

MEMORANDUM

Finance Department



DATE: August 7th, 2023
TO: **Management Team**
CC: Gene Brazel, City Administrator
Brett Gailey, Mayor
FROM: Barb Stevens, Finance Director
SUBJECT: **2024 Budget Instructions**

Good afternoon! I have put together the initial budget for 2024 based on current economic conditions, and anticipated revenues. This budget includes the current staffing levels, current programs, and current levels of service only.

Limited Resources (Wage Studies):

The Consumer Price Index for Workers (CPI-W) from June to June is used to determine a starting point for cost-of-living adjustments (COLA). The CPI-W for our 2024 budget year is 4.5%. Historically, the Council has used a 90% of CPI-W for the adjustment. As such, our base budget will include a 4% COLA citywide. Additionally, medical/dental insurance rates are anticipated to increase 4-7%. The impact of these fixed ongoing expenses increases are estimated at \$600,000 for 2024.

The city is currently in negotiations with the Teamsters (Public Works & Parks workers) for their contract that began in 2023 and have also begun negotiations with the Guild (commissioned officers) for the upcoming contract. Based on the salaries/benefits of comparable cities in our market and market adjustments performed for non-represented staff in the prior year, the Council will have extremely difficult decisions to make regarding where to put the City's remaining limited resources.

In anticipation of this, I would recommend we all take a hard look at our expenditure budgets and estimates for the current year and consider the needs and priorities of the City and the Council as we move through this process.

Priorities:

Because our 2023 priorities are multiyear processes, they are continuing as priorities in 2024. Those priorities are:

- Maintain Public Health & Safety
 - American Public Works Association (APWA) Accreditation
 - Enhance Transportation Program
 - Enhance Park & Recreation Program
 - Complete Capital Projects in Process
- Streamline Citywide Processes to Increase Levels of Service (LOS)
- Attract & Retain Highly Qualified Staff

Department Level Budget:

This year we will continue budgeting on a department level. You will still need to include a line-item budget for entry into our financial budgeting system, but you will be held only to the budget within your entire Department. This means, if you intend to spend more in some line items, but less in others, as long as you don't go over your total Department amount, you will not be considered over budget, and you will not need to request an amendment from Council, only an adjustment to be completed by Finance.

Each Department will have a budgeted number of positions (FTEs) and a set dollar amount for your staffing based on 2023 budgeted levels (adding COLA, etc). All requests must include the number of additional FTEs and an estimated budget. Once the 2024 budget is approved, Departments may, with some limitations, perform reorganizations or reclassifications within the Department, without additional Council approval **IF** the number of FTEs does not increase **AND** it is a "similar" position **AND** the change will not cause the Salary and/or Benefit line items to go over budget. If any of those do apply, Council must approve the change in FTE and/or the budget increase.

Exceptions to the department budget rule include but are not limited to Salaries, Benefits, Liability Insurance, Debt, and Capital Contributions. These budgets are set by Finance and Council and may not be considered as part of your overall budget compliance.

Budget Workbook:

I have attached the budgeting workbook with the base "status-quo" budget amounts. *Please note I will be updating the salary, benefit, and insurance costs once those calculations are complete.*

As in past years, this workbook includes ALL funds and accounts, not just yours. If you need help determining which belong to your department, please ask. All the funds within the spreadsheet are currently collapsed for a simplified view. To view your department's detailed line items for current 2023 actual expenditures, this year's ending estimates, and the 2024 base budget, please expand your department information by clicking the "+" sign next to your department or fund.

You may view the revenues and expenditures of all funds and departments if you choose, but keeping the spreadsheet collapsed should help to keep the information from becoming too overwhelming.

Please use the forms for your prioritized items and personnel requests.

- 1) Review the current 2023 budget versus actual amounts and detail expenditures prior to making 2024 requests. Discuss any anticipated variances between budget and actuals with Finance **including estimated ending balances** as these will affect next year's available resources
- 2) Review the 2024 Initial Budget and plan your requests as usual.

The "2024 Base Budget" column is based on the 2023 budget and estimated expenses and may have been reduced by the amounts specific to 2023 requests. Please review **each line item (2023 estimated ending and base 2024 amounts)** to determine if you agree with the amounts or if your request is going to be different from the initial budget. Either way please make note of that as you will have the opportunity to include that in your request.

- 3) Department Requests (Must do both)

- 1) Compile your list of all specific items/projects/programs/personnel being requested with their priority, cost, reason, potential future costs, and the estimated timing of the expense in the REQUEST LIST tab in the budget workbook.

Please include all requests in the LIST. If they are not in the list, I cannot ensure they will be included in the budget documents.

Requests will be separated by account code later in this process as I will determine coding and enter the budget request into the spreadsheet/system based on State accounting requirements.

- 2) Complete new item and/or personnel forms for all new requests as these will be referenced and reviewed by the Mayor and Council for decision making. Please be sure to include *ongoing* and/or *related* costs and a correlating request number that you have included in the spreadsheet. These forms need be submitted to Finance with your budget request spreadsheet.

- 4) Update your equipment replacement schedules and notify Troy of any updated ongoing software maintenance costs, as those will also be used to determine budget and contribution amounts. These will also be submitted to Finance by the due date.

If you have any questions on any of the expenditures or need assistance accessing the detail information in the accounting system, please contact Barb (x410).

Budget Schedule:

The budget spreadsheet, summary list of requests, all request forms, and updated replacement schedules, are due back to me by **August 18th**.

You have from now until the due date of August 18th to prepare your request, discuss staffing with HR, software needs with IT, and present and discuss your requests with others as needed. Please be sure to do this prior to submitting your budgets to me.

The estimated revenues and preliminary budget including requests will be compiled and presented to Gene and the Mayor by August 25th.

On **August 31st**, we will hold a full day executive mini retreat where we will review and discuss staffing plans and department budget requests with the executive team including Gene and the Mayor. Please be ready to present and discuss your requested needs and how they support the city's priorities.

The first presentation to Council on estimated Revenues and the base budget will be made at the Council meeting on September 5th to present preliminary revenue and expenditure information. Budget sessions will be scheduled throughout September and October to discuss department requests, recommendations, and capital project budgets.

Thank you and please let me know if you have questions.

Barb

If you need assistance running reports in Springbrook, please contact Matthew Heist. He can grant you access to the software and give you a short tutorial on how to run reports. If necessary, he can run reports for you, but this is not the preferred method.