



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: FEBRUARY 23, 2017**
FROM: FINANCE DEPARTMENT **WARD: ALL**
**SUBJECT: BUDGET 101 – INTRODUCTION TO THE FISCAL YEAR 2016-2018 TWO-YEAR
BUDGET INCLUDING THE FISCAL YEAR 2016-17 FIRST QUARTER UPDATE**

ISSUE:

The issue for the Budget Engagement Commission consideration is to receive an introduction to the fiscal year (FY) 2016-2018 Two-Year Budget, which includes the FY 2016-17 First Quarter Financial Update.

RECOMMENDATIONS:

That the Budget Engagement Commission receive an introduction to the FY 2016-2018 Two-Year Budget, which includes the FY 2016-17 First Quarter Financial Update.

LEGISLATIVE HISTORY:

On June 21, 2016, the City Council adopted the City's first two-year budget in the context of a 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. Subsequent to that approval, the City Council, businesses, residents and City employees were presented with reports on the City's long-term financial projections, budget overview, unfunded needs, proposed departmental reductions, Five-Year Capital Improvement Plan and updates on the FY 2015/16 financial status. The culmination of these meetings, both at the City Council Chambers and throughout the community, was the presentation and adoption of the FY 2016-2018 Two-Year Budget and 2016-2021 Five-Year Financial Plan, which included almost \$11 million in General Fund reductions.

On December 20, 2016, the City Council received the FY 2016/17 First Quarter Financial Report, which included a financial update of the General Fund and a preliminary analysis of Measure Z revenues, as well as cash, investment and debt reports for all funds. The FY 2016 -2018 Two-Year Adopted Budget, projected a balanced General Fund budget in both fiscal years, with a slight surplus of approximately \$ 30,000 in the first year and a larger surplus of over \$2.0 million in the second year. The current annualized projections reflect General Fund deficits in both years; approximately \$3.5 million in FY 2016/ 2017 and approximately \$4.9 million in FY 2017/2018. The projected deficits are driven by personnel expenditures related to union contracts, lower than anticipated revenues in FY 2015/16 which, in turn, influence FY 2016/17 and FY 2017/18 collections, changes in the economic outlook, and public safety vehicle maintenance needs.

DISCUSSION:

To familiarize the Budget Engagement Commission with the City's finances, the following documents are attached to this report.

- **FY 2016-2018 Two-Year Budget (Attachment 1)**
The two-year budget document is both a policy document and a financial planning tool. It reflects detail of the City's revenues and expenditures, actual and planned, over the two-year budget cycle that commences on July 1, 2016 and will end on June 30, 2018. The budget document also reflects budget principles, assumptions used to project revenues and expenditures, and details on the budgetary cuts of nearly \$11 million annually and managed savings of \$5.4 million annually. Lastly, the budget document includes the City's first five-year plan, which forecasts the city's financial position with known economic indicators.
- **FY 2016-2018 Budget-in-Brief (Attachment 2)**
This document is a very brief summary of the detailed biennial budget. It provides a general overview of the City's FY 2016-2018 Two-Year Budget. Specifically, it highlights major funding sources and expenditure categories. Further, it provides general information about the anticipated spending categories of the General Fund.
- **FY 2016-17 First Quarter Financial Update (Attachment 3)**
This document includes a financial update of the General Fund and a preliminary analysis of Measure Z revenues, as well as cash, investment and debt reports for all funds as of September 30, 2016. Further, this document provides a detailed look at the anticipated FY 2016-17 and FY 2017-18 General Fund deficits.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Attachments:

1. FY 2016-2018 Two-Year Budget
2. Budget-in-Brief
3. FY 2016-17 First Quarter Financial Update
4. Presentation