



TO: Council President
City Councilmembers

CC: Council Appointees

FROM: Rob Hillard, City Manager and Salvatore Talarico, Finance Director

DATE: November 17, 2021

SUBJECT: 2022 Budget Transmittal

Purpose and Recommendation

In accordance with Section XIV of the Oberlin City Charter, we are pleased to submit the attached proposed capital and operating budget for Fiscal Year 2022 for your review and consideration. This year the 2022 budget aligns with the Oberlin Five Point Strategy that focuses on City Services, Environmental Sustainability, Social Equity, Community Development and Neighborhood Enrichment. The 2022 Budget includes the implementation of dozens of tasks, including community outreach related to the development of a Social Equity Plan and the Comprehensive Plan. We recommend the 2022 Budget as presented and look forward to answering any questions you may have.

Discussion

Revenue from income taxes supports both the General Fund and the Income Tax Capital Improvement Fund. We estimate that 2022 General Fund income tax collections will be \$5,826,000. The Federal Reserve Bank is expected to keep interest rates low through mid-2022, the Fed is expected to start slow and steady increases the second half of 2022. As a result, our interest income will continue to be low. Property taxes and revenue from fees and other sources are projected to be flat with 2021, although some categories will still lag until COVID-19 is "over".

The 2022 departmental budgets include a 2.5% or 3% wage increase depending on the collective bargaining agreements.

Each department continues to review costs in order to provide effective service. Personnel-related costs continue to be significant portions of our operating budgets (64% of the general fund). Healthcare costs in general continue to increase for most employers. As a member of a public entity health consortium, the City will see a favorable 5.5% increase next year. Our continued participation in workers compensation group programs, and our favorable (low) frequency and severity of claims, will result in a reduction in our 2022 BWC premiums. The Bureau of Workers Compensation continues to evaluate their reserves, which could result in credits/refunds going forward. The City continues to be a good candidate for group plans due to our positive safety and

claims history and our proactive claims management programs, which include our transitional work program and duty injury wage continuation.

For the City’s enterprise funds, revenues from rates support and sustain the operations and improvements for our various utilities. The 2022 proposed utility budgets, approved and recommended by the Public Utilities Commission, will result in a rate increase for water of 3.5% and 2% increase for wastewater. For 2022, OMLPS estimates a 3.3% increase in its average retail electric rate. The Public Works Department has implemented numerous programmatic changes to manage expenses in the Solid Waste Enterprise Fund. To maintain fund solvency, it will be necessary to increase residential rates from \$10/month to \$12.50/month and to increase commercial refuse rates by 5% in 2022 and going forward.

General Fund – We are forecasting to end FY 2020 conservatively with a \$10 to \$10.5 million balance in the general fund. Typically, a portion of each year's projected expenditures remain unspent and unencumbered by the end of the year due to staff vacancies, planned projects that are either not completed or have come in under budget, generally conservative spending, or because anticipated costs are less than forecasted. In addition, in some cases, actual revenues may come in higher than anticipated but is very dependent on the continuing effects of COVID-19.

For 2022, it is anticipated that the general fund will perform as follows:

	Initial 2021	Revised 2021	Initial + 2022
Proposed budget - expenditures	\$ 10,815,198	\$ 11,448,153	\$ 11,990,515
Forecast budget – revenues	\$ 9,923,083	\$ 9,888,026	\$ 9,876,421
Anticipated unspent appropriation	\$ 400,000	\$ 400,000	\$ 400,000
Operational Balance	<u>\$ (492,115)</u>	<u>\$ (1,160,126)</u>	<u>\$ (1,714,094)</u>

+ 2022 expense and revenue include Advance & Repayment for Refuse fund

Overall, for 2022, the General Fund reflects an approximate 4.7% increase in expenditures over the revised 2021 appropriations.

The proposed 2022 capital budget (income tax capital improvement fund, equipment replacement reserve funds and enterprise capital improvement funds) includes projects in nearly every operational area to benefit residents across Oberlin. Some examples include:

- Provides for the replacement of one (1) police vehicle.
- Street and related stormwater infrastructure improvements on W. College St. and on S. Pleasant St.
- Provides funding to add a second perforated plate screen in the secondary headworks channel at the Water Environmental Protection Facility.
- Provides funding to construct a new water transmission main from the Hamilton/Lincoln intersection, south along the Ramsey R/W to Reserve Avenue. If the City’s Ohio Water/Wastewater Grant Application is successful, the new transmission main would be continued south and back east along US20 to complete the loop near Walmart.

- Provides several system improvements in the Electric System including 4 kV to 12 kV upgrades on the west side, traffic light system upgrades at the new elementary school, an engine/generator control system upgrade in the power plant, an electric van purchase and site preparation for a future substation on Rt. 58 South.

Conclusion

Thanks to Oberlin residents, careful management of department budgets by the City's management team and City Council's guidance, in spite of the continuing effects of COVID-19, the recommended 2022 budget provides for the continuation of quality services Oberlin residents expect and provides for pay increases for City employees.