

April 12, 2021

Honorable Mayor and
Members of the City Council
City of Warrensburg, Missouri

Dear Mayor and Council Members:

BACKGROUND

The purpose of this memo is requesting a three percent increase in full-time salaries effective with pay period ending April 18, 2021. It provides justification and funding available to support the salary increase. It includes a recap of available funds from Fiscal Year 2020 and current revenue receipts for Fiscal Year 2021 by including budget and actual revenue and expenditures for 2020 followed by current revenue collection for 2021. The funding outline is the basis for recommendation and request for a three percent, across the board, salary increase for full time staff. The increase is estimated to cost slightly less than \$80,000 across funds. General Fund estimated cost at \$65,500, Parks at \$6,300 and Water Pollution Control at \$6,700. Staff also asks and recommends the three percent increase for those staff members that are at top of scale who would normally not be eligible for an increase. The salary scale requires adjustment to accommodate the minimum wage increase effective January 1, 2022. The salary scale will be presented and approved with development of the Fiscal Year 2022 budget.

DISCUSSION OF FISCAL YEAR 2020

The following is a recap of General Fund budget development for Fiscal Year 2020:

1. Total Budget for General Fund was adopted projecting a deficit of \$618,231.53.
2. A budget amendment was adopted in order to reflect a zero balance, meaning revenues equal expenses. This amendment included a projection to use reserve balance in the amount of \$629,734.95, slightly more than the original deficit adoption.

Revenue:

1. Revenue budget was originally adopted projecting \$10,630,529.42, then amended to a projection of \$11,299,813.32 including the \$629,734.95 use of reserve. Revenue projection without use of reserve was \$10,670,078.37, \$39,548.95 more than originally adopted.
2. Actual Fiscal Year 2020 revenue collected and recorded were \$10,534,708.97 which was \$135,369.40 less than budgeted revenue.

Expenditures:

1. Expenditure budget was originally adopted at 11,248,760.95 and then amended to \$11,299,813.32 – an increase of \$51,052.37.
2. Furloughs were implemented and departments cut spending to provide significant savings.
3. Actual Fiscal Year 2020 expenditures recorded were \$10,389,057.70, \$9710,755.62 less than budgeted expenditures.
4. Encumbrances, planned money not spent in 2020, of \$47,150.26 allocated to be spent into 2021 created actual savings of \$863,605.36 compared to budget.

Fiscal Year 2020	Original Budget	Ammended Budget	Actuals	Encumbrances	Remaining
Revenue	10,630,529.42	11,299,813.32	10,534,708.97		(765,104.35)
Expenditures	11,248,760.95	11,299,813.32	10,389,057.70	47,150.26	863,605.34
Over/Under	(618,231.53)	-	145,651.27	(47,150.26)	98,501.01
Remaining Revenue included planned use of reserve in the amount of					629,734.95
					(765,104.35)
					<u>(135,369.40)</u>

The results of Fiscal Year 2020 reflect actual revenue collected was \$135,369.40 less than adopted budget, actual expenditures paid was \$863,605.36 less than adopted budget. Combined results in a total savings of \$728,235.96, \$98,501.01 less than projected use of reserves. In other words, if budget had been met, \$629,734.95 of reserves would have been used. Instead, no reserves were used.

There is one thing to remember in all of this, and that is the ultimate goal of expenses provided by revenue. In other words, only spend the money collected, not more, and that was accomplished in 2020, primarily because of the CARES ACT money received. With that said, actual total general fund revenue compared to expense, the City collected \$10,534,708.97 in revenue and recorded spending \$10,389.057.70 + planned purchases of \$47,150.26. The difference between revenue and expenditures is \$98,501.01 available from Fiscal Year 2020 to provide for the salary increase of about \$65,500 for General Fund.

Fiscal Year 2020	
Revenue	\$10,534,708.97
Expenditures	(\$10,389,057.70)
Encumbrances	(\$47,150.26)
Revenue Over/Under	<u>\$98,501.01</u>

PARKS

Parks budget development included an original excess of \$3,495.86 revenue exceeding expenditures. An amendment adopted reflected an additional increase of \$70,503.57 of revenue exceeding expenditures. Actual revenue exceeded expenditures by \$279,993.29 with \$14,069.83 of encumbrances planned to be spent in Fiscal Year 2021. The difference between revenue and expenditures more than provides the projected salary increase of about \$6,300.

Fiscal Year 2020	Original Budget	Ammended Budget	Actuals	Encumbrances	Remaining
Revenue	2,726,885.00	2,341,019.00	2,349,548.13		8,529.13
Expenditures	2,723,389.14	2,270,515.43	2,069,554.84	14,069.83	186,890.76
Over/Under	3,495.86	70,503.57	279,993.29	(14,069.83)	195,419.89

WATER POLLUTION CONTROL

Like General Fund, Water Pollution Control (WPC) had an original budget adoption with a planned deficit of \$1,457,816.17 and an amended budget with a deficit of \$1,525,789.60. The deficit is due in large part to budgeted depreciation. Actual revenue exceeds expense by \$57,335.75 including depreciation expense providing funding for the estimated salary increase of \$6,700.

Fiscal Year 2020	Original Budget	Ammended Budget	Actuals	Encumbrances	Remaining
Revenue	5,072,640.00	5,072,640.00	4,963,913.33		(108,726.67)
Expenditures	6,530,456.17	6,598,429.60	4,906,577.50	-	1,691,852.10
Over/Under	(1,457,816.17)	(1,525,789.60)	57,335.83	-	1,583,125.43

CONCLUSION FISCAL YEAR 2020

As mentioned earlier, the point to be made is that revenue exceeded expenditures for Fiscal Year 2020 that provides the funding for the three percent salary increase for the remainder of Fiscal Year 2021. Last year those required to take furlough, did so, and there was money received from the CARES ACT. The three percent salary increase recommendation is sustainable based on current year revenue receipts compared to expenditures along with the current year receipts from the CARES ACT.

DISCUSSION OF FISCAL YEAR 2021

Fiscal Year 2021 General Fund revenue is currently budgeted at \$9,841,630. Receipts through March 31 reflect \$5,774,324.56 with 41.33% of budget remaining. As of March 31st, 50% of budget should be remaining, so we have collected 8.67% over budget for this time period. This includes CARE ACT receipts of \$409,670.20. Fiscal Year 2021 receipts to date support the necessary revenue collection for the salary increase as well. Additionally, as of March 31, expenditures are meeting budget with just over 50% of budget remaining. Lastly, revenue is currently exceeding expenditures by \$693,542.38 with the majority of this being the CARES ACT receipts. Parks and WPC funds reflect similar results for Fiscal Year 2021. Parks reflects revenue exceeding expenditures by \$446,416.26 and WPC reflects \$740,572.11 revenue over expenses.

Fiscal Year 2021	Original Budget		YEAR-TO-DATE MARCH 31, 2021	Encumbrances	Remaining
GENERAL FUND					
Revenue	9,841,630.00		5,774,324.56		(4,067,305.44)
Expenditures	10,448,750.00		5,080,782.18	88,420.97	5,279,546.85
Over/Under	(607,120.00)		693,542.38	(88,420.97)	1,212,241.41
PARKS FUND					
Revenue	2,583,605.00		1,325,120.95		(1,258,484.05)
Expenditures	2,583,605.00		878,704.69		1,704,900.31
Over/Under	-		446,416.26	-	446,416.26
WPC					
Revenue	5,072,640.00		2,616,138.80		(2,456,501.20)
Expenditures	7,815,860.00		1,875,566.69	170,867.67	5,769,425.64
Over/Under	(2,743,220.00)		740,572.11	(170,867.67)	3,312,924.44

This increase also affects the development of the Fiscal Year 2022 budget. There is currently an increase in minimum wage effective January 1, 2022. The City has incorporated current minimum wage in the salary scale to maintain a competitive salary base. The increase is greater than the bottom of the salary scale currently in place for certain staff members. The review and revision of the salary scale will be included in the 2022 budget discussions and adoption. Because there is a planned review and most likely increase in the salary scale, staff asks and recommends those staff that are at or will be topped out in their salary range receive the three percent increase potentially exceeding the current scale.

STRATEGIC PLAN

Focus V: Employee Morale and Retention

RECOMMENDATION

Staff is recommending and requests approval of the resolution authorizing a three percent salary increase for all full-time staff effective with pay period ending April 18, 2021. The cost increase will be included in the upcoming budget amendment. Staff respectfully requests that those who would not be eligible for an increase receive the three percent increase knowing the salary scale is going to be reviewed and revised to accommodate the minimum wage increase effective January 1, 2022.