



MEMORANDUM

TO: The Honorable Mayor and Members of City Council
Cynthia Martinez, Interim City Manager

FROM: Steve Groom, Finance Director

DATE: October 28, 2019

RE: 2020 Proposed Budget

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

The revised Preliminary 2020 Budget, for Council's final consideration, 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. 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 public study session, council decisions on proposed policy issues, achieving:

- ✓ \$525,928 to be added to the City's General Fund reserves.
- ✓ \$390,000 to address illegal dumping and homelessness encampment code enforcement
- ✓ \$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

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's fund balance

Who participated? Staff participates year-round providing service delivery and managing within budget as unforeseen surprises occur. Staff input for each budget year is critical. 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 final decisions. Citizens had opportunity to speak at those study sessions and will also at the annual budget hearings. Property Tax and Sales Tax are the largest sources of revenue for the General Fund. When property owners thrive, property

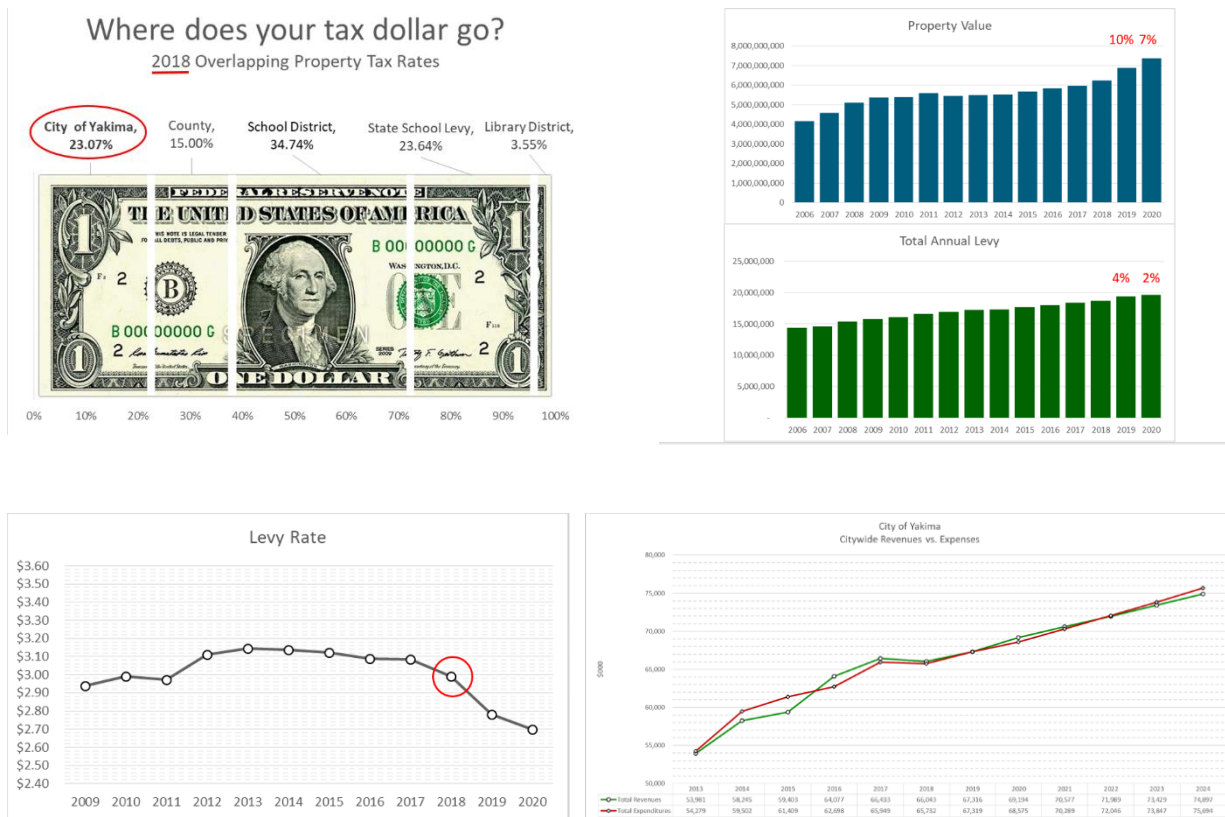
values increase; property tax is a significant funding source for city services. When businesses thrive, our sales tax increases. The City serves the people who, in turn, fund the services provided by city government. Everyone participates in making Yakima a better place.

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	<u>\$ 81,567,190</u>	<u>\$ 221,256,378</u>	<u>\$ 232,548,243</u>	<u>\$ (11,291,865)</u>	<u>\$ 70,275,325</u>

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.



Every year's budget must balance, necessarily, by statute. Projected revenues are always outpaced by projected expenditures, which forces difficult prioritizing and decision-making as a part of each budget process. The end result is a balanced budget at the end of a conversation that includes residents, citizens and taxpayers to deliver the services of highest priority.