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Staff Presenter: Terri Canada, Budget Administrator, Budget and Finance
Staff Presenter: Tom Duensing, Assistant City Manager

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FY17-18 BUDGET WORKSHOP

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Purpose and Policy Guidance

The purpose of this item is to provide Council with information relative to the FY17-18 budget process. Staff is seeking Council policy guidance and input on the development of the FY17-18 budget.

Background

At the December 20, 2016 City Council Workshop, staff presented the Five-Year Financial Forecasts for the General Fund and other major operating funds of the city. The forecasts are the initial step toward the development of the FY17-18 annual budget and serve two purposes: 1) provide a long-term view of current year budget decisions affecting the City and 2) provide an estimate of the fund balance and sensitivity to revenue and expenditures changes over the forecast period. Best forecasting practice calls for realistic, yet conservative revenue estimates coupled with realistic service and staffing levels. During the planning process for the FY17-18 Budget, staff will be seeking policy guidance and input from the council on various budgetary items. During the FY17-18 budget process, staff will advise Council of the potential impacts of budgetary decisions on the long-term financial forecasts.

Analysis

This is the first Budget Workshop seeking Council feedback. Staff will present Council with the Budget Workshop calendar, provide an overview of the budget process, and initiate discussion on Council policy

guidance and input.

The City's Annual Budget can be broken down into four major components; revenues, operations, capital and debt service. Budget discussions will continue through a series of budget workshops scheduled for March and April to present, review, and discuss each component of the annual budget. The workshops will conclude with two full day sessions 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 20th forecast identified ongoing revenues are sufficient to cover ongoing operating expenditures throughout the five-year period. However, it is important to note that the detailed budget requests could impact the operating expenditures and revenue adjustments could also be made throughout the process. Currently, the ongoing General Fund expenditures assume an increase in police and fire public safety retirement cost, continuation of remaining service levels, continuation of contractual obligations, including payment arrangements for the Stadium settlement agreement, moderate revenue growth and controlling operating costs. The forecast also assumed annual salary and benefit cost increases for both represented and non-represented work groups. These assumptions will be reviewed in greater detail during the process.

Other Operating Funds

Overall, the Enterprise Funds are forecasted to remain relatively stable. The financial results of the EnterpriseF

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. For the Transportation and Highway User Revenue Funds, care should also be taken to manage the capital outlay for these funds.

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.

Each year, a CIP is developed which is the roadmap for creating, maintaining, and paying for Glendale's present and future infrastructure needs. The CIP outlines project costs, funding sources, and estimated future operating costs associated with each capital improvement. The plan is designed to ensure that capital improvements will be made when and where they are needed, and that the city will have the funds to pay for and maintain them. Although the CIP is a ten-year plan, the FY17-18 capital projects are the only year that is eventually appropriated. The remaining nine years are for planning purposes and funding is not guaranteed to occur in the year planned. City Council makes the final decision about whether and when to fund all projects.

Critical to developing a CIP is the impact of the respective enterprise and special revenue funds. The City's practice has been to present a plan that is financially balanced over the first five years of the ten-year CIP plan.

Staff anticipates the first review of the Capital Improvement Plan (CIP) to be March 21, 2017.

Previous Related Council Action

On December 20, 2016, the General Fund and Major Operating Funds Five-Year Financial Forecast was presented at Council Workshop and initiated the FY17-18 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 where budgetary decisions align with the strategic direction of the City and provide the public with information on services provided and Council priorities.

Budget and Financial Impacts

Budget and financial impacts are based on Council feedback.