

# 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 estimates 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.

After these base budget requests are reviewed, departments are asked to identify 5 to 10 percent of their budget for potential elimination. These proposals are called base reductions and represent the department's lowest-priority activities. Departments are also asked to provide 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 proposed, 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.

## 2006-07 Budget Process

In February 2006, Budget and Research staff presented an initial budget status report to the City Council. The Mayor and Council were advised that estimated General Fund revenue growth was positive but balancing the 2006-07 budget would be challenging. Several factors impacting next year's budget included: 1) the shift of state-shared revenues to other faster growing Arizona cities as a result of the 2005 census, 2) 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, 3) employee compensation, and 4) fuel and utility cost increases. The report concluded that a breakeven 2006-07 General Fund budget would be likely.

The report also provided an update on the city's enterprise funds: Water, Wastewater, Solid Waste, Civic Plaza and Golf. With the exception of the Golf Fund, all of these funds remain in sound financial condition. However, they all also face future cost pressures.

## Trial Budget

On April 4, a Trial Budget was presented to the Mayor and City Council. At that time, the Mayor and Council were advised that increased revenue projections and additional cost savings had resulted in the availability of \$2,443,000 for improving General Fund community services next year. These funds were combined with available earmarked public safety franchise fee revenues to provide for an increased public safety investment. The proposed 2006-07 budget included the addition of 116 sworn positions, four new fire stations, five training captains, a new neighborhood police station and the addition of new police communications operators.

In addition, the Trial Budget included \$5.6 million to fund the opening costs of several new capital facilities, including 17 new or improved parks facilities such as the new Pecos Community Center.





This facility will combine a senior center, a community center and a new citizen service center. Other new or expanded parks facilities include Desert West Park, 35th Avenue Community Learning Center, Phoenix Center North Building, Winship House, Tovrea Castle and Carraro Cactus Garden, Reach 11 Recreation Area, Dove Valley Park, an unnamed park at Cave Creek and Tatum roads, Tramonto Park, Deem Hills Park, Stetson Valley Neighborhood Park, Washington Adult Center, an unnamed park at 31st Avenue and Roeser Road, Laveen Basin, Laveen Farms Park and Rio Salado Habitat. Also included were funds for the new Cesar Chavez regional library scheduled to open in July 2006. The proposed budget also provided staff and other operating costs for street landscaping maintenance of new streets citywide.

In the non-General Fund areas of the proposed budget, additional funding was recommended to improve community services. Transit 2000 funds were proposed to provide numerous

improvements to transit services including the restoration of some service reductions of the past few years. Late night hours eliminated on 12 routes in 2005-06 were restored, as were Saturday hours at the Central Transit Station and Metrocenter Transit Center. Funds to implement new neighborhood circulator bus routes also were proposed. These routes will be identified through a community input process. Improvements on a number of routes were proposed, including adding RAPID trips to meet demand and reduce overcrowding.

Convention Center funds were included to open and operate the new Phoenix Convention Center West Building as well as improve customer service. A facility coordinator was added to manage the new state-of-the-art conference center designed for corporate clients. Funds also were included to implement a new Guest Experience Program. Development Services funds were recommended to fund an expansion of the Development Services Annual Facilities Program and provide

needed administrative support. Additional Aviation funds were included for the operation and maintenance of the new in-line explosive detection baggage handling system to improve customer service at the airport. Additional staff also was recommended to maintain complex equipment at several new facilities and provide technical support. Water funds were included to open the new Lake Pleasant Water Treatment Plant, including a position to administer and monitor the highly complex contract for operation of the facility. Water funds also were proposed to improve technology management and support.

### Community Input

The proposed budget was presented at 13 budget hearings conducted throughout the community from April 5 through April 18 including special hearings for youth and seniors. Following a presentation describing the proposed budget, residents were invited to comment. In addition



*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 Arizona Informant, and a Spanish version was included in La Voz.*

to the budget hearings, the city communicated the budget to the community through the "Phoenix Budget for Community Review" that outlined the proposed service enhancements as well as a calendar of budget hearing dates. This publication was inserted in the April 9 edition of The Arizona Republic and the April 12 edition of the Arizona Informant. A Spanish version of this publication was included in La Voz. Copies of the inserts also were available at various locations throughout the city, including all budget hearings. In total, nearly 200,000 of the inserts were made available to residents throughout the city. Residents also were invited to send comments and questions through the city's Web site. This publicity of the Trial Budget allowed the City Council and the community to comment on a balanced budget.

**Tentative Budget Adoption – May 31**

A public hearing and tentative budget adoption were held on May 31 in compliance with the City 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 City 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 14**

A public hearing and final adoption were conducted on June 14. Adoption of the property tax levy was scheduled no less than 14 days later on July 5 in accordance with state law.

The following chart is an overview of the 2006-07 budget calendar.

<b>2006-07 Budget Calendar</b>	
February 28	General Fund Budget Status Report
April 4	2006-07 Proposed Balanced Budget
Week of April 9	Budget Inserts in Local Newspapers
April 5 - 18	Community Budget Hearings
May 2	2006-07 Proposed Budget and 2006-11 Preliminary Capital Improvement Program presented to the City Council
April 20	2001 Bond Committee Meeting
May 2	City Manager's Recommended 2006-07 Budget distributed to City Council
May 9	Final City Council Budget Review
May 31	Tentative Adoption of 2006-07 Budget and 2006-11 Capital Improvement Program
June 14	Final Budget Adoption
July 5	Property Tax Adoption

