



## **INFORMATIONAL MEMORANDUM**

**TO: Finance Committee**

**FROM: Vicky Carlsen, Finance Director**

**CC: Mayor Ekberg**

**DATE: July 21, 2020**

**SUBJECT: 2021-2022 Budget Process Update**

### **ISSUE**

Review activities and calendar associated with the 2021-2022 budget process.

### **BACKGROUND & DISCUSSION**

#### *Activities to Date*

The City Council kicked off its budget process with the Council Retreat on February 22, 2020, working with guest facilitator Mike Bailey to review municipal budgeting, the financial structure of the city, and a draft budget calendar for the remainder of the year. A follow up budget work session had been scheduled in April but was postponed as the severity of the pandemic emergency was realized and the Council transitioned to virtual meetings.

At the same time, it was necessary to better understand the financial implications of the pandemic, specifically the loss of sales tax revenue and other revenue due to business closures. Staff work was redirected to addressing the financial impacts and the internal budget preparation process was delayed. The Finance Committee spent all its meetings in April and May working on mitigation of these financial impacts, leading to the passage of Resolutions 1987 and 1988.

At this time, departments are currently in the process of working on their budget proposals. Departments are also working on implementing the next phase of priority-based budgeting, which includes identify performance measures that can be incorporated into the decision-making process. Existing fees and charges for services are currently under review and possible adjustments to certain existing revenue sources could be recommended at a later date.

#### *Work Session Outcomes*

The City Council convened the special Budget work session on June 29, 2020. The purpose of this meeting was to affirm a common understanding of the need to reduce the 2021-2022 budget, including city services, and for Councilmembers to give policy level input toward Administration's development of the 2021-2022 budget. All Councilmembers had the opportunity to weigh in with their concerns and ideas. While the ideas expressed were given by individuals, these common themes emerged:

- Evaluate and provide options for affordable service levels
- Consider restructuring of City organization if needed
- Focus on the needs of the residential community

- Emphasize equity and social justice
- Provide transparency and communication with Council and the community

#### *Public Outreach*

While the budget process was shortened due to COVID-19, the City Council and Administration both desire community engagement to the extent feasible. The City is also limited to online and mail-based outreach, with community members providing feedback via the web, social media, mail and phone. Staff is working on an outreach plan that includes an online survey and a City Council sponsored virtual Town Hall meeting later this summer. Staff will offer translated materials and engage with community-based organizations to maximize participation.

#### *Next Steps*

As described above, the delay in beginning the budget development process, coupled with Council committees and other meetings held remotely, necessitated an adjustment to the calendar previously shared with the City Council. With approval by the Finance Chair and Council President, full Council workshops will be conducted in lieu of Council committees reviewing budgets prior to review by the full Council.

The attached budget calendar provides a proposed timeline for the budget process and includes placeholders for possible workshops in the latter part of September as well as the month of October.

Workshops could be structured as follows:

1. Funds that do not rely on general fund support including: utility funds, drug seizure, lodging tax, firemen's pension
2. General fund including revenue
3. Capital project funds, debt service, 6-year financial plan
4. Follow up to any outstanding items not addressed in previous workshops

All workshops and review of the complete budget must be completed in time for Council to adopt the budget in December.

As a reminder, a previously planned budget software contract was deemed too expensive and not an ideal long-term solution, therefore staff must continue to use Excel to build the budget. This will result in a simplified budget process by removing non-essential information from the final document. The City, with Council support, is planning on a completely new financial accounting and reporting system update later this year that will include a complete budget software tool that will be available to help create the 2023-2024 budget.

#### **RECOMMENDATION**

Staff is seeking Committee discussion and feedback on the work session outcome themes, public outreach plan, and calendar for the remainder of the year.

#### **ATTACHMENTS**

Proposed Budget Calendar

# Tentative Budget Timeline

Dates are all Mondays and represent the week of...

Holiday week, no Council Committee or Council meetings

2020

