

Fiscal Year 2019-20
Budget Development Guidelines
April 1, 2019

INTRODUCTION

The development of budget guidelines is a best practice and supports **The Citywide Strategic Plan Goal, Innovative and High-Performing Organization**. One of the objectives of this goal is to promote **organizational sustainability**:

- Strategic Sustainability -- realistic vision and goals
- Program and Service Sustainability -- high-quality services and programs
- Personnel Sustainability – effective and reliable personnel
- Financial Sustainability – recurring revenues equal to recurring expenditures, adequate financial reserve and contingency planning.

The General Fund is the primary fund for the city and supports 22 of the 25 city departments including 1,880 employees.

The City Manager shall use the following **Budget Development Guidelines to prepare the FY 2019-20 Proposed Budget**.

OVERALL

The budget should prioritize funding based on the City's Strategic Plan, what's needed to accommodate population growth, requirements driven by State and/or Federal mandates, and initiatives consistent with the City Council's priorities.

REVENUES

For FY 2018-19, the two largest sources of revenue to support **General Fund** operations are local **property taxes (49%)** and local **sales taxes (33%)** representing 82% (**\$165M**) of the **fund's \$201.6M budget**. Local property taxes also fully support the Debt Service Fund which accounts for the City's General Fund debt service obligations. The property tax appropriation for the **Debt Service Fund is \$40.0 million** for FY2018-19.

The City must use a strategic approach to balance the budget by assessing revenue enhancement opportunities and cost control. **The FY 2019-20 Budget must support the City's Strategic Plan and identify funding to enhance priority programs and services.**

- The tax rate for the **General Fund** will be set not to exceed **31.00 cents** (per \$100 assessed value), **1.4 cents** above the revenue neutral rate of **29.60 cents** (per \$100 assessed value). This rate will be set to cover the increased cost and growth of existing services. A tax rate increase above this amount may be considered to fund budget requests that can not be otherwise funded.

- Fund balance in the General Fund will not be projected to fall below 16.7% at the end of FY 2019-20.
- The tax rate for the **Debt Service Fund** will be set at **11.00 cents** (per \$100 assessed value), **0.31 cents** below the revenue neutral rate of **11.31 cents** (per \$100 assessed value).
- The tax rate for the **Solid Waste Fund** will be set at the revenue neutral rate of **5.59 cents** (per \$100 assessed value).
- The tax rate for the **Dedicated Housing Fund** will remain at **2 cents** (per \$100 assessed value), **0.22 cents** above the revenue neutral rate of **1.78 cents** (per \$100 assessed value).
- The tax rate for the **Transit Operating Fund** will be set not to exceed **3.75 cents** (per \$100 assessed value), **0.58 cents** above the revenue neutral rate of **3.17 cents** (per \$100 assessed value).
- The tax rate for the downtown **Business Improvement District (BID)** will be set not to exceed the current rate of **7.00 cents** (per \$100 assessed value), **1.27 cents** above the revenue neutral rate of **5.73 cents** (per \$100 assessed value). City administration will evaluate new and existing priorities to determine the extent to which they should be funded above the revenue neutral tax rate.
- The allocation for the **Half Penny For Parks Program** will remain at 1/2 cent of the proposed tax rate.
- **Non-recurring funds will not be directed toward recurring uses.**
- Proposed **water and sewer rate** increases will not exceed an average of **3.0%**.
- **Fee adjustments** will be considered, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- **Stormwater rates will remain unchanged** for the **FY 2019-20** fiscal year.

EXPENDITURES

To balance expenditures against forecasted revenues, the City Manager will continue to monitor performance data to guide focused discussions with City departments regarding program and service priorities. This includes possible areas for elimination, reduction, reorganization, new partnerships, and/or alternative service delivery models that address the performance and efficiency of City programs.

- City employees are at the core of City services. One objective under the City’s **Innovative & High Performing Organization Goal** is to “**cultivate a diverse, engaged, and healthy workforce dedicated to public service.**” Attracting, training and retaining a competent, high quality workforce is essential to being a high performing organization. Therefore, we will continue to consider employee compensation adjustments as a priority. **The following pay and benefit components will be proposed:**
 - Pay for Performance (P4P) pay plan for General employees - 4.0% average (flat with FY 2018-19).
 - Pay Plan for sworn Police employees – 5.0% average.
 - Pay Plan for sworn Fire employees - 5.0% average.
 - Funding included at 3% for general employees pay and compensation study full implementation.
 - Supplemental Retirement -401K – 5.0% (flat with FY2018-19)
 - Medical Insurance for all employees - 9.0% average increase for the City
 - Dental insurance – cost will remain flat for both the City and employees
 - 8.95% budgeted for employer contribution to the Local Government Employees’ Retirement System (LGERs), a 1.20% increase over the FY2018-19 budget of 7.75%.

- The dedicated **street resurfacing funding** will be increased by at least **\$1,000,000** from **\$5,000,000** for FY 2018-19 to **\$6,000,000** for FY 2019-20, **and up to an additional \$4,000,000 from fund balance** will be considered for FY 2019-20.

- Funding for the **Maintenance Replacement Project Plan** will be considered to increase by **\$100,000** from **\$900,000** for FY 2018-19 to **\$1,000,000** for FY 2019-20.

- **Fleet replacement funding** for the General Fund will be provided in accordance with the Fleet department’s **10-year recommendation plan** within the debt model.

- New funding priority will be given to those requests that support the **strategic plan**.

- Funding will be included in FY 2019-20 to support the **Five Year Affordable Housing Plan** with consideration for future years pending, based on the results of a bond referendum.