PRELIMINARY MEETING
OF THE BUDGET COMMITTEE

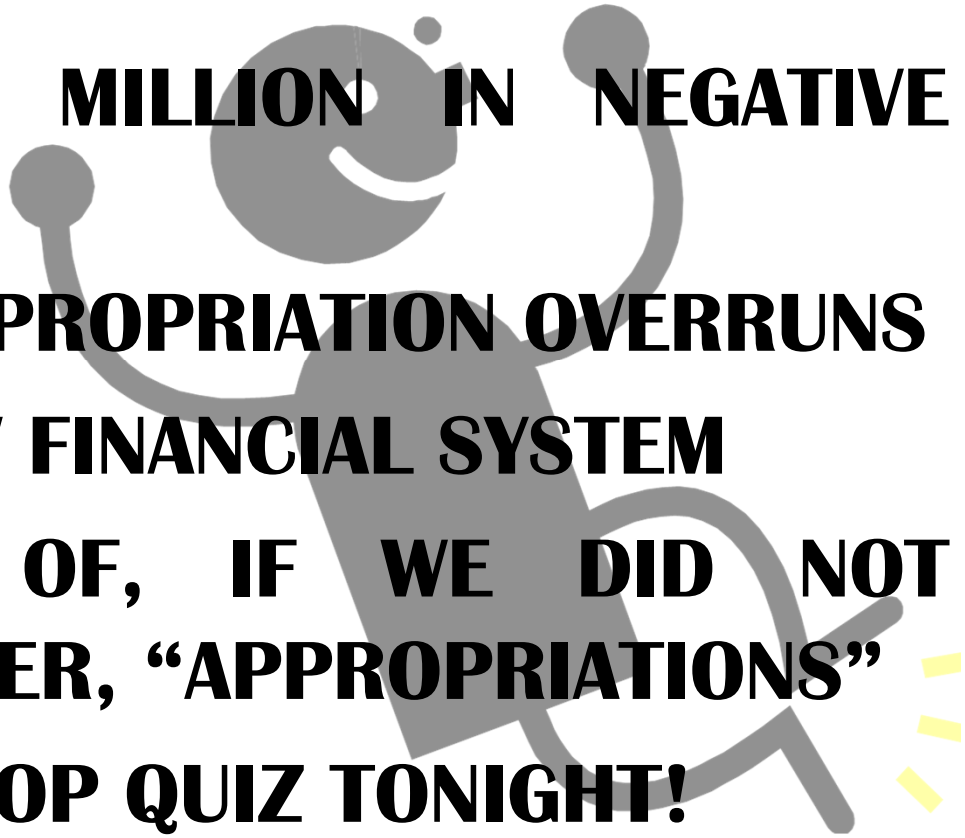
20 March 2013

Caution and Conservatism

- **Central Falls, Rhode Island**
- **Union Baker Education Support District**
- **Stockton, California**

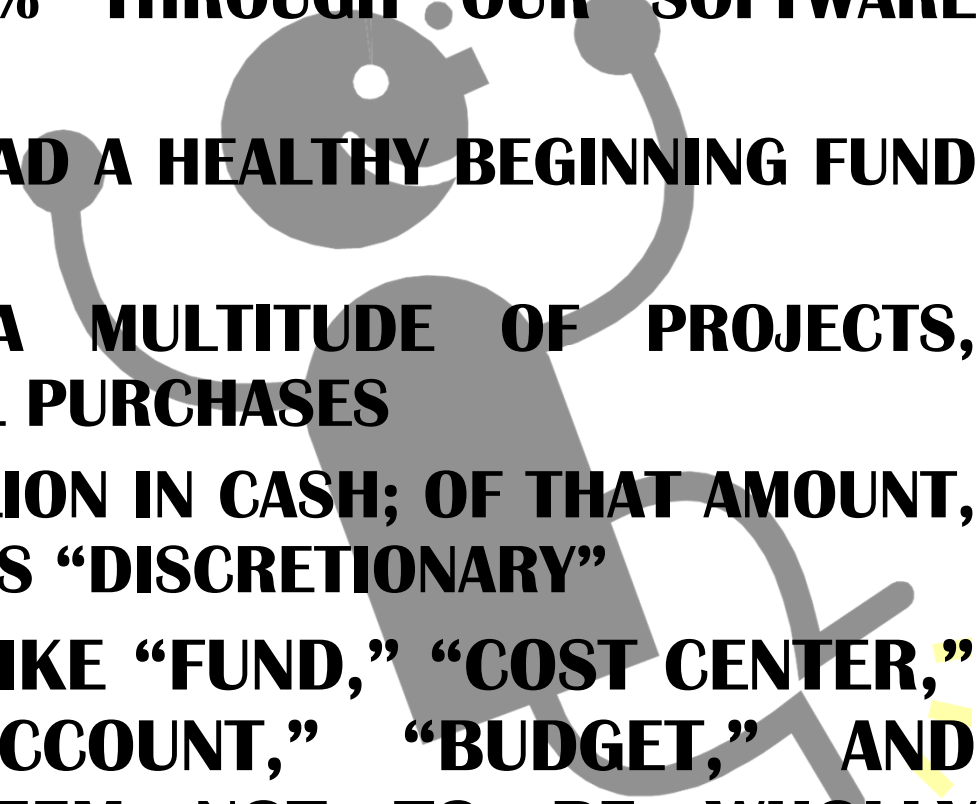
A YEAR AGO, WE SAID THAT WE HAD HAD "A PRETTY GOOD YEAR"

- ELIMINATED $1.2 MILLION IN NEGATIVE FUND BALANCES
- ELIMINATED 19 APPROPRIATION OVERRUNS
- PURCHASED A NEW FINANCIAL SYSTEM
- BECOME AWARE OF, IF WE DID NOT COMPLETELY MASTER, "APPROPRIATIONS"
- AS A RESULT: NO POP QUIZ TONIGHT!



THIS YEAR, WE WOULD SAY

- WE'RE HAVING ANOTHER "PRETTY GOOD YEAR."
- WE ARE ABOUT 60% THROUGH OUR SOFTWARE CONVERSION
- THE GENERAL FUND HAD A HEALTHY BEGINNING FUND BALANCE
- WE ARE FUNDING A MULTITUDE OF PROJECTS, STUDIES, AND CAPITAL PURCHASES
- WE HAVE $13.86 MILLION IN CASH; OF THAT AMOUNT, ABOUT $4.5 MILLION IS "DISCRETIONARY"
- (HOWEVER, TERMS LIKE "FUND," "COST CENTER," "DEPARTMENT," "ACCOUNT," "BUDGET," AND APPROPRIATION" SEEM NOT TO BE WHOLLY UNDERSTOOD.)



OUR PURPOSE TONIGHT

- TO REVIEW THE CITY'S BUDGETARY ORGANIZATION
- DEFINE TERMS
- REVIEW THE IMPORTANCE OF FUND BALANCES
- LOOK AHEAD FOR THE NEXT TWO YEARS
- THE GENERAL FUND
- THE NEXT COUPLE OF YEARS
  - WHAT WILL BE OUR MAJOR FINANCIAL COMMITMENTS AND REQUIREMENTS?
  - WILL WE HAVE THE RESOURCES TO MEET THEM?
- TO DISCUSS THE CITY'S APPROACH TO BUDGETING?
- WRAP UP

TERMS THAT WE USE

FUND " ... a self-balancing set of accounts used to record estimated resources and requirements for specific activities and objectives."

GENERAL FUND

COST CENTER - " any unit of activity or group of employees arranged so that costs can more easily be assigned and tracked"

GENERAL FUND

MUNICIPAL COURT

DEPARTMENT - "A distinct part or unit of a large organization, especially: A principal administrative division of a government"

Organizational Unit or Program

GENERAL FUND

FINANCE

MUNICIPAL COURT

BUDGET (EXPENSE)

$ 65,044

ACCOUNT **101.1030.6649**

6499: Consumable Supplies ($200)

APPROPRIATION

Fund	**NEVER !**
Appropriation Group	City Administration
Department	Police, Fire, Community Development, Library .... Public Works ? **NEVER!**
Cost Center	Community Development, Library, Water Treatment Plant, Rec Ctr, SDC Streets
Object Classifications	Personnel Services, Materials and Services, Capital Outlay

The City of Newport tends to appropriate by Cost Center or Object Classification

CITY OF NEWPORT
RESOLUTION NO. xxxx

A RESOLUTION ADOPTING THE FISCAL YEAR 2011 - 2012 BUDGET AND MAKING APPROPRIATIONS

BE IT RESOLVED that the City Council for the City of Newport hereby adopts the budget for fiscal year 2011- 201 in the sum of $ **42,755,187** , now on file at City Hall.

BE IT FURTHER RESOLVED that the amounts for the fiscal year beginning July 1, 2011, and for the purposes shown below are hereby appropriated as follows:

FUND	Adopted Budget
101 - General Fund	
City Administration	1,265,626
Public Safety	4,746,881
Community Development	256,915
Library	947,182
Public Works	750,064
Non-Departmental	384,175
Transfer to Parks & Rec Fund	446,520
Transfer to Airport	178,798
Transfer to Street Fund	36,848
Transfer to Housing Fund	
Contingency	252,694
Total	**$ 9,265,702**
102 - Debt Service Fund	
Water G.O.Bonds	141,143
Wastewater G.O. Bonds	919,350
WTP G.O. Bonds	513,725
General Wastewater Debt	586,957
General Water Debt	60,000
LOCAP Lease Purchase	482,815
Contingency	855,893
Total	**$ 3,559,883**
105 - Streets Fund	
Street Maintenance	449,220
Storm Drain Maintenance	312,738
Transfers Out	61,932
Contingency	106,729
Total	**$ 930,619**
106 - Water Fund	
Water Treatment Plant	695,494
Water Distribution	608,248
Water Customer Service	19,550
Water Non-Departmental	437,382
Transfers Out	84,534
Contingency	1,246,333
Total	**$ 3,091,541**
107 - WasteWater Fund	
Wastewater Treatment Plant	947,664
Wastewater Distribution	395,368
Wastewater Customer Service	19,550
Wastewater Non-Departmental	712,018
Transfers Out	1,045,113
Contingency	693,387
Total	**$ 3,813,100**
111 - Parks and Recreation Fund	
Parks Administration	174,895
Parks Division	227,159
Senior Center	164,118
Swimming Pool	325,629
Recreation Center	474,570
Recreation Programs	176,941
Contingency	36,433
Total	**$ 1,579,745**
112 - Airport Fund	
Airport Operations	442,260
Airport FBO	517,580
Transfer to Capital Projects	
Transfer to Debt Service Fund	50,648
Contingency	1,875
Total	**$ 1,012,363**

FUND	Adopted Budget
115 - Housing Fund	
Materials and Services	
Total	
117 - Line Undergrounding Fund	
Materials and Services	6,357
Capital Outlay	10,000
Transfer to Debt Service	59,188
Contingency	494,837
Total	**$ 570,382**
118 - Agate Beach Closure Site Fund	
Materials & Services	57,011
Contingency	1,443,572
Total	**$ 1,500,583**
119 - Building Inspection Fund	
Personal Services	94,875
Materials & Services	181,258
Contingency	703,966
Total	**$ 980,099**
120 - Room Tax Fund	
Materials and Services	959,586
Capital Outlay	25,000
Transfer to Capital Projects	83,000
Transfer to General Fund	566,767
Transfer to Airport Fund	422,556
Transfer to Parks & Recreation	248,205
Transfer to Debt Fund	235,298
Contingency	684,674
Total	**$ 3,225,086**
121 - Capital Projects Fund	
Capital Outlay	11,243,243
Contingency	
Total	**$ 11,243,243**
124 - Public Parking Fund	
Public Parking - General	112,220
Nye Beach Public Parking	13,620
Center City District	620
Transfer to Capital Projects	3,500
Contingency	122,188
Total	**$ 252,148**
125 - SDC FUND	
Parks SDC	888
Storm Drain SDC	250
Streets SDC	283
Water SDC	16
Wastewater SDC	39,786
Transfer to Capital and Debt Service	594,652
Contingency	1,094,815
Total	**$ 1,730,690**
TOTAL APPROPRIATIONS →	**$ 42,755,187**
NON-APPROPRIATED BUDGET REQUIREMENTS	
Unappopriated Ending Fund Balance, General Fund	658,020
Unappopriated Ending Fund Balance, Streets Fund	65,783
Unappropriated Ending Fund Balance, Water Fund	522,135
Unappropriated Ending Fund Balance, Wastewater Fund	253,898
Unappropriated Ending Fund Balance, Parks & Recreation Fund	48,055
Unappropriated Ending Fund Balance, Room Tax Fund	333,300
Reserve for Future Capital	584,467
Total Non-Appropriated	**2,465,659**
TOTAL REQUIREMENTS →	**$ 45,220,846**

Fiscal Year 2014 - Funds and Cost Centers

Fund #	Fund Name	Cost Center	Cost Center Description
101	**General Fund**		
		1010-1055	City Administration
		1070	Police
		1090	Fire
		1100	Library
		1400	Community Development
		1310	Facilities Operations
		1320	Facilites Capital Projects
		1330	Parks Operations
		1340	Parks Capital Projects
		1350	Custodial Operations
		1900	Non-Departmental
201	**Bonded Debt Service**		
		2110	Water G.O. Bonds
		2120	Wastewater G.O. Bonds
		2130	WTP G.O. Bonds
202	**General Proprietary Debt Service**		
		2210	Wastewater General Debt
		2220	Water General Debt
203	**General Debt**		
		2310	Water General Debt
301	**Public Works Administration & Engineering**		
		3110	Administration
		3120	Engineering
		3130	Fleet Operations
302	**Street Fund**		
		3210	Street Maintenance
		3220	Storm Drain Maintenance
303	**Water Fund**		
		3310	Water Treatment Plant
		3320	Water Distribution
		3330	Water Capital Projects
		3340	Water Non-Departmental
304	**Waste Water Fund**		
		3410	Wastewater Treatment Plant
		3420	Wastewater Collections
		3330	Wastewater Capital Projects
		3340	Wastewater Non-Departmental
305	**Line Undergrounding**		

Fund #	Fund Name	Cost Center	Cost Center Description
306	**SDC Fund**		
		3610	Street SDC
		3620	Water SDC
		3630	Wastewater SDC
		3640	Parks SDC
		3650	Storm Drain SDC
401	**Parks & Recreation Fund**		
		4110	Parks & Recreation Administration
		4130	Senior Center
		4140	Swimming Pool
		4150	Recreation Center
		4160	Recreation Programs
		4170	Sports
402	**Airport Fund**		
		4210	Airport Operations
		4220	Airport FBO
403	**Room Tax Fund**		
404	**Building Inspection Fund**		
405	**Public Parking Fund**		
		4510	Public Parking - General
		4520	Public Parking - Nye Beach
		4530	Public Parking - City Center
		4540	Public Parking - Bay Front
406	**Agate Beach Closure Site Fund**		
		4610	
407	**Housing Fund**		
		4710	
601	**Capital Projects Fund**		
		6110	
901	**Urban Renewal Agency**		
		9110	North Side Urban Renewal District
		9120	South Beach Urban Renewal District - Const.
		9130	South Beach Urban Renewal District - Debt Svc

FUND BALANCES

THE "WHY" OF ENDING FUND BALANCES

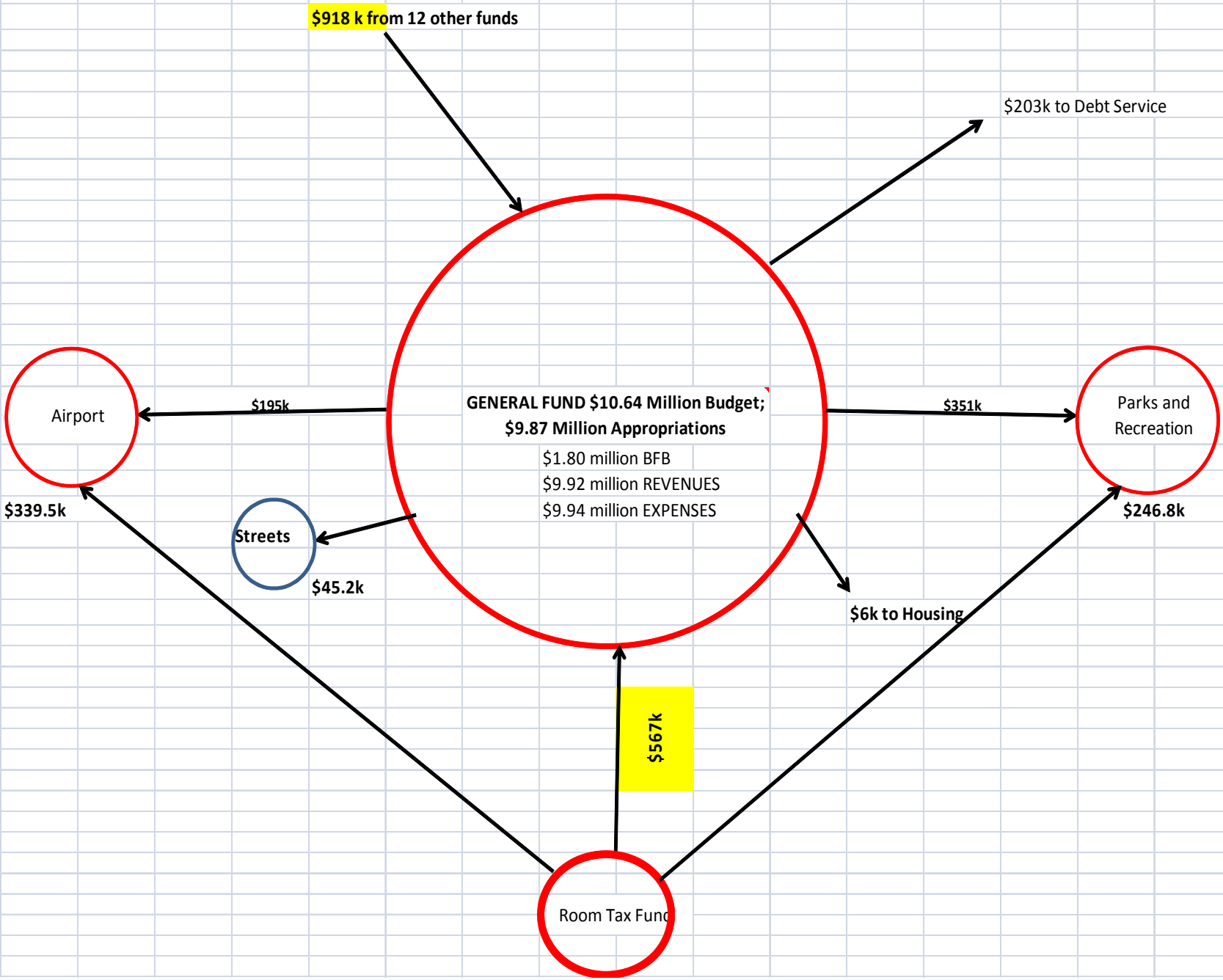
	Appropriations	Pct of Total	Operating Revenue	Pct of Total
General Fund	9,868,664	24.4%	7,919,330	32.6%
Debt Funds	3,133,175	7.7%	2,891,231	11.9%
Public Works Admin & Eng	700,880	1.7%	-	0.0%
Streets Fund	1,321,788	3.3%	1,018,571	4.2%
Water Fund	5,150,827	12.7%	2,730,000	11.2%
Wastewater Fund	5,744,347	14.2%	3,542,250	14.6%
Line Undergrounding Fund	485,810	1.2%	100,250	0.4%
SDC Funds	1,257,657	3.1%	319,900	1.3%
Parks and Recreation Fund	1,291,648	3.2%	513,500	2.1%
Airport Fund	1,252,220	3.1%	599,995	2.5%
Room Tax Fund	3,583,000	8.9%	2,305,000	9.5%
Building Inspection Fund	847,700	2.1%	197,400	0.8%
Public Parking Fund	301,200	0.7%	31,200	0.1%
Agate Beach Closure Fund	1,487,000	3.7%	12,000	0.0%
Housing Fund	181,000	0.4%	6,000	0.0%
Capital Projects Fund	3,840,605	9.5%	2,090,133	8.6%
Urban Renewal Fund				
	$ 40,[illegible]47,521		**$ 2[illegible],276,760**	

TABLE 3
ENDING FUND BALANCES
GOVERNMENTAL FUNDS

Fund	FY10	FY11	FY12	FY11 to FY12 Change
General Fund	867,413	1,199,958	1,855,542	655,584
Airport Fund	(20,503)	22,744	335,295	312,551
Agate Beach Closure Fund	1,500,583	1,476,335	1,464,591	(11,744)
Room Tax Fund	1,360,712	1,213,552	1,122,041	(91,511)
Street Fund	(648,064)	(75,196)	54,533	129,729
Building Inspection Fund	524,164	714,063	637,328	(76,735)
Debt Service Fund	(335,948)	570,626	3,836	(566,790)
Bonded Debt Fund			467,072	467,072
Proprietary Debt Fund			1,206,146	1,206,146
Airport FBO Fund	(157,157)			-
Capital Projects Fund		901,288	831,998	(69,290)
Parks and Recreation Reserve Fund	48,401			-
Fire Reserve Fund	1,119,445			-
Line Undergrounding Fund	454,882	385,561	481,080	95,519
Public Parking Fund	339,257	354,639	154,803	(199,836)
Parks & Recreation Fund	(45,675)	411,309	267,728	(143,581)
Housing Fund			4,251	4,251
Street SDC Fund	357,642	469,170		
Parks SDC Fund	163,883	89,733		
Water SDC Fund		464,724	968,729	(212,853)
Wastewater SDC Fund		92,172		
Storm Drain SDC Fund	45,624	65,783		
South Beach (Urban Renewal Fund)	795,689	1,572,387		
(North Side) Urban Renewal Bond Redemption Fund	1,227,834	327,368	1,582,120	317,635
South Urban Renewal Bond Redemption Fund (Debt Service Fund)	2,124,771			
TOTALS	**$ 9,722,953**	**$ 10,256,216**	**$ 11,437,093**	**$ 1,816,147**

The General Fund

WHY THE EMPHASIS ON THE GENERAL FUND?



FY13 Operating Results

Forecast for the General Fund

	Gen' Fund
Beginning Fund Balance	1,800,000
Revenues	9,920,000
Expenses	9,940,000
Forecast Ending Fund Balance	**$ 1,780,000**

FY13 Projected **EFB:** General Fund

- As of 28 February 2013: **$ 1,740,000**
- BFB (for any year) is determined this way:
  - Budgeted *Operational* Revenue - $8,500,000
  - Two years ago, 8.33%, increasing by 2.5% per year, until …
  - After two years, the BFB would be $1.133 million
  - That would leave $600,000 for "Reserves" (Contingency and Reserves for Future Capital)

The Long and Slippery Road

We can’t really construct a one-year budget without looking at least two years ahead

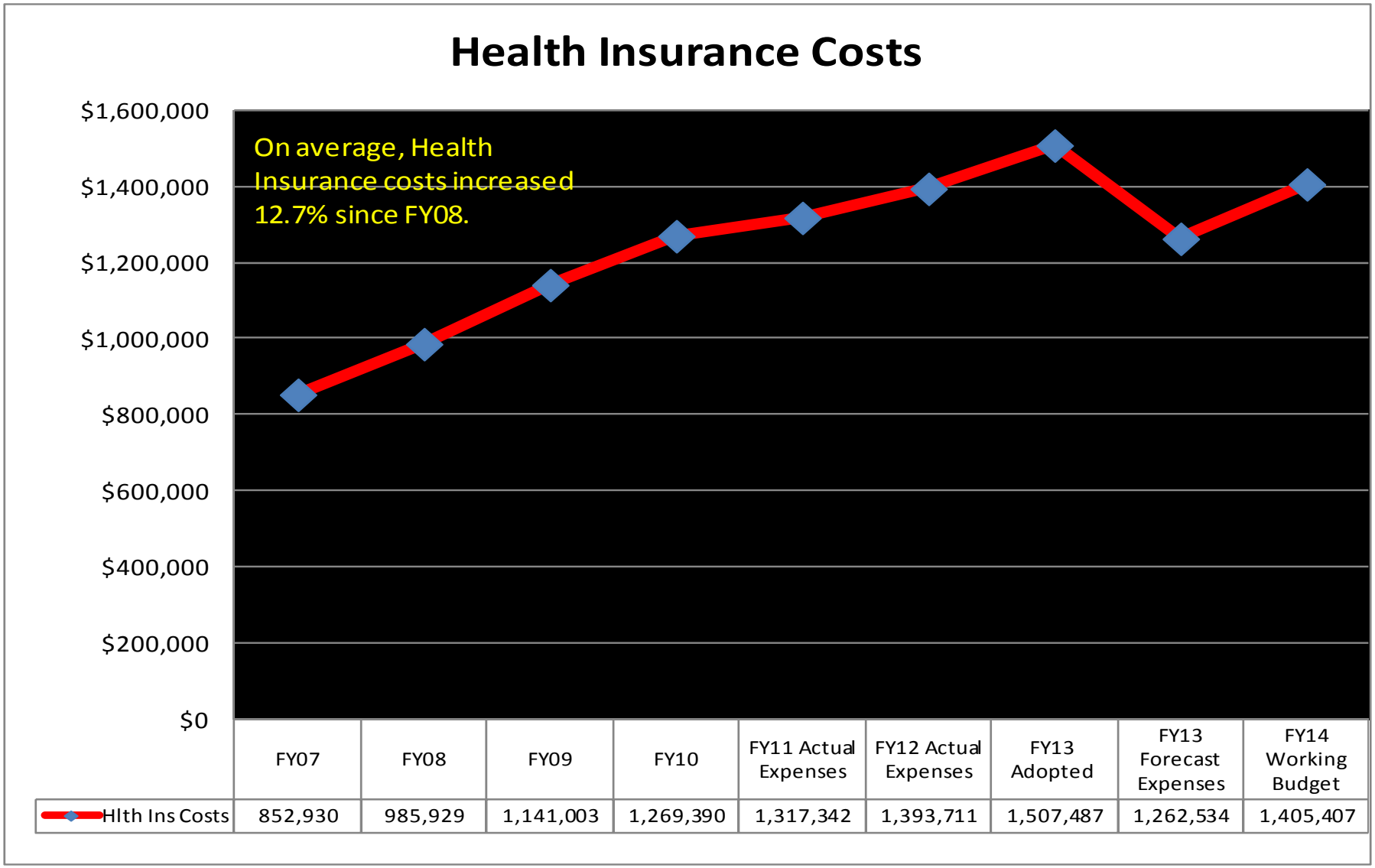
Wages and Salaries ($ 000,000)

	FY12 Actuals	FY13 Budget	FY13 Forecast	FY14 Working Budget	Pct Increase, FY12 to FY14	Pct Increase, FY13 to FY14
General Fund	$3.228	$3.435	$3.410	$3.660	13.5%	**6.68%**
Public Works Funds	$.950	$1.093	$.969	$1.110	17.3%	1.91%
Parks and Rec Fund	$.301	$.292	$.281	$.294	-2.5%	0.80%
ALL FUNDS	**$4.85**	**$5.05**	**$4.84**	**$5.27**	**8.8%**	**4.4%**

PERS

	FY12 Actuals	PERS Rates Ending This June	FY13 Budget	PERS Rates for Starting July 1st	FY14 Working Budget
Police	$249.3k	**21.06%**	$268.8k	**27.17%**	$346.8k
Fire	$ 97.4k		$132.2k		$217.4k
Total	$346.7k		$401.0k		$576.2k

Health Insurance



	FY07	FY08	FY09	FY10	FY11 Actual Expenses	FY12 Actual Expenses	FY13 Adopted	FY13 Forecast Expenses	FY14 Working Budget
Hlth Ins Costs	852,930	985,929	1,141,003	1,269,390	1,317,342	1,393,711	1,507,487	1,262,534	1,405,407

What About Resources?

- Discretionary Revenue
  - General Fund: Estimate no more than 3% growth per year
  - Room Tax Fund: For four years: “flat” at $2.3 million
  - Parks and Rec Fund: Heavily subsidized by the General Fund, though that subsidy has been decreasing
  - Airport Fund: Heavily subsidized by the General Fund, though that subsidy has been decreasing
  - Water and Wastewater Funds: Self-Sustaining and Revenues are increasing, *but they are meant for Capital Infrastructure*

"WHAT IS LEFT TO DO" – AN UPDATE

1. WHAT REMAINS TO BE DONE:
    1. DEPARTMENTS NOW BUDGET PART OF THEIR PAYROLL:
        - OVERTIME
        - CALL BACK TIME
        - PART-TIME/EXTRA HELP
    2. DEPARTMENTS ARE BUDGETING THEIR "DISCRETIONARY" REVENUE
        - MOST USER FEES AND SERVICE CHARGES
        - GRANTS
        - MISCELLANEOUS SALES AND SERVICES
    3. *CLARITY'S* BUDGET MODULE IS OPERATIONAL: DEPARTMENTS ARE INPUTTING THEIR OWN BUDGET INTO EXCEL SPREADSHEETS THAT WE WILL UPLOAD INTO *CLARITY*
    4. MOST BUDGETARY AUTHORITIES ARE BEGINNING TO UNDERSTAND THE DIFFERENCE BETWEEN APPROPRIATIONS, BUDGETS, AND EXPENSES.
    5. DEPARTMENTS HAVE BEGUN "RESERVING" FOR FUTURE CAPITAL EXPENSES
    6. MOST USERS CONTINUE TO CHARGE EXPENSES CORRECTLY, *WHETHER OR NOT THERE IS ADEQUATE BUDGET AVAILABLE IN THAT LINE ITEM*
    7. ALL USERS *MUST* BECOME PSYCHOLOGICALLY PREPARED FOR THE MOVE TO A PURCHASE ORDER SYSTEM
    8. FINANCIAL POLICY FOR "THRESHOLD" REVIEW AND APPROVAL MUST BE WRITTEN AND AVAILABLE … SOON.

WRAP UP

- **THE CITY WILL FIND IT INCREASINGLY DIFFICULT TO MATCH AVAILABLE RESOURCES WITH INCREASING DEMANDS**
- **THOSE DEMANDS ARE:**
  - **AN INCENTIVIZED AND FAIRLY COMPENSATED WORK FORCE**
  - **STAFFING LEVELS THAT CAN ADEQUATELY PROVIDE CITY SERVICES**
  - **THE SETTING ASIDE OF RESERVES FOR CAPITAL PROCUREMENT AND FOR CAPITAL PROJECTS**
  - **THE COUNCIL DIRECTED "SET ASIDES" FOR CONTINGENCY AND UNAPPROPRIATED BALANCES**
  - **AS PAYROLL GROWS FASTER THAN THE RESOURCES AVAILABLE TO MEET THEM, AND AS CAPITAL REQUIREMENTS CONTINUE TO REQUIRE MORE RESOURCES FOR MATERIALS AND SERVICES WILL LIKELY GET SMALLER AND SMALLER**