

# Budget Process, Council Review and Input, Public Hearings and Budget Adoption

Each year, the city of Phoenix budget is developed in conjunction with the Mayor and City Council, residents, city employees, the City Manager's Office and all city departments.

## Modified Zero-Base Budgeting Process

The city of Phoenix uses a modified zero-base budgeting process. Each fall, departments submit an estimate (called the "base budget") of the costs associated with providing their current levels of service for the following year. Budget and Research staff review these base budget submissions to ensure that only the funding needed to continue current service levels is included in the department's base budget for the following year. This Budget and Research review is called a technical review because of its non-programmatic, line item by line item review. A department's base budget funding may differ from its current year funding for a variety of reasons. For example, an increase or decrease in electricity or postage rates would be reflected in the base budget.

In addition to base budget submissions, departments identify 5 to 10 percent of their budget for potential elimination. These submissions are called base reductions and represent the department's lowest-priority activities. At the same time, departments are asked to submit any requests for new or expanded programs. These are called supplemental budget requests.

Base reductions and supplemental requests include all costs associated with a specific program or service. For example, costs for a swimming pool would include personnel costs for a lifeguard and other staff, chemicals for the pool, building maintenance and utilities.

When base reductions and supplemental requests are submitted, they are ranked together according to the department's priorities. The department's ranking indicates whether making a base reduction to add a new program would be possible, and also indicates which supplemental programs and base reductions are most critical to the department. City Council members also are asked to submit their own ideas for budget changes.

The City Council then provides input to the city manager for the preparation of the Trial Budget, which is submitted to City Council early each spring. The purpose of the Trial Budget is to enable the community and the City Council to comment on a balanced budget well before the city manager is required to submit his recommended budget to the City Council in mid-May. Public hearings are conducted throughout the community during day and evening hours. The City Council makes final budget recommendations after the city manager's preliminary budget is submitted.

## 2005-06 Budget Process

In December 2004, Budget and Research staff presented an early General Fund budget outlook to the City Council. The Mayor and Council were advised that current year revenue growth was positive but balancing the 2005-06 budget would be challenging. Several factors impacting next year's budget included a reduction in the prior year carryover fund balance, new operating costs for capital facilities coming on line next fiscal year in addition to the full-year's impact of facilities opened throughout the current fiscal year,

increased pension costs, negotiated employee compensation increases, and the two-year impact of the public safety DROP early hire program. Due to these costs, the report concluded that budget cuts could be required to balance the upcoming 2005-06 budget.

In anticipation of a budget shortfall, in December 2004, city departments were asked to submit base reductions equal to 5 percent of their current budget for management review. As this was the fourth year that expenditures had to be cut and the easier reductions had been made in previous years, departments were asked to identify cuts that would have the least impact on the community. Departments also were asked to request only the bare minimum needed to open capital facilities coming on line in 2005-06.

Budget and Research presented an updated General Fund budget outlook in February 2005. At that time, the Mayor and Council were advised that although revenues were growing modestly, expenses were growing at a faster rate. The updated expenditure forecast showed a 2005-06 general fund deficit of \$68.7 million. General fund revenues were forecasted to grow by about 8 percent next year but costs were expected to grow by 14.9 percent. Major contributors to the deficit included fuel and utility inflation, employee compensation increases, contingency fund restoration, expiring public safety grants, costs of new capital facilities and decreased revenues connected to recent electricity shortages and related conservation efforts. Staff recommended some immediate actions to reduce the deficit. This included freeing





up general funds by using increased Arizona Highway User Revenue for the Street Transportation operating budget. Also recommended was lease purchase financing for planned equipment purchases. The budget calendar was proposed to be advanced by one month so that 13 months in savings could be achieved rather than 12. Finally, the secondary and primary property tax rates were shifted to provide additional general operating funds. The total property tax rate remained unchanged. These financial actions reduced the 2005-06 deficit to \$33.7 million. The Mayor and Council approved these budget-balancing measures and requested that public safety personnel be excluded from any budget cuts. The city manager also implemented a hiring freeze on all civilian positions.

On March 8, a budget reduction proposal totaling \$16.3 million was presented to the Mayor and City Council. The deficit was decreased from the original \$33.7 million to \$16.3 million by identifying additional line item cuts, increasing revenue projections based on improved sales tax collections, reduced costs associated with opening new capital facilities due to revised construction timelines, and transferring \$9.8 million associated with the public safety early hiring plan from the General Fund to the revenue generated by new franchise agreements.

The proposed reductions included 108.9 jobs. Among the recommended cuts were the closing of a family service center and one senior center, closing a second senior center for six months, the delayed opening of the new Cesar Chavez Regional Library, increased library fines, reductions in parks maintenance, reduced community center hours, closing city pools one week earlier, less street repairs, and a reduction in bus service.

The proposed budget added \$2.1 million to fund the operating costs of several new capital facilities. This included replacement senior centers for the Westside Senior Center and the Shadow Mountain Senior Center, the newly renovated Memorial Hall at Steele Indian School Park, Indian Bend Wash Park, a community park at 17th and Peoria avenues, the HOPE VI Coleman Recreation Center and park, Bethany Home Outfall Channel and the full-time operation of the Camp Colley outdoor recreation camp. Funding also was added for fire communication operators, annual maintenance costs of the police and fire twin engine helicopter, as well as maintenance costs for new street landscaping and the Art Museum expansion. The proposed budget also recommended that \$1.0 million in expiring grant programs be transitioned to the General Fund. The programs recommended for transition support the criminal justice system. These include the Community Gun Violence program, Victim's Rights funding, prosecutors and evidence technicians. Programs which were not recommended for transitioning to the General Fund are the Operation Attendance is Mandatory (AIM) truancy reduction program, Young First Offender program, Daring Adventures program for teens and adults with disabilities, Victims Restitution services and Driving under the Influence (DUI) training. These programs will end on the grant expiration date.

The proposed 2005-06 budget for Transit 2000 funds included \$300,000 to provide improvements to Dial-a-Ride services, add trips to alleviate overcrowded conditions on popular local routes, and in partnership with the city of Avondale, extend Route 3- Van Buren from 67th Avenue to 83rd Avenue.

Improvements in the enterprise-funded departments also were included in the proposed budget. For the Aviation Department, staff and operating costs were added to support the new rental car center and bus maintenance facility and additional staff was provided for parking management, the Lost and Found Office and supply warehouse. Increased staff was also added to comply with Transportation Security Administration mandates and funding for five additional police officers was included as well. In the Public Works Department Solid Waste Division, additional staff was provided for the new North Gateway Transfer Station, to supervise the growing south region, and to implement the intergovernmental agreement with the town of Buckeye related to the new landfill. Water and Wastewater Services improvements include staff and equipment to improve security, comply with federal and state requirements and standards and maintain expanded water and wastewater treatment facilities. Funding also was added in the Development Services Department to address increased plan review and permitting workload and maintain the sign inventory.



The proposed budget was presented at 15 budget hearings conducted throughout the community from March 9 through March 25 to gain community input. Special hearings were held for youth, seniors and small businesses. A slide show was presented at each hearing describing the proposed budget, after which residents were invited to comment. In addition to the budget hearings, the city communicated the budget to the community through the "Phoenix Budget for Community Review" that outlined the proposed service reductions and enhancements as well as a calendar of budget hearing dates. This publication was inserted in the March 13 edition of *The Arizona Republic* and delivered to 230,000 households.

A Spanish version of this publication has been included in editions of *Prensa Hispana*, *La Voz* and *El Monitor*. An insert also was included in *The Informant*. Copies of the inserts also were available at various locations throughout the city. Residents also were invited to send comments and questions to Budget and Research's Internet site.

A balanced 2005-06 budget was presented to the Mayor and Council on April 5. This budget included changes based on the community input from the budget hearings. Staff identified increased resources totaling \$1,069,000 to respond to community concerns. These resources included additional savings, increased revenues, and savings from suspending the Infill Housing program. The additional

resources were used to restore \$145,000 in planned reductions for parks maintenance and \$264,000 for general recreation programming. Some of the planned bus route reductions were restored with \$167,000. In addition, \$383,000 was allocated to continue the Senior Services East and Shadow Mountain Senior centers. Finally, \$105,000 was allocated to restore the prosecutor assigned to handle inspection cases from Neighborhood Services and Development Services. With these changes, the recommended 2005-06 budget included reductions totaling \$15.4 million and the elimination of 92.9 jobs. With the exception of the Police and Fire departments which were cut by .9 percent, most general-funded department budgets were reduced by 2.6 percent.



*Community members are given the opportunity to comment on a balanced budget before it is adopted by the Phoenix City Council. A newspaper insert about the Proposed Budget was distributed in *The Arizona Republic* and *La Voz* and *El Monitor*.*





**Tentative Budget Adoption - June 1**

A public hearing and tentative budget adoption were held on June 1 in compliance with the Charter requirement that the budget be adopted no later than June 30. Upon tentative adoption, the budget becomes the City Council's program of services for the ensuing fiscal year. At this point, the Council may later decrease the budget, but only in certain instances may the budget be increased. Generally, the ability to increase the budget applies to expenditures exempted from the state expenditure limitation. Transfers between department appropriations are still permissible before the final budget is adopted.

**Final Budget Adoption - June 15**

A public hearing and final adoption were conducted on June 15. Adoption of the property tax levy was scheduled no less than 14 days later, on July 1 in accordance with state law.

The following chart is an overview of the 2005-06 budget calendar.

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**2005-06 Budget Calendar**

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December 14	Early General Fund Budget Outlook and Calendar
February 1	General Fund Budget Status Report
March 8	2005-06 Proposed Balanced Budget
Week of March 13	Budget Inserts in Local Newspapers
March 9 - 25	Community Budget Hearings
April 5	2005-06 Proposed Budget and 2005-10 Preliminary Capital Improvement Program presented to the City Council
April 14	2001 Bond Committee Meeting
May 3	City Manager's Recommended 2005-06 Budget distributed to City Council
May 23	Budget Reductions Effective
June 1	Tentative Adoption of 2005-06 Budget and 2005-10 Capital Improvement Program
June 15	Final Budget Adoption
July 1	Property Tax Adoption

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