



City of Grand Island

Tuesday, July 18, 2017

Budget Work Session

Item -1

Fiscal Year 2018 Financial Review and Recommendations for General Fund

Staff Contact: Marlan Ferguson, Mayor Jeremy Jensen



CITY COUNCIL BUDGET WORK SESSION

**Tuesday, July 18, 2017
6:00 p.m.
Nebraska Building State Fair Board Room**

AGENDA

1. Call to Order
2. Opening Remarks – Mayor Jensen
3. Budget Process – Marlan Ferguson
4. Discussion on Designated Revenue – Renae Jimenez
5. Estimated Fund Balance at Year End - Staff
6. 5 Year Projections – No Changes
7. Recommendation for Staffing to Meet 70/30 Policy
8. Recommendation for Operational and Capital
9. Recommendation for Increasing Revenues to Balance the Budget
10. Public Comment
11. Adjournment

BUDGET RETREAT 2018

Marlan Ferguson, City Administrator

Since we became an MSA our labor costs have compounded significantly and additional staffing levels over the past few years have increased the pressure for our revenues to sustain and support our personnel costs. In order to address personnel costs, we need to look at how we can provide services while minimizing personnel costs (and operational costs). We need to look at our operations and determine if:

- We are providing services that we are not required to provide.
- We are providing services that the majority of the citizens want
- We are providing services that are the core mission of the city
- We are focusing on efforts that are not producing results or are not value added.
- We are not getting the maximum efficiency out of our operations/workforce.
- We have areas that experience too much down time.
- We are not providing services at the right time.

In addition we need to determine at what level of service the citizens want at what cost?

Following last year's budget session we implemented a program to review all new hires. Each Director was asked to complete a form to determine if a backfill is absolutely necessary and what fund the salary would come from. Directors were asked if they can make changes to the organizational structure, scheduling, use of overtime, reducing services provided, or outsourcing. This resulted in freezing several positions which we will discuss.

As you recall we had study sessions on the major general fund departments: Public Works, Parks, Police and Fire.

Since January staff has monitored the revenues and expenditures and continued to review the one and five year forecast. In April we had a City Council Budget Committee meeting to discuss a balanced budget for 2018 and a policy that personnel cost do not exceed 70% of the General Fund Budget. The City Council reviewed that and other budget issues at a Study Session on May 16th. In June we had two City Council Committee meetings, one for General Fund Revenue and the other for Expenditure and Personnel. Those resulted in the administration staff working with the department directors to review staffing levels and the result thereof and a recommendation for additional revenues to balance the budget with the recommended 70 /30 policy.

This budget session (retreat) will give the city council an opportunity to discuss these issues in depth and direct staff on developing the 2018 budget. No official action will take place at this meeting. A schedule of future meetings is included in the packet.

The City of Grand Island uses governmental accounting to track the various sources of services the City provides. The process of tracking those sources is referred to as fund accounting. There are different types of funds and the chart below is just a sample of what the City has.

General Fund	<ul style="list-style-type: none">• Primary operating fund• Accounts for all activities except those legally or administratively required to be accounted for in other funds• Major sources of revenue are sales tax and property tax
Special Revenue Funds	<ul style="list-style-type: none">• Accounts for specific revenue sources that are legally restricted to expenditures for certain purposes• Revenue sources vary but examples include State hwy allocation money (gas tax), occupation taxes such as food and beverage, hotel, extra 2% cell phone tax
Enterprise Funds	<ul style="list-style-type: none">• Accounts for business-like activities provided to the general public• Major revenue source is user charges• Examples include electric, water, wastewater, and landfill
Internal Service Funds	<ul style="list-style-type: none">• Accounts for activities that provide goods and services to other funds• Revenue source is the charge to the other funds• Examples include fleet services and information technology

The primary discussion at this time are the special revenue funds. As noted these funds are used to track legally restricted revenue sources. What this means is that there is some restriction put into place on those revenues whether it be State law or even City Code that states what the revenue may be spent on. A State example is the State Highway Allocation (gas tax) money. That is approximately \$5 million for FY18 and may only be used on streets. A further restriction on that money is that 50% must be used on street projects.

There are multiple examples for City restricted revenue and they include the 2% hotel occupation tax (§23-55), 1 ½% food and beverage tax (§23-66), and the additional 2% phone occupation tax (§23-21 (B)).

- The hotel tax is collected but then sent on to Fonner Park (§23-61)
- The food and beverage tax may only be used to make the required payment to the State for the State Fair, promote events that will attract visitors, enhancement and development of recreation and athletic facilities, and invest in community development that stimulates growth for Grand Island (§23-65)
- The phone tax is appropriated solely for payment of bonds for construction of a new primary 911 facility and other public safety purposes (§23-21 (B))



General Fund Projection - Without recommendations

	2017	2018	2019	2020	2021	Comments
Beginning Cash	13,093,254	10,001,611	6,589,921	2,723,737	(2,086,883)	
Revenue	35,842,372	33,758,114	34,933,277	35,631,942	36,344,581	Assumes a 2% increase each year, with most of Debt Service property tax coming to the General Fund in 2019
Transfers In	754,103	765,000	765,000	765,000	765,000	In lieu Utility payments
Total Revenue	36,596,475	34,523,114	35,698,277	36,396,942	37,109,581	
Personnel Services	27,721,062	28,220,234	29,772,347	31,409,826	33,137,366	Assumes a 5.5% increase from 2019-2021
Operating Expense	5,748,639	6,158,683	6,158,683	6,158,683	6,158,683	No increases
Transfers Out	3,535,778	1,635,000	1,635,000	1,635,000	1,635,000	
ADDITIONAL Transfers Out	-	-	-	-	-	
Department Equipment	2,165,435	1,414,759	1,500,000	1,500,000	1,500,000	
Debt Pymts	517,204	506,129	498,431	504,053	498,349	For HEC payment
Total Appropriations	39,688,118	37,934,805	39,564,461	41,207,562	42,929,399	
Unrestricted Cash	10,001,611	6,589,921	2,723,737	(2,086,883)	(7,906,701)	
Restricted Cash	-	-	-	-	-	
Ending Cash	10,001,611	6,589,921	2,723,737	(2,086,883)	(7,906,701)	

2018 Budget - Revenue Worksheet

Categories	2018 Starting Budgeted Exp.	Budget % of Rev. Based on 2018 Projection	2018 Balanced Exp.	2018 % of Rev.	2018 (Decrease)/Increase
Personnel Services	30,498,665	74.09%	28,813,248	70.00%	(1,685,417.70)
Operating Expenses	11,192,783	27.19%	9,887,060	24.02%	(1,305,722.84)
Capital Outlay-Departments	1,883,571	4.58%	1,955,185	4.75%	71,613.67
Capital Outlay-Debt	506,129	1.23%	506,290	1.23%	160.92
TOTAL GENERAL FUND and STREETS	44,081,148	107.09%	41,161,783	100.00%	(2,919,365.95)

Projected Revenue
2018
41,161,783

Avg. Wage	Avg. Loaded Cost	# of people
\$ 57,876.83	\$ 75,239.88	22.401

Summary of Major Changes to 2018 Budget

General Fund Personnel	
Item	Dollar Impact
Fire Department Eliminate 2 additional positons PLUS 2 Firefighter positions, currently vacant 2 future retirements	(\$563,476)
Police Department Eliminate 2 CSO FTE positions PLUS 2 Police Officers, currently vacant 3 future retirements 2 PT CSO positions, currently vacant	(\$507,412)
Library Department 1 Library Assistant II, currently vacant 1 PT Library Page, currently vacant	(\$95,304)
Parks Department Eliminate 1 Horticulturist FTE position Eliminate all seasonal workers at Greenhouse PLUS 1 Maintenance Worker, currently vacant 1 future retirement, leave vacant	(\$249,097)
TOTAL IMPACT	(\$1,415,289)
General Fund - Other Changes	
Item	Dollar Impact
Reduce total operating/capital equipment/transfers out budget	(\$1,233,968)
Increase to Gas Franchise Fee	(\$300,000)
Add Stormwater surcharge	(\$300,000)
TOTAL - OTHER CHANGES	(\$1,833,968)
Other Changes	
Increase in Property Tax, dedicated to capital projects	(\$1,000,000)
Car Rental Occupation Tax, dedicated to Streets Dept.	(\$150,000)

NATURAL GAS OCCUPATION TAX

§23-1. Occupation Tax

Except as provided in §23-2, any person engaged in the business of distributing, manufacturing or furnishing gas, either natural, manufactured or mixed gas, in the City, shall be required to pay to the City an occupation tax in an amount equal to three percent of the gross receipts such person derived from his business of distributing, manufacturing or furnishing gas to the inhabitants of the City.

As the Natural Gas prices have declined over the years we have seen a substantial drop in our revenues as we charge a fee on gross receipts. Many cities, including Kearney which is in our rate area with Northwestern charges a fee on Therms, which is the amount of gas distributed. We recommend a fee of 3 cents on everyone except transport customers, which we recommend a 1 cent fee.

Customer	#	Therms	Receipts	Increase
Residential	17,950	\$297,517	\$232,213	\$ 65,304
Commercial	2147	\$297,251	\$107,012	\$190,206
Transport	34	\$125,561	\$ 9,738	\$115,832

STORMWATER SURCHARGE

Customer	#	Charge/Month	Revenue/Annual
Residential	14,500	\$1.00	\$174,000
Commercial	2,200	\$5.00	\$132,000
Industrial	85	\$10.00	\$10,200

It will offset general fund dollars by lowering amount of property tax we transfer to streets fund.

There are three storm water related activities that could be covered:

1. Streets drainage work, such as flushing pipes, cleaning inlets, resetting flow lines, maintaining ditches and detention cells, etc. This work is not eligible for gas tax, and we should be doing more.
2. Capital projects such as the Moores Creek Drainage extension. The General Fund is usually, but not always the only source for these projects.
3. Stormwater program. This federally mandated program was mostly paid for by the General Fund.

RENTAL CAR OCCUPATION TAX

Lincoln and Omaha both have this tax. Lincoln is a % and Omaha is a fee per vehicle. A 6 % fee would generate approximately \$150,000. We recommend this go to the Streets department and perhaps to Parking Lot rebuild.

2018 Budget - Revenue Worksheet

Categories	2018 Starting Budgeted Exp.	Budget % of Rev. Based on 2018 Projection	2018 Balanced Exp.	2018 % of Rev.	2018 (Decrease)/Increase
Personnel Services	29,083,376	69.64%	29,233,248	70.00%	149,871.30
Operating Expenses	9,958,815	23.85%	10,031,180	24.02%	72,365.16
Capital Outlay-Departments	1,883,571	4.51%	1,983,685	4.75%	100,113.67
Capital Outlay-Debt	506,129	1.21%	513,670	1.23%	7,540.92
TOTAL GENERAL FUND and STREETS	41,431,891	99.21%	41,761,783	100.00%	329,891.05

Projected Revenue
2018
41,761,783

Avg. Wage	Avg. Loaded Cost	# of people
\$ 57,876.83	\$ 75,239.88	0.000

Revenue Options	
Option	Revenue Increase
Switch to Therms	300,000
Stormwater Surcharge	300,000
	-
	-
	-
	-

Estimated Mill Levy Increase	0.0341
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GENERAL FUND-CAPITAL

				2017	2017	2018
				Budget	Forecast	Budget
				Account Number		
CITY HALL/BUILDING INSPECTIONS						
BLDG	Building improvement	10011701	85612	70,000	40,000	
CITY HALL/BUILDING INSPECTIONS TOTAL				70,000	40,000	-
FIRE/AMBULANCE SERVICES						
LAND IMP	Training Tower	10022101	85608	533,364	533,364	19,000
LAND IMP	Training Tower with burn room - match and ground work	10022101	85608	100,000	100,000	
Subtotal				633,364	633,364	19,000
BLDG IMP	Station #3 remodel	10022101	85612	-	-	25,000
Subtotal				-	-	25,000
M & E	Jaws	10022101	85615	40,000	37,717	
M & E	Cardiac Monitors (6 units)	10022101	85615	150,000	141,977	
M & E	Radios	10022101	85615	32,000	31,184	
M & E	Compressor for Station 4	10022101	85615	48,500	35,342	
M & E	Lucas Device - Unexpected grant	10022101	85615		10,617	
M & E	Heart Monitor	10022101	85615			25,000
M & E	SCBA Packs - 10% match of a grant	10022101	85615			29,545
Subtotal				270,500	256,837	54,545
VEH	Shift Commander Vehicle	10022101	85625	-	-	38,000
VEH	2016 Braun XL Chief Type 3 Ambulance	10022101	85625	220,000	220,000	248,000
VEH	75 foot Quint without CAFS	10022101	85625	750,000	749,208	
Subtotal				970,000	969,208	286,000
FIRE/AMBULANCE SERVICES TOTAL				1,873,864	1,859,409	384,545
POLICE SERVICES						
VEH	Police Vehicles - 4 Vehicles	10022301	85625	92,600	113,736	
VEH	Police Vehicles - 4 Vehicles	10022301	85625			118,000
VEH	Ford Fusion - Administration	10022301	85625	22,200	20,433	
VEH	Replacement CID SUV	10022301	85625	18,200	2,725	
POLICE TOTAL				133,000	136,894	118,000
EMERGENCY MANAGEMENT						
M&E	Outdoor Warning Sirens (2)	10022601	85615	30,000	33,000	32,696
M&E	Radio Repeater	10022605	85615	50,000	50,000	27,000
EMERGENCY MANAGEMENT TOTAL				80,000	83,000	59,696

GENERAL FUND-CAPITAL

	Account Number		2017 Budget	2017 Forecast	2018 Budget
LIBRARY					
OFF EQ IT Equipment	10044301	85620	25,000	13,187	15,000
LIBRARY TOTAL			25,000	13,187	15,000
PARKS & RECREATION					
M & E (2) 72" Mowers	10044403	85615	-	-	55,000
M & E One 60" Mower	10044525	85615	-	-	15,000
M & E Six 36" Mowers	10044405	85615	-	-	26,000
M & E 30 Sporting Clay Target Throwing Machines	10044801	85615			120,000
M & E 20 Skeet/Trap Target Throwing Machines	10044801	85615			80,000
Subtotal			-	-	296,000
VEH Utility Vehicle	10044801	85625	-	-	15,000
VEH 3/4 Ton 4x4 with snow plow	10044405	85625	45,000	-	
VEH 4x4 one ton dump truck with snow plow	10044403	85625	55,000	43,282	
Subtotal			100,000	43,282	15,000
TOTAL PARKS & RECREATION			100,000	43,282	311,000
GENERAL FUND TOTAL			2,281,864	2,175,772	888,241

Object No.	2018 Planned Projects	2018 Budget	2018 Actuals	(Over)/Under	2018 Projections
Gas Tax Funded Projects - 210					
40000	Capital Avenue - Webb Rd to Broadwell Ave	\$ 184,000.00	\$ -	\$ 184,000.00	\$ 184,000.00
40002	Stolley Park Rd Restriping/Rehab	\$ 285,400.00	\$ -	\$ 285,400.00	\$ 285,400.00
40015	Handicap Ramp CDBG Project	\$ -	\$ -	\$ -	\$ -
40004	Annual Handicap Ramp Installation (2018-CR-1)	\$ 104,800.00	\$ -	\$ 104,800.00	\$ 104,800.00
40012	S Front St over Sycamore Underpass Rehab	\$ 1,200,000.00	\$ -	\$ 1,200,000.00	\$ 1,200,000.00
40020	Adams St	\$ -	\$ -	\$ -	\$ -
	Brookline Paving / Drainage	\$ -			\$ -
	Old Potash; North Rd to E of Webb Rd Master Plan	\$ 150,000.00	\$ -	\$ 150,000.00	\$ 150,000.00
	North Rd & 13th St	\$ 1,945,775.00			\$ 1,945,775.00
40023	5 Points Traffic Signal Improvements (OA = \$72,550)	\$ -	\$ -	\$ -	\$ -
40022	Highway 281 (NB) NDOR Project	\$ -	\$ -	\$ -	\$ -
40011	Webb Rd Assessment Payments	\$ 130,000.00	\$ -	\$ 130,000.00	\$ 130,000.00
	Unassigned Projects (\$750k approved, not in spreadsheet)	\$ -	\$ -	\$ -	\$ -
Gas Tax Funded Projects Total		\$ 3,999,975.00	\$ -	\$ 2,054,200.00	\$ 3,999,975.00

Object No.	2018 Planned Projects	2018 Budget	2018 Actuals	(Over)/Under	2018 Projections
Other Funded Projects - 400					
40009	Construction of NW Flood Control Project	\$ 1,009,813.49	\$ -	\$ 1,009,813.49	\$ 1,009,813.49
40014	Moore's Creek Drain Extension (Old Potash to Edna)	\$ 1,041,200.00	\$ -	\$ 1,041,200.00	\$ 1,041,200.00
40025	Brookline Drainage	\$ -	\$ -	\$ -	\$ -
40024	Shady Bend Drainage 2017-D-2	\$ -	\$ -	\$ -	\$ -
40026	N Broadwell Drainage 2017-D-3	\$ -	\$ -	\$ -	\$ -
	Grand Generation Center parking lot	\$ -	\$ -	\$ -	\$ -
	City Owned Parking Lots	\$ -	\$ -	\$ -	\$ -
	YMCA Parking Lot	\$ -	\$ -	\$ -	\$ -
40010	Eagle Scout Detention Cell - N of Eagle Scout Lake	\$ -	\$ -	\$ -	\$ -
Other Funded Project Total		\$ 2,051,013.49	\$ -	\$ 2,051,013.49	\$ 2,051,013.49

Budget schedule – FY2018 budget

March 31, 2017	Halfway point of fiscal year 2016-17
July 18	Budget retreat; general fund revenue and expense discussion along with capital/equipment requests in general fund along with 400 fund (6:00 p.m. Fonner Park State Fair Board room)
July 25	BID budgets approved and set Board of Equalization meeting
August 8	Agenda item for cleanup of o/s general fund items; review of enterprise funds
August 15	Study session for any o/s items from August 1
August 20	County certifies valuation
August 22	Approval of fee schedule
August 29	Special meeting to open public hearing for budget and then leave open until meeting on 12 th
September 12	Continue public hearing for budget and approval of budget; salary ordinance approval
September 20	Deadline for submittal to state and county
October 1, 2017	New fiscal year begins