



Implementation of a Two-Year Budget Process in the Context of Five-Year Financial Planning

Finance Department

**City Council
December 8, 2015**

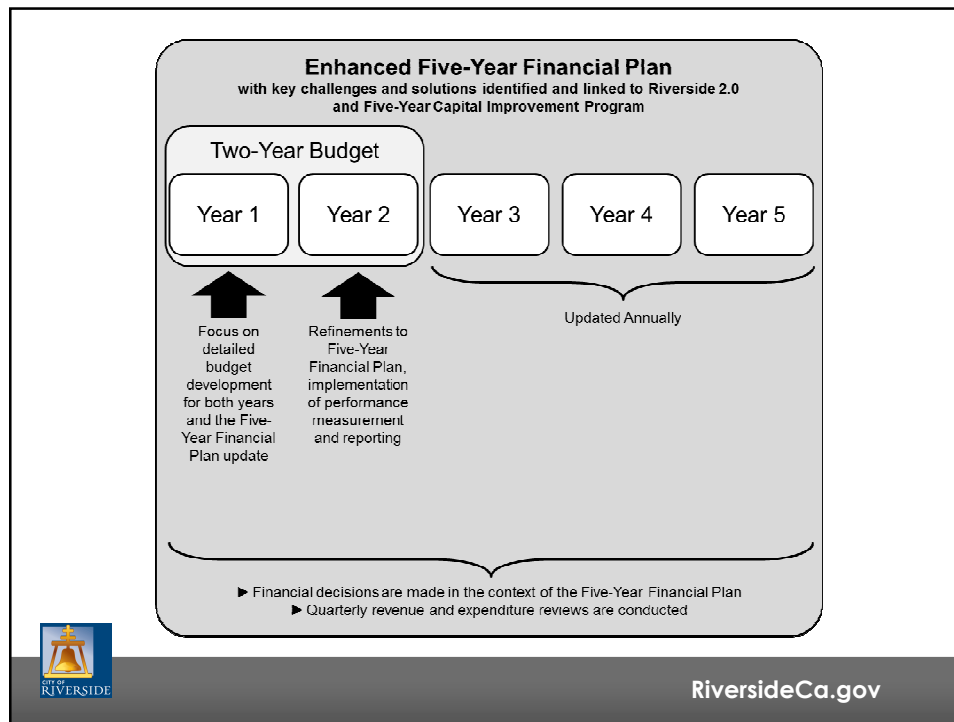
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Why Transition to a Two-Year Budget?

- Central elements of sound financial management include:
 - Multi-year financial planning
 - Ongoing financial monitoring
 - Frequent financial reporting
 - Prompt corrective actions when necessary
- The Finance department currently prepares a five-year financial forecast for the General Fund, and produces monthly financial reports
- Enterprise funds also have multi-year forecasts and monthly financial reporting
- Need to **formalize** and **publicly present** these forecasts, and importantly, present **plans** to address financial challenges and service needs
- New spending decisions should be made in the context of a long-term plan



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What Will be Different?

- Staff will not prepare a new budget for the second year of each biennium
- Second year focus will be on:
 - Enhanced long-term financial planning
 - Introducing performance measurement and reporting
- A mid-cycle review of year-end financials will be conducted at the conclusion of the first year

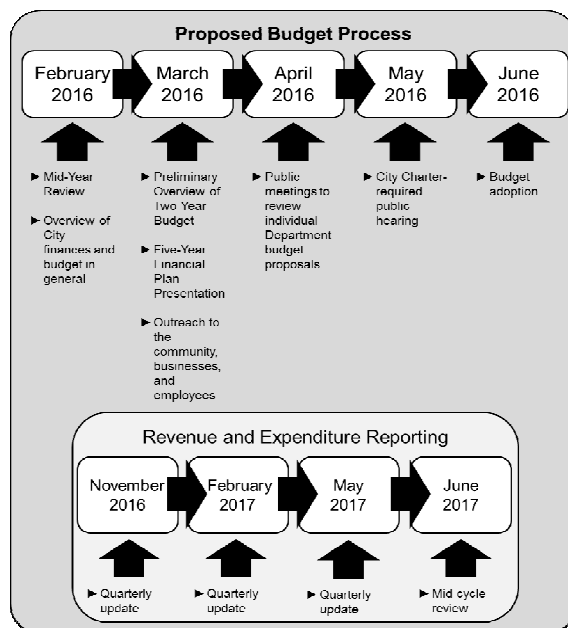


What Will be Different? (continued)

- Adjustments in year two will be limited to when revenues fall and/or unknown and unforeseeable expenses outside the City's control grow by more than 3%
- Incentives for departments to plan and manage well:
 - Departments carry over unspent funds from 1st year into 2nd
 - Departments get to keep 50% of savings at the end of 2nd year for capital or one-time needs (50% goes to reserves), subject to revenue availability
- Expansion of financial forecasting to include all City funds and strategic solutions for key ones
- Preparation of the budget and decision-making in the context of five-year planning



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Objective Performance Measures

- Riverside has not had a performance measurement program in place since 2005/06
- Strategic planning has continued and departments have continued to report goals, objectives, and accomplishments as part of the budget process
- At the end of year 1, approximately 75 measures will be developed with input from the City Council and the public
 - Linked to Riverside 2.0 goals and priorities
 - Data collection will commence in fiscal year 2017/18
 - Reporting of historical results will be possible in fiscal year 2020/21 with two years' worth of data
 - Will help assess the effectiveness of the City's programs
 - Will highlight where additional resources should be directed
 - Will highlight where attention should be focused to improve performance



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Recommendations

That the City Council:

1. Approve the implementation of a Two-Year budget process commencing with fiscal year 2016/17, including enhancements to long-term planning and public budget deliberations



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