

2020 Proposed Budget Public Hearing

November 12, 2019

Budget Overview – All Funds

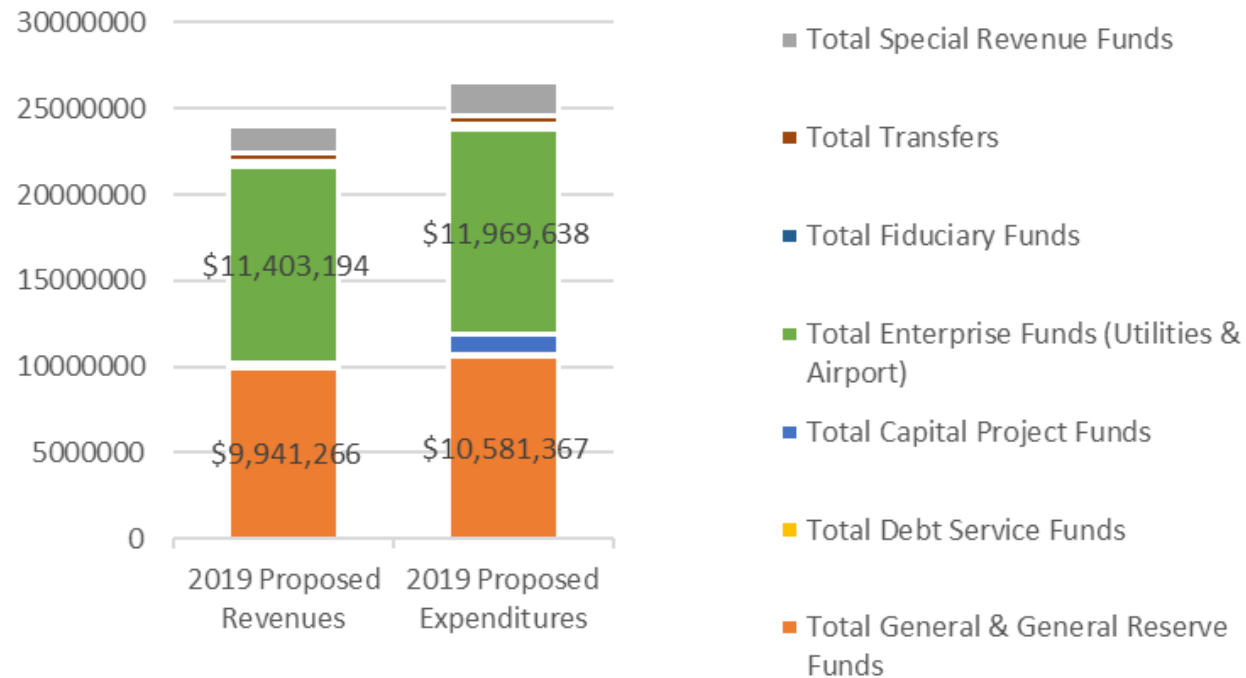
- ▶ Total City's 2020 Proposed Budget is balanced with use of \$2.6million beginning fund balance.
 - Revenues & Transfers In \$23,961,352
 - Use of Beginning Balance \$2,565,771
 - Expenditure & Transfers Out \$26,527,123

- ▶ With the exception of the general governmental funds, use of beginning fund balance is related to one-time capital expenditures.

- ▶ Total Expenditures Budget of \$26.5 million:
 - \$18.4M Operating
 - \$2.6M Debt Service
 - \$5.0M Capital
 - \$0.5M Transfers

Budget Overview – All Funds

2020 Proposed Budget - All Funds Totals By Fund Types Total Revenues \$23,961,352 Total Expenditures \$26,527,123



Budget Overview - All Funds(Continued)

2020 BUDGET SUMMARY - ALL FUNDS										
FUND NO.	FUND NAME	ESTIMATED BEGINNING FUND BALANCE 01/01/2020	REVENUES	TRANSFER IN	TOTAL RESOURCES	EXPENDITURES	TRANSFER OUT	ESTIMATED ENDING FUND BALANCE 12/31/2020	INCREASE (DECREASE) IN FUND BALANCE	% CHANGE
001	General Fund	\$ 1,099,370	\$ 9,932,976	\$ 45,000	\$ 11,077,346	\$ 10,084,859	\$ 239,959	\$ 752,528	\$ (346,842)	-31.5%
003	Dedicated Street Fund	203,450	3,050	49,530	256,030	201,520	-	54,510	(148,940)	-73.2%
004	Building Abatement Fund	103,065	1,600	-	104,665	-	45,000	59,665	(43,400)	-42.1%
005	LEOFF 1 OPEB Reserve Fund	-	-	233,549	233,549	223,500	-	10,049	10,049	0.0%
102	Arterial Street Fund	122,264	162,399	-	284,663	166,019	-	118,644	(3,620)	-3.0%
103	Transportation Benefit District Fund	2,020,380	1,174,960	-	3,195,340	1,500,000	-	1,695,340	(325,040)	-16.1%
107	Tourism Fund	213,618	243,630	-	457,248	279,435	63,396	114,417	(99,201)	-46.4%
110	Compensated Absences Reserve Fund	196,762	3,640	-	200,402	71,488	-	128,914	(67,848)	-34.5%
195	Community Development Block Grant Fund	24,478	480	-	24,958	1,000	-	23,958	(520)	-2.1%
197	HUD Block Grant Fund	87,839	1,720	-	89,559	2,000	-	87,559	(280)	-0.3%
200	General Obligation Bond Fund	1	-	160,914	160,915	160,915	-	-	(1)	-100.0%
301	Public Facilities Reserve Fund	1,246,695	8,400	-	1,255,095	911,393	-	343,702	(902,993)	-72.4%
302	Automotive/Equipment Reserve Fund	227,968	3,640	-	231,608	181,083	-	50,525	(177,443)	-77.8%
305	First Quarter REET Fund	127,977	112,980	-	240,957	-	39,982	200,975	72,998	57.0%
306	Second Quarter REET Fund	144,084	113,300	-	257,384	-	33,156	224,228	80,144	55.6%
402	Garbage Fund	8,216	6,730	-	14,946	6,610	-	8,336	120	1.5%
404	Wastewater Fund	4,790,049	5,580,395	-	10,370,444	5,124,563	-	5,245,881	455,832	9.5%
405	Water Fund	7,196,071	3,208,280	-	10,404,351	4,672,394	-	5,731,957	(1,464,114)	-20.3%
406	Storm and Surface Water Fund	1,391,545	735,695	-	2,127,240	682,833	-	1,444,407	52,862	3.8%
407	Airport Fund	1,403,454	1,872,094	-	3,275,548	1,483,238	-	1,792,310	388,856	27.7%
611	Firemen's Pension Fund	1,019,936	31,050	-	1,050,986	12,770	67,500	970,716	(49,220)	-4.8%
633*	Agency Fund	9,904	275,340	-	285,244	272,510	-	12,734	2,830	28.6%
TOTALS		\$ 21,637,126	\$ 23,472,359	\$ 488,993	\$ 45,598,478	\$ 26,038,130	\$ 488,993	\$ 19,071,355	\$ (2,565,771)	-11.9%
*Fund 633 is an Agency Fund which the city holds funds as a custodian for a period of time. This money does not belong to the City.								-		

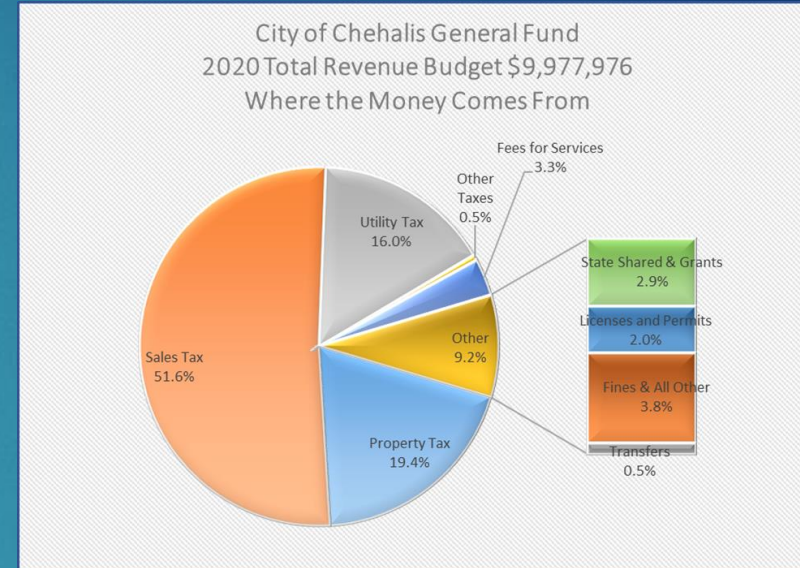
General Fund Budget Overview

- ▶ The 2020 Proposed Budget is balanced using **\$346,842** of General Fund Reserve (beginning cash).
 - The Budget is not structurally balanced.
 - Ongoing expenditures are more than ongoing revenues.
- ▶ As presented, the estimated General Fund ending fund balance is \$752,528 or **7.5%*** of total revenues
 - City Council goal is 10% & GFOA best practice 16.7% of operating expenditure budget
 - Average one-month payroll \$627,000
- ▶ *Agenda reports show as 7.1%

General Fund Budget Summary	2020 Proposed Budget
Estimated Beginning Cash Balance	\$ 1,099,370
Revenues & Transfers In	\$ 9,977,976
Expenditures & Transfers Out	\$ 10,324,818
Net Revenues Over (under) Expenditures	\$ (346,842)
Estimated Ending Cash Balance	\$ 752,528
<i>The 2019 Proposed Budget as presented is balanced using \$346,842 of General Fund Reserve (beginning cash).</i>	

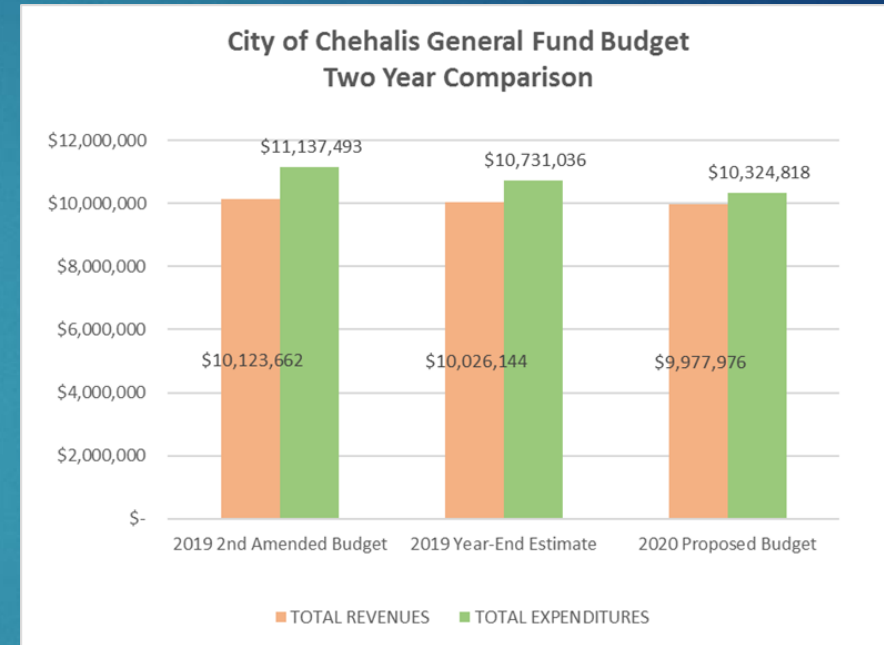
General Fund – Revenue Summary

- ▶ **The 2020 Proposed Revenue budget is \$9,977,976 representing:**
 - A **decrease** of \$145,686 or 1.4% from the 2019 Amended Budget
 - Total tax revenues \$36,126 increase
 - Intergovernmental grants and other fee revenues decrease \$181,812
- ▶ **87.5% of General Fund Revenue comes from Taxes**
- ▶ **Assumptions Used**
 - Property Tax: Includes 1% maximum statutory increase \$21,494
 - Sales Tax: 1.5% increase from 2019 YE Estimate
 - Fee revenues: Generally 3-year average
 - State Shared revenues: MRSC estimator per population



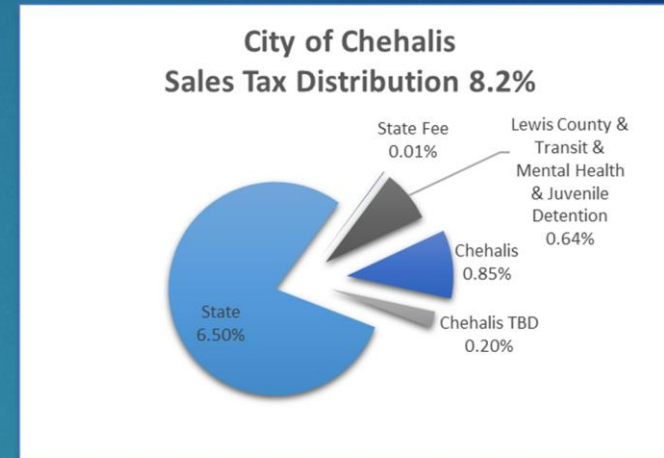
General Fund Budget Trend - 2-Year

- ▶ General Fund
 - ▶ **Revenues are less than Expenditures**
- ▶ Not Structurally Balanced
- ▶ Use of reserves:
 - 2020 Proposed \$346,842
- ▶ One-time reductions or revenue will fill the gap in 2020; however, a significant infusion of revenues or a significant reduction in expenses will be needed in 2021 and beyond.



General Fund Revenues – Sales Tax

- ▶ **Sales tax is the largest revenue source for the General Fund and makes up 51.6% of the 2020 General Fund revenues**
- ▶ **Projected Increase in Sales Tax is 0.1% from amended 2019 budget**
 - Sales tax was bolstered in 2017 and 2018 by significant construction spending.
 - As of October 2019, sales tax from construction spending decreased by \$169,845 or 41% from 2018.
 - Sales tax growth is projected to level off in the coming year
 - 2020 sales tax revenue projection is based on 2019 YE Estimate plus 1.5% estimated growth.
- ▶ **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%.

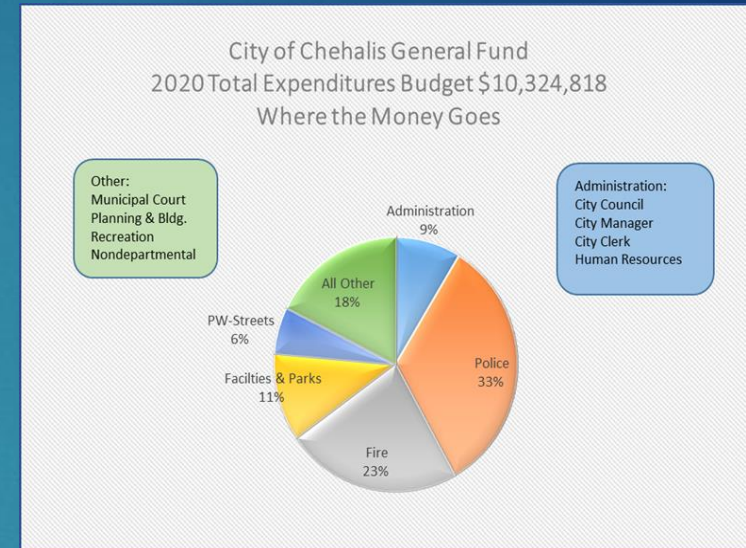


General Fund Revenue - Property Tax

- ▶ **Property tax is the second largest revenue source for the General Fund and makes up 19.4% of the 2020 General Fund revenues**
- ▶ The proposed property tax revenue includes the statutorily allowed **1% increase** plus amounts for new construction and adjustments for administrative refunds.
 - The 1% levy increase is \$21,494, which is about **\$2.86** tax increase per *one hundred thousand* assessed value
 - Estimates for new construction and other adjustments \$16,297

General Fund Expenditures Summary

- ▶ The 2020 Proposed General Fund expenditure budget totals **\$10,324,818** representing:
 - A \$812,675 or 7.3% **decrease** over the 2019 Amended Budget
 - 2019 one-time transfers to reserves \$651K
 - 2020 reduced funding to dedicated street fund from 4% sales tax to 1% (\$149K decrease)
- ▶ **56%** of the General Fund Budget is dedicated to Police and Fire.
- ▶ Salaries and benefits make up almost **73%** of the General Fund Budget.



General Fund Overview – (continued)

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What's In

- ▶ One-Time Facility maintenance of \$45K to address deferred maintenance (Stan Hedwall, Little League, National Ave)
- ▶ One-Time computer software \$30K (Fixed Asset Management and Cashiering system)
- ▶ Additional mower \$15K for Recreation Park maintenance
- ▶ All regular full-time and part-time positions (including temporality vacant positions) and scheduled STEP increases.
- ▶ Increases for health insurance premiums (2% - 5%)
- ▶ Seasonal part-time employees, minimum wage increase from \$12/hour to \$13.5/hour.
- ▶ Estimated 2% COLA increase for all employee groups due to all labor union contracts expiring at 12/31/2019. All three labor union negotiations are currently still in progress.
- ▶ Training and Conferences
- ▶ \$112K to pay City Utilities for services provided to General Fund Operations

General Fund Overview – (Continued)

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What's Not

- ▶ Moved \$71K potential retirees cash outs for unused vacation and sick leave accruals to Compensated Absences Reserve Fund
- ▶ Moved \$181K vehicle and equipment requests from police and fire departments to Auto/Equipment Reserve Fund
- ▶ Moved \$156K LEOFF1 retiree medical benefits to the new LEOFF1 OPEB Reserve Fund.
- ▶ Used \$45K from Building Abatement Fund to reduce use of General Fund Reserve
- ▶ Reduced funding to Dedicated Street Fund from 4% sales tax to 1% (reduction of \$148,590)
- ▶ No new revenues from fee increases
- ▶ No new positions
- ▶ No additional funds for new Fire Station options
- ▶ No funds for study of 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
- ▶ No rainy day funds

Where do we go from here?

- ▶ Start planning for 2021 and beyond
 - ▶ Council Budget Committee plans to meet quarterly
 - ▶ City Council Workshop in the first half of 2020
 - ▶ Long-term planning – improve fiscal stability
 - ▶ Develop a plan for structurally balanced budget in 2021 & 2022
 - ▶ Identify potential new revenues
 - ▶ As people retire, revisit the position
 - ▶ Watch economic and revenue trends
- ▶ Continue to monitor revenues and expenditures carefully

Recommendation

It is recommended that the City Council

- ▶ Open the public hearing on the 2020 Proposed Budget
- ▶ Accept public input on the 2020 Proposed Budget
- ▶ Close the public hearing
- ▶ Consider approval of the Ordinance No. 1001-B Adopting the 2020 Proposed Budget on first reading
 - ▶ Item Number 14 -- Scheduled under “New Business”

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