



City of Grand Island

Tuesday, August 18, 2009

Council Session

Item X1

Review of Proposed FY 2009/2010 City Single Budget

Staff Contact: Jeff Pederson

July 17, 2009

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 2009-2010.

Following the adoption in September of the 2008-2009 Budget, a project was initiated that had the goal of producing information that illustrates pertinent trends in City finance that would be useful in formulating future budgets and fiscal policies. In December, the City Council was presented with the Financial Trend Monitoring System. That presentation highlighted several major fiscal/financial trends that had developed over the previous ten years, including gradual declines in recent years in the unrestricted General Fund balance as well as in annual revenue of the General Fund that is available for financing of capital projects. Additionally, the trend analysis illustrated the fact that sales tax revenue has not been sufficient to fund inflationary growth in General Fund spending after meeting the mandated commitments for project funding as well as replacement of revenues formerly generated by property taxes. Several key indicators also pointed to the fact that current programs in the General Fund could not be sustained with existing revenue levels, and that debt financing would be required to sustain a responsible level of capital improvement projects for facilities that are associated with General Fund programs.

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. The City is fortunate to have a highly competent team of management professionals, and a workforce that is dedicated to quality service delivery. With a number of public facility construction and expansion projects completed over the past few years, City facilities are generally in good shape. The need to construct a new Fleet Services Facility persists, and the site that the City formerly purchased for a prospective State Fire Training Center will now be evaluated for suitability for Fleet Services. Although funding for reconstruction of Lincoln Park Pool is not in the proposed budget, that project will be discussed with consideration to the information that was brought forward at a July 21 City Council Study Session.

While Grand Island has been less impacted by the economic downturn than most cities in the nation, projected sales tax revenue for the current fiscal year will be down by approximately \$125,000, or less than 1%. This occurrence, while not insignificant, adds to a challenge that already existed with respect to available revenue for the General Fund and for the Capital Improvements Fund. The projected flattening of sales tax revenue triggered several administrative constraints on spending for the year, including

restrictions on travel, a wait period of hiring of open positions, and a requirement for strict adherence to line-item limits to spending.

A Budget Focus Retreat for Department Directors was held on March 25, during which the financial picture for the budget preparation was analyzed. Subsequent to that Retreat, Department Directors were required to undertake two rounds of review of current-year appropriations in order to identify opportunities to make reductions. These efforts resulted in a cumulative total of \$1,190,000 in reduction to current year spending. An additional measure taken during this period was a complete review of cost allocation from General Fund support departments to all of the City utility operations.

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 sole personnel addition proposed for General Fund funding is one dispatcher in the Communications Department. Both the Police and Fire Departments were authorized to submit application for grant-funding for additional personnel which includes up to four Police Officers and six Firefighters. Successful grant funding for any of these positions will obligate the City to fully fund the position(s) for a minimum of one-year after grant funding runs out. Funding for Capital Improvements is relatively modest and a number of projects have been deferred for future funding consideration.

Two measures are proposed to be taken that will provide revenue to the General Fund sufficient to maintain cash reserves near the level of \$4.2 million, which represents approximately 12.5% of the annual General Fund operating budget. An increase in property tax of \$813,371 is included, which would require a mill-levy adjustment from 25 cents to 28 cents. Additionally, this Budget includes a General Obligation Bond sale of \$2 million to provide approximately 46% of the revenue necessary to fund the proposed Capital Improvement Program. 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 maintain 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 2009-2010. The Electric Utility plans several system improvements including \$2.7m in distribution improvements and \$4m 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 City Council has given preliminary approval to a new capital improvements plan for the wastewater utility that will reinvest approximately \$50m into the combined collection/treatment system over the next 5-7 years. Work on a new two-stage anaerobic digester system will begin in this budget year, and is expected to be completed the following budget year. Funding of \$375,000 is included as City contribution to continued work on the Northwest Drainage Project, which is amongst a total of \$1.4m proposed to be spent on drainage projects in the new budget year.

Two capital projects related to the location of the Nebraska State Fair to Grand Island are included in the proposed budget. The amount of \$200,000 is earmarked for construction of strategic turning lanes on portions of Stolley Park Road between South Locust and Stuhr Road. Additionally, \$1.3m is budgeted for Phase 1 of the Veterans Athletic Complex which is being constructed to replace athletic facilities lost at Fonner Park due to requirements for vehicle parking. Monies for this project will be repaid to the General Fund through annual proceeds from the Food/Beverage occupation tax.

Fiscal Summary

The total 2009-10 budget is projected to be \$159,684,400. This is \$13,037,330 or 8.9% more than the \$146,647,070 in the 2008-9 budget. Following is a summary of the appropriations for each of the fund groups contained in the 2009-10 Budget:

General Fund	\$37,920,369
Permanent Funds	\$0
Special Revenue Funds	\$7,349,147
Debt Service Fund	\$1,668,846
Capital Projects Fund	\$4,623,500
Special Assessments Fund	\$0
Enterprise Funds	\$95,132,770
Internal Service Fund	\$9,700,700
Agency Fund	\$1,038,500
Trust Fund	\$2,250,568

Property Taxes

The proposed property tax requirement for the 2009-10 budget year is \$6,525,242 or 14.42% more than the 2008-09 requirement of \$5,711,871. The City of Grand Island valuation for 2009 is estimated at \$2,220,443,511; therefore, the property tax levy for the 2009-10 budget year is \$.28 per \$100 of valuation, which is an increase of 12% from 2008-09.

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 2009-10 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 2009-10 budget:

Non-union employees	4.5% (3-year survey underway)
IBEW-Utilities-Finance	3.75%
IBEW-Wastewater	3.5%
FOP	3.75%
AFSCME	4.0%
IAFF	3.5%

Benefits

The administration of the city's health insurance was moved to Mutual of Omaha, now Coventry, three years ago, which held our costs in check. Favorable claims experience over the past two years, combined with a soft market, created a very favorable climate for seeking proposals for a new Third Party Administrator and Reinsurance Underwriter. The Employee Insurance Committee is presently formulating a recommendation for new contracts that is expected to result in no cost increase to the City for employee health/dental insurance for the next budget year.

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 2009-10 Budget again includes \$44,543,027 in cash balance in all funds and \$4,262,782 in the General Fund. The budgeted cash balance in 2008-09 was \$43,350,609 for all funds and \$6,284,777 for the General Fund only. As stated earlier, this amount falls within the mid-range of the "best practices" recommendation of 10-15%.

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 \$4.5m from this sales tax. About \$2.3m will be placed in the General Fund to offset property taxes. The remaining \$2.2m will be used to pay a portion of the debt costs for the following projects:

- Debt Service Library \$ 835,000
- Debt Service Law Enforcement Center \$ 853,008

- Heartland Events Center \$ 572,000

Notable Projects/Expenditures

Following is a list of notable projects/expenditures that have been included in the 2009-10 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 \$572,000
- \$835,000 is included to fund the lease payments for the Library expansion project.
- \$450,000 is budgeted in the Street Department for repair of concrete streets
- \$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.
- The Street Department budget includes a replacement Street Sweeper for \$168,000, an Aerial Lift Truck for \$125,000, and a Dump Truck for \$84,950.

Equipment Replacement Fund

\$180,000 is budgeted to replace an ambulance that was totaled in an accident.

Capital Improvement Fund

- There is \$200,000 for Stolley Park Rd turn lanes
- The city's contribution to the Moore's Creek flood control project is included for \$250,000
- There is \$300,000 for annual paving projects.
- Hike/bike trails are budgeted for \$500,000, only if grant monies are obtained.
- \$375,000 is allocated for continued support of the Northwest Drainage Project
- The CCC to Wood River drainage project is budgeted for \$282,500
- \$150,000 is budgeted to update the City's Comprehensive Drainage Plan

Enterprise Funds

- The Solid Waste Department is including a wheel loader \$230,000, semi-tractor \$110,000, transfer trailer \$80,000, truck maintenance building \$80,000, excavator \$90,000 and re-permitting \$135,000.
- 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 to meet continued city growth and expansion; and \$4,000,000 to pay for additional distribution substations.

- The Water Department includes \$550,000 for U.P. main line and Airport water main replacement and \$250,000 for new water main districts.
- The Water Department is also planning for trunk line expansions of \$650,000 Engleman and \$275,000 for Painting of Burdick in and out.
- The Sewer Department plans to precede with aerobic digester improvements for \$7,850,000 next year, build a concrete paving to storage facility \$45,000, machinery and equipment \$207,650, Pickup \$32,000, lift station #7 improvements \$150,000, sewer rehabilitation of St. Patrick Avenue \$350,000, future sewer districts \$250,000, upgrade SCADA system \$609,000, install new mechanism primaries \$1,050,000 and Hydrogen Sulfide controls \$250,000.
- The Golf Course plans to purchase \$48,000 in airifiers and a Seeder for \$13,000.

Acknowledgments

As expected, the City of Grand Island Budget can not be balanced without an increase in property taxes to maintain the current program of services to the citizens. We commend the Department Directors who oversee General Fund Departments for their diligence in identifying cost-cutting opportunities where they existed. We do believe that present staffing levels are appropriate to the demands for service that the City is presently fulfilling.

Future decisions to eliminate or reduce programs may produce opportunities to lower costs associated with staffing. The City has embarked upon a substantive process of "Prioritization" that will assist in determining the present and future value of City programs for consideration for future budgetary allocation.

We would like to thank everyone who contributed to the many difficult decisions that went in to this Proposed Budget. Several individuals played key roles in the process of information generation, budget formatting, and data-entry. In particular we recognize the efforts of Paul Briseno, Jaye Monter, and Yolanda Rayburn.

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