Fiscal Year 2019-2020 Budget Process

Covington City Council Work Session March 5, 2019

Calendar and Timeline Overview

Overview of what the Budget is and Our Process

Merriam-Webster Defines:

- guarantee-*verb #4: to assert confidently*

"The only guarantee that we can provide council with at this time, is that the numbers are going to change during this budget process, and both of us will contribute to those changes."

Proposed Budget Calendar

- February 14, 2019: Budget worksheets to Department Heads
- March 1, 2019: Budget worksheets start return process to Finance with supporting documentation for capital outlay, additional personnel/salaries, and additional programs/activities
- March 5, 2019: 6:30 p.m. Regular City Council Work Session (includes budget presentation)
- March 7, 2019: Department Heads meet individually with City Manager and Finance Director to discuss budget requests
- March 11, 2019: Department Heads meet individually with City Manager and Finance Director to discuss budget requests (additional dates added as needed for staff schedules and number changes)
- March 11, 2019: 5:00 p.m. Joint Meeting City Council and City School Board at EPS & JWI (Cafetorium) until approximately 6:15 p.m. prior to their 6:30 meeting

Proposed Budget Calendar (continued)

- March 12, 2019: 6:30 p.m. Regular City Council Meeting (includes budget update)

- March 14, 2019: 6:00 p.m. Joint Meeting City Council and the Alleghany County Board of Supervisors at the Alleghany County Governmental Complex for presentation of budget requests and information *Agenda:* 6:00 p.m. Clerk of Circuit Court, 6:20 p.m. RADAR, 6:40 p.m. Alleghany Highlands Regional Library, 7:00 p.m. Alleghany Highlands Community Service Board, 7:20 p.m. Commonwealth's Attorney, 7:40 p.m. Sheriff, and 8:00 p.m. Department of Social Services

- March 21, 2019: Working draft provided to City Council with revenue, expenditure, and fee/rate information for review prior to City Council/staff work session *

Proposed Budget Calendar (continued)

- March 26, 2019: 5:00 p.m. City Council and staff meeting for budget work session in council chambers

- April 2, 2019: 5:00 p.m. City Council and staff meeting for budget work session in council chambers (if necessary)

- April 2, 2019: 6:30 p.m. Regular City Council Work Session (includes budget update)

- April 9, 2019: 6:30 p.m. Regular City Council Meeting (includes budget update)

- April 23, 2019: 6:30 p.m. City Council budget work session in council chambers

Proposed Budget Calendar (continued)

- April 30, 2019: 6:30 p.m. Recommended Budget Message and FY 2019-2020 Budget delivered to City Council by City Manager in council chambers

- May 7, 2019: 6:30 p.m. Regular City Council Work Session with agenda item to include budget discussion

- May 11, 2019: Advertise "Budget Public Hearing" to be held on May 21, 2019

- May 14, 2019: 6:30 p.m. Regular City Council Meeting

- May 21, 2019: 6:30 p.m. "Budget Public Hearing" in council chambers

Proposed Budget Calendar (continued)

- <u>May 25, 2019:</u> Advertise "Reading of Budget Ordinance"
- <u>June 4, 2019: 6:30 p.m.</u> City Council Regular Work Session to include *1st Reading of FY 2019-2020 Budget Ordinance*
- <u>June 11, 2019: 6:30 p.m.</u> City Council Regular Meeting to include *2nd Reading of FY 2019-2020 Budget Ordinance* – requires 1st Reading approval
- <u>June 30, 2019:</u> Budget must be approved to operate in the new fiscal year
- Changes to dates and or times as well as meetings can be adjusted by City Council direction and budget completion needs.

A budget is…

- <u>Policy Document</u> that is a statement of allocation of the city's available resources to achieve our objectives and best meet the needs of our constituents

- <u>Financial Plan</u> of how the city will receive and spend its money over a fiscal period which in this case will be July 1, 2019 thru June 30, 2020

- <u>Operations Guide</u> which serves as a link between available financial resources and human behavior to accomplish policy objectives

- <u>Communications Device</u> that serves as a representation of planned activities and how we are spending local dollars

Typical Budget Process

- <u>Policy and planning priorities</u> are established elected officials
- <u>Agency requests</u> are generated by department heads
- <u>Chief Executive proposal</u> will be presented by City Manager
- <u>Legislative process</u> is where council makes the decision
- <u>Implementation</u> is the day to day management by staff
- <u>Audit and evaluation</u> involves auditor review and should include both staff and council evaluation that includes recognition of our customers as well- How did we do?

During the process we all become "budgeteers" working in 3 years: before, current, and next, always having to ask "if we want more how are we going to pay for it"?

Do all governments budget the same way?

- No, as the federal government, state governments, and local governments have different types of budgets within guidelines as well as fiscal year time periods

- For example, the federal government operates a fiscal year from October 1 thru September 30 and one may wonder why that would have any meaning to us. If we receive a grant from them the time period runs parallel with their fiscal year, and may appear in the city budget over 2 years.

- Some state and local governments operate on the calendar year January 1 thru December 31 for a fiscal year as well

- The State of Virginia and City of Covington operate on a fiscal year of July 1 thru June 30

- There are program budgets, results based/performance budgets, zero-based budgets, hybrid combination budgets, and line item budgets

The City of Covington has Utilized Line Item Budgeting

- A budget in which the individual financial statement items are grouped by departments (salaries, professional services, supplies). It shows the comparison for the past fiscal year, current fiscal year, and estimates for a future fiscal year.

- Each type of expense is accounted for on a separate line which has special coding to separate departments as well as specific types of revenues and or expenses.

- For example, a code of 10121501-402300 can tell us the following as well as properly direct an expenditure:

10=General Fund, 1215=Central Accounting Department, 01=Location of City Hall, - 40=Expenditure, and 2300=Health Benefits Plan Cost (overall the 2 in 2300 indicates a type of expenditure fringe/or benefits related cost)

Line Item Budgeting

Advantages

- Simplicity
- Micro-level expense control
- Easier to justify based on last year
- Flexible control (move within function)
- Reliance on historical data not just a "involves less assumption"

Disadvantages

- Lack of analysis other than comparing what is on the line
- May encourage unnecessary spending at the end of the fiscal year if money is left over in the line item

Trick Question!
What is the Budget <u>Not</u>?

- A. A policy document
- B. A financial plan
- C. A communications device
- D. A requirement
- E. None of the Above

Answer!
What is the Budget <u>Not</u>?

- A. A policy document
- B. A financial plan
- C. A communications device
- D. A requirement
- E. None of the Above

Questions ? Next Presentation

- <u>May 12, 2019: 6:30 </u>Regular City Council Meeting

- Budget Process Update

- The "Top 10" in Revenue and Expenditures

- You can find this at <u>www.covington.va.us</u>