



DATE: November 4, 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

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

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 7th. 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.

At the November 1, 2021 business meeting, Council considered and approved the in-lieu tax from 15% to 20% for refuse utility. At its November 16, 2021 business meeting, Council will consider the passage of this increase to refuse utility customers.

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 16th. 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 %

The table below will be adjusted to reflect the decision made by Council to consider the additional 5% increase in in-lieu tax to be passed on to refuse utility customers at its November 16th business meeting. In addition, the budget ordinance for adoption on December 7th will also reflect the increase in 2022 healthcare premiums communicated to Council during the November 1st budget public hearing.