



## City of Phoenix

**To:** Mayor and City Council

**Date:** March 19, 2015

**From:** Ed Zuercher  
City Manager

A handwritten signature in blue ink, appearing to be 'EZ'.

**Subject:** 2015-16 TRIAL BUDGET MESSAGE

On February 24, we shared good news about the 2015-16 General Fund budget status: shared solutions and early, tough decisions by the Mayor and City Council led to a balanced General Fund budget for 2015-16.

Even with the sunset of the emergency sales tax on food in April 2015, we are balanced through hard work by all. The Council's actions to cut vacancies early, a second year of employee concessions, our continued zero-based budget reviews of City programs and aggressive savings efforts by staff led to a small budget surplus. Unfortunately, the State's budget balancing actions to shift costs and decrease revenues to cities, towns and counties has immediately taken that surplus away.

The Trial Budget does identify some general fund resources, after the State's \$6.3 million negative impact to the City, to address some critical items, primarily Police officer training. The proposed Trial Budget also adds some critical investments in our people and our future from other non-General Fund sources:

- Enhanced customer service programs in Planning & Development Services;
- Maintenance for three new desert preserve trailheads;
- Operating the new northwest light rail extension;
- Beefing up our noise office at Phoenix Sky Harbor International Airport; and
- Operating a composting facility to divert tons of waste from the landfill.

Before a balanced budget adoption in June, we will have many opportunities for the public to weigh in on the City Budget, including a dozen public hearings over all Council Districts; email, written, social media or phone input; and multiple public City Council meetings. This Trial Budget is the first step in the dialogue.

The attached report also provides some perspective on the work we need to do before 2016-17, when steep increases in public safety pension costs will put severe pressure on the budget. The report also reflects on the work done in response to last year's City Council budget actions and questions.

I want to thank the Budget and Research Department for their work. I look forward to working with each of you in a robust, open and public dialogue about the City's trial budget proposal for 2015-16.

---

## CITY COUNCIL REPORT

---

TO: Ed Zuercher  
City Manager

FROM: Mario Paniagua  
Budget and Research Director

SUBJECT: 2015-16 CITY MANAGER'S TRIAL BUDGET

---

This report provides information on the 2015-16 City Manager's Trial Budget.

Early actions taken by the Mayor, City Council and City staff enable:

1. A balanced 2015-16 City Manager's Trial Budget with no service reductions and General Fund additions for critical Police training, community recreation services and investment in innovation;
2. Regular hiring of Officers and Firefighters, increasing the City's sworn Police and Fire forces; and,
3. Balancing the Public Safety Funds in 2015-16 as called for in the Council-adopted multi-year plan, while avoiding any sworn layoffs.

The state's 2015-16 budget reduced revenue and increased costs to the City by \$6.3 million, which eliminated a surplus of \$4.3 million that would have otherwise been available to address high priority community needs or hold in reserve, and created a \$2 million deficit for the City. To restore the balance, the Trial Budget proposes the following actions:

- Defer \$1.4 million for replacement of vehicles and large equipment; and,
- Decrease the proposed Contingency fund growth by \$600,000, slowing progress toward reaching the 5 percent recommended level.

Aside from state 2015-16 budget changes, the balanced Trial Budget is based on existing state-shared revenue formulas, statutory funding obligations and existing local taxing authority. The Phoenix City Charter requires a balanced budget each year.

Even with the tight General Fund, this budget still includes important program improvements in areas funded by other sources, such as:

- Adding a dedicated team at Sky Harbor to review airspace evaluations and potential impacts, respond to noise complaints, and provide community outreach
- Enhancing the customer service experience in Planning and Development Services through additional oversight, technology improvements, training and enhanced opportunities for customer feedback
- Maintaining three new preserve trailheads at Apache Wash, Desert Vista, and Desert Hills
- Providing funds to operate expanded light rail service to 19<sup>th</sup> Avenue & Dunlap; and,
- Operating a new composting facility at the 27<sup>th</sup> Avenue Transfer Station.

## THE ISSUE

As presented at the February 24, 2015 City Council meeting, the 2015-16 General Fund budget is balanced without any service reductions. Although a \$4.3 million surplus would have been available to address high priority community needs, the 2015-16 state budget negatively impacted the City by \$6.3 million. The state's action created a \$2 million General Fund deficit, which is proposed to be closed by reducing replacement of aging vehicles and decreasing the proposed Contingency Fund growth.

The proposed balanced budget with no reductions to services is the result of the leadership of the Mayor and City Council to take needed action, and staff's diligent cost management. The difficult Council decisions to balance this budget included:

- adopting compensation reductions to all employees of -1.6 percent in FY 2014-15, with additional reductions of -0.9 percent in FY 2015-16;
- increasing GF revenue by about 1 percent; and,
- eliminating 162 full-time General Fund vacant positions in December 2014.

The Mayor and Council have also led other important fiscal reform, including:

- \$98.1 million in innovation and efficiency savings to date since 2010- the City is less than \$2 million from reaching its 2015 goal of \$100 million total savings;
- elimination of about 100 management positions- a decrease of 22 percent and a significantly higher percentage than position reductions overall;
- decrease in overtime costs by more than 50 percent;
- consistently raising the contingency fund to its highest level in our history; and,
- pension reform expected to save over \$833 million over two decades.

### **High Priority Needs**

Although this proposes a balanced budget for 2015-16 with no service reductions, several high priority needs remain. Some examples of these include:

- Hiring of additional police officers and firefighters above the increased hiring levels adopted by the Council in February 2015
- Police body cameras
- Homeless emergency shelter and rehousing programs
- Stormwater drainage infrastructure
- Street maintenance
- Additional branch library hours
- Phoenix Afterschool Center sites
- Arts grants and support
- Park maintenance
- Street landscaping maintenance; and,
- Recreation programming.

Hiring of officers, street maintenance and infrastructure, and storm drain infrastructure all have the potential to be improved by the proposed transportation plan to be taken to voters in August 2015. Per a plan approved by Council in February, if the proposed transportation plan is approved by voters, \$16 million of current annual General Fund support to Public Transit would be freed up and redirected to hire and sustain an additional 125 Police Officers. Also, funding for additional street maintenance and streets infrastructure and storm drain infrastructure needs is included in the proposed transportation plan.

At its February 25, 2015 meeting, the Council Transportation and Infrastructure Subcommittee approved a motion to recommend consolidation of street landscape design and maintenance activities into the Street Transportation Department and to authorize issuance of an invitation for bids for contracted street landscaping services. Depending on bids received, this change has the potential to slightly increase current service levels to go above the solely complaint driven system, also adding a regular maintenance schedule for up to three times per year without additional costs. The motion also included a request to further discuss additional increases in street landscaping maintenance service levels in the City's budget process. As discussed at the Subcommittee meeting, a moderate increase to a monthly street landscaping maintenance schedule would be estimated to cost an additional \$1.5 - \$2.5 million. A higher level of improvement to a weekly/monthly blended maintenance schedule would require \$4 - \$6 million in additional funding.

Street landscaping maintenance and the other high priority areas of community service needs above are primarily funded in the General Fund, and additional resources are not currently available. This means that any decision to allocate additional General Fund resources in these areas would likely require a corresponding reduction to other city services, or the addition of new revenue. Staff will continue to seek grants and other funding sources for these needs.

### **Public Safety Hiring**

The City Manager's Trial Budget reflects Phoenix's commitment to keeping Public Safety its highest priority. In this budget, Public Safety/Criminal Justice is up to 71 percent of General Fund operating costs. The FY 2015-16 Trial Budget reflects increased Police Officer and Firefighter hiring, which will increase the number of filled Officers and maintain the number of filled Firefighters. This is the result of careful fiscal discipline in carrying out the Council-adopted Public Safety Funds Balancing plan.

The combined funds are expected to be in balance by the end of FY 2015-16. Also, the Council approved a plan in February to accelerate the hiring of 50 Officers in late 2015-16/early 2016-17 above the 90 Police Officers that were already planned for 2015-16. Also in the Council-approved plan is the hiring of 90 Firefighters in 2015-16 after hiring approximately 75 in 2014-15.

As discussed above, if the transportation plan to be presented to Phoenix voters in August 2015 is approved by voters, per Council direction, \$16 million in annual General Fund money that currently supports Public Transit will be immediately redirected to hire and sustain an additional 125 officers in FY 2015-16.

## General Fund Budget

The total proposed 2015-16 General Fund (GF) budget is \$1.156 billion, which is a 0.6 percent change from the 2014-15 GF budget of \$1.149 billion. The changes include \$4.3 million in new state-imposed payments to the Arizona Department of Revenue, \$2.2 million for additional police training, and a proposed \$1 million increase to the Contingency Fund. Increases to pension, health insurance and other costs were more than offset by decreases to compensation and reduced positions. Additionally, reductions identified in the City's annual zero-based budget (ZBB) program review process will decrease FY 2015-16 costs by \$1.2 million (**Attachment 1**). This also adds to the City's total innovation and efficiency savings, which at \$98.1 million is less than \$2 million from the goal of \$100 million by the end of calendar year 2015.

<b>2015-16 General Fund Trial Budget</b>	
Millions	
<b>RESOURCES: \$ 1,157.6</b>	
Operating costs to continue existing service:	\$ 1,091.3
→ZBB Program cost reductions	\$ (1.2)
→Expanded police training	\$ 2.2
→Innovation Investment for PHX 311 & Unified Municipal Services Card Technology Review (\$150K)	\$ 0.2
→Parks Supplemental Coffelt Recreation Center (\$14K)	\$ 0.0
<b>Total Proposed Operating Costs:</b>	<b>\$ 1,092.5</b>
Contingency fund	\$ 47.0
Vehicle & large equipment replacements	\$ 7.0
Pay-As-You-Go capital facilities costs	\$ 3.8
Pay-As-You-Go capital information technology costs	\$ 2.9
<b>EXPENSES: \$ 1,153.3</b>	
<b>BALANCE: \$ 4.3</b>	

<b>STATE BUDGET IMPACT TO CITY</b>	
State 2015-16 Budget reduced revenue	\$ 2.0
State 2015-16 Budget increased costs	\$ 4.3
<b>REVISED BALANCE: \$ (2.0)</b>	

<b>ACTIONS TO BALANCE DUE TO STATE IMPACT</b>	
Reduce vehicle & large equipment replacements	\$ (1.4)
Reduce Contingency fund growth	\$ (0.6)
<b>REVISED BALANCE: \$ -</b>	

<b>UPDATED 2015-16 General Fund Trial Budget</b>	
Millions	
<b>UPDATED RESOURCES: \$ 1,155.6</b>	
Operating costs	\$ 1,096.8
Contingency Fund	\$ 46.4
Vehicle & large equipment replacements	\$ 5.6
Pay-As-You-Go capital facilities costs	\$ 3.8
Pay-As-You-Go capital information technology costs	\$ 2.9
<b>UPDATED EXPENSES: \$ 1,155.6</b>	
<b>UPDATED BALANCE: \$ -</b>	

Trial Budget Detail: Attachment 2 provides the updated Trial Budget Detail Charts and itemized Staffing Costs information. The information includes year-to-year comparisons for all funds, and specifically for the General Fund, for each category of costs by department:

- *Personal Services*, or staff costs
- *Contractual Services*, or costs to vendors for specific services
- *Interdepartmental Charges*, or charges for work performed between departments to ensure costs are paid from the appropriate funding source
- *Supplies*
- *Equipment and Minor Improvements*
- *Miscellaneous/Transfers*, or other various charges or fund transfers

Additionally, the Staffing Costs section provides multiple years of further detail on the costs of employees. The information is broken down into very specific line items, including salaries and wages, pension, health insurance, deferred compensation, overtime, and other benefits and legally required costs.

**Attachment 3** provides a year-to-year comparison of the 2014-15 General Fund Budget to the 2015-16 Trial Budget, including total resources and key cost areas, like salaries and wages, pension, health care, and deferred compensation for sworn public safety and civilian personnel.

This Trial Budget also includes the following:

- Addition of \$4.3 million in new costs assessed by the state to fund the Arizona Department of Revenue as part of the state's budget balancing action.
- Increase of the Contingency fund from \$45.3 million to \$46.4 million (reduced from \$47 million due to state budget impact). This takes the Contingency fund's percentage of operating costs from 3.95 percent to 4.0 percent, moving the City closer to the long-term goal of 5 percent.
- About \$2.9 million in General Fund pay-as-you-go capital to address critical information technology needs.
- **Attachment 4** provides information regarding necessary additional funding of \$2.2 million for a 40-hour training module for Police Officers to enhance knowledge regarding mental health, cultural awareness, and situational and tactical analysis. Also included is about \$150,000 to invest in project management of new innovation projects like a centralized City Information Center (PHX 311) and development of a Unified Municipal Services Card that have the potential to bring long-term savings along with enhanced services. Finally, the General Fund includes about \$14,000 for year-round recreation support of a new multipurpose facility built by the Maricopa County Housing Authority for the Coffelt Lamoureux Community Recreation Program to start in April 2016.
- Zero-based budget program cost reduction actions totaling \$1.2 million in savings.

- Continued replacement of high priority vehicles and heavy equipment, such as Fire pumper and ladder trucks and Police vehicles, which have reached expected end of life resulting in risk of operational failure and increased maintenance costs. After adjusting based on the deficit due to the state budget, the General Fund includes \$5.6 million for vehicle replacement (reduced from \$7 million). Another \$3 million of one-time funds from the Fire Neighborhood Protection fund will be used to address aging ambulance vehicles and pumper trucks.

## **Non-General Funds**

The City Manager's Trial Budget includes recommended changes to non-General Funds, as explained below. More detail is provided for non-General Fund changes in **Attachment 5**.

Aviation: Three regular, full-time positions are proposed in the Aviation Fund to create a new Airspace Noise Planning Services program to review Federal Aviation Administration (FAA) airspace evaluations and potential impacts to the public, respond to noise complaints, and provide community outreach.

Community Development Block Grant Fund (CDBG): Three temporary Neighborhood Preservation Inspector positions are proposed for conversion to regular status, as the positions are required to address ongoing neighborhood preservation needs and regular CDBG funding is expected to continue. These positions are responsible for enforcing property maintenance, zoning and other ordinances.

Development Services Fund: In order to meet the needs of expected increases in development activity, Planning and Development proposes to add nine new positions to conduct elevator inspections, create an Electronic Plan Review Self Certification Team, manage increased customer call volume, and conduct increasingly complex landscape and hillside plan reviews.

Early Head Start Fund: The program was originally funded as a two-year program through the American Reinvestment and Recovery Act. The Early Head Start program is now part of the ongoing funding from the U.S. Department of Health and Human Services. As a result, temporary positions are proposed for conversion to regular status.

Phoenix Parks and Preserves Initiative Fund (PPPI): The PPPI fund includes a proposal to add contract costs for janitorial services at three new major trailheads: Apache Wash, Desert Vista, and Desert Hills.

Transit 2000 Fund: Additional funding for contract costs is proposed to operate an expansion of light rail service from the current end-of-line at 19th Avenue and Montebello to 19th Avenue and Dunlap Avenue.

## **Revenue Estimates**

Projected General Fund (GF) revenue in FY 2015-16 is estimated to be \$1.061 billion, an annual increase of 1 percent over the revised current-year estimate. This accounts for the state's \$2 million reduction to Phoenix revenue due to decreased reimbursement rates for emergency transport of patients covered by the Arizona Health Care Cost Containment System (AHCCCS).

Including revenue along with the estimated beginning fund balance of approximately \$74 million, and necessary net fund transfers estimated at \$21 million, total FY 2015-16 General Fund resources are estimated to be \$1.156 billion.

Details on specific revenue categories and explanations of changes and assumptions are shown in **Attachment 6**, the report added last year at the request of the Mayor and Council.

Sales Tax on Food: The City's five-year sales tax on food for home consumption, which went into effect April 1, 2010, will expire completely as of April 1, 2015.

State-Shared Revenue / Legislative Changes Affecting City Taxing Authority: The proposed FY 2015-16 City Manager's Trial Budget assumes no change to current state-shared formulas, which have been in place since the 1940s when initially adopted by Arizona voters through three initiatives. If the state legislature changes state-shared revenue formulas and reduces the amount of revenue to cities and towns, balancing the budget may require additional cuts to community services, including public safety positions, parks, senior centers, street maintenance and others.

Additionally, the proposed budget assumes no additional state legislative changes are adopted negatively impacting City revenue or expenditures. Decreased revenue or increased expenditures as a result of new state legislation would require cuts in community services or additional revenue sources to balance the budget as the City Charter requires.

### Impact of State 2015-16 Budget

The proposed FY 2015-16 state budget includes increased costs and decreased revenues negatively affecting the City by \$6.3 million. The FY 2015-16 state budget includes the following changes directly impacting City revenue and expenses:

FY 2015-16 State Budget Impact to Phoenix		Estimated Amount
<b>Increase to Phoenix Costs:</b>	Charge to "non-program" cities of \$0.76 per resident for implementation of state Transaction Privilege Tax (TPT) reform	-\$1.1 million (cost increase)
	Charge to City for Arizona Department of Revenue's (ADOR) transition to collecting non-program city sales taxes	-\$3.2 million (cost increase)
<b>Decrease to Phoenix Revenue</b>	Reduction of ambulance service reimbursement rate for AHCCCS patients	-\$2 million (revenue decrease)
<b>Total Impact to City</b>		<b>-\$6.3 million</b>

The City Charter requires a balanced budget. The state's 2015-16 budget impact of \$6.3 million to the City eliminated a surplus of \$4.3 million, that would have otherwise been available to address high priority community needs or hold in reserve, and created a \$2 million deficit for the City. To balance the Trial Budget proposes the following actions:

- Defer \$1.4 million for replacement of vehicles and large equipment at end of life.

- Decrease the proposed Contingency fund growth by \$600,000, slowing progress toward reaching the 5 percent recommended level.

### **Additional Information**

**Attachment 7** provides progress reports on savings initiatives the City is working on. These initiatives are a critical part of the continual effort to find savings that will help address future year costs.

Also, in last year's budget approval process, the Council discussed and gave direction on several important issues as part of evaluating options to balance the 2014-15 budget. **Attachment 8** provides detailed information regarding those areas, as well as other areas demonstrating the City's aggressive pursuit of additional savings.

### **Budget Hearings**

Community involvement is essential to the City's budget process. The City will continue the longstanding practice of holding several budget hearings in all Council districts (**Attachment 9**). The hearings, each of which has a Spanish interpreter provided, will be held throughout the City in April and will include:

- A hearing provided in Spanish and English;
- Video recordings on the City's "YouTube" Webpage for public access anytime.

### **Five-Year Forecast**

In February 2015, the Budget and Research Department provided a five-year General Fund forecast. The long-range forecast is a financial management best practice providing the Council with a tool for long-term planning and strategic decision-making. The forecast report explained economic, resource, and expenditure assumptions providing the basis for potential ending balance ranges over the next five years. The ending balance ranges showed the City may face a potential General Fund deficit in FY 2016-17. However, assuming continued economic improvement, strong cost management and further innovation and efficiency, a balanced budget is possible for the subsequent years during the forecast period.

### **Zero-Based Inventory of Programs Budget Document**

For the fourth consecutive year, the Budget and Research Department provided a Citywide Budget Information Packet and Inventory of Programs as part of a Zero-Based Budget approach. The information was presented to the Council on February 10, 2015, providing the Council and Community with an early view of the upcoming fiscal year's estimated expenditures. The Zero-Based Inventory of Programs is provided online at [phoenix.gov/budget](http://phoenix.gov/budget). The Trial Budget Detail Chart and Itemized Staffing Costs have been updated and are attached.

## NEXT STEPS

This Trial Budget allows the Mayor, City Council and community to publicly review the proposal months in advance of required City Council decisions. Following the budget hearing process, staff will present the City Manager's Proposed Budget reflecting community input on May 5, 2015. Council action on the budget is scheduled two weeks later on May 19, 2015. The remaining key budget process dates are as follows:

<b>Date</b>	<b>Event</b>
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 and July 2015	Legal Budget Adoption Actions

All of the FY 2015-16 City Manager's Trial Budget documents are posted electronically on [phoenix.gov](http://phoenix.gov) for anytime access by the community.

Staff will also publish a tabloid summarizing the City Manager's Trial Budget and make it available to the public. The tabloid will be available electronically on the City's website, and copies will be available at all senior centers, community centers, libraries, and, as always, at all community budget hearings in both English and Spanish. Electronic document locations will be publicized in the Arizona Republic, La Voz, and the Asian American Times.

## RECOMMENDATION

Staff presents the balanced City Manager's Trial Budget for Mayor, City Council and Community review. No action is requested at this time.

## ATTACHMENTS

**Attachment 1:** Zero-Based Budget Review Cost Reduction Actions

**Attachment 2:** Detailed Expenditure Reports

**Attachment 3:** Year-to-Year General Fund Budget Overview

**Attachment 4:** General Fund Additions/ New Capital Facility Operating Costs

**Attachment 5:** Non-General Fund Additions/ New Capital Facility Operating Costs

**Attachment 6:** Report on General Fund Revenue

**Attachment 7:** Progress on Key Savings Initiatives

**Attachment 8:** Updates on Previous Budget Discussion Areas

**Attachment 9:** Community Budget Hearings

**ATTACHMENT 1**

**2015-16**  
**GENERAL FUND**

**PROPOSED ZERO-BASED BUDGET (Z-B-B) REVIEW REDUCTIONS**

**Department**

**2015-16**

**City Clerk and Elections**

- |    |  |                 |
|----|--|-----------------|
| 1. | Reduce current Citywide postage costs by working with City departments to ensure nearly all mailings are accomplished with standard envelopes.   | \$(22,000)<br>- |
| 2. | Align election services to match voter usage by shifting away from off-site early voting on Saturdays, used by very few voters. Early voting will include early voting at City Hall, early ballots by mail, and voting at one of the Voting Centers, which take place at several sites over multiple days prior to Election Day. Also, eliminate a satellite receiving center, which requires Voting Center ballots to be delivered directly to the downtown receiving center. | (12,000)<br>-   |

**Total City Clerk and Elections**

**(34,000)**  
-

**City Manager's Office**

- |    |  |               |
|----|--|---------------|
| 1. | Align a position with staffing needs by downgrading a GIS Technician position in the Youth and Education Coordination program to an Administrative Aide. | (29,000)<br>- |
|----|--|---------------|

**Total City Manager's Office**

**(29,000)**  
-

**Finance**

- |    |  |               |
|----|--|---------------|
| 1. | Reduce funding for banking services to reflect that new contracts allow more banking transaction volume electronically, which provides savings and a wide range of benefits for the entire City.   | (50,000)<br>- |
| 2. | Reduce funding for postage to reflect that the "tax simplification" effort with the Arizona Department of Revenue (DOR) will result in the DOR being responsible for the mailing of monthly statements for any new sales tax accounts that have been billed for by DOR starting in 2016. | (92,000)<br>- |

- |    |  |                   |
|----|--|-------------------|
| 3. | Redistribute administrative support services among existing staff providing walk in and phone assistance by eliminating an Administrative Aide U*8 position. | (83,000)<br>(1.0) |
|----|--|-------------------|

<b>Total Finance</b>	<b>(225,000)</b> <b>(1.0)</b>
----------------------	----------------------------------

**Human Services**

- |    |   |                   |
|----|---|-------------------|
| 1. | Eliminate a Secretary II position as a result of implementing new technology used for Senior Center registration. | (46,000)<br>(1.0) |
|----|---|-------------------|

<b>Total Human Services</b>	<b>(46,000)</b> <b>(1.0)</b>
-----------------------------	---------------------------------

**Municipal Court**

- |    |   |                    |
|----|---|--------------------|
| 1. | The number of cases filed in the Municipal Court has decreased by approximately 30% since 2008. This reduction seeks to properly align court room staffing with current service levels by eliminating one civil and one criminal court room that are no longer needed due to reduced caseloads. | (595,000)<br>(6.0) |
|----|---|--------------------|

<b>Total Municipal Court</b>	<b>(595,000)</b> <b>(6.0)</b>
------------------------------	----------------------------------

**Public Information Office**

- |    |  |               |
|----|--|---------------|
| 1. | Eliminate funding for the biennial Community Opinion Survey and the Employee Opinion Survey per previous Council action. | (25,000)<br>- |
|----|--|---------------|

<b>Total Public Information Office</b>	<b>(25,000)</b> -
--	----------------------

**Street Transportation**

- |    |  |                    |
|----|--|--------------------|
| 1. | Transfer direct oversight of the bridge inspection program from the City to the Arizona Department of Transportation (ADOT), which currently provides this service for most other cities and eliminate a Chief Construction Inspector *U1 position.                            | (113,000)<br>(1.0) |
| 2. | Reduce installation and maintenance of "No Parking" signs along major arterial streets following successful implementation of this practice in other areas of the City and in other cities where "No Parking" signs have not been installed or maintained along major streets. | (40,000)<br>-      |

3.	Develop and deliver in-house training for hazard assessment, storm water management, and equipment tie-down and reduce contractual services costs.	(20,000) -
4.	Eliminate funding for the purchase and assembly of portable 15 MPH School Zone signs. The City, as a courtesy, has purchased and maintained these signs. This reduction would transfer the costs and responsibilities to schools and school districts to purchase and maintain the signs.	(33,000) -
	<b>Total Street Transportation</b>	<b>(206,000)</b> <b>(1.0)</b>
	<b>Total Proposed Z-B-B Reductions</b>	<b>\$(1,160,000)</b> <b>(9.0)</b>

**ATTACHMENT 2**

**2014-15 City of Phoenix Operating Expenditures  
Adopted Budget - All Funds  
by Department Expenditure Category<sup>1</sup>**

	Personal Services	Contractual Services	Interdepartmental Charges & Credits	Supplies	Equipment & Minor Improvements	Miscellaneous / Transfers	Total
<b>Public Safety and Criminal Justice</b>							
Emergency Management	\$453,482	\$81,770	(\$70,121)	\$7,650	\$0	\$0	\$472,781
Fire	272,934,677	11,695,315	636,045	10,117,916	5,098,350	0	300,482,303
Law	24,872,885	1,114,885	(5,206,787)	187,350	5,000	0	20,973,333
Municipal Court	28,050,132	4,741,344	656,132	642,748	1,249,887	0	35,340,243
Police	517,535,719	42,721,560	(8,314,502)	8,559,826	2,993,583	0	563,496,186
Public Defender	1,174,645	3,792,790	4,250	9,900	0	0	4,981,585
<b>Total Public Safety and Criminal Justice</b>	<b>\$845,021,540</b>	<b>\$64,147,664</b>	<b>(\$12,294,983)</b>	<b>\$19,525,390</b>	<b>\$9,346,820</b>	<b>\$0</b>	<b>\$925,746,431</b>
<b>Community and Environmental Services</b>							
Community and Economic Development	\$10,389,858	\$11,477,160	(\$321,965)	\$264,861	\$0	(\$2,871,248)	\$18,938,666
Environmental Programs	1,421,040	362,050	(466,702)	14,201	0	0	1,330,589
Housing	16,143,665	72,175,342	(634,272)	1,001,290	66,000	(234,000)	88,518,025
Human Services	27,802,486	30,645,428	1,275,309	424,190	0	0	60,147,413
Library	22,565,653	3,406,842	3,693,189	6,396,489	0	0	36,062,173
Neighborhood Services	19,914,779	37,277,643	1,383,064	463,141	70,787	16,000	59,125,414
Office of Arts and Culture	1,172,103	793,356	(425,482)	2,540	0	0	1,542,517
Parks and Recreation	66,565,215	31,260,945	4,938,752	6,071,777	423,400	0	109,260,089
Planning and Development Services	33,317,990	10,069,088	1,394,026	946,154	969,200	64,411	46,760,869
Public Works	44,250,674	29,963,610	(89,554,803)	33,396,259	582,000	(218,815)	18,418,925
<b>Total Community and Environmental Services</b>	<b>\$243,543,463</b>	<b>\$227,431,464</b>	<b>(\$78,718,884)</b>	<b>\$48,980,902</b>	<b>\$2,111,387</b>	<b>(\$3,243,652)</b>	<b>\$440,104,680</b>
<b>Transportation (Non-Enterprise)</b>							
Public Transit	\$11,411,004	\$163,401,587	\$9,965,655	\$20,162,963	\$497,000	\$0	\$205,438,209
Street Transportation	61,715,850	19,095,103	(19,285,779)	7,941,449	2,438,013	0	71,904,636
<b>Total Transportation (Non-Enterprise)</b>	<b>\$73,126,854</b>	<b>\$182,496,690</b>	<b>(\$9,320,124)</b>	<b>\$28,104,412</b>	<b>\$2,935,013</b>	<b>\$0</b>	<b>\$277,342,845</b>

**ATTACHMENT 2**

**2014-15 City of Phoenix Operating Expenditures  
Adopted Budget - All Funds  
by Department Expenditure Category<sup>1</sup>**

	Personal Services	Contractual Services	Interdepartmental Charges & Credits	Supplies	Equipment & Minor Improvements	Miscellaneous / Transfers	Total
<b>General Government</b>							
Budget and Research	\$3,242,947	\$79,130	(\$371,172)	\$5,000	\$0	\$0	\$2,955,905
City Auditor	3,531,683	494,532	(1,623,705)	7,400	0	0	2,409,910
City Clerk and Elections	4,969,469	2,390,200	(3,439,635)	435,256	505,200	0	4,860,490
City Council	3,164,785	368,545	2,125	1,000	0	0	3,536,455
City Manager	3,428,090	212,905	(1,077,819)	35,351	0	0	2,598,527
Equal Opportunity	2,984,852	237,719	(305,191)	7,750	0	0	2,925,130
Finance	24,237,287	5,100,503	(8,070,963)	182,355	0	(411,355)	21,037,827
Government Relations	877,641	411,981	4,995	1,245	0	0	1,295,862
Human Resources	9,858,099	1,779,865	(1,451,638)	111,156	0	0	10,297,482
Information Technology	24,251,184	14,278,710	(2,379,865)	6,930,764	406,000	(5,447,196)	38,039,597
Mayor	1,677,280	150,238	2,564	1,200	0	0	1,831,282
Phoenix Employment Relations Board	72,321	47,685	(27,509)	300	0	0	92,797
Public Information	2,293,275	179,792	(279,426)	38,750	178,245	0	2,410,636
Regional Wireless Cooperative	513,967	3,407,825	(5,979,746)	2,800	2,894,200	3,879,196	4,718,242
Retirement Systems	1,454,934	166,386	278,811	19,000	0	(1,919,131)	0
<b>Total General Government</b>	<b>\$86,557,814</b>	<b>\$29,306,016</b>	<b>(\$24,718,174)</b>	<b>\$7,779,327</b>	<b>\$3,983,645</b>	<b>(\$3,898,486)</b>	<b>\$99,010,142</b>
<b>Enterprise Departments</b>							
Aviation	\$77,449,963	\$114,533,354	\$27,379,951	\$10,361,903	\$4,038,600	\$943,449	\$234,707,220
Phoenix Convention Center	21,829,026	22,187,087	757,102	1,250,548	144,800	0	46,168,563
Solid Waste Management	47,099,785	26,868,072	28,859,322	3,277,611	17,393,500	2,473,412	125,971,702
Water	131,221,790	63,664,833	3,913,062	64,542,202	2,742,653	935,348	267,019,888
<b>Total Enterprise Departments</b>	<b>\$277,600,564</b>	<b>\$227,253,346</b>	<b>\$60,909,437</b>	<b>\$79,432,264</b>	<b>\$24,319,553</b>	<b>\$4,352,209</b>	<b>\$673,867,373</b>
Contingencies	\$0	\$0	\$0	\$0	\$0	\$93,768,000	\$93,768,000
<b>TOTALS</b>	<b>\$1,525,850,235</b>	<b>\$730,635,180</b>	<b>(\$64,142,728)</b>	<b>\$183,822,295</b>	<b>\$42,696,418</b>	<b>\$90,978,071</b>	<b>\$2,509,839,471</b>

<sup>1</sup> Department budget totals only include operating expenditures and do not include debt service payments or pay-as-you-go capital.

**ATTACHMENT 2**

**2014-15 City of Phoenix Operating Expenditures  
Adopted Budget - General Fund  
by Department Expenditure Category<sup>1</sup>**

	Personal Services	Contractual Services	Interdepartmental Charges & Credits	Supplies	Equipment & Minor Improvements	Miscellaneous / Transfers	Total
<b>Public Safety and Criminal Justice</b>							
Emergency Management	\$0	\$78,980	(\$70,717)	\$6,150	\$0	\$0	\$14,413
Fire	232,948,354	10,411,589	(11,476)	8,156,115	3,972,950	85,000	255,562,532
Law	24,242,675	895,125	(5,348,239)	165,750	5,000	0	19,960,311
Municipal Court	26,596,036	1,422,098	614,128	327,198	90,000	0	29,049,460
Police	440,352,372	35,231,577	(11,508,011)	5,831,867	2,722,000	(1,243,877)	471,385,928
Public Defender	1,174,645	3,792,790	4,250	9,900	0	0	4,981,585
<b>Total Public Safety and Criminal Justice</b>	<b>\$725,314,082</b>	<b>\$51,832,159</b>	<b>(\$16,320,065)</b>	<b>\$14,496,980</b>	<b>\$6,789,950</b>	<b>(\$1,158,877)</b>	<b>\$780,954,229</b>
<b>Community and Environmental Services</b>							
Community and Economic Development	\$4,976,669	\$993,491	(\$1,193,161)	\$19,211	\$0	\$0	\$4,796,210
Environmental Programs	733,995	183,740	(74,637)	2,114	0	0	845,212
Housing	0	54,000	0	0	0	0	54,000
Human Services	16,827,514	8,126,113	(6,076,645)	233,290	0	(214,988)	18,895,284
Library	22,213,954	3,372,837	3,693,189	6,309,050	0	(74,500)	35,514,530
Neighborhood Services	10,313,727	2,091,304	264,147	268,833	43,000	(500,000)	12,481,011
Office of Arts and Culture	1,172,103	767,856	(437,384)	2,540	0	0	1,505,115
Parks and Recreation	61,258,067	22,422,938	3,740,642	4,571,719	319,400	600,000	92,912,766
Planning and Development Services	4,748,234	381,930	(387,196)	41,200	25,200	100,000	4,909,368
Public Works	44,250,674	29,249,610	(89,597,035)	33,396,259	582,000	(218,815)	17,662,693
<b>Total Community and Environmental Services</b>	<b>\$166,494,937</b>	<b>\$67,643,819</b>	<b>(\$90,068,080)</b>	<b>\$44,844,216</b>	<b>\$969,600</b>	<b>(\$308,303)</b>	<b>\$189,576,189</b>
<b>Transportation (Non-Enterprise)</b>							
Public Transit	\$0	\$1,967,847	\$16,234,586	\$0	\$0	\$0	\$18,202,433
Street Transportation	60,874,340	18,462,300	(23,596,394)	7,891,599	2,438,013	(44,516,145)	21,553,713
<b>Total Transportation (Non-Enterprise)</b>	<b>\$60,874,340</b>	<b>\$20,430,147</b>	<b>(\$7,361,808)</b>	<b>\$7,891,599</b>	<b>\$2,438,013</b>	<b>(\$44,516,145)</b>	<b>\$39,756,146</b>

**ATTACHMENT 2**

**2014-15 City of Phoenix Operating Expenditures  
Adopted Budget - General Fund  
by Department Expenditure Category<sup>1</sup>**

General Government							
Budget and Research	\$3,242,947	\$79,130	(\$371,172)	\$5,000	\$0	\$0	\$2,955,905
City Auditor	3,531,683	494,532	(1,623,705)	7,400	0	0	2,409,910
City Clerk and Elections	4,969,469	2,390,200	(3,439,732)	435,206	505,200	0	4,860,343
City Council	3,164,785	368,545	2,125	1,000	0	0	3,536,455
City Manager	3,163,574	199,005	(1,031,953)	35,151	0	0	2,365,777
Equal Opportunity	2,606,410	28,869	(307,152)	7,750	0	0	2,335,877
Finance	21,455,458	4,952,790	(7,916,571)	171,920	0	(386,338)	18,277,259
Government Relations	877,641	411,981	4,995	1,245	0	0	1,295,862
Human Resources	9,744,218	1,492,495	(1,476,638)	111,056	0	0	9,871,131
Information Technology	23,630,071	14,278,710	(2,379,865)	6,680,764	406,000	(5,447,196)	37,168,484
Mayor	1,677,280	150,238	2,564	1,200	0	0	1,831,282
Phoenix Employment Relations Board	72,321	47,685	(27,509)	300	0	0	92,797
Public Information	2,055,420	160,943	(321,536)	11,350	166,245	0	2,072,422
Regional Wireless Cooperative	0	0	0	0	0	0	0
Retirement Systems	1,454,934	166,386	278,811	19,000	0	(1,919,131)	0
<b>Total General Government</b>	<b>\$81,646,211</b>	<b>\$25,221,509</b>	<b>(\$18,607,338)</b>	<b>\$7,488,342</b>	<b>\$1,077,445</b>	<b>(\$7,752,665)</b>	<b>\$89,073,504</b>
Enterprise Departments							
Aviation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Phoenix Convention Center	0	972,987	342,159	12,750	39,000	0	1,366,896
Solid Waste Management	0	0	0	0	0	0	0
Water	0	0	0	0	0	0	0
<b>Total Enterprise Departments</b>	<b>\$0</b>	<b>\$972,987</b>	<b>\$342,159</b>	<b>\$12,750</b>	<b>\$39,000</b>	<b>\$0</b>	<b>\$1,366,896</b>
Contingencies	\$0	\$0	\$0	\$0	\$0	\$45,268,000	\$45,268,000
<b>TOTALS</b>	<b>\$1,034,329,570</b>	<b>\$166,100,621</b>	<b>(\$132,015,132)</b>	<b>\$74,733,887</b>	<b>\$11,314,008</b>	<b>(\$8,467,990)</b>	<b>\$1,145,994,964</b>

<sup>1</sup> Department budget totals only include operating expenditures and do not include debt service payments or pay-as-you-go capital.

**ATTACHMENT 2**

**2015-16 City of Phoenix Operating Expenditures  
Preliminary Budget Estimate - All Funds  
by Department Expenditure Category<sup>1</sup>**

	Personal Services	Contractual Services	Interdepartmental Charges & Credits	Supplies	Equipment & Minor Improvements	Miscellaneous / Transfers	Total <sup>2</sup>
<b>Public Safety and Criminal Justice</b>							
Emergency Management	\$629,576	\$81,772	(\$69,352)	\$7,650	\$0	\$0	\$649,646
Fire	281,266,008	12,645,362	98,558	9,861,349	2,135,213	177,796	306,184,286
Law	23,623,316	1,118,363	(4,880,803)	178,915	0	0	20,039,791
Municipal Court	26,582,717	4,791,273	641,615	653,990	1,219,887	0	33,889,482
Police	519,550,253	41,985,218	(9,120,952)	9,347,843	3,747,012	0	565,509,374
Public Defender	1,426,775	3,637,475	4,579	12,560	0	0	5,081,389
<b>Total Public Safety and Criminal Justice</b>	<b>\$853,078,645</b>	<b>\$64,259,463</b>	<b>(\$13,326,355)</b>	<b>\$20,062,307</b>	<b>\$7,102,112</b>	<b>\$177,796</b>	<b>\$931,353,968</b>
<b>Community and Environmental Services</b>							
Community and Economic Development	\$10,076,116	\$10,393,174	\$234,415	\$124,403	\$0	\$0	\$20,828,108
Environmental Programs	1,298,894	241,575	(433,858)	6,536	0	0	1,113,147
Housing	15,924,137	73,224,821	(489,221)	995,100	250,000	(237,029)	89,671,833
Human Services	27,482,091	33,256,341	670,908	354,622	0	12,000	61,775,962
Library	22,041,398	4,524,212	2,501,731	6,665,544	45,000	0	35,777,885
Neighborhood Services	19,431,896	9,349,659	1,986,249	466,047	158,760	(17,315)	31,375,296
Office of Arts and Culture	1,163,370	851,854	(424,713)	2,140	0	0	1,592,651
Parks and Recreation	64,799,176	30,096,417	3,711,059	6,187,505	422,685	2,000	105,218,842
Planning and Development Services	33,421,827	9,147,325	1,553,364	1,295,393	25,200	169,904	45,613,013
Public Works	41,815,095	27,683,625	(83,494,578)	31,689,993	637,470	0	18,331,605
<b>Total Community and Environmental Services</b>	<b>\$237,454,000</b>	<b>\$198,769,003</b>	<b>(\$74,184,644)</b>	<b>\$47,787,283</b>	<b>\$1,539,115</b>	<b>(\$70,440)</b>	<b>\$411,298,342</b>
<b>Transportation (Non-Enterprise)</b>							
Public Transit	\$11,004,518	\$173,601,806	\$9,316,391	\$19,115,904	\$449,000	\$0	\$213,487,619
Street Transportation	57,520,327	20,039,608	(15,607,146)	7,041,198	2,229,028	(105,493)	71,117,522
<b>Total Transportation (Non-Enterprise)</b>	<b>\$68,524,845</b>	<b>\$193,641,414</b>	<b>(\$6,290,755)</b>	<b>\$26,157,102</b>	<b>\$2,678,028</b>	<b>(\$105,493)</b>	<b>\$284,605,141</b>

**ATTACHMENT 2**

**2015-16 City of Phoenix Operating Expenditures  
Preliminary Budget Estimate - All Funds  
by Department Expenditure Category<sup>1</sup>**

General Government							
Budget and Research	\$3,335,395	\$87,006	(\$370,319)	\$5,020	\$0	\$0	\$3,057,102
City Auditor	3,696,246	499,869	(1,763,662)	7,200	0	0	2,439,653
City Clerk and Elections	4,872,209	2,519,140	(3,480,878)	440,329	91,460	0	4,442,260
City Council	3,004,757	524,363	6,335	1,000	0	0	3,536,455
City Manager	3,425,858	293,610	(1,194,876)	50,816	0	62,000	2,637,408
Equal Opportunity	2,983,809	126,599	(306,109)	5,750	0	0	2,810,049
Finance	23,403,359	5,158,132	(7,034,581)	170,680	26,460	(411,355)	21,312,695
Government Relations	642,590	414,261	5,291	1,400	0	0	1,063,542
Human Resources	10,529,806	1,539,080	(1,933,372)	110,460	0	0	10,245,974
Information Technology	23,626,828	15,669,863	(2,021,181)	2,841,465	371,460	(4,705,772)	35,782,663
Mayor	1,629,822	196,179	4,041	1,240	0	0	1,831,282
Phoenix Employment Relations Board	72,787	35,985	(25,320)	300	0	0	83,752
Public Information	2,237,840	178,758	(283,999)	38,750	121,000	0	2,292,349
Regional Wireless Cooperative	515,842	3,587,792	(5,509,882)	1,800	2,804,000	3,604,196	5,003,748
Retirement Systems	1,491,069	207,528	(1,707,847)	9,250	0	0	0
<b>Total General Government</b>	<b>\$85,468,217</b>	<b>\$31,038,165</b>	<b>(\$25,616,359)</b>	<b>\$3,685,460</b>	<b>\$3,414,380</b>	<b>(\$1,450,931)</b>	<b>\$96,538,932</b>
Enterprise Departments							
Aviation	\$76,997,600	\$113,442,474	\$29,551,624	\$11,615,333	\$5,545,000	\$495,500	\$237,647,531
Phoenix Convention Center	20,435,784	22,741,320	746,997	1,161,353	341,500	0	45,426,954
Solid Waste Management	46,227,803	25,238,589	28,476,845	3,524,779	12,707,510	5,784,302	121,959,828
Water	128,896,525	64,186,986	4,847,943	62,813,152	1,063,400	210,730	262,018,736
<b>Total Enterprise Departments</b>	<b>\$272,557,712</b>	<b>\$225,609,369</b>	<b>\$63,623,409</b>	<b>\$79,114,617</b>	<b>\$19,657,410</b>	<b>\$6,490,532</b>	<b>\$667,053,049</b>
Contingencies	\$0	\$0	\$0	\$0	\$0	\$139,900,000	\$139,900,000
<b>TOTALS</b>	<b>\$1,517,083,419</b>	<b>\$713,317,414</b>	<b>(\$55,794,704)</b>	<b>\$176,806,769</b>	<b>\$34,391,045</b>	<b>\$144,941,464</b>	<b>\$2,530,749,432</b>

1

Non-General Fund vehicle replacement costs are not yet final and thus are not reflected in this table.

<sup>2</sup> Department preliminary budget estimate totals only include operating expenditures and do not include debt service payments or pay-as-you-go capital.

**ATTACHMENT 2**

**2015-16 City of Phoenix Operating Expenditures  
Preliminary Budget Estimate - General Fund  
by Department Expenditure Category<sup>1</sup>**

	Personal Services	Contractual Services	Interdepartmental Charges & Credits	Supplies	Equipment & Minor Improvements	Miscellaneous / Transfers	Total
<b>Public Safety and Criminal Justice</b>							
Emergency Management	\$0	\$78,982	(\$70,717)	\$6,150	\$0	\$0	\$14,415
Fire	238,674,619	11,195,470	(634,556)	7,930,517	2,125,040	274,898	259,565,988
Law	23,006,986	920,513	(5,026,535)	165,615	0	0	19,066,579
Municipal Court	25,073,466	1,468,027	602,094	338,445	60,000	0	27,542,032
Police	446,281,498	35,429,739	(12,084,593)	5,952,769	3,328,300	(1,293,632)	477,614,081
Public Defender	1,426,775	3,637,475	4,579	12,560	0	0	5,081,389
<b>Total Public Safety and Criminal Justice</b>	<b>\$734,463,344</b>	<b>\$52,730,206</b>	<b>(\$17,209,728)</b>	<b>\$14,406,056</b>	<b>\$5,513,340</b>	<b>(\$1,018,734)</b>	<b>\$788,884,484</b>
<b>Community and Environmental Services</b>							
Community and Economic Development	\$4,799,915	\$1,043,810	(\$1,223,660)	\$8,749	\$0	\$0	\$4,628,814
Environmental Programs	644,506	56,390	(42,801)	1,719	0	0	659,814
Housing	0	54,000	0	0	0	0	54,000
Human Services	16,291,595	8,700,144	(6,830,923)	209,601	0	(199,388)	18,171,029
Library	21,812,253	4,482,912	2,495,818	6,569,705	45,000	(125,040)	35,280,648
Neighborhood Services	9,951,500	1,976,245	591,624	263,726	158,760	(500,000)	12,441,855
Office of Arts and Culture	1,163,370	766,354	(436,213)	2,140	0	0	1,495,651
Parks and Recreation	59,485,000	23,413,158	2,881,295	4,271,265	322,140	185,000	90,557,858
Planning and Development Services	4,170,927	362,493	(337,188)	34,174	0	100,000	4,330,406
Public Works	41,801,595	26,669,120	(83,539,124)	31,689,993	637,470	0	17,259,054
<b>Total Community and Environmental Services</b>	<b>\$160,120,661</b>	<b>\$67,524,626</b>	<b>(\$86,441,172)</b>	<b>\$43,051,072</b>	<b>\$1,163,370</b>	<b>(\$539,428)</b>	<b>\$184,879,129</b>
<b>Transportation (Non-Enterprise)</b>							
Public Transit	\$0	\$1,720,462	\$16,219,586	\$0	\$0	\$0	\$17,940,048
Street Transportation	56,669,922	19,353,102	(20,201,954)	6,994,548	2,194,028	(46,009,251)	19,000,395
<b>Total Transportation (Non-Enterprise)</b>	<b>\$56,669,922</b>	<b>\$21,073,564</b>	<b>(\$3,982,368)</b>	<b>\$6,994,548</b>	<b>\$2,194,028</b>	<b>(\$46,009,251)</b>	<b>\$36,940,443</b>

**ATTACHMENT 2**

**2015-16 City of Phoenix Operating Expenditures  
Preliminary Budget Estimate - General Fund  
by Department Expenditure Category<sup>1</sup>**

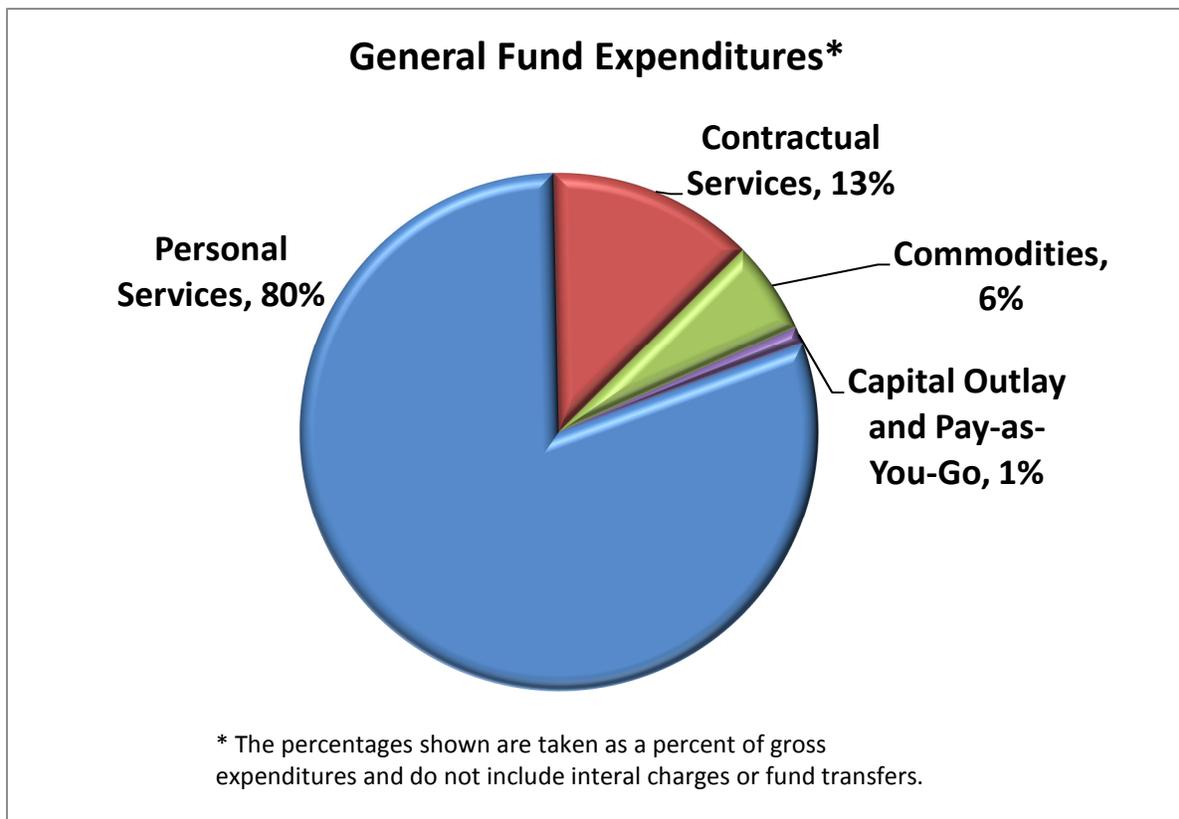
General Government							
Budget and Research	\$3,335,395	\$87,006	(\$370,319)	\$5,020	\$0	\$0	\$3,057,102
City Auditor	3,696,246	499,869	(1,763,662)	7,200	0	0	2,439,653
City Clerk and Elections	4,872,209	2,519,140	(3,480,975)	440,279	91,460	0	4,442,113
City Council	3,004,757	524,363	6,335	1,000	0	0	3,536,455
City Manager	3,323,213	177,610	(1,145,180)	20,816	0	0	2,376,459
Equal Opportunity	2,595,662	28,499	(308,164)	5,750	0	0	2,321,747
Finance	20,614,332	9,313,494	(6,877,532)	160,245	26,460	(386,338)	22,850,661
Government Relations	642,590	414,261	5,291	1,400	0	0	1,063,542
Human Resources	10,330,937	1,259,710	(1,958,523)	110,360	0	0	9,742,484
Information Technology	22,767,145	15,669,863	(2,021,787)	2,591,465	371,460	(4,705,772)	34,672,374
Mayor	1,629,822	196,179	4,041	1,240	0	0	1,831,282
Phoenix Employment Relations Board	72,787	35,985	(25,320)	300	0	0	83,752
Public Information	1,998,475	159,911	(326,413)	11,350	104,000	0	1,947,323
Regional Wireless Cooperative	0	0	0	0	0	0	0
Retirement Systems	1,491,069	207,528	(1,707,847)	9,250	0	0	0
<b>Total General Government</b>	<b>\$80,374,639</b>	<b>\$31,093,418</b>	<b>(\$19,970,055)</b>	<b>\$3,365,675</b>	<b>\$593,380</b>	<b>(\$5,092,110)</b>	<b>\$90,364,947</b>
Enterprise Departments							
Aviation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Phoenix Convention Center	0	1,002,723	333,079	31,890	15,000	0	1,382,692
Solid Waste Management	0	0	0	0	0	0	0
Water	0	0	0	0	0	0	0
<b>Total Enterprise Departments</b>	<b>\$0</b>	<b>\$1,002,723</b>	<b>\$333,079</b>	<b>\$31,890</b>	<b>\$15,000</b>	<b>\$0</b>	<b>\$1,382,692</b>
Contingencies	\$0	\$0	\$0	\$0	\$0	\$46,400,000	\$46,400,000
<b>TOTALS</b>	<b>\$1,031,628,566</b>	<b>\$173,424,537</b>	<b>(\$127,270,244)</b>	<b>\$67,849,241</b>	<b>\$9,479,118</b>	<b>(\$6,259,523)</b>	<b>\$1,148,851,695</b>

<sup>1</sup> Department preliminary budget estimate totals only include operating expenditures and do not include debt service payments or pay-as-you-go capital.

## ATTACHMENT 2

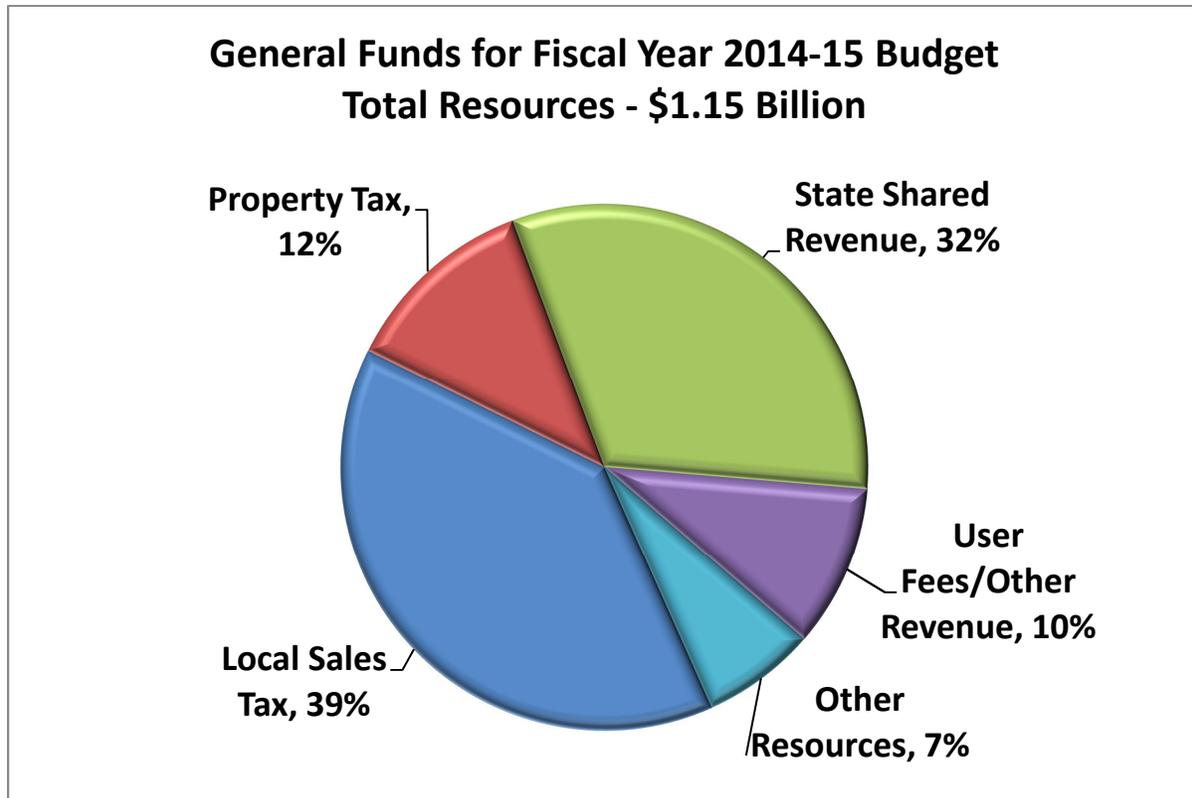
### **Staff Costs Overview**

Included in each year's budget is an amount of money to be spent on the employees who deliver the Council-adopted services to the community, such as police officers, firefighters, librarians, park rangers, street maintenance workers and many others. This yearly amount is commonly referred to as personal services or staffing costs. This section provides detail on what comprises staffing costs. As shown in the chart below, staffing costs represent 80% of General Fund expenditures, not accounting for internal credits or expenditure transfers.



The General Fund provides basic City services and includes revenue from Local Sales Taxes, State-Shared Revenues, Property Taxes, User Fees/Other Revenue, and Other Resources such as transfers. The following pie chart represents the representative share of each of the General Fund revenue components.

## ATTACHMENT 2



Shown below in this section are costs for salaries and wages, benefits, and payroll taxes and other legally required costs, including merit steps, Productivity Enhancement Pay (Longevity Pay), pension, health and dental insurance, and industrial insurance (Workers Compensation). Per City ordinance, salaries, wages and benefits items for most employees are negotiated and outlined in agreements with seven employee units.

### **Total Staffing Costs**

The following tables show the *Total Staffing Costs* for City employees in two ways: 1) all funds (which includes the General Fund, Enterprise funds, grants, and other designated funds), and 2) General Fund only. Each item in the tables listed below is part of three main staffing cost categories: *salaries and wages, benefits, and payroll taxes and legally required costs*. Also, costs are provided for fiscal years (FY) 2013-14, 2014-15 and 2015-16 along with the annual difference between FY 2015-16 and 2014-15 for

## ATTACHMENT 2

each item and the percentage difference from year-to-year. In addition, total budgeted positions (full time equivalent or FTE) are also provided.

### Total Staff Costs Detail - All Funds

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Salary and Wages	\$ 992,166,463	\$ 963,869,301	\$ 959,363,219	\$ (4,506,081)	-0.5%
Benefits	\$ 476,108,521	\$ 487,681,436	\$ 486,920,721	\$ (760,715)	-0.2%
Payroll Taxes and Legally Required Costs	\$ 68,295,880	\$ 74,299,499	\$ 70,799,479	\$ (3,500,020)	-4.7%
<b>Grand Total</b>	<b>\$ 1,536,570,863</b>	<b>\$ 1,525,850,235</b>	<b>\$ 1,517,083,419</b>	<b>\$ (8,766,816)</b>	<b>-0.6%</b>
<b>Total FTE</b>	<b>14,875.6</b>	<b>14,585.1</b>	<b>14,419.2</b>	<b>(165.9)</b>	<b>-1.1%</b>

### Total Staff Costs Detail - General Fund

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Salary and Wages	\$ 666,979,096	\$ 656,026,026	\$ 656,113,296	\$ 87,271	0.0%
Benefits	\$ 318,813,963	\$ 332,162,884	\$ 331,590,288	\$ (572,596)	-0.2%
Payroll Taxes and Legally Required Costs	\$ 41,804,448	\$ 46,140,660	\$ 43,924,981	\$ (2,215,679)	-4.8%
<b>Grand Total</b>	<b>\$ 1,027,597,507</b>	<b>\$ 1,034,329,570</b>	<b>\$ 1,031,628,566</b>	<b>\$ (2,701,004)</b>	<b>-0.3%</b>
<b>Total FTE</b>	<b>9,226.4</b>	<b>9,095.5</b>	<b>8,939.6</b>	<b>(155.9)</b>	<b>-1.7%</b>

There is a separate section detailing each of the three main staffing cost categories. Each of these sections also includes an amount of reduction to costs for estimated savings from vacant positions.

### Salaries and Wages

At the City, the following types of pay are included in *Salaries and Wages*:

- Wages - this type of pay represents wages paid to employees to complete basic job functions on a regular schedule.
- Merit Steps – this type of pay is available based on the results of a yearly review of the employee's performance. Merit steps are tied to employee performance, and an employee may progress through the pay range up to the established maximum of each job's pay range. This step progression has been in place at the City of Phoenix for more than 50 years.
- Productivity Enhancement Pay (Longevity Pay) – this type of pay is available to employees that have been at the top of their pay range for a defined period and no longer receive merit step increases. Eligibility for this type of pay is also

## ATTACHMENT 2

based on performance as well as on the number of years an employee has in a certain job classification. This pay has been in place at the City since 1986.

- Overtime – this type of pay is provided to employees that are paid on an hourly basis and work more hours than their regularly scheduled shifts.
- Other types of pay listed below include vacation and sick leave payout at retirement, sworn accrued leave payout, and uniform in-lieu allowance.

The following tables show the detailed line items for *Salaries and Wages* for City employees in two ways: 1) all funds, and 2) General Fund only.

### Salary and Wages Detail - All Funds

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Merit Steps	\$ 9,293,000	\$ 7,962,000	\$ 7,906,000	\$ (56,000)	-0.7%
Overtime	\$ 21,632,099	\$ 21,508,525	\$ 21,373,971	\$ (134,554)	-0.6%
Productivity Enhancement Pay (Longevity)	\$ 18,373,899	\$ 18,595,573	\$ 18,370,280	\$ (225,293)	-1.2%
Sworn Accrued Leave Payout	\$ 5,245,752	\$ 6,068,538	\$ 10,981,836	\$ 4,913,298	81.0%
Uniform in-lieu Allowance	\$ 72,000	\$ -	\$ -	\$ -	0.0%
Vacancy Savings Estimate	\$ (37,136,205)	\$ (25,568,218)	\$ (22,946,188)	\$ 2,622,031	-10.3%
Vacation/Sick Leave Payout at Retirement - Civilian	\$ 2,327,784	\$ 2,999,897	\$ 1,855,033	\$ (1,144,864)	-38.2%
Vacation/Sick Leave Payout at Retirement - Sworn	\$ 4,652,328	\$ 4,146,891	\$ 6,435,708	\$ 2,288,817	55.2%
Wages	\$ 967,705,806	\$ 928,156,095	\$ 915,386,579	\$ (12,769,516)	-1.4%
<b>Grand Total</b>	<b>\$ 992,166,463</b>	<b>\$ 963,869,301</b>	<b>\$ 959,363,219</b>	<b>\$ (4,506,081)</b>	<b>-0.5%</b>
<b>Total FTE</b>	<b>14,875.6</b>	<b>14,585.1</b>	<b>14,419.2</b>	<b>(165.9)</b>	<b>-1.1%</b>

### Salary and Wages Detail - General Fund

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Merit Steps	\$ 6,211,000	\$ 5,186,000	\$ 5,149,000	\$ (37,000)	-0.7%
Overtime	\$ 12,347,913	\$ 12,848,966	\$ 13,314,030	\$ 465,064	3.6%
Productivity Enhancement Pay (Longevity)	\$ 12,360,250	\$ 12,666,506	\$ 12,868,761	\$ 202,255	1.6%
Sworn Accrued Leave Payout	\$ 4,716,888	\$ 5,448,385	\$ 9,527,028	\$ 4,078,643	74.9%
Uniform in-lieu Allowance	\$ 55,000	\$ -	\$ -	\$ -	0.0%
Vacancy Savings Estimate	\$ (14,842,819)	\$ (11,327,151)	\$ (10,625,106)	\$ 702,046	-6.2%
Vacation/Sick Leave Payout at Retirement - Civilian	\$ 1,361,828	\$ 1,913,289	\$ 1,225,180	\$ (688,109)	-36.0%
Vacation/Sick Leave Payout at Retirement - Sworn	\$ 3,877,224	\$ 4,091,990	\$ 6,374,232	\$ 2,282,242	55.8%
Wages	\$ 640,891,812	\$ 625,198,041	\$ 618,280,171	\$ (6,917,870)	-1.1%
<b>Grand Total</b>	<b>\$ 666,979,096</b>	<b>\$ 656,026,026</b>	<b>\$ 656,113,296</b>	<b>\$ 87,271</b>	<b>0.0%</b>
<b>Total FTE</b>	<b>9,226.4</b>	<b>9,095.5</b>	<b>8,939.6</b>	<b>(155.9)</b>	<b>-1.7%</b>

## ATTACHMENT 2

### Benefits

City employees receive additional payments and services called *Benefits*. The major types of benefits included for City employees are:

- Health insurance – the City provides this insurance for medical care to the employee and pays for a portion of the cost.
- Dental insurance – the City provides this insurance for dental care to the employee and pays for a portion of the cost.
- Retiree health insurance – the City pays a portion of the health insurance for its retired employees.
- Pension – the City pays a portion of the pension for each employee. Civilian (Non-Sworn) employees' pension is under the City of Phoenix Employee Retirement Systems (COPERS). Sworn Police and Fire personnel are covered by the State of Arizona Public Safety Personnel Retirement System (PSPRS).
- Deferred compensation – Some City employees receive a portion of their earnings on a pre-tax basis. The City's deferred compensation contribution is deposited into employee specific accounts that cannot be accessed before age 59½ without a financial penalty to the employee.
- Other Health Related Benefits – the City provides life insurance, a long term disability program, and other health and wellness benefits for its employees.
- Educational – the City provides some financial reimbursement for educational and professional development of eligible employees.
- Other – the City provides management communication and transportation allowances, and other allowances and reimbursements such as tool and uniform allowances.

## ATTACHMENT 2

The following tables show the *Benefits* for City employees in two ways: 1) all funds, and 2) General Fund only.

### Benefits Detail - All Funds

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Deferred Compensation	\$ 26,418,448	\$ 25,714,876	\$ 16,356,236	\$ (9,358,640)	-36.4%
Dental Insurance	\$ 11,556,038	\$ 11,328,176	\$ 11,420,902	\$ 92,726	0.8%
Educational Benefits	\$ 4,773,733	\$ 4,268,294	\$ 3,851,985	\$ (416,309)	-9.8%
Health Insurance	\$ 148,571,763	\$ 148,911,849	\$ 152,816,594	\$ 3,904,745	2.6%
Life Insurance	\$ 1,162,633	\$ 1,133,607	\$ 763,927	\$ (369,680)	-32.6%
Long Term Disability	\$ 2,995,150	\$ 2,933,565	\$ 2,788,000	\$ (145,565)	-5.0%
Management Communication Allowance	\$ 459,300	\$ 458,800	\$ 445,200	\$ (13,600)	-3.0%
Management Transportation Allowance	\$ 1,159,485	\$ 1,137,166	\$ 1,110,892	\$ (26,274)	-2.3%
Other Allowances and Reimbursements	\$ 7,728,560	\$ 7,576,596	\$ 4,496,715	\$ (3,079,881)	-40.6%
Other Health and Wellness Benefits	\$ 1,993,747	\$ 2,102,722	\$ 886,623	\$ (1,216,099)	-57.8%
Pension Civilian	\$ 123,892,407	\$ 129,169,014	\$ 133,263,396	\$ 4,094,382	3.2%
Pension Sworn	\$ 129,117,829	\$ 137,022,733	\$ 142,989,491	\$ 5,966,758	4.4%
Retiree Health Insurance	\$ 34,099,889	\$ 28,860,590	\$ 27,377,000	\$ (1,483,590)	-5.1%
Vacancy Savings Estimate	\$ (17,820,461)	\$ (12,936,552)	\$ (11,646,240)	\$ 1,290,312	-10.0%
<b>Grand Total</b>	<b>\$ 476,108,521</b>	<b>\$ 487,681,436</b>	<b>\$ 486,920,721</b>	<b>\$ (760,715)</b>	<b>-0.2%</b>
<b>Total FTE</b>	<b>14,875.6</b>	<b>14,585.1</b>	<b>14,419.2</b>	<b>(165.9)</b>	<b>-1.1%</b>

### Benefits Detail - General Fund

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Deferred Compensation	\$ 17,708,681	\$ 17,361,218	\$ 11,572,675	\$ (5,788,543)	-33.3%
Dental Insurance	\$ 7,293,491	\$ 7,286,150	\$ 7,306,839	\$ 20,689	0.3%
Educational Benefits	\$ 3,170,626	\$ 2,789,145	\$ 2,492,236	\$ (296,909)	-10.6%
Health Insurance	\$ 92,931,964	\$ 94,829,484	\$ 97,248,676	\$ 2,419,192	2.6%
Life Insurance	\$ 738,873	\$ 733,187	\$ 499,497	\$ (233,690)	-31.9%
Long Term Disability	\$ 1,937,743	\$ 1,943,387	\$ 1,845,713	\$ (97,674)	-5.0%
Management Communication Allowance	\$ 367,200	\$ 370,000	\$ 358,800	\$ (11,200)	-3.0%
Management Transportation Allowance	\$ 880,454	\$ 865,043	\$ 845,485	\$ (19,558)	-2.3%
Other Allowances and Reimbursements	\$ 6,437,205	\$ 7,225,723	\$ 4,926,588	\$ (2,299,135)	-31.8%
Other Health and Wellness Benefits	\$ 1,664,516	\$ 1,833,013	\$ 803,515	\$ (1,029,498)	-56.2%
Pension Civilian	\$ 66,291,497	\$ 68,609,600	\$ 69,945,926	\$ 1,336,326	1.9%
Pension Sworn	\$ 104,778,032	\$ 115,786,659	\$ 121,822,815	\$ 6,036,156	5.2%
Retiree Health Insurance	\$ 21,708,503	\$ 18,265,504	\$ 17,291,300	\$ (974,204)	-5.3%
Vacancy Savings Estimate	\$ (7,094,822)	\$ (5,735,229)	\$ (5,369,777)	\$ 365,452	-6.4%
<b>Grand Total</b>	<b>\$ 318,813,963</b>	<b>\$ 332,162,884</b>	<b>\$ 331,590,288</b>	<b>\$ (572,596)</b>	<b>-0.2%</b>
<b>Total FTE</b>	<b>9,226.4</b>	<b>9,095.5</b>	<b>8,939.6</b>	<b>(155.9)</b>	<b>-1.7%</b>

### Payroll Taxes and Legally Required Costs

There are certain per employee costs that the City is legally required to pay by federal or state law. Included in the *Payroll Taxes and Legally Required Costs* are:

- Medicare – federally required portion of Medicare tax required to be paid by the City.
- Social security – federally required portion of Social Security tax required to be paid by the City.

## ATTACHMENT 2

- Unemployment insurance – state required City payments that provide temporary financial assistance to unemployed workers who meet the requirements of state law.
- Workers compensation insurance – state required City payments that provide compensation to employees who suffer job-related injuries and illnesses.

The following tables show the *Payroll Taxes and Legally Required Costs* for City employees in two ways: 1) all funds, and 2) General Fund only.

### Payroll Taxes and Legally Required Costs - All Funds

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Medicare	\$ 14,438,052	\$ 14,201,387	\$ 13,957,412	\$ (243,975)	-1.7%
Social Security	\$ 36,122,368	\$ 35,808,871	\$ 34,998,361	\$ (810,510)	-2.3%
Unemployment Insurance	\$ 298,681	\$ 208,583	\$ 139,679	\$ (68,904)	-33.0%
Workers Compensation	\$ 19,993,053	\$ 26,051,574	\$ 23,397,419	\$ (2,654,155)	-10.2%
Vacancy Savings Estimate	\$ (2,556,274)	\$ (1,970,916)	\$ (1,693,392)	\$ 277,524	-14.1%
<b>Grand Total</b>	<b>\$ 68,295,880</b>	<b>\$ 74,299,499</b>	<b>\$ 70,799,479</b>	<b>\$ (3,500,020)</b>	<b>-4.7%</b>
<b>Total FTE</b>	<b>14,875.6</b>	<b>14,585.1</b>	<b>14,419.2</b>	<b>(165.9)</b>	<b>-1.1%</b>

### Payroll Taxes and Legally Required Costs - General Fund

Cost Category	2013-14 Adopted Budget	2014-15 Adopted Budget	2015-16 Preliminary Budget Estimate	Difference 15-16 to 14-15	% Difference
Medicare	\$ 9,451,637	\$ 9,470,641	\$ 9,377,502	\$ (93,139)	-1.0%
Social Security	\$ 19,553,959	\$ 19,388,223	\$ 18,921,091	\$ (467,132)	-2.4%
Unemployment Insurance	\$ 187,433	\$ 131,390	\$ 86,997	\$ (44,393)	-33.8%
Workers Compensation	\$ 13,541,727	\$ 17,947,085	\$ 16,250,713	\$ (1,696,372)	-9.5%
Vacancy Savings Estimate	\$ (930,308)	\$ (796,679)	\$ (711,322)	\$ 85,357	-10.7%
<b>Grand Total</b>	<b>\$ 41,804,448</b>	<b>\$ 46,140,660</b>	<b>\$ 43,924,981</b>	<b>\$ (2,215,679)</b>	<b>-4.8%</b>
<b>Total FTE</b>	<b>9,226.4</b>	<b>9,095.5</b>	<b>8,939.6</b>	<b>(155.9)</b>	<b>-1.7%</b>

## ATTACHMENT 3

### General Fund Budget Overview Year-to-Year Comparative

#### General Fund Budget (\$ millions)

	2014-15 Adopted Budget	2015-16 Trial Budget	Change from 2014-15
<b>Total Revenue</b> <sup>1,2</sup>	<b>1,148.8</b>	<b>1,155.6</b>	<b>6.8</b>
Salaries and Wages - Civilian	293.8	284.1	(9.7)
Salaries and Wages - Sworn Public Safety	357.0	366.9	9.9
Productivity Enhancement (Longevity) - Civilian	5.3	5.1	(0.2)
Productivity Enhancement (Longevity) - Sworn Public Safety	6.5	7.0	0.5
Merit Steps - Civilian	2.8	2.7	(0.1)
Merit Steps - Sworn Public Safety	2.4	2.4	0.0
Pension - Civilian	68.6	70.0	1.4
Pension - Sworn Public Safety	115.8	121.8	6.0
Deferred Compensation - Civilian	9.5	5.0	(4.5)
Deferred Compensation - Sworn Public Safety	7.9	6.6	(1.3)
Health Care	94.8	97.2	2.4
All Other Employee Costs	69.9	62.8	(7.1)
Vehicle Replacement - Civilian	2.1	2.1	0.0
Vehicle Replacement - Sworn Public Safety <sup>3</sup>	5.6	3.5	(2.1)
All Other Operating Costs	58.7	60.9	2.2
State ADOR Assessment	0.0	4.3	4.3
Operating Costs Subtotal	1,100.7	1,102.4	1.7
Pay-As-You-Go Capital <sup>4</sup>	2.8	6.8	3.9
Contingency	45.3	46.4	1.1
<b>Total Expenditures</b>	<b>1,148.8</b>	<b>1,155.6</b>	<b>6.8</b>

<sup>1</sup> Total Revenue in this worksheet includes ongoing revenue, carryover balance, net transfers and recoveries of unspent commitments.

<sup>2</sup> Includes the decrease of \$2 million in ambulance transport revenue due to the state budget action.

<sup>3</sup> An additional \$3 million in funding for replacement Fire vehicles is included in the Fire Neighborhood Protection Fund for a total of \$6.5 million in Public Safety vehicle replacements.

<sup>4</sup> Beginning in FY 2015-16, new Information Technology costs are included in Pay-As-You-Go Capital; this was previously included in operating costs.

**ATTACHMENT 4**  
**2015-16**  
**GENERAL FUND**  
**PROPOSED BUDGET ADDITIONS AND**  
**NEW CAPITAL FACILITY OPERATING COSTS**

<b><u>Department</u></b>	<b><u>2015-16</u></b>
 <b><u>Fire</u></b>	
1. Convert part-time Caseworkers from grant funds to General Fund using the budgeted grant match amount. The Victims Of Crime Act (VOCA) grant no longer allows use of the grant to support the Crisis Response Program for staff not directly serving victims. The staff provides grief counseling and crisis intervention at emergency scenes. The positions are funded, but not reflected in the authorized count.	\$- 2.5
<b>Total Fire</b>	- <b>2.5</b>
 <b><u>Information Technology Services</u></b>	
1. Add a User Technology Specialist to support the Fire VHF Radio Communications Network. The network's size and complexity has expanded and a second position is needed for proper maintenance. The cost will be allocated to Fire's Mutual Aid Partners, as the City of Phoenix fully pays for the current position.	- 1.0
2. Add an IT Project Manager position to coordinate new innovative projects such as development of a centralized City Information Center (PHX 311), and a Unified Municipal Services Card.	150,000 1.0
<b>Total Information Technology Services</b>	<b>150,000</b> <b>2.0</b>
 <b><u>Law</u></b>	
1. Convert a temporary Legal Assistant to regular status. This position is responsible for supporting Victim's Rights Legislation that was enacted on July 24, 2014.	- -
<b>Total Law</b>	- -

### **Parks and Recreation**

1.	Add part-time staff to provide recreation services at the newly expanded Coffelt-Lamoreaux Recreation Center opening in April 2016. The center is part of the Maricopa County Coffelt-Lamoreaux Public Housing complex.	14,000 1.9
2.	Add part-time staff to provide sports activities at the Papago Baseball Complex. The cost for staff is expected to be offset by revenue.	- 5.5
<b>Total Parks and Recreation</b>		<b>14,000 7.4</b>

### **Police**

1.	Add funds necessary to implement a new 40 hour training module for all law enforcement personnel. This course is designed to enhance knowledge regarding mental health, cultural awareness, and situational and tactical analysis.	2,222,000 -
<b>Total Police</b>		<b>2,222,000 -</b>

### **Public Defender**

1.	Add an Assistant City Attorney III to continue Veteran's Court, established to provide specialized and comprehensive legal services to veterans. Costs will be offset by funds used to pay for the current contract.	- 1.0
2.	Add a Mental Health Specialist for the Mental Health Court established to address the rise in mental health issues plaguing the judicial system. Costs will be offset by funds used to pay for the current contract.	- 1.0
<b>Total Public Defender</b>		<b>- 2.0</b>

<b>Total Proposed General Fund Additions and New Capital Facility Operating Costs</b>		<b>\$2,386,000 13.9</b>
---	--	-----------------------------

**ATTACHMENT 5**  
**2015-16**  
**NON-GENERAL FUND**  
**PROPOSED BUDGET ADDITIONS AND**  
**NEW CAPITAL FACILITY OPERATING COSTS**

<b><u>Department</u></b>	<b><u>2015-16</u></b>
<b><u>Aviation</u></b>	
1. Add one Program Manager and two Planner II positions to create a new Airspace Noise Planning Services program to review Federal Aviation Administration (FAA) airspace evaluations and potential impacts to the public, respond to noise complaints, and provide community outreach.	\$295,000 3.0
<b>Total Aviation</b>	<b>\$295,000 3.0</b>
<b><u>Fire</u></b>	
1. Add previously unbudgeted grant funded positions to the Fire department authorized position count. These VOCA funded positions provide direct support to field emergency units. Funding for these positions already exists in the Fire department budget so there is no additional cost.	\$- 6.2
<b>Total Fire</b>	<b>- 6.2</b>
<b><u>Human Services</u></b>	
1. Convert 36 temporary Early Head Start positions to regular status. The Early Head Start program is now part of the ongoing funding from the U.S. Department of Health and Human Services.	- -
<b>Total Human Services</b>	<b>- -</b>

### **Neighborhood Services**

- |    |  |   |   |
|----|--|---|---|
| 1. | Convert three temporary Community Development Block Grant funded Neighborhood Preservation Inspector positions to regular status. The positions are required to address ongoing neighborhood preservation code enforcement needs and regular CDBG funding is expected to continue. | - | - |
|----|--|---|---|

**Total Neighborhood Services** -

### **Phoenix Parks and Preserve Initiative Fund- Parks and Recreation**

- |    |  |         |   |
|----|--|---------|---|
| 1. | Add contract costs for janitorial services at three new major trailheads: Apache Wash, Desert Vista, and Desert Hills. | 100,000 | - |
|----|--|---------|---|

**Total Parks and Recreation** 100,000

### **Planning and Development**

- |    |   |         |     |
|----|---|---------|-----|
| 1. | Add one Elevator Inspector II position to assist in conducting bi-annual elevator inspections to address increased workload and enhance safety.   | 111,000 | 1.0 |
| 2. | Add a Principal Engineering Technician, two Building Code Examiners, and a Planner II position to create an Electronic Plan Review (EPR) Self Certification Programs team necessary to ensure both the EPR and Self-Certification Programs provide streamlined, efficient services to development customers as the economy continues to recover and workloads continue to increase. | 351,000 | 4.0 |
| 3. | Add an Engineering Technician and Customer Service Clerk*Plans position to the Communications section, which is responsible for answering all calls to the department's general information line, to address increased call volume and enhance customer service.  | 136,000 | 2.0 |
| 4. | Add contract costs to improve customer service through additional training, technology improvements, and enhanced opportunities for customer feedback.  | 75,000  | -   |

5.	Add a Planner II position to accommodate the increasing complexity of landscape and hillside plan reviews. This will help to support timely and comprehensive plan review, ensure all zoning overlays and stipulations are met, and improve communication among team members, the customer and the public.	92,000 1.0
----	--	---------------

6.	Add an Engineering Supervisor position to address an increase in complex civil infrastructure and traffic issues resulting from recent growth in subdivision development.	117,000 1.0
----	---	----------------

<b>Total Planning and Development</b>	<b>882,000</b> <b>9.0</b>
---------------------------------------	------------------------------

**Public Transit**

1.	Add funding to operate the expansion of light rail service from the current end-of-line at 19th Avenue and Montebello to 19th Avenue and Dunlap Avenue.	1,200,000 -
----	---	----------------

<b>Total Public Transit</b>	<b>1,200,000</b> -
-----------------------------	-----------------------

**Public Works**

1.	Add funds necessary to operate and maintain the new composting facility scheduled to open in July 2016 at the 27 <sup>th</sup> Avenue Transfer Station. Funding may be used to hire contract staff to operate the facility or used to hire City staff depending on the results of a competitive bidding process. If the facility is to be operated with City staff, Public Works will request additional positions at no cost using the funds added in this request.	624,000 -
----	--	--------------

2.	Add a part-time intern to assist with the department's ongoing community and educational outreach programs. The costs of this part-time position, \$19,000, will be offset by a reduction in consulting contract costs.	- 0.5
----	---	----------

<b>Total Public Works</b>	<b>624,000</b> <b>0.5</b>
---------------------------	------------------------------



## City of Phoenix

<b>BUDGET AND RESEARCH DEPARTMENT REPORT</b>	B.R.D. NUMBER <b>2015-08</b>
SUBJECT <b>General Fund Revenue Estimates</b>	DATE ISSUED March 24, 2015

This report provides additional detail on General Fund (GF) revenue estimates to explain recommended revenue projections. The City is committed to providing a transparent and open budget process. Providing this information enhances the review and understanding of how revenue projections are developed to better facilitate discussions during the annual budget development process.

Careful examination of revenue estimates is required to ensure projections are as accurate as possible in order to maintain fiscal stability and long term budget management. Predicting future revenue growth is challenging and requires consistent and diligent analysis based on sound forecasting principles and methods. Revenues are monitored closely and an updated revenue report is prepared and distributed to the City Manager's Office, the City Council and the community for review monthly. General Fund revenues are comprised of several categories all of which are unique and require separate analysis. The primary revenue categories include: local taxes and related fees, primary property taxes, state shared sales, income and vehicle license taxes, and user fees and non-tax revenues.

Included in this letter is an explanation of how GF revenue is projected, the sources relied upon to assist in developing estimates, economic assumptions and the methods used to analyze revenues. Also included are historical revenue actuals and growth rates, the recommended revenue estimates for 2014-15 and 2015-16 and an explanation of the influencing factors used by staff in conducting analysis for each major revenue category. The below table summarizes the 2014-15 and 2015-16 estimated GF revenues and the primary reason for the variance:

<b>GF Revenue Category (millions)</b>	<b>2014-15 Estimate</b>	<b>2015-16 Estimate</b>	<b>Amount Change</b>	<b>Percent Change</b>	<b>Primary Reason for Difference</b>
Local Taxes	\$429.2	\$434.5	\$5.3	1.2%	Continued moderate improvement in sales tax collections expected, and food sales tax expiring 4/1/15
Primary Property Tax	138.0	140.7	2.7	2.0%	Increase in assessed property valuation
State Shared Sales Tax	131.7	137.5	5.8	4.4%	Continued moderate improvement in state sales tax expected
State Shared Income Tax	175.2	174.2	(1.0)	(0.5%)	Already known income tax collections (from FY 13/14)
State Shared Vehicle License Tax	54.4	55.8	1.4	2.5%	Continued moderate vehicle sales expected
User Fees & Non-Taxes	121.6	118.1	(3.5)	(2.9%)	Accounts for impact of State budget and 2014-15 one-time revenues
<b>Total</b>	<b>\$1,050.1</b>	<b>\$1,060.8</b>	<b>\$10.7</b>	<b>1.0%</b>	

## Revenue Projections & Trusted Sources

Projecting revenues involves complex analysis and continuous monitoring to identify variances and recommend adjustments so that expenditures do not exceed available resources and a balanced budget can be maintained. As part of the overall forecasting process, assumptions about the direction and strength of the national, state and local economy are considered along with indicators such as population, job growth and personal income. Information on program and service activity levels, rates, and fees that influence certain revenues are evaluated and proposed legislation is monitored to determine potential impacts to revenue categories such as sales taxes, state shared revenues, emergency transportation service revenues and property taxes. In addition, information from city departments on user fees and non-tax revenue is requested and analyzed each year as part of the technical budget review process. Finally, trusted economic and financial sources are relied on to provide certain revenue projections and insight into the overall direction and strength of the economy and include experts from the State's Finance Advisory Committee (FAC), Joint Legislative Budget Committee (JLBC), Arizona State University, University of Arizona (UofA) Economic and Business Research Center (EBRC), Arizona Department of Revenue, National Blue Chip, Western Blue Chip, and the US Bureau of Labor Statistics.

The city is also a member of the Forecasting Project through the EBRC at the UofA. This project is a community-sponsored research program providing project members with economic forecasts for Arizona and the Phoenix-Mesa metro area. Budget & Research (B&R) staff attends quarterly meetings, participates in discussions with other local government and private enterprise members, and receives quarterly economic reports. In the fall of 2014, B&R consulted with the UofA to enhance the City's sales tax revenue forecasting process. Dr. George Hammond, EBRC Director, and Dr. Alberta Charney, Senior Research Economist, spent several months working with staff to develop an enhanced econometric forecasting model for sales tax. The additional consulting with Drs. Hammond and Charney provided the City with solid, independent economic and statistical expertise used to develop a statistically valid forecasting model specifically for the City of Phoenix. The FY 2015-16 projected growth rates for city and state sales tax are based on estimates developed using the enhanced econometric forecasting model.

## Economic Assumptions

Several of the primary revenue categories are influenced by the economy and the sources mentioned above provide valuable information about the expected growth of the economy. These sources are used in developing projected revenue growth rates. B&R staff continuously monitor economic variables and what these experts are predicting when developing revenue estimations.

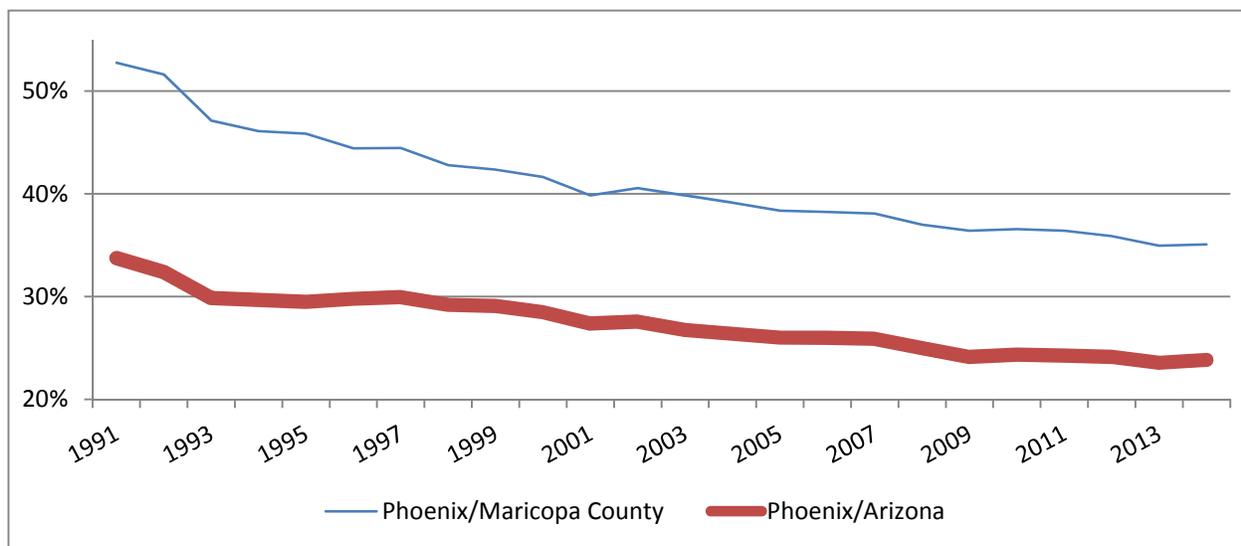
The overall consensus from these trusted sources is economic growth in Arizona and the Phoenix Metro area is anticipated to continue, however at a pace that is slower than previous recoveries from economic recessions. They predict economic expansion will continue at a moderate pace; gaining momentum in 2015 with no recession on the forecast horizon barring any unexpected economic shocks.

The greater Phoenix area has improved, but it has not returned to pre-recession economic performance. There have been 199,500 jobs created during the recovery, which represents 79% of the jobs lost. By comparison, the previous two recoveries had gains of 271,800 and 238,000 jobs, respectively (Bureau of Labor Statistics). In addition, the population has increased by 217,600 people, but this is much lower compared to the previous two recoveries of 608,700 and 482,900 respectively (Arizona Department of Administration). This highlights the challenges the local economy continues to face.

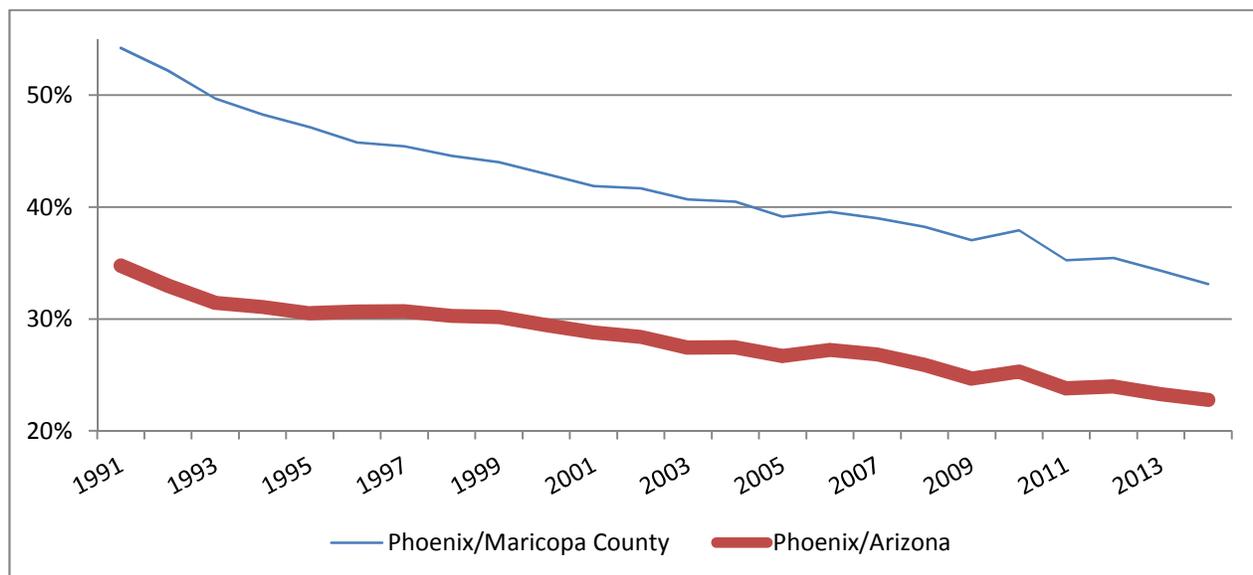
Another factor to consider regarding the historically slow pace of economic rebound since the recession is the lack of strong growth in the real estate and construction markets. Given the local and state economies are so reliant on these sectors; the lack of meaningful gains continues to suppress expansion. According to the UofA EBRC “Sluggish gains in Arizona employment, income, and retail sales continued in the fourth quarter of 2014. Overall, the state is growing at rates that are in the neighborhood of the nation, but that are still well below Arizona’s historical growth rate. What is holding the state back? First, population growth is positive, but slow, and this is contributing to an unusually weak housing/construction recovery...The outlook calls for the state to gradually gain momentum in coming years, with help from lower gasoline prices, faster national growth, and a bit less federal fiscal drag” (1<sup>st</sup> Quarter 2015 Economic Outlook report).

In addition to economic challenges, Phoenix is experiencing a diminishing sales tax base. This is indicative of population shifts to other cities and the growth of businesses in these other areas that provide taxable activities. The below graphs illustrate this challenge and include Phoenix aggregate taxable sales and retail sales compared to Maricopa County and the State of Arizona:

### Phoenix Share of Aggregate Taxable Sales



### Phoenix Share of Taxable Retail Sales



## Revenue Forecasting Methods

Several forecasting methods and practices are used to estimate city revenues and will vary depending on the type of revenue being analyzed. Evaluating historical growth patterns and current actuals is an important component to analysis and provides insight into the direction of the various revenue categories and the growth needed to achieve estimated revenues. Information is also collected from the economic sources mentioned earlier to ensure current and subsequent year estimates are reasonable and in-line with what these experts are predicting. The State FAC provides valuable information from a panel of respected economists and financial professionals. Included in their materials are projections of state sales tax and income tax collections. These projections are considered when developing city sales tax and state shared sales and income tax revenues for both the current and subsequent fiscal years. Additionally, information is collected from city departments during the annual technical review process which is needed to analyze the user fee and non-tax revenue category. The department's knowledge of the revenues generated by various city programs and services is essential to developing accurate projections. Staff also considers one-time revenues, adjustments and contractual agreements impacting growth when developing estimates.

In conjunction with considering historical growth, current trends, and information from trusted sources and departments, B&R staff uses several forecasting methods when preparing recommended estimates. The most common methods of revenue estimation used are: averages of actual revenue experience by varying time periods, annualization of year-to-date actuals, and most often a percent of prior year method. This last method involves analyzing the amount of revenue collected at a point in time during prior fiscal years, for example seven months, represented as a percentage of the total collections for the entire fiscal year and then applying that percentage to current year-to-date actuals. This method accounts for the seasonal nature of many city revenues and is often a more effective method than using an averages or annualizing approach. Additionally, the growth rate needed to reach the budgeted or estimated revenue is considered. If the percentage growth needed for the remaining months of the fiscal year is substantially higher or lower than the current growth rate, adjustments are made to arrive at a new estimated revenue amount for the fiscal year.

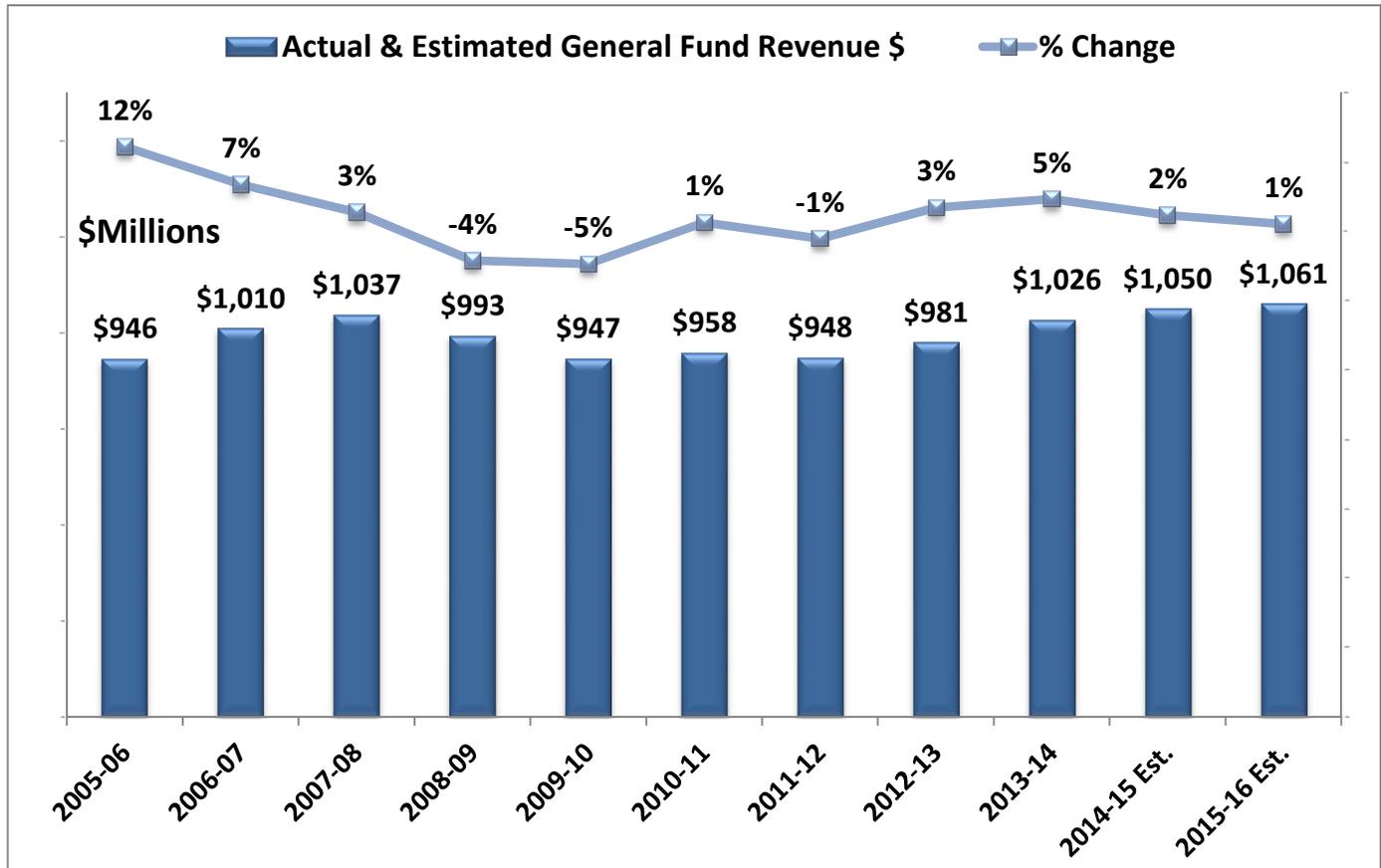
Once the current fiscal year estimate is developed, assumed growth rates are then applied to this amount to arrive at a projected revenue amount for the following fiscal year. These assumed growth rates take into account historical and recent trends in revenue data, one-time revenue adjustments, and information from city departments and our trusted sources to ensure projections are not overly conservative or aggressive.

Finally, as part of the annual budget development process each year, revenue estimates are presented to the City Manager's Office, the City Council and the community as part of the Trial and recommended budgets for consideration and approval prior to final budget adoption in June.

## General Fund Revenue

To assist in explaining the basis for how GF revenue is estimated for each of the major categories, historical revenue growth and estimated revenues for the 2014-15 and 2015-16 fiscal years are provided graphically, along with a description of the revenue category and the methodology used to develop recommended revenue estimates beginning with total General Fund revenues.

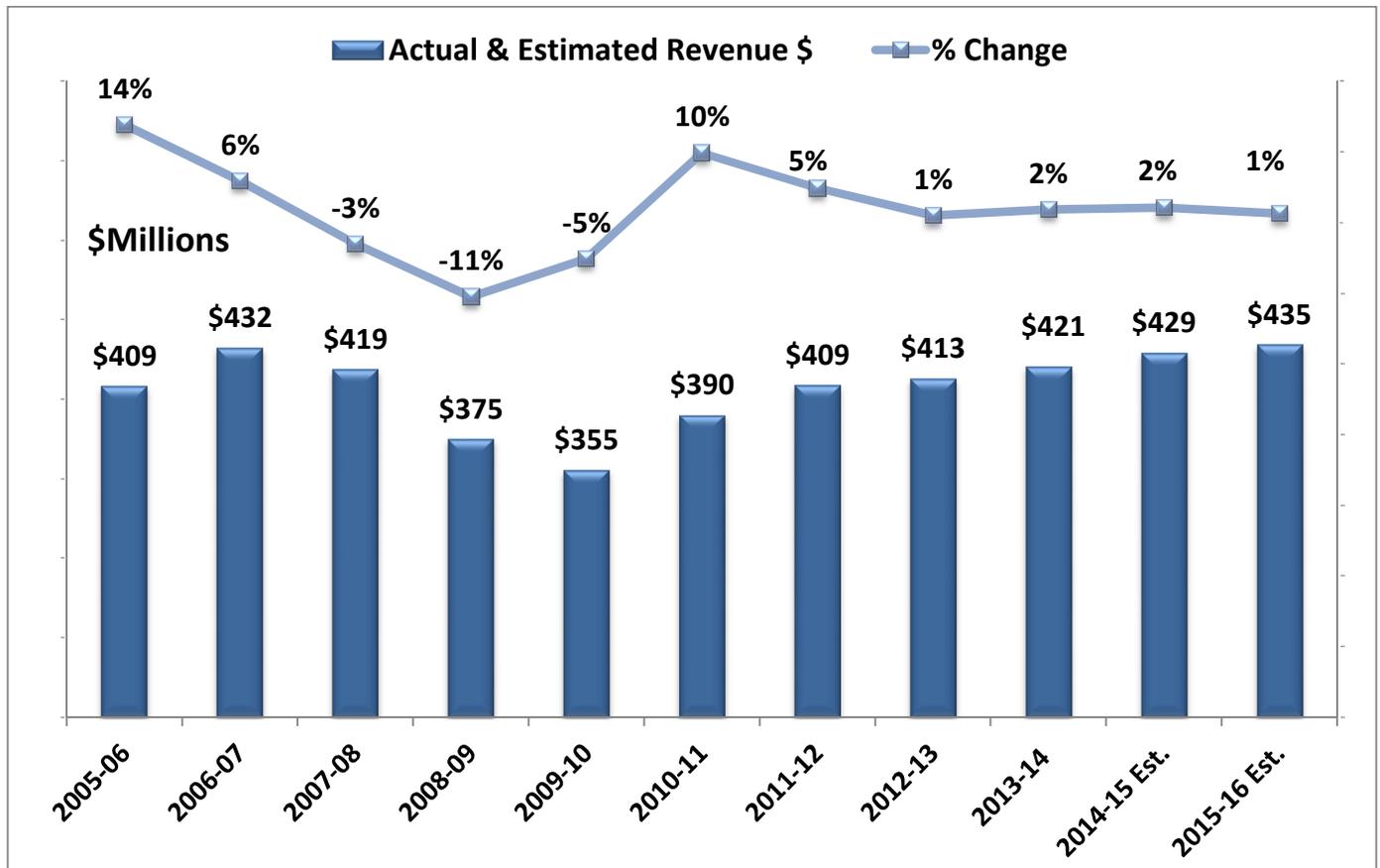
### Total General Fund Revenue



*\*2014-15 and 2015-16 estimates account for the reduction of the emergency sales tax on food for home consumption to 1% effective January 2014 and complete elimination in April 2015. The emergency sales tax on food was in place from April 2010 through January 2014 at the full retail rate of 2%. Projections also assume no fee increases, changes to state shared revenue formulas or legislative actions to reduce General Fund revenues, other than a reduction to Emergency Transportation Service revenues due to the Governor's Budget reduction to the AHCCCS reimbursement rate.*

As mentioned, GF revenues consist of local taxes and related fees, primary property taxes, state shared sales, income and vehicle license taxes, user fees and non-tax revenues. Estimating revenues for each of these categories is conducted separately to more accurately predict the amount of revenues for the current and following fiscal year. Each category is unique with respect to the variables that comprise the revenue and influence growth. Variables that impact revenue growth include economic factors such as consumer sentiment, discretionary income, population, unemployment, job growth and construction activity. Other influencing factors may include: legislative action, City Council policy directives, legal restrictions and mandates, state statutory formulas, program enhancements or reductions, and changes in rates and fees. For these reasons, evaluating each major category separately is preferred and generates more accurate revenue projections.

## Local Taxes and Related Fees, 41% of Total General Fund Revenue



\*2014-15 and 2015-16 estimates account for the reduction of the emergency sales tax on food for home consumption to 1% effective January 2014 and complete elimination in April 2015. The emergency sales tax on food was in place from April 2010 through January 2014 at the full retail rate of 2%. One-time revenue estimated at approximately \$600,000 from Superbowl 2015 and an expected audit adjustment of (\$3.1M) is factored into the 2014-15 city sales tax projection. Additionally, in June 2014 the City Council adopted a new excise tax placed on Municipal Services bills based on meter size effective July 2014.

Local taxes and related fees consist of city sales taxes, privilege license fees and other excise taxes. The majority of revenue is derived from city sales taxes which is comprised of 15 general categories collected based on a percentage of business income accruing in each category. The chart on page 6 provides the current local sales tax rates by category and the percentage allocated to each fund. Privilege license fees are assessed to recover the costs associated with administering the local tax system. Other excise taxes include the jail tax and the excise tax collected on water service accounts, which provide resources to help offset jail costs paid to Maricopa County and other General Fund services.

Sales tax can be volatile and typically correlates to the local economy. Increases in sales tax collections are expected when the local economy expands due to underlying fundamentals such as increases in population, discretionary income, business expansion, jobs and real estate growth. The opposite holds true during times of economic contraction or recession as evidenced in 2008-09 and 2009-10 and illustrated in the above graph. Staff analyzes historical and recent trends in sales tax data by category, evaluates cumulative growth and uses the new UofA EBRC econometric forecasting model to develop projections. Projections provided by the FAC and JLBC are also considered to ensure estimates are reasonable and not overly aggressive or conservative in nature.

The growth estimated in 2015-16 of 1% assumes conservative growth over 2014-15 and accounts for current trends in actual collections, as well as the complete elimination of the food for home consumption tax in April, 2015. Privilege license fees and other excise tax projections are developed using the existing fee structures, assumptions about the growth in business license applications, historical trends, averages, recent collection experience and use of the percent of prior year method to account for seasonal influences in revenue activity. The growth estimated in 2015-16 for privilege license fees and other excise taxes assumes conservative growth and continuation of current year-to-date experience.

### Current Local Sales Tax Rates By Category

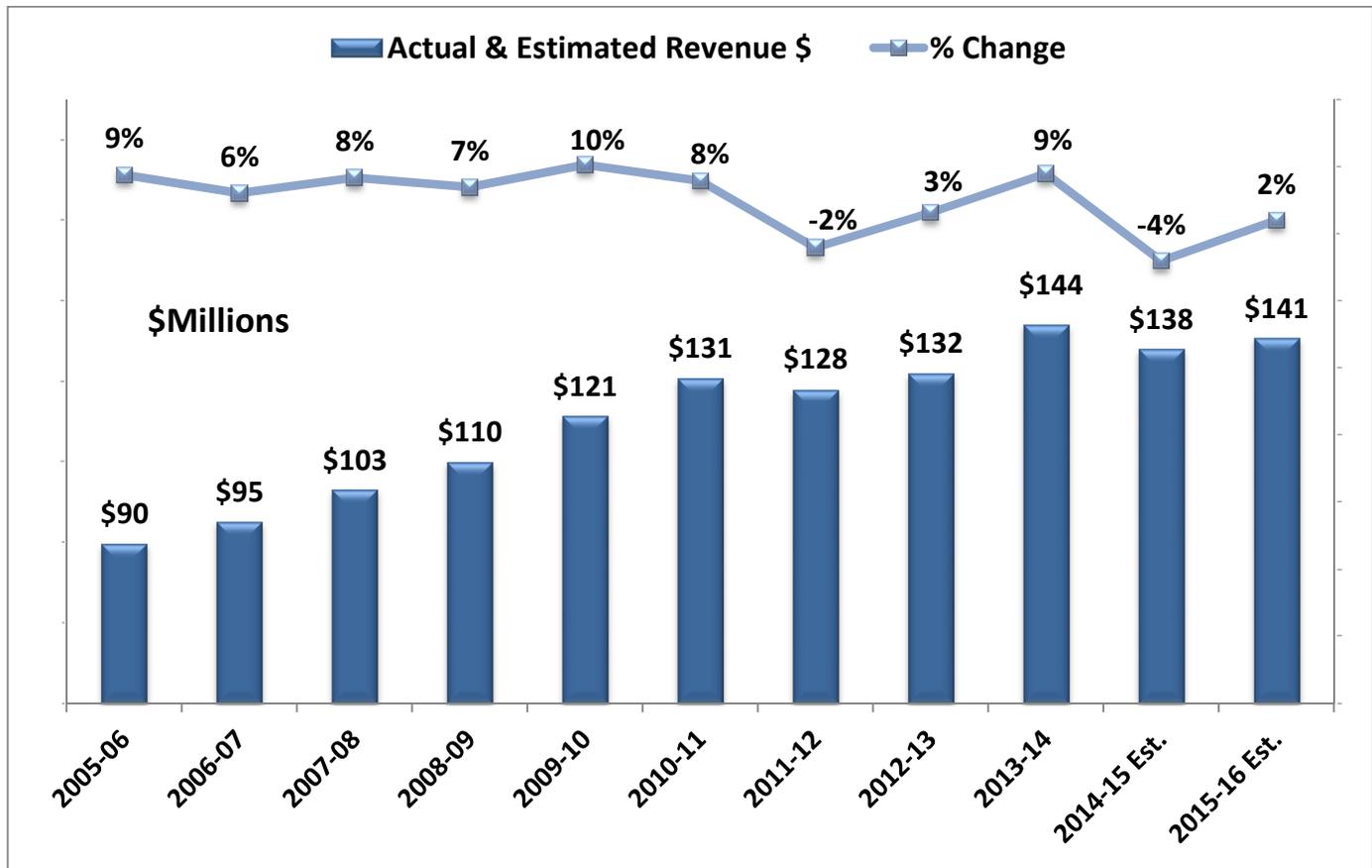
	General Fund	N'hood Protection	2007 Public Safety Expansion	Public Safety Enhance.	Parks & Pres.	Transit 2000	Conv. Center	Sports Fac.	Capital Const.	Total
Advertising	–	–	–	–	–	–	0.5%	–	–	0.5%
Contracting	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Job Printing	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Publishing	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Transportation/Towing	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Restaurants/Bars	0.7%	0.1%	0.2%	–	0.1%	0.4%	0.5%	–	–	2.0%
Leases/Rentals/ Personal Property	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Short-Term Motor Vehicle Rental	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	2.0%	–	4.0%
Commercial Rentals	1.3%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.1%
Lodging Rentals Under 30 Days	1.2%	0.1%	0.2%	–	0.1%	0.4%	2.0%	1.0%	–	5.0%
Lodging Rentals 30 Days and Over	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Retail	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Retail Food Sales (1)	0.6%	0.1%	0.2%	–	0.1%	–	–	–	–	1.0%
Amusements	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Utilities	2.7%*	–	–	2.0%**	–	–	–	–	–	4.7%
Telecommunications	2.7%	–	–	–	–	–	–	–	2.0%	4.7%

(1) Effective April 1, 2010, the City of Phoenix re-instated the Retail Food Sales tax with a sunset date of 5 years (March 31, 2015). Effective January 1, 2014, the City of Phoenix decreased this rate from 2.0 percent to 1.0 percent, with full expiration on March 31, 2015.

\*The General Fund portion of the utilities category includes the 2.0 percent franchise fee paid by utilities with a franchise agreement.

\*\*The Public Safety Enhancement designated 2.0 percent sales tax applies only to those utilities with a franchise agreement.

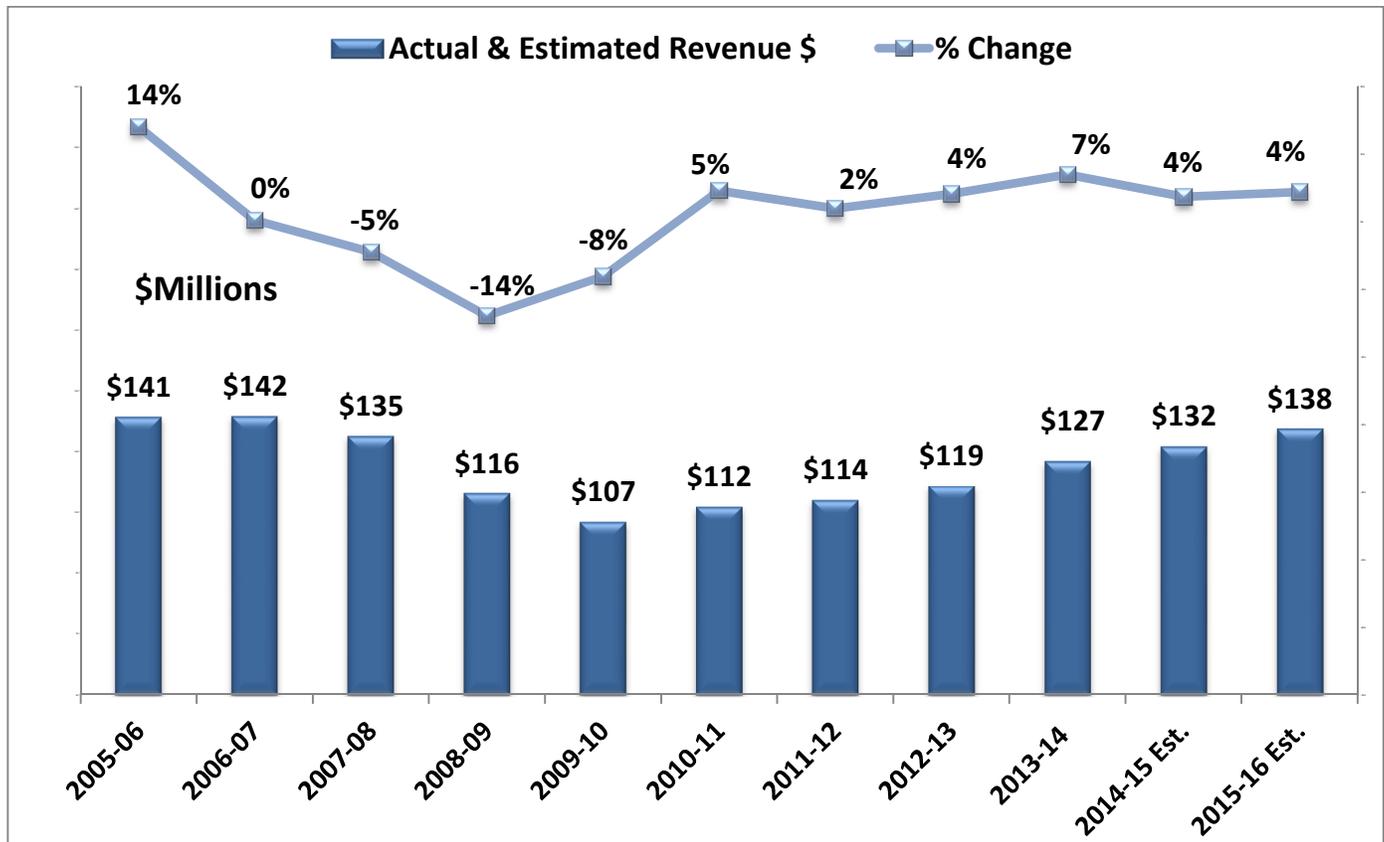
Primary Property Tax, 13% of Total General Fund Revenue



Arizona property tax law provides for two separate tax systems. A primary property tax is levied to pay current operations and maintenance expenses. Therefore, primary property tax revenue is budgeted and accounted for in the General Fund (and is illustrated in the above graph). A secondary property tax levy is restricted to the payment of debt service on voter approved long-term general obligation debt. Therefore, the secondary property tax revenue is budgeted and accounted for as a special revenue fund. The primary property tax levy forecast is based on an amount stated in the annual "Levy Limit Worksheet" for the City of Phoenix, issued by the Maricopa County Assessor in February, prior to the applicable fiscal year. The levy amount established by the Assessor is calculated per Arizona Revised Statute §42-17501. Subsequent fiscal year's annual primary levy amounts are forecast by staff applying the same statutory calculation against successive prior year's primary levy amounts.

The annual amount of the primary property tax levy is limited by the Arizona Constitution to a two percent increase over the prior year levy plus an estimated levy for previously unassessed property (primarily new construction). By City Council policy, the combined city property tax rate is \$1.82 per \$100 of assessed valuation which has not changed since fiscal year 1996-97. Provisions in Chapter XVIII of the City Charter also limit the City's primary property tax rate to \$1.00 per \$100 of assessed valuation with the exception of costs to operate library services. The proposed 2015-16 primary property tax rate, not including the portion of the rate allocated to cover the Library Department operating costs, is less than \$1.00 per \$100 of assessed valuation.

State Shared Sales Tax, 13% of Total General Fund Revenue

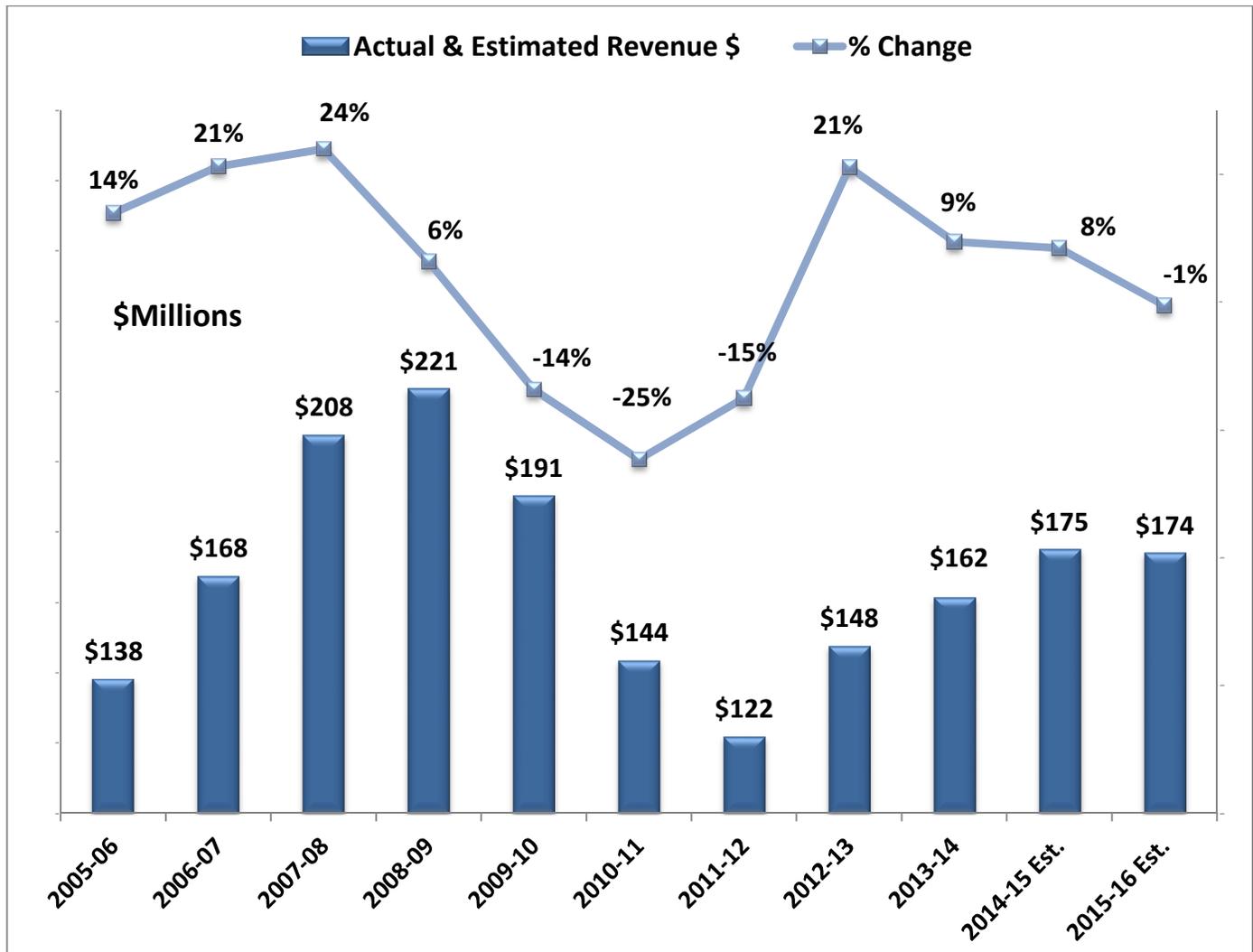


\*One-time revenue estimated at approximately \$500,000 from Superbowl 2015 is factored into the 2014-15 projection.

State sales tax revenues received by the city are governed by Arizona State Statute §42-5029. State sales tax revenues are split between a “distribution base”, of which Phoenix receives a share, and a “combined non-shared” category, which is allocated entirely to the state. With the exception of some tax categories, the distribution base consists of either 20 or 40 percent of collections depending on the tax category. State statute §42-5029 stipulates of the monies designated in the distribution base the Arizona Department of Revenue shall pay 25 percent to incorporated cities on the basis of relative population percentages. The population factor changes with decade or mid-decade census counts and periodic adjustments made throughout the year. The current City of Phoenix population share is 28.8 percent.

State sales tax is estimated similar to how city sales tax is forecasted (described on page 5). Staff analyzes historical and recent trends in sales tax data by category and evaluates cumulative growth when developing revised estimates. Projections provided by the UofA EBRC, using the new econometric sales tax model, were used to develop FY 2015-16 estimates; and information from the FAC and JLBC were considered to ensure current fiscal year estimates are reasonable and in-line with what these experts are projecting.

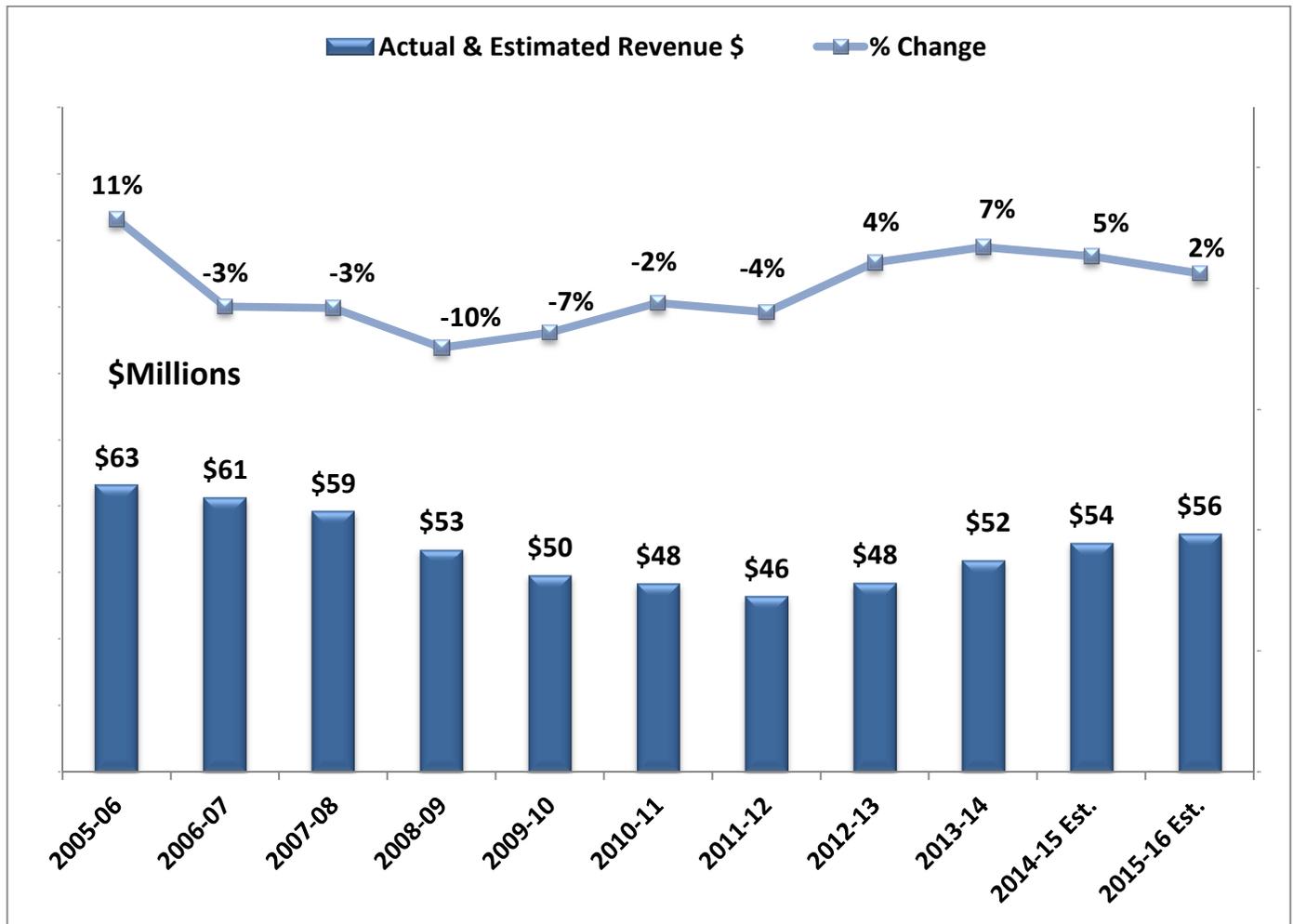
State Shared Income Tax, 17% of Total General Fund Revenue



State shared income tax revenue, also known as the Urban Revenue Sharing Fund, was established by voter initiative in 1972 and is governed by Arizona Revised Statute §43-206. The statute stipulates that 15 percent of the net proceeds of state individual and corporate income tax collected two years prior be distributed to incorporated cities and towns. Individual cities receive their portion based on the cities' share of the state population, which is based on the decade or mid-decade census. The current City of Phoenix population share is 28.8 percent. As a result of the initiative, Arizona Revised Statute §43-201 stipulates the area of income taxation is preempted by the state and a county, city, town or other political subdivision shall not levy an income tax as long as the Urban Revenue Sharing Fund is maintained as provided in §43-206.

Since state shared income tax revenue is based on actual collections from two years prior, the 2014-15 and 2015-16 projected revenue is known and is based on actual collections received in 2012-13 and 2013-14 respectively.

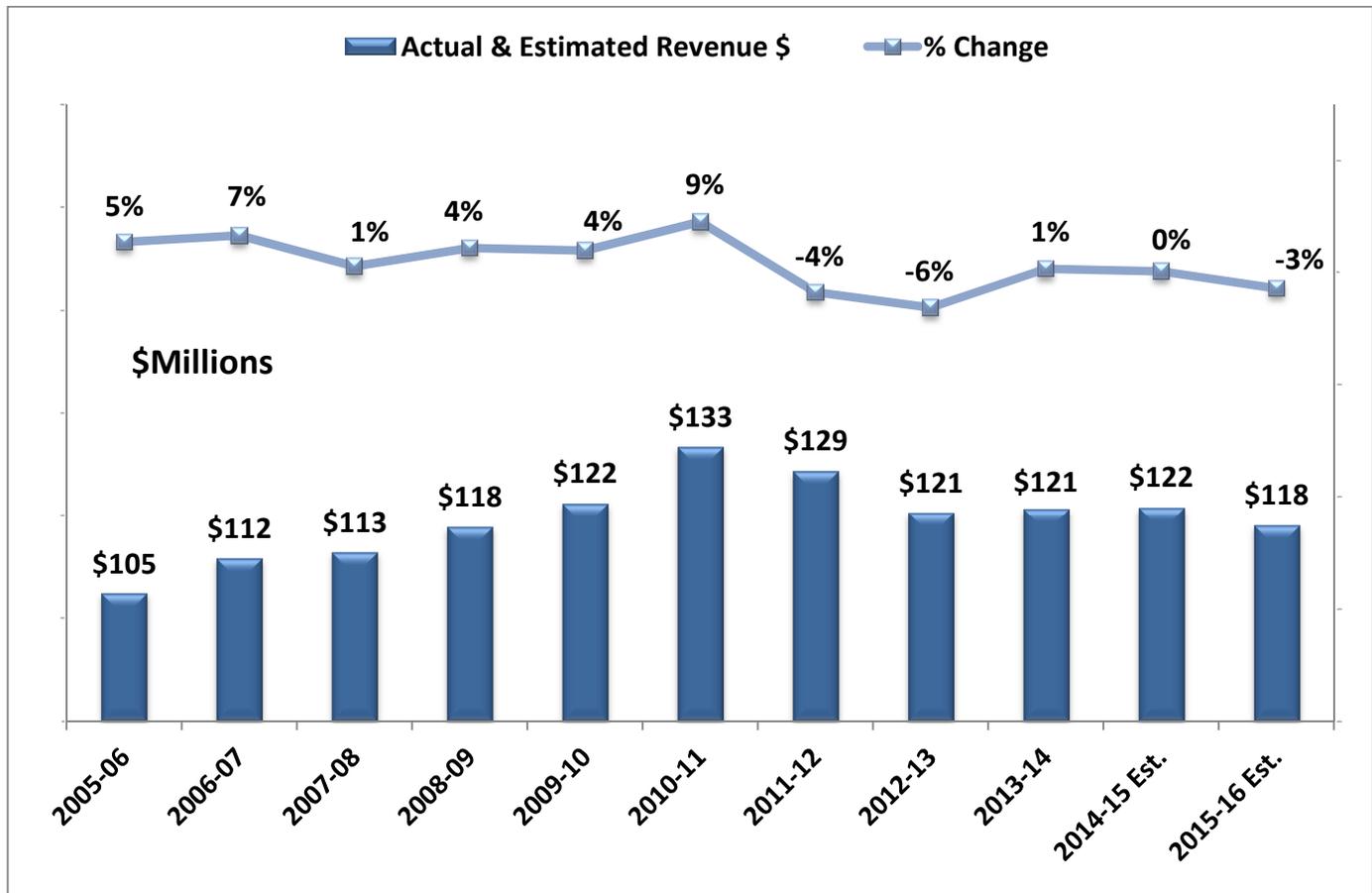
## State Shared Vehicle License Tax, 5% of Total General Fund Revenue



State shared vehicle license taxes have been shared with cities and towns since 1941. The tax is assessed on the basis of an ad valorem rate on each \$100 in value. The value is equal to a percent of the manufacturer's retail price at the time of initial registration. During each succeeding year, this value is decreased until the established minimum amount is reached. The Arizona Department of Transportation collects and distributes the tax according to Arizona Revised Statute §28-5808. The distribution to individual cities is based on their relative population within the county, which is based on the decade or mid-decade census. The current City of Phoenix population share is 40.95 percent.

Vehicle License Tax revenues are often correlated to the overall strength of the economy. Similar to sales tax revenues when the economy is growing this revenue category will also exhibit growth, as illustrated in the above graph. Revenues are estimated by evaluating historical growth patterns, year-to-date cumulative growth and applying the percent of prior year method to year-to-date actuals, which accounts for the seasonality in collections. Staff will also consider projections provided by the Arizona Department of Transportation, which are published annually for this revenue source, and any available recent economic information pertaining to projections on the local economy and vehicle sales when formulating recommended current and subsequent year estimates. The growth estimated in 2015-16 of 2% assumes this category will continue to grow, but at a reduced pace as vehicle sales are expected to decelerate.

## User Fees and Non-Tax Revenues, 11% of Total General Fund Revenue



User Fees and Non-Tax Revenues include collections from licenses and permits, fines and forfeitures, cable television fees, user fees from several city departments designed to recover the costs of providing specific city services including Parks and Recreation, Library, Planning, Police, Fire, and Streets, other service charges including interest income, parking meter revenue, in lieu property taxes, sales of surplus property, various rental, parking and concession categories and miscellaneous service charges in Finance, Housing, Human Services and Neighborhood Services.

B&R staff relies on departments to provide essential information concerning activity levels, fee increases or decreases and program changes which impact the variety of revenue sources in this category. Technical revenue reviews are conducted twice each fiscal year as part of the annual budget development process. Departments are asked to provide revenue estimates and reasons for changes from prior year actuals. Staff conducts a line-item analysis of all revenues and uses various methods including annualization and percent of prior year, as well as consideration of one-time and contractual revenues, program enhancements or reductions and other adjustments when developing estimates.

The growth estimated in 2015-16 of -3% accounts for several one-time revenues in 2014-15 and a legislative change that will reduce the reimbursement rate for emergency transportation services from the Arizona Health Care Cost Containment System. One-time revenues in 2014-15 include: the sale of city owned property, police revenues from the Southwest Border Alliance and a right of way project in the Streets Department. Additionally, 2014-15 and 2015-16 revenue projections account for the recent Council adopted extension of parking meter days and hours effective August 2014, and is expected to generate total parking meter revenue of \$2.7 million and \$3.0 million respectively. Comparatively, parking meter revenue in FY 2013-14 was \$1.7 million.

In addition to the technical reviews that are conducted twice each fiscal year, B&R staff monitors revenues monthly to determine if adjustments to projections are necessary. The proposed estimates are then reviewed by B&R management and finally incorporated into the General Fund proposed revenue projections for consideration by the City Manager, the City Council and the community.

This report is for informational purposes only and is intended to provide the City Council and the community with explanations on how GF revenues are analyzed and developed to better facilitate discussions during the annual budget development process.

A handwritten signature in cursive script that reads "Mario Paniagua".

---

Mario Paniagua  
Budget & Research Director

## **ATTACHMENT 7**

### **Progress on Key Savings Initiatives**

#### **Worker's Compensation/Industrial Injury Insurance**

In an effort to mitigate the increasing workers' compensation costs several actions have been taken, including:

- Third Party Administrator (TPA) performance guarantees, lowering the number of claims each adjuster has from over 200 to a maximum of 150 in order to provide more timely and responsive claim management
- separate bill review contract lowering the fees for bill review and the total paid to providers for service
- performance measures for managers to lower the number of industrial injuries by 10 percent
- workers' compensation labor management meetings to discuss concerns and program enhancements including implementing safety programs
- monthly monitoring of all incurred costs

In addition to the actions already implemented, the City is revising the Light Duty Administrative Regulation and reviewing the Police light duty program. These efforts will outline a more formal return to work program and help further mitigate the rising worker's compensation costs.

#### **Health Insurance/Pharmaceutical Plan Restructuring**

As directed by the City Manager, the Human Resources Department is working with the City's Health Care Task Force and Trust Board to discuss plan design changes as well as renegotiating or re-bidding the Pharmacy Benefit Plan for 2016. Both the City and employees could realize significant savings on pharmacy costs as a result of a new contract and pharmacy plan design for employees. Discussions with the Health Care Task Force also include evaluating the replacement of current retiree medical plans with a private marketplace option in 2016. This would provide each retiree and eligible dependent a choice of carriers and plan designs at a lower premium cost, saving the City on post-employment benefits costs. Staff is continuing to meet with the Health Care Task Force to further discuss the potential impact and savings of these changes for both the City and employees.

#### **LED Streetlight Replacement**

The City Council recently approved the issuance of a Request for Proposals (RFP) for the replacement of City streetlights with modern LED technology. The streetlights are substantially less expensive over the life of the equipment due to significant savings in both maintenance and energy costs. Preliminary analysis using a financing model to cover the upfront capital costs shows that the annual savings would exceed the annual maintenance, energy, and debt costs by over \$800,000 in the first year. Once proposals are received by the City later in the spring, staff will be able to conduct

## **ATTACHMENT 7**

further analysis of costs and savings and provide a firmer estimate. As a result, no changes due to the potential savings for LED streetlights are included in the Trial Budget; however, if approved by Council, the savings may be available to address street maintenance needs, and/or fund other high priority capital or operating needs.

### **Collections Streamlining**

The Finance Department, in coordination with other City departments, has placed a renewed emphasis on collection of delinquent accounts including tax, ambulance services and the municipal services bill which includes Water, Sewer and Solid Waste. Finance has expanded the use of existing tools including extensive use of the state's Debt Set-Off program, collection agency contracts and outbound calling. In addition, the Finance Department has consolidated its own efforts internally.

The renewed collections efforts started in March 2014. This effort included sending a backlog of over five hundred accounts worth \$5.3 million to collection agencies. Monthly allocations continued and an additional two hundred accounts worth \$3.0 million were also sent. This effort has resulted in a recovery of over \$818,000 through February 2015.

*Anticipated Debt Set-Off Recovery-* The City of Phoenix past participation in this program has been limited. This program allows the City the opportunity to recover past due debt by intercepting customer state tax refunds. The key to success is having a Social Security or Federal Employer Identification Number to send to the state. Most of the recovery of costs from individuals will occur during income tax season (January through April) of each calendar year. Collections from companies will continue all year as they file different types of taxes year-round.

The Tax Division has been a participant since March 2014. Tax sent a backlog of three thousand two hundred accounts worth \$8.5 million. To date, the program has recovered over \$175,000 through February 2015. The Tax Division has an automated process in place to add more accounts monthly. Most of the recovery funds have been related to business as opposed to individual refunds.

The Fire Department began participating in the Debt Set-Off program in August 2014. A backlog of twenty two thousand accounts worth \$13.6 million was originally sent. An additional three thousand accounts worth \$578,000 was sent in February 2015. Most Fire Department customers are individuals as opposed to businesses. Fire recovered about \$20,000 through January 2015. Individual Tax season has started and the recovery has been an additional \$250,000 in three weeks of February 2015. Fire will work to automate the submission of accounts to the Debt Set-Off program on a monthly basis. An estimated one thousand accounts will be sent over each month worth \$500,000.

Finance has been working with the Water Services Department to research the potential use of this program. A preliminary, automated data search was performed to

## **ATTACHMENT 7**

identify potential matches. There have been sixty one matches worth \$72,000 that has been sent to the Debt Set-Off program.

*Collection Agencies-* Collection agencies charge between 12.5% and 33%, based on the services they provide. Higher service fees are required for legal services. A new collection agency contract has been signed with multiple agencies to ensure that the City is getting the highest recovery possible for the lowest price. Having a multiple agency contract allows us the opportunity to reward high performing agencies with additional accounts.

The Finance Department is proposing the cost recovery of collection agency and lien processing expenses to the Finance, Efficiency, Economy and Sustainability Subcommittee in April 2015. This would allow the agencies to pass on their costs to the original debtor eliminating any additional expense to the City. Finance and Water have spent a combined \$328,000 in Fiscal Year 2013-2014 and an additional \$155,000 in Fiscal Year 2014-2015 (July – February).

### **Sale of Excess City-Owned Real Property**

As authorized by Council, several City-owned properties are being actively marketed, including those located at:

- 12th Street & Greenway Parkway
- 139 East Jesse Owens Parkway
- 1615 E. Washington
- 2423, 2425, and 2429 E. Jefferson
- 4056 E. Washington

Also, on March 18, 2015 the Council authorized the following additional City-owned properties to be actively marketed for sale:

- 1826 W. Vista
- 1825 W. Vista
- 1826 W. Orangewood
- 1739 E. Claremont
- Near 111th Dr. & Buckeye Rd.
- Near 117th Ave. & Happy Valley Road
- 1916 E. Glendale Ave., Lot 8
- 1930 E. Glendale Ave., Lot 6
- 1942 E. Glendale Ave., Lot 4

## **ATTACHMENT 7**

The City's Broker/Consultant Jones Lang LaSalle, (JLL) is marketing the above parcels and continues to work with staff to identify additional excess parcels. It is important to note that any properties owned by enterprise fund departments and properties acquired with federal grant funds will likely yield no proceeds to the General Fund. Also, the sale of property with outstanding bond financing may trigger bond repayment. A significant number of the parcels may be uneconomic remnants; such as small, oddly configured parcels of excess right of way, etc. that have minimal market value. Staff and JLL continue to identify and vet excess parcels through the Finance, Efficiency, Economy and Sustainability Subcommittee and will consistently pursue the highest possible return to the City. The factors outlined above underscore the limitations inherent in these one-time transactions.

The City has received proposals for vacant land located between 4<sup>th</sup> and 6<sup>th</sup> Avenues south of Fillmore, which is currently in the appraisal process.

Recently, the City has had success in selling the excess properties listed below:

- Barrister Building at 101 S. Central, 25 E. Jefferson, 30 E. Monroe, which will receive a total of \$2.3 million in a series of installments. A significant portion of this revenue is General Fund and is part of the current year's balanced budget.
- Property at 2222 W. Greenway, which received a net payment of about \$1.6 million and was part of previous actions to balance the General Fund.
- Several Public Transit properties at 5347 N. 19<sup>th</sup> Avenue, 1124 W. Camelback, 1903 W. Georgia, 1904 W. Oregon, 5202 N. 19<sup>th</sup> Avenue, 1318 E. Jefferson, and 2201 E. Jefferson were sold for a total net proceeds of about \$156,000 which is now included in the Transit 2000 Fund.
- A Streets department property at the S.E. Corner of Jefferson & 24<sup>th</sup> Street which sold for a net of about \$13,000.
- A Water Services department property located at the N.W. Corner of 109<sup>th</sup> Avenue & Tres Rios Levee, which resulted in net proceeds of approximately \$74,000 in the Water fund.

### **Underutilized Vehicles**

The City's annual fleet right-sizing utilization initiative identifies City vehicles and other equipment with less than 3,500 miles or 520 operational hours in a calendar year. Departments receive a list of underutilized units and have the option to turn in the identified unit or an equivalent substitute with higher mileage and/or excessive maintenance costs. Departments can also petition the utilization and retention committee to retain units under special circumstances.

This process increases efficiencies by reducing maintenance costs and offers one-time revenue from auction proceeds. As a result of this process, the City's vehicle fleet has been reduced by approximately 700 units resulting in approximately \$860,000 in one-time auction proceeds and reduced O&M costs.

## **ATTACHMENT 8**

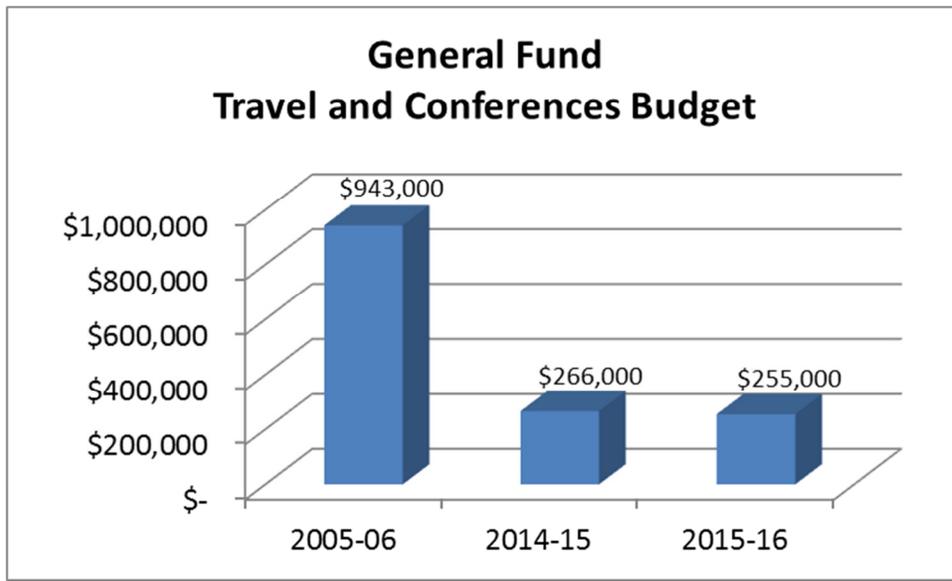
### **Updates on Previous Budget Discussion Areas**

#### **Equalization of Council Offices Budgets**

During last year's budget adoption process, Council directed staff to equalize each of the individual Council Office budgets without increasing the overall budget allocation. After years of staff turnover and unique approaches to addressing General Fund budget reductions, the individual budgets for each Council District ranged from \$324,000 to approximately \$426,000. Staff from Budget and Research, Human Resources and the City Council Offices worked together to equalize each Council Office budget at \$397,000 per year. Going forward, each Council Office still has the flexibility to hire staff as necessary to run their office efficiently within the total budget. All costs, including staff costs, must not exceed the funds available.

#### **Travel and Conferences**

The General Fund travel and conferences budget has been greatly reduced since 2005-06 going from a high of \$943,000, to the current proposed 2015-16 level of \$255,000, a reduction of 73%.



Travel receives great scrutiny at the City, with each travel request for City funds being reviewed by department heads and the City Manager's Office for relevance to the City. Police and Fire account for approximately 36% of the planned General Fund expenditures for 2015-16. The department with the largest portion of the cost is the Police Department at 23%. Travel in the Police and Fire departments provides for public safety investigations, inspections of major equipment and apparatus and important training needed to remain highly skilled in responding to emergency situations. The remaining funds are needed primarily for information technology and other technical training due to staff turnover, and the need to stay up-to-date on regulatory and technology developments.

## **ATTACHMENT 8**

### **City Memberships**

The majority of the \$609,000 in the 2015-16 General Fund Trial Budget for City membership expenditures is accounted for by dues for the Maricopa Association of Governments (\$131,000), the League of Arizona Cities and Towns (\$142,000), the National League of Cities (\$39,000), the U.S. Conference of Mayors (\$42,000), and Westmarc (\$9,000). As the 6th largest City in the United States and the largest city in Maricopa County and Arizona, Phoenix has a strong need to maintain a statewide and national presence in critical policy areas. Each of these organizations provides significant policy roles as well as forums for grant and program opportunities. In MAG, significant transportation resources are made available through participation in dividing up federal and regional funding. Between FY 2011 and FY 2015, the City received approximately \$117 million in federal funds distributed through MAG participation.

The National League of Cities (NLC) works in partnership with the 49 state municipal leagues to serve as a resource to and an advocate for the more than 19,000 cities and towns it represents. The NLC advocates for cities and towns in Washington, D.C. through legislative and regulatory contact and grassroots campaigns. They provide opportunities for involvement and networking to help city officials seek ideas, share solutions, and find common ground. And, the NLC keeps leaders informed of critical issues that affect municipalities and warrant action by local officials. Over the years, City of Phoenix elected officials have served in numerous leadership roles in the organization. In 2011, the NLC held their Congress of Cities and Exposition at the Phoenix Convention Center.

The League of Arizona Cities and Towns (League), a voluntary membership organization of the 91 incorporated municipalities in Arizona, focuses on representing the interests of cities and towns before the legislature, and on providing technical and legal assistance, and coordinating shared services. The League also coordinates municipal efforts with affiliate organizations such as the Government Finance Officers Association of Arizona, the Arizona Municipal Clerks Association, the Arizona Association of Chiefs of Police and the Arizona City Attorneys Association. The City of Phoenix is a founding member of the League. In 2014, the City of Phoenix hosted the League's annual conference in downtown Phoenix.

### **Streamlining of the Office of Government Relations**

The Office of Government Relations recently restructured its staffing to be more cost effective and efficient. Staffing was reduced by 17%, as the number of positions was decreased from 6.0 to 5.0 FTE, resulting in direct General Fund cost savings. As part of the streamlining process, the Management Assistant III\*IP position was downgraded to a Management Assistant II position; a Management Assistant I position was eliminated; and an Administrative Secretary position was reclassified to an Administrative Assistant I position.

The duties of the downgraded Management Assistant III\*IP position, including managing the city's federal grant program and state/local affairs (MAG, Valley

## **ATTACHMENT 8**

Metro/RPTA, East Valley Managers, etc.) were shifted to the new Management Assistant II and other members of the Government Relations team. The duties of the eliminated Management Assistant I position, including managing the Government Relations budget, contract solicitation and administration and other administrative duties, are likewise being redistributed and absorbed.

### **Update on Vacant Positions**

Each year as part of the Technical Review Process, department staff and Budget and Research review historical vacancy trends in an attempt to establish realistic salary savings targets for each City department. This analysis attempts to account for the amount of turnover in a given department over the course of a fiscal year. Taking that a step further, for the past two years we have evaluated the feasibility of eliminating the oldest vacant positions as “no-service-impact” efficiency reductions. In December 2014, the Council approved the elimination of 162 full-time General Fund vacant positions, saving the General Fund nearly \$20 million over two fiscal years.

Evaluating each department’s vacancies has been a longstanding part of the annual budget process. Once the salary savings targets are set, departments are expected to achieve the established targets reflected in the operating budgets. There are approximately 600 non-sworn vacant positions in the General Fund. Of these, 300 are accounted for in the budgeted salary savings. The 300 remaining vacancies are less than 4 months old. These positions are necessary for the City’s delivery of direct services to the community and as a result are at various stages of the recruitment process. It is anticipated that the number of vacancies will diminish significantly over the next few months and into next fiscal year.

### **Technology**

The City continues to focus on the upgrade of fundamental infrastructure and staff productivity tools, including projects to

- replace the telephone system and upgrade the data network,
- replace the email system,
- and upgrade and standardize office productivity software.

Several projects are underway or planned to enhance public safety, including

- replacements of outdated radio equipment,
- Police and Fire records management systems,
- and upgrades to the microwave communications network.

Other citywide projects include:

- critical cyber security enhancements
- development of a citywide data center strategy

## **ATTACHMENT 8**

- unified print management
- business intelligence
- implementation of electronic procurement system
- replacement of the City's budgeting system
- improved records management system
- implementation of agenda management system

Several projects are also underway in the city's enterprise departments:

- Aviation is upgrading technology in Terminal 3 as a component of the modernization project.
- The Planning and Development Department will replace their current planning and development system.
- Water Services and Public Works Solid Waste are in the midst of a major upgrade of their Customer Care and Billing system.

### **Communications Office (Public Information Office) Enhancements**

The Communications Office is making the following service enhancements:

1. Modernize the communications approach to reach a broader audience and increase transparency primarily through the use of digital media.
2. Create developmental and promotional opportunities within the department to retain talent, maintain institutional knowledge, provide employee growth incentives and ensure that all functions have back-up support.
3. Improve service efficiencies and space utilization including the movement of PHX TV staff into city hall, allowing the space to be repurposed.

Additionally, the Communications Office 2015-16 budget amount will decrease from the 2014-15 amount, as shown below:

<b>Communications Office (Public Information)</b>	
<b>Total Budget*</b>	
<b>2014-15</b>	<b>2015-16</b>
\$2.4 million	\$2.3 million

*\*Includes all costs for Phoenix Channel 11 and Know99.*

## ATTACHMENT 9

### 2015-16 Trial Budget - Community Budget Hearings

<b>Date/Time</b>	<b>Location Information</b>
Wednesday April 1 7:30 a.m.	Sunnyslope Community Center Multi-Purpose Room 802 E Vogel
Wednesday April 1 6:00 p.m.	Goelet A. Beuf Community Center, Multi-Purpose Room 3435 W. Pinnacle Peak Rd
Wednesday April 1 6:00 p.m.	Pecos Community Center 17010 S. 48th St.
Wednesday April 1 6:00 p.m.	Irish Cultural Center 1106 N Central Avenue
Thursday April 2 6:00 p.m.	Helen Drake Senior Center 7600 N 27 <sup>th</sup> Avenue
Thursday April 2 6:00 p.m.	Cesar Chavez High School, Cafeteria 3921 W Baseline Road
Monday April 6 6:00 p.m.	Pueblo Grande Museum 4619 E. Washington St.
Tuesday April 7 6:00 p.m.	Phoenix College - Osborn Complex Willo Room (OSS110) 3310 N 10 <sup>th</sup> Avenue
Wednesday April 8 6:00 p.m.	Paradise Valley Community Center, Multi-Purpose Room 17402 N. 40th St.
Wednesday April 8 6:00 p.m.	Maryvale Community Center, Auditorium 4420 N. 51 <sup>st</sup> Avenue
Tuesday April 14 6:00 p.m.	Villa De Paz Elementary School Cafeteria 4940 North 103rd Avenue
Wednesday April 15 5:30 p.m.	Madison School District, District Office, Board Room 5601 N 16 <sup>th</sup> Street