

Memorandum



CITY OF DALLAS

DATE February 13, 2009

TO Honorable Mayor and Members of the City Council

SUBJECT FY2009-10 Budget Workshop #4 – Setting the Price of Government

On February 4, 2009, 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 are in the process of preparing offers that will be presented to the KFA Teams. As the next step in the process, we will be asking you to set a preliminary "Price of Government" for the City of Dallas. This will provide staff with a "starting point" to prepare a recommended FY2009-10 budget.

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

A handwritten signature in black ink, appearing to read 'Mary K. Suhm', written over a printed name and title.

Mary K. Suhm
City Manager

C: Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Deborah Watkins, City Secretary
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ramon Miguez, Assistant City Manager
Forest Turner, Interim Assistant City Manager
David Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget & Management Services

BUDGET WORKSHOP #4 SETTING THE PRICE OF GOVERNMENT

February 18, 2009



Purpose of This Session

- Update Council on the FY 2009-10 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 2009-10

Steps in Budgeting For Outcomes Process

- ✓ Establish Citywide Results & Indicators
- ✓ Set Strategic Direction for FY 2009-10
- ✓ Create “Requests for Offers”
- ✓ Invite Departments to Make Offers
- Set Overall “Price” of Dallas Government
- Allocate “Price” to Each Key Focus Area
- Evaluate & Prioritize Offers in Each Key Focus Area
- Buy Down the List of Offers Until the Money Runs Out (“draw the line”)
- Build Final Budget to Present to Council

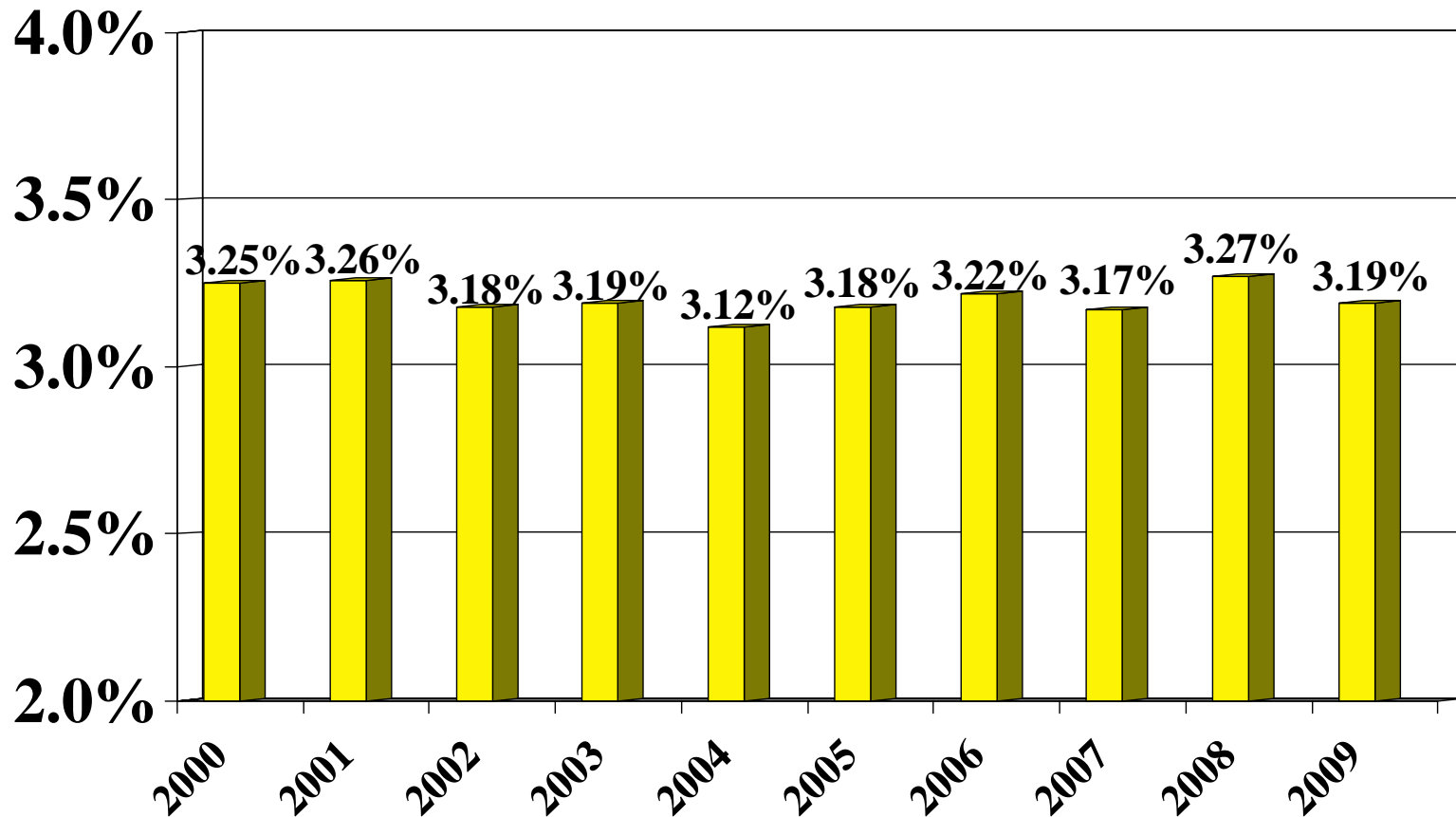
Setting the “Price” of Dallas Government

- 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 percentage 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 2009-10 Budget
 - This price can change prior to budget adoption on September 23, 2009

Trends as Percentage of Personal Income

- Since 2000 the “Price” of Dallas Government has:
 - Decreased:
 - From 3.25% of personal income in 2000
 - To 3.19% of personal income in 2009
- The price in 2000 is equivalent to \$1.997 billion in 2009 dollars
- In FY 2008-09 the “Price of Government” in Dallas is \$1.962 billion or 3.19% of personal income

Historical “Price” of Dallas’ Government as a Percentage of Personal Income



Price Determination by Two Methods

Method 1: “Price” as a percentage of Personal Income

- Using this parameter as framework for FY 09-10: (in current dollars)
 - 3.27% (10 year high) \$2.129 billion
 - 3.12% (10 year low) \$2.031 billion
- 3.19% (percentage for current year) of personal income as the “Price” yields \$2.077 billion

Price Determination by Two Methods

Method 2: “Price” based on Revenue Estimates

- Price based on revenue estimates driven by current policy, including no tax rate increase, yields:

FY 08-09 Revenues	\$ 1,976.9m
Ad Valorem Tax Base (no growth)	-
Over 65 / Disabled Property Tax Exemption	(\$ 2.6m)
Sales Tax	(\$16.4m)
Water & Wastewater Rate Increase – 5.5% (Council Briefing 8/11/08)	\$ 24.5m
Sanitation Services Rate Increase – \$0.09 per month (Council Briefing 8/20/08)	\$ 0.2m
Other Net Revenue Changes	(\$ 52.4m)
Total	\$ 1,930.2m

Price Determination by Two Methods (cont.)

- In FY 09-10 3.19% of personal income yields a “Price” of \$2.077 billion
- Revenue estimates, based on current policy, yields approximately a price of \$1.930 billion
- These are *very early* and *very high level* revenue projections that can change in the next months
- Recommend using the most conservative revenue estimates as the starting point or framework in developing the FY 09-10 Budget
- Recommended “Price of Government” for FY 09-10 Budget - \$1.930 billion

Expenditure Outlook for FY09-10 based on Current Policy Direction

EXPENDITURE INCREASES / DECREASES		
Police and Fire Pay Plan (full year funding)		\$ 9.7m
Full Year Funding for 200 Officers added in FY 08-09; Funding for 200 additional Officers in FY 09-10		\$ 18.0m
General Obligation Debt Service		\$ 30.5m
Sanitation / Recycling Programs		\$ 0.2m
Water/Wastewater costs for needed Capital Investment		\$ 24.5m
Civilian Merits (FY09 full year funding & average 3% - April 2010)		
General Fund		\$ 8.2m
Other Funds		\$ 4.0m
Employee Health Benefits (10% for City's contribution)		
General Fund		\$ 4.5m
Other Funds		\$ 1.1m
Fuel		
General Fund		(\$ 3.5m)
Other Funds		(\$ 0.5m)
Electricity		
General Fund		(\$ 2.2m)
Other Funds		(\$ 5.7m)
Bond Program O & M		\$ 3.4m

Recommendation

- The “Price” is what the residents of Dallas are willing to pay for the services they receive
- The current year “Price” is 3.19% of personal income
- \$1.930 billion is recommended as the starting point in developing the FY 09-10 Budget
 - While every effort will be made to meet this goal, it is unlikely the City will be able to achieve this “price” while increasing public safety, maintaining current service levels and maintaining the current property tax rate
- This price can be adjusted prior to budget adoption on September 23, 2009



Discussion