



CITY COUNCIL WORK SESSION

MEETING DATE: October 4, 2021

AGENDA ITEM: 2022 Budget Discussion

FROM: Aimee Tihonovich, Finance Director

For this evening's budget discussion, the following key points will be discussed in detail:

1. Recommended updates to the budget from the last viewing.
2. Personnel changes included in the budget
3. New spending in non-personnel operating line items contained in the budget.
4. Fund Balance update.

Proposed Updates

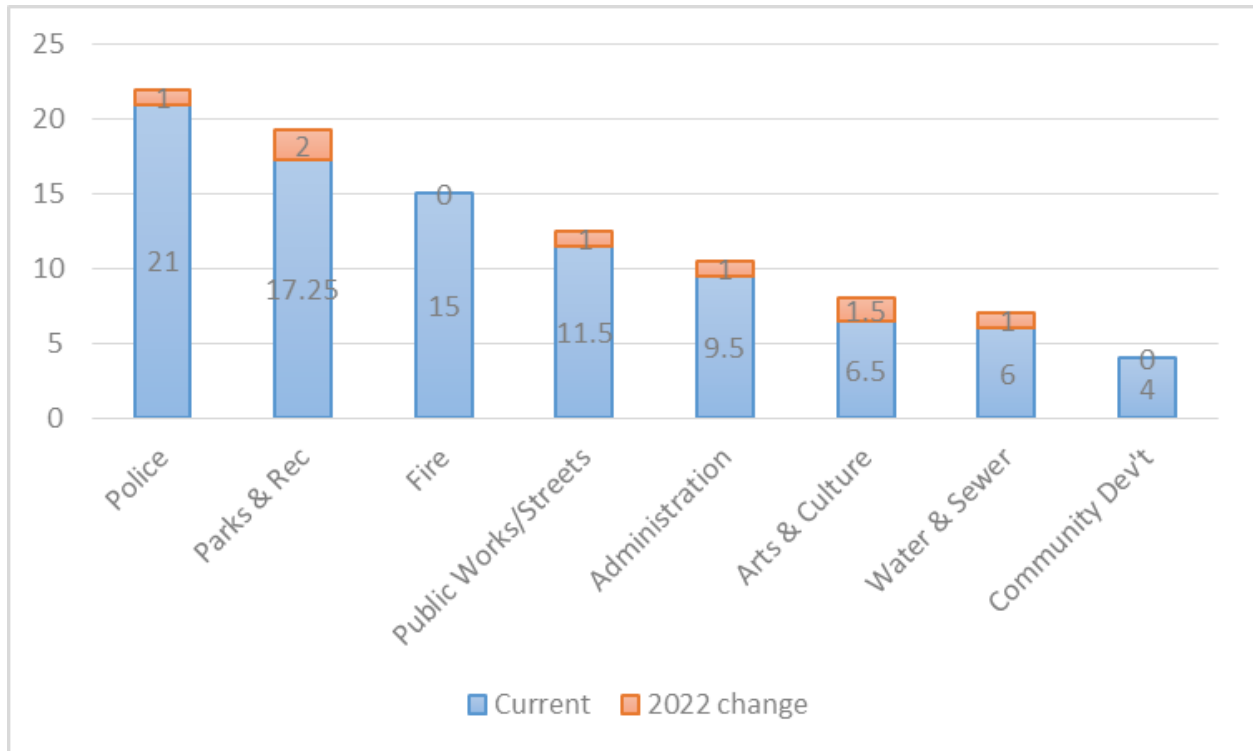
Since we last reviewed the 2022 budget, the following significant changes are proposed for your consideration:

Description		Increase/ (Decrease) to Bottom line
1	Removed soaking pools project since RFP came in significantly higher than the budget envisioned	\$ 2,000,000
2	Added 2022 allocation of ARP Revenue	\$ 764,400
3	Added contingency spending allowances so Council has flexibility to spend funds within the constraints described below. It should be noted that all 3 of these pools of funds could be spent on inclusionary housing projects that may develop throughout the year:	
	> Accumulated, unspent ARP Funds (total allocated to the City less \$350,000 already committed toward Jane's Place Housing Project). Funds can only be spent according to federal guidelines as they apply to ARP funds	\$ (1,179,700)
	> Accumulated funds in the Economic Development Fund to be spent on Economic Development related activities that may present themselves during the year	\$ (157,700)
	> Accumulated funds in the Housing Fund to be spent on Housing projects that may develop during the year	\$ (117,000)
4	In response to Council and community input, the following additions have been made to the Arts & Culture Budget:	
	> Funding to add a part time Community Outreach Coordinator	\$ (25,800)
	> Funding to update the Creative District web site	\$ (10,000)
	> Funding to hire a consultant to assist in developing an updated strategic plan for the Creative District. It is anticipated that this cost will be offset with a grant in the same amount resulting in a zero impact to the budget	\$ (10,000)

Personnel

Typical to an organization providing services as its main commodity, personnel costs are the single highest expenditure in the budget representing 32.1% of all spending. Below is a chart displaying the average full-time equivalent (FTE) staff count by division including the request for new FTEs in the 2022 budget. Actual part-time staff hours have been converted to full-time equivalent positions and included in the information for comparability.

FTE Count by Division



The City is in a growth spurt and demand on staff is high. The following new positions are requested in the budget:

1. The Police department has requested to add one employee, a Records Clerk. This position will manage the records function that the City previously contracted with Chaffee County Sherriff to accomplish. Contract service savings will partially offset the cost.
2. The Parks & Recreation division has requested adding 2 employees, a Facilitator for recreation programming and a Facilities Worker for maintenance.
3. The Public Works Division has requested to add one employee, a mechanic specializing in emergency vehicles.
4. The Administration division has requested to add one employee, a Human Resource Manager.
5. The Arts & Culture division has requested to add one and one-half employee, an Event Coordinator and a Community Outreach Coordinator.
6. The Water & Sewer Utilities have requested 1 shared employee, a Municipal Worker.

As previously discussed, a market pay analysis is planned so the City can be assured that it is paying competitive wages. The total amount available in the budget for wage increases is \$613,200 including a COLA. This amount, which represents a 10.8% increase in salaries, represents a worst case cost and will not be fully spent if the market study does not warrant it. Upon completion of the market study, council will be briefed before any changes are implemented.

Review of Significant Operating Cost Additions in the Budget

The following increases to the budget have been previously discussed but are listed here as a review in case Council would like to revisit any item.

	Description	Cost in Proposed Budget
1	Software upgrades for Project Management, Lodging tax, budget document and fire incident reporting. Future years cost will go down, the first year includes implementation.	\$ 157,000
2	Vandaveer Master Plan	\$ 150,000
3	ADA compliance tranistioning plan for Parks and Recreational facilities	\$ 80,000
4	Park & Rec fleet additions (truck, ATV and mountain e-bike)	\$ 75,000
5	Touber Building remodeling to accommodate increased staff	\$ 50,000
6	Initial firehouse design work	\$ 50,000
7	Increase buildings and grounds maintenance funds allowing for more flowers, irrigation, etc.	\$ 35,000
8	Increase in offerings and support for recreation programs	\$ 20,000
9	Conduct site due diligence for new firehouse (soil testing, survey, utility locates	\$ 15,000
10	Second speed monitoring trailer	\$ 10,000

Not detailed in the above, but discussed previously are costs in the budget for replacement capital (i.e. police cars), maintenance of existing infrastructure (parks, street, water and sewer lines), rolled over previously approved costs (ie. Steamplant brick repair, municipal code rewrite, document imaging) and other costs that occur every year although the details (locations) may differ.

Fund Balance Projections

It is essential that the City maintain a level of available reserves for operating cash flow, to provide a backup for revenue shortfalls, to mitigate against uncontrollable costs, and to save for future capital needs. An important part of budgeting is projecting the impact the budget has on reserves. The following table shows the Fund Balance estimates. The calculation starts with audited available amounts from the fiscal year ending Decemvber 31, 2020 and adds estimated 2021 operating results and 2022 budgeted revenue and expenses.

Fund Balance Projections - Major funds

	<u>General</u> <u>Fund</u>	<u>CIP Fund</u>	<u>Streets</u> <u>Fund</u>	<u>Water Fund</u>	<u>Wastewater</u> <u>Fund</u>
12/31/2020 audited unrestricted fund balance	\$ 5,774,454	\$ 58,904	\$ 623,628	\$ 3,808,798	\$ 2,198,513
Minimum to be held per fund balance policy	(1,809,178)	-	(144,982)	(440,698)	(533,902)
Available for 2021	\$ 3,965,276	\$ 58,904	\$ 478,646	\$ 3,368,100	\$ 1,664,611
Projected addition to (use of) fund balance:					
Projected actual 2021 operating results *	1,186,077		(30,281)	328,362	(498,873)
Potential D Street project costs	(1,000,000)				
Land Acquisition - Fire Department	(790,000)				
Estimated available for 2022 **	\$ 3,361,353	\$ 58,904	\$ 448,365	\$ 3,696,462	\$ 1,165,738
Fund balance addition (use) in 2022 requested budget	(810,791)	(38,849)	(324,393)	49,647	(371,391)
Available fund balance anticipated for 2023	\$ 2,550,562	\$ 20,055	\$ 123,972	\$ 3,746,109	\$ 794,347

* Projected based on results to date for 2021, assumes continued strong sales tax, captures lower than expected recreation & event fees, includes first \$764K ARP payment less \$350K contribution to Jane's Place

** ARP funds may be able to be used for D Street housing project thereby improving projection

In conclusion, the 2022 budget is sustainable and should leave ample resources available to react to changing conditions and for long term plans (as discussed in a previous work session with Ehlers, Inc.).