
MEMORANDUM



TO: Mayor Walker and Councilors
FROM: M McPherson, City Administrator
SUBJECT: **2022 Budget Overview**
DATE: August 31, 2021

Staff is currently compiling information regarding the preliminary 2022 Budget. While not all of the numbers have been compiled, the Study Session is a good time to discuss the assumptions and policy changes proposed for the 2022 budget that were not included in past budgets.

Departments are also working on their Capital Improvement Plans.

Capital Improvement Plan vs Operating Budget

Department Budgets are being reviewed carefully to ensure that all operating expenditures are identified and included. In the past, many items that do not meet the standards of a capital investment were included in the Capital Improvement Plan when they should have been a part of the standard operating budget. Including them in the operating budget has the effects of:

1. Ensuring the operating budget is an accurate and transparent representation of the actual costs of doing business, and
2. It eliminates the need to do multiple journal entries at the end of the year.

Over time, some departments may have a fluctuating budget, due to the need to increase certain line items to accommodate replacement of items that do not meet the CIP criteria. An example of this is the standard police protective vest, which, individually cost \$1400, below the CIP threshold of \$2500 per individual item.

Insurance and Cost of Living

We will not have the health, dental, and life insurance rates prior to the requirement to set the levy, so the budget will assume a 10 percent increase in premiums. Other cities are experiencing seven to eight percent increases.

The approved union contracts have two percent COLA for 2022; this will be applied to all non-union positions as well. Scheduled step increases will also be accounted for. There may be adjustments to the pay scale once the classification and compensation study is complete.

The Fire Chief has requested an additional one dollar per hour for the firefighters for 2022, making the proposed hourly rate \$12.00 per hour.

Based on benchmarking from other communities, there will be a request to increase the election judge rates to \$12.00 per hour from the current \$10.00 per hour.

Personnel Requests

The following personnel requests will be included in the preliminary 2022 budget:

- Community Development Intern (2): Splash Park/other recreation programs and Economic Development/community promotions
- Finance Intern
- Fire Chief to $\frac{3}{4}$ time
- Technology Services Manager; an alternative to this would be a consolidation and expansion of current contracted services in this area
- Public Works seasonal staff, including an additional staff person to assist at the waste water treatment plant

In addition, Animal Control costs, while a contracted service, may increase due to the fact that the local veterinary office is no longer providing impound space and staff has had to find a new service provider (contract forthcoming for approval).

Upon approval of a change in policy, the budget would need to include a one-time increase to certain personnel costs. The Finance Director recommends a compensation payout for vacation, sick and comp-time balances to employees that moved from a union represented position to a non-union position. Past practice was to let those balances remain in the system and pay them out when the employee terminates employment with the City at their current rate at termination. Moving forward, the recommendation is to perform a one-time payout of the current employees impacted at their current rates and payout balances in the future as the transition in job classification occurs.

Budget Evaluations

Budgets are a financial guide and staff's best estimation of the future cost of doing business as a city. However, some costs can be difficult to pinpoint given market influences and inflation – fuel is a good example. Departments that are heavy users of fuel have a good handle on the number of gallons used, but there is a budget impact if the market drives prices from \$2.85 per gallon at the start of the year to \$3.25 or higher at the end of the year.

As a result, department budgets will be evaluated on the whole budget being under the approved budget amount, not each individual line item.

Programs Funded by Grants

There are programs that have historically received grant funding in order to offset some or all of the expenses. Examples include Public Safety Day, Night to Unite, Shop with a Cop, Canoe/Kayak, and Light Up Princeton. Grants are not guaranteed. In order to identify the true costs for these programs, the full expenditure will be included in the budget with the understanding that staff will continue to solicit grants and/or donations to offset some or all of the costs. If grants were not available or contributions did not cover the cost of the program, the Council can then decide if the program would become funded by the General Fund or from Wine and Spirits profits.

Other Costs

Maintenance costs for software programs purchased with CARES dollars in 2020 (OnBoard, permitting software, others) will be in the preliminary 2022 budget.

As noted previously, we will be reviewing the Library cleaning contract in the hopes of reducing costs. The entire cleaning contract likely needs re-evaluation in regards to the additional services being provided as they relate to COVID-19.

Request

The Council is asked to review this information, discuss the merits of the personnel additions, and provide staff with guidance to the 2022 budget. The following is the proposed schedule as the preliminary levy needs to be certified by September 30:

September 2 – study session

September 9 – presentation of preliminary total estimated budget expenditures/revenues

September 23 – certification of preliminary levy

October 7 – study session, departmental budgets and CIP review and discussion

November 4 – study session, departmental budgets and CIP review and discussion

December 9 – Truth in Taxation meeting

December 23 – certification of final levy