

FY 2023/24 Proposed Budget

Budget and Audit Committee

May 30, 2023

General Fund

- City's major operating fund
- Balanced only with use of some one-time funding
- Requires time for process and policy to be evaluated
 - Use of technology
 - Overall operating efficiencies
 - Type and number of new staff required to sustain service delivery and ongoing operations

General Fund

- Major cost of any municipal agency including Clayton is salaries and benefits
- Operating services and supplies are at minimum levels; additional time would be required for new City Manager to evaluate if/where any additional efficiencies can be achieved
- Reserves are healthy and can most likely sustain any strategic use to bridge small funding gaps in the coming years while other options are evaluated.

General Fund

- Operating Revenue and Transfers: \$5.695 Million
- Operating Appropriations and Transfers : \$5.724Million
- Net Deficit is (\$28K) before supplemental budget changes; \$7K surplus after supplemental budget changes

General Fund

- **Revenues**

- Property Tax (all forms) continues to grow at recent historical rates of approximately 5%.
- Sales and Use Tax continues to see small annual growth of approximately 2%
- Business Licenses continue to be flat year over year
- Permits and Fee revenue are increasing due to a change in the Master Fee Schedule; approximately \$36K increase in FY 2023/24 (actual level will depend on usage and negotiated agreements)
- Interest will see an approximate \$47K growth in FY 2023/24; caution using interest income to balance budgets long-term as the shift in interest rates and unrealized losses can make be volatile
- Remaining other revenue and transfers from other funds are generally flat

General Fund

- **Appropriations and Transfers**

- Salaries and benefits are the majority of operating expenses
- Service and Supply costs have been proposed at currently identifiable minimum levels
- Service and Supply costs such as insurance costs (liability), fuel and energy costs, and normal service cost inflation are not fully in City control but are increasing throughout all budgets.
- City Manager has requested \$40K in professional services budget to allow for potential technology projects in the coming 12 months; may not be enough for all projects, will come back to council if additional funding is needed

General Fund

- To improve retention and recruitment of certain positions; proposed salary adjustments are being requested for:
 - Finance Director
 - Community Development Director
 - Police Chief
 - Assistant to the City Manager
- Cost are reflected in the proposed budget

General Fund

- City Manager requires more time to evaluate the impact of any other service and supply reductions to understand the intended/untended consequences of any changes
- Major Item not currently budget
 - Unrepresented employee contract is still being negotiated. The net impact of that contract will need to be addressed in the FY 2023/24 budget (potentially after budget adoption)

General Fund

- Other issues to be discussed at a later date
 - Organizational Assessment Results/Next Steps
 - Long Term Capital Needs
 - Reserve Fund Policy
 - Purchasing Policy
 - Capital Asset Policy
 - Technology Improvements

General Fund

- **Staff Recommendations**

- City Manager is requesting no additional appropriation reductions to allow time throughout FY 2023/24 to evaluate efficiencies, contract and procurement, operating levels.
- City Manager is recommending the use of the pension fund to balance the remainder of the FY 2023/24 budget.
 - Use approx. \$125K from Fund 503-Pension to offset General Fund pension costs; additionally use the equivalent amount of the final unrepresented MOU cost impact to offset additional pension funding to balance the General Fund budget; or
 - Use funds from Fund 110- Rainy Day Fund (approx. \$68K remaining) to offset potential costs related to the unrepresented MOU (come back to council once agreement finalized).

Non-General Fund

Other Funds