



City of Grand Island

Tuesday, July 12, 2022

Study Session

Item C1

Budget Overview FY23

Staff Contact: Patrick Brown, Finance Director

Council Agenda Memo

From: Patrick Brown, Finance Director
Meeting: July 12, 2022
Subject: Budget Discussions Study Session
Presenter(s): Patrick Brown, Finance Director

FY2022 Budget Projection

FY2022 Revenues were under forecasted for FY2022. Sales Tax receipts remained strong throughout the year eclipsing FY2021 General Fund Sales Tax by \$2.5m. Property Tax receipts were steady due to the mill levy decrease. All other receipts have been steady for FY2022. Expenses are going to be well under budget mainly due to vacancy savings i.e. police department. Overall this will create a higher cash reserve going into FY2023 budget.

Challenges going forward

Inflation is currently at 8.5% with no real relief in sight. Gas and Diesel prices have soared along with all other commodity prices. Supply line issues have caused shipments to be delayed months if not years. Staff is working around those challenges. Labor shortage is national issue that has affected Grand Island as well. As with every other employer in the city, the City is having a hard time filling positions. The economy is at an incredibly volatile state which in turn makes budgeting/forecasting much more difficult.

FY2023 Budget Overview

Revenue Assumptions – Overall revenues for the General Fund increased 11.4% or \$4.7m over FY2022 budget. The major sources of revenues for the General Fund is Sales Tax and Property Tax. Sales tax are projected at 12.2% over FY2022 budget. The previous year's sales tax collection was \$2m over FY2021 budget which was not accounted for in forecasting FY2022. FY2023 has been adjusted accordingly. Property Tax is forecasting a 3% increase. This would be the first increase in three years. Legislative Bill (LB) 644 limits property tax increases to real growth and 2% before mandating hearings with other local government entities. From my conversations with Hall County, 3% will probably be below real growth and 2%. If that is true and the City stays at 3% increase, the City's mill levy could still decrease. Finance recommends at least a 3% increase in Property Tax not so much for FY2023 but what will be needed to

fund governmental operations in the coming years and the process it takes to increase property tax above the 2% plus real growth.

FY2023 budget encompasses changes to the In Lieu of Property Tax receipts the General Fund receives from enterprise funds. The change brings transparency to how revenues/expenses are calculated between the General Fund and Enterprise Funds. In the past the In Lieu of Property Tax receipts were limited due to bond covenants and in order to collect fees from the Enterprise Funds for General Fund services (legal, clerk, administration, etc.), the Enterprise Funds paid Administration Fees based off of some outdated calculations. Also the Enterprise Funds were paying more for employer related health care costs than General Fund. The proposed budget rebalances these costs and puts all funds on an even playing field for costs. The Electric Utility will pay a 5% In Lieu of Property Tax fee on Retail Sales and Water and Wastewater will pay a 2% fee on Retail Sales as well. Solid Waste will continue to pay an Administration Fee to the General Fund of 2%. Overall the General Fund will receive a net increase of \$450k in the rebalancing of revenues and expenses.

Expense Assumptions – Overall expenses are increasing 8.2% or \$3.3m over FY2022 budget. Personnel expenses are projected to increase 8.2% or \$2.7m due to several new union contracts, increases in non-union pay and benefits, reclassification and additional FTE's. The additional FTE's will be discussed at the next budget study session on July 26th. These adjustments are needed to keep up with the current labor market. Operating expenses are projected to increase by 8.7% or \$620k over FY2022 budget. This increase is due to the overall rising costs of commodities.

Last but certainly not least, I want to thank Councilmember Nickerson, Councilmember Conley, and Councilmember Guzinski for their time in budget discussions with Department Directors and Administration. I hope to continue to involve three different council members every budget year. The insight council members bring to the budget discussions helps in developing a budget and hopefully in the process gains a more focused understanding of City operations.