



Council Agenda Report

November 9, 2011

TO: City Council

FROM: Arne Croce, Interim City Administrative Officer
Bill Statler, Pro Bono Budget Advisor

SUBJECT: 2012-13 BUDGET PROCESS, CALENDAR AND FORMAT

RECOMMENDATION

Approve the budget process, calendar and budget document format for 2012-13.

DISCUSSION

The proposed budget process for 2012-13 is based on meeting three goals, while recognizing the City's limited staff resources:

- Meaningful community engagement and participation in the process
- Early Council direction on budget goals and objectives
- Effective staff input and technically sound analysis

Provided in Attachment 1 is a graphic depiction of the proposed process. As discussed below, it consists of three main policy steps:

- Budget process preparation
- Community engagement and Council goal-setting
- Preliminary budget preparation and adoption

❶ Budget Process Preparation

Building the Foundation (Tuesday December 6 or Wednesday, December 7 2011: Special Budget Meeting)

This special budget workshop will cover four main topics:

- **City "Finance 101."** Given the newness of Council members to city government, we plan to provide a brief overview of key municipal financial management concepts and principles. It will closely follow the excellent publication from the Institute for Local Government (ILG): "Financial Management for Elected Officials: Questions to Ask." This publication is available at no cost (in both English and Spanish) from the ILG on their web site at: <http://www.ca-ilg.org/financialmanagement>

- **Budget and fiscal policies.** Clearly articulated fiscal policies provide an essential foundation for effective financial decision-making and in protecting an organization's fiscal health. Fiscal health is a lot like your personal health: it's not what you live for, but it's hard to enjoy your life without it. Cities don't exist to be fiscally healthy: they exist to make communities better places to live, work and play. However, this requires the fiscal capacity to link community goals with the resources needed to achieve them. In short, fiscal health is not an end in itself; but it's an important part of the tool kit in achieving "ends."

Like personal health, fiscal health is rarely luck. The strength of the local economy is obviously an important fiscal health factor – just as genes are in personal health. However, regardless of the strength of its local economy, no agency is immune from economic downturns.

Policies are an agency's "north star" in guiding the preparation and implementation of budgets and financial plans. They help make tough decisions easier by stating an organization's values before they are placed under stress by adverse circumstances. The organization might still choose to do something different – effective policies are guides, not straightjackets – but they are a powerful starting point: *but for "this," the organization should do what?*

Formal statements of key budget and fiscal policies provide the foundation for assuring long-term fiscal health by establishing a clear framework for effective and prudent financial decision-making.

Stated simply, articulating and then following prudent fiscal policies is the most effective and proven way for government agencies to ensure their long-term fiscal health. They are both preventative and curative: clearly articulated policies help prevent problems from arising in the good times; and help respond to bad times when they do occur.

Adopting key fiscal policies is an essential factor for effective stewardship of the City's resources, both in the short and long-term. Based on "best practices" recommended by professional organizations like the Governments Finance Officers Association of the United States and Canada (GFOA) and the California Society of Municipal Finance Officers (CSMFO) as well as the major rating agencies, likely fiscal policy areas for the City include:

- Balanced budget (and what this means)
- Long-term financial planning
- Council versus staff budget authority
- Revenue management, such as earmarking and the use of one-time revenues
- User fee cost recovery: when should user fees fund services versus general purpose revenues?
- Financial reporting (annual and interim reports)
- Investments
- Appropriations limit
- Minimum fund balance
- Capital improvement plan (CIP) management
- Capital financing and debt management

- Equipment and major systems replacement
- Contracting-out

After their adoption by the Council, the City's "Budget and Fiscal Policies" will be included in the budget document.

- **Status of current objectives and other budget inputs.** Along with the status of key objectives for the current year, this will include an update on 2011-12 priority objectives that will be significant "inputs to the 2012-13 Budget, such as: the compensation study; Police Memorandum of Understanding (MOU); supplemental retirement plan; Police Department assessment; city-wide organizational structure; solid waste franchise; and lighting/landscape maintenance assessments.
- **Goal-setting process for 2012-13.** As discussed below, we plan to provide an overview of the proposed structure and process for the proposed Community Forum (January 21, 2012) and Council goal-setting workshop (January 28, 2012).

General Fund Five-Year Fiscal Forecast (January 11, 2012: Regular Meeting)

Like virtually all other local governments in California, the City of Bell has been faced with major fiscal challenges over the past several years in the wake of the worst recession since the Great Depression. On top of this, the City is experiencing other deep fiscal challenges due to its own unique circumstances.

Just as the City's current financial situation developed over several years, emerging from this condition is likely to take several years as well. For this reason, we believe that the City will benefit from taking a longer look at its fiscal outlook as part of the 2012-13 Budget by preparing a five-year fiscal forecast for the General Fund.

Stated simply, making good resource decisions for 2012-13 requires taking into account their impact on the City's fiscal condition down the road. Developing good solutions requires knowing the size of the problem we are trying to solve: the City can't fix a problem it hasn't defined. And in this economic and fiscal environment, looking only one year ahead is almost certain to misstate the size and nature of the fiscal challenges ahead of us.

For those cities that have prepared longer-term forecasts and follow-on financial plans, this did not magically make their fiscal problems disappear: they still had tough decisions to make. However, it allowed them to better assess their longer term outlook, more closely define the size and duration of the fiscal challenges facing them, and then make better decisions accordingly for both the short and long run. We believe that this will be true for the City of Bell as well.

② Community Engagement and Council Goal-Setting

Community Forum (Saturday, January 21, 2012: Special Budget Meeting)

The purpose of the "forum" is to provide the community with an opportunity to share with the Council what they believe are the "most important, highest" priority things" for the City to

accomplish in the coming year. This will be heavily advertised, with direct “invitations” to key stakeholder groups and interested individuals. At this meeting, the Council’s role is to listen and process the input in preparation for their “goal-setting workshop” to follow on January 28.

Additionally, community groups and interested individuals will be invited to provide written suggestions to the Council. Other forms of engagement and outreach will be made, which may include a community newsletter, surveys and community group presentations.

Council Goal-Setting Workshop (Saturday, January 28, 2012: Special Budget Meeting)

The purpose of this Saturday workshop is for the Council to set goals for 2012-13: what are the most important, highest priority things for the City to accomplish in the coming year? The proposed Budget will then ensure that resources are provided to achieve these “major city goals.” At the end of the day, this is the singular importance of the budget process: to align goals and resources.

Based on our experience, the goals for the forum and the Council goal-setting workshop will best be achieved through the use of an outside facilitator. This allows all Council members to participate fully in the process; and allows staff to devote their efforts to listening and learning. The ILG has offered to do so “pro bono.” Ken Hampian (former interim CAO), Bill Statler and Mike Multari have also offered to assist with this process on a “pro bono” basis.

⑤ Preliminary Budget Preparation and Adoption

Strategic Budget Direction (Wednesday, March 21, 2012: Special Budget Meeting)

The purpose of this meeting is to present to the Council the proposed framework for balancing the budget: this will include factors such as compensation, staffing and expenditure reductions; new revenues; use of reserves; and other budget-balancing strategies. This will also be an opportunity to share with the Council the proposed approach to responding to the Council goals set at the January 28 workshop in the Preliminary Budget.

Publication of Preliminary 2012-13 Budget (Friday, May 25, 2012)

This is the target publication and distribution date for the Preliminary Budget. This will meet the charter requirement for the proposed budget to be submitted to the Council and available for public review at least 35 days before the beginning of the new fiscal year.

Preliminary Budget Review (Wednesday, June 6, 2012: Special Budget Meeting)

As reflected in the “Budget Process” chart provided in Attachment 1, we plan to issue the Preliminary Budget for Council and public review by May 25, 2012. The purpose of this special budget workshop is to review the Preliminary Budget with the Council. If things went well at the previous workshops, there should be no surprises here – but three meetings are scheduled for Council review and adoption to make sure that adequate time is available for Council consideration and for follow-up on any questions that they may have.

Continued Budget Review (June 13, 2012: Regular Meeting)

Continued review of the budget as needed in presenting key issues and responding to Council questions.

Budget Adoption (June 27, 2012: Regular Meeting)

This is the final public hearing on the Budget leading to its adoption.

Council Meeting Summary

The following recaps proposed Council meeting dates as part of this process:

Purpose	Meeting Type	Date
• Building the Foundation	Special Budget Workshop	December 7, 2011
• General Fund Five-Year Fiscal Forecast	Regular Meeting	January 11, 2011
• Community Forum	Special Budget Workshop	January 21, 2012
• Council Goal-Setting	Special Budget Workshop	January 28, 2012
• <i>Mid-Year Budget Review*</i>	<i>Regular Meeting</i>	<i>February 22, 2012</i>
• Strategic Budget Direction	Special Budget Workshop	March 21, 2012
<i>Preliminary Budget Issuance</i>		<i>May 25, 2012</i>
• Preliminary Budget Review	Special Budget Workshop	June 6, 2012
• Continued Budget Review	Regular Meeting	June 13, 2012
• Budget Adoption	Regular Meeting	June 27, 2012

** While not technically part of the 2012-13 Budget process, the mid-year budget review provides the latest information about the City's financial condition for 2011-12, which will in turn drive revenue and expenditure assumptions in the 2012-13 Budget.*

Budget Document Format

Effective budget documents serve four roles:

- ***Policy Document.*** Identifies the key financial issues facing the agency; sets forth goals and objectives to be accomplished; and articulates the fundamental fiscal principles upon which the budget is prepared.
- ***Financial Plan.*** Identifies and appropriates the resources necessary to accomplish objectives and deliver services; and shows the agency's fiscal condition.
- ***Operations Guide.*** Describes the basic organizational units and activities of the agency in delivering services.
- ***Communications Tool.*** Provides the public with a blueprint of how public resources are being used and how these allocations were made.

As discussed when the previous Interim CAO (Ken Hampian) submitted the 2011-12 “Bridge Budget” to the Council, the City’s budget document is not oriented to serve any of these purposes well. Accordingly, for 2012-13, we propose a budget format that is more policy-oriented and program-focused. It will still provide detailed financial information as appropriate; however, its expenditure focus will change from line items to a more meaningful presentation of what the City does and why.

The programs provided by the City are shown in the sidebar. We recommend providing the following information for each program in the 2012-13 budget document:

- Program description: purpose, goals and activities in delivering services
- Program costs
- Funding source
- Program staffing levels
- Responsible department
- Significant expenditure changes
- Program objectives for improving service delivery
- Program workload and performance indicators

This doesn’t mean “reinventing the wheel” in identifying programs. In fact, as shown in the sidebar, it makes sense to align them with the budget units already in place. However, as reflected in the sidebar, we propose organizing the budget by functional area, grouping programs into one of six major categories used by the State Controller’s Office in its required annual reporting of city financial transactions.

A sample operating program budget for Police patrol services is provided in Attachment 2.

Budget Organization

We propose organizing the budget document into nine main sections. The first three sections will provide key fiscal and policy overviews:

1. **Introduction.** Includes the Budget Message from the CAO that highlights key fiscal issues facing the City and the budget responds to them.

Sample Budget Programs

Police

- Patrol
- Detectives
- Jail
- Support Services
- Parking Enforcement
- Administration

Community Development

- Planning
- Building
- Code Enforcement
- Engineering
- Community Redevelopment Agency
- Economic Development

Community Services

- Recreation Programs
- Park Maintenance
- Street Maintenance
- Sewers Maintenance
- Solid Waste and Recycling
- Landscape and Lighting
- Social Service Programs
- CDBG Programs
- Housing and Property Management

General Government

- City Council
- City Administrative Officer
- City Attorney
- City Clerk
- Finance and Treasurer
- Human Resources
- Risk Management

2. ***Policies and Objectives.*** As discussed above, presents the fiscal policies that guide preparation and management of the budget and includes “major City goals” adopted by the Council.
3. ***Budget Graphics and Summaries.*** Provides simple pie charts and tables that highlight key financial relationships and summarize the overall budget.

The next three sections will focus on expenditures, linked to the accomplishment of City goals and objectives:

4. ***Operating Programs.*** As discussed above, presents the City’s operating programs that form the City's basic organizational units for the delivery of day-to-day services.
5. ***Capital Improvement Plan.*** Summarizes the City's capital improvement plan (CIP), which includes all of the City's construction projects and equipment purchases that cost \$15,000 or more.
6. ***Debt Service Requirements.*** Presents the City’s debt obligations at the beginning of the Financial Plan period and summarizes any proposed changes.

The last three sections will provide more detailed financial information, supplemental schedules and budget reference materials.

7. ***Changes in Financial Position.*** Provides combined and individual statements of revenues, expenditures and changes in fund balance/working capital for each of the City's funds.
8. ***Financial and Statistical Tables.*** Includes supplemental financial and statistical information such as revenue estimates and assumptions, interfund transactions, authorized staffing levels, expenditures by department and type, appropriations limit history and general demographic information about the City.
9. ***Budget Reference Materials.*** Describes the major policy documents and preparation guidelines used in developing and executing the budget, including the budget calendar; and provides a Budget Glossary of terms that may be unique to local government finance or the City's budget document.

SUMMARY

The City’s budget – and the process it uses to develop and adopt it – is one the City’s most important policy documents. At the end of the day, budgets determine how the resources entrusted to the City will be used in meeting its highest priority goals: what will get done; and more importantly these days, what won’t get done in the coming year. The process – and the resulting budget document – can be implicit or explicit; but it will have this result in either case.

The purpose of the proposed budget process and document format is to make this process and outcome more transparent to the community, Council and staff. Hopefully, it will result in meaningfully engaging the community in its development and provide the Council with the

opportunity for early direction on budget goals and objectives. It should also provide for effective staff input and technically sound analysis of the City's revenues, expenditures and financial condition. Lastly, the resulting budget document will better tell the City's financial story to the community, Council and staff by focusing on what the City does and why: in short, how its resources are being used in doing important things that matter and make a difference to the community.

Next Steps

With Council approval of the budget process and document, staff will begin preparing for the upcoming budget workshops and forum; and developing internal procedures and "budget instructions" that will lead to timely issuance of the preliminary budget document and its approval by the Council in June 2012.

ATTACHMENTS

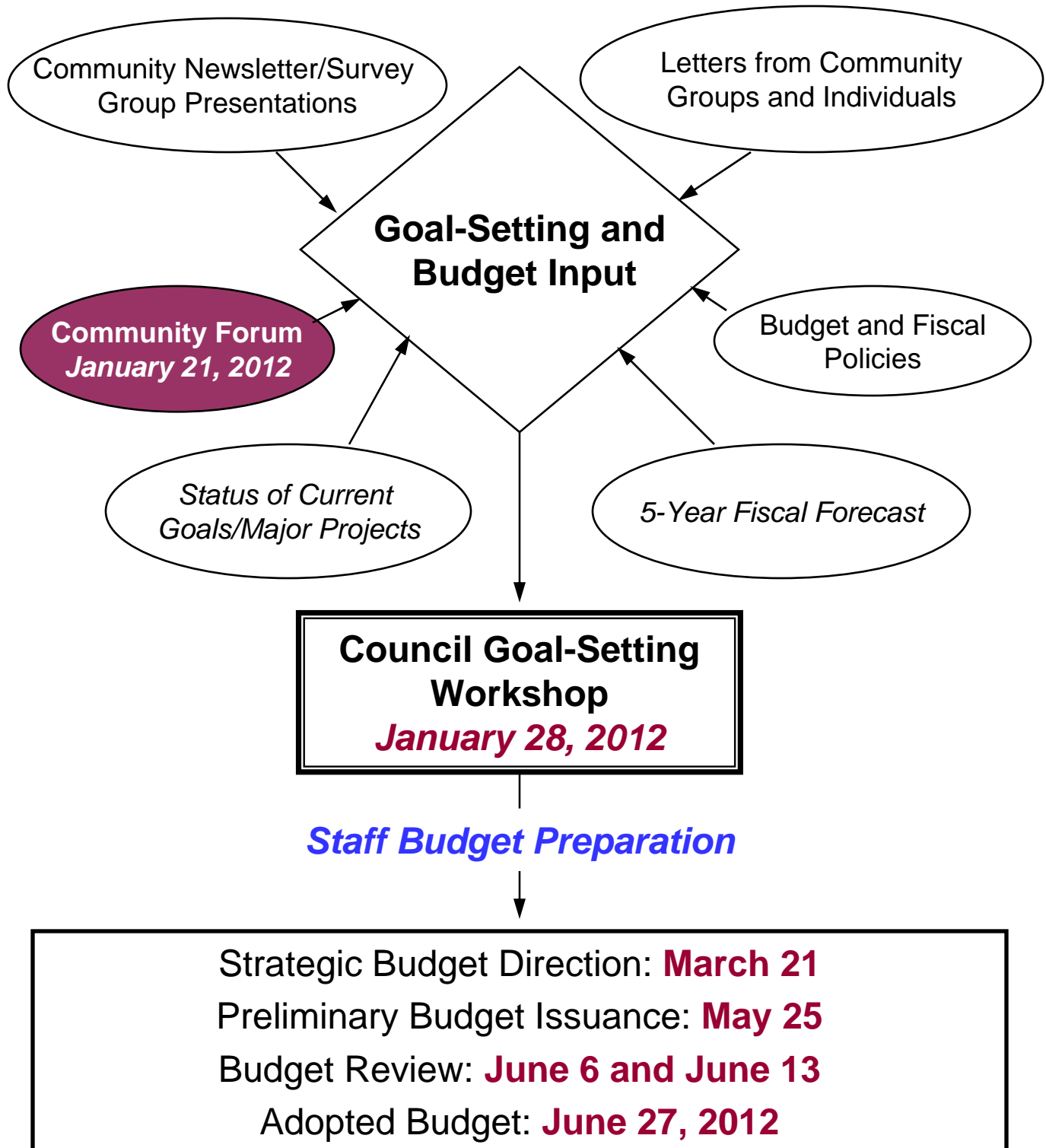
1. Proposed 2012-13 Budget Process
2. Sample Operating Program Budget





City of Bell

FY 2012-13 Budget Process



POLICE**Sample Operating Program Budget**

PROGRAM: Patrol Services
DEPARTMENT: Police
FUND: General Fund

	Actual 2009-10	Actual 2010-11	Estimated 2011-12	Budget 2012-13
PROGRAM COSTS				
Staffing	2,969,200	3,041,900	2,216,100	2,216,100
Contract Services	359,700	303,600	300,000	300,000
Other Operating Expenditures	65,000	60,000	53,700	53,700
Minor Capital	1,500			
Total	\$3,395,400	\$3,405,500	\$2,569,800	\$2,569,800

PROGRAM DESCRIPTION

The police patrol services program uses uniformed officers to respond to emergency situations and calls for service; conduct preliminary investigations of criminal activity; enforce state and City laws and statutes; apprehend criminals; enforce traffic laws; conduct routine traffic collision investigations; control disturbances; manage unusual incidents; implement crime prevention strategies; and provide other public safety related services as directed. Program goals are to: 1) safeguard the lives and property of the Bell community; 2) reduce the incidence and fear of crime; 3) enhance public safety while working with the community to improve their quality of life; and to do so with honor and integrity, while at all times conducting ourselves with the highest ethical standards to maintain public confidence. This program has four major activities:

- **General patrol.** Driving or walking assigned sectors; conducting pro-active patrols to discover criminal activity in progress or prevent its occurrence; responding to calls-for-service, apprehending criminals and traffic law violators.
- **Directed patrol.** Providing targeted vehicle and foot patrol to respond to known criminal patterns or locations of occurrences.
- **Special events.** Plan development and coordination of special events with event organizers and other City departments.
- **Traffic enforcement.** Conducting proactive traffic enforcement by issuing warnings and citations for violations, and conducting collision investigations.

	Actual 2009-10	Actual 2010-11	Estimated 2011-12	Projected 2010-11
PROGRAM STAFFING SUMMARY				
Regular Positions				
Police Captain	x.x	x.x	1.0	1.0
Police Lieutenant	x.x	x.x	1.0	1.0
Police Sergeant	x.x	x.x	1.0	1.0
Patrol Officer	x.x	x.x	15.0	15.0
Motor Officer	x.x	x.x	1.0	1.0
Total	x.x	x.x	19.0	19.0
Temporary Positions				
Full-Time Equivalents (FTE)	x.x	x.x	0.5	0.5

POLICE**Sample Operating Program Budget**

PROGRAM: Patrol Services
DEPARTMENT: Police
FUND: General Fund

SIGNIFICANT PROGRAM CHANGES*Reductions Required to Balance the Budget*

- Description of any reductions
- Description of any reductions
- Description of any reductions

Increases Required to Support Basic Services Levels or Achieve Major City Goals

- Description of any significant expenditure additions
- Description of any significant expenditure additions
- Description of any significant expenditure additions

2012-13 PROGRAM OBJECTIVES

- Description of 2012-13 program objectives, including assigned Council goals if applicable
- Description of 2012-13 program objectives, including assigned Council goals if applicable
- Description of 2012-13 program objectives, including assigned Council goals if applicable

	Actual 2009-10	Actual 2010-11	Estimated 2011-12	Projected 2012-13
WORKLOAD MEASURES				
Calls for Service	xxxx	xxxx	xxxx	xxxx
Felony Arrests	xxxx	xxxx	xxxx	xxxx
Total Arrests	xxxx	xxxx	xxxx	xxxx
Traffic Citations Issued	xxxx	xxxx	xxxx	xxxx
Traffic Collisions	xxxx	xxxx	xxxx	xxxx
DUI Arrests	xxxx	xxxx	xxxx	xxxx