

Budget Guidelines and Process

City Council Special Meeting
March 9, 2021

Laura Snideman, City Manager
LaShonda White, Deputy City Manager

Proposed Budget Guiding Principles/Guidelines/Policies

- Starting point for consideration
- Sourced from existing City policies and best practice used by local governments
- Goals:
 - Increase transparency in budgeting process
 - Provide general parameters
 - Aspirational to achieve a goal of long-term financial sustainability for the City
 - Helpful decision-making context for Council over time
- *Not* “the” budget

Proposed Guiding Budget Principles

Budgeting Policies

- Guided by long-term financial planning
- Amended based on urgency
- City Manager authority to reallocate appropriations within a fund

Reserve Policies

- Minimum reserves – two months (17%) of annual operating expenditures, exceptions:
 - Wastewater Funds – minimum 50% of annual operating costs plus \$5 million emergency reserve
 - Risk management – sufficient to cover self-insurance indemnity
 - Equipment replacement – based on asset inventory and replacement needs

Ongoing Resources and Operations

- Ongoing costs supported by ongoing revenues
- Avoid dependence on temporary/elastic revenue sources
- Full cost recovery
- Avoid earmarking revenues for specific services/projects (maximize flexibility)

Use of One-Time (Windfall) Resources

- One-time revenues not used for ongoing expenditures
- Unpredictable revenues (e.g., sale of land/assets) treated as one-time revenues
- One-time resources used for one-time expenses (capital improvements, replenish reserves)

Proposed Guiding Budget Principles

Capital Projects

- Five-year CIP plan based on system of prioritization and funding resources available
- All associated costs (operating, maintenance, debt service, future costs) identified and incorporated in forecast for new CIP projects

Fiscal Sustainability Planning

- Fiscal sustainability plan if structural gap is projected
- Reserves stabilized within 10 years
- Service level reductions a last resort

Debt Management

- Debt not issued for ongoing operations
- Capital leases allowed for fleet, equipment, technology
- Long-term borrowing
 - > one generation of users
 - No available reserves
- Debt service term < useful life of assets

Other Matters

- Enterprise funds reflect true cost of service, self-reliant on fees/charges/rates
- Residential, commercial, industrial property development pay fair share of capital improvements

Reflection

FY 21-22 Budget Proposed Process

March

- **3/2 and 3/9:** Budget principles and budget development process
- **3/23:**
 - Management Partners: Presentation on 10-year forecast and fiscal model dashboard
 - FY 20-21 budget update & FY 21-22 budget development update
- **3/25:** Unions/Finance meeting
- **Late-March:** Council workshop

April

- **4/2:** Community budget meeting
- **Mid-late April:**
 - Council workshop
 - Community workshop to discuss City's budget forecast & dashboard
- **4/15:** Unions/Finance meeting
- **4/27:** FY 20-21 budget update & FY 21-22 budget development update

May

- **5/4:** First draft of FY 21-22 annual budget to council
- **5/7:** Community budget meeting
- **5/18:** Department budget presentations
- **Mid-late May:** Fiscal sustainability plan update
- **5/20:** Unions/Finance meeting

June

- **6/1 and 6/15:** Council budget presentations and discussions
- **6/4:** Community meeting
- **6/17:** Unions/Finance meeting
- **6/22:** Council approval of FY 21-22 Budget & CIP Budget

Guiding Questions

1. Do you have feedback on the proposed FY 21-22 budget timeline and process?
 - a. Is there additional outreach that you recommend?
 - b. Are there additional stakeholders?
 - c. Other comments/feedback?

2. What budget items should we consider for inclusion in the FY 21-22 budget?

3. Do you want to engage in a mission, vision, values development process?