

City Manager's Report for 2020-21 Budget Workshops

Tuesday, January 21 and Wednesday, January 22, 2020
Special Council Meetings at 4:30 p.m.

Background: This is a summary regarding the Council, Mayor & Administration sections of the budget, as well as some topics that apply throughout the budget cost centers.

In your budget books are memos from each Department Director. It's important for you to hear the goals and ideas from each department, including mid to long term priorities. Also included in the budget binders is the draft 2019 Goal Setting Report.

This budget contains many positives, and many more positives than the FY19-20 budget. A 4% General Fund cash balance (\$84,242) is the beginning number for this year's budget. This is a significant improvement over the 10 ½% negative balance (minus \$233,252) at the beginning of the FY19-20 budget workshops. The Iowa League of Cities advises a 17% cash balance (also known as reserves or unencumbered cash). 10% is a more realistic goal, and I believe this is achievable within the next 5 years. 10% of \$2,149,529 is \$214,952.90.

The proposed budget includes a modest drop in the levy (approximately 45 cents per \$1,000), and a slight increase in the amount of property tax revenue. Regarding the new law on the 2% threshold, our current "Total tax" number from the State's 71-665 form for FY19-20 is \$1,823,756. The projected new number is \$1,837,700. This is an increase of .76% (¾ of one percent, and will not trigger the extra hearing).

Our Local Option Sales tax (L.O.S.T.) is healthy and is projected to allow us to fund wages for our recreation staff (\$87,683), cemetery road fixes (\$20,000), RIDES paratransit service (\$20,000), Golf course (\$10,000). This also includes, for the 1st time, partial funding of the wages for our Cemetery Sexton from Local Option Sales Tax - this is a better source of funding than the current source, which is the Water Enterprise fund. Nuisance enforcement and Dangerous & Dilapidated buildings will receive \$50,000 from L.O.S.T. The projected balance in Local Option Sales Tax is about \$27,942 plus investments of \$162,000. Last year, our adopted budget brought L.O.S.T. close to zero, except for the investments.

The FY20-21 General Fund budget, assuming no amendments, would be \$2,149,529. The FY19-20 adopted budget is \$2,021,828.

Fiscal Year	Projected expenditures	Cash balance (Reserves)	% Cash balance
2020-21	\$ 2,149,529.00	\$ 84,242.00	3.92%
2019-20 adopted	\$ 2,021,828.00	\$ 59,594.00	2.95%
2019-20 intro	\$ 2,218,098.00	\$ (233,252.00)	-10.52%
2018-19	\$ 1,892,618.00	\$ 59,594.00	3.15%
2017-18	\$ 1,799,385.58	\$ 99,015.12	5.50%
2016-17	\$ 1,479,289.10	\$ 120,911.72	8.17%
2015-16	\$ 1,299,678.87	\$ 109,286.83	8.41%

We have highlighted the main additional needs which were included in the budget.

Personnel: Our most important asset is our people. We currently have 31 approved full-time employees City wide, with two vacant positions (Chief of Police and Streets Superintendent). Here is the overall summary of our personnel:

- FT: 31 authorized – two vacancies
- PT: 52 (includes elected officials. Does not include the 16 EMS officers, which are counted below)
- Seasonal: 54
- EMA: 14
- SCAT: 24
- Fire: 35

As noted in last year’s budget, our worker’s compensation premium has been cut in half – from \$87,471 for FY18-19 to an estimated \$45,000 for FY19-20. We do not have new numbers for FY20-21 and at this point are assuming a zero percent increase for Worker’s Compensation and Liability Insurance.

A 3% pay increase for union employees is included, effective July 1. A 3.5% increase is included for Police Officers. This budget includes 3% for non-union as well. Both AFSCME units (Public Works and Police) are on three-year contracts which end on June 30, 2020.

Our health insurance renewal information will be available in April. Tom Fuoss recommends planning on a 10% increase. As Angie mentioned in her memo, we are headed into this year's budget cycle with \$108,268 savings due to the factors of:

- 19 of 31 employees switching to Health Savings Accounts.
- Two employees are currently not on our insurance. We have budgeted for them to be on our insurance, but have realized savings because they are not.
- Two vacancies (Police Chief and Street Superintendent). Again, these positions are fully budgeted for, but the vacancies have resulted in savings in the current fiscal year.

For the two AFSCME union units, the City now pays 85% of the difference from family to single; 95% for non-union.

Here was the chart presented in the FY19-20 budget, and this was before HSA was factored in. The adopted FY19-20 budget had a total number of \$789,119.04 for the City's cost.

Monthly health insurance premium - employee portion	Single	Family	5% (of difference from Family to Single)	15% (of difference from Family to Single)	20% (of difference from Family to Single)
FY18-19	\$ 798.04	\$ 1,995.10	\$ 59.85	\$ 179.56	\$ 239.41
FY19-20	\$ 877.84	\$ 2,194.61	\$ 65.84	\$ 197.52	\$ 263.35

The FY20-21 budget includes the 90% City contribution for non-union, and 90% for union. And here is the new chart, updated accordingly.

Monthly health insurance premium - employee portion	Single	Family	10% of single plan	10% (of difference from Family to Single)
FY18-19	\$ 798.04	\$ 1,995.10	\$ 79.80	\$ 119.71
FY19-20	\$ 877.84	\$ 2,194.61	\$ 87.78	\$ 131.68
FY20-21 NON-HSA	\$ 693.96	\$ 1,981.32	\$ 69.40	\$ 128.74
FY20-21 HSA	\$ 496.33	\$ 1,656.11	\$ 49.63	\$ 115.98

If all the employees would transition to the HSA plan, the City’s expense would drop to \$698,193. This is a drop in cost of about 11.52%, when compared to the current FY19-20 budget of \$789,119.04. We will discuss this further in the budget sessions.

Overall Budget process:

- The Legislature is in session, and an annual concern for Iowa’s local governments are the “backfill” dollars. The impact for Sheldon is significant. We expect to receive \$104,054 in FY20-21. The “backfill” is not a subsidy of the City by State Government. This was a commitment to reduce commercial and industrial taxes in Iowa and partially replaces money we otherwise would have received. Cities like Waukee and Ankeny are growing faster than average, which provides fuel for the argument to reduce the allocations. We appreciate the past support of our local legislators on this important issue and hope we will have their support on this matter again this coming session. The Iowa League of Cities is closely monitoring this.

Below are the Sheldon “backfill” numbers from the State’s website.

Sheldon Backfill \$'s	2019-20	2019-20	2018-19	2018-19	2017-18	2017-18	2016-17	2016-17
LEVY	LEVY	AMOUNT OF	LEVY	AMOUNT OF	LEVY	AMOUNT OF	LEVY	AMOUNT OF
TYPE	RATE	BACKFILL	RATE	BACKFILL	RATE	BACKFILL	RATE	BACKFILL
REGULAR GENERAL	\$8.10	\$ 54,989	\$8.10	\$ 56,814	\$8.10	\$ 56,814	\$8.10	\$ 58,524
NON-VOTED & VOTED GENERAL	\$0.41	\$ 2,749	\$0.27	\$ 1,894	\$0.27	\$ 1,894	\$0.27	\$ 1,951
EMERGENCY	\$0.14	\$ 952	\$0.27	\$ 1,894	\$0.27	\$ 1,894	\$0.27	\$ 1,951
EMPLOYEE BENEFITS	\$6.21	\$ 42,147	\$4.75	\$ 33,306	\$4.75	\$ 33,306	\$3.71	\$ 26,839
DEBT SERVICE	\$0.46	\$ 3,217	\$0.48	\$ 3,349	\$0.48	\$ 3,349	\$1.25	\$ 9,006
CAPITAL PROJ RESERVE	\$0.00	\$ -	\$0.00	\$ -	\$0.00	\$ -	\$0.00	\$ -
Totals (Non-TIF funds)	\$15.31	\$ 104,054	\$13.87	\$ 97,257	\$13.87	\$ 97,257	\$13.60	\$ 98,271
Totals (TIF funds)		\$ 8,960		\$ 3,336		\$ 2,020		\$ 16,403
New Totals (w/ non-TIF & TIF)		\$ 113,014		\$ 100,593		\$ 99,277		\$ 114,674

- Source: <https://dom.iowa.gov/document/commercial-industrial-replacement-payments>
- Included in the budget are the summaries of the City’s debt, which has four components: General Obligation, Lewis & Clark Water, Wastewater Revenue Bond and Crossroads Pavilion (TIF).

- As for General Obligation (GO), our bond capacity has increased. Based on the previous valuations, we were at 62.38% of capacity in FY20-21. We are now at 52.20% of capacity with the new valuations that Scott Stevenson sent us on January 13. This is great news. Remember that Lewis & Clark and the WWTP bonds do not count against GO debt. The Pavilion debt does count against our GO debt. With this new capacity, we can borrow to help address some of our Street issues. Todd and I will be discussing this further with you during the budget process.

Sam Kooker