
Meeting Date: 12/9/2024

Subject: 2025 Budget Adoption

Attachments: Ordinance 2024-19

Presented by: Adam Vaughn, Finance Director

Approved for Agenda by: Dan Ford, City Manager

Discussion:

Going into the 2025 budget year the City of Toppenish has a structural deficit, meaning City revenues are less than expenditures. RCW 35.33.075 states that *“Appropriations shall be limited to the total estimated revenues contained therein including the amount to be raised by ad valorem taxes and the unencumbered fund balances estimated to be available at the close of the current fiscal year.”* In fiscal year 2024 the City used about \$2.25 million of its fund balance, or money available in the bank or investments, as revenue to comply with this statute.

Due to various cost saving measures and revenue increases, the proposed 2025 structural deficit is down to about \$1.4 million. Over time the City has amassed enough of a fund balance for use in balancing the budget year after year. At some point, the City will not have enough fund balance to balance each year and the longer it waits until the money is gone, the worse the financial situation will be (loss of investment revenue etc.). As current estimates sit, the City will run out of money sometime in 2026.

Additionally, the City maintains the highest utility rates among its surrounding peers. This has been anecdotally known by staff and Council members and confirmed by a rate study done by FCS group in August of 2024. Toppenish's Water and Wastewater rates were the highest of its peers and solid waste was second highest. The Wastewater rate had the highest discrepancy, with an average rate 25% higher than the next city. The main driving factor of Toppenish's high utility rates is a 29% utility tax on each of the three utility services which is the City's General Fund's largest source of revenue.

With these factors in mind, staff is proposing cuts to Parks, Recreation, and Aquatics services with additional reductions in staff. The positions recommended for layoff are as follows:

- Fire Chief
 - With limited staff and continued need for cooperation, the City plans to combine the Fire Department and Police Department into a Public Safety Department. The Current Police Chief would become the Public Safety Director with the current captains becoming deputy chiefs of police and fire. This move allows for cost savings, more collaboration, and pooling of resources.
- Grounds Maintenance Technician
 - The City ran a ballot initiative for a Metropolitan Park District to provide direct funding to parks, recreation, and aquatics services. As this measure did not pass, there are changes needed to prioritize funding and positions in other areas of the City.

- Police Records Clerk
 - While a continued need for the City's Police Department, this position was developed after the dissolution of the City's dispatch service and has another individual working as a lead records clerk. Uniform Officers were prioritized over this position in the Police Department. The workload of this position will be continued through the lead records clerk, assistant to the chief, and occasional assistance from available finance staff.
- HR Generalist
 - The HR Generalist's job functions intersect with each department; pay items have been handled jointly with the payroll clerk, health and wellness activities are done by committee, and job descriptions/postings are done collaboratively with each department as the time comes. Going forward, these functions can be continued with the infrastructure in place and oversight from the City Manager's office.

Other positional adjustments

- Recreation and Aquatics Manager/MVTV manager will be changed to MVTV and Communications manager. Partial funding will be moved out of the General Fund and back into the MVTV Fund
- A portion of the Code Enforcement Officer's salary will be moved into the special projects fund which allows for funding for abatement, graffiti, and other code enforcement activities
- Management Merit and COLA increases will be decreased from 5% merit and 4% COLA to 0% Merit and 2% COLA adjustment

These cuts bring the 2025 budget deficit down to about \$350,000. This is a reduction of over \$1 million from the proposed budget, and a nearly \$2 million reduction from the 2024 budget. This deficit reduction will allow the City to continue its services that are not listed here for cuts, with some adjustments like hours of operation. The City will need to continue these conversations to develop a long-term financial plan that will bring the deficit back down to zero year after year.

Fiscal Impact:

2025 General Fund Budget reduction of about \$1.05 million

Recommendation:

Adopt Ordinance 2024-19 adopting the 2025 Budget.

Alternatives:

Raise taxes, cut other positions, or cut other services. Not approving the budget would require another meeting before the end of the year to adopt the 2025 budget.