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FY15-16 BUDGET WORKSHOP

Staff Contact: Tom Duensing, Director, Finance and Technology

Purpose and Policy Guidance

The purpose of this item is to provide Council with information relative to the FY15-16 budget process. Staff is seeking Council policy guidance and input on the development of the FY15-16 budget.

Background

At the December 16, 2014, City Council Workshop, staff presented the Five-Year Financial Forecasts for the General Fund and other major operating funds of the city. The discussion continued at the first Budget Workshop on February 3, 2015. Staff presented the FY15-16 budget calendar, process overview, state legal requirements, and budget components. During the planning process for the FY15-16 budget, a series of budget workshops have been scheduled to seek policy guidance and input from the council on various budgetary items. During this budget process, staff will advise Council of the potential impacts of budgetary decisions on the long-term financial forecasts.

Analysis

This is the second budget workshop reviewing the progress and seeking Council feedback for the FY15-16 budget development. Staff will present Council with the budget workshop calendar, seek input regarding a fund balance policy, provide an overview of the FY15-16 revenues projections, and continue discussion on other budget items for consideration requiring Council policy guidance and input.

The City's annual budget can be broken down into four major components; revenues, operations, capital, and debt service. This budget workshop discussion will focus on the city's major revenue sources and policy items. Budget discussions will continue through a series of budget workshops scheduled in March to present,

review, and discuss each component of the annual budget. The workshops will conclude with a full and half-day session in April. At Council's direction, additional budget workshops may be scheduled, or currently scheduled workshops may be cancelled depending upon the need.

General Fund

The December 16 forecast identified ongoing revenues are sufficient to cover ongoing operating expenditures throughout the five-year period. The forecast also assumed a steady decline of the General Fund sales tax rate each year and absorbing significant cost increases in health insurance and public safety retirement. These assumptions will be reviewed in greater detail during the process.

Finally, the forecast planned for integration of the former General Fund - Sub-funds into the General Fund. Combining these funds ensures financial transparency, financial stability in the sub-funds, simplification of General Fund financial presentations, and is consistent with best practices.

Other Operating Funds

Overall, the Enterprise Funds are forecasted to remain relatively stable. The financial results of the Enterprise Funds are significantly influenced by the capital outlay spending and financing. It is anticipated enterprise fund rate adjustments will not be necessary in the upcoming FY15-16.

The Special Revenue Funds are forecasted to remain relatively stable. Unlike the enterprise operations, there are forecasted increases in revenue growth as these funds are not user-fee supported.

Capital Improvement Plan

Capital improvement projects are non-routine capital expenditures that generally cost more than \$50,000 and result in the purchase of equipment, acquisition of land, design and construction of new assets, or the renovation, rehabilitation or expansion of existing capital assets. Capital projects usually have an expected useful life of at least five years.

Staff anticipates the first review of the Capital Improvement Plan (CIP) to be March 24, 2015

Previous Related Council Action

On February 3, 2015, the FY15-16 Budget Overview including; calendar, process, legal requirements, major budget components, and future discussion items, was presented to the City Council at the first in a series of budget workshops.

On December 16, 2014, the General Fund and Major Operating Funds Five-Year Financial Forecast was presented at Council Workshop and initiated the FY15-16 budget process.

Community Benefit/Public Involvement

The community benefit of the City's budget process, policy direction, and budgetary decisions demonstrates sound financial decisions are made through a transparent and public process. Ultimate budgetary decisions align with the strategic direction of the City and provide the public with information on service provided and Council priorities.

Budget and Financial Impacts

Budget and financial impacts are based on Council feedback.