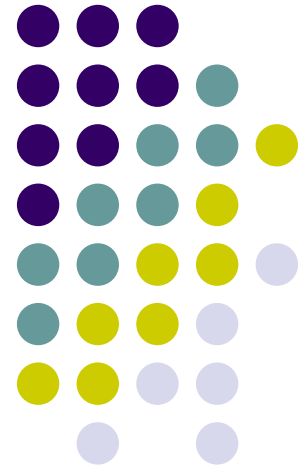


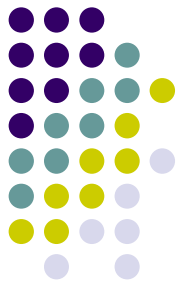
City of Dallas Budgeting for Outcomes:

FY 2006-07 Annual Budget

*Recommended by
Mary K. Suhm, City Manager*

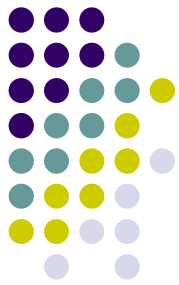
*Presented to the Dallas City Council
August 14, 2006*





Overview:

- Review Status of Budgeting For Outcomes
- Review Price of Government (POG) in Dallas
- Recommended FY 2006-07 Budget
- Major Revenue and Expense Drivers
- What are the dollars buying in each Key Focus Area
- Fee Based Services: Overview of Other Funds
- State Law Taxation Requirements
- City Auditor's Opinion and Revenue Review
- 2006 Calendar: August and September
- Council Feedback



Status of Budgeting for Outcomes



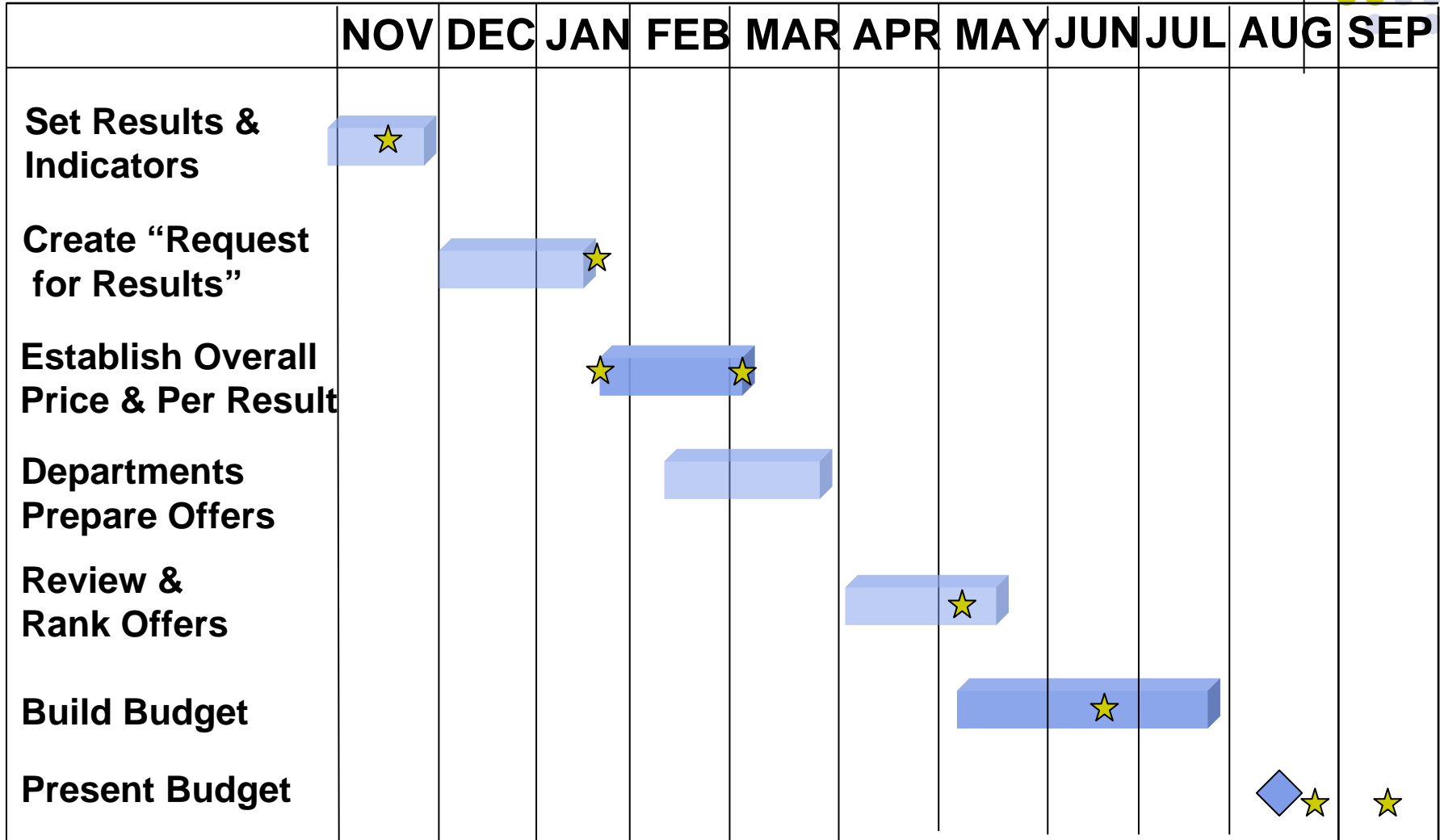
Where are we in the Process?*

- ✓ Established Citywide Results & Indicators
- ✓ Established Results Teams
- ✓ Created “Requests for Results”
- ✓ Set Overall “Price” of Dallas Government
- ✓ Allocated the “Price” to Each Result
- ✓ Invited Departments to Make Offers
- ✓ Evaluate & Prioritize Offers in Each Result
- ✓ Buy Down the List of Offers Until the Money Runs Out (“draw the line”)
- ✓ Review Preliminary Results
- ✓ Build Final Budget to Present to Council

* See Appendix for detail on the Price of Government Process

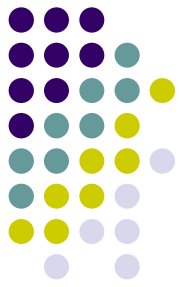


BFO Timeline



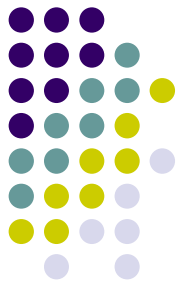


Review Price of Government in Dallas

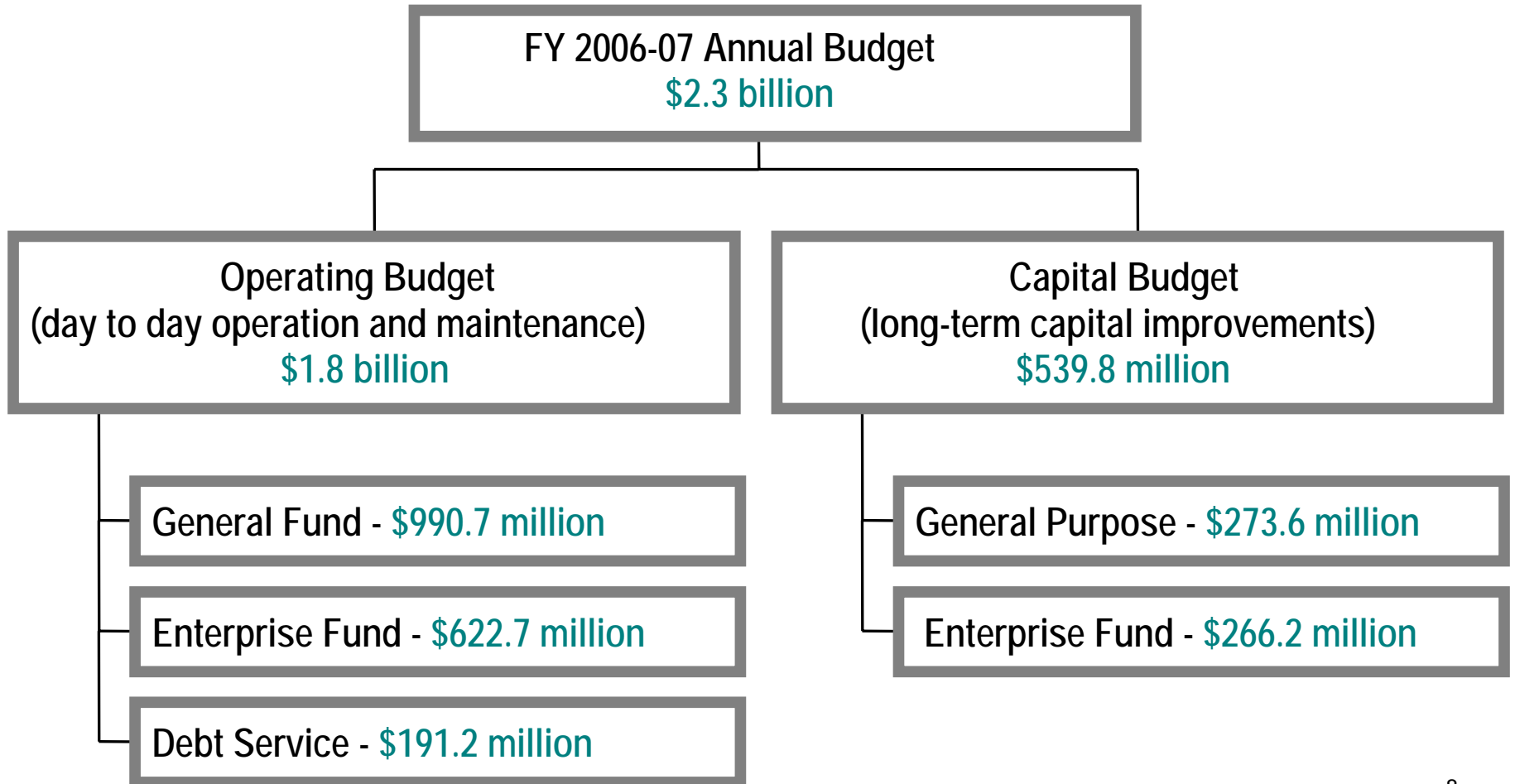


Price of Government in Dallas:

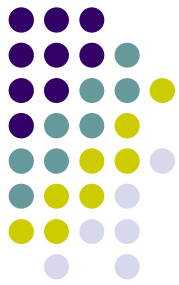
- FY 2005-06 Price of Government \$1,620,698,546
- FY 2006-07 Price of Government \$1,680,224,002
(Set by City Council in Jan 2006 includes no tax rate increase)
- FY 2006-07 Price of Government \$1,743,224,002
(Updated by City Council based on more current projections in June 2006)
- FY 2006-07 Price of Government \$1,730,555,776
(Proposed by City Manager - August 14, 2006 – includes a 0.25¢ tax rate reduction)



FY 2006-07 Recommended Budget



Recommended Budget - By Key Focus Area



FY 2006-07 Annual Budget
\$2.3 billion

Operating Budget
\$1.8 billion

Capital Budget
\$539.8 million

Economic Development \$681.7m

Neighborhood Quality of Life
\$150.7m

Public Safety - \$585.6m

Staff Accountability \$194.2m

Trinity River Project - \$1.2m

Debt Service \$191.2m

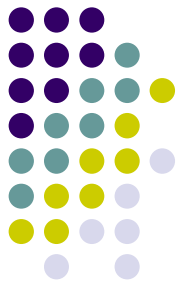
Economic Development \$309.7m

Neighborhood Quality of Life
\$108.7m

Public Safety \$15.6m

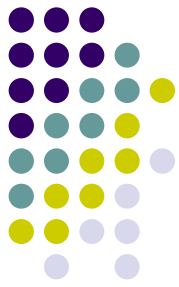
Staff Accountability - \$31.2m

Trinity River Project - \$74.5m



Major Revenue Drivers

- Tax Rate decrease from 74.17¢ to 73.92¢
- 4.89% Sales Tax Revenue Projected Increase (less than recent growth of 6.52%)
- Sanitation fee increase of 97¢ (including enhanced “Too Good To Throw Away” program)
- Water fee increase of 7.6%
- No other fee increases



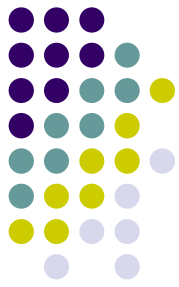
Major Expense Drivers

- Public Safety Enhancements
 - Additional officers
 - Compensation packages
 - Increased fleet size
- Fuel/Electricity Cost Increases
- Convention Center Support
- Enhanced Street Maintenance



What are the dollars buying in each Key Focus Area

In Economic Development, we are buying:

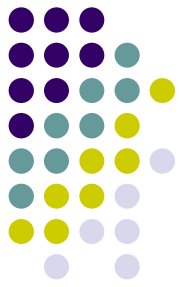


- Continued support for results, producing economic development growth with emphasis on the southern sector
 - Inland Port Development \$174K
 - Small Business Development in Southern Dallas \$388K
 - International Business Development \$416K
 - Downtown Initiatives \$694K
 - Urban Land Bank \$174K
- Implementation of Forward Dallas Comprehensive Plan (Year 1) \$495K



Economic Development (cont.):

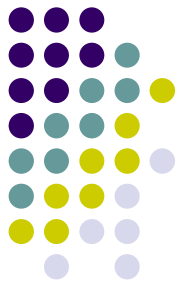
- Environmental Management System \$906K
 - To ensure the City's compliance with the EPA Consent Decree
- Zoo Environmental Compliance Team \$100K
 - To establish a Zoo Environmental Compliance Team to comply with the EPA Consent Decree



Economic Development (cont.):

- **Convention Center Support \$3.85M**
 - To cover the projected shortfall in the Convention Center and Events Fund
- **87% Satisfaction Rating for Streets \$2.9M**
 - To improve the condition of the streets from 85% to 87% satisfactory
- **Longer-Lasting Street Signs \$78K**
 - To provide longer lasting materials for replacement street signs

In Neighborhood Quality of Life, we are buying :



- Animal Shelter Staffing \$200K
 - To provide the increased services associated with the new Animal Shelter opening July 2007
- Enhanced Community Prosecution Team \$90K
 - To enhance the City's Community Prosecution Program by providing an additional prosecutor and one inspector



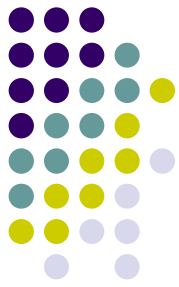
Neighborhood Quality of Life (cont):

- **311 Solutions Manager in Code Compliance \$54K**
 - To develop solutions for high-volume code complaints
- **Boarding House Inspector \$57K**
 - To enhance the city's program to inspect boarding houses
- **Additional Express Plan Review Team \$660K**
 - To reduce turn-around time from 21 days to 6 days



Neighborhood Quality of Life (cont):

- **Shift Staffing for Day Resource Center \$126K**
 - To provide outreach services during non-traditional hours
- **Supplement to Senior Support Program \$175K**
 - To assist Seniors with utilities
 - To develop pilot transportation program
- **Increased Dental Support \$50K**
- **Increased AIDs education \$50K**



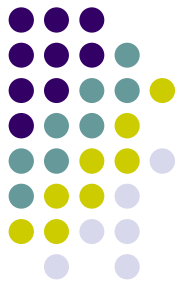
Neighborhood Quality of Life (cont):

- Construct Two Branch Libraries
 - Prairie Creek Branch Library \$5.5m
 - Pleasant Grove Branch Library \$5m
- Begin construction of Homeless Assistance Center



In Public Safety & Homeland Security, we are buying:

- 100 Additional Police Officers \$2.1M
 - To be hired in phases throughout the year
- Police and Fire-Rescue Compensation Package \$15.1M
 - To recruit and retain public safety personnel
- Fire-Rescue Fitness Program \$1.2M
 - To establish a Fitness Program including a bonus payment upon receipt of certification



Public Safety & Homeland Security (cont.):

- **Red Light Camera Program \$923K**
 - To implement a Red Light Camera Program to enhance street safety
- **Uniformed Police Overtime \$7.0M**
 - To augment police overtime for special initiatives
- **Increased 911/311 calltaker staffing \$.6M**
 - To reduce call answering time
- **Central and Southwest Police Substations – Design and renovation \$1.7m**



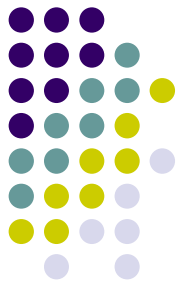
Public Safety & Homeland Security (cont.):

- **Equipment \$10.9M**
 - To purchase with cash the following equipment \$6.7M
 - Maintain 100,000 mile replacement schedule with 214 Marked Squads
 - Increase fleet size by 92 Additional Marked Squads
 - Equipment notes to purchase 75 other replacement police and fire fleet \$4.2M
- **Computer Aided Dispatch \$852K**
 - To provide staff and equipment support for the new CAD system (funded by Homeland Security- \$7M) (January 2007)

In Staff Accountability, we are buying:

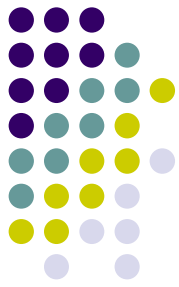


- **Enhanced City Secretary's Office \$132K**
 - To support the City Secretary's Office reorganization with staffing and an enhanced document management system
- **E-document management (Phase I) \$278K**
 - To continue the City's on going effort to implement a new city-wide document management system.
- **Average 4% Civilian Merit Program \$6.8M (General Fund)**
 - To support pay for performance plan effective January 2007



Staff Accountability (cont.):

- Applicant tracking system \$150K
 - To provide on line employment application and certification, to link HR and Civil Service hiring systems by replacing outdated, failing system
- Utility Billing System Replacement (Phase I) \$18M
 - To replace an aging Utilities billing system -- will ultimately enable a City Single Bill (Pay 1)
- Automated water meter reading (Phase I) \$3.7M
 - To implement Phase I of the automated water meter reading program in the Central Business District, Deep Ellum and South Dallas/Fair Park



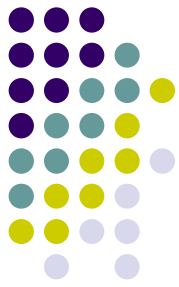
Staff Accountability (cont.):

- **Employee Training \$330K**
 - To reestablish in-house training support with emphasis on customer service
- **Fuel and energy cost allowances \$27M**
 - To cover the increased cost of fuel and energy for FY 2006-07
- **Customer Service Improvement Program \$270K**
 - To Provide data analysis, benchmark, seek solutions, solicit feedback and reinforce performance
- **Facilities Major Maintenance \$2M**

In Trinity River Project, we are buying:

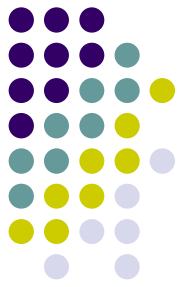


- Staffing for planning, zoning and economic development in Trinity Corridor \$575K
- Construction of Moore Gateway Park and Buckeye Trail \$1.4M
- Development of a Forest Management Plan \$500K



Fee Based Services: Brief Overview of Other Funds

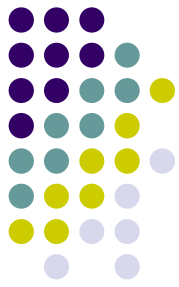
Sanitation Services



Expense / Revenue Assumptions

- **Maintain Full-Cost Recovery for 7 services provided**
 - FY 2006-07 Proposed Budget of \$69.2M
 - Cost to maintain current services reduces residential rate by (\$0.08)
- **Advance Recycling: *Too Good To Throw Away* program**
 - New recycling program costs are projected at \$5.1M
 - Cost of service estimated to impact rate by \$1.05
 - Implement new program city-wide effective Jan 2007

Sanitation Service



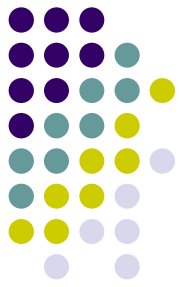
● Residential Fee

● Current Fee	\$17.88
● Cost to Maintain Service	(\$ 0.08)
▪ Revised allocation to residential rate based on tonnage	
▪ Decreases in Workers' Compensation	
▪ Fuel Cost Increases	
▪ Fleet maintenance cost reductions (Serco contract)	
▪ Equipment notes-reduction from 5-yr program, 6 th year replacements	
▪ Other cost adjustments	
● "Too Good to Throw Away" enhancement	<u>\$ 1.05</u>
● FY 2006-07 Recommendation	\$18.85
● <u>Net Fee Change: + \$0.97 per month</u>	



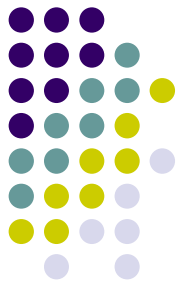
Dallas Water Utilities:

- The City Manager's Recommended Budget for FY2006-07 includes
 - Operating Budget of \$465.5M
 - Capital Budget of \$266.0M
- FY 05-06 Briefing proposed a 8.2% for overall retail rate increase FY 06-07
- New proposal for FY 06-07 is an overall retail rate increase of 7.6%



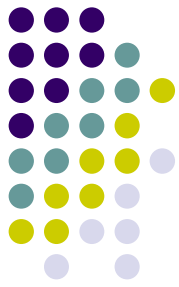
Dallas Water Utilities (cont.):

- Overall residential rates would increase by 6.9%
- Overall commercial rates would increase by 8.8%; industrial by 10%
- Wholesale rates increased by 3.2% based on a cost of service study



Dallas Water Utilities (cont.):

- The rate increase is being driven by the following:
 - Operating costs have increased significantly for power and chemicals (two major components in water and wastewater treatment and pumping) and fuel
 - Debt service increase to fund capital program for water supply and infrastructure replacement/maintenance



Dallas Water Utilities (cont.):

- Continue commitment to provide high quality and sufficient water and wastewater service to meet customer needs
- Continue Water Conservation Program to reduce per capita water consumption



Proposed Rate Adjustment Impact to Residential Water and Sewer Bills

Customer Usage in Range	Average Bill at Current Rates	Proposed Increase	Number of Customers Impacted	% of Customers in Range
0 to 4,000 gallons	\$16.26	\$0.84	63,515	26.1%
4,001 to 10,000 gallons	\$37.97	\$2.74	101,010	41.5%
10,001 to 15,000 gallons	\$51.08	\$4.04	34,126	14.0%
Above 15,000 gallons (Includes conservation tier rate)	\$114.33	\$10.97	<u>44,726</u>	<u>18.4%</u>
Total			243,377	100.0%

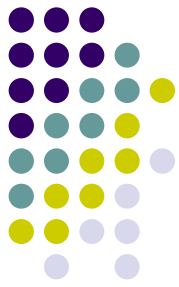
Bill based on water use and maximum sewer usage of 6,100 gallon Winter Months Average

Data based on January 2005 through December 2005 usage

Bill based on water use and maximum sewer usage of 6,100 gallon Winter Months Average

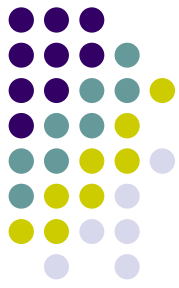
Data based on January 2005 through December 2005 usage

The FY07 overall revenue requirement is 7.6% increase; however, the residential water and wastewater rates are projected to increase 6.9% based on the cost of service study. 82% of residential customers will see an average monthly bill increase of \$4.04 or less

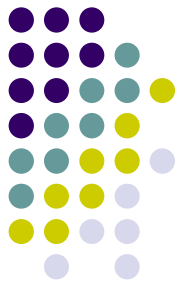


State Law Taxation Requirements

State Law Taxation Requirements:



- Requires public notice of tax rate calculations
- Allows taxpayers to roll back or limit tax increase in certain cases



State Law Taxation Requirements:

Effective Rate = 70.49¢

- Generates same amount of revenue in new fiscal year on taxable property that was taxed in previous fiscal year
 - New construction not included in calculation

Rollback rate = 74.27¢

- Allows for general fund portion of Effective rate plus 8%
- Allows debt service portion necessary to cover debt service costs
- If a rate above 74.27¢ is adopted voters may petition for an election to reduce the rate to the Rollback rate (74.27¢)



State Law Taxation Requirements:

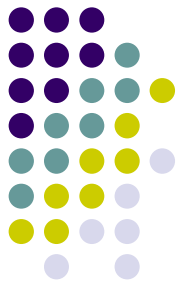
2005 State Law Taxation Changes

- Notice and Hearing Rate Calculation Has Changed
 - The Notice and Hearing Rate is now the lower of either the Effective rate or the Rollback rate
- Two Tax Rate Public Hearings are required
- Tax rate adoption ordinance must state the increased operations and maintenance tax on a \$100,000 home if adopted rate is higher than Effective rate



State Law Taxation Requirements:

- Additional requirements
 - Schedule and publish date/time for 2 public hearings
 - Schedule and publish date/time of meeting to adopt tax rate
 - Meet to adopt tax rate
- *If these steps not taken, maximum tax rate = 70.49¢*



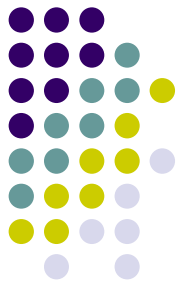
State Law Taxation Requirements:

- If Council desires to reserve the option to adopt tax rate higher than 70.49¢, the following schedule is recommended:
 - August 28 – In order to retain flexibility, the City Council needs to vote to consider a specific higher Rate and schedule public hearings
 - The Rate voted on this day becomes the maximum tax Rate that would be allowed
 - September 6 – Publish public hearing notification
 - September 13 and 19 – Hold public hearings

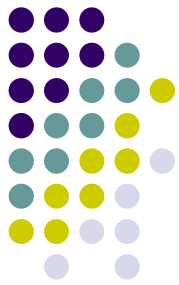
State Law Taxation Requirements:



- Recap
 - Current rate = 74.17¢
 - Effective rate = 70.49¢
 - Rollback rate = 74.27¢
 - Notice and Hearing rate = 70.49¢
 - Proposed rate = 73.92¢
- August 28
 - Council could vote to consider a rate higher than 70.49¢
 - Would retain tax rate flexibility

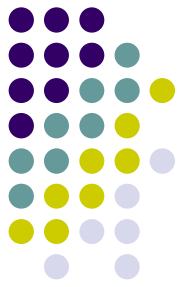


City Auditor's Opinion and Revenue Review



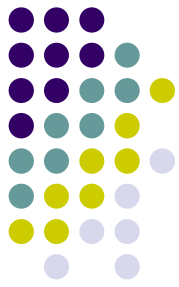
2006 Calendar: August and September

Potential Future Budget Briefings



- August 16th- Water Utilities
- August 28th- Fee Study Results
- September 6th- Sanitation/Recycling Services
- September 6th- Update Revenue/Expense Projections

2006 Calendar: August



S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14 W T Begins	15	16	17	18	19
20	21	22	23 PH	24	25	26
27	28 W	29	30	31		

AW: Amendment Workshop

BA: Budget Adoption

PH: Public Hearing

T: Town Hall Meeting

W: Workshop

2006 Calendar: September



S	M	T	W	T	F	S
					1	2
3	4	5	6 W	7	8	9
10	11	12 T -end	13 PH BA 1 st reading	14	15	16
17	18 W, PH	19	20 W	21	22	23
24	25	26	27 BA	28	29	30

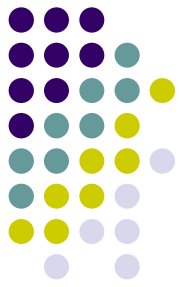
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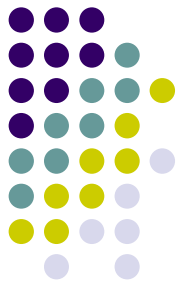
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W: Workshop



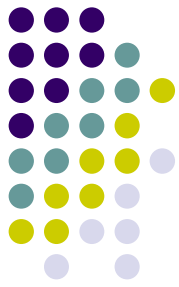
Appendix:

Review Price of Government Process



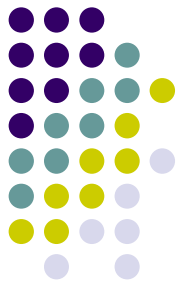
Review of POG Process:

- Citywide Results and Indicators were drafted, reviewed with and approved by the City Council
- Results Teams of City staff were created to develop “Requests for Results”, including Purchasing Strategies that were presented to City Council



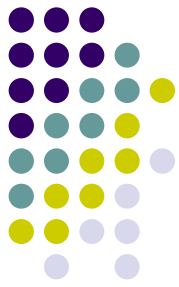
Review of POG Process:

- Results Teams held pre-proposal conferences with departments to discuss Purchasing Strategies and desired results
- City departments prepared offers to achieve the Purchasing Strategies
- Results Teams reviewed and developed an initial ranking of all offers



Review of POG Process:

- Initial rankings were presented to the City Manager for feedback and observations
- As an example of the process, the Natural Resources Results Team discussed the ranking process and initial rankings with the City Council
- Initial rankings and additional feedback were provided to departments



Review of POG Process:

- Departments had the opportunity to refine offers to make them more competitive
- Revised offers were submitted to Results Teams
- Rankings were revised by the Results Teams



Review of POG Process:

- City Manager met with Results Teams and department personnel to discuss rankings and review the “funding line”
 - Which offers are funded (above-the-line)
 - Which offers are not selected for purchase
- City Manager presented to City Council (June 2006) the Result Teams’ Recommended Funding Level