

# 2019 PROPOSED BUDGET

- This presentation will focus on the General Fund which is the main operating fund for the City.
- This proposal assumes no new money and is the request to Council should issue 29 fail.
- I will first discuss the revenue and expenditure projections as they compare to 2018 and the assumptions used to create the proposed budget.
- I will then discuss the original requests and various reductions that were made to keep operating expenditures within on-going revenue sources.
- I will discuss the make-up of the final proposed budget request by category.
- I will conclude with the 5 year SOM projection and impact of the 2019 request on fund balance for the General Fund.

## General Fund Revenue Projections

Category	2018 Est.	2019 Est.	2018 to 2019 Difference	Percent Change
Income Tax	19,415,300	20,088,700	673,400	3%
Real Estate Taxes	1,890,160	2,088,705	198,545	11%
Fines & Fees	1,414,081	1,295,900	(118,181)	-8%
Recreational Income	1,407,225	1,443,025	35,800	3%
Local Government Fund	675,900	675,900	0	0%
Other Taxes	568,300	573,900	5,600	1%
Interest & Investment Income	500,000	740,830	240,830	48%
Licenses & Permits	626,300	864,850	238,550	38%
Administrative/Service Charges	399,820	370,320	(29,500)	-7%
Miscellaneous Income	164,000	185,000	21,000	13%
Grants	10,200	10,200	0	0%
Advance	138,600	252,000	113,400	82%
Transfers	1,451,076	1,231,817	(219,259)	-15%
<b>Total</b>	<b>28,660,962</b>	<b>29,821,147</b>	<b>1,160,185</b>	<b>0</b>

- We are projecting a total increase of \$1.16 million compared to 2018. The increase is coming mainly from the following:
- Income taxes are projected to increase by 3% or \$673,400 based on historical trends and current economical activity. As of November 5, 2018 the City has completed 12 development projects that are projected to create or retain 333 jobs and there are 16 active projects that are projected to create or retain 529 jobs.
- Property taxes are based on estimates from the County Budget Commission and based on this estimate it is projected to increase by 11% or \$198,545.
- Investment income is based on current and projected yields from our investment advisor and it is projected that investment income will increase by 48% or \$240,830.
- Licenses and Permits are projected to increase by 38% or \$238,550 for collections related to the new rental property code.
- Advances in will increase by 82% or \$113,400 as repayment for the second advance made to the water fund in 2018 will begin in 2019.
- All other revenue was projected based on historical trends, known fee increases and estimated activity. Activity estimates are also based on historical trends and anything the City is aware of moving into the future that may create an increase or decrease.

## General Fund Expenditure Projections

Category	2018 Appropriated	2019 Request	2018 to 2019 Difference	Percent Change
Salaries & Benefits	16,772,945	17,957,700	1,184,755	7%
Operating	7,931,779	7,651,370	(280,409)	-4%
Capital Outlay	1,083,352	764,675	(318,677)	-29%
Transfers	8,278,780	3,634,675	(4,644,105)	-56%
Advance	630,000	0	(630,000)	-100%
<b>Total</b>	<b>\$ 34,696,856</b>	<b>\$ 30,008,420</b>	<b>\$ (4,688,436)</b>	<b>-16%</b>

Expenditures are anticipated to decrease by \$4,688,436 or 16% mainly due to a decrease in transfers to the capital improvement fund. Since 2014 the City has transferred approximately \$15.4 million of unreserved fund balance to the capital improvement fund as there is currently no dedicated funding source for capital. Unreserved fund balance is projected to be \$1.9 million for 2019. Based on this projection the administration is proposing that only the completion of the west side park be considered for 2019 to maintain some unreserved balance for unknown costs that may occur during 2019.

All expenditures are anticipated to decrease except salaries and benefits.

Salaries and benefits are anticipated to increase by 7% based on the administrations request for:

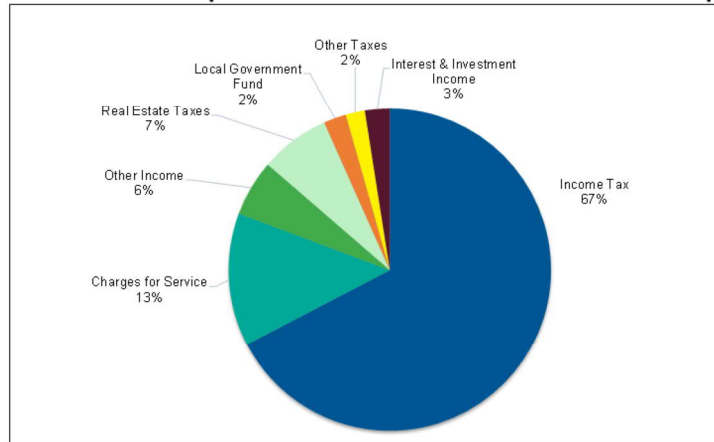
- Unclassified salary increases of 2.5%.
- Request to add a full-time electrician for increase service performance with the potential to decrease contract services.
- Add a full-time dispatcher to potentially reduce overtime.
- Add three full-time code enforcement officers to implement the new rental property code.
- Move the City Attorney paralegal from PT to FT to increase service performance.
- Move the zoning clerk from PT to FT for implementation of the rental property code.
- There are also three union groups that require negotiation, United Steelworkers, FOP and FOP OLC. For 2019 the United Steelworkers already have a negotiated increase of 2.5%.
- FOP and FOP/OLC negotiations for 2019 are on-going. As a placeholder the last increase from the expiring contracts was used or 3% for FOP and 2.5% for FOP/OLC.

## General Fund Original vs. Final Proposal

Program	Original 2019 Request	Reduction	Final 2019 Request
Asphalt Overlay	1,293,330	(65,515)	1,227,815
Creekside Capital Maintenance	125,000	(62,500)	62,500
Detroit Street Rebuilds	1,964,160	(1,964,160)	-
GF (Except Police) Equipment Replacement	225,000	(25,000)	200,000
Municipal Compound Flooring Replacement	50,000	(50,000)	-
Physical Server Lifecycle Replacement	25,000	(7,825)	17,175
Park Asphalt Resurfacing	250,000	(50,000)	200,000
Park Renovations	100,000	(100,000)	-
Play Elements & Surfacing Replacement	150,000	(100,000)	50,000
Police Equipment Replacement	225,000	(25,000)	200,000
Roof Replacement	20,000	(20,000)	-
SAN Equipment Replacement Program	25,000	(25,000)	-
Various Other Operational Reductions	28,494,650	(443,720)	28,050,930
<b>Total</b>	<b>32,947,140</b>	<b>(2,938,720)</b>	<b>30,008,420</b>

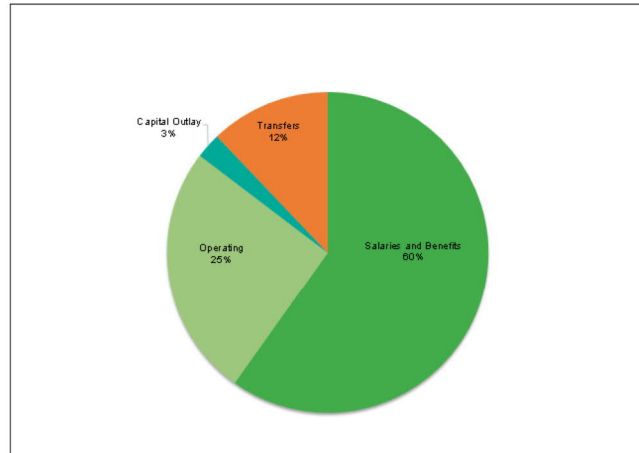
The original submission by departments resulted in a budget deficit of \$2.9 million. This slide represents the administrations suggestion for reductions to keep ongoing operational costs including maintenance of capital assets within on-going revenue resources. The largest reduction was to eliminate Detroit Street rebuilds for 2019. The totals above include the \$450,000 request from General Fund unreserved fund balances.

## Final Proposed Revenue Re-cap



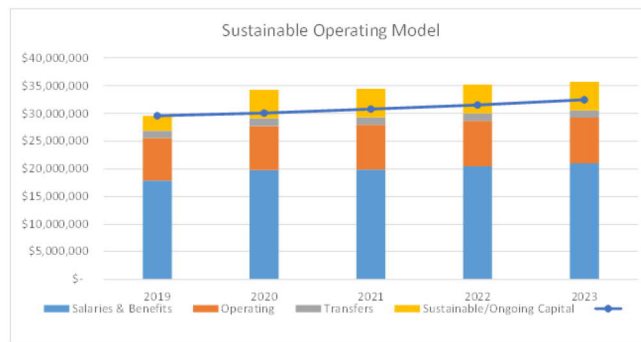
As you can see from the chart the City's main source of revenue comes from income taxes followed by charges for services which includes recreational charges, fines and fees, and licensing and permits.

## Final Proposed Expenditure Re-cap



As a service organization the majority of expenditures for the City are salaries and benefits followed by operating which includes contract services and materials and supplies.

# Conclusion



As you can see from the above graph, the City did identify reductions however the majority of the reductions are deferring capital maintenance to the future which is detrimental to the City' valuable capital assets including infrastructure such as roads. Moving beyond 2019 the funding gap between on-going revenue sources and operational expenditures including capital maintenance will continue to grow. The City will need to make difficult decisions moving forward not only about capital maintenance reductions but also reducing nonessential services in order to maintain the SOM.



## Conclusion Continued

2019 General Fund Balance and Use	
Estimated Excess General Fund Reserves 1/1/2019	13,379,818
Emergency Reserve	(7,389,605)
Litigation Reserve	(4,100,000)
SOM Operating Delta	10,710
Unreserved Balance Available	1,900,923
<b>One-Time Capital Improvement:</b>	
West Side Neighborhood Park	450,000
Remaining Estimated Unreserved Balance	1,450,923

The above shows the impact on unreserved fund balance. As indicated earlier, General Fund unreserved fund balance has been used for a number of years to fund capital as the City does not currently have a designated resource for capital. It is anticipated that only \$1.4 million of unreserved fund balance will remain at the conclusion of 2019. Without the passage of issue 29 capital improvements will be impossible to fund with General Fund resources.