

## Budget Workshop October 26, 2022

Members Present: President Linda Lavender Norris, Vice President Carmen Green, Ms. Khadijah Al Amin, Ms. Charrisse Allen, and Mr. Donald Folks

Members Absent: Mrs. C. Arvilla Hunt and Mr. Edward Simpson

Staff Present: City Manager James Logan, Finance Director Richard Troutman, Police Chief Jack Laufer, Staff Accountant Jessica Arthur and Recording Secretary Ruthann Mowday

### Opening Comments – Ms. Lavender Norris, Council President

- Thank you for joining us tonight for Coatesville’s first 2022 budget workshop.
- This is the first of three advertised workshops, leading to a publicly reviewable budget and then a vote scheduled for December 12.
- No decisions will be made tonight, nor votes taken.
- We will hear from our Finance Director about our 2022 financial status, the projected budget for 2023 and basic assumptions and reasons for the projections. Council members will have the opportunity to ask questions.

This format will not include public participation, nor sharing of any documents; it is a workshop for Council. We do appreciate your interest and welcome you to listen with us.

### Opening Comments – Mr. Logan, City Manager

- The objective for tonight is to begin the budget process, a significant amount of time and effort has been invested by department managers to identify contractual commitments, streamline requests, factor in cost savings, and improve services.
- The City has spent more than it has brought in during many of the more recent years, using reserve funds to balance the budget or benefited from a positive one-time event.
  - In 2017 and 2018 it was over \$1 million dollars each, in 2019 about three quarters of a million dollars, and then in 2020 and 2021 it was zero, and now for 2022 we are projecting another balanced year.
- The 2023 budget we are working on will be a fourth consecutive balanced year. This budget does not require using any reserves – *none*, and further is constructed to not include a tax increase for the *eighth consecutive year*. You will also hear of initiatives to improve city services.
- You will hear variations of a constant theme – the City is growing, and the monetary resources are following suit. You may also hear mentions of the strategic plan or planning process. A number of recommendations were made, and I am happy to report that implementation is benefiting 2022 and 2023.
- There will be modifications as final amounts are pending for a few items, major premises reviewed, and Council changes incorporated.
- As always, we will strive to be transparent and honest in what is communicated.

I will now turn to Mr. Troutman, our Finance Director-CPA, CMA for his comments and presentation.

## **Budget Comments – Mr. Troutman**

- First, would like to thank everyone for joining us. Special thanks to Jessica our Accountant who is seated here and also to Kelly in the Police Department who compiled a lot of the basic information.
- Tonight, we intend to provide you with information to help you make informed decisions regarding the 2023 budget. There will be time to ask and answer questions, but generally not time to have in depth discussions.
- Please forward follow up questions to me.
- Your eight-tab budget book is organized very similar to last year, beginning with a summary memo, Table of Contents and then the dividers. One difference is key schedules are on blue paper.
- Reminder, certain topics need discussed in executive session
- Tonight, we are working largely with blue pages starting in Tab 1., but we will start with the last page in your budget binders – it is the last page of a power point labeled “2023 Projected Issues”.

## **2023 Projected Issues**

- Starting with a refresher of what was presented earlier this year as our challenges for 2023
- Of the six items and sub-bullets, all are still factors to consider.
- The first two bullets of #3 and #5 are relatively resolved.

## **Tab 1**

- There are two summarizing sheets, one for 2023 and one for 2022. The format is the same circle and square you get each month. We will cover the 2023 in detail, but I would just reinforce for the second page, the 2022, we are starting from another balanced budget.
- In summary, we were able to prepare this budget with no increase in real estate taxes, and no use of reserve funds. The City is looking at balancing the budget while still addressing strategic recommendations and pain points. It does not address several major areas or items, effectively kicking the can down the road. Items such as addressing major storm water concerns, the Ash Park master plan, the public works / firehouse building, and aging fire trucks.
- Note: the second page is superseded by the 10/24 emailed YTD “circle / square” financial report.

## **Tab 2 - Revenues**

- Please turn to the first blue sheet. It is landscape, listing the 9 components making up the \$970K increased revenue. Ask that you take this page out to reference for this section.
- 2nd blue page, labeled Permit Trends. The total of permits is \$1,291,400 vs. 2022 revenue of \$733,910, or an increase of \$557,490. Within this is “Other Permits”, which accounts for virtually all of the increase. The calculation at the bottom shows this increase is based on \$20M of permits revenue attributable to development. Since we don’t have submitted plans we do need to project. I used one development, but any combination that you are comfortable with works. In assessing this budget amount, I would suggest the questions to ask:
  1. Are the right projects listed?
  2. Are the timings appropriate?

### 3. Are the estimated amounts appropriate?

#### 3rd blue page, RDA Parcel Sales

- Each year is listed, with 2023 at the bottom; \$605,625. This is the City's estimated share of the Flat's sale. This is a more conservative transfer than the 90% less legal costs required to be paid by the RDA.

#### 4th blue page, labeled Earned Income Tax Trends

- This page shows the history of generally modest annual changes, except this year at 15.6%. This may repeat, but the question is what is an appropriate amount for 2023? I'm suggesting 2.61%, which is about the same as the average, excluding 2022.
- You can see a couple of scenarios for how much wages need to increase to translate to the budget.

#### 5th and 6th blue pages, labeled Real Estate Tax Projection and 2022 Assessment Changes

- This schedule used the most recent monthly DCED, which reflects the taxable ASSESSED invoices actually mailed at \$3,694,000. At the bottom is the calculation to translate to the 2023 real estate taxes. This is not a large increase; it is included for that reason. Other revenue sources are sufficient to make budget, This increase is generated from having more valuable property, not from a tax increase.
- The next page is a running list of reassessments this year. The walk away is positive so far, but there are \$5M in pending appeals. Typically, economic downturns result in more business appeals. Therefore, a nominal amount is included for 2023.

#### 7th blue page, labeled Real Estate Transfer Tax Trends

- I direct you to the 1<sup>st</sup> column showing the dollars earned each year. Look to the size of 2021 and 2022. These years have benefited from increased property values, increased number of transactions, and one or two major businesses changing hands, such as the hotel.
- The budget reflects a major decrease, to align with the historical trend as shown in the chart.

#### Remainder of items from page I asked you to take out of the book

- None are significant in context of those covered; does anyone have any questions on those without the notation "blue sheet"

#### **Tab 3-Expenses**

- Starting with a summary on the first page of what makes up the \$970,294 increase in expenses. These 16 items comprise the total changes. Please remove so you can follow along.
- Row 4 – 2022 pension investment – recall the approval to invest \$1.5M. This reflects not repeating this and the actual MMO calculation council approved in September.
- Row 5 – Increased investments in Capital Reserve Projects. We will cover this later.
- Row 6 – Contingency – this is our built-in cushion/hedge. The easiest way to look at it is to reduce whatever revenue line item we discussed earlier should be reduced.

- Row 7 – Engineering Professional Fees – we reviewed this in revenues, this is the engineering costs that offset those revenues.

2<sup>nd</sup> blue page, labeled Health Benefits

- Multiple causes for the \$167,000 increase. Your books include a rate percent estimate, which we now know
- List of added people resources
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- Point out two new \$10,000 capped programs
  - Extend eligibility for paying to not take health insurance.
  - Hardship program for individuals with extreme out of pocket expenses

3<sup>rd</sup> blue page, Compensation Related Incremental Expenses. We can discuss some aspects but any kind of specifics need to be moved to Executive Session.

- Two sections. The first lists the details for 9 position changes equating to 3.75 FTE's.
- The bottom section mostly lists one-time adjustments and other factors impacting the cost.
  - Note the bargained contracts are not settled yet.

4<sup>th</sup> blue page, labeled Community Support Payments

- Multiple points to make.
  - Two new entries; 2<sup>nd</sup> Century transfer from RDA and ALS services expected to be through Washington Fire.
  - Library; need to finalize the funding level.
  - Largest component is a form of a placeholder – nothing specific but thoughts are to pay for costs related to the few remaining properties (i.e., appraisals, closing costs) and mostly to provide potential seed money for Blight (recall Strategic Plan Recommendation.)

5<sup>th</sup> blue page, labeled Professional Services Fees

- Four pieces are listed, each has a sizeable margin of error, coming off of a 2022 year where there was a 100K decrease.

6<sup>th</sup> blue page, labeled Non-Uniform Defined Contribution Plan

This item addresses the recommendation to make only the non-uniform pension more competitive for retention and address the lack of keeping up with inflation. Pension Commission is working on a comprehensive recommendation for council.

Remaining listed items 16 thru 19. Any questions?

**Tab 6 – Specialty Funds**

1<sup>st</sup> blue page, Solid waste

- Reminder, this fund is required to pay for itself.
- This is the same page council reviewed when the new contract was voted on. Based on the combination of the lowest bidder and no more reserves available, the increase is \$20 to \$315 annually for residential and from \$25 to \$30 for dumpster registration.

## 2<sup>nd</sup> blue page, Capital Reserve Fund

- This sheet reflects the projected costs to the City for the planned infrastructure projects having a life over one year and costing over \$5,000, not including paving. It contrasts with the General Fund designed to handle day to day City matters.
- This is by far the most complicated of the specialty funds, comprising a number of complicated spreadsheets with numerous columns. This is intended to simplify the presentation to the \$803,978 costs these projects will have next year to the City's General Fund.
- Very varied list, largest investment in last few years.

## Liquid Fuels

No blue sheet, just point out setting aside \$400,000 for paving. Fairly new approach.

## Closing Comments

- Any questions?
- Thank everyone for their time and attention.
- Recapped we just reviewed the General Fund revenue and expense changes and specialty funds. This included the number of priorities of the strategic plan and City.
- Will provide notes to those council members not in attendance.
- Asked the Chair for next steps. Those in attendance want additional workshop?

No public members were present.

Mrs. Lavender Norris requested these talking points be provided to council and to follow up specifically with Mrs. Hunt and Mr. Simpson to answer any questions they may have.