



To: Erlanger City Council
From: Jessica Fette, Mayor
Date: 5/13/2022
Subject: Executive Summary of the 2023 Budget

On behalf of City staff, I am pleased to present the Mayor’s recommended Fiscal Year 2023 (FY23) Budget.

After nearly two years of dealing with the human and economic effects of the COVID-19 pandemic, our community and City workforce has been resilient, and our commitment to the services this community expects is steadfast. Even in these challenging times, we need to invest in our community’s future. This budget 1.) funds major capital expenses, such as the new Public Works facility 2.) includes capital funding for renewed infrastructure, such as our city street programs and city parks 3.) establishes competitive compensation to retain and attract the best and brightest workforce to serve you.

Revenue Outlook:

Preparing a budget for a full-service city always has its share of unknown variables. Doing so following a two-year pandemic elevates the task to a new level of uncertainty. The FY 2023 budget was developed in the context of a recovering COVID-19 economy along with the 2nd tranche of federal funds, the Federal ARPA money. We are confident that the City’s core tax base of insurance premiums, real estate, personal property, and occupational taxes has been sound over the past few fiscal years. This has proven to be true even during the pandemic.

- No tax reductions were budgeted for FY 23.
- Property tax revenue was estimated at \$4,329,869. This takes into account the new park fund. The City will not create a new tax levy, instead twelve percent (12%) of real estate revenue will be allocated to the Park Improvement Fund.
- Insurance Premium Tax was estimated at \$4,162,771. This projection was based on actual FY 21 and FY 22 collections.
 - Payroll Taxes and Occupational Licenses Fees combined estimate a 6% increase from the FY 22 budget. Payroll Taxes and Occupational Licenses account for approximately 29-30% of the General Fund revenues.

City Wide Summary of Expenses:

As the American economy recovers from the COVID-19 pandemic, declines in employment in local government threaten the delivery of crucial services. The great resignation fueled by higher pay and a tight labor market has been a challenge for the City. We have struggled with recruitment and employee retention due to neighboring cities offering higher wages.

The City of Erlanger employees are the City's most important assets. Over the last two years we have had 27% employee turnover within our departments. In order to be successful in keeping our quality employees, we must be competitive in salaries.

- The COLA increase from January 2022 was 5.9%, the highest bump in 40 years.
- Each department was asked to closely look at its current compensation philosophy and to adjust based on performance. The average overall increase was 8%.
- Total city-wide payroll for FY 2023 accounts for an increase of \$576,567 compared to FY 2022.
- The CERS rates for hazardous employees increased from 44.33% to 49.59% for FY 23. For nonhazardous employees, the rate decreased from 26.95% in FY 22 to 26.79% for FY 23. Total City CERS costs are \$3,449,942. This is an increase of \$492,865 from FY 22.
- Health and Dental costs were budgeted by using FY 21 and FY 22 actuals.

General Government

- The General Government Department has reduced the total department budget by \$111,572.
 - Professional services reduced by \$37,796.
 - The City is now utilizing marketing sub-contractor, Jessica White instead of the marketing consulting firm Strategic Advisers. This change has saved the city \$33,000.
 - HR budget reduced by \$12,850. This includes a more actual estimate. Expenses such as business health, employment testing, employee assistance program and health insurance broker – Sherrill Morgan are all included in the professional services category.
 - Recruitment and retention decreased by \$18,550.
 - This is due to the economic development grants. These grants include: small business grant, demo/revitalization grant and the newest program - Commonwealth Area Professional District (CAP).
 - Business Relief- COVID reduced by \$30,000.
 - This program was not included in the FY 2023 budget.

CTI Department Expenses:

- The CTI Department has increased the total department budget by \$13,204.
 - Previously, CTI had one full time employee. This position has been moved to the General Government Department (FY 2022).
 - Contractual services increased.
 - Due to the increase in ransomware and cyber-attacks becoming more prevalent, we are increasing our anti-virus protection and monitoring. This is an increase of \$6,000.
 - Equipment has increased by \$10,000.
 - This amount is for miscellaneous hardware replacements.

Police Department

- The Police Department has increased the total department budget by \$706,369. 90% of the police department's budget is salary/benefits.
 - Vehicle maintenance increased by \$10,000. Every year, the City faces rising costs in various items. This coming year we are seeing cost increases within the automotive industry.
 - Service agreements increased by \$9,001. This is due to the Accurint investigative software increasing by \$2,900 and FARO laser scanners agreements for \$6,600.
 - Other contractual services increased by \$45,425. This increase is due to the upgraded body camera system. The previous body cameras had reached the end of their life cycle. This system includes new technology. There is a sensor on the firearms that triggers the cameras in the event of an officer involved shooting.

- Uniforms and clothing increased by \$5,000. Last budget year this was reduced, however \$30,000 is a more realistic amount reviewing the historical costs over the last three years.
- Technical supplies decreased \$8,156.
- Motor fuel increased from \$60,000 last year's budget to \$150,000. We estimate that in the current year budget (FY 22), we will spend around \$142,000. This is due to the price increase per gallon of gas.

Fire Department

- The Fire Department budget increased by \$502,561. Like the Police Department, 90% of the Fire Department's budget is salary/benefits.
 - Recruitment and retention increased by \$15,000 due to implementing an internship program to increase the pool of candidates in the fire industry and assist with recruitment to the Erlanger's Fire Department. Two of our recent new hires have been a part of neighboring fire departments internships programs.
 - Technical supplies increased \$3,690.
 - EMS supplies increased due to vendor prices and COVID.
 - Motor fuel increased by \$14,000 due to the increase of gas per gallon.
- The Fire Department increased the grant expense by \$63,541. This is a reimbursable grant for extrication equipment. Erlanger is responsible for 5% of this cost.

Public Works

- The Public Works Department budget had the following changes for FY 23. The total increase is \$298,978.
 - Professional services increased by \$27,500.
 - This is due to the department purchasing infrastructure software for \$25,000. This software has 4 modules to help the department track work orders, street pavement index, vehicle/equipment maintenance, and resident complaints.
 - \$5,000 is allocated for engineering costs for mandatory bridge inspections.
 - Building Maintenance increased by \$8,700. This item was reduced over the last two years due to COVID concerns. However, FY 23 represents a more realistic amount, especially considering inflation costs.
 - Bridge beautification, for the Dixie Highway Railroad Bridge overpass, is a place holder of \$238,250. Due to the timing of the bridge beautification project, we are unsure how much will be completed in FY 2022. Therefore, a \$238,250 placeholder will be needed in FY 23.
 - Technical supplies increased by \$51,000. This is due to the winter salt amount being reduced in the FY 22 budget. \$85,000 is a more realistic amount, based on our analysis. Also, general supplies have increased by \$2,000. This is driven by inflation costs.
 - Equipment increased by \$8,000. This is due to the department purchasing a new 36' X-mark mower, 30" mower, and a sewing machine for the sign shop.

Capital Fund

- Police Department
 - 4 Radar units for police vehicles
 - 4 Police vehicles
- Fire Department
 - Vehicle 75 and 79
 - Utility truck 71. This was budgeted in FY 22, however due to various disruptions to the supply chain and automotive sector, this vehicle was not able to be purchased in FY 22. Therefore, it is included in FY 23.
 - 1 LUCAS device. The LUCAS machine is an easy to use, mechanical chest compression device that helps lifesaving teams deliver high quality, consistent chest compressions to cardiac arrest patients.

- Ambulance 65 remount.
- Public Works
 - Truck for a cost of \$80,000.
 - Montgomery Drive Public Works Facility totaling \$3,500,000
 - Infrastructure street improvements for a cost of \$2,500,000 (MARF and Capital).
 - Sidewalk replacement for \$200,000.
 - Brightleaf/Narrows \$17,805
 - Dolwick Sidewalk \$1,408,297

Park Improvement Fund

The Park Improvement Fund is a new fund for FY 2023. Council approved creating the Park Improvement Fund in September 2021 when the property tax rates were established. The goal of the Park Improvement Fund is to provide clean, well maintained, inviting, usable public parks for the enjoyment of all residents and visitors. The funding method for this fund is to allocate twelve percent (12%) of the real estate tax revenue. For FY 2023, the City will spend \$550,000 on the parks located in Erlanger.

Seizure Fund

The Seizure Fund decreased by \$17,225. This fund is from the Police Department utilizing the drug seizure money for one-time purchases outside of operational costs. The details of this fund have been provided in the budget document.

Employee Health Fund

The Employee Health Fund budget will remain at \$2,200,000. Medical claims have been increasing each year. FY 21 actual costs were \$1,554,640. Currently, we are estimating FY 22 medical claims to be around \$1,700,000 with our current year to date actuals.

The City is fortunate to be self-insured. We monitor these expenses and determine where plan changes need to be made. However, medical claims are difficult to project due to the timing and process of the medical providers and insurance companies.

In this budget, we look to our post-pandemic developments and investments to carry us forward and shape Erlanger's future. I am grateful to continue working with our committed and dedicated employees as well as our community to meet their needs and envision what is next. I look forward to further discussions about the proposed FY 2023 budget at the May 17th Caucus Meeting.

Jessica Fette
 Mayor
 City of Erlanger