



FY2017 Budget Process

FY 2017 is the 2nd year of the Two-Year Fiscal Plan.

PROCESS COMPLETED

- ✓ Dec 14, 2015 Establish Council Priorities (Workshop)
- ✓ Feb 22, 2016 Overview of General Fund
Presentations by City Administrator,
Community Services, Fire, & Police
- ✓ Mar 14, 2016 Overview of Other Areas
Housing Commission, Housing Task Force
Report, Public Services, Attorney, DDA, &
LDFA

FY2017 Budget Process

PROCESS REMAINING

- ✓ Apr 18, 2016 City Administrator's Recommended Budget
- May 2, 2016 Public Hearing on Recommended Budget and related resolutions
- May 16, 2016 City Council consideration of the Recommended Budget

FY 2017 Council Priorities

December 14, 2015 Council Workshop – Council agreed to remain focused on existing priorities within the City's Sustainability Framework:

- Accessory Dwelling Units
- Allen Creek Greenway Master Plan
- Rebuild Forestry Program
- Repairs/Reconstruction of Roads
- Safe Systems for Auto, Pedestrian, and Bike Users

Budget Assumptions

- Economic Environment
 - Unemployment is low (2.4% in Jan)
 - Tax revenues remain constrained by Headlee/Prop A
 - Financial market returns are important for trust funds stability
 - Construction activity (new and renovations) are robust
- City Revenues
 - Property tax revenues - up 2.1%
(after incorporating revised construction and DDA TIF cap)
 - Fees for Service – minor changes recommended for Public Services
 - State shared revenue from sales taxes – up 1%
 - Recurring Gen Fund revenues – up 1.8%
 - Street Maintenance (Weight & gas taxes) – up \$1.4 million
(from PA175 of 2015)
 - Total City millages down slightly due to Headlee

Budget Assumptions

- Expenditure
 - Wages – consistent with labor contracts & Labor Committee direction
 - Pension contribution - up 2% overall
 - VEBA contribution - up 2% overall
 - Employee medical up 7.9%
- Water, Sewer, Stormwater rates
 - Single family user without change in demand – up 5.0%
 - Water 5.5%, Sewer 6.0%, Stormwater 6.5%
 - Increased rates necessary for debt service coverage, operating and maintenance costs, and capital improvement requirements.

Financial Summary – General Fund

	FY 2017		
	Original Plan	Recommended Changes	Total
<u>Revenues/Expenditures</u>			
Revenues	\$ 98,852,836	\$ 772,375	\$ 99,625,211
Expenditures	(100,109,832)	(2,729,532)	(102,839,364)
Surplus/(Deficit)	\$ (1,256,996)	\$ (1,957,157)	\$ (3,214,153)
<u>Recurring Nature of Surplus/(Deficit)</u>			
Recurring	\$ 412,315	\$ (71,781)	\$ 340,534 ^A
Non-Recurring	(1,669,311)	(1,885,376)	(3,554,687)
Surplus/(Deficit)	\$ (1,256,996)	\$ (1,957,157)	\$ (3,214,153) ^B

A: Forecast for FY18 suggests a recurring deficit of \$290,000, Therefore, recurring expenditures must be managed diligently.

B: Use of \$3.2 million of fund balance will result in a fund balance to expense ratio of 20%, at the top of the 15-20% range specified in policy. Ratio is 16% if pass-throughs are included.

General Fund – Recurring Changes vs Plan

- Unlike recent years, the Gen Fund revenue revisions for construction and DDA TIF resulted in \$400k of available recurring resources.
- Highlights of how the Recommended budget utilizes these funds:
 - Replace the lost federal funding for Police (psych evaluations, ammo, promotional process, etc) = \$93k
 - Increase Human Services for Warming Shelter support = \$90k
 - Add 1 FTE in Planning to address organizational capacity and employee transition issues = \$88k
 - Add 0.5 FTE in Attorney's office for succession planning = \$6k
 - Deer Management (lethal) – increase funding from \$20k to \$35k (consistent with prior year)
 - Move hydrant maintenance charges to GF per ordinance = \$25k

General Fund – Non Recurring Changes vs Plan

- Highlights of Non-Recurring Uses:

- Workforce planning – temporarily authorize 10 FTEs - \$500k
- Street light replacement – increase funding - \$320k
- Street light asset condition assessment - \$120k
- City share of Connector project - \$184k
- City election equipment (mandated) - \$161k
- Ellsworth Road Corridor Study - \$109k
- Assistance to Housing Commission - \$105k
- Sustainability Plan – continue funding for contract support - \$80k
- Police – Fair and Impartial training - \$25k
- Provision for Human Rights Commission Police recommendations - \$50k
- Provision for investigating non-lethal deer management - \$35k

Recommended FTE Changes

- 7.5 additional FTEs are recommended (after incidental changes):

Presented at previous work sessions:

- 2 FTEs - Building Fund for public safety, capacity & business continuity
- 2 FTEs - Housing Commission – funded internally by AAHC
- 1 FTE - Planning (GF) for capacity and employee transition
- 0.5 FTE - Attorney's office for succession plan
- Transfer 0.5 FTE from HR to Safety
- Authorization to exceed 729 FTE count by 10, on a temporary basis to assist for workforce planning

Additional Recommendations from Interim City Admin.:

- 1 FTE - Solid Waste/Systems Planning for workload capacity
- 1 FTE - Deputy for Public Services for workload capacity and workforce planning

Closing Comments

- Council's policy discipline has contributed to the City's sound financial position
- Recommended Budget recognizes council priorities while addressing some organizational needs
- Restrained use of mid-year amendments after adoption of the budget improves ability to deliver the plan
- Questions/requests for information to Sara Higgins

