
City of Grand Island



Thursday, August 05, 2010
Special Meeting Packet

City Council:

Larry Carney
Scott Dugan
John Gericke
Peg Gilbert
Chuck Haase
Robert Meyer
Mitchell Nickerson
Bob Niemann
Kirk Ramsey
Jose Zapata

Mayor:

Margaret Hornady

City Administrator:

Jeff Pederson

City Clerk:

RaNae Edwards

7:00:00 PM
Council Chambers - City Hall
100 East First Street

Call to Order

This is an open meeting of the Grand Island City Council. The City of Grand Island abides by the Open Meetings Act in conducting business. A copy of the Open Meetings Act is displayed in the back of this room as required by state law.

The City Council may vote to go into Closed Session on any agenda item as allowed by state law.

Pledge of Allegiance

Roll Call

A - SUBMITTAL OF REQUESTS FOR FUTURE ITEMS

Individuals who have appropriate items for City Council consideration should complete the Request for Future Agenda Items form located at the Information Booth. If the issue can be handled administratively without Council action, notification will be provided. If the item is scheduled for a meeting or study session, notification of the date will be given.

B - RESERVE TIME TO SPEAK ON AGENDA ITEMS

This is an opportunity for individuals wishing to provide input on any of tonight's agenda items to reserve time to speak. Please come forward, state your name and address, and the Agenda topic on which you will be speaking.

MAYOR COMMUNICATION

This is an opportunity for the Mayor to comment on current events, activities, and issues of interest to the community.



City of Grand Island

Thursday, August 05, 2010

Special Meeting

Item E1

**Public Hearing on Community Redevelopment Authority (CRA)
Budget (Continued)**

Staff Contact: Chad Nabity

Council Agenda Memo

From: Grand Island Community Redevelopment Authority

Meeting: August 5, 2010

Subject: Proposed CRA Budget

Item #'s: E-1

Presenter(s): Chad Nabity AICP, CRA Director

COMMUNITY REDEVELOPMENT AUTHORITY 2010-2011 ANNUAL BUDGET

It is my privilege to present to you the budget for the Community Redevelopment Authority for 2010-2011. This plan and budget continues the high-quality services that have enabled the CRA to partner with the City of Grand Island, private developers and businesses, and with property owners in the blighted and substandard areas to make Grand Island vibrant, clean, safe, and attractive.

The CRA budget for 2010-2011 is offered to you with a review of the responsibilities of the CRA. Those responsibilities and abilities are outlined in State Statutes and are summarized, in part, as follows:

The creation of Redevelopment Authorities was authorized by the Nebraska Legislature in order to provide communities with the ability to address certain areas of a city in need of improvement and development. Powers granted to Community Redevelopment Authorities are outlined in Chapter 18 of the Statutes and include the ability to expend funds to acquire substandard or blighted areas, make public improvements, and assist with development and redevelopment projects in specified areas. The Authority has virtually the same powers as any political subdivision, including borrowing money, issuing bonds, undertaking surveys and appraisals and asking for a levy of taxes.

A five-member board, appointed by the Mayor with the approval of the City Council, governs the CRA. The CRA is administered by a Director and devotes the overwhelming share of its resources to highly visible and effective programs including commercial façade improvements, and purchasing and demolishing dilapidated properties. The CRA funds its programs primarily through assessments on taxable properties within the Grand Island city limits.

BLIGHTED AND SUBSTANDARD AREAS

There are Seven (7) designated Blighted and Substandard Areas within the Grand Island City Limits (see attached map). The City of Grand Island has the authority to designate up to 35% of the community a blighted and substandard. At present 16.66% of the City has been designated blighted and substandard.

CRA MISSION

The CRA's mission is **to reduce, slow or eliminate blighting influences on property in those areas that have been designated as blighted and substandard.** They do this by encouraging new investment and improved infrastructure in older areas of the community through the use of tax increment financing. They also take an active role in purchasing and demolishing properties that need to be cleared. This property is then made available for redevelopment.

FISCAL RESOURCES

General Revenues For 2010-2011,

The CRA is requesting property tax revenues of \$425,000 the same amount requested for the 2009-2010 and down from \$475,000 in 2008-09 and down from \$500,000 in 2007-2008. Historically, the levies and tax asking have been:

2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
\$0.017012	\$0.018076	\$0.020790	\$0.0225655	\$0.022824	\$0.023625	\$0.024287
\$425,000	\$425,000	\$475,000	\$500,000	\$477,204	\$456,540	\$457,391

At the July1, 2010 meeting, the Community Redevelopment Authority approved the proposed budget establishing a preliminary request of \$0.017012 for each hundred dollars of valuation for an anticipated \$425,000 based on an estimated taxable valuation of \$2,498,348,795.

Program Funding

The Community Redevelopment Authority has the ability to assist private developers and governmental entities with the commercial, residential or mixed-use redevelopment projects throughout the City. Specific detail on projects is as follows:

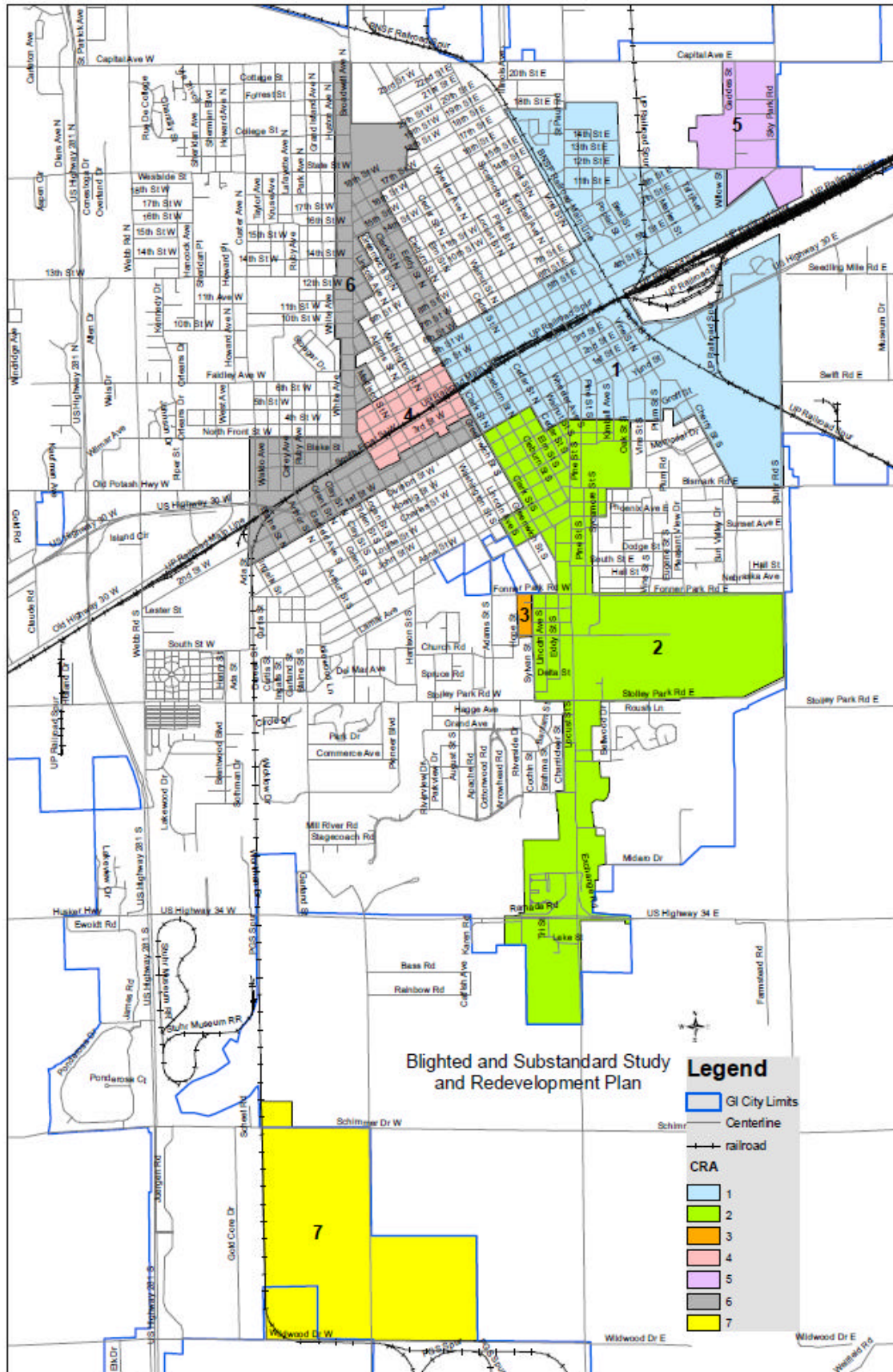
- Purchase of Dilapidated Properties/Infrastructure. The 2010-2011 budget includes \$150,000 for the acquisition of substandard properties in the blighted and substandard areas and for the provision of infrastructure. The Authority will consider any property within a designated area. The Authority budgeted \$100,000 in the 2009-10 year and spent \$450,000 with the purchase of the building on South Locust.

- Facade Development \$250,000 has been budgeted for the façade development program, including grants and interest buy down these projects are unidentified at this time. This program has been used extensively in the Downtown area but is available to all blighted and substandard areas.
- Train Horns: A total amount of \$240,000 has been reserved for participation in the way side horn project in Downtown Grand Island. This project is a joint project funded by the City and the CRA through an interlocal agreement. Final approvals from the railroad are moving forward. This will be a reimbursement to the City.
- Other Projects: \$400,000 has been reserved for other projects in the blighted and substandard areas. In the 2010 fiscal year funding in the other projects was used:
 - to purchase and demolish the old VooDoo Lounge Building at 3235 S. Locust;
 - to finance the installation of water lines along Poplar Street between 9th and 12th Streets; and
 - to fund additional façade projects that were approved based on the 2009 budget but not carried over into the 2010 budget.

This funding can be assigned to specific projects including but not limited to infrastructure improvements in the blighted and substandard areas that would support larger redevelopment plans. The CRA has used this funding item in the past to fund additional façade improvement projects and to make grants to fund specific projects for the: Business Improvement Districts, the Grand Island Parks Department, Fonner Park, The Central Nebraska Humane Society, St. Stephens, Habitat for Humanity and other community groups for specific projects that meet the mission of the CRA.

CONCLUSION

A continued aggressive approach toward redevelopment will be the focus for the CRA in 2010-2011. The investments this community has made in housing, redevelopment efforts, infrastructure and economic development, bode well for the future of the community. The tax dollars dedicated to the CRA make these projects and improvements possible in an efficient and timely manner.



COMMUNITY REDEVELOPMENT AUTHORITY
FY 2010 - 2011 BUDGET

	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2010 Projected	2011 Budget
CONSOLIDATED						
Beginning Cash	1,309,485	952,497	1,236,622	1,547,542	1,547,542	883,698
REVENUE:						
Property Taxes	699,422	750,800	755,133	667,783	667,783	667,783
Loan Proceeds	-	-	-	-	-	-
Interest Income	45,272	41,968	15,630	8,000	8,579	5,000
Land Sales	14,837	15,152	47,335	50,000	-	-
Other Revenue	6,506	-	24,473	-	16,977	8,000
TOTAL REVENUE	766,037	807,920	842,571	725,783	693,339	680,783
TOTAL RESOURCES	2,075,522	1,760,417	2,079,193	2,273,325	2,240,881	1,564,481
EXPENSES						
Auditing & Accounting	4,900	5,000	7,601	7,500	7,500	7,500
Legal Services	5,500	2,143	4,829	10,000	10,000	15,000
Consulting Services	999	-	-	10,000	-	10,000
Contract Services	48,430	34,362	26,122	40,000	40,000	50,000
Printing & Binding	-	568	-	1,000	500	1,000
Other Professional Services	3,429	4,112	-	5,000	-	5,000
General Liability Insurance	-	-	-	250	250	250
Postage	-	142	159	200	200	200
Legal Notices	303	828	750	800	800	800
Licenses & Fees	-	-	-	-	-	-
Travel & Training	70	-	-	1,000	-	1,000
Other Expenditures	14	-	-	500	-	500
Office Supplies	32	105	38	500	100	500
Supplies	-	-	-	300	100	300
Land	15,137	33,090	129	100,000	100,000	150,000
Façade Improvement	127,300	207,871	241,793	150,000	150,000	250,000
South Locust	-	-	-	-	-	-
Other Projects	706,680	-	2,858	800,000	550,000	400,000
Property Taxes BID Fees	-	-	-	-	-	10,000
2nd Street BID	-	-	-	-	105,000	-
Outstanding Façade Improvement Grants	-	-	-	132,250	132,250	175,000
Railroad Horns	-	-	-	240,000	-	240,000
Other Committed Projects	-	-	-	17,700	17,700	-
Property Management	-	-	-	-	-	-
Bond Principal	112,739	142,543	161,927	161,611	161,611	161,611
Bond Interest	97,492	93,031	85,445	81,172	81,172	81,172
TOTAL EXPENSES	1,123,025	523,795	531,650	1,759,783	1,357,183	1,559,833
INCREASE(DECREASE) IN CASH	(356,988)	284,125	310,920	(1,034,000)	(663,844)	(879,050)
ENDING CASH	952,497	1,236,622	1,547,542	513,542	883,698	4,648
LESS COMMITMENTS						
AVAILABLE CASH	952,497	1,236,622	1,547,542	513,542	883,698	4,648
CHECKING	481,867	786,622	637,868	213,542	(21,302)	(295,352)
INVESTMENTS	470,630	450,000	909,674	300,000	905,000	300,000
Total Cash	952,497	1,236,622	1,547,542	513,542	883,698	4,648

**COMMUNITY REDEVELOPMENT AUTHORITY
FY 2010 - 2011 BUDGET**

	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2010 Projected	2011 Budget
CRA						
GENERAL OPERATIONS: 01						
Property Taxes	491,210	493,602	487,610	425,000	425,000	425,000
Interest Income	44,921	41,561	14,889	8,000	8,000	5,000
Land Sales	14,837	-	47,335	50,000	-	-
Other Revenue & Motor Vehicle Tax	4,251	1,300	8,959		8,000	8,000
TOTAL	555,219	536,463	558,792	483,000	441,000	438,000
GILI TRUST 07						
Property Taxes	64,571	66,410	65,817	65,780	65,780	65,780
Interest Income		-		-		
Other Revenue	324	1,108	277	-	277	
TOTAL	64,895	67,518	66,094	65,780	66,057	65,780
CHERRY PARK LTD II						
Property Taxes	61,006	62,743	91,836	59,180	59,180	59,180
Interest Income	237	251	497	-	349	-
Other Revenue	68		-	-		
TOTAL	61,311	62,994	92,334	59,180	59,529	59,180
GENTLE DENTAL						
Property Taxes	3,251	3,497	4,427	4,202	4,202	4,202
Interest Income	4	3	1	-	1	-
Other Revenue	846	947	2,610	-	702	
TOTAL	4,101	4,447	7,037	4,202	4,905	4,202
PROCON TIF						
Property Taxes	17,631	18,138	17,925	19,162	19,162	19,162
Interest Income	27	53	36	-	36	
Other Revenue	931	972	232	-		
TOTAL	18,589	19,163	18,193	19,162	19,198	19,162
WALNUT HOUSING PROJECT						
Property Taxes	61,753	93,632	62,942	74,472	74,472	74,472
Interest Income	83	100	207	-	193	
Other Revenue	86	10,825	12,395	-	7,998	
TOTAL	61,922	104,557	75,544	74,472	82,663	74,472

COMMUNITY REDEVELOPMENT AUTHORITY
FY 2010 - 2011 BUDGET

	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2010 Projected	2011 Budget
BRUNS PET GROOMING						
Property Taxes	-	9,536	9,575	4,986	4,986	4,986
Interest Income				4,940		
TOTAL	-	9,536	9,575	9,926	4,986	4,986
GIRAD VET CLINIC						
Property Taxes	-	3,242	4,940	-	4,940	4,940
Interest Income	-	-	-	-	-	-
TOTAL	-	3,242	4,940	-	4,940	4,940
GEDDES ST APTS - PROCON						
Property Taxes			1,195	1,195	1,195	1,195
Interest Income	-	-	-	-	-	-
TOTAL	-	-	1,195	1,195	1,195	1,195
SOUTHEAST CROSSINGS						
Property Taxes	-	-	8,866	8,866	8,866	8,866
Interest Income	-	-	-	-	-	-
TOTAL	-	-	8,866	8,866	8,866	8,866
POPLAR STREET WATER						
Property Taxes	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-
TOTAL REVENUE	766,037	807,920	842,571	725,783	693,339	680,783

COMMUNITY REDEVELOPMENT AUTHORITY
FY 2010 - 2011 BUDGET

	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2010 Projected	2011 Budget
WALNUT HOUSING PROJECT						
Other Expenditures	10					
Bond Principal	24,722	33,055	35,321	39,151	39,151	39,151
Bond Interest	37,185	41,417	39,151	35,321	35,321	35,321
TOTAL WALNUT HOUSING PROJECT	61,917	74,472	74,472	74,472	74,472	74,472
BRUNS PET GROOMING						
Bond Principal	-	9,536	9,575	4,986	4,986	4,986
Bond Interest	-	-	-	-	-	-
TOTAL BRUNS PET GROOMING	-	9,536	9,575	4,986	4,986	4,986
GIRARD VET CLINIC						
Bond Principal	-	6,242	4,940	4,940	4,940	4,940
Bond Interest	-	-	-	-	-	-
TOTAL GIRARD VET CLINIC	-	6,242	4,940	4,940	4,940	4,940
GEDDESST APTS - PROCON						
Bond Principal	-	-	1,195	1,195	1,195	1,195
Bond Interest	-	-	-	-	-	-
TOTAL GIRARD VET CLINIC	-	-	1,195	1,195	1,195	1,195
SOUTHEAST CROSSINGS						
Bond Principal	-	-	8,866	8,866	8,866	8,866
Bond Interest	-	-	-	-	-	-
TOTAL GIRARD VET CLINIC	-	-	8,866	8,866	8,866	8,866
POPLAR STREET WATER						
Auditing & Accounting	-	-	-	-	1,000	-
Bond Principal	-	-	-	-	-	-
Bond Interest	-	-	-	-	-	-
TOTAL GIRARD VET CLINIC	-	-	-	-	1,000	-
TOTAL EXPENSES	1,123,025	526,795	531,658	1,759,783	1,358,183	1,109,833



City of Grand Island

**Thursday, August 05, 2010
Special Meeting**

Item E2

**Public Hearing on Proposed FY 2010-2011 City Single Budget
(Continued).**

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Finance Director

Meeting: August 5, 2010

Subject: Public Hearing for FY 2010-2011 Single City Budget

Item #'s: E-2

Presenter(s): Mary Lou Brown, Finance Director

Background

The budget process for the City of Grand Island begins early in the year with the internal budget compilation and culminates with the submittal of the final budget to the State Auditor in September. This year marked the formal implementation of Program Prioritization which provided a framework within which budget allocations were driven and decisions made. Following are accomplishments that have occurred:

- Departments received target appropriation amounts and submitted proposed 2010-2011 budgets that reflected both the program prioritizations and appropriation targets.
- Proposed budgets were reviewed with each department by City Administration.
- City Council conducted a public hearing and approved the Solid Waste Agency Budget on July 13, 2010.

In the past, other budget related items such as FTE requests and Fee Schedule changes would have been studied and approved prior to the Budget review and approval. With Program Prioritization, all of the budget items are interrelated and will be reviewed and approved along with the 2010-2011 Budget.

Discussion

At the Special Council meeting on August 3, 2010, the City Council is asked to conduct a public hearing on the proposed budget to allow for public input. Budget discussions will begin following the public hearing on August 3, 2010 and continue on August 5, 2010. On August 10, 2010, the Council will be asked to make determination on the budget or set further meetings to move toward determination.

In order to meet the State filing regulations and to have a 15 day window between the budget approval and the effective date, the latest the budget approval can take place is September 7, 2010.

Recommendation

The Council is asked to conduct the public hearing and take information from the citizens. After conducting the hearing, it is recommended that the City Council take the information under advisement and begin deliberations regarding the City's 2010-2011 fiscal year budget.

The budget transmittal letter, a "Budget in Brief", and draft documents of the budget were provided to Council in early July. If any further information is needed, please contact City Administration.



City of Grand Island

Thursday, August 05, 2010

Special Meeting

Item X1

Approval of Community Redevelopment Authority (CRA) Budget

This item relates to the aforementioned Public Hearing Item E-1. This hearing has been continued from the Special Budget Meeting of Tuesday, August 3, 2010.

A motion is in order for approval.

Staff Contact: Chad Nabity



City of Grand Island

Thursday, August 05, 2010

Special Meeting

Item X2

Review and Approval of Proposed FY 2010/2011 City Single Budget (Continued)

The City Council will continue the discussion and review of the Proposed FY 2010/2011 City Single Budget from the Special Meeting held on Tuesday, August 3, 2010. Additional Budget meetings will be held as needed..

Staff Contact: Jeff Pederson

July 13, 2010

Honorable Mayor and City Council

Submitted herewith for your consideration is the City of Grand Island 2010/2011 Proposed City Budget. This document represents the City's financial plan for the upcoming fiscal year beginning October 1, 2010, and it reflects a comprehensive process of allocating resources to programs that have been prioritized as important to the achievement of outcomes associated with Key Result Areas that have been identified by the City Council.

The importance of this "prioritization" process lies with the recognition of the growing annual imbalance between current revenues and annual operating expenses that was first illustrated with the use of the Financial Trend Monitoring System (FTMS) for the years of 1998-2008. FTMS information fulfilled much of the fiscal "diagnostics" that brought to light the weakening of the City's fiscal health over that period, resulting in a realization that new thinking and new strategies were needed to achieve long-term financial sustainability.

Annual increases in operating expenses for General Fund programs have outpaced growth in operating revenues in recent years, and the City became reliant upon reserve appropriations to balance the budget. With the reserves being reduced to a level within the range of acceptability, and with revenue growth slowing due to economic conditions, reductions to program spending are necessary to meet the fiscal reality that requires the City to "spend within our means".

PRIORITIZATION

Against the backdrop of these revenue constraints, a new process was needed to thoughtfully develop the 2010/2011 Budget. Program Prioritization is intended to be a more progressive strategy in response to budget reductions than traditional "across the board" budget cuts that many governments employ in an effort to treat cuts "equitably" among departments. The logic here is that "core" services and programs should not be cut at the same level as less important programs, any more that one would make a reduction to a household mortgage payment before seeking to trim discretionary expenses such as eating out and entertainment.

Drawing on experience from other communities, the City endorsed Program Prioritization in the broader context of resource management with a special emphasis on

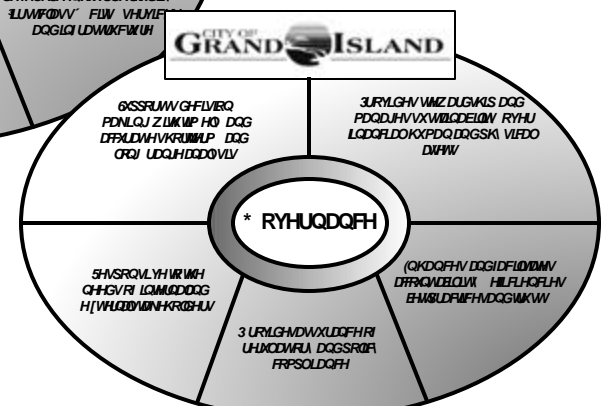
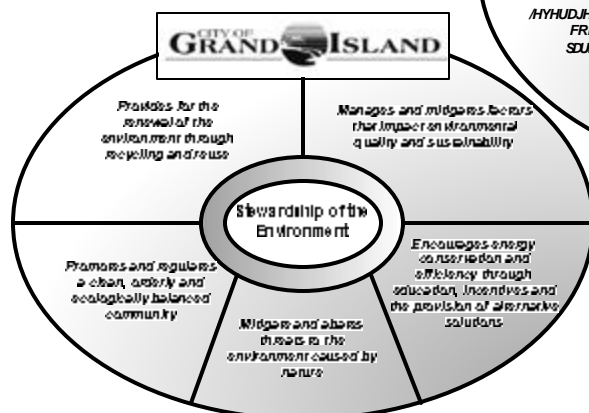
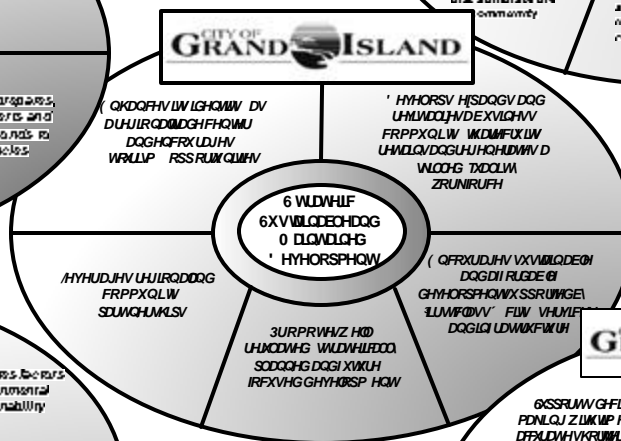
Programs rather than on line items or on entire departmental budgets. This new focus is expected to result in better decisions for resource allocation through careful evaluation of each program and service; understanding those services better within the context of local priorities; providing a higher level of understanding among decision makers, enabling them to rank services based on community priorities and clearly articulating how services are valued and funded.

Result Maps

Without formal guideposts to navigate the prioritization process, the City Council and management team spent two evenings identifying the Key Results that the City is in business to achieve. Department Directors then inventoried all programs for the purpose of articulating a cause and effect relationship between programs and the Key Results. A formal scoring process was then used to accurately value all programs relative to their influence on achieving Results. Programs were scored by a multitude of factors including whether the demand for the service was increasing or decreasing, whether program costs were covered through charges or fees, whether a governmental mandate for the program existed, and others.

Five areas deemed most vital for the City of Grand Island Government to impact, called “Result Maps”, were developed.

- 1.) Safe Community
- 2.) Quality of Live
- 3.) Strategic, Sustainable and Maintained Development
- 4.) Stewardship of the Environment
- 5.) Governance



Departmental Budget Targets

The scoring process allowed programs to be ranked within each Department, and the array of program rankings was divided into four quartiles from which the relative “importance” of all programs could be illustrated. With the need to reduce the General Fund Budget by \$1.9m, it became necessary to determine reduction targets for each of the four quartiles. Budget reduction targets for operational departments were established based upon the following schedule: Quartile 1 Programs; (2%) - Quartile 2 Programs; (6.5%) - Quartile 3 Programs; (11%) - Quartile 4 Programs; (16%). Reductions were also made to all four tiers for programs that fell within the “Governance” category, which are by nature support/compliance departments and therefore experienced a maximum tier reduction of 4%.

Overall Departmental targets were established by the cumulative impact of quartile reductions applied to previous budget costs for respective programs, meaning that the actual percentage reductions to Departmental budgets varied depending on the level of program costs that fell within each of the four quartiles. It is important to note that Department Directors were required to absorb expense increases attributable to employee compensation within their new budget targets rather than having additional money made available to fund such increases.

FORMULATION OF DEPARTMENTAL BUDGETS

The ranking of programs within the Program Prioritization process produced a re-allocation of resources between Departments stemming from where respective programs ranked in the four quartiles. The fact that \$1.9m had to be cut from the General Fund necessitated the need to include all program quartiles in the funding reduction, meaning that even the highest level programs would have less funding in the new Budget. To “protect” funding for Quartile 1 for example, would have resulted in greater reductions for the other quartiles and also would have lessened the requirement for resourcefulness and efficiency in preserving even the core programs associated with that Quartile.

Once given their respective budget targets, Department Directors were directed to prepare a budget using program rankings as a “guide”, but not as an absolute. Many reasons might exist why it might be wise to preserve a Quartile 3 program over a Quartile 4 program, therefore Directors were allowed to use their professional judgment to make final determinations on resource allocations. The fact that the overall array for the General Fund revealed a disproportionate amount of program expense associated with Quartile 1 and Quartile 1 programs made the decision making process more difficult as this was in fact a validation of the fact that previous resource allocation was closely aligned with the new Result Areas.

Budget Format

The format of the Proposed Budget document has evolved to reflect the emphasis on programs that is inherent in Program Prioritization. Again, we are confident that this new focus will improve decision making at all stages of the budget including the deliberation that will occur with the City Council.

The Budget book follows a similar sequence as in previous years, with the most noticeable difference being the absence of expenditure line items for the respective Departments and programs. While line item detail disclosed the “expense” of the multitude of cost components of Departments, it did very little to assist in the understanding of the “impact” or “value” of individual programs that are conducted within a given Department. Therein lies the fundamental shift in emphasis in the operational budget away from isolated cost components in favor of program impacts.

Budgets for each Department are presented by Program, with cost identified for personnel expenses as well as for operating expense. Included in the Program information is the Quartile within which the respective Program was scored, as well as the FTE count for the Program. Importantly, included also is an Impact Statement that describes any significant change in Program capacity due to a change in dollar allocation.

BUDGET OVERVIEW

The 2010/2011 Proposed Budget for the City of Grand Island recommends total combined operating and capital expenditures of \$147,176,927, excluding interdepartmental and inter-fund transfers. This represents an 8.27% decrease in expenditures compared with the 2009/2010 Adopted Budget of \$160,449,249.

The General Fund

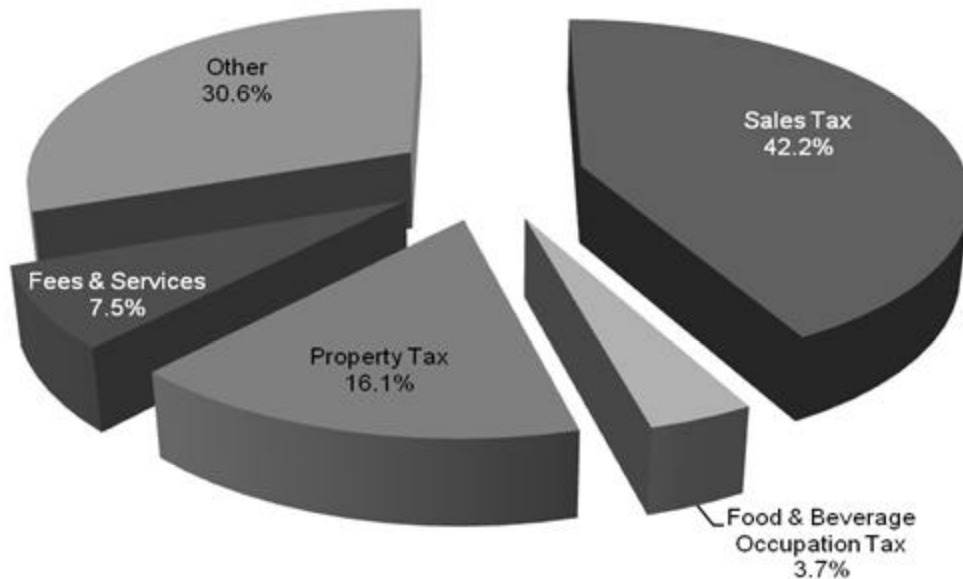
Total proposed spending for the General Fund is \$35,652,272, which is a decrease of \$1,805,210 from the previous year. Forecasted revenues for the new fiscal year are projected to be \$31,892,246, excluding inter-fund transfers. This represents a decrease of 2.04% compared to the amount budgeted for the current year, and an increase of \$1,355,787 over the actual amount projected to be received in the current fiscal year.

Sales Taxes is the single largest source of revenue for the General Fund and is estimated at \$13,457,800 for 2010/2011. While monthly sales tax collections for the past two months have shown some recovery from the economic downturn, we believe it is prudent to project that a full recovery will not occur in the next budget year and consequently revenue from this source is projected to generate approximately the same amount as it did two years prior. This is significant, as it essentially means that the revenue source that comprises over 40% of the General Fund revenue stream will not have contributed additional resources to meet expense growth.

This Proposed Budget presumes no increase to the mill levy for Property Tax, although the amount of \$320,600 in additional revenue from this source is expected to accrue from increase in property valuation. Total revenue from Property Tax is projected to be \$5,118,000, which represents a return to a “flat line” for property taxes.

The pie chart that follows provides a comparison of the five major sources of General Fund revenue. Total anticipated revenue for all sources combined is \$31,892,246.

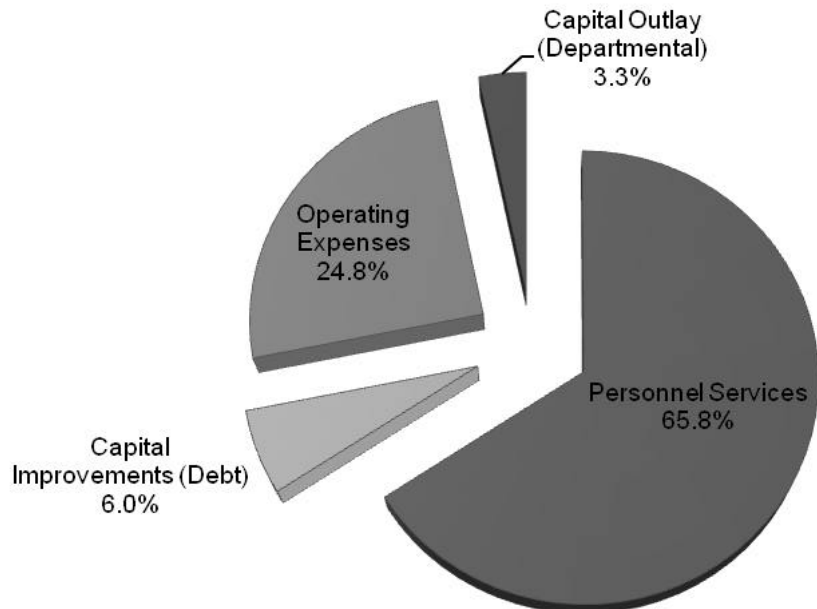
SUMMARY OF GENERAL FUND REVENUES BY SOURCE



The pie chart that follows shows the major expenditure categories for programs in the General Fund, with personnel services being the largest slice at 65.8%. This category of expenditure is especially noteworthy in the Proposed Budget, as a reduction in spending of 2.54% or \$611,190 is accomplished while still absorbing compensation increases associated with annual wage adjustments for some employee groups and the continuation of the merit-pay plan for all employee groups. A net reduction of 29.8 full-time equivalent positions within General Fund Departments was necessary in order to meet respective Department budget targets.

Of equal significance is the planned reduction of 10.31% or \$1,016,620 in spending for operating expenses compared to the prior-year budget. This reduction is attributable to a combination of program reduction and increased operational efficiency.

GENERAL FUND EXPENDITURES



Enterprises

The Enterprise operations of the City include Electricity, Water, Wastewater Treatment, Solid Waste, and Golf Course. The combined appropriation for these operations is \$85,715,535, compared to \$96,413,317 budgeted for the prior year.

Each of these operations participated in the program prioritization process, including development of program inventories and associated cost determinations. The enterprises each operate on a “charge for service” basis that is intended to sustain all costs of operations. While budget reduction “targets” were not deemed necessary for the enterprises, the Program Prioritization process was nonetheless used to assess funding priorities within these operations.

Capital Improvements Plan

The Capital Improvements Plan is included with the Proposed Budget, and it is intended to address the necessary capital needs of the City. The proposed expenditure for CIP projects is \$4,217,081, which includes \$1,100,000 for a major renovation of Lincoln Park Pool that would necessitate a public referendum for bonding authorization. Other major projects include continuation of the Northwest Drainage Project, the CCC to Wood River Diversion Project, a roundabout on Capital and North Road, and completion of the Veterans Athletic Complex.

Revenue to complete the 2010/2011 CIP is comprised of \$1,193,066 from current operating revenue (including State Gas Tax), \$555,400 from Special Assessment repayments and Keno, and \$2,468,615 from the issuance of bonds. The use of debt-financing is projected to be necessary over the next five years as a “bridge” to 2016 when debt payments on the Library and the Police Building will be completed and revenue currently dedicated to those will become available for CIP funding.

Summary & Acknowledgements

In spite of employee expense increases and the non-availability of reserve appropriation, the City is able to present a balanced budget for the General Fund for next year through a combination of measures, including:

- * Reducing levels of services for various programs, with corresponding recommended staffing reductions (including conversion to outsourcing)
- * Increased efficiency/effectiveness through position realignment
- * Increased operational efficiencies through reduction to operating expenditures
- * Increased charges for services to more nearly reflect actual costs

The declining financial health of the City, exacerbated by the effects of the economic downturn on City revenues, necessitated a shift in direction and approach to budget development. I wish to commend the City Council, Department Directors, Division Heads, and budget staff for responding to this challenge through the implementation of the Program Prioritization process as a primary means to pursue fiscal health and wellness for the City.

The conversion has been a major undertaking, and countless hours were spent at each stage in the process. There are some reductions to programs, and the process of reducing nearly \$2m from the General Fund has brought about the painful reality of some position cutbacks. This Proposed Budget does represent a continued commitment to quality programs and services while also committing to investment and reinvestment in quality facilities and infrastructure.

A handwritten signature in black ink, reading "Jeff Pederson". The signature is fluid and cursive, with the first name "Jeff" being more prominent and stylized than the last name "Pederson".

Jeff Pederson

City Administrator