



City of Grand Island

Tuesday, February 17, 2004

Study Session

Item -1

Discussion Concerning Financial Implications of Projects Relative to 1/2 Cent Sales Tax

Staff Contact: David Springer

Council Agenda Memo

From: Gary Greer, City Administrator

Meeting: February 17, 2004

Subject: Financial Implications of Projects Relative to ½ Cent Sales Tax

Item #'s: 1

Presenter(s): Finance Director David Springer and City Administrator Gary Greer

Background

On August 27, 2002 the City Council voted to put a measure on the 2004 ballot to consider a ½ cent sales tax for the purpose of expanding parks and recreational opportunities, providing for infrastructure, and property tax relief. It was determined that many important capital projects can not be funded without additional revenue and that the voters should be given the chance to approve paying for projects such as a new fire station, library expansion, law enforcement facility with expanded sales tax. A great deal of discussion has taken place on the possible ballot measure. In November of 2003 a survey was conducted to receive input from citizens concerning projects which have been suggested as needed capital projects. 613 respondents prioritized projects in the following order:

1. Construction of 3rd and Broadwell Underpass
2. Replacement of Pine Street Fire Station
3. Police/Sheriff Public Safety Center Replacement
4. Expansion of the Edith Abbott Library
5. Fire Training Facility
6. Grand Generation Center Renovation
7. Expand Island Oasis/ Replace Lincoln Park Pool
8. Reduction of Train Noise
9. Hike/Bike Trail Expansion
10. Ammunition Plant Recreation Development
11. Northwest Park Pool

In order to continue the education process study sessions were conducted to go more in depth with the projects. The following projects were studied:

1. January 20th Fire Station, Fire Training Facility, Train Noise
2. February 3rd 3rd & Broadwell Underpass, Aquatics, CAAP Development

Additionally, a fire Sprinkler system was approved for funding for the Grand Generation Center on February 10th.

During the annual retreat on February 21st the Council will be asked to discuss each project and begin to narrow in on the final ballot language. On March 9th the final ballot language will be approved to be sent to the election Commissioner.

The purpose of the February 17th Study Session is to create an understanding of the financial implications of the proposed projects to help in the process of prioritizing the use of possible sales tax receipts.

Discussion

Attached is a list of the aforementioned projects with the estimated total costs for each project. The figures listed include all costs and does not account for grants, cooperative agreements, or any other financing solutions. The total cost of \$47,238,627 is a staggering figure that would obviously stretch the proceeds of a sales tax too far. Even though the costs listed are somewhat intimidating, it is important to understand the probable costs of moving forward. City Administration is prepared to answer any questions concerning the projects and the elements that are included in the cost estimates.

Attached is also a spreadsheet that indicates the need for additional revenue.

Recommendation

The City Council is asked to review the information and ask any questions that may help bring focus to the impending decision concerning the ballot question. A full understanding of the costs associated with the projects will be critical in preparing the ballot language. Additionally, it will help the Council prioritize the projects in order to assure that future revenue that may be collected from a sales tax will be used to create the best return on investment. City Administration recommends that the City Council take the cost information under advisement and prepare to scale back the projects and cost to a more workable and reasonable scenario.

In addition to the projects that are on the table for sales tax it is recommended that the City Council consider the possibility of creating a property tax relief element to the proposal. The recent Bond election for needed school projects indicated that voters are not in favor of expanding property tax. Further, the vote may indicate a desire for the

stabilization or possible reduction of property tax asking. Sales tax brings about the possibility of accomplishing this task.

"GRAND" IMPROVEMENTS

PROJECTS	ESTIMATED COST
1. Fire Station #1 Replacement with 5 drive through bays, land acquisition	\$ 3,338,627
2. Fire Training Center, 41,700sq ft on 35 acres with burn bldg,tower, & lake	\$ 7,870,000
3. Library Expansion, including land acquisition	\$ 8,130,000
4. Lincoln Park Pool Replacement	\$ 2,000,000
5. Northwest Park Pool	\$ 1,500,000
6. Island Oasis Improvements	\$ 2,000,000
7. CAAP Recreation Development	\$ 2,000,000
8. Railroad Underpass, 3rd and Broadwell	\$ 12,600,000
9. Public Safety Center Replacement	\$ 3,000,000
10. Railroad Noise Reduction, 10 crossings @ \$200,000 each	\$ 2,000,000
11. Hiker/Biker Trail Expansion, 4 year plan	\$ 2,300,000
12. Grand Generation Facility	\$ 500,000
 TOTAL	 <u><u>\$ 47,238,627</u></u>

NEED FOR ADDITIONAL REVENUE

GENERAL FUND REVENUE

- * Revenue growth up only 2.7% from 2000, \$612,000
- * Property tax and sales tax up 15% and 10% respectively since 2000
- * Interest down 49%, State Aid down 32%, Motor Vehicle Tax down 24%

GENERAL FUND EXPENSES

- * Operating Expenses up 37.9%, from 2000, over \$7 million
- * Personnel costs up 23% from 2000, over \$3 million
- * Economic Development up over \$900,000 from 2000
- * Reclassification of \$1 million of street repairs to General Fund expense from Capital Projects Fund
- * \$800,000 budgeted this year from reserves for General Fund Capital Equipment replacement

General Fund Transfers Out

General Fund monies needed to make up short-fall in Capital Improvement Fund

	Actual <u>1998</u>	Actual <u>1999</u>	Actual <u>2000</u>	Actual <u>2001</u>	Actual <u>2002</u>	Actual <u>2003</u>	Budget <u>2004</u>
Projects	2,207,000	2,599,000	4,902,000	8,063,000	5,909,000	6,000,000	7,992,000
General Fund Transfers Out	1,610,000	970,000	2,013,000	4,685,000	3,350,000	35,000	2,552,000

Effect Over Time

- * General Fund Reserves will shrink as expenses and capital transfers exceed revenue
- * Capital Projects will be very limited without an additional source of revenue