

A photograph of a garden bed in front of a house. The garden bed is filled with numerous small blue flowers and some yellow flowers. The house in the background has a white door and a window. The text "Budget Process Overview" and "City Council Work Session April 17, 2017" is overlaid on the image in a yellow, sans-serif font.

Budget Process Overview

City Council Work Session April 17, 2017

Agenda



- Budget Monitoring and Reporting
- Base Budget Process and Examples of Results
- Supplemental Process
- CIP Process
- Carryover Process

Budgets Monitored Throughout Year



Budget and Research Division Oversight Role

- High level review of department expenditures in conjunction with monthly financial report
- Year-end budget estimate to actual analysis
 - Identify areas of material under or over expenditure for base budget discussion
- Review procurement requests of \$2,500 or more
 - Budget transfers processed to avoid over expenditures

Base Budget Development



Ongoing cost of existing day-to-day operations. One-time items are not base budget.

Process Overview:

- Budget and Research prepares targets, instructions, and spreadsheets
- Departments develop current year estimate and base budget request
 - By fund, line item and organizational unit
- Budget and Research performs a technical review
 - Budget, to-date and prior year actuals, and known changes considered
 - Written questions in advance of meeting on material items
- Meeting with Department, Budget and Research, City Manager's Office
 - Department provides responses
 - Changes are agreed to
 - Identify potential base budget supplementals

Budget Monitor and Review Results



EXAMPLES OF MATERIAL FINDINGS IN LAST TWO YEARS

- Issues from budgeting and transacting differently:
 - Excess spending capacity associated with a capital reserve, \$250,000 removed from base budget in FY16
 - In lieu property tax payment from utilities to General Fund; \$900,000 in General Fund resources addressed in FY18 Draft Budget
- A one-time expense was recorded as ongoing - \$200,000; removed from base budget in FY17
- No funding plan for Risk Reserve – Established target; no General Fund contributions since FY15

Budget Monitor and Review Results



EXAMPLES OF ROUTINE ITEMS ADDRESSED IN BASE BUDGETS

- Absorb utility cost increases
 - Street lighting had no supplemental increases in FYs 16 or 17
 - Water rate increase in mid-FY16 absorbed citywide
- Totaled police vehicle was replaced through asset management savings and reprogramming in FY16
- Parks absorbed the first minimum wage increase in mid-FY17
- Effects such as overtime from turnover is absorbed by departments
- Retirement payouts continue to be absorbed by all departments with no claim on that contingency in FY17
- Engineering has absorbed at least \$35,000 of temporary project management assistance during extended paid FMLA leave in two critical positions

Supplemental Budget Request Process



Addition for cost changes such as inflation or growth in accounts, to add new services and related positions, and/or for one-time items.

Process Overview

- Budget and Research prepares database and instructions
- Departments prepare requests
 - Review with City Manager Office
- Budget and Research technical review
 - Technical review with written questions
- Meeting with Department, Budget and Research, and City Manager Office
 - Budget and Research technical questions sent in advance

Supplemental Process



- Second chance to revisit ability to absorb
- Department priorities for base budget and new needs
- Not all base budget requests are recommended
 - \$5,000 in overtime for Engineering Inspections
 - Fire maintenance agreements
 - Information Technology maintenance agreements partially funded

Salary and Benefits Costs



Budget and Research prepares salary and benefit estimates

- Full-time positions base budget, supplementals, and labor costing
- Part-time/temporary and overtime estimates reviewed and benefits added
- Methods
 - Salaries/Wages
 - Based on actual pays
 - Market is used for vacant positions
 - Benefits
 - Known rates for pension, social security, medicare, etc.
 - Health and dental based on a weighted average of actual use applied to all positions

Human Resources develops compensation and benefit recommendations for City Council consideration

Capital Project Process



Additions or updates to projects generally more than \$50,000 for new facilities and infrastructure or that extend the life of existing assets.

- 10-Year Capital Improvement Plan (CIP)
 - Funded projects
 - Do not award contract above budget
- Focus areas
 - Current year estimate
 - Scrutinize and update upcoming fiscal year
 - Add new 10th year
 - Material changes to middle years
 - Other new projects

Capital Project Process



- Departments and City Council generate ideas
 - New projects and changing priorities
 - Critical repair or maintenance needs
 - Citizen survey results
- Departments prepare requests
 - New database developed in FY17 process
 - Costs by phase, scope, justification, operating budget impacts
- Finance, Engineering and City Manager Office technical review
 - Project scope description
 - Cost estimates reasonable, correct phase, thorough
 - Priority relative to overall goals and direction
 - Timing

Capital Project Process



RECENT IMPROVEMENTS

- Inflation had not been consistently applied
 - Remains as an issue with impact fee funded projects – many are still under funded in 10-year plan – new study will address
- Costing sheet added for each project to identify common project costs
- Enhanced focus on operating costs
 - Ability to establish future operating cost set-aside
 - Section added to budget document received high ratings

Carryover Request Process



Re-budget a one-time item such as a consultant contract or construction project that is not completed in the current year. Most are for CIP projects.

Process Overview

- Operating requests via database; CIP via spreadsheet
- Department request explains and justifies
- Reviewed by Budget and Research Division and City Manager's Office

Questions/Discussion