



City of Grand Island

Tuesday, August 19, 2008

Council Session

Item X1

Review of Proposed FY 2008/2009 City Single Budget

Staff Contact: David Springer

July 17, 2008

Honorable Mayor and City Council

Submitted for your consideration is the proposed budget of revenues and expenditures for the City of Grand Island for the fiscal year of 2008-2009. This budget plan results from a collaborate effort on behalf of Department Directors, the City Council, and professional staff in the Finance Office and the City Administrator's Office.

The City is well-served by a Team of Department Directors who collectively possess a thorough understanding of opportunities and challenges that the City of Grand Island has before it. With guidance provided by the City Council during a Retreat in February and during a Goal Setting Workshop in May, I believe that there exists good alignment between the elected body and management personnel on the critical needs and priorities of the City.

Grand Island is a growing community, and City government becomes impacted in many ways as the physical size of the City grows and increased population puts more demand upon services. With a number of public facility construction and expansion projects completed over the past few years, City facilities are generally in good shape. One exception to that is the City Fleet Services Facility, which suffers from inefficiencies due to condition and size. With funding for a new facility not included in this Budget, this represents a facility project that at present is without a plan or timeline for funding and construction. Major renovation/replacement of the Lincoln Swimming Pool is a second project for which funding is not provided but could yet be considered for inclusion in a General Obligation Bond issue.

Preparation of the 2008-2009 Budget evidenced the need to take measures to mitigate the steady reduction in the cash balance of the General Fund that has occurred as a result of planned capital expenditures combined with the inability of traditional revenues (sales and property taxes) to keep pace with inflationary growth in programs cost over a period of several years. The projected increase of \$245,000 in sales tax revenue for the General Fund in the proposed budget compares to a projected increase of personnel costs in that Fund of \$1,192,538, leaving a difference of \$947,539 to be funded by other revenue sources.

This proposed Budget will retain existing program and service levels while limiting funding for personnel additions to only those deemed to be critical. Commensurate with that the personnel additions proposed for General Fund programs are one Emergency Services Dispatcher (to address understaffing) and three part-time, non-benefited positions at the Library to meet the needs of the recent building expansion. Funding for Capital Improvements is relatively modest and a number of projects have been deferred.

Two measures are proposed to be taken that will provide revenue to the General Fund sufficient to maintain cash reserves near the level of \$5 million, which represents approximately 15% of the annual General Fund operating budget. An increase in property tax of \$398,000 is included, which would require a mill-levy adjustment from .238319 to .250000. Additionally, this Budget includes a General Obligation Bond sale of \$2 million to provide revenue for capital projects while also preserving the cash balance at the aforementioned level. It is anticipated that the City will need to look more to debt financing for capital improvements in upcoming years in order to accomplish necessary infrastructure, public works, and recreational facilities maintenance, replacement, and expansion. Similarly, the property tax mill levy will need to be closely reviewed annually as a means to generate a greater portion of the revenue necessary to meet annual operational cost increases and main the General Fund cash reserve at an acceptable level.

The Electric, Water, and Waste-Water utilities will each undertake significant facilities and systems upgrades in 2008-2009. The Electric Utility plans several system improvements totaling including \$2.7 million in distribution improvements and \$3.3 for substation upgrades. Together with significant upgrades to the Platte Generating Station, the municipal electric utility continues to reinvest in its ability to continue to provide an abundant supply of reliable energy to the community.

The new pre-treatment facility expansion that has taken place at JB Swift is expected to have a significant favorable impact on operational costs of the waste-water treatment plant. Related to this is the downward effect on revenue that will result from the decrease in loadings from Swift. Work on a new two-stage anerobic digester system will begin in this budget year, and is expected to be completed the following budget year. Efforts underway currently to analyze and improve the capacity of sanitary sewer and storm water collection systems will continue. Funding of \$375,000 is included as City contribution to continued work on the Northwest Drainage Project.

With major decisions relative to the prospect of City financial involvement in the State Fair yet to be made, inclusion of appropriations and/or revenues for that project are left for inclusion in the final budget. It is anticipated that the City Council will formally consider City involvement in the State Fair project in coming weeks.

Fiscal Summary

The total 2008-09 budget is projected to be \$145,538,070. This is \$3,793,726 or 2.5% less than the \$149,331,796 in the 2007-08 budget, mainly due to a reduction by half in capital project spending and delays in the mercury abatement project in the Electric Utilities department. Following is a summary of the appropriations for each of the fund groups contained in the 2008-09 budget:

General Fund	\$ 36,661,936
Permanent Funds	\$ 0
Special Revenue Funds	\$ 5,182,022
Debt Service Fund	\$ 1,655,462
Capital Projects Fund	\$ 3,391,000
Special Assessments Fund	\$ 0
Enterprise Funds	\$ 87,140,069
Internal Service Fund	\$ 9,896,627
Agency Fund	\$ 940,650
Trust Fund	\$ 670,304

Property Taxes

The proposed property tax requirement for the 2008-09 budget year is \$5,672,361 or 7.4% more than the 2007-08 requirement of \$5,280,591. The City of Grand Island valuation for 2008 is estimated at \$2,268,944,277; therefore, the property tax levy for the 2008-09 budget year is \$.25 per \$100 of valuation, which is an increase of 4.9% from 2007-08.

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 2008-09 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 2008-09 budget:

Non-union employees	3.75%
IBEW-Utilities	in negotiations
IBEW-Wastewater	3.25%
FOP	3.25% - 5.75%
AFSCME	4.0%
IAFF	3.25%

Benefits

The administration of the city's health insurance was moved to Mutual of Omaha, now Coventry, two years ago, which held our costs in check, and even though we are now seeing health care costs again rising, we have had favorable claims experience this year. Therefore, the insurance committee will be presented a recommendation of no change in premiums or deductibles, but a suggested increase in the stop-loss from \$125,000 to \$150,000, which would save roughly \$98,000. It is too early to evaluate the wellness program implemented last year; however, lower claims are a good sign.

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 3.75 increase in FTE's for the 2008-09 budget. Following are the key position changes included in the 2008-09 budget by department:

Finance Department

Reduction of .5 FTE part time Meter Reader.

Police Department

Increase of 1.25 FTE for a Custodian.

Emergency Management

Increase of one position, Communications Specialist.

Library

Reclass of a Librarian II to Assistant Library Director and an increase of one part-time Library Assistant I and a part-time Library Page.

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. However, the increase in revenue sources has not kept up with rising personnel and operating costs, thus a further hike in the property tax levy may be necessary to maintain appropriate contingency levels. The 2008-09 budget again includes \$40,455,439 in cash balance in all funds and \$5,173,969 in the general fund. The budgeted cash balance in 2007-08 was \$40,006,121 for all funds and \$5,003,726 for the general fund.

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 \$4,656,000 from this sales tax. About 55% or \$2,553,000 will be placed in the general fund to offset property taxes. The remaining \$2,103,000 will be used to pay a portion of the costs for the following projects:

• Grand Generation Center	\$	140,000
• Debt Service Library	\$	830,170
• Debt Service Law Enforcement Center	\$	853,008
• Annual Paving Program	\$	400,000
• Shooting Park Development	\$	150,000
• Railroad Safety Directional Horns	\$	150,000
• Northwest Drainage Project	\$	375,000
Total	\$	2,898,178

Notable Projects/Expenditures

Following is a list of notable projects/expenditures that have been included in the 2008-09 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 \$567,888.
- \$830,170 is included to fund the lease payments for the Library expansion project.
- One replacement inspection vehicle for the Buildings Department is included for \$17,000.
- Defibrillator replacements are included for \$125,000.
- A rescue pumper, \$510,000 will be purchased, only if grant monies of 90% are secured. An ambulance is included for \$210,000 to replace one that was wrecked.
- Two unmarked vehicles \$34,000, six marked police vehicles \$131,640, along with one police motorcycle \$19,360 are included to replace aging units.
- \$120,000 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 the continued replacement program for outdoor warning sirens \$24,000 and \$62,500 for electrical & radio equipment.
- The Street Department budget includes a replacement skid steer loader \$32,000, a pick-up \$29,000; and a front-end loader, \$162,500).
- The Library will continue the automation system enhancement program for \$35,000.
- The Parks Department will purchase a ball field drag \$13,500 and two large area mowers \$47,500.
- The Cemetery will replace a utility vehicle \$10,000 and mowers, \$16,500.
- Public Information will upgrade transmitters for \$40,000.
- The Heartland Shooting Park will acquire an All Terrain Lift for \$35,000.

Capital Improvement Fund

- \$140,000 is included in this year's budget for Grand Generation Center to complete their building expansion.
- There is \$150,000 for Stolley Park Rd widening.
- The city's contribution to the Prairie/Silver/Moore's Creek flood control project is included for \$375,000.
- South Locust widening is to begin, \$470,000.
- There is \$400,000 for annual paving projects.
- \$640,000 is included for the railroad grade separation at Broadwell.
- \$150,000 is targeted in Safety Enhancements for Railroad Crossing Horns.
- Hike/bike trails are budgeted for \$500,000, only if grant monies are obtained.
- 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 skid loader \$37,000, a compactor \$630,000.
- There are projects to keep up with growth in the Electric Department including \$1,200,000 in materials to expand the overhead distribution system; \$1,500,000 in materials to expand the underground distribution system; and \$3,300,000 to pay for substation modifications and expansion. There is \$4,500,000 for leasing gas pipeline capacity, and \$550,000 for transmission line improvements.
- The Platte Generation Station is planned for upgrades to the Boiler, Precipitator and Chimney with total associated costs of \$1,050,000 and cooling tower improvements of \$3 million. Burdick cooling tower repair of \$1 million is planned.
- The Water Department includes \$200,000 for water main replacement and \$200,000 for new water main districts.
- The Water Department is also planning for trunk line expansions of \$2,100,000 and \$1,700,000 for an additional storage tank at the Rogers Pumping Station.
- The Sewer Department plans to precede with aerobic digester improvements for \$1,000,000 next year of a \$10 million plus project, build a solids storage facility \$180,000, install sewer districts for \$250,000, continue the sewer rehabilitation program for \$1,000,000, and install new mechanism primaries, \$990,000.
- The Golf Course plans to purchase \$40,000 in greens mowers.

Acknowledgments

A great deal of time and hard work has gone into the construction of the 2008-09 budgets. 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 in 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,

Jeff Pederson, City Administrator

David Springer, Finance Director

2008 Budget Summary

	Beginning Balance	Revenue	Bond Proceeds	Transfers In	Transfers Out	Appropriation	Ending Balance
General Fund	5,560,334	30,848,004	-	6,385,000	815,000	36,557,029	5,421,309
Permanent Funds	485,827	33,000	-	-	-	-	518,827
Special Revenue Funds	2,764,040	8,081,529	-	815,000	5,500,000	5,182,022	978,547
Debt Service Fund	148,585	1,450,877	2,000,000	-	1,944,000	1,655,462	-
Capital Projects Fund	(3,834,359)	3,731,466	-	3,644,000	-	3,291,000	250,107
Special Assessments Fund	194,329	385,500	-	-	400,000	-	179,829
Total General Government	5,318,756	44,530,376	2,000,000	10,844,000	8,659,000	46,685,513	7,348,619
Enterprise Fund	41,254,793	70,994,898	-	-	805,000	87,319,069	24,125,622
Internal Service Fund	4,774,150	9,845,877	-	-	180,000	9,924,161	4,515,866
Total Proprietary	46,028,943	80,840,775	-	-	985,000	97,243,230	28,641,488
Agency Fund	50,981	938,016	-	-	-	940,650	48,347
Trust Fund	8,179,551	265,000	-	202,304	1,402,304	670,304	6,574,247
Total Fiduciary	8,230,532	1,203,016	-	202,304	1,402,304	1,610,954	6,622,594
Total All Funds	59,578,231	126,574,167	2,000,000	11,046,304	11,046,304	145,539,697	42,612,701

GENERAL FUND

	2005 ACTUAL	2006 ACTUAL	2007 REVISED	2007 PROJECTED	2008 BUDGET
Beginning Cash Balance	11,423,224	9,505,396	6,469,783	6,469,783	5,560,334
Revenues					
General Government	1,377,691	1,398,436	1,478,287	1,475,951	1,502,446
Public Safety	3,498,948	3,528,125	3,830,321	3,934,720	4,568,850
Public Works	465,685	183,068	271,852	364,720	360,520
Environment & Leisure	1,178,790	2,070,906	1,381,322	1,480,254	1,364,644
Other	21,118,332	20,749,337	22,407,447	22,167,042	23,051,544
Total Revenue	27,639,446	27,929,872	29,369,229	29,422,687	30,848,004
Transfers In	4,418,813	2,676,877	5,075,000	5,438,528	6,385,000
Total Resources Available	43,481,483	40,112,145	40,914,012	41,330,998	42,793,338
Disbursements					
General Government	3,475,479	3,187,848	3,596,458	3,426,618	3,739,079
Public Safety	14,479,681	14,642,988	16,432,389	16,214,113	17,627,194
Public Works	5,900,489	4,822,962	6,462,474	6,294,240	6,789,368
Environment & Leisure	4,845,752	5,091,285	6,247,694	6,030,193	6,284,188
Other	1,388,379	2,145,948	2,189,619	2,110,500	2,117,200
Total Disbursements	30,089,780	29,891,031	34,928,634	34,075,664	36,557,029
Transfers Out	3,886,308	3,751,330	1,343,079	1,695,000	815,000
Total Requirements	33,976,088	33,642,361	36,271,713	35,770,664	37,372,029
Ending Cash Balance	9,505,395	6,469,784	4,642,299	5,560,334	5,421,309

FISCAL YEAR 2008-2009 ADDENDUM TO PROPOSED BUDGET

<u>FUND</u>	<u>DEPARTMENT</u>	<u>CHANGE</u>	<u>ACCT #</u>	<u>INCREASE (DECREASE) FUND APPROPRIATION</u>
General	Mayor	Mayor Forgave 2009 Salary	10011203-Payroll	(14,025)
General	Council	Travel Expense Decrease	10011204-85428	(7,000)
General	Finance	IBEW-Contract Wage Changes	10011401-Payroll	7,679
General	Emergency Mgmt	Remove FTE-Communication Specialist	10022601-Payroll	(48,657)
General	Library	Remove FTE-Assistant & Library Page	10044301-Payroll	(42,904)
CHANGE IN APPROPRIATION				(104,907)
PROPOSED APPROPRIATION				36,661,936
AMENDED APPROPRIATION				36,557,029
<hr/>				
400 Fund	Capital Improve	Fiber Optic Connections	40015025-90002	50,000
400 Fund	Capital Improve	Fire Training Center	40015025-90170	(50,000)
400 Fund	Capital Improve	Annual Paving Project	40033530-90060	(100,000)
CHANGE IN APPROPRIATION				(100,000)
PROPOSED APPROPRIATION				3,391,000
AMENDED APPROPRIATION				3,291,000
<hr/>				
505 Fund	Solid Waste			
CHANGE IN APPROPRIATION		Move GPS Equip purchase from 2008 to 2009	50530043-85615	80,000
PROPOSED APPROPRIATION				2,889,477
AMENDED APPROPRIATION				2,969,477
<hr/>				
530 Fund	WWTP			
CHANGE IN APPROPRIATION		10% Engineer Fees-Install Mechanism Primaries	53030054-85213	99,000
PROPOSED APPROPRIATION				12,494,650
AMENDED APPROPRIATION				12,593,650
<hr/>				
605 Fund	Info Technology			
CHANGE IN APPROPRIATION		IBEW-Contract Wage Changes	60510001-Payroll	27,534
PROPOSED APPROPRIATION				1,041,832
AMENDED APPROPRIATION				1,069,366
<hr/>				
2009 Budget Summary Appropriations				
GENERAL FUND				(104,907)
CAPITAL IMPROVEMENTS FUND				(100,000)
ENTERPRISE FUNDS				179,000
INTERNAL SERVICE FUNDS				27,534
CHANGE IN APPROPRIATION				1,627
PROPOSED APPROPRIATION				145,538,070
AMENDED APPROPRIATION				145,539,697

City of Grand Island

Changes to Proposed Annual Budget

Fiscal Year 2008-2009

Effect on Ending Cash Balance

<u>2008 Projection</u>			<u>Reason</u>
100 Fund	10,495	Decrease Mayor's Salary 2008	Mayor forgave 2008 Salary
100 Fund	25,000	Increase in Interest Income-Nondepart	Change in projection
100 Fund	25,000	Increase in Ambulance Revenue	Change in projection
100 Fund	35,000	Increase in Wireless Franchise Revenue	Change in projection
100 Fund	(100,000)	Decrease in Sales Tax Revenue	Change in projection
100 Fund	<u>(4,505)</u>	Net Increase (Decrease)	
210 Fund	<u>80,000</u>	Net Increase (Decrease)	Increase Gas Tax State Funds
400 Fund	<u>147,676</u>	Net Increase (Decrease)	Increase Intergovernmental Revenue
401 Fund	<u>40,000</u>	Net Increase (Decrease)	Increase Special Assessment Paving Revenue
505 Fund	<u>80,000</u>	Net Increase (Decrease)	Move GPS Equip purchase from 2008 to 2009
530 Fund	(351,219)	50530055-85213-53019	Resolution 2008-206 Sewer Change Order-Capital Ave
530 Fund	650,000	53030001-74500	Increase Projection Sewer Revenue
530 Fund	170,000	53030001-74787	Increase Projection Interest Income
530 Fund	<u>468,781</u>	Net Increase (Decrease)	
615 Fund	<u>500,000</u>	Net Increase (Decrease)	Change in projection for Health Ins employee premiums
	<u>1,311,952</u>	All Funds 2008 Projection Cash Increase	

<u>2009 Budget</u>			<u>Reason</u>
100 Fund	104,907	Change in General Fund Appropriations	See 2008-2009 Addendum Proposed Budget Worksheet
100 Fund	(2,466)	10022605-74773	Remove FTE-Communication Specialist-Health Ins
100 Fund	25,000	10022102-74528	Increase in Ambulance Revenue
100 Fund	35,000	10055001-74034	Increase in Wireless Franchise Revenue
100 Fund	(23,096)	10022601-74355	Decrease revenue from County-50% of expenses
100 Fund	112,500	10022101-74360	Fire Revenue-Federal Grant-Defibrillator
100 Fund	<u>251,845</u>	Net Increase (Decrease) 2009	
210 Fund	<u>100,000</u>	Net Increase (Decrease) 2009	Increase Gas Tax State Funds
400 Fund	<u>100,000</u>	Net Increase (Decrease) 2009	Change in Appropriations
505 Fund	<u>(80,000)</u>	Net Increase (Decrease) 2009	Change in Appropriations
530 Fund	<u>(99,000)</u>	Net Increase (Decrease) 2009	Change in Appropriations
605 Fund	<u>(27,534)</u>	Net Increase (Decrease) 2009	Change in Appropriations
615 Fund	<u>600,000</u>	Net Increase (Decrease) 2009	Change in projection Health Ins employee premiums
	<u>845,311</u>	All Funds Cash Increase 2009 Budget	
	<u>2,157,263</u>	All Funds Cash Increase 2008 Projection & 2009 Budget	