

CITY OF BATAVIA

DATE: November 7, 2019
TO: Mayor and City Council
FROM: Peggy Colby, Finance Director
SUBJECT: Budget Adjustments

Summary: Per the City Council direction, we have made \$50,000 in cuts to the 2020 budget. The items cut were from overtime, supplies, training, legal and professional services. There were no large cuts – each department had smaller cuts with the largest being overtime in the police department. The Council also directed staff to reduce the budgeted property tax levy by half to \$250,000. The cuts have been made.

In addition, the November sales tax revenue was reported by the IDOR and it was up, so small adjustments were made to increase sales tax revenue for both 2019 and 2020. Some minor adjustments were also made to 2019 projections since the budget was put out. The impact of that was insignificant but I wanted to disclose that some adjustments were made.

Below are the new reserves and projections with these adjustments. It should be noted that the removal of the \$250,000 in property tax revenue reduces funding in all five years of the budget projections. The cut of \$250,000 has a cumulative reduction to revenues of \$1,250,000.

Projections as originally presented – Table A – black box notice \$250K over tax cap

	2020	2021	2022	2023	2024
Revenues	\$28,528,899	\$28,717,592	\$28,989,581	\$29,382,725	\$29,788,560
Expenditures	\$29,012,717	\$29,572,968	\$30,346,731	\$31,126,334	\$31,946,832
Surplus/Deficit	(\$483,818)	(\$855,376)	(\$1,357,150)	(\$1,743,609)	(\$2,158,273)
Reserves	\$11,780,410	\$10,925,034	\$9,567,884	\$7,824,275	\$5,666,002
Days Operation	159	144	122	97	69

Projections with Property Tax Reduction (all years) and \$50K cut in 2020 (through all years).
 Table B – no black box – hold to tax cap level

	2020	2021	2022	2023	2024
Revenues	\$28,318,899	\$28,509,938	\$28,784,539	\$29,178,837	\$29,585,836
Expenditures	\$28,962,717	\$29,524,468	\$30,297,674	\$31,076,712	\$31,896,636
Surplus/Deficit	(\$643,818)	(\$1,014,530)	(\$1,513,135)	(\$1,897,874)	(\$2,310,799)
Reserves	\$11,620,410	\$10,605,880	\$9,092,745	\$7,194,871	\$4,884,072
Days Operation	157	140	117	90	59

The projections still include property tax increases to cover the police and fire pension shortfall in the levy for 2021-2024 (the \$250,000 does not quite cover it in 2020). It does not include an increase to cover IMRF. Projections also do not include any additions to staff in any of the years. The changes to the revenue and reduction in spending for 2020 resulted in a cumulative decrease to reserves of 10 days by 2024.

Projections with the \$110,000 property tax increase (increase of \$12 on a \$300K home)
 Table C – No black box but increase of \$110,000 property tax

	2020	2021	2022	2023	2024
Revenues	\$28,428,899	\$28,619,938	\$28,894,539	\$29,288,837	\$29,695,836
Expenditures	\$28,962,717	\$29,524,468	\$30,297,674	\$31,076,712	\$31,896,636
Surplus/Deficit	(\$533,818)	(\$904,530)	(\$1,403,135)	(\$1,787,874)	(\$2,200,799)
Reserves	\$11,730,410	\$10,825,880	\$9,422,745	\$7,634,871	\$5,434,072
Days Operation	158	143	121	95	66

The projections shown above include the cumulative effect of the \$110,000 that staff recommended be levied. The \$110,000 over the five years increases reserves by 7 days.

There was discussion of funding for the City Hall renovations. The following projections include transferring out the full \$1.7M over two years. These projections are after the property tax cuts and spending cuts in Table B

Table D – Funding City Hall

	2020	2021	2022	2023	2024
Revenues	\$28,318,899	\$28,509,938	\$28,784,539	\$29,178,837	\$29,585,836
Expenditures	\$29,962,717	\$30,224,468	\$30,297,674	\$31,076,712	\$31,896,636
Surplus/Deficit	(\$1,643,818)	(\$1,714,530)	(\$1,513,135)	(\$1,897,874)	(\$2,310,799)
Reserves	\$10,620,410	\$8,905,880	\$7,392,745	\$5,494,871	\$3,184,072
Days Operation	143	117	95	69	39

Table E – Funding City Hall with \$110,000 over tax cap

	2020	2021	2022	2023	2024
Revenues	\$28,428,899	\$28,619,938	\$28,894,539	\$29,288,837	\$29,695,836
Expenditures	\$29,962,717	\$30,224,468	\$30,297,674	\$31,076,712	\$31,896,636
Surplus/Deficit	(\$1,533,818)	(\$1,604,530)	(\$1,403,135)	(\$1,787,874)	(\$2,200,799)
Reserves	\$10,730,410	\$9,125,880	\$7,722,745	\$5,934,871	\$3,734,072
Days Operation	145	120	99	74	45

As both table D and E show, the reserves drop to below policy level in 2024. It is highly unlikely that City Council would pass budgets as shown in the projections and that either spending would be cut, or a revenue source would be put in place. However, with the discussion of the TIF, it got me looking at the TIF projections. The money from the sale of the Speedway land was loaned indefinitely to TIF #1 in order to purchase the Larson Becker Property. Resolution 16-84-R calls for the money to be repaid from the TIF at such time the TIF has sufficient funds to do so or before any refunds are made to the taxing bodies. It is likely that TIF 1 will be in a position to repay the General Fund in 2021. At that time, the City could choose to transfer the refund directly to City Hall Capital thus only requiring an additional \$36,000 in 2021 from the General Fund. Table E shows what this scenario would look like.

Table F - combination of Table D and repayment of the Speedway Funds (no tax increase)

	2020	2021	2022	2023	2024
Revenues	\$28,318,899	\$29,173,868	\$28,784,539	\$29,178,837	\$29,585,836
Expenditures	\$29,962,717	\$29,560,538	\$30,297,674	\$31,076,712	\$31,896,636
Surplus/Deficit	(\$1,643,818)	(\$386,670)	(\$1,513,135)	(\$1,897,874)	(\$2,310,799)
Reserves	\$10,620,410	\$10,233,740	\$8,720,605	\$6,822,731	\$4,511,932
Days Operation	143	135	112	85	55

Table G – combination of Table E and the Speedway Funds (\$110K property tax increase)

	2020	2021	2022	2023	2024
Revenues	\$28,428,899	\$29,283,868	\$28,894,539	\$29,288,837	\$29,695,836
Expenditures	\$29,962,717	\$29,560,538	\$30,297,674	\$31,076,712	\$31,896,636
Surplus/Deficit	(\$1,533,818)	(\$276,670)	(\$1,403,135)	(\$1,787,874)	(\$2,200,799)
Reserves	\$10,730,410	\$10,453,740	\$9,050,605	\$7,262,731	\$5,061,932
Days Operation	145	138	116	91	61

There have been no other changes to the budget except for the \$50,000 in cuts and the \$250,000 reduction in revenue. For discussion at the COW meeting on the 12th, please review these tables so that you can provide direction as to funding of City Hall renovations. I included the other information on the additional property tax of \$110,000 that was discussed at COW on the 5th only so that you could see the difference it made.

Table B and Table D and Table F are the three most relevant tables based on the direction provided at the last COW meeting. Changes can and should be made to future years budgets that will alter these projections. Thank you