



Staff Report

FY 2006 BUDGET STRATEGIC PLANNING SESSION AND BUDGET CALENDAR

Honorable Mayor and Members of the City Council Finance Commissioners:

Summary

As part of the annual budget development process, the City of Belmont holds a strategic planning session to discuss budget issues for the upcoming fiscal year. As part of that process, the City Council adopts a budget calendar establishing dates leading to approval of the budget.

Background and Discussion

The budget process includes a joint work session with the City Council and Finance Commission to review financial trends and projections and consider priorities and policies in developing the budget.

At the conclusion of the working session, and after hearing input from the Finance Commission, the City Council is asked to provide policy direction to staff regarding preparation of the FY 2006 draft budget.

As has been our practice, the FY 2006 Budget Calendar calls for a series of joint work sessions with the City Council and Finance Commission, ultimately resulting in budget adoption on June 14th. Additional key dates are highlighted in the attached calendar.

Follow Up

Issue City Council FY 2006 budget directives and distribute calendar to departments.

Fiscal Impact

No fiscal impact

Public Contact

The Finance Commission has been informed regarding this action and notice.

Recommendation

1. Hold joint session with Finance Commission, consider testimony and provide direction to staff regarding preparation of the FY 2006 draft budget.
2. Adopt motion implementing FY 2006 Budget Calendar.

Alternatives

Not applicable.

Attachments

1. Strategic Planning Workshop Presentation
2. Proposed FY 2006 Budget Calendar

Respectfully submitted,

Thomas Fil
Finance Director

Daniel Rich
Interim City Manager

City of Belmont

FY 2006 Budget

Strategic Planning Session

Joint Meeting of the City Council & Finance Commission

February 22, 2005

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Overview

- Trends & Projections
- Policy Considerations
- Directives

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Trends & Projections: Consideration Factors

- Demographic factors
- Fiscal factors
- State factors



Trends & Projections: Demographic Factors

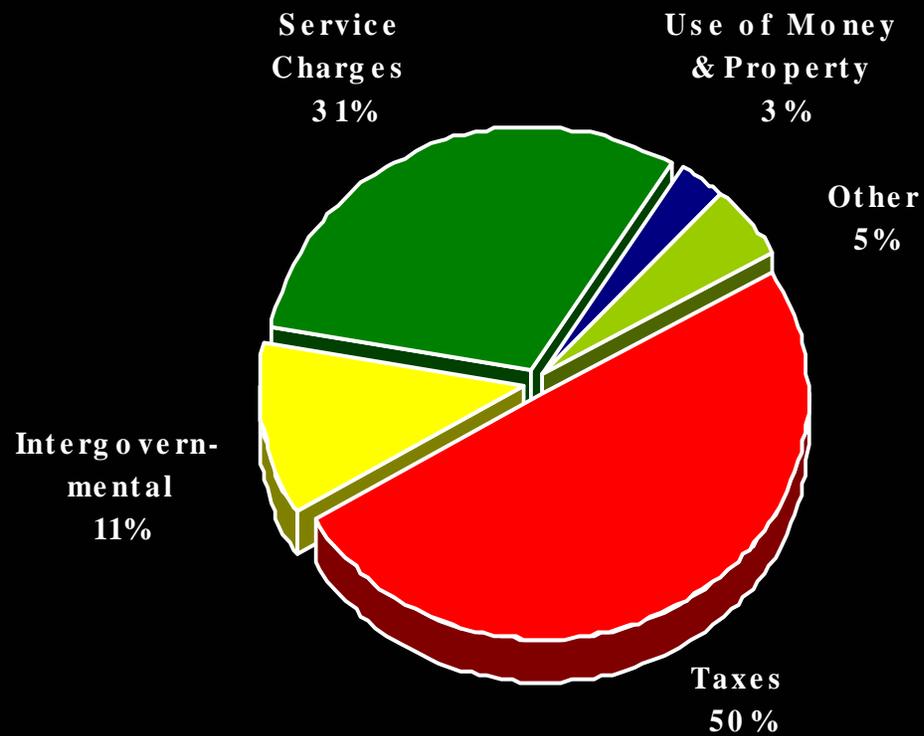
- Demographics
 - Population: 0.0% *no change for Belmont*
 - Inflation: 2.2% *and stabilizing for Region*
 - Job growth: **2.6%** *and rising for Belmont*
 - Office vacancy: **30.1%** *and decreasing for Belmont*
 - Interest rates: **2.13%** *and rising for LAIF*

Trends & Projections: Fiscal Factors

- Revenues
- Expenditures
- CIP

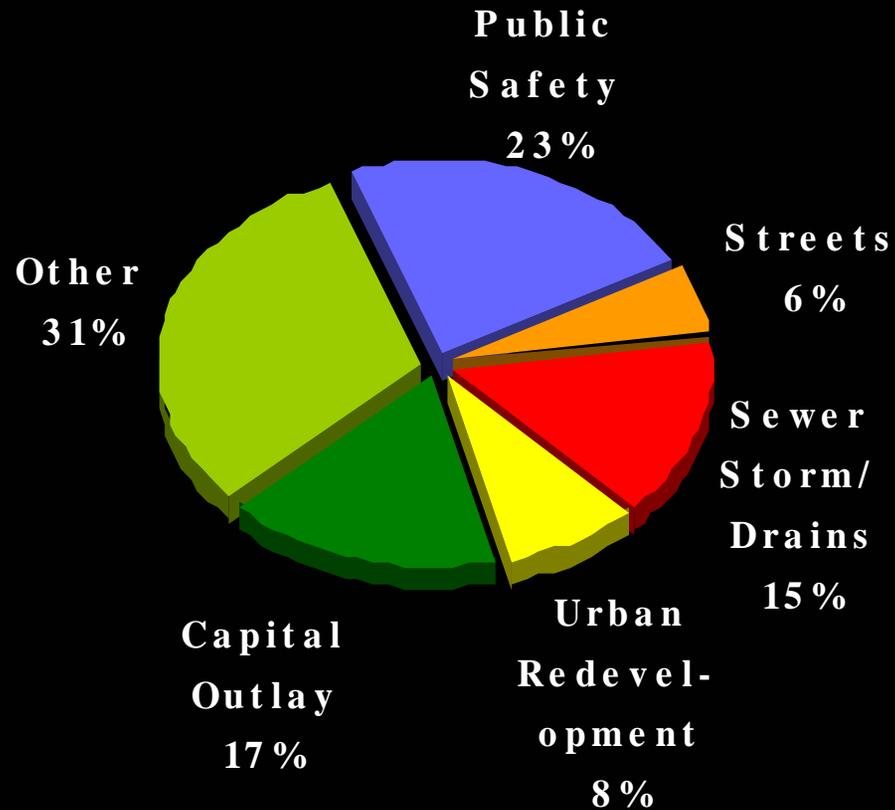
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Trends & Projections: Where Do \$ Come From?



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Trends & Projections: Where Do \$ Go?



February 22, 2005



Trends & Projections: Revenue Forecast Assumptions

- Revenues
 - Stabilization in most key revenues
 - Grow at modest levels, generally at rates similar to operating costs
 - Property tax growth will likely exceed inflation, but not expected to be at double digit levels of past years
 - Sales Tax expected to grow by 4%
 - Other revenues expected to grow 0% to 2%
 - Exception is TOT!

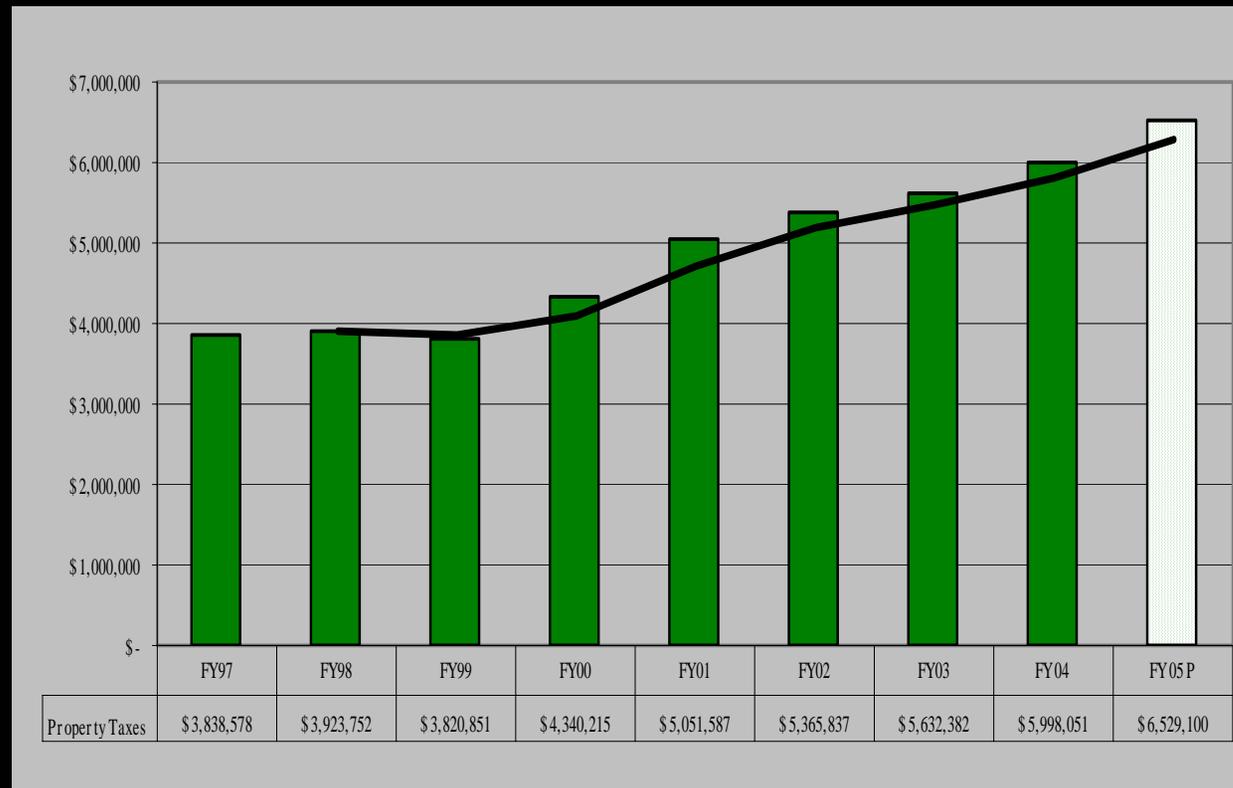
Trends & Projections: Property Tax Growth

- 👍 Return to normal levels
- 👍 Assessed valuation City 5+% growth



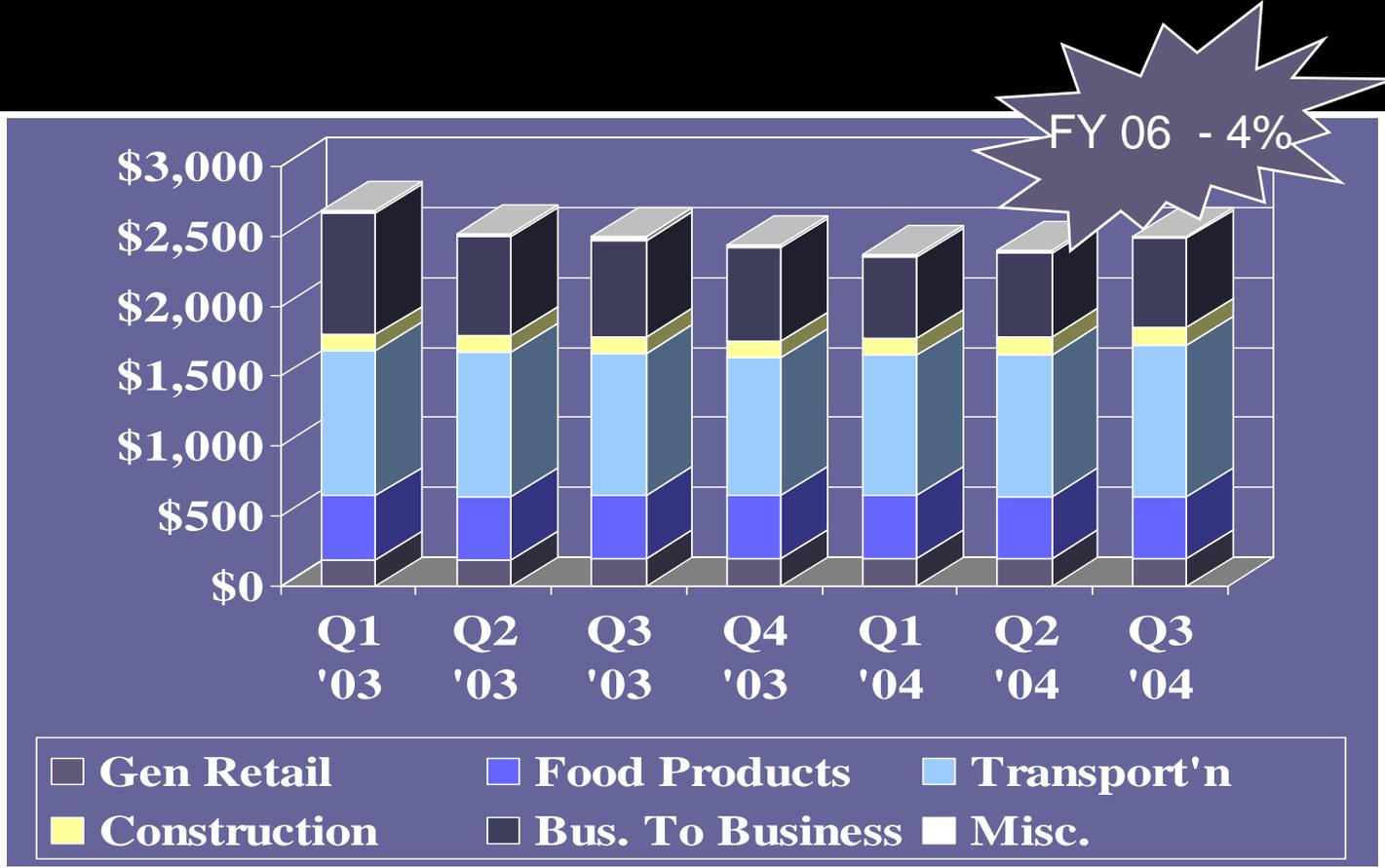
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Trends & Projections: Property Tax (by Fiscal Year)

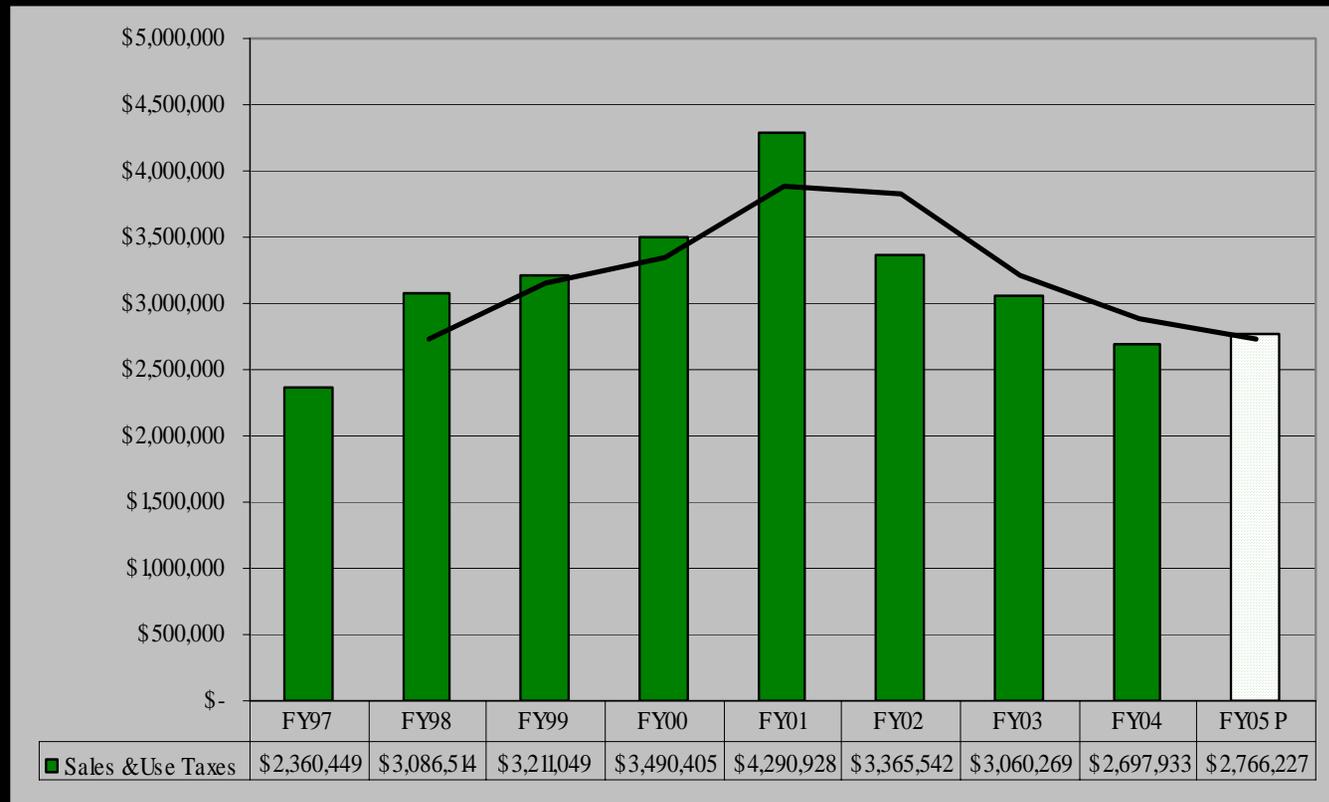


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Trends & Projections: Sales Tax by Business Categories

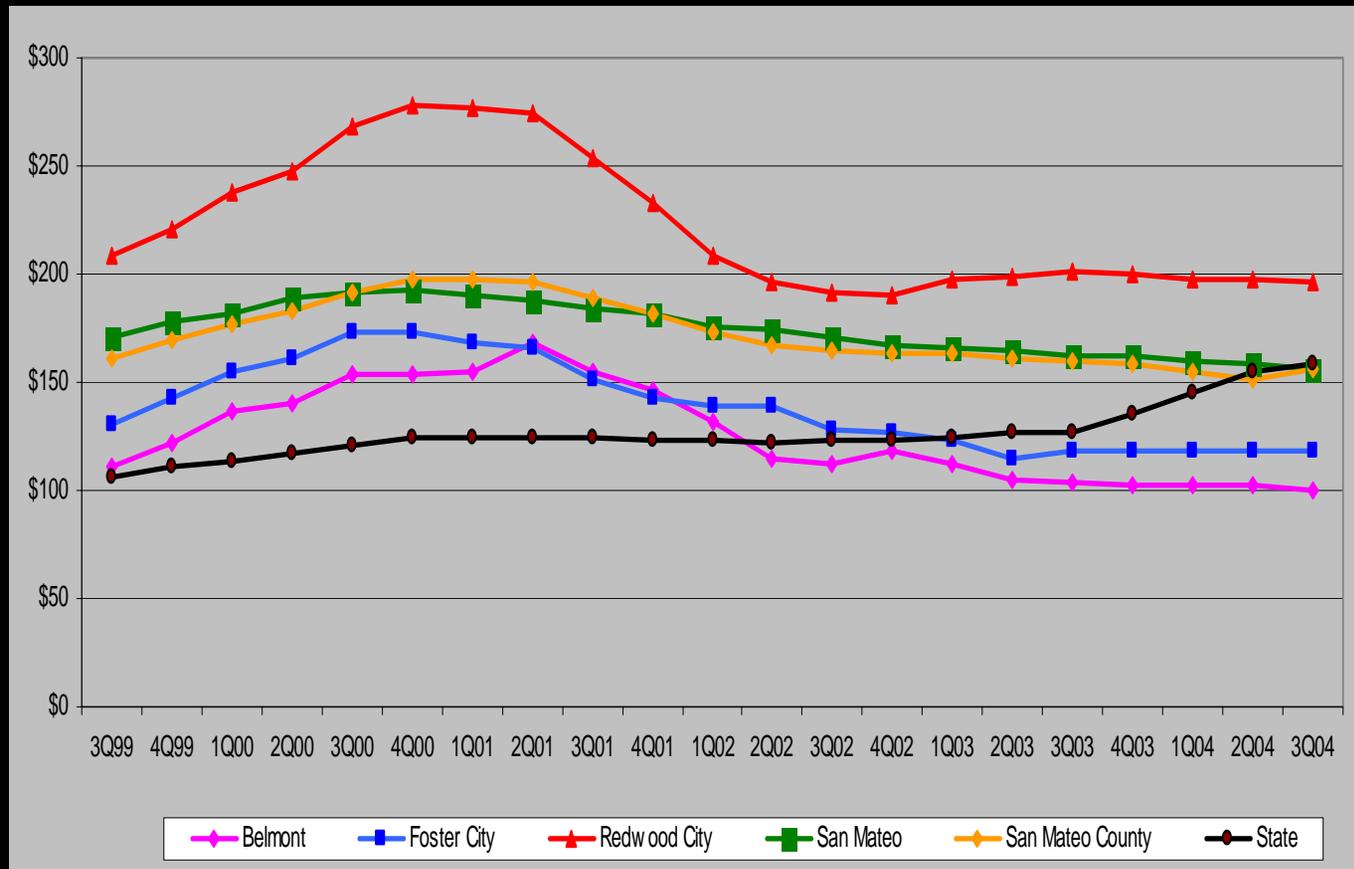


Trends & Projections: Sales Tax (by Fiscal Year)



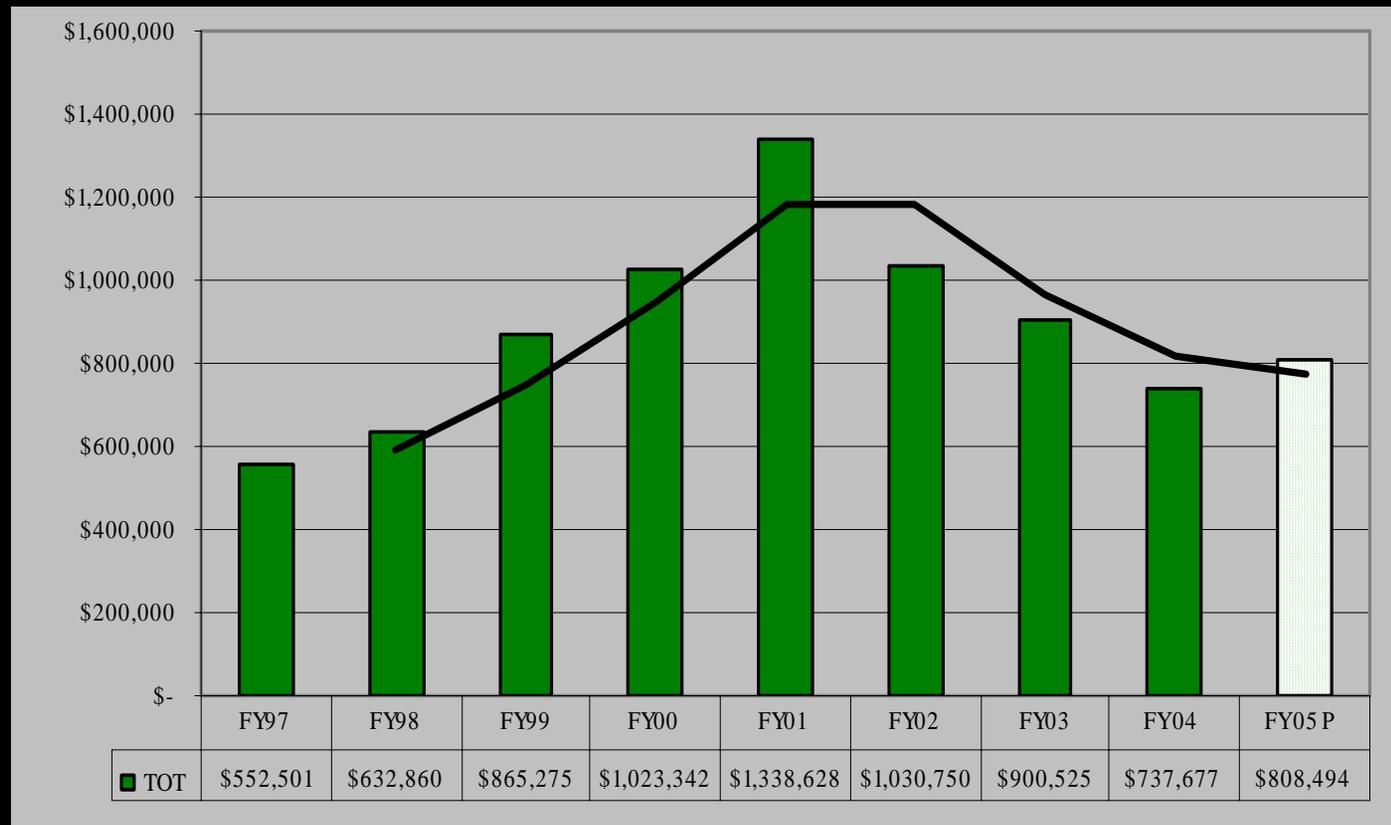
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Revenues – Sales Tax Per Capita



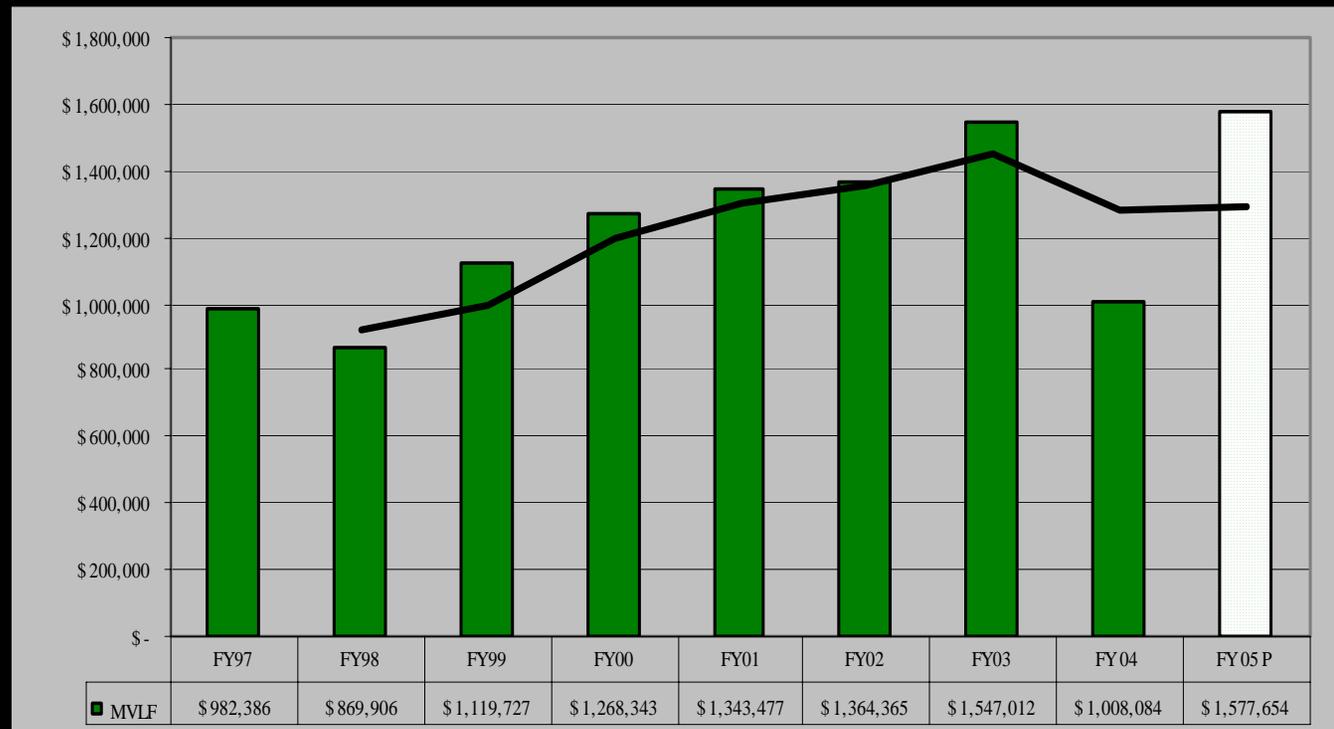
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Trends & Projections: Hotel Tax (by Fiscal Year)



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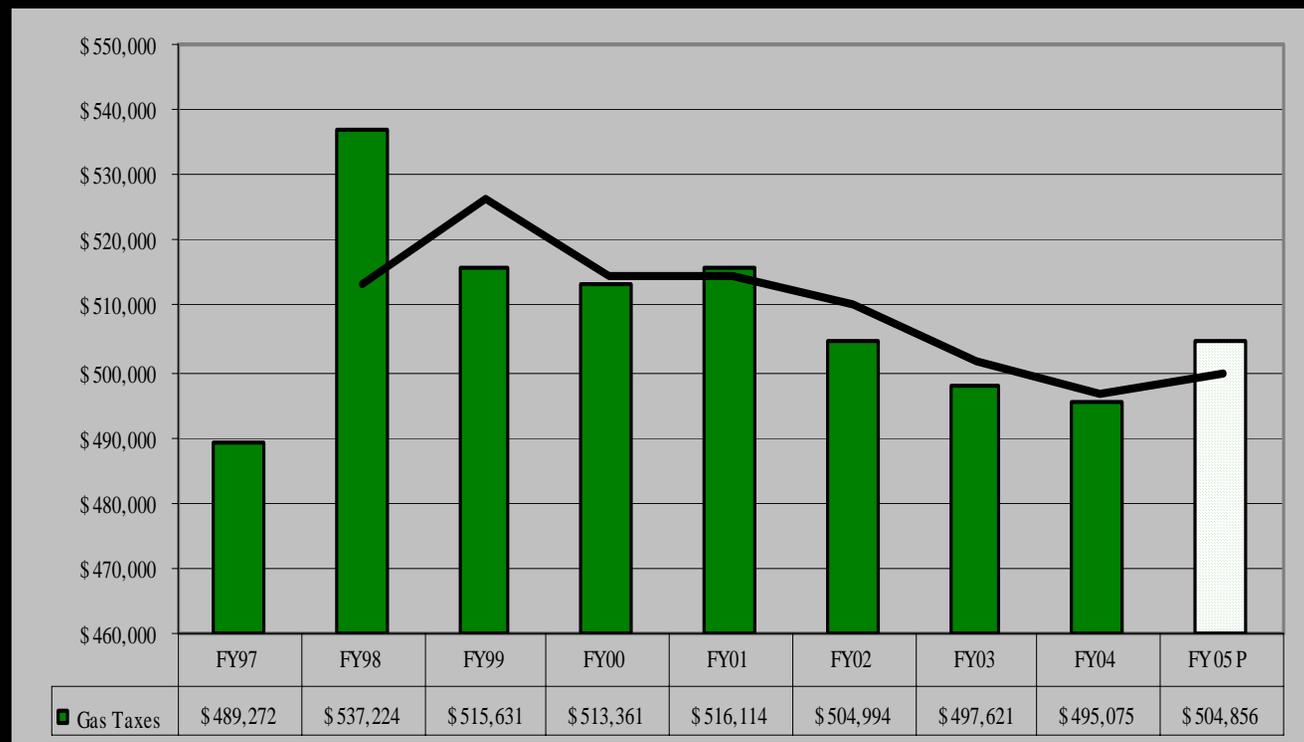
Trends & Projections: VLF (by Fiscal Year)



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Trends & Projections: Gas Tax

(by Fiscal Year)

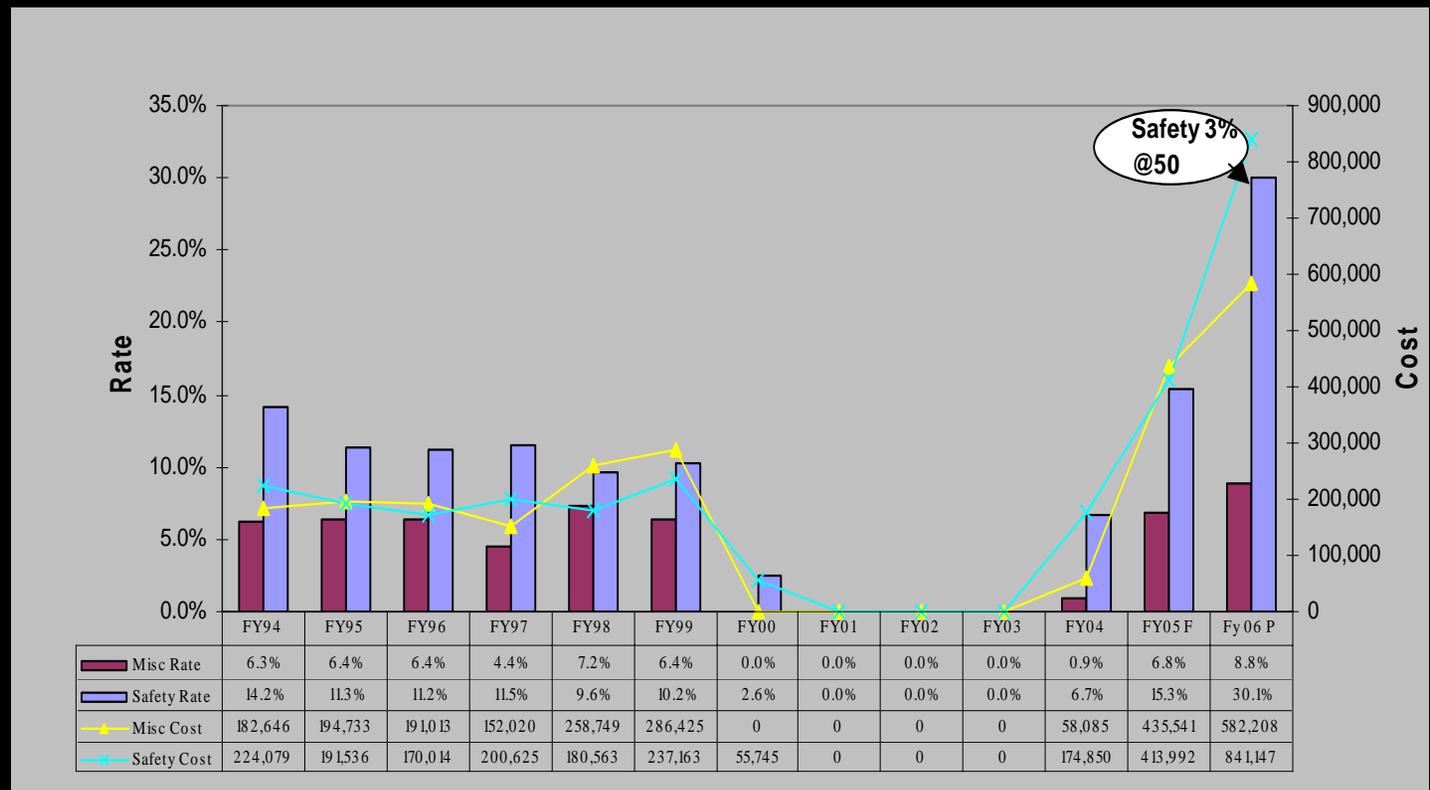


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Trends & Projections: Expenditure Forecast Assumptions

- Operating Expenditures
 - Non-development - Growth tied to projected increases in inflation and MOU (2 to 3%)
 - Development - Grow based on projected housing starts (1 to 2%)
- Debt Service
 - Oracle: Based on sales tax in excess of \$100,000—likely to be modest \$55,000
 - New debt
 - Sewer capital
 - RDA LMI

Trends & Projections: PERS Rates & Cost (by fiscal year)



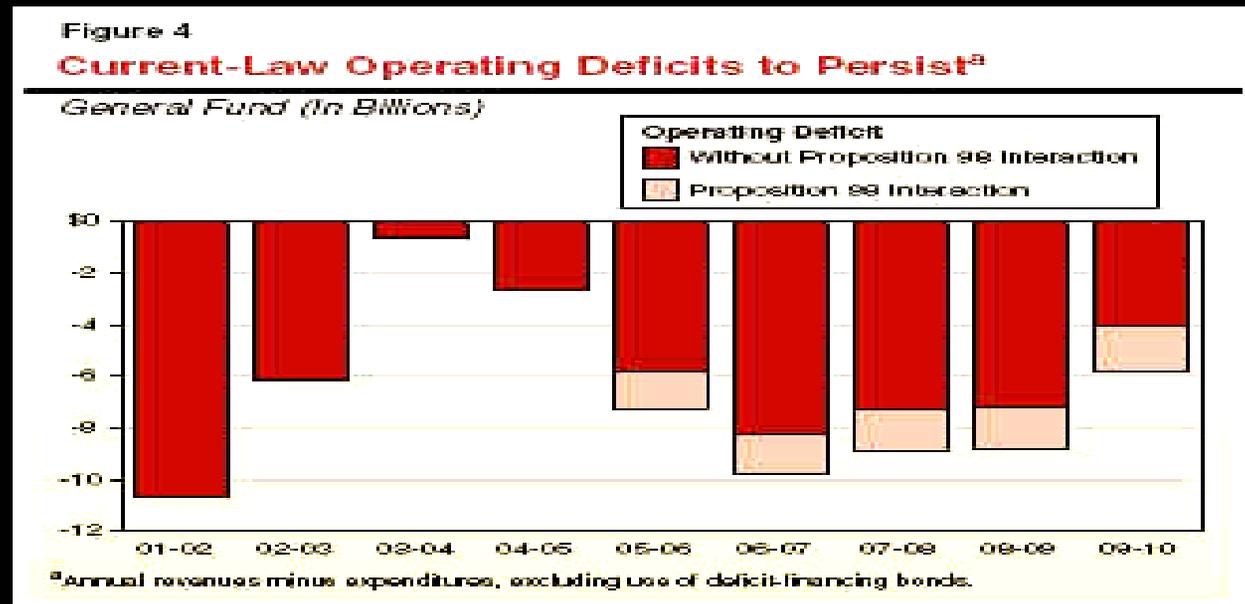
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Trends & Projections: Capital Forecast Assumptions

- Capital Improvement Plan
 - Library Project
 - Sewer & Storm Drain
 - Street Improvement
 - LMI
- Equipment Replacement
 - Planned replacements continue, unless useful life remains

Trends & Projections: State Factors

- State Budget Actions
 - Governor included state take backs of \$0.3 million ongoing in January 10th FY 06 Budget plus RDA of \$0.5 million



– Source: Legislative Analysis Office, 2/1/05 Projections”

Trends & Projections: Impact Assumptions

- Plan for \$.3 million in additional ERAF takeaway
- Elimination of \$.1 million COPS grant
- Plan for other miscellaneous reductions
 - RDA ERAF
 - ½ Booking fees
 - State mandate reimbursements
 - Street improvement grants

Policy Directives

- Financial policies
- Reserve levels
- FY 2006 Council directive

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Policy Directives: Financial Policies

- Reserves
- Balanced budget
- Revenues
- Subsidies and transfers
- Contingencies
- CIP management
- Capital financing & debt management
- Community groups

Policy Directives: Reserve Levels

- General Fund
 - Flat \$2 million or % based
- Benefit Liabilities Fund
 - 3% @ 50 in FY 2006
 - 10 Year Amortization
- Development Services Fund
 - Create reserves (in progress)
- Recreation Services Fund
- Fleet and Equipment Fund
 - Reduce replacement cost funding
- Unanticipated Infrastructure Repair Fund
 - Minimum \$.25 million

Policy Directives: FY 2006 Council Directive Assumptions

- Balanced long term budget consistent with policy
- \$1.5 million correction plan implemented in FY 2005 carries into FY 2006
- Other correction efforts
 - Development Services Fund - ongoing monitoring
 - 5% correction plan needed as contingency

Policy Directives: Outstanding Issues

- City Attorney funding
- Community groups
- Labor contracts
- Health insurance



Policy Directives: 5% Budget Contingency Plan

- Departments to be instructed to identify 5% in potential strategies
- Identifiable, achievable and sustainable
 - Depends on revenue estimates
 - Part of FY 2006 Budget proposal
 - If implemented, will be presented in form similar to \$1.5 million correction plan

In Closing

- Budget Calendar
 - April/May Budget preparation
 - May 24 Introduction
 - June 14 Adoption
- Questions & Answers
- Council Direction