



# City of Grand Island

Tuesday, January 27, 2009

Council Session

## Item G2

**Approving Minutes of January 20, 2009 City Council Study Session**

Staff Contact: RaNae Edwards

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL STUDY SESSION

January 20, 2009

Pursuant to due call and notice thereof, a Study Session of the City Council of the City of Grand Island, Nebraska was conducted in the Council Chambers of City Hall, 100 East First Street, on January 20, 2009. Notice of the meeting was given in the *Grand Island Independent* on January 14, 2009.

Mayor Margaret Hornady called the meeting to order at 7:00 p.m. The following Councilmember's were present: Meyer, Nickerson, Ramsey, Dugan, Carney, Haase, Gilbert, Gericke, and Niemann. Councilmember Zapata was absent. The following City Officials were present: City Administrator Jeff Pederson, City Clerk RaNae Edwards, City Attorney Dale Shotkoski, Public Works Director Steve Riehle and Finance Director David Springer.

INVOCATION was given by Mayor Margaret Hornady followed by the PLEDGE OF ALLEGIANCE.

MAYOR COMMUNICATION: Mayor Hornady commented on the historical event of the inauguration of our first African American President, Barak Obama.

Presentation of Financial Trend Monitoring System. Jeff Pederson, City Administrator gave a PowerPoint presentation on the fiscal health of the City focusing on the General Fund. Using the ICMA model for Financial Trend Monitoring System, the Council looked at the following ten-year trends for areas including community resources, city revenue, city expenditures, and city debt.

Community Resources includes economic and demographic characteristics including population, personal income, property value, employment, and construction activity.

- Population continues to increase in Grand Island at a somewhat faster rate than do most cities in Nebraska and nationally
- Local personal income per capita in constant dollars has increased in all but one of the last seven years
- Assessed valuation per capita in constant dollars has experienced a steady, but modest increase in the last decade
- Unemployment rate has averaged 3% with the exception of the years 2002-2005
- Residential construction in constant dollars has been very constant from year to year
- Commercial construction reflects a significant increase from 2004-2006
- A drop in new construction, both residential and commercial in the last two years was due to economic factors

Revenues determine the capacity to provide services. Issues to consider are growth, diversity, reliability, flexibility and administration.

- Revenue per capita reveals changes in revenue relative to changes in population
- City's per capita revenue declined annually from 2000-2006

- Intergovernmental revenue is intended to fund a specific activity
- Intergovernmental revenue may be eliminated with little notice due to changes in Federal/State funding priorities and/or decisions
- Property tax revenue per capita in constant dollars has decreased significantly as a result of the 1/2 cent sales tax levy in 2004
- Franchise tax revenue has had a steady increase over the last nine years
- Sales tax receipts per capita in constant dollars have been flat for the decade with increases from 2004 to 2005 due to the 1/2 cent sales tax
- Sales tax as a percentage of operating revenue grew by nearly one half with the additional 1/2 cent increase in 2004, but has leveled off in the last four years

Expenditures are a rough measure of service output.

- Operating expenditures per capita indicates a gradual increase over the last nine years
- Employees per thousand citizens have remained constant over the last decade
- Average Employee salary have averaged about 0.7% ahead of the CPI over the last nine years
- Employee benefits have had an upward trend over the decade, but have leveled the last four years

Operating position refers to the ability to 1) balance the budget on a current basis, 2) maintain reserves for emergencies, and 3) maintain sufficient liquidity to pay bills on a timely basis.

- Operating surplus as a percentage of operating revenue in the General Fund has had a downward trend in operating surplus as a percentage of operating revenue for the last decade
- Unrestricted balance as a percentage of operating revenue in the General Fund is in a downward trend
- City continues to maintain a healthy General fund Reserve
- Cash transfers from General Fund to Capital Projects Fund is money mainly from state or federal grants which require a local match, normally 20%
- Capital projects fund expenditures were major expenditures from 2000 – 2002 because of the South Locust widening/Wood River Flood Control projects and 2007 with the construction of the Law Enforcement Center and Fire Station #1
- Jack Rabbit Run Golf Course incurred a loss in two thirds of the last nine years, but has been profitable in 2008

Debt is an effective method of financing capital improvements.

- Net direct debt has increased from 1999 to a high in 2006, this has been paid down to 11.08% in 2008
- Direct debt per capita has increased
- Net direct debt service has increased

Mr. Pederson concluded that the trends clearly evidence the fact that current operations of the General Fund, combined with a program of capital improvements, cannot be sustained without shifts in current fiscal policy. On the revenue side, the focus going forward needs to be with the declining ability of sales tax revenue to meet operational and capital funding requirements.

Comments were made on capital projects, debt, operating surplus, unrestricted balance in the General Fund, sales tax, property tax, and the Jackrabbit Run Golf Course debt.

It was suggested that at the next meeting the budget amendment include monies to be transferred to the golf course to eliminate the deficit for FY 2008/2009. Fiscal policy, budget policy, and a balanced budget were mentioned. Comments were made on prioritizing city services.

Discussion of Need for Budget Amendment to FY 2008/2009 Budget. David Springer, Finance Director reported that the State Auditor directed the City to review the use of year-end encumbrances. In the past, at fiscal year end, departments had been required to submit to the Finance Department open purchase orders and contracts on which services had not been completed. Those future expenses, previously budgeted for, were then added onto the new years budget and titled "Revised Budget". The State preferred that those encumbrances be estimated and included in the appropriations at the time new budgets were submitted to the State in September. The effect would be to increase the appropriation or expenditure line and reduce cash balances.

Total encumbrances for the proposed budget amendment were \$6,664,527 of which \$718,994 was in the General Fund. As the 2008 General Fund cash balance came in \$340,770 higher than projected, the 2009 budget balance of \$6,284,777 would become \$5,906,553 after factoring in the encumbrances.

Discussion was held concerning year-end fund balances and encumbrances.

Mr. Springer stated this item would be brought back to council at the January 27, 2009 Regular meeting.

ADJOURNMENT: The meeting was adjourned at 8:40 p.m.

RaNae Edwards  
City Clerk