



CITY COUNCIL STUDY SESSION REPORT

MEETING DATE: May 10, 2016

ITEM NUMBER: 1

SUBJECT: FISCAL YEAR 2016-17 BUDGET STUDY SESSION

DATE: May 4, 2016

FROM: FINANCE DEPARTMENT

PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

**FOR FURTHER INFORMATION CONTACT: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR,
(714) 754-5243**

RECOMMENDED ACTIONS:

Provide comments and direction on the FY 16-17 Preliminary Operating and Capital Budget and concept for CPI adjustment of fees.

BACKGROUND:

The FY 16-17 budget development process officially started on January 6, 2016 with a kickoff meeting including the CEO, Finance Department Staff and department representatives. Since that meeting, departments prepared their budget requests and submitted them to the Finance Department for review. Finance Staff prepared revenue projections and forecasts, reviewed departmental requests and met with the departments to discuss their budget requests. These meetings were followed by joint budget hearings involving the CEO, Finance Department and department representatives. Out of these discussions and further meetings, a Preliminary FY 16-17 Budget was developed.

ANALYSIS:

As a quick overview, here is the preliminary budget for FY 16-17 for all funds compared to the FY 15-16 adopted budget:

Table 1

PRELIMINARY BUDGET - ALL FUNDS				
Appropriations/ All Funds	Adopted	Preliminary	Increase (Decrease)	
	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 119,009,800	\$ 120,809,731	\$ 1,799,931	1.5%
Transfers Out	9,416,140	7,752,242	\$ (1,663,898)	-17.7%
Capital Budget	25,763,929	15,994,334	\$ (9,769,595)	-37.9%
Total	\$ 154,189,869	\$ 144,556,307	\$ (9,633,562)	-6.2%

The General Fund provides 81% of the total operating budget for all governmental funds. The total preliminary General Fund budget is \$117 million, an increase of \$2.2 million or 1.9% from the current year adopted budget.

The attached City Chief Executive Officer's Budget Message provides highlights of the financial and budget policies and how they relate to this preliminary budget, a description of the budget preparation and balancing process, overview charts of the City-wide budget and the General Fund, a brief financial outlook, budget highlights, a recap of reserves and an overview of capital improvement projects.

The attached FY 2016-17 Operating & Capital Budget in Brief includes additional summary charts, analysis of changes in the primary funding sources and expense categories, a brief discussion of internal service funds, a review of capital improvement project expense trends over the past ten years and a recap of use of fund balances in certain special funds.

The attached Summary of Requested Capital Improvement Projects displays the 71 requested projects by category and funding source. The far right column indicates the recommended projects.

The attached Budget Addendum displays recommended changes to the FY 16-17 Preliminary Budget amounts based on changes that were approved after the budget book printing deadline.

Lastly, recommended for discussion is the concept of delegating to the CEO the ability to update City fees annually using a consumer price index (CPI) factor.

The next steps in the FY 16-17 budget process include the following events:

- May 19, 2016 5:30 p.m. Community Budget Meeting
- June 21, 2016 5:45 p.m. City Council budget hearing and adoption

ALTERNATIVES CONSIDERED:

Staff considered many options for the use of funds including requested budget increases and capital improvement projects. Options were evaluated and assigned priorities. Recommended budget amounts are balanced to estimated available resources.

CONCLUSION:

As presented, this represents a balanced budget for the coming fiscal year without the use of General Fund reserves and provides the highest level of service to the community within existing financial resources. Council consideration and public input regarding the FY 16-17 Preliminary Operating and Capital Budget will provide valuable information as the City prepares for budget hearings and adoption in June.


Stephen Dunivent
Interim Finance Director


Thomas R. Hatch
City CEO

Attachments:

1. [City Chief Executive Officer's Budget Message](#)
2. [FY 2016-17 Operating & Capital Budget in Brief](#)
3. [Summary of Requested Capital Improvement Projects](#)
4. [FY 2016-17 Proposed Budget Addendum](#)