



# FY 2016 Proposed Budget Overview

March 7, 2015

Patti-Lynn Silva, Finance Director

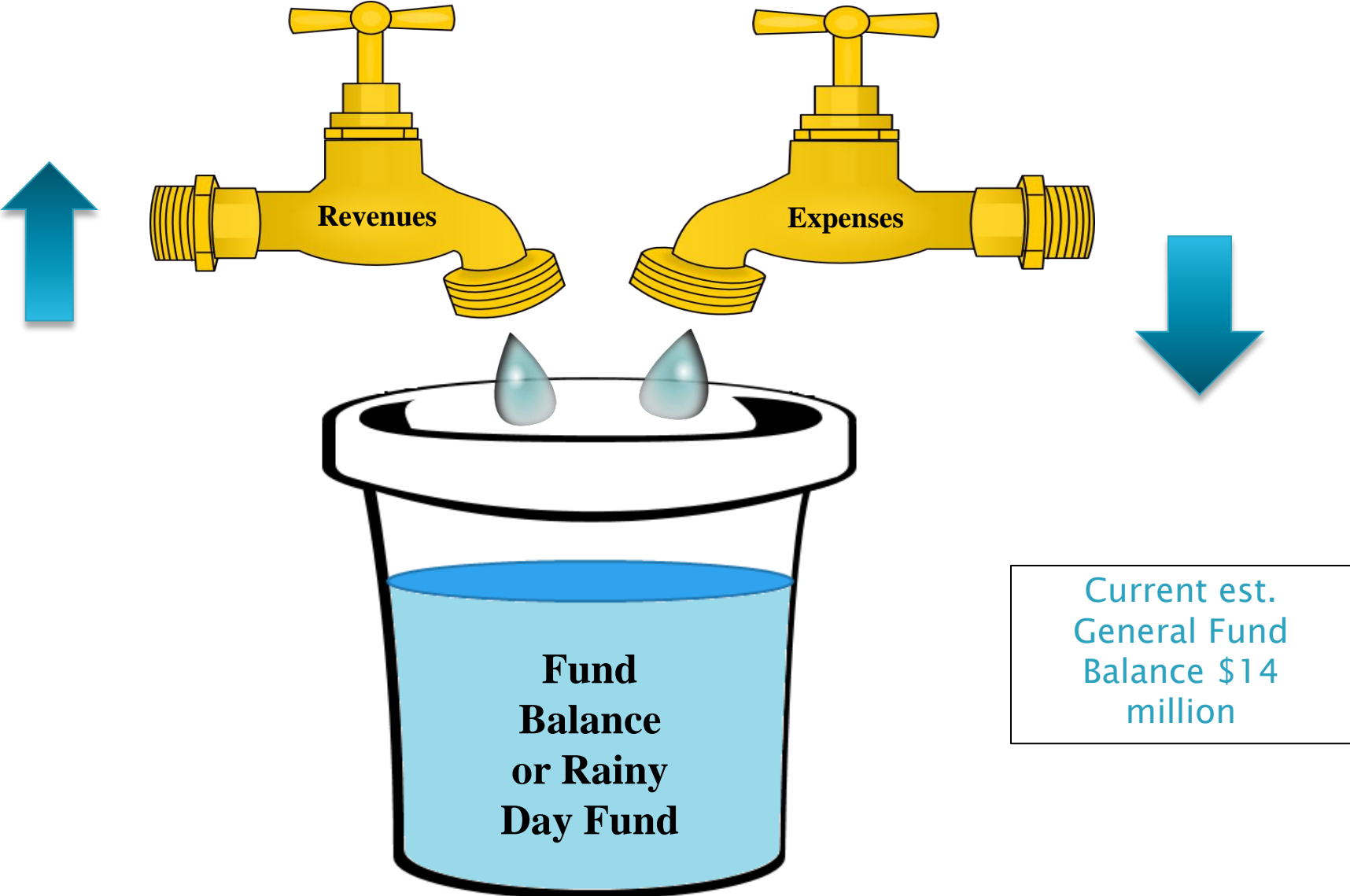
# FY16 Proposed Budget Overview

- ▶ FY2015 Financial Update
- ▶ Fund Balance
- ▶ City Wide Proposed Budget Overview
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- ▶ Budget Highlights
- ▶ Capital
- ▶ Discussion

# FY2015 Financial Update

- ▶ Finance reported to Council on December 15, 2014 an estimated budget gap of \$2.1 million caused by declining revenues in combination with increased or one time expenditures for retirements, Pepsi ice center garage and increased overtime for work related injuries.
- ▶ This budget gap which grew to an estimated \$2.7 million has been successfully resolved through expense reductions of \$2.4 million and revised revenue projections – income tax, local use tax, and personal property tax of \$300,000.

# Fund Balance



# Fund Balance

As of February 23<sup>rd</sup>, 2015, General Fund balance is projected at \$14,095,426; this does not take into account potential year end budget transfers for deficit fund balances in other funds i.e. Solid Waste, Coliseum and Golf Funds. This could result in a \$2.0 million reduction in fund balance.

General Fund  
Balance could  
drop to \$12  
million



# Fund Balance – Importance

- ▶ **Cash flow management**
  - Fluctuations or delays in revenues
    - State Budget Cuts
    - Decreased Consumer Spending
    - Legislative changes – Unfunded mandates
- ▶ **Protects against**
  - Emergency repairs
  - Natural disasters or catastrophic events
- ▶ **Preservation of credit rating & fiscal stability**
  - Fund balance reserves have a direct affect on the City's credit rating
  - The City's had no General Fund balance as recent at FY2008
- ▶ **Flexibility**
  - Can avoid short term borrowing

# Fund Balance –Best Practices

The Government Finance Officers Association (GFOA) recommends a City's general operating fund have no less than two months of regular general fund operating revenues or expenditures.

To Quantify:

- ▶ Two months of GF expenditures is \$15.7 million.
  
- ▶ The City's outstanding liabilities related to the GF are:
  - Outstanding Principal Debt \$74 million
  - Compensated Absences \$7.7 million
  - Police Pension Liability \$49 million
  - Fire Pension Liability \$37 million
  - Retiree Medical Liability \$12.6 million
  - IMRF Pension Liability \$15.4 million
  - Infrastructure Liability \$110 million

\$306  
million or  
\$15 million  
a year for  
20 years



# FY16 Proposed Budget Overview



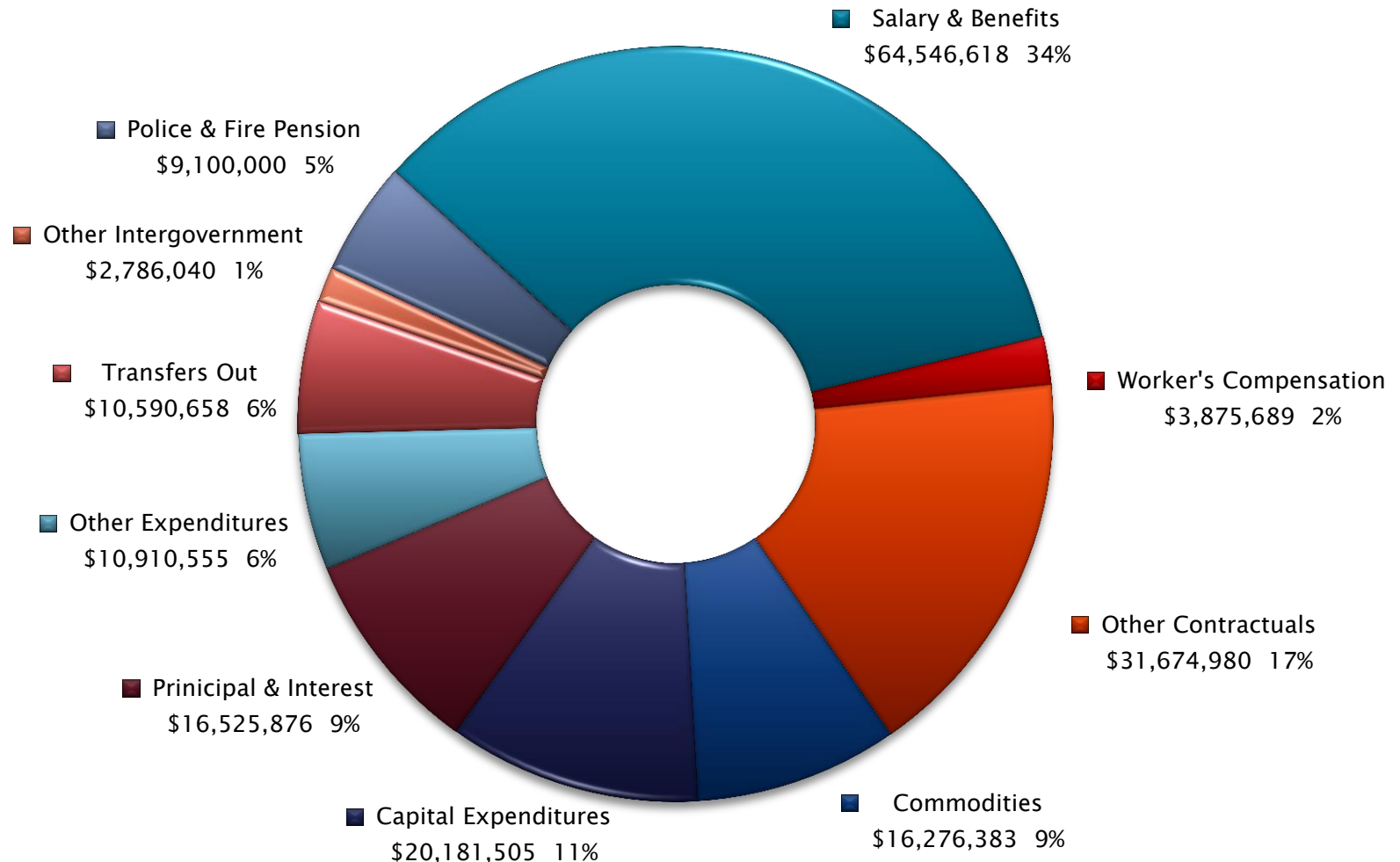
# Total City Expenditures

FY 16 Proposed Budget:	\$186,468,304
FY 15 Adopted Budget:	<u>(\$180,426,393)</u>
Increase:	\$6,041,911

The City's budget for all funds is increasing by 3.35%

*\*\* Percent increase reflects increases in the cost of doing business, policy or contractual increases and includes expenditures which will utilize reserve funds.*

# City Expenditures \$186,468,304



*\* 41% of all city expenditures are labor related costs.*

# Expenditures by Category

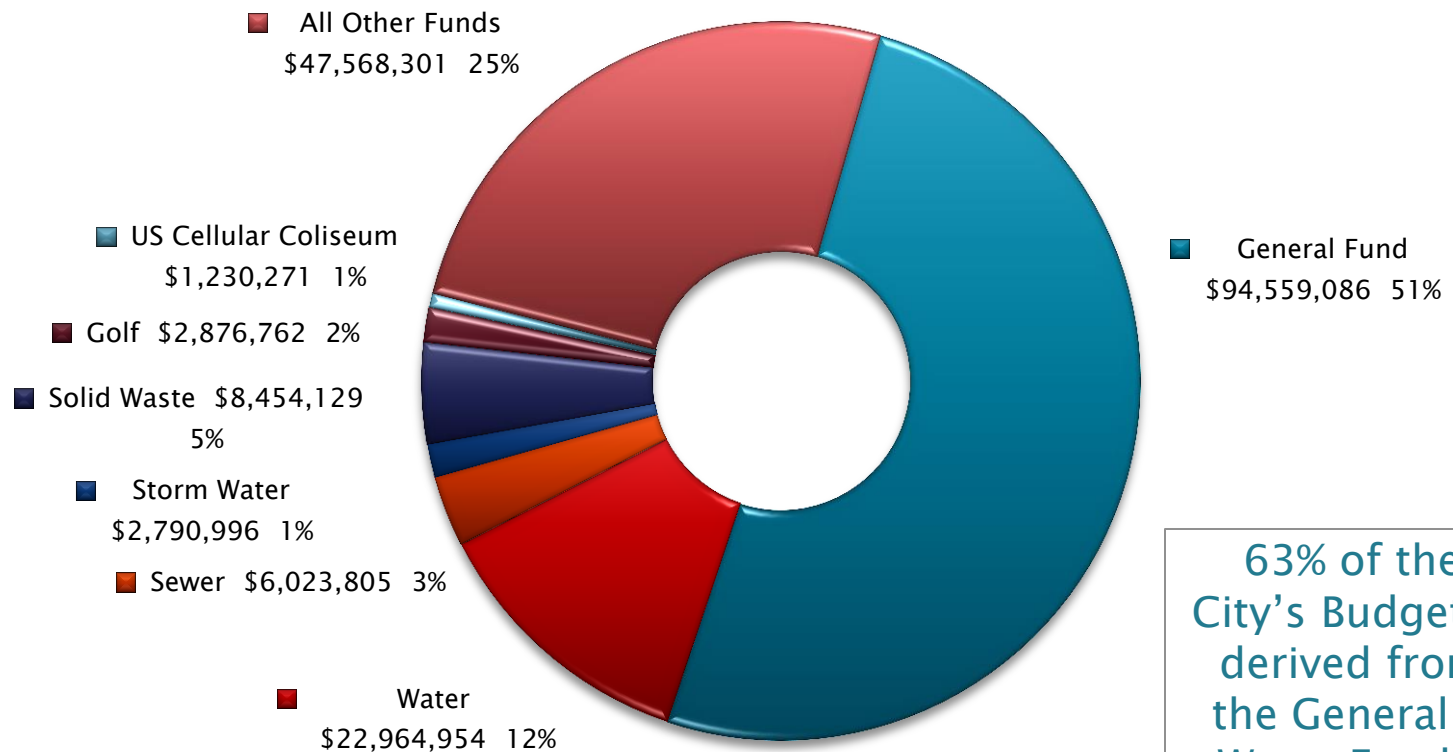
Category	Adopted FY15	Proposed FY16	\$ Difference	% Difference
<i>Salaries</i>	47,654,269	49,389,874	1,735,605	3.65%
<i>Benefits</i>	14,626,069	15,156,744	530,675	3.63%
<i>Contractuals</i>	33,679,135	35,550,669	1,871,534	5.56%
<i>Commodities</i>	16,152,454	16,276,383	123,929	0.77%
<i>Capital Expenditures</i>	21,058,910	20,181,505	(877,405)	-4.17%
<i>Principal</i>	11,020,850	13,294,164	2,273,314	20.63%
<i>Interest</i>	4,081,592	3,231,711	(849,881)	-20.83%
<i>Intergovernmental</i>	10,707,324	11,886,040	1,178,716	11.01%
<i>Other Expenditures</i>	10,458,050	10,910,555	452,505	4.33%
<i>Transfers Out</i>	10,987,740	10,590,659	(397,081)	-3.62%
<b>Total All Funds:</b>	<b>180,426,393</b>	<b>186,468,304</b>	<b>6,041,911</b>	<b>3.35%</b>

1. Projected contributions for Worker's Compensation have increased and accounts for 11% of all contractual expense.

2. Principal and Interest payments relate to the City's Capital Lease program which is used for financing the rolling stock of vehicles/equipment. In FY16, the majority of the capital lease request (\$4.7million) is related to facilities rather than rolling stock.

3. Police and Fire Pension Contributions are paid out of Intergovernmental and have increased in correlation to the City's funding policy.

# Major Funds



63% of the City's Budget is derived from the General & Water Funds.

\*\*U.S. Cellular Coliseum Fund above is the City's budget for funds needed by the Coliseum outside of operations, in addition, this fund houses both the sales tax and related debt service for the Coliseum.

# Fund Balance Summary

Fund	Projected Opening Fund Balance 5-1-15	(1) Proposed Revenues	(1) Proposed Expenditures	Projected Ending Fund Balance 4-30-16	(2) % of Fund Balance
General Fund	\$ 14,095,426	\$ 94,559,086 <sup>4</sup>	\$ 94,559,086	\$ 14,095,426	14.91%
Special Revenue Funds	\$ 12,183,126	\$ 8,828,754	\$ 12,448,632	\$ 8,563,248	68.79%
Debt Service Funds	\$ 9,797,965	\$ 6,712,163	\$ 9,306,820	\$ 7,203,308	77.40%
Capital Project Funds	\$ 139,484	\$ 9,129,500	\$ 9,108,574	\$ 160,410	1.76%
Water	\$ 17,502,589	\$ 16,643,250	\$ 22,964,954	\$ 11,180,885	48.69%
Sewer	\$ 2,114,583	\$ 5,434,614	\$ 6,023,805	\$ 1,525,392	25.32%
Storm Water	\$ 226,711	\$ 3,025,038	\$ 2,790,996	\$ 460,753	16.51%
Solid Waste	\$ (1,622,630)	\$ 7,513,093	\$ 8,454,129	\$ (2,563,665)	-30.32%
Golf Courses	\$ (502,170)	\$ 2,733,030	\$ 2,876,762	\$ (645,902)	-22.45%
US Cellular Coliseum	\$ (595,393)	\$ 1,151,394	\$ 1,230,271	\$ (674,270)	-54.81% <sup>3</sup>
Abraham Lincoln Parking Deck	\$ 175,794	\$ 493,023	\$ 420,776	\$ 240,041	58.65%
Internal Service Funds Total:	\$ 3,505,451	\$ 15,713,714	\$ 15,882,427	\$ 3,336,738	21.01%
JM Scott	\$ 5,132,904	\$ 501,000	\$ 401,072	\$ 5,232,832	1304.71%
<b>Grand Total:</b>	<b>\$ 62,153,840</b>	<b>\$ 172,437,660</b>	<b>\$ 186,468,304</b>	<b>\$ 48,123,195</b>	<b>25.81%</b>

(1) The difference between proposed revenues and expenditures is a planned use of fund balance.

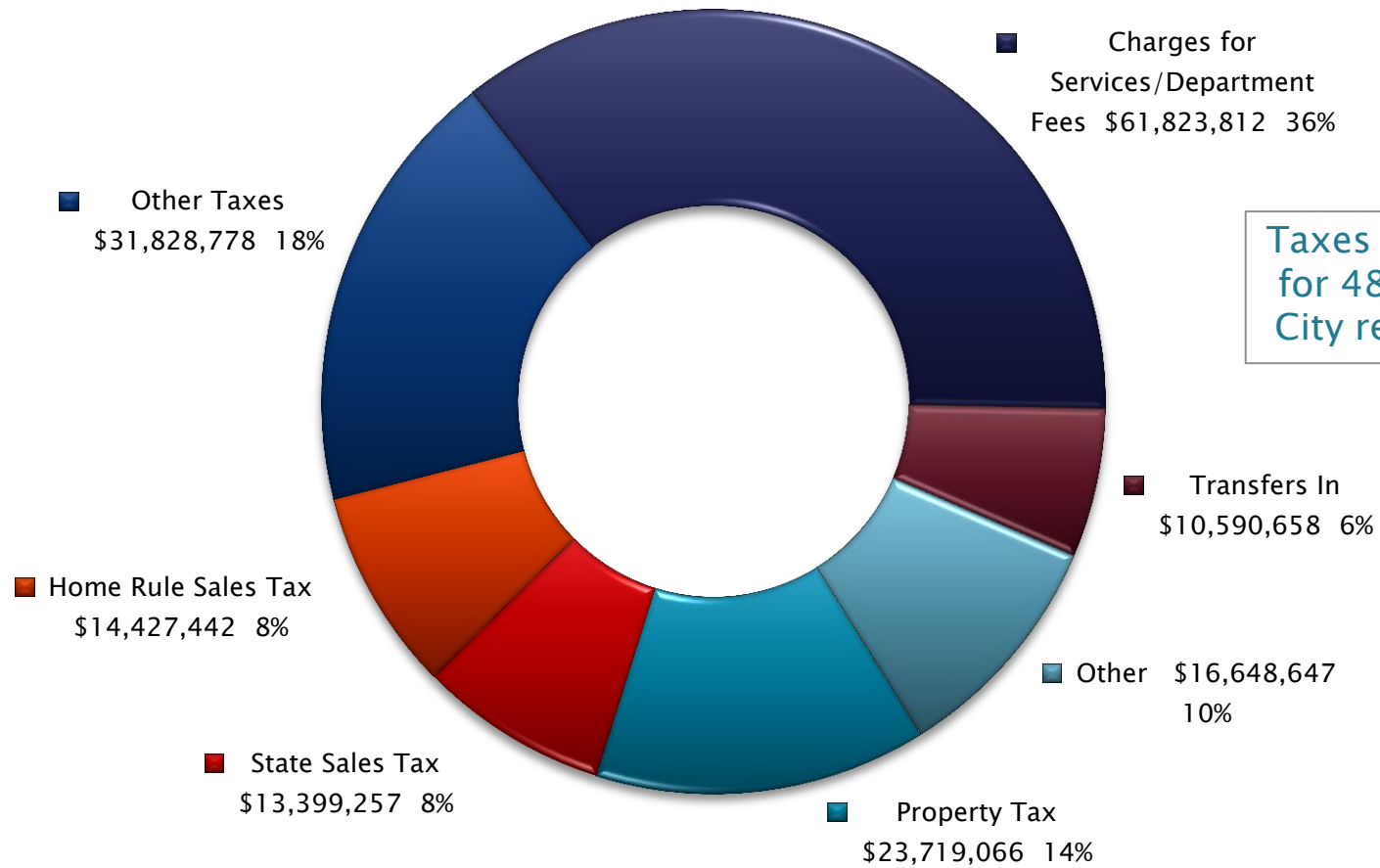
(2) Percent of fund balance is calculated as a percentage of the current year's proposed expenditures. A healthy fund balance should be between 10- 15% with a goal of two months of annual expenditures.

(3) U.S. Cellular Coliseum Fund above is the City's budget for funds needed by the Coliseum outside of operations, in addition this fund houses both sales tax and debt service for the Coliseum.

(4) Revenues in the General Fund include a one time use of \$810,189 from General Fund Balance.

# Total Revenues by Major Category

## \$172,437,660



\*\*Transfers in or out represent transfers between funds for accounting purposes.



# FY16 General Fund Proposed Budget Overview

# General Fund Expenditures

FY 16 Proposed Budget:	\$ 94,559,086
FY 15 Adopted Budget:	<u>(\$ 91,244,899)</u>
Increase:	\$3,314,187

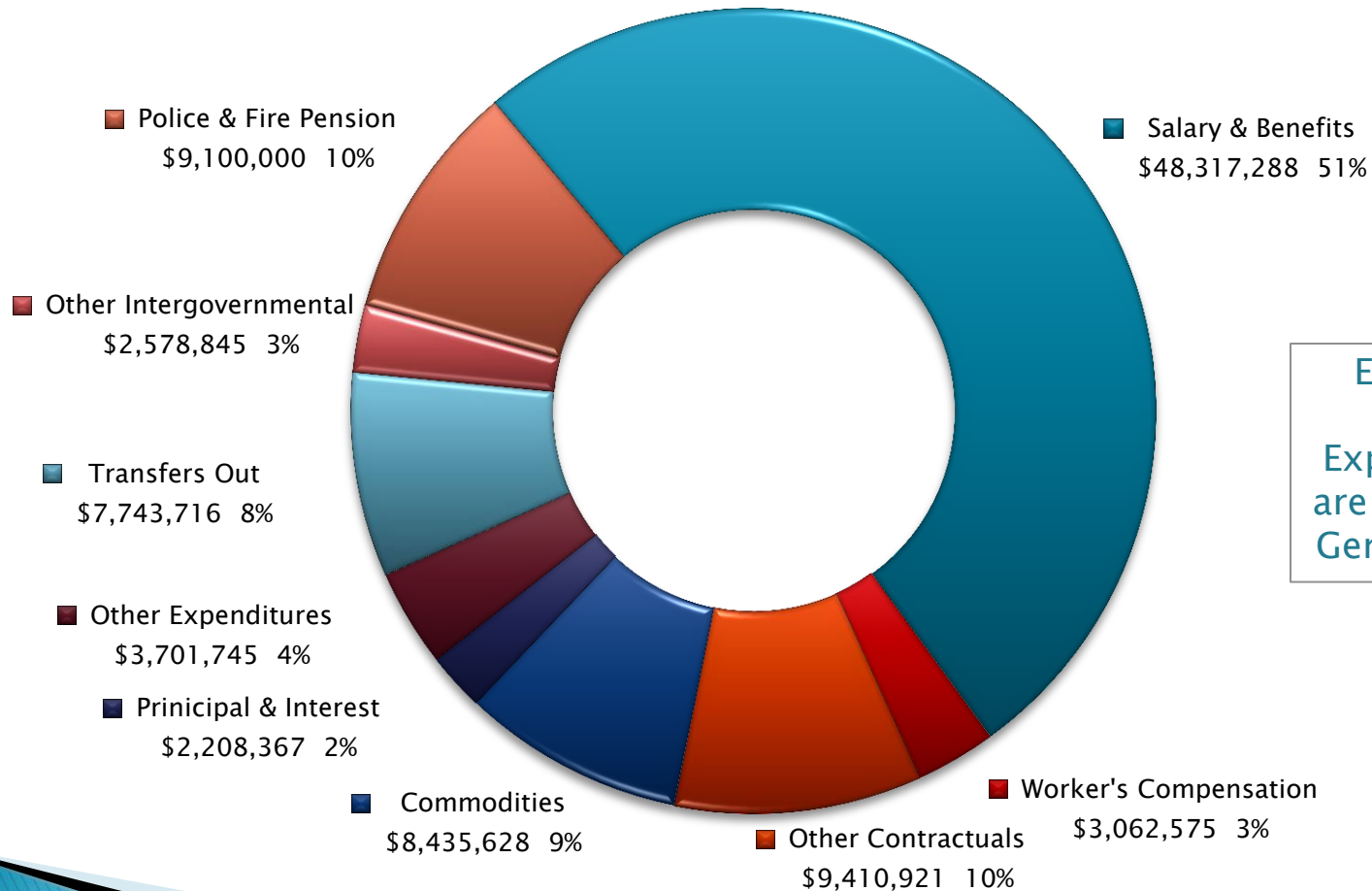
The General Fund budget is increasing by 3.63%

*\*\* Percent increase reflects increases in the cost of doing business, policy or contractual increases and includes expenditures which will utilize reserve funds.*



# General Fund Expenditures

## \$94,559,086



Employee Related Expenditures are 64% of the General Fund.

# General Fund Expenditures by Function

Function	FY16 Expenditures	% of expense
General Government	13,861,465	14.66%
Parks, Recreation & Cultural Arts	12,125,280	12.82%
Public Safety	47,617,227	50.36%
Community Development	2,693,498	2.85%
Public Works	11,429,813	12.09%
<u>Other</u>	<u>6,831,803</u>	<u>7.22%</u>
Total General Fund	94,559,086	

# General Fund Expenditures by Category

Category	FY15 Adopted	FY16 Proposed	\$ Difference	% Difference
Salaries	36,490,058	37,654,137	1,164,079	3.19%
Benefits	10,343,180	10,663,151	319,972	3.09%
Contractuals	11,649,088	12,473,497	824,409	7.08% <sup>1</sup>
Commodities	8,985,975	8,435,628	(550,347)	-6.12%
Capital Expenditures	-	-	-	n/a
Principal	1,934,542	2,017,141	82,599	4.27%
Interest	211,397	191,226	(20,170)	-9.54% <sup>2</sup>
Intergovernmental	10,442,324	11,678,845	1,236,521	11.84% <sup>3</sup>
Other Expenditures	3,559,067	3,701,745	142,678	4.01%
Transfers Out	7,629,270	7,743,716	114,446	1.50%
Total General Fund	91,244,899	94,559,086	3,314,187	3.63%

1. Projected contributions for Worker's Compensation have increased and account for 25% of all contractual expense.

2. Principal and Interest payments relate to the City's Capital Lease program which is used for financing the rolling stock of vehicles/equipment. In FY16, the majority of the Capital Lease Programs is related to facilities rather than rolling stock.

3. Police and Fire Pension contributions are paid out of Intergovernmental and have increased in correlation to the City's funding policy.

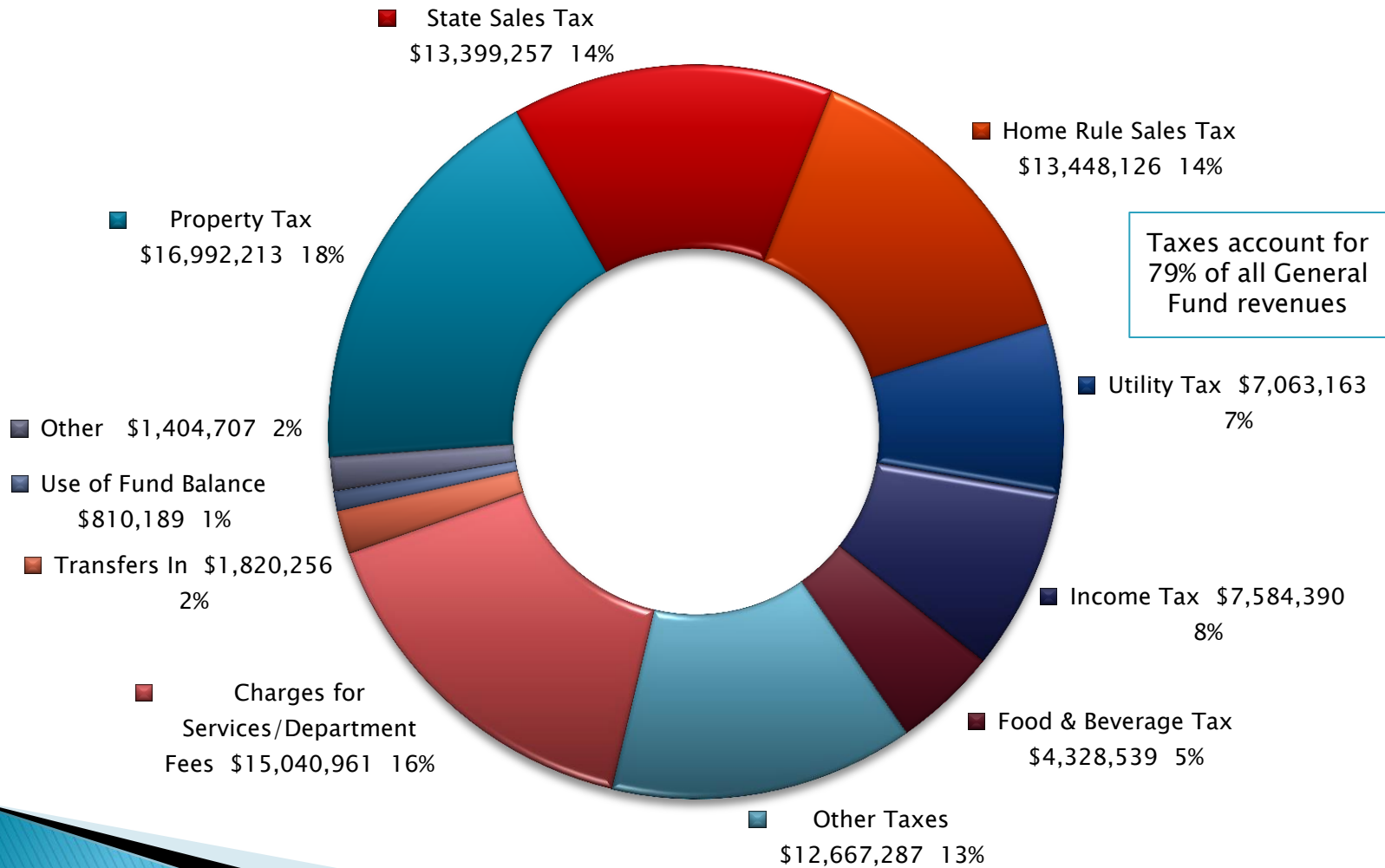
# Major Expenditure Highlights

- ❑ Salary & Benefits – Increase \$1.5 million (normally \$2.5 million)
  - Increases relate to current staffing levels; no new full-time staff.
  - Seven union contracts are in negotiation and therefore full increases are not reflected.
- ❑ Contractuals– Increase \$824K
  - Legal increased \$524K for outsourcing legal positions
  - \$109K for Economic Development studies
  - \$91K increase in Information Services for maintenance contracts
  - \$70K – increase in Facilities to make some needed minor facility repairs including windows leaking at the Police Department

# Expenditure Highlights Cont'd

- ❑ Commodities – Decrease (\$550K)
  - Electricity charges of \$500,000 have been re-allocated to the State Motor Fuel Tax Fund.
  - Departments decreased their commodity accounts such as other supplies to balance the budget.
- ❑ Capital Expenditures – No cash for small capital projects
- ❑ Principal & Interest – Increase \$765K
  - This increase relates to FY16 capital lease. This will be the fourth year the City has utilized capital leasing for vehicles & equipment and now facility repairs.
- ❑ Intergovernmental – Increase \$1.2 million
  - The Police and Fire Pension contributions has increased \$1.4 million.

# General Fund Revenues by Major Source \$ 94,559,086



# Other Budget Highlights

- ❑ No addition of new full-time hires with the exception of a Youth Intervention part-time employee who will be funded 100% with a private grant.
- ❑ Street resurfacing program will be funded with a \$.04 local motor fuel tax for \$2.4 million.
- ❑ Facilities/Capital/Equipment/Vehicles
  - ❑ Capital lease will be issued for all critical facility repairs and maintenance
  - ❑ Rolling stock of equipment & vehicles has been halted
- ❑ Police & Fire Pension funding – year 2
  - ❑ Increase in funding is provided by a combination of existing property tax levy of \$700K with a modest \$500K levy increase adopted in November to offset first year of utility tax collection
- ❑ The rate study for both Sewer and Storm Water funds are underway which will create a funding plan for the needs revealed by the Sewer and Storm Master Plans.

# Other Budget Highlights

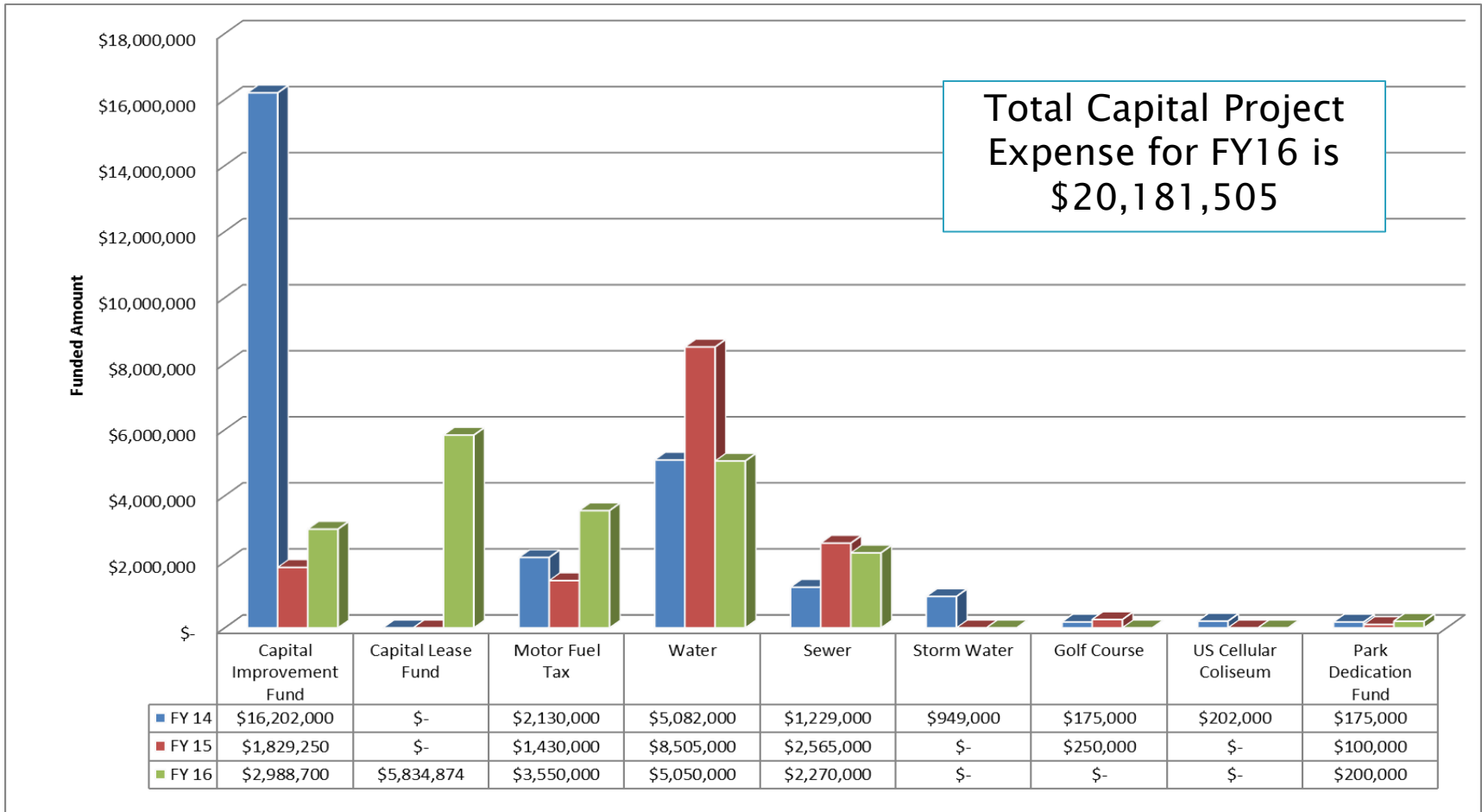
- ❑ Solid Waste Fund
  - ❑ FY16 solid waste revenues need to increase \$2.5 million to balance the fund
  - ❑ The General Fund will need to cover this shortfall if no changes are made – the total transfer will be \$4 million
  - ❑ FY17 will require another \$2.5 million transfer
- ❑ The Water and State Motor Fuel Tax Fund will move ahead on capital projects.





# Capital Proposed Budget Overview

# Capital Projects by Fund FY 2014 - FY 2016



**\*\* In FY16 the City will utilize a capital lease to complete capital projects which includes capital projects for the Coliseum. This graph does not include capital projects for JM Scott Trust, CDBG, the Library or the Board of Elections which total \$287,931.**

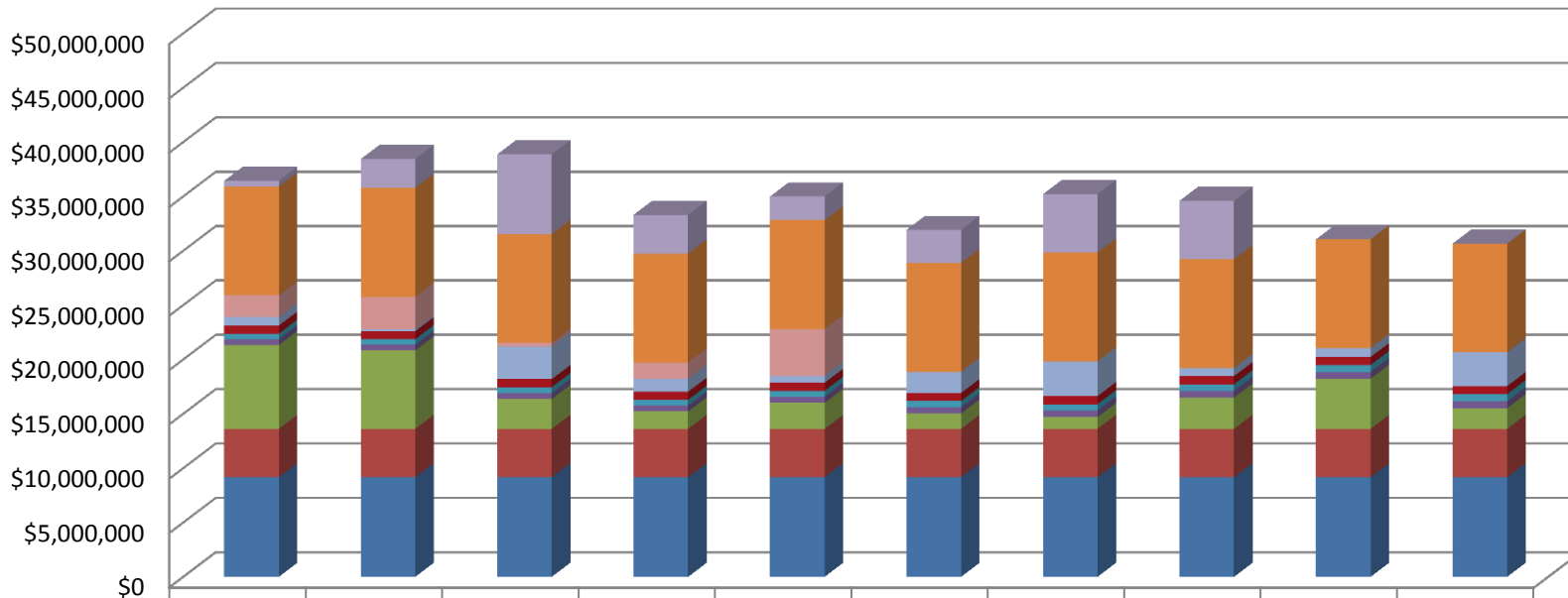
# Major FY16 Capital Projects

- ▶ Capital Improvement Fund – \$2.4 million in street resurfacing funded by new Local MFT.
- ▶ U.S. Cellular Coliseum – \$1.6 million to replace the video system (City contractual obligation) – capital lease program
- ▶ State MFT – \$1.7 million for traffic signal projects; \$1 million for the Linden St. Bridge; \$.9 million for the design of the Hamilton Road (Bunn to Commerce) and other design and land purchases
- ▶ Water – \$2 million for Emergency Ion Exchange System; \$2 million for Groundwater Development; and \$1.5 million to complete Filter Construction at the Water Treatment Plant

# Major FY16 Capital Projects

- ▶ Sewer – \$1 million to replace the Howard Johnson Pump Station; \$.75 million for Sewer & Manhole lining program (Sewer & Storm Master Plan); and .52 million for the Grove on Kickapoo Creek Sewer Oversizing
- ▶ Park Dedication – .2 million for the Sunnyside Park Playground

## Infrastructure by Master Plan



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Totals	\$36,764,652	\$38,765,183	\$39,168,382	\$33,621,169	\$35,289,958	\$32,200,683	\$35,463,712	\$34,831,177	\$31,277,351	\$30,856,458
■ Parks Master Plan	\$520,000	\$2,650,000	\$7,325,000	\$3,575,000	\$2,185,000	\$3,055,000	\$5,375,000	\$5,375,000	\$0	\$0
■ Deferred Street Maintenance (Fair+ Rating)	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
■ Fire Master Plan (5 Bugles)	\$2,000,000	\$3,000,000	\$350,000	\$1,500,000	\$4,300,000	\$0	\$0	\$0	\$0	\$0
■ Zoo Master Plan	\$800,000	\$175,000	\$3,000,000	\$1,200,000	\$650,000	\$1,950,000	\$3,200,000	\$750,000	\$825,000	\$3,100,000
■ ADA Compliant Ramps	\$744,000	\$744,000	\$744,000	\$744,000	\$744,000	\$744,000	\$744,000	\$744,000	\$744,000	\$744,000
■ Sidewalk Master Plan	\$521,583	\$515,570	\$543,866	\$537,102	\$554,250	\$571,822	\$589,831	\$608,291	\$627,215	\$646,616
■ Downtown Streetscape Master Plan	\$521,583	\$515,570	\$543,866	\$537,102	\$554,250	\$571,822	\$589,831	\$608,291	\$627,215	\$646,616
■ Facilities Master Plan (F&G)	\$7,715,969	\$7,217,513	\$2,742,416	\$1,601,967	\$2,393,608	\$1,416,761	\$1,091,781	\$2,890,786	\$4,618,036	\$1,902,742
■ Storm Water Master Plan	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800	\$4,448,800
■ Sanitary Sewer Master Plan	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300	\$9,164,300

**\*\*Total 10 year costs by Master Plan are \$348 million which does not include other forthcoming plans for Water, Streets, or Bicycle.**