



Memorandum

To: Honorable Mayor and Members of the City Council

From: Ashley King, Finance and Budget Manager
Kate Lewis-Lakin, Senior Management Analyst

Subject: 2019 Budget Projections and Priority-Based Budgeting

Date: March 19, 2018

Recommended Action:

Staff recommends Council accept and place on file the projections for the 2019 budget and direct staff to move forward on a priority-based budgeting process.

Funding Source:

N/A

Livability Benefits:

Innovation & Process: Support local government best practices and processes.

Summary:

Staff will give a presentation to City Council on current projections for the 2019 budget, and outlining a priority-based budgeting process.

Background:

Because of the challenges faced by the City during the 2018 budget process, staff has begun to work on projections for the 2019 City budget. To make these projections, staff examined 10-year trends on the major sources of revenue to the General Fund, personnel costs, and other expenses. With this analysis, staff currently projects a \$3.06 million deficit in the General Fund that will need to be corrected during the 2019 budget process.

There are also challenges and opportunities outside of the General Fund in 2019. These include:

- Outstanding capital improvements of \$353,400,013 over the next 5 years in all funds, with \$81,354,000 expected in projects in 2019.
- General obligation bond revenue needed for the Robert Crown Community Center project – expected increase of \$1.5 million in annual debt service costs.

Staff gave a detailed presentation on this project at the February 19, 2018 City Council meeting.

- Increased revenue from new water sales, expected beginning late 2018.
- Additional \$410,000 property tax increase in 2019 for the Solid Waste Fund, in order to further reduce the deficit in this fund.
- Insurance Fund – continued negative fund balance due to high litigation costs.
- Washington-National TIF closes, putting these properties back on the property tax rolls. This is expected to generate \$1 million in property tax revenue annually beginning in 2019.
- Pension funds – currently funded ratios of 43.2% in the Firefighters' Pension Fund and 46.9% in the Police Pension Fund

With all of this in mind, it is important for the City to take a close look at all programs and services as they relate to overall City priorities. Staff plans to undertake a Priority-Based Budgeting process, in which all City programs are evaluated using a single set of metrics. This will allow staff and the Council to create an ordered list of all City programs as they related to the City Council's priorities in order to assist in the 2019 budget creation process.

Staff proposes five steps in this process, all of which will be completed by the end of June 2018.

1. Identify programs for evaluation – completed by staff
2. Define metrics for evaluation – completed by staff
3. Staff scores programs
 - a. March 20-30: Department staff score and rank own programs
 - b. April 2-6: Inter-department team scores and ranks all programs
 - c. April 9-13: Budget team scores and ranks all programs
4. City Council and public outreach
 - a. April 30: City Council workshop to score and rank all programs
 - b. May 1-28: Public event and online outreach
5. Final presentation and application – June 25 City Council meeting