

# FY 2023/24 Proposed Budget

June 20, 2023

# Budget Overview

- Proposed Budget “holds the line”; meaning in general no significant changes to service delivery
- Budget provides time for the new City Manager to evaluate service levels compared to staffing levels, long term capital needs, short/mid term trends of overall revenue growth versus expense growth; develop strategies for council consideration

# Budget Overview

- Continuous Improvement on the Budget Process, Mid-Year, Budget Book/Reports
  - Lack of Finance Director
  - Consultant scheduling
  - City Manager started with 3 weeks remaining in process
- Budget meets the immediate needs of the City for FY 2023/24

# General Fund

- City's major operating fund
- Balanced with use of some one-time funding
  - Approx. \$113,633 in Pension Reserve
  - Expected Reserve Use versus Actual Reserve Use
- Future review of operating needs and revenue projections will occur as part of the longer-term assessment

# General Fund

- Operating Revenue and Transfers: \$5,683,916
- Operating Appropriations and Transfers : \$5,683,916
- The balancing of the budget (included above) includes the use of \$113, 663 in expected pension reserve use (actual use may vary)

# General Fund

- Major cost of any municipal agency including Clayton is salaries and benefits
- Operating services and supplies are at base levels; additional time is required for new City Manager to evaluate if/where any additional efficiencies can be achieved or increases need to occur
- 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

- **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
- 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

- **Current Fiscal Year**

- Estimated surplus (revenues over expenses) of \$350K-\$400K; consultant estimate, ultimately depends on final revenue/expenses
- Consultant identified the reason for most of the surplus is as follows:
  - Approx. \$6K more in revenue
  - Approx \$350K-400K in lower expenses
    - Mostly Salary and Benefit-throughout departments
    - Approx 20% of the savings is from service and supply savings

- Normal tendency is for Municipalities to generally end the year with some surplus from budgeted levels due to actual revenue levels and typically some expense savings in various areas

- Fund Balance Policy will eventually be adopted to systematically



# General Fund

- Major Item not currently within budget
  - Unrepresented employee contract is being approved this evening.
  - Staff is recommending not adding any additional appropriations until the mid-year review as there may be savings that can offset the FY 2023/24 cost.

# General Fund

- Other issues to be discussed at a later date which may have a financial impact:
  - Organizational Assessment Results/Next Steps
  - Reserve Fund Policy
  - Purchasing Policy
  - Capital Asset Policy
  - Special Event Policy
  - Citywide Economic Development Plan
  - Vegetation Management Plan

Non-General Fund

**Other Funds**

# Non-General Fund

- **Pandemic Relief Fund**

- Reminder- is fully discretionary funding
- Current fund balance is approx. \$1.57 million; estimated to be approx. \$1.3-1.4 million after current approved spending is completed
- Opportunities for future strategic use; gap funding for operations, technology projects, one-time needs etc.

## Non-General Fund

- Many of the District related funds are structurally imbalanced; requiring further discussion on service levels and future assessment levels

# Non-General Fund

- **Gas Tax**

- Gas Tax has fund balance at this time; use to help other funds, will drain on further uses for roads and related projects

- **RMRA**

- Similar issues and concern as Gas Tax

# Non-General Fund

- **Geological Hazard Abatement District (GHAD)**
  - More discussion when GHAD Board meets
  - Staff will recommend direction from the Board to pursue options for raining the assessment
  - Minimal options without additional funding

# Non-General Fund

- **Landscape and Maintenance District**

- June 6, 2023, direction to work “bottom up” and not use reserves
- Staff only able to reduce expenses to reach a deficit of \$73K (from a prior proposed deficit of \$388K)
- Staff is recommending no further reductions as the service delivery reductions would be rather significant



# All Budgets

- **Staff is recommending the approval of all budgets as proposed along with the GANN Limit for FY 2023/24.**

# Questions