



DATE: November 15, 2022
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: 2023-2024 Biennial Revised Preliminary Budget

Staff respectfully submits the 2023-2024 Biennial Revised Preliminary Budget for consideration, following publicly-noticed Study Sessions held on October 4th, 6th and 11th for public hearings on November 1st and 15th.

The 2023-2024 Biennial Revised Preliminary Budget incorporates direction given by Council during the October 2022 Budget Study Sessions, as detailed on the last page of this document. The 2023-2024 Biennial Budget forecasts a balanced General Fund using \$1.6 million of fund balance reserves. Staff will work closely with council in the upcoming years to discuss long-term planning towards fiscal sustainability. At the aggregate level, The City maintains a projected ending fund balance of 20% at the end of 2023 and 17% through year-end 2024.

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 November 15th. 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 budgetary goals for the biennium include the following:

- Achieve a balanced budget in every fund.
- Assure prioritized services citywide.
- Preserve General Fund's reserve, with a goal of 25% of expenditures.
- Establish sustainable funding for equipment replacement.
- An updated 5-year capital budget, developed for all funds, including projects within the General Fund.

Priorities. The budget process requires us to evaluate the city's priorities, between immediate services and infrastructure, across many funds, being mindful of long-term fiscal sustainability. The Yakima Council Strategic Priorities were re-affirmed from last year as follows:

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

Process input. Staff participates year-round providing service delivery and managing the budget through unforeseen surprises. The budget for the biennium 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 15th. Property Tax, Sales Tax and Utility & Franchise Tax are the largest sources of revenue for the General Fund, the most material forecasting assumptions.

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.

2023 RESERVE BALANCE SUMMARY

	Estimated 2023 Beg Fund Balance	2023 Projected Revenue	2023 Proposed Expenditure	Increase in (Dec in) Reserves	Budgeted 2023 Ending Balance	% of Prop Exp
General Fund	\$ 16,250,835	\$ 71,773,445	\$ 73,349,628	\$ (1,576,183)	\$ 14,674,652	20.0 %
Parks and Recreation	488,660	6,162,752	6,233,727	(70,975)	417,685	6.7 %
Street & Traffic Operations	1,318,167	6,415,663	6,517,426	(101,763)	1,216,404	18.7 %
General Government Subtotal	18,057,662	84,351,860	86,100,781	(1,748,921)	16,308,741	18.9 %
Other Governmental Operating	20,366,497	16,063,629	20,982,018	(4,918,389)	15,448,108	73.6 %
Government Capital Funds	15,069,748	18,435,284	23,098,236	(4,662,952)	10,406,796	45.1 %
Enterprise Operating Funds	30,065,202	65,952,528	66,503,931	(551,403)	29,513,799	44.4 %
Enterprise Capital Funds	21,685,860	26,808,444	30,676,588	(3,868,144)	17,817,716	58.1 %
Internal Service Funds	3,233,360	10,307,381	11,930,152	(1,622,771)	1,610,589	13.5 %
Employee Benefit Reserve	5,835,063	17,909,046	17,272,153	636,893	6,471,956	37.5 %
Risk Management Reserves	4,985,438	5,438,458	6,418,704	(980,246)	4,005,192	62.4 %
Debt Service & Agency Funds	3,609,717	6,837,743	6,837,234	509	3,610,226	52.8 %
Total	<u>\$ 122,908,547</u>	<u>\$ 252,104,373</u>	<u>\$ 269,819,797</u>	<u>\$ (17,715,424)</u>	<u>\$ 105,193,123</u>	39.0 %

2024 RESERVE BALANCE SUMMARY

	Estimated 2024 Beg Fund Balance	2024 Projected Revenue	2024 Proposed Expenditure	Increase in (Dec in) Reserves	Budgeted 2024 Ending Balance	% of Prop Exp
General Fund ⁸	\$ 14,674,652	\$ 73,500,799	\$ 75,106,942	\$ (1,606,143)	\$ 13,068,509	17.4 %
Parks and Recreation	417,685	6,691,386	6,362,168	329,218	746,903	11.7 %
Street & Traffic Operations	1,216,404	6,435,518	6,642,466	(206,948)	1,009,456	15.2 %
General Government Subtotal	16,308,741	86,627,703	88,111,576	(1,483,873)	14,824,868	16.8 %
Other Governmental Operating	15,448,108	16,236,849	19,253,194	(3,016,345)	12,431,763	64.6 %
Government Capital Funds	10,406,796	19,358,327	21,450,951	(2,092,624)	8,314,172	38.8 %
Enterprise Operating Funds	29,513,799	66,227,943	68,644,017	(2,416,074)	27,097,725	39.5 %
Enterprise Capital Funds	17,817,716	16,715,026	12,080,147	4,634,879	22,452,595	185.9 %
Internal Service Funds	1,610,589	10,107,344	11,148,566	(1,041,222)	569,367	5.1 %
Employee Benefit Reserve	6,471,956	18,610,432	17,614,254	996,178	7,468,134	42.4 %
Risk Management Reserves	4,005,192	5,764,765	7,299,121	(1,534,356)	2,470,836	33.9 %
Debt Service & Agency Funds	3,610,226	5,621,050	5,620,751	299	3,610,525	64.2 %
Total	<u>\$ 105,193,123</u>	<u>\$ 245,269,439</u>	<u>\$ 251,222,577</u>	<u>\$ (5,953,138)</u>	<u>\$ 99,239,985</u>	39.5 %