

MEMORANDUM

To: Mayor and City Council
From: Chris Pike, Finance Director
Date: August 13, 2018
Subject: **Update on 2019 Budget Process**

ITEM DESCRIPTION

Presentation to Council on update to the 2019 annual operating and capital budget adoption process

BACKGROUND

Each year, Finance starts the budget process around the end of June. Current and prior budget figures are distributed to departments to compile initial budget requests. Those requests include the outcome of various discussions and observations from not only council meetings, retreats and casual conversations but also similar conversations with other key stakeholders including our partner nonprofits, key business organizations, and citizens. The requests also include those known from professionals in each area including staff and vendors. Obviously the requests exceed our financial resources so from the end of July until the budget is released, we go through an internal process to present a balanced budget to Council. And prior to that release, the City Manager and Mayor go over the highlights of the budget to ensure it's a document that expresses the priorities of both.

We are currently in the middle of the process to reach a balanced budget to present. Each department head is tasked with the responsibility of being the biggest advocate for their department. They answer questions for the City Manager and work to gauge the importance of each enhancement and budget request. This is an important step because often the department head has identified both the intended and unintended consequences regarding the item in question.

DISCUSSION

One budgetary matter I have noted with increasing concern the past few years is the accelerated increase in our duties carried out; our scope of responsibilities. I'm seeing, almost daily, the strain it is putting on both financial and human resources in just about every department. I mentioned just a small few of these in a memo to Council last month. I feel our existing capital investments have reach a point where the maintenance of which consumes virtually all of our budgeted resources. I routinely hear [great] ideas of how to improve our parks, improve our streets and infrastructure, provide new and more services, and better protect our city. The result of this increase in scope and discussions of more increases place us at a crossroad. A policy decision and plan is required to assist staff with what scope and which priorities we will assume as a city. What capital investments exist in our future? What services do we wish to provide in

the future? How will we finance the capital improvements? Also, and just as important, what operating revenues (i.e. increases in operating revenues) are at hand to maintain these increases in capital and operating requirements? It would be unwise and impractical to continue on pace with capital projects without knowing how we will maintain them in the years to come.

RECOMMENDED ACTIONS

I respectfully request the City take steps necessary to determine what capital and services we wish to continue and/or start providing in the future, determine the financial obligations to meet those needs (including maintenance), and start the process to meet these obligations. To achieve this goal, I would suggest we start with a full-Council retreat or work session to determine what we want to do (capital and services) going forward. State law outlines just over a dozen areas municipalities are authorized to address. We should look at all of those, though some obviously more than others. I also recommend part of that retreat/work session be used to identify an ad-hoc committee of three interested council members to work with staff over the next few months to propose solutions on addressing the areas discussed. The result of this would be a recommendation from the committee to the full council for further discussion and action.