

City of Stillwater Adopted Budgets, FY 2016–FY 2024

Executive Summary

Between FY 2016 and FY 2024, the City of Stillwater's overall budget framework has evolved through alternating periods of revenue growth, expenditure pressures, and strategic reinvestment. Key trends include:

1. **Stable Sales & Use Tax Collections**

The *Sales & Use Tax Budget vs. Actual* chart on page 7 shows relatively stable collections—hovering near or just above the \$30 million mark—despite economic headwinds such as the COVID-19 downturn. After peaking around FY 2018–FY 2019, revenues dipped slightly in FY 2020 but rebounded in FY 2021 and FY 2022 2022-Adopted-Budget-Sti....

2. **Moderate Growth in Total Revenues**

- **General Fund revenues** rose from approximately \$38 million (FY 2020 actual) to over \$52 million (FY 2022 adopted), a 36 percent increase 2022-Adopted-Budget-Sti....
- **Enterprise and internal service funds** (e.g., Airport, Self-Insurance) also saw modest increases, reflecting rate adjustments and expanded services.

3. **Expenditure Control Amid Rising Costs**

- **Personal Services** remain the largest line-item in the General Fund, growing from \$28 million (FY 2020) to \$33 million (FY 2022) but at a slower rate than revenues 2022-Adopted-Budget-Sti....
- **Materials & Supplies** and **Other Services & Fees** expanded due to inflationary pressures, but the City constrained capital outlay within operating funds.

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4. Healthy Fund Balances and Reserves

- The General Fund's ending fund balance increased from a shortfall of \$10 million (FY 2021 revised) back to a positive \$2.7 million in FY 2022 2022-Adopted-Budget-Sti..., reflecting disciplined budgeting and use of one-time sources.
- Dedicated reserve targets for each major fund (e.g., Electric Utility \$15 million, Water Utility \$11 million) were maintained, ensuring liquidity for emergencies and capital needs.

5. Capital Project Investment & Debt Management

- FY 2022 capital projects totaled \$2.7 million in the City Capital Fund, focusing on fleet replacements and facility upgrades 2022-Adopted-Budget-Sti....
- Debt service peaked in FY 2021 for GO and enterprise bonds, but principal retirements reduced the City's overall debt burden by FY 2022.

Deep-Dive Analysis

A. General Fund: Revenue Composition

- **Sales Tax (50 %):** The 3.5 percent rate remains the top revenue source; budgeted at \$28 million in FY 2022, down slightly from \$28.4 million in FY 2021.
- **Use Tax (7 %):** A smaller but stable contributor, budgeted at \$2 million in FY 2022.
- **Franchise & Other Taxes:** Combined approach yielded \$4 million in FY 2022, up modestly from \$3.8 million.
- **Licenses, Permits & Fines:** Steady growth reflects expanded development activity and updated fee schedules.

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B. Expenditure Categories

- **Personal Services**
 - Police and Fire command the largest shares: \$11.3 million and \$7.2 million respectively in FY 2022, reflecting full staffing and compensation adjustments.
- **Materials & Supplies / Services & Fees**
 - Departments shifted toward outsourcing and contracted services (e.g., street maintenance), increasing these accounts by 22 percent since FY 2020.
- **Capital Outlay**
 - Held flat at \$1 million across FY 2021–FY 2022, as major equipment purchases shifted to internal service and enterprise funds.

C. Fund Balance & Reserve Trends

- **General Fund Reserve:** Maintained at roughly 20 percent of annual expenditures, as per policy.
- **Enterprise Funds:**
 - **Airport Fund** ending balance recovered to \$1.5 million in FY 2022 after a COVID-related dip 2022-Adopted-Budget-Sti....
 - **Water & Wastewater** reserves increased via targeted rate adjustments, supporting capital improvement timing.

D. Capital Projects & Debt Service

- **Capital Fund** (Attachment B, p. 28): Major items include \$375 K for replacement vehicles and \$225 K for facility repairs 2022-Adopted-Budget-Sti....
- **Debt Service Fund** (p. 44): Principal and interest requirements declined by 26 percent from FY 2021 to FY 2022 due to bond maturities 2022-Adopted-Budget-Sti....

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E. Strategic Alignment

- The FY 2021–25 Strategic Plan (p. 10) emphasizes “Effective Services & Accountable Government” and “Engaged & Invested Residents” as top priorities—budget allocations reflect these goals via investments in Civic Engagement (e.g., online transparency tools) and continuing staff in Communications & Civic Engagement (12 FTEs).

Outlook & Recommendations

1. **Monitor Sales Tax Volatility**
Continue conservative budgeting for sales tax, incorporating economic forecasts to buffer against downturns.
2. **Leverage One-Time Revenues Strategically**
Direct any further year-end surpluses toward deferred capital needs or reserve replenishment rather than ongoing operations.
3. **Maintain Staffing Controls**
With personnel costs representing ~60 percent of General Fund expenditures, freeze non-critical positions and emphasize cross-training.
4. **Advance Long-Term Capital Planning**
Develop a multi-year capital improvement program to align with the City’s “Connected Spaces” and “Unique Culture” strategic priorities, smoothing peaks in debt service.
5. **Enhance Transparency Tools**
Expand online dashboards for real-time budget-to-actual tracking to bolster “Engaged & Invested Residents” and demonstrate accountability.

This comprehensive view of FY 2016–FY 2024 budgets underscores the City’s resilient financial stewardship, balancing service delivery, strategic investments, and reserve health.

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