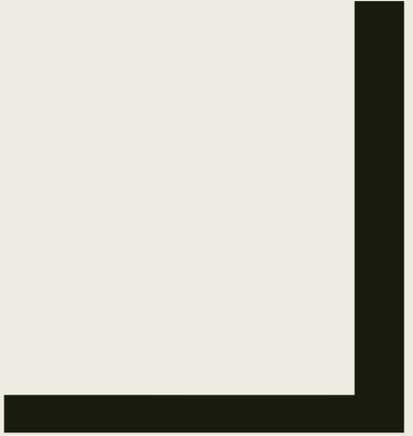


# BUDGET AND FINANCIAL OVERVIEW



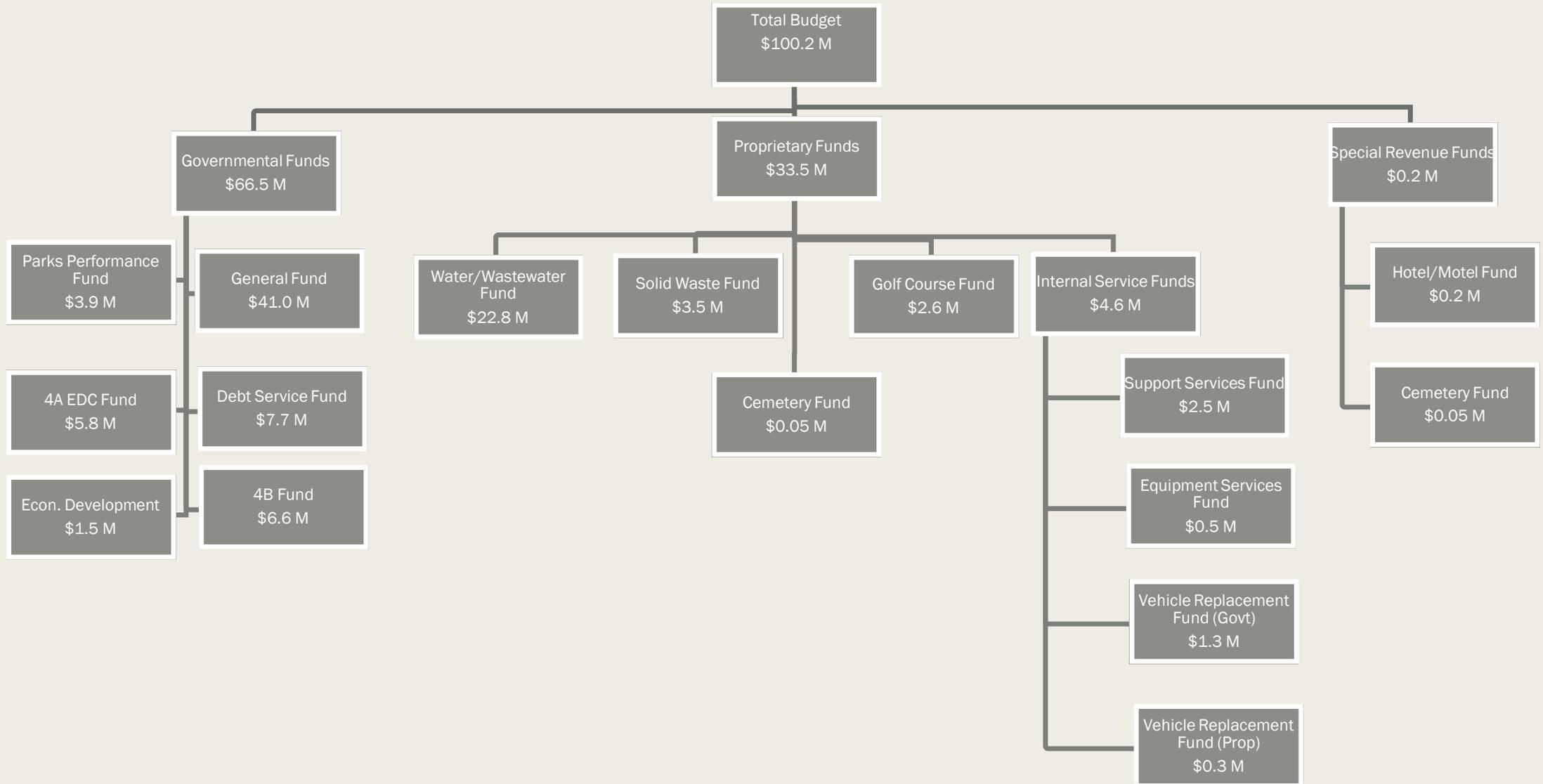


# Presentation Overview

- Budget Overview
- Strategic Plan Focus
- Key Budget Focus Areas
- Compensation and Benefits
- Cost Containment Initiatives
- General Fund Assumptions
- Preliminary General Fund Financial Forecast
- Budget Process



# Overall FY 2020 Budget





# Strategic Focus Areas

- Proposed Budget will be designed to accomplish the goals outlined in the City's Strategic Plan. The Plan is organized in four Strategic Focus Areas:
  - *Operational Excellence*
  - *Infrastructure*
  - *Community*
  - *Public Safety*
- Serves as a roadmap for achieving our long-term goals and objectives.
  - *Includes specific work plan items that are tied to the budget itself.*
- Staff is in the process of updating the strategic plan.
  - *In July, any recommended changes to the goals will be brought forward to the Council for consideration.*
  - *Work plan items for FY 2020-21 will also be identified at that time.*



# Key Focus Areas for Upcoming Budget

- Ensure financial sustainability over the planning horizon.
  - *At this time, there is significant uncertainty regarding our key revenues over the near term.*
  - *Over the coming weeks and months, staff will continue to adapt to the current environment.*
  - *Projections and associated action plans will be updated accordingly.*
- Enhance Public Safety.
  - *Emphasis will be to complete the power shift in the Police Department.*
  - *Investment in dispatch technology and staffing as recommended by outside consultant.*
- Develop budget for all funds.
  - *Several funds have not been budgeted in the past (e.g. PEG, Traffic Safety Program, Parks Development Fees, Cemetery, Wireless Access Fees, etc).*
  - *Increases transparency and provides necessary financial information for decision making.*



# Key Focus Areas (cont'd)

- Development of a Capital Improvement Program (CIP) budget in concert with operating budget.
  - *Provides needed linkage for operational impacts.*
  - *Will require review of all outstanding CIP balances, not just the new bond issues that are being proposed in the coming year.*
  - *Allows unallocated funds to be repurposed to new projects and reduce future debt issues.*
- Improve budget process.
  - *Provide detailed review of key subject areas in advance of budget proposal.*
  - *Increase citizen involvement.*
  - *Identify and address City Council priorities.*



# Compensation and Benefits

- Significant market adjustments were implemented last year for employees, including Police and Fire.
  - *Staff is in the process of evaluating overall market position.*
- For planning purposes only, the financial forecast includes no merit increase in FY21 and an average 3.0% merit increase for employees after that.
- Actual recommended compensation will depend on market analysis, economic prospects, and financial capabilities.
- Health Insurance Funding from the City is projected to increase 5% each year.
  - *Employee premium increases and/or benefit changes will be necessary to make up any shortfall with expected medical inflation.*
- Compensation and benefits will be discussed in greater detail later in the budget process.



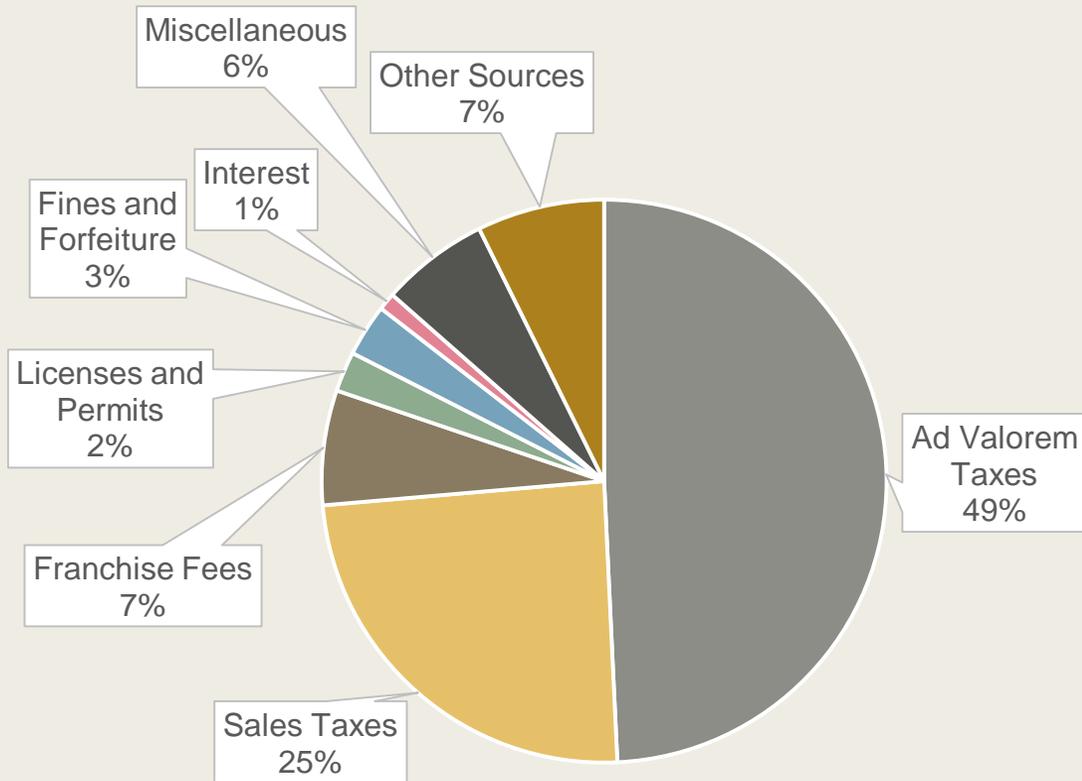
# Cost Containment

- With the COVID-19 crisis, cost containment will be a primary focus for the upcoming budget.
  - *Budget will be developed to achieve the effective rate at a minimum (e.g. no tax increase).*
- To the extent possible, costs will be recommended to be shared or transferred to more restrictive revenue sources (e.g. General fund cost moved to 4B, special revenue funds, etc.)
- Hiring freeze has been implemented for all funds.
  - *Exceptions will be made for essential positions.*
  - *Current vacancies are estimated to save approximately \$250K for the current year.*
  - *Benefit of hiring freeze will likely continue to grow over time.*
  - *Formal vacancy management plan will be implemented to achieve a specific level of savings in the coming year.*
- All business related travel and professional development has been suspended.
  - *Expected to generate savings in excess of \$300K for the current year.*
- Departmental reductions will be evaluated and recommended as appropriate.
- All other expenses are being evaluated for potential reductions, and specific recommendations will be brought forward in a future budget work session.

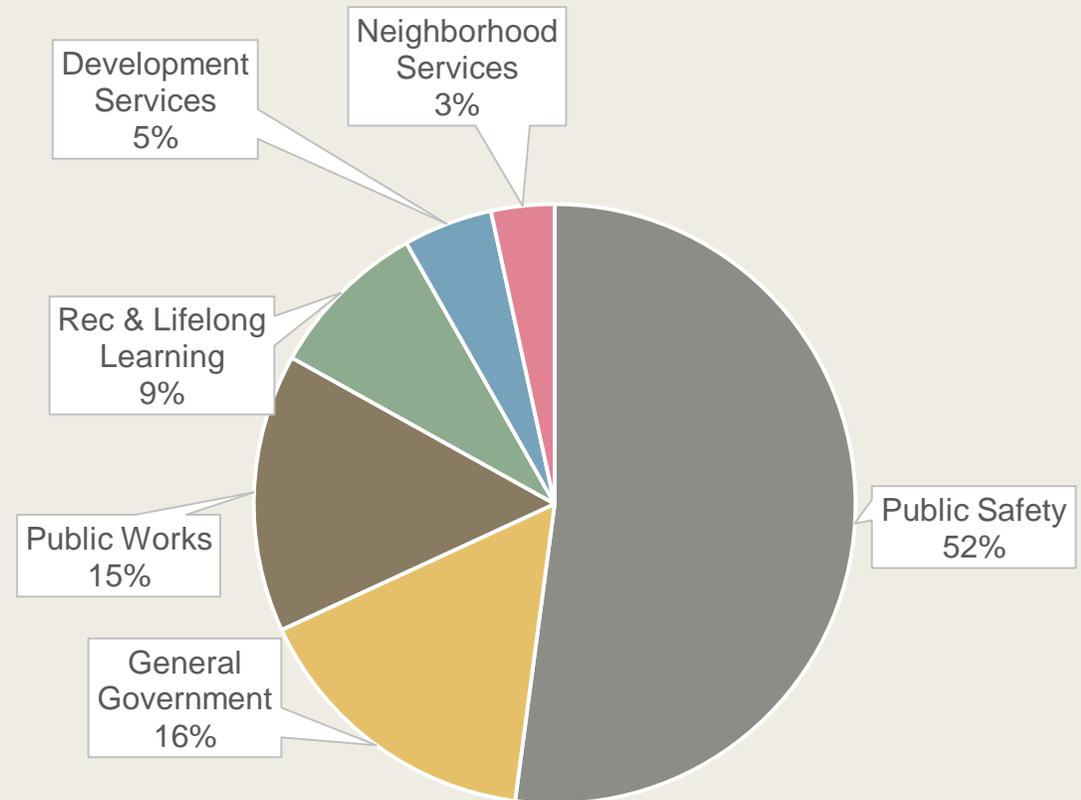


# General Fund - Revenues and Expenditures Summary (FY 2020 Adopted Budget)

Revenue  
\$40,984,214



Expenditures  
\$40,973,036



Ad Valorem tax covers about 95% of Public Safety budget



# Tax Rate History

Tax Year	GF Rate	Debt Rate	Total Rate
FY 2019-20	\$0.5106	\$0.2094	\$0.7200
FY 2018-19	\$0.5228	\$0.2122	\$0.7350
FY 2017-18	\$0.5228	\$0.2122	\$0.7350
FY 2016-17	\$0.5228	\$0.2122	\$0.7350
FY 2015-16	\$0.5278	\$0.2122	\$0.7400
FY 2014-15	\$0.5278	\$0.2122	\$0.7400
FY 2013-14	\$0.5278	\$0.1622	\$0.6900
FY 2012-13	\$0.5278	\$0.1622	\$0.6900
FY 2011-12	\$0.5278	\$0.1622	\$0.6900
FY 2010-11	\$0.5478	\$0.1622	\$0.7100



## Prior Year Assumptions

	FY 20	FY 21	FY 22	FY 23	FY 24
Existing Appraised Value Growth	12.05%	3%	3%	3%	3%
New Construction	2.8%	2.8%	2.8%	2.8%	2.8%
Sales Tax Growth	5%	4%	4%	4%	4%
Compensation*	3%	3%	3%	3%	3%
M&O Tax Rate	\$0.5106	\$0.5106	\$0.5106	\$0.5106	\$0.5106

## Current Assumptions

	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Existing Appraised Value Growth	12.05%	0%	3%	3%	3%	3%
New Construction	2.8%	2%	2%	2%	2%	2%
Sales Tax Growth	-15%	3%	5%	5%	5%	3%
Compensation*	3%	0%	3%	3%	3%	3%
M&O Tax Rate	\$0.5106	\$0.5106	\$0.5106	\$0.5106	\$0.5106	\$0.5106

\* Plus eligible step increase for Police/Fire

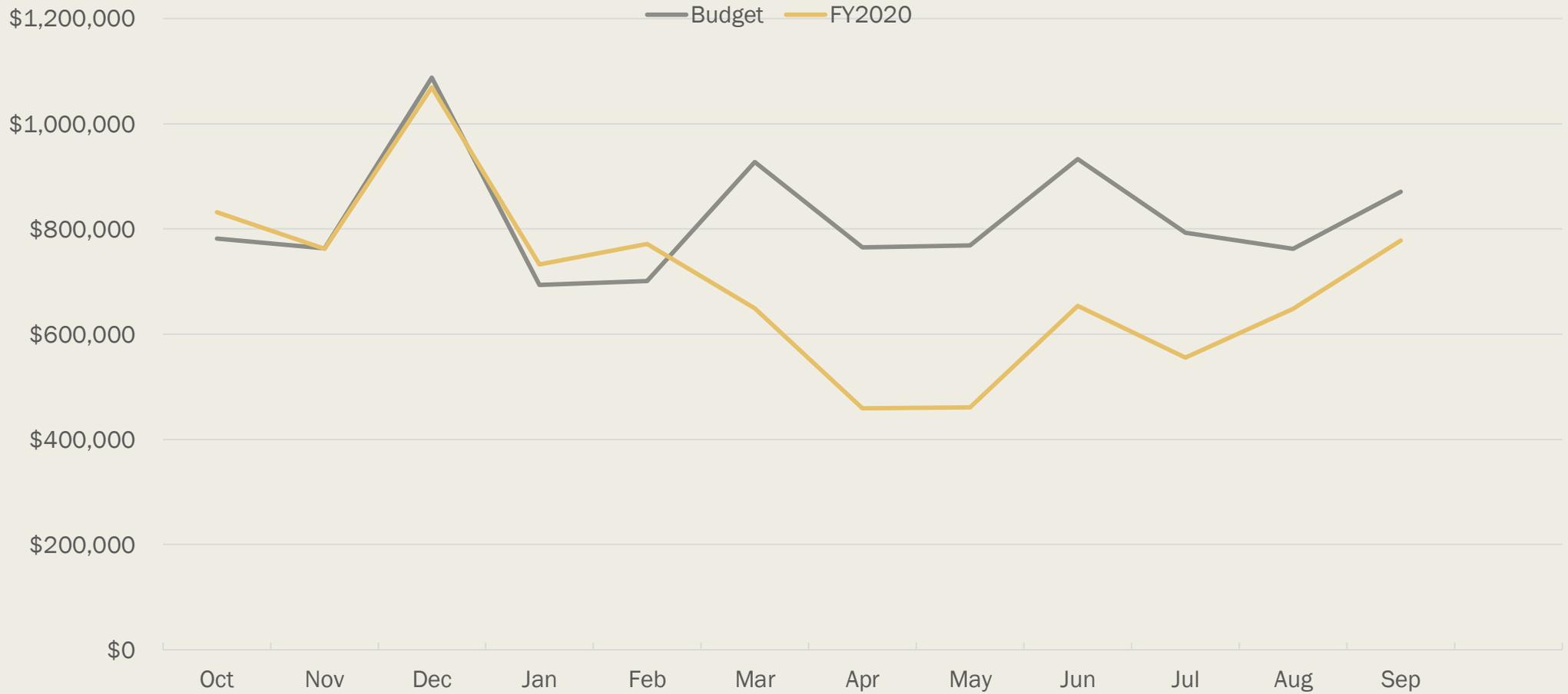


# Sales Tax Projections

Collection	Received	Budget	FY2020	% Change
October	December	\$781,613	\$831,538	6.39%
November	January	\$763,667	\$762,700	(0.13%)
December	February	\$1,087,626	\$1,069,745	(1.64%)
January	March	\$694,229	\$732,490	5.51%
February	April	\$701,421	\$771,234	9.95%
March	May	\$927,879	\$649,515	(30.00%)
April	June	\$764,855	\$458,913	(40.00%)
May	July	\$768,516	\$461,110	(40.00%)
June	August	\$933,503	\$653,452	(30.00%)
July	September	\$793,131	\$555,192	(30.00%)
August	October	\$762,785	\$648,368	(15.00%)
September	December	\$870,775	\$778,243	(10.00%)
	Total	\$9,850,000	\$8,372,500	
	Change		(\$1,477,500)	(15%)

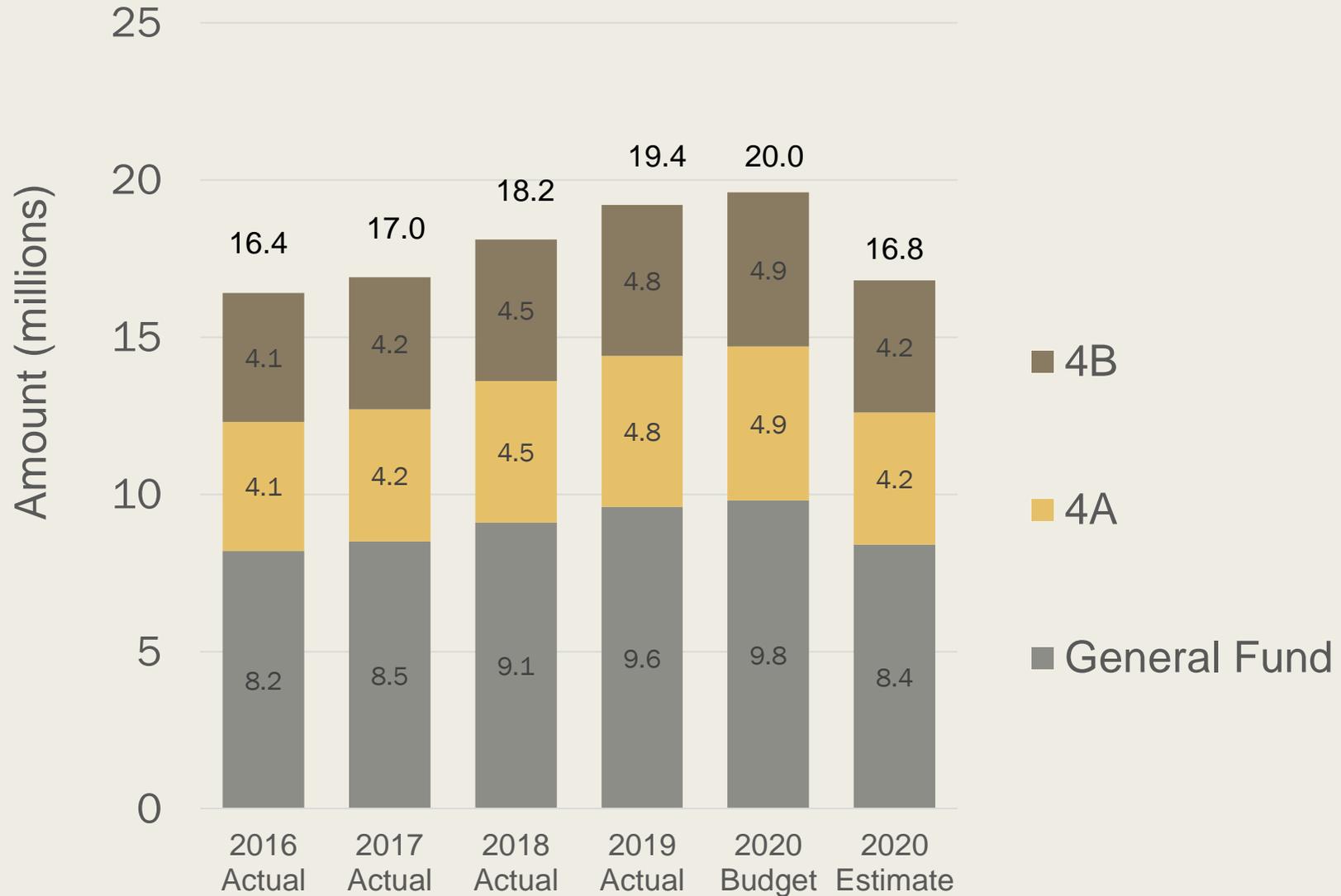


### Sales Tax Projections





# Sales Tax 5 Year History





# General Fund Financial Forecast

	FY 19-20 Budget	FY 19-20 Estimate	FY 20-21 Projected	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected
Beg Fund Balance	\$8,810,441	\$9,811,108	\$8,433,113	\$7,671,703	\$7,317,659	\$7,227,577	\$7,437,608
Property Tax	\$21,105,243	\$21,105,243	\$21,527,348	\$22,603,715	\$23,733,901	\$24,920,596	\$26,166,626
Sales Tax	\$9,850,000	\$8,372,500	\$8,623,675	\$9,054,859	\$9,507,602	\$9,982,982	\$10,482,131
Other Revenue	\$10,028,972	\$9,540,872	\$9,827,098	\$10,313,571	\$10,622,979	\$10,932,505	\$11,260,480
Total Revenue	\$40,984,215	\$39,018,615	\$39,978,121	\$41,972,145	\$43,864,481	\$45,836,083	\$47,909,237
Base Expenses	\$40,981,705	\$40,396,610	\$40,483,121	\$41,782,595	\$43,124,552	\$44,510,442	\$45,941,767
Future Supplemental	\$ -	\$ -	\$ 700,000	\$ 1,000,000	\$1,300,000	\$1,600,000	\$1,900,000
Position Savings Management	\$ -	\$ -	\$(230,000)	\$(230,000)	\$(230,000)	\$(230,000)	\$(230,000)
ROW Maint Contract to 4B	\$ -	\$ -	\$(213,590)	\$(226,405)	\$(239,900)	\$(254,389)	\$(269,652)
Future Cost Reductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$40,981,705	\$40,396,610	\$40,739,531	\$42,326,190	\$43,954,562	\$45,626,053	\$47,342,115
Ending Fund Balance	\$8,810,441	\$8,433,113	\$7,671,703	\$7,317,659	\$7,227,577	\$7,437,608	\$8,004,730
Change in Fund Balance	\$2,510	\$(1,377,995)	\$(761,410)	\$(354,044)	\$(90,081)	\$210,030	\$567,122
FB % of Expend.	21.50%	20.88%	18.95%	17.51%	16.76%	16.71%	17.42%



# Budget Process Overview

- Financial projections and assumptions will continue to be refined over the coming months as more information becomes available.
  - *Proposed budget will be developed to match recurring revenues and expenses.*
- Over the coming months, additional funds and operational reviews will be provided to the Council.
  - *May – Review of Police and Fire Operations; General Obligation Debt and updated CIP; Water and Sewer Fund; and IT Strategic Plan.*
  - *June – Compensation and Benefits; Parks Performance Fund; TIF, Hotel Occupancy Taxes; and 4A/4B.*
  - *July – Updates to the Strategic plan; final updates to projections and forecasts.*
- Citizen feedback during budget process
  - Creating a budget video and posting all of the budget presentation material online.
  - Interactive engagement with residents regarding priorities.
- City Council direction and development of priorities throughout the process.



# Budget Process

- May
  - *Review of Police and Fire Operations*
  - *General Obligation Debt*
  - *Water & Waste Water Fund Financial Overview*
  - *IT Strategic Plan*
- June
  - *Compensation and Benefits;*
  - *4A, 4B and Parks Performance Fund*
  - *TIF and Hotel Occupancy Taxes*
- July
  - *Updates to the Strategic plan; final updates to projections and forecasts.*



# Budget Process

- August
  - *August 3rd, 2020 (Monday)*
    - *Council work session to discuss budget and tax rate.*
    - *Adoption of a minute order. Council sets date and time for the budget and tax rate public hearing.*
  - *August 5th, 2020 (Wednesday)*
    - *Publish Notice for Public Hearing on tax rate in the newspaper. Post tax rate prominently on the City's home page of website until PH concluded. Public Hearing on the Budget and Tax Rate on August 17, 2020.*
    - *Submit to the county assessor-collector for each county the "no new revenue tax rate" and the "voter-approval tax rate" completed tax rate calculation forms.*
  - *August 17<sup>th</sup>, 2020 (Monday)*
    - *Public Hearing on Budget & Tax Rate.*
  - *August 24<sup>th</sup>, 2020 (Monday)*
    - *Council Special Session to vote to approve the budget and tax rate.*
  - *August 25<sup>th</sup>, 2020 (Tuesday)*
    - *Post tax rate in City's website after adoption.*



# QUESTIONS

