

Honorable Mayor Rene' Kemper and Douglas City Council,

I respectfully present the Fiscal Year 2022 City of Douglas final budget. The City's budget is a comprehensive plan built on conservative financial principles that encompasses the Council's goals for providing services to meet the needs of our citizens and visitors. The budget process is essentially a year-round activity with priorities, objectives, and challenges discussed throughout the year.

The City of Douglas has continued to focus on a balanced budget, prepared in a conservative manner, which allocates financial resources towards the most essential needs for the City of Douglas and our citizens. The challenge of sustaining services is most acute in the General Fund and the leadership team is continually reviewing opportunities to reduce or contain expenses without compromising services. The FY 2022 budget includes the transfer of approximately \$4,340,422 in General Fund cash reserves to meet expenditures.

Every year the City faces the challenge of uncertain revenue and preparing a budget for a full-service city always has its share of unknown variables. Doing so during a nationwide economic shut down has increased the uncertainty of our revenue sources. This budget reflects reductions in services and expenses to accommodate the anticipated reductions in revenue, particularly sales and use taxes.

In an effort to make the budget a more effective communication and planning tool, the information presented in this budget message is a summary of the City's projected year end actuals for FY 2021 and the overall budget for FY 2022. Detailed information regarding programs, revenues, expenses, fund types, personnel, cash and investments, etc. can be found in the budget document.

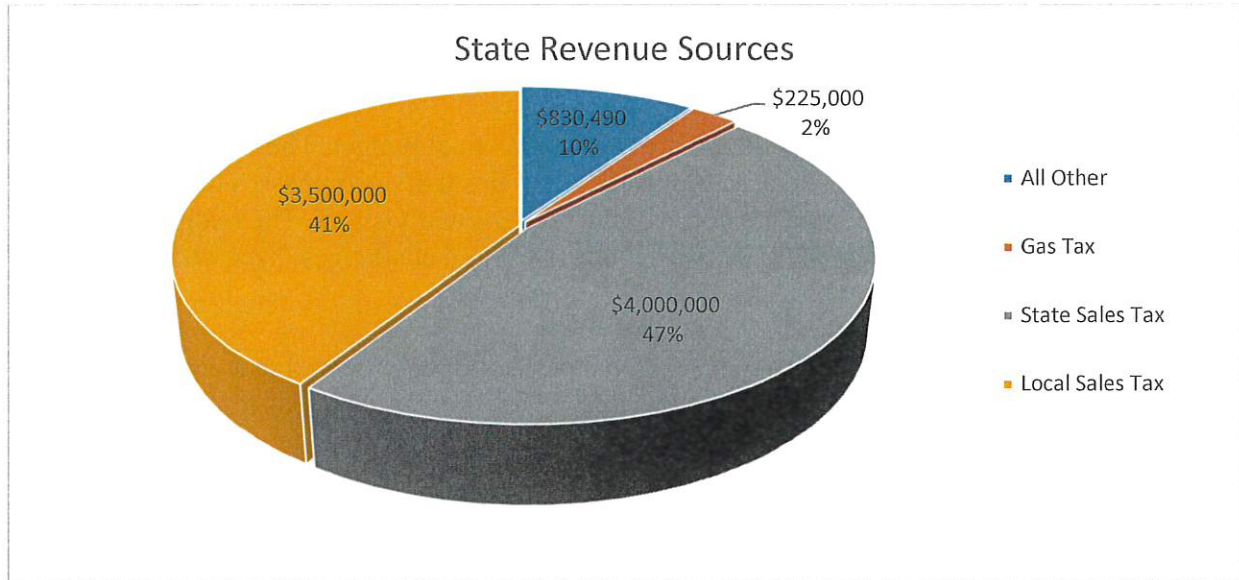
REVENUES

Taxes continue to be the largest source of revenue in the General Fund and represents 85% of the total General Fund revenues. The largest element of taxes is sales and use taxes, as it has been for several years. While economic forecast associated with energy and the local economy are somewhat unsure at the time of budget adoption, the FY 2022 budget provides for some protection via conservative revenue estimates of \$7.5M in sales tax collections.

State Revenue Sources

A large share of the revenues budgeted at the local level are derived from state shared sources, which are distributed to local governments through formulas set by legislative action. Due to the political nature of the distribution method, this particular revenue stream is somewhat unpredictable. These revenue sources include:

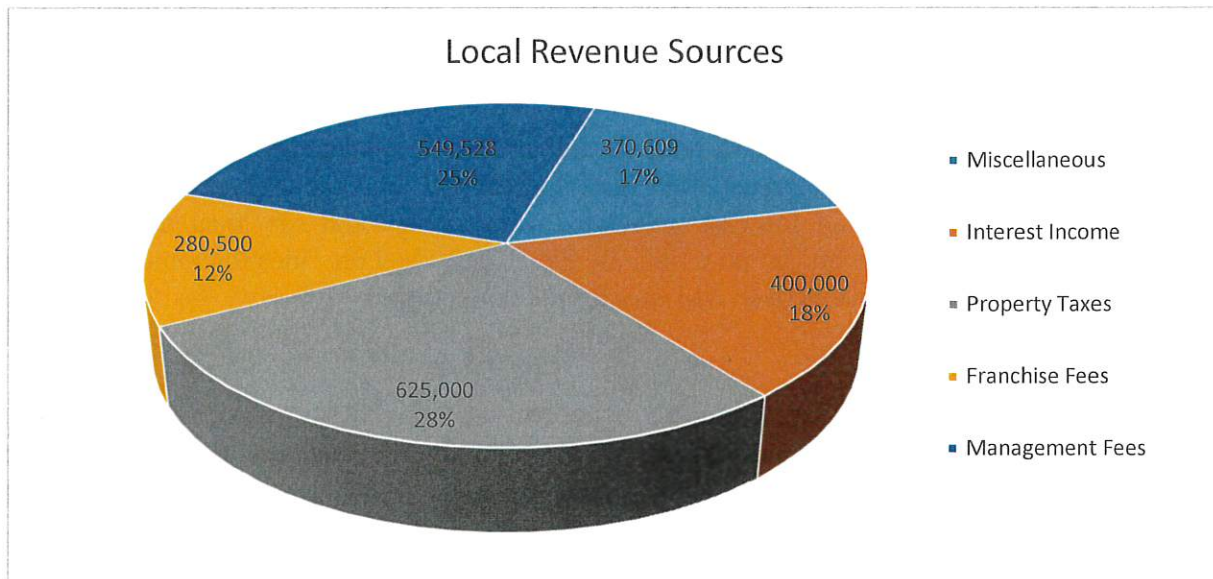
- Cigarette Tax
- Federal Mineral Royalties
- Severance Tax
- Sales and Use Tax
- Gasoline Tax
- Special Fuels Tax (Diesel)
- Direct Distribution Funding
- Pari-Mutuel
- Wyoming Lottery



As you can see, Sales and Use tax represents 88% of total state shared revenues and 70% of General Fund revenues. Sales and use tax revenues have fallen precipitously in the past year, from approximately \$19,527,995 in FY2020 to \$12,277,205 this Fiscal Year, a 37% decrease. All other revenue disbursements have remained relatively flat over that time.

Locally Determined Revenue Sources

In addition to the state-distributed sources of funds are locally determined revenues. The more significant local sources are briefly discussed below.



Miscellaneous items are grouped together and includes revenues such as sale of burial lots, pool fees, building permits, fines, licenses, etc. Combined, it is the largest source of locally generated revenues.

The City of Douglas levies the statutory maximum of 8 mils of property tax within the city limits. Property tax revenue FY2022 is estimated at \$625,000, with \$170,000 of this amount coming from the Auto property tax.

Franchise fees are imposed on private utility and telecommunication companies for the privilege of using public rights-of-way in the community. The fees may be based on a percentage of gross revenues, a flat annual amount or based on volume. Franchise fees are estimated at \$280,500 for FY 2022.

Interest income on the City's investments contributes a portion of the local sources revenues. The City continues to make wise investments that are staggered over the coming five years. The FY 2022 budget anticipates \$400,000 in interest income.

Management fees are charged to each of the city's four Enterprise Funds, (Water, Wastewater, Sanitation, and Landfill) for overhead expenses from the General Fund. The total FY 2022 amount anticipated for all management fees is \$549,528.

RESERVE POLICY

The City maintains reserves, whether restricted (legally mandated), designated (set by City policy), or unrestricted, in a number of funds. The majority of the City's reserves are encumbered and included in the City's 5-year Capital Improvement Plan.

FUND	Required	Projected
General	1,999,263	20,135,874
Health Care	550,000	797,000
Water	2,000,000	6,292,489
Sewer	1,000,000	1,095,975
Sanitation	250,000	539,999
Landfill	500,000	1,188,531

EXPENDITURES

The City's total anticipated expenditures for FY 2022 will be \$27,643,909, which exceeds projected revenues by \$7,795,671. This is due, in large part, to significant downturn in the economy and drop in expected sales tax revenues. Expenditures are broken out into General Government, Enterprise Funds and Capital Projects.

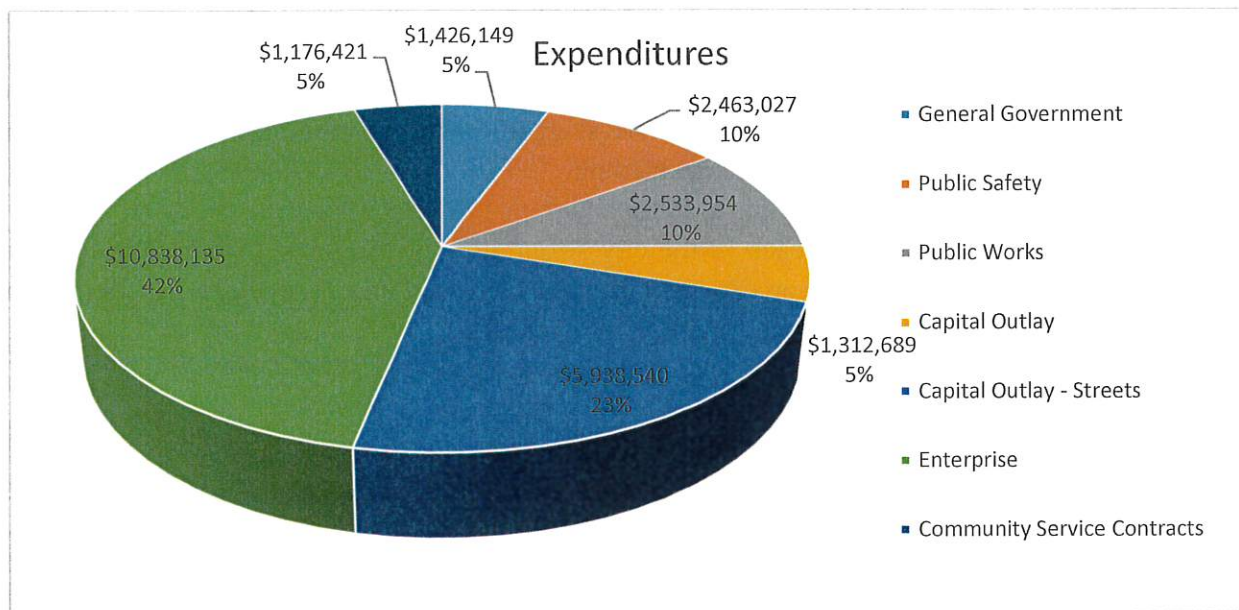
General Government

General fund expenditures for each of the operating divisions cover salaries and benefits, training and development costs, utility expenses, repair and maintenance, operating supplies and minor equipment purchases. In total, there is \$7,997,051 budgeted for the general fund in FY 2022.

Salary and benefit expenditures totaling \$5,137,916 represents 68% of the total operating. This is a decrease from the FY 2021 of approximately 6%. Full-time employees' numbers will be 66 with

3 part-time and 15 temporary/seasonal positions. The budget is prepared and presented with the normal step increases as provided.

Budgeted allocations in health insurance this year are at \$825 for single coverage and \$2,140 for family coverage per month. The total benefit package (health insurance, deferred compensation/Wyoming Retirement, worker’s compensation, social security, and other miscellaneous benefits) adds approximately 66% to an employee’s total compensation package.



The City will appropriate \$1,176,421 in Community Service/Public Service Contracts to non-profit and Joint Power agencies to assist them in fulfilling their mission(s) within the community.

Enterprise Funds

Enterprise Funds account for business-type activities supported largely by user charges. The City has four Enterprise Funds – Water, Wastewater, Sanitation and Landfill. Each fund must operate as a separate business. Generally Accepted Accounting Principles, as well as Wyoming State law, generally prohibits subsidizing one fund with revenue from another fund for ongoing operations. Each fund also maintains separate depreciation and replacement accounts for future expenditures. The total of all enterprise funds expenses is \$10,838,135. Revenues are projected at \$7,213,750.

The extension of utilities underneath Pearson Drive is budgeted in the amount of \$2,659,190. The replacement of water and sanitary sewer for 2nd and 3rd Streets is budgeted as a major expenditure. Additionally, various water and sewer main replacement projects are budgeted for FY 2022.

Capital Outlays

Capital Outlay is the acquisition or improvement of a long-term asset. This includes roads, equipment or buildings. In total, there is \$7,212,689 budgeted for capital projects in FY 2022. Some of the major capital improvement projects scheduled for this fiscal year include:

- North 2nd Street
- North 3rd Street
- Pearson Drive Extension
- Slurry Sealing of roads
- 4.5 Alley (Labonte to 5th Street)
- 9th Street and 8.5 Alley Improvements
- North 4th Street (Antelope Creek Bridge North 545')
- Mesa Drive (Richards to Cactus Court)

Nearly 82 percent of all capital outlays are in street improvements (\$5,938,540). Some of the projects will not likely be finished by the beginning of the next fiscal year and may be carried over into next year's budget.

CONCLUSION

The City of Douglas is facing an unsure future as we experience additional demands for services and volatile revenue streams. As is the case with many local governments, the City of Douglas is heavily reliant upon State revenue sources, with limited opportunities to increase revenues locally. It will be imperative that the City continues efforts to maximize cost containment and cost recovery as well as pursue alternative revenue sources.

At this time, the full impact of the economic closures is unknown, and we realize that this budget will likely be amended several times throughout the fiscal year. While the City of Douglas is no stranger to uncertain revenue streams, we must face a new reality regarding our local economy and budget. The City of Douglas had been continually challenged to fund ongoing expenses and continue normal service operations as economically sensitive revenue fluctuates.

Without the continued passage of the 1-cent general purpose tax, the City would be unable to meet its' yearly operating budget. For the second year in a row the City has had to draw down additional reserve funds to meet budget demands. This can only continue for so long before reductions in staff/services and funding structure changes are required to be made.

The City of Douglas annual budget process is an organization-wide project that requires significant work on the part of staff. I would like to thank all staff, department heads, and especially Administrative Services Director/Treasurer Mary Nicol for their outstanding work on the FY 2022 Municipal Budget. Additionally, I would like to thank Mayor Kemper and City Council for the significant time and consideration allotted to the development of this document.

Respectfully Submitted,



Jonathan M. Teichert
City Administrator

