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DATE: October 22, 2021

TO: Honorable Mayor and Members of City Council

FROM: Bob Harrison, City Manager  
Jennifer Ferrer Santa-Ines, Director of Finance & Budget  
Kimberly Dominé, Finance Division Manager

RE: 2022 Proposed Budget

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Staff respectfully submits the revised 2022 Budget for consideration, following publicly-noticed Study Sessions held on October 5<sup>th</sup>, 7<sup>th</sup>, 12<sup>th</sup> and 14<sup>th</sup>, for public hearings on November 1<sup>st</sup> and 16<sup>th</sup>.

The revised Preliminary 2022 Budget incorporates direction given by Council during the October 2021 Budget Study Sessions, as detailed on the last page of this document. The 2022 Budget forecasts a balanced General Fund and maintains a conservative \$27,000 contribution to the ending balance. We are hopeful that the economy continues to recover from the effects of COVID, and that we continue to make progress toward fiscal sustainability.

**Achievements.** The City Council made policy decisions, enabling Finance to finalize ordinances, reports, narratives and other documents that must all agree with each other at final adoption on December 7<sup>th</sup>. Council and staff have worked hard throughout a challenging process exploring creative options and alternatives to maintain current service levels. As discussed in the City Council's public study sessions, the 2022 Budget goals include the following:

- Achieve a balanced budget in every fund
- Assure prioritized services citywide
- Preserve General Fund's reserve
- Establish replacement funding for public safety equipment

**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 Yakima Council Strategic Priorities for 2022 are:

1. Public Safety
2. Fiscal sustainability
3. Housing
4. Strengthening Partnership
5. Investment in infrastructure

**Substantive Funding decisions.** Council is considering an increase in the in-lieu tax from 15% to 20% for refuse utility and stormwater utility at its November 1<sup>st</sup> business meeting. For 2022, Council is supportive of a \$1,000,000 investment for future replacement of police vehicles and \$800,000 for fire apparatus.

**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 today. 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 16<sup>th</sup>. Property Tax, Sales Tax and Utility & Franchise 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.

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 2022 Beg. Fund Balance	2022 Projected Revenues	2022 Proposed Expenditur	Inc in (Dec in) Reserves	Estimated 2022 Ending Balance	% of Prop Exp
General Fund	\$ 14,096,372	\$ 69,446,077	\$ 69,419,316	\$ 26,761	\$ 14,123,133	20.3 %
Parks and Recreation	913,962	5,565,769	6,214,139	(648,370)	265,592	4.3 %
Street & Traffic Operations	1,133,950	6,478,808	6,481,452	(2,644)	1,131,306	17.5 %
General Government Subtotal	16,144,284	81,490,654	82,114,907	(624,253)	15,520,031	18.9 %
Other Governmental Operating Funds	12,831,025	29,248,958	18,739,559	10,509,399	23,340,424	124.6 %
Government Capital Funds	11,733,709	34,512,287	29,785,352	4,726,935	16,460,644	55.3 %
Enterprise Operating Funds	29,598,868	66,959,553	74,425,352	(7,465,799)	22,133,069	29.7 %
Enterprise Capital Funds	32,186,736	35,539,541	49,407,226	(13,867,685)	18,319,051	37.1 %
Internal Service Funds	3,223,023	9,987,480	8,613,143	1,374,337	4,597,360	53.4 %
Employee Benefit Reserve	5,304,968	16,799,465	16,930,138	(130,673)	5,174,295	30.6 %
Risk Management Reserves	3,555,419	5,826,575	5,548,673	277,902	3,833,321	69.1 %
Debt Service & Agency Funds	2,560,778	7,100,227	7,100,485	(258)	2,560,520	36.1 %
Total	\$ 117,138,810	\$ 287,464,740	\$ 292,664,835	\$(5,200,095)	\$ 111,938,715	38.2 %

As a result of Study Session Discussions, revisions as outlined below have been made to the 2022 Preliminary Budget originally submitted on October 1st, and will be included in the budget ordinance on December 7<sup>th</sup>.

<b>Additional budgetary items - not included in the Preliminary Budget</b>	<b>2022 Budget</b>
Workers compensation rate increase	\$ 25,000
Minimum Wage Increase	\$ 37,000
Axon in car video system annual service fee	\$ 150,000
Clean City Enhancements	\$ 423,500
<b>Total Additions</b>	<b>\$ 635,500</b>