



TO: Council President
City Councilmembers

CC: Council Appointees

FROM: Rob Hillard, City Manager and Salvatore Talarico, Finance Director

DATE: November 13, 2020

SUBJECT: 2021 Budget Transmittal

Purpose and Recommendation

In accordance with Section XIV of the Oberlin City Charter, we are pleased to submit the attached proposed capital and operating budget for Fiscal Year 2021 for your review and consideration. This year the 2021 budget aligns with the Oberlin Five Point Strategy that focuses on City Services, Environmental Sustainability, Social Equity, Community Development and Neighborhood Outreach. The 2021 Budget includes the implementation of an estimated 85 tasks, including the development of a Social Equity Plan, and a review of the Comprehensive Plan. In 2019, the City established the Sustainable Reserve Fund (SRF). The SRF is established to implement the updated Climate Action Plan. The City of Oberlin continues to utilize the SRF to establish programs and projects. Also, the City established a Storm Water Utility Fund. This Fund is intended to complete a number of projects, including the development of a Storm Water Master Plan, to outline improvements to the system. We recommend the 2021 Budget as presented and look forward to answering any questions you may have.

Discussion

Revenue from income taxes supports both the General Fund and the Income Tax Capital Improvement Fund. As background, voters approved an income tax increase to a total rate of 2.5% effective January 1, 2015, the increase offset the lost revenues as a result of actions taken by our state government (LGF reduction and Estate Tax elimination) and drop in investment income. We estimate that 2021 General Fund income tax collections will be \$5,739,000. The recent Federal Reserve Bank actions, in light of the effects of COVID-19 on the economy, will reduce our interest income beginning at the end of 2021. Most of the 2021 maturities were purchased prior to COVID, so our early 2021 investment maturities will be unaffected by COVID. Property taxes and revenue from fees and other sources are projected to be flat with 2020, although some categories will still lag until COVID-19 is "over".

In 2020 we budgeted for 27 pays instead of 26. The 2020 departmental budgets included a 2.5% wage increase and the effects of the 27th pay. This 27 pay anomaly happens approximately every 11 years. Each year we pay most of our employees every two weeks, 14 days. If you multiply 14 days times 26 paydays you get 364 days, but there are 365 days in a year. Each year that extra day, two days during leap year, builds and every 11 years you end up with an extra payday. As a

result, the percentage changes in 2020 payroll categories were higher than normal. For 2021, departments with no personnel changes will show a nearly flat payroll expense compared 2020 figures, due to the elimination of the 27th pay and the addition of a 2.5% wage increase.

Each department continues to review costs in order to provide effective service. Personnel-related costs continue to be significant portions of our operating budgets (66% of the general fund). Healthcare costs in general continue to increase for most employers. As a member of a public entity health consortium, the City will see a favorable 5.71% increase next year. Our continued participation in workers compensation group programs, and our favorable (low) frequency and severity of claims, will result in a reduction in our 2021 BWC premiums. The Bureau of Workers Compensation continues to evaluate their reserves, which could result in credits/refunds going forward. The City continues to be a good candidate for group plans due to our positive safety and claims history and our proactive claims management programs, which include our transitional work program and duty injury wage continuation.

For the City's enterprise funds, revenues from rates support and sustain the operations and improvements for our various utilities. The 2021 proposed budgets, approved and recommended by the Public Utilities Commission, will result in a rate increase for water of 3.5% and 2% increase for wastewater. For 2021, OMLPS estimates a 1.5% decrease in its average retail electric rate due to reduced power supply costs. The Public Works Department has implemented numerous programmatic changes to manage expenses in the Solid Waste Enterprise Fund. To maintain fund solvency, it will be necessary evaluate commercial refuse rates.

General Fund – We are forecasting to end FY 2020 conservatively with a \$10 to \$10.6 million balance in the general fund. Typically, a portion of the each year's projected expenditures remain unspent and unencumbered by the end of the year due to staff vacancies, planned projects that are either not completed or have come in under budget, generally conservative spending, or because anticipated cost increases for commodities, etc. are less than forecasted. In addition, in some cases, actual revenues may come in higher than anticipated but is very dependent on the cumulative net effect of COVID-19.

For 2021, it is anticipated that the general fund will perform as follows:

	Initial 2020	Revised 2020	Initial + 2021
Proposed budget – expenditures	\$ 10,528,598	\$ 10,786,649	\$ 10,815,198
Forecast budget – revenues	\$ 9,909,400	\$ 9,984,388	\$ 9,923,083
Anticipated unspent appropriation	\$ 400,000	\$ 400,000	\$ 400,000
Operational Balance	<u>\$ (219,197)</u>	<u>\$ (402,261)</u>	<u>\$ (492,115)</u>

+ 2021 expense and revenue include Advance & Repayment for Refuse fund

Overall, for 2021, the General Fund reflects an approximate 0.25% increase in expenditures over the revised 2020 appropriations.

The proposed 2021 capital budget (income tax capital improvement fund, equipment replacement reserve funds and enterprise capital improvement funds) includes projects in nearly every operational area to benefit residents across Oberlin. Some examples include:

- Provides for the replacement of two (2) police vehicles
- Street and related stormwater infrastructure improvements on Park/Grafton, Washington/Monroe and Colony/Hawthorne
- Provides funding for design engineering for anaerobic digestion and solids handling improvements at the Water Environmental Protection Facility
- Provides funding to replace the roof on the Water Treatment Plant
- Provides a number of system improvements in the Electric System including a distribution circuit upgrade on the west side, traffic light upgrades, an engine control panel replacement in the power plant and a mini backyard aerial lift to better access electrical circuits located in rear lot lines in both east and west side residential neighborhoods

Conclusion

Thanks to Oberlin residents, careful management of department budgets by the City's management team and City Council's guidance, in spite of COVID-19, the recommended 2021 budget provides for the continuation of quality services Oberlin residents expect and provides for pay increases for City employees.