The Budget Guides City Policy

A budget cannot be effective unless it communicates. Since this budget has a diverse audience, it seeks to communicate at several levels and for several purposes. The budget document reflects all City operations. The activities of every City department, organization and function are formalized and detailed within these pages.

The budget document provides written legislative and administrative guidance to City employees regarding the nature and scope of their official activities during the fiscal biennium. These official activities were planned, debated and formally established during the budget process. The budget communicates significant policy issues and options in a form that can be acted on by policy officials. The budget also communicates the plans of the City to its constituents in an opportunity to provide meaningful comments to the elected officials.

Managing Resources

The City of Longview biennial budget outlines how the financial resources of the City will be managed. The City's budget must be adopted by the City Council as a balanced budget before any public funds can be expended. The adopted budget is the City's legal authority to spend public funds and also provides the means for controlling expenditures. The City's comprehensive budget describes in narrative form significant items in the budget, financial trends, and any policy implications. More detailed information about the City's accounting and budgeting system is found in the Financial Summary section.

Setting Policy

The Council sets public policy in two major ways: By enacting ordinances during the year, and by establishing budgetary (taxing and spending) policies.

Setting policy through the budget is a continuous, two-year process, involving setting goals and establishing priorities. Public participation is critical to the budget process as well as being required by law, because of the many policy decisions involved. Once a budget is adopted, the City of Longview is responsible for monitoring program progress through periodic reports from staff and from the community. If programs are not effectively implementing policy decisions, revisions can be made.

In 1994, the City Council began a long-range strategic planning project using the services of a nationally recognized consultant and the input from a thirty-member Citizen's Preferred Future Search Committee. The result was a vision and strategy titled Longview 2023: Our Preferred Future. This strategic plan sets goals and policies for the City to follow each year for the next twenty years.

The City prepares its budget based on the goals and objectives established in Longview 2023. Additional information about Longview 2023 is located in the Readers Guide to the Budget beginning on page 10.

Budget Process

Putting the Budget Together

As stewards of City resources, Longview officials make certain that citizens receive the best possible programs and services for the investments they make through their tax dollars. City Council is responsible for allocating and using citizens' tax dollars effectively and wisely.

A balanced budget must be adopted by City Council before any public funds are spent. The adopted budget is the City's legal authority to spend public funds, and also provides the means for controlling expenditures.

A Biennial Budget

In June of 1996, the Longview City Council passed Ordinance No. 2630, in accordance with RCW 35.34, that provided for a two-year fiscal biennium budget. Longview continues to operate under the provisions of this budget ordinance during the 2017-2018 biennium. In Washington State, the fiscal biennium for cities must begin in the odd-numbered year. The City of Longview operates on a two-year budget cycle.

Estimating Expenditures

Programs and services provided for citizens are considered expenses and are balanced against the estimated income, resulting in a spending plan for the two-year period. Like balancing your checkbook, the City must balance the money it receives against money it spends.

The first phase of the budget process begins in early summer of even-numbered years, with a workshop meeting of the City Council. The City Council establishes the parameters that must be followed by staff during the preparation of the preliminary budget. At a subsequent management staff meeting, the City Manager distributes budget materials and information describing these parameters to all department heads. Following the staff meeting, individual department heads and members of their staff prepare estimates based upon a projection of current trends, a forecast of the effect of new programs, and an estimate of what is needed to pay remaining bills.

The departmental budget requests are prepared and presented to the Finance Director for consolidation into a preliminary budget document for review.

The budget is divided into various funds through which money can be spent for services and programs. The *General Fund* is the largest of the City's operating funds and includes funding for a wide variety of services offered to Longview residents. This fund accounts for all of the City's financial resources <u>except</u> those required by state law to be accounted for in different funds. The 2017-2018 *General Fund* budget totals $74,383,750.

The dollar bill in figure 1 on page 15 illustrates how the City's money from the *General Fund* is allocated.

Estimating Revenues

While expenditures are being estimated, the Finance Director looks at potential revenues the City can generate. Two key questions are raised: what are the factors impacting future revenue flows, and what is the estimated level of revenues for the upcoming budget period?

The dollar bill in figure 2 illustrates the sources of income for the *General Fund* for the 2017-2018 biennium.

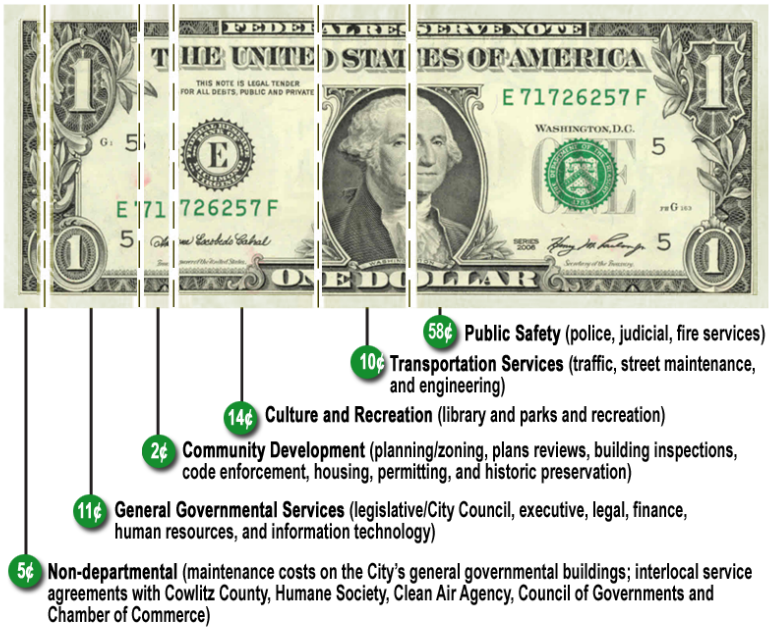
Reviewing Estimates

In August, the preliminary budget is ready for review by the City Manager and department heads. The City Manager reviews the department requests, taking into account policy objectives and priorities for new or expanded programs. The City Manager and Finance Director review current financial data and revenue projections in early October. In late October/early November, the budget is returned by the City Manager to the Finance Director for printing.

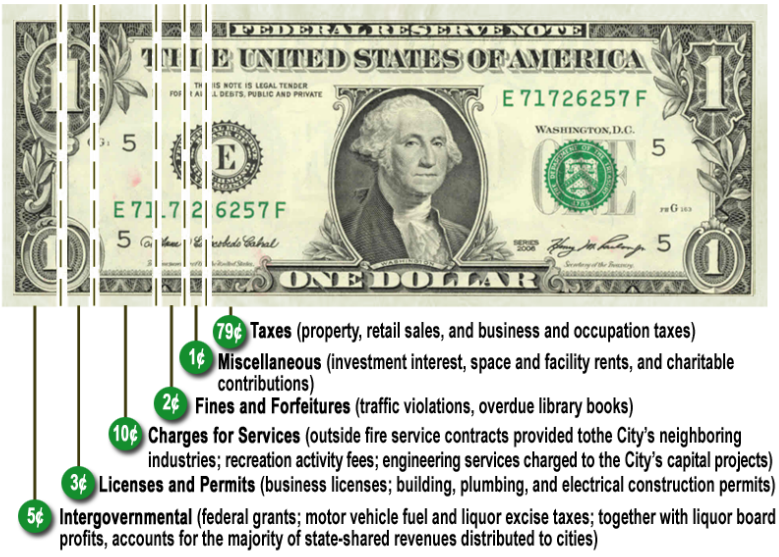
Preparing the Document

The City Manager prepares the draft or preliminary budget for Council review, usually in early November. The preliminary budget and message are also presented to the media and the general public at this time. The City Council thoroughly reviews the preliminary budget in a series of public meetings, workshops and public hearings. Interested individuals and community groups also review the preliminary budget during this time and offer their insights, comments and suggestions to the City Council.

General Fund Expenditures - *figure 1*



General Fund Revenues - *figure 2*



Adopting and Implementing the Budget

The City Manager presents the budget to the Council and the public for review and adoption in an open public meeting. A series of public hearings are usually included as agenda items for the City Council meetings in November. Additional budget meetings are held by the City Council before the passage of the budget adoption ordinance in December. Once the hearings are completed, a budget ordinance is enacted, and the budget is formally adopted. The final budget is a formal, published document similar to the preliminary budget, but includes modifications made by the City Council. The final budget ordinance officially authorizes funding specific expenditures with identified resources.

Budget Process

CITY OF LONGVIEW
2017/2018 Budget Calendar

May						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

June						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

July						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

August						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

September						
S	M	T	W	Th	F	S
				1	2	3
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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24/31	25	26	27	28	29

November						
S	M	T	W	Th	F	S
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

December						
S	M	T	W	Th	F	S
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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Staff Dates Council Dates

Budget Calendar

State law defines a city budget calendar timetable for completing the various steps leading to the budget's adoption. Longview staff begins budget preparation during the summer of even-numbered years. By the second Monday in September, a preliminary budget is completed. Staff presents the proposed budget to the Council by mid-November, and public hearings are held to review and approve it. The budget process ends when the final budget is adopted on or before December 31 by the Longview City Council.

This calendar illustrates the different deadlines and processes for adopting and implementing the City of Longview's biennial budget for 2017/2018.

May

May 5 - Council Workshop. Review 2015 financial activity, first quarter 2016 budget status report, and projections for 2016. Establish 2017/2018 budget parameters (including utility tax discussion); review programs, initiatives, performance measures, labor contracts/parameters, and revenue enhancements.
May 17 - Budget Kick-off meeting for department heads and staff - budget information distributed. A training session is presented by Finance staff for budget preparers.

June 2 - Distribute outside agency requests for funding packets.
June 9 - Department heads return completed baseline budgets, program budgets, and performance measures to Finance.
June 30 - Outside agency funding requests due.
June 30 - Department heads submit program enhancements and capital improvement projects to Finance Director.

July 7 - Finance completes first run of expenditure and revenue budget.
July 19 - Lodging Tax Advisory Committee meets.

August 11 - Regular Council meeting, 2016 mid-year review and outside agency presentations.
August 11 - Preliminary revenue and expenditure budgets with narrative submitted to City Manager.
August 15-18 - City Manager reviews preliminary budget.
August 22-25 - City Manager meets with department heads to review preliminary baseline budgets, program enhancement requests, and capital improvement projects (CIP).

September 1 - City Manager distributes proposed preliminary budget to City Council. Proposed preliminary budget filed with City Clerk.
September 19-September 29 - Finance Director and City Manager finalize review of revenue and expenditure budgets. City Manager reviews budget requests and capital improvement projects and decides what to incorporate into the 2017/2018 budget and 2017-2021 Capital Improvement Plan.
September 22 - Regular Council meeting to schedule public hearing on 2017 revenue sources.
September 29 - Budget Workshop - 2017/2018 utility rate review and utility capital projects
September 29 - Budget Workshop to review outside agency requests, baseline budgets, programs, program enhancements, and performance measures.

October 3-13 - Finance Director prepares recommended budget with revisions as per council directive.
October 20 - Budget Workshop to review capital projects.
October 31 - City Manager files preliminary budget and budget message with City Council 60 days before the ensuing fiscal year per RCW 35.33.055 and RCW 35A.33.052.

November 25 - ***First*** public hearing notice published on proposed budget and CIP. (1 week)
November 29 - Special Council meeting, Public Hearing on 2017 revenue sources. Council sets public hearing on biennial budget for December 8 and December 15, 2016.
November 29 - Special Council meeting. Council adopts 2017 property tax levy.

December 1 - 2017/2018 preliminary budget document and 2017-2021 CIP distributed to Council, media, and public.
December 2 - ***Second*** public hearing notice published on proposed budget and CIP. (1 week)
December 8 - Regular Council meeting. Conduct 1st of two public hearings on 2017/2018 budget and CIP.
December 15 - Regular Council meeting, second public hearing on 2017/2018 budget and CIP. Adopt 2017/2018 budget ordinance and 2017-2021 CIP resolution.
December 26 - Notify outside agencies of funding approval.

Meeting Budget Challenges

Budget Alert Stages Identified

Over the years the City has faced many budget challenges. In 2005, a sluggish economy and a wave of anti-tax initiatives reduced motor vehicle registration fees and capped property taxes that greatly curtailed the City's ability to fund programs and services. The impact on the City's revenue stream was significant. Faced with the challenges of a stubborn economy and declining revenues, the City Council had to decide how to reduce service levels to meet expenses, and the level of urgency the shortfalls represented.

Outlined below are the four stages defining the fiscal health of the budget and the action steps associated with each.

STAGE 1	STAGE 2	STAGE 3	STAGE 4
Revenues are greater than expenditures, with a projected ending fund balance is greater than 12% of General Fund expenditures. In this scenario, surplus revenues are distributed to appropriate reserve funds and new programs may be considered that are in line with the Council's vision for the community.	*Expenditures exceed revenues and ending fund balance is projected to be greater than or equal to 12%. This scenario is a basic status quo budget where all core services and non-mandated programs are maintained through existing revenues and the use of minimal reserves.*	*Expenditures exceed revenues and projected ending fund balance is greater than 8% but less than 12%. The adopted budget provides for all core services with reductions in non-mandated program as approved by the City Council. At this stage, Council considers revenue enhancement proposals (i.e., bond levies, tax increases, and new revenues).*	*Expenditures exceed revenues and projected ending fund balance is less than 8%. Further reductions in non-mandated programs are necessary. Possible core service reductions may be called for. Council will consider revenue enhancement proposals (i.e., bond levies, tax increases, and new revenues).*

"Budget Alert Model" Developed

Looking toward the future, City staff began aggressively looking at ways to address potential budget shortfalls for 2005 and beyond. A "budget model" was crafted to help guide Council and staff to recognize what adjustments needed to be made at the various stages of projected shortfalls. Ultimately, the budget model would be used to prioritize programs and services.

To develop a useful budget model, the City had to clearly identify and distinguish between the different levels of services and programs it provides. The three levels identified were:

- Legally-mandated programs or services (like building permits or electrical inspections)
- Core or vital programs and services critical to maintaining minimal operation (like police or fire services)
- "Non-mandated" programs and services not fully funded or required by law (like library, recreation services, street sweeping)

It was deemed by Council and staff that the non-mandated programs were the most appropriate for potential reductions. However, it would be necessary to obtain feedback from citizens about the importance of the identified programs prior to cutting services.

Guiding principles of the budget model

The following principles were identified to guide the application of the budget model:

- **Commitment to efficiency** - During all stages of the model, City services and activities will be adjusted to obtain the greatest efficiency.
- **Full-cost recovery** - During all stages, enterprise funds shall be responsible to recover 100% of program costs.
- **Reduce impacted areas** - Should reductions in service be necessary in stages 3 and 4, services are to be reduced in the least-impacted areas.
- **Keep the community informed** - During a stage 4 alert, the Mayor will issue a "state of fiscal emergency" declaration and ensure that residents are kept informed of what is happening.
- **Accept more risk** - During stage 4, the City will accept more risk if forced to reduce positions or services.
- **Leadership obligation** - During a stage 4 alert, the City Council may invoke a "leadership obligation principle" that requires the City Council to give the citizens of Longview an opportunity to tax themselves before the reduction of certain core services are implemented.

The budget model developed in 2005 together with the prioritization process proves to be an invaluable tool for Council and staff as they strive to deliver the highest level of services with limited resources and within the framework of a balanced budget.

Citizen Summit

Receiving input from residents is very important to the Longview City Council. To facilitate two-way communication with constituents, Council conducts a "Citizens Summit." In years past, the Summits was held in the odd-numbered years regarding several issues, including budget. At the Summit, the City seeks to gauge the opinions of Longview citizens on a comprehensive list of programs and services offered. Citizens unable to attend the Summit are given the opportunity to fill out an on-line or hard-copy version of the questions being discussed. Results are shared with the Longview City Council for their consideration as they set goals for the next several years, and also posted on the City's web site at www.mylongview.com. In an effort to allocate financial resources in alignment with citizen priorities, the Longview City Council sponsored a Citizens Summit in January, 2016.

For Your Notes...