



**OFFICE OF THE CITY MANAGER**

Date: November 20, 2015

To: Mayor Jim Ardis  
City Council Members

From: Patrick Urich  
City Manager

Subject: Budget Discussion November 24

Council deferred action on the budget on November 19, 2015. This memorandum is intended summarize the current budget and outline options available for Council on December 8, 2015.

**2016 – 2017 Budget**

The budget deficit discussed throughout 2015 was \$5.9 million in 2016 and \$6.6 million in 2017. The deficits for 2018 and 2019 were estimated to be over \$3.0 million. The City Council also discussed in earnest additional road funding. The City received a presentation in November of 2014 that established a baseline of the condition of our roads. The report stated that, on a scale to 100, the city residential streets were rated at 71 and the arterial streets were rated at 75. By the calculations of the consultant, in order to maintain these levels, an additional \$7.1 million of road funding was needed.

To engage the public, a budget challenge tool was implemented, a citizen survey was undertaken, and several public workshops were held. Numerous policy discussions were held with Council to gather feedback on operations and to share information on services. In early October, staff held a policy session with Council to identify potential expenditure reductions and to discuss their impact and to identify potential revenue increases that could close the budget deficit. Staff presented options to reduce expenses by cutting capital, other post-employment benefit contributions (OPEB) and operating budget reductions. Revenue options were also presented. The revenue options included increasing property taxes, sales taxes, local motor fuel taxes, utility taxes, garbage fees, licenses and fees, or seeking other new revenue sources. The City Council feedback was mixed. There was little support to reduce services, particularly public safety services. The policy session concluded with the direction for staff to prepare a balanced budget that would take into account all the input from the public and the Council.

Staff prepared a budget that closed the deficit, and put an additional amount of funding into roads. During the Council budget deliberations, Council increased the budget by \$4 million to meet the road funding target. In summary, the budget closed the operating budget deficit through a reduction in capital spending (-\$4 million), a reduction on OPEB contributions (-\$1 million), operating expense reductions in various departments (-\$1 million), coupled with a sales tax increase (\$1.9 million), and license and permit increases (\$1.2 million). An additional \$5.2 million is included for roads through local motor fuel taxes (\$1.2 million), hotel taxes (\$0.8 million) and property taxes (\$3.2 million).

The total 2016 - 2017 Biennial Budget for the Fiscal Year **2016** is \$185,356,415 which consist of the following:

	City	Library	Total
<b>Operations</b>	\$ 138,141,997.00	\$ 6,450,521.00	\$ 144,592,518.00
<b>Capital</b>	20,038,000.00	-	20,038,000.00
<b>Debt Service</b>	20,725,897.00	-	20,725,897.00
<b>Total</b>	<b>\$ 178,905,894.00</b>	<b>\$ 6,450,521.00</b>	<b>\$ 185,356,415.00</b>

The total 2016 - 2017 Biennial; Budget for the Fiscal Year **2017** is \$199,587,293 which consist of the following:

	City	Library	Total
<b>Operations</b>	\$ 143,170,659.00	\$ 6,556,103.00	\$ 149,726,762.00
<b>Capital</b>	28,879,113.00	-	28,879,113.00
<b>Debt Service</b>	20,981,418.00	-	20,981,418.00
<b>Total</b>	<b>\$ 193,031,190.00</b>	<b>\$ 6,556,103.00</b>	<b>\$ 199,587,293.00</b>

#### Options for Council

Council will have the following revenue increases on the agenda December 8 for the Operating Budget:

- Sales Tax increase 0.25% (\$1.9 million in 2016, \$3.8 million in 2017);
- Liquor Licenses (\$89,000);
- Miscellaneous Business Regulations (\$40,000);
- Building permits (\$0.3 million); and
- Rental Registration (\$0.8 million).

Should the Council not approve the proposed operating revenues, expenditures will have to be reduced. Since 66% of the personnel expenses are in public safety, cuts would be unavoidable in Police and Fire. Many of these cuts will have impacts upon service levels and the ability of the City to be flexible and address future needs:

- Police (**\$500,000**) – Reduction of 6 positions. Acceptance of the 2015 COPS grant would be rejected, and the contract with District 150 would be eliminated. Additional police support positions would be eliminated.
- Fire (**\$1,000,000**) – Reduction of 9 positions. Current vacancies in the fire department would not be filled. Coupled with additional attrition, one engine company would be decommissioned. This reduction would affect the flexibility of the department and would stretch training times and potentially response times of the department.
- Community Development/ Police (**\$800,000**) – Should council not approve the rental registration increase, there would not be additional funding for securing properties, weed and litter clean up, trustee lot maintenance, rat abatement, technology improvements, and an additional residential police officer.
- Public Works (**\$700,000**) – The Mayor's Youth Program would be suspended. Reductions would be made in materials and supplies that would affect forestry, engineering services, and streets maintenance.
- Administrative Departments (**\$200,000**) – Staff would reduce positions across various administrative departments.

Council will have the following revenue increases on the agenda December 8 for road funding:

- Local Motor Fuel Tax Increase \$0.03 per gallon (\$1.2 million);
- Property Tax – Road and Bridge Levy (\$1.2 million); and
- Property Tax – Debt Service Extension Levy (\$2.0 million).

Without revenue for roads, the City will have the same insufficient road program. Deferred maintenance will continue to rise and the condition of arterial and residential streets will continue to decline.

**Timing of Budget Approval**

The statutory filing deadline for the property tax levy ordinance and budget resolution is the last Tuesday in December. However, Council does not have the ability to defer action on the budget past December 8, 2015. Staff will need time to certify the levy, assure that everything is correct, and to prepare the final approved 2016-2017 appropriation for the City Clerk and County Clerk. Any final changes need to be discussed on November 24, so the appropriate action items may be prepared for December 8.