



City of Grand Island

Tuesday, July 14, 2020

Council Session/Budget Work Session

Item -1

Continued FY 2020/2021 Budget Discussions

Staff Contact: Patrick Brown

Council Budget Work Session Memo

From: Patrick Brown, Finance Director
Meeting: July 14, 2020
Subject: General Fund Budget Discussion
Presenter(s): Patrick Brown, Finance Director

Background

Due to the pandemic and the uncertainty of the City's revenue sources for the upcoming budget year, certain decisions need to be made as to the funding of General Fund operations and the use of Cash Reserves. The City's use of Cash Reserves provides the City the means to handle economic uncertainties, local disasters, and any other unanticipated financial hardships.

Discussion

The City's Fiscal Year (FY) 2021 Budget will be a challenge. It's a challenge because of the abrupt change and uncertainty in revenue streams and how those changes will affect City operations going forward. For the models of the following pages we used these assumptions:

- 15% reduction in Sales Tax Revenue
- 2% Property Tax Increase (discussion point)
- 3% revenue growth for year 2022 and 2% growth for years 2023-2026
- 3.31% growth in Personnel Services for years 2022-2026 (see historical data)
- 0% cost of living adjustment for non-union members in the General Fund for FY2021
- Transfers out of \$750k for Economic Development (LB840), Community Development \$25k, Transit \$220k, and Capital Equipment of \$500k

Model 1:

In this model we would use \$1,695,883 in cash reserves for the FY2021 budget. The only transfers into the General Fund would be \$35,000 for the Vet's Cemetery maintenance and \$65,000 for Grand Generation Center. The \$1,695,883 does not include capturing the incremental increase in property tax (adjusting the city's mill levy down). If the City keeps the same mill levy, cash reserves would be reduced by \$1,461,190.

Model 2:

In this model we would use \$1,445,883 in cash reserves for the FY2021 budget. The transfers into the General Fund consist of \$35,000 for the Vet's Cemetery maintenance, \$65,000 for Grand Generation Center, and \$250,000 KENO funds. The \$1,445,883 does not include capturing the incremental increase in property tax (adjusting the city's mill levy down). If the City keeps the same mill levy, cash reserves would be reduced by \$1,211,190.

Model 3:

In this model we would use \$695,883 in cash reserves for the FY2021 budget. The transfers into the General Fund consist of \$35,000 for the Vet's Cemetery maintenance, \$65,000 for Grand Generation Center, \$250,000 KENO funds, and \$750,000 from Food & Beverage Occupation Tax. This model assumes there would not be a payment to Grow Grand Island from the Food & Beverage Fund. Parks projects were also funded out of the Food & Beverage fund in the past but in this model Park's Projects would be funded by 2004 Sales Tax. The \$695,883 does not include capturing the incremental increase in property tax (adjusting the city's mill levy down). If the City keeps the same mill levy, cash reserves would be reduced by \$461,190.

Model 4:

In this model we would use \$461,190 in cash reserves for the FY2021 budget. The transfers into the General Fund consist of \$35,000 for the Vet's Cemetery maintenance, \$65,000 for Grand Generation Center, \$250,000 KENO funds, and \$750,000 from Food & Beverage Occupation Tax.

Recommendation

Finance and Administration is looking for recommendations from City Council on the funding of General Fund operations and the use of Cash Reserves.

Model 1

	2019	2020	2021	2022	2023	2024	2025	2026	Comments
Beginning Cash		13,305,411	13,648,685	11,952,802	10,449,000	8,514,626	6,127,318	3,263,798	
Revenue		39,208,970	37,380,179	38,501,584	39,271,616	40,057,048	40,858,189	41,675,353	3% growth in 2022, 2% for 2023-2026
End of Year Adjustment		-\$1,251,943	-	-	-	-	-	-	-3.2%
If City reduces mill levy to keep property tax receipts the same.			(234,693)						
Transfers In		35,000	100,000	100,000	100,000	100,000	100,000	100,000	\$35k from Farm Income (vet's cemetery), \$65k from 2004 Sales Tax (Grand Generation)
Total Revenue		37,992,027	37,245,486	38,601,584	39,371,616	40,157,048	40,958,189	41,775,353	
Personnel Services		29,865,965	30,799,558	31,819,023	32,872,233	33,960,304	35,084,390	36,245,683	Assumes a 3.31% increase from 2022-2036; non-union members 0% cost of living adjustment for 2021
End of Year Vacancy adjustment		(1,016,065)	-	-	-	-	-	-	
<i>Personnel Svcs % of Total Appropriations</i>		<i>76.6%</i>	<i>79.1%</i>						
Operating Expense		7,249,062	6,646,811	6,746,513	6,847,711	6,950,427	7,054,683	7,160,503	Assumes a 1.5% increase from 2021-2031
End of Year Operating adjustment		(550,209)							
<i>Operating Exp. % of Total Appropriations</i>		<i>17.8%</i>	<i>17.1%</i>						
Transfers Out		2,100,000	1,495,000	1,539,850	1,586,046	1,633,627	1,682,636	1,733,115	Eco-Devo \$750k, Com-Dev \$25k, Transit \$220k, Cap Equip \$500K - 3% Growth
End of Year Transfer Savings		-	-	-	-	-	-	-	
<i>Transfers % of Total Appropriations</i>		<i>5.6%</i>	<i>3.8%</i>						
Total Appropriations		37,648,753	38,941,369	40,105,387	41,305,989	42,544,357	43,821,709	45,139,301	
Ending Cash	13,305,411	13,648,685	11,952,802	10,449,000	8,514,626	6,127,318	3,263,798	(100,150)	
Cash as % of Appropriations		36.25%	30.69%	26.05%	20.61%	14.40%	7.45%	-0.22%	
Use of Cash Reserves		343,274	(1,695,883)						

Model 2

Revenue Growth %	2.00%	Operating Exp. Growth %	1.50%
Transfers OUT %	3.00%	Personnel Exp. Growth %	3.31%

General Fund Projection 5 YR - FTE Worksheet

	2019	2020	2021	2022	2023	2024	2025	2026	Comments
Beginning Cash		13,305,411	13,648,685	12,202,802	10,699,000	8,764,626	6,377,318	3,513,798	
Revenue		39,208,970	37,380,179	38,501,584	39,271,616	40,057,048	40,858,189	41,675,353	3% growth in 2022, 2% growth 2023-2026
End of Year Adjustment		-\$1,251,943	-	-	-	-	-	-	-3.2%
If City reduces mill levy to keep property tax receipts the same.			(234,693)						
Transfers In		35,000	350,000	100,000	100,000	100,000	100,000	100,000	\$35k from Farm Income (vet's cemetery), \$65k from 2004 Sales Tax (Grand Generation), KENO \$250k
Total Revenue		37,992,027	37,495,486	38,601,584	39,371,616	40,157,048	40,958,189	41,775,353	
Personnel Services		29,865,965	30,799,558	31,819,023	32,872,233	33,960,304	35,084,390	36,245,683	Assumes a 3.31% increase from 2022-2036; non-union members 0% cost of living adjustment for 2021
End of Year Vacancy adjustment		(1,016,065)	-	-	-	-	-	-	
<i>Personnel Svcs % of Total Appropriations</i>		<i>76.6%</i>	<i>79.1%</i>						
Operating Expense		7,249,062	6,646,811	6,746,513	6,847,711	6,950,427	7,054,683	7,160,503	Assumes a 1.5% increase from 2021-2031
End of Year Operating adjustment		(550,209)							
<i>Operating Exp. % of Total Appropriations</i>		<i>17.8%</i>	<i>17.1%</i>						
Transfers Out		2,100,000	1,495,000	1,539,850	1,586,046	1,633,627	1,682,636	1,733,115	Eco-Devo \$750k, Com-Dev \$25k, Transit \$220k, Cap Equip \$500K - 3% Growth
End of Year Transfer Savings		-	-	-	-	-	-	-	
<i>Transfers % of Total Appropriations</i>		<i>5.6%</i>	<i>3.8%</i>						
Total Appropriations		37,648,753	38,941,369	40,105,387	41,305,989	42,544,357	43,821,709	45,139,301	
Ending Cash	13,305,411	13,648,685	12,202,802	10,699,000	8,764,626	6,377,318	3,513,798	149,850	
Cash as % of Appropriations		36.25%	31.34%	26.68%	21.22%	14.99%	8.02%	0.33%	
Use of Cash Reserves		343,274	(1,445,883)						

Model 3

Revenue Growth %	2.00%	Operating Exp. Growth %	1.50%
Transfers OUT %	3.00%	Personnel Exp. Growth %	3.31%

General Fund Projection 5 YR - FTE Worksheet

	2019	2020	2021	2022	2023	2024	2025	2026	Comments
Beginning Cash		13,305,411	13,648,685	12,952,802	11,449,000	9,514,626	7,127,318	4,263,798	
Revenue		39,208,970	37,380,179	38,501,584	39,271,616	40,057,048	40,858,189	41,675,353	3% growth in 2022, 2% growth 2023-2026
End of Year Adjustment		-\$1,251,943	-	-	-	-	-	-	-3.2%
If City reduces mill levy to keep property tax receipts the same.			(234,693)						
Transfers In		35,000	1,100,000	100,000	100,000	100,000	100,000	100,000	\$35k from Farm Income (vet's cemetery), \$65k from 2004 Sales Tax (Grand Generation), KENO \$250k, Food & Beverage \$750k (Economic Development Agreement). Stop KENO & FB Transfer starting in 2022
Total Revenue		37,992,027	38,245,486	38,601,584	39,371,616	40,157,048	40,958,189	41,775,353	
Personnel Services		29,865,965	30,799,558	31,819,023	32,872,233	33,960,304	35,084,390	36,245,683	Assumes a 3.31% increase from 2022-2036; non-union members 0% cost of living adjustment for 2021
End of Year Vacancy adjustment		(1,016,065)	-	-	-	-	-	-	
<i>Personnel Svcs % of Total Appropriations</i>		<i>76.6%</i>	<i>79.1%</i>						
Operating Expense		7,249,062	6,646,811	6,746,513	6,847,711	6,950,427	7,054,683	7,160,503	Assumes a 1.5% increase from 2021-2031
End of Year Operating adjustment		(550,209)							
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Transfers Out		2,100,000	1,495,000	1,539,850	1,586,046	1,633,627	1,682,636	1,733,115	Eco-Devo \$750k, Com-Dev \$25k, Transit \$220k, Cap Equip \$500K - 3% Growth
End of Year Transfer Savings		-	-	-	-	-	-	-	
<i>Transfers % of Total Appropriations</i>		<i>5.6%</i>	<i>3.8%</i>						
Total Appropriations		37,648,753	38,941,369	40,105,387	41,305,989	42,544,357	43,821,709	45,139,301	
Ending Cash	13,305,411	13,648,685	12,952,802	11,449,000	9,514,626	7,127,318	4,263,798	899,850	
Cash as % of Appropriations		36.25%	33.26%	28.55%	23.03%	16.75%	9.73%	1.99%	
Use of Cash Reserves		343,274	(695,883)						

Model 4

Revenue Growth %	2.00%	Operating Exp. Growth %	1.50%
Transfers OUT %	3.00%	Personnel Exp. Growth %	3.31%

General Fund Projection 5 YR - FTE Worksheet

	2019	2020	2021	2022	2023	2024	2025	2026	Comments
Beginning Cash		13,305,411	13,648,685	13,187,495	11,683,693	9,749,319	7,362,011	4,498,491	
Revenue		39,208,970	37,380,179	38,501,584	39,271,616	40,057,048	40,858,189	41,675,353	3% growth in 2022, 2% growth 2023-2026
End of Year Adjustment		-\$1,251,943	-	-	-	-	-	-	-3.2%
Transfers In		35,000	1,100,000	100,000	100,000	100,000	100,000	100,000	\$35k from Farm Income (vet's cemetery), \$65k from 2004 Sales Tax (Grand Generation), KENO \$250k, Food & Beverage \$750k (Economic Development Agreement). Stop KENO & FB Transfer starting in 2022
Total Revenue		37,992,027	38,480,179	38,601,584	39,371,616	40,157,048	40,958,189	41,775,353	
Personnel Services		29,865,965	30,799,558	31,819,023	32,872,233	33,960,304	35,084,390	36,245,683	Assumes a 3.31% increase from 2022-2036; non-union members 0% cost of living adjustment for 2021
End of Year Vacancy adjustment		(1,016,065)	-	-	-	-	-	-	
<i>Personnel Svcs % of Total Appropriations</i>		76.6%	79.1%						
Operating Expense		7,249,062	6,646,811	6,746,513	6,847,711	6,950,427	7,054,683	7,160,503	Assumes a 1.5% increase from 2021-2031
End of Year Operating adjustment		(550,209)							
<i>Operating Exp. % of Total Appropriations</i>		17.8%	17.1%						
Transfers Out		2,100,000	1,495,000	1,539,850	1,586,046	1,633,627	1,682,636	1,733,115	Eco-Devo \$750k, Com-Dev \$25k, Transit \$220k, Cap Equip \$500K - 3% Growth
End of Year Transfer Savings		-	-	-	-	-	-	-	
<i>Transfers % of Total Appropriations</i>		5.6%	3.8%						
Total Appropriations		37,648,753	38,941,369	40,105,387	41,305,989	42,544,357	43,821,709	45,139,301	
Ending Cash	13,305,411	13,648,685	13,187,495	11,683,693	9,749,319	7,362,011	4,498,491	1,134,543	
Cash as % of Appropriations		36.25%	33.87%	29.13%	23.60%	17.30%	10.27%	2.51%	
Use of Cash Reserves		343,274	(461,190)						

Personnel Cost % Change			
	Personnel Costs	% change over prior year	
2011	22,574,946		
2012	22,628,819	0.24%	
2013	23,423,719	3.51%	
2014	26,225,124	11.96%	5.41% average
2015	27,373,839	4.38%	
2016	29,275,793	6.95%	
2017	27,423,210	-6.33%	Critical Decisions made
2018	26,366,468	-3.85%	Critical Decisions made
2019	27,616,755	4.74%	
2020 Budget	29,865,958	8.14%	5.42% average
2021 Prop Budget	30,869,119	3.36%	
Overall Average		3.31%	