



CITY OF NEWPORT
FY2022 PROPOSED & FY2023 PROJECTED
BIENNIAL BUDGET
OVERVIEW

April 7, 2021

BIENNIAL BUDGET

Normally propose a two-year budget and Council adopts 1st year resolutions and ordinances

The administration is proposing only FY2022 but we are including projections for FY2023

Too many unknowns to propose a budget for FY2023 at this time

Projections are included in the main part of the budget but projected 2023 Budget is not balanced and is included for informational purposes only

REVALUATION

Contractor and Assessor are in final stages of completing revaluation. Tax notices mailed 4/6/21.

Looks like impact is an overall increase in residential property values of 22% and an overall decrease in commercial property of 13.3%.

The effect on the budget is to adjust the **current** tax rates down to \$9.15 rather than \$10.28 and \$13.72 rather than \$15.42 for residential and commercial, respectively. These rates become the starting point for calculating tax rate increases in the Proposed FY2022 Budget.

This does not mean that FY21 rates change! It only affects the beginning rates for FY22 calculation.

BUDGET INCREASE/TAX RATES

	Current	FY2022
Total general fund expenditures	\$ 96,442,097	\$ 101,137,210
Dollar increase		\$ 4,695,113
Total percentage increase		4.87%
Tax rate, residential	\$ 9.15	\$ 9.42
Tax Rate, commercial	\$ 13.72	\$ 14.12

TAX RATES (CONTINUED)

The Proposed FY2022 Budget includes a tax rate increase of 2.95% and 2.92% increase for residential and commercial, respectively.

A \$500,000 property valued in FY2021 currently pays taxes of \$5,140. Assuming a 22% increase in value, this taxpayer's property value would increase to \$610,000 and would, under the proposed rates, pay taxes of \$5,746, a \$606 annual increase.

A \$500,000 commercial property valued in FY2021 currently pays taxes of \$7,710. Assuming a 13.2% decrease in value, this taxpayer's property value would decrease to \$433,500 and would, under the proposed rates, pay taxes of \$6,121, a \$1,589 annual decrease.

EXPENDITURES — MATERIAL CHANGES FROM PRIOR YEAR

- Increases transfer to School by \$270,151 (1% increase)
- Restores capital funding to annual amounts prior to FY2021, an increase over prior year of \$1,692,000
- Restores OPEB Trust funding of \$820,000
- Restores a portion of the annual equipment replacement transfers (\$711,600 of the \$1,261,600 removed in FY2021)

EXPENDITURES

- Reduces the principal debt repayment by \$700,000 in FY2022 because of projected savings in refunded Pell School bonds
- Increases severance benefits to \$350,000 although projected FY2021 costs are \$400,000
- Civic Support allocations level funded from last year
- Increased costs in Information Technology and Communications due to contractual escalators in hosting and licensing and maintenance contracts, as well as postage and communications (phone) charges.
- Restores some funding to road and trench repairs (operating not capital costs) for a total of \$800,000 (an increase from prior year of \$353,834)

EXPENDITURES — SALARIES AND BENEFITS

- All bargaining contracts other than NEA will expire as of June 30, 2021. NEA has a provision in their contract for a cost-of-living increase of 2%.
- Non-Union employees did not receive any cost-of-living increase in FY2021. The NEA and AFSCME unions both cooperated with the City in FY2021 and renegotiated their contracts to reduce their cost-of-living adjustments unless certain revenues were achieved. They were given their full 2% in December because revenue projections were high enough to warrant the increase.
- Police does not yet have a Council approved contract in FY2021, and the Fire Union did not cooperate with the City's request to renegotiate their 2% cost-of-living adjustment.

EXPENDITURES — SALARIES AND BENEFITS

- A 1% cost-of-living adjustment is included in the FY2022 Proposed Budget salary lines for non-union and AFSCME employees.
- Money is included in the salary contingency line of the FY2022 Budget for any other approved cost-of-living adjustments or contract items that impact finances.
- Salaries, overtime and holiday pay is projected to increase by \$1.1M and benefits by \$948,000.
- Fire Overtime costs continue to be a challenge and the budget was increased to \$1M although actual costs were \$1.352M in FY2020 and are projected to be \$1.463M in FY2021. Note that COVID-19 identified overtime costs have been removed from these numbers because we anticipate that 75% of those costs will be federally reimbursed.

EXPENDITURES — SALARIES AND BENEFITS

- The main drivers of fire overtime costs are contractually required and consist of minimum manning requirements, earned sick and vacation leave policies and the ability for 3 firefighters per shift to be on vacation at any given point in time. Long-term disabilities also can affect overtime and two firefighters recently retired that had extended disability absences. Employees earn a minimum of 4 hours of sick leave and 4 hours of vacation leave every pay period depending on length of service. Contractual minimum staffing requirements force us to call back personnel, often at overtime rates, to adequately staff the department in accordance with the contract. Management continues to review absence records and policies, and is also reviewing whether the recently negotiated cap on sick leave payouts at retirement has increased the use of sick leave.
- Leave carries over and is paid out at retirement causing high severance payouts. Police and fire personnel are often paid in excess of \$50,000 at retirement. We were able to successfully negotiate caps on sick leave payouts of \$25,000 for both unions although those with higher accrued leave amounts were grandfathered in at that level. Non-union and AFSCME are capped at \$10,000 and NEA is capped at \$7,500. This has helped the City control severance payout costs.

REVENUES

Generally anticipate revenues will increase to about 75% of pre-Covid levels.

- Meals & Beverage and Rooms taxes increased by \$450,000 each
- Management Services revenue increased by \$305,000 because WPC was able to restore their payment to the General Fund
- Other increases include parking tickets, real estate conveyance tax, investment interest, and Easton's Beach and Recreation revenues

AMERICAN RESCUE PLAN ACT OF 2021

The City is scheduled to receive \$2.41M in the first tranche of funding and a portion of the funding allocated to counties (population based) for COVID related costs and revenue losses. It is unclear exactly what the funding can be used for although it does state that water, sewer and broadband infrastructure is an allowable use. None of this funding is included in the Proposed FY2022 Budget or the projected FY2023 Budget at this time. These funds are considered one-time revenues and are subject to restrictions as federal funds.

The School is receiving approximately \$10M in two series of fundings. Those funds are restricted and must be used to address learning loss and other issues related to COVID-19. We cannot reduce maintenance of effort as a result of the schools receipt of this funding.

CAPITAL PROJECTS BUDGET

The FY2022 Proposed Capital Projects Budget has been changed from the 5-year Capital Improvement Plan adopted in concept by the Council.

Changes include:

- Reduced Information and Communications Systems by \$175,000
- Applying previously approved and unneeded funding to cover the \$150,000 fire alarm and radios request
- Adding \$119,562 for each of the five years for police radio replacements
- Reprogramming \$30,000 cost of police negotiator portable telephone to FY2024
- Reducing the allocation for Library carpet repairs by \$20,000 (to a total of \$80,000)

CAPITAL BUDGET CHANGES

- Eliminating funding for traffic signal improvements in FY2023 and beyond
- Moving Murphy Field Slide fundraising match of \$50,000 to FY2024