

## Fiscal Year 2021-22 Budget Development Guidelines

### 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 2,284 employees.

The City Manager shall use the following **Budget Development Guidelines to prepare the FY 2021-22 Proposed Budget**.

### OVERALL

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

### REVENUES

For FY 2020-21, the two largest sources of revenue to support **General Fund** operations are local **property taxes (51.7%)** and local **sales taxes (29.9%)** representing 81.6% (**\$175M**) of the fund's **\$214.6M 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 \$39.1M** for FY2020-21.

The City must use a strategic approach to balance the budget by assessing revenue enhancement opportunities and cost control. **The FY 2021-22 Budget must support the City's Strategic Plan and identify funding to enhance priority programs and services**

- An adjustment to the **current tax rate of 53.17 cents** (per \$100 assessed value) may be considered, the adjustment will not exceed **2 cents** (per \$100 assessed value).
- An adjustment to the **General Fund tax rate of 30.83 cents** (per \$100 assessed value) may be considered.

- An adjustment to the **Debt Service** tax rate of **11.00 cents** (per \$100 assessed value) may be considered prior to the finalization of the budget.
- The tax rate for the **Dedicated Housing Fund** will increase **1.38 cents** (per \$100 assessed value) from the current rate of **2.0 cents** (per \$100 assessed value) to **3.38 cents** (per \$100 assessed value) to fund debt service on bonds approved as part of the \$95 million affordable housing bond passed in November 2019.
- The tax rate for the **Transit Operating Fund** will remain at **3.75 cents** (per \$100 assessed value).
- The tax rate for the downtown **Business Improvement District (BID)** will remain at **7.00 cents** (per \$100 assessed value).
- The allocation for the **Half Penny For Parks Program** will remain at 1/2 cent of the proposed tax rate.
- Fund balance in the General Fund will not be projected to fall below **12.0%** at the end of FY 2021-22.
- **Non-recurring funds will not be directed toward recurring uses.**
- Proposed **water and sewer rate increases** will not exceed an average of **3.6%** for the average Tier 3 customer
  - This represents the 3.4% rate increase that was projected for FY22 from last year's projection with an adjustment for eliminating delinquent and late fees.
- **Fee adjustments** will be considered, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- Proposed increase in **Stormwater rates** for typical residential customer (tier 2) shall not exceed **\$0.51** per month.

## 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 adjustments will be considered for General employees up to 2.0% (and where necessary greater than 2.0% to ensure that no employee falls below new structure minimums), Police up to 4.0% and Fire up to 3.5%. In addition, bonuses will be considered for all employees at the following levels; \$1,500 for employees earning less than \$50,000, \$1,250 for employees earning over \$50,000 up to \$90,000 and \$1,000 for employees earning over \$90,000.
  - Supplemental Retirement -401(k) –5.0% (no increase over FY2020-21 budget).
  - Medical Insurance for all employees - no increase for the City
  - Dental insurance – no increase for the City
  - 11.35% budgeted for employer contribution to the Local Government Employees' Retirement System (LGERS), a 1.20% increase over the FY2020-21 budget of 10.15%.
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- The dedicated **street resurfacing funding** will remain at **\$6,000,000** for FY 2021-22 and **up to an additional \$4,000,000 from fund balance** will be considered for FY2021-22.
  - Funding for the **Maintenance Replacement Project Plan** will be considered to increase by \$100,000 from **\$1,000,000** for FY 2020-21 to **\$1,100,000** for FY2021-22.
  - **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.
  - Funding for **City Council budget** requests will be **considered up to \$600,370** (\$212,400 one-time, \$387,970 recurring).
  - Programs may be considered for **down-sizing or discontinuation**.