



To: Mayor and City Council

Through: Bill Monahan, City Manager

**From: Casey Camors, Finance Director
Richard Seals, Finance Director**

Subject: Budget Committee Business

Date: November 23, 2011

ACTION REQUESTED

1. Presentation of and review of Quarterly Financial Report for informational purposes only.
2. Vote to recommend Supplemental Budget to City Council.
3. Vote to recommend Biennial Budgeting Resolution to City Council.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

Quarterly Financial Report:

October 2011 - The Budget Committee reviewed the Quarterly Financial Report for the fourth quarter ended June 30, 2011.

Supplemental Budget:

June 2011 – The City Council adopted the approved Fiscal Year 2012 Budget.

September 2011 – Acting on staff's recommendation, the City Council committed to funding additional expenditures for the Harrison Street Water Main Replacement Project (Phase 1).

Biennial Budgeting:

October 2011 - The Budget Committee discussed the move to biennial budgeting and demonstrated intent to move to biennial budgeting.

BACKGROUND

Quarterly Financial Report:

The City of Milwaukie Finance Department prepares an annual financial report (Comprehensive Annual Financial Report), Budget Document and four Quarterly Financial Reports every fiscal year. The Quarterly Financial Reports are prepared for the Budget Review Board and City Council, collectively referred to as the City's Budget Committee, to inform them as to the

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financial results for the quarter ended and year-to-date. These reports are issued timely by the Finance Department and significant budget-to-actual variance are identified and explained.

The City of Milwaukie Quarterly Financial Report through the first quarter ended September 30, 2011 includes:

- Executive Summary with Quarterly Highlights
- Budget-to-Actual comparisons for all City Funds and Departments

City-wide resources at September 30, 2011 total \$5,200,000 (excluding fund balance carryover of \$13,600,000) as compared to total year-to-date City-wide requirements of \$6,600,000 resulting in a decrease to Unappropriated Ending Fund Balance of \$1,400,000.

Supplemental Budget:

Oregon Revised Statute 294 allows for supplemental budget adjustments when a condition arises which was not known at the time the budget was adopted. A supplemental budget requires a public hearing.

The City's budget for the 2012 fiscal year totaling \$44,162,000 was adopted by Council on June 7, 2011. Since this initial adoption, certain conditions and situations have arisen that necessitate changes in financial planning. These conditions are presented in the attached draft Supplemental Budget Adoption Resolution and are as follows:

- General Fund:
 - The Information Services Technology Department budgeted completion of the VoIP system project in fiscal year 2011. However, the project was not completed during fiscal year 2011 and carried over into fiscal year 2012. Additional work and costs have also been identified, requiring an increase to the project and departmental budget.
 - The Public Affairs Coordinator position, originally budgeted under the Community Services Department is now more appropriately budgeted under the City Manager's Department. Additionally, amounts previously funded in the Community Services Department for an online public inquiry system are now more appropriately budgeted under the City Manager's Department.
- Systems Development Charges Fund:
 - Work planned to be performed during a later phase of the Harrison Street Water Main Replacement Project is required to be completed during Phase 1 in the 2012 fiscal year. Additional work and costs have also been identified, requiring an increase to the project budget.
- Stormwater Fund:
 - The level of purchases required for catch basins, drywells, manholes and main lines was not anticipated nor included in the original Fiscal Year 2012 Budget.

The attached draft resolution makes the appropriate budget appropriation adjustments as itemized above.

Biennial Budgeting:

During the October 25, 2011 Budget Committee meeting, staff presented the pros and cons of biennial budgeting. Staff received unanimous direction to draft a resolution for Council consideration. Attached is this resolution for your review.

FISCAL IMPACTS

Supplemental Budget:

Overall, \$250,000 of the General Fund Contingency will be allocated to the Information Systems Technology Department, \$200,000 of the System Development Charges Fund Contingency will be allocated to Capital Outlay and \$66,000 of the Stormwater Fund Contingency will be allocated to Materials and Services. Other adjustments do not affect Contingency and consist only of Departmental adjustments within the General Fund.

Biennial Budgeting:

Promotes less frequent use of paper and other costly resources.

WORK LOAD IMPACTS

Biennial Budgeting:

Staff resources would only be committed every other year to preparing the budget. Currently, staff must prepare budget annually.

ALTERNATIVES

Supplemental Budget:

Do not recommend, or recommend only in part, the draft resolution adopting the Supplemental Budget.

Biennial Budgeting:

Do not recommend adopting the resolution to move to Biennial Budgeting and continue preparing budget annually.

ATTACHMENTS

1. Quarterly Financial Report for the fourth quarter ended June 30, 2011
2. Draft Supplemental Budget Adoption Resolution
3. Draft Biennial Budgeting Resolution