BUDGET 101 & 102
3 CREDIT HOURS
2018-2019
AGENDA

1. BUDGET 101:
   A. BUDGET SCHEDULE
   B. WHAT IS THE CITY’S BUDGET?
   C. BUDGET STRUCTURE
   D. THE BUSINESS PLAN
   E. BUDGET PROCESS OVERVIEW

2. BUDGET 102:
   A. CITY FINANCIAL POLICIES & PRACTICES
   B. THE CITY’S FISCAL ENVIRONMENT
   C. NEW BUSINESS ENDEAVORS
   D. NEXT STEPS
BUDGET PROCESS SCHEDULE

✓ October 23rd:
  Budget 101 & 102

✓ November 13th:
  public hearing notice

✓ November 13th:
  budget discussion

✓ November 27th:
  public hearings

✓ December 11th:
  adopt 2018 Budget

✓ January 8th:
  adopt 2019 Budget
WHAT IS THE BI-ANNUAL BUDGET?

✓ Like at home it is a financial PLAN for the coming 2 years:
  ❑ Circumstances (market) change over the course of 2 years
  ❑ The budget changes frequently over the 2 years as items are added or deleted
    ➢ Supplemental budget requests & Budget amendments

✓ The City’s budget is like your home budget and your financial portfolio:
  ❑ The budget is a prioritization of recourses & SERVICES
    ➢ Closest to Priority Based Budgeting (PBB)

❑ The budget must be diverse to reduce market risk (negative market impacts)
  ➢ Current budget for revenues is like a 55 year old who is invested solely in stocks
  ➢ Bonds are needed for diversity focused on minimizing market trends and risks

✓ City fiscal year is January 1st – December 31st
✓ The City’s budget is cash based
OUR ROLE – PUBLIC, CITY COUNCIL, & STAFF

✅ We are all stewards of the public’s money and we take that role very seriously

⚠️ Would you do the same thing if this were your personal or business finances?

✅ Read and follow the City’s fiscal and budget policies and high ethical standards

✅ It is our responsibility to monitor our budgets continually – work the plan

✅ Any increase in expenditures requires Council approval
**VOCABULARY: Fund Accounting**

- Fund Accounting is an accounting system used by government and non-profits which emphasizes accountability rather than profitability.
- A fund is a self balancing set of accounts, segregated for specific purposes in accordance with rules and regulations.
HOW IS THE BUDGET PREPARED?

- Departments submit information to Finance Director
- Finance Director compiles the “base” budget
- City Manager, Finance Director and Department Head reviews the base budget
  - Services and programs are evaluated and amended accordingly
- The base budget is “tweaked” at the staff level
- The budget is presented to the City Council who deliberates and makes decisions focused on services and resources
- City Council adopts the budget
- Fiscal year starts on January 1st
BUDGET IS A LIVING DOCUMENT

- The budget is adopted in December (effective January 1)
- As items evolve they are evaluated for their budgetary impacts
- The numbers change with every item going to Council
  - Every agenda item includes a financial analysis component during City Council deliberation
- Key for departments to plan ahead as much as possible and include things in the budget
  - Minimize unplanned or unbudgeted items
  - Legal level of control is at the program level, not by the line item
- Amendments are completed to “align” the budget at the end of the year
MOVING TOWARD PRIORITY BASED BUDGETING

✓ Tie budget/goals to City priorities
  ➢ Strategic Plan
  ➢ Council goals

✓ Keep base budget for existing operations
  ➢ Add for new items
  ➢ Subtract for reduction
  ➢ Balance sheet focused on the “bottom line” or the “net”

✓ Begin evaluating City programs for value
  ➢ Services provided
  ➢ Cost recovery
  ➢ Mandate
  ➢ Demand
WHAT’S IN OUR BUDGET?

GENERAL FUND
- Fire
- Police
- Public Works
- Parks
- Community Develop.
- City Administration

Sewer

Water
**What’s In Our Budget by Department?**

<table>
<thead>
<tr>
<th>Department</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Administration &amp; Finance</td>
<td>$3,367,990</td>
<td>$3,404,728</td>
<td>$3,745,752</td>
<td>$4,096,650</td>
<td>$4,595,600</td>
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<tr>
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<td>$6,801,926</td>
<td>$6,940,063</td>
<td>$7,434,970</td>
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<tr>
<td>Fire</td>
<td>$3,969,673</td>
<td>$4,007,694</td>
<td>$4,289,575</td>
<td>$4,273,090</td>
<td>$4,503,240</td>
<td>$4,616,770</td>
</tr>
<tr>
<td>Public Works</td>
<td>$13,674,865</td>
<td>$11,756,573</td>
<td>$12,537,388</td>
<td>$19,964,420</td>
<td>$29,932,150</td>
<td>$15,847,320</td>
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<tr>
<td>Community Development</td>
<td>$7,439,798</td>
<td>$8,077,029</td>
<td>$6,284,908</td>
<td>$7,579,630</td>
<td>$8,281,510</td>
<td>$5,886,110</td>
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<tr>
<td>Parks and Recreation</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$431,170</td>
<td>$447,170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$35,449,353</strong></td>
<td><strong>$34,047,950</strong></td>
<td><strong>$33,797,687</strong></td>
<td><strong>$43,332,760</strong></td>
<td><strong>$55,550,350</strong></td>
<td><strong>$39,710,910</strong></td>
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</table>
VOCABULARY: Fund Types

The major functions typical of government, such as police, fire and sanitation, come under the category of governmental funds. The different funds in this category enable governments to record and balance cash, liabilities and other data separately for different activities. This means that the City records revenues whenever they are received and expenditures when they are paid. The focus of governmental funds accounting is on the short term and the fiscal accounting period.

✓ General Fund = general government
✓ Enterprise Fund = internal “businesses” that should be self-supporting; revenues usually paid by customers/ratepayers (i.e. Water & Sewer)
✓ Special Revenue Fund = specific, segregated revenue stream (TIF, BD, Animal Shelter Fund, etc.)
✓ Capital Fund = for capital purchases and projects (i.e. Capital Projects Fund)
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>General Fund</td>
<td>$18,139,448</td>
<td>$18,096,634</td>
<td>$18,977,284</td>
<td>$19,758,460</td>
<td>$22,222,240</td>
<td>$23,101,470</td>
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<td>Capital Projects Fund</td>
<td>$374,520</td>
<td>$699,408</td>
<td>$996,172</td>
<td>$2,644,270</td>
<td>$1,739,690</td>
<td>$2,063,960</td>
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<td>Special Revenue Funds</td>
<td>$8,556,371</td>
<td>$8,226,574</td>
<td>$6,262,598</td>
<td>$7,574,090</td>
<td>$8,184,770</td>
<td>$6,050,750</td>
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<td>Enterprise Fund</td>
<td>$8,379,015</td>
<td>$7,025,333</td>
<td>$7,561,633</td>
<td>$13,371,940</td>
<td>$23,403,650</td>
<td>$8,494,730</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$35,449,353</strong></td>
<td><strong>$34,047,950</strong></td>
<td><strong>$33,797,687</strong></td>
<td><strong>$43,348,760</strong></td>
<td><strong>$55,550,350</strong></td>
<td><strong>$39,710,910</strong></td>
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</tbody>
</table>
## What’s In Our Budget By Type?

<table>
<thead>
<tr>
<th>Type</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONNEL</td>
<td>$16,437,877</td>
<td>$16,569,043</td>
<td>$17,071,356</td>
<td>$17,816,050</td>
<td>$20,240,580</td>
<td>$21,015,760</td>
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<tr>
<td>OPERATIONS</td>
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<td>$12,683,251</td>
<td>$13,182,056</td>
<td>$13,685,595</td>
<td>$14,746,100</td>
<td>$14,662,660</td>
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<tr>
<td>CAPITAL</td>
<td>$4,914,475</td>
<td>$4,795,656</td>
<td>$3,544,275</td>
<td>$11,847,119</td>
<td>$20,563,670</td>
<td>$4,032,490</td>
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<tr>
<td>TOTAL</td>
<td>$35,449,353</td>
<td>$34,047,950</td>
<td>$33,797,687</td>
<td>$43,348,764</td>
<td>$55,550,350</td>
<td>$39,710,910</td>
</tr>
</tbody>
</table>
Budget Review: What did it look like in 2016-2017?

For Fiscal Year 2017

- Total Budget is $38.4 million
- Total budget for capital projects is $5.3 million
- General Fund total is $20.7 million
- Total number of individual funds = 18 (13 special revenue funds, 3 enterprise funds, 1 general, 1 capital projects)

Governed by:

- Federal and State laws
- Locally adopted financial policies

Professional standards consistent with:

- GFOA & GASB accounting standards
HOW DO WE PROJECT THE FUTURE?

1. Analyze the Past
   ✓ Chart past budget vs. actual experience
   ✓ Track percentage changes
   ✓ Look at timing of revenues/expenditures
   ✓ Identify known changes for next year and adjust accordingly

2. Research trends
   ✓ National, Statewide, Locally
   ✓ Private market trends
   ✓ Economic updates

3. Include staff
   ✓ Ask them for input for next year’s budget and items that might impact it

4. Make your best guess!
THE BUSINESS PLAN

VALUE BASED BUDGETING PRINCIPLES
BUSINESS PLAN VALUES & PRINCIPLES

1. Serve the residents:
   A. effectively and efficiently
   B. Open, honest, transparent, and authentic

2. Focus on improving the community as a whole

3. Focus on improving the policies, processes, and procedures to reduce costs, increase the service, and cultivate trust and relationships

4. Make sound and balanced financial decisions that are focused on the future and minimize market based influences

5. Invest in people, programs, and projects focused on increasing the level of service to the public and reducing costs

6. Focus on the bottom line (the “net”) when making programmatic decisions by evaluating the cost of service provision and whether it makes business sense for the City to provide the service, a private company, or the market.
FINANCIAL POLICIES

ORDINANCE 4649
ADOPTED 11/12/13
VOCAB: “FUND BALANCE”

Fund Balance = a measure of resources available in the fund, the difference between assets (revenues) and liabilities (expenditures)

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<tbody>
<tr>
<td>Revenues</td>
<td>$500,000</td>
<td>$250,000</td>
<td>$500,000</td>
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<tr>
<td>Expenditures</td>
<td>($100,000)</td>
<td>($300,000)</td>
<td>($200,000)</td>
</tr>
<tr>
<td>Net</td>
<td>$400,000</td>
<td>($50,000)</td>
<td>$300,000</td>
</tr>
<tr>
<td>Fund balance</td>
<td>$400,000</td>
<td>$350,000</td>
<td>$650,000</td>
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**Fund Balance Policies**

**Unreserved Fund Balance:**

1. Ending fund balance of between 15% - 20% of estimated annual revenues for both the General Fund and Enterprise Fund

2. Ending fund balance below 10% of revenues, a plan for expenditure reductions and/or revenue increases shall be submitted to the City Council by the City Manager

3. Ending fund balance below 10%, the City shall rebuild the balance within two fiscal years
# Fund Balance: Where We Stand

<table>
<thead>
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<tr>
<td></td>
<td>2,991,293</td>
<td>3,299,858</td>
<td>4,335,727</td>
<td>5,374,448</td>
<td>6,243,093</td>
<td>5,379,123</td>
<td>4,207,963</td>
<td>3,041,893</td>
<td>1,773,673</td>
<td>406,513</td>
<td></td>
<td>18,139,448</td>
</tr>
<tr>
<td>Licenses</td>
<td>561,037</td>
<td>583,979</td>
<td>582,054</td>
<td>547,880</td>
<td>558,840</td>
<td>570,020</td>
<td>581,410</td>
<td>593,050</td>
<td>604,900</td>
<td>616,990</td>
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<td>Intergovernmental</td>
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<td>13,060,310</td>
<td>13,321,530</td>
<td>13,587,960</td>
<td>13,859,720</td>
<td>14,136,910</td>
<td>14,419,650</td>
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<tr>
<td>Fines</td>
<td>100,723</td>
<td>110,592</td>
<td>91,481</td>
<td>80,530</td>
<td>82,150</td>
<td>83,790</td>
<td>85,470</td>
<td>87,180</td>
<td>88,920</td>
<td>90,710</td>
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<tr>
<td>Charges for Service</td>
<td>2,308,011</td>
<td>2,343,738</td>
<td>2,342,097</td>
<td>2,505,065</td>
<td>2,687,890</td>
<td>2,824,420</td>
<td>2,880,660</td>
<td>2,938,000</td>
<td>2,996,490</td>
<td>3,056,170</td>
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<td>Miscellaneous</td>
<td>298,321</td>
<td>416,484</td>
<td>378,982</td>
<td>385,690</td>
<td>371,380</td>
<td>427,890</td>
<td>497,580</td>
<td>509,310</td>
<td>521,330</td>
<td>533,630</td>
<td></td>
<td></td>
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<tr>
<td>Total Revenues</td>
<td>17,670,509</td>
<td>18,371,930</td>
<td>19,156,157</td>
<td>19,685,955</td>
<td>20,308,080</td>
<td>20,859,140</td>
<td>21,365,880</td>
<td>21,824,880</td>
<td>22,294,960</td>
<td>23,050,121</td>
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<td>Administration</td>
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<td>2,951,845</td>
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<td>3,697,090</td>
<td>3,782,590</td>
<td>3,871,730</td>
<td>3,963,290</td>
<td>4,057,360</td>
<td>4,154,120</td>
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<tr>
<td>Police</td>
<td>6,804,142</td>
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<td>6,800,853</td>
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<td>7,828,060</td>
<td>8,023,190</td>
<td>8,224,110</td>
<td>8,431,050</td>
<td>8,644,230</td>
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<td></td>
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<tr>
<td>Fire</td>
<td>3,969,673</td>
<td>4,007,694</td>
<td>4,299,575</td>
<td>4,273,090</td>
<td>4,503,240</td>
<td>4,616,770</td>
<td>4,733,690</td>
<td>4,854,130</td>
<td>4,978,310</td>
<td>5,106,370</td>
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<td>Public Works</td>
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<td>4,237,210</td>
<td>4,626,300</td>
<td>4,730,910</td>
<td>4,838,170</td>
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<td>Finance</td>
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<td>793,907</td>
<td>783,360</td>
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<td>938,040</td>
<td>958,290</td>
<td>987,820</td>
<td>1,009,660</td>
<td>1,040,840</td>
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<td>Community Development</td>
<td>527,180</td>
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<td>513,560</td>
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<td>706,810</td>
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<td>706,980</td>
<td>725,550</td>
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<td>Community Services</td>
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<td>135,200</td>
<td>150,160</td>
<td>155,730</td>
<td>159,130</td>
<td>162,610</td>
<td>166,180</td>
<td>169,820</td>
<td></td>
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<tr>
<td>Parks</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>431,170</td>
<td>447,170</td>
<td>458,630</td>
<td>470,430</td>
<td>482,600</td>
<td>495,140</td>
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<tr>
<td>Total Expenditures</td>
<td>18,139,448</td>
<td>18,096,634</td>
<td>18,977,284</td>
<td>19,758,460</td>
<td>20,322,240</td>
<td>23,101,470</td>
<td>23,624,540</td>
<td>24,207,540</td>
<td>24,798,850</td>
<td>25,416,350</td>
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<td></td>
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<tr>
<td>Other Sources/(Uses) of Funds</td>
<td>777,505</td>
<td>760,573</td>
<td>859,848</td>
<td>941,150</td>
<td>1,050,190</td>
<td>1,071,170</td>
<td>1,092,590</td>
<td>1,114,440</td>
<td>1,136,730</td>
<td>1,159,460</td>
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<tr>
<td>Change in Fund Balance</td>
<td>306,566</td>
<td>1,035,869</td>
<td>1,038,721</td>
<td>868,645</td>
<td>(863,970)</td>
<td>(1,171,160)</td>
<td>(1,166,070)</td>
<td>(1,268,220)</td>
<td>(1,367,160)</td>
<td>(1,206,769)</td>
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<tr>
<td>Ending Fund Balance</td>
<td>3,299,858</td>
<td>4,335,727</td>
<td>5,374,448</td>
<td>6,243,093</td>
<td>5,379,123</td>
<td>4,207,963</td>
<td>3,041,893</td>
<td>1,773,673</td>
<td>406,513</td>
<td>(800,256)</td>
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</tr>
</tbody>
</table>

**Percent of Revenues:**
- 18.67%
- 23.60%
- 28.06%
- 31.71%
- 26.49%
- 20.17%
- 14.24%
- 8.13%
- 1.82%
- -3.47%
FUND BALANCE: PERSPECTIVE

Budgeting gets better through time due to the heavy reliance on estimating revenues and expenditures.
**REVENUE POLICIES**

**DIVERSIFICATION OF REVENUE**
1. Maintain a diversified and stable revenue system to shelter from short run fluctuations in any one source and ensure ability to provide ongoing services

**CHARGES FOR SERVICES**
1. Fees for licenses, permits, fines, etc. shall be set at the amount necessary to recover the City’s cost of providing the service

**BUSINESS-TYPE ACTIVITY**
1. Set fees at an amount sufficient to fully support the total direct and indirect expenses of the Enterprise Fund, including debt service and capital

**GRANTS**
1. Explore all grant opportunities
2. Do not pursue a grant when the cost of matching funds or increased operating expense is deemed to outweigh the benefit
VOCABULARY: RESERVES

- If the budget is for your checking account, reserves are like your savings account.
- Reserves are funds accumulated for use in emergency situations (essentially the “rainy day fund”).
- City Council policy is to maintain at least 15% - 20% operating expenditures as unrestricted reserves.
- 17% is recommended by GAAP (Generally Accepted Accounting Principles) as the best practice.
EXPENDITURE/EXPENSE POLICIES

**Balanced Budget**

1. Attempt pay-as-you-go basis, with current-year expenditures/expenses funded by current-year revenues
2. Budget is balanced if ending fund balance exceeds the 15% target, even if current-year expenditures/expenses exceed current-year revenues

**Purchasing**

1. Purchase without prejudice, seek to obtain the maximum value for each dollar spent
2. Purchasing, bidding and contract procedures adopted by City Ordinance shall be strictly followed

**Contingency Account**

1. To help maintain service during short periods of economic decline and meet emergency conditions, the budget shall provide for a Contingency of $100,000 in both the General Fund and Enterprise Fund
2. Budget transfers from the Contingency line item will only be made for nonrecurring, unanticipated expenditures and must first be approved by the City Council
CAPITAL IMPROVEMENT POLICIES

COMMUNITY INVESTMENT PLAN

1. High priority shall be placed on replacement of capital items that have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, or are no longer functionally serving their intended purposes.

2. Replacement of capital items shall be timed at fairly stable intervals so as not to spend excessively in one year and restrictively the next.

INTERGOVERNMENTAL ASSISTANCE

1. Intergovernmental assistance shall be used to finance only those capital improvements that are consistent with the City’s priorities, and within the City’s budget for maintenance costs.
ACCOUNTING POLICIES

ACCOUNTING SYSTEM AND STANDARDS

1. Accounting system shall comply with prevailing federal and state statutes and regulations
2. City Council shall receive periodic reports of the City’s financial condition
3. Internal controls will be routinely monitored to ensure that they are relevant and reliable in the prevention of fraud and negligent errors
4. Budget shall be prepared and executed on the cash basis
5. Follow Accounting Principles Generally Accepted in the United States of America (GAAP)
6. Annual financial statements must result in an unqualified opinion
7. Independent auditor shall report directly to the City Council
8. CAFR shall conform to program standards of GFOA’s Certificate of Achievement for Excellence in Financial Reporting
DEBT POLICIES

**USE OF DEBT**

1. Short-term debt outstanding at the end of the year will not exceed 5% of revenues (including tax anticipation notes but excluding bond anticipation notes)

2. Debt financing shall be limited to one-time capital improvement projects and only when the project’s useful life will exceed the term of financing

3. Long-term debt financing shall not be considered appropriate for operating expenditures or any recurring purpose

**DEBT LIMIT**

1. The City of Collinsville became home-rule by special census on August 24, 2005 and no longer has a bonded debt limit imposed by State Statute. However, the City Council believes it is prudent not to exceed 8.625% of assessed valuation with general obligation bonds.

2. Refunding bonds may be authorized by the City Council provided such refunding does not result in an increase in the interest rate and does result in a savings over the life of the bonds.
DEBT POLICIES

**Leases**

1. Lease purchases shall be considered only when the useful life of the item is equal to or greater than the length of the lease

**Rating Agency Relationship**

1. Comply with annual disclosure obligations to bond rating agencies and investors
2. Consider bond rating implications before incurring additional debt
Investments may be made in any type of security allowed by Illinois statutes regarding the investment of public funds.
INVESTMENT POLICIES

SAFETY

1. Preservation of investment principal is more important than liquidity or return

2. Use the “prudent person” standard in the context of managing the City’s investment portfolio
   
   A. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

3. Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third-party institution in the City of Collinsville’s name

4. Securities will be held by an independent third-party custodian designated by the City Treasurer and evidenced by safekeeping receipts and a written custodial agreement

5. Investments shall be diversified by type of investment, number of institutions, or length of maturity
Investment Policies

Liquidity
1. Investment portfolio shall remain sufficiently liquid to meet cash flow requirements
2. Invest primarily in short-term securities such as certificates of deposit, money market funds, or similar investment pools

Return
1. Invest public funds for highest investment return with the maximum security while meeting cash flow demands
2. Structure investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
MAJOR REVENUE HISTORY AND PROJECTIONS

2018/2019 BUDGET
REVENUES

2018 Revenues

- Sales Tax: 32%
- Water/Waste Water Fees: 24%
- Other Taxes: 5%
- Utility Tax: 3%
- Licenses: 2%
- Income Tax: 6%
- Other Intergovernmental: 14%
- Fines and Forfeitures: 1%
- Telecom Tax: 3%
- Permits: 0%
- Garbage Fees: 4%
- Ambulance Fees: 2%
- Charges for Service: 1%

2019 Revenues

- Sales Tax: 32%
- Water/Waste Water Fees: 24%
- Other Taxes: 5%
- Utility Tax: 3%
- Licenses: 2%
- Income Tax: 6%
- Other Intergovernmental: 14%
- Fines and Forfeitures: 1%
- Telecom Tax: 3%
- Permits: 0%
- Garbage Fees: 4%
- Ambulance Fees: 2%
- Charges for Service: 1%

[Diagram showing the revenue distribution for 2018 and 2019]
WHAT DOES IT PAY FOR 2017?

2017 BUDGET
TOTALS FOR ALL FUNDS

**SALARIES**
30%
$13,020,240

**BENEFITS**
11%
$4,795,810

**CONTRACTUAL**
20%
$8,516,025

**COMMODITIES**
3%
$1,512,170

**CAPITAL**
27%
$11,847,119

**DEBT SERVICE**
8%
$3,657,400
WHAT DOES IT PAY FOR 2018?

2018 BUDGET
TOTALS FOR ALL FUNDS

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>26%</td>
<td>$14,652,530</td>
</tr>
<tr>
<td>Benefits</td>
<td>10%</td>
<td>$5,588,050</td>
</tr>
<tr>
<td>Contractual</td>
<td>17%</td>
<td>$9,296,520</td>
</tr>
<tr>
<td>Commodities</td>
<td>3%</td>
<td>$1,745,210</td>
</tr>
<tr>
<td>Capital</td>
<td>37%</td>
<td>$20,563,670</td>
</tr>
<tr>
<td>Debt Service</td>
<td>7%</td>
<td>$3,704,370</td>
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</tbody>
</table>
WHAT DOES IT PAY FOR 2019?

2019 BUDGET
TOTALS FOR ALL FUNDS

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>38%</td>
<td>$15,156,020</td>
</tr>
<tr>
<td>Benefits</td>
<td>15%</td>
<td>$5,859,740</td>
</tr>
<tr>
<td>Contractual</td>
<td>23%</td>
<td>$9,118,300</td>
</tr>
<tr>
<td>Commodities</td>
<td>5%</td>
<td>$1,789,200</td>
</tr>
<tr>
<td>Capital</td>
<td>10%</td>
<td>$4,032,490</td>
</tr>
<tr>
<td>Debt Service</td>
<td>9%</td>
<td>$3,755,160</td>
</tr>
</tbody>
</table>
Comprehensive Annual Financial Report (CAFR)

- Like financial statements for private company showing the year-end situation
- Extremely useful notes; READ IT for the detail

Audited Financial Statement

- Minimum governmental requirement per statute
- CAFR includes this, but more
- Higher Standard
We prepared a 6-year “Capital Improvement Program” (CIP) book with the spending plan for capital items in August 2017. Since they are most costly, it makes sense to plan ahead.

Capital Projects = larger projects, often constructed and budgeted over multiple years and all depreciable assets valued over $5,000.

The relevant years of the CIP is included in the bi-annual budget.
1.25% HOME RULE SALES TAX
INCOME TAX

Bar chart showing income tax amounts from 2008 to 2019.
PROPERTY TAX RATE

St. Clair

Madison
## OTHER PROPERTY TAX RATES (2016)

<table>
<thead>
<tr>
<th>City</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alton</td>
<td>2.2155</td>
</tr>
<tr>
<td>Belleville</td>
<td>2.1817</td>
</tr>
<tr>
<td>Highland</td>
<td>1.9014</td>
</tr>
<tr>
<td>Wood River</td>
<td>1.4424</td>
</tr>
<tr>
<td>Edwardsville</td>
<td>1.2344</td>
</tr>
<tr>
<td>Maryville</td>
<td>0.9839</td>
</tr>
<tr>
<td>O’Fallon</td>
<td>0.8715</td>
</tr>
<tr>
<td>Glen Carbon</td>
<td>0.7844</td>
</tr>
<tr>
<td>Collinsville (St. Clair)</td>
<td>0.6779</td>
</tr>
<tr>
<td>Collinsville (Madison)</td>
<td>0.6779</td>
</tr>
<tr>
<td>Troy</td>
<td>0.6543</td>
</tr>
<tr>
<td>Fairview Heights</td>
<td>0.0000</td>
</tr>
</tbody>
</table>
PROPERTY TAX CONSIDERATIONS

✓ Lifting the dollar cap will result in a net neutral or decrease in taxes paid
  ❑ CARD tax rate decrease; and
  ❑ Increase in EAV (estimated +4.67 for Madison County)
✓ Dollar cap lift is critical considering the addition of parks and recreation
  ❑ Cant do this absent funding
✓ At substantial risk of market issues due to high reliance on sales tax revenues
✓ Responsible approach
✓ Failure to lift the dollar cap will result in losing out on the expiration of TIF #1 when the properties come onto the tax rolls
  ❑ Property taxes paid will go down as City revenues increase substantially
  ❑ All other tax bodies will reap the rewards and we will battle the same issues
UTILITY TAX


Utility Tax Amounts:

- $0
- $200,000
- $400,000
- $600,000
- $800,000
- $1,000,000
- $1,200,000
- $1,400,000
TELECOMMUNICATIONS TAX

Year:
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019

Tax Revenue:
- $0
- $200,000
- $400,000
- $600,000
- $800,000
- $1,000,000
- $1,200,000
- $1,400,000
WATER AND WASTE WATER FEES


$0 $500,000 $1,000,000 $1,500,000 $2,000,000 $2,500,000 $3,000,000 $3,500,000 $4,000,000 $4,500,000 $5,000,000

$500,000 $1,000,000 $1,500,000 $2,000,000 $2,500,000 $3,000,000 $3,500,000 $4,000,000 $4,500,000 $5,000,000

$5,000,000
NEW BUSINESS PROGRAMS

2018/2019 BUDGET
PARKS & RECREATION

- Related to lease termination with CARD for City owned parks and transfer of Schnuck’s Park
- Budgetary allocation required to create a Parks Department and offer correlating services
- No existing funding source
- CARD reducing its Parks & Recreation Levy
- City to lift the Property Tax dollar cap as an offset
  - Estimated to result in a net zero impact and potential reduction
FLEET MAINTENANCE

✓ City pays a premium for external basic fleet maintenance (both for labor and supplies)

✓ Current lack of control over maintenance activities that extend fleet usability and service life

✓ Current lack of control over time required for vehicles to be out of service

✓ Internal provision of fleet maintenance reduces costs substantially and increases the service provision

✓ This is a standard business practice (internal fleet maintenance) for governmental entities

✓ Also streamlines the vehicle purchase process related to supplies and maintenance training

✓ The business decision is focused on the bottom line as well as efficiency and effectiveness that necessitated this program
FACILITY MAINTENANCE

✓ City pays a premium for janitorial services on external contracts (both for labor and supplies)

✓ Lack of consolidation over maintenance activities (facility repair and upkeep) result in increased costs to the City

✓ Dissatisfaction on service for maintenance, repairs, and janitorial is consistent and has been for several years

✓ Current practice results in employees in other departments being pulled off projects to perform repairs at City facilities

➢ Forces out of program reaction and response and delays in projects.

✓ Internal dedicated staff managing these issues allows a centralized and focused approach and allows others to remain focused on mission critical work
NEW BUSINESS PROGRAM FINANCIAL IMPACTS

- Focus on service delivery and all financial impacts
- Program development included reduction and/or total elimination of corresponding program costs
- Programs creation still maintains reserve fund balance within and exceeding the financial policy requirement:
  - 2018: 26.49%
  - 2019: 20.17%
BUDGET 2018-2019 NEXT STEPS

✅ Revise based on tonight's discussion
✅ Draft budget delivery expected by the end of this week
✅ November 13th
  ☐ Public Hearing Notice
  ☐ Budget Discussion
✅ November 27th
  ☐ Public Hearing
✅ December 11th
  ☐ 2018 Budget Adoption
✅ January 8th, 2018
  ☐ 2019 Budget Adoption
✅ Work the Plan