

# BUDGET WORKSHOP

May 22, 2017

# BUDGET ROLES SUMMARY

- Accounting prepares:
  - ▣ Revenue estimates – current and next year
  - ▣ Expenditure estimate – current year
  - ▣ Forms for Directors to make budget requests
  - ▣ Draft and final budget documents
- Directors
  - ▣ Prepare detailed budget requests
  - ▣ Prepare capital requests
- Committees
  - ▣ Prioritize related projects
- City Manager/CFO
  - ▣ Review requests, prioritize capital requests, make cuts
- City Council
  - ▣ Review and approve budget
  - ▣ Hold public hearing to obtain input

# BUDGET PREPARATION SCHEDULE

March 10	Distribute Budget Preparation Packets to Directors
March 17	Directors verify personnel and line estimates
March 10 - March 31	Directors prepare budget requests and submit to Finance Director
April 17 - April 20	Directors Budget Meetings with City Manager
May 18	Submit Proposed Budget to City Council
<b>May 22</b>	<b>City Council Consideration of Budget</b>
May 24	Publish Budget Summary and Notice of Public Hearing (actual publish date will be Sunday, May 28)
June 5	Public Hearing on Budget and Budget Adoption (Legal Deadline is June 23)
June 30	Budget published and filed with State Auditor and City Clerk
July 1	New fiscal year begins

# FINANCIAL STRUCTURE

## □ Funds

### □ General – accounts for most municipal operations

#### ■ Major revenue sources

- Sales tax
- Other taxes
- Transfers from Enterprise funds

#### ■ Major expenditures

- Personnel
- Transfers to operating and reserve funds

# FINANCIAL STRUCTURE (continued)

- Funds (continued)
  - ▣ Enterprise – account for all utility operations
    - Major revenue sources
      - Charges for services (Sanitation)
      - Transfers from BMA (Water and Wastewater)
    - Major expenditures
      - Wastewater plant operating contract
      - Personnel
      - Materials
      - Transfers to General Fund and reserve funds

# FINANCIAL STRUCTURE (continued)

## □ Funds (continued)

### ▣ BMA – account for utility debt service and utility revenues

#### ■ Major revenue sources

- Charges for services

#### ■ Major expenditures

- Debt service on utility debt
- Transfers to Water and Wastewater operating funds to cover operating expenses

# FINANCIAL STRUCTURE (continued)

## □ Funds (continued)

### ▣ Reserve Funds

#### ■ Stabilization

- Transfers from General, Water, Wastewater, and Sanitation
- Expenditures only via ordinance

#### ■ Capital

- Transfers from General and Sanitation
- Dedicated utility fees for Water and Wastewater
- Expenditures for capital

# FINANCIAL STRUCTURE (continued)

## □ Funds (continued)

### ▣ Other funds

- E-911 – transfers from General fund and E-911 fees
- Economic Development – 1/4% sales tax and portion of lodging tax
- Memorial Stadium – remaining balance being returned to General Fund
- CIP – Sales Tax – 1/2% sales tax
- CIP – Wastewater Regulatory – wastewater capital fee/fund is being closed. Capital fees now recorded in Capital Reserve Fund.
- GO Bond Funds – numerous funds used to track GO bond proceeds and expenditures
- Golf Course – green fees, membership fees, and General fund transfers
- Worker's Comp – transfers from operating funds
- Health Insurance – transfers from operating funds and premiums
- Auto Collision – transfers from operating funds



# SIGNIFICANT ITEMS



- Revenue:
  - Sales tax estimates
  - Utility rate adjustments
- Personnel:
  - Personnel additions
  - Benefit costs
  - Pay increases
- Stabilization Reserve Fund
- Capital Reserve Fund



# REVENUE

# SALES TAX ESTIMATES

## SALES TAX ESTIMATES

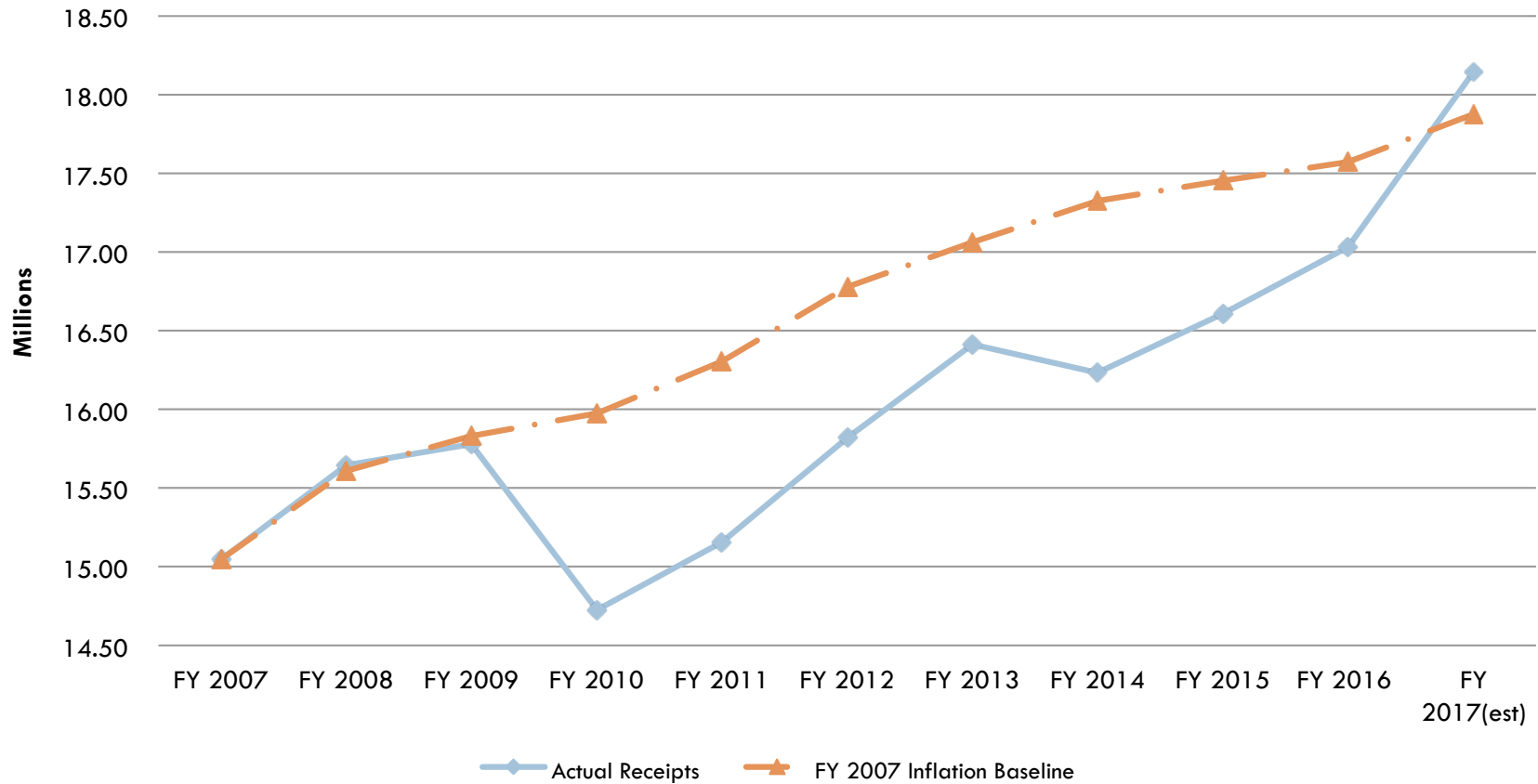
	<u>FY 2016</u>	<u>FY 2017</u>	YOY % Change	<u>FY 2018</u>	YOY % Change	YTD % Change
July	1,365,450	1,525,569	11.7%	1,502,685	-1.5%	-1.5%
Aug	1,355,503	1,554,918	14.7%	1,523,820	-2.0%	-1.8%
Sept	1,426,834	1,488,182	4.3%	1,480,741	-0.5%	-1.3%
Oct	1,320,714	1,500,401	13.6%	1,492,899	-0.5%	-1.1%
Nov	1,252,420	1,502,254	19.9%	1,494,743	-0.5%	-1.0%
Dec	1,401,010	1,548,936	10.6%	1,548,936	0.0%	-0.8%
Jan	1,399,068	1,562,687	11.7%	1,593,941	2.0%	-0.4%
Feb	1,498,861	1,615,585	7.8%	1,647,897	2.0%	-0.1%
Mar	1,459,105	1,295,009	-11.2%	1,437,460	11.0%	1.0%
April	1,525,873	1,538,188	0.8%	1,568,952	2.0%	1.1%
May	1,577,785	1,534,080	-2.8%	1,564,762	2.0%	1.1%
June	<u>1,449,692</u>	<u>1,478,686</u>	2.0%	<u>1,523,046</u>	3.0%	1.3%
	<u><b>17,032,315</b></u>	<u><b>18,144,495</b></u>	<b>6.5%</b>	<u><b>18,379,882</b></u>	<b>1.3%</b>	

# SALES TAX ESTIMATES

- Expect improvement to sales tax starting December 2017
- Bad apples to bad apples
  - ▣ Final Sears remittance received December 2016
  - ▣ Final Hastings remittance received October 2016
- Silver Lake Village
  - ▣ Phase I will open Fall 2017
  - ▣ Phase II will open Spring 2018
  - ▣ 30% of onsite sales will be captured by TIF initially
- Staff estimates translate to a 1.3% increase for FY 2018 sales tax (utilize FY 2017 estimated actuals not budget)

# INFLATION ADJUSTED SALES TAX

## Inflation Adjusted Sales Tax Receipts



# UTILITY RATES

- Phase II of the 5 year rate plan adopted May 2016 will be effective July 1, 2017
  - ▣ Council adopted ordinance that set rates for each of the next 5 years
- Continues implementation of:
  - ▣ Inclining block rate structure
  - ▣ Capital improvement fees
  - ▣ Rate levels sufficient to sustain operations and maintenance

# 5 YEAR UTILITY RATE PLAN

	<u>CURRENT</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
<b>WATER</b>						
Average monthly residential water usage (g)	6,000	6,000	6,000	6,000	6,000	6,000
Volumetric rate/1,000 g	\$ 3.33	3.45	3.64	3.84	4.05	4.27
Capital investment fee/1,000 g	\$ -	0.85	0.85	0.85	0.85	0.85
Monthly volumetric charge	\$ 13.32	13.80	14.56	15.36	16.20	17.08
Monthly capital investment fee charge	-	3.40	3.40	3.40	3.40	3.40
Monthly base rate	<u>12.19</u>	<u>12.74</u>	<u>13.31</u>	<u>13.91</u>	<u>14.54</u>	<u>15.19</u>
Total monthly water charge	<u>\$ 25.51</u>	<u>29.94</u>	<u>31.27</u>	<u>32.67</u>	<u>34.14</u>	<u>35.67</u>
<b>WASTEWATER</b>						
Average monthly residential wastewater usage (g)	4,500	4,500	4,500	4,500	4,500	4,500
Volumetric rate/1,000 g	\$ 3.04	3.09	3.14	3.19	3.24	3.29
Capital investment fee/1,000 g	\$ 1.25	1.44	1.66	1.91	2.20	2.53
Monthly volumetric charge	\$ 13.68	13.91	14.13	14.36	14.58	14.81
Monthly capital investment fee charge	5.63	6.48	7.47	8.60	9.90	11.39
Monthly base rate	<u>2.93</u>	<u>4.33</u>	<u>5.73</u>	<u>7.13</u>	<u>8.53</u>	<u>9.93</u>
Total monthly wastewater charge	<u>\$ 22.24</u>	<u>24.72</u>	<u>27.33</u>	<u>30.08</u>	<u>33.01</u>	<u>36.12</u>
<b>TOTAL WATER/WASTEWATER MONTHLY CHARGE</b>	<b><u>\$ 47.75</u></b>	<b><u>54.66</u></b>	<b><u>58.60</u></b>	<b><u>62.75</u></b>	<b><u>67.15</u></b>	<b><u>71.79</u></b>
<b>% INCREASE</b>		<b>14.5%</b>	<b>7.2%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>6.9%</b>



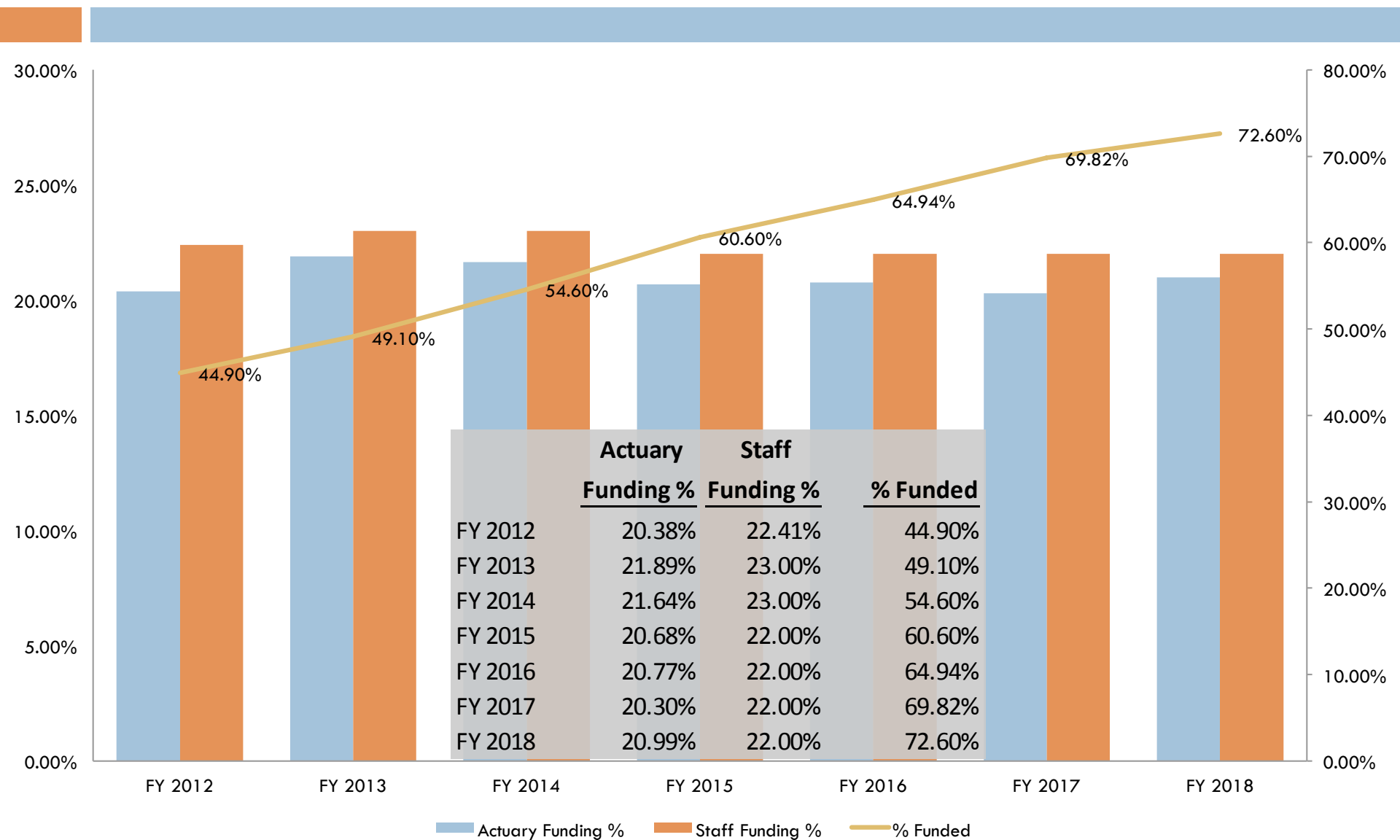
# PERSONNEL



# PERSONNEL POSITIONS

- Staffing increases
  - ▣ Addition of 1 FTE in Library
- Reorganization of IT
  - ▣ IT has served as part of Engineering for several years
  - ▣ Staff is being returned to the IT Department
  - ▣ Administrative Director/CFO is currently serving as the Interim Director over IT
  - ▣ Budget calls for addition of 1 FTE to IT
    - Vacant position transferred from Building Maintenance
    - New position will serve in leadership role in IT

# GENERAL EMPLOYEE PENSION STATUS



# SALARIES AND BENEFITS

- Health Insurance – 2<sup>nd</sup> year with UMR
  - ▣ FY 2018 admin costs same as FY 2017
  - ▣ FY 2018 actuarial estimation expects claims to grow 12%
  - ▣ FY 2018 reinsurance increased 25%
    - Changed SIR from \$90k to \$100k
    - Went to market and changed providers to HCC
  - ▣ Contributions from operating funds actually decreased by \$414k due to increased reserve levels in Health Insurance Fund
- Work Comp
  - ▣ FY 2017 Claims cost in Work Comp Fund down \$73k
  - ▣ FY 2018 contributions from departments decreased about \$136k

# SALARIES AND BENEFITS (continued)

- Draft budget provided to Council contains:
  - ▣ No provisions for compensation increases for employees
  - ▣ Special vacation in lieu of increases
    - 1 week per employee that is structured so that it has no financial impact

# SALARIES AND BENEFITS (continued)

- Changes to proposal since budget was provided to Council:
  - ▣ COLB
    - Provide a 1 time bonus in-lieu of compensation increase (this will eliminate the concern over recurring costs)
      - \$500 paid to each employee in November
    - Also provide a plan for a revenue contingent bonus that would be measured after February 2018
      - Up to \$1,500 payment based on amount that revenues exceed expenditures
      - Will be reduced in the event that additional expenditures are appropriated by Council
    - Total cost \$212k (General \$163k, Wastewater \$7k, Water \$23k, and Sanitation \$19k)
  - ▣ Budget for Fire Department insurance increased \$40,000
  - ▣ General Fund balanced by reducing transfer to Capital Reserve by \$200,000
  - ▣ Enterprise funds have sufficient resources to cover this increase



# OTHER ITEMS

# STABILIZATION RESERVE FUND

- Stabilization Reserve – established by ordinance of Council
  - Requires minimum 2% annual contribution from General, Wastewater, Water, and Sanitation
  - Requires a minimum balance of 16% and maximum of 35%

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total	% of
	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Balance</u>	<u>Budget</u>
General Fund	\$ 575,039	\$ 818,328	\$ 393,760	\$ 391,380	\$ 392,444	\$ 508,111	\$ 426,724	\$ 3,505,786	16.4%
Wastewater	139,509	116,485	57,715	61,397	82,423	81,251	84,671	623,451	14.7%
Water	279,042	227,756	120,916	121,318	119,618	122,293	127,549	1,118,492	17.5%
Sanitation	<u>192,127</u>	<u>150,164</u>	<u>80,160</u>	<u>78,043</u>	<u>78,830</u>	<u>80,849</u>	<u>80,137</u>	<u>740,310</u>	18.5%
Total	<u>\$ 1,185,717</u>	<u>\$ 1,312,733</u>	<u>\$ 652,551</u>	<u>\$ 652,138</u>	<u>\$ 673,315</u>	<u>\$ 792,504</u>	<u>\$ 719,081</u>	<u>\$ 5,988,039</u>	

## Excerpt from Stabilization Reserve Ordinance:

Amounts held in the Stabilization Reserve Fund that are below the minimum threshold may be expended only under specific limited circumstances.

- i. Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists;
- ii. Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- iii. Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

# CAPITAL RESERVE FUND

- Capital Reserve Fund established by ordinance
  - ▣ Ordinance requires 5 year capital plans for Water, Wastewater, and Sanitation
  - ▣ Transfers sufficient to cover these annualized capital expenses are typically made from the operating funds
  - ▣ New utility rates provide sufficient cash to make necessary transfers
    - Debt is needed and shown for wastewater plant and wastewater reuse



# WASTEWATER CAPITAL PLANS

## WASTEWATER - 5 YR CAPITAL PLAN & FUNDING SUMMARY

Fiscal Year	Capital Plan Summaries			Funding Summaries			
	Wastewater Plant	Wastewater Maint	Total	Revenue to Cap Res Fund	Debt Issued	Expenses	Cash Balance
2017	\$ 17,031	340,428	357,459	\$ 1,474,040	\$ -	357,459	1,432,785
2018	2,722,000	133,720	2,855,720	1,793,000	-	2,855,720	370,065
2019	515,000	40,000	555,000	1,700,000	-	555,000	1,515,065
2020	35,000,000	2,725,000	37,725,000	1,700,000	35,000,000	37,725,000	490,065
2021	-	80,000	80,000	1,700,000	-	80,000	2,110,065
2022	150,000	-	150,000	1,700,000	-	150,000	3,660,065
<b>Total</b>	<b>\$ 38,387,000</b>	<b>2,978,720</b>	<b>41,365,720</b>	<b>\$ 8,593,000</b>	<b>\$ 35,000,000</b>	<b>41,365,720</b>	

# WATER CAPITAL PLANS

## *WATER - 5 YR CAPITAL PLAN & FUNDING SUMMARY*

Fiscal Year	Capital Plan Summaries				Funding Summaries			
	Water Plant	Water Admin	Water Distribution	Total	Revenue to Cap Res Fund	Debt Issued	Expenses	Cash Balance
2017	\$ 252,419	299,210	237,923	789,552	\$ 1,167,213	\$ -	789,552	1,842,760
2018	605,000	214,220	570,000	1,389,220	1,439,000	-	1,389,220	1,892,540
2019	4,250,000	-	1,780,000	6,030,000	1,439,000	4,000,000	6,030,000	1,301,540
2020	35,000	2,250,000	160,000	2,445,000	1,439,000	-	2,445,000	295,540
2021	30,000	-	70,000	100,000	1,439,000	-	100,000	1,634,540
2022	1,000,000	-	-	1,000,000	1,439,000	-	1,000,000	2,073,540
<b>Total</b>	<b>\$ 5,920,000</b>	<b>2,464,220</b>	<b>2,580,000</b>	<b>10,964,220</b>	<b>\$ 7,195,000</b>	<b>\$ 4,000,000</b>	<b>10,964,220</b>	

# SANITATION CAPITAL PLANS

## *SANITATION 5 YR CAPITAL PLAN*

Fiscal Year	Capital Plan Summaries		Funding Summaries			
	Sanitation	Total	Revenue to Cap Res Fund	Debt Issued	Expenses	Cash Balance
2017	\$ 587,841	587,841	\$ 750,000	\$ -	587,841	162,159
2018	458,720	458,720	750,000	-	458,720	453,439
2019	200,000	200,000	750,000	-	200,000	1,003,439
2020	300,000	300,000	750,000	-	300,000	1,453,439
2021	1,100,000	1,100,000	750,000	-	1,100,000	1,103,439
2022	1,705,000	1,705,000	750,000	-	1,705,000	148,439
<b>Total</b>	<b>\$ 3,763,720</b>	<b>3,763,720</b>	<b>\$ 3,750,000</b>	<b>\$ -</b>	<b>3,763,720</b>	



# FY 2019 BUDGET PROJECTIONS

# FY 2019 REVENUE PROJECTIONS

	<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2019</b>
	<b>Budget</b>	<b>Expected</b>	<b>Expected</b>
	<b>Budget</b>	<b>Amounts</b>	<b>Budget</b>
External revenues	\$ 17,938,996	\$ 17,938,996	\$ 18,203,051
Transfers in	<u>3,929,639</u>	<u>3,929,639</u>	<u>3,993,778</u>
Total revenues	21,868,635	21,868,635	22,196,829
Fund balance	<u>1,279,555</u>	<u>1,279,555</u>	<u>1,555,588</u>
Total resources	<u><u>\$ 23,148,190</u></u>	<u><u>\$ 23,148,190</u></u>	<u><u>\$ 23,752,417</u></u>

# FY 2019 EXPENDITURE PROJECTIONS

	<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2019</b>
	<b>Budget</b>	<b>Expected</b>	<b>Expected</b>
	<b>Budget</b>	<b>Amounts</b>	<b>Budget</b>
Expenditures	\$ 20,790,196	\$ 20,097,359	\$ 21,102,049
Transfers out	<u>1,495,243</u>	<u>1,495,243</u>	<u>1,719,230</u>
Total expenditures	22,285,439	21,592,602	22,821,279
Reserves	<u>859,994</u>	<u>-</u>	<u>859,994</u>
Total uses	<u>\$ 23,145,433</u>	<u>\$ 21,592,602</u>	<u>\$ 23,681,273</u>

# FY 2019 BUDGET SUMMARY

	<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2019</b>
	<b>Budget</b>	<b>Expected</b>	<b>Expected</b>
	<b>Budget</b>	<b>Amounts</b>	<b>Budget</b>
Total resources	<u>\$ 23,148,190</u>	<u>\$ 23,148,190</u>	<u>\$ 23,752,417</u>
Total uses	<u>23,145,433</u>	<u>21,592,602</u>	<u>23,681,273</u>
Surplus (deficit)	<u><u>\$ 2,757</u></u>	<u><u>\$ 1,555,588</u></u>	<u><u>\$ 71,144</u></u>

# FY 2019 BUDGET SUMMARY

- Using modest assumptions could adopt a similar budget in FY 2019
  - ▣ Slight revenue growth – 1.4% total
  - ▣ Slight expenditure growth – 1.5% inflation
  - ▣ Increase capital transfer back to \$500k
  - ▣ Could keep in place the COLB





# ADDITIONAL ITEMS FOR DISCUSSION

# ADDITIONAL DISCUSSION

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- Other questions or comments from Council?

# CAPITAL BUDGET

- Appropriations adopted with total budget
- List of projects approved separately
- Carryover projects vs new projects
  - ▣ Carryover projects funded in previous years
  - ▣ New projects
  - ▣ Will be shown separately during Capital presentation
- Capital project selection
  - ▣ Most projects are determined by election or capital plan
  - ▣ Project priorities are established by Committees or Staff
  - ▣ Council reviews the project list and authorizes the prioritized projects

# CAPITAL PROJECT REVENUE SOURCES

- GO Bond – issuance of GO bonds
  - ▣ Revenues accumulated in separate fund for each issuance
- CIP Sales Tax – 1/2% dedicated sales tax
  - ▣ Revenues accumulated in CIP – Sales Tax fund
- Utility revenues
  - ▣ Water and Wastewater have dedicated capital fees that are deposited in the Capital Reserve fund
  - ▣ Sanitation capital funded through normal utility revenues
- Transfers to Capital Reserve Fund
  - ▣ General Fund transferring \$300k this year
  - ▣ Sanitation transfers \$750k/yr

# FUNDS USED TO ACCOUNT FOR CAPITAL EXPENDITURES

- GO Bond Funds
  - ▣ At least 70% of funds are dedicated on the ballot
  - ▣ Up to 30% of funds are discretionary
    - Even discretionary funds are planned during election
  - ▣ Issued in tranches over time to keep mill levy at 15 mills
- CIP – Sales Tax
  - ▣ Typically pay as you go
  - ▣ Treated like GO Bond but not legally bound
  - ▣ 7 year authorization
  - ▣ Prioritized projects to ensure completion of 70% projects due to sales tax shortfalls

# FUNDS USED TO ACCOUNT FOR CAPITAL EXPENDITURES (continued)

- CIP – Wastewater Regulatory
  - ▣ Prior to FY 2017 received dedicated capital fee for wastewater
  - ▣ Fund will receive no new revenue
- Capital Reserve Fund
  - ▣ 5 year capital plans for Water, Wastewater, and Sanitation
  - ▣ General Fund projects were focused on picking up discretionary projects that were cut from CIP – Sales Tax Fund
- Various other capital funds