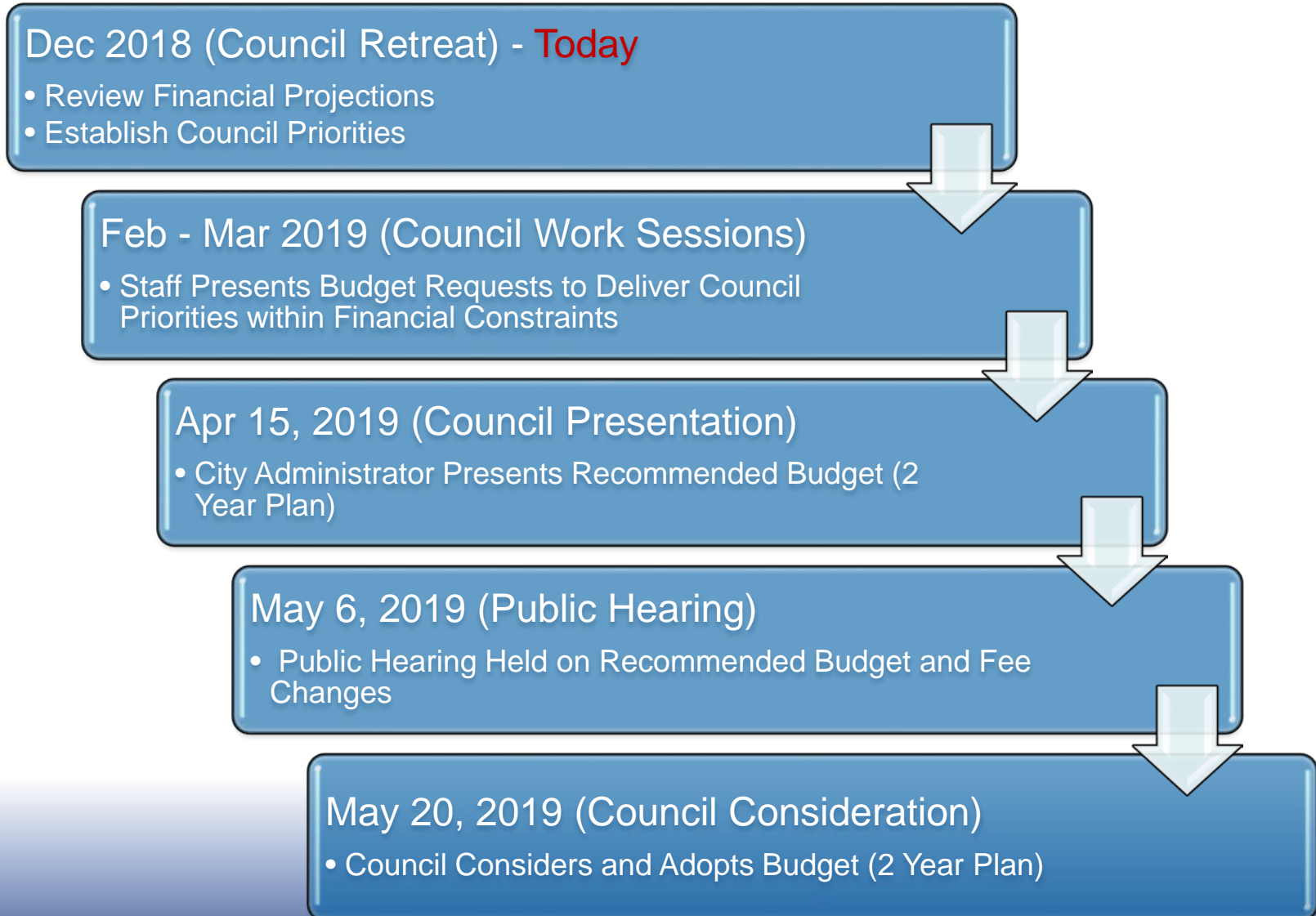




Financial Update FY2020 2 Year Fiscal Plan

December
2018

Budget Process



Development of Recommended Budget

- Two kinds of budgets are adopted – Operating Budget and Capital Improvement Budget.
- Council policies, staff expertise, and public input guide the development of City Administrator's recommended budget.
- Council policies include:
 - Sustainability framework
 - Fund balance policy
 - Pension & OPEB funding policy
 - Capital Improvement program policies
 - Capital repair/replacement policy
 - Enterprise capital repair/replacement policy
 - Parks "fairness" resolution
- Policy guideline – transition statutory state shared revenue from recurring to non-recurring revenue.

Rules Surrounding Budget Adoption

- Two year fiscal planning cycle - first year is the budget.
- 7 votes to adopt the budget.
- 6 votes to amend on the night of the meeting.
- 8 votes to amend during the fiscal year.
- If not adopted at the end of the 2nd Council meeting in May, the City Administrator's recommended budget is considered adopted.
- Budgets are adopted by the fund in total, not each line item, with one exception – the General Fund.
- General Fund budget is adopted by Service Area represented in the fund (Safety Services, City Administrator, Community Services, etc.).
- City not allowed to expend monies unless budgeted, so June has year-end budget amendment for areas forecasted to overrun.

City Financial Performance Measures

Independent Assessments

	<u>Status</u>
1. Financial Audit - 0 material weaknesses & 0 significant deficiencies	0 / 0
2. Bond Rating (S&P) - LTGO is AA+, Water is AA, Waste Water is AA+	AA+/AA/AA+

Fiscal Control

	<u>FY2019</u>
3. General Fund structural deficit (recurring revenues - expenditures)	balanced
4. General Fund unassigned fund balance (6/30/2018)	12%

Debt/Liability Management

5. Pension funded ratio	86%
6. VEBA (retiree healthcare) funded ratio	66%
7. Funding General Fund Capital Maintenance	tbd

General Fund Projections

	FY2019 Budget (Mils.)	FY2020				FY2021 Projected (Mils.)
		Initial (Mils.)	Economics (Mils.)	Changes (Mils.)	Projected (Mils.)	
<u>Recurring</u>						
Revenues	\$ 103.5	\$ 104.3	\$ 2.1	\$ 1.1	\$ 107.5	\$ 110.0
Expenditures	(103.5)	(106.2)	0.2	(1.4)	(107.4)	(110.6)
Net Surplus/(Deficit)	\$ -	\$ (1.9)	\$ 2.3	\$ (0.3)	\$ 0.1	\$ (0.6)
<u>One-time</u>						
Revenues	\$ -	\$ -	\$ 0.2	\$ -	\$ 0.2	\$ 0.3
Expenditures	(3.1)	-	-	(1.6)	(1.6)	(1.4)
Net Surplus/(Deficit)	\$ (3.1)	\$ -	\$ 0.2	\$ (1.6)	\$ (1.4)	\$ (1.1)
Net Surplus/(Deficit)	\$ (3.1)	\$ (1.9)	\$ 2.5	\$ (1.9)	\$ (1.3)	\$ (1.7)
Unassigned Fund Balance	\$ 15.9				\$ 14.6	\$ 12.9

General Fund Scenarios



General Fund Opportunities / (Risks)

Opportunities / (Risks) Not Included in Projections	Amount
Personal Property Tax Rebate	\$330k
Supplemental Fire Protection Grant Funding	271k
Marijuana Sales Tax Receipts	Tbd
Planning Fees Restructured	Tbd
FY2019 Restore Funding for Over Hire Program	(500)
Fire Station Renovations	Tbd
Treeline Trail	Tbd
Demo 415 W Washington/Enviro. Assessment 721 N Main	Tbd
County Millage: Move Climate Action into General Fund	(118)
County Millage: Move Maint. of Existing Streetlights into General Fund	(105)

Other Funds

- **Water** – Revenues need to increase approx. 6% / year for the next 3-4 years (2% - 4% thereafter) to fund reinvestment in water treatment facilities. With the recently revised rate structure in place, an overall rate increase is being considered by Council in early 2019.
- **Waste Water** – Revenues need to increase approx. 7% / year for the next 3-4 years as the fund grows into being able to fund all the debt service and depreciation costs related to the recently completed new treatment plant. The annual rate increase is being considered by Council in early 2019.
- **Storm Water** – Revenues need to increase 13%, 11%, 5%, then 3-4%, respectively over the next few fiscal years to fund the services recently established by the Level of Service study.
- **Solid Waste** – Primarily funded from property taxes. Regional services is being explored, and the Solid Waste Master Plan update is in process.
- **Streets** – Funded from a variety of sources, including the Street, Bridge and Sidewalk millage. ACT 51 funding (the primary source) is still being ramping up by the State legislature. The current reinvestment plan for Major streets is on target to meet pavement condition goals. Local streets are a little behind schedule. Funding & contractor availability remain the primary limiting factors.

Challenges on the Horizon

- Economic Downturn
 - General Economy, which affects sales taxes/State resources
 - Financial Markets, which may increase required pension contributions
- State Budget
 - Legislative Risks – roads (effect of electric vehicles on funding), state shared revenue, fire protection grant, etc.
- Federal Policy
 - Changes in policies for affordable housing, infrastructure, ROW, CTN funding, etc.
- Capital Investment Needs
 - Roads, capital repairs/replacement of fire stations, water treatment plant, recycling/solid waste contracts, parks facilities.
- Debt Management
 - Retirement System underfunding
 - Higher interest costs
- Labor Contracts (Police/Fire Costs)
 - Long-term impact to the General Fund for the cost of police/fire pension benefits & wage costs related to turnover.

Questions?