

2022 Proposed Budget Public Hearing

November 8, 2021

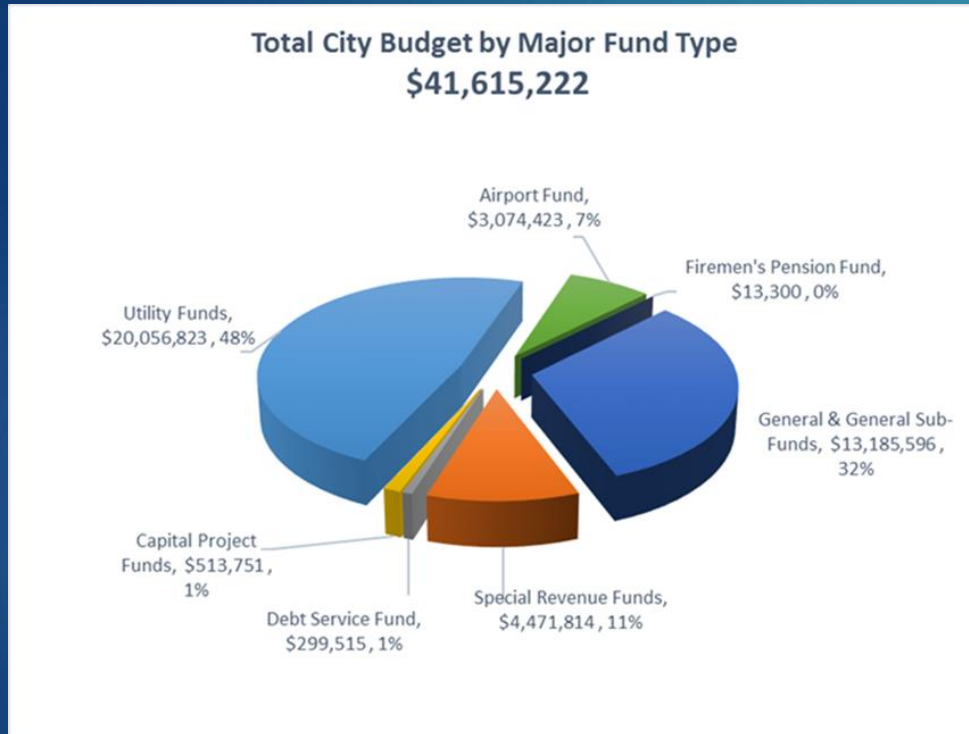
City-wide Budget At-A-Glance

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- ▶ Total 27 funds with budget appropriations
- ▶ Each fund has specific functions to perform and each, the revenues and expenditures must be self-balancing
- ▶ Total citywide 2022 Budget is \$41,615,222
- ▶ Five new capital funds are being established with the 2022 Budget: Wastewater, Water, Storm & Surface Water, Airport, and Park Improvement Funds
- ▶ General Fund Street Department and the Arterial Street Fund are combined into the Street Fund (formerly Dedicated Street Fund -4% Sales Tax) beginning with the 2022 budget.
- ▶ Custodial funds that collect and disburse other agency monies (i.e., sales and leasehold taxes and state court revenues) are excluded from the City's budget.

City-wide Budget At-A-Glance (Cont'd)

- ▶ Total 2022 Budget **\$41,615,222**
- ▶ Increase of \$11,153,737 or ~~44.7%~~ 36.6% from the 2021 amended budget
- ▶ Total budget comprises of:
 - ▶ Operating \$19,980,521 (48%)
 - ▶ Debt Service \$2,657,430 (6.4%)
 - ▶ Capital \$5,528,787 (13.3%)
 - ▶ ***Transfers \$13,448,484 (32.3%)**
- ▶ *Includes one-time intra-fund transfers of \$11,409,000 due to establishment of five new capital funds
 - ▶ Transfer of fund balances in excess over 3 ½ months operating reserves and an annual debt service to the capital funds.
- ▶ Without these one-time “intra-fund” transfers, the 2022 budget is \$255,266 or 0.84% decrease from the 2021 amended budget.



General Fund Budget Overview

- ▶ The 2022 Proposed Budget is **\$11,909,220**
- ▶ This is an increase* of \$466,138 or 4.1% from the 2021 amended budget
- ▶ Balanced using **\$462,210** of General Fund beginning reserve (beginning fund balance) and transfers in of **\$457,340** from other city funds.
- ▶ Estimated 2022 ending fund balance is **\$1,370,250**
 - ▶ This is a 12.0% of the 2022 General Fund revenue budget. (City Council policy goal is 10%)

**It show as “decrease” on page 20 of the hard copy of the 2022 Proposed Budget provided to the City Council on 11/2/2021. The document available on the City’s website was corrected on the morning of 11/4/2021.*

General Fund Budget Summary	2022 Proposed Budget
Estimated Beginning Cash Balance	\$ 1,832,460
Revenues & Transfers In	\$ 11,447,010
Expenditures & Transfers Out	\$ 11,909,220
Net Revenues Over (under) Expenditures	\$ (462,210)
Estimated Ending Cash Balance	\$ 1,370,250
Ending Fund Balance % of Revenue Budget	12.0%

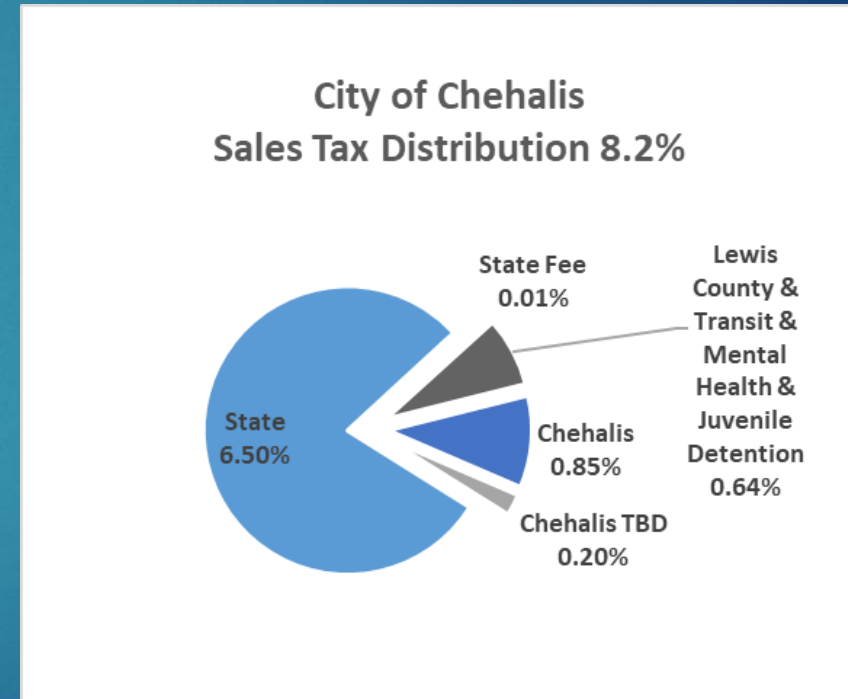
General Fund Revenue Summary

General Revenue Summary	2022 Proposed Budget	% of Total Budget
Use of Beginning Fund Balance	\$ 462,210	
Tax Revenues:		
Property Tax	\$ 2,137,200	19%
Sales Tax	\$ 5,543,000	48%
Utility Tax	\$ 1,615,000	14%
Leasehold Excise Tax	\$ 61,800	1%
Total Tax Revenues	\$ 9,357,000	82%
Other Revenues:		
Fees & Licenses and Permits	\$ 940,800	8%
State Shared & Grants	\$ 351,270	3%
Fines, Interest & All Other	\$ 340,600	3%
Total Other Revenues	\$ 1,632,670	14%
Transfers in	\$ 457,340	4%
Total Revenues & Transfers	\$ 11,447,010	100%
Total Appropriation	\$ 11,909,220	

- ▶ Total Revenue \$11,447,010, including \$457,340 transfers in.
- ▶ Total taxes makes up 82% of total 2022 general fund revenues. 2022 projection is a \$16,059 or 0.2% decrease from the amended 2021 budget
- ▶ **Assumptions Used:**
- ▶ **Property Tax:** 1% statutory increase plus est. amount for new construction for regular levy and EMS levy rate at \$0.50 at estimated new AV. Total estimated increase of **\$156,341** or 7.9% over the 2021 amended budget.
- ▶ **Sales Tax:** At 97% of the amended 2021 budget (up by 5.0% or \$255,000 over 2020 actual revenue). This is a \$175,100 decrease from the 2021 amended budget. Does not include potential increase from large-scale construction that are anticipated in 2022 (one-time).
- ▶ **Building Permit & Plan Review Fees:** Anticipate increase in building permit activities. Estimated revenue increase of \$194,505.
- ▶ **All other:** 3-year average. Substantially the same as 2021.

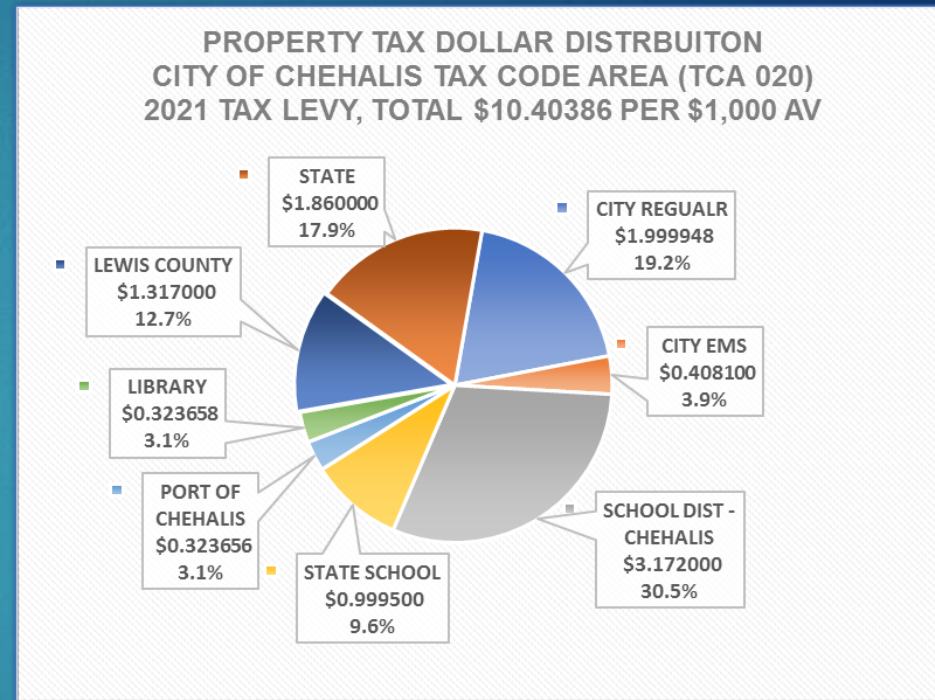
General Fund Revenues – Sales Tax

- ▶ **2022 projection is \$5,543,000**
- ▶ 2022 Sales tax revenue is projected at 105 % of 2020 actual revenue (approximates at 97% of the 2021 amended projection)
 - Average annual growth rate for sales tax from September to September since 2018 to 2021 is about 7%.
 - COVID19 impacts – uncertainty remains high
 - Not adjusted for potential increase from large-scale constructions that are anticipated in 2022 (one-time revenue)
- ▶ Makes up 48.0% of the 2022 General Fund revenue budget.
- ▶ Combined sales tax rate is 8.2%. Only 0.85% is allocated to the City's general services
 - The Chehalis Transportation District (TBD) receives 0.2%. (less state admin fee)



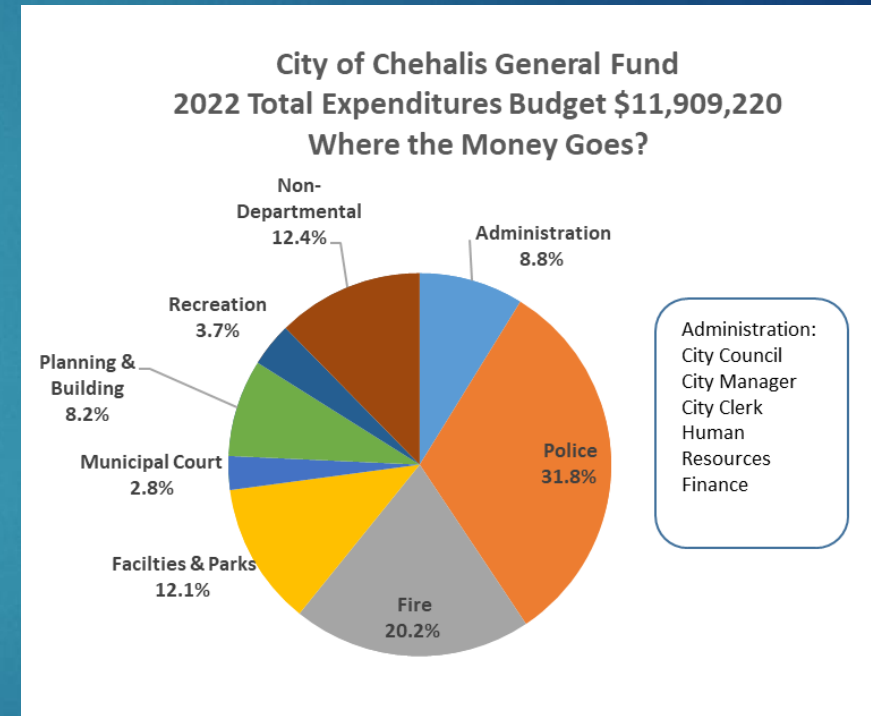
General Fund Revenue - Property Tax

- ▶ 2022 projection is \$2,317,200
- ▶ Property tax is the second largest revenue source for the General Fund and makes up 19.0% of the 2022 General Fund revenues
- ▶ Several taxing districts may tax the same property
- ▶ For 2021 Chehalis taxing districts (regular & EMS) share was about 23.1% or \$2.4080/\$1,000 AV



General Fund Expenditures Summary

- ▶ The proposed 2022 expenditure budget is **\$11,909,220**.
 - ▶ This is a \$466,138 or 4.1% increase from the 2021 amended budget.
- ▶ **52.0%** is dedicated to Police and Fire.
- ▶ **12.1%** is dedicated to Facilities and Parks maintenance
- ▶ **6.5%** is dedicated to Street maintenance (included in Non-Dept budget as transfer out)
- ▶ Includes a 1.7% or \$200,000 reserve for future fire station related expenses (transfer out to the Public Facilities Reserve Fund)
- ▶ Salaries and Benefits make up about 69% of the total 2022 General Fund budget.



General Fund Overview - What's In

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▶ Increase Staffing (Total budget \$625K)

- ▶ Restoring the five positions left unfilled in 2020/2021
 - ▶ Two firefighters
 - ▶ One Police Officer
 - ▶ One PT Parking Enforcement Officer
 - ▶ One PT Admin. Assistant in Recreation (Funding starts in April of 2022)
- ▶ Two new proposed positions (Funding starts in April of 2022)
 - ▶ One Property Maintenance Worker and One Financial Analyst
- ▶ Continue funding one Planner position which was added in June 2021
- ▶ Use of \$420K ARPA funds (\$300K for one police & two firefighters)
- ▶ Purchase of police body cameras and the associated software \$120K (use of ARPA Fund)
- ▶ COLA increase for all employees (1.5% - 3%) and scheduled STEP increases consistent with union contracts
- ▶ Increases for employee health insurance premiums (average projected at 7%)
- ▶ Increase for insurance (11%) and intergovernmental services (i.e., dispatch service about 6%)
- ▶ Budget for labor attorney services for collective bargaining agreement negotiations (all three expires on 12/31/2022)
- ▶ Replace one police vehicle \$47K; and Purchase a Fire brush truck \$66K
- ▶ Est. \$0.225/\$1000 AV property tax to LEOFF 1 OPEB fund \$205,800
- ▶ Provide \$200K reserve for future fire station related expenses
- ▶ Provide funding to the Street Fund \$786,000 (sales tax and utility tax)

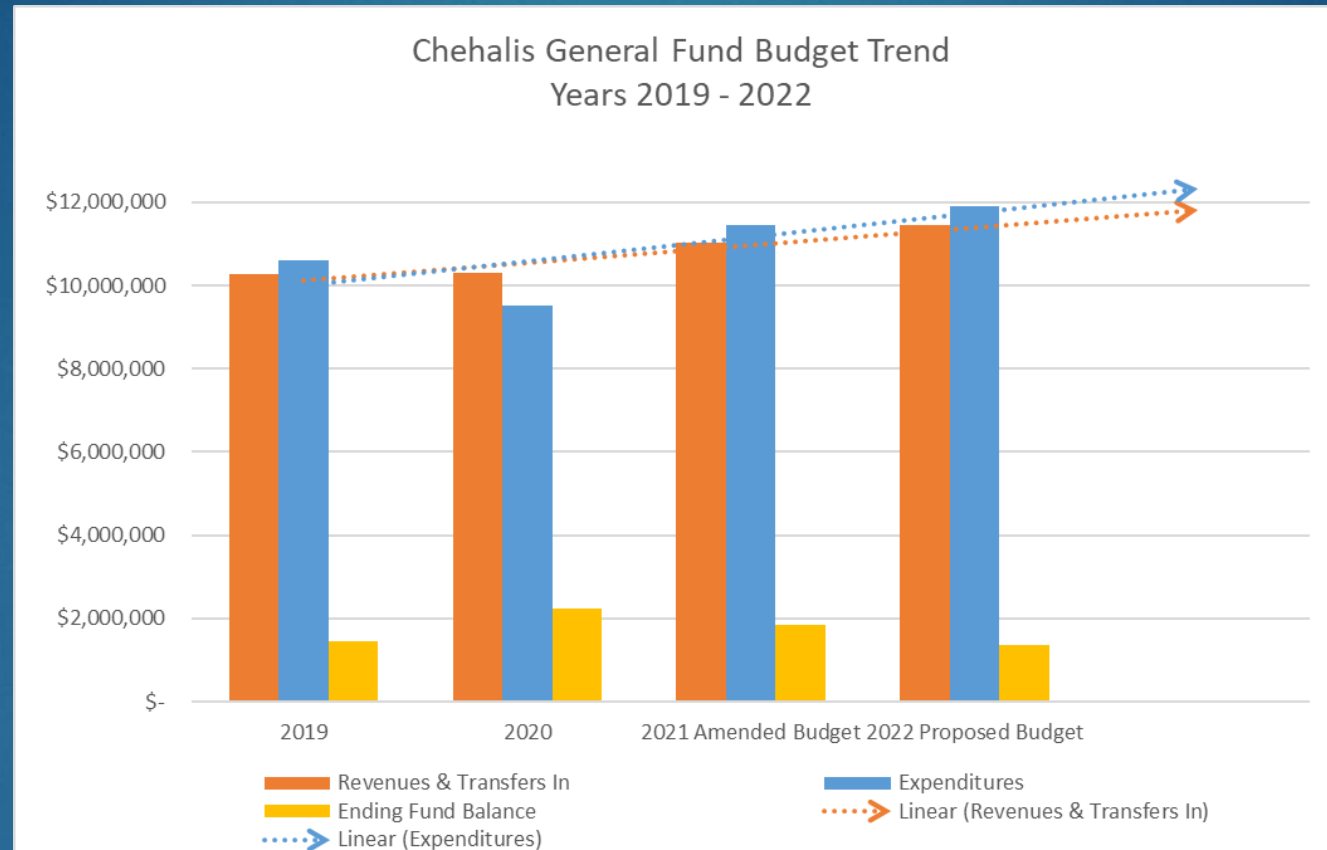
General Fund Overview – What's Not In

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City of Chehalis

- ▶ No use of property tax banked capacity
- ▶ No new revenues
- ▶ No funds for new Fire Station A&E and Construction
- ▶ No funds for potential 9-1-1 Dispatch Options
- ▶ No additional funds for facility repairs and improvement reserves
- ▶ No additional funds for vehicle replacement reserves
- ▶ No additional funds for compensated absences and unemployment benefit reserves
 - ▶ Moved \$61,700 accrual cash outs from General Fund to Compensated Absences Fund
- ▶ No rainy day funds, including those that would offset potential sales tax decreases

General Fund Budget Trend



- ▶ Revenue growth not keeping up with increasing costs of providing services
- ▶ Expenditures > Revenues (2020 was exception. Left 5 vacant positions unfilled)

Ongoing Budget Concerns

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- ▶ City Council Budget Committee Carefully Reviewed the 2022 Proposed Budget
 - ▶ Determined the additional positions are a necessity
 - ▶ Support the ongoing investment in the City's facilities with maintenance and improvements
 - ▶ Recognize the challenge of increasing costs in services and supplies
 - ▶ Understands that if revenues to not increase beyond estimate that the budget is structurally unbalanced
 - ▶ The City's ongoing expenditures are more than the City's ongoing revenues
- ▶ Assumption is that revenue growth/stability will sustain the City's operations through 2022 and possibly 2023
 - ▶ Concern that the economy may not continue to grow as it has over the past five years
 - ▶ COVID-19 stimulus money and payment deferrals have presumably propped up the economy for the last 18 months
 - ▶ Uncertainty about the impact of those coming to an end
- ▶ 2021 City Council Budget Committee recommends that the 2022 City Council Budget Committee continue meeting quarterly
 - ▶ Continue to monitor revenues and expenditures carefully
 - ▶ Identify potential new revenues associated with business growth and potential annexations
 - ▶ Watch trends and bring concerns to the entire City Council for adjustments as needed

Recommendation

It is recommended that the City Council

- ▶ Open the public hearing on the 2022 Proposed Budget
- ▶ Accept public input on the 2022 Proposed Budget
- ▶ Close the public hearing
- ▶ Consider approval of the Ordinance No. 1025-B Adopting the 2022 Proposed Budget on first reading
 - ▶ Item Number 10 -- Scheduled under "New Business"

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