cultural centers funded; 14 cultural facilities are supported including an increase of \$0.8m for ATTPAC; Majestic Theater, City Performance Hall funded for full year of operation, and cultural services contracts are funded at 85% of current year level
- “Should be Funded” highlights
 - Park Land Maintained – should restore mowing cycle to average of 12 days, litter pick-up to average 4 times a week, resume weekend litter pickup and graffiti removal to average 3 days
 - Cultural service contracts – should be fully restored to current level funding support for contracted cultural organizations
 - Leisure venue management – should restore 1 contract compliance position
- “Is Not Funded” highlights
 - Park and Recreation capital planning, design and construction service reduced by 14 positions

FY 2012-13 Outlook – Educational Enhancements

- See Appendix for Educational Enhancements bids and rankings

Services Above the Line (Is Funded)	Higher Priority *** Services (Should be Funded)	Lower Priority Services (Is Not Funded)
\$15.8m	\$1.4m	\$0.0m

- “Is Funded” highlights
 - Central Library (all floors) open 40 hours per week
 - Neighborhood Libraries funded with reduced hours of operation at 20 of 28 locations and elimination of 1 of 2 bookmobiles
 - 20 locations would be reduced to 20 hours per week
 - 6 locations would maintain 40 hours per week
 - 2 DISD locations would maintain 56.25 hours per week

FY 2012-13 Outlook – Educational Enhancements (continued)

- “Is Funded” highlights (continued)
 - Materials funding increased for Central and Neighborhood Libraries by \$1.0m (enhancement)
- “Should be Funded” highlights
 - Neighborhood Libraries should be restored to current level of 40 hours of operation per week and should restore second bookmobile

FY 2012-13 Outlook – E3

Government

- See Appendix for E3 Government bids and rankings

Services Above the Line (Is Funded)	Higher Priority *** Services (Should be Funded)	Lower Priority Services (Is Not Funded)
\$200.9m	\$2.5m	\$0.4m

- “Is Funded” highlights
 - City-wide costs such as appraisal districts, tax collection, independent audit, liability claims fund, TIF payments, payroll, financial reporting, etc.
 - Funding for costs that will be allocated across all services later in budget development process such as fuel, electricity, CIS, fleet, and risk charges

FY 2012-13 Outlook – E3 Government (continued)

- “Is Funded” highlights (continued)
 - Full-year funding for restoration of civilian employee pay and elimination of final 4 Mandatory Civilian Leave Days
 - Improved City facility and major maintenance funded (enhancement)
- “Should be Funded” highlights
 - City Secretary’s Office – add one position for requirements related to maintenance of official records of the City (enhancement)
 - Restore funding for custodial and maintenance contracts for city facilities
 - Restore 11.4 FTE in various departments including City Controller’s Office , Housing, and Human Resources

FY 2012-13 Outlook – E3 Government (continued)

- “Should be Funded” highlights (continued)
 - Civil Service – add 2 positions for uniform applicant processing (enhancement)
 - Add funding for professional services related to next electric procurement (enhancement)
- “Is Not Funded” highlights
 - Intergovernmental Services reductions in fund development and legislative services
 - Human Resources – one time cost from FY 2011-12 eliminated
 - Real Estate – reduction of one position due to reduced work load

FY 2012-13 Outlook – Updated Differential

- Based on updated revenue forecast for FY 2012-13 compared to expenses ranked above the funding line plus the expenses ranked below the funding line but with an asterisk, the updated differential is (\$42.7m)

FY 2012-13 Forecast Revenues (from page 10)		+ \$1,011.5m
Less: Forecast Expenses – Services Above the Line – “IS FUNDED” (from page 15)	(\$1,011.5m)	(\$1,054.2m)
Less: Forecast Expenses – Higher Priority *** Services – NOT FUNDED, but “SHOULD BE (from page 15)	(\$42.7m)	
Updated Differential for FY 2012-13		(\$42.7m)

- Combination of strategies will be analyzed prior to June 20th briefing and prior to August 13th budget recommendation in order to eliminate (\$42.7m) forecasted differential

Budget Schedule

✓ 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
✓ 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

Budget Schedule (continued)

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 rd Wednesday to comply with request of Dallas County Tax Office rather than 4 th Wednesday as typical)

Appendix A
FY 2012-13 Preliminary
Ranking Sheets

Ranking Sheets

- Bid (Offer) Number (Column 1) – unique identifier assigned to each bid
- Bid Name (Column 2) – service title
- Bid Price (Column 3) – amount requested by department
- Recommended Amount (Column 4) – amount of funding recommended by the KFA Team which may be less than the bid price
- Running Total (Column 5) – remaining amount available to “spend”
- Revenue (Column 6) – revenue associated with that bid
- Reimbursement (Column 7) – additional funds from another source that add to the recommended amount as the total amount available for that service
- Comments/Impact Statement (Column 8) – additional information about the service including statement about reduction or source of reimbursements, etc.

Ranking Sheets

- “Is Funded” – Above the Funding Line Services are those services which currently are above funding line on Ranking Sheets and are considered to be funded in preliminary FY 2012-13 budget
- “Should be Funded” – Higher Priority *** Services are those services which fall “below funding line” but are designated as a higher priority to be restored to FY 2012-13 budget, should funding become available
- “Is Not Funded” – Lower Priority Services are those services which fall “below funding line” and are subject to elimination and not restored in FY 2012-13 budget