

MEMORANDUM

TO : *Mayor Toby Barker, Members of City Council*
FROM : *Connie Everett, Interim Chief Financial Officer*
DATE : *August 28, 2019*
SUBJECT : *FY 2019 Budget*

In this binder is the detailed budget report for FY 2020. Behind this summary memo, you will find an Excel spreadsheet summarizing the budget to the four major categories required for the published budget format. A list of Capital Requests by department is included, with items included in the budget so noted. Next is a Manpower budget report reflecting the proposed salaries for FY 2020.

This FY 2020 budget proposal makes measured progress on trimming the city's structural deficit in the General Fund, reducing it from \$2.69 million to just under \$2.47 million. This budget also covers the loss of \$1.2M of one-time revenue which came from FEMA reimbursements. It is our goal to continue to move the city's budget back to a place where only recurring revenues truly support recurring expenditures.

Below is a list of some of the more significant items:

- Health Insurance – the Insurance Trust Account balance seems to be recovering from being underfunded in past years, so I am continuing to budget \$650 per month per budgeted position for FY 2020.
- Effective July 1, 2019, the Public Employees Retirement System increased the employer contribution rate from 15.75% to 17.40%. The FY 2020 budget reflects the full impact of that increase, with $\frac{3}{4}$ of the 1.65% increase being additional budgeted expense for FY 2020, in the amount of \$336,015.
- Workers Comp premium – I have budgeted a 3% increase for FY 2020. The billed premium, plus additional billing as a result of the audit of actual wages paid, increased from FY 2018, and some departments needed budget amendments during FY 2019.
- Annual lease purchase payment of the Courtesy Ford Building of \$135,500 for 5 years
- Parks & Recreation improvements are being evaluated for funding with proceeds of the 1% sales tax on restaurants and motels. Due to the passing of the 1% Parks & Recreation special tax, the City was able to eliminate \$800,000 in general fund obligation for parks and recreation capital. Part of these savings were used to move the General Fund closer to structural balance. It also provided funds to budget for \$400,000 in drainage infrastructure improvements in FY 2020.
- Major equipment purchases for FY 2020 in the General Fund consist of a street sweeper, a rear-end loader, and routing system software for Public Works to assist Sanitation, as well as other departments, in training new employees and streamlining fleet operations.
- Paving - \$1,500,000 in General Fund and \$1,246,000 in Municipal Road & Bridge Fund, for an increase of \$200,000 from FY 2019.
- An additional \$900,000 was set aside in FY 2019, for a total of \$1.8 million, in the General Fund as a Reserve for the Public Safety Complex. We will also reserve the court technology fee assessed on police fines to be used toward technology purchases for the Municipal Court in FY

2020. We will be purchasing new software for the Court System, and this fee was implemented several years ago and intended to be used for this purpose.

Revenue items of note:

- Estimated beginning fund balance for General Fund is \$6,600,000, excluding the \$1,800,000 set aside in Reserve for Public Safety Complex
- Budgeted ending cash balance for General Fund is \$2,740,806
- FEMA reimbursement expected of \$813,000 for remaining projects from 2017 tornado
- Sales tax – set at \$22,700,000. This is a conservative estimate based upon collections for 2019. Sales tax continues a steady annual increase of a little more than 1%.
- Total City millage of 53.13 mills will remain the same for FY 2020. Due to a decrease in the certified millage rate of .33 mills recommended by the actuary for the Municipal System Retirement Fund for retired police and fire employees, a 2% cost of living increase will be implemented for those retirees, using .10 mills. The remaining .23 mills will be shifted to the General Fund to cover the increase in the employer contribution rate for PERS.
- Total school millage will remain the same for FY 2020 at 64.10 mills.

Construction projects underway in Fund 72 Municipal Road & Bridge Fund should be completed in FY 2020 and include the 28th Avenue bridge, and 38th Avenue sidewalks. The Long Leaf Trace extension to the African American Museum is budgeted for completion in FY 2020. Other projects budgeted for FY 2020 include Country Club Road improvements, 38th Avenue road improvements, Industrial Park Road improvements, Innswood drainage study, Hardy Street improvements; land acquisitions for Oak Grove Road and Hegwood Road improvements. The larger projects will likely continue into FY 2021.

Construction projects scheduled for Fund 75 Water & Sewer Construction Fund include Audubon/Westwood water lines, Country Club water lines, East Jerusalem area water lines. Work continues on TV'ing sewer lines to establish priority areas for repairs.

Construction underway on water & sewer projects budgeted in Fund 93 (2016 bond funds) will continue in FY 2020. Lamar Rutland can provide details on estimated completion date of the various projects.

If you should have questions or wish to discuss these items in detail, please do not hesitate to contact me. The above information will be presented for public information and comment during the public hearing on the proposed FY 2020 budget on September 3.