



Agenda Bill

City Council Special & Regular Meetings - 15 Oct 2018

Department

Finance

Staff Contact

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Agenda Bill Title

Discussion and Potential Action to Authorize Financial Consulting Contract for Long Range General Fund Financial Plan.

Summary

The loss of the Sales Tax Annexation Credit in 2020 underlines the importance for the City to address its structural imbalance for the General Fund. The structural imbalance is caused by the General Fund revenues not keeping pace with the cost of providing services. Recognizing the City's fiscal challenges ahead and with staff continuing to identify efficiencies, cost reductions, and potential new or enhanced revenue options, this is an opportune time for the City to receive assistance from a financial consulting firm to help with addressing the structural imbalance. The FCS Group specialize in helping local governments to address and solve issues involving public finance and have a broad understanding and level of expertise in how local governments set and implement policies and how the many different governmental functions are performed. The FCS Group will work closely with staff to understand the City's unique financial challenges and opportunities and will provide the City with a plan and a financial tool than can help the City respond as future financial conditions and policy direction evolve. The recommended Scope of Work and Task Plan for this project is attached.

Options

1. Authorize City Manager to enter into a contract with FCS Group.
 2. Do not authorize City Manager to enter into a contract with FCS Group.
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Advisory Board Recommendation

N/A

Administrative Recommendation

Authorize the financial consulting contract for long range General Fund Financial Plan.

Suggested Motion

Move to authorize the City Manager to enter into a contract with FCS Group to provide financial consulting services for long range General Fund Financial Plan.

Fiscal Impact

FUND: General Fund

COST OF PROPOSAL: \$27,160

AMOUNT BUDGETED: \$25,000

ADDITIONAL REQUIRED: \$2,160

Attachments

[FCSG Scope of Work and Budget Final](#)

SCOPE OF WORK AND TASK PLAN

LONG RANGE GENERAL FUND FINANCIAL PLAN

Our overall approach to developing a Long-Term Financial Plan and model for the City's General Fund is to work closely with the City's project team to understand the City's unique challenges and opportunities that inform an understanding of the City's current financial position, as well as the forward-looking evaluation.

Although we will perform much of the work to prepare the plan and model, the plan can only be as effective as its acceptance and understanding by those that must implement and manage it in the future. We are committed to providing the City with a plan and a dynamic financial tool that can help the City respond as future financial conditions and policy direction evolve.

The following tasks outline our approach to developing the financial plan and model tool deliverables.

TASK 1 - KICK-OFF MEETING & STUDY FOUNDATION

Conduct a kick off meeting with the City's project manager and the appropriate City staff to introduce the project team and discuss study objectives, methodologies, schedule, and key milestones. Review the preliminary data needs list including such items as the five-year history of General Fund actual revenues and expenditures, the 2018 General Fund operating and capital budget, past annual financial reports, financial policies, planning documents, and any other background materials and documents that the City believes are relevant.

Work with the project team to define a set of parameters to model the baseline forecast and define up to three (3) scenario alternatives that test variables related to economic factors, alternative governance models for City services, new or enhanced revenue sources, or other variables and approaches identified by the project team.

TASK 2 - DEVELOP THE FINANCIAL MODEL

Develop the financial model tool for the General Fund and designated departments. Produce an Excel-based model tool that is intuitive and flexible, customized to the City's structure and services, with ease of update and navigation to produce summaries specific to information required by staff for other purposes.

TASK 3 – PREPARE THE FORECAST & FINANCIAL PLAN

Develop a ten-year forecast of General Fund functions, beginning with the baseline as defined and developed in collaboration with staff. Review and validate the baseline data and assumptions with staff, then develop the three scenario forecasts testing key variables and developing financial plans based on the alternatives conditions or approaches. Summarize key findings such as:

- What is the financial condition of the General Fund in the baseline forecast?
- Are there any gaps between General Fund revenues and expenditures?
- What actions (new or increased taxes/fees or budget reductions) can the City take to lessen the effects of these types of impacts?
- How do changes in financial policies affect the financial results?

Conduct two screen-sharing conference call sessions to review results, validate underlying data and assumptions, collection feedback and determine next steps.

TASK 4 – PRESENTATION OF FINDINGS

Develop a study presentation that identifies study objectives, framework and assumptions, and summarizes key findings from the baseline forecast and related sensitivity analyses contained in the scenarios. Conduct two (2) screen-sharing conference call sessions to review the draft presentation and collect staff feedback to finalize. Attend and present findings at one (1) Council meeting or study session.

TASK 5 – FINANCIAL PLAN DOCUMENTATION

Prepare a draft plan, detailing study objectives, assumptions, data sources, and the framework used to forecast the baseline and scenario alternatives. Submit a draft plan for staff review, collect and incorporate feedback to finalize the plan document.

TASK 6 – HISTORICAL TREND ANALYSIS

Review and analyze historical General Fund trends to help the City understand past performance and impacts from related fund activity and economic conditions. If data is available for the last 10 years, the analysis can provide a perspective about what has happened to the City's finances during economic recession and growth periods based on recession years 2008 through 2011 when budgets and staffing were impacted, and funding priorities revisited.

TASK 7 – FINANCIAL POLICY REVIEW

Using various sources such as the Government Finance Officers Association publications on best budgeting and financial practices, review the City's current policies and practices and identify potential areas where revisions could be made to better align the City's policies with best practices.

TASK 8 – MODEL TRAINING SESSION

Conduct a training session on the model tool that includes an overview of model function, guided flow process for updating the model year-to-year and when conditions or assumptions change, and general modeling conventions and internal model guidance.

BUDGET ESTIMATE

The study budget is summarized by task and consultant. The total study budget is \$27,160.

Tasks	Consultant Hours				Total Labor Hours	Budget
	Principal Moy	Project Mgr Black	Analyst Slaughterbeck	Admin. Support		
<i>Effective Hourly Billing Rates:</i>	\$240	\$175	\$130	\$85		
Task 1 – Kick-Off Meeting & Study Foundation	3	3	3	1	10	\$1,720
Task 2 – Develop the Financial Model	1	4	10		15	\$2,240
Task 3 – Prepare Forecast & Financial Plan	4	20	40		64	\$9,660
Task 4 – Presentation of Findings	4	8	16	1	29	\$4,525
Task 5 – Financial Plan Documentation	4	12	24	2	42	\$6,350
Task 6 – Historical Trend Analysis		1	8		9	\$1,215
Task 7 – Financial Policy Review		1	2		3	\$435
Task 8 – Model Training Session		3	3		6	\$915
Expenses (Mileage)						\$100
Project Budget	16	52	106	4	178	\$27,160