

BUDGET ISSUE SUMMARY FORM

Title: Inflation Adjustment for Planned Supplemental Human Services Funding

Lead Department: Community Development Department, Department of Finance

1. What are the key elements of the issue? What precipitated it?

The issue relates to the planned General Fund expenditure listed in the Long Term Financial Plan of the FY 2015/16 Budget for “supplemental” human services, i.e., funding above and beyond what is available for human services from the CDBG fund. In the past several years, members of the Housing and Human Services Commission and certain Council members have asked if this planned amount should be indexed to the CPI to adjust for inflation. This issue relates only to the dollar amount that used for long-range planning purposes, not the amount in any given current year’s budget. Council adjusts the actual budget for this line item annually when adopting the Projects Budget, and it may be higher or lower than the “planned” amount shown for that year in the 20-year Resource Allocation Plan.

2. How does this relate to the General Plan or existing City Policy?

It relates to the Council Policy on Human Services Funding.

3. Is the budget issue a: PROJECT X OPERATING _____

4. If the issue is operating, specify the change in service objective(s) that would result (from what, to what). If the issue is a project, write N/A.

N/A

5. Origin of issue: Council _____

Board and Commission X Board/Commission: Housing and Human Services

Staff _____ **Department** _____

6. Projected cost (list rough annual cost of budget item):

Operating Issue \$_____ (Annual Operating Costs)

Capital/Project	\$ <u>No Change (already \$100,000)</u> (Project Cost)*
	\$ <u>TBD</u> (Associated Annual Operating Costs)

*In the FY 2015/16 Budget, the City has planned an amount of \$100,000 annually from the General Fund for human services funding. CPI can vary during extreme economic cycles, but typically ranges from a slight negative percentage to a slight positive percentage (i.e., -2.0% to +5.0%), most often between 1%-3% per year based on long-term historical averages and federal monetary policy. If, for estimating purposes, staff were to assume the CPI would average 2% annually, that would amount to an annual increase of \$2,000 initially, compounding over time. Over twenty years, it would amount to a total increase of

nearly \$430,000 compared to keeping the amount flat at \$100,000 every year. However, this amount only refers to the “planned” budget. There is no way to predict whether Council would consistently appropriate the planned budget each year, or if it would appropriate a different amount (more or less) based on budgetary conditions at that time. Therefore it is difficult to predict the precise cost implications of this budget issue since it only suggests a change to the City’s long-range plan and not a change to actual expenditures at this time.

7. Recommended funding source:

New revenue source	_____
Service level reduction	_____
Other	<u>General Fund</u>

Please describe recommended funding source:

Funding for this would be provided by the General Fund, Budget Stabilization Fund.

8. Staff evaluation and recommendation of proposed budget issue:

Evaluation: This topic has arisen in the past several cycles of human services funding hearings, which occur every other year, and has been an issue of concern to the HHSC as well as Council for several years. Because this issue relates to the City’s General Fund Long Term Financial Plan, and not to actual expenditures for the current budget cycle, it may be most appropriate to consider this along with the City’s FY 2016/17 Recommended Budget. Alternately, this discussion could be delayed to the scheduled Council hearing in November 2016 on Priority and Unmet Needs for Human Services, which relates closely to this topic, which would delay any change until the FY 2017/18 budget cycle.

Refer budget issue for consideration in Recommended Budget	<u> X </u>
Defer budget issue to future fiscal year	_____
Drop budget issue	_____

Prepared by: Suzanne Ise, Housing Officer

Reviewed by: Trudi Ryan, Director of Community Development

Reviewed by: Timothy J. Kirby, Acting Director of Finance

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager