

Budget Subcommittee
Wednesday, March 6, 2019
City Council Chambers

In Attendance: Council member Scott Murphy, Chair, Council President Scott Bader, Council member Brenda Stonecipher, Mayor Cassie Franklin, Susy Haugen, Paul Kaftanski and Rae Ann Nielson.

- 1. 2018 Year-end Wrap up. Revenues** - Broke previous forecast record coming \$280,000 off the budget total. Recognition to Rae Ann and Wai. Susy provided individual charts to show additional detail on the revenue performance. Budget to actual performance of top six industry sectors. Most sectors tracked pretty closely with budget to actual with exception of manufacturing showing a significant increase due in part to large audit recovery. Positive trend continuing. In B&O, tax the largest budget to actual is in construction and is a tax negative variance. Unless projects drop off the building division's list of projects in the pipeline, this is probably more of a timing issue. Utility tax poorest performance in all categories with exception of garbage. Weather factors, telephone and cable taxes under due to consumer behavior and consumer plan design. Finance will be targeting additional compliance efforts on telephone utility tax audits. Expect contract before Council in the next couple of weeks. On the expenditures side, 10.7 million in under expenditures for 2018. \$7.8 million in vacant positions and \$2.5 million comes from projects and progress that will be coming forward in Budget Amendment No. 1 as budget re-appropriation requests. The remainder is from General Government M & O under expenditures and unused labor contract contingency. The slow roll was under budgeted due in part to the assumption that police vacancies would be filled in 2018, when in fact they went in the opposite direction. Vacancies in police departments is a national trend. Other cities now are offering other incentives, which is raising the level of competition. This is a major topic Mayor will discuss with new HR Director. Reappropriation requests total \$2.5 million re-appropriated for ongoing projects. \$207,000 in excess of General Fund balance brings us to an available carry forward balance of just under \$8.2 million dollars. In Budget Amendment No. 1, request to use available carry forward to fund data plans for parking enforcement handheld units and to apply the remainder towards reserves, capital investments and long-term liabilities. Paul Kaftanski explained CIP1 needs and Motor Vehicle Reserve Funds. Motor Vehicles has been averaging \$1.3 million a year and the need has been \$1.8 million a year for expenditures. The City has been deferring vehicle replacements and needs to invest around \$2 million a year to catch up. Chair Murphy asked what was in the 2019 budget for vehicle replacements. Paul stated approximately \$3.4 million. Paul stated 2019 adopted budget shows CIP 1 going negative in 2021. That includes expenditures for all general fund buildings including parks buildings. The need is great, showing a need for \$3 million a year. We are currently only able to contribute \$1 million a year to CIP 1. The Asset Condition Assessment RPF should go out sometime in the month of April

and we will update the CIP 1 cash flow with the results of the study by the end of the year. Trying to catch up with assets and will be very programmatic and technically oriented towards maintaining assets. Same is true for Fund 146, which is the Facilities Reserve Account. Similar to the Parks Program 52 for small capital projects. Prefunding for 2020 helps assure there will be the funds available. Chair Murphy clarified prefunding Facility Reserve for \$1.1 million would be for 2020. He stressed the need for police and fire pension funding closing that gap. Chair Murphy would like to visit how we allocate those funds and close the gap. Susy stated the proposed prefunding amounts are what is already planned for in the five-year forecasting. By prefunding the reserve and long-term liability contributions, we would be reducing the 2020 projected deficit by \$8.2 million. Chair Murphy would like to see more detail about the various funds, the projected shortfalls, when they go negative, and where we are at in terms of gap on the pensions. Council member Stonecipher would like to see where we are at in terms of the other reserves not listed here. Susy stated will bring back a Reserve presentation to future budget committee. Chair Murphy would like to take out the re-allocation of carry forward and move forward with the rest of the budget amendments.

2. 2019 Budget Amendment No. 1. Chair Murphy would like to pull out the prefunding items, move forward on rest of budget amendment on March 20, 2019. Next meeting the committee will revisit the history, projection and how dollars allocated. Chair Murphy offered to start next meeting early if needed, and Administration will provide any information early if possible.

Meeting Adjourned.