



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 3, 2016**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: BUDGET PRESENTATION FROM FINANCE DEPARTMENT

ISSUE:

The issue for City Council consideration is to receive and provide input on a budget presentation from the Finance Department about 1) current and historical operations; 2) FY 2016/17 recommended reductions; and 3) unfunded challenges for fiscal years (FY) 2016/17 and 2017/18.

RECOMMENDATION:

That the City Council receive and provide input on the Finance Department's 1) current and historical operations; 2) FY 2016/17 recommended reductions; and 3) unfunded challenges for fiscal years (FY) 2016/17 and 2017/18.

BACKGROUND:

Department Operations

The mission of the Finance Department is to provide fiduciary control of the City's assets, perform fiscally related services, and provide accurate, timely, and useful financial information to support the delivery of municipal services to the City organization and the public. The Finance Department consists of the Administration, Accounting, Financial Resources, and Purchasing & Risk Management Divisions.

Goals:

The Finance Department's goals are to:

1. To ensure the safety and security of the City's assets;
2. To provide the financial resources necessary to support goals and operations of City departments;
3. To develop sound financial strategies for business decisions;
4. Prepare a written and enhanced General Fund Reserve policy;
5. Provide timely and accurate financial reports;
6. To actively support the local business economy; and
7. Continue implementing and maintaining a new budget process in conjunction with the City's two-year budget and five-year plan.

Accomplishments

1. Realized continued improvement in the Purchasing Card Rebate Program;
2. Participated in the development of portion of the EngageRiverside.com portal dedicated to gaining additional citizen participation in the budget preparation process; and
3. Received the Certificate of Achievement for Excellence in Financial Reporting award for the City's Comprehensive Annual Financial Report (CAFR).

4. Successfully began implementing a new, more strategic and participatory budget process.
5. Enhance detailed analysis and documentation of budget projections, in collaboration with City departments and outside sources.

Overview of Current and Prior Financials

FINANCE	FY 2013-14 Actuals		FY 2014-15 Actuals		FY 2015-16 Adopted Budget	
Division Operational Expenditures	\$	FTEs	\$	FTEs	\$	FTEs
Administration	\$ 1,258,252	5	\$ 248,596	5	\$ 1,158,644	6
Accounting	\$ 3,213,510	27	\$ 3,231,231	27	\$ 3,466,085	26
Financial Resources	\$ 1,038,038	11	\$ 1,159,151	11	\$ 1,136,201	11
Purchasing / Risk Management	\$ 1,066,262	8	\$ 1,095,588	8	\$ 1,263,875	10
Trust Funds	\$ 6,046,744		\$ 6,591,587		\$ 6,010,216	
Debt Service	\$ 92,051		\$ 97,780		\$ 91,948	
Special Districts	\$ 2,231,259		\$ 120,000		\$ 65,000	
Totals	\$ 14,946,116	51	\$ 12,543,933	51	\$ 13,191,969	53

Major changes in FY 2015-16 include:

- Addition of two positions in Purchasing/Risk Management in anticipation of brining the risk management/liability claim process in house. To date, this has not happened and will be considered in more detail upon the commencement of the current Finance Department operational and financial audit being performed by Matrix Consulting Group.
- Additional increases are a result of typical salary and benefit increases.

Departmental 4% Reduction Measures and Managed Savings

During the development of the FY 2016-2018 two-year budget, the Finance Department estimated the City would have a structural shortfall in the General Fund of approximately \$10 million to \$12 million. To address the issue, each department was asked to reduce their General Fund operational budget by 4%. This amount is in addition to the Department's annual managed savings target. A managed savings target represents the amount of money the department has historically saved each year. Examples of managed savings include vacancy savings and better pricing on professional services that expected. Typically, departments have been left to manage their budget to determine how these managed savings amounts would be achieved; however, given the need to reduce 4% of the Department's operating budget, it is imperative a plan to realize the managed savings target is provided.

For the FY 2016-18 two-year budget, the Finance Department has the following 4% reduction and managed savings targets:

- \$250,140
- \$125,000

4% Reductions:

In order to achieve 4% savings (\$250,140) of the Department's General Fund operational budget, the following measures may be needed:

- Administration Salary Savings (\$52,500)
 - Lower salary and benefit cost estimates for new Finance Department management staff
 - No impacts to current operations

- Keep Fiscal Resources Manager vacant (\$191,929)
 - The Fiscal Resources Manager position, responsible for the City's budget process, quarterly budget updates to the City Council, fees and charges, debt, and cost plan, is currently vacant.
 - The impact of this change will be significant. Without filling the position, the Finance Director/Treasurer and Assistant Finance Director will need to take on more responsibility, which may negatively affect accuracy and comprehensiveness of budget reports. Additionally, the Department may need to decline special research projects (e.g. New CFD analysis).

Managed Savings:

In order to achieve the Department's managed savings target (\$125,000) for the General Fund, the following measures may be needed:

- Manage vacancies (\$110,000)
 - It is anticipated that several employees may retire in FY 2016-17. These positions will be held vacant until the managed savings target is achieved.
 - This will result in significant service impacts (e.g. payment of bills, processing of receipts, etc.).
- Bond Interest (\$25,000)
 - Based on current interest rates, it's anticipated that bond interest will come in lower than budgeted.
 - No impacts to current operations.

Unfunded Needs

Priority Level	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Highest	\$ 309,315	\$ 330,851	\$ 347,393	\$ 364,761	\$ 382,999
Grand Total	\$ 309,315	\$ 330,851	\$ 347,393	\$ 364,761	\$ 382,999

The critical unfunded needs for the Finance Department are attributable to staffing. Specifically, the requests are for one Principal Analyst and one Management Analyst assigned to the Fiscal Resources Division for work on the budget, including quarterly updates to the City Council, revenue analysis, and special analytical projects.

Finally, a Senior Account position is requested. This position is needed to add another strong governmental accountant to the staff and allow the Controller and Assistant Controller to strengthen accounting internal controls and take on special projects needed throughout the City.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report; however, as stated above the two-year budget process will include necessary deliberation on the proposed measures to meet both 4% reductions and managed savings targets. Moreover, the unfunded needs discussed above represent fiscal challenges above and beyond these reduction targets.

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 Approved by: Marianna Marysheva-Martinez, Assistant City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Presentation
2. Department Organization Chart
3. Financial Summaries
4. Unfunded Needs