



Office of the City Manager

## INFORMATION CALENDAR

February 23, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: FY 2022 Budget Development

### INTRODUCTION

This report provides background on the staff recommendation to the Budget and Finance Policy Committee to implement a one-year Budget for FY 2022 and a two year Budget for Fiscal Years 2023 & 2024. The Budget & Finance Policy Committee approved the recommendation at their meeting on January 28, 2021.

### BACKGROUND

The City Council has adopted Fiscal Policies that provide the framework for the City's budget development. Amongst the Fiscal Policies adopted by City Council is the following:

"Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning."

Due to a number of factors outlined below, for the FY 2022 budget, city staff recommends that a one-year budget be prepared, with the intention of developing a two-year budget for City Council for Fiscal Year's 2023 and 2024.

The following provides the basis for staff's recommendation:

- As part of the City's deployment of a new Enterprise Resource Planning system, city staff have been working to deploy a new budget module that aligns with the launch of the new payroll system. Budget staff that are overseeing the implementation of the new budget module have identified some issues regarding the quality of the vast amount of data both converted and hand entered into the system that need time to be validated. By implementing a one year budget for FY 2022 instead of a two year budget, staff will be able to use existing systems to meet the deadline of providing a budget to Council in the beginning of May 2021 and will have the time that is needed to deploy the new budget module and ensure that it meets specifications.
- City staff have recently deployed a new payroll system. Given that personnel costs are a significant part of the City's budget, city staff need time to ensure that any

system or data issues identified through the launch process are corrected. To date, there have been no major issues to resolve. Deploying the new budget module at the same time that any potential implementation issues associated with the launch of the new payroll system are being addressed may not only undermine the accuracy of the budget but could result in further delays.

- Other reasons to implement a one-year budget for FY 2022 rather than a two-year budget includes:
  - Provides staff more time to evaluate the impacts of COVID-19 on the local economy and finances to be able to better project the revenues and expenses in a post vaccine environment.
  - Provides an opportunity to align our systems realignment discussions with the Fiscal Years 2023 & 2024 Biennial Budget.
  - Provides staff with an opportunity to better plan and integrate initiatives into the budget such as Public Safety Re-Imagining that includes the development a new Department of Transportation and Specialized Care Unit. Additional items that should be considered that were recently approved by residents are Measure FF and the Charter Amendment that established a Director of Police Accountability and Police Accountability Board.

Budget staff is still in the process of evaluating whether or not the Operating and Capital Budgets will be summarized in a detailed staff report or a formal budget book. This will be determined over the next couple of months.

Despite the recommendation to implement a one-year budget for FY 2022, the Office of Budget and Fiscal Management continues to look long-term. As the FY 2022 budget is developed, the Office of Budget and Fiscal Management will be asking city staff to develop projections over the next three (3) fiscal years since work will begin on the FY 2023 and FY 2024 Biennial Budget as soon as the FY 2022 budget is adopted.

#### ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the act of adopting the budget/appropriations ordinance/amendments.

POSSIBLE FUTURE ACTION

None

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