

To: Mayor Rob Dahle
City of Holladay Council Members

From: Gina Chamness, City Manager

Date: May 4, 2017

Re: City of Holladay FY 2017-18 Proposed Budget

Dear Mayor and Council Members:

Attached is my budget proposal for the City's FY 2017-18 fiscal year. This budget proposal represents the combined work of our staff and contract agencies, who began working on budget preparation earlier this year. I appreciate the work of all who have been involved.

In January, the City Council met and identified a number of priorities to guide the City's future over the next five years. The Council further refined a more limited number of priorities on which to focus this year. These priorities guided decision-making as this budget was being prepared. As has historically been the case in the City of Holladay, however, our identified priorities and needs exceeded available funds.

The City Council's January discussion did not include a ranking of identified goals. In preparing this document, I considered the following:

- Recognizing and valuing the contribution of City of Holladay employees. This budget includes a 2% inflationary adjustment for all employees, health insurance premium increases of 3.5%, and market adjustments for those positions identified as being under market.
- Changes in contractual obligations for both police and fire services. These changes total approximately \$200,000.
- Investment in preventative maintenance and the City's infrastructure. Most significantly, this proposal adds \$100,000 to the City's contract with Salt Lake County Public Works to provide for proactive maintenance of the City's storm drain system.
- Support for the arts, including the addition of a half-time FTE to coordinate the City's Arts Council and arts activities, as well as support of the Arts Council's summer concert series.

- Additional resources to build administrative capacity in the City's organization.

The attached budget proposal for FY 2017-18 is essentially flat. The current FY 2016-17 budget totals \$14.5 million in expected General Fund revenue and expenses, and the FY 2017-18 budget is also \$14.5 million. A number of changes have been identified and proposed, however, and are outlined in the document.

While this budget proposal is balanced overall, our current course cannot be continued beyond this year. A structural deficit between on-going revenue and on-going expenses exists in the General Fund as well as the Capital Projects Fund. In both cases, this budget proposes one time use of Fund Balance to fund essential City operational and capital activities. This means that as we begin budget development next year, we'll be facing a deficit of on-going revenue to support our planned service level. This position cannot be sustained in the long term.

Over the next nine months, our joint priority must be to develop a long term, sustainable financial plan for the City, including both our operations as well as our long- deferred investment in our capital needs. This will include the City's roads, bridges and storm water systems, as well as other key infrastructure. I look forward to exploring a number of alternatives with the City Council, including a potential extension of the City's municipal energy tax, the consideration of a storm water utility fee, also known as a rain tax, and a potential change in the City's property tax rate, either through a property tax increase or a General Obligation bond for infrastructure investment. We cannot delay consideration of the City's needs beyond this time frame.

I look forward to discussion of this proposed budget with you in the coming weeks.

Thank you,

Gina Chamness

City Manager

To: Mayor Rob Dahle
City of Holladay Council Members

From: Gina Chamness, City Manager

Date: May 4, 2017

Re: City of Holladay FY 2017-18 Proposed Budget

Dear Mayor and Council Members:

Attached is my budget proposal for the City's FY 2017-18 fiscal year. This budget proposal represents the combined work of our staff and contract agencies, who began working on budget preparation earlier this year. I appreciate the work of all who have been involved.

In January, the City Council met and identified a number of priorities to guide the City's future over the next five years. The Council further refined a more limited number of priorities on which to focus this year. These priorities guided decision-making as this budget was being prepared. As has historically been the case in the City of Holladay, however, our identified priorities and needs exceeded available funds.

The City Council's January discussion did not include a ranking of identified goals. In preparing this document, I considered the following:

- Recognizing and valuing the contribution of City of Holladay employees. This budget includes a 2% inflationary adjustment for all employees, health insurance premium increases of 3.5%, and market adjustments for those positions identified as being under market.
- Changes in contractual obligations for both police and fire services. These changes total approximately \$200,000.
- Investment in preventative maintenance and the City's infrastructure. Most significantly, this proposal adds \$100,000 to the City's contract with Salt Lake County Public Works to provide for proactive maintenance of the City's storm drain system.
- Support for the arts, including the addition of a half-time FTE to coordinate the City's Arts Council and arts activities, as well as support of the Arts Council's summer concert series.

- Additional resources to build administrative capacity in the City's organization.

The attached budget proposal for FY 2017-18 is essentially flat. The current FY 2016-17 budget totals \$14.5 million in expected General Fund revenue and expenses, and the FY 2017-18 budget is also \$14.5 million. A number of changes have been identified and proposed, however, and are outlined in the document.

While this budget proposal is balanced overall, our current course cannot be continued beyond this year. A structural deficit between on-going revenue and on-going expenses exists in the General Fund as well as the Capital Projects Fund. In both cases, this budget proposes one time use of Fund Balance to fund essential City operational and capital activities. This means that as we begin budget development next year, we'll be facing a deficit of on-going revenue to support our planned service level. This position cannot be sustained in the long term.

Over the next nine months, our joint priority must be to develop a long term, sustainable financial plan for the City, including both our operations as well as our long- deferred investment in our capital needs. This will include the City's roads, bridges and storm water systems, as well as other key infrastructure. I look forward to exploring a number of alternatives with the City Council, including a potential extension of the City's municipal energy tax, the consideration of a storm water utility fee, also known as a rain tax, and a potential change in the City's property tax rate, either through a property tax increase or a General Obligation bond for infrastructure investment. We cannot delay consideration of the City's needs beyond this time frame.

I look forward to discussion of this proposed budget with you in the coming weeks.

Thank you,

Gina Chamness

City Manager