

AGENDA ITEM #: _____

DATE: February 3, 2020

CAR #: 2020-6858ws



CITY COUNCIL ACTION REPORT

SUBJECT: Economic Update and General Fund Forecast

STAFF PRESENTER(S): Lauri Wingenroth, Finance Manager – Budget and Research

OTHER PRESENTER(S): Jim Rounds, Rounds Consulting Group

Summary: Council will receive a presentation by a local economist and have the opportunity to discuss information about the current and projected economic climate. Staff will also present background on initial estimates for FY2020 and FY2021 and provide a high level five year forecast for the General Fund. This information and Council discussion will provide the basis for bringing forward the annual adoption of Financial Policies which will also guide and inform the recommended budget from the City Manager.

Recommendation:

No Action Required - This is an informational session on the development of the FY2021 Annual Budget and FY2021-FY2025 Capital Improvement Program.

Fiscal Impact: There is no direct fiscal impact of this work session.

Background and Previous Actions

The budget process is an ongoing process which includes monthly preparation of a financial report and preparation of a more detailed quarterly report, both designed to monitor current year expense and revenue trends. Budget adjustments are made throughout the year in accordance with council adopted rules and state law.

Beginning in September the budget process for the next fiscal year begins with capital project review and development, followed by operating budget development. During this period staff have been updating revenue and expenditure estimates for FY2020, while preparing FY2021 base budget and revenue estimates, and developing capital project and supplemental budget requests.

At the Council Retreat on January 10, 2020, the Council discussed budget priorities.

Staff Analysis

The coming years present a positive outlook for the city. The question of recession is being addressed as a return to a more typical recessionary slowdown in growth, rather than the high losses of the last severe and atypical one.

The overall economy of the nation, state and region drive many of the expenses and revenues of the city. The city has limited ability to influence the broad economy, however we must be aware of its influences on our budget and our ability to influence the local economic environment through economic development focus, financial policies, and the choices made about what programs, services, and projects to offer.

This update and forecast provides an early look at the FY2021 budget and the city's ability to fund new projects or initiatives. The economic update and five-year forecast is designed to guide the Council in understanding how prior budgetary decisions and upcoming decisions for the FY2021 budget may impact the future financial picture. Finally, this initial look provides another opportunity for the Council to provide direction in terms of both revenue and expenditure policies. With the discussion from this Work Session, and from the January Retreat, staff will return to Council for adoption of the Financial Policies for FY2021. Those adopted policies along with other information will guide the City Manager in developing a recommended budget to be presented in April.

Next Steps

Financial Policies will be presented to Council for approval with any revisions that may derive from today's discussion. In April, the City Manager will present a recommended FY2021 Annual Budget and a five-year Capital Improvement Plan.

Attachments

None