

Budget Highlights

I am pleased to submit our proposed budget for the City of Provo, Utah for the fiscal year beginning July 1, 2020 and ending June 30, 2021.

This budget is the result of many hours and the contributions of Council members, the public, employees and City leadership. With the economic impacts of COVID-19 being unknown the Administration has attempted to submit a budget that is conservative and utilizes fund balance to address critical needs of the City to protect the long-term goals and objectives.

Preparation for the Fiscal Year 2021 budget began in January 2020 with the Mayor, CAO and administrative budget team looking at early revenue forecasts, projected retirement and insurance increases, and department needs for the Fiscal Year 2021.

The administrative budget team met with the City Administration to monitor and plan for the following:

- Revenue Needs & Forecasts
- Budget Expenses & Shortfalls
- Merit Increases, Retirement, Health Insurance, Operation and Maintenance Needs, Capital Needs, Vehicle Replacement, Outsourcing, Adequacy of Fees & Taxes
- The FY2021 5-year Capital Improvement Plan included recommended changes made by Municipal Council staff and include priority levels, operating budget impact, and identifying whether funding sources have been identified.

As evidenced in Provo and the nation, there are many signs that the local and the national economies are dropping due to the impacts of COVID-19. The City is currently cautious about sales tax revenues and anticipates they will drop approximately 5% from current trends prior to the COVID-19 Pandemic.

Provo City continues to work hard in maximizing every dollar and providing a great value to our residents. Our employees understand that every tax dollar we receive is a sacrifice from our residents and businesses who trust us to use it wisely. While preparing the 2021 budget, directors were asked to be surgical and evaluate their budgets and look for possible savings to offset the impact of decreased revenues. All unfilled positions were evaluated, and some positions were identified to not fund in the fiscal 2021 budget to help offset anticipated revenue shortfalls. Directors of the General Fund were also asked to review their budgets and identify budget reductions that equal 1.5% of their budget.

The 2021 budget supports our ongoing goal of continued fiscal health with a sustainable budget. Monies are invested in capital improvements, vehicle replacement and employees. Provo City employees are among the greatest and most critical assets the City has, and by investing in them, we are better able to recruit, develop, and retain top employees.

The Administration continues to look for opportunities for its employees to grow and be prepared to become future leaders at the City. The City continues to provide to full-time employees the opportunity to apply to the education assistance board to further their education and be reimbursed by up to fifty percent of their educational costs.

In accordance with Council and Administration priorities to promote the sustainability and long-term outlook of the City, rates and fees are designed to cover costs of their services. Included in the appendix to the Budget Document is a list of Consolidated Fee Schedule changes. A comprehensive list of fees is included in Provo City Code as well.

Utility rate increases are being implemented to fund ongoing operational and capital improvements throughout the City.

The following utility rate increases are being included in the recommended budget per the 5-year plan adopted by the Municipal Council five years ago.

- An average 25% or \$13.77 monthly increase per average residential home on wastewater utility sales (Wastewater Fund)
- An average 5% or \$2.28 monthly increase per average residential home on water utility sales (Water Fund)

Funded Personnel Costs

Personnel budgets in departments include current funding levels to attract and retain good employees:

- Merit Increases (2.5%)
- Career Series Advancements
- Health Insurance Cost Increases (3.8%)
- Utah Retirement System (increase of Tier II employee public safety retirement benefits \$183,509)
- Employee Appreciation
- Birth Parent and Adoption leave
- COVID-19 leave benefits

Expenditures

All departments and divisions continue to do the same or more with very limited personnel and operational budget changes.

Each department/division had the opportunity to submit supplemental requests as part of the Fiscal Year 2020 budget. Forty-two requests were made for a total of \$3,337,810. A total of \$406,214 has been funded in FY2021 in the following departments. The Municipal Council made a request as part of the budget process to update the General Plan. The following is a list of funded requests:

Public Safety

\$55,766: One new police officer position. The City has received a commitment from Provo School District to fund 50% of a new officer for fiscal 2021 going forward. The Officer will be assigned to schools.

\$11,000: Cardio monitor system that included auto-pulse acquisition to be used in the Fire Department by ambulance crews.

Community and Neighborhood Services

\$150,000: Professional Services for General Plan Update.

Parks and Recreation

\$15,000: ADA Improvements; This proposal is to begin work on properties scattered around Provo to help bring them into compliance. This amount will be used to fix low cost items that can be rectified by small changes. Some items are but are not limited to; the painting or repainting ADA and regular parking stalls, installation of needed signage, reducing sidewalk cross slopes, adding accessible routes and the installation of grab bars in restrooms. These items help Provo to become more compliant and provide the public with better facilities.

\$100,000: Increase child watch services at the Recreation center to meet the growing need and demands of our residents. With the expanded service we anticipate increased revenue so there is no additional demand on the general fund. These changes allow for us to offer more services, more programs, and more benefits to Provo Residents in a way that the users cover the cost.

Airport

\$74,448: New Airport position; Security Specialist that will enable the City to separate maintenance and security duties complying with FAA requirements.

Significant Capital Expenditures:

Airport Terminal	\$34,300,000
Wastewater Reclamation Plant	<u>\$15,000,000</u>
	\$49,300,000

Other Funding

The budget includes funding from a Recreation, Arts, and Parks (RAP) Tax that was approved by the voters in November 2015. The proposed budget assumes the tax will generate approximately \$1.325 million in FY2020 for recreation and arts projects.

The City has included in the budget the recommended vehicle replacements from the City Fleet Committee.

During fiscal 2016 the City selected and started the implementation of a Citywide Municipal Software Solution (Provo 360):

The City is live with the finance, licensing and community development applications.

The City began the implementation of the customer information system (CIS) and the work order management system (WMS). The City plans to go live with CIS and WMS in July 2020.

The City recently went through an extensive selection process to select a new Human Capital Management System (HCMS). A HCMS partner has been selected and the implementation is underway and expected to go live in the fourth quarter of fiscal 2021.

The vision for Provo 360 is to provide our residents, businesses, students, employees, administration and visitors with a 360-degree view of the city at any time, from anywhere, and from any device. The Provo 360 Core Team, Administration and the Municipal Council are working towards solutions to make information requests and transactions accessible, easy and even enjoyable for our customer while giving our administration the same 360-degree view to enable them to service, resource, measure, refine and improve like never before.

The City has implemented a soft hiring freeze requiring the Mayor's approval for vacant positions to be filled. The City plans to set aside the savings from unfilled position to offset the potential for revenue shortfalls from the impacts of COVID-19. The Administration plans to monitor revenues very closely and make budget adjustments timely to account for revenue budget variations.

Items Not Funded

Each year the City has paid to employees 50% of the current year accrual (96 Hours) of unused sick pay in November for the previous 12 months. This has created an incentive for employees to be to work. For fiscal 2021, due to COVID-19 and limited resources, there will not be a sick pay buyout in November 2020.

Each year the City has completed a market study to evaluate paygrades for all employees at the City. With the uncertainty of COVID-19 and the many layoffs being experience by closed facilities and businesses, it was determined that the market would be difficult to evaluate in these turbulent conditions. Consequently, there are not any market adjustments to paygrades in the 2021 Budget.

The Recreation Center is currently being impacted by COVID-19 and it is uncertain how long the impact will be. Administration and the Municipal Council have a strong desire to have the funding necessary to adequately maintain the Recreation Center so that it will be able to serve customers long-term. In addition, the facility can continue to feel new and have equipment and services needed to keep up with current trends. The Recreation Center has been setting aside funds for five years to provide funding to maintain the building and equipment over their useful life. Any unused funds in any given year will be moved forward for future use. Currently there is a balance in the fund equal to the amount that the Recreation Center has been setting aside each year. Based on impacts of COVID-19, additional funding has not been to set aside in fiscal 2021.

In addition to the Recreation Center, the General Fund has several facilities it maintains. The Administration and the Municipal Council have a strong desire to have the funding necessary to adequately maintain the different facilities within the General Fund so that they will be able to serve residents in the long-term. The City has been setting aside funds for four years to provide funding to maintain the building and equipment over their useful life. Any unused funds in any given year will be moved forward for future use. Currently there is a balance in the fund in the amount in equal to three times the amount the City has been setting aside each year. Based on impacts of COVID-19, additional funding has not been to set aside in fiscal 2021.

Summary

Provo City has been recognized as a community of choice by recent national accolades and the citizen survey results. Our goal is to provide residents and businesses with the services they need in an efficient and transparent manner. I believe the budget process forces us to make difficult decisions and prioritize what items should be funded. The City continues to make difficult decisions to reduce ongoing costs and to strengthen revenues. For fiscal 2021, the City has made the decision to use fund balance during the COVID-19 to assure the City can reach its long-term objections. During the 2021 budget process, the Administration has attempted to make good financial decisions that consider both the short and long-term impacts.

We welcome and encourage your careful review of our recommended budget. We also welcome the input of our residents and businesses as we proceed through the process of adopting the City's annual budget. As always, our staff is at your disposal to respond to questions and assist in any way the Municipal Council would like over the next several weeks. We believe that you will find this budget responsive to your concerns and aspirations and forward thinking as we plan together for the future of the Provo community.