

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 operating and maintenance 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 reviewed with the 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 reviewed.

2007-08 BUDGET PROCESS

Early Discussions

In January 2007, Budget and Research staff presented an early review and discussion of the budget to the City Council. At this time, staff focused on the General Fund, providing financial results for the previous fiscal year, the latest available information on revenues and expenditures for the current year, and the limited information available about the upcoming 2007-08 fiscal year.

The Mayor and Council were advised that estimated General Fund revenue growth was positive but expenditures continued to provide challenges, including a spike in fuel prices and the essential costs associated with two high profile crime cases. Additionally, a number of significant costs for the next year were identified, including employee compensation, replacements for vehicles and police mobile terminals, the costs of opening new capital facilities as well as

the full-year impact of facilities opening this year, and the transition of 80 police officers from grants to the General Fund.

Also impacting the budget outlook were continuing previously approved restorations of Transit and Streets General funding cuts, the continued restoration of contingency fund levels, a citywide election, increased utility costs, and increased debt service payments necessary to retire the debt used during the prior four difficult budget years. Because this discussion came fairly early in the year, staff reported that it was expected that the next year's budget could be balanced without reductions to city services.

During this discussion, the Mayor and Council also were provided various options for conducting the 2007-08 budget process. The Mayor and Council recommended continuing the city's long-standing modified zero-base budgeting system that includes reviewing all costs on a line-item basis.

Initial Budget Status

In March 2007, staff returned to Mayor and Council with an initial budget status report. Staff reported that in the current year, sales tax growth, including holiday sales taxes were somewhat disappointing. Moderate revenue growth was estimated for the upcoming year. Additional factors impacting next year's budget included the need to improve the competitiveness of public safety starting salaries and the need to fund victim's services no longer covered by grant funds. However, overall expenditure estimates had improved and staff anticipated that funds would be available to address high priority public safety needs as well as other service restorations and enhancements.

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 significant future cost pressures.





Trial Budget

On April 3, a Trial Budget was presented to the Mayor and City Council. At that time, the Mayor and Council were advised that updated information on costs to operate newly constructed capital facilities provided additional funds for service restorations and enhancements. These cost savings resulted largely due to new information on opening and acquisition dates.

The Trial Budget continued the city's strong commitment to public safety by proposing to address three critical issues: allocating \$1.7 million to improve the competitiveness of public safety starting salaries, \$1.6 million to begin a three-year program to replace police patrol mobile computer terminals, and \$350,000 needed to replace grant funding for victim's services. Other proposed public safety additions included operating costs for the new crime lab, staff to open the new Pecos Park Police Station, increased 911 and police radio operators, transitioning of police officers to General funds from expiring grants, and adding a sergeant at Phoenix Sky Harbor Airport.

Additional proposed public safety enhancements included the addition of communications operators in the Fire Department, providing staff and matching funds for Fire Crisis Response Units grants, adding staff to improve fire inspection of a variety child and elderly care facilities, adding a fire captain and related costs to enhance hiring of women and minorities, and adding technical staff for maintenance of the regional fire dispatch system. Staff also was recommended to improve services at the Family Advocacy Center and support the case management system in the Prosecutor's Office.

In addition, the Trial Budget proposed funding the opening costs of several new parks facilities, including staff to maintain Enchanted Island improvements, security and maintenance for newly acquired mountain preserve areas, operations and maintenance of new recreational features at Rio Salado, maintenance of 30 miles of new trails, staff to operate and maintain the first phase of a new community park at 71st Avenue and Elwood Street, and staff

and materials to operate the Reach 11 Field of Dreams donated by the Arizona Diamondbacks. The proposed budget also provided staff and other operating costs for street landscaping maintenance of new streets citywide and maintenance of newly acquired but undeveloped parks land.

Restorations and enhancements to parks, youth, and senior services were also proposed in the Trial Budget. Staff and supporting expenditures to restore nearly 50 percent of general parks maintenance budget reductions was proposed. Street landscape maintenance crews eliminated in previous budget reductions were proposed to be restored and an additional maintenance crew added. Summer swimming pool hours were recommended to be partially restored, with funding to keep all pools open on weekends through Labor Day, beginning in August. An expansion to the city's after-school program also was proposed. The recommended budget also began to restore funding for the youth summer jobs program. Enhancement of senior services was proposed through the addition of programming staff and food service workers at various senior centers.

Additions and restorations also were proposed for cultural activities such as arts and libraries. Funding for setup at the new Agave Library at 33rd Avenue and Pinnacle Peak Road was proposed to enable a July 2008 opening date. Additionally, the proposed budget included restoration of morning hours at all libraries from 9 to 10 a.m. The proposed budget also began to restore arts grants reduced in previous budget cuts.

Staff restorations and additions were proposed for funding to develop system improvements to code enforcement, case management and customer services in the Neighborhood Services Department. Proposed restorations also included staffing for a courtroom dedicated to complex property maintenance cases and other city code violations. The proposed budget also included staff and equipment to improve speed and quality of graffiti removal and graffiti enforcement efforts.

Additional funding was proposed to address housing needs. Funding to complete the Matthew Henson HOPE VI

Project was proposed, as well as the refunding of in lieu taxes paid with federal housing funds to free up public housing federal funds. Funding also was proposed to begin to expand operations at the Watkins Overflow Shelter.

The creation of a wash maintenance program also was proposed, as well as increasing funds available for street maintenance. A variety of other funding items were proposed to address workload issues in a variety of departments throughout the city.

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. Additional routes and improvements on a number of existing routes were proposed, and Dial-A-Ride services also were recommended for improvement. Funds to implement five new neighborhood circulator bus routes in Maryvale, Sunnyslope, the Desert Sky area, the Desert Ridge area, and the Northwest area also were proposed. Specific routes will be identified through a community input process. Improvements to security at park-and-ride lots and transit centers that sell fare media also were proposed. Additional staffing also was proposed to address workloads associated with the expansion of the transit system and to staff the newly opened West Maintenance facility.

Convention Center funds were proposed to improve operations at the new Phoenix Convention Center West Building as well as continue a program of enhancements to customer service. Development Services funds were recommended to fund administrative support and improve customer service at the Development Center customer service counter. Additional Aviation funds were proposed to identify more environmentally sensitive methods of operating.

The proposed Water Services budget provided staff and other resources to add technical support for security systems, implement a new meter replacement program to replace under-registering meters, and to maintain consistent

treatment processes at treatment plants. Also proposed is funding for staff and equipment to create a rapid-response crew to perform emergency repairs, develop and implement a strategic communications plan, and maintain service levels at the Water Customer Services Call Center and Water Distribution Communications Dispatch Center. In addition, funding was recommended for staff to improve staffing ratios, develop infrastructure master plans, and develop plans for the 2005 Water Resources Plan Update.

The proposed budget also provided funding for staff and resources to reduce overtime and meet equipment maintenance schedules at wastewater treatment plants, provide electrical maintenance for the new water-activated sludge thickening and chlorine system at the 91st Avenue wastewater treatment plant, and convert the odor control pilot program along the Southern Avenue Interceptor into an ongoing program. In addition, funding for staff and supplies were recommended to convert contracted vector truck service to an in-house service, improve supervision, and improve service levels for plan and new facility reviews.

Community Input

The proposed budget was presented at 12 budget hearings conducted throughout the community from April 5 through April 20 including special hearings for youth and seniors. Following a presentation describing the proposed budget, 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 enhancements as well as a calendar of budget hearing dates. This publication was inserted in the April 8 edition of *The Arizona Republic* and the April 11 edition of the *Arizona Informant*. A Spanish version of this publication was included in *Prensa Hispana*. 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.

Comments from the community were incorporated into the City Manager’s recommended budget that was presented to the Mayor and Council on May 1. As a result of community input the budget included funding to begin restoring community center hours and provided funding for modest capital improvements for Cementerio Lindo at 15th Avenue and Durango Street.

Also included in the budget were additional police officers to further enhance transit security and four fire prevention positions to respond to workloads associated with new development plans review. Finally, city departments were provided the opportunity to use cost reductions within their budgets to fund needed administrative support. These self-funded additions included improved boards and commissions support services; better compliance with environmental construction standards; and greater ability to keep up with workloads in recruiting, testing and labor relations.

TENTATIVE BUDGET ADOPTION – MAY 30

A public hearing and tentative budget adoption was held on May 30 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 13

A public hearing and final adoption were conducted on June 13. Adoption of the property tax levy was scheduled no less than 14 days later on July 2 in accordance with state law.

The following chart is an overview of the 2007-08 budget calendar.

2007-08 Budget Calendar	
January 23	Early Budget Discussion and Options for Budget Review Process
March 6	Initial 2007-08 Budget Status Report
April 3	2007-08 Proposed Trial Budget and 2007-12 Preliminary Capital Improvement Program
Week of April 8	Budget Insert in Local Newspapers
April 5 – 20	Community Budget Hearings
April 24	2006 Bond Committee Meeting
May 1	City Manager’s Recommended 2007-08 Budget
May 8	Final City Council Budget Review
May 30	Tentative Adoption of 2007-08 Budget and 2007-12 Capital Improvement Program
June 13	Final Budget Adoption
July 2	Property Tax Adoption