TO:      HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM:  CITY MANAGER         DEPARTMENT: ADMINISTRATIVE SERVICES

DATE:  JANUARY 19, 2005          CMR:118:05

SUBJECT:  2005-07 BUDGET DOCUMENT FORMAT

RECOMMENDATION
Staff recommends the Finance Committee review and comment on format changes to the City Manager’s 2005-07 Budget documents.

BACKGROUND
On November 15, 2004, the City Council approved a colleague’s memorandum recommendation to formalize and implement a number of budgeting practices into the annual budget process and document. The four areas described in the memorandum included an annual review of the Council’s “Top 5” Priorities at the outset of the budget cycle; inclusion of performance measures in each year’s budget document; identifying capital projects that have possible policy implications; and continue summarizing annual funding changes in each department budget section. All of these except the “Top 5” review have budget presentation implications.

As a matter of practice, a number of presentation adjustments are made at the outset of the two-year budget cycle. These changes result from a number of sources, including public and Council Member comment, presentation streamlining efforts, and municipal finance best practices. This report summarizes the information format changes to be included in the City Manager’s Proposed 2005-07 Budget document.

DISCUSSION
The City Manager’s budget presentation to the City Council represents the organization’s fiscal plan for accomplishing its goals for the next one to two year period. It reflects the foundational knowledge from the recently concluded update to the Long Range Financial Plan (LRFP), community input, and resources the City Manager believes are necessary to accomplish the City’s mission. Staff has just begun the 2005-07 budget process and will present a proposed budget document for Finance Committee consideration during several public hearings in May 2005. Presentation changes will occur in the operating budget, capital budget and municipal fee schedule documents.
Operating Budget Document Changes

A number of changes are being prepared for the operating budget document, including:

- Addition of a citywide expense category summary table: enables the reader to see citywide spending on salary and benefits, contract services, etc.
- Addition of percent change column to financial summary tables: both the dollar and the percent change information help the reader interpret variance data.
- Inclusion of benchmark measures: per City Council recommendation, department performance measures will be included in each year’s budget document. The format is also changing (Attachment A) and will be based on input, output, efficiency and effectiveness benchmark measures. The “best practices” benchmark will be noted where possible. Three years of data (prior, current and next) will be presented. Also, performance measures from the City Auditor’s Service Efforts and Accomplishments report will serve as base measures where possible.

Capital Budget Document Changes

The primary change to the five-year capital plan document involves the redesign and streamlining of the project page layout (Attachment B). Specifically, the project page will incorporate the following changes:

- Streamlined format to move to a one-page-per-project layout.
- Placing project facts in an easy-to-reference location, including: status, timeline, percent complete, managing department, and Comprehensive Plan references.
- Redesign of financial summary in more intuitive format and breaking costs into pre-design, design and construction components.

Municipal Fee Schedule Document Changes

The municipal fee schedule will move from a landscape to a portrait perspective to improve readability and online ease-of-use. The typical two-year fee presentation will continue with the proposed fee schedule document, for comparative purposes and to fully consider proposed fee changes. However, the adopted fee schedule document produced after budget adoption will only include the fee schedule for that year—the prior year’s fee data will be removed.

In an attempt to determine that adequate cost-recovery levels exist with City fees, department staff will be asked to review the expense components of each fee and assign a cost index to each. The indexes used in this effort include:

- Bay Area consumer price index: determined by the United States Bureau of Labor Statistics; used for fees with primarily external or regional cost factors.
- Department or citywide cost index: determined by either salary/benefit or total cost growth at the department or citywide level; used for fees with City staff and materials costs as the primary expense factor.
- Building or construction cost index: determined by regional growth of capital related expense; used for fees with capital projects or construction costs as a primary cost factor.

Administrative Services Department staff will recommend annual fee increases to departments beginning with 2005-06 once the appropriate cost index is associated with each fee. Full cost-recovery includes all direct costs as well as associated overhead and allocated expense.
ATTACHMENT
Attachment A: Sample Operating Budget Section
Attachment B: Sample Capital Budget Section
Attachment C: Sample Municipal Fee Schedule Section

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