

City of Hapeville

Fiscal 2020 Budget

Summary Highlights Assumptions

Mayor and Council

Budget Summary

Fiscal 2020 Budget Draft is available for public view. The proposed initiatives by City staff which are reflected in the budget are:

- Investment in Public Safety
 - Police – personnel
 - Fire – personnel and equipment
- Website Upgrades
- Cost Savings
 - Change Pension Plan Administration

Receipts

The General Fund draft reflects receipts of **\$13.8M** v **\$12.5M**. Of the \$1.4M increase, \$900K are budgeted loan proceeds to finance Police and Fire Equipment Adds

- Replace 1990 Fire Engine
- Replace 1998 Crown Victoria Chief Vehicle
- Replace LifePAK and Fire Gear to maintain NFPA Standards
- Replace Bucket Truck for Community Services
- Replace 3 Police Cruisers
- Replace Grounds Lawnmower

The budget assumes a 5% net digest increase from 2018 from \$4.1M (collected) – **\$4.3M**. We do not have any information on the 2018 assessments yet. We generally receive our first look in mid-June.

The budget assumes additional court fines of \$240K to **\$450K** born through PD initiative with new traffic unit.

Local Option Sales Tax will continue to be our second largest funding source – **\$1.9M**
Hotel Motel receipts are expected to continue to be strong at **\$1.4M**.

Expenditures

Several initiatives requests and targets and assumptions are built into this budget:

Public Safety

Our pay level for public safety first responders is lagging further and further behind our neighbors. It is increasingly difficult to both attain new recruits and to retain the team we have. Both Chiefs have advised that the City cannot maintain quality service levels unless

we increase the pay levels. This budget includes an approximate 10K per person increase in pay.

Even with this amount, we have neighboring municipalities that are and will be offering more. It may still be a task to maintain the quality of Public Safety that the City deserves.

Additionally, the City is in dire need of replacing heavy equipment as noted in the Receipts discussion above.

Pension

In reviewing our pension plan, we strongly believe there are cost savings to be achieved by changing plans from Mass Mutual to GMEBS. The administrative fees are lower and the discount rate their plan assumes gives a better rate. We expect we should achieve savings in excess of \$200K by making the change. We are providing information to GMEBS to review our plans for compliance and audit our census. We expect to have results before June 30. We expect a change along will also improve our reporting for year-end audit purposes.

Bonds

The city has three bond issues for which we make payments, 2004A&B, 2007 and 2014. This budget assumes general fund responsibility of \$772K for bond payments. There may be opportunity that proceeds from prior property sales by the Development Authority may be available (dependent on the property schedule). Also, should Willingham close, proceeds should be transferred to the bond sinking fund.

Budgeting

This budget includes a factor for employee “churn” – percentage of staff not filled at any one time. Historical trends show actual personnel costs incurred are generally less than budgeted amounts, due to employee turnover, losses, and unfilled positions. This budget assumes a factor of 12%.

Fund Balance

Due to the above requests and assumptions, this budget does not project a significant add to fund balance, but essentially a net of receipts matching expenditures.

I recommend that should there be more cash inflows or savings identified (for example if the DA can fund a portion of the 2004B bonds) the City does not “replace” that cost with another add, unless mission critical.

Additionally – and a reminder, there are some functions that are interrelated

- Should equipment purchases be put off – the corresponding loan proceeds must be eliminated dollar for dollar
- Should council deny increases to public safety or reduce staff, there will be factors for both in personnel and to receipts.

Opportunities / Threats

Opportunities

Digest – Given historical trends the assessments may exceed a 5% increase

Bonds – Development Authority is reviewing its property sales list for 2018 to determine if any proceeds are related to 2004B bond purchases

Also, should Willingham close before July, there is opportunity for funding the bond payments for 2004B

Threats

Digest – could be flat or lower (unlikely)

Staffing – could be 100% for the year

Fund Balance – we have been advised to build reserves. Given the factors and assumptions, this budget does not reflect a direct increase to fund balance but does reflect a continued stabilization for the City with a view to future increases to fund balance.