

Subject: Agenda Item # 2 -
Attachments: General fund revenue - FY 2022 budget - with analysis.pdf

From: Phil Koen <pkoen@>
Sent: Monday, May 3, 2021 8:36 AM
To: Laurel Prevetti; Arn Andrews
Cc: Matthew Hudes; Rob Rennie; Ron Dickel; Kyle Park; jvannada; Lee Fagot
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Hello Laurel,

In reading the staff report for agenda item #2, on page 4 it states that the mid-year budget presented on February 8, 2021 projected approximately a \$1.6m operating deficit for FY 2021. Staff then discusses various budget balancing strategies.

I am having difficulty understanding the various forecasts and whether there is an operating deficit for FY 2021. I have attached schedule C-23 and C-24 from the FY 2022 Operating Plan which contains my notes. Let me walk you through the notes so you understand my source of confusion.

The most recent revenue projection for FY 2021 is \$46,203,846 as shown on C-23. If we adjust out the \$1,908,494 debt reimbursement and the \$2,844,315 in ARPA funds included in the Non-Department Revenues, the Town is projecting operating revenues (including transfers in) of \$41,451,037. This amount includes proceeds of \$1,200,000 from the property sale.

The mid-year forecast projected total departmental expenditures (the last column of the mid-year forecast) of \$46,443,122. If we use that departmental expenditure forecast, the projected operating deficit would be \$4,992,085. This deficit was funded by Council actions which approved using \$4,532,500 from the OPEB reserve and \$901,267 from the Capital/Special Project reserve. Applying this source of funds results in an operating surplus of \$441,682. If the Town did not want to use the \$1,200,000 in proceeds from property sale to fund operating expenses, then the surplus would become a deficit of \$758,318 and alternate funding sources would need to be used.

The second scenario is based on the current operating expenditure forecast for FY 2021 which increased by \$789,604 over the mid-year forecast to \$47,232,726. The staff memo does not discuss this increase. Over half of the increase comes from higher projected Police expenditures. Using the latest expenditure forecast, the projected operating surplus of \$441,682 becomes a deficit of \$347,922 (again this includes the property proceeds.) If the Town did not want to use the \$1,200,000 in proceeds, the deficit would become \$1,547,922.

You can now see the source of my confusion.

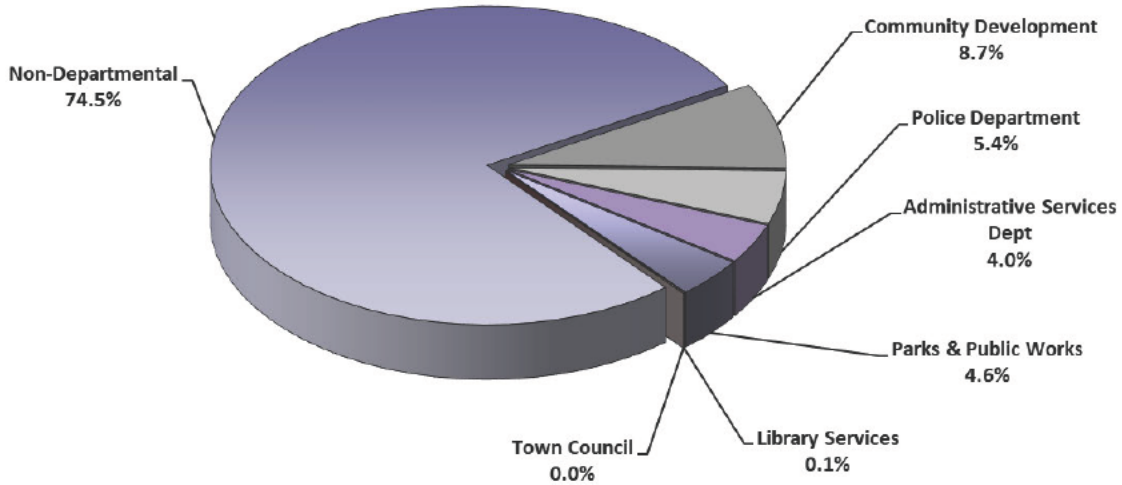
What is the Staff's current projection for the FY 2021 structural operating deficit, excluding the revenue benefit from the ARPA funds and the proceeds from property sales and applying the Measure G funds as originally programmed? It is appropriate to exclude one-time revenue events so the structural deficit is transparent. My guess is the structural deficit for FY 2021 is \$1,547,922.

Once that is determined, then various funding solutions can be discussed including the use of ARPA grant, proceeds from property sales, budget stabilization reserves and the use of Measure G revenues.

Thank you.

Phil Koen

GENERAL FUND REVENUES BY DEPARTMENT



FY 2021/22 Departmental Revenues

Departments	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Adjusted	2020/21 Estimated	2021/22 Proposed	% of Total
Town Council	\$ 730	\$ 1,527	\$ 2,509	\$ -	\$ 31,175	\$ -	0.0%
Non-Departmental	28,988,473	34,475,646	30,578,565	30,407,640	33,488,814	34,353,623	77.8%
Administrative Services*	1,946,533	3,172,019	3,714,199	1,804,873	1,984,963	1,777,233	4.0%
Community Development	3,835,046	4,203,611	3,345,105	4,376,970	4,339,174	3,826,899	8.7%
Police Department	2,769,309	2,556,445	2,543,720	2,213,333	2,037,163	2,380,847	5.4%
Parks & Public Works	3,530,073	2,760,825	2,814,634	1,747,010	1,758,274	1,793,685	4.1%
Library Services	71,902	56,958	62,428	49,022	46,293	37,000	0.1%
Total General Fund Revenues	\$ 41,142,066	\$ 47,227,031	\$ 43,061,160	\$ 40,598,848	\$ 43,685,856	\$ 44,169,287	100%
Town Debt Payments	\$ 1,914,739	\$ 1,909,073	\$ 1,905,024	\$ 1,908,494	\$ 1,908,494	\$ 1,899,850	
Pension Trust**	-	5,022,848	689,432	1,262,158	-	390,000	
Compensated Absences**	2,169,600	(1,928,865)	-	-	-	-	
Transfers In	544,836	1,578,911	599,669	616,834	609,492	633,352	
Net Operating Revenues	\$ 45,771,241	\$ 53,808,998	\$ 46,255,285	\$ 44,386,334	\$ 46,203,842	\$ 47,092,489	

*The Town Manager's Office, Human Resources, Finance, Clerk Administration, and Information Technology Programs are all accounted for within the Administrative Services Department.

** Previously expensed transfers were returned to be included in the General Fund.

2021
 Plus 46,203,842
 - Debt 1,908,494
 - ARPA 2,844,315

 Adj Rev 41,451,037
 Mid year 46,443,122
 exp deficit (4,992,085)

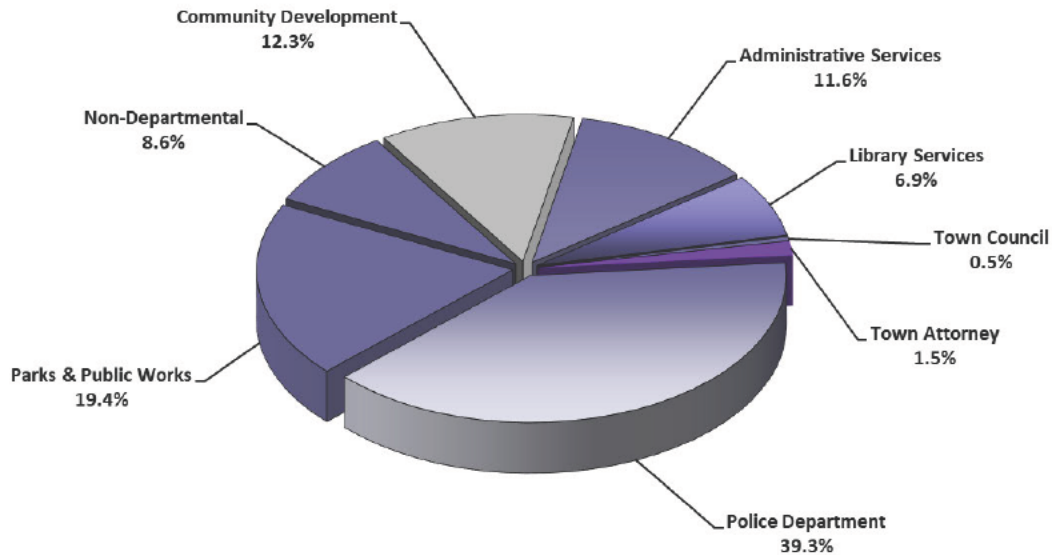
Sources
 4,532,500
 Pensions 901,267

 Cap Rev 5,433,767
 (4,992,085)

 surplus 441,682
 Property -1,200,000

 deficit (758,318)
 C-23

GENERAL FUND EXPENDITURES BY DEPARTMENT



FY 2021/22 Departmental Expenditures

Departments	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Adjusted	2020/21 Estimated	2021/22 Proposed	% of Total
Police Department	\$ 14,423,554	\$ 14,948,952	\$ 15,895,008	\$ 17,452,539	\$ 17,274,220	\$ 17,239,483	39.3%
Parks & Public Works	7,099,527	7,969,631	8,168,040	8,200,370	7,866,603	8,494,628	19.4%
Non-Departmental	5,109,456	6,875,761	3,505,097	8,100,868	8,416,324	3,767,009	8.6%
Community Development	4,192,165	4,577,495	4,473,790	5,605,215	5,276,713	5,395,866	12.3%
Administrative Services*	3,193,995	3,931,807	4,388,762	4,995,847	4,718,987	5,087,204	11.6%
Library Services	2,529,017	2,493,617	2,700,802	2,957,531	2,852,778	3,016,395	6.9%
Town Council	192,183	205,903	206,163	243,486	207,335	201,499	0.5%
Town Attorney	354,205	562,542	559,010	658,831	619,766	660,228	1.5%
Total General Fund Exp	\$ 37,094,102	\$ 41,565,708	\$ 39,896,672	\$ 48,214,687	\$ 47,232,726	\$ 43,862,312	100%
Town Debt Payments	\$ 1,914,739	\$ 1,909,073	\$ 1,905,024	\$ 1,908,494	\$ 1,921,497	\$ 1,899,850	
Pension Trust**	-	7,155	5,034,771	300,000	700,000	-	
Compensated Absences**	240,735	-	-	-	-	-	
Transfers Out	3,484,330	2,785,220	8,053,847	3,401,479	3,401,479	550,000	
Net Operating Expenditures	\$ 42,493,171	\$ 46,267,156	\$ 54,890,314	\$ 53,824,660	\$ 53,255,702	\$ 46,312,162	

* The Town Manager's Office, Human Resources, Finance, Clerk Administrator, and Information Technology Programs are all accounted for within the Administrative Services Department.

** Pension Trust and Compensated absences are incorporated in the General Fund.

P 36 - mid year
 current forecast
 increase

46,443,122
47,232,726
789,604