



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 31, 2016
FROM: FINANCE DEPARTMENT WARDS: ALL
SUBJECT: PROPOSED FISCAL YEAR 2016-2018 TWO-YEAR BUDGET AND 2016-2021 FIVE-YEAR FINANCIAL PLAN

ISSUE:

The issue for City Council consideration is to receive and provide input and direction on the proposed Fiscal Year 2016-2018 Two-Year Budget and 2016-2021 Five-Year Financial Plan.

RECOMMENDATIONS:

That the City Council receive and provide input and direction on the proposed Fiscal Year 2016-2018 Two-Year Budget and 2016-2021 Five-Year Financial Plan.

BACKGROUND:

In December 2015, the City Council approved the transition to a two-year budget in the context of a five-year plan. Since that time, the City Council, businesses, residents and City employees have been presented with reports on the City's long-term financial projections and budget overview, unfunded needs, proposed departmental reductions, Five-Year Capital Improvement Plan and updates on the Fiscal Year (FY) 2015/16 financial status. The culmination of these meetings, both at the City Council chambers and throughout the community, is the presentation of the Proposed Fiscal Year 2016-2018 Two-Year Budget and 2016-2021 Five-Year Financial Plan.

DISCUSSION:

The attached City Manager's Budget Message provides an in-depth look at the Proposed Budget, projected General Fund deficits over the next five years, and recommended General Fund budget reductions. Included in the Budget Message is a summary table providing the General Fund overview over the next five years; **this summary will be utilized to track changes to the FY 2016-18 budget through adoption on June 21, 2016.**

The Proposed Budget also includes the Five-Year Financial Plan, which establishes the foundation for the expenditures and revenues in the General Fund over the next five years. Each major expenditure and revenue category includes documentation on how the amounts were estimated.

This year for the first time, the budget process involved a variety of efforts designed to both inform and solicit feedback from the various internal and external stakeholders. This process will continue over the next month. A schedule of upcoming meetings can be found below:

- June 7, 2016 – First review 2016/17 Appropriations Limit as required by Article XIII B of the California Constitution;
- June 14, 2014 – Public hearing on the FY 2016-2018 Two-Year Budget
- June 21, 2016 – Consideration and adoption of the City FY 2016-2018 Two-Year Budget

Attached to this report are responses to budget questions from the City Council, from prior meetings.

FISCAL IMPACT:

Significant structural shortfalls are projected for the next five fiscal years in the General Fund, including; \$10.6 million for Fiscal Year 2016-17, \$8.5 million for Fiscal Year 2017-18, \$7.7 million for Fiscal Year 2018-19, \$8.8 million for Fiscal Year 2019-20, and \$0.6 million for Fiscal Year 2020-21. The budget recommends a number of balancing measures, previously presented to the City Council by departments in April-May.

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availability of funds: Scott G. Miller, Interim Finance Director/Treasurer
Approved by: Marianna Marysheva-Martinez, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. City Manager's Budget Message
2. Responses to City Council Budget Questions
3. Proposed FY 2016-2018 Two-Year Budget
4. Presentation