

Proposed Budget Policies - FY 2018-2019/2019-2020

GENERAL BUDGET POLICY

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. The mission of the budget process is to help the City Council make informed choices about the provision of those services and capital assets, and to promote stakeholder participation in the process. According to the National Advisory Council on State and Local Budgeting, the budget process:

- Incorporates a long-term perspective;
- Establishes linkages to broad organizational goals;
- Focuses budget decisions on results and outcomes;
- Involves and promotes effective communication with stakeholders; and
- Provides incentives to government management and employees.

In addition to these key characteristics, the City has Financial Policies (located in the Appendix of the annual budget), and general Budget Policies which are the basis on which staff develops budget recommendations and establishes funding priorities within the limited revenues the City has available to provide municipal services. These Budget Policies are as follows:

1) Overall Budget Tenets

- a. The budget shall be a performance, financing and spending plan approved by the City Council. It will contain information and data regarding expected revenues, and expenditures, as well as goals and performance metrics.
- b. The Finance Director shall prepare and present ~~the annual~~ budget preparation calendar to City Council, by the end of January each year. The calendar will include review dates as well as City Council budget study session dates.
- c. Biennially, prior to the first year of the biennial budget~~Annually~~, the City Manager will prepare and refine written policies and goals to guide the preparation of performance, financing and spending plans for the City's two-year budget. Adopted budgets will comply with the adopted budget policies and City Council priorities.
- d. The City's ~~annual~~ budget presentation shall display the City's plan in a Council Constituent-friendly format. The City will use a program budgeting format to convey the purposes and goals of the City operations. The City will also prepare and post on its website the line item detail for those who wish to review that information.
- e. Decision making for capital improvements will be coordinated with the operating budget to make effective use of the City's limited resources for operating and maintaining facilities. Under the biennial budget format, the first year of the spending plan will focus on the operating budget, while the second year will emphasize the five year capital improvement plan.
- f. The City Manager has primary responsibility for formulating budget proposals in line with City Council priority directions, and implementing those proposals once they are approved.
- g. The ~~annual~~ budget will be developed with an understanding of what the City is required to do versus what it has chosen to do.

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- h. Consideration shall be given to alternative service delivery options and opportunities to innovate.
- i. Staff will pursue streamlining of processes and reducing costs wherever possible.
- j. The City shall actively pursue federal, state and other grant opportunities when deemed appropriate.
- k. Total compensation will be considered when negotiating/setting employee salaries and benefits.
- l. Staffing will be set at a level appropriate to the service needs of the community vis-à-vis the City's other financial priorities.

2) Fiscal Integrity

- a. Ongoing operating expenditure budgets will not exceed the amount of ongoing revenue budgets. New program requests will identify either a new ongoing source of revenue or identify offsetting/ongoing expenditures to be eliminated.
- b. ~~Any available carryover balance will only be used to offset one-time or non-recurring costs. Cash balances in excess of the amount required to maintain strategic reserves will be used to fund one-time or non-recurring costs. Any year end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital projects and/or "one-time only" expenditures.~~
- c. The City will maintain the fiscal integrity of its operating and capital improvement budgets which provide services and maintain certain public facilities, streets and utilities. It is the City's intent to maximize the level of public goods and services while minimizing the level of debt.
- d. The City will maintain a structurally balanced operating budget which is defined as projected on-going (core) revenues equal to or in excess of planned expenditures, excluding approved one-time capital purchases.
 - a. Prior year budgetary savings resulting from vacant full-time positions ("vacancy savings") will be analyzed with each budget cycle. Vacancy savings may be included in the operating budget provided that:
 - i. The vacancy factor used to estimate savings is based on a three-year simple moving average of prior year trends.
 - ~~ii.~~ The vacancy factor does not exceed 4.0% of salaries in line with the City's conservative budgeting approach.
- e. Restricted funds and non-General Fund moneys shall be utilized first when appropriate.
- f. One time resources shall not be used for on-going expenses.
- g. Long term debt shall not be utilized to fund on-going operations.
- h. Adequate reserves shall be maintained and enhanced, and reviewed annually by the City Council through the budget process.

3) Revenues

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- a. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies or reliable economic forecasters when available.
- b. Generally, revenue estimates shall not assume growth rates in excess of inflation and scheduled rate increases.
- c. If revenues from “one-time” or limited duration sources are used to balance the City’s annual operating budget, it is to be fully disclosed and explained at the time the budget is presented. It is the City’s goal to not rely on these types of revenues to balance the operating budget.

4) Funding Non-Current Liabilities

- a. Maintenance and Replacement funding will be prioritized each year to ensure that capital facilities and equipment are sufficiently maintained to avoid service disruptions and minimize future costs. A schedule of equipment replacements will be maintained and included in the five year projections.
- b. The City obtains Valuation Reports containing actuarially determined contributions (ADC) for the purpose of funding the long-term costs of benefits provided to employees and annuitants through Pension and Other Post-Employment Benefits (OPEB) plans. The ADC includes the “Normal Cost” for current service and Amortization of any under-funded amount. The City will review all Valuation Reports to validate the completeness and accuracy of the member census data and the reasonableness of the actuarial assumptions.
 - i. Pension and OPEB costs will be budgeted no less than the full amount of the ADC, including the Normal Cost (as a percent of current payroll) and Amortization to collect any under-funded amount.
 - ii. The funding status of the City’s Pension and OPEB plans will be presented during annual budget presentations to assist the City Council in resource allocation decisions. In addition to the ADC, additional funds (e.g. budgetary surpluses or unanticipated one-time revenues) may also be allocated to the City’s Pension Rate Stabilization Trust Fund or OPEB Trust Fund to prefund future obligations.

4)5) Internal Services Charges

The City will utilize Internal Service Funds to allocate costs incurred across multiple departments, including fleet, technology, insurance costs including workers compensation and liability, and building maintenance and operational costs.

- a. Fleet Management Fund
 - i. Through the use of the Fleet Management Fund, the City will annually budget sufficient funds to provide for the orderly maintenance, repair and replacement of the City’s vehicles. This fund is supported by charges to user departments which are adjusted annually based on the department’s proportionate share of estimated fleet management expenses. Sufficient working capital will be

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maintained in the fund to provide for the scheduled replacement of fleet vehicles at the end of their useful lives.

- ii. In order to maintain an optimal working fleet and minimize repair costs, it is the City's intent to follow the established vehicle replacement schedule.

b. Information ~~Systems~~Technology Fund

- i. Through the use of the Information ~~Systems~~Technology Fund, the City will annually budget sufficient funds to provide for the orderly maintenance, repair and replacement of the City's technology infrastructure. This fund is supported by charges to user departments which are adjusted annually based on departments' proportionate share of estimated expenses. Such share may be determined based upon the departments' number of devices supported by the IT Department~~S~~ Division.

c. Insurance Reserve Fund

- i. The City maintains a self-insurance fund for the purpose of property, liability, and workers' compensation expenses. This fund pays insurance premiums, benefit and settlement payments, and administrative and operating expenses.
- ii. The Insurance Reserve Fund is supported by charges to other City funds for the services it provides. These annual charges for service shall reflect historical experience and shall be established to approximately equal the annual expenses of the fund.
- iii. Separate reserves shall be maintained for current and long term general liability and workers' compensation liability at a level which will adequately fund the City's potential loss exposure in each area as determined by historical loss data.
- iv. The Insurance Reserve Fund shall maintain an annual working capital balance of \$2 million.

5) Reporting

- a. A revenue/expenditure report will be produced monthly so that it can be directly compared to the actual results of the fiscal year to date.
- b. ~~Each quarter~~At mid-year, staff will produce a Budget Status Report reflecting financial performance and present the data to City Council.
- c. Annually, with the presentation of the proposed budget (or modifications for year 2), staff will provide revenue and expenditure projections for the next five years for all funds.~~(General Fund Projection Model.)~~ Projections will include estimated operating costs for future capital improvements that are included in the capital budget (See the Capital ~~Facilities~~Improvement Plan). This data will be presented to the City Council in a form to facilitate annual budget decisions, based on a multi-year strategic planning perspective.
- ~~c-d.~~ The City will also monitor progress toward citywide strategic objectives through performance measures. The measures will illustrate trends, targets, and other criteria by which the City's efforts on a given program can be evaluated on a periodic basis. This

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evaluation is intended to inform organizational learning and assist policymakers in decision-making.

6) Civic Engagement

- a. Citizen involvement during the budget process shall be encouraged through community meetings, public hearings, and study sessions.
- b. Social media, the City website, periodic resident surveys and other such tools shall be utilized.
- c. City Council budget study sessions shall be broadcast live to make available real-time information on the budget to those not able to attend in person.

7) Capital Budget – Fiscal Policies

- a. Capital project proposals shall include substantially complete, reliable and attainable cost estimates. Project cost estimates for the Capital Budget should be based upon a preliminary analysis of the project and are expected to be as reliable as the level of detail known about the project.
- b. Proposals shall include a comprehensive project sheet. The project sheet shall include a detailed description of the scope of the project, approximate schedule, and proposed funding plan. The plan should indicate resources necessary to complete any given phase of the project, e.g., design, rights-of-way acquisition, construction, project management, contingency, etc.
- c. All proposals for capital projects will be presented to the City Council within the framework of a Capital Budget (year 2 of the Biennial Budget). Consideration will be given to the commitment of capital funds outside the presentation of the annual capital budget review process for emergency capital projects, time sensitive projects, projects funded through grants or other non-city funding sources and for projects that present and answer the following questions for Council consideration: 1) Impacts to other projects, and 2) Funding sources.
- d. Capital project proposals shall include all reasonably attainable cost estimates for operating and maintenance costs necessary for the life cycle of the asset.
- e. Major changes in project cost must be presented to the City Council for review and approval. These changes are typically reviewed by City Council as part of the biennial~~annual~~ CIP process or through specific recommended actions for individual projects.
- f. Staff shall seek ways of ensuring administrative costs of implementing the Capital Budget are kept at appropriate levels.
- g. The Capital Budget shall contain only those projects that can be reasonably expected to be accomplished during the budget period, unless the project is a multi-year funded project. The detail sheet for each project shall contain a project schedule with milestones indicated.

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- h. Capital projects that are not expensed during the budget period will be re-budgeted or carried over to the next fiscal period except as reported to the City Council for its approval. Multi-year projects with unexpended funds will be carried over to the next fiscal period.
- i. A capital project will not be budgeted unless there is a reasonable expectation that funding is available.
- h.j. Whenever feasible, practical and allowable, salaries and benefits for Public Works Engineers will be charged against enterprise, special revenue or grant funds utilized for the design and construction of capital projects.

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