



**CITY COUNCIL AGENDA REPORT**

**July 8, 2019**

**TO:** Mayor and Councilmembers  
**FROM:** Lourdes Aguirre, Finance Director  
**SUBJECT:** Discussion  
**AFFECTED DEPARTMENTS:** City Wide  
**ITEM REQUEST:** Study Session

**TITLE OF AGENDA ITEM:**

**STUDY SESSION: PROPOSED ½ CENT TAX INCREASE & FUND BALANCE OVERVIEW**

**EXECUTIVE SUMMARY:**

Estimated General Fund – Fund Balance Reserves at 6/30/2019: **\$782,620**

Estimated savings (reserves) the city may have on hand after all revenue and expenditure accruals are posted for Fiscal Year 2019 (for June 30<sup>th</sup>). It has taken approximately 4 years for the city to grow this fund for the sustainability of city services, a slight economic downturn or simply an incidental that was not budgeted for. Both Fiscal Years 2019 and 2020 have not included a contingency line item to address or help mitigate any unforeseen event. The recommended fund balance for cities and towns is 20%-30% of the general fund budget. In the case of the city, 20% of a \$5 Million dollar general fund budget would mean savings equal to \$1 Million.

Fiscal Year 2020 General Fund Budget Deficit: **-\$312,237**

This is the sum of the original general fund budget deficit of -\$293,204 (main/expected driver: rising pension costs) and increased expenditures proposed by the Citizens Advisory Committee in the amount of -\$19,033. Staffing levels remain at a minimum, as do operating costs for each department.

\*Implementation of the measures listed below, reduce the impact to fund balance reserves (savings) by \$213,496; both measures together, reduce the Fiscal Year 2020 General Fund Budget Deficit from **-\$312,237** to **-\$98,741**.

Internal budget savings: **\$90,296**

This is the result of savings in personnel for Fiscal Year 2020.

The proposed ½ cent tax increase is expected to generate: **\$123,200**

This is merely a “short-term” solution that would help sustain city operations during the necessary, but long-term economic development/planning efforts. While the increase will affect both businesses and residents, we estimate the impact will be minimal, conservative and across the board. Please see the table below:

**Result of the increase in dollars:** *For Retail Purchase (Non-Food), Utility or Communication Bill*

Purchase/bill in the amount of:	\$1	\$10	\$100	\$1,000
Result of tax rate increase:	\$0.01	\$0.05	\$0.50	\$5.00

Failure to implement the proposed ½ cent increase could deplete general fund balance reserves before Fiscal Year 2023 (assuming no additional expenses are added to the budget).

**RECOMMENDATION(S):** Study Session / Discussion

**Attachment(s):** Memorandum to Council Dated June 27, 2019 – Titled: AVOID A BUDGET CRISIS (Fund Balance Overview), 8 pages

City Manager Concurrence: \_\_\_\_\_ **COPY**