CITY COUNCIL REPORT

POLICY AGENDA

TO: Ed Zuercher   AGENDA DATE: February 10, 2015
     City Manager

FROM: Mario Paniagua   ITEM: 4
        Budget and Research Director

SUBJECT: IMPROVING TRANSPARENCY AND ZERO-BASED INVENTORY OF
            PROGRAMS BUDGET DOCUMENT

This report transmits this year's Zero-Based Inventory of Programs budget document to the Council and community, and provides an update on the City's on-line checkbook.

Staff also requests Council approval of the Community Budget Calendar. (Attachment I)

THE ISSUE

The Zero-Based Inventory of Programs budget document was put in place in response to the City Council's request for a more transparent, relevant and detailed presentation of the City's budget. The information facilitates a more informed and transparent review of costs for city programs. The Inventory of Programs outlines costs, revenue, staffing levels, funding source, and other key budget detail for the more than 400 programs Citywide.

OTHER INFORMATION

The City of Phoenix continues to be recognized by the Government Finance Officers Association as having a top-tier presentation of the City's budget. Additionally, the enhancements made over the last several years demonstrates our commitment to continuously improve transparency, better communicate detailed budget information, and further engage the community in the budget process.

In the Inventory of Programs, the City's budget is presented by program, the key component of a Zero-Based budget approach. This Citywide Inventory of Programs is one element of a detailed and comprehensive presentation of the City's budget. The goals achieved include:

- Providing a more detailed and more relevant presentation of the City's budget and advancing the ability of the Council and community to review the budget of every City program using a zero-based budgeting approach

- Providing the Council with cost estimates at an earlier stage in the annual budget process

- Improving the overall accessibility and understandability of the City budget by using a format that is more accessible and useful to Phoenix residents

Transparency

The City of Phoenix is committed to helping residents know how their tax dollars are being used and to making all of the City's processes transparent, accessible, and easily understood. In concert with the expectations and desires of residents, the City has one of the most open and accessible budget input and adoption processes in the country. Additionally, Phoenix has received a Distinguished Budget Presentation Award from the Government Finance Officers Association for 29 consecutive years.

The Zero-Based Inventory of Programs document is provided six weeks prior to the City Manager's Trial Budget and subsequent Community Budget Hearings.   This document presents both a high-level perspective as well as detailed view of the preliminary City budget in comparison with recent year spending, providing necessary context and considerations for well-informed budget discussions and decisions. All of the information is provided on the Budget and Research website and is designed to be easily reviewed electronically with a table of contents, navigation links throughout the document and full word search capability. By detailing the more than 400 City programs and services and providing a complete view of the City's current year budget along with a preliminary look at next year's estimates, the Mayor, Council and public can begin reviewing this important information very early in the process.

At the City Council Policy Meeting on February 24, staff will provide to the City Council the preliminary status of the FY 2015-16 General Fund, an updated Five-Year Forecast and an update to the Public Safety Funds Balancing Plan.

On March 24, a balanced City Manager's Trial Budget will be presented. This will include greater detail on the proposed 2015-16 budget. The City Manager's Trial Budget is then followed by a presentation of the Preliminary Five-Year Capital Improvement Program on April 7, and Community Budget Hearings during the month of April.

The City's longstanding practice of holding budget hearings at several locations, times, and dates throughout the community provides residents with numerous opportunities to be briefed, get questions answered, and offer their input on the Trial Budget. Last year, over 20 hearings were held, including a bilingual English-Spanish hearing and an on-line hearing with the Mayor. Residents can also provide input via online forms, email, and telephone. All resident feedback is shared with the entire Council in the form of summary minutes, and all meetings are video-recorded and posted online at the City's YouTube webpage.

Every year, the community feedback received during the hearing process results in important changes reflected in the City Manager's Proposed Budget, a revised version of the Trial Budget that incorporates input from residents. The Proposed Budget is scheduled for two meetings in the month of May, the second of which is intended for Council action. The two Council meetings in May ensure the Mayor and Council have sufficient opportunity to fully evaluate, question, and discuss the budget prior to taking

any action. In June and July, tentative and final budget information is published in official newspapers, additional hearings are posted and conducted, and final legally-required actions are taken.

Currently the phoenix.gov webpage provides access to significant information on the City's budget and finances. Listed below are additional resources that can be found on the Budget and Research (phoenix.gov/budget) and Finance Departments' (phoenix.gov/finance) web pages:

- Inventory of Programs - Zero Based Budget Document
- Summary Budget
- Detail Budget
- Five-Year Capital Improvement Program
- Comprehensive Annual Financial Report
- Monthly Financial Report
- Financial Conditions Report
- Online Checkbook
- Investor information
- Annual Single Audit detailing grant program expenditures
- Aviation Annual Report
- Budget-related documents and reports to City Council
- Video recordings of all Community Budget Hearings
- Contact information for Budget and Research and Finance Departments

Recently, the Finance Department made available the checkbook data sets for the City of Phoenix Open Data initiative. The checkbook data sets are available for the public and third party developers to create reports, utilize aggregate information and conduct data analysis. Data sets are available for all of FY 2013-14 and year-to-date through FY 2014-15. The checkbook open data will be updated monthly on www.phoenix.gov/opendata.

Also on the phoenix.gov home page is a link to "Find Public Records", which provides access to the public to all types of city documents, including Council meeting minutes, requests for Council action, ordinances, resolutions, contracts, City Council reports, and others.

Budget Information

The Zero-Based Inventory of Programs budget document contains the following information:

Citywide and General Fund Information - A breakdown of Citywide operating expenditures by specific expenditure category and fund sources; operating fund revenue by source; and the number of volunteer hours for each department. The specific expenditure categories include:

- Personal services (total compensation costs including all wages and benefits)

- Contractual services (payments made to outside vendors and contractors, including all outsourced services)

- Supplies

- Equipment and minor improvements

- Interdepartmental charges (work order charges from one department to another based on internal services provided, where appropriate)

- Necessary transfers between funds

Actuals Comparison - Annual actual expenditures for recent years in all the budget categories described above are provided.

Staff Costs Overview - This section provides detail on what comprises staffing costs (also referred to as "personal services") for all funds and for the General Fund. It explains what the major components of staff costs are (salaries and wages, benefits, and payroll taxes and other legally required costs) and what each of those components are comprised of.

Citywide Inventory of Programs - The Citywide inventory of programs provides:

- Department status overview of enhancements, priorities and challenges

- Department-specific revenue and budget summary

- The primary strategic plan area supported by the program

- For departments receiving volunteer assistance, description of volunteer services in applicable programs and the number of volunteer hours provided

- The total cost for each City program (net and gross); currently, budgets are presented by department, however, a zero-based budget approach prescribes the use of "budget decision packages", which are based on the costs of individual City programs or services

- Staffing, or total full-time equivalent (FTE), for each program, including full-time, temporary, and part time staff

- Program fund source, which may be a single fund, such as the General Fund, or a combination of funds, such as grants, special revenue funds and General Fund

- For applicable City programs, service level trends illustrating budgeted performance measures

- Information regarding whether the program provides matching funds for a grant funded program

The Citywide inventory of programs is based on the Council-adopted 2014-15 budget and the preliminary 2015-16 budget estimate. Estimates by program for the preliminary 2015-16 budget will likely change prior to the Trial Budget for items including updated equipment replacement estimates, ongoing identification of savings, or other cost changes influenced by factors outside the City's control. Costs and staffing levels for each program include a portion of department administration, which is appropriately allocated across the programs of each department.

The full report is available at the following link:

https://www.phoenix.gov/budgetsite/Budget%20Books/Inventory%20of%20Programs%202014-15.pdf

Zero-Based Estimates and Detailed Technical Expenditure Reviews

Each fall, a thorough technical analysis, or detailed line-item review, is performed for the current year's budget. Every department works with Budget and Research in reviewing all budget line-items and making adjustments to reflect identified cost savings.

Also each fall the City develops estimates for every budget line-item for the next fiscal year's budget. It is important to note that every line-item of the budget starts at zero dollars. This is an important cost-control element of the City's budget process, as it is designed to ensure that new cost estimates are prepared every year, preventing the automatic extension or increase of costs programmed in the current year. The final amounts in each line-item are new estimates necessary to continue existing Council-adopted service levels for each program. In projecting annual personal services costs (total employee compensation), estimates are based on the number of positions authorized by the City Council and on the specific compensation configuration for each individual position.

The City Manager's Trial Budget will be presented to the City Council on March 24 and the Preliminary Five-Year CIP on April 7, followed by community budget hearings in April. Two Council meetings in May will include the City Manager's proposed budget and Council budget decision, and legal budget adoption actions will occur in June and July.

RECOMMENDATION

Staff requests Council approval of the Community Budget Calendar presented in Attachment I.

Date	Budget Item
February 10, 2015	-Zero-Based Budget Inventory of Programs -Spending Limit Task Force Recommendation
February 24, 2015	-Preliminary Status of FY 2015-16 General Fund Budget and Five-Year Forecast -Public Safety Funds Balancing Plan Update
March 24, 2015	City Manager's Trial Budget
April 7, 2015	Preliminary Five-Year Capital Improvement Program
April 2015	Community Budget Hearings
May 5, 2015	City Manager's Proposed Budget
May 19, 2015	Council Budget Decision
June 3, 2015	Adopt Tentative Budget Ordinance
June 17, 2015	Adopt Final Budget Ordinance
July 1, 2015	Adopt Property Tax Levy Ordinance