

Proposed 2007-08 Annual Budget



TO THE HONORABLE MAYOR AND CITY COUNCIL:

This letter transmits our recommended balanced budget for the upcoming 2007-08 fiscal year. No service reductions were necessary in this budget. For the first time in several years, we are able to recommend restoring some of the service cuts necessary in recent years as well as propose some new services. We continued our process of rigorous budget reviews and reduced spending where it had no impact on service delivery.

We are recommending a variety of community service improvements including opening the new police crime lab and the new Pecos Park Police Station; significantly increasing summer shelter capacity for homeless women and children; operating and maintaining new parks; improving maintenance at existing parks; increasing swimming pool and community center hours; preparing for the opening of a new library and restoring cut hours to existing libraries; increasing senior programming and food services; improving the abatement and enforcement of graffiti; restoring street maintenance funding; establishing a wash maintenance program and adding transit services.

I want to thank the Mayor and City Council, the community and city staff for working together to balance our budget. Also, I want to say thank you to the hundreds of residents who took the time to attend a budget hearing or send comments by e-mail and voice mail. For years, even when reductions were necessary, Phoenix has produced a balanced budget using collaboration and team work. I look forward to working with the Mayor and City Council in making final budget decisions.

OUR OUTLOOK FOR THE UPCOMING 2007-08 FISCAL YEAR

Estimated General Fund Revenues

Our General Fund revenue growth is expected to be moderate next year, but still reflect a solid local economy. Local economists are now saying that peak growth in the local economy occurred last summer. Overall, we estimate that General Fund revenues will grow by 9.2 percent. This is decreased three percentage points from the growth rate achieved in 2005-06, and is decreased one percentage point from the pre-census revenue growth estimated for this year.

This overall growth assumes that local sales tax revenues will grow by 6.9 percent and state-shared sales taxes will grow by 6.8 percent. State-shared income taxes, however, will grow by 24 percent as cities begin to share in peak state income taxes collected by the state last year.

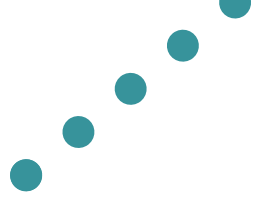

Estimated General Fund Costs

There are several critical public safety issues that we recommend be dealt with in this budget. As the job market becomes increasingly competitive, finding candidates for police and firefighter positions will be challenging. This budget recommends \$1.5 million to improve public safety starting salaries to help us attract the best candidates to our city. Also, \$1.6 million is required to begin a three-year program to replace police patrol mobile computer terminals. And, \$350,000 is

needed to replace an expiring victim's services grant. In addition, the following costs are recommended in this budget:

- The budget includes the costs of the second year of a two-year agreement with our employee groups as well as increased pension and other related benefit costs.
- The annual required contribution necessary to fully fund and comply with GASB 45 is included in this budget. Our employees worked hard to restructure their post employment health benefits in order to reduce the impact of GASB 45 while still adequately and fairly providing for health care for our current and future retirees. Our program is a model for other cities.
- The budget includes \$5.7 million required to transition 80 police officers from grants to the General Fund.
- We are recommending a catch-up level of vehicle replacements. This catch-up will avoid future repair costs and the future potential for mid-year disruptions in city operations. We also have included an increased level of funding for technology replacements and requirements.
- We are recommending \$2.2 million to partially restore Transit and Streets General Fund support. We also have proposed \$2.4 million to increase the contingency fund from 2.7 to 2.9 percent. Also, an additional \$700,000 is needed to pay Maricopa County's jail rate for 2007-08.
- We recommend stepping up the payment schedule to more quickly retire the debt financing used to acquire major equipment and repairs over the last several years. This will reduce interest costs in the long run.





The net effect is that a small balance is available in the General Fund to make some improvements to community services next year. Our recommendations are briefly described below. More detailed descriptions are provided later in this document.

RECOMMENDATIONS FOR THE GENERAL FUND

Police Department

Recommendations for the Police Department include funding for the critical issues described above and opening and operating the new crime lab and the new Pecos Park Police Station. Funding is proposed to implement the 800Mhz biannual radio maintenance program and additional communications operators are recommended to keep pace with call volumes and to provide trained operators in advance of two new precinct stations. Police officers assigned to expiring JAIBG, GREAT and COPS are proposed for General funding and a police sergeant will be added to the Airport and paid for with Airport fees.

Finally, we recommend that eight police officers and a sergeant along with civilian security guards be added with Transit 2000 funds to provide security for bus routes and park-and-ride facilities. The plan approved by the voters included increased security on our bus lines and in and near transit facilities.

Fire Department

The budget recommended for the Fire Department includes additional communications operators and matching funds required to continue Fire Crisis Response Units. Additional staff is proposed for fire inspections of child and elderly care facilities, hospitals and group homes. Further enhancements to the recruitment of minorities and women also are recommended. We recommend adding technical staff to maintain the regional dispatch system. This staff will be paid for by the fees paid by the other cities. Eight sworn fire positions are necessary to comply with the fourth mandatory paid leave day called for in our two-year agreement with the firefighters.

Finally, we recommend several fire prevention positions be added to keep pace with reviewing plans for new construction. These positions will be funded will new construction permit fees.

Other Public Safety and Criminal Justice

We recommend the addition of case work staff to the Family Advocacy Center to ensure continued compliance with Board of Behavioral Health rules and the addition of technology help to the Prosecutor's Office to keep the case management system operational. Also, the Prosecutor's Initial Arraignment pilot program has proven to reduce jail days. We recommend continued funding for this program that saves jail costs in the long run.

Finally, we recommend the courtroom dedicated to hearing complex property maintenance cases be restored. Also recommended for the Municipal Court is a technology position to complete improvements to court technology systems.

Parks Department

The recommended budget for the Parks Department includes the costs necessary to operate and maintain several new parks facilities and funding to begin restoring the parks and street landscape maintenance cuts necessary over the last few years. Also recommended is the restoration of the swimming pool season with pools staying open on the weekend after school starts until Labor Day. Funding also is recommended to improve after-school recreation.

Finally, due to the comments we heard during our budget hearings, we recommend that some community center hours be restored and that a small amount of funding be provided to begin making improvements to the historic cemetery at 15th Avenue and Durango Street.

Library Department

Recommendations for the Library Department include the costs for the staff necessary to prepare for the opening of the new Agave Library. Also recommended is the restoration of morning service. The libraries are recommended to open Monday through Saturday at 9 a.m. rather than the current 10 a.m.

Housing and Human Services


The recommended budget for the Housing Department includes the reuse of in lieu property taxes currently paid by federal housing funds. This will allow these federal dollars to be directed to public housing needs and help offset federal funding cuts. Also proposed is providing General funds to complete the HOPE VI project rather than using already scarce Housing funds.

In Human Services, increases in senior programming and food services are recommended. Funding to begin restoring summer youth jobs is recommended. Finally, funding to operate the Watkins Homeless Shelter for women and children during the summer months is recommended. Due to our very hot summers, the availability of shelter in the summer is as crucial as shelter during the winter months.

Other Community Service Increases

Increases also are recommended to respond to workload increases that accumulated during those years when funding was not available to keep pace with workload demands. Additions are proposed to improve code enforcement, especially the more difficult cases, to improve graffiti removal and enforcement, and to maintain code enforcement case management technology.

Funding is recommended to enhance management and coordination of dust control efforts and to improve historic preservation customer service. We also recommend staff be added to help manage the historic preservation bond program and the percent-for-art program. The restoration of some arts grants and sister cities funding is proposed as well as additional Planning and M//W/SBE staff to respond to current workloads.



Finally, we recommend establishing an ongoing wash maintenance program and increasing the rate of restoring street maintenance funding.

RECOMMENDATIONS FOR TRANSIT 2000 FUNDS

The budget recommends numerous fixed-route bus improvements; the implementation of five new neighborhood circulator bus routes and several improvements to Dial-a-Ride services. Also recommended are the costs necessary to operate and maintain the new West Maintenance Facility; warranty maintenance to keep costs as low as possible and the necessary internal control oversight to keep pace with the growing services being provided.

Finally, as described earlier, Transit 2000 funds also are proposed to pay for police officers and other security staff necessary to keep our routes and transit facilities safe. All of these recommendations follow the transit plan approved by the voters in 2000.

RECOMMENDATIONS FOR THE DEVELOPMENT SERVICES FUND

Our recommendations for the Development Service Fund include several initiatives recommended by a recent organizational analysis and additions to the customer counter to reduce wait times.

RECOMMENDATIONS FOR THE CONVENTION CENTER FUND

Recommended additions for the Phoenix Convention Center include the staff and costs necessary to operate and maintain the new West Building; staff and costs necessary to provide for the expanded service needs of those attending events; and additional fiscal staff necessary to provide proper fiscal oversight to the Convention Center's expanded operations.

RECOMMENDATIONS FOR WATER AND WASTEWATER FUNDS

The recommended Water and Wastewater budget includes a meter replacement program focused on aging and inaccurate meters; the addition of a rapid-response crew to perform emergency repairs and

staff to maintain service levels at the customer service call center. The pilot odor control program along Southern Avenue is proposed for ongoing funding.

RECOMMENDATIONS FOR SOLID WASTE FUNDS

Recommendations for Solid Waste funds include staff and costs necessary to keep pace with growth in residential units and staff necessary to clean up illegally dumped waste.

PRODUCTIVITY IMPROVEMENTS FUND NEEDED ADMINISTRATIVE SUPPORT

For many years we have given city departments the opportunity to use cost reductions within their budgets to fund needed administrative support. After several years of cuts concentrated in the administrative areas of the budget, administrative help is needed in most city departments. This budget recommends reallocation of already budgeted funds to accomplish important goals including 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. Also recommended is an ongoing vehicle impound program; better support of the GIS system and improved response to requests for utility inspections.

These self-funded positions will begin to deal with some of the significant administrative cuts these departments have endured over the past few years.

LOOKING AHEAD

Looking ahead, we have to continue our focus on protecting and expanding our revenue base. Like all Arizona cities, we rely on our local sales tax – especially local retail sales tax - to provide the revenues necessary to meet our resident's service demands. We have to continue to work to keep tax generators in Phoenix and to provide economic development to all areas of the community. We can't focus on just one geographic area of the city.

An important step is the five-year Phoenix Economic Development Plan that will be presented to the Mayor and City Council for their discussion and review on May 22. The plan, which results from months of work, addresses all aspects of economic development and all areas of the city. The plan is built around eight goals:

- Create and retain high-quality jobs focusing on key business sectors.
- Foster an environment for entrepreneurial growth.
- Revitalize the urban areas of Phoenix.
- Expand the city's revenue base.
- Develop and train qualified talent to meet the needs of business.
- Enhance and improve the quality of life for Phoenix residents.
- Pursue improvements in the foundations of economic vitality.
- Plan and strategize for the future.

CONCLUSION

Over the past few years it was necessary to reduce the employee resources available to deliver services to the community. Citizen surveys show that despite these reductions, city employees found ways to deliver the best in community services. I want to thank them for their hard work and dedication.



Frank Fairbanks
City Manager

May 1, 2007

