

MEMORANDUM

To: Willow Park City Council
From: Bryan Grimes
Date: February 14, 2023
Re: Unbudgeted City Hall Expenses

Some members of the Council have asked for staff to provide an update on the unbudgeted expenses and costs of the new City Hall building located at 120 El Chico. As you are aware, when the current budget was adopted, it did not have any expenditures for a new City Hall as the move was not contemplated at the time of adoption.

Attached is a detailed report from the Chief Financial Officer, Candy Scott, who set up a line item in the budget to easily track our moving expenses. The bottom line of the report is that the City has expended roughly \$38,000 in moving expenses that included items such as payment to movers, new signage, small building modifications, various electrical upgrades, a new Council dais, and new carpet. There may be a few additional outstanding expenses that has not been invoiced yet. Moving expenses will be roughly \$50,000 by the time all invoices have been collected and paid.

Per the rental agreement that was authorized by Council in November 2022, the City's rental expenses is approximately \$17,000 per month. Like the moving expenses noted above, staff has established a line item to denote our rental expenses. It is important to note that the \$17,000 per month includes base rent, building expenses, utility expenses, and other associated costs. Therefore, some of the costs included in the \$17,000 have been budgeted to a certain extent. For example, electricity costs has been budgeted for the building at 516 Ranch House Road. While there are still expenses at 516 Ranch House, it is anticipated that the impact will be nominal and should not have a significant impact on the budget. One additional note: The \$17,000 monthly obligation also includes water consumption for the building. Obviously, the City bills the landlord for the water consumption, who then pays the City for the water. This is largely a pass thru expense that is bill and collected by the City.

The largest unbudgeted expense related to the new City Hall is the base rent paid monthly. The base rent on the new City Hall is \$11,620 per month, or \$139,440 per year. For the remainder of the 22 – 23 fiscal year, the unbudgeted base rental expense will be \$104,580.

To sum up unbudgeted expenses:

Base Rent:	\$140,000
Moving Expenses:	\$50,000
Utilities:	\$15,000
Total:	\$205,000

The City has some various strategies to fund these unbudgeted expenses. First, the City can simply use reserve funds from the General Fund to pay for these expenses. Currently, the City has ample reserve funds to fund these expenses with zero impact to the budget. Second, the City can also use reserve funds from the Enterprise Fund (e.g. Water Fund) to help offset these costs as well. Finally, the City is realizing a much greater than expected Sale Tax Revenues as compared to the adopted Budget. Bottom line: The City can use excess Sales Tax collections to offset the unbudgeted expenses.

The figure below shows the City’s monthly Sales Tax collections for the current fiscal year, the budgeted sales tax collection, the estimated final collections, and the split between the final estimated collection and the actual budgeted.

FY 22 - 23	Net Payment
Oct-22	\$ 165,824.00
Nov-22	\$ 195,745.00
Dec-22	\$ 169,545.00
Jan-23	\$ 176,339.00
Feb-23	\$ 241,746.00
Mar-23	
Apr-23	
May-23	
Jun-23	
Jul-23	
Aug-23	
Sep-23	
Current Budget	\$ 1,720,000.00
YTD Total	\$ 949,199.00
Total to get to Budget	\$ 770,801.00
Monthly Average	\$ 189,839.80
Estimated FY Total	\$ 2,278,077.60
Estimated FY Split	\$ 558,077.60

Staff’s recommendation is to monitor expenses and utilize excess Sales Tax proceeds to fund the unbudgeted expenses and utilize reserve funds as a backstop should Sales Tax flatten. Staff looks forward to hear feedback from Council and will implement any strategy that Council sees fit.

Regards,

Bryan Grimes

City Manager