



DATE: October 27, 2020

TO: Honorable Mayor and Members of City Council

FROM: Bob Harrison, City Manager
Steve Groom, Finance Director
Kimberly Dominé, Finance Division Manager

RE: 2021 Proposed Budget

Staff respectfully submits the revised 2021 Budget for adoption, following publicly-noticed Study Sessions held on October 6th, 8th, 13th and 15th, for public hearings on November 2nd and 17th.

The revised Preliminary 2021 Budget incorporates all the direction given by Council during the October 2020 Budget Study Sessions, as detailed on the last page of this document. The 2021 Budget forecasts a balanced General Fund, projected to add \$34,000 to reserves.

Achievements. The City Council made Budget 2021 decisions, enabling Finance to finalize ordinances, reports, narratives and other documents that must all agree with each other at final adoption on December 1st. Council and staff have worked hard throughout a challenging process, during a challenging time, exploring creative options and alternatives, to maintain current service levels. As discussed in the City Council's public study sessions, the 2021 Budget achieves the following:

- ✓ Continued service delivery in all departments through the COVID emergency
- ✓ 5-year Capital Budgets were developed for all Capital Funds
- ✓ \$34,000 to be added to the City's General Fund reserves

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 services citywide
- ✓ Protect General Fund reserves
- ✓ Assure long-term sustainability across all funds

Funding decisions. Proposed new funding sources approved for 2021 are:

- ✓ Modest refuse rate increases over the next 5 years

Process input. Staff participates year-round providing service delivery and managing the budget through unforeseen surprises. 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 provide study session input and will have additional opportunities at this hearing and the hearing on November 19th. Property Tax and Sales Tax are the largest sources of revenue for the General Fund, the most material forecasting assumptions. 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. Some Enterprise and Construction Funds are budgeting to spend expenditures over current-year revenues for current and previous year projects, some of which comes from prior-year project approvals or savings in those funds.

	Estimated 2021 Beg. Fund Balance	2021 Projected Revenues	2021 Proposed Expenditures	Increase in (Decrease in) Reserves	Estimated 2021 Ending Balance
General Fund	\$ 10,867,571	\$ 69,664,332	\$ 69,630,142	\$ 34,190	\$ 10,901,761
Parks and Recreation	666,337	5,795,833	5,795,001	832	667,169
Street & Traffic Operations	180,077	6,353,125	6,352,464	661	180,738
General Government Subtotal	11,713,985	81,813,290	81,777,607	35,683	11,749,668
Other Governmental Operating Funds	6,881,203	16,457,395	16,506,986	(49,591)	6,831,612
Government Capital Funds	13,008,621	15,605,321	19,424,789	(3,819,468)	9,189,153
Enterprise Operating Funds	20,112,101	67,087,170	66,779,715	307,455	20,419,556
Enterprise Capital Funds	30,097,360	31,845,671	27,463,930	4,381,741	34,479,101
Internal Service Funds	1,844,972	7,235,396	8,255,095	(1,019,699)	825,273
Employee Benefit Reserve	5,100,391	16,293,943	16,433,061	(139,118)	4,961,273
Risk Management Reserves	2,432,234	5,126,916	5,688,793	(561,877)	1,870,357
Debt Service & Agency Funds	2,935,832	7,495,303	7,495,303	—	2,935,832
Total	\$ 94,126,699	\$ 248,960,405	\$ 249,825,279	\$ (864,874)	\$ 93,261,825

As a result of Study Session Discussion, three revisions have been made to the 2021 Budget, and will be included in the budget ordinance on December 1st:

1. The State Supreme Court's October 15th decision to overturn I-976, the car-tab initiative, restored funding for streets projects that had relied on this forecasted revenue, most notably the North 1st Street revitalization. The 2021 Budget has been revised to include an estimate of \$1.6 million for TBD revenue in the Streets Capital Fund. City Manager, Legal, Public Works and Finance staff will continue to review and coordinate.
2. Mill site development funding has been revised in the 2021 Budget to reflect council direction as discussed in the October 15th study session.

Funds	Amount	Notes
Department of Ecology Grant	\$ 8,700,000	Reimbursement Grant
Solid Waste Fund Cash Balance	\$ 500,000	Leaves estimated fund balance of \$1.3 million
Utility Contributions from Water, Wastewater, and Stormwater	\$ 3,218,000	Contribution for the preparation of the site area for utility installations
LIFT (2021/2022 contributions)	\$ 2,000,000	Covers the share of road contributions
TOTAL	\$14,418,000	

3. The Lodging Tax Advisory Committee met on October 22nd and after review and discussion, proposed the following revised allocation of 2021 Lodging Tax Revenue, which has now been input into the budget:

	Adopted Budget 2020	LTAC Recommendation August 27	LTAC Recommendation October 22
Revenue forecast	1,620,000	1,310,000	1,310,470
Less, existing city obligations			
Convention Center debt	486,000	347,051	347,051
Convention Center capital exp	238,430	72,949	65,654
Convention Center operations	489,600	606,000	545,400
Visitor Center Operations	74,020	52,900	57,375
Sports Commission Operations	84,660	87,500	78,750
	1,372,710	1,166,400	1,094,230
Capitol Theatre Operations	198,910	75,000	154,500
SunDome	48,380	48,600	43,740
Airport	-	-	-
SOZO	-	20,000	18,000
Museum	-	-	-
Total Expenses	1,620,000	1,310,000	1,310,470
Surplus (Deficit)	-	-	0