

# Gilbert Think Tank

Shaping the Financial Future

March 9, 2011

# Purpose

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- Understand financial challenges
- Consider the community priorities
- Share thoughts with Town Council
- Be Informed, Inspired, Involved
- Support Gilbert's future

# Tonight's Measure of Success

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Town Council & staff have a clear understanding of the community's long-term interests related to:

- Five strategic initiatives
- Services and service levels
- Approaches to revenue generation

*Your input will be taken into consideration for the development of the FY 2011-12 budget and beyond*

# Roles

## COUNCIL

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- Encourage
- Listen
- Support

## STAFF AND FACILITATOR

- Topic experts
- Keep us on topic and on schedule

## PARTICIPANTS

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- Avoid personal agendas
- Be candid and respectful
- Ask questions for clarity
- Engage in the conversation
- Equally share 'air time'
- Seek shared interests vs. positions
- Support the consensus

# Definitions

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## ● Positions

- Potential solutions to which you become attached or committed

## ● Needs or Interests

- The underlying motivation for what you want
- Your Goals, Desires, Concerns, or Fears

# Examples

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Position: We should increase all service fees

Interest: Those that use Town services should pay 100% of the cost of those services

Position: We should only buy retreads (tires)

Interest: We should spend taxpayer money as efficiently and effectively as possible

# Tonight's Agenda

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- Recap and clarification from March 2<sup>nd</sup> meeting
- Small group discussions on targeted topics:
  - Budget questions
  - Characteristics of a new Town Manager

# Why Do We Budget?

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*In the Public Sector, budgeting is also:*

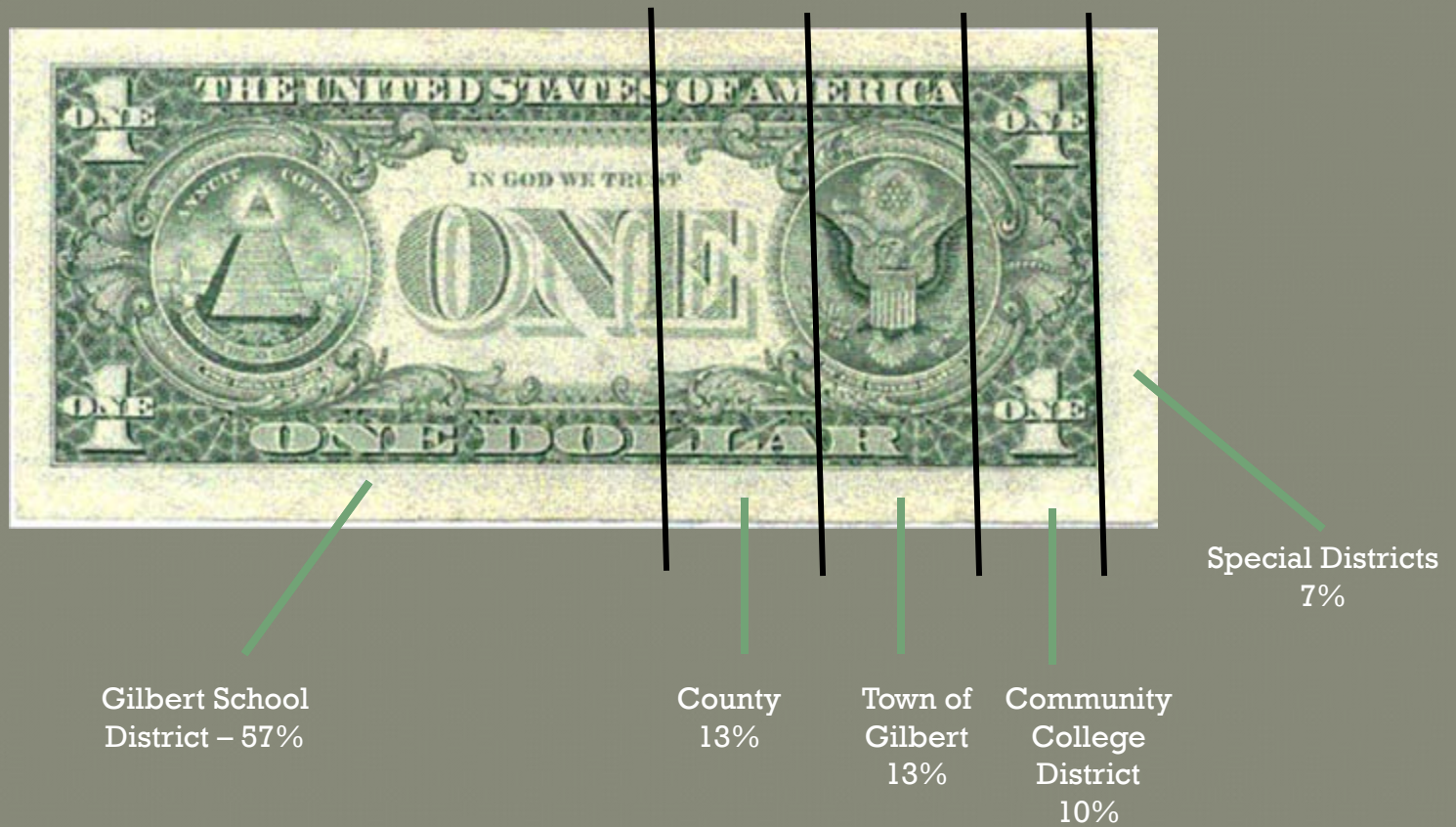
- *Financial Planning Tool*
- *Decision-Making Document*
- *Guide for Operations*
- *Improves Communication & Coordination*
- *Public Sector - Legal Device*
- *Public Sector - Measure of Accountability*

# Property Tax Requirements

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- *Primary – Limited collection*
  - *May be used for any general government purpose*
  - *Primary has 2% increase over maximum levy*
  - *Gilbert has not opted for a primary property tax*
- *Secondary – Limited used*
  - *Directly tied to debt service*
- *Both Require Voter Approval*

# Where does my property tax dollar go?



## Public Sector Budgeting Critical Budget Components

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- *Operating: Day-to-Day Activities*
- *Capital: Large, One-Time Projects*
- *Debt Service: Payments to Retire Debt*
- *Contingency: Appropriation of Reserves*

# Who Should Pay For What Services?

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- **General Taxes and Other Revenues**
  - General public benefit
  - Police, fire, library, parks
- **User Fees**
  - Specific beneficiary
  - Help to offset cost of providing service
  - Recreation classes, building permits
- **Enterprise Funds**
  - Full Cost Recovery
  - Water, Wastewater, Solid Waste

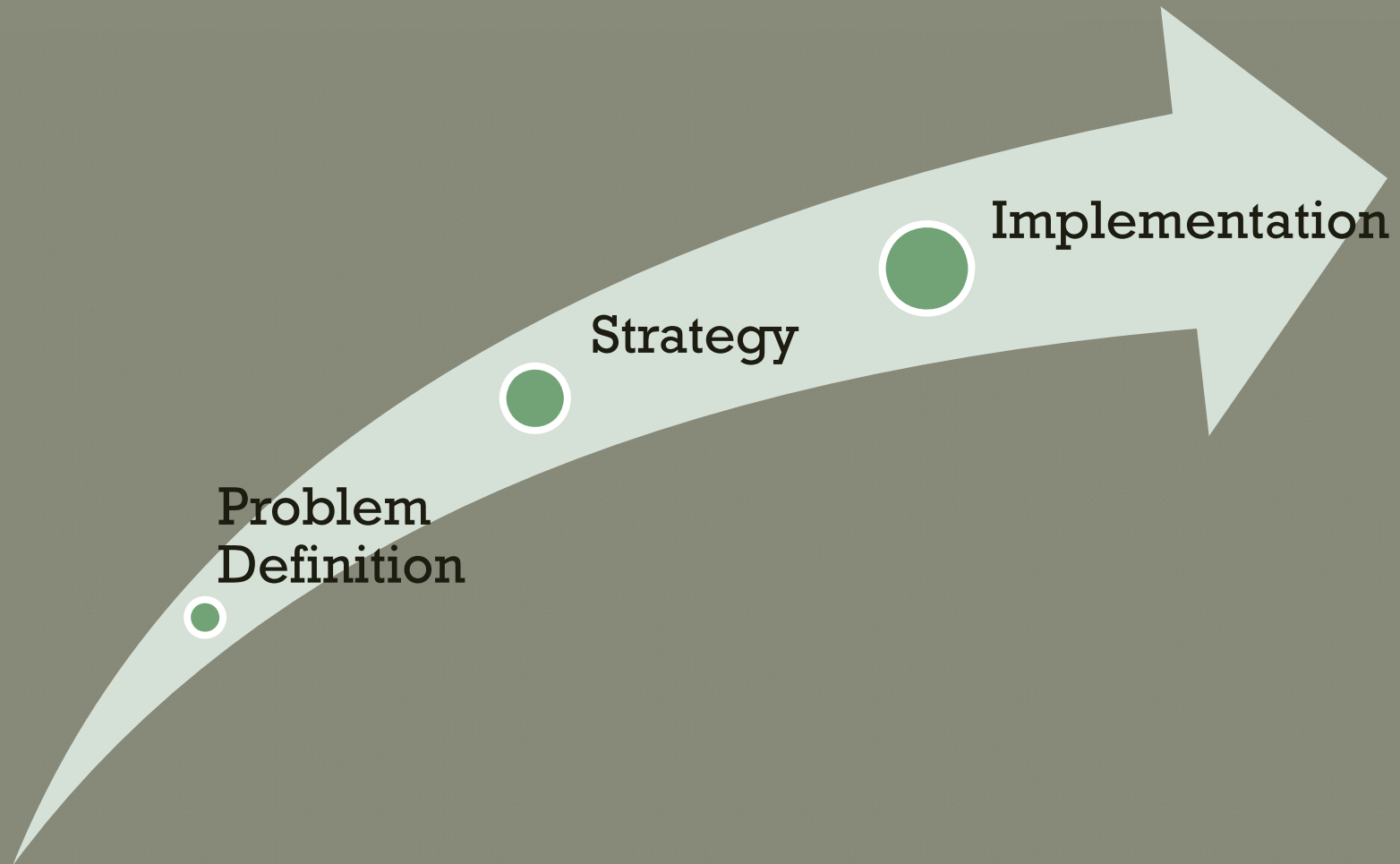
## Roles within the Organization - Public Budgeting Process

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- Department Staff - *Develop Program Objectives, Identify Service Levels, Prepare Budget Requests*
- Executive Management - *Prepare a Recommended, Balanced Budget, Incorporate Elected Priorities, Assess Service Levels*
- Elected Officials - *Set Policy Guidelines, Establish Priorities, Communicate Position to Constituents, Resolve Conflicts*

# Steps to a Successful Future

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# Step 1: Define the Issue

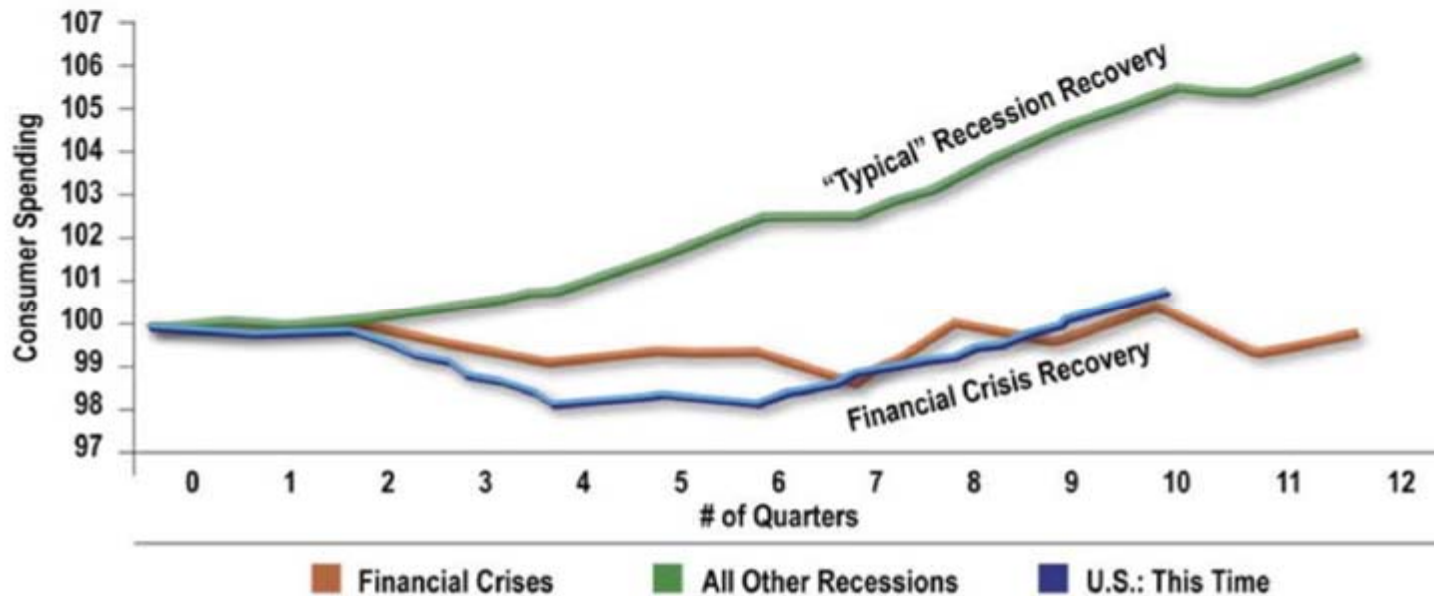
Revenue  
Projections

Expenditures

Shortfall

# What Was Said at Westmarc...

Dennis Hoffman-WP Carey School of Business  
January 26, 2011



Source: Empirical Research Partners Analysis; Illustrates real private consumption three years after business cycle peaks. Period shown is 1960 through May 2010; Median = 100 at Quarter 0 (when output peaked). 122 recessions were analyzed. Additional information is provided on the Disclosures page.



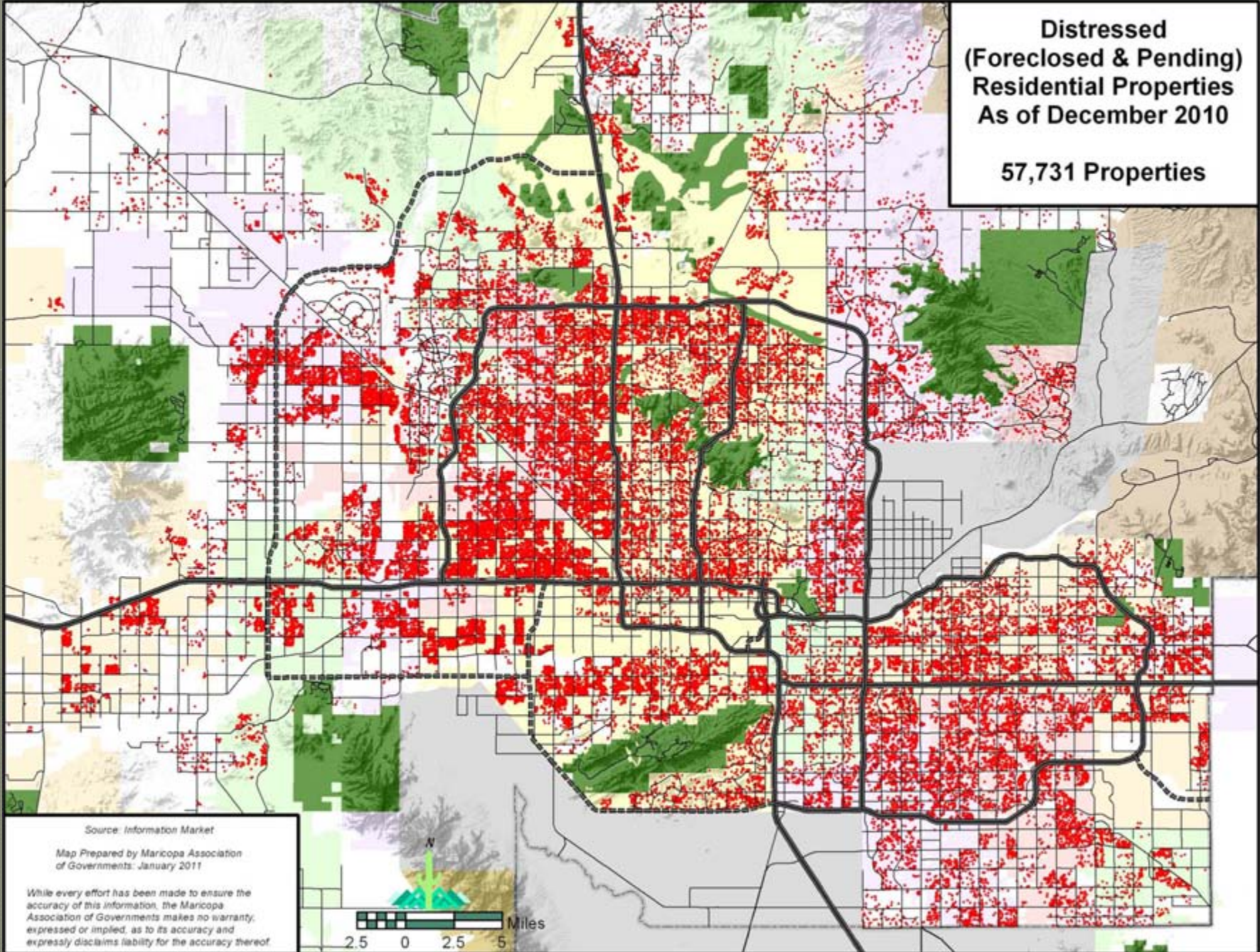
# Annual Job Losses Ending

## Annual Numeric Change In Arizona Employment



**Distressed  
(Foreclosed & Pending)  
Residential Properties  
As of December 2010**

**57,731 Properties**



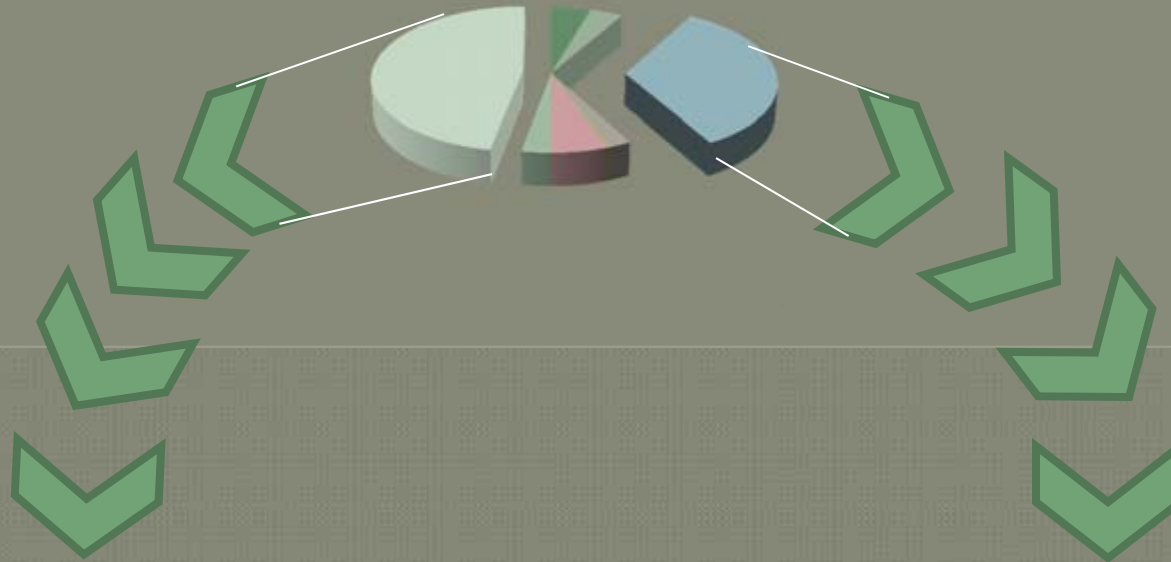
Source: Information Market

Map Prepared by Maricopa Association  
of Governments: January 2011

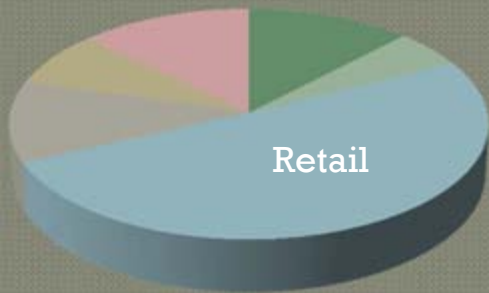
While every effort has been made to ensure the accuracy of this information, the Maricopa Association of Governments makes no warranty, expressed or implied, as to its accuracy and expressly disclaims liability for the accuracy thereof.

2.5 0 2.5 5 Miles

# FY 2011 General Fund Budgeted Revenues



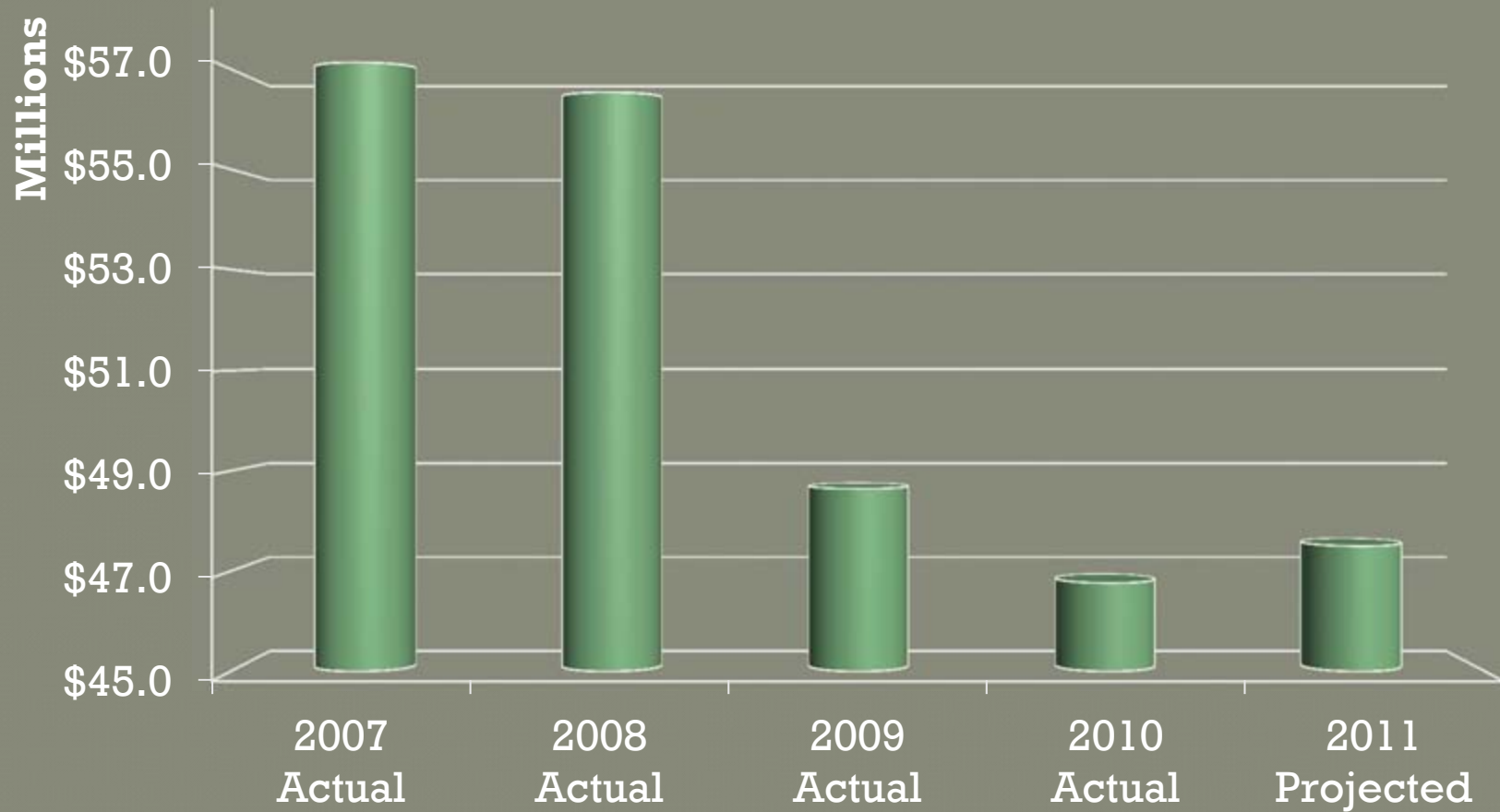
## Local Taxes



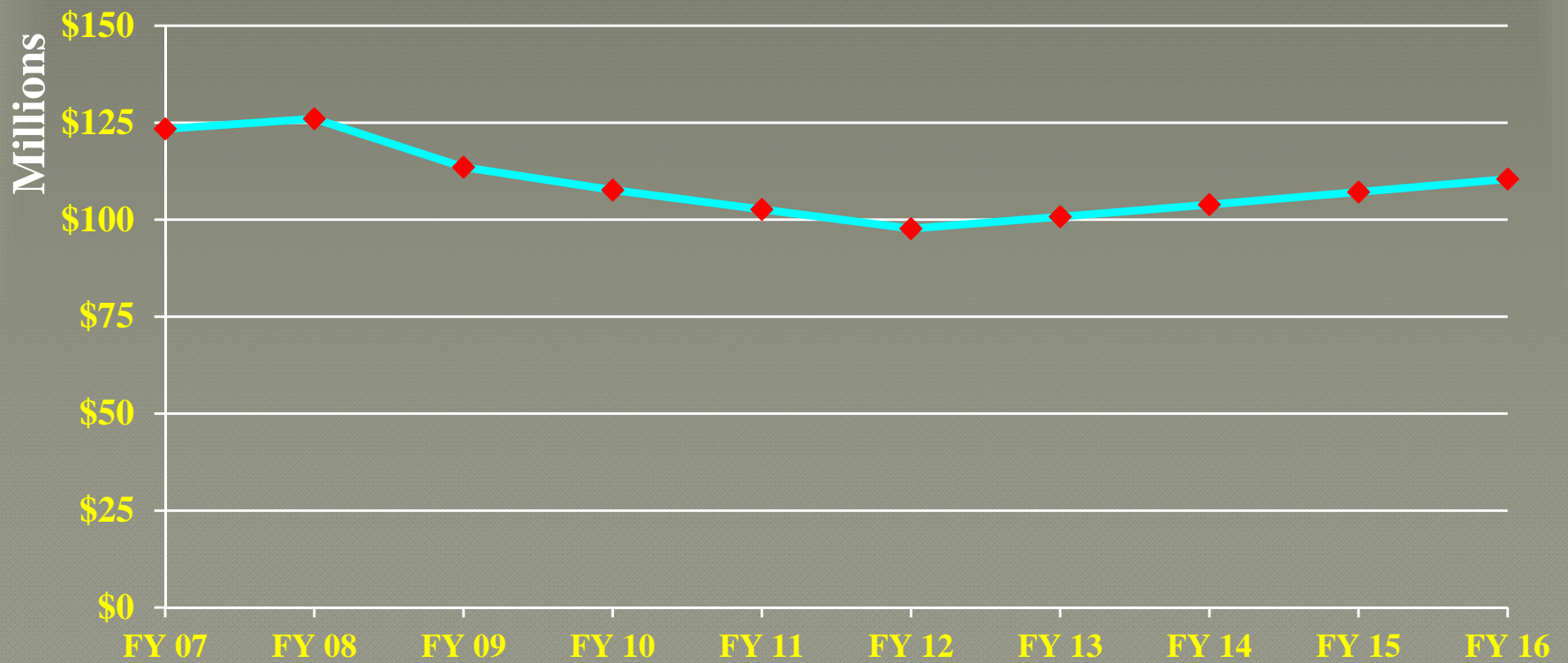
## State-Shared Revenue



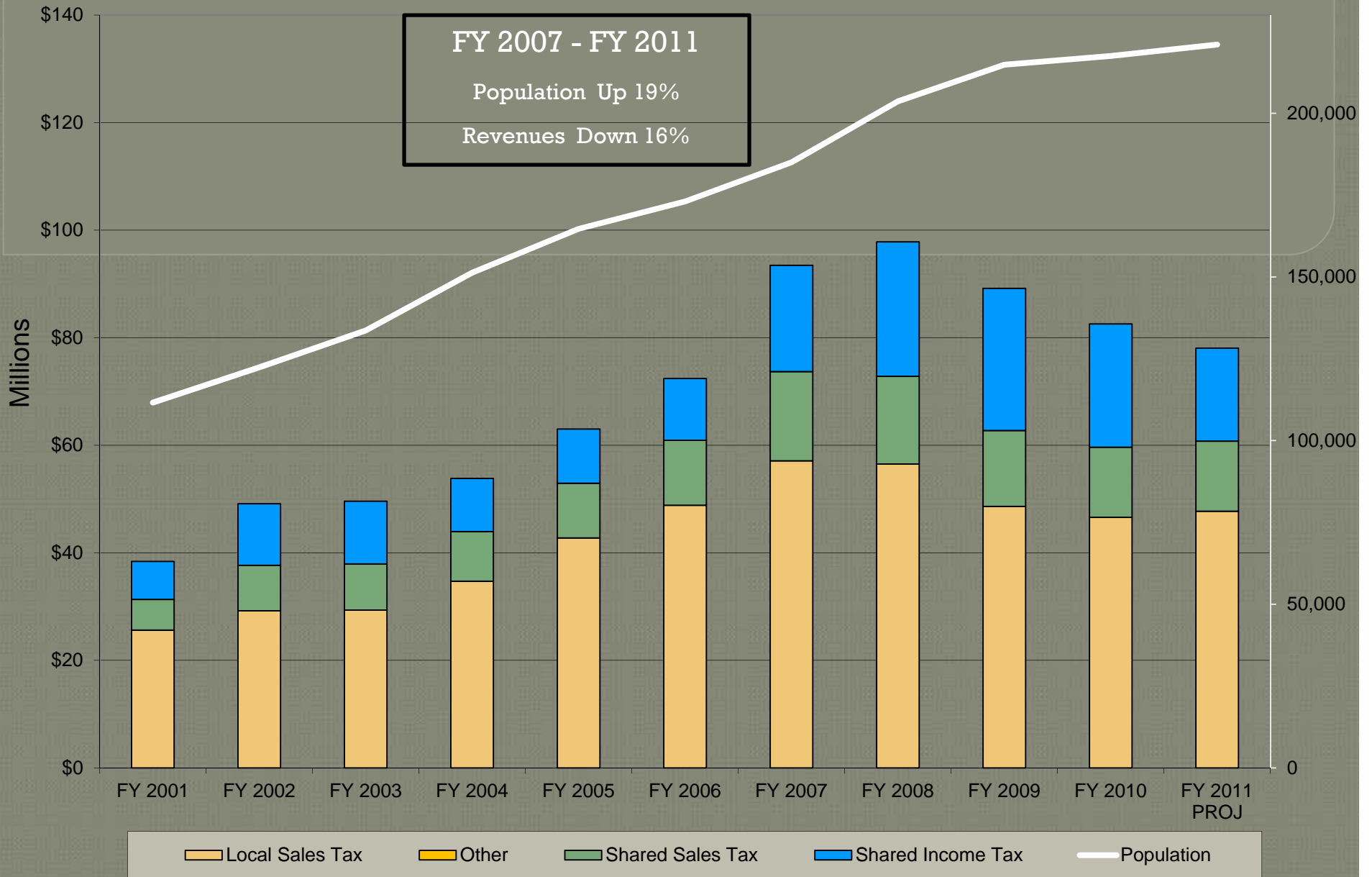
# Sales Tax Revenue



## General Fund Revenue Historical and Projected



# Population and General Fund Revenue Growth



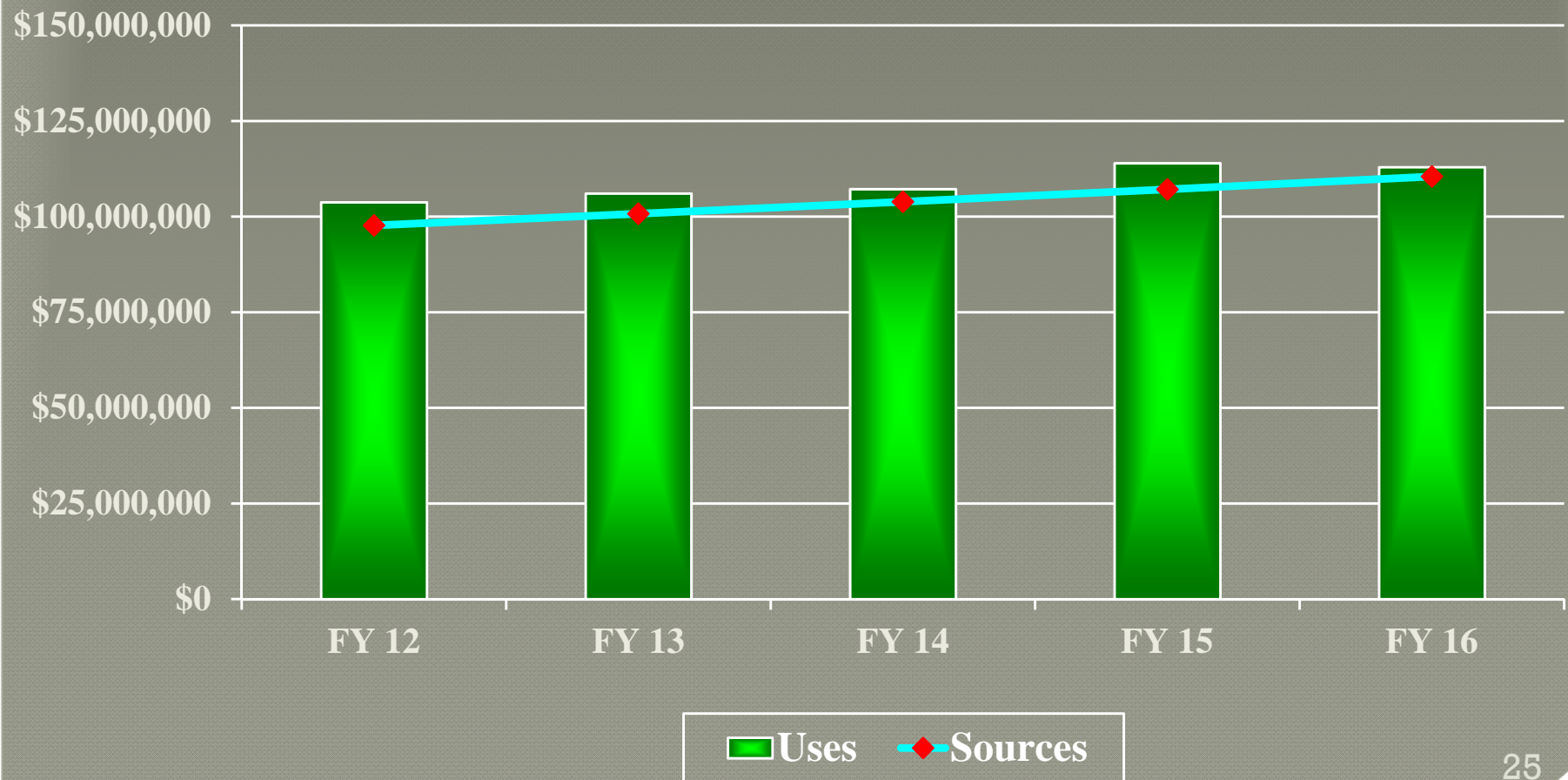
# Next Year's GF Budget – FY 2012

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<b>Revenues</b>	<b>\$ 97.7 million</b>
<b>Expenditures</b>	<b>\$103.7 million</b>

**-\$6,000,000**

# General Fund FY 2012-2016 Forecast



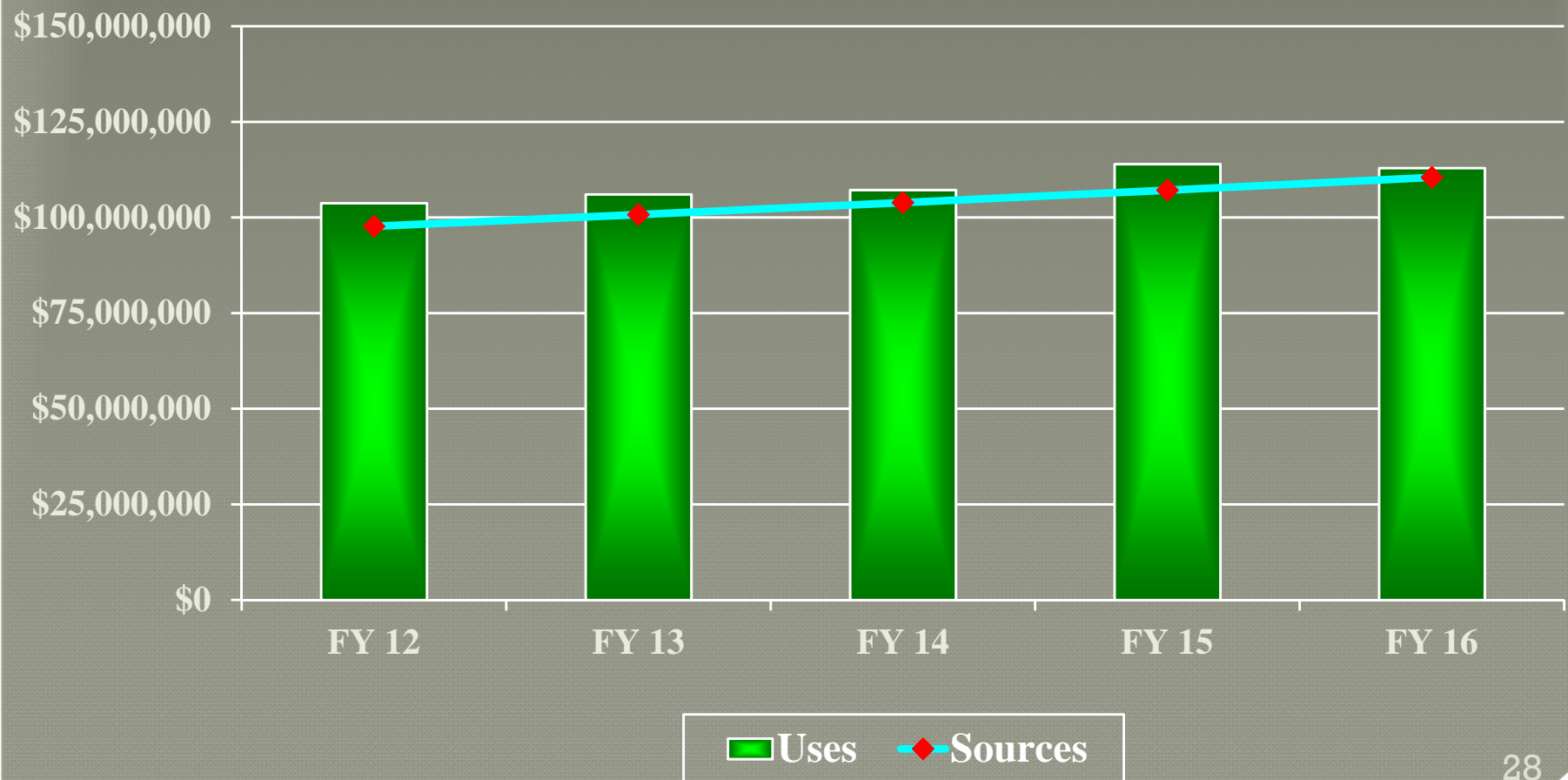
## Major Assumptions - Revenue

- ◉ Urban revenue sharing to drop 10%
- ◉ State-shared sales tax – slow recovery
- ◉ Census update to state-shared revenue distribution to benefit Gilbert
- ◉ Construction sales tax remains low
- ◉ Retail sales tax – slow recovery

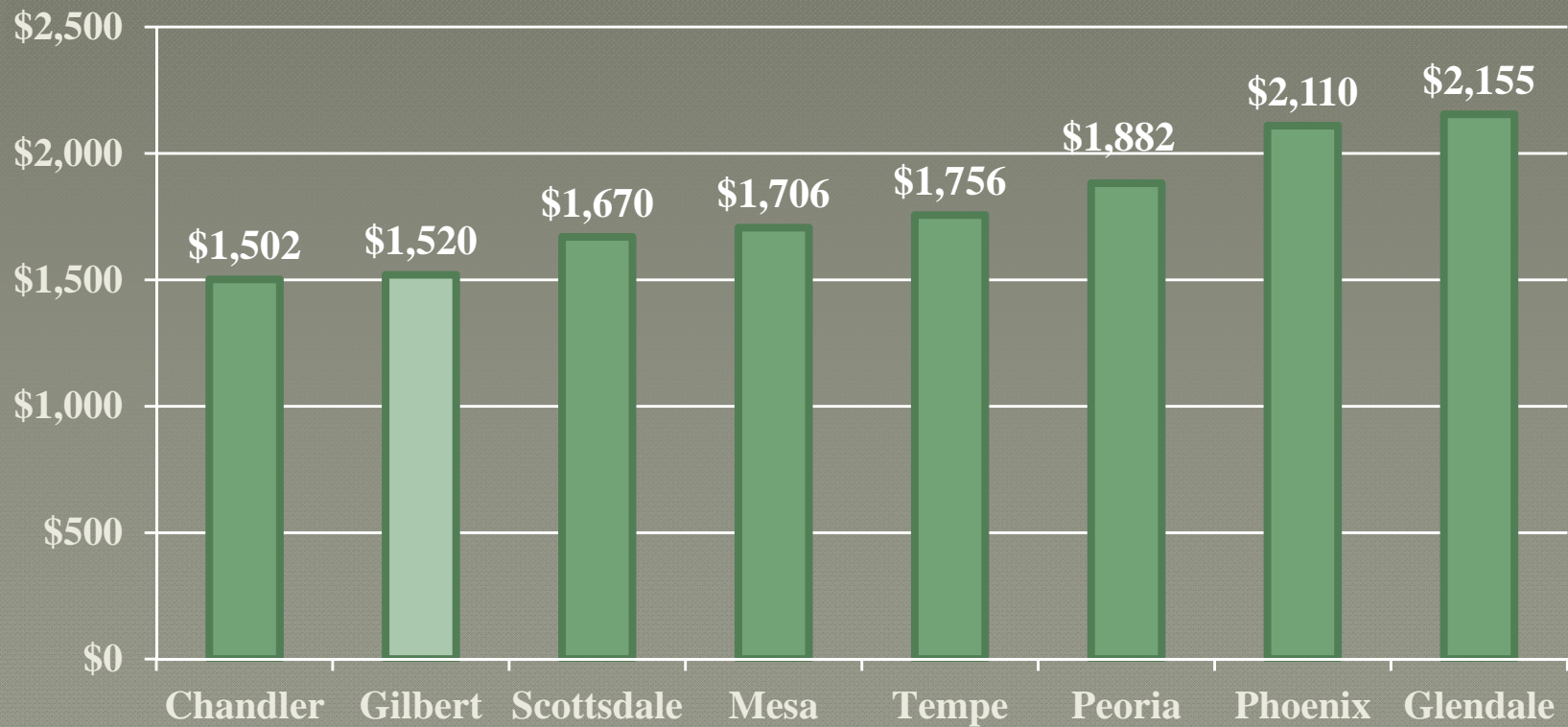
## Major Assumptions - Expenditures

- ◉ Continue to provide current services at current service levels
- ◉ No salary increases for another 5 years
- ◉ Certain unavoidable increases, such as utilities and insurance

# General Fund FY 2012-2016 Forecast

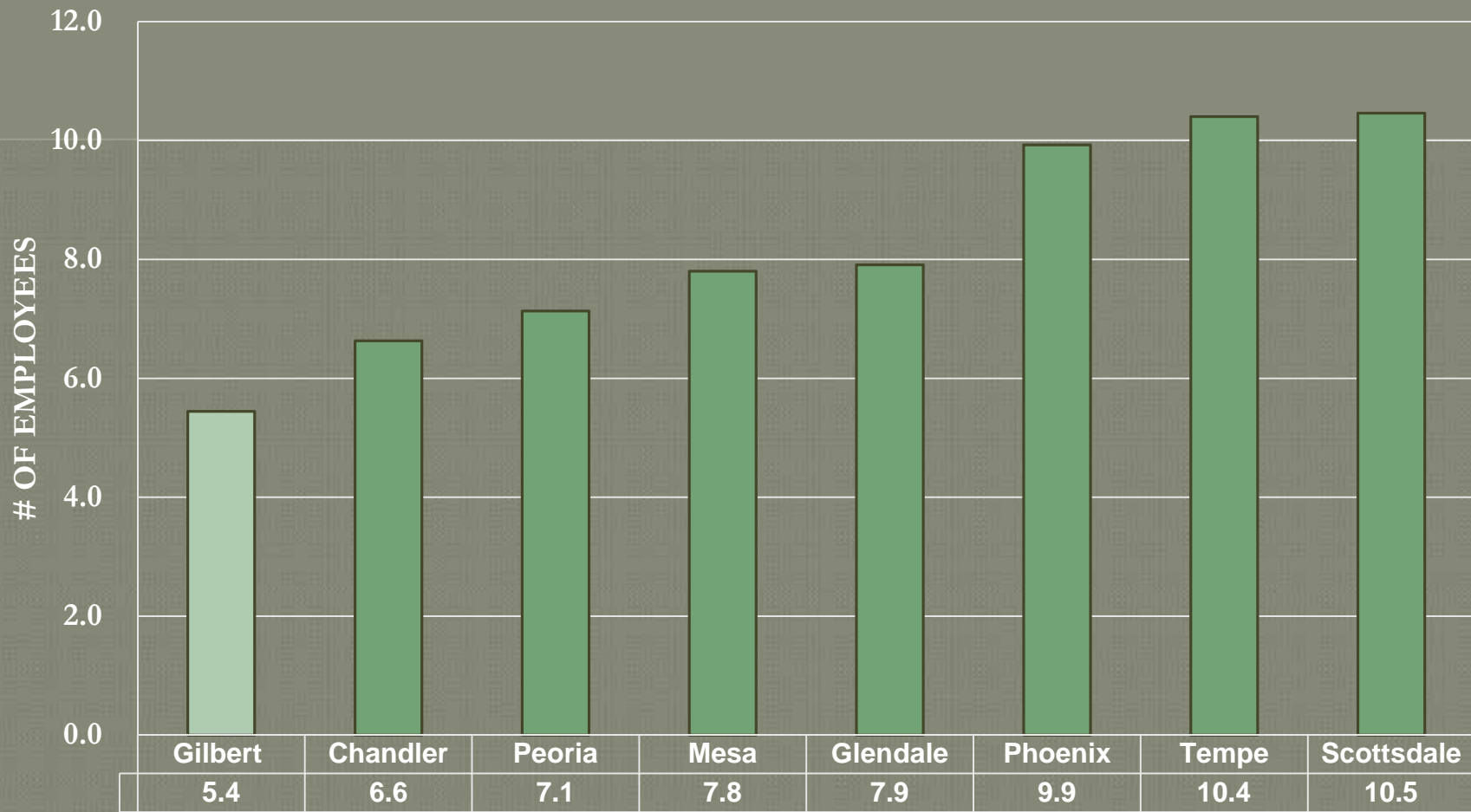


# City of Tempe Cost of Service Study

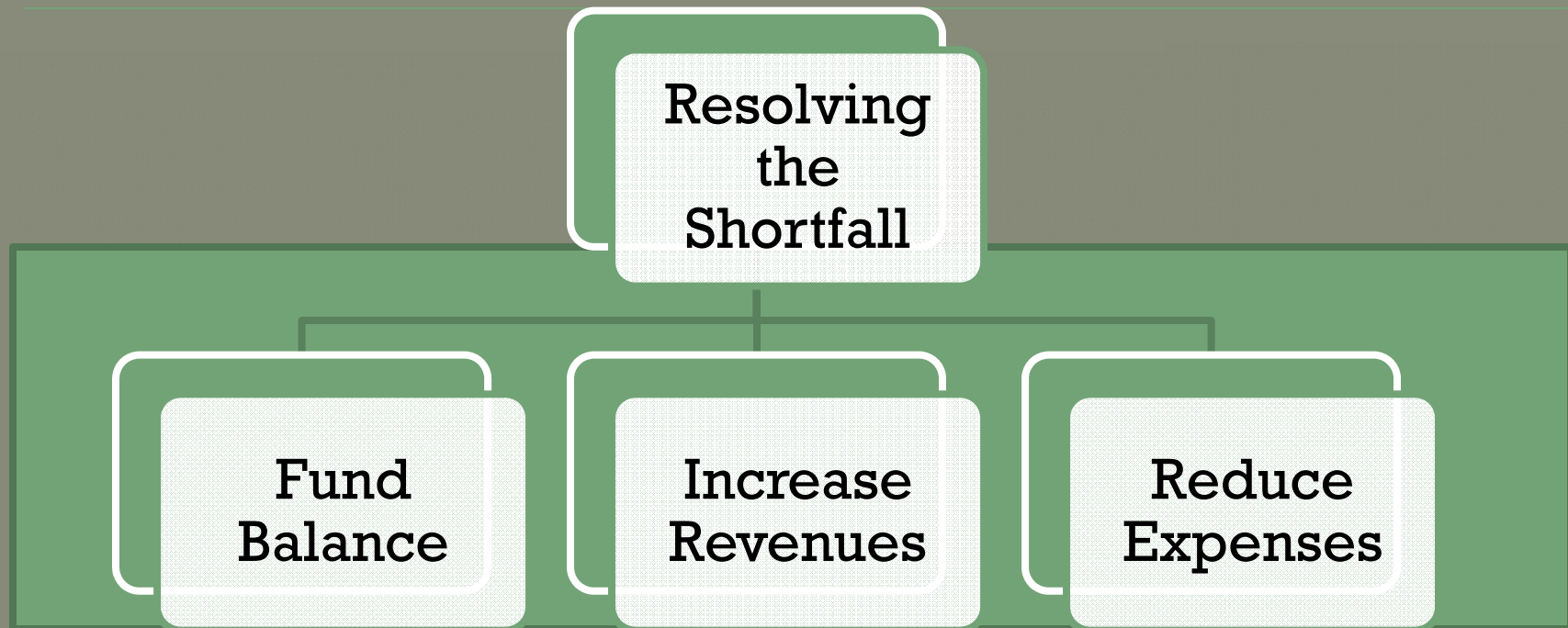


\* Includes Sales Tax, Property Tax, Water, Wastewater, and Solid Waste Fees

# Employees per 1,000 FY 2010-11



# Step 2: Strategy



Get Stakeholder Input - Citizen Think Tank – March 2 & 9, 2011

Discuss the Options - Strategies Discussion - March 10, 2011

Develop the Plan - Budget Approach – April 7, 2011

# Step 3: Implementation

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- Short-term
- Long-term

# FY 2011-12 Budget Process

**Budget Picture**

Discuss "The Number"

February 10, 2011

**Council Quarterly Planning Meeting**

February 15, 2011

**Citizen Think Tank**

Forum for citizen input

March 2 & 9, 2011

**Budget Strategies**

Discuss all identified options

March 10, 2011

**Budget Approach**

Discuss preferred strategy

April 7, 2011

**Meet and Confer**

Consider final MOUs

May 5, 2011

**Preliminary Budget Adoption**

May 19, 2011

**Final Budget Adoption**

June 9, 2011

# Implementation – Short-term

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Tentative Budget  
Adoption

• **May 19, 2011**

Final Budget  
Adoption

• **June 9, 2011**

Fiscal Year  
Begins

• **July 1, 2011**

# Step 3: Implementation

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- ◉ Short-term
- ◉ Long-term

# Rolling 5-Year Balanced Financial Plan

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- Fiscal Environment Analysis (SWOT)
- Long-Term Revenue Forecasting
- Long-Range Expenditure Forecasting
- Debt Analysis
- Financial Balance Analysis
- Financial Strategies Development
- Transition and Implementation
  - Education
  - Policies

*Questions?*

# Gilbert Think Tank

## Shaping the Financial Future

March 9, 2011

# Today's Discussion

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- Review inquiries posed last week
- Respond to three important questions
- Collaborate to achieve consensus
- Share your viewpoints with the Town Council

# Your Role: Week 1

- Understand financial challenges
- Consider the community priorities
- Share thoughts with Town Council
- Be Informed, Inspired, Involved
- Support Gilbert's future

# Your Role: Week 2



- Wear two hats
- Avoid personal agendas
- Be candid and respectful
- Ask questions for clarity
- Engage in the conversation
- Equally share 'air time'
- Seek shared interests vs. positions
- Support the consensus

# Strategic Initiatives

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- Community Livability
- Be a Technology Leader
- Rolling Balanced 5-Year Financial Plan
- Proactively Address Infrastructure Needs
- Economic Development Emphasis on Bio-Med/Life Sciences

# Question: 1

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What policy actions do you suggest the Town Council take in order to move in the direction of the Strategic Initiatives for the future.

## Question: 2

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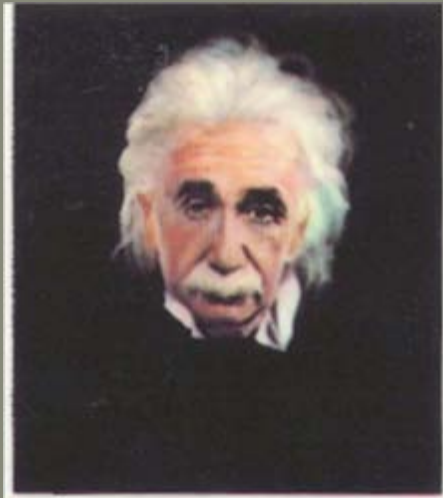
If the Town Council needs to cut expenses in the budget over the next few years on which general areas of government service should they focus/ leave as is.

## Question: 3

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In order to increase revenues, what approaches do you think might work financially and serve the best interest of the Town?

# New Challenges Call for New Ideas



“We will not solve the problems  
of today at the same level  
of consciousness that  
got us into them”

Albert Einstein , 1932

# The Athenian Oath

*“We will never bring disgrace on this our community by an act of dishonesty or cowardice. We will fight for the ideals and sacred things of the community both alone and with the many. We will revere and obey the established laws, and will do our best to incite a like reverence and respect in those among us who are prone to annul them or set them at naught. We will strive increasingly to quicken the public’s sense of civic duty. In all these ways, we will transmit the community, not only not less, but greater and more bountiful than it was transmitted to us.”*

***Thank  
you!***

# Town Manager

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"What characteristics might the CC look for in the new Town Manager to best serve Gilbert in general and to achieve the Strategic Initiatives?"

***Thank  
you!***