

City Council Agenda Memo

From: Erick Rangel, Chief Financial Officer

Council Meeting: January 26, 2021 / February 9, 2021

Subject: Ordinance 21-002, an Ordinance Authorizing Supplemental Appropriation #1 to the 2021 Budget – Parts 1 and 2

Person(s) Responsible: Paul Briseno, City Manager
Erick Rangel, Chief Financial Officer
Jacob Meshke, Assistant City Manager
Susan Rotert, Director of Human Resources

Summary:

Part 1 will increase non-profit funding by \$41,014 from 2020 unspent funds per Resolution 20-111.

Part 2 will increase funding by \$264,013 to implement the 2021 Labor Union Contract allocating the negotiated wage adjustment to the respective city departments' budgets and reallocate 2021 budget appropriations to fund the new Public Works Department per Ordinance 20-022.

Background:

Part 1

Annually, the City Council commits a portion of the budget for outside agency funding. The 2021 budget contains \$1.4 million for outside agencies; \$225,486 of 2021 funds are committed to non-profits through the new United Way funding process. All social service requests for city funds were received through the United Way process.

Part 2

At the time the 2021 Budget was prepared and presented to City Council, there was uncertainty of what the COVID-19 impact would be on the city's sales tax revenue. Following the conservative budgeting principles, city leadership was proactively managing operational budgets to a (-8%) year over year tax revenue decrease. Under this scenario, but acknowledging that things could divert from it, negotiations with the collective bargaining units were based on four potential scenarios driven by full 2020 year over year sales tax revenue performance:

- 1) (-8%) decrease or lower
- 2) 2% better than expected; or (-6%) decrease
- 3) 3% better than expected; or (-5%) decrease
- 4) 4% better than expected or higher; or (-4%) decrease or lower

The city reorganization, with the establishment of the Public Works Department, to develop a more cohesive department with coordinated efforts of services for the community was approved through Ordinance 20-022 late last year. The new department contains the divisions of Engineering, Solid Waste, and Streets. The proposed budget reallocation does not add any new full time equivalents nor has incremental budget impact on the General Fund. The proposed action will create the Public Works Department and allocate its respective funding within the city's 2021 budget.

Discussion:

Part 1

COVID funding from state and federal dollars allowed BATA to decrease the City's 2020 contribution by \$34,500. The Community Band did not hold any events in 2020 resulting in a return of funding to the City. This results in additional unspent 2020 funds that were committed to non-profit funding. Locally, COVID-19 has impacted non-profits. Council committed to redistributing these funds to the 2021 non-profit allocation and this action will complete Council's intention.

Part 2

The city's total tax collections for 2020 for 1st and 2nd Penny (main funding source for the city's operations and infrastructure projects) were (-1.7%) lower than last year on an adjusted basis; thus, staff recommends implementation of the 2021 labor contractual stipulations for scenario four. These stipulations include the implementation of the new salary ranges based on the results of an independent salary survey which benchmarked the city's current salary ranges with 19 nearby agencies and peer communities including the cities of Watertown, Aberdeen, Hays-Kansas as well as SDSU. The stipulations also include a 1% salary increase or payout for those who do not receive an increase during implementation of the salary survey results.

The Public Works Department will contain the functions of Engineering, Storm Water, Airport, snow removal, mosquito control, street maintenance, fleet, Landfill and Collections. Given the size and the nature of the Solid Waste, Streets, and Airport Departments, they will continue existing within the city's budget. Initially, the Engineering Department's Budget will be reallocated into the Public Works Department. Additionally, funding from the Solid Waste and Streets Departments will be reallocated to the Public Works Department to partially fund the Public Works Director position.

Legal Consideration:

None.

Strategic Plan Consideration:

Promoting high quality of life for residents through innovative thinking and proactive, fiscally-responsible municipal management.

Financial Consideration:

Part 1

Increases the non-profit outside agency funding by \$41,014. The Governance and Ends Policy states City Council may allocate up to 4% of the annual General Fund expenditures to subsidize community needs and programs. The City's current and projected financial health and stability is a key deciding factor in determining its ability to provide funds to outside organizations. The original 2021 funding meets the 4%, additional funds would over extend this policy. Due to COVID-19, there is an unprecedented need for additional funds. The proposed increase is due to a one-time revenue source and should not create an ongoing dependency or expectation of continued level of support. This change brings the total 2021 city funding for social service agencies to \$266,500.

Part 2

The implementation of scenario four contractual stipulations results in an incremental expense of \$264,013 to the respective City's General, Special, and Enterprise Funds. This compares to \$330,000 or a 2.25% increase implemented in 2020.

The reallocation of funds to the new Public Works has no incremental budget impact to the General Fund.

The city incremental payroll expense will be funded with 2020 surplus funds of 6.2% better than expected 1st Penny revenues (-1.7%) vs (-8%) which, at this point, is estimated to be around \$430,000.

Options and Recommendation:

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Refer to a study session
5. Do nothing

Staff recommends approval of the ordinance as presented.

Supporting Documentation:

Ordinance

Ordinance 20-022

Resolution 20-111

2020 Sales Tax Report