

TO: Mayor and Councilmembers
FROM: Thomas Frutchey, City Manager
SUBJECT: Proposed Budget Process, Schedule, and Key Issues
DATE: May 3, 2016

Needs: For the City Council to provide guidance and direction on the development of the City's budget.

- Facts:
1. The City Council is required to adopt a balanced budget each fiscal year.
 2. Meta-level decisions the Council is able to make each year concerning the budget address the type of budget process to conduct, the schedule, and the key issues on which to focus attention.
 3. Due to the recession and its carryover effects, the Council has had very little flexibility in making its budget decisions for the last half decade. The lack of funds essentially dictated the type of budget process, greatly simplified the schedule, and precluded addressing unmet service needs.
 4. Although the City's fiscal health is still precarious, as the long-term water supply situation for the basin is still unsettled, and the City must retain its ability to address the potential start of a new recession, the Council has the opportunity for the first time in a half decade, to address at least a portion of the community's unmet needs and invest in the community's future.
 5. Staff has completed the groundwork necessary to support the budget process. It is an appropriate time for the Council to provide direction on the process, the schedule, and the key issues on which to focus this year's attention.

Analysis &
Conclusion:

Process. For several reasons, staff is proposing a two-year budget. Among other advantages, this will avoid duplication of effort next year on addressing baseline City activities, allowing the Council to just address refinements, focus on specific topics, or use the time for other issues entirely. The five-year fiscal forecast will be updated, to provide Council with the longer-term context, including an analysis of the impacts of a possible recession during the forecast period. Details will be provided for all programs, even those not being recommended for substantial changes, and will be available significantly in advance of the public meetings, facilitating both substantive public input and Council review and decision making. Emphasis will be distributed among a series of proposed capital expenditures as well as ongoing and new operations. The budget will be constructed using existing services as the baseline, and recommended changes to that baseline where warranted.

The budget is the one regular opportunity the Council has each year to consider all City programs simultaneously, ensuring all programs are furthering Council goals, working in a fully integrated manner, and being responsive to community needs. It also represents the Council's best opportunity to determine the relative level of resources devoted to City programs. In order for the budget to provide the Council

with the best decision-making process, a series of options and their projected costs, will be provided for each program. In this way, the Council's process for exploring and directing changes is facilitated.

Schedule. The proposed schedule is included as Attachment 1. The Council is being asked to hold two extended sessions on the budget, in order to ensure it has adequate time to address all desired issues and provide all necessary direction. To encourage the broadest public input, both sessions will be during normal Council meetings.

Key Issues. A large number of issues are being developed for Council consideration, including, among others: options for investing in the community and addressing unmet needs; the use of reserves; the ability of fees to support discretionary City programs; the City's interaction and partnership with other entities; ensuring City services are as cost-effective as possible; and consideration of a series of new initiatives. These and other issues will be highlighted for the Council at its May 3 meeting, to provide opportunity for public input and Council direction. If desired, this meta-level discussion can also be reprised at the May 17 Council meeting.

Policy
Reference: Council Goals.

Fiscal
Impact: None. Council decisions on the nature of the budget process, the schedule for Council deliberations, and the issues to be addressed impact the nature and scope of staff time invested, but do not, in and of themselves, have any significant impact on City revenues or expenditures.

Options: A. Provide general direction to the City manager on the type of budget process, the budget deliberation schedule, and the key issues it wishes to address; or
B. Amend, modify, or reject the above option.

Attachments:
1. Proposed Budget Schedule

Proposed Budget Calendar FY 2016/17 & FY 2017/18

<u>Due Date</u>	<u>Item</u>
05/03/2016	Council Meeting--Direction on Process, Schedule, and Key Issues
5/5 & 5/6	2-2-1 Meetings with Council
05/17/2016	Council Meeting--Additional Meta-Level Direction, as Desired
05/27/2016	Final Budget to City Manager
05/31/2016	Full Budget Packet Available for Council and Public Review
06/07/2016	Council Meeting--Full Review and Direction
06/13/2016	Responses and Proposed Revisions Available for Council and Public Review
06/21/2016	Council Meeting--Adoption of Final Budget