



2020-21 Budget Work Session

Tuesday, May 12, 2020

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Presentation Objectives

- Introduction/Overview
- Overview of Budgeting
- Impact of COVID-19 on Economy
- Revenues By Fund
- Departmental Budgets
- Next Steps
- Questions/Discussion



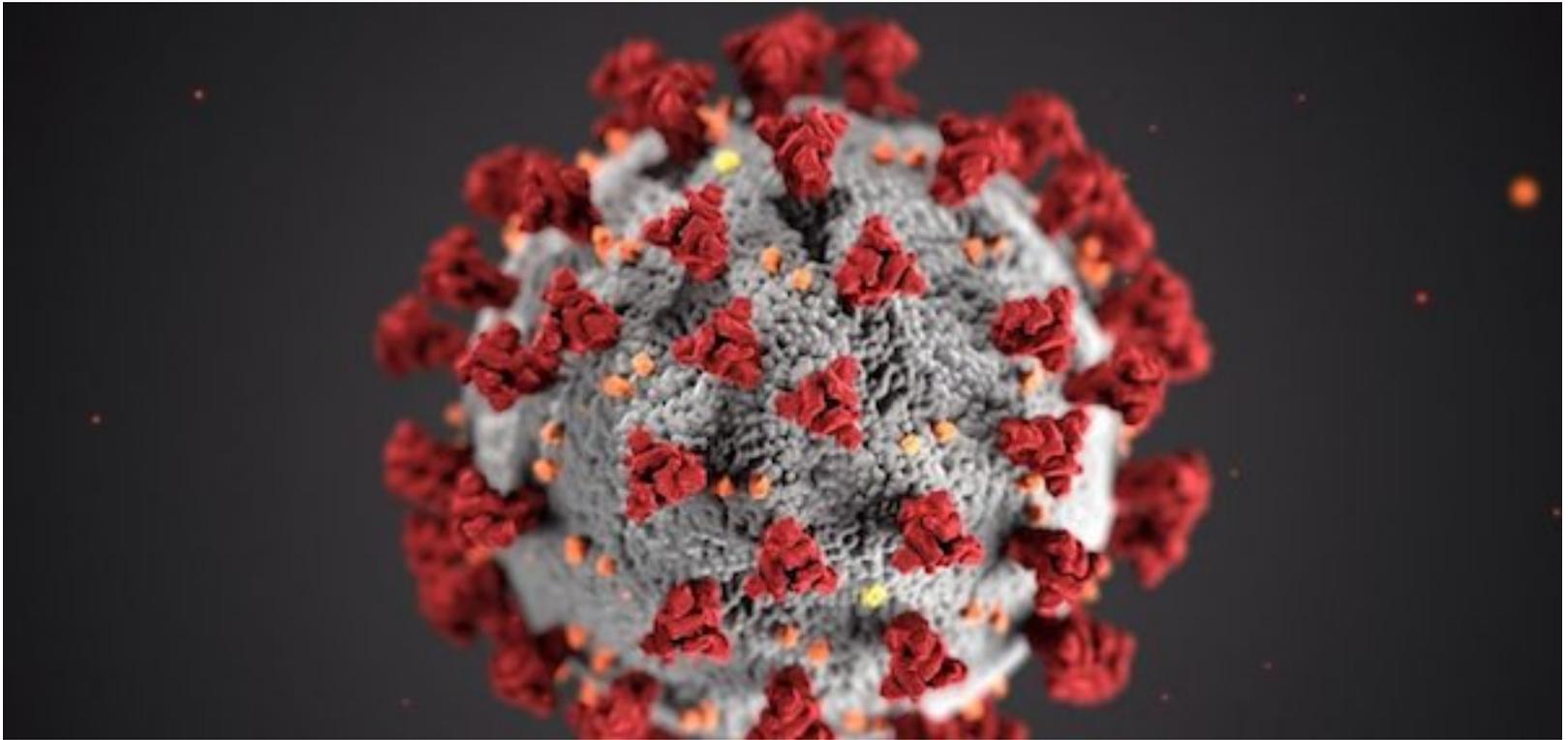
Building a Budget



Preparation of Budget

- Revenue Forecasting
- Producing a “balanced budget”
- Reviewing department/fund requests
 - Discuss what services are to be provided
 - What level of service
 - Line item budgets in each department
 - Department participation in budget process

COVID-19 Impact



COVID-19 Economic Impact

- Impact will be felt from mid-March to when?
- Every community will be impacted based on their tax base
- Good news/bad news for Dewey-Humboldt tax base
- State shared sales taxes, vehicle license and gas tax (HURF) will be impacted
- Unknown how long impact will be
- As a result, we will be creating a COVID-19 flexible reserve budget

COVID-19 Economic Impact

- ASU Economic Report released May 5, 2020:
 - Recession for 3 to 9 months starting in mid-March
 - Recovering economy by early 2021 if no further COVID-19 major outbreaks
 - V-shape versus U shape economic recovery
 - Unemployment rate for AZ in 2020 will rise to 9.4% and then easing to 5.5% in 2021 (rate was 4.7% in 2019)
 - Federal aid is essential to recovery
 - Due to relatively low density in AZ cities and towns, and mild dependence on public transit, and outdoor activities actually helps AZ economy

Funds

- General Fund
- Special Revenue Funds



General Fund



- Revenues to be used for any municipal purpose
- Contains most departments in the Town



General Fund Revenue

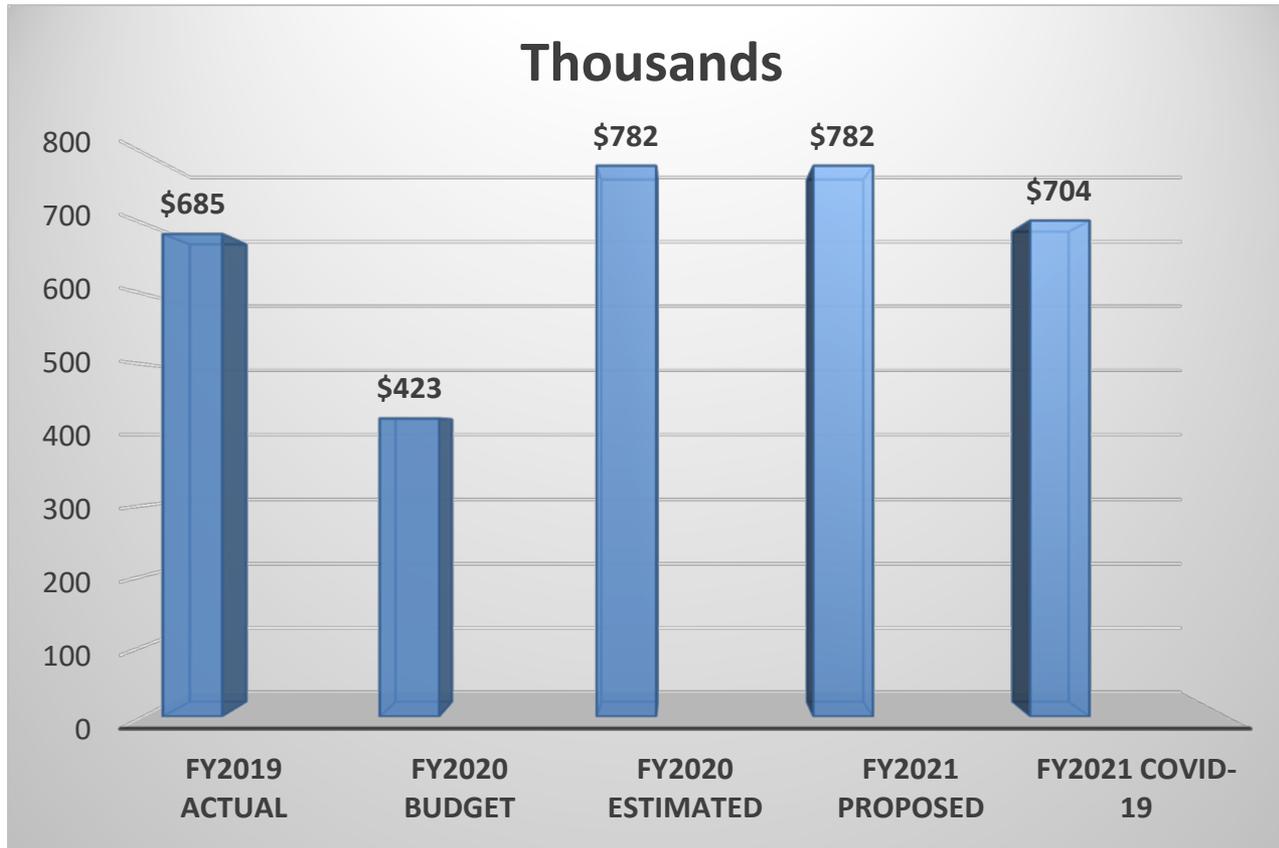


Local Sales Taxes

- Major Revenue Categories:
 - Retail
 - Construction
 - Utilities
 - Restaurant & Bar
 - Hotel/Motel



FY19-21 Local Sales Taxes



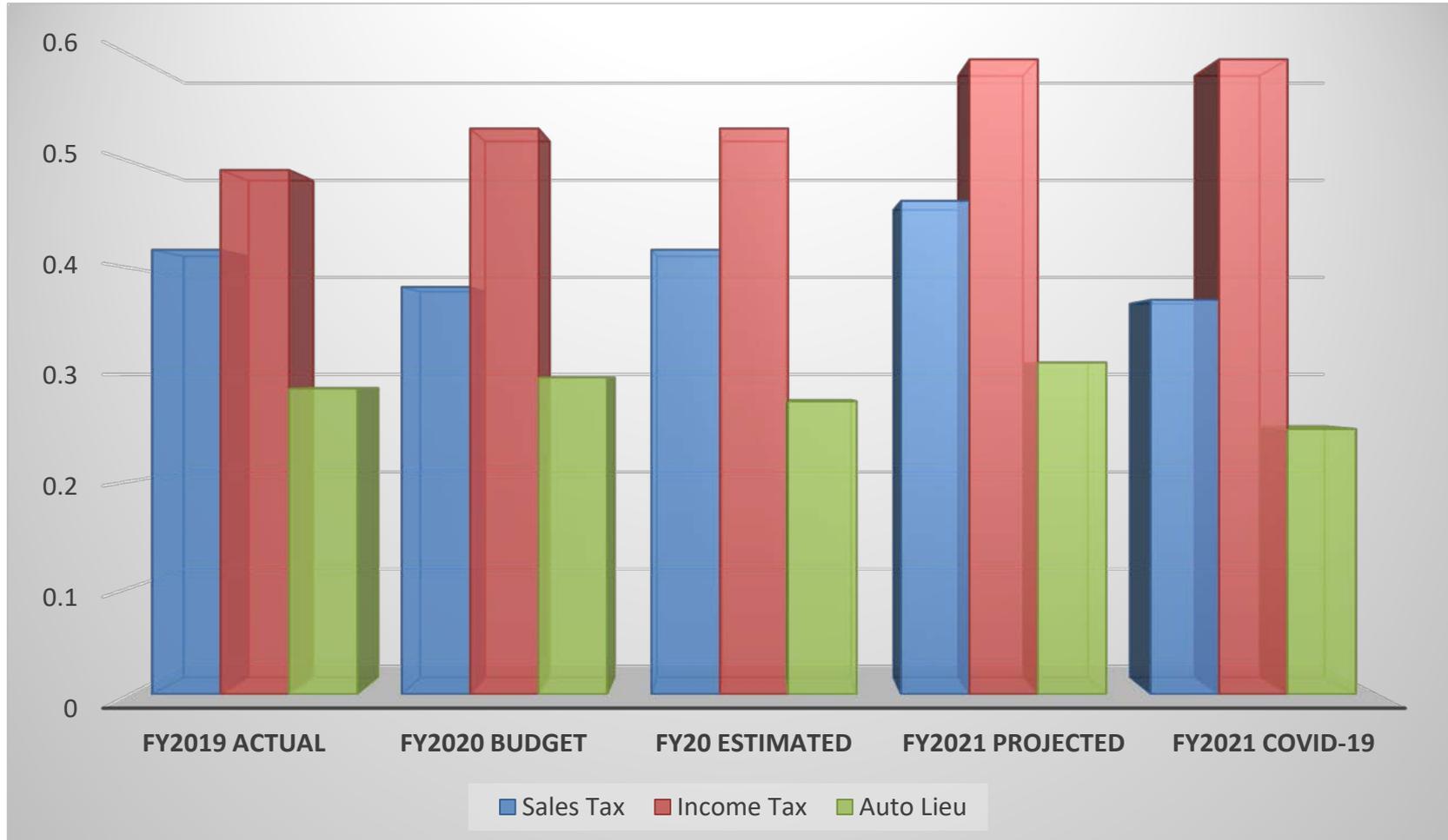
Local Sales Tax FY19-21

- FY19 Actual of \$685 thousand
- FY20 Budget of \$423 thousand
- FY20 Estimate of \$782 thousand is result of collections known July 1, 2019 through April and first two weeks in May 2020, estimate for May and June 2019
- FY20 Estimate weathered COVID-19 storm so far because of tax base

Local Sales Tax FY19-21

- Ceiling estimate for FY21 is \$782 thousand close to what we received in FY20 and assumes come back of economy sooner than later
- COVID-19 FY21 estimate is 90% (10% deduction) of FY21 Budget or \$704 thousand

FY 19-21 State Shared Revenues Thousands



State Shared Revenues FY19-21

- Sales Tax – FY19 Actuals \$417K
- Sales Tax – FY20 Budget \$382K
- Sales Tax – FY20 Estimated \$417K,
actual rec'd through April, estimate for
May & June.

State Shared Revenues

FY19-21

- Sales Tax – FY21 Budget \$463K
(League Estimate)
- Sales Tax – FY21 COVID-19 Budget
\$370K (80% of League Estimate)

State Shared Revenues

FY19-21

- Income Tax – FY19 Actuals \$492K
- Income Tax – FY20 Budget \$531K
- Income Tax – FY20 Estimated \$531K
- Income Tax – FY21 Budget \$596K (League Estimate)
- Income Tax – FY21 COVID-19 Budget \$596

State Shared Revenues

FY19-21

- Veh. License Tax – FY19 Actuals \$287K
- Veh. License Tax – FY20 Budget \$297K
- Veh. License Tax – FY20 Estimated \$275K
- Veh. License Tax – FY21 Budget \$311K (League Estimate)
- Veh. License Tax– FY21 COVID-19 Budget \$249K (80% of League Estimate)

Bottom Line GF

- FY20 Budgeted Revenues \$2,024,730
- FY20 Estimated Revenues \$2,349,408
- Over realized revenues by \$324,678
 - Primarily result of increases in local sales taxes and interest income

Bottom Line GF

- Town FY20 budgeted \$2,118,377 in expenditures
- Estimated FY20 expenditures are \$1,635,364
- Total over realized of revenue and under realization of expenditures resulted in \$714,044 added to GF fund balance in FY20
- Town's General Fund Ending Fund Balance for FY19 was \$5.1 Million

Bottom Line GF

- Proposed FY21 Revenue Budget will be \$2,500,756
- Proposed FY21 COVID-19 Revenue Budget will be \$2,223,001 or \$277,755 less revenue
- Departments have prepared a COVID-19 Budget with reserves for \$136,825 to cover \$277,755 the shortfall, however, even under COVID-19 revenue budget, expenses are less than revenues projected
- Each department will have COVID-19 Budget and will be reviewed in December by Town Manager to see if funds can then be moved up to line items

General Fund Expenditures

Across the Board

- COLA included in the “ceiling budget” but reduced to reserve in COVID-19 Budget
- Increase of AZ State Retirement Contribution from 12.11% to 12.22%
- COVID-19 Contingency in all departments

Town Council & Management

Significant Changes:

- FY20 Budget \$132,031 & FY21 Proposed \$125,600
- Reduction in Training & Travel from \$11,500 to \$9,000
- COVID-19 contingency - \$9,000

Town Clerk & Records Mgmt.

Significant changes:

- FY20 Budget \$147,331 & FY21 Proposed \$155,290
- Increase is \$1,000 software maintenance, \$3,000 for Community Newsletter, \$3,000 for Print, Publish & Advertising
- COVID-19 Contingency - \$5,870

Finance & Budget

Significant Changes:

- FY20 Budget \$152,515 & FY21 Budget \$133,765
- Overall decrease primarily result of not filling Finance Director position.
- Increase of \$20,500 to OSP Contracts (Mickey will give detail)
- COVID-19 Contingency \$3,909

Legal

Significant Changes:

- FY20 Budget \$84,300 & FY21 Budget \$82,600
- Decrease result of no EPA consulting in FY21
- No COVID-19 Reserve as all line items are contractual

Information Technology

Significant Changes:

- FY20 Budget \$66,800 FY21 Budget \$60,500
- Decrease result of project completed in FY20 for software and maintenance. Budget went from \$14,000 to \$3,500.
- Increase of \$4,200 for Website subscriptions
- COVID-19 Contingency - \$24,000

Magistrate Court

Significant Changes:

- FY20 Budget \$78,059 & FY21 Budget \$80,723
- Increase will be if economy improves and COLA & Merits are given
- COVID-19 Contingency - \$1,475

Public Safety

Significant Changes:

- FY20 Budget \$452,600 & FY21 Budget \$475,600
- Increase of \$23,000 to Sheriff Contract from \$438,000 to \$461,000
- No COVID-19 Contingency as all are contracts

Engineering

Significant Changes:

- FY20 Budget \$132,571 & FY21 Budget \$124,535
- Decrease of \$10,000 for Clearview Survey from \$60,000 to \$50,000
- COVID-19 Contingency - \$52,169

Public Works & Facilities

Significant Changes:

- FY20 Budget \$476,379 & FY21 Budget \$340,344
- Decrease of \$152,802 is because HURF funds for HB2748 was moved from GF to HURF fund for ROW Acquisition
- COVID-19 Contingency - \$7,308

Community Development

Significant Changes:

- FY20 Budget \$395,441 & FY21 Budget \$337,395
- Decrease in salaries of \$16,421 is a result of contracting with Planner and not needing extra part time Building Inspector
- Decrease of \$19,800 in Strategic Community Partnership as it was paid in FY20
- Decrease of \$20,000 for Firewise Funding
- COVID-19 Contingency - \$33,094

Non-Departmental

- In the FY21 Proposed Budget, the revenues exceed the expenditures by \$584,405 so this amount will be put into a contingency reserve in the General Fund for additional revenue shortfalls and unanticipated expenditures
- Best Practices is to place 3 months of operating expenditures or 25% which would be \$479,088
- If COVID-19 Budget is realized, there will only be \$306,649 available to be placed in contingency reserve for FY21.

SPECIAL REVENUE FUNDS

Special Revenue Funds

- Highway User Revenues (Gas Tax)
- Grant Funds
- Capital Project Fund



Special Revenue Funds



State Shared Revenues

FY19-21

- HURF (Gas Tax) – FY19 Actuals \$356K
- HURF– FY20 Budget \$347K
- HURF – FY20 Estimated \$517K
- HURF– FY21 Budget \$369K (League Estimate)
- HURF– FY21 COVID-19 Budget \$296

Street (HURF) Fund

Significant Changes

- FY20 Budget \$549,187 & FY21 Budget \$438,500
- \$385,000 in FY21 budget for street maintenance and ROW acquisition
- Decrease result of no HB2748 in FY21
- No contingency reserve in FY21
- Using \$58,752 in carryforward funds to balance FY21
Proposed Budget
- Using \$134,702 in carryforward funds in FY21 for COVID-19 budget
- No COVID-19 Contingency as funds are restricted to only street projects

Capital Projects Fund

- Appropriated \$1,000,000 for City Hall if USDA loan is secured
- Does not count towards Expenditure Limitation
- Will structure debt to be the same as rent payment

Grants

- FY 21 CDBG Grant \$345,170
- FY 21 Misc. Grants \$1,400,000
- Misc. grants are budgeted in case the Town receives some
 - Can not spend if not budgeted

Next Steps

- *May 19, 2020 – Presentation and Adoption of Tentative Budget (Sets “budget ceiling” but can be decreased after tentative adoption)
 - *June 16, 2020 – Public Hearing for Final Budget and Adoption of Final Budget
- * Additional meetings can be added if necessary.

