

2020 Budget Hearing #2

November 18, 2019

Recap From November 4th Budget Hearing

Capital Adjustments (-\$251,000)

- K2005 – Skid Steer. Move to 2021 (\$36,000)
- I1801 – Fiber. Move to 2021 (\$140,000)
- I1804 – Harris Automation platform. Move to 2021 (\$75,000)

Operating Adjustments

- Reduce healthcare premium by \$50,000
- Remove Green Energy purchase (50% back to 17%).

Other

- Customer Charges for Water & Sewer – Included in all four options
- Credit Card Fees – Implement asap (work in progress)
- Monthly fee for refuse – Option A (in this presentation)
- Expense and revenue adjustment of \$25,000 for CDBG program (no program impact)

2020 Funding Options for \$1,050,000

OPTION A (Refuse fee with approved Referendum increases approved by voters in 2018)

- \$825,000 = \$9.87 monthly refuse fee (or \$118.44 annual)
- \$75,000 = 2.14% property tax increase
- \$115,000 = 1.25% water rate increase via customer charge
- \$35,000 = 0.5% sewer rate increase via customer charge

OPTION B (No refuse fee – business as usual)

- \$525,000 = 15% tax increase
- \$196,000 = 3.9% water increase (inclusive of 1.25% customer charge)
- \$329,000 = 4.7% sewer increase (inclusive of 0.50% customer charge)

OPTION C (No refuse fee)

- \$1,050,000 = 30% tax increase, includes revenue-neutral water and sewer customer charges

OPTION D (No refuse fee)

- \$900,000 = 25.71% tax increase
- \$115,000 = 1.25% water adjustment via customer charge (per approved Referendum)
- \$35,000 = 0.50% sewer adjustment via customer charge (per approved Referendum)

Total 2020 Revenue Adjusted (Based on Option B)

	A	B	C	D	E (D-A)	F (D/A)	G (D-C)	H (G/C)
	2019 BUDGET AS AMENDED	2020 Budget 10/15	2020 BUDGET 11/4	2020 BUDGET 11/18	\$ FROM 2019 BUDGET	% FROM 2019 BUDGET	\$ FROM 2020 11/4 BUDGET	% FROM 2020 11/4 BUDGET
Revenue/Other Funding Sources								
Utility Sales	\$ 72,616,719	\$ 75,109,808	\$ 74,130,933	\$ 73,310,660	\$ 693,941	1.0%	\$ (820,273)	-1.1%
Real Estate and Other Taxes	9,532,015	10,190,000	10,190,000	10,190,000	657,985	6.9%	-	0.0%
Fees for Service	10,125,840	10,376,850	10,376,850	10,376,850	251,010	2.5%	-	0.0%
Intergovernmental Revenue	1,361,047	1,400,505	1,400,505	1,375,505	14,458	1.1%	(25,000)	-1.8%
Other Revenue	910,280	1,175,200	1,175,200	1,175,200	264,920	29.1%	-	0.0%
Appropriation of Prior Year Reserves	80,000	350,000	370,000	370,000	290,000	362.5%	-	0.0%
Total Operating Revenue	\$ 94,625,901	\$ 98,602,363	\$ 97,643,488	\$ 96,798,215	\$ 2,172,314	2.3%	\$ (845,273)	-0.9%

Budget presented includes Option B for revenue assumptions:

- 15% tax increase
- 3.9% water increase (includes 1.25% customer charge)
- 4.7% sewer increase (includes 0.50% customer charge)
- 2020 revenue assumptions will change depending on the option selected by Council.
- Advertised budget on 10/15 reflected a \$4 million increase, or 4.2% over 2019
- **Overall revenue of \$96.8 million will not change based on other options provided**

Total 2020 Operating Expenditures Adjusted (Based on Option B)

	A	B	C	D	E (D-A)	F (D/A)	G (D-C)	H (G/C)
	2019 BUDGET AS AMENDED	2020 Budget 10/15	2020 BUDGET 11/4	2020 BUDGET 11/18	\$ FROM 2019 BUDGET	% FROM 2019 BUDGET	\$ FROM 2020 11/4 BUDGET	% FROM 2020 11/4 BUDGET
Expenditures								
Personnel Services	\$ 33,291,716	\$ 35,185,316	\$ 35,185,316	\$ 35,135,316	\$ 1,843,600	5.5%	\$ (50,000)	-0.1%
Utility Purchases	38,856,932	40,574,933	39,791,833	39,274,933	418,001	1.1%	(516,900)	-1.3%
Materials and Supplies	2,512,559	2,478,823	2,478,823	2,478,823	(33,736)	-1.3%	-	0.0%
Contractual Services	10,088,111	10,664,150	10,664,150	10,661,002	572,891	5.7%	(3,148)	0.0%
Equipment Depreciation	1,665,978	1,524,265	1,524,265	1,524,265	(141,713)	-8.5%	-	0.0%
Other Expenses	1,518,732	1,227,492	1,227,492	1,227,492	(291,240)	-19.2%	-	0.0%
Total Operating Expenses	\$ 87,934,028	\$ 91,654,979	\$ 90,871,879	\$ 90,301,831	\$ 2,367,803	2.7%	\$ (570,048)	-0.6%

Items to note:

- Reduced health care premiums by \$50,000
- Removed Green Energy electric rate (moved from 50% to 17% renewable) - \$516,900 reduction
- CDBG update (no programs impacted)
- Operating expenditures are \$1.4 million less than what was requested in October
- Operating expenditures are \$2.4 million more than the 2019 Operating Budget

Total 2020 Capital Budget Adjusted (Based on Option B)

	A	B	C	D	E (D-A)	F (D/A)	G (D-C)	H (G/C)
	2019 BUDGET AS AMENDED	2020 Budget 10/15	2020 BUDGET 11/4	2020 BUDGET 11/18	\$ FROM 2019 BUDGET	% FROM 2019 BUDGET	\$ FROM 2020 11/4 BUDGET	% FROM 2020 11/4 BUDGET
Capital Improvements								
Gross Capital Improvements	\$ 20,209,389	\$ 20,813,665	\$ 20,813,665	\$ 20,562,665	\$ 353,276	1.7%	\$ (251,000)	-1.2%
Less: Use of Reserves	(1,363,330)	(654,726)	(654,726)	(654,726)	708,604	-52.0%	-	0.0%
Equipment Replacement	(1,001,105)	(730,778)	(730,778)	(730,778)	270,327	-27.0%	-	0.0%
Grants	(1,825,744)	(2,021,076)	(2,221,076)	(2,221,076)	(395,332)	21.7%	-	0.0%
Bond Issues	(680,650)	(767,947)	(767,947)	(767,947)	(87,297)	12.8%	-	0.0%
State Revolving Loan	(10,625,000)	(11,360,048)	(11,360,048)	(11,360,048)	(735,048)	6.9%	-	0.0%
Other Sources	(687,000)	(1,689,530)	(1,689,530)	(1,689,530)	(1,002,530)	145.9%	-	0.0%
Net Capital Improvements	\$ 4,026,560	\$ 3,589,560	\$ 3,389,560	\$ 3,138,560	\$ (888,000)	-22.1%	\$ (251,000)	-7.4%

Changes include:

- K2005 – Skid Steer. Move to 2021 (\$36,000)
- I1801 – Fiber. Move to 2021 (\$140,000)
- I1804 – Harris Automation platform. Move to 2021 (\$75,000)

Total 2020 Debt Service and Net Current Surplus Adjusted (Based on Option B)

	A	B	C	D	E (D-A)	F (D/A)	G (D-C)	H (G/C)
	2019 BUDGET AS AMENDED	2020 Budget 10/15	2020 BUDGET 11/4	2020 BUDGET 11/18	\$ FROM 2019 BUDGET	% FROM 2019 BUDGET	\$ FROM 2020 11/4 BUDGET	% FROM 2020 11/4 BUDGET
Debt Service	\$ 2,677,416	\$ 3,000,282	\$ 3,000,282	\$ 3,000,282	\$ 322,866	12.1%	\$ -	0.0%
Net Current Surplus	(12,103)	357,542	381,767	357,542	\$ 369,645	3054.2%	\$ (24,225)	-6.3%
TOTAL EXPENDITURES AND SURPLUS	\$ 94,625,901	\$ 98,602,363	\$ 97,643,488	\$ 96,798,215	\$ 2,172,314	2.3%	\$ (845,273)	-0.9%

Changes include:

- Reduction of \$24,225 in Net Current Surplus to balance the CDBG program (no changes to the program)

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	2019 BUDGET AS AMENDED	2020 Budget 10/15	2020 BUDGET 11/4	2020 BUDGET 11/18	\$ FROM 2019 BUDGET	% FROM 2019 BUDGET	\$ FROM 2020 11/4 BUDGET	% FROM 2020 11/4 BUDGET
Revenue/Other Funding Sources								
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Appropriation of Prior Year Reserves	80,000	350,000	370,000	370,000	290,000	362.5%	-	0.0%
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Materials and Supplies	2,512,559	2,478,823	2,478,823	2,478,823	(33,736)	-1.3%	-	0.0%
Contractual Services	10,088,111	10,664,150	10,664,150	10,661,002	572,891	5.7%	(3,148)	0.0%
Equipment Depreciation	1,665,978	1,524,265	1,524,265	1,524,265	(141,713)	-8.5%	-	0.0%
Other Expenses	1,518,732	1,227,492	1,227,492	1,227,492	(291,240)	-19.2%	-	0.0%
Total Operating Expenses	\$ 87,934,028	\$ 91,654,979	\$ 90,871,879	\$ 90,301,831	\$ 2,367,803	2.7%	\$ (570,048)	-0.6%
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Equipment Replacement	(1,001,105)	(730,778)	(730,778)	(730,778)	270,327	-27.0%	-	0.0%
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Bond Issues	(680,650)	(767,947)	(767,947)	(767,947)	(87,297)	12.8%	-	0.0%
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Other Sources	(687,000)	(1,689,530)	(1,689,530)	(1,689,530)	(1,002,530)	145.9%	-	0.0%
Net Capital Improvements	\$ 4,026,560	\$ 3,589,560	\$ 3,389,560	\$ 3,138,560	\$ (888,000)	-22.1%	\$ (251,000)	-7.4%
Debt Service	\$ 2,677,416	\$ 3,000,282	\$ 3,000,282	\$ 3,000,282	\$ 322,866	12.1%	\$ -	0.0%
Net Current Surplus	(12,103)	357,542	381,767	357,542	\$ 369,645	3054.2%	\$ (24,225)	-6.3%
TOTAL EXPENDITURES AND SURPLUS	\$ 94,625,901	\$ 98,602,363	\$ 97,643,488	\$ 96,798,215	\$ 2,172,314	2.3%	\$ (845,273)	-0.9%

TOTAL 2020 ADJUSTED (BASED ON OPTION B)

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2020 Revenue Requirement

Fund	A (Refuse fee w/approved Referendum)	B (No refuse fee - business as usual)	C (Tax increase only, no refuse fee)	D (Tax increase to cover shortfall, but include water/sewer customer charges - no refuse fee)
Water	\$ 115,000	\$ 196,000	\$ -	\$ 115,000
Sewer	\$ 35,000	\$ 329,000	\$ -	\$ 35,000
Stormwater	\$ -	\$ -	\$ -	\$ -
Electric	\$ -	\$ -	\$ -	\$ -
Refuse Fee	\$ 825,000	\$ -	\$ -	\$ -
Tax	\$ 75,000	\$ 525,000	\$ 1,050,000	\$ 900,000
Revenue Requirement	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000

- 2020 revenue shortfall has been reduced from \$1,900,000 to \$1,050,000 since the October 7 meeting
- All four options provided will recover the same amount of revenue for the City
- Customer charges for Water and Sewer are included in all four options
 - Options A, B & D are in lieu of sewer and water rate increases
 - Option C will see the water and sewer rate reduced to offset the customer charge

2020 Residential Impact (Average Customer)

RESIDENTIAL IMPACT (MONTHLY BILL IMPACT)

Water/Sewer Customer Charge			Yes	Yes	Yes	Yes
Fund	Base	2019 Current Rates	A (Refuse fee w/approved Referendum)	B (No refuse fee - business as usual)	C (Tax increase, water/sewer customer charges, no refuse fee)	D (Tax increase to cover shortfall, but include water/sewer customer charges - no refuse fee)
Water	3,667 gallons	\$27.15	\$27.49	\$28.53	\$27.48	\$27.49
Sewer	3,667 gallons	\$31.51	\$31.67	\$33.04	\$31.66	\$31.67
Stormwater	Tier II	\$3.54	\$3.54	\$3.54	\$3.54	\$3.54
Electric	No Change	\$155.36	\$155.36	\$155.36	\$155.36	\$155.36
Refuse Fee		\$0.00	\$9.87	\$0.00	\$0.00	\$0.00
Tax	\$66,600 Median Assessment	\$44.66	\$45.62	\$51.36	\$58.06	\$56.14
			\$262.22	\$273.54	\$271.83	\$276.10
Difference from 2019 Rates			\$11.32	\$9.61	\$13.88	\$11.98
% Difference from 2019 Rates			4.3%	3.7%	5.3%	4.6%

- All four scenarios use customer charges in water and sewer to help meet the City's revenue requirements
- Least impactful and least equitable option on residents is the "business as usual" (Option B)
- Second least impactful option on residents includes the refuse fee (Option A)
- Option D, which consists of a 25.7% tax increase, is similar in cost to the refuse fee option (Option A)

2020 Average Residential Bill

AVERAGE RESIDENTIAL IMPACT (MONTHLY)

Water/Sewer Customer Charge			Yes	Yes	Yes	Yes
Fund	Base	2019 Current Rates	A (Refuse fee w/approved Referendum)	B (No refuse fee - business as usual)	C (Tax increase, water/sewer customer charges, no refuse fee)	D (Tax increase to cover shortfall, but include water/sewer customer charges - no refuse fee)
Water	3,667 gallons	\$27.15	\$0.34	\$1.38	\$0.33	\$0.34
Sewer	3,667 gallons	\$31.51	\$0.16	\$1.53	\$0.15	\$0.16
Stormwater	Tier II	\$3.54	\$0.00	\$0.00	\$0.00	\$0.00
Electric	No Change	\$155.36	\$0.00	\$0.00	\$0.00	\$0.00
Refuse Fee		\$0.00	\$9.87	\$0.00	\$0.00	\$0.00
Tax	\$66,600 Median Assessment	\$44.66	\$0.96	\$6.70	\$13.40	\$11.48
\$262.22			\$11.32	\$9.61	\$13.88	\$11.98
Difference from 2019 Rates			\$273.54	\$271.83	\$276.10	\$274.20
% Difference from 2019 Rates			4.3%	3.7%	5.3%	4.6%

- Options C and D are the most direct options, placing all revenue where needed (General Fund)
- Largest monthly impact (D), which includes a 30% tax increase is still lower than the \$14.39 monthly refuse fee proposed on November 4th.

2020 Revenue Requirement

PERCENTAGE BILL CHANGE FOR AVERAGE RESIDENT

Fund	Base	2019 Current Rates	A (Refuse fee w/approved Referendum)	B (No refuse fee - business as usual)	C (Tax increase, water/sewer customer charges, no refuse fee)	D (Tax increase to cover shortfall, but include water/sewer customer charges - no refuse fee)
Water	3,667 gallons	\$27.15	1.25%	5.08%	1.22%	1.25%
Sewer	3,667 gallons	\$31.51	0.50%	4.86%	0.48%	0.50%
Stormwater	Tier II	\$3.54	n/a	n/a	n/a	n/a
Electric	No Change	\$155.36	n/a	n/a	n/a	n/a
Refuse Fee		\$0.00	new fee	n/a	n/a	n/a
Tax	\$66,600 Median Assessment	\$44.66	2.14%	15.00%	30.00%	25.71%

- This slide represents the average residential impact for each option by fund, not the percentage change in the rates themselves
- Option A represents the lowest overall percentage increase, but assumes there will be a monthly refuse fee of \$9.87

Conclusion/Questions



- 1. Monthly
- 2. \$ Diff
- 3. % Diff

2020 Funding Options for \$1,050,000



OPTION A (Refuse fee with approved Referendum increases approved by voters in 2018)

- \$273.54** ■ \$825,000 = \$9.87 monthly refuse fee (or \$118.44 annual)
- \$11.32** ■ \$75,000 = 2.14% property tax increase
- 4.3%** ■ \$115,000 = 1.25% water rate increase via customer charge
- \$35,000 = 0.5% sewer rate increase via customer charge

OPTION B (No refuse fee – business as usual)

- \$271.83** ■ \$525,000 = 15% tax increase
- \$9.61** ■ \$196,000 = 3.9% water increase (inclusive of 1.25% customer charge)
- 3.7%** ■ \$329,000 = 4.7% sewer increase (inclusive of 0.50% customer charge)

OPTION C (No refuse fee)

- \$276.10** ■ \$1,050,000 = 30% tax increase, includes revenue-neutral water and sewer customer charges
- \$13.88**
- 5.3%**

OPTION D (No refuse fee)

- \$274.20** ■ \$900,000 = 25.71% tax increase
- \$11.98** ■ \$115,000 = 1.25% water adjustment via customer charge (per approved Referendum)
- 4.6%** ■ \$35,000 = 0.50% sewer adjustment via customer charge (per approved Referendum)