

City Fiscal Year Ending June 30, 2021 Budget Proposal

April 29, 2020

Executive Summary

The proposed General Fund Budget for Fiscal Year Ending June 30, 2021 is \$14.7 million. The budget is higher than the current budget of \$13.1 million primarily due to a projected increase of \$1.8 million in anticipated grant awards available for use in the upcoming fiscal year.

The city anticipates \$1.9 million in revenue losses because of the impact of the COVID-19 Coronavirus. The total extent of the losses in revenues is unknown so the city is allocating \$1.9 million in additional carry-over funds to buffer the losses. The potential losses are projected for the following revenue categories:

Property Taxes	\$118,000
Personal Property	85,164
Income Taxes	190,000
Admissions & Amusements	51,800
Room Tax	511,000
Cable Television Franchise Fees	10,000
Highway User Fees	627,413
Police Grant	207,764
Housing Rental Registration	3,000
Building & Equipment Permits	20,000
Other Business Licenses and Permits	4,700
Increased support to the Marina Fund	120,000

The plan is to utilize carry-over funds only to the extent necessary to offset the losses in revenues.

The city manager is proposing the Mayor and City Commissioners consider securing a long-term loan of \$2 million to spread the coronavirus losses over 25 years instead of taking the hit at one time. This will allow the city to avoid impacting city services. The recommendation includes setting up the process to comply with any regulatory requirements and evaluating at mid-year the impact on city revenues to date and determine what loan level should be exercised. Cost estimates on an annual basis for such a loan are estimated by one local bank to range between \$93,276 and \$120,372. The recovery of revenues is not anticipated to occur in one year so any loan proceeds would also help offset the impact on revenues in future budget years and allow the city to maintain current funds for use in future years.

No Tax Increases

The proposed budget does not include any consideration of any tax or fee increase for the upcoming fiscal year. The budget includes increased contributions to the city worker health insurance fund of \$203,449 and estimated increases in property and liability insurance coverage costs of \$20,889. The city's cost for workers compensation coverage in the upcoming fiscal year is expected to drop by \$136,979.

Potential Cost Savings Measures under Consideration

The city manager is recommending that the city begin reducing the worker head count through attrition to alleviate the need to take more abrupt workforce reduction steps in future years. The city manager does not plan to replace any vacant positions in the upcoming year. In the current fiscal year, the city eliminated two full-time positions and did not replace the assistant engineer, the public works director, or the finance director positions. The city plans to eliminate all three positions and has contracted with an accounting firm to serve as the city's finance director. The hiring of the accounting firm will not just be a cost savings but will provide the city with accurate and reliable monthly financial reports and reduce the annual audit costs.

Two other cost reduction efforts involve city contracts for marina services and garbage. The city will evaluate each contract to determine the services received and the costs associated with the service. The objective will be to reduce the cost associated with the service while weighing public expectations.

Capital Purchases

The current budget includes capital projects and purchases. The city is trying to set up an annual purchase and replacement of police vehicles. Two police cars were purchased during the current fiscal year and two police cars are proposed for purchase in 2021. The budget includes funds to begin a multi-year lease purchase for a street sweeper truck and a truck with a clam shell bucket. The latter for use in picking up curb side garbage, fallen limbs or yard debris. The street sweeper will aid in the city's efforts to sweep more streets on a monthly basis and assist in cleaning catch basins. The city is carrying over \$225,000 for the replacement of the roof on the back portion of the former city hall building. The city is also setting aside, again, funds that were allotted to provide a match for an EPA grant to remove lead, asbestos, and other contaminants from the former city hall. Applications are submitted in early December and the EPA announces awards in May. The city will reapply if the award is not received in 2020. The city has also allocated \$20,000 for the purchase of replacement items for the SWAT Team.

The city is facing a need to replace three fire trucks. The trucks have a combined cost estimate of \$2.9 million. The city has worked with local state legislators about establishing a special service fee restricted to purchasing fire apparatus. City staff will work with legislators on achieving legislation to establish a fire service fee.

Debt

The city will pay \$1.1 million in general fund debt service during the upcoming fiscal year and \$755,643 in sewer debt payments. The city's sewer debt will drop off by \$669,509 in the next fiscal year and the general fund debt payments will drop off by \$254,834 the year after in Fiscal Year 2023. Both measures will provide the city with additional funds to alleviate revenue reductions from the current economic downturn. The reduction in two years of the general fund debt will allow the city to absorb any debt payments initiated from a long-term loan initiated to offset revenue reductions from the coronavirus.