

## **Guiding Principles and Strategies for Preparation and Implementation of the Fiscal Year 2023-24 Budget**

### Budget Principles

- The basic FY 2023/24 Budget goals, as in prior years, are to maintain service levels that balance annual revenues with annual expenditures. One-time revenues will not be used to support ongoing expenditures. Capital improvements will be forecast for five years, with one year of expenditures budgeted.
- Appropriate reserves will be maintained as required by the City Council Reserve Policy, last revised in June 2013.
- The City's tax base and revenue opportunities will be carefully monitored.
- Maintenance of Coronado's physical assets will continue and will not be deferred.
- The City will prioritize delivery of quality services to meet the City Council's vision.
- Service and systems improvements to maximize efficiency, enhance revenue and increase quality of services will be sought.

### Budget Strategies

1. The basic budget model will continue to be a line-item budget. With some exceptions, line items in the FY 2022-23 budget will be the base for FY 2023-24. Line-item budgets are the most common and familiar budget types and lend themselves to simplicity, especially with the City's lean fiscal management staff.
2. Separate funds (sub-funds of the General Fund) will continue to be used for the activities of the Community Development and Recreation and Golf Services departments. Staff will continue to assess, via fee studies, the cost of service delivery to calibrate recommendations for cost recovery.
3. After General Fund operating expenditures have been budgeted, the next primary element to be considered is the contribution to the Facilities Replacement Fund (Fund 436). The Facilities and Asset Management Funding Formula was approved in December 2015 and contributions will be budgeted pursuant to the formula to the extent possible. After General Fund operations and Fund 436 have been funded from available revenues, an allocation to General Fund Capital Improvement Projects for FY 2023-24 will be considered.
4. With the exception of the Storm Drain Fund 530, enterprise activities are expected to be self-supporting. Staff will conduct a storm water rate study in FY 2023-24 with recommendations considered for FY 2024-25.

5. Fee increases for enterprise activities will be recommended to account for service level demands and planning for necessary system investments. Staff is conducting a wastewater rate study for consideration in Summer/Fall 2023 and implementation in FY 2023-24. In the preparation of the FY 2023-24 Budget, the contribution from the General Fund will be in line with the current rate remaining in place for FY 2022-23.
6. Community Group funding will be programmed at 1.50% of General Fund revenues and will be administered in accordance with Council Policy #28 adopted by the City Council. Community Group funding applications will be considered at the June 20, 2023 City Council meeting.
7. Employee compensation for the three bargaining groups and self-represented employees will be budgeted based on the existing Memoranda of Understanding and Personnel Authorization and Compensation Plan.
8. The budget for pension costs will be projected based on the Unfunded Accrued Liability and Employer Normal Cost Rate provided by CalPERS, applied to projected employees' eligible base salary costs. The anticipated remaining excess funds will be distributed to the pension stabilization fund.
9. Treasury management will be performed by City Finance staff. The target rate for new investments will be to match or exceed the Local Agency Investment Fund (LAIF). The approach for all investments will be to maximize investment returns over the long- and short-term and also to provide an optimum level of confidence that the City's cash resources are securely invested with appropriate liquidity.
10. Basic assumptions, such as revenue and expenditure growth assumptions, were reviewed with the City Council on April 4, 2023, as part of a multi-year financial projection. A budget workshop will be held on May 23, 2023. Budget adoption will be on June 6, 2022.