



NOTICE OF A REGULAR MEETING OF THE
BUDGET AND FINANCE COMMITTEE
OF THE CITY OF SUNSET VALLEY, TEXAS
THURSDAY, AUGUST 26, 2021 at 6:00 P.M.

This meeting will be held virtually via GoToTraining. To actively participate in the meeting virtually, please register at:

Registration URL: <https://attendee.gototraining.com/r/741224086387627266>

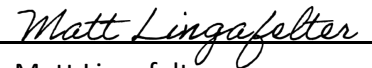
Training ID: 175-654-636

Notice is hereby given that the Budget and Finance Committee of the City of Sunset Valley, Texas will hold a Regular Meeting on Thursday, August 26, 2021 at 6:00 virtually at which time the following items will be discussed, to-wit:

1. 6:00 P.M. Call to Order
2. 6:00 – 6:05 Citizen Comments
3. 6:05 – 6:10 Council Liaison Report
4. 6:10 – 6:15 Approve minutes from the 8/5/2021 meeting
5. 6:15 – 6:30 Review, Discuss, and possibly make a recommendation to City Council for the 3rd quarter financial statements
6. 6:30 – 6:45 Review, Discuss, and possibly make a motion to bring back monthly financial statements
7. 6:45 – 7:00 Review, Discuss, and possibly make a motion to approve formatting the financial statements
8. 7:00 – 7:20 Review, Discuss, and possibly make a motion to approve onboarding materials for future Budget & Finance committee members
9. 7:20 – 7:40 Review, Discuss, and possibly make a recommendation to City Council to amend our financial policies to allow for the creation of Assigned Fund Balances (FP-105)
10. 7:40 – 7:55 Review and Discuss the Long-Range Financial Plan
11. 7:55 – 8:00 Suggestions for future agenda items
12. 8:00 P.M. Adjourn

A quorum of the City Council may attend the meeting, however, no official action by the City Council shall be taken.

I certify that the above notice of meeting was posted at City Hall, 3205 Jones Road, Sunset Valley, Texas, on the 20th of August 2021 at 6:00 PM.


Matt Lingafelter
City Secretary

The City of Sunset Valley is committed to the compliance with the American with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.

COUNCIL MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE – AGENDA #4

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal
sfleegal@sunsetvalley.org

SUBJECT: ADMINISTRATION

DESCRIPTION: Approve minutes from the 8/5/2021 meeting

Background:

APPLICABLE CODE SECTIONS: City of Sunset Valley Financial Policies

FUNDING: N/A

SUPPORTING MATERIALS PROVIDED: MINUTES



**MINUTES OF THE
BUDGET AND FINANCE COMMITTEE**
THURSDAY, August 5, 2021 at 6:00 P.M.

Members Present

Rudi Rosengarten, Council Liaison
Charles Young, Committee Chair
Ketan Kharod, Vice Chair
Justin Litchfield, Committee Member
Ariel Cloud, Committee Member
Terry Cowan, Committee Member
Michael Francis, Committee Member
Charles Goyette, Committee Member

Members Absent:

Liz Wright, Committee Member
Rose Hargrave, Committee Member

Staff Present

Sylvia Carrillo, City Administrator
Suzanna Fleegal, Accountant
J Horry, Director of Public Works
Lenn Carter, Chief of Police

This is not an official transcript of the minutes; the recorded audio is the official record.

1. Call to Order at 6:00 PM

2. Citizen Comments

Sylvia commented that Travis County has moved to Stage 5 for COVID and staff is now working remotely

Chip said thank you to all members and staff regarding budget season

3. Council Liaison Report

Rudi related council items about the new city website, the Ampersand contract, workplace safety requests, and Arts Commission and Home Depot grant.

4. Approve minutes from the 7/29/2021 meeting

Chip questioned the status of item #7 for emergency preparedness and staff responded that it will take more time

Motion to approve: Ketan

2nd: Michael

Motion passes unanimously

5. Presentation on where we are in the budget so far

Suzanna showed a report in OpenGov showing all of the FY22 budget approved thus far

6. Review, discuss, and possibly make a recommendation to City Council regarding revenues on the FY22 budget
No change was decided.

7. Presentation from Public Safety on officer retention

Chief Carter gave a presentation regarding the issues Sunset Valley has had with retaining police officers plus his recommendations to help this problem.

Chip would like to bring back officer salaries after the salary survey is complete

Michael would like salary survey to come back to B&F before council

8. Review, discuss, and possibly make a recommendation to City Council regarding the Crime Control District Tax contingency plan

Chief Carter gave recommendations to B&F on the contingency plan if CCDT doesn't pass

Motion to recommend to City Council that the expenses from the CCDT be moved to general fund if the CCDT doesn't pass: Ariel

2nd: Justin

Motion passes unanimously

9. Review, discuss, and possibly make a recommendation to City Council regarding the Mayor's Requests for the FY22 budget including possibly making an emergency preparedness fund

Chip suggested bringing back FP-103 to modify to include assigned fund balance verbiage. No action was taken.

10. Review, discuss, and possibly make a recommendation to City Council regarding the Solid Waste department FY22 budget

Ketan discussed how the City has a big subsidy for residents in solid waste.

Motion to pass on 100% of cost of extra carts above and beyond the city minimum to residents: Ketan

2nd: Justin

Motion passes unanimously

Motion to increase monthly solid waste base rate to \$4: Ketan

No second

11. Suggestions for future agenda items

Chip suggested:

- Bring in consultant to create a financial report
- Process improvements: onboarding for B&F, better defining relationship with council
- Long Range Plan

12. Adjourn

Motion to adjourn: Terry

Adjourned at 8:25 PM

DRAFT

BUDGET AND FINANCE COMMITTEE
MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE COMMITTEE AGENDA ITEM # 5

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal Accountant
sfleegal@sunsetvalley.org

SUBJECT: BUDGET AND FINANCE COMMITTEE – OVERVIEW

DESCRIPTION: Review, Discuss, and possibly make a recommendation to City Council for the 3rd quarter financial statements

BACKGROUND: Please view the 2021 3rd Quarter Financial Statement here:
https://stories.opengov.com/sunsetvalleytx/published/0c_uyF263

APPLICABLE CODE SECTIONS: N/A

STAFF RECOMMENDATION: N/A

SUPPORTING MATERIALS PROVIDED: YES / NO
PDF of 3rd Quarter FY21 Financial Statement



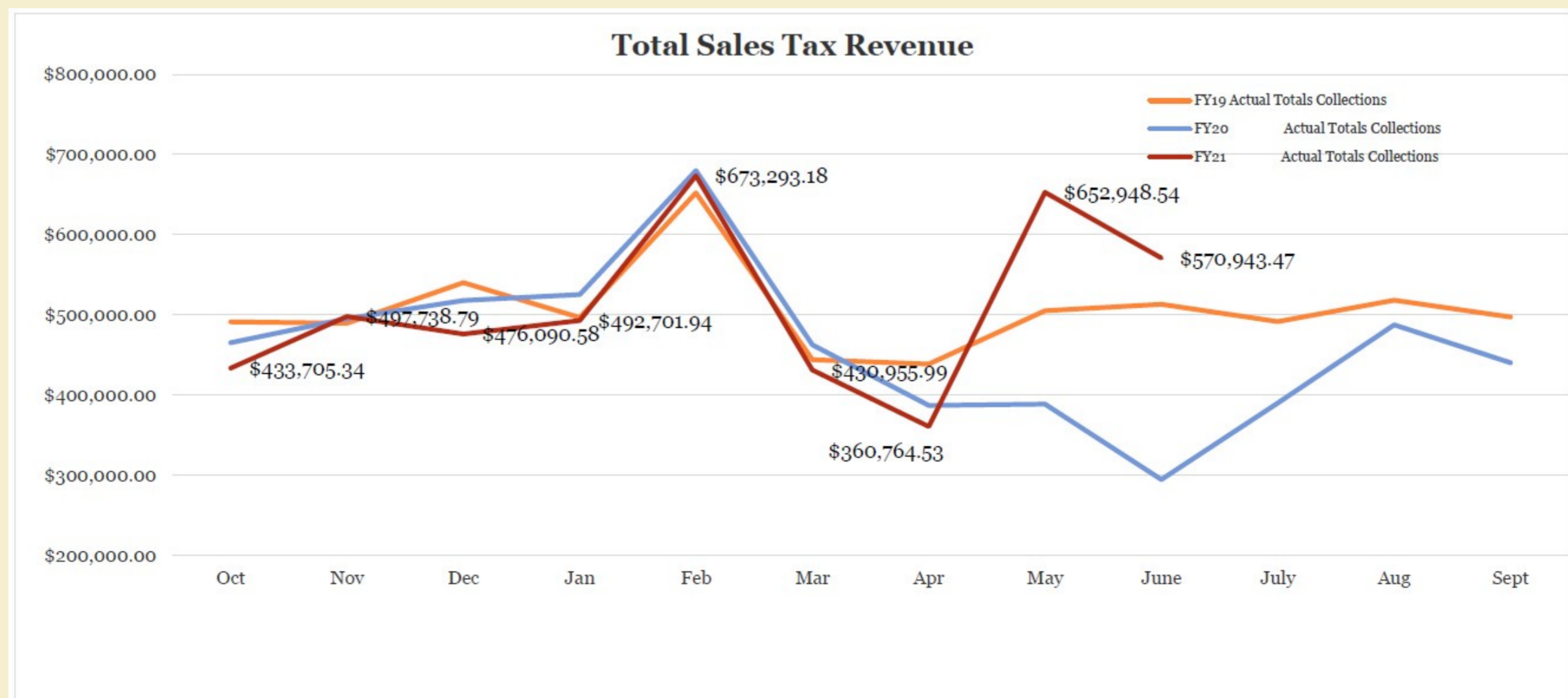
FY21 3rd Quarter Financial Update

City of Sunset Valley

Through June 2021

Sales Tax Revenue Through June 2021

Date	Sales for the month of		PROJECTED Monthly Collections (Budget) FY21	ACTUAL Monthly Collections FY21	Monthly Overage/ (Shortfall)	% Above or (Below) Monthly Budget	Total Collections FY21	% of Total Projected Budget	% Above or (Below) Total Budget	ACTUAL Monthly Collections FY20	Increase/ (Decrease) from previous year	% Above or (Below) from previous year
Oct	August	2020	\$361,239.67	\$433,705.34	\$72,465.67	20.1%	\$433,705.34	9.6%	20.1%	\$465,419.82	-\$31,714.48	-6.8%
Nov	September	2020	\$386,187.26	\$497,738.79	\$111,551.53	28.9%	\$931,444.13	20.6%	19.8%	\$495,228.41	\$2,510.38	0.5%
Dec	October	2020	\$381,046.95	\$476,090.58	\$95,043.63	24.9%	\$1,407,534.71	31.2%	19.8%	\$517,783.60	-\$41,693.02	-8.1%
Jan	November	2020	\$396,345.10	\$492,701.94	\$96,356.84	24.3%	\$1,900,236.65	42.1%	19.8%	\$525,321.43	-\$32,619.49	-6.2%
Feb	December	2020	\$512,893.26	\$673,293.18	\$160,399.92	31.3%	\$2,573,529.83	57.0%	20.8%	\$679,963.17	-\$6,669.99	-1.0%
Mar	January	2021	\$345,343.38	\$430,955.99	\$85,612.61	24.8%	\$3,004,485.82	66.5%	20.7%	\$462,567.83	-\$31,611.84	-6.8%
Apr	February	2021	\$322,435.93	\$360,764.53	\$38,328.60	11.9%	\$3,365,250.35	74.5%	19.6%	\$387,192.29	-\$26,427.76	-6.8%
May	March	2021	\$367,010.16	\$652,948.54	\$285,938.38	77.9%	\$4,018,198.89	88.9%	23.5%	\$388,573.00	\$264,375.54	68.0%
Jun	April	2021	\$332,795.96	\$570,943.47	\$238,147.51	71.6%	\$4,589,142.36	101.6%	25.8%	\$294,578.24	\$276,365.23	93.8%
Jul	May	2021	\$359,756.50							\$390,052.50		
Aug	June	2021	\$388,923.85							\$487,412.37		
Sep	July	2021	\$364,021.97							\$440,433.85		
			\$4,517,999.99	\$4,589,142.36					21.1%	\$5,534,526.51	\$372,514.57	14.1%



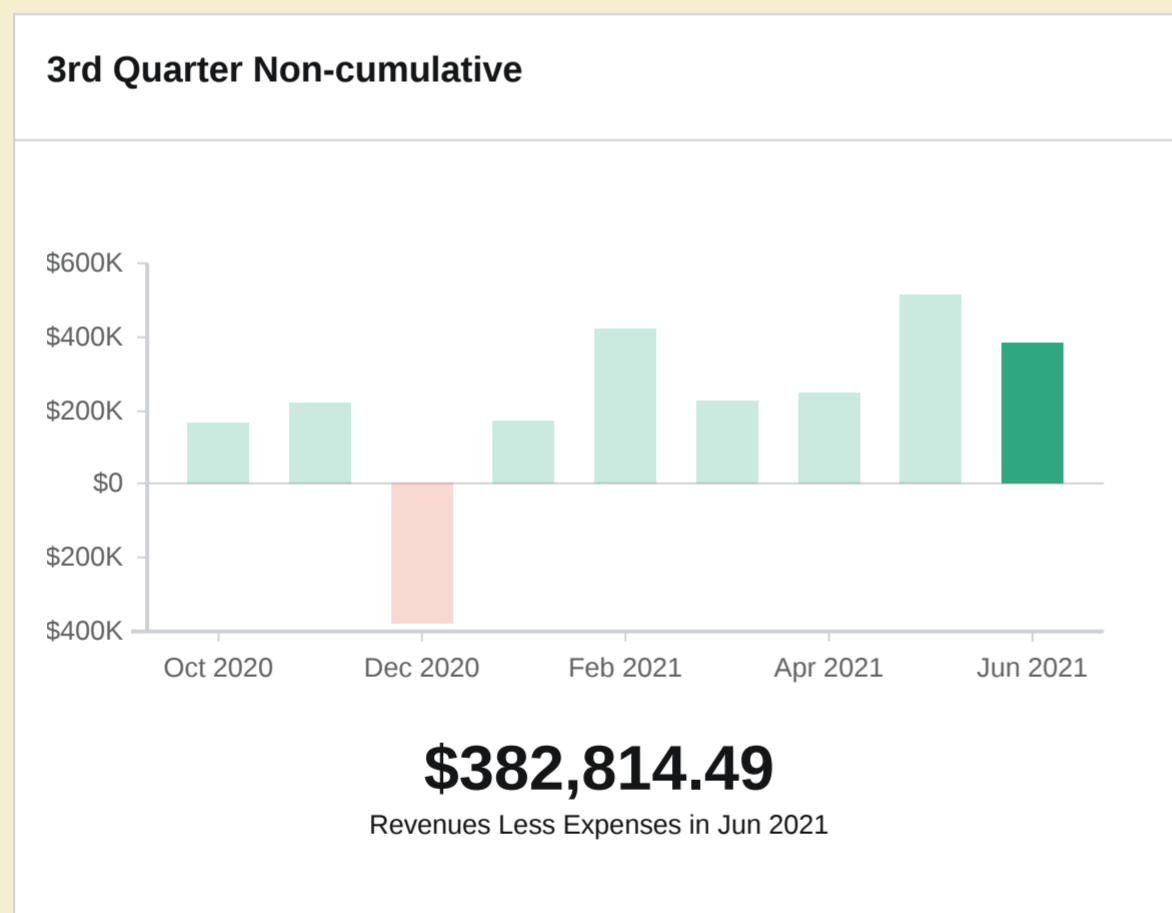
3rd Quarter Income Statements

[Click here to open 2021 3rd Quarter Financial Transactions PDF- Revenues](#)

[Click here to open 2021 3rd Quarter Financial Transactions PDF- Expenses](#)

[Click here to open the report in OpenGov](#)

- Salaries: to make the payroll process easier and closer to the standard norm, we have begun entering in all payroll under the same GL. The pro-rated budgeted amount for this point in the year is \$1,332,965 so we are right on track with salary expenses.
- Holiday Pay: all of our highest paying holidays have already occurred which will always make this
- Overtime: We had a lot of employees with overtime due to the winter storm in February
- Software Maintenance Fees: This is due to new computers and a new employee IT services
- 911 Call Service: Yearly fee paid
- Advertising/Public Notices: We encumbered \$260,000 in FY20 for advertising costs that would occur in FY21, this is part of those costs.
- Insurance- Liability: Yearly fee paid
- Engineer Fees: engineer fees related to projects. We are working on creating a report that will break it out between the various projects. [Click here to view the Engineering Task Order report through June 2021.](#)
- Volunteer Awards Banquet: All expenses related to Volunteer appreciation- most of the charges in this related to purchasing jackets for volunteers in December



Non-Cumulative with Monthly Budget

This report shows the total cumulative expenses (October through this month) alongside the total budget for the FY21 budget. This report shows each month's actuals vs the average monthly budget. If you are looking to gauge this month against prior months, this is the report to use.

For even more detailed information, jump into the transactional tab located with the table at the bottom of the report.

Income Statement with prorated budget

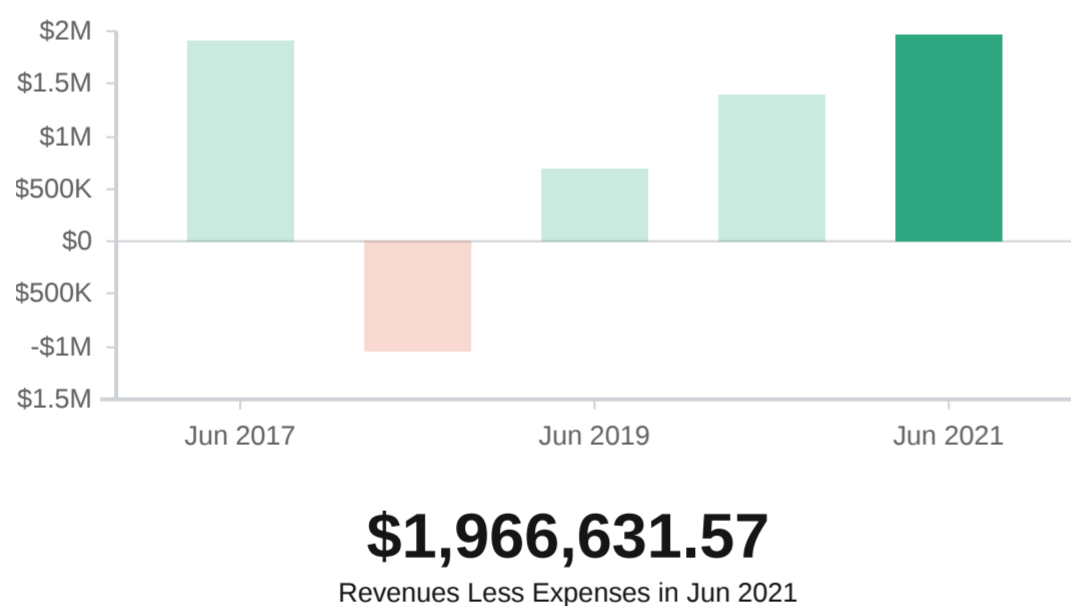
Here is a view of the same data with a prorated budget amount to show where we "should" be. Should is in quotations because the budget is prorated by dividing the total budget by 12 months. It works in theory but in reality, there are natural ebbs and flows in a budget. Plus there are many items that are a quarterly, yearly, or project based payments which would throw off the totals. For more clarity with those types of payments, feel free to explore the 5 year history report below to compare this year to prior years.

For even more detailed information, jump into the transactional tab located with the table at the bottom of the report.

June 2021 Full Budget



June 2021 5 Year History



By Month - A 5 Year History

The 5 year history report shows how we are doing in comparison to prior years. It is necessary to see the history of how we have fared to truly understand our financial health. Some things to research in this report would be trends in contractual costs, asset acquisitions, project costs, and sales tax revenue.

For even more detailed information, jump into the transactional tab located with the table at the bottom of the report.

FY21 April Financial Summary		
Revenues		
General Fund		302,830
Utility Fund		242,298
Street Fund		48,580
Hotel Occupancy Tax Fund		47
Venue Tax Fund		24,174
Crime Control Tax Fund		23,745
GN Equipment Repair & Replacement Fund		38
City Facilities Fund		7
Drainage Fund		8,509
Total		650,228
Expenses		
General Fund		230,933
Utility Fund		108,162
Street Fund		13,056
Hotel Occupancy Tax Fund		24,675
Venue Tax Fund		6,065
Crime Control Tax Fund		18,729
GN Equipment Repair & Replacement Fund		-
City Facilities Fund		-
Drainage Fund		3,326
Total		404,946
Profit (loss)		
General Fund		71,897
Utility Fund		134,136
Street Fund		35,524
Hotel Occupancy Tax Fund		(24,628)
Venue Tax Fund		18,109
Crime Control Tax Fund		5,016
GN Equipment Repair & Replacement Fund		38
City Facilities Fund		7
Drainage Fund		5,183
Total		245,282
Ending Fund Balance in Bank		
General Fund		7,385,909
Utility Fund		4,741,955
Street Fund		7,030,789
Hotel Occupancy Tax Fund		687,143
Venue Tax Fund		1,780,432
Crime Control Tax Fund		373,180
GN Equipment Repair & Replacement Fund		550,896
City Facilities Fund		102,712
Drainage Fund		613,591
Total		23,266,606

FY21 May Financial Summary		
Revenues		
General Fund		574,314
Utility Fund		73,185
Street Fund		87,523
Hotel Occupancy Tax Fund		39,606
Venue Tax Fund		43,650
Crime Control Tax Fund		43,067
GN Equipment Repair & Replacement Fund		36
City Facilities Fund		7
Drainage Fund		8,511
Total		869,899
Expenses		
General Fund		209,966
Utility Fund		93,005
Street Fund		12,529
Hotel Occupancy Tax Fund		11,955
Venue Tax Fund		4,921
Crime Control Tax Fund		21,134
GN Equipment Repair & Replacement Fund		-
City Facilities Fund		-
Drainage Fund		2,728
Total		356,238
Profit (loss)		
General Fund		364,348
Utility Fund		(19,820)
Street Fund		74,994
Hotel Occupancy Tax Fund		27,651
Venue Tax Fund		38,729
Crime Control Tax Fund		21,933
GN Equipment Repair & Replacement Fund		36
City Facilities Fund		7
Drainage Fund		5,783
Total		513,661
Ending Fund Balance in Bank		
General Fund		7,659,290
Utility Fund		4,718,790
Street Fund		7,118,312
Hotel Occupancy Tax Fund		687,042
Venue Tax Fund		1,824,082
Crime Control Tax Fund		416,247
GN Equipment Repair & Replacement Fund		550,933
City Facilities Fund		102,718
Drainage Fund		613,632
Total		23,691,047

FY21 June Financial Summary		
Revenues		
General Fund		468,382
Utility Fund		106,462
Street Fund		76,539
Hotel Occupancy Tax Fund		40
Venue Tax Fund		38,172
Crime Control Tax Fund		37,914
GN Equipment Repair & Replacement Fund		32
City Facilities Fund		6
Drainage Fund		8,499
Total		736,046
Expenses		
General Fund		215,809
Utility Fund		101,600
Street Fund		4,306
Hotel Occupancy Tax Fund		9,300
Venue Tax Fund		5,170
Crime Control Tax Fund		14,576
GN Equipment Repair & Replacement Fund		-
City Facilities Fund		175
Drainage Fund		2,294
Total		353,230
Profit (loss)		
General Fund		252,573
Utility Fund		4,862
Street Fund		72,233
Hotel Occupancy Tax Fund		(9,260)
Venue Tax Fund		33,002
Crime Control Tax Fund		23,338
GN Equipment Repair & Replacement Fund		32
City Facilities Fund		(169)
Drainage Fund		6,205
Total		382,816
Ending Fund Balance in Bank		
General Fund		7,873,550
Utility Fund		4,687,400
Street Fund		7,194,852
Hotel Occupancy Tax Fund		687,228
Venue Tax Fund		1,862,254
Crime Control Tax Fund		454,161
GN Equipment Repair & Replacement Fund		550,965
City Facilities Fund		102,724
Drainage Fund		613,667
Total		24,026,800

City of Sunset Valley

OpenGov

www.sunsetvalley.org

BUDGET AND FINANCE COMMITTEE
MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE COMMITTEE AGENDA ITEM # 6

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal Accountant
sfleegal@sunsetvalley.org

SUBJECT: BUDGET AND FINANCE COMMITTEE – OVERVIEW

DESCRIPTION: Review, Discuss, and possibly make a motion to bring back monthly financial statements

BACKGROUND: Financial Statements were changed to quarterly during the budget meetings. Now that Budget & Finance Committee is no longer working on the budget, it is requested to bring the financial statements back monthly starting with July 2021.

APPLICABLE CODE SECTIONS: N/A

STAFF RECOMMENDATION: N/A

SUPPORTING MATERIALS PROVIDED: YES/ NO

BUDGET AND FINANCE COMMITTEE
MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE COMMITTEE AGENDA ITEM # 7

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal Accountant
sfleegal@sunsetvalley.org

SUBJECT: BUDGET AND FINANCE COMMITTEE – OVERVIEW

DESCRIPTION: Review, Discuss, and possibly make a motion to approve formatting the financial statements

BACKGROUND: Per the committee chair:

I would suggest to begin the discussion that the monthly report eventually be in the format I described in the Council and committee work session on 7/31, which would include at least the following items:

- * Current fund balances for all funds
- * Sales Tax Revenues, showing current vs budgeted revenue by month and for each month for the preceding 5 years
- * Budget vs Actuals for revenues and expenses, for the past month, past quarter, and for fiscal year-to-date
- * Past 5 years revenues vs expenses
- * List of projects planned and in progress

APPLICABLE CODE SECTIONS: N/A

STAFF RECOMMENDATION: N/A

SUPPORTING MATERIALS PROVIDED: YES/ NO

BUDGET AND FINANCE COMMITTEE
MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE COMMITTEE AGENDA ITEM # 8

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal Accountant
sfleegal@sunsetvalley.org

SUBJECT: BUDGET AND FINANCE COMMITTEE – OVERVIEW

DESCRIPTION: Review, Discuss, and possibly make a motion to approve onboarding materials for future Budget & Finance committee members

BACKGROUND: New committee member orientation and onboarding has been requested by several people. This item will be brainstorming to come up with ideas for what training to do, materials to provide, and any other suggestions.

APPLICABLE CODE SECTIONS: N/A

STAFF RECOMMENDATION: N/A

SUPPORTING MATERIALS PROVIDED: YES/ NO

BUDGET AND FINANCE COMMITTEE
MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE COMMITTEE

AGENDA ITEM # 9

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal Accountant
sfleegal@sunsetvalley.org

SUBJECT: BUDGET AND FINANCE COMMITTEE – OVERVIEW

DESCRIPTION: Review, Discuss, and possibly make a recommendation to City Council to amend our financial policies to allow for the creation of Assigned Fund Balances (FP-105)

BACKGROUND: The idea was brought up during budget meetings that the city might create an assigned fund balance for specific projects. This will be a further discussion on that topic.

APPLICABLE CODE SECTIONS: N/A

STAFF RECOMMENDATION: N/A

SUPPORTING MATERIALS PROVIDED: YES / NO
STAFF MEMO
GASB FACT SHEET
FP-105

INTEROFFICE MEMORANDUM

TO: BUDGET AND FINANCE COMMITTEE

FROM: SYLVIA CARRILLO, ICMA-CM, CPM, CITY ADMINISTRATOR

SUBJECT: LEGISLATIVE REQUIREMENTS FOR FUNDS

DATE: 07/30/2021

CC: SUZANNA FLEEGAL, ACCOUNTANT

At the July 22, 2021 meeting, an issue was raised as to how to encumber or “save” funds for a future project the Mayor or Council has deemed a priority. Staff’s response is presented below.

Question:

What mechanism can the City use to legally encumber funds for a future project identified as a Mayor or Council priority?

Response:

According to the Governmental Accounting Standards Board (GASB) there are five main fund types in municipal accounting. They are:

- *Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)*
- *Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation*
- *Committed fund balance—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint*
- *Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority*
- *Unassigned fund balance—amounts that are available for any purpose; these amounts are reported only in the general fund.*

Using the guidance provided by GASB, the Local Government Code, and the City of Sunset Valley Financial Policy, the following is offered as a mechanism for such a fund.

A fund created to “save” for a future project would be classified as an Assigned Fund Balance.

In order to create an Assigned Fund Balance the following would need to occur:

- 1) Council would need to approve a resolution supporting the project to clarify the intent and, if required, delegate authority and oversight to the Budget and Finance Committee. To further solidify the Council’s commitment to the project, the resolution should be revisited annually at the budget preparation or similar time frame as one council cannot bind another council to any specific project.
- 2) Amend FP 103 – General Financial Guidelines to add language similar to “*Assigned Fund Balances shall be created when the Council has issued a resolution in support of a project. Assigned Fund Balances should be shown in addition to Committed and Restricted in the overall Fund Balance as presented to Council on a (specify a time period) basis.*”

Source: [City of Sunset Valley Financial Policy](#)

The Assigned Fund Balance method provides for the flexibility required by the Committee in that a resolution is “undone” by another resolution by the Council.



Fact Sheet about Fund Balance Reporting and Governmental Fund Type Definitions

1. Why has the GASB issued new standards for reporting fund balance?

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported. The GASB's original intention was to clear up confusion regarding the relationship between reserved fund balance and restricted net assets. However, the GASB's research revealed that the existing standards guiding fund balance reporting were being interpreted inconsistently by different governments. Consequently, the fund balance information reported by many governments also was inconsistent. It also became clear that the understandability of fund balance information was affected and that financial statement users were unable to readily interpret reported fund balance information.

2. Why did the GASB decide not to just clarify the existing fund balance classifications (reserved, designated, unreserved)?

The GASB considered pursuing a solely educational approach to these issues. However, it became apparent based on interviews and survey results that, even if all governments interpreted the requirements consistently, the resulting information would not meet the needs of people who use fund balance information to identify available resources and assess liquidity and financial flexibility.

3. How will governments report fund balance in the future?

Fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint
- *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority

- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

4. Why is unassigned fund balance reported only in the general fund?

When a government transfers resources from the general fund to another governmental fund, it is communicating that, at a minimum, it intends to use those resources for the purpose of the fund receiving them. This expression of intent meets the requirements for classification as assigned fund balance. Because unassigned fund balance represents amounts that are not constrained in any way, not even by an intention to use them for a specific purpose, the general fund is the only appropriate place to report this classification of fund balance.

In the other governmental funds, however, if a government spends more on a specific purpose than the resources available for that purpose in the fund, then it may need to report a negative amount as unassigned fund balance. If a government cannot cover the deficit with amounts assigned to other purposes in that fund, then the remaining deficit should be reported on the unassigned fund balance line.

5. How will rainy-day amounts be reported under Statement 54?

Statement 54 treats stabilization arrangements as a specific purpose, allowing governments to report these amounts in the general fund as restricted or committed, if they meet the applicable definitions and criteria. Stabilization amounts that do not qualify to be reported as restricted or committed should be included in unassigned fund balance. Governments may report stabilization amounts in a special revenue fund only if they derive from specific revenue sources that are restricted or committed to stabilization.

Regardless of where stabilization amounts are reported, governments also will disclose key information about their stabilization arrangements in the notes to the financial statements, including the authority by which the arrangements were established, the conditions under which additions to the stabilization amounts are required, and the circumstances under which amounts may be used.

6. How has Statement 54 changed the way encumbrances are reported?

The new standards clarify that an encumbrance is not a specific purpose and therefore should not be reported as a separate line on the face of the balance sheet. Encumbering amounts that are restricted or committed does not further limit the purposes for which they can be used. If the encumbering process meets the definition and criteria for committed fund balance, then encumbering an assigned or unassigned amount could result in the amount being reported as committed; however, it would be reported with other amounts committed to the same or similar purposes, *not* as “committed for encumbrances.” If a government has significant encumbrances, it should disclose them under the standards for significant commitments.

7. What did the GASB find out about the reporting of governmental funds?

In practice, many governments have interpreted in different ways the prior standards on reporting governmental funds contained in National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles*. This is particularly true for special revenue funds.

8. How does Statement 54 clarify the special revenue fund type definition?

Statement 54 makes clear that, for financial reporting purposes, a special revenue fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service. For example, a school district might report state and federal aid for elementary and secondary education in a special fund if those revenue sources represent a substantial portion of the fund's total inflows.

9. How does Statement 54 clarify the definitions of debt service and capital projects fund types?

Statement 54 revises the definitions of the debt service and capital projects fund types so that consistent language and structure are used across all of the governmental fund type definitions. Although the existing definition of a capital project fund specifies that they should be used to account for "the acquisition or construction of major capital facilities," many governments have used them to report on capital assets that are not facilities or major or either. Based on constituent feedback, the GASB broadened the definition to encompass capital outlays in general.

10. How will Statement 54 impact the reporting of governmental funds?

The most significant changes are likely to occur in the reporting of special revenue funds, because that is where there has been the most variation in how the prior standards were interpreted. Some governments may not be able to continue to report some of their special revenue funds under the clarified definition. The Statement 54 definition is considered by some to be more permissive than the NCGA Statement 1 definition. However, practice has varied so much that the Statement 54 definition may appear more restrictive to some governments.

11. Does Statement 54 affect how governments use funds for internal accounting purposes or for special reporting?

No. Statement 54 affects only the *reporting* of governmental funds in general purpose external financial reports in conformity with generally accepted accounting principles (GAAP). Governments may continue to use any funds they choose or are required to for their internal accounting or for special purpose reporting.

12. What if a state law requires local governments to report a particular type of fund or to report using the current classifications of fund balance?

For general purpose external financial reporting under GAAP, governments are required to follow Statement 54. If a law conflicts with Statement 54 or any other part of GAAP, the legal requirements can be met by presenting supplemental schedules. Governments will still be able to comply with such state laws in their general purpose external financial report, but outside of the basic financial statements, notes to the basic financial statements, and required supplementary information.

13. What other note disclosures does Statement 54 require?

In addition to the disclosures already mentioned, Statement 54 requires governments to disclose:

- Additional detail regarding the purposes of restrictions, commitments, and assignments, if the required level of detail is not met through display on the face of the balance sheet
- The decision-making authority and formal action, if any, that results in commitments of fund balance
- The bodies or persons with the authority to express intended uses of resources that result in assigned fund balance
- The order in which a government assumes restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose
- Information about minimum fund balance policies, if a government has one
- The purpose for each major special revenue fund, identifying which revenues and other resources are reported in each of those funds.

14. When should Statement 54 be implemented?

Governments should implement Statement 54 no later than the first fiscal year beginning after June 15, 2010 (for example, the fiscal year starting on July 1, 2010 and ending on June 30, 2011). Governments are encouraged to implement the standards earlier.

Budget Planning & Management

Policy Reference: FP105

Intent: To establish a process for submittal, review and management of the annual City budget.

A. General Provisions

Sunset Valley is a General Law, Type A City, under the statutes of the Local Government Code. The Mayor is charged with the duty of filing a balanced budget not later than August 12th of each fiscal year.

B. Purpose

The purpose of the City's budget is to set priorities based on available resources, authorizing the types and levels of service that are offered during the next fiscal year, to provide for a level of expenditures that are to be made for each Department, and to control expenditures.

Priorities include:

- Utilities
- Infrastructure
- Maintaining city assets
- Minimizing the cost to the citizens of Sunset Valley for services

C. Budget Related Goals with Policies

1. Keep the City in a fiscally stable position in both the short and long term.

- a. Ongoing operations shall be funded from ongoing revenues.
- b. All operating revenues and expenditures shall be monitored monthly and reviewed by Budget & Finance.
- c. Revenues should be conservatively projected, and expenditures budgeted at 97% to help ensure budget solvency.
- d. The City shall not adopt any new City services until a cost of service is reviewed and the service has adequate funding made available.
- e. A Long Range Financial Plan shall be established and updated annually during the budget process.

- f. The proposed budget will include a comparison of the operating ratios and revenue targets that are included in the Long Range Financial Plan.
- 2. Maintain sufficient financial liquidity to meet normal operating and contingency obligations.**
- a. Maintain general governmental fund balances equal to 100% of actual average revenue for the preceding 5 years.
 - b. Maintain enterprise (Utility Fund) fund balances equal to three (3) months of operating expenditures for all operating funds.
 - c. Fund balances should be maintained to meet a target level of 90 days of operating expenses necessary to meet operating, capital, and contingency requirements.
- 3. Operate utilities in a responsive and fiscally sound manner.**
- a. Utility rates shall be reviewed annually and adjusted, if necessary, to reflect construction goals, maintain bond payments, and avoid large increases at one time.
 - b. The cost of utility contractual services which the City has no control over, shall be passed through to residential and commercial users in a manner consistent with Council direction.
 - c. Excess fund balances shall be used to off-set rate increases where possible with any remaining balances being used for approved capital purposes.
- 4. Maintain and meet infrastructure and capital needs.**
- a. When capital funding decisions are made, priority shall be given to maintaining existing capital assets over the acquisition or construction of new facilities.
 - b. The City shall review its Capital Improvements Plan annually to identify cost increases and major maintenance projects for funding strategies.
 - c. Prior to undertaking a capital project, all ongoing operational and maintenance costs shall be identified and included as part of the policy discussion.
- 5. The City shall maximize county, state, and federal grants, loan programs, and other governmental sources for capital needs when it is consistent with City plans and policies. Certificates of Obligation can be used to finance infrastructure improvements for public benefits that support quality of life. Provide a long and short term debt strategy that allows the City to meet current and future needs through borrowed capital without imposing severe financial burden.**

- a. While the City's preference is that borrowing is the method of last resort, when fiscally prudent the City shall review all forms of funding to determine the least costly method and type of financing most appropriate.
- b. When Certificates or Bonds are used to finance debt, the bonds shall be issued for a maximum of 20 years or for the life of the asset, whichever is a shorter time period.
- c. The City shall evaluate the cost and benefit of borrowing against the same for "pay-as-you-go" for all borrowing programs.
- d. The City shall develop a long term replacement program to meet equipment needs such as vehicles, computers, and mowers.

6. Set funds aside for Mayor and City Council driven programs

- a. The City Council shall evaluate and approve any defined programs funds set aside in an assigned fund balance that can and may be dissolved back to the original funds with City Council approval at any time after it's creation.

7. Establish accountability in Budget Monitoring

- a. The City Council approves all appropriations.
- b. Department Heads are responsible for managing their budgets within the appropriated budget.
- c. Any budget adjustment between funds shall be approved by the City Council in budget amendments.
- d. Budget adjustments within a fund that make changes to individual line items within the same department of \$500 or less and that do not increase the total departmental appropriation shall be approved, before the funds are expended, by the department head, and the City Administrator, and reported to City Council.
- e. Budget adjustments within a fund that make changes to individual items within the same department over \$500 but less than \$2,500 and that do not increase the total departmental appropriation shall be approved, before the funds are expended, by the Mayor and reported to the City Council.
- f. Departmental expenditures shall be made from the appropriate budgeted line item accounts based on the object of expenditure, not accounts where an excess of funds exists.

8. Provide financial reports in a timely and understandable manner.

- a. Quarterly budget reports outlining the status of revenues and expenditures shall be provided to the City Administrator, Department Heads and the Finance Committee.
- b. Quarterly investment portfolio reports shall be provided to the Finance Committee.
- c. The City's budget document shall be presented in a format that provides 5 years of past financial data, projection of current fiscal year, and proposed fiscal year budget amounts.
- d. A Comprehensive Annual Financial Report, prepared in accordance with Generally Accepted Accounting Principles (GAAP), performed by an outside entity shall be presented to the City Council.

D. Planning

1. The Mayor shall meet during the first quarter of the calendar year with the City Administrator and Department Heads, to identify:
 - a. Objectives of the City as well as evaluation criteria to be used in budgeting for growth, change, and capital improvements.
 - b. Instructions on expenditure reductions in selected areas or some growth permitted in areas targeted to provide greater levels or different levels of service to the citizens, general public and employees.
 - c. General priorities to be placed on particular services for the coming year in the event revenues are not available and expenditures are forced to match the revenues.
2. The Mayor shall meet during the first quarter of the calendar year with the Finance Committee to prepare a Schedule for Departmental and Committee budget submissions and subsequent work sessions.
 - a. Adequate time should be implemented in the process to get a budget that is achievable, meets the needs of the City, encourages effective and efficient operations, and provides opportunity for public input.
 - b. Adequate time should be implemented in the process to include time for a second meeting in case additional information or analysis is requested at the first meeting.
3. The Accounting Department is responsible for preparing reports for all accounts included in the listing of account for each Department.
 - a. The report shall include a five year history of the expenditure and the current expenses projected for the entire year.

- b. Actual data for the current year to date and estimating the amount of expenditures that will be incurred for the remainder of the year should provide a reasonable estimate of the total expenditures projected through the end of the current fiscal year.
- c. Historical data gives a perspective on prior performance that may be a useful guide in planning for the New Year and as a control measure because budgeted and actual results that differ significantly from historical levels prompt the need for further analysis and explanation.

E. Tax Revenues

- 1. State law requires the calculation of “effective” and “rollback” tax rates. The “effective” rate is that rate which generates the same revenue in the proposed year as the current year from properties on the tax roll in both years. The “rollback” rate is a rate which represents an eight percent increase in the operations/maintenance portion of the total tax rate.
- 2. A debt service rate is also calculated each year. The debt service rate is that rate which generates revenue equal to the Interest and Principle obligations due in the proposed year.
- 3. The tax rates are adopted each year prior to adoption of the budget and requirements to publish notices in a general circulation newspaper are followed when required. The tax rates are adopted by ordinance and require a two thirds vote of the City Council.

F. Submittal Documentation

- 1. Personnel expenses should include current salary listed by position and associated fringe benefits. Justification for any additions to personnel, full or part-time, including level of expertise needed, anticipated salary requested, and job description.
- 2. Operating expenses should contain all recurring expenditures, other than personnel, that are necessary in providing services to the community of Sunset Valley. Justification of expenditures should include any planned growth or reduction in expenditures when compared to the previous year, any increased/decreased levels of service that would affect such expenditures, any planned change in mix of services offered that impacts such expenditures, impact of technology on the way services are being provided and the level of expenditures needed, and anticipated changes in demand for such services based on population changes, demographic shifts or political changes.
- 3. Contractual services should contain expenditures that are necessary in providing professional and contract services necessary in providing services to the City of Sunset Valley. Justification of expenditures shall include any additional or changes to contracts or services already in place with the City. New services justification shall include a proposal detailing the services to be provided.

4. Capital assets should contain buildings, furniture, fixtures, and equipment proposed for acquisition in the next fiscal year. Justifications shall include detailed information of the item to be acquired along with maintenance, replacement costs, and impact on human resources, both internal and external. All capital purchases shall indicate the month in which the planned expenditure is to take place.
5. Programs/Projects should contain an outline of the goals and purpose for each planned program/project. Programs/projects supported by Committees shall obtain estimates for implementation from the appropriate Department Head. Justifications shall include detailed information of the item to be acquired along with maintenance, replacement costs, and impact on human resources, both internal and external. All programs/projects shall indicate the month in which the planned expenditure is to take place.
6. Construction projects should contain a list of funding availability for all Capital Improvement Projects. Estimates reflecting anticipated increases/decreases needed to complete projects with deficiencies /overages should also be shown. All construction projects shall indicate the month in which the planned expenditure is to take place.
7. Budget forms shall be provided by Administration to ensure consistency and compatibility for consolidation purposes.
8. A schedule for implementation of all projects, programs, and construction projects shall be provided with the Mayor's Budget.

G. Coordination

1. The Accounting office shall work with the City Administrator in preparing revenue projections for the coming year.
2. All Department Heads and Committee Chairs shall turn in their proposed budgets and amendments where applicable as per set financial calendar.

H. Adoption

Upon meeting any notice and hearing requirements the City Council votes to adopt the budget. A majority of the Council must approve the ordinance adopting the budget.

I. Amending the Budget

Once the budget is adopted, formal Council approval is needed to move appropriations from one fund to another fund, increase appropriations in any fund, transfer appropriations between Departments, and approve transfers of appropriations within a Department in accordance with Section C.6. of this policy.

J. Implementation

Upon adoption of the annual budget, careful planning must be exercised for all expenditures outside of day-to-day operational needs to ensure actual revenues projected are on-hand prior to initializing an expense for capital assets, projects, and new programs.

Adopted: November 8, 2000
Amended: December 17, 2007
Amended: April 16, 2013
Amended: May 21, 2013
Amended: August 20, 2013 (2a)
Amended: February 6, 2018
Amended: April 16, 2019
Amended: August 18, 2020
Amended: June 8, 2021

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BUDGET AND FINANCE COMMITTEE
MEETING DATE: AUGUST 26, 2021



BUDGET AND FINANCE COMMITTEE AGENDA ITEM # 10

STAFF PREPARER/CONTACT INFORMATION: Suzanna Fleegal Accountant
sfleegal@sunsetvalley.org

SUBJECT: BUDGET AND FINANCE COMMITTEE – OVERVIEW

DESCRIPTION: Review and Discuss the Long-Range Financial Plan

BACKGROUND: The long-range financial plan has been set aside for over a year now. According to the city's financial policies, a long-range plan should be put in place and updated on a regular basis. The attached backup is the draft of the long-range plan reviewed by Budget & Finance in March 2020.

APPLICABLE CODE SECTIONS: N/A

STAFF RECOMMENDATION: N/A

SUPPORTING MATERIALS PROVIDED: YES / NO
Long-Range Financial Plan Draft

The City of Sunset Valley's Long Range Financial Plan

2020 Report

Prepared by the Budget and Finance Committee

Recommended for approval _____

PROJECT HISTORY

In June 2011, the Long Range Financial Planning Committee was appointed for the purpose of reviewing historical financial data and developing a long range financial plan to assist the Mayor and City Council in financial decision making for the City of Sunset Valley. The Committee held its first meeting in July 2011 and developed the following mission statement:

The mission of the Long Range Financial Planning Committee is to:

- ***Review existing and five years of historical financial data using Generally Accepted Accounting Principles (GAAP) standards***
- ***Coordinate with city staff in compiling any additional financial data***
- ***Provide direction to city staff in preparing and analyzing financial projections***
- ***Prepare a financial projection through 2020 for city revenues and expenditures***
- ***Identify any potential shortfalls or financial issues for further City Council consideration***
- ***Set a goal to achieve these projections by June 2012***

As a small government that relies heavily on sales taxes to support government operations, the City has had a history of ensuring adequate reserves to protect against the volatility of this revenue source; however, projecting both revenue and expenditures into the future has been an area of concern. The City also operates a number of programs as well as utility operations that would benefit from long range planning to ensure stability and continuity of service for residents and commercial customers.

~~The first Report of the Committee was adopted by the City Council in July 2012. The report was revised in 2016. The Committee produced this 2020 version to provide updated data and projections.~~

The City of Sunset Valley is currently in excellent financial condition. Sales tax collections have remained constant for the last couple of years. The retail centers are managed well and are in good physical condition. Currently the City is working on branding the City and developing a marketing plan, and an economic re-development plan.

Funds were used from the reserve to assist with funding for the new city Facilities. By the end of FY 2020 the reserve should be at a balance of 11.2 months of the 12 month reserve. Building back the reserves is the top priority of the City Council and at 11.2 months the City is ahead of schedule.

While the city has financed some capital improvements and purchased land from the operating budget, the City is not as concerned about one-time purchases that might skew the financial analysis; however increases in operating expenses do need to be evaluated each year. With revenue staying at a constant level, expenses have to be examined closely to see if there can be policies put in place to keep expenses at a level consistent with the revenue. ~~.— Since there is not a significant amount of residential or~~

~~commercial growth that can occur, there does not seem to be a need for further significant increases in operating expenditures.~~

Due to the significant amount of revenue from sales taxes generated by the city's retail establishments, city property taxes were ~~eliminated~~ reduced to \$0.00 which reduces the tax burden for both residential and commercial property owners. The amount of sales tax collections can fluctuate more than other local revenue sources, so the city must be prepared for both short term and long term changes in revenue.

As revenue has increased to the city, a number of programs, ~~services, rebates, and subsidies and services~~ were initiated to provide a high level of service to residents. Those programs are still in ~~affect~~ effect and continue to be offered to the residents.

Residential Utility rates have remained low, but this has contributed to an increase in the transfer from the General Fund to subsidize utility costs. The city has attempted to absorb much of the cost increases in utility services (water, wastewater, and solid waste) but over time the amount of the transfer from the general fund to subsidize residential utility service has increased. No adjustments were made in the level of service to be provided. It was assumed that service levels would remain constant and that adjustments for salary, benefits, utilities, and other items of expenditure would increase at similar levels as had been the case in the historical analysis.

If the current or future City Councils wanted to change the level of service provided by the city, then expenditure data could be adjusted accordingly. The City Council has set residential utility rates to offset any wholesale rate increases so as to keep the transfer at a constant level. This has a significant positive impact on the expenditure projections over time.

REVENUE

The total monies available to the City government operations are deposited into seven (7) different funds. A fund is a separate set of accounting records, segregated for a specific purpose. A separate fund is established for accountability purposes to demonstrate that the financial resources and expenditures are being used appropriately. A separate budget for each fund is submitted annually for approval by the City Council.

City revenues come from various sources to support the purpose of each of these Funds. The separate funds are designated below with a brief description of their purpose.

Crime Control Prevention District Tax - The City implemented a 0.125 percent sales tax in 2016 to use in the funding for the new City Facilities. The governing body in a municipality or commissioners court may specify the number of years (5, 10, 15 or 20) the district would be continued. Now that the City Facilities is complete revenues from the sales tax may be used to finance a wide variety of crime control and prevention programs.

Drainage Utility Fund – This fund was established in FY 2010-2011 to establish an ongoing dedicated source of funding to maintain and improve the City's drainage and flood control system. Revenue is generated by user fees on all developed property in the city including AISD and the ETJ.

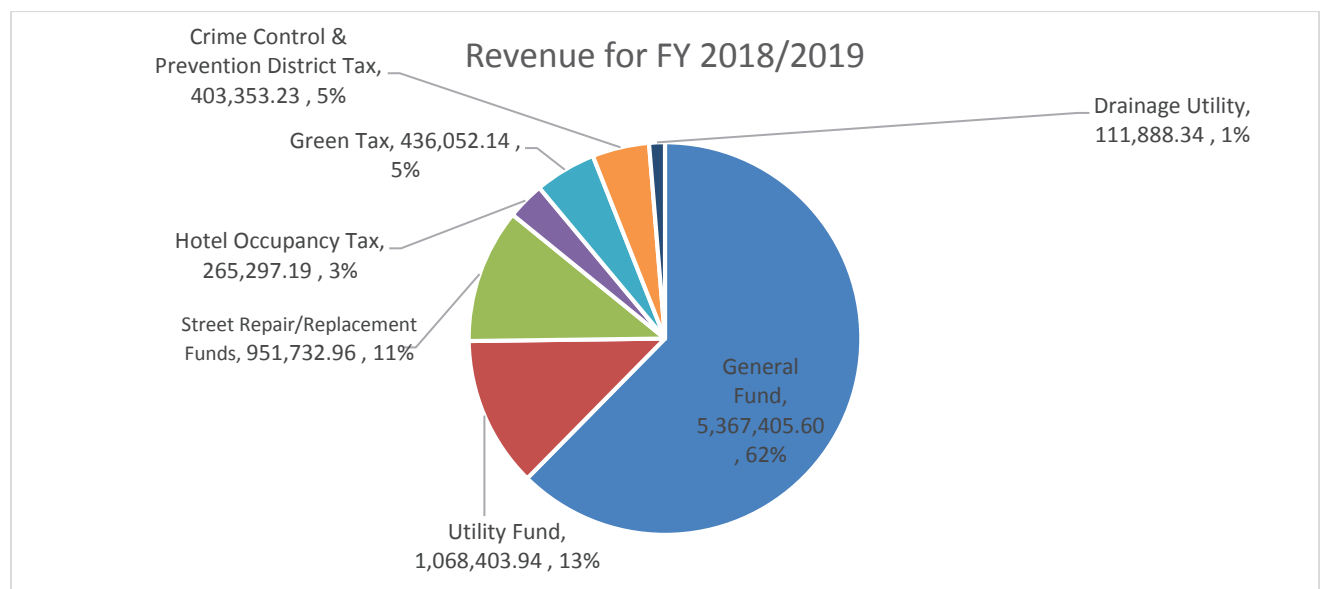
General Operating Fund – Accounts for the city’s general operations including expenditures for salaries, benefits, supplies, repair and maintenance, community programs, utilities, new equipment, some capital improvements projects, and other general expenses. The majority of the revenue in this fund is received from sales tax collections of 6.25% state tax and 1.5% city sales tax.

Green Tax (Venue Project) – In 2007, the City elected to authorize a 1/8th of one percent Venue Tax to fund purchases of land to protect the aquifer recharge areas, the watershed, and preserve open space. There is no requirement by law to reauthorize this tax, as with the Street Maintenance tax. The City will continue to collect this tax until an election is called to repeal, reduce, or increase the amount collected. In FY 2009-2010 and FY 2010-2011 funds were used to build a Recreational Venue in the Homestead Shopping Center.

Hotel Occupancy Tax Fund – Accounts for the collection and expenditures of a 7% local occupancy tax imposed on the cost of a hotel room. Funds can only be used for the enhancement and promotion of tourism, the convention industry, the arts, and historical restoration programs. Revenue is received quarterly from one hotel and two vacation home rentals. There are very specific criteria for spending this fund. Some of the programs funded from these funds include the Farmers Market, JDRF Annual Walk, and City’s ArtFest.

Street Repair and Maintenance Fund – Since 2002, the City voted to adopt a ¼ of one percent sales tax to repair and maintain existing streets.

Utility Fund (Enterprise Fund) – Accounts for operations that are financed and operated in a manner similar to those in private business enterprises: water, wastewater, and solid waste services. Currently the General Fund subsidizes the Utility Fund to cover some of the expenses incurred in providing certain services at no cost or lower costs to the residents.

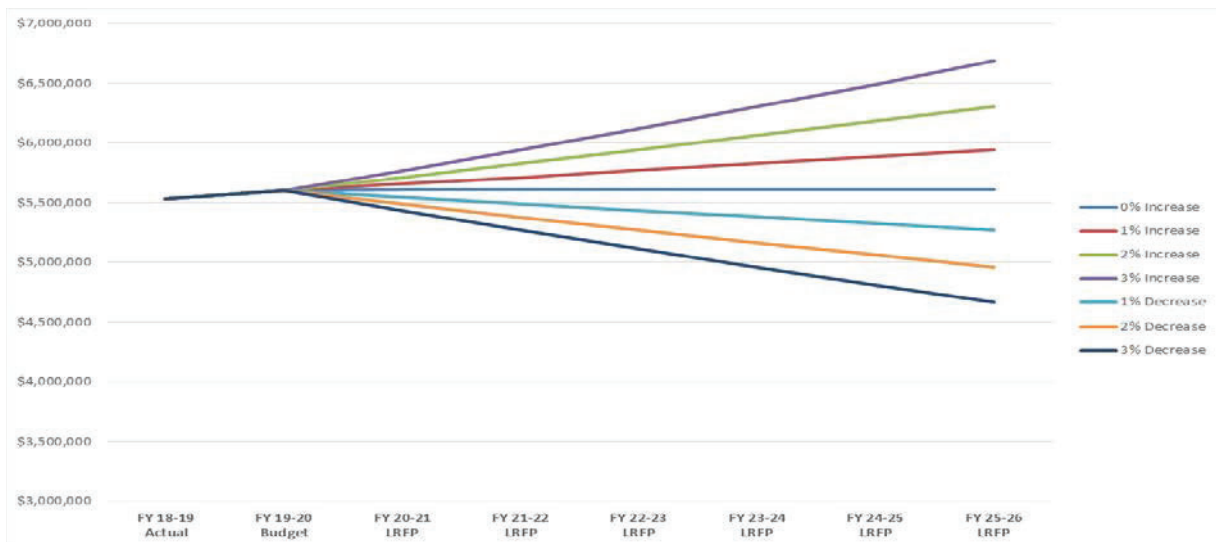


	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		0.00%	\$4,861,535	\$4,819,200	\$4,819,200	\$4,819,200	\$4,819,200	\$4,819,200	\$4,819,200	\$4,819,200
Other Revenue		0.00%	\$271,865	\$388,900	\$388,900	\$388,900	\$388,900	\$388,900	\$388,900	\$388,900
Crime Control & Prevention District Tax		0.00%	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
			Total Operating Revenues	\$5,533,400	\$5,608,100	\$5,608,100	\$5,608,100	\$5,608,100	\$5,608,100	\$5,608,100
	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		1.00%	\$4,861,535	\$4,819,200	\$4,867,392	\$4,916,066	\$4,965,227	\$5,014,879	\$5,065,028	\$5,115,678
Other Revenue		1.00%	\$271,865	\$388,900	\$392,789	\$396,717	\$400,684	\$404,691	\$408,738	\$412,825
Crime Control & Prevention District Tax		1.00%	\$400,000	\$400,000	\$404,000	\$408,040	\$412,120	\$416,242	\$420,404	\$424,608
			Total Operating Revenues	\$5,533,400	\$5,664,181	\$5,720,823	\$5,778,031	\$5,835,811	\$5,894,169	\$5,953,111
	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		2.00%	\$4,861,535	\$4,819,200	\$4,915,584	\$5,013,896	\$5,114,174	\$5,216,457	\$5,320,786	\$5,427,202
Other Revenue		2.00%	\$271,865	\$388,900	\$396,678	\$404,612	\$412,704	\$420,958	\$429,377	\$437,965
Crime Control & Prevention District Tax		2.00%	\$400,000	\$400,000	\$408,000	\$416,160	\$424,483	\$432,973	\$441,632	\$450,465
			Total Operating Revenues	\$5,533,400	\$5,720,262	\$5,834,667	\$5,951,361	\$6,070,388	\$6,191,796	\$6,315,631
	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		3.00%	\$4,861,535	\$4,819,200	\$4,963,776	\$5,112,689	\$5,266,070	\$5,424,052	\$5,586,774	\$5,754,377
Other Revenue		3.00%	\$271,865	\$388,900	\$400,567	\$412,584	\$424,962	\$437,710	\$450,842	\$464,367
Crime Control & Prevention District Tax		3.00%	\$400,000	\$400,000	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621
			Total Operating Revenues	\$5,533,400	\$5,776,343	\$5,949,633	\$6,128,122	\$6,311,966	\$6,501,325	\$6,696,365
	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		-1.00%	\$4,861,535	\$4,819,200	\$4,771,008	\$4,723,298	\$4,676,065	\$4,629,304	\$4,583,011	\$4,537,181
Other Revenue		-1.00%	\$271,865	\$388,900	\$385,011	\$381,160.89	\$377,349.28	\$373,575.79	\$369,840.03	\$366,141.63
Crime Control & Prevention District Tax		-1.00%	\$400,000	\$400,000	\$396,000	\$392,040	\$388,120	\$384,238	\$380,396	\$376,592
			Total Operating Revenues	\$5,533,400	\$5,552,019	\$5,496,499	\$5,441,534	\$5,387,118	\$5,333,247	\$5,279,915
	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		-2.00%	\$4,861,535	\$4,819,200	\$4,722,816	\$4,628,360	\$4,535,792	\$4,445,077	\$4,356,175	\$4,269,052
Other Revenue		-2.00%	\$271,865	\$388,900	\$381,122.00	\$373,499.56	\$366,029.57	\$358,708.98	\$351,534.80	\$344,504.10
Crime Control & Prevention District Tax		-2.00%	\$400,000	\$400,000	\$392,000	\$384,160	\$376,477	\$368,947	\$361,568	\$354,337
			Total Operating Revenues	\$5,533,400	\$5,495,938	\$5,386,019	\$5,278,299	\$5,172,733	\$5,069,278	\$4,967,893
	1/18/2020	1/18/2020 LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		-3.00%	\$4,861,535	\$4,819,200	\$4,674,624	\$4,534,385	\$4,398,354	\$4,266,403	\$4,138,411	\$4,014,259
Other Revenue		-3.00%	\$271,865	\$388,900	\$377,233.00	\$365,916.01	\$354,938.53	\$344,290.37	\$333,961.66	\$323,942.81
Crime Control & Prevention District Tax		-3.00%	\$400,000	\$400,000	\$392,000	\$384,160	\$376,477	\$368,947	\$361,568	\$354,337
			Total Operating Revenues	\$5,533,400	\$5,443,857	\$5,284,461	\$5,129,769	\$4,979,641	\$4,833,941	\$4,692,538

REVENUE SCENARIOS

- Scenario 1: 0% annual increase in General Fund Revenue
- Scenario 2: 1% annual increase in General Fund Revenue
- Scenario 3: 2% annual increase in General Fund Revenue
- Scenario 4: 3% change in annual General Fund Revenue
- Scenario 5: 1% annual decrease in General Fund Revenue
- Scenario 6: 2% annual decrease in General Fund Revenue
- Scenario 7: 3% annual decrease in General Fund Revenue

Below is a chart showing the revenue scenarios.



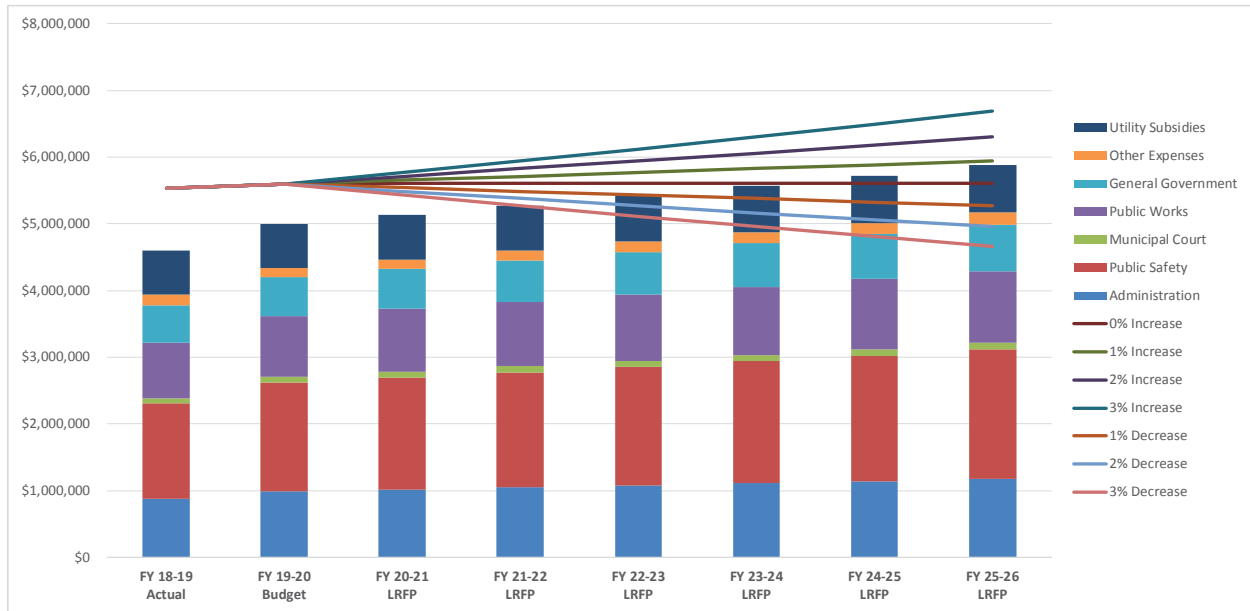
EXPENSES

The City's General Fund expenses are forecasted to increase annually by the following percentages:

Personnel Costs	3%
Professional Fees	1%
Contract Services	1%
Community Programs	1%
New Projects	1%
Operational Expenses	5%

The projections are based on budgeted expenses in the FY2019/2020 budget. The City is currently making changes in staffing, they have issued RFQs for the legal fees and engineering fees, purchasing new software programs, looking at CIP costs, and performing a performance audit in 2020. These changes could possibly change the projections, but until those changes are complete the City will use the budgeted expenses for FY2019/2020. These projections are compared to the proposed budget on an annual basis.

The following chart overlays the seven revenue scenarios with the expenditures projection:



The City will experience a gap between projected expenditures and current revenue in FY 2023-24 using the 0% revenue growth.

Attached to this presentation there are spreadsheets showing the general fund expenses with the revenue scenarios.

RECOMENDATIONS – This section remains the same from the original 2012 Report. Although the recommendations have been implemented, most of them require an ongoing effort, so they are retained in this updated report.

Implementing and maintaining these recommendations will help to ensure consistency in the budgeting process and in turn will address the future financial needs of the city.

1. **Maintain transparency with budgets and financial reports.**
Budget documents and financial reports should be prepared in a consistent manner from year to year and presented in an easy to read format that is in a format similar to the long range financial plan.
2. **Provide for an annual update of the long range financial plan by the Finance Committee.**
As a part of the annual budget review, a comparison of the proposed budget to the long range financial plan should be prepared.
3. **Establish a policy that requires the City Council to include written justification in the budget when there are deviations from the long range financial plan**
As a part of the approval of the annual budget, any deviations from the long range plan should be explained in writing as a part of the budget document. The City’s financial policies should be amended to include this as a requirement.

4. Establish operating ratios and targets for major categories of revenue and expenditure for inclusion in financial reports.

The long range plan includes current and projected ratios for each major category in the operating budget. To the extent possible, these ratios should be maintained to ensure that the city's budget remains balanced and sustainable.

5. Simplify the calculation and description of the city's reserve funds.

The level of reserves that have been maintained by the City appears to be sufficient, but the calculation has become overly complex. An easy and simple-to-calculate method is recommended.

6. Develop a policy to guide how reserve funds could be used.

There is no policy that governs how and when reserve funds should be utilized. A policy should be developed which restricts the use of reserve funds to dire or emergency situations and safeguards for adequate public notice should be included.

	3/26/2020	New LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
OPERATING REVENUES										
Sales Taxes		1.00%	\$4,861,535	\$4,819,200	\$4,867,392	\$4,916,066	\$4,965,227	\$5,014,879	\$5,065,028	\$5,115,678
Other Revenue		1.00%	\$271,865	\$388,900	\$392,789	\$396,717	\$400,684	\$404,691	\$408,738	\$412,825
Crime Control & Prevention District Tax		1.00%	\$400,000	\$400,000	\$404,000	\$408,040	\$412,120	\$416,242	\$420,404	\$424,608
	Total Operating Revenues		\$5,533,400	\$5,608,100	\$5,664,181	\$5,720,823	\$5,778,031	\$5,835,811	\$5,894,169	\$5,953,111
					(the future revenue includes the entire \$400,000 going into the General Fund)					
OPERATING EXPENDITURES										
Administration										
Personnel Costs		3.00%	\$516,648	\$577,824	\$595,159	\$613,013	\$631,404	\$650,346	\$669,856	\$689,952
Professional Fees		1.00%	\$121,895	\$219,320	\$221,513	\$223,728	\$225,966	\$228,225	\$230,508	\$232,813
Contract Services		1.00%	\$50,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Community Programs		1.00%	\$6,421	\$8,000	\$8,080	\$8,161	\$8,242	\$8,325	\$8,408	\$8,492
Capital Outlay		1.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Projects		1.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operational Expenses		5.00%	\$185,357	\$185,568	\$194,846	\$204,589	\$214,818	\$225,559	\$236,837	\$248,679
	Total Administration Expenses		\$880,365	\$990,712	\$1,019,598	\$1,049,491	\$1,080,430	\$1,112,455	\$1,145,609	\$1,179,936
	% of Total Revenue		15.91%	17.67%	18.00%	18.35%	18.70%	19.06%	19.44%	19.82%
Public Safety										
Personnel Costs		3.00%	\$1,256,269	\$1,145,407	\$1,179,769	\$1,215,162	\$1,251,617	\$1,289,166	\$1,327,841	\$1,367,676
Crime Control & Prevention District Tax		3.00%	\$0	\$243,969	\$251,288	\$258,827	\$266,592	\$274,589	\$282,827	\$291,312
Contract Services		1.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Community Programs		1.00%	\$7,649	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Crime Control & Prevention District Tax		1.00%	\$0	\$7,000	\$7,070	\$7,141	\$7,212	\$7,284	\$7,357	\$7,431
Capital Outlay		1.00%	\$6,840	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Crime Control & Prevention District Tax		1.00%	\$0	\$46,776	\$47,244	\$47,716	\$48,193	\$48,675	\$49,162	\$49,654
Operational Expenses		5.00%	\$153,814	\$89,405	\$93,875	\$98,569	\$103,497	\$108,672	\$114,106	\$119,811
Crime Control & Prevention District Tax		1.00%	\$0	\$94,178	\$95,120	\$96,071	\$97,032	\$98,002	\$98,982	\$99,972
	Total Public Safety Expenses		\$1,424,571	\$1,626,735	\$1,674,366	\$1,723,486	\$1,774,143	\$1,826,389	\$1,880,275	\$1,935,855

	3/26/2020	New LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
% of Total Revenue			25.74%	29.01%	29.56%	30.13%	30.70%	31.30%	31.90%	32.52%
Municipal Court										
Personnel Costs		3.00%	\$66,780	\$66,660	\$68,660	\$70,720	\$72,841	\$75,026	\$77,277	\$79,596
Professional Fees		1.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services		1.00%	\$6,364	\$9,500	\$9,595	\$9,691	\$9,788	\$9,886	\$9,985	\$10,084
Capital Outlay		1.00%	\$4,885	\$10,700	\$10,807	\$10,915	\$11,024	\$11,134	\$11,246	\$11,358
Operational Expenses		5.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Municipal Court Expenses			\$78,029	\$86,860	\$89,062	\$91,326	\$93,653	\$96,047	\$98,508	\$101,038
% of Total Revenue			1.41%	1.55%	1.57%	1.60%	1.62%	1.65%	1.67%	1.70%
Public Works										
Personnel Costs		3.00%	\$582,791	\$587,036	\$604,647	\$622,786	\$641,470	\$660,714	\$680,536	\$700,952
Professional Fees		1.00%	\$2,022	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services		1.00%	\$138,224	\$195,670	\$197,627	\$199,603	\$201,599	\$203,615	\$205,651	\$207,708
Community Programs		1.00%	\$44,967	\$37,210	\$37,582	\$37,958	\$38,338	\$38,721	\$39,108	\$39,499
Capital Outlay		1.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operational Expenses		5.00%	\$66,300	\$95,580	\$100,359	\$105,377	\$110,646	\$116,178	\$121,987	\$128,086
Total Public Works Expenses			\$834,304	\$915,496	\$940,215	\$965,724	\$992,052	\$1,019,228	\$1,047,282	\$1,076,245
% of Total Revenue			15.08%	16.32%	16.60%	16.88%	17.17%	17.47%	17.77%	18.08%
General Government										
Professional Fees		1.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services		3.00%	\$509,850	\$530,450	\$546,364	\$562,754	\$579,637	\$597,026	\$614,937	\$633,385
Community Programs		1.00%	\$7,745	\$18,890	\$19,079	\$19,270	\$19,462	\$19,657	\$19,854	\$20,052
Contingency Fund		0.00%	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Capital Outlay		1.00%	\$500	\$2,000	\$2,020	\$2,040	\$2,061	\$2,081	\$2,102	\$2,123
New Programs		1.00%	\$13,116	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operational Expenses		5.00%	\$24,360	\$22,000	\$23,100	\$24,255	\$25,468	\$26,741	\$28,078	\$29,482
Total General Government Expenses			\$555,571	\$583,340	\$600,562	\$618,319	\$636,628	\$655,506	\$674,971	\$695,042
% of Total Revenue			10.04%	10.40%	10.60%	10.81%	11.02%	11.23%	11.45%	11.68%
Other Expenses										
General Fund Repair/Replacement Expenses		5.00%	\$163,426	\$133,057	\$139,710	\$146,695	\$154,030	\$161,732	\$169,818	\$178,309
Total Other Epxenses			\$163,426	\$133,057	\$139,710	\$146,695	\$154,030	\$161,732	\$169,818	\$178,309

	3/26/2020	New LRP annual % increase	FY 2018-19 ACTUAL	FY 2019-20 2019 BUDGET	FY 2020-21 2019 LRP	FY 2021-22 2019 LRP	FY 2022-23 2019 LRP	FY 2023-24 2019 LRP	FY 2024-25 2019 LRP	FY 2025-26 2019 LRP
% of Total Revenue										
	Total Expenditures		\$4,099,693	\$4,336,200	\$4,463,513	\$4,595,042	\$4,730,937	\$4,871,356	\$5,016,462	\$5,166,425
OPERATING INCOME			\$5,533,400	\$5,608,100	\$5,664,181	\$5,720,823	\$5,778,031	\$5,835,811	\$5,894,169	\$5,953,111
NON-OPERATING REVENUES (EXPENSES)										
	Income (Loss) Before Transfers		\$1,433,707	\$1,271,900	\$1,200,668	\$1,125,781	\$1,047,094	\$964,456	\$877,707	\$786,686
	TRANSFERS OUT-SUBSIDY	0.00%	\$459,066	\$452,040	\$452,040	\$452,040	\$452,040	\$452,040	\$452,040	\$452,040
	TRANSFERS OUT-INFOSTRUCTURE	3.00%	\$208,959	\$215,228	\$221,685	\$228,335	\$235,185	\$242,241	\$249,508	\$256,993
	sub-total Net Change		\$765,682	\$604,632	\$748,628	\$673,741	\$595,054	\$512,416	\$425,667	\$334,646
	Contribution Reimbursement		\$290,603	\$290,603	\$0	\$0	\$0	\$0	\$0	\$0
	Net Change		\$475,079	\$314,029	\$748,628	\$673,741	\$595,054	\$512,416	\$425,667	\$334,646
	PROJECTS	0	\$8,064	\$237,500						
	The contribution reimbursement is not going to continue after FY 2019-2020. These were funds that were budgeted for the new City Facilities.									
	Projects are budget annually.									

General Fund At A Glance

Projections Post 4.21.2020 Council Meeting

Revenue Category	Revenue Category @ 80% Reduction	Expense Category	Original Budget Amount	Expended To Date	Reduction from the 4.21.2020 Meeting	% Expended to Date		
Sales Tax	\$ 3,262,083	Salaries	\$ 2,585,664	1,226,381.50	\$ (217,831)	47%		
Crime Control	\$ 270,217	Contracts	\$ 954,940	421,845.36	\$ (30,809)	44%		
All other (Fees, Fines, etc)	\$ 288,900	Equipment Reserve	\$ 133,057	0.00	\$ (133,057)	0%		
Encumbered Funds	\$ 20,000	Operating	\$ 497,431	297,229.76	\$ (286,284)	60%		
Interest	\$ 50,000.0	Utility Rate Study	\$ 20,000	0.00	\$ (20,000)	0%		
	\$ 3,891,200.0	Projects	\$ 320,198	48,193.88	\$ (175,000)	15%		
		Programs	\$ 71,100	31,658.48		45%		
		Contingency	\$ 10,000	0.00		0%		
		Transfer to Utilities Infrastru	\$ 215,228	37,777.20	\$ (177,451)	18%		
		Land Acquistions	\$ 2,000	0.00		0%		
		Subsidies	\$ 452,040	0.00	\$ (452,040)	0%		
		Replenish Reserve	\$ 358,365	0.00	\$ (358,365)	0%		
			\$ 5,620,023	\$ 2,063,086	\$ (1,850,836)	GF		
				\$ 201,458		CCPT		
			\$ 5,620,023	\$ 2,264,544	\$ (1,850,836)			
		Revised Budget		\$ 3,769,187				
		Surplus/(Deficit)		\$ 122,013				