

Budget Retreat

2022-23



Goals:

This presentation will include:

- An overview of the budget process and key timelines;
- Overall discussion of Key Fund Revenue and Expenditure Estimates

**More
Details
Coming**

Timeline

**Budget
Overview**

**Let's Talk
Transfers**



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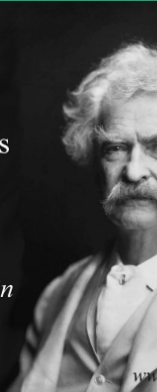
**Budget
Overview**

**Let's Talk
Transfers**

The Super Friends Are Coming

It ain't what you don't know
that gets you into trouble. It's
what you know for sure that
just ain't so.

Mark Twain

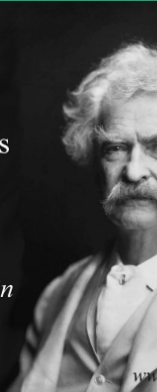


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Timeline

- **July 29** - 2022-23 Proposed Budget provided to Council and the public
- **August 2** - SS Topic - Budget Timing

You Are Here



- **August 9 & 10** - Budget Retreat
- **August 16** - SS/CM Topics -
 - Discuss 2022-23 Budget (SS)
 - Proposed Maximum Tax Rate (CM)
- **September 6** - SS/CM Topics -
 - 2022-23 Budget (SS)
 - 2021-22 Year-End Budget (SS)
 - Budget Public Hearing (CM)
- **September 20** - CM Topics -
 - Approve the 2022-23 Budget, Tax Rate, and related Public Hearing;
 - 2021-22 Year-End Budget;
 - 2022-23 Mercer Crossing PID SAP

Proposed Budget 2022-23 Overview

Capital Projects Funds \$43.25983M

General Fund \$78.3964M

Special Revenue Fund
Economic Development
Debt Service \$7.537M
Hotel/Motel Fund \$2.7882M
Stormwater Utility Fund \$1.5948M
Water & Sewer Fund \$28.9937M

Fund
Relationships

2022-23
Proposed
Budget
Expenditures

Proposed
Budget
Overview



2022-23 Proposed Budget Overview

Maintains the current tax rate of **58.9 cents** while providing *targeted relief* to residents through a one-time, annual base rate water decrease - equivalent to a **5 cent tax rate decrease**.

Increased Property Tax Exemptions to \$100K-

- **Over-65:** From \$80K to \$100K (**33 cent reduction**)
- **Disabled Persons:** From \$60K to \$100K (**53 cent reduction**)

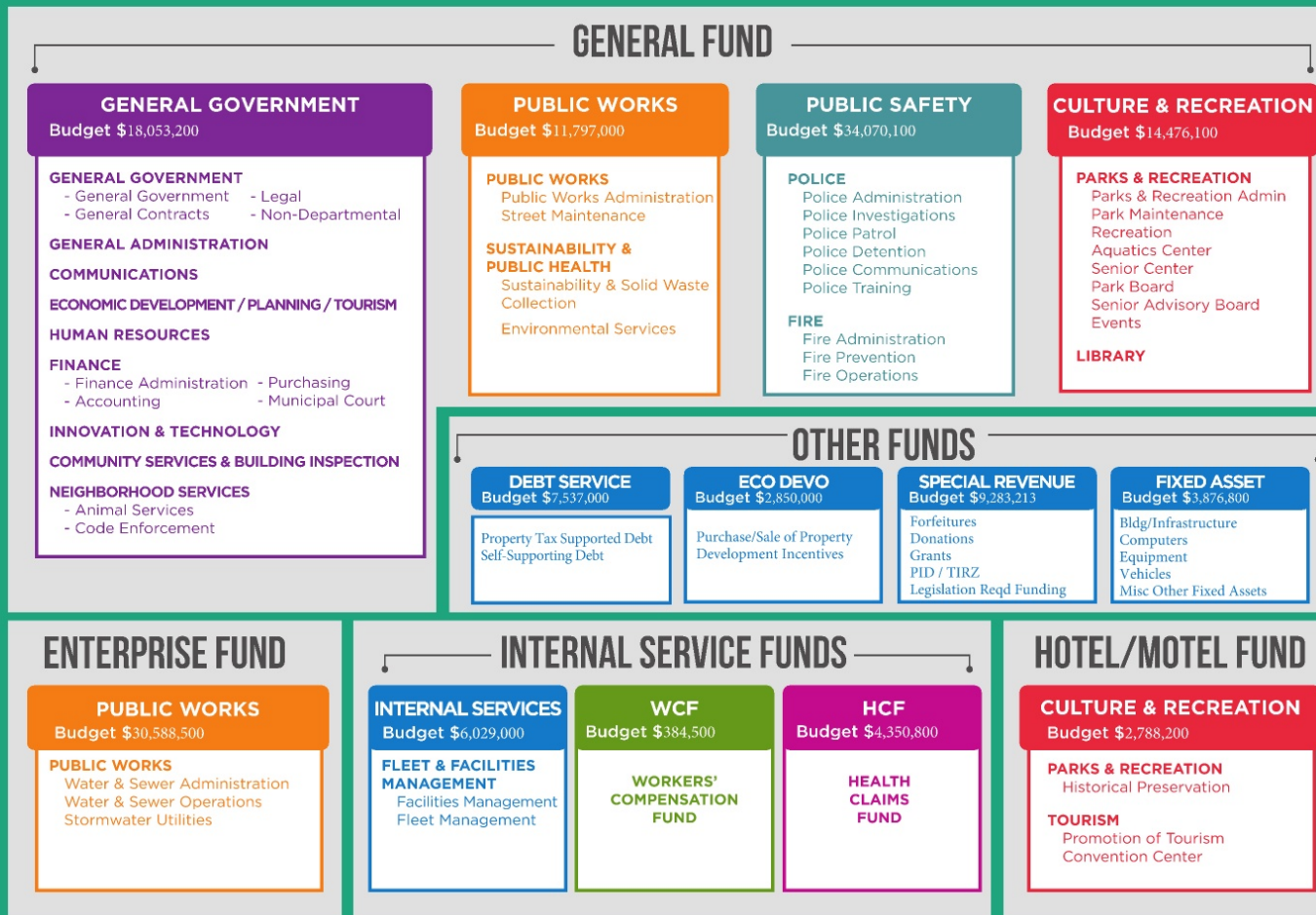
Continued ARPA Spending -

- Branch Connection Renovation - \$2.5M
- Signature Park Phase 2 - \$2.01M
- Justice Center Renovation Phase 2 - \$1.0M

Proposal to convert City's retirement plan to 20 years.

2022-23 Budget Proposed Expenditures

	2022-23 Proposed Budget		2021-22 Adopted Budget		Difference	% Change
General Fund	\$	78,396,400	\$	71,467,900	\$ 6,928,500	9.7%
Water & Sewer Fund		28,993,700		28,085,800	907,900	3.2%
Stormwater Utility Fund		1,594,800		2,114,800	(520,000)	-24.6%
Hotel/Motel Fund		2,788,200		2,180,400	607,800	27.9%
Debt Service		7,537,000		6,472,000	1,065,000	16.5%
Economic Development		2,850,000		3,150,000	(300,000)	-9.5%
Special Revenue Funds		9,283,213		9,241,513	41,700	0.5%
Subtotal Operating	\$	131,443,313	\$	122,712,413	\$ 8,730,900	7.1%
Capital Projects Funds		43,259,830		23,318,950	19,940,880	85.5%
Total Budget	\$	174,703,143	\$	146,031,363	\$ 28,671,780	19.6%



Transfers

"Transfers" appear in many Funds.

They can be **Expenditures** (a subtract from Fund A, sending money to Fund B)

Or

They can be **Revenues** (an add to Fund B, which received money from Fund A).

Transfers are necessary to make sure that each Fund is in balance.

In the process of developing the budget, our Budget Manager (Suzanne Prichard) makes sure each Fund is in balance. *Thank you, Suzanne! :-)*

SUMMARY BUDGET CATEGORIES General Fund

DEPARTMENT/DIVISION	ACTUAL 2020-21	ADOPTED BUDGET 2021-22	AMENDED BUDGET 2021-22	ACTUAL 9/30/22	ACTUAL Y-T-D %	PROPOSED BUDGET 2022-23	PERCENT OF BUDGET
COMMUNITY SERVICES & BUILDING INSPECTION							
Salaries	\$ 194,773	\$ 164,600	\$ 164,600	\$ 148,165	90.01%	\$ 706,800	0.90%
Benefits	61,070	58,100	58,100	45,152	77.71%	225,900	0.29%
Supplies	40,980	20,500	20,500	8,887	43.11%	29,800	0.06%
Repairs & Maintenance	3,283	4,200	4,200	2,708	64.48%	17,000	0.02%
Services	18,386	24,700	24,700	9,342	37.41%	185,600	0.23%
Total Budget	\$ 317,891	\$ 272,100	\$ 272,100	\$ 214,152	78.69%	\$ 1,164,700	1.49%
CODE ENFORCEMENT							
Salaries	\$ 711,074	\$ 833,900	\$ 833,900	\$ 696,106	76.28%	\$ 493,600	0.63%
Benefits	265,218	300,400	300,400	225,627	75.11%	185,900	0.24%
Supplies	28,420	27,900	27,900	12,031	43.12%	23,300	0.03%
Repairs & Maintenance	25,700	26,500	26,500	19,000	66.41%	18,600	0.02%
Services	215,998	278,500	278,500	122,124	43.84%	109,500	0.14%
Total Budget	\$ 1,245,410	\$ 1,469,200	\$ 1,469,200	\$ 1,074,868	69.08%	\$ 830,900	1.06%
ANIMAL SERVICES							
Salaries	\$ 318,140	\$ 370,800	\$ 353,700	\$ 265,025	71.74%	\$ 392,900	0.50%
Benefits	137,473	156,900	148,800	110,566	70.46%	148,500	0.19%
Supplies	39,689	51,400	51,400	25,453	49.54%	51,800	0.07%
Repairs & Maintenance	72,690	78,600	78,600	51,498	65.52%	58,700	0.07%
Services	114,549	137,900	137,900	73,229	53.19%	68,600	0.09%
Transfers	0	7,800	7,800	5,625	75.00%	80,000	0.06%
Total Budget	\$ 662,941	\$ 805,100	\$ 779,800	\$ 532,395	66.29%	\$ 770,500	0.98%
PUBLIC WORKS ADMINISTRATION							
Salaries	\$ 498,000	\$ 493,900	\$ 493,900	\$ 384,491	77.91%	\$ 520,600	0.66%
Benefits	181,331	177,100	177,100	133,639	75.46%	182,500	0.23%
Supplies	12,437	24,800	24,800	6,985	28.56%	25,300	0.03%
Repairs & Maintenance	1,430	4,100	4,100	825	20.13%	4,100	0.01%
Services	30,891	46,200	46,200	22,642	49.00%	40,500	0.06%
Transfers	0	3,500	3,500	2,625	75.00%	0	0.00%
Total Budget	\$ 721,069	\$ 749,500	\$ 749,500	\$ 550,847	73.51%	\$ 778,000	0.99%
STREET MAINTENANCE							
Salaries	\$ 954,730	\$ 994,500	\$ 994,500	\$ 765,595	76.98%	\$ 1,167,100	1.49%
Benefits	438,385	446,800	446,800	343,649	76.92%	510,300	0.65%
Supplies	81,013	85,200	85,200	54,947	64.49%	100,100	0.13%
Repairs & Maintenance	2,260,565	2,171,900	2,171,900	1,187,279	54.61%	2,254,900	2.89%
Services	586,246	599,900	599,900	402,432	67.08%	404,700	0.77%
Transfers	208,000	480,000	480,000	345,000	75.00%	144,000	0.18%
Total Budget	\$ 4,510,201	\$ 4,738,300	\$ 4,738,300	\$ 3,598,842	65.13%	\$ 4,796,700	6.11%
SUSTAINABILITY/SOLID WASTE COLLECTION							
Salaries	\$ 619,496	\$ 616,000	\$ 633,100	\$ 467,801	75.94%	\$ 599,800	0.76%
Benefits	181,109	181,000	189,100	135,110	74.65%	194,800	0.25%
Purchased Prof & Tech Services	1,443,995	1,427,600	1,427,600	1,182,267	83.52%	1,691,200	2.16%
Supplies	58,526	93,700	93,700	62,108	66.26%	110,500	0.14%
Repairs & Maintenance	284,762	517,500	527,500	200,348	38.71%	488,700	0.62%
Services	1,479,584	1,242,300	1,254,780	1,024,781	82.49%	1,318,800	1.68%
Production & Disposal	25,762	44,500	44,500	17,687	39.73%	44,500	0.06%
Transfers	310,000	1,300,000	1,300,000	975,000	75.00%	1,330,000	1.72%
Total Budget	\$ 4,401,624	\$ 5,422,600	\$ 5,470,280	\$ 4,078,112	74.18%	\$ 6,796,000	7.40%

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CITY OF FARMERS BRANCH, TEXAS

EXHIBIT D-1

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

E. Interfund Receivables, Payables and Transfers

Government interfund transfers during the year ended September 30, 2021 were as follows:

TRANSFERS OUT	TRANSFERS IN				Total
	General Fund	Nonmajor Governmental Funds	Storm Water Utility Fund	Internal Service Fund	
General fund	\$	\$ 2,875,000	\$ 415,200	\$ 330,681	\$ 3,620,881
Nonmajor governmental funds					425,000
Water & sewer fund	288,000	137,000			425,000
Total	\$ 5,013,400	\$ 3,012,000	\$ 415,200	\$ 330,681	\$ 8,771,281

Eliminations

Interfund transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due (3) for the water and sewer fund to the general fund for a payment-in-lieu-of-taxes, and (4) to move constructed capital assets to the Internal Service Fund at project completion.

Budget Retreat

2022-23



Total Expenditures

	2022-23 Proposed Budget	2021-22 Adopted Budget	Difference	% Change
General Fund	\$ 78,396,400	\$ 71,467,900	\$ 6,928,500	9.7%
Water & Sewer Fund	28,993,700	28,085,800	907,900	3.2%
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Total Budget	\$ 174,703,143	\$ 146,031,363	\$ 28,671,780	19.6%

More about
Gen. Fund
Expenses

General
Fund
Revenue



General Fund Expenditures

Increased by \$6.92M or 9.7%

- Reflects an increase in **Public Safety** expenditures.
- Accounts for additional landfill costs from tonnage increases - offset by increased revenues.
- Focuses on our Park assets and other amenities.

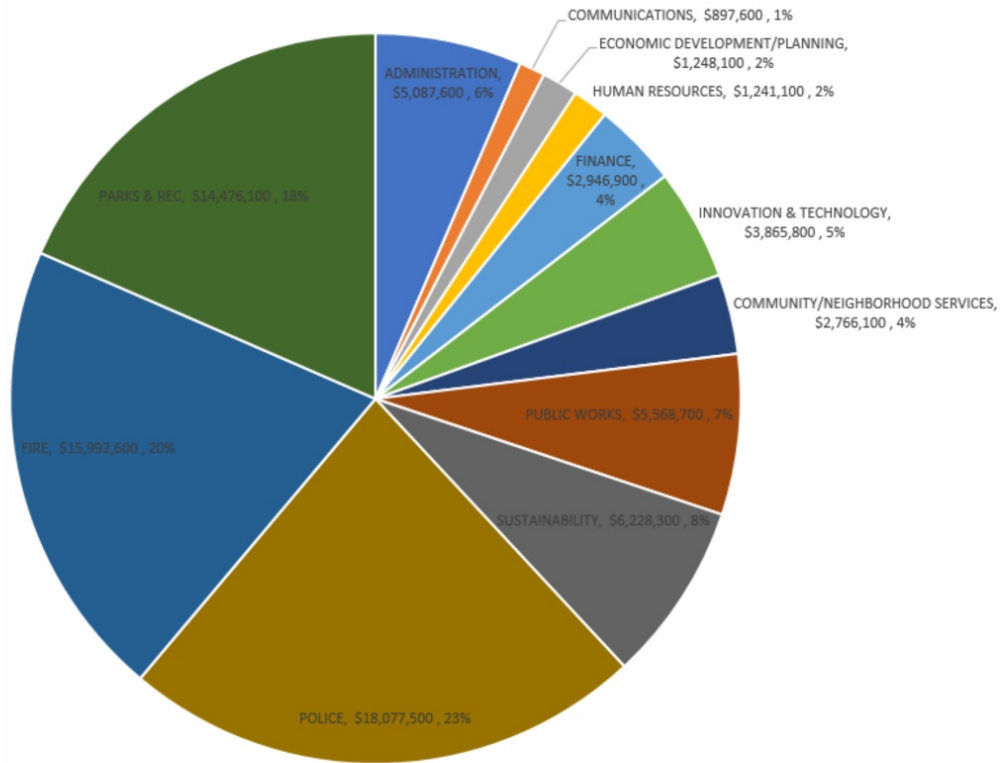
**Key GF
Expenses**

Key Changes in General Fund Expenditures

1	Fire - Increased by \$2.78M or 21.1%
2	Police - Increase by \$2.02M or 12.6%
3	Parks & Rec - Increased by \$723K or 5.3%
4	Sustainability - Increased by \$526K or 9%
5	All Others (10 departments) - Increased by \$882K or 4%

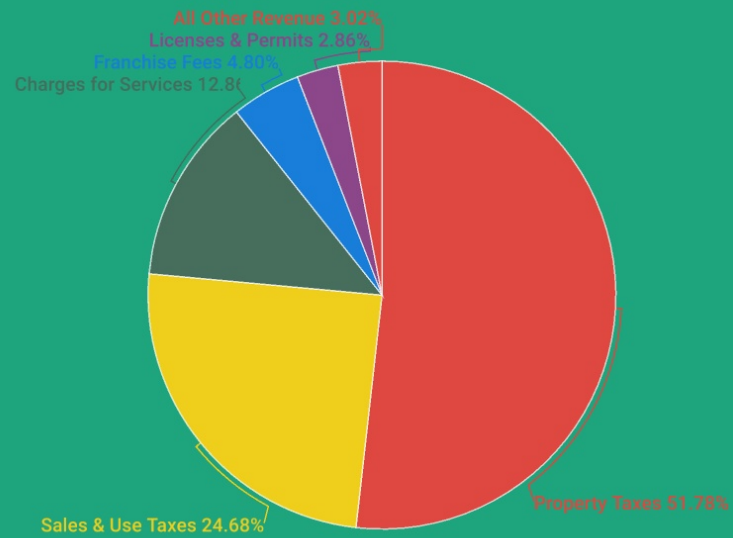
**General Fund
Expenditures**

General Fund Expenditures - \$78.4M



	2022-23 Proposed Budget
ADMINISTRATION	\$ 5,087,600
COMMUNICATIONS	\$ 897,600
ECONOMIC DEVELOPMENT/PLANNING	\$ 1,248,100
HUMAN RESOURCES	\$ 1,241,100
FINANCE	\$ 2,946,900
INNOVATION & TECHNOLOGY	\$ 3,865,800
COMMUNITY/NEIGHBORHOOD SERVICES	\$ 2,766,100
PUBLIC WORKS	\$ 5,568,700
SUSTAINABILITY	\$ 6,228,300
POLICE	\$ 18,077,500
FIRE	\$ 15,992,600
PARKS & REC	\$ 14,476,100
	<u><u>\$ 78,396,400</u></u>

General Fund Revenue



**General
Fund
Revenue**

General Fund Revenue

Property Taxes	\$ 41,120,000
Sales & Use Taxes	19,600,000
Franchise Fees	3,814,000
Other Taxes	180,000
Licenses & Permits	2,275,000
Charges for Services	10,210,200
Fines, Forfeits & Assessments	1,588,000
Interest, Rents, & Contributions	585,000
Miscellaneous	47,000
Total General Fund Proposed Revenue	\$ 79,419,200

Property Taxes

Sales & Use Taxes

Charges for Services

Property Tax Revenue - \$41.12M

Based on **\$8.066B** certified valuation (**\$6.951B** certified in 2021-22, an increase of **16%** - with 16% of the increased valuation due to *new construction*).

Of the total certified, **\$2.063B** (or 25.6%) is residential - Leaving **74.4%** as *commercial properties*.

As of the July 25, 2022, there were **\$0.308B** still under protest. Management estimates 70% will be retained, accordingly **\$8.212B** has been used in the *Property Tax Revenue calculations*.

\$0.01 of property tax = \$806,621, of which 9.2% is allocated to Debt Service

Property Tax Revenue - \$41.12M

The increase in property tax valuation results in an increase in property taxes:

- Average home value increased by **\$58,141** (from \$268,966 to \$327,107)
- The highest 2022 residential property values:
 - ^ \$9,581,730 - new property for 2022, will be subdivided into over 25 parts
 - ^ \$1,428,970
- The lowest 2022 residential property value - \$90,000
- **\$1,541** City tax on average home with a homestead exemption (an increase of \$274 annually)
- **\$952** City tax on average home with a homestead and Over-65 exemption (an increase of \$156 annually)

Sampling of 2022 Residential Property Value Increases

Addison - 11.16%
Carrollton* - 20.21%
Coppell* - 19.04%
Farmers Branch - 21.92%
Irving - 23.04%
Richardson - 26.79%

Dallas County Average - 23.37%

Source: Dallas Central Appraisal District Reports
*Only a portion of these cities are in Dallas County

Property Tax Revenue - \$41.12M



Property Tax Revenue - \$41.12M

To the City:
One Penny =
\$806,621



Property Tax Revenue - \$41.12M

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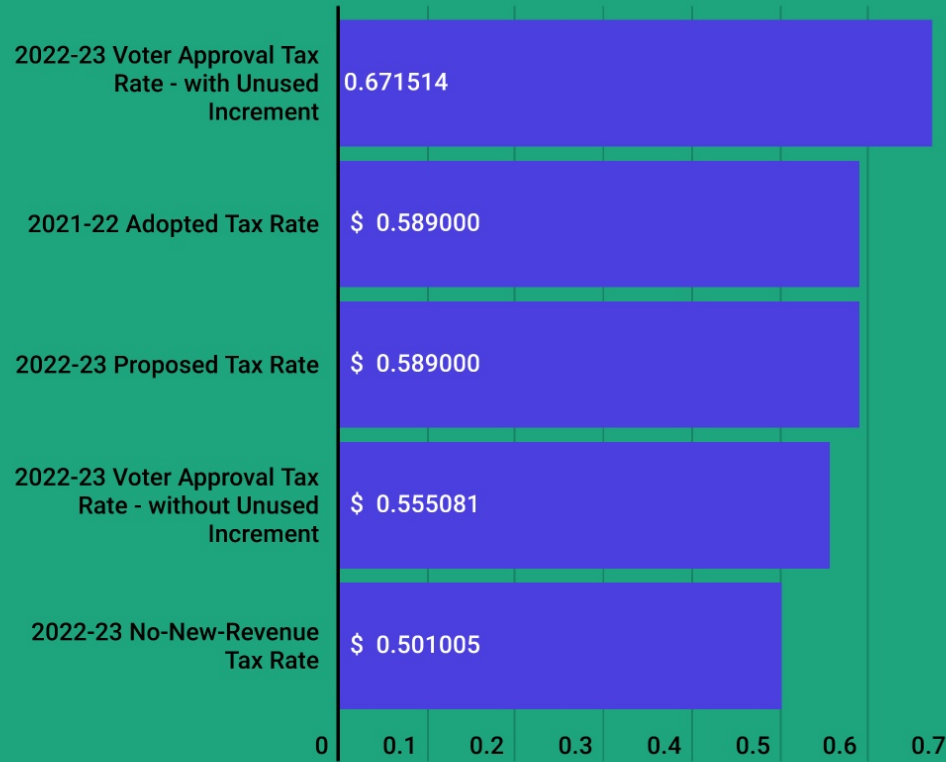


To a Resident:
One Penny =
\$26.17*

* based on an average property value
of \$327,107 to a resident with a
homestead exemption

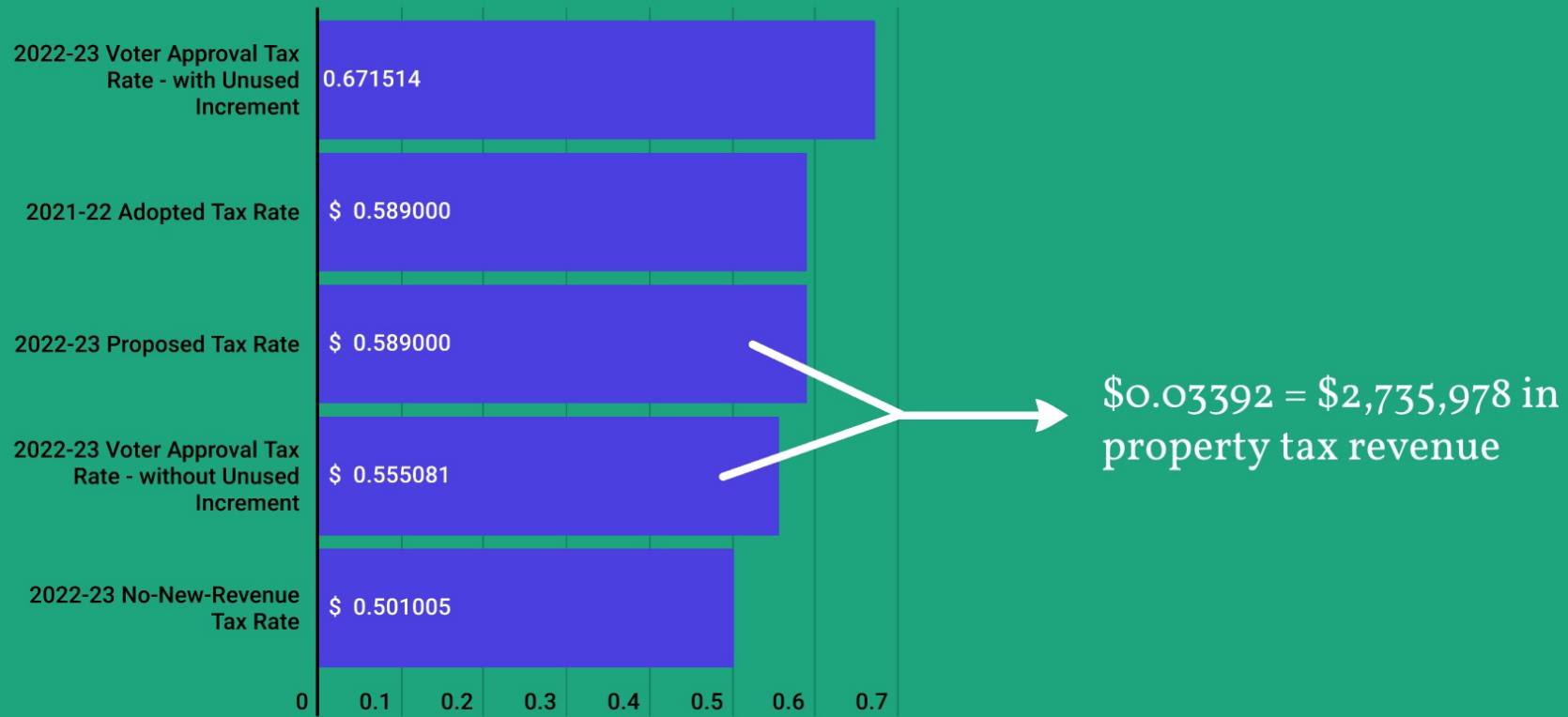
Property Tax Revenue - \$41.12M

2022-23 Truth-In-Taxation Rates



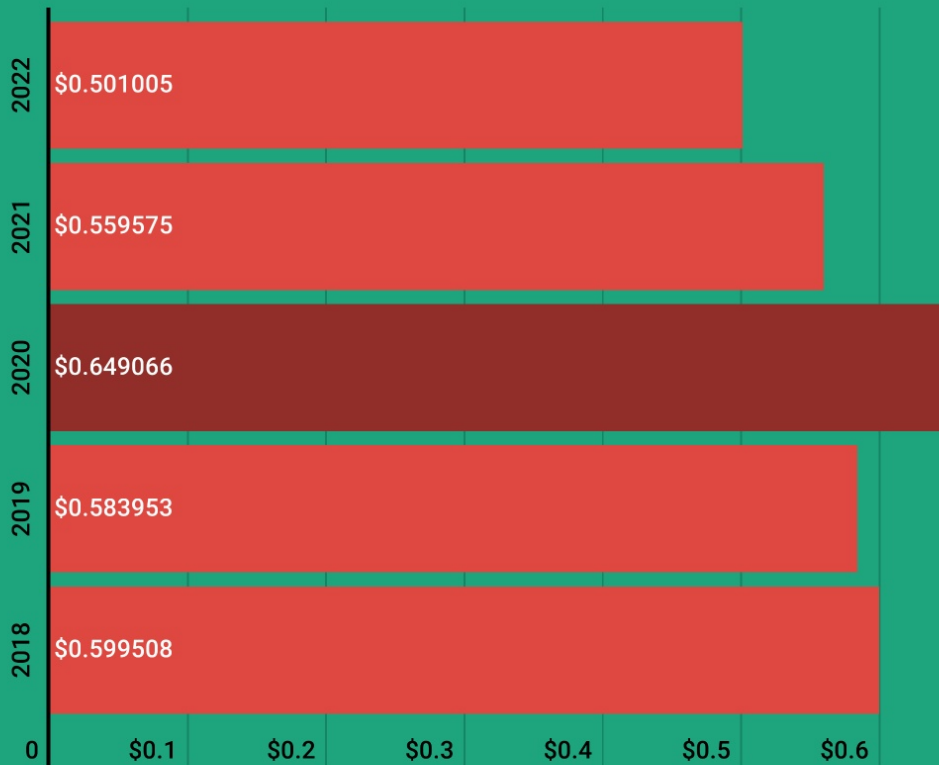
Property Tax Revenue - \$41.12M

2022-23 Truth-In-Taxation Rates



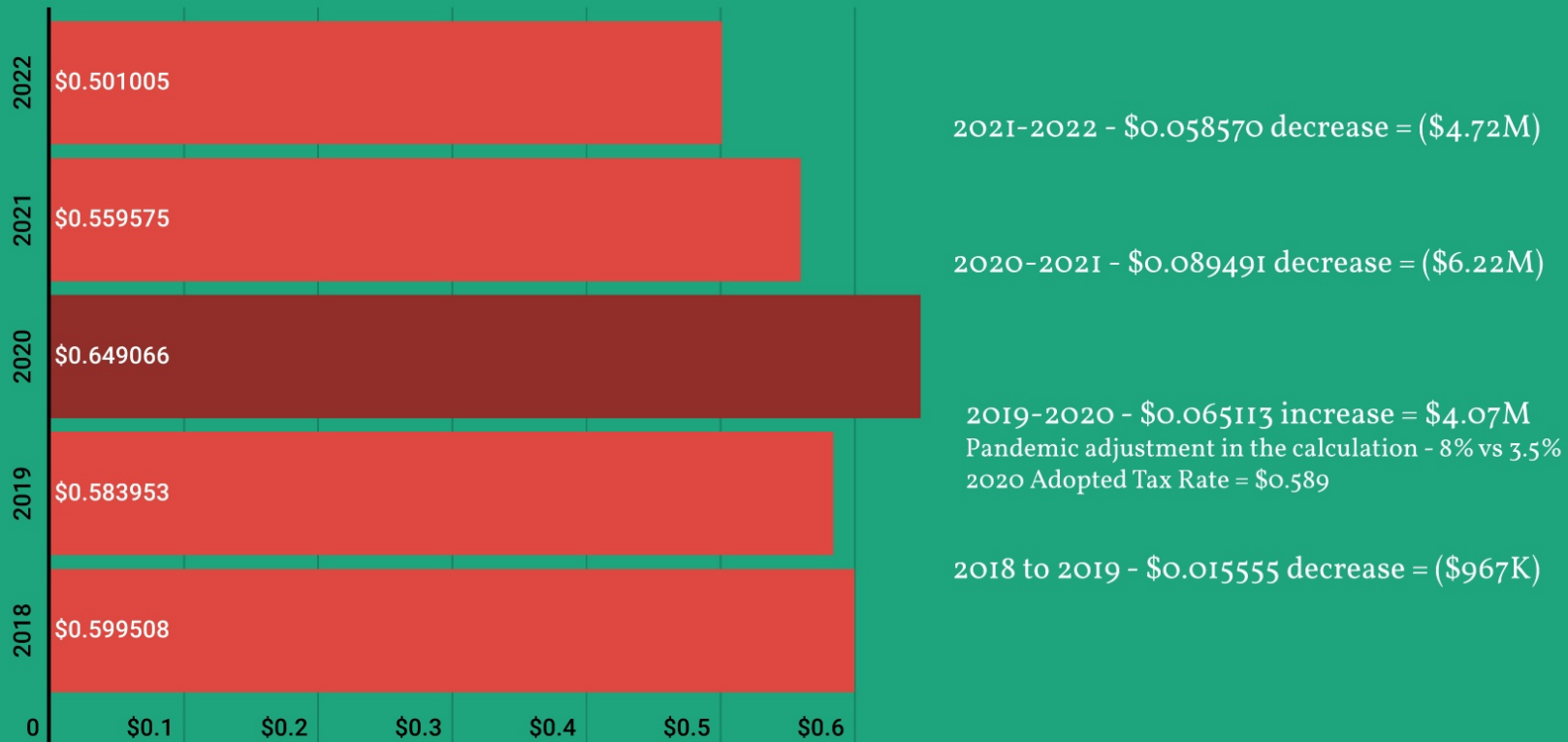
Property Tax Revenue - \$41.12M

Historical Progression of the No-New-Revenue Tax Rate



Property Tax Revenue - \$41.12M

Historical Progression of the No-New-Revenue Tax Rate



Other Tax Rate Considerations

	2021-22 Adopted		2022-23 Proposed		
	Tax Rate		Tax Rate		Difference
Carrollton	\$	0.582500	\$	0.582500	\$ -
Addison	\$	0.614660	\$	0.597031	\$ (0.017629)
Coppell	\$	0.580000	\$	0.525279	\$ (0.054721)
Farmers Branch	\$	0.589000	\$	0.589000	\$ -

The Disclaimer: Unofficial and based on published 2022-23 Budget drafts or other data as of August 6, 2022. Information subject to change without notice.

The Property Tax Rate Calculation Explained... :-)





Sales & Use Taxes - \$19.6M

The most volatile of the revenues to project.

The Negative's:

- On-going Recession discussion, nationally
- Subject to consumer spending

The Positive's:

- Currently working with 3rd party on sales tax collections and having positive results.
- During our worst times (the pandemic), our revenues only decreased \$245K. [2019, \$17.410M; 2020, \$17.165M; 2021, \$18.737M]

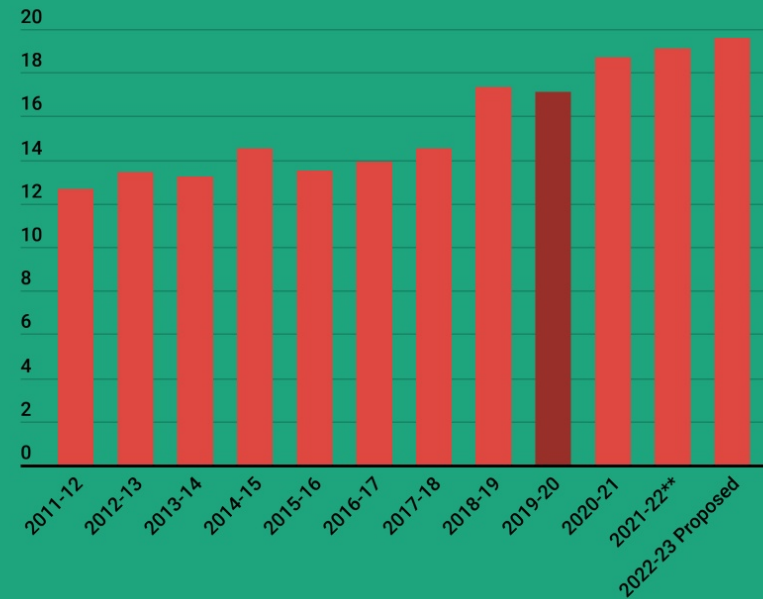
**Sales &
Use Taxes**

Sales & Use Revenue - \$19.6M

The 2022-23 Proposed budget presumes a **\$1.75M** or 10% increase in Sales & Use Tax revenue...

2021-22 Actual revenue is at **\$17.07M** thru June 30, 2022.

Included in expenditures are related fees to third-party firm for the work performed in sales tax collection.





Charges for Services - \$10.2M

Refuse Services is **\$6.84M** or 67% of total Charges for Services. This revenue is *increasing by \$1.48M* due to increased tonnage and increased tipping fees (\$/ton).

Parks-Related Revenue** is **\$1.97M** or 20% of total Charges for Services. This revenue is *increasing by \$362K* due to increased building use fee rentals and additional sales related to park concessions.

** Parks-Related Revenue refers to the grouping of several line items within "Charges for Services". Includes Senior Fees, Concessions, Building Use Fees, Events, and Aquatics.

Budget Retreat

2022-23





Enterprise Fund

1. Water & Sewer Fund
2. Stormwater Utility Fund
3. Stormwater CIP Fund (although this isn't technically a part of the Enterprise fund, but it's a pretty close First Cousin, *smile)

**Water &
Sewer
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**Stormwater
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Water & Sewer Fund

Revenues	
Water Service	\$ 18,732,500
Sewer Service	9,815,700
Other Charges for Service	371,400
Interest & Miscellaneous	75,500
Total Revenue	\$ 28,995,100
Expenses	
Water & Sewer Administration	\$ 5,665,300
Water & Sewer Operations	23,328,400
Total Expenses	\$ 28,993,700
Net Income	\$ 1,400

No Water & Sewer Rate Increase has been factored into the 2022-23 Revenues.

Water & Sewer Operations includes **\$7.4M of transfers** to Non-Bond Utility to fund *pay-go* infrastructure projects.

Water & Sewer Operations includes budget for payments to **Trinity River Authority** (sewer) and **Dallas Water Utilities** (water)

No Debt on this fund.



Tier 2 - \$5.50 per month



Commercial - 56 ERU - \$308.00 per month

Stormwater Utility Fund

Stormwater fee is based on the amount of impervious surface area and based on a study by Freese & Nichols conducted in 2015.

Residential properties pay a monthly fee:

- Tier 1 - less than 3,100 sq feet - \$3.71
- Tier 2 - 3,100 to 5,100 sq feet - \$5.50
- Tier 3 - greater than 5,100 sq feet - \$8.80

Commercial properties pay \$5.50 per ERU
(equivalent residential unit)
1 ERU = 4,000 sq feet

**More about
Stormwater
Utility**

Stormwater Utility Fund



Revenues	
Charges for Services	\$ 1,627,000
Interest	5,000
Total Revenue	\$ 1,632,000
Expenses	
Transfers to Stormwater CIP	\$ 1,584,800
Professional Services	10,000
Total Expenses	\$ 1,594,800
Net Income	\$ 37,200

Big Bucks!
No Whammies!



...Annnnnnd...
STOP!

**What
makes CIP
Accounts
Different?**

Big Bucks!
No Whammies!



...Annnnnnd...
STOP!

Stormwater CIP

These accounts are intended to span multiple years to account for long-term, capital projects. They don't reset annually.

Stormwater CIP 2022-23 Proposed Expenditures are **\$2,030,000**.

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Hey Sherrelle, I thought you just said the **Stormwater Utility Fund** was transferring \$1.5M of revenue to **Stormwater CIP**. So how do you spend \$2M of expenses if you only have \$1.5M of revenue coming into the fund???

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Stormwater CIP is projected to start the 2022-23 year with \$3.37M of fund balance

Budget Retreat

2022-23



Capital Projects Fund

Total of **\$43.3M** in the 2022-23 Proposed Budget, but over half of this total is the CIP related to the Dallas Stars Multi-Sport Facility.



Dallas Stars Facility - \$24.2M

CO Debt, Fully-Self Supported



Non-Bond CIP - \$8.7M

ARPA Projects, Streets, Monument Signs



Non-Bond Utility CIP - \$7.5M

Utility Replacement & Improvements, I&I Repairs



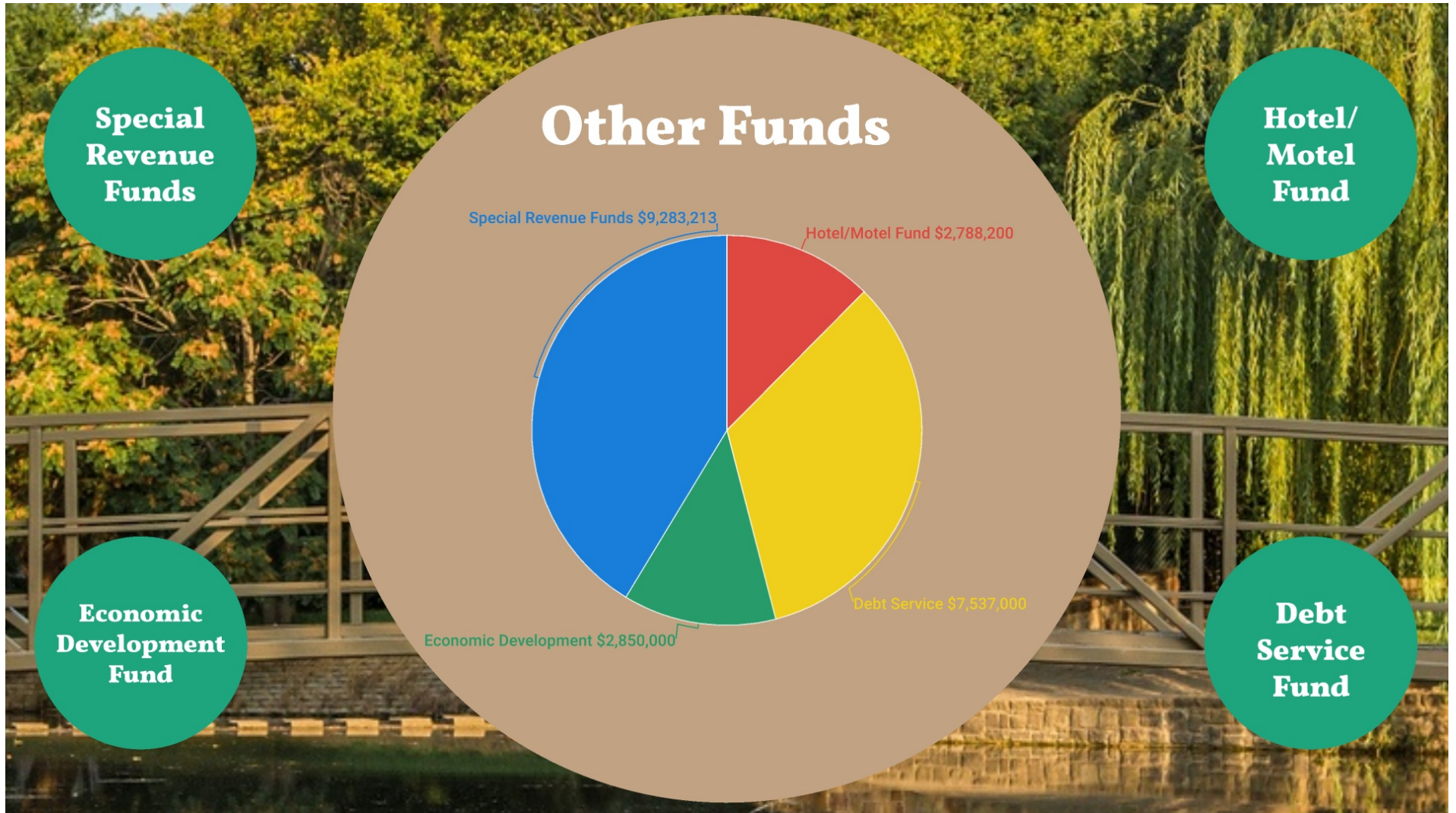
Stormwater CIP - \$2.0M

Discussed during the Enterprise Fund segment

Budget Retreat

2022-23





Hotel/Motel Fund

Hotel/Motel Tax Revenue continues to rebound following the pandemic. Accordingly the related expenditures have been increased.

2021-22 represented an *intentional use of fund balance* to allow time for financial recovery of this fund.

Projected 2022-23 fund balance at 9/30/2023 is **\$1.5M.**

	2022-23 Proposed Budget	2021-22 Adopted Budget	Difference	% Change
Revenues				
Hotel/Motel Taxes	\$ 2,700,000	\$ 2,000,000	\$ 700,000	35%
Events	92,200	53,500	38,700	72%
Interest & Miscellaneous	52,500	58,000	(5,500)	-9%
	<u>\$ 2,844,700</u>	<u>\$ 2,111,500</u>	<u>\$ 733,200</u>	<u>35%</u>
Expenditures				
Historical Preservation	\$ 1,563,700	\$ 1,349,700	\$ 214,000	16%
Promotion of Tourism	1,205,500	811,700	393,800	49%
Convention	19,000	19,000	-	0%
	<u>\$ 2,788,200</u>	<u>\$ 2,180,400</u>	<u>\$ 607,800</u>	<u>28%</u>
Net Income	<u>\$ 56,500</u>	<u>\$ (68,900)</u>	<u>\$ 125,400</u>	



Debt Service Fund

Total 2022-23 Debt Service Expenditures - \$7,537,000

- Property Tax Supported - \$4,683,700

- Self Supported - \$2,853,300

Property Tax Supported Debt service is **9.2%** of projected Property Tax Revenue.

Self-Supported Debt - 2022-23 will be our *final payment* on the landfill/scale house debt. The City has collected payments during previous years to make the final payment.

Economic Development Fund

Revenues	
Sale of Capital Assets	\$ 2,800,000
Transfers from General Fund	950,000
	<u>\$ 3,750,000</u>

Expenditures	
Development Agreements	\$ 1,500,000
Land Purchases	500,000
Neighborhood Partnership Program	50,000
Redevelopment Operations	700,000
Demo/Rebuild	100,000
	<u>\$ 2,850,000</u>

Net Income	<u><u>\$ 900,000</u></u>
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The Sale of Capital Assets includes two properties currently held for sale.

The Neighborhood Partnership Program is a program that started in 2021-22 to assist communities with beautification projects. **Three** applications for assistance have been received since the program's inception during the 2019-20 Fiscal Year. The program has awarded \$45K in funding.



Special Revenue Fund Expenditures

Planned expenditures of the Donations Fund increased in an effort to reduce fund balance by spending according to donor's requests.

Photographic Light expenditures reduced as the Police Department spends final funds in accordance with program guidelines.

	2022-23 Proposed Budget	2021-22 Adopted Budget	Difference	% Change
Police Forfeiture Fund	136,000	166,000	(30,000)	-18%
Donations Fund	230,975	75,975	155,000	204%
Youth Scholarship Fund	6,000	6,000	-	0%
Grants Fund	6,347,438	6,275,438	72,000	1%
Building Security Fund	11,400	11,400	-	0%
Landfill Closure/Post-Closure Fund	1,228,000	1,228,000	-	0%
Photographic Light System Fund	93,000	253,000	(160,000)	-63%
PEC Access Channel Fund	75,000	75,000	-	0%
Joint Fire Training Facility Fund	105,300	100,600	4,700	5%
TIRZ District #3 Fund	1,050,100	1,050,100	-	0%
Total Special Revenue Fund Expenditures	9,283,213	9,241,513	41,700	

Budget Retreat

2022-23



The background of the slide is a photograph of a wooden bridge with a metal railing, set against a backdrop of lush green trees. A large, semi-transparent brown circle is centered over the image, containing the text.

Wrap Up

Budgets take time - 6 more weeks of time to ask questions, learn, and deliberate. Pencils down on September 20th.

Back together August 16th to present any information that will assist in the budget process.

Distribution of the City's precious resources.

"Super Friends" approach to the remainder of this Budget Retreat - with each Department Director joining us to talk more details.

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Budget Retreat

2022-23

