

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 11.



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 2007-2008 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 except those required by state law to be accounted for in different funds. The 2007/2008 *General Fund* budget totals \$59,352,560.

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 2007-2008 biennium.

Reviewing Estimates

In September, 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 in 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.

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.

General Fund Expenditures - figure 1



- 51¢ Public Safety (police and fire services)
- 10¢ Transportation Services (traffic, street maintenance, and engineering)
- 18¢ Culture and Recreation (library and parks and recreation services)
- 3¢ Community Development (planning/zoning, plans reviews, building inspections, code enforcement, housing, permitting, historic preservation)
- 12¢ General Governmental Services (legislative/City Council, executive, legal, finance, human resources, and information technology)
- 6¢ Non-departmental (maintenance costs on the City's general governmental buildings; interlocal service agreements with Cowlitz County, Humane Society, Clean Air Agency, Council of Governments and Chamber of Commerce; outside agency requests for CAP Meals on Wheels, Ethnic Support Council's multi-cultural services, Pathways 2020 Report Card and the Longview Teen Council)

General Fund Revenues - figure 2



- 80¢ Taxes (property, retail sales, and business and occupation taxes)
- 1¢ Miscellaneous (investment interest, space and facility rents, and charitable contributions)
- 2¢ Fines and Forfeitures (traffic violations, overdue library books)
- 8¢ Charges for Services (outside fire service contracts provided to the City's neighboring industries; recreation activity fees; engineering services charged to the City's capital projects)
- 4¢ Licenses and Permits (business licenses; building, plumbing and electrical construction permits)
- 5¢ Intergovernmental (motor vehicle fuel and liquor excise taxes; together with liquor board profits, accounts for the majority of state-shared revenues distributed to cities)

Budget Process

CITY OF LONGVIEW 2007/2008 Budget Calendar

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

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

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

■ 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 2007/2008.

May/June

May 13 - Council Workshop. 2006 mid-year financial review and establish 2007/2008 budget parameters; includes review of programs, initiatives, and performance measures.

June 5 - Department Head Meeting - Budget information distributed. A training session is presented by Finance staff for budget preparers after department head meeting.

June 27 - Mail outside agency requests for funding packets.

July 25 - Department heads return completed baseline budgets to Finance.

August 4 - Outside agency funding requests due.

August 11 - Finance completes first run of expenditure and revenue budget.

August 17 - Council Workshop - 2007/2008 preliminary budget.

August 22 - Department heads submit program enhancements, capital improvement projects and performance measures to Finance Director.

August 24 - Regular Council meeting, 2006 mid-year review and 2007-2008 preliminary budget.

August 29 - Preliminary revenue and expenditure budgets with narrative submitted to City Manager.

August 30 - September 1 - City Manager reviews preliminary budget.

August 31 - Lodging Tax Advisory Committee meets.

September 5 - 8 - City Manager meets with department heads to review preliminary baseline budgets, program enhancement requests and capital improvement projects (CIP).

September 14 - Regular Council meeting, outside agency request presentations.

September 25 - Budget estimates are filed with City Clerk for public disclosure. Proposed preliminary budget to City Manager.

September 28 - Regular Council meeting. Schedule public hearing on 2007 revenue sources.

October 2 - 13 - Finance Director and City Manager make final review of revenue and expenditure budgets. City Manager reviews supplemental budget requests and capital improvement projects and decides what to incorporate into the baseline budget and Capital Improvement Plan.

October 5 - Council Workshop - 2007 utility rate review.

October 12 - City Manager distributes revised estimates and proposed preliminary budget to City Council.

October 16 - 27 - Finance Director balances funds and produces a third run of preliminary budget with changes made by City Manager.

October 19 - Council Workshop to discuss 2007/2008 preliminary budget and CIP.

October 26 - Regular Council meeting, Public Hearing on 2007 revenue sources. Council sets public hearing on biennial budget for November 30 and December 14, 2006.

November 2 - Council Workshop - review 2007/2008 budget and CIP, consider program enhancements.

November 6 - Finance prepares budget and Capital Improvement Plan elements in draft form for public review.

November 9 - Regular Council meeting. Council adopts 2007 property tax levy.

November 10 - **First** public hearing notice published on proposed budget and CIP. (1 week)

November 15 - **Second** public hearing notice published on proposed budget and CIP. (1 week)

November 28 - Draft 2007/2008 preliminary budget and CIP distributed to Council, media and public.

November 30 - Special Council meeting. Conduct public hearing on 2007/2008 budget and CIP. 2007 utility rate resolutions adopted.

December 14 - Regular Council meeting, public hearing on 2007/2008 budget and CIP. Adopt 2007/2008 budget ordinance and 2007-2011 CIP resolution.

December 15 - Notify outside agencies of funding requests.

July

August

September

October

November
December

Budget Process

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
<i>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.</i>	<i>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.</i>	<i>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).</i>	<i>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).</i>

"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 full 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.

Citizen Involvement

To obtain input from citizens during budget challenges and prior to reducing services, the City Council will hold a Citizens Summit to help determine the importance of the non-mandated programs and services that are identified. At the Summit, the City will seek to gauge the opinions of citizens on non-mandated programs and services. Non-mandated programs and services may vary and include library services, street maintenance, public safety, information technology, youth/teen/adult/family/senior recreation services, and much more. Citizens unable to attend the Summit will be given the opportunity to fill out an on-line or hard-copy version of the survey. The results will be posted on the City’s web site at www.mylongview.com. Results of the survey will also be presented to the Longview City Council for their consideration as they rule upon the budget.

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.

