



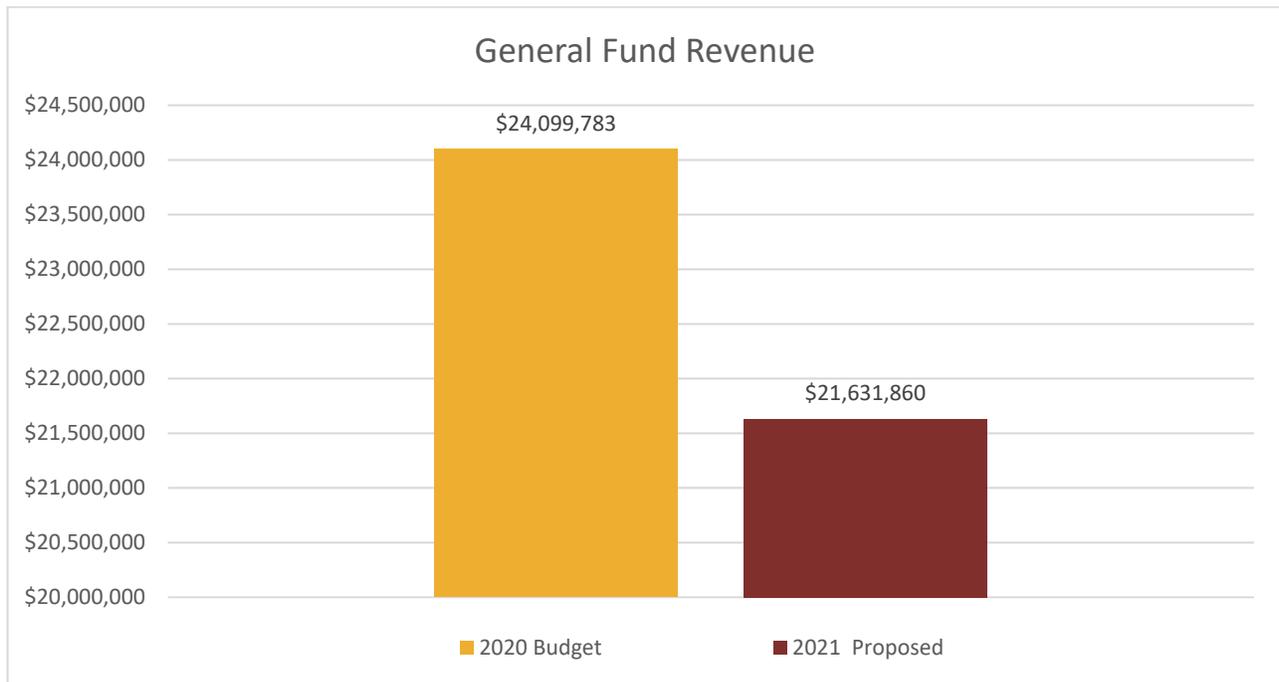
2021 Requested
Budget Overview

Revenue

General Fund

General Fund Revenue serves as the main revenue for basic city operations. The major revenue sources for the 2021 General Fund include Property Tax (25% of overall revenue for 2021, 32% of the total tax revenue for 2021) and Sales Tax (51% of the overall tax revenue in 2021, and 66% of the total tax revenue for 2021) and bond proceeds as part of project financing. Overall revenue projections have decreased for the 2021 General Fund Budget in the amount of \$2,467,923. The largest decrease is due to \$4,361,925 less in bond revenue. This is due to all but one of the City's major projects financed through SRFs are in the utility funds for 2021.

We are using conservative revenue projections; however, if Sales Tax numbers increase above projections in 2021, 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 2021 budget. Likewise, if sales tax numbers fall below the 2021 Requested Budget, then Contingency funds will be needed to balance the budget.



Of Note:

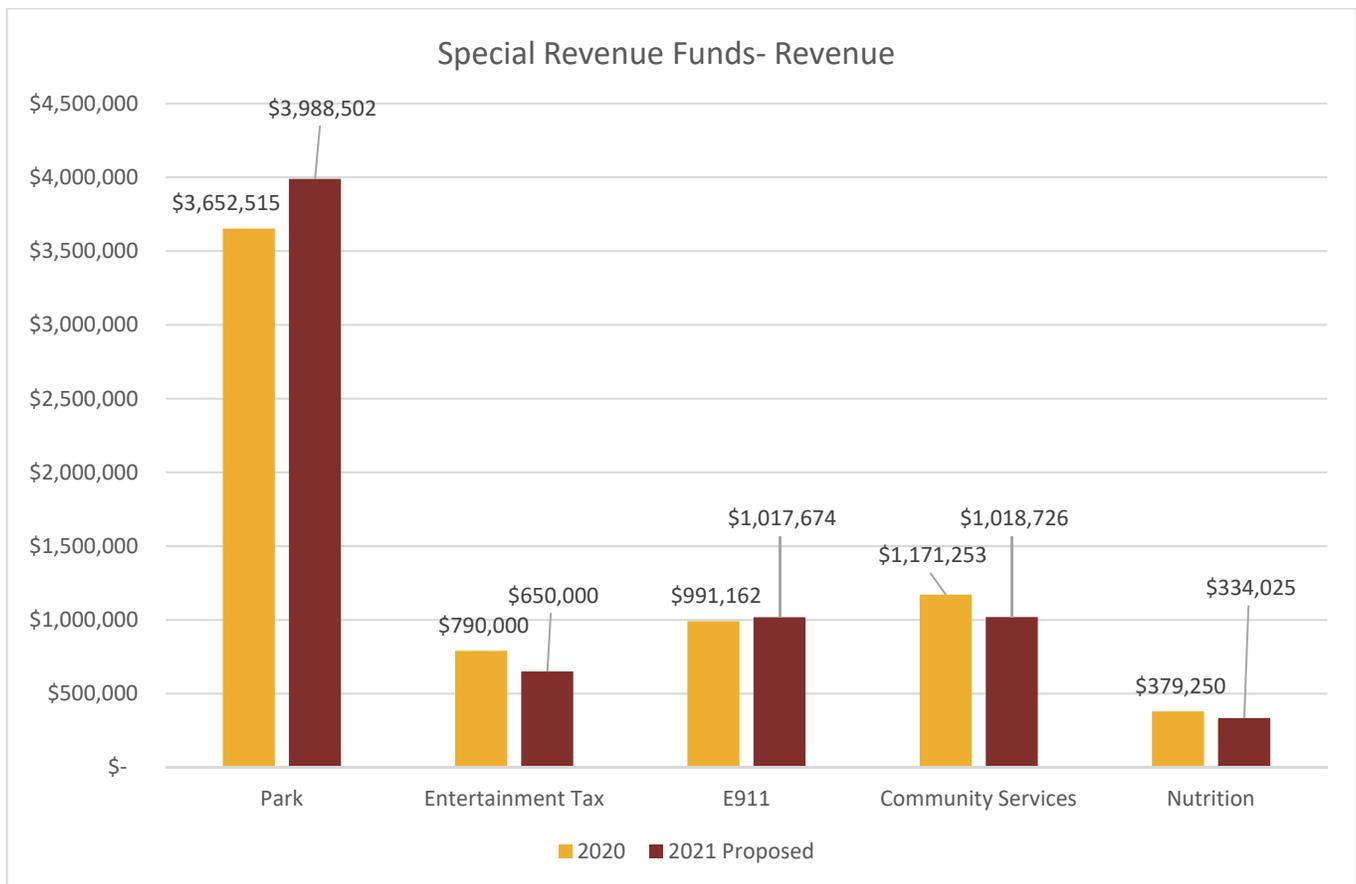
- The CPI for property tax increases was 1.7% which resulted in a property tax increase of \$91,070
- The Growth for property tax has not yet been received from the County. When received, this will be added to the budget.
- The budget also projects a 4% increase from the 2020 Sales Tax Budget; which will still be below what the actual receipts that the City received in 2019.
- SRF financing in the amount of \$1,163,200 is anticipated for the Storm Sewer portion of the East Central Drainage Phase II project & the Livesay Utilities/Dailey Drive Lift Station work.
- Anticipated Grant Revenue in the amount of \$674,000 for the BIG Grant Award on Foster Street Bridge; and \$400,000 in grant funds for the Norway/Rowley Sidewalk improvements.

Cash Applied from General Fund Designated Reserves:

- \$685,000 of STIP fund reserves, (in addition to the \$585,000 out of 2021 STIP Funds listed in the budget) to be used towards 2021 Road Repair & Construction totaling \$2,412,339. (Total Eligible Projects are: \$274,222 matching funds for Foster Street Bridge; \$1,127,117 for Road Repair Projects, \$375,000 for Spruce Street RR Crossing, \$636,000 for Norway/Rowley Construction Project).
- \$273,500 of Storm Drainage Reserve funds to be used for Drainage Projects (funds are collected in waste water fund, and constructed out of general fund).
- \$5,500 from Veteran's Park reserves to be used for Veteran's Park Maintenance.

Special Revenue Funds

In addition, special revenue funds and enterprise funds were reviewed to ensure that projections for 2021 matched projections for actual collections in 2020 and future collections in 2021. This ensures that as administration reviewed the 2021 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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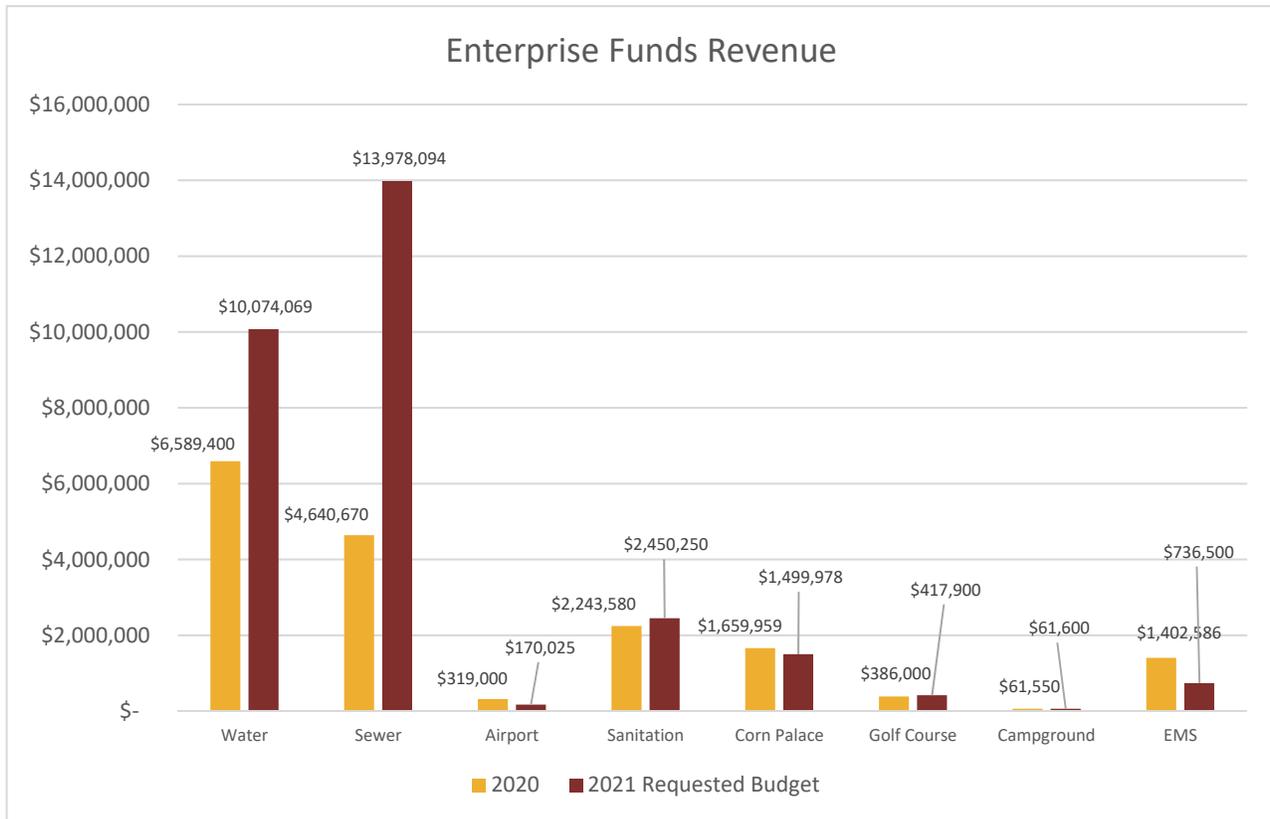
- Park fund revenue increased \$335,987. The transfer from general fund is proposed to increase \$223,249 from the 2020 budget. And the budget applies \$11,118 in donations received for the Skate Park
- Entertainment tax budgeted revenue was budgeted at a 18% decrease from the 2020 budgeted levels. Projections for 2021 show we will not hit revenue goals for 2020. Likewise, with the current unknowns due to the COVID-19 Pandemic, we do not anticipate this changing for 2021; because the Entertainment Tax category is largely discretionary spending that has decreased.
- E911 Revenue increased \$24,512. The PSAP funds and service contracts were changed to match actual collections. PSAP contracts are up for renewal this year. The city has proposed a continued 8% annual increase as in previous years; as well as a \$3,000 capital contribution due to \$250,00 of upcoming capital projects including a tower upgrade and converting to digital radios.
- Community Services Revenue decreased by \$ 152,527 largely due to anticipated grant revenue decreasing, and the removal of the general fund transfer.

Cash Applied from Special Revenue Fund Designated Reserves:

- E911 will have \$217,458 applied from reserves (previous general fund contributions) towards capital improvements- Tower & Radio upgrades for the required upgrade to digital by 2023.
- Community services will have \$287,249 applied from reserves, which is the estimated remaining balance as of 12/31/20.
- Senior Nutrition will have \$19,444 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 was moved to enterprise operations in 2020 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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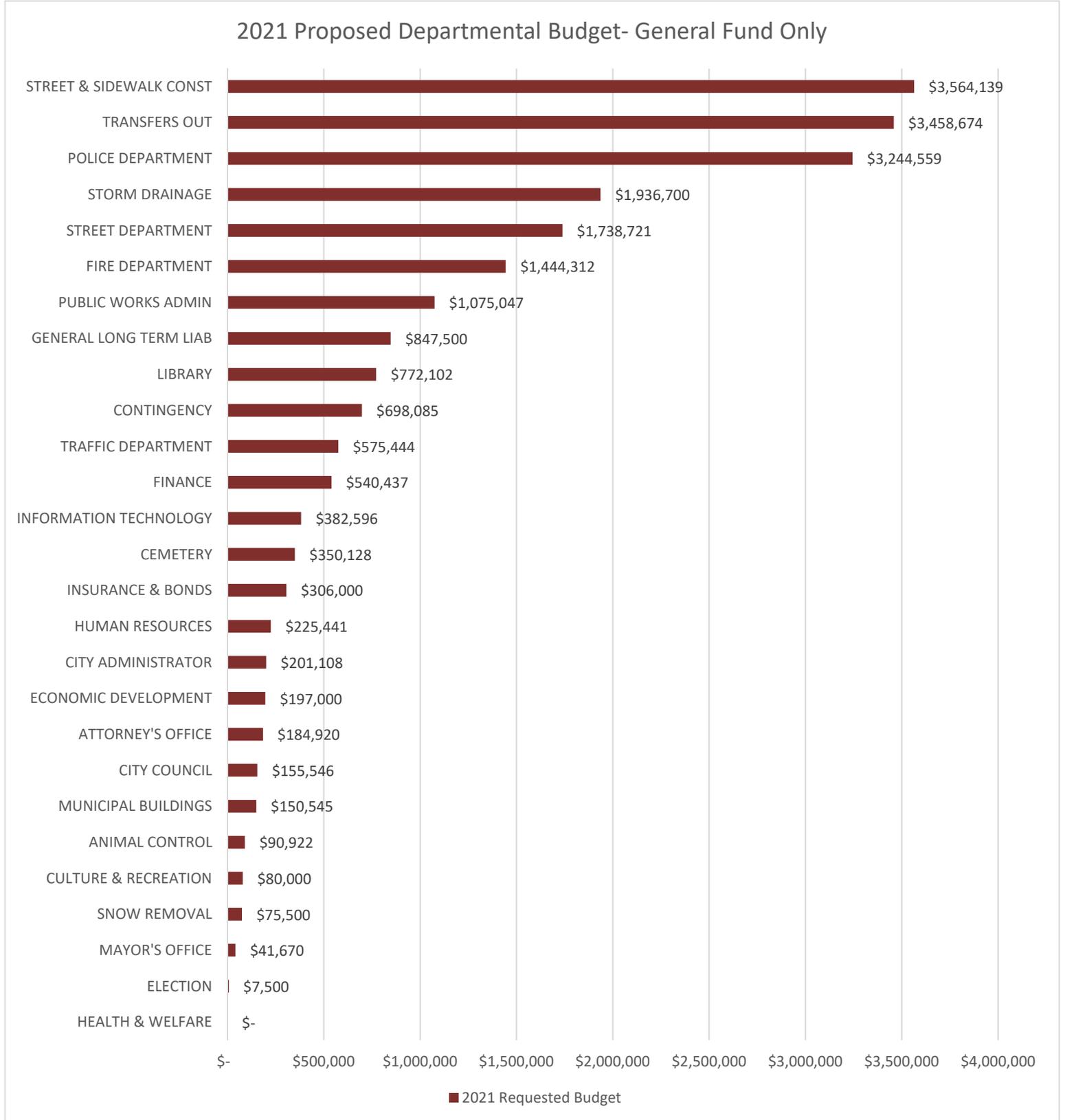
- Water fund revenue increased \$3,484,669 in the 2021 budget in comparison to 2020. The revenue is mostly due to financing revenue for water utility projects that are \$3,301,000 higher in the 2021 budget than in 2020 budget. The other major increase is due to the fee increases that are estimated to bring in \$377,369 of additional revenue in the 2021 budget. This new revenue is allocated for debt service payments for the infrastructure improvements the City will be making in 2021 through the SRF financing program (new ground water storage, ECD phase II, and water tower maintenance) as well as the increased rate charged by B-Y Water to the City of Mitchell.
- Sewer fund revenue increased \$9,337,423 in the 2021 budget in comparison to the 2020 budget. The revenue increase is largely attributed to \$8,224,552 more in project financing revenue (SRF) for sewer improvements in the 2021 budget in comparison to the 2020 budget for SRF projects. Additionally sewer fee revenue is increasing \$722,672 for debt service payments for utility improvements financed using State Revolving Fund Financing in 2019, 2020, and in 2021.
- Corn Palace revenue decreased \$159,981 in the 2021 budget in comparison to 2020. Due to budget expense reductions, the Corn Palace anticipates \$98,831 less from the General Fund than in 2020.
- Golf Course revenue is anticipated to increase \$31,900 from 2020 to 2021. This change is based on actual estimates for 2020 revenue received year to date.
- This is the second year that Emergency Medical Services (EMS) is being budgeted as an enterprise fund. Because of this the fund revenue for 2020 included a large transfer from General Fund. The 2021 budget anticipates applying cash from reserves in the fund versus having the transfer from general fund.

Expenditures

The 2021 Proposed Expenditures totals \$62,061,921 which represents \$11,243,705 dollar (or a 22%) more than the 2020 approved budget. The budgeted funds include general fund, special revenue funds, debt service funds, and enterprise funds

General Fund

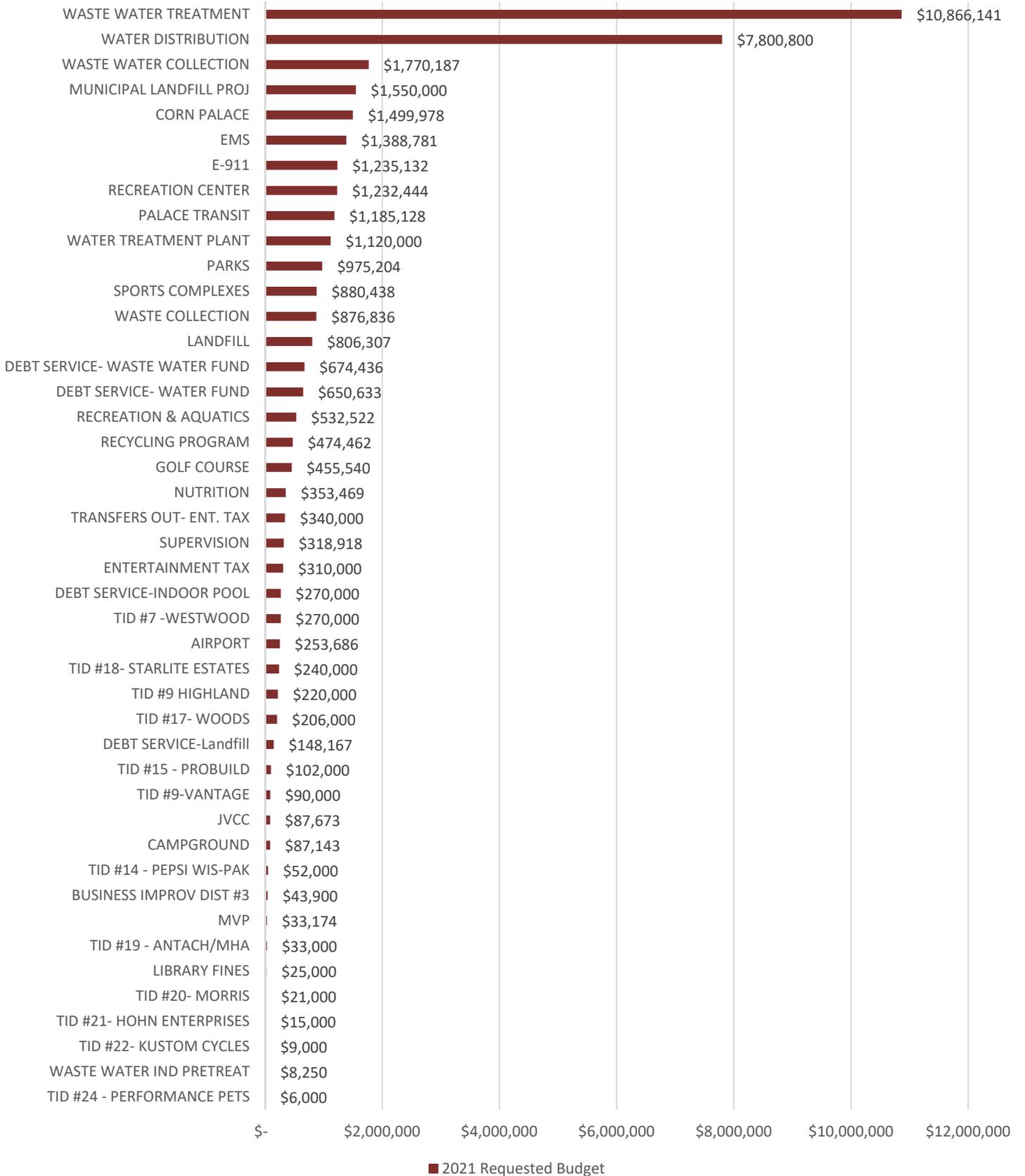
General fund is the main operational fund for city services.



Other Funds

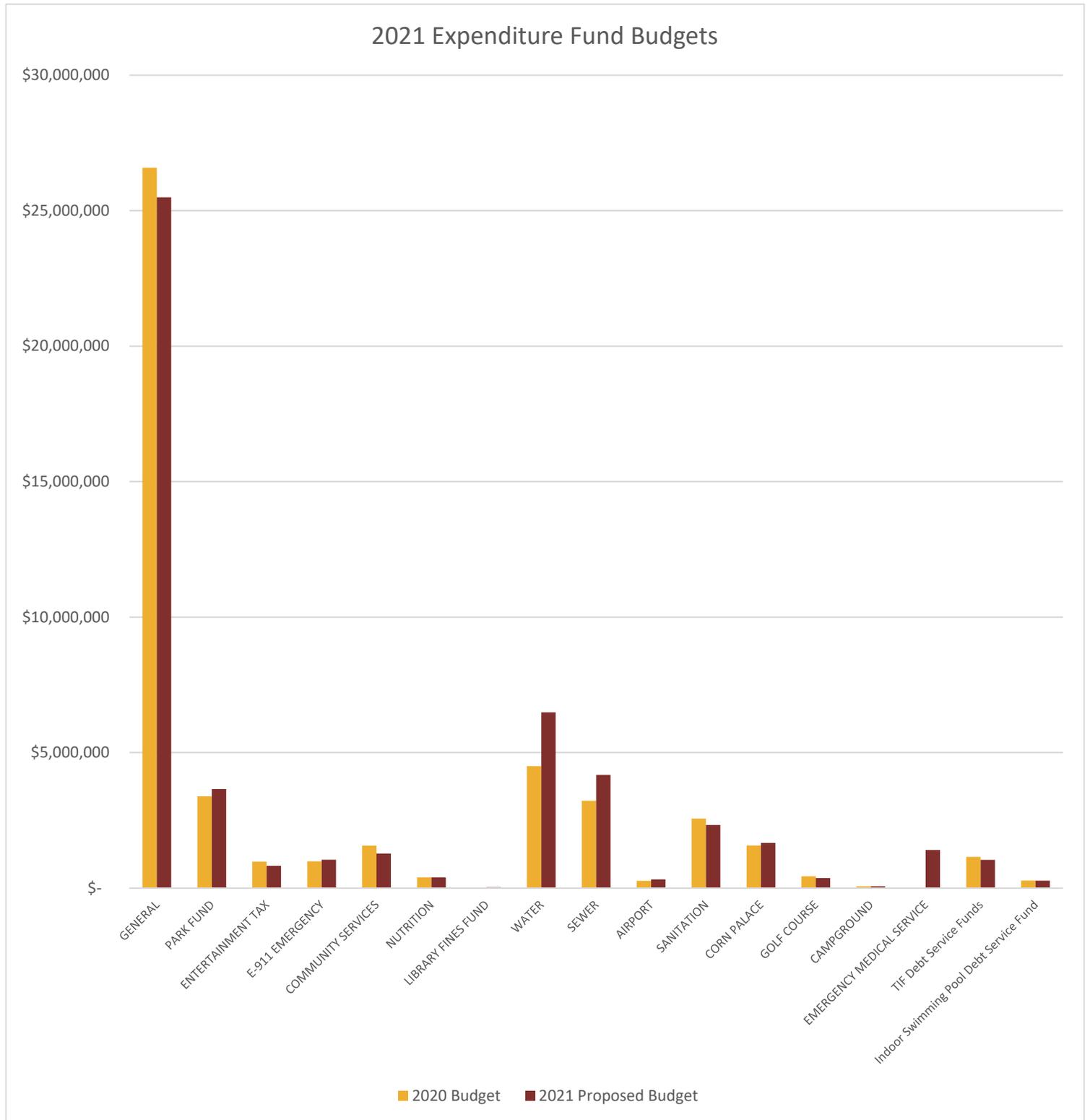
The other funds include the special revenue funds, the debt service funds, and enterprise operation funds. These funds are supported by revenue generated by the services offered. Some of the funds also receive general fund subsidies.

2021 Proposed Budget- All Other Funds



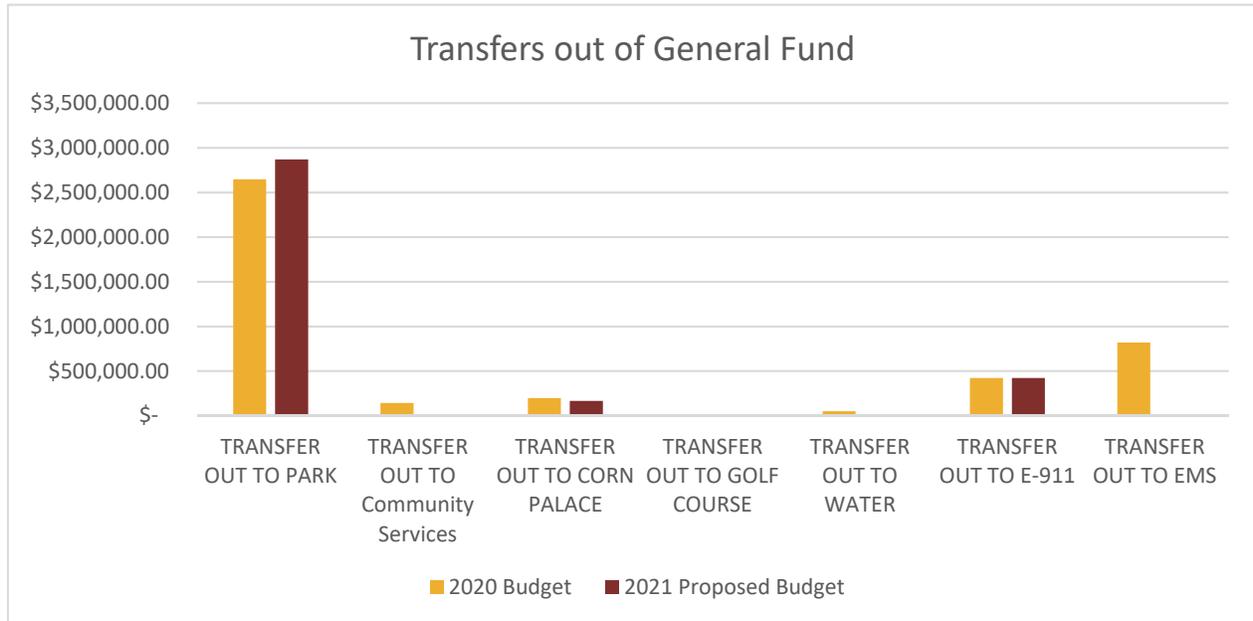
Fund Expenditure Increases

The expenditure budgets increased \$11,243,705 in budgeted expenditures for 2021. The major increases were: \$3,143,174 in the General Fund, \$3,241,303 in the Water Fund, \$9,144,203 in the Sewer Fund, and \$1,531,44 in the Sanitations fund for major infrastructure projects. Most of those projects are financed with SRF loans and fees charged for the services pay for the debt service of those loans. The landfill cell construction is coming from Sanitation Fund reserves.



Transfers Out

Each year the General Fund transfers funds from the general fund to assist other special revenue funds. These transfers out show a \$823,449 decrease from the 2020 Budget to the 2021 Proposed Budget. The largest change is the Transfer to EMS which shows a \$818,886 decrease from 2020. 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. In 2021, we anticipate applying reserves from the EMS fund in order to balance that enterprise fund. When that change is factored out, the decrease is \$4,563 from 2020 to 2021.



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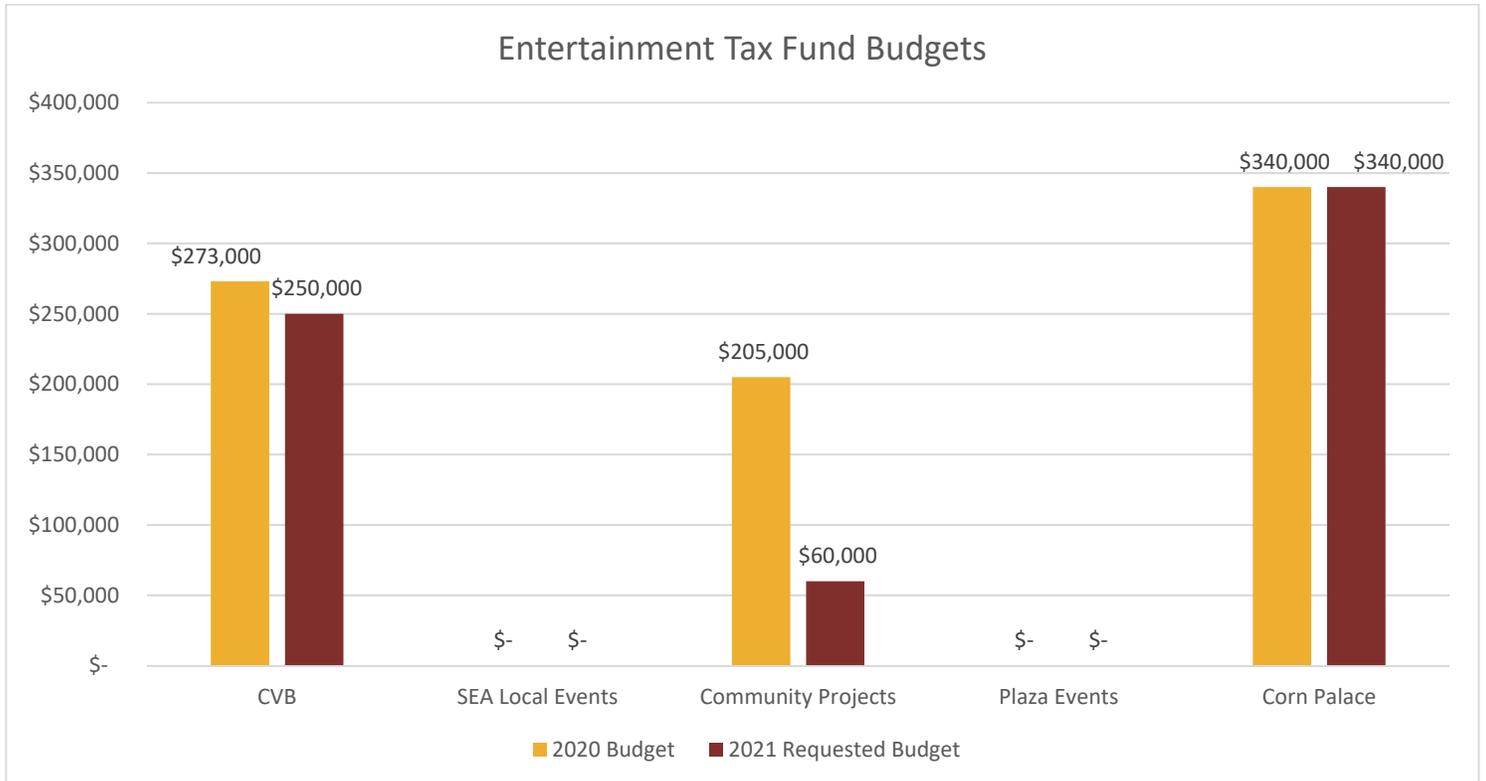
- Transfer out to Park increased \$223,249 in the 2021 Proposed Budget. This is largely due to the increased costs of capital in the 2021 budget from the 2020 levels as well as the costs of operation.
- Transfers out to Community services decreased \$141,981. This is due to the estimated fund balance in 2020. In planning the 2020 budget, we anticipated the fund would be depleted and general fund support would be required. However, we anticipate that the fund will have the ability to support the expenditures without support from a general fund transfer in 2021.
- Transfer out to Corn Palace. The transfers out to corn palace (from general fund) decreased \$30,831 in the 2021 budget. This is due to reduced costs of operation implement in 2020. 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 \$506,278.
- Transfers out to E911 did not increase for 2021.
- We will not have a transfer out of general fund to EMS in 2021.

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 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 \$650,000 in FY 2021, which reflects a 21% decrease from 2020; or \$168,000 less than the 2020 budget. This is largely due to the decreased receipts.



Of note:

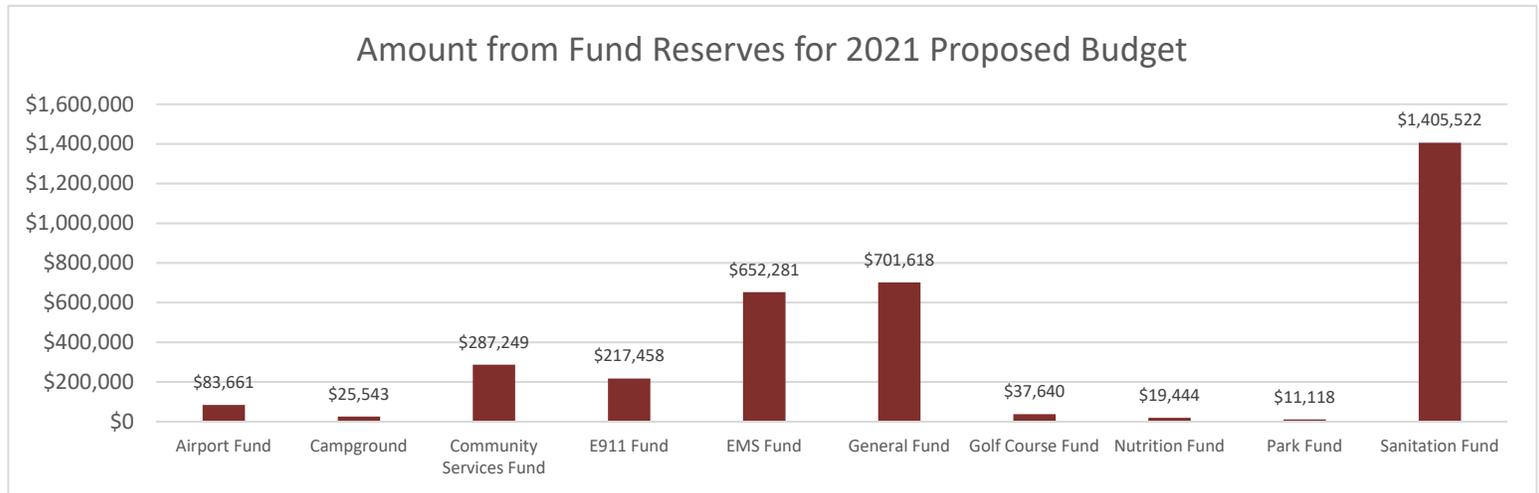
- The CVB was lowered from \$273,000 to \$250,000 for 2021.
- The Corn Palace Transfer were kept at the same level as in 2020, due to the projected flat revenue for 2021.
- The 2021 Budget has an additional \$60,000 budgeted for “Community Projects”. If the budget is met for 2021; then the City could proceed with the entry feature on Burr that has been discussed in previous years.
- The Main Street Streetscape that was previously set as a council goal in conjunction with the Main Street Bid; will be planned for 2022 to allow us to monitor the fund balance of Entertainment Tax Fund in 2021.

Enterprise Funds

- The City council approved two rate increases for the water & waste water funds. One will go into effect September 2020, and the second will go into effect in May 2021. The rate increases will pass the BY Rate increase through to customers that the City pays 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 was be completed in 2020. 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 2021 Capital Improvement plan includes ground water storage, west water tower maintenance, storm sewer improvements, and the waste water treatment plant improvements.
- The Sanitation Fund will be starting another cell construction at the Landfill at an estimated cost of \$1,500,000. This will be funded from Sanitation Fund reserves.
- The Corn Palace Fund relies on \$340,000 from the entertainment tax as well as a general fund transfer of \$166,278 for a total subsidy of \$506,278 or 34% of the operational budget. This subsidy has decreased 166,278 from the 2020 budget level.
- The Airport Fund is self-sustaining and did not require general fund; but it will use reserves for capital improvements.
- The Campground Fund does not require a subsidy from general fund. The 2021 budget includes purchasing two items from reserves collected from Campground information for a total of \$34,000.

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:

- \$685,000 from STIP designated funds in the general fund reserves to assist with maintenance & construction projects for 2021.
- \$5,335 from veteran's park designated funds in the general fund reserves for veteran's park maintenance.

Other Funds:

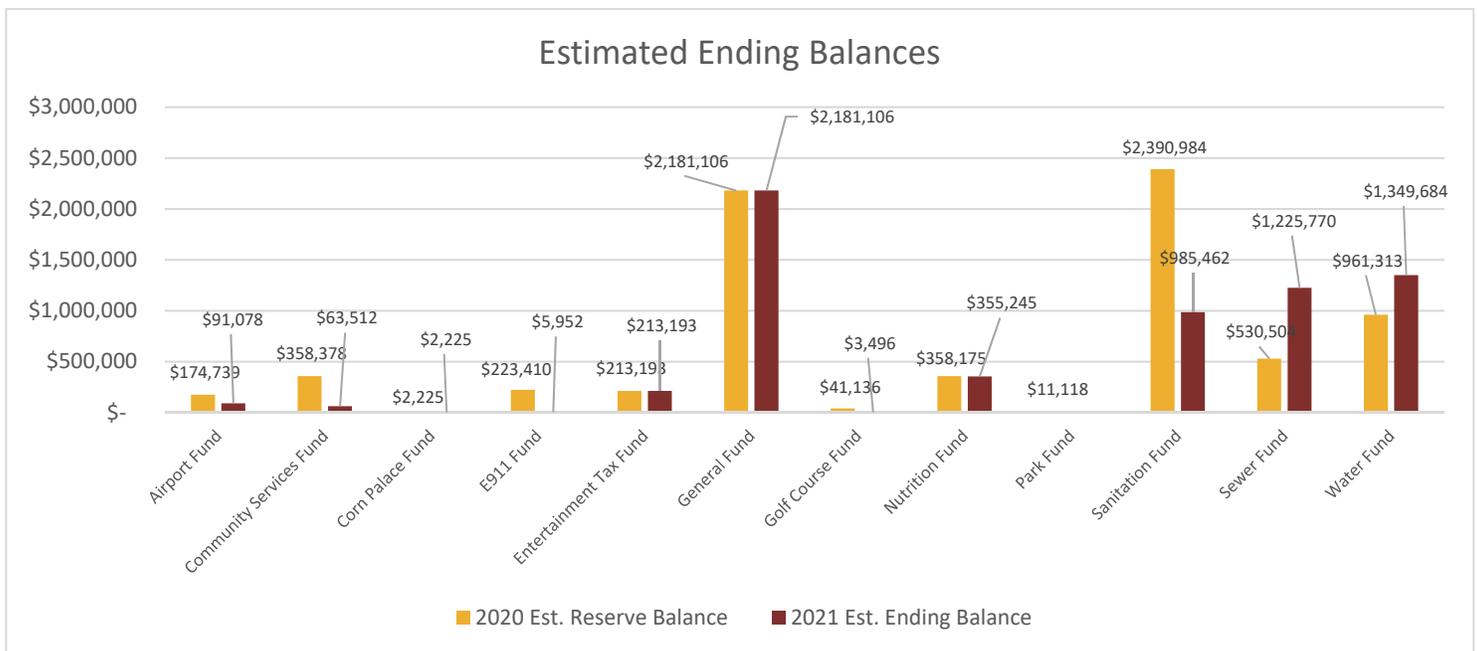
- The Airport Fund will be applying \$83,661 from reserves toward capital improvements.
- The Campground Fund will apply \$25,543 for two capital equipment purchases.
- The Community Services Fund will apply \$294,886 from reserves to support ongoing operations. This reserve is estimated to have \$63,000 remaining at the end of 2021. Originally we thought it would be depleted by 2020; but the Community Services department has received additional grants in 2020 that were unanticipated. The City has been depleting the reserves over the past 5 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 \$300,000 annually to operate.

- E-911 Fund reserves are being used for upgrading the communication tower & corresponding radios to be compatible for digital by 2023. To maintain eligibility for state support; the conversion to digital has to be completed by 2021. The E-911 contracts were up for renewal in 2020. Each contract continued with the annual operation increase; but the contract also proposes \$3,000/year towards this capital upgrade over the five year contract. This capital fee will ask that contracted communities are covering 20% of the upgrade costs to be compatible with digital 911.
- The EMS fund will apply \$663,153 from reserves to cover the cost of operation. It is still unknown if that full amount will be needed due to the switch to a private billing company. Revenue is likely to be higher; which would reduce the amount of reserves needed. The amount anticipated is \$154,847 less than what is anticipated from general fund in 2020.
- Golf Course is applying \$37,640 out of reserves toward capital improvements for 2021.
- Nutrition Fund is applying \$19,444 out of reserves towards operational costs.
- The Park Fund is applying \$11,118 out of reserves for donations received to be used towards the Skate Park project.
- The Sanitation Fund is applying \$1,405,522 from reserves towards the construction of a new cell at the landfill.

Reserve Fund Balances

The reserve funds applied to the 2021 budget are anticipated to be below the cash reserves available for the fund as of 12/31/2020.



Of Note:

- The Sewer Fund & the Water Fund show that the reserve funds would grow in 2021. 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.

Staffing Changes

Staffing Levels

There are no full time staffing changes proposed in the 2021 Requested Budget.

Contractual Negotiations

The 2021 budget includes the negotiated wages & benefits with the City's three bargaining units including: a negotiated 3.25% adjustment to the ranges and a 1.25% performance based step increases. The health insurance budget anticipates a 6% increase to 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. The fund balance goal for the self insured Health fund has been met; so the City can now fund unforeseen claims without general fund assistance.

Subsidy Applications

The Requested Budget includes funding \$447,000 of the \$628,750 of subsidy applications received for FY2021 which is \$144,750 less than Subsidies approved in 2020. 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. In addition to the application criteria, the committee also considered the stability of the current revenue sources due to the COVID Pandemic. The committee did remove all subsidies except for Mitchell Area Development Association, Regional Economic Development, and Convention & Visitors Bureau. The CVB subsidy was reduced due to lower receipts in the entertainment tax fund, which is expected to continue into 2021.

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

