



Agenda Item Report

City Commission - May 11 2021

Department	Staff Contact
Finance	Danielle Buschkoetter, Budget and Strategic Initiatives Manager

Recommendations

Receive 2021 revenue projections and direct staff as appropriate regarding key policy decisions impacting the 2022 budget.

Executive Summary

Guidance is requested from the City Commission regarding priorities as it relates to the development of the FY2022 budget. The community is still experiencing the economic impacts of COVID-19 and there are many priorities to consider.

There are eight (8) major revenue sources that are highlighted in the presentation as they represent the City's largest revenue sources and/or have been significantly impacted by COVID-19. These revenue sources include: property tax, sales/use tax, franchise fees, charges for service, transient guest tax, gasoline tax, liquor tax, federal funding.

As the City Manager's Recommended Budget is put together, there are a number of key policy questions we would like guidance on ahead of that presentation on July 13. These are difficult questions that the community is going to have to address during this upcoming budget process. These key policy questions include:

1. What are some key programs and/or projects would you like to ensure are included in the proposed budget, if possible?
2. What parameters would you like to see on revenues (i.e. taxes, fees, etc.)?
3. Do you want to consider a market competitive compensation plan?
4. As a percentage, how much investment would you like to see in each of the five (5) Outcome Areas?
5. Do you support a prioritization plan for American Rescue Plan Act (ARPA) and seeking infrastructure grant funding opportunities? It will only be spent if received, but do you want to see that as part of the budget?

Additionally, it is recommended that modifications are made to the General Fund outside agency process for FY2022 to be more targeted using a request for proposal (RFP) type process instead of a grant process that has been used historically. Funding will be disbursed throughout the budget where outside agencies or contract providers are better suited to deliver strategic programs. This will better allow funding to be tied to specific strategic plan outcomes.

Alignment to Strategic Plan

Commitments in support of the outcome areas

Fiscal Impact

There is no fiscal impact directly related to this presentation; however, the policy direction given will help shape budget recommendations.

Action Requested

Direct staff as appropriate.

Attachments

[Presentation](#)

Policy Guidance For FY22

May 11, 2021

Presentation Overview

- Background/Current Revenue Status
- General Assumptions for FY22
- Policy Direction/Next Steps

Background

- City Commission adopted the 2021 placeholder budget on August 18, 2020
 - Budget included:
 - Increase in assessed valuation of 4.3%
 - Decrease in sales tax of 5% from 2020 adopted
 - Placeholder
 - Quarterly Budget Adjustments

Current Status

- Major Revenue Streams
 - Property Tax
 - Sales/Use Tax
 - Franchise Fees
 - Charges for Service
 - Transient Guest Tax
 - Gasoline Tax
 - Liquor Tax
 - Federal Funding



Current Status

- Property Tax
 - Relatively stable (could see impact to collection rates)
 - Funds Impacted:
 - General Fund
 - Debt Service Fund
 - Library Fund
 - Receive property tax in two installments—first installment was received in January and second installment will be known in July
 - 0.15% lower than revised budget



Current Status

- Sales/Use Tax
 - Volatile revenue stream
 - Funds impacted:
 - General Fund
 - Capital Improvement Reserve Fund
 - Public Transportation Fund
 - Housing Trust Fund
 - TIF/TDD Funds
 - Sales Tax (City/County) 2-3% lower than revised budget
 - Use Tax (City/County) 42-54% higher than revised budget—this is a much smaller portion of the revenue stream

Current Status

- Franchise Fees:
 - Semi-volatile revenue stream (weather)
 - Funds impacted:
 - General Fund
 - Revenues based on percentage of gross receipts
 - 8-20% lower than revised budget



Current Status

- Charges for Service
 - Level of volatility depends on service
 - Funds impacted
 - General Fund
 - Airport Fund
 - Public Transportation Fund
 - Water & Wastewater Fund
 - Solid Waste Fund
 - Public Parking Fund
 - Stormwater Fund

Current Status

- Transient Guest Tax Fund
 - Volatile revenue stream
 - Funds impacted:
 - Transient Guest Tax Fund
 - 6% tax imposed on guests of hotels (or other lodging facilities)
 - 70% lower than revised budget

Current Status

- Gasoline Tax
 - Typically, a relatively stable revenue stream
 - Funds impacted:
 - Special Gas Tax Fund
 - 11.6% lower than revised budget

Current Status

- Liquor Tax
 - Typically, a relatively stable revenue stream but significantly impacted by COVID-19
 - Funds impacted:
 - General Fund
 - Special Alcohol Fund
 - Special Recreation Fund
 - 64.1% lower than revised budget



Current Status

- Federal Funding
 - City has received various State and Federal grants to help address the impacts of COVID-19
 - Continue to review federal funding availability and apply for funding as opportunities are identified
 - Notified of approximately \$9M in FY21

Background

- Key Tools and Sources of Information
 - Strategic Plan Framework and performance indicators
 - Strategies are being refined and should be presented to the City Commission as part of the budget process
 - ETC Survey Results
 - Priority Based Budgeting Results
 - CIP Prioritization Guidelines
 - Budget Scenario Tools



General Assumptions for FY22

- Each month will provide additional information about current status that can be used to forecast for FY22
 - Still a number of unknowns to consider
- Use historical data to determine impact of past economic hardships to various revenue streams



General Assumptions for FY22

- Key Assumptions

- Assume assessed valuation growth of 2.7% until we get updated figures from the County in July
- Look at sales tax by category to determine projections at a more granular level
- Use historical data for franchise fees, charges for service, and Gasoline Tax
- Reduce funding for Transient Guest Tax and Liquor Tax (likely in FY21 and FY22)
- Continue to monitor federal funding opportunities



Looking Forward

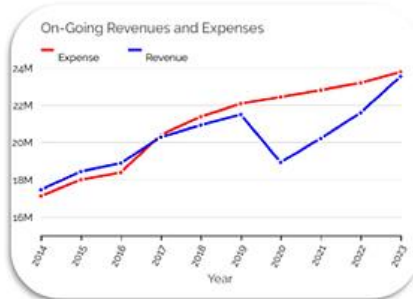


Government Finance Officers Association

Financial Scenario Planning Visualizing and Strategizing for Uncertain Times

"V" shaped recovery

- Rebound is swift, but not easy
- Short-term, quick fixes could bridge the gap to recovery



Big "V" recovery

- Downturn is deeper, but bounceback is rapid
- Short-term bridge strategies apply



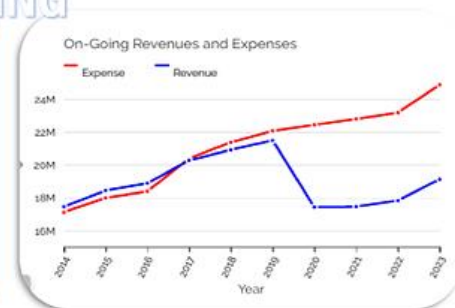
"W" recovery

- A short-term recovery, but a return of infection in fall
- Longer-term strategies to endure and transform



"L" recovery

- Recovery is stalled by deeper economic woes
- Long-term transformation strategies needed asap



resourceX
SCENARIO PLANNING

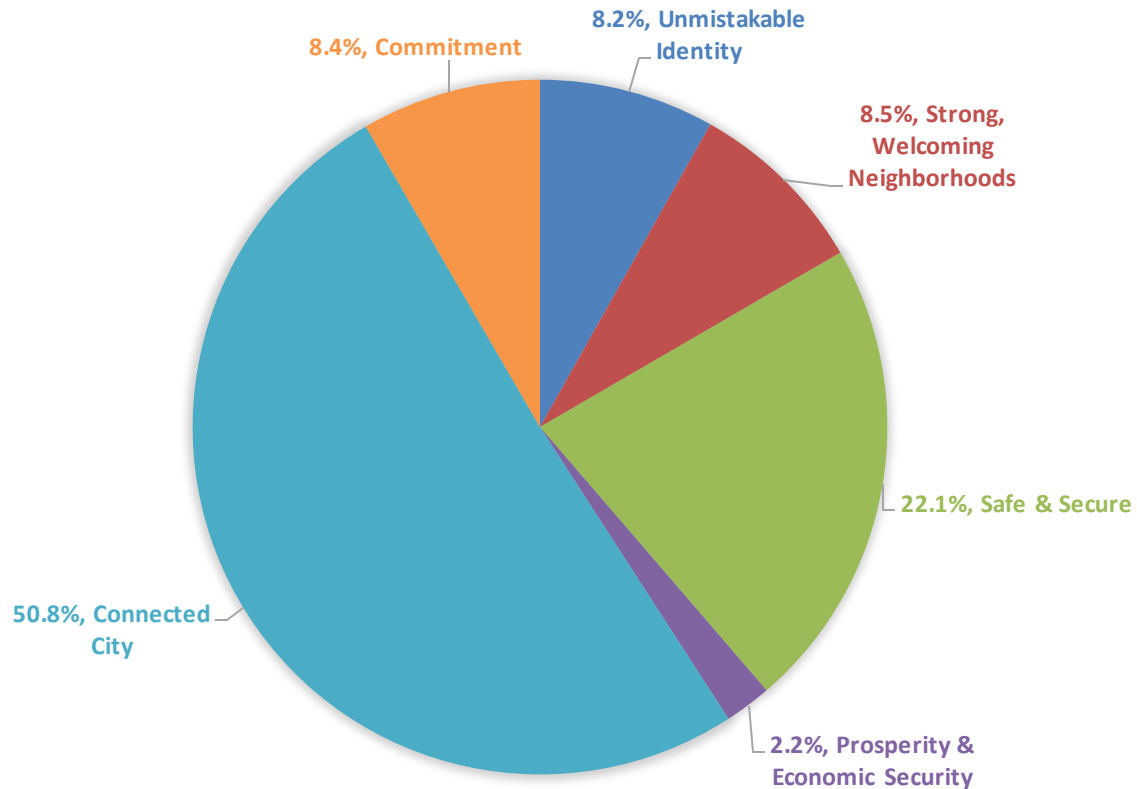


Looking Forward

- Ideally 100% of expenditures closely connected to results in the five (5) Outcome Areas
 - Moving towards this
- Continue to monitor revenues and make adjustments as appropriate

Looking Forward

OPERATING BUDGET BY OUTCOME



Looking Forward

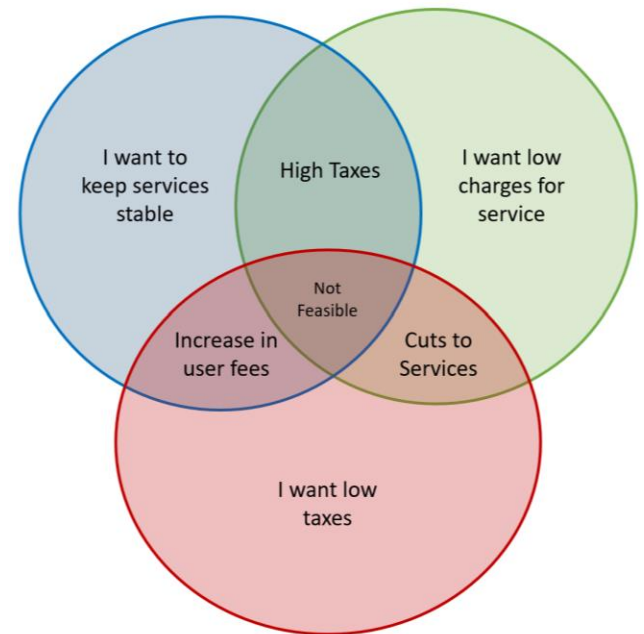
- Partner Agency (Outside Agency) Funding
 - Plan to generally replace General Fund grant programs with Requests for Proposals and negotiated service agreements to fully align with identified performance indicators in the strategic plan
 - These will be disbursed throughout the budget in alignment with Outcomes where outside agencies or contract providers are better suited to deliver strategic programs

Looking Forward

- Key Cost Centers:
 - Compensation
 - To get all employees to market rate it is estimated to cost between \$10M to \$11M
 - Capital Improvements, Maintenance, Equipment
 - High Level of Service

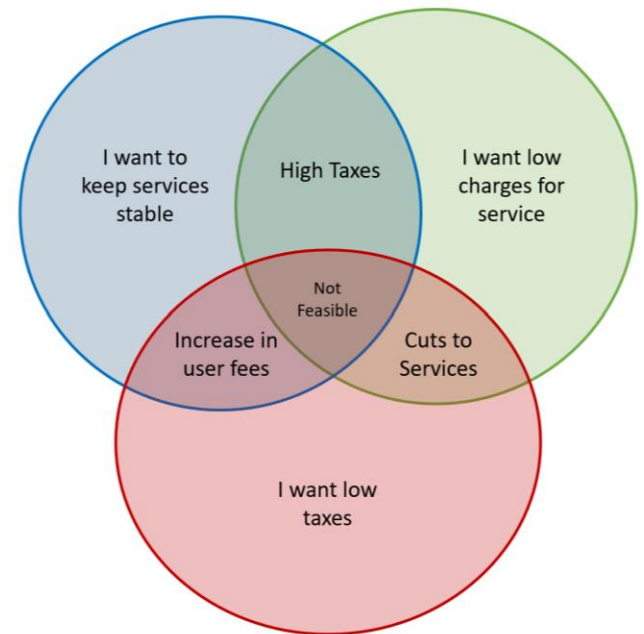
Looking Forward

1. What are some key programs or projects you would like to ensure are included in the proposed budget, if possible?
2. What parameters would you like to see on revenues (i.e. taxes, fees, etc.)



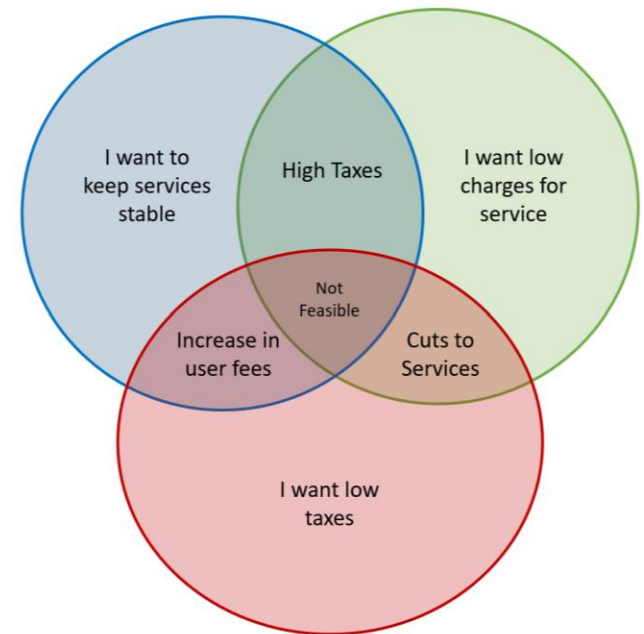
Looking Forward

3. Do you want to consider a market competitive compensation plan?
4. How much investment would you like to see in each of the five (5) Outcome Areas as a percentage?



Looking Forward

5. Do you support a prioritization plan for American Rescue Plan Act (ARPA) and Infrastructure Grant funding opportunities? Will only spend if received, but do you want to see that as part of the budget?



Next Steps

- 2022 Budget Calendar:
 - June 8: Recommended 2022-2026 Capital Improvement Plan, Vehicle & Equipment Replacement Plan, Maintenance Plan Presentation
 - July 13: City Manager's Recommended Budget Presentation
 - July 27: City Commission Establishes Maximum Expenditures and Authorizes Publication (not a regularly scheduled meeting)
 - Must have 10 days between getting notice in the paper and the public hearing
 - August 10: Public Hearing and First Reading of the Budget Ordinance
 - August 17: Second and Final Reading of the Budget Ordinance

