

TO: PA780 Urban Administration Class
FROM: Eduardo Blount
RE: City of Dallas Budget Assessment
Date: April 21, 2008

The following memorandum will summarize the budget highlights for the City of Dallas 2007-2008 Adopted Annual Budget and its 2007-2008 Adopted Capital Improvement Budget. Three areas of budget and financing will be discussed: (1) general budget priorities; (2) capital improvement priorities; and (3) financial weakness of the city.

BUDGET PRIORITIES WITH ZERO-BASED BUDGETING

The City of Dallas budget uses a Zero-based budget format. As noted in Managing Urban America (2007), zero-based budgeting involves the steps of developing and ranking decision packages. In an effort to foster efficient government, economic development and cleaner Dallas, resources were reallocated from low to higher priority based on the focus areas. Dallas’ format utilized six key priorities, known as focus areas, to guide the allocation of funding across city departments and programs. The city manager and city council devised the following six focus areas to guide the allocations of the budget. The table below highlights six key focus as addressed in the 2007-2008 budget.

Table 1 – FY2007/2008 FOCUS AREAS	
Public Safety	Reduce Dallas’ position in the nation on crime
Economic Vibrancy	Develop and invest in economic opportunities in key areas of city
Clean, Healthy Environment	Produce a cleaner city by improving air quality and developing green policies
Culture, Arts and Recreation	Initiative to develop a world class downtown arts district and improve local parks
Educational Enhancements	Promotion of advancement in education to improve Dallas’ future success
E3 Government	Make government more efficient, effective and economical

The focus areas were developed with departmental input managed by the city manager and eventually approved by the city council. This method of budgeting for outcome process ensures all budgetary decisions take into account the six focus areas. The budget notes the City Council is doing all it can to generate policies to enhance the city’s tax base (Dallas, 2007). This effort can be observed in the six focus areas of the budget, notably in producing economic vibrancy.

The City of Dallas generates the majority of its revenue from four sources. The top generators of revenue are: (1) ad valorem (property) taxes (\$434,957,547); (2) sales taxes (\$237,195,975); (3) franchise fees (\$125,815,664); and service fees (\$118,549,576) (see Appendix A for revenue and expenditures). As in the case of many localities, the Dallas relies heavily on property tax to generate income for the city, accounting for 41 percent of revenues. Other revenue source account for the following amounts: 22 percent in sales taxes; franchise fees account for 12 percent; service fees account for 11 percent; and remaining sources account for 14 percent.

CAPITAL IMPROVEMENT BUDGETING

In the effort to ensure the successful development and funding of the six focus areas the capital improvement budget is devised parallel to the annual budget. The capital improvement budget of Dallas is devised by allocating capital improvement funds to the six key focus areas of the annual

budget. Although the capital improvement budget is a separate fund the annual budget, focus areas were used to guide the efficient and coherent appropriation of capital improvement funds.

The top three focus areas to receive the most capital improvement funding were: clean, healthy environment (56.37 percent); culture, arts and recreation (16.08 percent); and economic vibrancy (14.38 percent). Each of the remaining focus areas received less than 10 percent of the capital improvement funding for 2007-2008.

Source of funding for capital improvement bonds comes from a variety of sources (see Appendix B). The major sources of funding for the capital improvement projects are general obligation bonds and water utilities fund. Table 2 highlights the Dallas’ capital improvement projects.

TABLE 2 – FY2007/2008 CAPITAL BUDGETING PROJECTS & FUNDING SOURCE	
Street/Transportation Services, flood protection, parks and recreation, library facilities, cultural arts facilities, city hall and maintenance facilities, low acquisition for development of low income homes, court facilities, and public safety facilities	General Obligation Bonds
Water utilities infrastructure improvement	Water Utility Fund

The largest projects in the general obligation bonds are park and recreation facilities (\$91,436,000) that corresponding to the culture, arts and recreation focus, and both flood protection (\$80,527,000) and street and transportation improvements (\$78,093,000) each corresponding to economic vibrancy focus. The water utility funding will be used for the improvement of water utility infrastructure. All projects for the 2007-2008 budget year was developed to provide adequate water supply and wastewater treatment by the acquisition of future water and wastewater treatment facilities and to renovate and construct improvements to facilities across the city (Dallas, 2007).

FINANCIAL WEAKNESSES

The city manager opens the 2007-2008 annual budget stating, “Exceptional strong growth in the Dallas property values (10%) this year provides the foundation for the FY2007/2008”. Although the city manager provides a positive indication Dallas will continue its economic growth, the impending economic crisis across the United States is hitting the tax base of many localities and has the potential to also strike Dallas. Specifically, since property taxes generates the highest amount of revenue for the city, the number of home foreclosures that have taken place and expected to continue will reduce revenue. The sales tax in combination with the property tax is a wise revenue generating policy since it disperses the tax base; however, the worsening economic situation may see people spending less and thus less revenue will be generated from the sales tax. The revenues from the property and sales tax will likely decrease; however, Dallas has some flexibility in its revenue generation since it also relies on service and franchise fees for a large portion of it revenues.

CONCLUSION

The concurrent development and adoption of both the annual and capital budget ensures resources are allocated to ensure the six focus areas dominate the planning process. The process Dallas provides has the potential to yield considerable success due to the focus areas and the detailed analysis used to produce the zero-based budget and accompanying capital improvement budget.

APPENDIX A

**GENERAL FUND
Statement of Revenues and Expenditures**

	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2006-07 BUDGET	FY 2006-07 ESTIMATE	FY 2007-08 ADOPTED
BEGINNING FUND BALANCE	28,564,956	40,619,409	56,608,140	56,608,140	34,223,634
REVENUES:					
Ad Valorem Taxes	368,184,145	383,605,704	414,314,143	414,740,367	434,957,547
Sales Tax	198,441,267	217,240,594	225,741,438	226,306,922	237,195,975
Franchise Fees	97,970,647	105,513,962	100,780,500	99,652,487	125,815,664
Licenses and Permits	6,470,543	6,181,091	6,795,608	7,842,852	7,634,172
Interest Earnings	3,008,573	5,599,803	6,047,456	6,250,398	8,440,110
Intergovernmental	4,876,176	4,834,788	4,844,698	16,978,562	4,708,298
Fines and Forfeitures	30,578,539	35,376,355	50,705,101	42,958,098	52,016,190
Service Fees	103,455,958	111,458,095	116,303,364	118,809,952	118,549,576
Interfund Revenue	39,286,249	38,352,532	37,638,211	36,087,446	42,014,109
Miscellaneous	11,975,499	14,142,991	15,274,570	13,930,040	11,771,773
TOTAL REVENUES	864,247,596	922,305,915	978,445,089	985,553,164	1,043,103,414
TOTAL RESOURCES AVAILABLE	892,812,552	962,925,324	1,035,053,229	1,042,161,304	1,077,327,048
EXPENDITURES:					
General Government & Support Services	52,317,193	58,804,500	71,190,760	70,719,918	77,397,255
Public Safety	507,139,022	524,708,280	572,161,978	582,902,847	613,188,000
Street, Sanitation and Code Compliance	106,687,520	111,677,840	128,611,406	129,261,776	134,988,101
Public Works and Transportation	63,970,097	68,782,739	79,095,332	79,962,042	63,395,121
Culture, Library and Recreation	96,457,097	103,779,273	115,399,307	115,467,577	120,564,867
Env. Health, Comm. & Urban Development	20,839,451	20,245,237	24,406,744	24,543,948	27,627,110
Reserves and Transfers	10,832,278	11,104,198	5,079,562	5,079,562	5,942,960
Internal Service Funds Savings/ Surcharge	0	0	0	0	0
TOTAL EXPENDITURES	858,242,658	899,102,067	995,945,089	1,007,937,670	1,043,103,414
Changes in Encumbrances and other Balance Sheet Accounts	6,049,515	(7,215,117)			
ENDING FUND BALANCE	40,619,409	56,608,140	39,108,140	34,223,634	34,223,634

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APPENDIX B

FY2007-08 ADOPTED CAPITAL IMPROVEMENT BUDGET								
Uses of Funds by Key Focus Areas	Budget as of 06-30-07	Spent or Committed 06-30-07	Remaining as of 06-30-07	FY2007-08 Adopted	FY2008-09 Estimated	FY2009-10 Estimated	FY2010-11 Estimated	Total Estimated Cost
Public Safety	139,981,112	85,499,018	54,482,094	19,488,633	17,589,372	19,975,915	18,524,100	215,559,132
Economic Vibrancy	690,895,252	454,533,391	236,361,862	104,912,859	41,439,726	119,948,191	105,435,858	1,062,632,886
Clean, Healthy Environment	2,885,298,902	2,576,719,375	308,579,528	411,226,623	489,577,929	408,176,323	440,551,773	4,604,831,550
Culture, Arts and Recreation	480,467,050	235,469,322	244,997,728	117,330,469	155,950,061	94,500,493	96,737,456	944,985,549
Education	71,903,210	31,136,684	40,766,526	11,512,128	16,778,818	7,004,232	7,649,155	114,847,543
E ² Government	230,199,963	206,303,338	23,896,625	65,012,715	6,864,693	21,675,465	12,927,277	336,684,113
Total	\$4,498,745,450	\$3,589,661,128	\$909,084,362	\$729,483,427	\$698,200,619	\$871,285,619	\$881,825,619	\$7,279,540,774

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