



Legislation Text

File #: 18-0004, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, Acting City Manager

FROM:

Steve Charelian, Acting Finance Director

Libby Bretthauer, Financial Analyst

SUBJECT:

Budget Policies and Biennial Budget for Fiscal Year 2018-2019 and Fiscal Year 2019-2020 (Acting Finance Director Charelian).

APPROVE AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends the City Council 1) approve the tentative Budget Calendar and Budget Policies and 2) provide direction on the upcoming biennial budget cycle for fiscal year 2018-2019 and fiscal year 2019-2020.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with the recommended action.

BACKGROUND:

In 2016, the City transitioned to a two-year budget cycle. The purpose of the two-year budget is to encourage long range planning and allow for greater emphasis on management, service delivery, program evaluation and monitoring. Other benefits include reallocation of human resources to more value-added activities other than budget preparation and a reduction in staff time spent on budget development in the second budget year.

In the beginning of the two-year budget cycle, the first year of the biennial budget is adopted and the second year is approved as a spending plan but not adopted. Adoption of the second year occurs in June before the new fiscal year begins. Prior to adoption of the second year in 2017, staff performed a review process for critical changes to the approved spending plan and presented options to the City Council for the reduction and/or streamlining of costs. The City Council then formally adopted the second year spending plan as modified through this exception-based review process.

One of the greatest benefits of the two-year budget involves the City's Capital Improvement Plan (CIP). Previously, under an annual budget process, the development and approval of the CIP occurred concurrently with the operating budget. This did not provide adequate time for a thorough review of one of the City's major spending components - capital projects. Now, using the two-year budget model, the first year centers on the operating budget, with the second year more closely

focusing on the five year CIP.

A key component of this process has been the adoption of Budget Policies to help guide development of the budget. These policies, and the Budget Calendar, drive all activity and emphasis during the budget process.

DISCUSSION:

As we commence the process for a new two-year budget (fiscal year 2018-2019 and fiscal year 2019-2020), budget policies will provide the framework under which staff will develop the budget for City Council review and approval. The current Budget Policies (last approved in March 2016) are included as Attachment #2. Topics addressed include:

1. Overall Budget Tenets
2. Fiscal Integrity
3. Revenues
4. Internal Service Charges
5. Reporting
6. Civic Engagement
7. Capital Budgeting

Each section addresses important principles including maintaining a structurally balanced operating budget, streamlining of costs, innovation and adaptability, use of one-time revenues, timing of budget reporting updates, methods of communicating with the community, and development of capital budgets.

While many of these Budget Policies are also appropriately contained in the City's Financial Policies (which are located in the Budget appendix), directly tying them to the budget process emphasizes the importance of these principles, and helps guide staff in the preparation.

Attachment #2 indicates changes from the current version of approved Budget Policies. In addition to minor grammatical changes and clarifications to ease readability, key revisions include:

- Definition of and allowable inclusion of "vacancy savings" in the Operating Budget
- Funding of Non-Current Liabilities
- Performance Measures to monitor progress toward citywide strategic objectives.

Staff recommends adding this language to formalize current practices and further define our conservative budgeting approach in writing.

The Budget Calendar includes internal and external dates necessary to stay on schedule to formally adopt the Budget before the new fiscal year begins on July 1. Important dates for community involvement include:

January 30 - Community Budget Workshop

March 6 - FY 2017-2018 Mid-Year Review

May 1 - Proposed Budget Presentation

May 8, 10, 17, 22, 24 - Tentative Dates for Budget Study Sessions

June 5 - City Council Final Review Prior to Adoption

June 19 - Public Hearing and Budget Adoption.

POLICY ALTERNATIVES:

Not applicable.

PUBLIC OUTREACH/INTEREST:

In accordance with the City's Budget Policies, civic engagement during the budget process will be encouraged through community meetings, public hearings and study sessions as well as through online social media tools and the City website.

An Open City Hall survey is currently available to the public and advertisement of the January 30, 2018 Community Budget Workshop is in progress. The City's Budget webpage (www.citymb.info/Budget) also includes an email address for the public to send questions and comments directly to City officials.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. Budget Calendar
2. Budget Policies FY 2018-2019 (Red-lined)
3. Budget Policies FY 2018-2019 (Clean)