

FY 2019 Budget Preview

This memo is intended to give Council and the public a preliminary high-level preview of what to expect in the upcoming FY 2019 Proposed Budget. Staff is looking for feedback so the proposed budget does not significantly diverge from general Council expectations.

This next cycle marks the beginning of our biennial budget process, and therefore we will be producing a budget not only for the present fiscal year but also for the following year (FY20). In the past, the second year's proposed budget has included any specific, known activities/changes in activities while also incorporating a typical percentage increase based on past experience. As the State requires all counties/municipalities to submit their following year's budget on an annual basis, the creation of a budget for the second year is a great planning tool, yet Council will still have the opportunity to review and adopt the FY20 budget (with any necessary adjustments) in approximately one year's time.

For FY19, the issue of the pending contract turnover at the laboratory has caused us all to question future county revenues. The timing of the contract award is presently planned for the month of April – at the same time when we have our budget hearings scheduled. Given that the tax status of the awardee can significantly alter our projected revenues – by as much as half with respect to our general fund – we must reconsider our budget process for the upcoming cycle. As the preparation of the proposed budget takes several months, even if the awardee is announced early in April, County staff will not have time to analyze the effects of any award and incorporate that information into our overall budget by the scheduled dates.

I therefore have advised staff to prepare a flat General Fund budget for our April hearings, with no intent of introducing new programs nor altering current levels of service. This flat budget will allow us to still adopt a budget and remain compliant with state regulations until we know more about our future revenue situation. For other funds that are dependent upon GRT, the same direction applies. For Utilities, and any other fund with an alternate revenue source not affected by this issue, they will be allowed to budget based upon their anticipated revenue stream.

My direction regarding the flat budget has been further detailed to include the idea that no salary increases will be proposed at this time. Union-related salaries and previously approved contracts with annual increase provisions will be included (typically social services and cultural contracts), however the respective departments will need to cover these additional expenses under that flat budget. All departmental requests for increases (including both new programs and the aforementioned cost increases) will be documented in the form of an “add-back” list reminiscent of last year's process.

With the proposed “flat” budget process, I suggest that our currently planned four budget hearings may be reduced in number, dependent upon the level of detail that Council wishes to pursue within the non-flat budget areas. Once the laboratory contract is

finalized, I anticipate that we would then schedule additional budget hearings in order to consider any necessary increases/decreases to our budget (utilizing the “add-back” list if the action is to increase our budget), and then adopting such changes as budget revisions.

There are many moving parts to any budget process, and the prior discussion was intended to conceptualize our process for this upcoming cycle, which will include considerations outside of our typical process. If there are any comments/suggestions regarding this process, I hope to have the opportunity to receive such feedback during our January 23 meeting.