

City of Rio Communities

FY27 Budget Overview & Explanation

Purpose of This Handout

This document provides a clear and detailed explanation of the FY27 budget, including:

- Why the budget was built the way it was
- Where reductions were made
- Where increases were necessary
- How different funds operate
- What Council should understand when reviewing line-by-line changes

The goal is to ensure full transparency and a shared understanding of the City's financial position.

How the FY27 Budget Was Built

The FY27 budget was developed using a conservative and responsible approach based on:

- FY26 adjusted budget and actual spending trends
- Removal of one-time and non-recurring revenues
- Review of every General Ledger (GL) line item
- Identification of necessary vs. discretionary spending

This budget is designed to reflect real, sustainable operations, not temporary or uncertain funding.

General Fund Overview (Fund 11000)

The General Fund is the City's primary operating fund and is supported by:

- Gross Receipts Tax (GRT)
- Property Taxes
- State Shared Revenues
- Licenses, permits, and service fees

These revenues come directly from residents and business owners, which is why this fund was reviewed with the highest level of scrutiny.

Cost Reductions (Where Decreases Occurred)

The City performed a line-by-line review of all departments and reduced costs wherever possible without impacting essential services.

Key Areas of Reduction

- Contracted services
- Professional services
- Travel and training
- Supplies and operating costs
- Subscriptions and memberships
- Overtime and temporary staffing

Why These Reductions Were Made

- FY26 showed overages in multiple categories
- Some costs were not sustainable long-term
- The City prioritized essential services over discretionary spending

The City reduced costs where it could while maintaining core operations and services.

Removal of One-Time Funding

Some of the largest decreases in the budget are due to the removal of non-recurring revenue sources, including:

- Firefighter Recruitment funding
- Law enforcement Recruitment funding
- Grants and special allocations

These funds were temporary and cannot be relied upon in FY27.

The budget reflects only funding that is reasonably expected to continue.

Necessary Increases (Where Costs Went Up)

Not all increases represent new or expanded spending. Many increases are required to maintain operations.

Examples of Necessary Increases

Personnel & Staffing

- Salaries for essential positions
- Example: Court operations staffing support (as needed if court operations resume)

Employee Benefits

- FICA / Medicare
- Retirement contributions
- Health, dental, and vision insurance
- Workers' compensation

Health, dental, and vision insurance lines increased due to higher premiums quoted for FY27. These premium increases are driven by factors outside the City's direct control (market rates, claims experience, and plan costs) and are required to maintain current coverage levels for eligible employees.

Operational Costs

- Utilities (electricity, gas, water)
- Insurance
- Maintenance and repairs

Increases were accepted only where they are required, unavoidable, or necessary to maintain operations.

Municipal Court Example (Fund 11000-1009)

The FY27 budget does not include a full-time Municipal Court Clerk position.

If court operations resume, any administrative support would be handled through existing staff capacity or other limited staffing options, based on operational needs and available resources.

This approach avoids adding ongoing personnel costs while still allowing the City to plan responsibly for compliance and operational readiness if the court is reactivated.

Understanding Restricted Funds

Funds outside of the General Fund are often restricted and must be used for specific purposes.

Examples of Restricted Funds

- EMS Fund
- Fire Protection Fund
- Law Enforcement Protection Fund
- County EMS GRT
- Grant and donation funds

Restrictions Include

- Use for specific departments only
- Limited to certain types of expenditures
- Governed by state law or grant agreements

Restricted funds cannot be used to cover General Fund shortfalls unless allowed by law.

Funds with Zero Revenue but Budgeted Expenditures

Some funds may show:

- No new revenue in FY27
- But still show planned expenditures

This occurs when:

- Funds have carryover cash from prior years
- Grants or donations were received previously
- Projects span multiple fiscal years

Example

- Bill Brown Fund (donation-based fund)

Expenditures may be budgeted using existing cash balances, even if no new revenue is shown.

Overall Budget Approach

The FY27 budget reflects a disciplined and transparent approach:

- Reduced discretionary spending
- Removed unreliable revenue
- Controlled operational costs
- Maintained essential services
- Followed legal restrictions on funds
- Planned based on realistic expectations

To help close the FY27 budget gap, the City is using available cash (fund balance) carried forward from prior years. This allows the City to support operations while still planning for a positive ending cash balance at year-end.

The FY27 budget was built with a focus on responsibility, transparency, and sustainability. The City reviewed each line item carefully, reduced costs where possible, and accepted increases only where necessary to maintain operations and meet obligations. The budget also reflects the use of available prior-year cash to bridge the gap while maintaining a positive ending cash balance and avoiding reliance on uncertain or temporary revenue sources.