



DATE: October 31, 2019
TO: The Honorable Mayor and Members of City Council
Cynthia Martinez, Interim City Manager
FROM: Steve Groom, Finance Director
RE: 2020 Proposed Budget

Staff respectfully submits the revised Preliminary 2020 Budget for adoption, following the public hearings on Nov. 5th and 19th.

The revised Preliminary 2020 Budget incorporates all the direction given by Council during the October 2019 Budget Study Sessions. This document presents a balanced General Fund that delivers \$526,000 to reserves.

Achievements. The City Council made Budget 2020 decisions, enabling Finance to finalize ordinances, reports, narratives and other documents that must all agree with each other at final adoption on December 3rd. Council and staff have worked hard throughout a challenging process, exploring creative options and alternatives, to maintain current service levels. In October, the City Council held public study sessions and made decisions on proposed policy issues achieving the following:

- ✓ \$525,928 to be added to the City's General Fund reserves
- ✓ \$390,000 to address illegal dumping and homelessness encampment code enforcement
- ✓ \$300,000 technology enhancements
- ✓ \$95,000 investment in improved fuel management technology
- ✓ \$87,000 for improved parking enforcement technology
- ✓ \$50,000 additional anticipated election expenses
- ✓ \$50,000 for Pedestrian Master Plan
- ✓ \$50,000 for additional traffic-calming measures
- ✓ \$50,000 for pavement condition index assessment to guide improvements
- ✓ \$44,000 for improved police department cell phone communications
- ✓ \$40,000 community center maintenance
- ✓ \$35,000 for airport closed circuit monitoring
- ✓ \$15,000 for parks field maintenance

Priorities. The budget process requires us to evaluate annually the city's priorities, between immediate services and infrastructure, across many funds, being mindful of long-term fiscal sustainability. The goals of the 2020 Budget are:

- ✓ Achieve a balanced budget in every fund
- ✓ Assure appropriately-prioritized service delivery
- ✓ Achieve improvement in General Fund reserves

Funding decisions. Proposed new funding sources approved for 2020 are:

- ✓ \$390,000 utility tax increase

- ✓ \$50,000 fire inspection filing report fees
- ✓ \$291,000 two-tier hazardous materials fees
- ✓ \$12,250 special event fee increase
- ✓ \$10,000 inspection fee increase
- ✓ \$6,957 airport rate increases

Who participated? Staff participates year-round providing service delivery and managing the budget as unforeseen surprises occur. Next year's budget is largely based on what we know about this year's difficulties. City Council exercises governance year round and makes policy decisions. Citizens had the opportunity to speak at study sessions and will have additional opportunities to speak at this hearing and the hearing on November 19th. Property Tax and Sales Tax are the largest sources of revenue for the General Fund. When property owners thrive, property values increase; property tax is a significant funding source for city services. When businesses thrive, our sales tax increases. The City serves the people who, in turn, fund the services provided by city government. Everyone participates in making Yakima a better place.

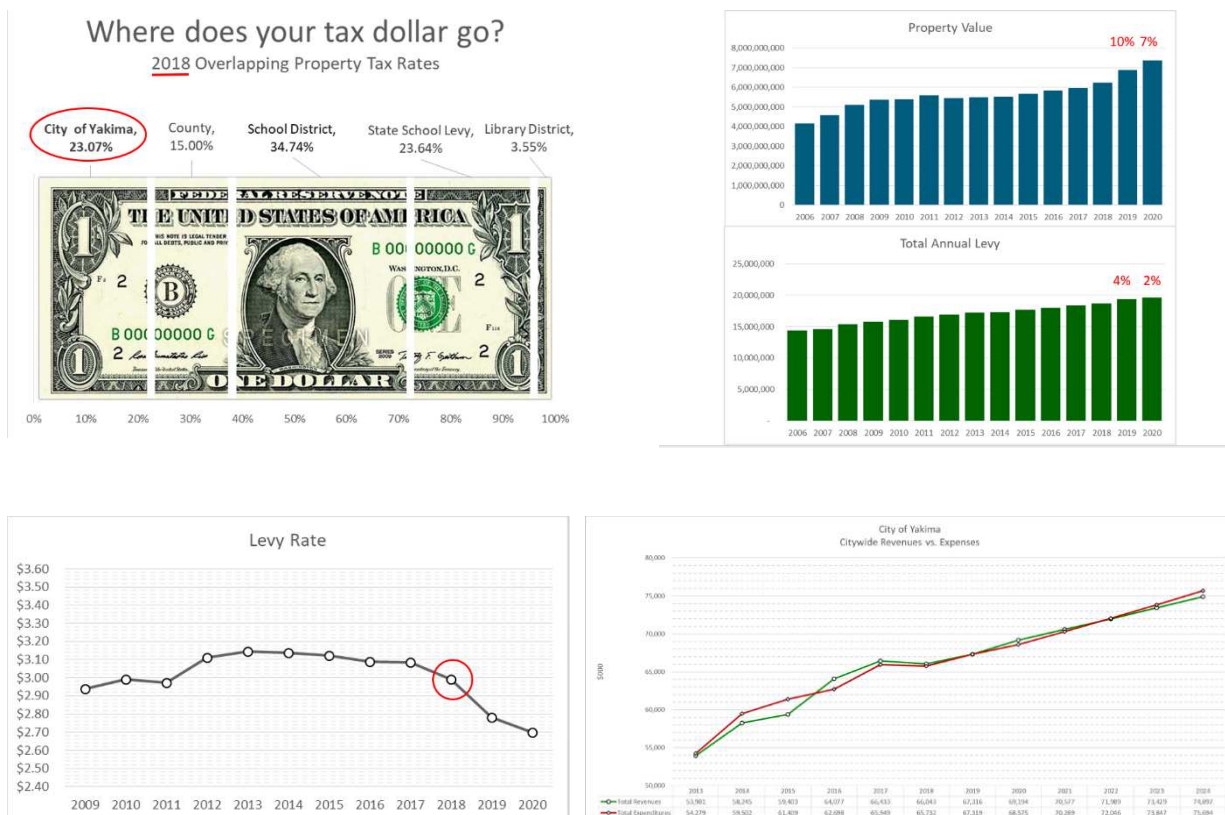
The following table summarizes the proposed budget across all funds. General Fund provides for \$525,928 for additional reserves; Enterprise Construction funds are expending over \$13 million for current and previous year projects, some of which come from prior year savings in those funds.

2020 RESERVE BALANCE SUMMARY

	Estimated 2020 Beg. Fund Balance	2020 Projected Revenues	2020 Proposed Expenditures	Increase in (Decrease in) Reserves	Estimated 2020 Ending Balance
General Fund	\$ 9,409,285	\$ 69,699,424	\$ 69,173,496	\$ 525,928	\$ 9,935,213
Parks and Recreation	377,822	5,531,468	5,531,468	—	377,822
Street & Traffic Operations	27,841	8,661,450	8,661,450	—	27,841
General Government Subtotal	9,814,948	83,892,342	83,366,414	525,928	10,340,876
Other Governmental Operating Funds	5,812,992	14,118,887	13,848,344	270,543	6,083,535
Government Capital Funds	13,444,904	13,615,426	11,990,293	1,625,133	15,070,037
Enterprise Operating Funds	14,282,991	61,170,191	62,433,441	(1,263,250)	13,019,741
Enterprise Capital Funds	30,619,261	13,009,100	25,250,221	(12,241,121)	18,378,140
Internal Service Funds	1,521,003	6,122,344	6,453,798	(331,454)	1,189,549
Employee Benefit Reserve	1,635,910	16,480,664	16,360,119	120,545	1,756,455
Risk Management Reserves	1,957,623	5,037,870	5,042,916	(5,046)	1,952,577
Debt Service & Agency Funds	2,477,558	7,809,554	7,802,697	6,857	2,484,415
Total	\$ 81,567,190	\$ 221,256,378	\$ 232,548,243	\$ (11,291,865)	\$ 70,275,325

Levy Lid Lift. The proposed budget seeks to overcome the single biggest problem that all Washington cities share: capped property tax that does not keep pace with property valuations and city costs that typically are more in line with the Consumer Price Index, which was 2.7%. Due to the cap on the city's property tax levy, city residents will see the city's tax rate decrease while their assessed value increases.

Given the continued squeeze on service delivery, deferred capital / vehicle replacement, and fund balance restoration that is partially attributable to declining levy rate, Council gave direction to proceed with a Levy Lid Lift resolution for a February election.



Every year the budget must balance per state statute. Projected revenues are always outpaced by projected expenditures, which forces difficult prioritizing and decision-making as a part of each budget process. A Levy Lid Lift will ensure funding is available in the future to meet growing public safety demands, on-going public safety vehicle replacement, and technology needs.