



COUNCIL agenda report

Meeting Date	9-2-08
Item Number	Bus 3

CITY OF SAN LUIS OBISPO

FROM: Ken Hampian, City Administrative Officer
 Bill Statler, Director of Finance & Information Technology *JMS, Statler*

SUBJECT: GOAL-SETTING AND FINANCIAL PLAN SCHEDULE FOR 2009-11

CAO RECOMMENDATION

Approve the goal-setting and Financial Plan schedule for 2009-11.

REPORT-IN-BRIEF

Building on our past experience in successfully integrating Council goal-setting into the budget process, this report sets forth the proposed process and schedule for the 2009-11 Financial Plan.

As described more fully below, the following summarizes the proposed "five-step" goal-setting process for 2009-11 and key Council dates:

Key Dates: Five-Step Goal-Setting Process for 2009-11	
<p>Thursday, November 20 <i>Special Meeting</i> 7:00 to 10:00 PM</p>	<p>① Setting the Table. Lay the foundation for goal-setting by considering the current status of both long and short terms goals previously adopted by the City and place them in the context of our general fiscal outlook.</p>
<p>Tuesday, December 16 <i>Regular Meeting</i> 7:00 to 10:00 PM <i>Note: May start at 4:00 PM for other business</i></p>	<p>② Budget Foundation. Finalize plans for the goal-setting process; review Financial Plan policies and organization; review the audited financial results from 2007-08; and discuss the results of the five-year fiscal forecast.</p>
<p>Wednesday, January 14 <i>Special Meeting</i> 6:30 to 9:30 PM</p>	<p>③ Community Forum. Consider comments and suggestions from community groups, interested individuals and Council advisory bodies.</p>
<p>Saturday, January 31 <i>Special Meeting</i> 8:30 AM to 4:00 PM</p>	<p>④ Council Goal-Setting Workshop. Discuss candidate goals presented at the January 14 forum; consider Council member goals; prioritize and set major City goals.</p>
<p>Tuesday, April 14 <i>Special Meeting</i> 7:00 to 10:00 PM</p>	<p>⑤ Major City Goal Work Programs. Conceptually approve detailed work programs for major City goals adopted by the Council; and set strategic budget direction for preparation of the 2009-11 Financial Plan.</p>

Important upcoming date: special budget workshop on September 30, 2008. As discussed with the Council at the July 15 meeting, we recommend holding a special budget workshop on September 30, 2008 in order to:

1. Define the scope of the fiscal challenges facing us in 2008-09 based on three key changes since adoption of the 2008-09 Budget:
 - a. Potential for adverse fiscal impacts on cities as the State addresses its very serious budget problems.
 - b. Downturn in the local economy and its impact on key City revenues such as sales tax, property tax and transient occupancy tax (TOT).
 - c. Results of binding arbitration with the Police Officers Association.

In defining the likely gap facing us, we will also include an analysis of interim financial results for 2007-08. In short, the purpose of this first step is to assess how our current circumstances compare with the adopted 2008-09 Budget.

2. Recommend short-term budget-balancing actions: capital improvement plan (CIP) and operating budget deferrals and deletions; and other short term budget actions, including appropriate use of reserves.
3. Provide a preliminary assessment of the general fiscal outlook for 2009-11, with the recognition that this will be better defined in the five-year fiscal forecast that will be presented to the Council on December 16.

The results of this workscope are likely to set the fiscal tone and framework for the remainder of the 2009-11 Financial Plan process.

DISCUSSION

As reflected in the proposed schedule for preparing the 2009-11 Financial Plan provided in Attachment 1, we recommend continuing to use a multi-year budgeting approach that begins with the Council setting goals for the most important things for the City to accomplish over the next two years. Based on our experience over the past eighteen years along with feedback from the Council, staff and community on the goal-setting process, this has been a successful approach in assuring that the fundamental purpose of the City's budgetary process is achieved:

Linking what we want to accomplish for our community over the next two years with the resources necessary to do so.

As reflected in the attached schedule, we are building on our past experience and proposing to again use a "five-step" process like we did two years ago for the 2007-09 Financial Plan:

1. **"Setting the Table" Workshop.** We propose a similar "background" workshop like we held two years ago, which will be devoted to a comprehensive review of the status of current City plans, goals, policies and programs. This is an especially appropriate start for Council goal-setting, as we have always defined the purpose of the City's budget process as asking ourselves:

Of the many goals, objectives and work programs set forth in our long-term planning and policy documents, which are we going to focus on in the next two years?

With this approach, the City's two-year budget process becomes our key tool in programming the implementation of these plans and policies by allocating the resources necessary to do so.

In short, we do not start the goal-setting process from scratch with an empty plate: it needs to be informed by our adopted long-term plans, current two-year goals and fiscal outlook. Accordingly, we plan to present comprehensive (but concise and meaningful) reports on the following:

- a. **Status of General Plan Programs.** Building on the approach we used two years ago, we plan to present an overview of the status of each General Plan program in all of the ten Elements (about 400 programs in total). Organized by Element, we will provide a short summary of each program, whether it has been completed, and if not, a high level assessment of how difficult it will be to complete. As we did two years ago, we also plan to present a similar summary of the status of the programs in the *Conceptual Physical Plan for the City's Center*. While this is not a General Plan Element, it is referenced in the General Plan, and several of its programs are closely linked.
- b. **Long Term Capital Improvement Plan.** This will provide a "high level" summary of the estimated costs of the new facilities and infrastructure that will be needed to implement our General Plan at build-out based on plans and policies previously adopted by the Council.
- c. **Status of Our Current Two-Year Major City Goals: Carryovers and Spin-Offs.** Some of our major city goals may not be complete by June 2009; as such, the "carryover" work on them may be candidate *Major City Goals* for 2009-11. And even for those goals where the specific work programs for 2007-09 may be completed by June 2009, there may be "spin-off" tasks as a result. This is especially true for work programs in 2007-09 where the objective was to complete plans or studies: with those now in place, a likely "spin-off" into 2009-11 may be implementation of these studies.
- d. **Status of Current Capital Improvement Plan (CIP) Projects.** This report will present an overview of the status of all current CIP projects (about 200), organized by function and phase. It will also identify candidate projects for deletion or deferral based on their status and priority relative to other needs that have emerged since they were initially approved.

New Council-Elect Members

In order to "set the table" in a timely manner for the goal-setting and budget process, it must be scheduled before any new Council members take office in December. However, the "Council-Elect Members" will be known by then and are encouraged to attend.

In fact, with its emphasis on revisiting existing plans, policies and goals, this is an excellent "primer" for any new Council members. For this reason, we will highlight the importance of this workshop with Mayor and Council candidates, and strongly encourage them to put this on their calendars and attend if they are elected.

e. **Results of Cost of Services Study.** During the past year, we have been working on a comprehensive cost of services study. Its purpose is to answer four key questions:

- What does it cost the City to provide various services such as building permit application review, adult softball and child day care?
- Are these costs reasonable?
- What are current cost recovery levels?
- What fee changes are necessary to achieve adopted cost recovery policies?

The last comprehensive study like this was presented to the Council in 1999. Accordingly, an update is timely, and the budget process provides an excellent context for presenting initial results.

f. **General Fiscal Outlook.** It is also important to place goal-setting in the context of our fiscal condition and outlook. This report on our "general fiscal outlook" will not provide a detailed forecast (as discussed below, this will be presented to the Council on December 16); however, it will highlight key trends and emerging challenges.

In summary, while the goal-setting process can certainly be used to initiate goals that have never been on our radar before, it should start from where we are today, based on the long-term plans and objectives we have already adopted, and the high-priority programs and projects already underway. And we should place this in the context of our fiscal outlook.

As it did two years ago, comprehensively "setting the table" in this way will require a dedicated budget workshop. Accordingly, we recommend holding a special budget workshop for this purpose on the evening of *Thursday, November 20, 2008* to ensure adequate time for the Council to ask questions and fully discuss these issues. It should be noted that the evening meeting reflects a modest change from two years ago, when this similar workshop was held during day from 10:00 AM to 3:00 PM. However, since this workshop took much less time than scheduled, we believe that an evening meeting will work from a time perspective and be more accessible for community members.

2. **"Budget Foundation" Workshop.** Again, as we did two years ago, we recommend holding a special workshop dedicated to the "financial and policy" tools that serve as the foundation for the City's budget and goal-setting process. We plan to cover the following topics at this workshop, which we recommend holding on the evening of *Tuesday, December 16, 2008*.

- a. Finalize plans for the Community Forum and Council goal-setting workshop.
- b. Review Financial Plan policies and organization, and recommend changes as appropriate.
- c. Present the Comprehensive Annual Financial Report for 2007-08 and discuss the audited financial results.
- d. Review and discuss the results of the General Fund Five-Year Fiscal Forecast.

In the past, we have held this workshop as a special meeting. However, since the second regular meeting falls relatively early in the month this year, we recommend dedicating this meeting to the budget workshop. In the unlikely event that other business is required, we recommend starting the meeting at 4:00 PM for that purpose.

3. **Community Forum.** Held on the evening of *Wednesday, January 14, 2009*, the purpose of this workshop is to solicit suggested goals and work programs from Council advisory bodies, community groups and interested individuals. As we did two years ago, we plan to hold the forum at the Ludwick Community Center.

Other Community Outreach Efforts. Following Council approval of the budget calendar, we will mail notices to over 175 community groups, governmental agencies, media organizations and interested individuals inviting them to participate in this process. In addition to these notices, we also plan to place display ads in *The Tribune*, *SLO Journal* and *New Times* in order to encourage the broadest possible participation in this process. Information about the goal-setting and budget process will also be placed on our web site.

We also plan to again insert a *Community Budget Bulletin* in our utility bills inviting the public to participate in the goal-setting and budget process, and soliciting their comments on the "three to five most important things for the City to do in the next two years." Two years ago, we received about 600 replies in response to this insert, which we transcribed in their entirety and distributed to the Council along with a summary of "top themes."

4. **Council Goal-Setting Workshop.** Following the receipt of written and oral comments on January 14, the goal-setting workshop will be held on *Saturday, January 31, 2009* in the City/County Library Community Room.
5. **Major City Goal Work Programs.** Following the Council goal-setting workshop, staff will prepare detailed work programs for the *Major City Goals* in order to:
 - a. Clearly define and scope the work program.
 - b. Ensure that there is a clear understanding of the means used in pursuing the goal.
 - c. Convert the general goal into specific action steps so we can measure progress in achieving it.

Each work program will provide the following information:

Objective. What do we specifically want to accomplish? (This will be based on the objective adopted by the Council at the January 27 goal-setting workshop.)

Discussion. What are the factors driving the need for this goal? What actions have we already taken in trying to resolve this problem area? What are the key assumptions? What key challenges, constraints or obstacles can we expect in achieving this goal? What concerns or issues will remain unresolved even if the goal is achieved? Who are the key stakeholders?

Action Plan. What specific tasks will we need to accomplish in order to achieve the goal, and when will we complete them? These “action steps” are the fundamental building blocks in defining and scoping the work program, and in monitoring our progress in accomplishing the goal over the next two years.

Responsible Department. Who is accountable for getting it done?

Financial and Staff Resources Required to Achieve the Goal. What will it take to achieve the goal? Do we need to add resources (staffing, contract services, CIP project) to do this?

Outcome: Final Work Product. What will we get if we achieve the goal? What’s the “deliverable?”

Goal-Setting Framework

Based on our experience over the past years, we plan to use an outside facilitator for the forum and goal-setting workshop. We have received some Council feedback on whether outside assistance is necessary. We believe that this has been a critical success factor in our approach to integrating goal-setting with the budget process. Using an independent facilitator allows all Council members to participate fully in the process; and allows staff to devote our efforts to listening and learning. Because of his familiarity with the City and our goal-setting process, we plan to again use Don Maruska as the facilitator for this process.

As noted above, we will present a detailed approach for the forum and goal-setting workshop to the Council on December 14, 2008. In the interim, provided in Attachment 3 is a summary of the goal-setting process we used two years ago along with the contents of the workbooks we put together for this. While there will undoubtedly be changes to this for 2009-11, these background materials provide a good starting point for the process we envision.

Council Advisory Body Participation

Consistent with past Council direction, the advisory bodies will again play an important role in the goal-setting process by providing the Council with their recommended goals for 2009-11. We have already provided advisory body members with background materials outlining their important role in this process and scheduled an update on this process at the next quarterly meeting with the Mayor and advisory body chairs on October 9, 2008. Lastly, support staff liaisons are beginning to work with the Chairs in scheduling time for this purpose at upcoming advisory body meetings.

SUMMARY

Importance of Goal-Setting in Good Times and Bad

We will go into 2009-11 Financial Plan with mixed fiscal signals at best. On one hand, we are fortunate to have the added resources from Measure Y, the ½-cent sales tax measure approved by voters in November 2006, which generates about \$6 million annually in General Fund revenues. On the other hand, as noted above, we are facing significant fiscal challenges from the results of


binding arbitration, the serious threat of significant State budget takeaways and downward trends in key revenues like sales tax, property tax and TOT. The depth of these challenges will become clearer over the next several months.

However, regardless of our specific fiscal circumstances, we still need an effective process for setting goals for the *most important, highest priority* things for us to do in the next two years. And this is the essence of the budget process: of all the things we want to do in making our community a good place to live, work and play, which are the most important? And what are the difficult resource trade-offs we have to make to do them?

On one hand, the specific answers to these questions – and the difficulty in arriving at these answers – are likely to vary depending upon our fiscal circumstances. However, the need to raise these questions – and to use a process where the community and elected leadership can meaningfully participate in crafting answers to them – is the same in both good times and bad.

ATTACHMENTS

1. 2009-11 Financial Plan Schedule
2. Goal-Setting and Budget Process Schematic
3. Background Materials from Two Years Ago (2007-09 Financial Plan)

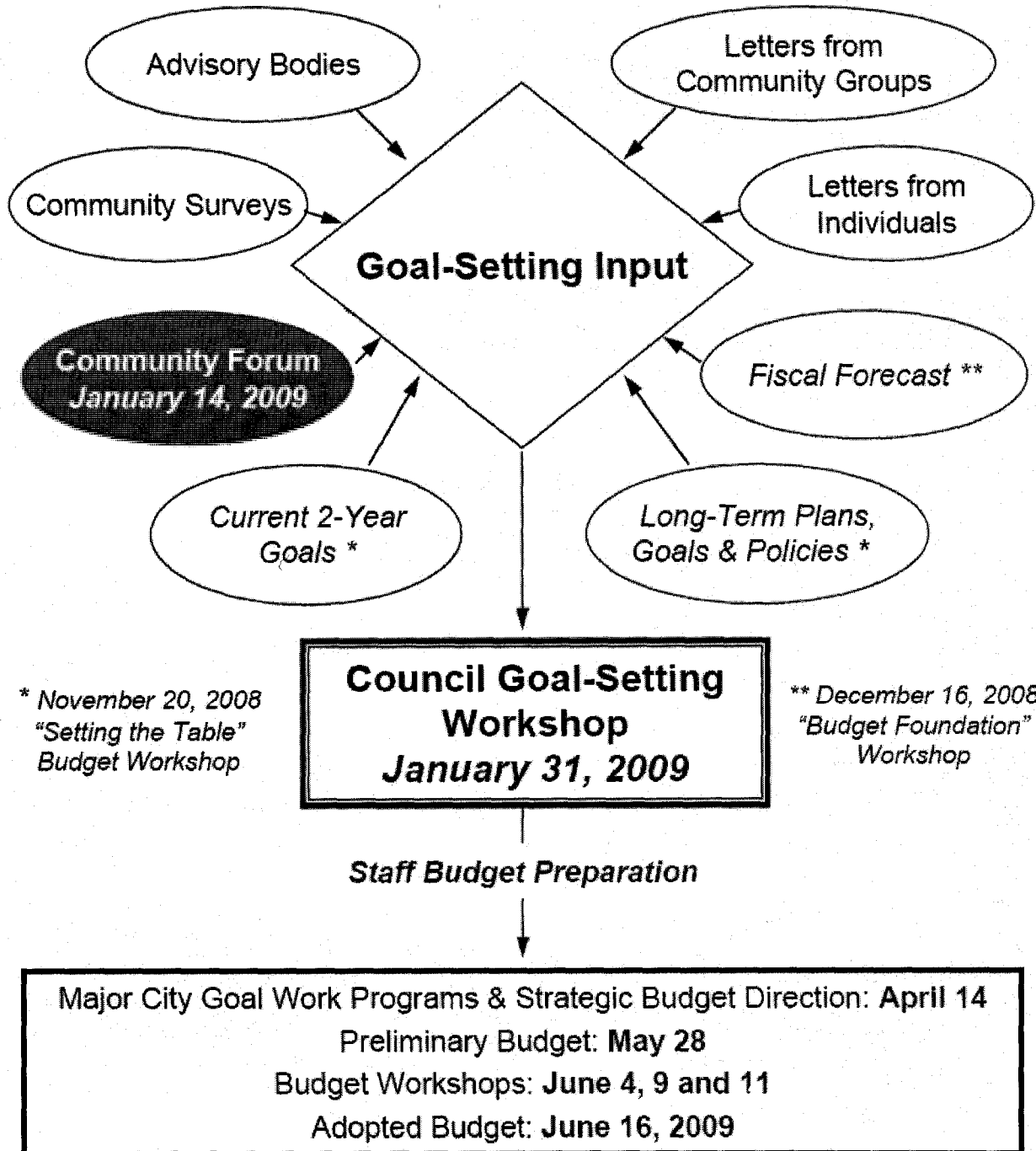


G: Finance/Budget Folders/Financial Plans/2009-11 Financial Plan/Council Goal-Setting/Financial Plan Schedule, 9-2-08

When	Who	What
September 2, 2008	Council	<ul style="list-style-type: none"> Approves Financial Plan process and schedule.
September 30, 2008 <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> Reviews fiscal update and approves short-term budget actions in closing gap in 2008-09.
October 9, 2008	CAO/Finance	<ul style="list-style-type: none"> Updates advisory body chairs on the goal-setting process.
November 3 2008	Finance	<ul style="list-style-type: none"> Begins sending letters inviting participation in goal-setting process to community groups and interested individuals; and begins inserting Community Budget Bulletins in utility bills.
November 10, 2008	Advisory Bodies	<ul style="list-style-type: none"> Provide recommended goals to Finance.
November 17, 2008	Finance	<ul style="list-style-type: none"> Distributes consolidated listing of draft recommended goals to advisory bodies for their review.
November 20, 2008 <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> Holds workshop on status of General Plan and programs, long-term capital improvement plan (CIP), Major City Goals, objectives and CIP projects; results of cost of services study; and general fiscal outlook.
December 16, 2008 <i>Regular Meeting</i> May Start at 4:00 PM	Council	<ul style="list-style-type: none"> Finalizes goal-setting process; considers Financial Plan policies and organization; reviews audited financial results for 2007-08; and discusses results of General Fund five-year fiscal forecast.
December 29, 2008	Finance	<ul style="list-style-type: none"> Receives written comments from community groups and interested individuals, and any changes in goals from advisory bodies.
January 14, 2009 <i>Special Workshop</i> 6:30 to 9:30 PM	Council	<ul style="list-style-type: none"> Holds community forum at the Ludwick Community Center.
January 31, 2009 <i>Special Workshop</i> 8:30 AM to 4:00 PM	Council	<ul style="list-style-type: none"> Holds goal-setting workshop; discusses candidate goals presented at January 14 community forum; discusses Council member goals distributed on January 29; prioritizes and sets major City goals.
February 3, 2009	Council	<ul style="list-style-type: none"> Finalizes goals and priorities (if needed).
February 24, 2009 <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> Considers mid-year budget review.
March 19, 2009	Departments	<ul style="list-style-type: none"> Submit budget requests and major City goal work programs.
April 14, 2009 <i>Special Workshop</i> 7:00 to 10:00 PM	Council	<ul style="list-style-type: none"> Approves detailed work programs for Major City Goals. Sets strategic budget direction in preparing Preliminary Financial Plan.
April to Mid-May	Budget Review Team, Finance	<ul style="list-style-type: none"> Analyze department budget requests; hold briefings with departments; prepare revenue estimates; make recommendations to the CAO.
May 28, 2009	CAO	<ul style="list-style-type: none"> Finalizes budget recommendations and issues preliminary budget.
June 4, 9, 11, 2009 <i>Special Workshops</i> <i>Preliminary Budget</i> 7:00 to 10:00 PM	Council	<ul style="list-style-type: none"> Holds evening workshops to review and discuss Preliminary Budget: <ul style="list-style-type: none"> June 4: Overview and General Fund operating programs. June 9: General Fund CIP projects. June 11: Enterprise Fund programs, CIP projects and rates.
June 10, 2009	Planning Commission	<ul style="list-style-type: none"> Reviews CIP for General Plan consistency.
June 16, 2009	Council	<ul style="list-style-type: none"> Holds continued Financial Plan review and adopts budget. (Holds special meeting on June 23 to continue review and adopt budget if required.)

Goal-Setting and the Budget Process

2009-11 Financial Plan



city of san luis obispo