

# FY2019 Budget / Cost of Service Discussion

Council Work Session – March 12, 2018



# *Goals for this Evening*

- Recommended Financial Policy Changes
  - Pension & OPEB Funding Policies
  - Capital Financing Policy (Street lights, Dams & Buildings)
  - Use of State Shared Revenue
- Capital Financing
  - Street Lights (City only)
  - Buildings (City Hall, Justice Center, Existing Fire Stations) – excludes Wheeler Center & Parks
- General Fund
  - FY2019 Financial Projections
  - Changes to Plan
  - Proceeds from New County Millage
  - Horizon Issues
- Water – Cost of Service
- Solid Waste – Update
- Roads – ACT 51 Revenue Forecast
- Listen to our community voices.

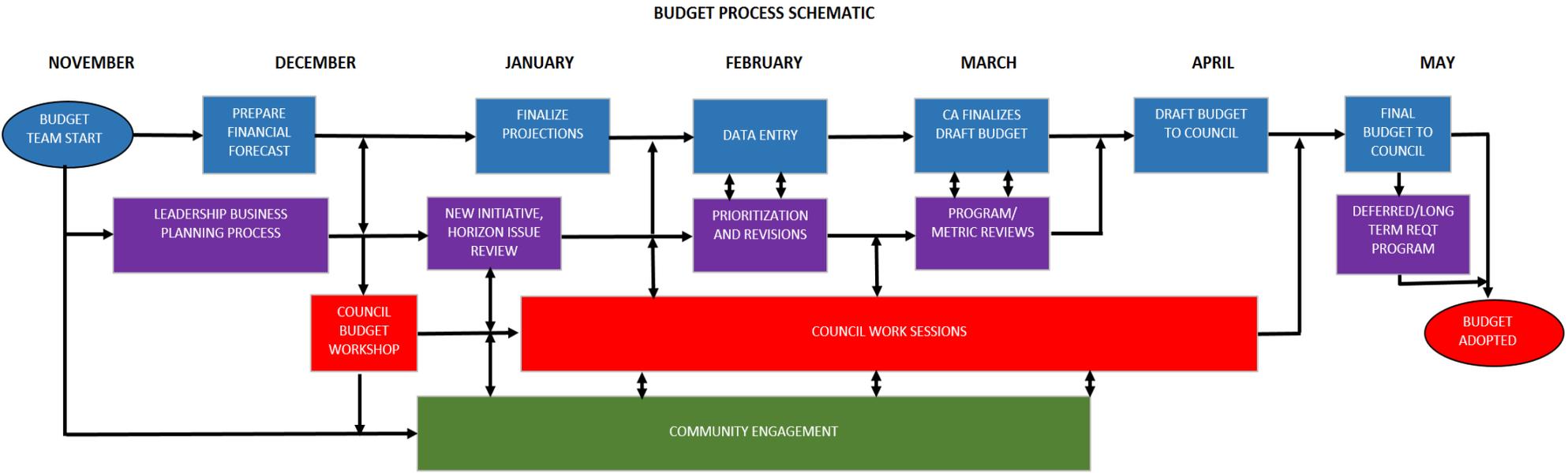


# Visioning Schedule

DATE	TOPIC
January 22	<i>Protecting and Serving – Public Safety</i>
February 12	Setting the Stage – Legislative Updates and Policy Agenda Development
February 26	<i>Reserved for budget purposes, if necessary - CANCELLED</i>
<b>March 12</b>	<b>FY2019 Budget and Cost of Services/Rates</b>
April 9	Building for Tomorrow – Infrastructure Priorities and Projects
May 14	Ensuring an Inclusive Community – Equity and Housing
June 11	Providing a Healthy A2 – Parks and Recreation, Health, and Sustainability
September 13 (Thurs)	Being a Better Business Partner – Economic Development and Competitiveness
October 8	Enhancing the Vibrancy of Our Downtown – Joint Meeting with DDA
December 10	Securing the Financial Future – FY2020 Budget Kick-Off
NOTES: Council does not normally schedule Work Sessions during the summer months (July/August) or during November. However, these months are available at Council’s discretion.	



# Overview of Budget Process



- FINANCIAL STAFF
- SSA/DIRECTOR TEAM
- CITY COUNCIL
- COMMUNITY

**Key Dates:**  
 12/11/17-Council Offsite  
**3/12/18-Council Work Session**  
 4/16/18-City Administrator Recommended Budget  
 5/7/18-Public Hearing  
 5/21/18-Council Consideration



# *Recommended Financial Policy Changes*

## 1. Pension / OPEB Funding Policies

- Presently requires city contributions to be the higher of the actuarial required amount or the existing level of contributions adjusted upward for the percentage increase in General Fund revenues, with a floor of 2%.
- If the General Fund contribution increases less than 2%, the contribution should still increase 2%.
- This later provision was added in FY2018 but needs to be removed since the General Fund will not be treated equitably from a contribution standpoint.

## 2. Capital Financing Policy (Street lights, Buildings, Dams etc)

- Staff recommends adopting a policy that funds be regularly set aside for capital repair/replacement and utilized based on the prioritization of need.

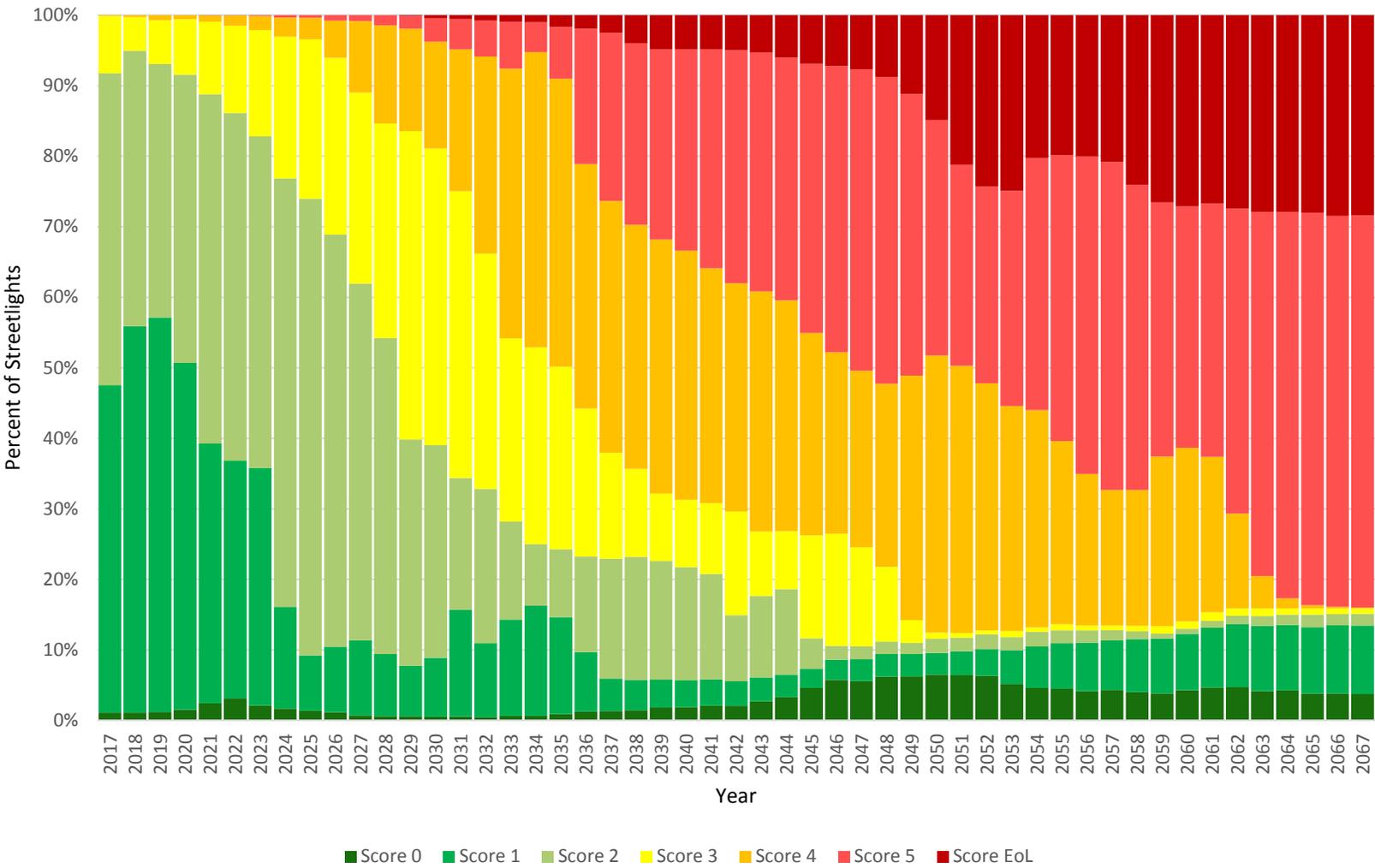
## 3. State Shared Revenue

- Presently comprised of Constitutional (\$9.3 million) & Statutory CVTRS (\$1.7 million).
- Constitutional portion is guaranteed. Statutory portion appropriated annually.
- Staff recommends having the flexibility to hold the total forecast constant until the constitutional portion represents the total budgeted recurring amount. The appropriate statutory portion would be annually budgeted as non-recurring.
- Benefit is reduced operating reliance on State source of revenues and a regular source of one-time revenues to fund one-time expenditures.



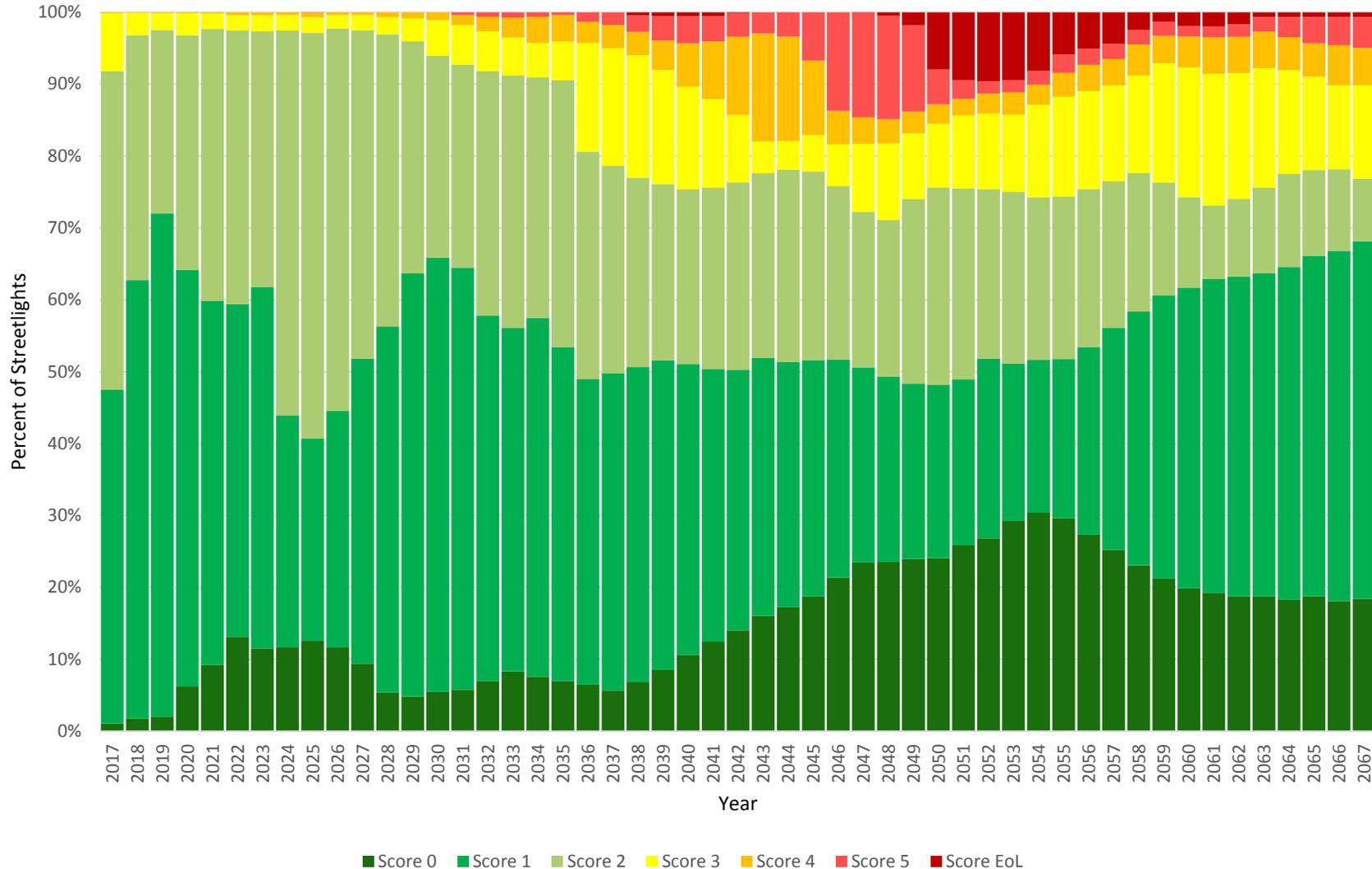
# Street Lights - Projection of Present Policies

Present Projection: Streetlight Condition  
 System Expansion 30 Per Year until 2042 / Annual Capital Budget Maintained at \$300k



# Street Lights - Projection if additional \$295k set aside annually & new millage funds new street lights

Revised Projection #2: Streetlight Condition  
 System Expansion 30 Per Year until 2042 / Annual Capital Budget Increased to \$710k



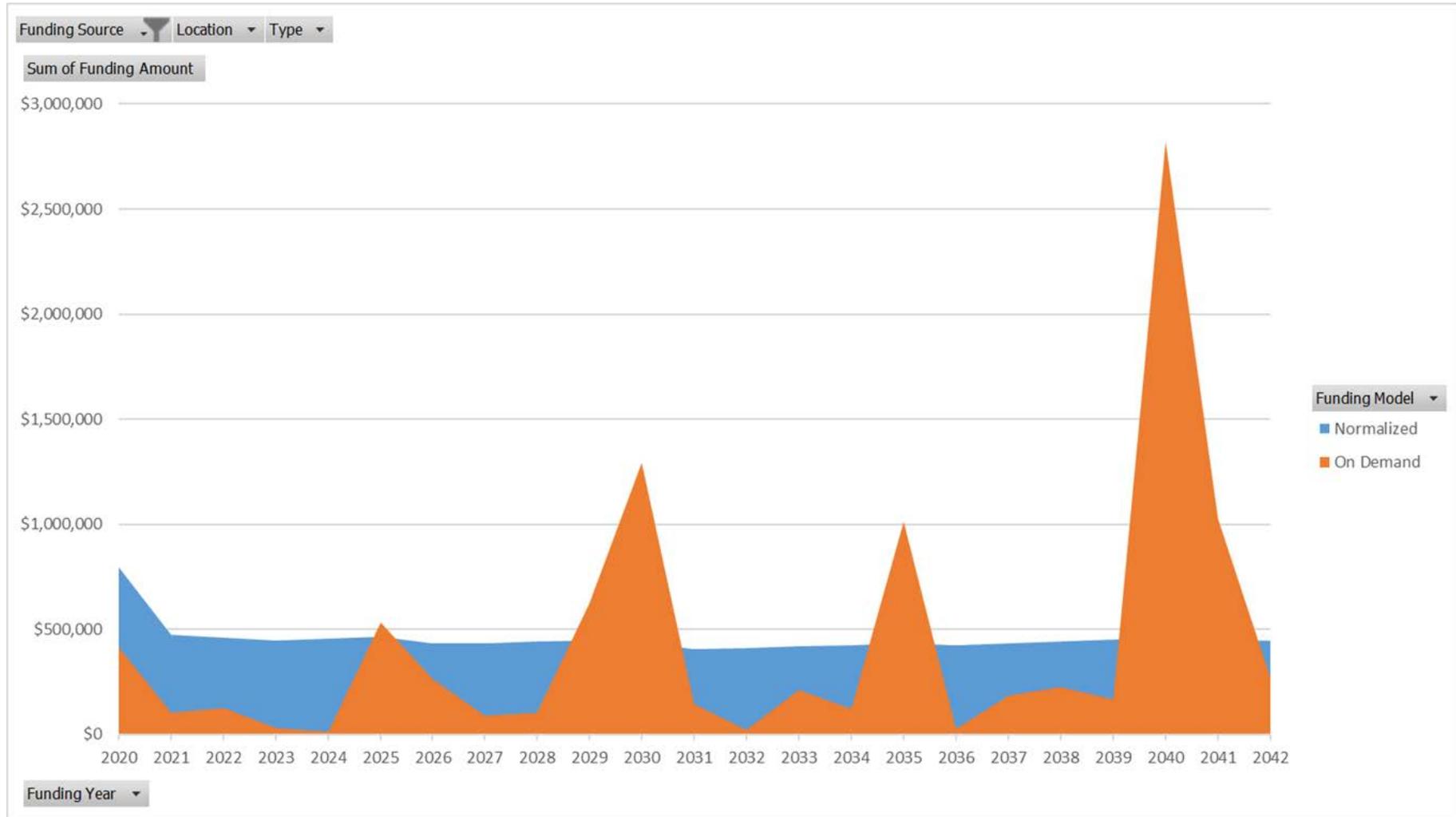
# Street Lights – Summary of Funding

	Amount
<b>Repair/Replacement of Existing Lights (General Fund)</b>	
Presently Funded	\$300k
Additional Funding Needed	<u>\$295k</u>
<b>Total Repair/Replacement of Existing Lights</b>	<b>\$595k</b>
<b>Installation of New Street Lights (New Millage)</b>	
City Portion (15/year)	\$115k
Private Developers Include in Projects (15/year)	-
<b>Maintenance Costs (General Fund)</b>	
Electricity and other minor maintenance needs	\$195k
<b>Operational Costs (General Fund)</b>	
City’s fixed labor/fleet costs	<u>\$142k</u>
<b>Total Costs for City Street Lights</b>	<b>\$1,047k</b>

} \$710k



# Buildings - \$500k annual set aside needed vs pay-as-you-go



Lancaster

Justice Center  
Roof, Generators  
are 20 years old.

Justice Center  
Rooftop, Boiler  
are 25 years old.

Justice Center  
Elevators and  
Flooring are 30  
years old.



# *FY2019 Financial Projections*



# General Fund Outlook

	FY2018 Budget (Mils.)	FY2019				FY2020 Projected (Mils.)	FY2021 Projected (Mils.)
		Plan (Mils.)	Economics (Mils.)	Changes (Mils.)	Projected (Mils.)		
<u>Recurring</u>							
Revenues	\$ 102.7	\$ 104.5	\$ 0.9	\$ (2.4)	\$ 103.0	\$ 104.1	\$ 105.7
Expenditures	(102.0)	(104.5)	(0.6)	2.1	(103.0)	(105.6)	(108.3)
Net Surplus/(Deficit)	\$ 0.7	\$ -	\$ 0.3	\$ (0.3)	\$ -	\$ (1.5)	\$ (2.6)
<u>One-time</u>							
Revenues	\$ 1.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	(2.6)	(0.9)	-	(0.5)	(1.4)	(1.6)	(1.4)
Capital Financing -Street Lights				(0.1)	(0.1)	(0.1)	(0.1)
Adjustment: Carryover Funding				0.4	0.4		
Net Surplus/(Deficit)	\$ (1.6)	\$ (0.9)	\$ -	\$ (0.2)	\$ (1.1)	\$ (1.7)	\$ (1.5)
Net Surplus/(Deficit)	\$ (0.9)	\$ (0.9)	\$ 0.3	\$ (0.5)	\$ (1.1)	\$ (3.2)	\$ (4.1)
Unassigned Fund Balance	\$ 16.0	\$ 15.1			\$ 14.0	\$ 10.8	\$ 6.7
Unassigned % of Total Exp	15.3%	14.3%			13.4%	10.1%	6.1%
Unassigned % of Net Exp	17.3%	16.2%			15.2%	11.4%	6.9%
(Net excludes pass through expenditures)							



# Changes from Plan – Recurring

Better / (Worse) in \$000s	FY2019
<b>Recurring Revenues</b>	
GASB 68 – Removed Engineering Personnel Revenue	\$ (2,500)
Fire Inspection Fees – Increased Number of Inspections	125
<b>Recurring Expenditures</b>	
GASB 68 – Removed Engineering Personnel Expenses	\$ 2,500
Transfer Funding for 2 FTEs for Climate/Energy to New Millage	165
Street light maintenance/repair (increase recurring from \$300k to \$465k)	(165)
Security – City Hall	(125)
Appraisal Services to Support Assessing Department	(100)
Police – Add 2 FTEs (to help with transparency and training)	(99)
Asst City Administrator position (revised cost estimate)	(60)
Police – Community Commission support	(50)
Sister City Celebration	(1)
Misc	20



# Changes from Plan – Non-Recurring

Better / (Worse) in \$000s	FY2019
<b>Non-Recurring Expenditures</b>	
Carryover Unspent Funding Set Aside for Work Force Planning	\$ (263)
Carryover Unspent Funding Set Aside for Updating Governance Plans	(167)
Street Lights – Fund recurring need with non-recurring resources	(130)
Annexation of Township Islands – establish funding for next phase	(100)

## *Reminder: Items Already Included in Base Plan*

In \$000s	FY2019
<b>Non-Recurring Expenditures</b>	
Governance Plans Update and A2 Mobility Projects	\$(500)
Fire Stations - #1 & #6 Restroom Renovations	(150)
Dams – Barton & Superior Maintenance	(125)
AAHC Support – Operating Support for Voucher Program	(68)
ADA Compliance Assessment	(25)
Ultipro Improvements	(9)



# *Proceeds from New County Millage*

- Anticipated Resources - \$2.2 million, received sometime April-June 2019.
- Staff Recommendation:
  - Minimize use of proceeds in FY2019, since for timing reasons funds are not fully available until FY2020.
  - 40% (\$880k) for Affordable Housing
    - 25% for AAHC support services & operational shortfalls / 75% for Affordable Housing Fund.
    - AAHC will seek to use the 25% for the services they provide which should free up existing resources to support operations.
  - 40% (\$880k) for Climate Action
    - Transfer \$165k which funds 2 FTEs to support Climate Action from General Fund to millage.
    - \$75k for Plan development.
    - Other projects/uses are being explored.
  - 20% (\$440k) for Pedestrian Safety
    - \$115k used for installation of new street lights
    - \$200k for electronic speed limit signs in front of schools on major corridors
    - Other projects/uses are being explored.



# Horizon Issues - Opportunities / (Risks)

(in \$ Millions)	FY2019	FY2020	FY2021
<b>Revenues</b>			
Annexations	-	Tbd	Tbd
Medical Marijuana	Tbd	Tbd	Tbd
Parking Meter Hours & Fine Levels Re-evaluated (~3 FTEs, self-funded)	(0.2)	Tbd	Tbd
<b>Expenditures</b>			
Supplemental Pension Contribution (above 2%) [\$1 mill. City-wide)	-	\$ (0.7)	\$ (0.7)
Capital Financing Policy (Street Lights -\$130k, Buildings - \$800k/\$500k)	(0.1)	(0.9)	(0.6)
Capital Financing Policy (Parks & Wheeler Center)	-	Tbd	Tbd
Capital Financing Policy (Hydro for Barton & Superior Dams)	-	Tbd	Tbd
Community Policing	Tbd	Tbd	Tbd
Green Fleets Policy	-	Tbd	Tbd
<b>Outside General Fund</b>			
350 S. Fifth St. Debt Service {Debt Service Fund}	-	(0.1)	(0.1)
Solid Waste (Regionalization) {Solid Waste Fund}	-	Tbd	Tbd
Train Station {Funding source is tbd at this time}	-	Tbd	Tbd



# *Questions*

Please send questions to Sara Higgins and cc Howard Lazarus, Tom Crawford, and Karen Lancaster.

Responses will be grouped by topic, sent to Council and posted on the City's website.

