



MUNICIPAL BUILDING  
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**To:** Mayor, Members of Council and City Administrator

**From:** Jason Carr, CPA, Finance Director

**Date:** October 18, 2021

**RE:** 2022 Budget – Ordinance 2021-051

The following is a summary of appropriation amendments based on actual carryover fund balances and changes to estimated receipts:

#### Income Tax Revenues

Consistent with the mid-year forecast presented to Council, gross income taxes are projected to increase from \$16,926,989 to \$17,591,645, or 4% of 2021 budget estimates. Gross income taxes will be allocated accordingly:

Fund	Gross Income Taxes	Allocation
General	\$14,817,100	85%
Rainy Day	150,000	\$12,500 per month
Debt Service	874,000	5%
Capital Projects	1,750,545	15%
<b>Total</b>	<b>\$17,591,645</b>	

#### Fund Balance Reserves

The City's Purchasing and Financial Policy requires the set-aside of unrestricted carryover balance within the General Fund each year. The following is the calculation supporting the City's 20% unappropriated fund balance within the General Fund:

<b>Unrestricted 20% Carryover Balance – Prior Year</b>		\$3,042,112
<b>Projected/Actual Carryover Year-End</b>	\$4,899,382	
<b>X 20% Carryover</b>	X 20%	
<b>Projected/Estimated Carryover</b>	979,876	979,876
<b>Unrestricted 20% Carryover Balance – 2022 Required</b>		\$4,021,988
<b>Actual Unrestricted 20% Carryover Balance</b>		1,146,686
<b>Underfunded Carryover Balance - 2022</b>		<b>(\$2,875,302)</b>

In order to avoid an underfunded carryover balance the budget must be prepared to only appropriate what is expected to be collected (estimated revenues) within the General Fund. However, the City is required to appropriate fund balance based on necessary transfers to other funds, such as Recreation and Golf. Please see the **Transfers** section for a summary of budgeted transfers out of the General Fund for 2022.

## Termination Fund

The City's Purchasing and Financial Policy established a methodology to provide funding for future retirements and severance payments. Ordinance 09-017 established the Termination Fund and purpose.

Based on current estimates, the following is budgeted for future retirements:

<b>Fund</b>	<b>2022 Budgeted Liability</b>
General	\$159,371
Street	6,644
Recreation	45,677
Water	32,420
Sewer	6,642
Storm Water	6,643
<b>Total</b>	<b>\$257,387</b>

Each year the Administration will reconcile funding and related costs in order to determine the City is properly funded for future retirements. Changes also may be necessary during the year if employees leave service and are entitled to severance prior to projections.

## Salaries and Benefits

Significant changes to salaries and benefits:

<b>Fund</b>	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Change</b>	<b>% Change</b>
General	\$8,622,693	\$9,466,967	\$844,274	10%
Street	1,007,196	1,019,584	12,388	1%
Cemetery	12,567	13,691	1,124	9%
Senior Transportation	12,112	12,112	0	0%
Recreation	1,502,329	1,718,440	216,111	14%
Golf Course	1,182,220	1,221,587	39,367	3%
Coronavirus Relief	47,821	0	(47,821)	(100%)
Senior Center	82,786	138,232	55,446	67%
Water	347,926	285,165	(62,761)	(18)%
Sewer	82,456	71,767	(10,689)	(13)%
Storm Water	452,741	477,089	24,348	5%
<b>Total All Funds</b>	<b>\$13,335,026</b>	<b>\$14,424,634</b>	<b>\$1,071,787</b>	<b>8%</b>

The budget for salaries and benefits includes an assumed increase in health insurance of 15% with no fundamental changes in the plan, which includes deductibles and City funding of employees Health Reimbursement Accounts. There is an assumed increase in wages of 4.5%, however, this is subject to change once employee evaluations are completed. Increases in the General Fund are attributed to budgets for new employees (for example, Information Technology Director) off-set by attrition in other departments. The increase in Senior Center Fund wages is attributed to the job description change of the Director of Transportation being amended to also include Senior Services (Ordinance 2021-031).

## Transfers

Excluding transfers to the City's Termination Fund as noted on the previous page, changes in transfers from the General Fund are as follows:

Fund	2021 Budget	2022 Budget	Change
General	(\$4,171,536)	(\$4,675,000)	\$503,464
Street	388,778	460,000	71,722
Recreation	2,038,924	2,200,000	161,076
Golf Course	1,381,693	1,500,000	118,307
Transportation	179,241	300,000	120,759
Parks	75,000	75,000	0
Senior Center	107,900	140,000	32,100

Increases in transfers from the General Fund are necessary to adopt positive or balanced budgets (deficit spending situation) for the funds noted above, excluding the Parks Fund. The Administration has been requested to set-aside \$75,000 per year for capital related park improvements.

## Significant Capital Projects

The proposed 2022 Capital Request list included in the 2022 budget includes several funds with the following highlights below:

**Capital Projects Fund:** The City's Capital Projects Fund primary funding source is income taxes, of which City Council has approved 10% of total monthly income tax collections allocated to this fund. This fund is used to accomplish the City's capital improvements, such as our annual street maintenance program, road resurfacing, and also as a local match for OPWC grants and loans we may receive. Based on large capital related projects in other funds, the Administration has elected to postpone certain infrastructure projects for future years in order to accumulate fund balance. New infrastructure capital projects for 2021 total \$1,059,500.

**Street Fund:** The budget includes the purchase of a 2.5 ton snow truck and a front end loader at a cost of \$185,000 and \$140,000, respectively. These capital items will be financed through the issuance of bond anticipation note proceeds.

**Golf Course Fund:** New cart paths, maintenance building, clubhouse roof ladder and a water treatment system highlight the significant Golf Course capital improvements at a total cost of \$1,629,000. These capital items will be financed through the issuance of bond anticipation note proceeds.

**Transportation Services Fund:** Two (2) Starcraft Transit Buses are included in the budget totaling \$132,702 which will be financed through five (5) year lease agreements.

**Local Fiscal Recovery Fund:** The City expects to receive a total of \$588,806 in American Recovery Program (ARP) federal funding which will be used for Storm Alley Drainage and Elmont Force Main related projects.

**Recreation Department:** Four (4) projects totaling \$95,100 will be completed and relate to the purchase of pool pumps and miscellaneous improvements. Existing fund balance from the Capital Recreation Center Fund will be used for these improvements.

**Significant Capital Projects (Continued)**

***Rarey's Port Building and Wert's Grove Building Construction Funds:*** Interior buildout costs totaling \$1,200,000 are included for the first floor of each building. Construction costs will be financed by a loan from the City's Debt Service Fund.

**Debt Service**

The 2022 budget includes the following debt transactions:

<b>Debt Description</b>		<b>Debt Proceeds</b>
Bond Anticipation Notes		\$1,954,000
Interfund Loans		1,200,000
Leases		196,702
<b>Total</b>		<b>\$3,350,702</b>

<b>Debt Description</b>		<b>Debt Retirement</b>
Principal		\$2,242,850
Interest		490,550
<b>Total</b>		<b>\$2,733,400</b>