



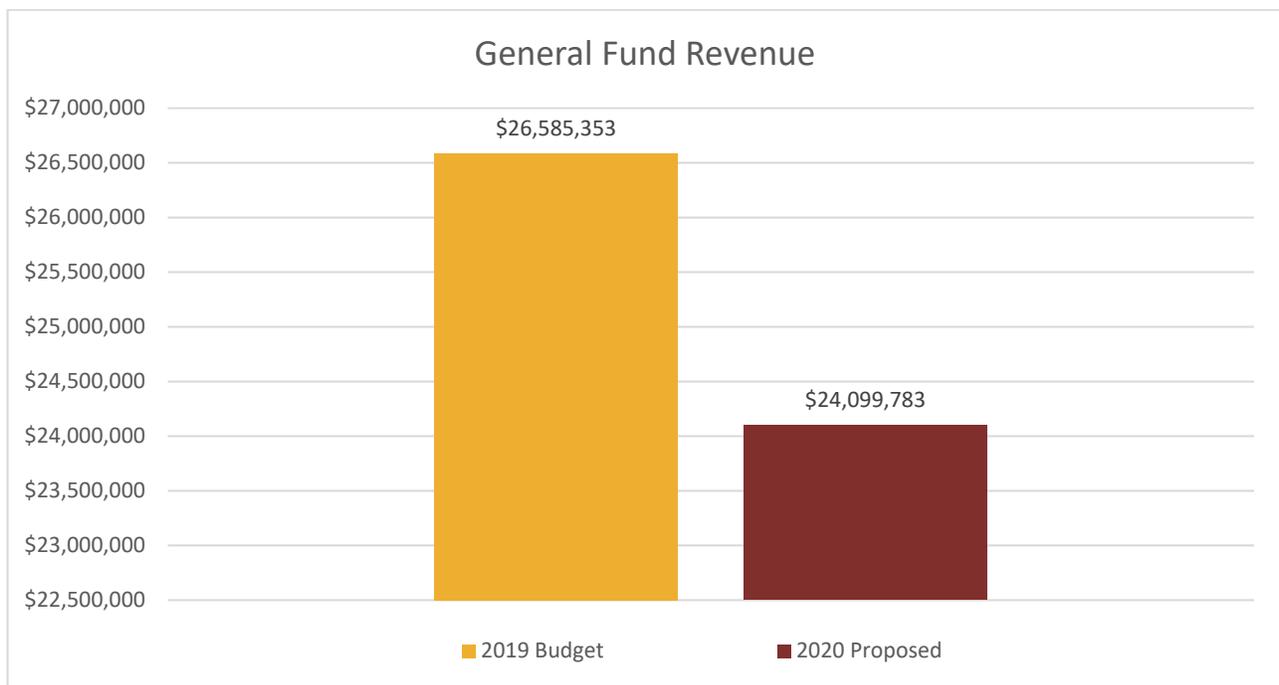
2020 Proposed
Budget Overview

Revenue

General Fund

General Fund Revenue serves as the main revenue for basic city operations. The major revenue sources for the General Fund include Property Tax (22% of overall revenue for 2020, 33% of the total tax revenue for 2020) and Sales Tax (45% of the overall revenue in 2020, and 67% of the total tax revenue for 2020). Overall revenue projections have decreased for the 2020 General Fund Budget in the amount of \$2,485,570. The largest areas of decrease are: \$640,000 less from the Water Fund (due to bond payments for BY Water being complete); \$773,000 less for a bridge grant that was received in 2019; \$458,000 of EMS revenue that was moved to an enterprise fund; \$437,700 less in SRF financing for projects in comparison to 2019, and \$165,000 less from sanitation for capital purchases.

We are using conservative revenue projections; however, if Sales Tax numbers increase above projections in 2020, the City Council could always consider a mid-year supplemental appropriation budget hearing that would allocate some of those increases received for projects not included in the 2020 budget. Likewise, if sales tax numbers fall below the 2020 Proposed Budget, then Contingency funds will be needed to balance the budget.



Of Note:

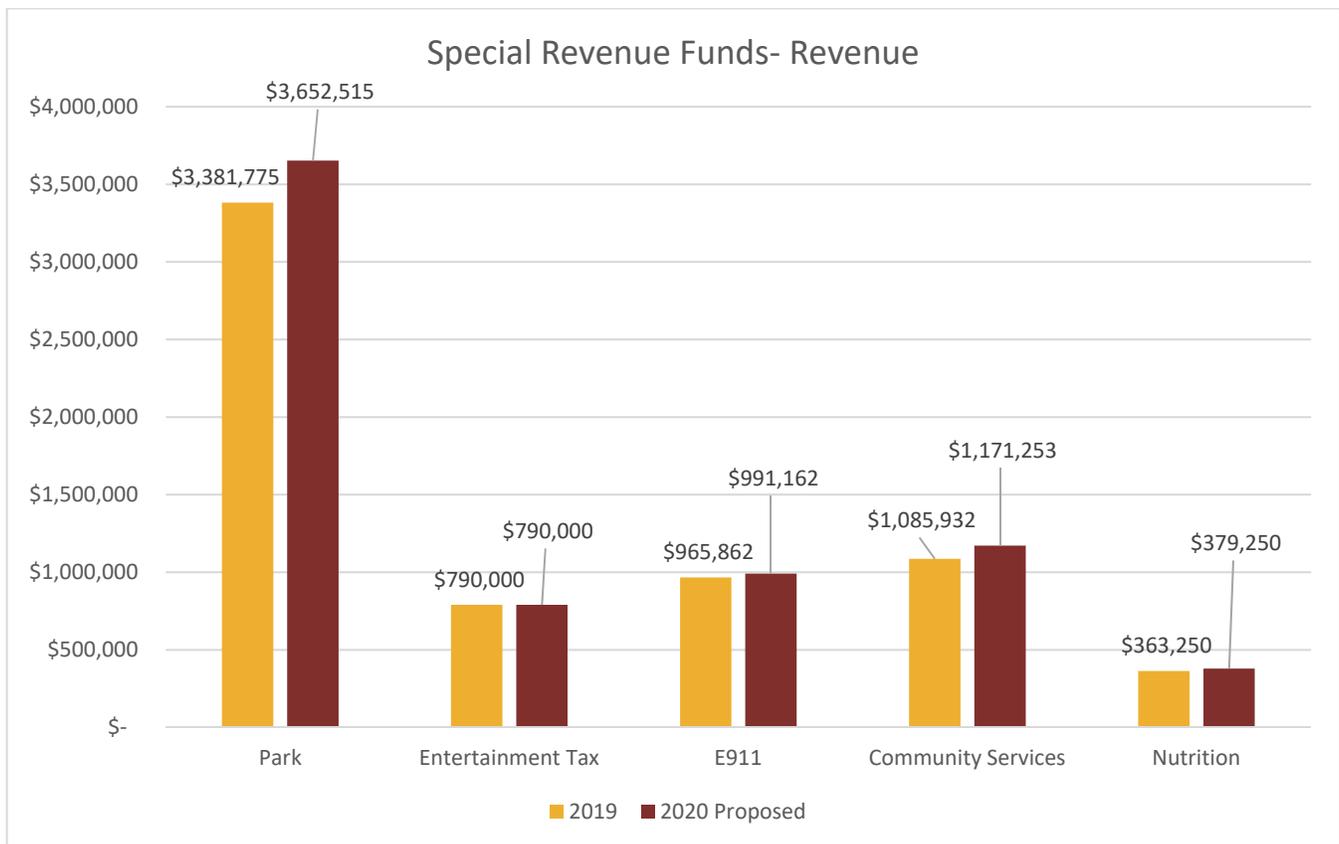
- The CPI for property tax increases was 2.4% which resulted in a property tax increase of \$124,222.91
- The Growth for property tax was 1.10% resulting in an increase of \$56,935.
- The budget also projects a 2.6% decrease in sales tax resulting in a decrease of \$286,935 in sales tax revenue. This includes removing the ISP tax for 2020, and flat to lower sales tax projections from 2019.
- SRF financing in the amount of \$5,525,135 is anticipated for the remaining work on Sanborn Phase II and East Central Drainage Phase II projects.
- A transfer of \$95,000 from the Water Fund to cover the cost of the BY Water debt service remaining payment.

Cash Applied from General Fund Designated Reserves:

- \$646,438 of STIP funds to be used towards 2020 Road Repair & Construction. (Total Eligible Projects are: \$895,000 overlay, Chip Seal \$257,000 and \$11,303 local matching funds for Sanborn/East Central Drainage Projects).
- \$173,000 of Storm Drainage Reserve funds to be used for Drainage Projects.
- \$4,335 from Veteran's Park reserves to be used for Veteran's Park Maintenance.
- \$414,214 from "27th Payroll" designated reserves to be used in general fund salaries & transfers to other funds for 27th payroll costs.

Special Revenue Funds

In addition, special revenue funds and enterprise funds were reviewed to ensure that projections for 2020 matched projections for actual collections in 2019 and future collections in 2020. This ensures that as administration reviewed the 2020 budget requests, the requests are attainable revenue projections. This continues the City's goal that the City will not rely on using reserves to balance the budget due to not reaching expected revenue projections.



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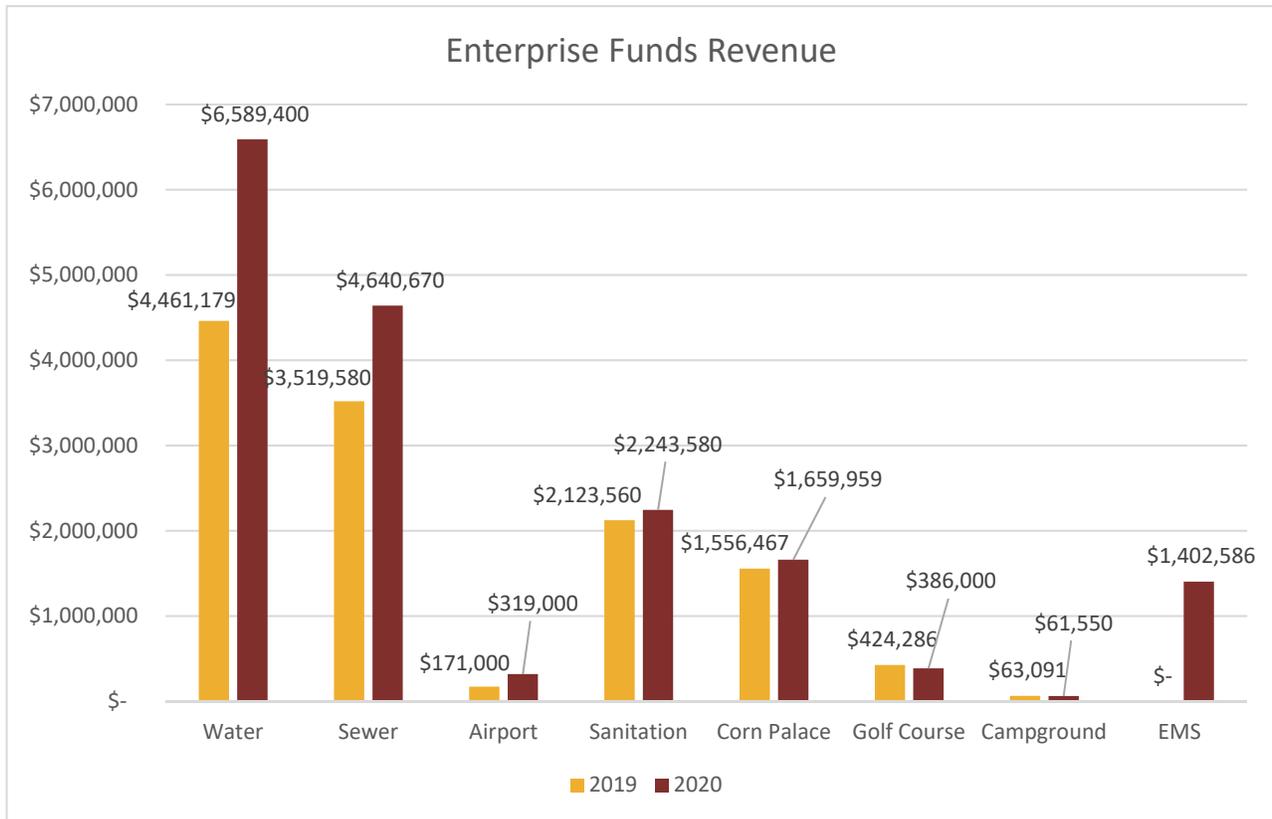
- Park fund revenue increased \$270,740. The transfer from general fund increased \$373,058 from the 2019 budget.
- Entertainment tax budgeted revenue was budgeted at a 0% change from the 2019 budgeted levels. Projections for 2020 show that we will meet, or slightly exceed the 2019 budget; however the largest portion of revenue comes in the last quarter of the year.
- E911 Revenue increased \$25,300. The PSAP funds and service contracts were changed to match actual collections.
- Community Services Revenue increased by \$85,321 which is reflective of the reserves being depleted and a general fund transfer of \$141,981 to cover the costs of operation not covered by revenue sources from either Palace Transit, JVCC or the Mitchell Volunteer Program.

Cash Applied from Special Revenue Fund Designated Reserves:

- E911 will have \$49,145 applied from reserves towards capital improvements (roof replacement).
- Community services will have \$100,000 applied from reserves, which is the estimated remaining balance as of 12/31/19.
- Senior Nutrition will have \$9,232 applied from reserves for operational costs

Enterprise Funds

The City of Mitchell has eight designated enterprise operations. The enterprise funds include: Water, Sewer, Airport, Sanitation, Corn Palace, Golf Course, Lake Mitchell Campground, and Emergency Medical Services. Emergency Medical Services used to be a general fund operation, but will be moved to enterprise operations to properly track and account for those expenses and revenue. To be considered an enterprise fund, the fund should cover the cost of operation from the revenue the fund generates.



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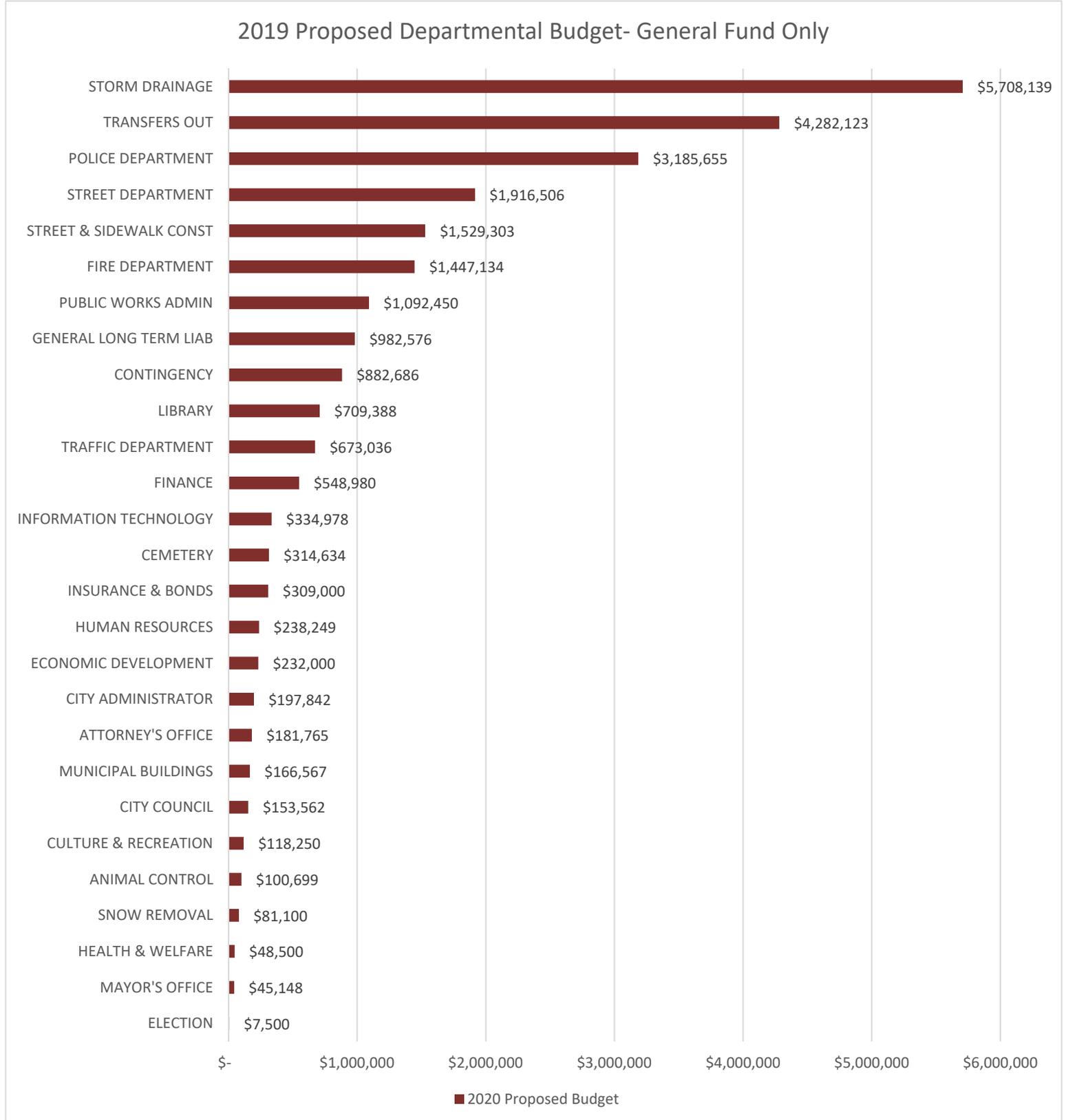
- Water fund revenue increased \$2,128,221 in the 2020 budget in comparison to 2019. The revenue is mostly due to financing revenue for water utility projects that are \$1,822,221 higher in the 2020 budget than in 2019 budget. The other major increase is due to the fee increase that is estimated to bring in an additional \$255,000 in the 2020 budget. This new revenue is allocated for debt service payments for the infrastructure improvements the City has made in Sanborn, East Central Drainage, as well as replacement of aging facilities and new water distribution utilities.
- Sewer fund revenue increased \$1,121,090 in the 2020 budget in comparison to the 2019 budget. The revenue increase is largely attributed to a \$999,890 in project financing revenue (SRF) for sewer improvements in the 2020 budget in comparison to the 2019 budget. Additionally sewer fee revenue is increasing \$130,000 for debt service payments for utility improvements financed using State Revolving Fund Financing in 2019 and in 2020.
- Corn Palace revenue increased \$103,492 in the 2020 budget in comparison to 2019. The increase includes the additional revenue received for operating concessions at the baseball stands, and an additional \$143,042 in subsidy funding from the General Fund for operations in 2020.
- Golf Course revenue is anticipated to decrease \$38,286 from 2019 to 2020. The 2020 revenue budgets were decreased to match actual receipts in the past 3 and 5 year averages. Membership fees and cart rental revenue account of \$37,000 of the revenue decrease.
- This is the first year that Emergency Medical Services (EMS) is being budgeted as an enterprise fund. Because of this the fund revenue for 2019 shows as \$0. However, fees and charges for EMS services are budgeted to remain flat to the 2019 budget. It should be noted that collection on EMS billing has greatly improved and as of August 20, 2019 we have almost collected the total budgeted revenue for 2019. The revenue budget also includes a \$818,886 transfer in from General Fund, due to current revenue not covering anticipated expenses.

Expenditures

The 2020 Proposed Expenditures totals \$50,818,216 which represents a \$2,903,552 dollar (or a 6%) increase from the 2019 approved budget. The budgeted funds include general fund, special revenue funds, debt service funds, and enterprise funds

General Fund

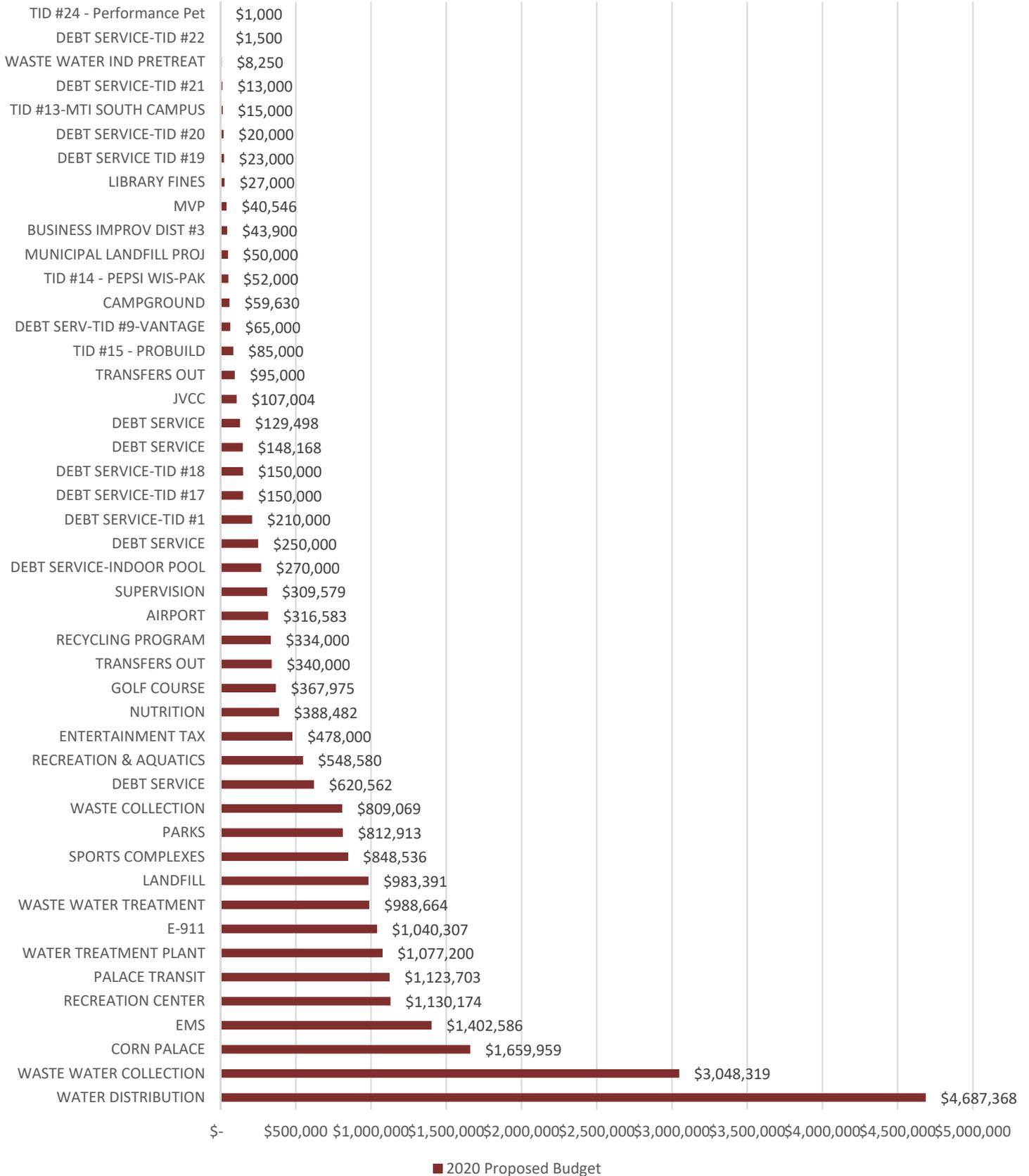
General fund is the main operational fund for city services.



Other Funds

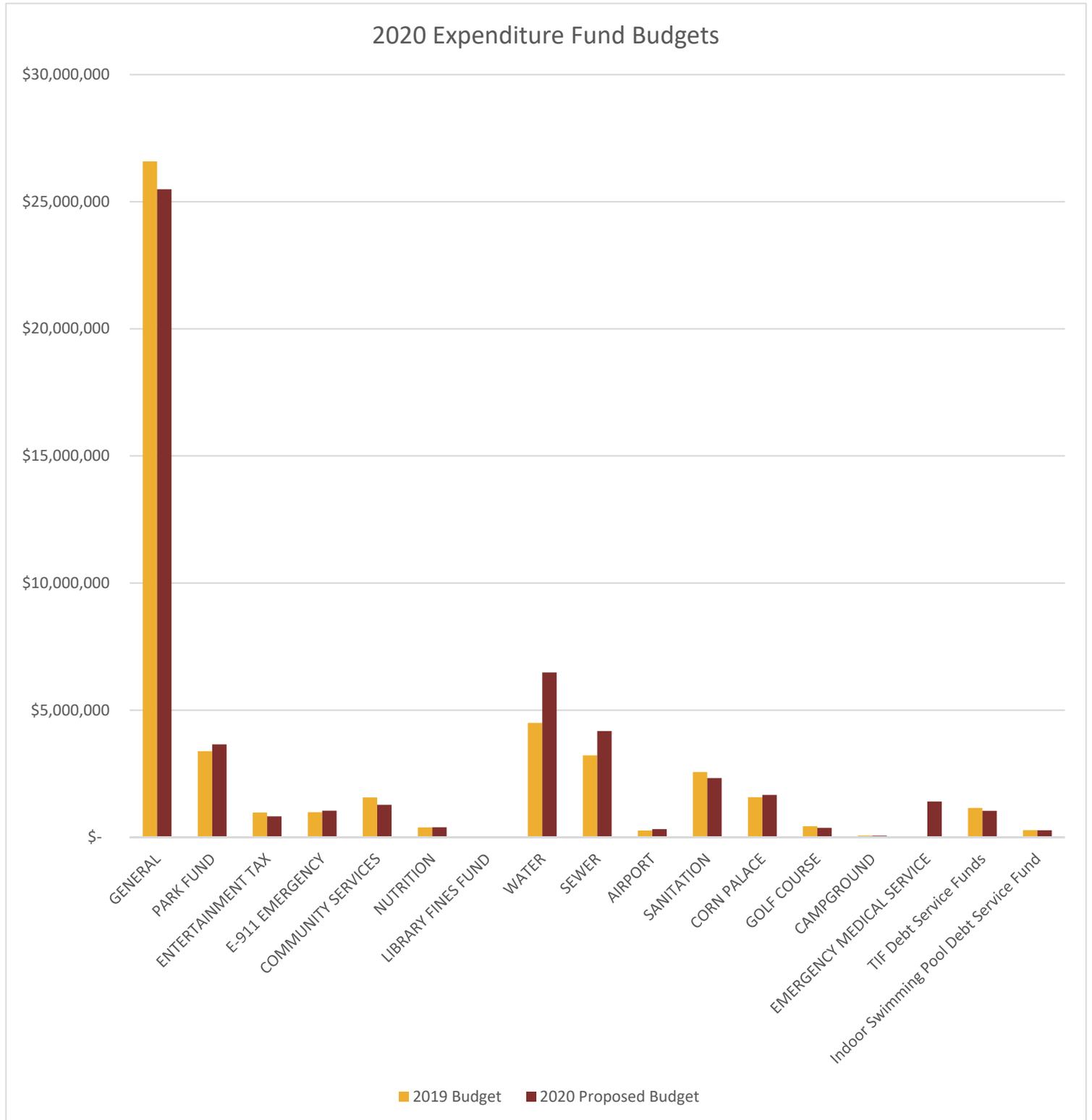
The other funds include the special revenue funds, the debt service funds, and enterprise operation funds. These funds are supported by revenue generated by the services offered. Some of the funds also receive general fund subsidies.

2020 Proposed Budget- All Other Funds



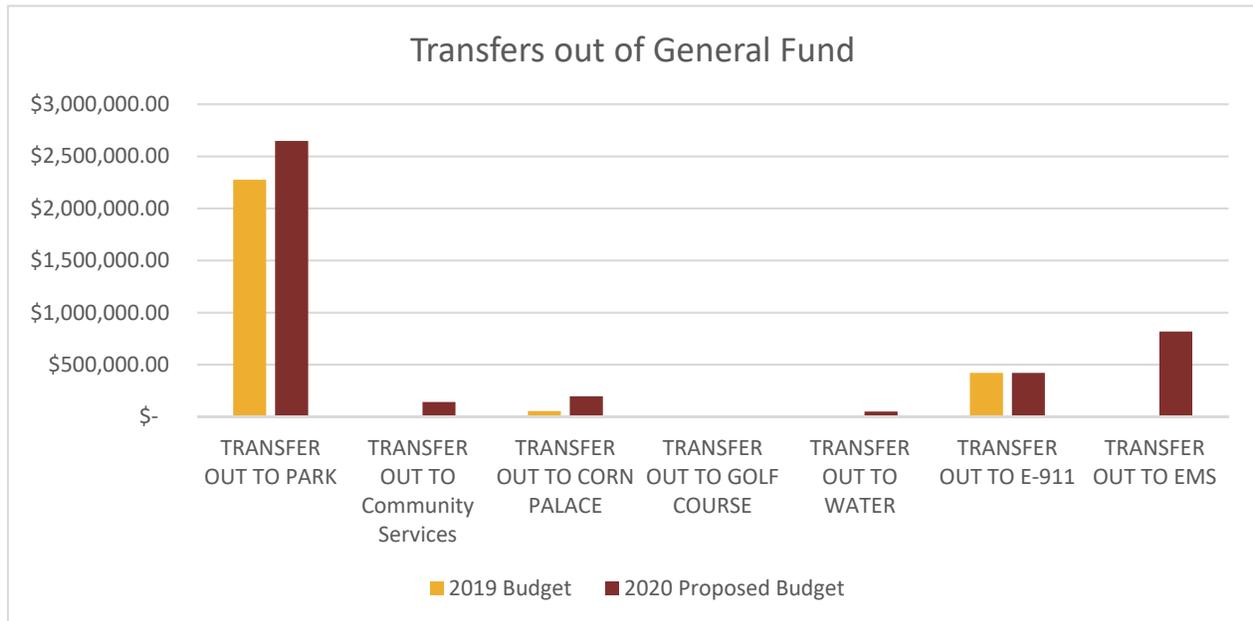
Fund Expenditure Increases

The expenditure budgets increased \$3,022,793 in budgeted expenditures for 2020. Those increases were due to a \$1,984,036 increase in the Water Division, and a \$955,406 increase in the Sewer fund for budgeted utility projects. Those projects are being financed with SRF loans and fees charged for the services pay for the debt service of those loans.



Transfers Out

Each year the General Fund transfers funds from the general fund to assist other special revenue funds. These transfers out show a \$1,531,967 increase from the 2019 Budget to the 2020 Proposed Budgets. The largest change is the Transfer to EMS which shows as a \$818,886 increase from 2019. This operation was moved from the general fund to an Enterprise Fund so that we can more accurately reflect the cash flow for the operation of Emergency Medical Services. When that change is factored out, the increase is \$713,081 from 2019 to 2020.



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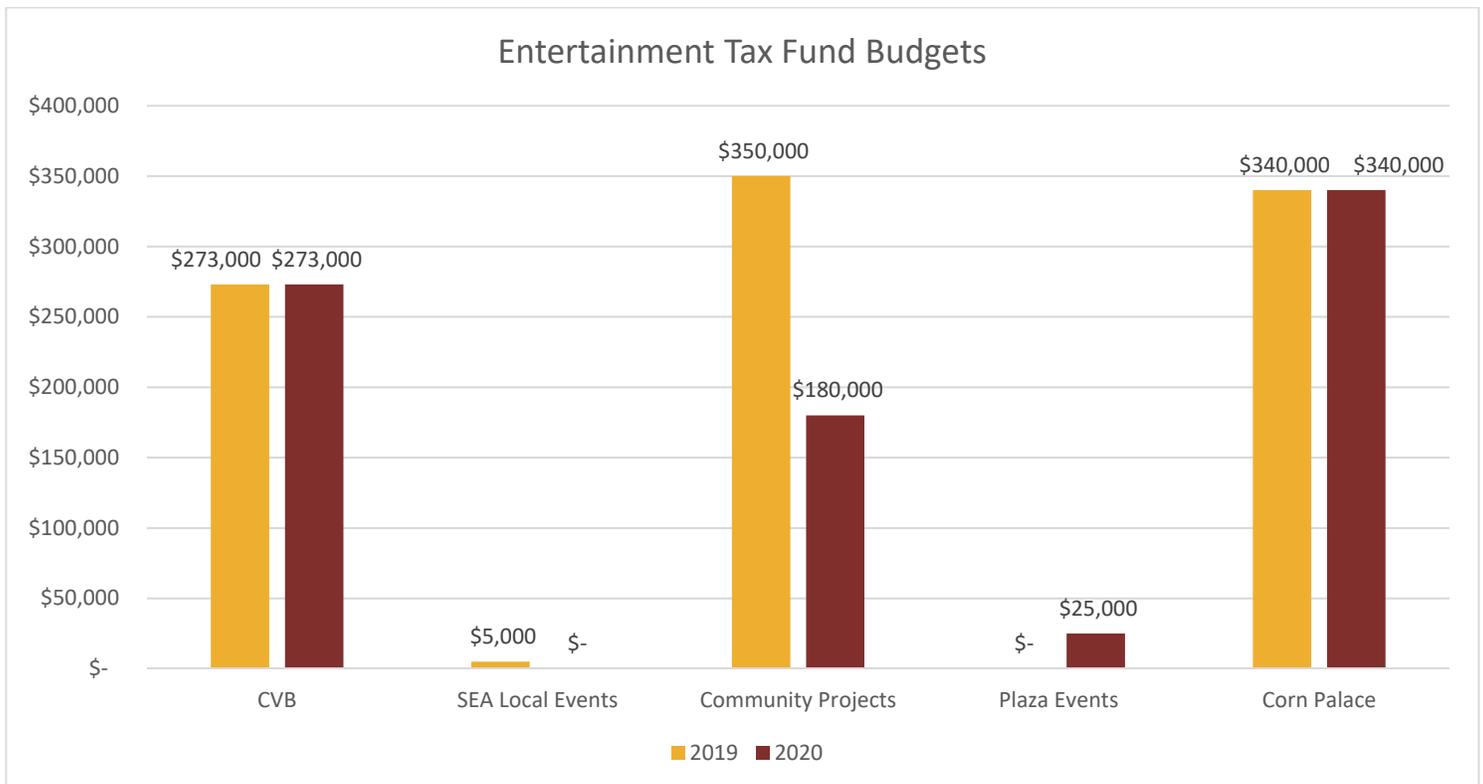
- Transfer out to Park increased \$373,058 in the 2020 Proposed Budget. Of this increase \$54,000 was increased due to the 27th payroll occurring in FY 2020, which was designated in general fund reserves. The remaining \$319,058 increase from general fund is to cover the cost of operations.
- Transfers out to Community services increased \$141,981. This is new to the 2020 budget, and is necessary because the fund is estimated to have depleted the reserves after the cash applied for 2020 is factored out. The City can expect this subsidy to go up an additional \$100,000 (for a total of \$240,000) in FY 2021 due to the reserves being depleted by the end of 2020.
- Transfer out to Corn Palace. The transfers out to corn palace (from general fund) increased \$143,042 in the 2020 budget. Of that increase \$27,000 was to cover the cost of the 27th payroll that is designated in the general fund reserves. The remaining increase (\$116,042) is to cover the cost of operations. *It should be noted that the Corn Palace Fund is an enterprise fund. The Corn Palace also receives a transfer in from Entertainment Tax in the amount of \$340,000; bringing the total “non-departmental revenue/ subsidy” to \$537,109.
- Transfers out to E911 did not increase for 2020.
- Transfer out to EMS is new for 2020 due to EMS being moved from a General Fund Operation to an Enterprise Operation (as described above).

Special Revenue Funds

The City's special revenue funds are relying on either general fund transfers or cash from those special revenue fund reserves to balance operations. Park Fund and the E-911 Fund both required cash transfers from General Fund to balance; and Park, E911, and Community Services also applied cash from reserves to balance. The Nutrition fund is self-supporting and did not require a general fund transfer but did apply from reserves to balance.

Entertainment Tax Funds

Entertainment Tax Revenue is budgeted at \$790,000 in FY 2020, which reflects a 0% increase from 2019.



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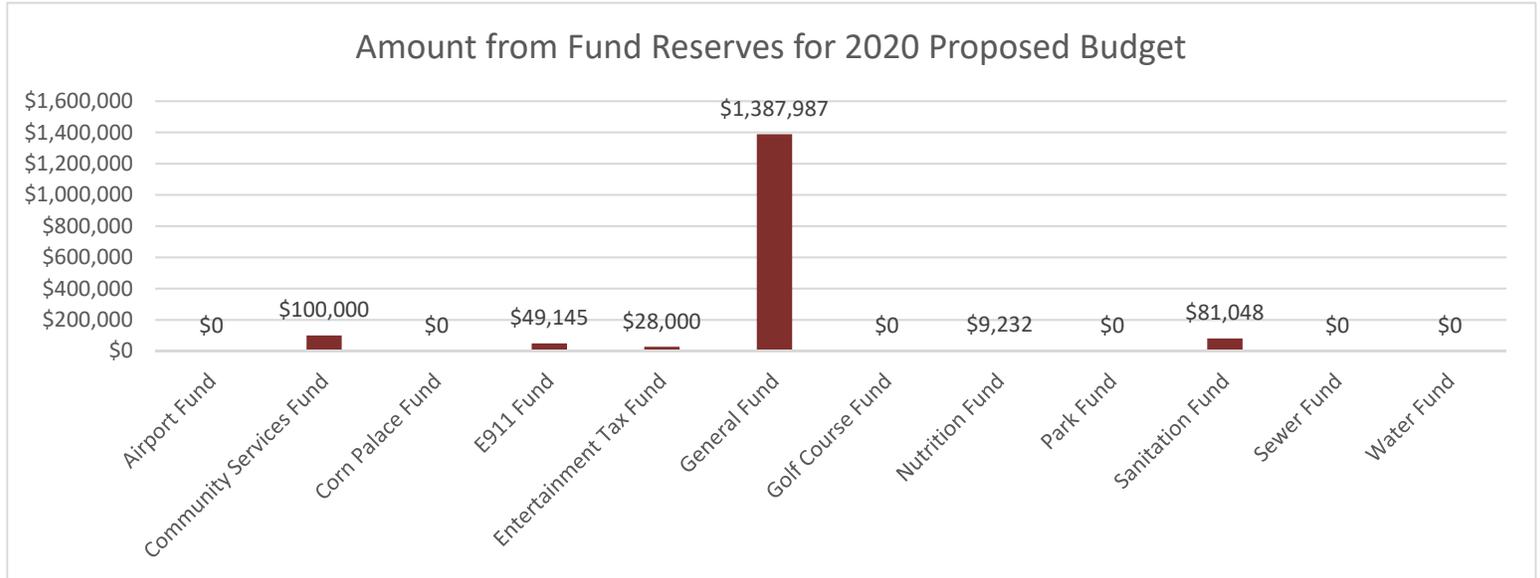
- The CVB and Corn Palace Transfer were kept at the same level as in 2019, due to the projected flat revenue for 2020.
- The 2020 Budget has an additional \$180,000 budgeted to complete the Corn Palace Plaza Project (east entrance, shade structure, and permanent stage). This could be offset if additional grant funds or donations are realized.
- The 2020 Budget includes \$25,000 for entertainment on the Plaza Stage May- September.

Enterprise Funds

- The water rates were increased in 2019 in order to ensure that the revenue would fund current maintenance projects as well as debt service payments for upcoming major capital investments identified in the Water & Sewer Facility Plans. The water facility plan was completed in 2017-2018 and the sewer facility plan will be completed in 2019. City staff continue to pursue options for the future distribution needs for City water service. The City is currently exploring expansion of the BY Water system provided to the city, or securing an alternate secondary source to meet future water demands within the City.
- The Corn Palace Fund relies on \$340,000 from the entertainment tax as well as a general fund transfer of \$197,109 for a total tax subsidy of \$537,109 or 32% of the operational budget. This subsidy has increased 143,042 or 73% from the 2019 budget level.
- Both the Airport Fund and the Sanitation Fund are self-sustaining and do not require general fund or reserves to meet operational needs.
- The Campground Fund does not require a subsidy from general fund. The 2020 budget also includes the bid tax being paid for the campground rentals as requested by Council.

Cash Applied

The proposed budget also relies on applying cash from the following fund reserves to meet the proposed expenditure budgets in those funds. The proposed cash applied amounts are listed below. All cash applied are being utilized for capital improvements or for designated purposes as described below.



General Fund:

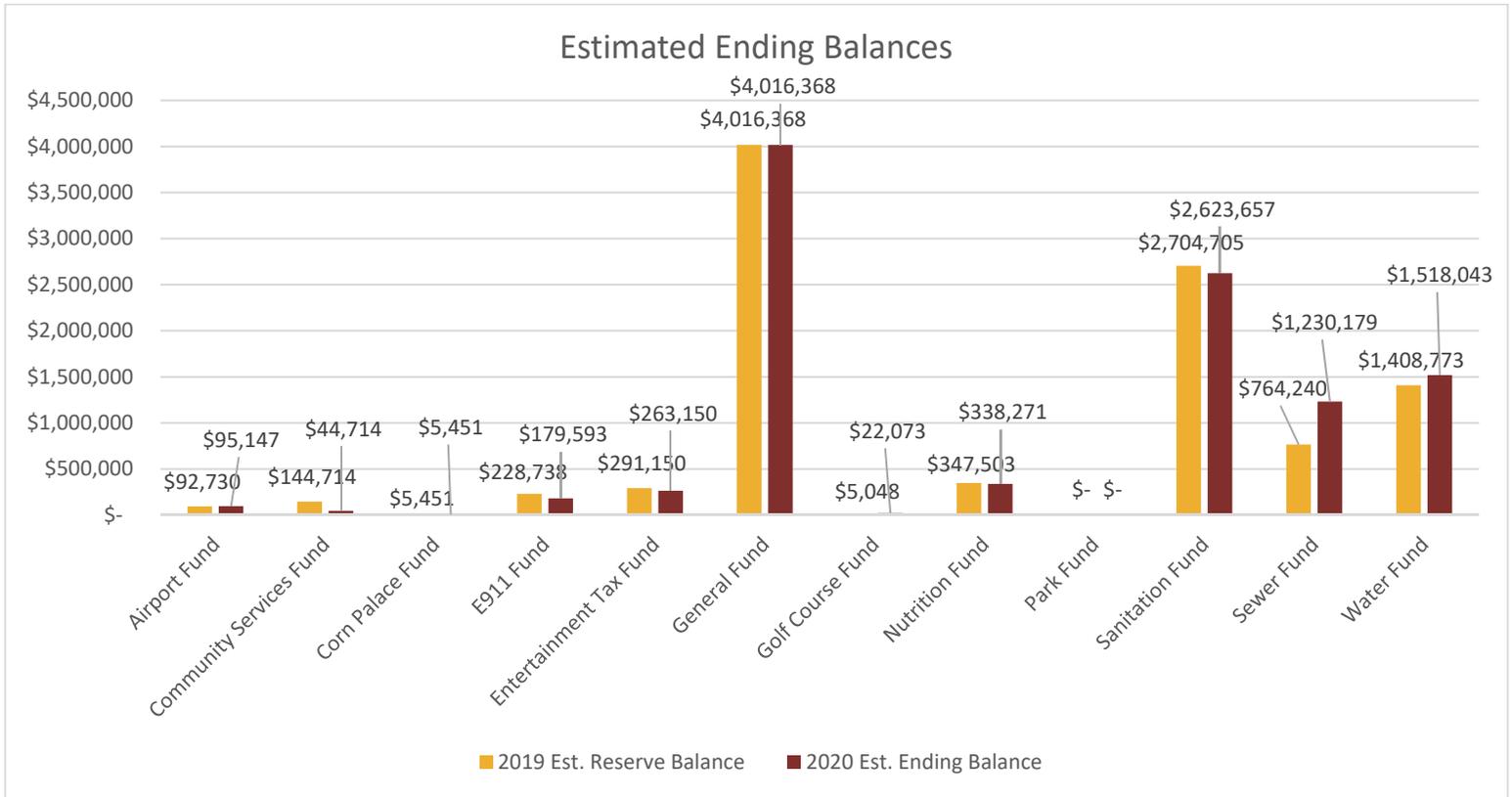
- \$646,438 from STIP designated funds in the general fund reserves to assist with maintenance & construction projects for 2020.
- \$173,000 out of storm water designated funds in the general fund reserves for storm drainage projects in 2020.
- \$4,335 from veteran's park designated funds in the general fund reserves for veteran's park maintenance.
- \$414,214 out of 27th payroll designated funds in the general fund for costs of the 27th payroll in 2020.

Other Funds:

- Community Services Fund will likely be depleted at the end of 2020. This is due to decreasing grant revenue and increasing operating expenses. The City has been depleting the reserves over the past 4 years in lieu of general fund subsidies. (The reserves were a result of previous general fund transfers to the community services fund that were unspent at the end of the budget year.) The City will need to decide whether they want to continue operating the services in the future, knowing that the subsidy will be approximately \$240,000 annually to operate.
- E-911 Fund reserves are being used for a portion of the budgeted roof replacement in the public safety building. It should continue to be noted as in previous year that although the City contracts with several other counties for this service, the City of Mitchell is fully funding the investment in this capital equipment. In future years, the City should consider requesting supporting funds from contracting entities.
- Entertainment Tax Fun will be using \$28,000 of reserves to complete the corn palace plaza project (construction to occur in Fall 2019- Spring 2020).
- Sanitation Fund is applying \$81,048 from reserves towards capital purchases.

Reserve Fund Balances

The reserve funds applied to the 2020 budget are anticipated to be below the cash reserves available for the fund as of 12/31/2019.



Of Note:

- The Sewer Fund & the Water Fund show that the reserve funds would grow in 2020. The reason for this is we have not included the debt service payments that will be required for the SRF loan repayment. We cannot finish that process until the loan is finalized.
- The Golf Course fund appears to be growing \$17,025 in 2020. Although the budget reflects there will be growth, we need to be sure that the revenue goals can be met in 2020; so that growth may be reduced or eliminated.

Staffing Changes

Staffing Levels

The following changes are included in the 2020 Budget Process:

- **Fitness Assistant:** a full-time fitness assistant is added into the recreation center division budget. The addition of this position is funded by (1) a contribution from Sanford, (2) increasing revenue collection for training from the position, and (3) reducing part time wages in the recreation center. The position is tied to the contribution from Sanford; and continued employment is dependent on continuation of that contribution.
- **Recycling:** the city will be pursuing the elimination of alley collection to offset the two new positions required by the city run recycling service. If this is not possible, the Council would need to amend the payroll resolution to add two additional staff for the recycling program.

Contractual Negotiations

The 2020 budget includes the negotiated wages & benefits with the City's three bargaining units including: a negotiated 3% adjustment to the ranges, 1.25% performance based step increases as well as an anticipated 10% increase to health insurance rates (which have not been received as of the date of budget preparation). The Insurance contributions were also adjusted to ensure that employer contributions matched actual enrollment levels within the self-funded health plan.

Subsidy Applications

The Proposed General Fund Budget includes funding \$591,750 of the \$648,040 of subsidy applications received for FY2020 which is \$17,500 more than General Fund Subsidies approved in 2019. Applications were reviewed by a subcommittee who proposed the subsidy levels. The application process took into consideration the following criteria in recommending funding levels to the full council: (1) the Project’s purpose and anticipated outcomes, (2) previous commitments to council on funding, (3) efforts to secure funds from other non-city sources, and (4) previous funding levels, No new subsidy applications were approved, and all previous subsidies were proposed at a flat level or decreased from the 2019 to meet budget goals. The Council then reviewed the request and made recommended changes; resulting in the final proposed budget.

**CVB is funded from Entertainment Tax Funds, and is not a General Fund Subsidy.*

