

INTRODUCTION

The City of Baker, in accordance with Sections 6-03 and 6-12 of the City of Baker Home Rule Charter, is introducing the proposed operating and capital budgets and capital program for the upcoming fiscal year ending June 30, 2021.

The City of Baker provides for the general welfare of its citizens – fire/police protection, well-maintained infrastructure, cultural, recreational and other enriching opportunities – and provides utility services – water, gas and sewer. It also operates a cemetery providing for burial needs including two mausoleums and a special place for babies. Budgeting for a large organization that provides many services is a complex process. It requires forecasts on commodities such as gas prices, demand for services from grass-cutting to libraries to sports complexes and the impact of economics such as sales trends among other things. It also requires anticipation of future events and a vision to continue enhancing the City as a place people choose to do business and live. Prioritizing revenue streams to accommodate these costs is a daunting task requiring a focus on both maintaining current revenues and exploring options for new sources.

This message is designed to provide clear and accurate information on the budgetary process, estimated revenue streams and a basic description of departmental needs and spending.

SUMMARY OF THE BUDGET PROCESS

Simply speaking, the budget is proposed by the Mayor and adopted by the City Council. It is composed of two main documents – operating budget and capital budget/program.

Operating budgets are required for the General Fund and Special Revenue Funds. Its format requires a detailed listing of revenues and a modified lump sum for expenditures. The governmental fund budgets presented herein, however, provide a detailed listing of expenditures by department in order to provide additional accountability and transparency. While an operating budget is not required for proprietary funds – Utility, Cemetery and Sewer Revenue – one has been prepared for all three funds to provide a tool for management to monitor cash and control spending. It also demonstrates fiscal responsibility in the event these funds require bonded indebtedness or other long-term financing.

The capital budget includes expenditures for long-lived assets, infrastructure and capital projects required to deliver the day-to-day services provided by the City. It includes a capital program that consists of anticipated needs or projects planned over the next four years. This budget assumes availability of funding and does not consider any unanticipated needs that could supersede these plans. As a result, future projections are subject to change each year. The capital budget and capital program is presented to the Planning and Zoning Commission for review prior to presentation to the City Council.

During the budget preparation period, department heads submit their requests for purchases and capital needs to Finance. The information is compiled into the documents herein provided

considering whether the projected revenues will be sufficient to cover the projected costs of providing services. If the revenues are not sufficient, the process of prioritizing begins to reduce costs to a level that is not more than the sum of current anticipated revenues and available surplus. The revenue forecasts indicate additional resources are needed – new or expanded programs – to meet the evolving demands for City services. This is one of the catalysts for the capital programs being introduced and/or continued to provide new and expanded revenue streams that will initiate growth within the City as well as create new revenue streams. The Park-N-Ride project is one example whereby the City can experience additional revenues through charges and through sales tax from businesses that will be opened as a result of this joint project with local businesses and other governmental entities. The land was purchased this past year, and plans/designs are being considered that will turn this area into a premier convention site and transportation hub with residential and commercial businesses.

Introduction of the budget to the City Council is initially made on or before May 15th. After completing the public hearing and deliberative processes, the City Council votes to adopt the budget no later than June 15th of each year. The Mayor can choose to veto or let it become law. If a veto is chosen, it must apply to the entire budget as line item vetoes are not allowed. Should a budget not be adopted by June 30th, the City Charter provides that the presented budget is presumed adopted and becomes effective on July 1st.

The COVID-19 pandemic has presented a different format for reviewing and adopting the FY2021 budget as it has limited gatherings of no more than 10 persons until no earlier than April 30th. As a result, it is being presented to the Council via email with questions and discussions to be handled via telephone and/or conference call. The initial meeting for introduction will be held “virtually”. A printed copy, however, of the budget will be available at City Hall for public inspection.

Because the budget is an estimate based on currently known facts and anticipated events, amendments may be needed. Amendments are made through ordinances requiring City Council approval to recognize necessary expenditures or projects that were not foreseeable at the time that the budget was prepared.

BUDGET PRESENTATION

As indicted, the proposed budget appropriations are presented in the following order:

1. General Fund Revenues
2. General Fund Expenditures
3. Governmental Funds Capital Budget/Program
4. Special Revenue Funds Revenues, Expenditures and Capital Outlay
 - a. 911 Communications Fund
 - b. Half-Cent Special Tax – Fire and Police
 - c. Streets
5. Proprietary Funds Revenues, Expenses and Capital Budget/Program
 - a. Utility Fund

- b. Cemetery Fund
- c. City-Parish Sewer Revenue Fund

FUND STRUCTURE

The City of Baker uses the same basis for budgeting as it does for accounting. Governmental fund financial statements are budgeted and reported using a modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collectible within a reasonable period to pay liabilities of the current period, i.e. generally 60 days after the close of the fiscal year. Expenditures are recorded when a liability is incurred. Debt service, capital outlay and compensated absences, however, for governmental-type funds are recorded when paid.

Business-type activities are reported using an accrual basis of accounting. It differs from governmental fund types in that long-lived assets and liabilities are reported. The City adopts an annual budget for these funds as a sound management tool.

The City of Baker utilizes funds for reporting purposes as follows:

▣ General Fund – This is the primary operating fund of the City used to record only revenues and expenditures. It does not recognize either long-term assets or liabilities. It accounts for traditional governmental services such as administration, inspections, buildings and grounds, public safety and public works except those required to be accounted for in another fund.

▣ Special Revenue Funds – These account for funds received that are dedicated by law to be spent for a particular purpose. The City has three special revenue funds described as follows:

1. 911 Communications – accounts for funding from EMS to provide for expenses related to 911 dispatchers;
2. Half-Cent Special Tax – accounts for ½ cent sales tax collected for the purpose of salaries/benefits and other related expenses of fire and police protection;
3. Streets – accounts for sales tax received for the purpose of street construction, maintenance and beautification.

▣ Proprietary Funds – These account for funds received for services provided directly to citizens and/or customers. The City has three proprietary funds as follows:

1. Utility – accounts for charges for water, gas and sewer services provided to both residential and commercial customers;
2. Cemetery – accounts for sales of plots, vaults, crypts, markers and other such amenities for burials;
3. City-Parish Sewer Revenue – accounts for charges to East Baton Rouge Parish for the costs of invoicing parish customers within the City’s boundaries.

REVENUE SOURCES OF THE GENERAL FUND

Revenues may be assigned, committed, restricted or unrestricted. The major unrestricted revenue sources of the General Fund, generating nearly 66.6% of its funding, includes

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| ▶ Sales Tax | 45.8% |
| ▶ Garbage Collection | 13.9% |
| ▶ Franchise Fees | 06.9% |

Sales tax – including trade and motor vehicle sales – is crucial to the City’s ability to provide basic services to its citizens. The FY2021 budget includes expenditures of \$118,175 for recreation, cultural and community events and \$192,025 in economic development. These activities provide an environment where businesses can prosper and citizens can realize a more satisfying quality of life for themselves and their families. Education also plays a key role in the prosperity of a municipality, and our school system realizes increases in its operating budget as the City builds its sales tax base. Based on the dedicated portion of the current sales tax base, the public school system within the City’s boundaries realizes approximately 67% of the City’s growth.

It is difficult to determine the impact that COVID-19 ‘stay at home’ order will have on sales tax revenues. While a lull is expected because of the delayed deadlines for sales tax submissions, this budget does not recognize a significant drop on revenues. Should actual experience demonstrate otherwise in the latter part of 2020, adjustments in spending will be made.

Revenues that have been assigned by management to be used for a specific purpose include Buffalo Festival proceeds and building rent. Proceeds of the Buffalo Festival held at the opening of the school year are earmarked for educational purposes to the schools within the City’s boundaries. There has been a concentrated effort over the past three years to grow this festival. Hopefully, this upcoming festival will be the best so far following the historic early close of the 2019-20 school year resulting from the coronavirus pandemic. Fees for motor vehicle transactions provided by the La. Department of Motor Vehicles are earmarked for costs of maintaining the building that houses the Department’s location in Baker including utilities and insurance.

The City Council committed certain revenue sources for public safety. These revenue streams include traffic fines from tickets written by the City’s police department and through Redflex (camera). It is anticipated that \$420,000 will be realized from fines, and all will be used for traffic division salaries and benefits, auto maintenance and gas/oil.

Finally, the City receives revenues restricted by the donor or by law for a specific purpose. These include a DARE grant and a tax imposed on lodging sales referred to as the hotel/motel tax. The DARE grant is a reimbursement-type grant covering a portion of the costs associated with conducting drug-resistance education at Baker Middle School involving salaries and benefits of a DARE officer as well as training and graduation supplies. The hotel/motel tax is used 95% for economic and community growth and 5% for recreational and family activities.

Another source of funding for general activities that can be utilized is operating transfers from the City's proprietary funds. A transfer of \$500,000 was budgeted in FY2019 to jump start an operating reserve to secure operational funding needs in the event of an emergency or natural disaster for the City as a whole. These funds are maintained in a trust fund at Whitney/Hancock Bank.

The FY2021 budget anticipates operating transfers of \$1,300,722 to the General Fund as follows:

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| Sewer Revenue Fund | \$ 75,000 |
| Utility Fund | 250,000 |
| Half-Cent Special Tax Fund – Fire | 270,204 |
| Half-Cent Special Tax Fund – Police | <u>705,518</u> |
| | <u>1,300,722</u> |

The need for a water rate increase, based on recommendations from water authorities to comply with federal/state mandates in upgrading and maintaining the water distribution system to ensure water quality for the City's customers, is not recognized in the current budget. Operations, as a result, will require any short-term funding for utility distribution system infrastructure to come from prior year surpluses. The transfer above is expected to come from gas system reserves.

Previously, expenses related to salaries/benefits and capital/technology expenses for the fire and police departments were budgeted through the Half-Cent Special Tax Fund. The current year budget recognizes fleet leases and technology costs but transfers the remaining funds to the General Fund to be utilized for salaries/benefits since the remaining funds fall short of these expenses requiring General Fund infusion for fire/police protection.

EXPENDITURES OF GOVERNMENTAL FUNDS

As with any service organization, the most significant costs are related to employees, i.e. salaries, retirement, insurance, etc. The City strives to be competitive in this area to attract well-qualified individuals and to create an atmosphere that fosters longevity. Rising insurance and retirement costs have hindered this goal making it difficult to achieve for all employees. The proposed budget, however, does include increases according to the Mayor's plan initiated in FY2017 allowing for all employees to realize competitive and fair wages for the work performed. An increase in retirement benefits is synonymous with increased wages and is an expense outside of the City's control. Retirement benefits will increase to (1) 29.5% from 27.75% for municipal employees; (2) 29.75% from 27.75% for fire; and (3) 33.75% from 32.5% for police.

The major cost centers of the City's governmental activities, accounting for nearly 64% of operating costs, are as follows:

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| ▶ Public Safety | 40.9% | fire and police protection |
| ▶ Public Works | 22.9% | garbage and streets/infrastructure |

This budget includes a lease purchase that requires annual payments for 3 pumpers and a ladder truck – needed for the City’s excellent fire rating – over the next 4 years. It also includes the lease of vehicles for both fire and police that will allow for lower maintenance costs over the next several years as well as the ability for the City to keep on top of technological advancements in emergency preparedness and disaster recovery that change rapidly.

With general government, the most significant areas in terms of annual spending, accounting for 48% of the General Fund budget, are as follows:

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| ▶ Judicial System | 16.8% | court and prosecution functions |
| ▶ Buildings/Grounds | 31.1% | maintenance of all City properties |

The proposed expenditures for the year ending June 30, 2021, requires the use of prior year surpluses for the General Fund of \$1.8 million. Spending is closely monitored and curbed if revenues appear to fall short of budgeted amounts. The revenues, however, do not recognize anticipated increases as a result of intense public relations that have proven effective in bringing more businesses to the area as these resources cannot be determined accurately at this time. The utilization of grant programs will be used where applicable as well to relieve the burden on government. Employees are to be commended for their commitment to controlling spending.

CAPITAL IMPROVEMENTS

The capital budget summarizes the capital needs of the City for the coming year as well as the subsequent four years by department. It focuses on the needs of the departments to continue the services that the City provides to its citizens but also on projects that will improve the ability to provide economic, recreational and cultural opportunities. This budget provides the source of anticipated funding to bring these projects to fruition. Management plans to exhaust every effort in obtaining LGAP and grant monies to supplement its treasury to do this.

Public safety is one of the most basic responsibilities of local governments, and this budget proposes spending more than \$667,300 over the next year for this purpose. More than \$1,000,000 was expended in the last 3 years to update technology and replace the public safety fleets.

Infrastructure – facilities and streets/sidewalks – is budgeted at a cost of \$3,940,000. It is vital that the City remain one of the safest cities in the southern region and that the streets are well maintained for both economic and community development. Included in this total is a fire station to be built on the west side of the railroad tracks, the cost of which is anticipated to be \$1,750,000 over the next three years. While this project was budgeted in FY2020 but not funded, there is still a great need for the station and is still considered a priority.

Included in infrastructure expenditures is \$825,000 for the construction/maintenance of streets and sidewalks. Nearly \$2.5 million was put into infrastructure over the past three years leaving only a small percentage of streets within the City’s boundaries that require attention. There are

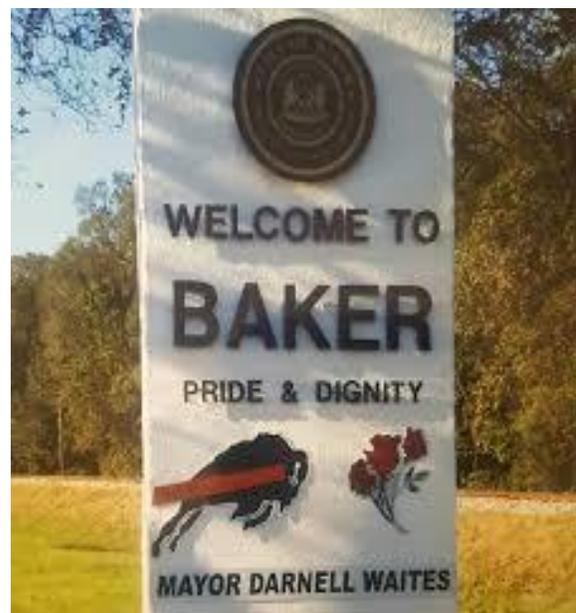
both parish and state roads that run through the City, and management continues contact with officials to ensure that they are included in the transportation planning/budgets of those entities.

One of the Mayor's visions included in the capital budget/program involves renovations to our existing parks and construction of a sports complex. Not only will this provide resources for the benefit of our youth to engage in team sports, it can be an economic resource as well by bringing people into our City for tournaments and such who will patronize our businesses. Another vision is the expansion of our boundaries to allow for growth both of residents and businesses for which \$1,000,000 has been requested. Annexation sometimes involves land acquisition and nearly always involves the extension of infrastructure required to provide services to the expanded areas. Such annexation increases the City's property tax base for which it currently realizes 6.22 mills. The school system's combined authorized millage is 43.2 making the expansion of our borders a huge investment in the City's school-aged citizens and educational system. When our businesses thrive, our City thrives. When our City thrives, our school district thrives right alongside of us.

This budget continues to include funds for the Park-N-Ride facility and the Buffwood Club property, both of which will serve as new revenue sources to be used for general operations. There is also a continuation for building an operating reserve and contingency in the event of emergencies or natural disasters. Recent experience with COVID-19 is a perfect example of such a need as was the Great Flood of 2016. The City is fortunate that it has cash reserves to rely on while sales tax collections are expected to slow over the next couple of months.

We're moving "Baker Forward"

A Place to Call Home!



In compliance with the Local Governmental Budget Act...

This document will be available for public inspection prior to its adoption at City Hall during normal business hours which are 7:30-5:30 Monday through Thursday. Copies can also be obtained by contacting the Finance Department at 225-778-1751.