



City of Grand Island

Tuesday, August 14, 2007

Council Session

Item X1

Review of Proposed FY 2007/2008 City Single Budget

Staff Contact: David Springer

City Council,

August 7, 2007

The City of Grand Island management team is honored to present the 2007-08 budget. This year's budget has been prepared with the goal of continuing the financial strength of the city while keeping up with the demands of the citizens. Over the last decade a conscious plan to transform the community has taken place. Many significant projects have been evolving over a period of time and are in various stages of maturity. The city has participated in important community upgrades such as the Heartland Events Center, LB 840 Economic Development program, South Grand Island Flood Control Project and the South Locust Redevelopment and Interstate Connection project.

Last budget year the City was in the middle of major construction projects funded by the voter approved $\frac{1}{2}$ % sales tax including construction of a new Fire Station # 1, the Law Enforcement Center, expansion of the Library, and beginning the Capital Avenue upgrade project. The first three of these are nearing completion and Capital Avenue will proceed rapidly once needed properties are acquired. This year the city will be faced with important quality of life decisions concerning the wastewater treatment plant operation.

All of these projects are major additions to the community designed to increase the quality of life and provide benefits to citizens. They have required a considerable investment of resources from the city of Grand Island. Some of the projects were paid from existing city funds, some from new revenue such as the $\frac{1}{2}$ % sales tax, or grant funds.

Even though the transformation that has come about in the community has created an expanded and positive future for the city, the unprecedented level of investment in major projects should not continue at this time. It appears that it is prudent to throttle back and concentrate on making current investments successful and allow economic projects to provide a return on their investment. The city will be facing unprecedented increases in many of the costs of doing business that will require all departments to tighten their belts and find ways to absorb or reduce these costs.

It is also time to save revenue for upcoming projects that will be needed in the future. Therefore, the 2007-08 budget has been constructed in a very prudent manner with emphasis on increasing efficiency and effectiveness to the greatest level possible. The focus throughout the budget is to strengthen internal operations, complete those projects in process, and engage in long range planning.

Focusing on current projects and prioritizing spending in this year's budget has allowed the city to hold the line on the tax rate while still responding to community needs. Moving forward, it will be critical to allocate resources in the most efficient and effective way to assure continued financial health.

Following are summary sections geared to provide an understanding of the priorities of the budget along with highlights of the fiscal plan.

Fiscal Summary

The total 2007-08 budget is projected to be \$150,326,410. This is \$16,354,555 or 12.2% more than was proposed \$133,471,855 in the 2006-07 budget. Following is a summary of the budget for each of the fund groups contained in the 2007-08:

General Fund	\$ 34,312,270
Permanent Funds	\$ 0
Special Revenue Funds	\$ 5,004,463
Debt Service Fund	\$ 1,607,263
Capital Projects Fund	\$ 6,467,847
Special Assessments Fund	\$ 0
Enterprise Funds	\$ 91,561,892
Internal Service Fund	\$ 9,824,846
Agency Fund	\$ 753,750
Trust Fund	\$ 794,079

Property Taxes

The proposed property tax requirement for the 2007-08 budget year is \$5,479,000 or 5.1 % more than the 2006-07 requirement of \$5,212,064. The City of Grand Island projected valuation for 2007 is \$2,299,019,381; therefore, the property tax levy for the 2007-08 budget year is \$.238319 per \$100 of valuation. The property tax levy is proposed to be the same as it was in 2006-07.

User Fees

A great deal of scrutiny has taken place on User Fees to assure proper revenue for the departments that collect fees for their services. In reviewing the various fee based departments some deficiencies were identified and are addressed in the 2007-08 budget. There are adjustments to fees planned to offset increased cost of operation, regulation, and demand regarding the building, administration, ambulance, humane society, shooting park, cemetery, aquatics, planning, wastewater, water and electric activities.

Compensation, Benefits, and Staffing

Compensation

In order to keep salaries competitive, comparable and in accordance with agreed upon contracts the following salary adjustments are included in the 2007-08 budget:

Non-union employees	3.5%
IBEW-Utilities	3.0%

IBEW - Wastewater	in negotiations
FOP	in negotiations
AFSCME	4.25%
IAFF	in negotiations

Benefits

The administration of the city's health insurance was moved to Mutual of Omaha a year ago which held our costs in check, but we are now seeing the costs of providing health care again rising. Therefore, the insurance committee has recommended changes in premiums and deductibles that will result in increased employee costs for health care coverage in 2007-08 and only minor impact on the City's costs. A wellness program is also being implemented for the new year.

Staffing

As charged by the Mayor, city administration reviewed the workforce to see if there were opportunities for productivity improvement. Each position was evaluated to see if it was essential and priorities were reviewed to see if the workforce was appropriate to deliver city services. After reviewing all positions of the City there will be a 7.27 increase in FTE's for the 2007-08 budget. Following are the key position changes included in the 2007-08 budget by department:

Finance Department

Reduction of .580 FTE accounting clerk is proposed in the Finance Department due to efficiencies associated with the implementation of the Cities computer system.

Police Department

Increase of .35 FTE for a School Crossing Guard and 1.0 FTE for a Custodian.

Emergency Management

Increase of one position, Communications Specialist, and a reclass of Emergency Management Clerk to Coordinator.

Library

Increase of 1.0 FTE for full time Library Assistant.

Parks & Recreation Department

Increase of 2.0 Seasonal Workers at the Heartland Public Shooting Park. These positions will support the operations of the shooting facility which is projected to provide a revenue stream from fees to help offset the cost of the employees

Sanitary Landfill

Increase of 1.0 FTE for an Equipment Operator due to increases in service volumes.

Golf Course

Reduction of one full time Maintenance Worker and an increase of .500 FTE for a Part-Time Seasonal, with a savings of over \$40,000.

Electric Utility

Increase of 1.0 FTE for an Electrical Engineer and 1.0 FTE for a Wireworker II. Electric utility operations continue to grow and there have been no personnel additions in three years.

Cash Balance

It is extremely important to maintain cash balances in the city budget to assure cash flow strength, promote prudent spending and to have adequate reserves in case of an emergency. Grand Island's conservative approach to budgeting and spending has allowed for proper levels of cash balance over the last decade. The 2007-08 budget again includes \$38,813,309 in cash balance in all funds and \$4,712,625 in the general fund. The budgeted cash balance in 2006-07 was \$36,152,609 for all funds and \$4,968,649 for the general fund. Strong economic conditions and conservative spending should allow the city to maintain an appropriate level of contingency.

½ % Sales Tax

On May 11th, 2004 the voters passed a ½ % city sales tax that was to be used for property tax relief and to build capital improvements. This year it is projected that we will collect \$4,575,000 from this sales tax. About 63% or \$2,894,000 will be placed in the general fund to offset property taxes. The remaining \$1,681,000 will be used to pay a portion of the costs for the following projects:

• Grand Generation Center	\$	100,000
• Debt Service Library	\$	834,465
• Debt Service Law Enforcement Center	\$	859,600
• Shooting Park Development	\$	150,000
• Railroad Safety Directional Horns	\$	150,000
Total	\$	2,094,065

Notable Projects/Expenditures

Following is a list of notable projects/expenditures that have been included in the 2007-08 budget:

General Fund

- \$750,000 is included to fund economic development activities as determined by the city's LB 840 plan.
- Lease payments for the Heartland Events Center are included in the amount of \$575,313.
- The city's contribution to the Prairie/Silver/Moore's Creek flood control project is included for \$250,000.
- \$834,465 is included to fund the lease payments for the Library expansion project.
- One replacement inspection vehicle for the Buildings Department is included for \$20,000.
- Concrete drive work at Stations #2, #3, & #4 are included for \$40,000.
- Roof replacements at Stations #3 & #4 are included for \$45,000.
- A pumper truck or elevated water stream vehicle is included, but only if grant monies are obtained to cover approximately 90% of the cost, \$650,000.
- Defibrillator replacements are included for \$25,000.
- Two unmarked (\$37,000), four mobile data video systems (\$50,000) and six marked (\$140,460) police vehicles along with one police motorcycle (\$18,500) are included to replace aging units.
- \$119,190 is included in the Police Department budget to continue to contract with Hall County for use of the computerized law enforcement management system.
- Emergency Management includes a replacement 4-wheel drive vehicle (\$25,000) and the start of a replacement program for outdoor warning sirens (\$36,000).
- The Street Department budget includes a replacement skid steer loader (\$25,300), a 4x4 pickup with utility box (\$29,400); a 10 cubic yard dump truck (\$77,750); and two ½ ton pickups (\$45,400).
- The Library will continue the automation system enhancement program for \$35,000 and includes a pickup truck for (\$19,000). .
- The Parks Department will purchase playground equipment (\$28,000) and two pickup trucks (\$34,000)
- The Cemetery will renovate a public restroom to ADA compliance, \$13,500.

Capital Improvement Fund

- \$100,000 is included in this year's budget for Grand Generation Center improvements.
- The City's contribution to the Northwest Drainage Project for 2008 is (\$375,000).
- There is \$735,000 for development of the Wasmer Detention Cell.
- The Street Department is budgeting for the Capital Avenue project (\$3,974,203) of which \$2,925,000 is reimbursable.
- \$269,644 is included to realign the entrance to Walnut Middle School and \$25,000 is included for annual sidewalk projects.
- \$150,000 is targeted in Safety Enhancements for Railroad Crossing Horns.
- There is \$150,000 for development of the Heartland Public Shooting Park, \$75,000 for park land acquisition, and \$50,000 for miscellaneous park projects.

Enterprise Funds

- The Solid Waste Department is including a semi-tractor (\$90,000); a loader (\$230,000), a transfer trailer (\$65,000), and GPS system (\$80,000).
- There are projects to keep up with growth in the Electric Department including \$1,100,000 in materials to expand the overhead distribution system; \$1,400,000 in materials to expand the underground distribution system; \$1,800,000 to pay for substation modifications and expansion, \$4,500,000 for leasing gas pipeline capacity, and \$1,110,000 for transmission line improvements.
- The Platte Generation Station is planned for upgrades to the Boiler, Precipitator, and Chimney with total associated costs of \$10,080,000, of which \$8 million of this is for the procurement and installation of mercury control equipment to comply with the Federal Clean Air Mercury Rule.
- The Water Department includes \$200,000 for water main replacement and \$300,000 for new water main districts.
- The Water Department is also planning for trunk line expansions at Copper Creek, \$500,000 and \$500,000 for an additional storage tank at the Rogers Pumping Station.
- The Sewer Department plans to proceed with compost facilities improvements for \$4,240,000 over two years, replace and repair vehicles for \$199,000, and install sewer districts at the airport for \$350,000; Driftwood \$290,000 and other districts for \$250,000. The Capital Avenue widening will necessitate the relocation of Lift station #19; \$860,000 and the 2008 sewer rehabilitation program is \$300,000.

Acknowledgments

A great deal of time and hard work has gone into the construction of the 2007-08 budget. Special thanks go to Jaye Monter, senior accountant and Yolanda Rayburn, senior accounting clerk who were very dedicated in their efforts, as was Paul Briseno, assistant to the city administrator who served as an outstanding budget analyst. The city directors should also be complimented for their hard work, conservative and pragmatic approach to creating their budgets. Although the challenges were great to bring in an effective and efficient budget the directors focused their efforts and were committed to the fiscal goals of the City.

Finally, we would like to thank the City Council for its policy direction and support. We look forward to working together for another successful year on behalf of the citizens of Grand Island.

Respectfully Submitted,
City of Grand Island

Margaret Hornady, Mayor
David Springer, Finance Director

2008 Budget Summary

	Beginning Balance	Revenue	Bond Proceeds	Transfers In	Transfers Out	Appropriation	Ending Balance
General Fund	5,406,851	30,152,638	-	5,075,000	1,343,079	34,219,893	5,071,518
Permanent Funds	424,642	33,000	-	-	-	-	457,642
Special Revenue Funds	1,795,495	7,639,790	-	850,000	4,566,347	5,009,050	709,889
Debt Service Fund	837	1,607,000	-	-	-	1,607,263	574
Capital Projects Fund	736,296	3,851,644	-	1,930,347	-	6,467,847	50,440
Special Assessments Fund	523,404	326,500	-	-	845,000	-	4,904
Total General Government	8,887,525	43,610,572	-	7,855,347	6,754,426	47,304,053	6,294,967
Enterprise Fund	30,652,560	70,282,519	12,500,000	-	725,000	91,171,458	21,538,621
Internal Service Fund	3,558,167	9,341,096	-	-	-	9,837,664	3,061,599
Total Proprietary	34,210,727	79,623,615	12,500,000	-	725,000	101,009,122	24,600,220
Agency Fund	73,777	754,050	-	-	-	753,750	74,077
Trust Fund	9,296,059	465,000	-	224,079	600,000	794,079	8,591,059
Total Fiduciary	9,369,836	1,219,050	-	224,079	600,000	1,547,829	8,665,136
Total All Funds	52,468,089	124,453,237	12,500,000	8,079,426	8,079,426	149,861,004	39,560,322

GENERAL FUND

	<u>2005 ACTUAL</u>	<u>2006 ACTUAL</u>	<u>2007 REVISED</u>	<u>2007 PROJECTED</u>	<u>2008 BUDGET</u>
Beginning Cash Balance	14,427,927	11,422,925	9,505,097	9,505,097	5,406,851
<u>Revenues</u>					
General Government	1,268,950	1,377,691	1,343,221	1,455,676	1,478,287
Public Safety	3,805,031	3,498,948	3,562,334	3,524,379	4,415,321
Public Works	304,350	465,685	265,202	278,382	271,852
Environment & Leisure	1,071,768	1,178,790	1,349,922	2,227,956	1,381,322
Other	19,702,296	21,118,332	20,473,729	21,341,566	22,605,856
Total Revenue	26,152,394	27,639,447	26,994,408	28,827,959	30,152,638
Transfers In	3,540,051	4,418,813	4,001,250	4,151,237	5,075,000
Total Resources Available	44,120,372	43,481,185	40,500,755	42,484,293	40,634,489
<u>Disbursements</u>					
General Government	3,476,678	3,475,479	3,483,820	3,336,682	3,556,588
Public Safety	13,521,012	14,479,681	15,702,265	15,122,195	16,785,949
Public Works	5,072,173	5,900,489	6,163,030	5,547,151	5,729,734
Environment & Leisure	4,324,695	4,845,752	5,764,846	5,566,690	5,950,157
Other	1,487,795	1,388,379	2,247,803	2,198,645	2,197,465
Total Disbursements	27,882,353	30,089,780	33,361,763	31,771,363	34,219,893
Transfers Out	4,815,094	3,886,308	1,486,579	5,306,079	1,343,079
Total Requirements	32,697,447	33,976,088	34,848,342	37,077,442	35,562,972
Ending Cash Balance	11,422,925	9,505,097	5,652,412	5,406,851	5,071,517

Council Agenda Memo

From: Steven P. Riehle, Public Works Director

Meeting: June 26, 2007

Subject: Waste Water Division's Proposed FY 2008 Budget

Item #'s:

Presenter(s): Steven P. Riehle, Public Works Director

Background

1. Solids Handling Alternatives

Three presentations were made to the city council in 2006 with four options discussed for improving the solids handling process.

- Land filling of sewage sludge
- On-site Aerated Static Pile (ASP) Composting
- Conventional Anaerobic Digestion
- Acid Gas Anaerobic Digestion

The acid gas anaerobic digestion was the recommended alternative because it had the lowest overall cost. The proposed acid gas anaerobic digestion facility was sized to accommodate both the city and Swift's loading with a capital cost of almost \$11 million.

The city is working with Swift to reduce their peaks and loading on the WWTP. City staff communicate almost daily and meet weekly with Swift personnel. Swift has three significant projects that have been pending since 2006. If the projects are successful in reducing Swifts loading on the WWTP, the needed size of the city's acid gas anaerobic digestion facility and revenue to the Waste Water Division would decline.

Because of the unknowns with Swift's loading on the city's WWTP, the council chose to implement the onsite ASP composting. ASP composting had a lower initial capital cost and minimized the city's risk regarding future revenue declines.

2. Collection System Rehabilitation

The collection system contains reinforced concrete pipe interceptor sanitary sewer mains upstream of the WWTP that are experiencing significant deterioration from Hydrogen Sulfide gas.

3. Guard Facility Sanitary Sewer

The city is proceeding with the projects to extend city water and sanitary sewer service to the Nebraska Army National Guard (NE ANG) Aviation Support Facility.

Discussion

1. Solids Handling Alternatives

The costs for the 4 sludge handling alternatives have changed since the original comparisons were made in 2006.

- The sewage sludge that is hauled to the city's landfill is now used as an Alternative Daily Cover (ADC) to cover solid waste at the end of the workday. That resulted in the disposal fee for the sewage sludge dropping 30%.
- The corn stalks that are used as an amendment in the ASP composting operation have increased in cost by \$20 per ton of finished compost. The price increase is being driven by the demand for corn stalks to mix with ethanol plant byproducts and used as cattle feed.

The result of these cost changes have increased the cost to compost, lowered the cost to landfill sewage sludge and opened the door for a different alternative.

An acid gas anaerobic digestion system can be sized to meet the current loading (w/o Swift) plus growth for 20 years at an estimated construction cost of \$7.5 million. A normal level of loading from Swift can be accommodated with the acid gas anaerobic digestion system. Any peaks in loading from Swift can be accommodated by disposing of extra sewage sludge in a landfill. The odors from the acid gas anaerobic digestion facility at the WWTP will be lower than what the community has experienced the last 17 months from the straw piles and ASP pilot composting unit.

Building an acid gas anaerobic digestion facility while using the landfill to shave Swifts loading peaks keeps initial capital costs down, minimizes future operational costs and reduces the risk to the city.

2. Collection System Rehabilitation

The proposed FY 2008 budget includes \$300,000 to start a program of rehabilitation of the concrete interceptor mains.

3. Guard Facility Sanitary Sewer

The proposed FY 2008 budget includes \$350,000 for Sanitary Sewer District 522T. The construction estimate for the project based on the final plans and specifications is \$650,000. The original lift station design was substandard and was upgraded to be consistent with the design for lift stations throughout the city. The construction estimate for the project also increased because of FAA and storm water bid specification requirements.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council make the following changes to the proposed FY 2008 budget for the Waste Water Division of the Public Works Department.

1. Solids Handling Alternatives
 - The Enterprise Funds – Five Year Capital budget shows Compost Facilities Improvements at \$2,250,000 for FY 2008 and \$1,990,000 for FY 2009. Administration recommends elimination of the ASP project, originally budgeted in the amount of \$4,240,000.
 - Add \$750,000 to the FY 2008 Budget for the engineering of an acid gas anaerobic digestion project. Add \$750,000 to the FY 2009 Budget for the construction.
 - The Digester Project will significantly reduce sewage sludge hauled to landfills.
 - The Digester Project has a higher capital cost than the ASP Project, but has a significantly lower operation and maintenance cost.
2. Collection System Rehabilitation
 - Administration recommends increasing the proposed FY 2008 for sanitary sewer rehabilitation from \$300,000 to \$1,000,000 so we can stay ahead of the deterioration.
3. Guard Facility Sanitary Sewer
 - Increase the proposed FY 2008 budget for the construction of a force main and sanitary sewer to the NE ANG Aviation Support Facility from \$350,000 to \$636,410.

Sample Motion

Motion to approve changes to the Waste Water Division Budget.