

City of Boise

FY2004 – FY2005 Budget

Six Year Financial Plan

FY 2004 and FY 2005 Pre-Budget
Development Planning

February 2003



City Budget - Two Tracks

Track 1: Implement the Current Budget (FY 2003)

- January 13 meeting of department heads at Depot
- Follow up meetings before quarterly report
- “QRs” – quarterly financial reports
- Recommendations through the MBT to Council

Track 2: Develop the 2 Year Budget (FY 2004 and 2005)

- Initial steps to develop the next 2YB (February 2003)
- Series of meetings over the next 5 months
- Specific decision points for City Council at each meeting





State Code Requirements

Track 2

- 50-1002 City Council shall prepare a budget and notify County Commissioners of the date of the Public Hearing
- 63-802 “Property tax budget” - 3 % cap for property tax plus annexed and new construction value
- 63-803 Cities must certify property tax levy to County by the Thursday prior to the second Monday in September
- 50-1003 Adopt the budget by ordinance prior to the start of the fiscal year





City Code Requirements

Track 1 and 2

- **DFM assignments:**
 - Financial planning (Six Year Financial Plan)
 - Budgeting (Development and interim change process)
 - Cash management (investments and collections)
 - Debt management (current and planned debt)
 - Investor relations (banking and rating agencies)
 - Risk management (liability and workers compensation)
 - Transactions management (accounting systems)
 - Asset management (properties)
 - Reporting and audit (CAFR)
 - Trustee responsibilities (restricted donations, etc)

Green = Budget Blue = Treasury/Risk Maroon = Accounting



City of Boise
Budget Development



Policies, Guidelines and Process

Track 1 and 2

Policies: Set by City Council periodically or ad hoc
e.g., 5 % Cash Flow Designation

Guidelines: Council or Mayoral direction
e.g., Targets for base cost increases in supplies, contracts,
or equipment

Process: Developed by DFM with participation by Council,
Mayor and departments
e.g., “Decision unit” formats for service or cost increases





Council Direction & Participation

Track 1 and 2

FY 2002 and
2003 2YB

Broad
Policy

Highest Level
Summaries

Fund and Department

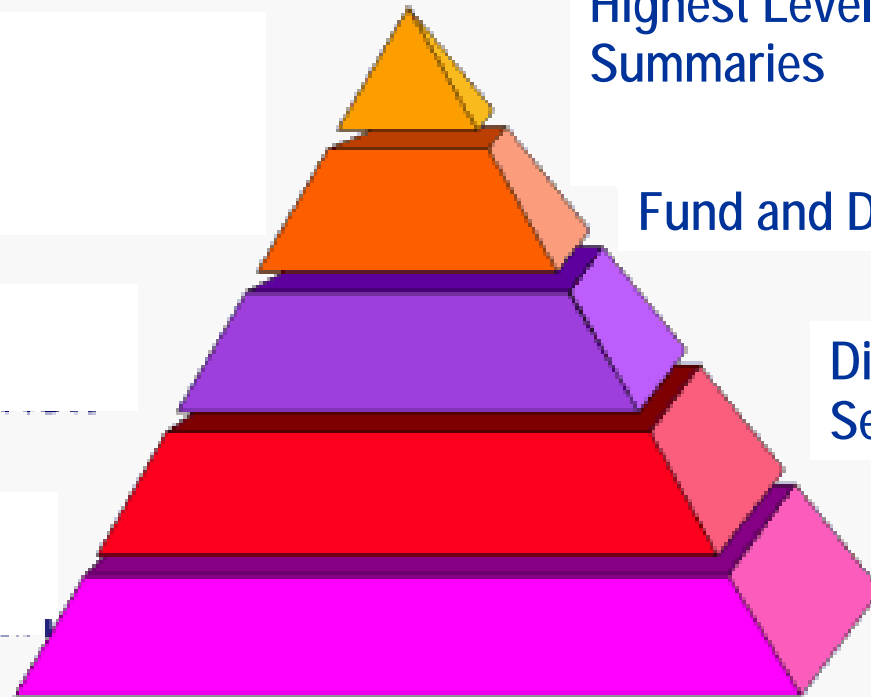
FY 2004 and
2005 2YB

?

Division and
Service Unit

Line
item
detail

Line Item Detail





Track 2

1. **Six Year Financial Plan (Strategic Plan)**
2. **Capital Improvement Plan**
3. **Budget Office Estimates**
4. **Department Budget Requests**
5. **Mayor's Budget Recommendation**
6. **City Council Budget Workshops**
7. **Formal Approval of Budget (Legal compliance)**
8. **Convert the adopted budget to the General Ledger** (begins Track 1)





Track 2

- 1. Six Year Financial Plan** - February 11, March 4 and 11
 - Adopted economic assumptions (February 11)
 - Adopted financial and HR policies (March 4)
 - Adopted revenue and cost projection assumptions (March 4 and 11)
 - Approved BudDev guidelines: targets and formats (March 11)
 - Approved debt strategy (March 11)
- 2. Budget Office Estimates** - March 14 to departments
 - Formats, targets, deadlines
- 3. Capital Improvement Plan** (April review with Council)
 - Adopted capital priority plan and lists by fund and source
- 4. Department Budget Requests** (TBD)
 - Base operating budget and decision units requests





Track 2

- 5. Mayor's Budget Recommendation** - June 13 or 16
 - Recommended allocations for capital, base operations, and decision units
- 6. City Council Budget Workshops** - June 23 - 27
 - Strategic direction
 - Preliminary allocations for capital, base operations and decision units
 - Budget for Public Hearing
- 7. Formal Approval of Budget** (Legal compliance)
 - Public Hearing (e.g., August 26 or September 2)
 - Certified property tax levy by September 4
 - Annual appropriation ordinance adopted by Tuesday, 9-30
- 8. Convert the adopted budget to the General Ledger**

Begins Track 1





I. Six Year Financial Plan

Track 2

- 1. Economic forecast: Seek Council direction about economic situation** (February 11, 2003)
- 2. Comprehensive Financial and HR Policies** March 4
- 3. Revenue Manual: “Adopt” revenue assumptions**
March 4
- 4. Six Year Financial Projections: Display different scenarios of the future** March 11
- 5. Budget Guidelines: How do we develop this budget?** March 11
- 6. Debt Capacity: Status of debt and options**
March 11





SYFP 1: Economic Forecast

Track 2

John Church Presentation

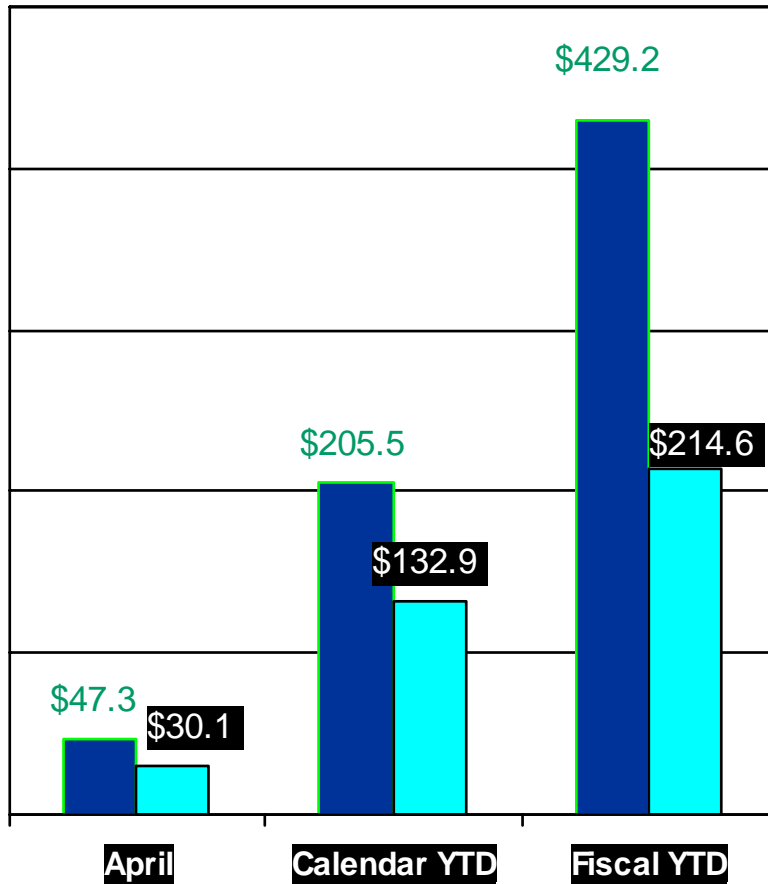
- **Economic factors affecting City costs and resources (national, regional, local)**
 - Population and growth
 - Employment
 - Inflation
 - Housing starts and commercial development
 - Cost of money and other financial indicators
- **Projection of direction of the economy**



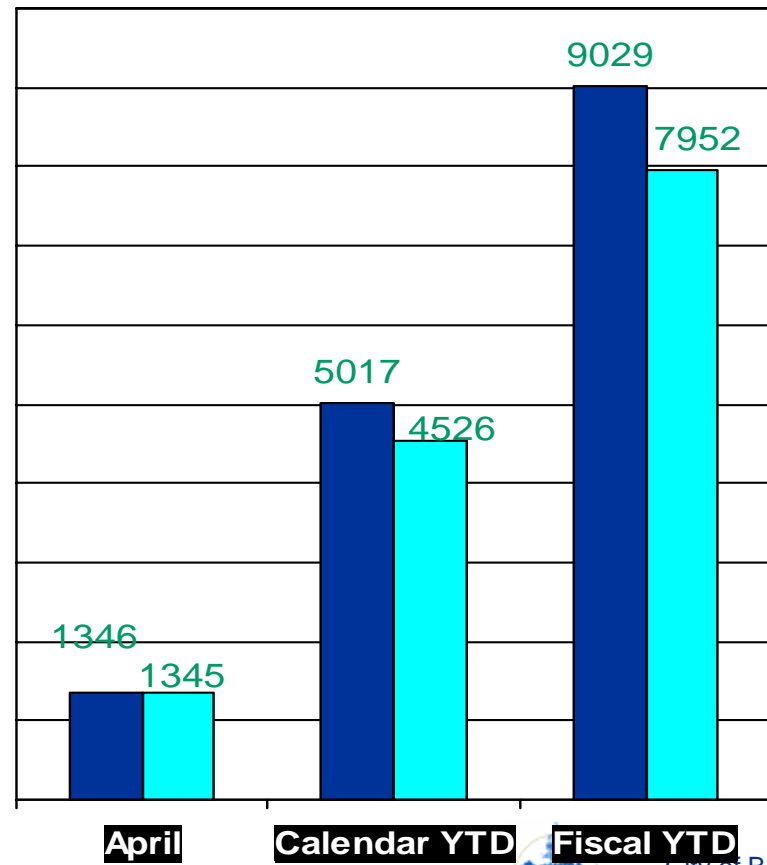


Boise Development

Construction Report



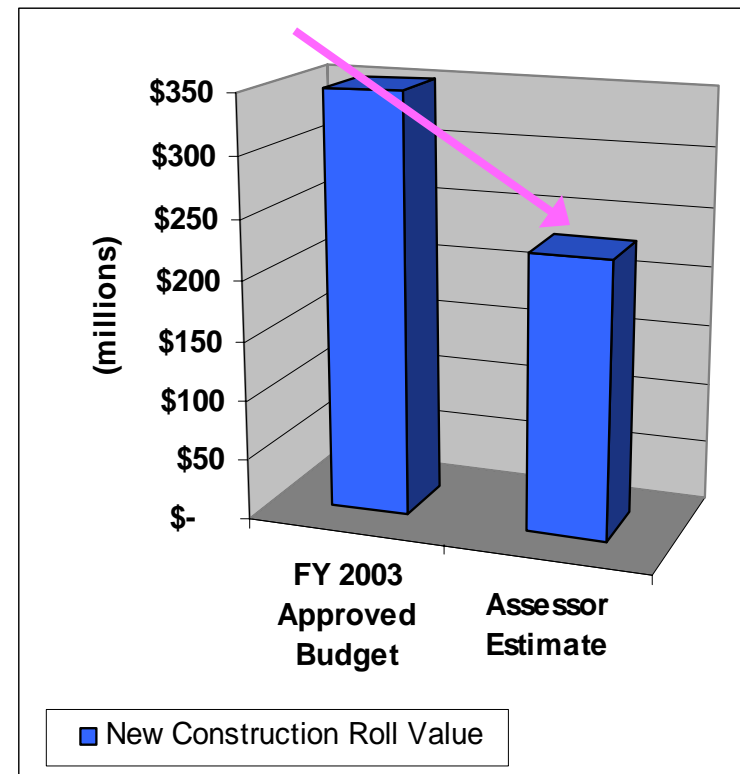
Permits Issued





New Construction Roll

- **FY 2003 Approved Budget → \$350 million**
- **Assessor estimate → \$230 million**





SYFP 2: Comprehensive Review of Policies

- **Comprehensive list in Six Year Financial Plan**
- **Highlighted policies recommended or earmarked for change during SYFP**
- **Adopted as “context” and direction for the Two Year Budget process – Council adopts as part of the SYFP**
- **Key way to establish Council direction**





SYFP: Policies (examples from Comprehensive Policy list)

- **Strategic Financial Policies**
 - Strategic planning
 - Quality/Process Improvement
 - Performance Mgmt
- **HR Policies**
 - Pay and benefits philosophy
 - Span of control
 - Performance pay
- **Budgetary Policies**
 - Structural balance
 - Department head authority
 - Two Year Budget
 - Department Incentives
- **Revenue Policies**
 - User fees
 - Growth fees
 - Grants and donations
- **Expenditure Policies**
 - Control levels
 - Equipment replacement
 - Contingent accounts
- **Capital Projects Policies**
 - Operating costs
- **Fund Balance Policies**
 - 5 % Cash Flow Set Aside
 - Long term obligations funded
- **Debt policies**
- **Risk Management Policies**
- **Cash and Investment Policies**
- **Accounting Policies**





"5% Cash Flow Designation" Policy

5 % debt and cash flow reserve:

Modify the fund balance policy for the tax funds to set the goal of designating **5 percent** of the annual General Fund budget for cash flow purposes and to assure City bondholders of the City's ability to fund debt service. Achieve the full amount over a two or three year period.

(Approved by City Council July 31, 2001)

Proposed 5 Percent Debt and Cash Flow Designation Policy

Boise City will maintain a designated amount on the General Fund balance sheet for cash flow purposes and to assure bondholders of the City's debt of the City's ability to meet debt service and other City obligations. The goal for the designation is five percent of the subsequent annual General Fund budget. In 2003, the designation is **3.9 percent** of the 2003 General Fund budget. The City intends to achieve the five percent designation by the end of FY 2005 for the FY 2006 General Fund budget.



City of Boise

Budget Development



Examples of Other Policies

- **Department Head Authority.** The underlying concept of Boise City's management system is that departments are given maximum authority to manage their areas of responsibility. Departments are given broad authority to control their budgets and to make changes indicated to meet program objectives and to meet performance goals. (Page 5 Comp. Policies in 2002-2003 Six Year Financial Plan)
- **Budget Implementation Guidelines.** The City Council has adopted budget implementation guidelines to document department accountability and flexibility related to their budget allocations. The guidelines are reviewed periodically to assure that they are current and progressive and consistent with the City Council's goals and intent.
 - *Status: Budget implementation guidelines ("Budget Flexibility Guidelines") were updated as an element of the Strategic Plan Update in April 1999. The guidelines encourage departments to address changing needs by shifting budgeted funds within their approved budgets, to be accountable for staying within the approved budget and provide incentives for operating savings.*
- **Incentives to Departments and Agencies for Excellence in Budgetary Management.** The City encourages departments to strive for excellence through use of the tools of quality, through creativity, and appropriate risk taking and productivity efforts. The City recognizes cost savings attributable to actions by departments and agencies by providing "incentive reallocations" of a share of year-end savings to the departments. The incentive reallocations may be used at the discretion of the department or agency for any purpose consistent with their mission and with City Code. If unused, the balance in the incentive reallocation account for the department may be carried forward to succeeding budget years. Use of the incentive reallocation may not increase the base budget going forward.

Status: Since 1994, the Mayor and City Council have provided incentive reallocations of cost savings attributable to departments and agencies. In most years, the amount has been 50 percent of identified savings. Incentive reallocations have been spent on technology and equipment, for special projects, and other activities identified by departments and agencies. At year-end for FY 2000, 50 percent of the \$607 thousand in department savings was reallocated to departments under the incentive program.





SYFP: Contingent Accounts Policy

- **Two kinds of contingent accounts: funded accounts and unfunded appropriations**
- **Funded: Established to reduce incentive for departments to “pigeon hole” money**
 - One funded contingent account in General Fund (similar accounts in other funds)
 - All uses of contingent accounts require Council action
 - Staff work and MBT and on to Council agenda
- **Unfunded: Established to avoid opening the budget and to facilitate rebudgets/enc**
 - Only activated by City Council (all use require Council action)
 - Only activated if revenues/resources are verified to Council
 - Sufficient contingent account “appropriations” to meet anticipated changes during year





SYFP: Department Head Authority

- **Budget Changes**
 - 98/99 change (Liberalizing the former more restrictive policy)
 - Departments may not exceed their total cost budget
 - Departments may not use contingent account funds without Council approval
 - Departments may not transfer capital funds outside of the project for which they are approved (exceptions)
 - Departments may not increase their subsequent base budget
 - Departments may not exceed their approved permanent fte count (pilot fte for 12 months and no base increase)
 - Departments may transfer funded budget amounts anywhere in their operating budgets (HR – M&O – EQ)
 - Council provides incentives for savings (when \$ available)
 - Most departments keep Council liaison informed and go to Council for project changes





Increased Budgetary Control

- **Restrict movement of budget to set limits**
- **Special review of changes in “high profile” line items**
- **Special review of changes greater than a set percentage (e.g., 20%)**
- **Special review of any operating projects – similar to capital projects**
- **Explanation in QRs or in ad hoc reports**





SYFP 3: Revenue Manual

- **Information about key revenue sources**
 - Property tax = 60+%, Sales tax revenue sharing, User fees, Growth fees, Franchise fees, fines and forfeitures, liquor tax, interest, internal charges
 - **Document law and history**
 - **Identify Trends and Assumptions**
 - **Adopt projections**
- (Periodically review – QRs and at significant events)**





SYFP 4: Six Year Projections

- **Projection model**
- **Tax Funds focus – usually**
- **All revenues, costs and balance sheet Δ s**
- **Structural balance policy – bottom line >0**
- **Test and model changes to costs or resources**
- **Four out years**
- **Basis for longer term monitoring of assumptions and estimates**





Available base money

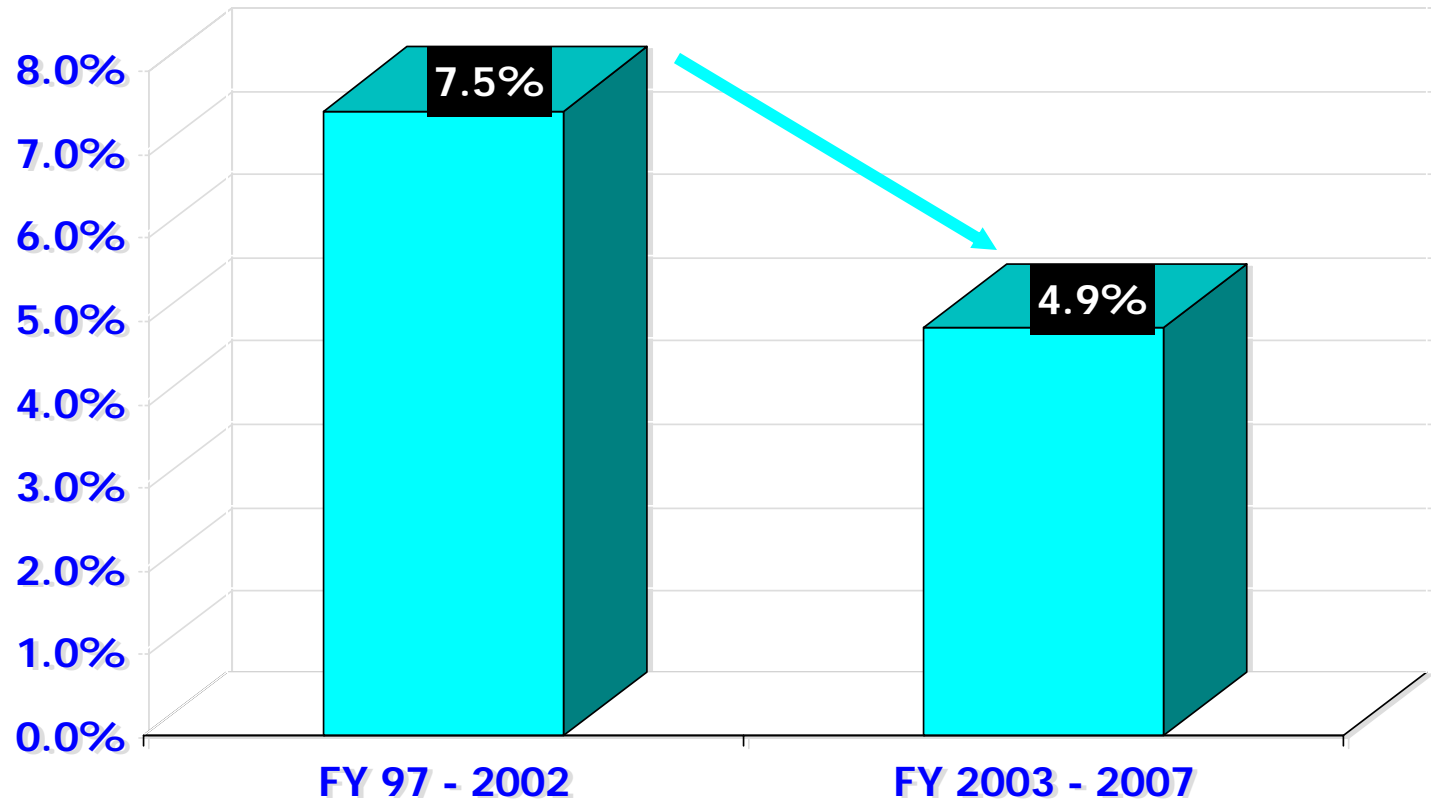
Projection Model: FY 2003 interim
projecting to the
FY 2004 and FY 2005 Two Year Budget development

97 – 2001	2002	2003	2004	2005	2006	2007
\$1,500 to \$3,000	(\$725)	\$31	\$328	\$1,548	\$1,527	\$1,549





Revenue growth





SYFP 5: Budget Development Guidelines

- **Overall budget goal: Zero? 3 % 4.5 % ???**
- **HR: general employee compensation increase amount/%, Medical benefits %, PERSI rate change, Other?**
- **M & O: Targets, Inflationary increase?**
- **Equipment: Replacement level, new EQ?**
- **Debt: Timing of debt costs**
- **Capital funding level, especially major repair and maintenance**
- **Fund balance use or “reserves”**





III. Budget Office Estimates

- **Revenue Manual estimates (updates)**
- **HR cost estimates (data base modeling)**
- **Department M & O targets (deleting and reducing to achieve equity and compliance) Inflationary factor??? MCI**
- **Equipment target – replacement costs plus inflationary factor**
- **Balance sheet requirements (e.g., 5 % CFD)**





SYFP 6: Debt Strategy

- **What are our options?**
- **When do we issue debt?**
- **When will the payments be required?**

