



City of Grand Island

Tuesday, March 23, 2010

Council Session

Item G2

**Approving Minutes of March 6, 2010 City Council Special Study
Session (Retreat)**

Staff Contact: RaNae Edwards

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL SPECIAL STUDY SESSION (RETREAT)

March 6, 2010

Pursuant to due call and notice thereof, a Special Study Session (Retreat) of the City Council of the City of Grand Island, Nebraska was conducted at the Law Enforcement Center, 111 Public Safety Drive on March 6, 2010. Notice of the meeting was given in the *Grand Island Independent* on February 24, 2010.

Mayor Margaret Hornady called the meeting to order at 8:40 a.m. The following members were present: Councilmember's Gericke, Nickerson, Zapata, Ramsey, Dugan, Carney, Haase, Gilbert, Niemann, and Meyer. The following City staff was present: City Administrator Jeff Pederson, City Clerk RaNae Edwards, City Attorney Dale Shotkoski, Finance Director Mary Lou Brown, Public Works Director Steve Riehle, Parks & Recreation Director Steve Paustian, Regional Planning Director Chad Nabity, Utilities Director Gray Mader, Building Department Director Craig Lewis, Emergency Management Director Jon Rosenlund, Library Director Steve Fosselman, Fire Chief Troy Hughes, Police Chief Steve Lamken, Human Resources Director Brenda Sutherland, Public Information Officer Wendy Meyer-Jerke, and Assistant to the City Administrator Shannon Oster.

INVOCATION was given by Mayor Hornady followed by the pledge of allegiance.

INTRODUCTION:

Mayor Hornady welcomed the council and gave a brief outline of the day's activities and purpose. Mentioned were the State Fair buildings going up at Fonner Park. Comments were made on Dr. Nalbandian's article "Preparing Councils for Their Work".

DEVELOPMENT OF COUNCIL/STAFF COMMUNICATION GUIDELINES:

City Administrator Jeff Pederson welcomed the group and commented on the importance of this retreat for the future of the City of Grand Island. City Council and staff were divided into five groups of five for a Communication Guidelines Exercise. Each group was given 30 minutes to discuss two guidelines from a set of ten. Each group highlighted their discussion on their two guidelines followed by a group discussion on each item.

Citizens Request Management System was mentioned as a way for the City to be responsive to citizens requests in a timely manner.

Break: 9:25 a.m. to 10:35 a.m.

HIGHLIGHTS OF FINANCIAL TREND MONITORING SYSTEM UPDATE:

City Administrator Jeff Pederson introduced Assistant to the City Administrator Shannon Oster who presented an update on the Financial Trend Monitoring System highlighting the following:

Community Resources Indicators:

- Population
- Personal Income Per Capita
- Unemployment Rate
- Assessed Valuation Per Capita
- New Construction Permits

Revenue Indicators:

- Revenue & Transfers In Per Capita – General Fund
- Intergovernmental Revenue
- Property Tax Revenue Per Capita
- Franchise Tax Revenue Per Capita
- Sales Tax Revenue Per Capita
- Sales Tax Revenue as a % of Operating Revenue

Expenditure Indicators:

- Operating Expenditures Per Capita
- Employees Per Thousand Citizens
- Average Employee Salary
- Employee Benefits

Operating Position indicators:

- Operating Surplus – General Fund
- Unrestricted – General Fund
- Cash Transfers from General fund to Capital Projects Fund
- Capital Projects Fund Expenditures
- Jack Rabbit Run Golf Course

Debt Indicators:

- Net Direct Debt
- Direct Debt Per Capita
- Net Direct Annual Debt Service Payment

CURRENT FISCAL YEAR – PROJECTED REVENUE SHORTFALL AND SOLUTIONS:

Finance Director Mary Lou Brown presented the current fiscal year General Fund Financial Overview for 2009/2010. Presented was “What is a cash forecast?”

- Focuses on material cash receipts and disbursements
- Based on actual monthly results and the overall budget, an estimate is developed for each of the remaining months
- Objective is to provide a picture of the year-end cash balance
- The forecast is continually updated to reflect real-time information and therefore the projections are constantly changing

The following current year revenue shortfalls were increasing in both dollar amount and areas of the budget:

	<u>Previous View:</u>	<u>Current View:</u>
Sales Tax:	\$500,000	\$800,000
Natural Gas Franchise:	\$170,000	\$375,000
Gas Tax:	----	\$260,000
Food and Beverage:	----	\$ 50,000
Total:	\$670,000	\$1,485,000

Closures of the original revenue shortfall of \$670,000 were attained with the following actions:

General Fund Dept. Savings:		\$508,080
Management of open positions:	\$285,300	
Library Savings to offset loss of		
County funding:	\$ 97,400	
Other specifically identified items:	\$125,380	
Healthcare Premium Holiday:		\$140,000
Change in General Fund Cash Balance:		\$ 25,050
Increase related to New Union Contract:		<\$3,130>
Closure of Revenue Shortfall:		\$670,000

With the projected revenue shortfall growing to \$1,485,000, it had become necessary to expand the areas where action would be taken:

Previous Closure Actions:		\$670,000
Additional Items:		
Use of Cash Balance in gas Tax Fund:	\$260,000	
Additional Healthcare Premium Holiday:	\$140,000	
Forego Purchase of Aerial Truck & Lift:	\$125,000	
Concrete and Storm Sewer Repair:	\$100,000	
Total Identified Closure Items:		\$1,295,000
Remaining Amount to be Identified:		<u>\$ 190,000</u>
Total:		\$1,485,000

Administration would continue to identify specific items to close the remaining \$190,000 shortfall.

Discussion was held concerning healthcare premiums, claims, workers compensation, and wellness program. Interest rates on CD's were discussed along with gas tax.

FISCAL YEAR 2010/2011 BUDGET FINANCIAL PROJECTION:

Finance Director Mary Lou Brown presented the following long range plan model which was similar to the Cash Forecast:

- The objective is the same – provide a picture of the year-end cash balance.

- Once the appropriate drivers for revenue and appropriations are determined, it is easy to extend the model for several years.
- Primary drivers include the projected inflation rate, rates set forth by contract, labor agreements.
- The model starts with the 2009/2010 Forecast as the “jumping-off point”

The following factors were important to keep in mind:

- Sales Tax receipts make up approximately 45% of the General Fund revenue;
Property
Tax receipts account for approximately 12%
- Approximately 70% of the General Fund operating expense in employee related
- Principal and interest payments for existing debt will continue for some time.
 - Heartland Events Center \$570,000 annually until 2024
 - Library \$830,000 annually until 2016
 - Law Enforcement Center \$861,000 annually until 2018
 - State Fair Building \$753,000 annually until 2017
- LB 840 obligates us to a \$750,0000 annual payment to the EDC

Fiscal Year 2010/2011 revenue growth was projected at 1.1% due to lingering economic impacts and no projected property tax increases. Expenses were projected to increase 2.2% on a comparable, year over year basis. Ms. Brown stated some combination of revenue increases, including tax increases, and/or expense decreases of approximately \$3,000,000 was needed. If the changes were permanent operation changes, reductions in 2011/2012 would be minimized.

Discussion was held concerning what the ending cash balance should be. Ms. Brown stated the use of one time items and existing cash balances continues an existing, although non-sustainable trend.

\$3,000,000 translates into the following:

Operational:

- An incremental 12 mil property tax increase equates to \$3.0 million
- The sum of \$3.0 million equates to a total of 46 employees at an average compensation and benefits level of \$65,000
- Assuming a total of 370 General Fund employees at a daily savings of \$96,000, it would take 31 furlough days per employee to equate to \$3.0 million. This would be equivalent to a 12% pay reduction

One Time (Non-sustainable):

- Review of City owned property for potential sale
- Potential use of General Insurance Fund cash - \$500,000 - \$1,000,000

Ms. Brown stated Program Prioritization would help us address program reductions. The impact on our employees and citizens may be dramatic depending on future decisions.

Lunch break: 12:00 noon to 1:15p.m.

CAPITAL IMPROVEMENT PLAN/PROJECTS AND FUNDING:

City Administrator Jeff Pederson stated he had staff put together a priority list of Capital Improvement Projects (CIP) for the next three years. Public Works Department Director Steve Riehle gave a PowerPoint presentation concerning the CIP Plan/Projects and Funding.

The following CIP Multi-Year Funding challenges were presented:

- No multi-year funding plan exists
- Recommend \$3 million per year funding commitment in order to accomplish responsible level of infrastructure maintenance/expansion
- Gas Tax and Keno revenue expected to generate \$1 million per year to CIP for the next 5 years
- Beginning in 2016 annual Library debt payment of \$830,000 ends and should be committed to CIP funding

The following CIP Funding Options for the next 5 years was presented:

- \$1 million annual contribution from Gas Tax/Keno leaves \$2 million annual funding shortfall
- Generating \$2 million annually through taxation would require 8-9 mil levy increase
- Annual bonding for \$2 million would require 1 mil levy increase for every \$2 million in bonding
- \$2 million bond each of the next 5 years would result in cumulative mil levy increase of approximately 5 mils

A brief discussion was held concerning Lincoln Park Pool.

PROGRAM PRIORITIZATION:

Chris Fabian and Jon Johnson presented the Program Prioritization. Compliments were made to City staff regarding the working relationships during this process. An overview of the process to date for the City and nationally was given. A “New Normal” for local government was mentioned.

Fiscal Health of the City through result maps were reviewed in the following areas:

- Sale Community
- Quality of Life
- Strategic, Sustainable and Maintained Development
- Stewardship of the Environment
- Governance

Scoring of each program and peer review by City staff were explained.

Break: 1:30 p.m. to 1:50 p.m.

Overall spending programs for the City were reviewed. Discussion was held regarding citizen's response and understanding of the Program Prioritization program in other communities. Comments and discussion were held regarding the upcoming budget process, timeline, budget cuts, increased taxes, staffing, future budgets shortfalls, etc.

Mayor Hornady commented on this program as being a remarkable tool in preparing the 2010/2011 budget and for the future.

ADJOURNMENT: The meeting was adjourned at 3:10 p.m.

RaNae Edwards
City Clerk