



CITY OF POMONA COUNCIL REPORT

November 20, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Onyx Jones, Finance Director/City Treasurer

Subject: **Fiscal Year 2018-19 Budget Kickoff**

SUMMARY

Recommendation – That the City Council approve the attached Fiscal Year (FY) 2018-19 Budget Guiding Principles and review the FY 2018-19 Budget Preparation Calendar and Budget Process.

Fiscal Impact – None with this action.

Previous Related Action – On May 2, 2011, the City Council adopted Resolution Number 2011-49 approving the Fiscal Sustainability Policy which contains the following language, “annually, the City Manager shall submit to the City Council for consideration, a list of Budget Guiding Principles to be used in the development of the coming year’s budget.”

EXECUTIVE SUMMARY

As part of the City’s long term sustainability plan, City Council adopted a Fiscal Sustainability Policy in 2011. Part of that policy requires the City Manager to annually submit guiding principles for the upcoming budget year. The attached document represents fulfillment of that annual obligation and will provide staff with direction in developing the new budget. Approval of the FY 2018-19 Budget Calendar, Budget Process, and Guiding Principles will officially kickoff the FY 2018-19 budget preparation process.

DISCUSSION

GUIDING PRINCIPLES

In accordance with the City Council adopted Fiscal Sustainability Policy, the FY 2018-19 Budget Guiding Principles is hereby submitted for consideration. While the FY 2018-19 Principles

closely follow those of FY 2017-18, items 5 and 12 of Section IX (Capital Improvement Program and Asset Replacement) of the Fiscal Sustainability Policy are recommended for suspension.

- **Item 5.** *The City's objective will be to dedicate to the Capital Improvement Program for citywide improvements without an alternative funding source at least 0.25% of the annual General Fund revenues allocated to the City's operating budget beginning with fiscal year 2013-14. This percentage will increase by 0.10% each year until reaching 1.0%.*
- **Item 12.** *The City will provide replacement funding for fleet vehicles and major equipment using a Replacement Fund sinking account beginning fiscal year 2013-14. Vehicles that are replaced on a short-term routine basis such as patrol units may be leased purchased rather than part of the replacement fund. A replacement and available funding schedule will be updated as part of the annual budget process.*

These sections, which were to initially begin in FY 2013-14, required an annual dedication of General Fund revenue to the Capital Improvement Program and to the vehicle/major equipment Replacement Fund.

These sections were officially suspended by City Council action for FY 2013-14 through FY 2015-16; however, in the November 16, 2015 First Quarter Report Finance requested the suspension be removed because of the strong financial finish in both FY 2013-14 and FY 2014-15.

There was a loss in the General Fund during FY 2015-16 and these items (#5) were once again suspended during the budget process for FY 2016-17 and FY 2017-18. However, in the October 16, 2017 *Preliminary Fiscal Year 2016-17 June Year-End Report (Unaudited - 90% complete)* it was reported there was a strong possibility that FY 2016-17 would have a surplus as much as \$1.5M due to one-time revenues received. With the completion of the Audit scheduled to be presented to the City Council in February 2018, if this surplus is realized, staff will recommend at that time that a transfer of funds be done according to items 5 and 12 of Section IX (Capital Improvement Program and Asset Replacement) of the Fiscal Sustainability Policy.

As indicated, the estimated surplus in FY 2017 is due to one-time revenues received and currently there is no surplus projected for Fiscal Year 2017-18. Because of this, Finance requests that the suspension be held for FY 2018-19 until the General Fund has consistently provided sufficient surplus to transfer these funds without jeopardizing the recommended reserve ratio of 17%.

BUDGET PROCESS

The General Fund reserve for FY 2017-18 is currently estimated to meet the 17% reserve requirement; however, many potential impacts (retirement rates, labor negotiation outcomes, fire service increases, etc.) to the upcoming year are yet to be determined. Additionally many core services and infrastructure improvements remain significantly underfunded.

Staff recommending that the City follow the same budget process used in prior years with a budget study session held on the second Monday in May (May 14th) and one public hearing (or more if needed) to be held in June. Departments have been advised to hold the line and to use the

November 20, 2017

2018-19 Budget Kickoff – Budget Guiding Principles/Budget Calendar/Process

Page 3 of 3

current fiscal year budget as a baseline. New programs or staffing should only be recommended if there is an identified ongoing funding source.

BUDGET CALENDAR

What	FY 2018-19
City Council Meeting – Approval of 2018-19 Guiding Principles	November 20, 2017
Budget Kickoff for Staff – Distribution of Budget Guide and Forms to Departments	December 6, 2017
City Council Meeting – General Fund Mid-Year Budget Review	March 5, 2018
Distribution of Proposed Documents <i>Charter Deadline –May 17, 2018</i>	May 7, 2018
Budget Study Session – Review of the Proposed Budget	May 14, 2018
City Council Meeting – Public Hearing for Budget Adoption	June 4, 2018

Attachment: Budget Guiding Principles for FY 2018-19