



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of May 22, 2018

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager
Annie To, Director of Finance

SUBJECT: Introduction of FY 2018/19 City of Hercules Budget Plan including the First Year of the Five Year 2018–2023 Capital Improvement Budget

RECOMMENDED ACTION:

Receive an Introduction on the Proposed FY 2018/18 Budget including the First Year of the Five Year 2018–2023 Capital Improvement Budget.

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:

The Finance Commission took a first look at General Fund revenues and expenditures on April 23, 2018 and received a preview of the FY 2018/19 Budget on May 14, 2018. The Finance Commission will be undertaking a review of the full FY 2018/19 proposed budget on June 4, 2018. In addition, the Finance Commission also recently reviewed a report prepared by a subcommittee on the Parks & Recreation Department and programs. On May 14, 2018, the Finance Commission approved that report so the City Council would have the information prior to the FY 2018/19 Budget process. The City of Hercules Parks & Recreation Analysis – Finance Commission Subcommittee Report is provided as Attachment 1.

FISCAL IMPACT OF RECOMMENDATION:

There is no impact from the introduction of the proposed FY 2017/18 Budget. The General Fund budget as recommended on an on-going basis has a small surplus of just over \$300,000 and makes no use of reserves to sustain our basic level of operations. One-time funds are used for a variety of one-time purposes including capital investments and meeting other critical expenditure needs on a one-time basis.

DISCUSSION:

The 2018/19 fiscal year will be a year of transition for the City of Hercules as we bridge to later years where new development provided revenues are going to be available. Offsetting these new revenues will be significant increases in costs. Based on steps taken in prior fiscal years, and continuing with this budget, the City continues on its path to fiscal sustainability. The City Manager's Budget outlines the main changes and

For the fourth year, and in keeping with our commitment to sound financial decision making and transparency, the proposed FY 2018/19 budget starts with consideration of a spending plan designed to differentiate between on-going and one-time revenues and expenditures. This is intended to make decision making easier and choices more understandable.

As with past years, the General Fund Budget is presented on a status quo basis working from the well-scrutinized FY 2017/18 General Fund Budget as a base with only unavoidable cost increases or already approved or planned changes incorporated into the base budget. Changes to the base budget are proposed through a series of Decision Packages as outlined and detailed in the City Manager's Budget Message. The Budget Message also outlines changes and modifications to the City's other Funds and the Capital Improvement Program. Other suggested or requested changes to the Budget as made by the City Council will be set forth as Budget Referrals.

The steps in the budget process which have occurred thus far are:

March 27, 2018 - City Council review of updated Long Term Financial Forecast (five year outlook).

April 10, 2018 – City Council first look at revenues and expenditures.

April 23, 2018 - Finance Commission first look at General Fund revenues and expenditures.

May 8, 2018 – City Council review and update of Strategic Plan, including progress made towards achieving the objectives set forth therein, with a number of updates made to the Strategic Plan

May 14, 2018 – Finance Commission receives preview of FY 2018/19 Budget.

Following the introduction of the City Manager's Recommended FY 2018/19 Budget this evening, the budget will be scheduled and advertised for a public hearing on June 12, 2018, with that hearing to be continued open to June 26, 2018. On June 26, 2018, it will be recommended that the City Council approve the proposed FY 2018/19 Budget by adopting the Proposed Budget with the recommended Decision Packages as modified by the City Council and with select Budget Referrals incorporated as directed by the City Council utilizing the Budget Balancing Spreadsheet included in the proposed Budget which will be updated during the final budget balancing process.

ATTACHMENTS:

1. Finance Commission Parks & Recreation Analysis
2. FY 2018-19 Proposed Budget (to be provided)

March 27, 2018 -City Council review of updated Long Term Financial Forecast (five year outlook).

April 10, 2018 – City Council first look at revenues and expenditures.

April 23, 2018 - Finance Commission first look at General Fund revenues and expenditures.

May 8, 2018 – City Council review and update of Strategic Plan.

May 14, 2018 – Finance Commission receives preview of FY 2018/19 Budget.

May 22, 2018 – Introduction of City Manager’s Recommended FY 2018/19 Budget.