

## City of Afton 2020 Preliminary Budget Overview

The following is an overview of the City of Afton preliminary 2020 budget and tax levy. The preliminary 2020 budget reflects an on-going effort to provide sufficient funding to meet current and long term capital improvement needs including street improvements and bridge improvements, as well as to absorb increased costs for contracted services, while managing the impact on the tax levy.

### General Fund Budget

The General Fund Budget includes expenditures and revenues related to the general day-to-day operation of the City.

### *General Fund Expenditure Highlights*

The preliminary 2020 General Fund expenditures are \$1,339,716. This is an increase of \$44,940 or 3.5% from the 2019 budget.

### **An outline of the key items affecting the General Fund expenditures is as follows:**

- Police Service expense is up \$ 10,289 or 5.4%
- Accounting expense is up \$11,650 or 67.1%, due to increased fee level for accounting services
- Engineering Fees expense is up \$4,400 or 21.4% to reflect actual costs

### *General Fund Revenue Highlights*

- All revenues are generally flat. While actual Building Permit revenue is higher than the amount budgeted, the City has been budgeting these revenues conservatively.

### **Tax Levies and Transfers**

#### *General Fund Levy*

- The preliminary 2020 General Fund tax levy is \$1,077,682. This is an increase of \$26,635 or 2.5% over the 2019 General Fund levy.

#### *Capital Improvement Levies*

- Street Improvement Levy

The total 2020 levy for street improvements (\$560,500) which is comprised of the \$170,500 Street Improvement Capital Fund levy and the \$390,000 debt service levy for the 2017B Road Bond, reflects an increase of \$50,000 or 9.8% over the 2019 levy for street improvements, as called for by the long term street improvement funding plan to enable pay-as-you-go funding.

### *Total Tax Levy*

- The preliminary 2020 budget results in a total tax levy, including the General Fund levy and the debt service and transfer levies, of \$2,363,021. This is an increase of \$111,730, or 4.96% over the total 2019 levy.

### **Tax Rate**

Based on the total proposed levy, the tax rate would be reduced from 32.983% to 30.752%.

## **Impact of Tax Levy On Property Owners**

The proposed tax levy increase of 4.96% would have the following impacts on the City's share of property taxes:

Residential property valued at \$200,000: City tax increase of \$27.45, or 4.6%  
Residential property valued at \$500,000: City tax increase of \$82.99, or 5.03%  
Commercial property valued at \$500,000: City tax increase of \$104.90 or 3.44%

## **Sanitary Sewer Budget and Tax Levy**

The 2020 preliminary budget includes a separate operating budget for the Sanitary Sewer operation to account for the operating costs of the wastewater collection and treatment system, particularly the costs of the wastewater treatment facility, as well as the user fee revenues necessary to fund the operating costs. The \$50 per-unit user fee is not proposed to change for 2020.

## **Capital Improvement Projects and Funding**

### **Street and Bridge Improvements Planning**

#### Streets

The balance in the Street Improvement Fund in 2020 will be approximately \$1 million. This balance will be used to fund the planned 2020 Street Improvement Project.

#### Bridges

In 2018, the Council authorized a levy of \$49,671 for bridge and other infrastructure replacement, as a first step in providing sufficient funding for bridge replacement needs. The 2020 proposed budget reflects a levy in the amount of \$51,000.

### **Funding for the Downtown Village Improvement Project and River Road Sewer Line Replacements**

#### Downtown Project

The Downtown Village Improvement Project is now substantially complete. Due to project costs exceeding current project revenues, including engineering costs, legal costs for assessment appeals and easement condemnation processes, and the as-yet uncertain results of the on-going easement condemnation hearing processes, a funding gap is anticipated for the Downtown Project. While it may be possible to obtain additional revenues to at least partially bridge the funding gap, the timing of some revenues may not match the required timing of payments, particularly the repayment of temporary bonds that were used to provide cash flow for the Downtown Project.

#### River Road Sewer Line Replacements

The sewer lines that are a part of the "201" sewer system that serves approximately 12 properties on River Road are in poor condition. Efforts are on-going to provide a cost-effective solution to replace these sewer lines. The cost is estimated at \$400,000.

#### Funding Option

An option being considered for addressing these funding needs is a bond issue. Based on funds available to both reduce the principal amount of the bond issue and to assist in the payment of the debt service on the bonds, the debt service could be totally or substantially funded with planned project revenues to be received in the coming years, and by in-place debt service levies.