

CITY MANAGER'S FY 16-17 PROPOSED BUDGET

Presented by:

City Manager Mark Orme

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• June 21, 2016 •

AGENDA

- City Manager – Opening Comments
- Budget Presentations & Process
- Proposed Budget - Section Walk-Thru
- Budget Policies
- Allocations
- FY16-17 Proposed Budget Overview
- Financial Forecasts – Five Years - Selected Funds
- Request Council Adoption

BUDGET/FISCAL PRESENTATIONS

(Copies of All Presentations on Finance Webpage)

- 1) January 19th – Council - Audit Results as of 6/30/15
- 2) February 3rd – All City Staff - Fiscal Update
- 3) February 18th – Community - Budget/Fiscal Update
- 4) March 15th – All City Staff – CalPERS (John Bartel)
- 5) April 19th – Council – Draft Proposed Budget Part I
- 6) May 9th – Council – Draft Proposed Budget Part II
- 7) June 21st – Council – Proposed Budget Adoption

BUDGET PROCESS

- 1) Late January – Preliminary Budget to City Manager, Chiefs and Directors.
- 2) February and March – City Manager meetings with Chiefs and Directors. City Manager approves all budget changes.
- 3) January thru June – Various fiscal presentations for Council, Finance Committee, Community and Staff.

BUDGET PROCESS (Continued)

- 4) April and May – City Manager’s Recommended Draft Proposed Budget presented to Council.
- 5) **June 21, 2016 – Proposed Budget to Council. Includes changes from Draft.**
- 6) August – Final Budget posted to City website.

PROPOSED BUDGET – SECTIONS *(561 Pages!!)*

- 1) Reader's Guide to the Budget
- 2) Draft Resolution
- 3) Budget Message from the City Manager
- 4) Five-Year Forecasts
- 5) Fund Summaries
- 6) Department Operating Summaries
- 7) Appendix A – Funds, Revenue and Expenditures
- 8) Appendix B – Human Resources Information (Staffing, S&B, etc.)
- 9) Appendix C – General City Information
- 10) Capital Improvement Program (CIP)
- 11) Successor Agency to the City Redevelopment Agency

BUDGET POLICIES

BUDGET POLICIES – Appendix C-10

Purpose – Provides necessary authority for the City Manager to administer the Budget.

Major Sections:

- A – Introduction
- B – Definitions
- C – Fiscal Control Policies – Guiding Principles
- D – Financial Planning and Implementation Policies – Specific \$\$ Thresholds, Fund Reserve Restoration Plan, etc.
- E – Budget Administration Policies – Use of Funds, Reserve Requirements, etc.

BUDGET POLICIES – Appendix C-10

Major Sections (Continued):

- F – Community Organization and Economic Development Services
- G – Financial Administration Policies – Claims Settlement Authority, Real Property Acquisitions, Development Impact Fees
- H – Designated Expenditure Authority – Refunds, Rewards, Minor Exp.
- I – Human Resources Policies – Requirements related to Appointments and Assignments, Salary Adjustments, Severance Authority
- J – Continuing and Long-Range Council Policies

BUDGET POLICIES

Guiding Principles - Significant

- C.4.b – “A budget must be sustainable into the future, not balanced with one-time fixes...”
- C.4.e – “Reasonable compensation levels in line with the labor market for similar governmental agencies are desired...; however, compensation levels must stay within a range that the City can sustainably afford...”
- C.4.j – “Reductions should be avoided that could exacerbate liability issues for the City, or have long-term consequences that would be costly to reverse.”
- C.4.k – “The budget must ensure administrative accountability, internal controls and long-term financial stability.”

BUDGET POLICIES – Appendix C-10

PROPOSED CHANGES: (Proposed changes are listed below. The reader will see proposed additions underlined and ~~proposed deletions with a strikeout.~~)

<u>Policy</u>	<u>Page</u>
D.1.c	BP-8
D.5	BP-12
D.8	BP-14 & BP-15 (Approved by Council on 10/6/15)
E.3	BP-16
E.4.a (1)	BP-16
E.4.a.(3)	BP-17
E.4.e	BP-19
E.4.m	BP-17
E.4.p	BP-18 & BP-19
E.4.h	BP-20 & BP-21
E.4.q	BP-22

ALLOCATIONS

BUDGET - ALLOCATIONS

UGGGGGHHHH.....

No one likes them, few understand them, and therefore we tend to not talk about them.....

UNTIL TONIGHT.....

BUDGET - ALLOCATIONS

WE ALLOCATE MANY THINGS:

OUR TIME

OUR EFFORTS

OUR FINANCES

*BUT FOR WHATEVER REASON GOV'T ALLOCATIONS HAVE A NEGATIVE
CONNOTATION*

BUDGET - ALLOCATIONS

No one likes Allocations! From a budgeting, accounting and reporting aspect, Finance's life would be MUCH EASIER if we just charged everything to ONE FUND!! Allocations involves a great deal of analysis and accounting.

BUDGET - ALLOCATIONS

ALLOCATE:1) To set apart for a special purpose; designate
2) To distribute according to a plan; allot

PURPOSE

Why do Governmental Agencies allocate costs from one Fund to another? Answer: One of the major objectives of governmental spending is to expend resources only for the purpose for which it was intended (e.g., Gas Tax revenue can only be used for streets and roads, Sewer Fees can only be used for Sewer related activities, etc.).

BUDGET - ALLOCATIONS

BACKGROUND

The City provides central services (City Manager, City Clerk, City Attorney, Finance, Human Resources, Information Technology, etc.)

And...the City has over 200 separate Funds, each of which benefit from these services.

BUDGET - ALLOCATIONS

BACKGROUND

So How Do We Charge These Funds?

Costs are accumulated in each of these supporting Departments, Divisions, etc. and allocated to Funds based on the “benefits” derived by each Fund (*e.g., the Water Pollution Control Plant requires all of these services and therefore has to pay its “share” of these costs*).

ACCUMULATE COSTS – SALARIES AND BENEFITS,
SERVICES, SUPPLIES, ETC. (From Support Services)

Develop
Methodology to
Analyze, Calculate &
Allocated Costs

Costs Allocated
to Funds/Depts

Costs Allocated
to Funds/Depts

Costs Allocated
to Funds/Depts

BUDGET - ALLOCATIONS

The City has Four Types of Allocations:

- 1) Indirect Cost Allocation Plan *(Dept 995)*
- 2) Internal Service Fund Allocations *(From Funds 900, 901, 902, 929, 930 & 935)*
- 3) Utilities *(Allocations Category)*
- 4) Fund 400 Capital Clearing Fund *(To Capital Projects)*

BUDGET - ALLOCATIONS

- 1) Indirect Cost Allocation Plan (*Department 995*)
 - Accumulates and Distributes administrative related costs including City Manager, City Attorney, City Clerk, Finance and HR.
 - A Cost Allocation Plan is prepared and updated every two years. This 300+ page document also functions as the City's A-87 Plan.
 - In the FY 16-17 Budget, this Plan directs \$1.9M to be charged from the General Fund to other Funds.

BUDGET - ALLOCATIONS

2) Internal Service Fund Allocations *(To Objects 5030, 5260, 5510, 7994, 7996)*

- Accumulates and Distributes costs from the Risk Fund, Workers' Compensation Fund, Central Garage, Municipal Building Maintenance and Information Technology Operations.
- Each type of cost is allocated based on a consistent and practical methodology that allocates costs based on the actual "benefit" derived.
- In the FY 16-17 Budget, these Funds will allocate \$8.6M to all City Funds, most of which is charged to the General Fund (in which most of the larger City functions exist).

BUDGET - ALLOCATIONS

3) Utilities *(To Objects 5455, 5456, 5460)*

- Includes electricity, natural gas and water.
- Payments processed by Finance and charged to the source Department based on account/location (e.g., Fire stations would have their own accounts and the Fire Department's Budget (Dept 400) is charged.
- Budgetary savings are not available to be used by Departments.

BUDGET - ALLOCATIONS

- 4) Fund 400 Capital Clearing Fund (*From Objects 8881 – Direct Charges and 42699 – Indirect Charges or OH*)
- Accumulates and Distributes costs related to capital projects.
 - Multi-funded projects each pay its pro-rata share of costs:
 - Each Fund contributes a predetermined amount and thus “pays its share” of each separate cost (e.g., payments to contractors & direct staff charges).

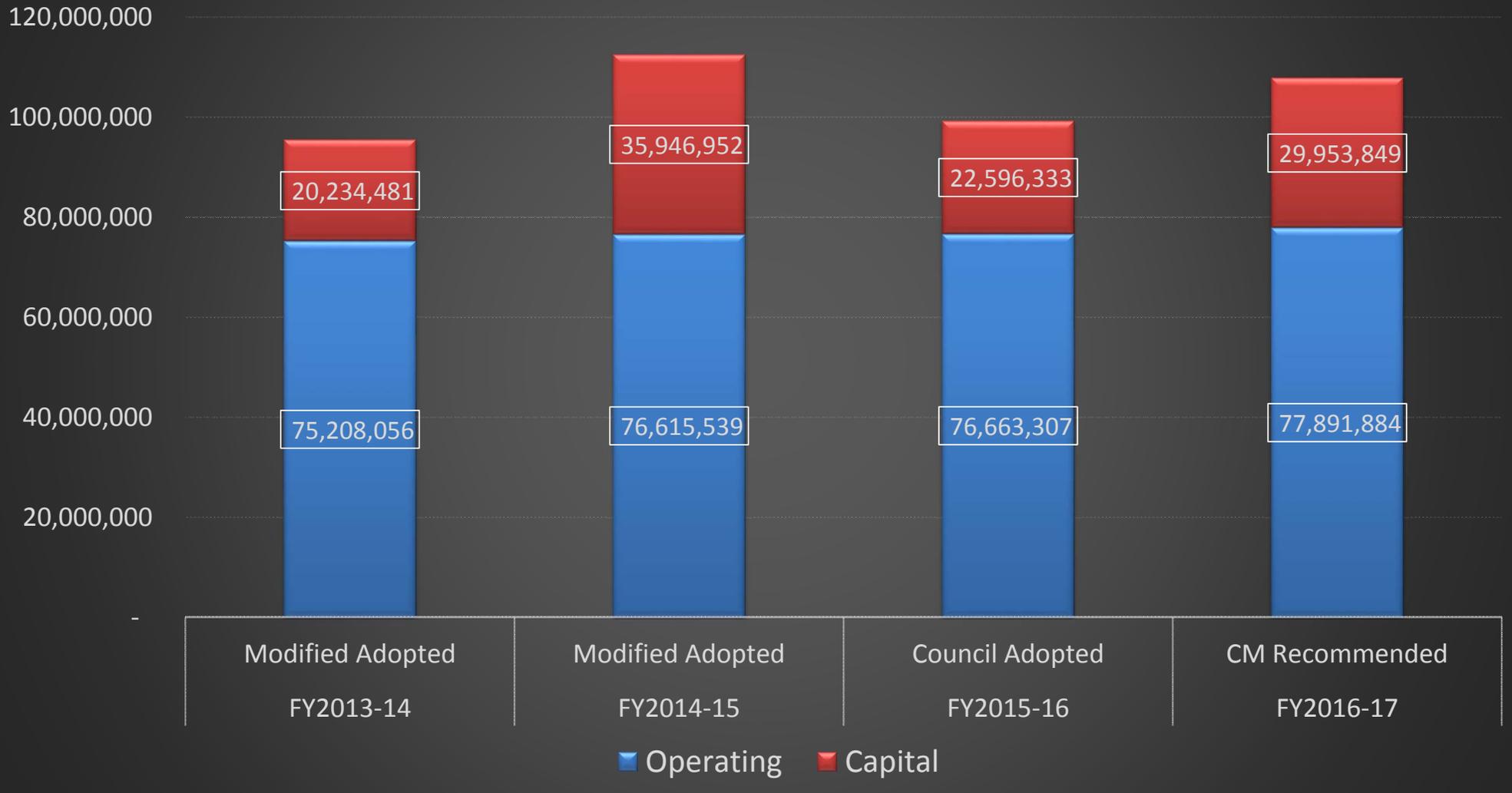
BUDGET

FY 2016-17 Proposed Overview

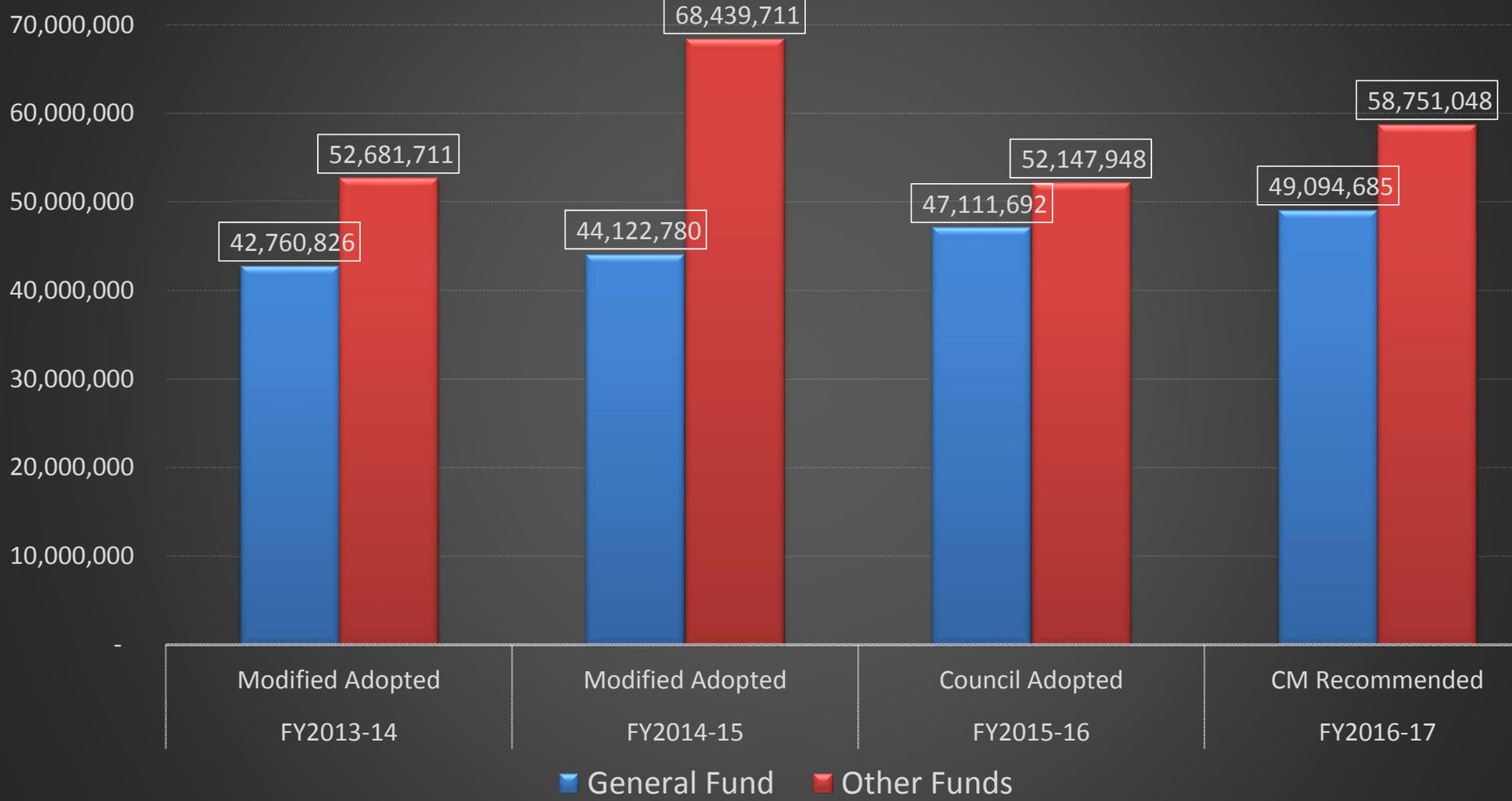
BUDGET – FISCAL OVERVIEW

- Carryover Budget – No Significant Additions
- Revenue is estimated to experience modest growth
- Expenditures continue to trend higher including:
 - CalPERS employer contributions to 39% (Misc & Safety)
 - Workers' Comp costs calculated at 8%
 - Benefit increases estimated at 5%
 - Employee step increases
 - Required Increases (e.g., Election expenses)
- - Non-personnel costs (carryover, no change)

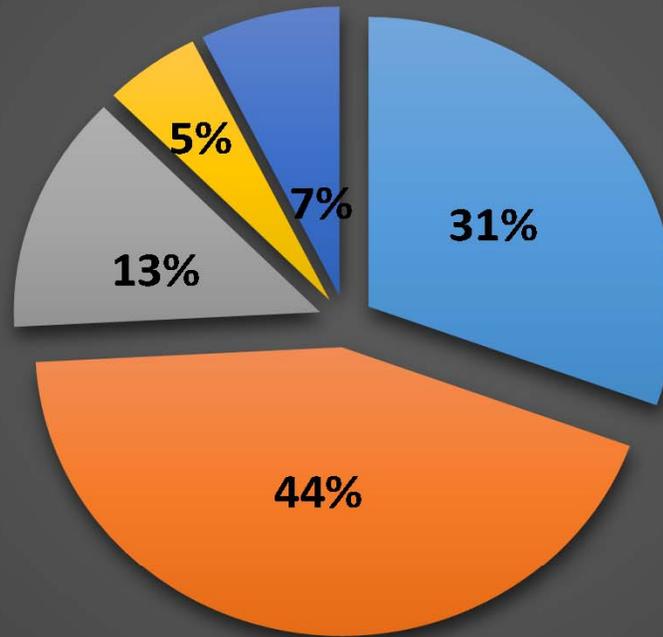
Total Appropriations - Operating and Capital (All City Funds)



Total Appropriations - General Fund vs. Other Funds



GENERAL FUND REVENUE SOURCE % FOR 2016-17



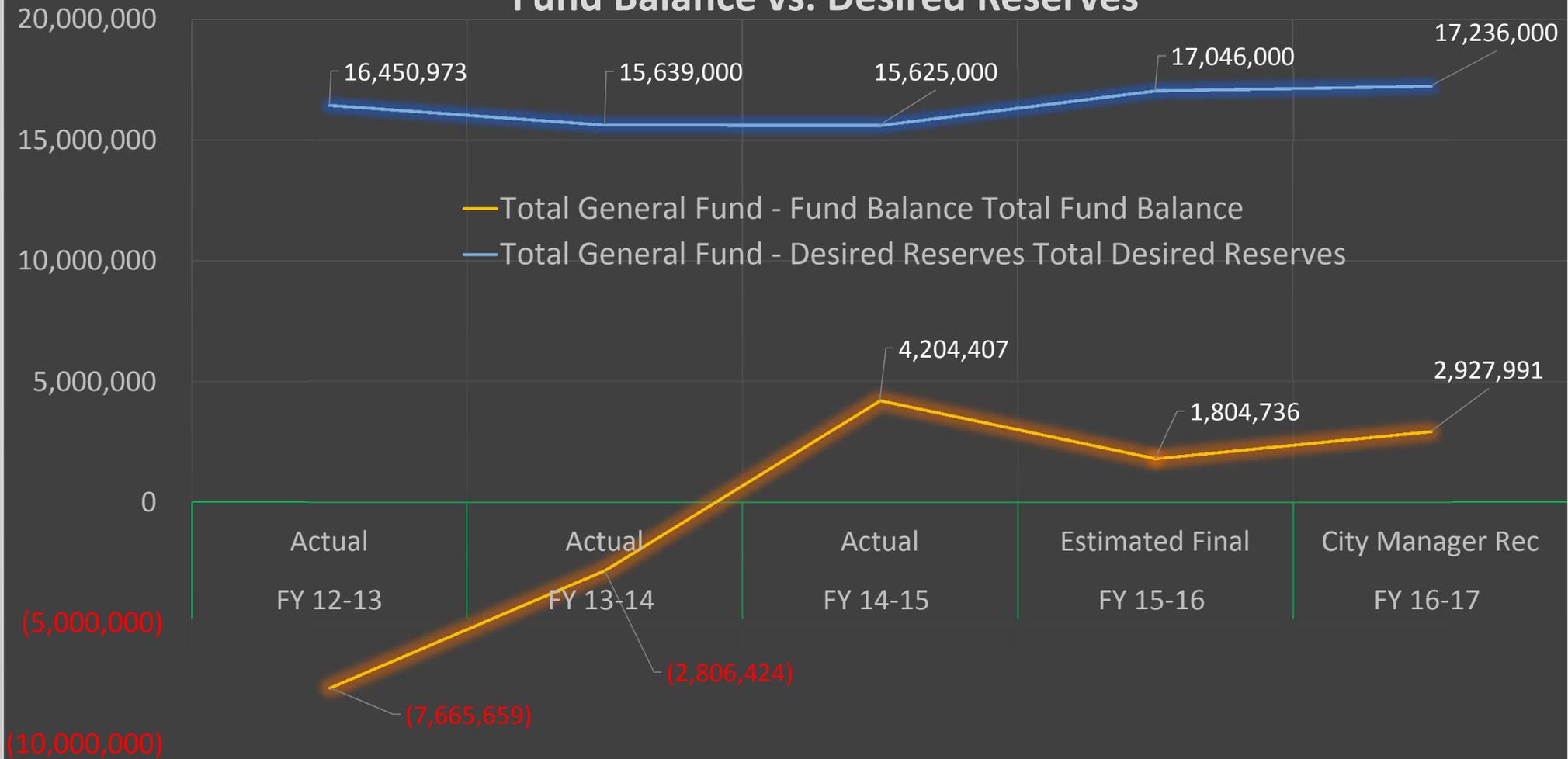
■ Property Taxes

■ Sales and Use Taxes

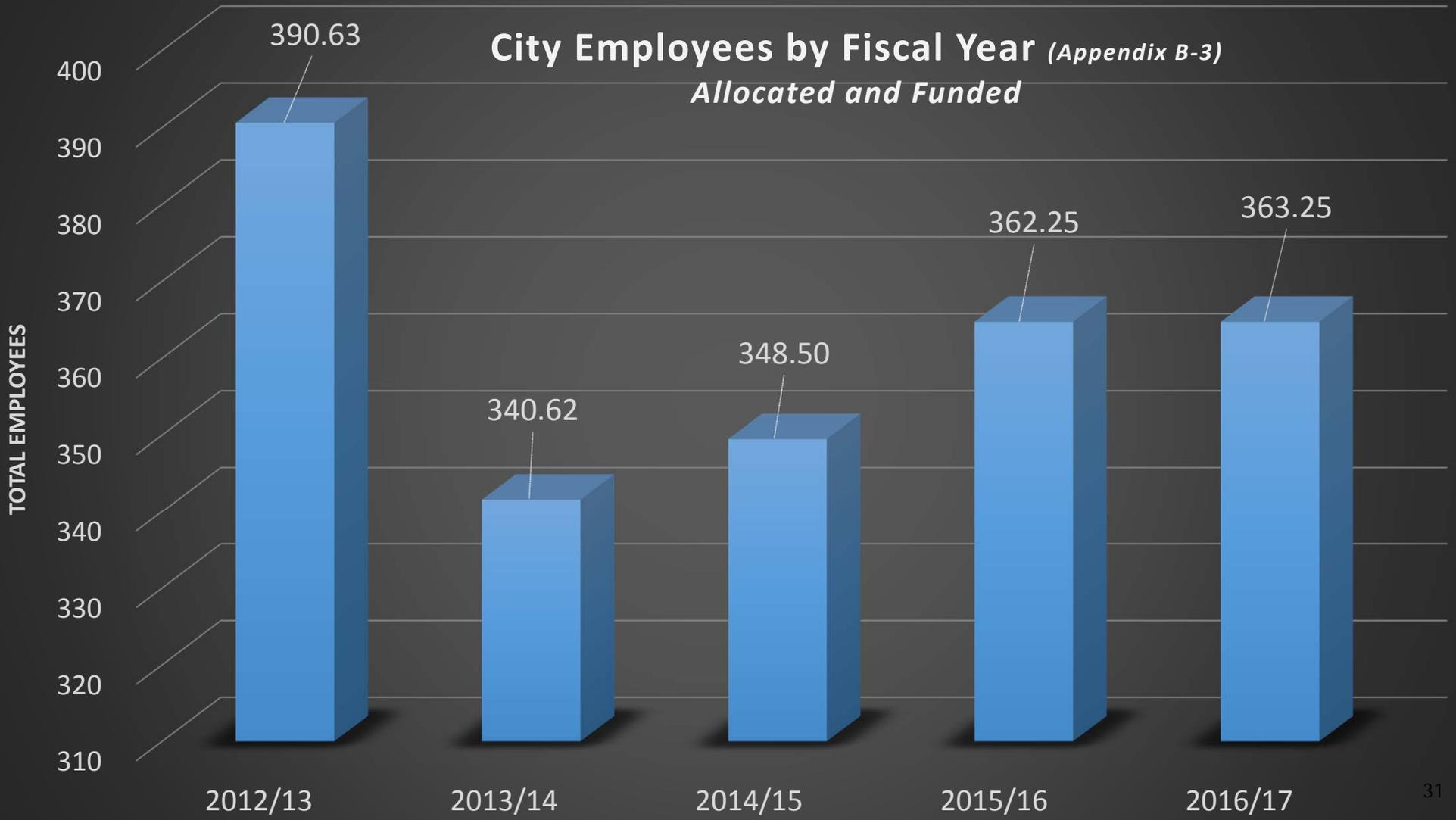
■ Utility Users Tax

■ Transient Occupancy Tax ■ Other

General Fund (Funds 001, 002, 003, 004, 006, 010, 050, 315) Fund Balance vs. Desired Reserves



City Employees by Fiscal Year *(Appendix B-3)* *Allocated and Funded*



Adjustments from Draft to Proposed *(Significant Changes)*

<u>Item</u>	<u>Description</u>	<u>Fund(s)</u>	<u>Amount</u>
1	Interfund Loan from Workers' Comp Fund to General Fund for LED Streelight Replacement - Paid Back Over 5 Years. Approved by Council	001 & 901	1,168,266
2	Increase estimated revenue in Private Development Fund due to Fee increases approved by Council.	862	352,600
3	Increase Private Development Fund expenses (hourlies and professional expenses)	862	95,491
4	Increase net transfers from Private Development Fund	862	52,504
5	Reduce transfer from the General Fund to the Private Development Fund due to 2) and 3) above.	001 & 862	(204,605)
6	Close out Fund 220 as the City does not have any active Bonds (Bonds are RDA). This is a transfer from the Assessment District Admin Fund to the General Fund	001 & 220	133,100
7	Reallocate contractual services to S&B in Park Fund to fund Urban Forest Manager. No net adjustment.	002	-

<u>Item</u>	<u>Description</u>	<u>Fund(s)</u>	<u>Amount</u>
8	Revise Nitrate Area Projects	300	2,983,520
9	Split AIP 37 into AIP 38 - No net adjustment.	856	-
10	Increase capital budget for PEG Equipment and Installation	210	304,000
11	Add funding to increase janitorial costs to keep restroom open 24/7	002	10,000
12	Decrease revenue estimates to WPCP Capacity Fees	321	(1,000,000)
13	Increase revenue estimates in Street Facility Improvement Fund	308	300,000

Adjustments for “Final” Budget (Proposed to Final)

From “Proposed” to “Final”

<u>Type</u>	<u>Fund</u>	<u>Dept</u>	<u>Object</u>	<u>Description</u>	<u>Proposed Budget</u>	<u>Requested</u>	<u>Ref</u>	<u>Revised</u>
					<u>Amount</u>	<u>Change</u>		<u>Amount</u>
Revenue	001	000	40101	Sales Tax	\$ 21,250,000	\$ (300,000)	X	\$ 20,950,000
Revenue	206	000	41248	HOME Program Annual Allotment	\$ 395,906	\$ 2,128	A	\$ 398,034
Revenue	212	000	41239	TDA-SB325 (LTF)	\$ 2,500,000	\$ 262,381	X	\$ 2,762,381
Revenue	212	000	41240	TDA-SB620 (STA)	\$ 480,000	\$ (68,319)	X	\$ 411,681
Revenue	349	000	42446	Jail Impact Fee-Single Family	\$ 20,000	\$ (20,000)	B	\$ -
Revenue	349	000	42447	Jail Impact Fee-Multifamily	\$ 2,000	\$ (2,000)	B	\$ -
Revenue	349	000	42448	Jail Impact Fee-Mobile Home	\$ 2,000	\$ (2,000)	B	\$ -
<u>Type</u>	<u>Fund</u>	<u>Dept</u>	<u>Object</u>	<u>Description</u>	<u>Amount</u>	<u>Change</u>		<u>Amount</u>
Expenses	001	300	6268	BINTF Expense	\$ 12,500	\$ 2,500	D	\$ 15,000
Expenses	217	300	6268	BINTF Expense	\$ 7,500	\$ 2,500	D	\$ 10,000
Expenses	349	510	5345	Jail Impact Fees to County	\$ 24,000	\$ (24,000)	B	\$ -
Expenses	862	510	5400	Professional Services	\$ 45,000	\$ (30,000)	E	\$ 15,000
Expenses	863	510	5400	Professional Services	\$ 15,000	\$ 30,000	E	\$ 45,000

From “Proposed” to “Final”

<u>Type</u>	<u>Fund</u>	<u>Dept</u>	<u>Object</u>	<u>Description</u>	<u>Proposed Budget</u> <u>Amount</u>	<u>Requested</u> <u>Change</u>	<u>Ref</u>	<u>Revised</u> <u>Amount</u>
Capital	201	000	8801/65908	General Administration CDBG	\$ 123,650	\$ (5,000)	C	\$ 118,650
Capital	201	000	8801/65956	Continuum of Care Administration	\$ 8,000	\$ 5,000	C	\$ 13,000
Capital	206	000	8801/65904	Federal HOME Program Administration	\$ 39,590	\$ 213	A	\$ 39,803
Capital	206	000	8801/65989	Habitat 20th Street	\$ 330,000	\$ 1,915	A	\$ 331,915
<u>Type</u>	<u>Fund</u>	<u>Dept</u>	<u>Object</u>	<u>Description</u>	<u>Amount</u>	<u>Change</u>		<u>Amount</u>
Transfer	001	000	9862	Transfer Out - Private Development	\$ (497,355)	\$ 30,000	E	\$ (467,355)
Transfer	862	000	3001	Transfer In - General Fund	\$ 497,355	\$ (30,000)	E	\$ 467,355
Transfer	001	000	9863	Transfer Out - Subdivisions	\$ (86,665)	\$ (30,000)	E	\$ (116,665)
Transfer	863	000	3001	Transfer In - General Fund	\$ 86,665	\$ 30,000	E	\$ 116,665

Legend:

- A - Adjust HOME Fund Revenue and Expenditures.**
- B - Remove revenue and expenditures for County Jail Development Impact Fees.**
- C - Adjust CDBG Budget for Continuum of Care.**
- D - Adjust General Fund and Asset Forfeiture Budgets for Butte Interagency Narcotics Task Force (BINTF).**
- E - Correct reversed amounts in Professional Services in Funds 862 and 863.**
- X - Adjust Revenue only. No increase in appropriations.**

Forecasts/Projections – Selected Funds

BUDGET

Forecasts/Projections – Selected Funds

Forecasting governmental revenue and expenditures is difficult, but necessary.

Once the Budget is adopted, some of the underlying assumptions used to develop the Budget will have already changed.

If we have trouble with one year, how do we forecast five years?

-

BUDGET

Forecasts/Projections – Selected Funds

Government Finance Officers Association – Gov't Finance Review – April 2016

“Budget forecasts are almost always wrong; it is just a question of by how much and in which direction.”

Encourages the use of ranges as opposed to single-number “point” estimates. We are attempting to incorporate that concept with the General Fund.

BUDGET

Forecasts/Projections – Selected Funds

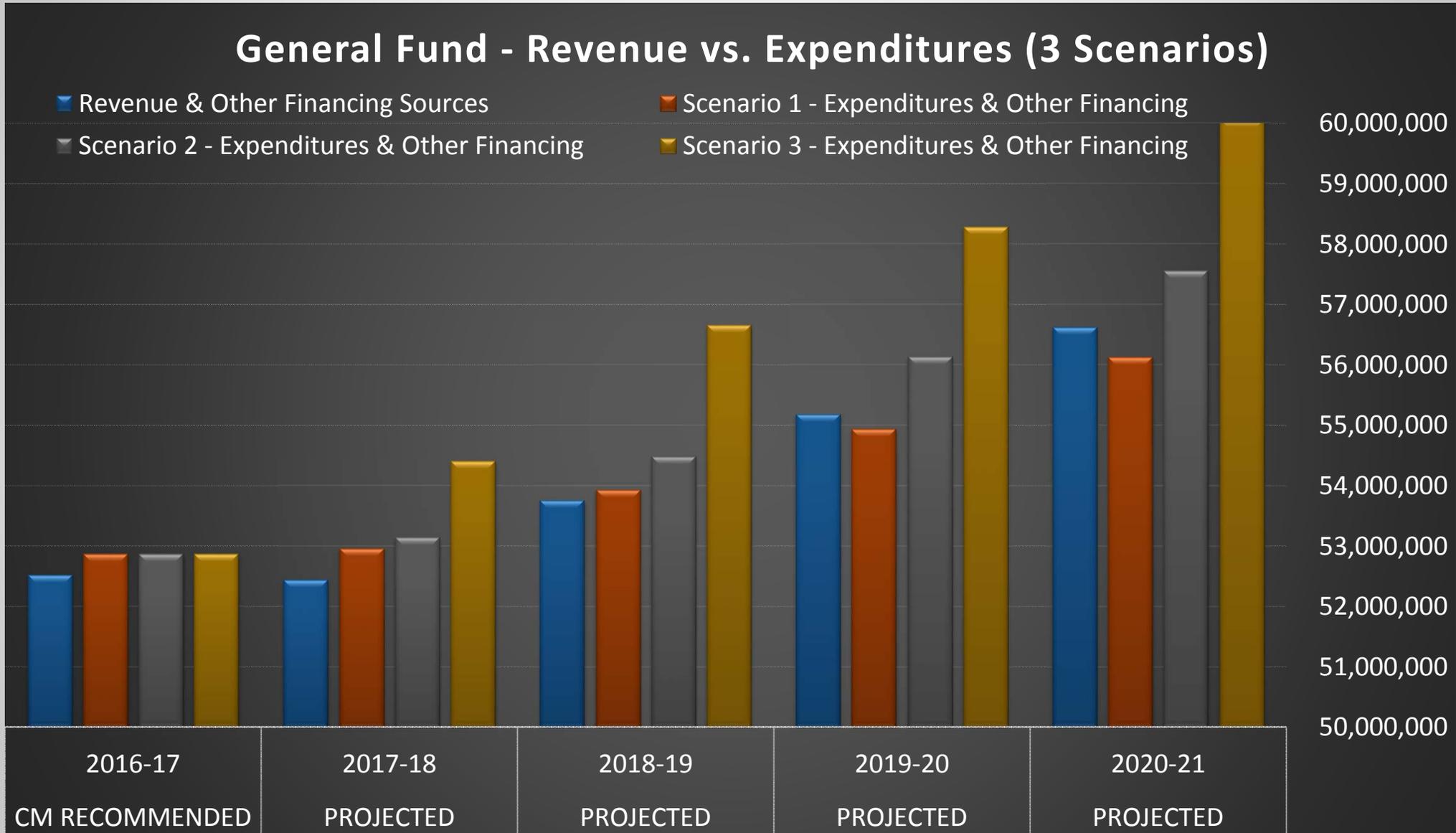
Focus is on the General Fund and other Funds with desired fund balance reserves (and the negative Development Impact Fee Funds).

We are not forecasting certain Funds as we they are in transition, thus long-term assumptions would be almost impossible obtain predictable numbers:

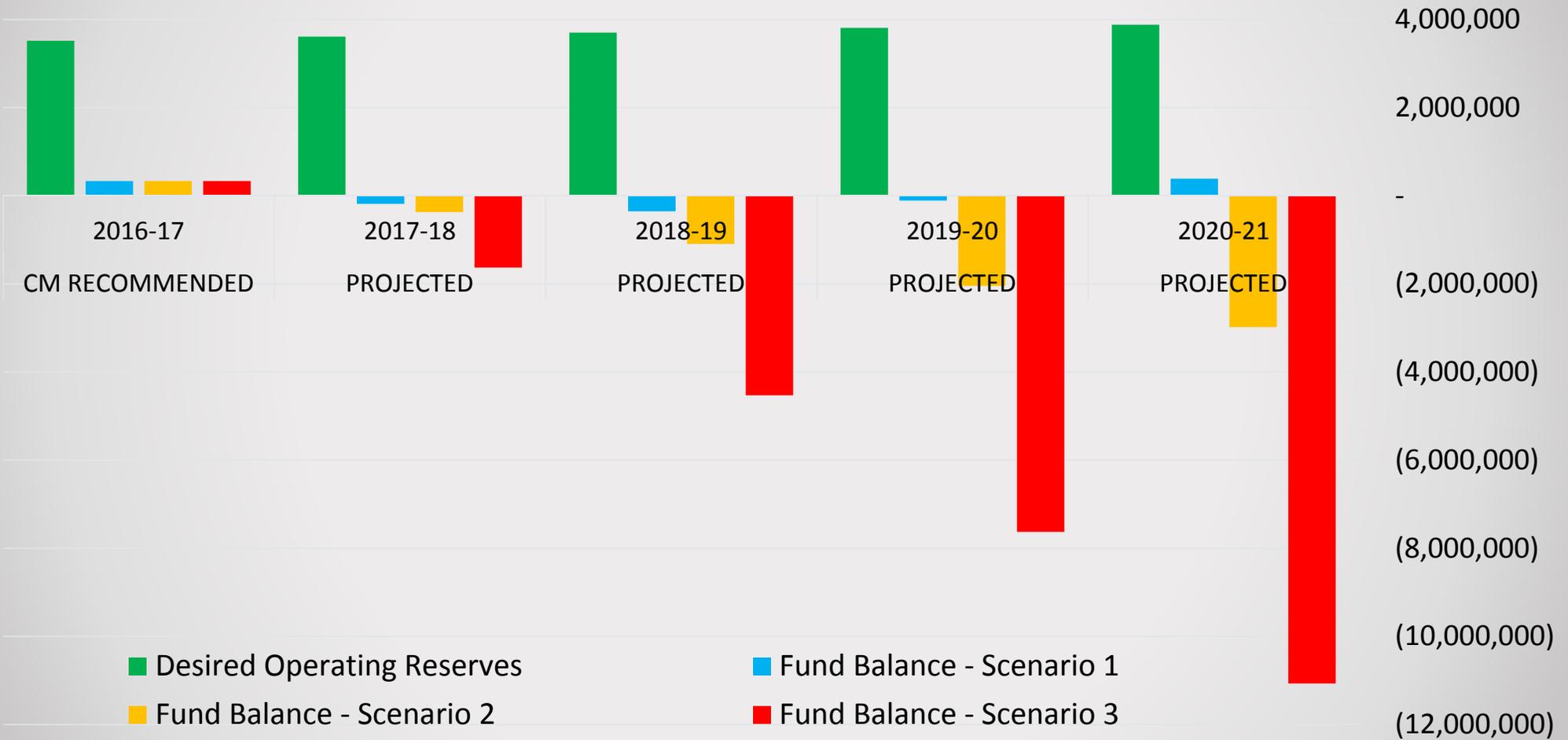
- 1) Airport Fund 856; 2) Private Development Fund 862
- 3) Sewer Funds (320, 321, 322, 323, 850 & 851) – analysis is ongoing

General Fund - Revenue vs. Expenditures (3 Scenarios)

- Revenue & Other Financing Sources
- Scenario 1 - Expenditures & Other Financing
- Scenario 2 - Expenditures & Other Financing
- Scenario 3 - Expenditures & Other Financing

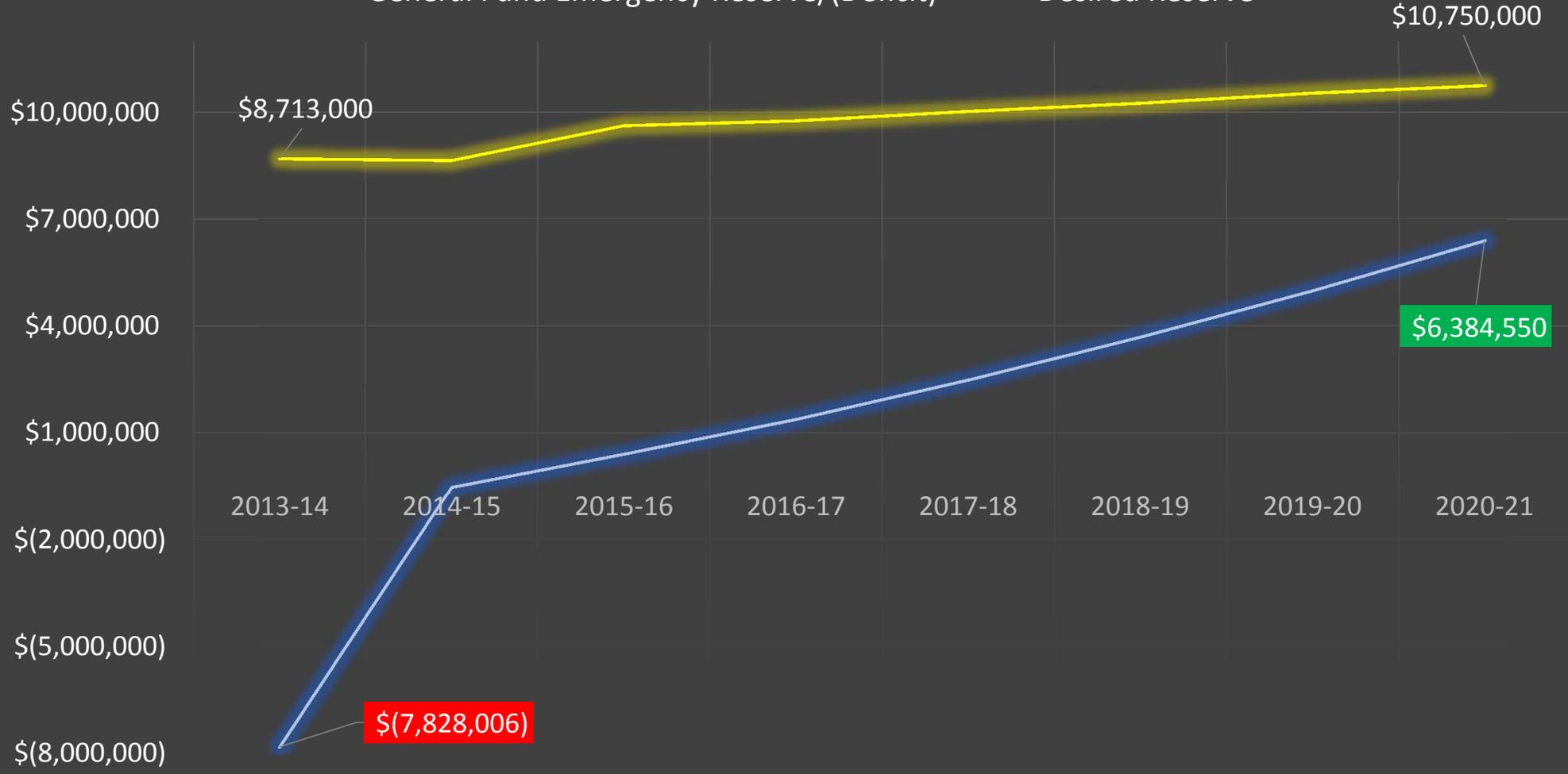


General Fund – Cumulative Fund Balance (3 Scenarios)



General Fund Emergency Reserve/(Deficit) – Funds 003 & 004

— General Fund Emergency Reserve/(Deficit) — Desired Reserve

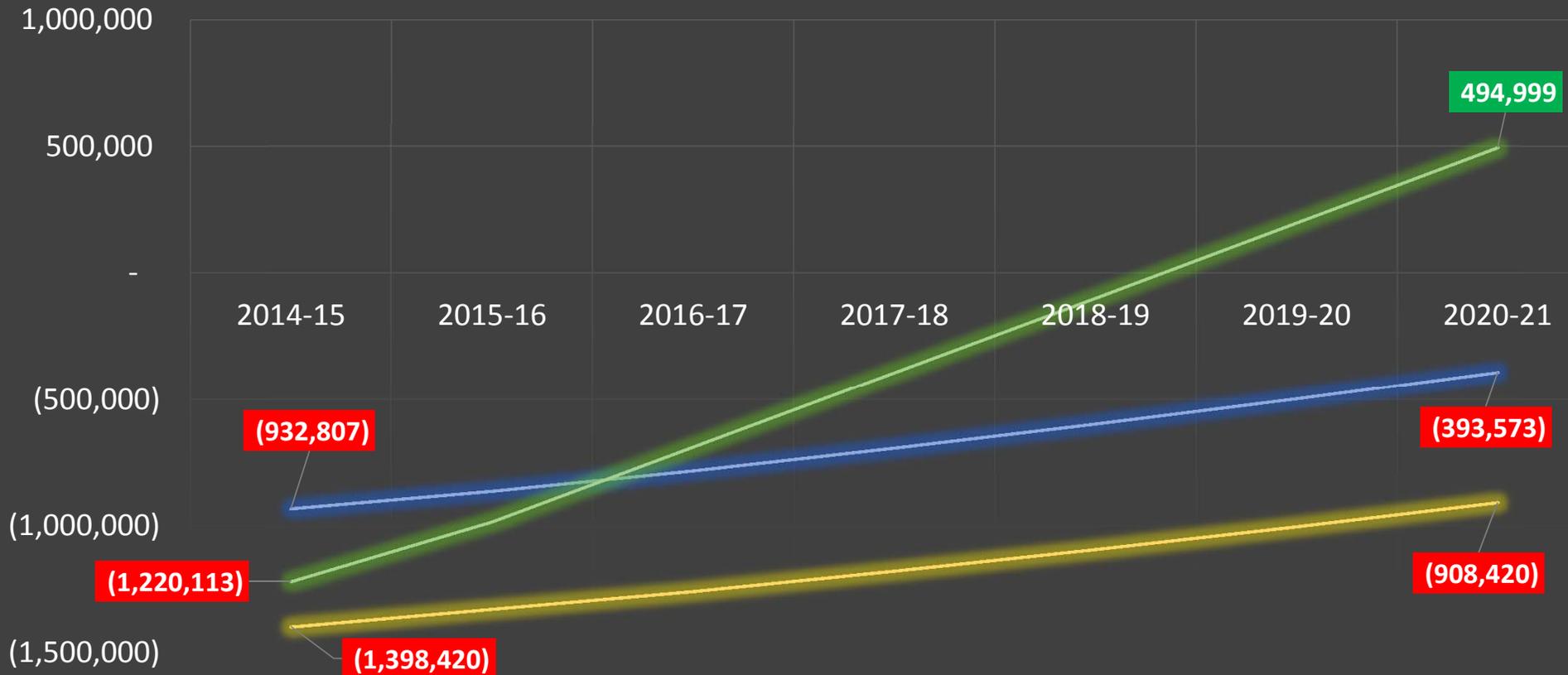


Development Impact Fee Funds - Deficit Position

— Bidwell Park Land Acquisition Fund 332

— Administrative Building Fund 336

— Fire Protection Building & Equipment Fund 337



ADDITIONAL QUESTIONS/COMMENTS

REQUEST COUNCIL ADOPTION OF PROPOSED
AND FINAL BUDGET