



City of Grand Island

Monday, July 11, 2011

Study Session

Item -2

Foundation and Initial Overview of the 2011-2012 Budget

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, City Administrator
Meeting: July 11, 2011
Subject: 2012 Proposed Budget Presentation
Item #'s: 2
Presenter(s): Mary Lou Brown, City Administrator

Background

The budget is adopted by City Council each year as the financial plan for the City's fiscal year from October 1 to September 30. The budget presentation lays the foundation that the 2012 Proposed Budget was developed, ultimately setting the City on the track to long-term financial sustainability. The 2012 Proposed Budget builds on work accomplished last year to save over \$1 million in the 2010 Budget and approximately \$1.9 million of expense reductions in the current year's budget. Reductions were necessitated by decreasing and slow growth in traditional revenues streams. Once again, the City utilized program prioritization budgeting process.

Discussion

Monday's presentation will provide the background of past reductions made, revenue challenges the City has faced, and how those issues have shaped the development of the 2012 Proposed Budget, specifically focusing on the General Fund. Several external and internal factors, including slow revenue growth and elimination in State Aid to Cities, have projected revenues less than the 2011 Forecast. For the second year in a row, departments were assigned targets less than the 2011 expenditures. In order to meet the targets, the Proposed Budget recommends several service modifications, implementation of incremental program revenues to offset program costs, departmental reorganization, allowance overages in the Food and Beverage Occupation Tax for State Fair items, and a 3% increase in the cell phone company occupation tax. Reductions to Police and Fire will not be made until after the consultant's work has been completed.

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.

It is the intent of City Administration to bring the Proposed Budget and related issues to future study sessions and special Council meetings in July and August for further discussion, and for Council approval in September.

CITY OF

Grand Island

NEBRASKA



2011/2012

**Budget Foundation
General Fund**

***THE NEW NORMAL – CHAPTER
ONE***

CITY OF

Grand Island

NEBRASKA



BUDGET
FOUNDATION

**Goal – Financial sustainability of
City policies and services to best
serve the people of Grand Island.**

January 22, 2011



Hard Work of Last Year

Management of vacant positions	\$285,300
Healthcare premium holidays	\$280,000
Use of cash balance in Gas Tax Fund	\$260,000
No purchase of aerial truck and lift	\$125,000
Concrete and storm sewer repair reduced	\$100,000

Over \$1 million saved in Fiscal Year 2010, while responding to a decreasing revenue stream.

Current Year Budget

- Implemented expense reductions of \$1.9+ million
- Eliminated 25 full-time equivalent employee (FTE) positions
- Incremental program revenue was implemented in several areas
- Program changes—
 - Eliminated:
 - Drive-up window
 - Summer youth program offered by GIPD
 - School crossing guards
 - Materially changed:
 - Code enforcement
 - Operational hours of Library
 - Parks maintenance

Budgeted revenue declined and cost containment followed

Revenue Remains Challenging

	2010/2011	2010/2011	
	Budget	Forecast	Growth
Sales Tax	\$ 13,558,900	\$ 13,494,104	(0.5)%
Property Tax	\$ 4,907,296	\$ 4,972,555	1.3%
Gas Tax Transfer	\$ 4,100,000	\$ 4,100,000	0.0%
Food and Beverage Tax	\$ 1,179,600	\$ 1,244,647	5.5%
All Other	<u>\$ 13,333,346</u>	<u>\$ 12,538,425</u>	(6.0)%
Total	\$ 37,079,142	\$ 36,349,731	(2.0)%

The variance in total revenue is driven by a decline in Federal grant income and timing of a transfer. In addition, traditional City revenue growth is slow.



Appropriations Management Success

	2010/2011	2010/2011	Growth
	Budget	Forecast	
Salaries	\$16,551,910	\$15,967,013	(3.5)%
Healthcare	\$3,355,371	\$3,295,439	(1.8)%
Lease Payments	\$2,175,445	\$2,250,966	3.5%
FICA	\$1,059,000	\$986,215	(6.9)%
Vehicles	\$755,000	\$319,630	(57.7)%
All Other	\$13,060,859	\$12,980,786	0.6%
Total	\$36,956,859	\$35,800,049	(3.1)%

\$1.2 million has been cut in current year expenditures

2010/2011 Financial Management

- Management of vacant positions
- Avoided outside employment services
- Delayed vehicle purchases
- Obtained Reynolds Foundation grant and continue to explore additional private contributions
- Refinanced outstanding bond issues
- Avoided additional debt

External factors impacting decisions included state legislation, state elimination of funding and slow revenue growth



2011/2012

Budget Process and Overview

General Fund

THE NEW NORMAL – CHAPTER

TWO

Purpose of the Budget

- Meet service expectations based on prioritization
- Identify the financial needs for the next 12 months
- Lay the groundwork for long-term financial sustainability

The Budget is driven by prioritization, backed by citizen awareness, and approved by Council.

2012 Budget

External Impacts

- Legislature cut \$375,000 in State Aid to Cities funding
- Declining growth in property tax revenue
- Municipal Equalization Funding (MEF) non-existent due to below state average mill levy
- Economic growth expected to be slow
- Future Nebraska Advantage Act Payments need to be funded

Internal Challenges

- Offset last year's one-time transfer of \$1.5 million from Gas

Tax Fund

- Seven union contract negotiations
- Outside vendor contracts set to increase
- Maintenance of aging infrastructure needs to continue
- New revenue sources have been limited



Proposed 2012 Balancing Strategy

Beginning General Fund Cash Balance	\$6,925,817
Surplus/(Shortfall)	\$(1,165,170)
Budget Balancing Actions Proposed	
Additional Funding Sources	\$268,500
Net Expenditure Reductions	\$1,046,816
Surplus/(Shortfall)	\$150,146
Funding of 4 Police and 3 Fire Positions	\$(416,841)
Ending General Fund Cash Balance	\$6,659,122

Budget Recommendation

Funding Sources:

- Credit for excess Food and Beverage Tax revenue
- Cell phone company occupation tax level increased to that of Lincoln
- User fees to recover costs
- Dedicate a portion of cash reserves to Fire and Police pending outcome of consultant's work
- Service Delivery Modifications:
 - Yet to be determined reduction in Library service hours and/or program offerings
 - Reduced park maintenance

Key Points

Upon City Council approval, this proposed budget will achieve short and long term objectives. The City will be:

- On a solid financial footing
 - 2.5 months of operating expenses coverage
 - 21% of cash to operating expense
- Living within its means
 - Incremental debt of only \$600,000 for capital
- Becoming a smaller and leaner organization to deal with the “new normal” and existing level of sustainable revenue
- Retooling with new ways to efficiently and effectively deliver services



2012 Budget Development

- Program Prioritization Process to Date:
 - \$500 exercise
 - Review programs and score
 - Peer review
 - Develop revenue projection
 - Develop expense targets
 - Departmental budgets submitted and reviewed

2012 Budget Development

- Processes to be Completed:
 - Seek citizen guidance through neighborhood meetings
 - Achieve community awareness through study sessions
 - Council review and refinement
 - Final budget approval by Council



Service Expectations

**Safe
Community**

2.03

Quality of Life

1.58

**Stewardship of
the Environment**

1.0

**Strategic,
Sustainable and
Maintained
Development**

1.82

Revenue Projection

	2010/2011	2012	
	Forecast	Budget	Growth
Sales Tax	\$ 13,500,000	\$ 13,831,000	2.5%
Property Tax	\$ 4,972,000	\$ 5,038,000	1.3%
Gas Tax Transfer	\$ 4,100,000	\$ 2,774,000	(32.3)%
Food & Beverage Tax	\$ 1,209,600	\$ 1,257,000	3.9%
All Other	\$ 13,438,988	\$ 13,325,000	(0.8)%
Total	\$ 37,220,588	\$ 36,225,000	(2.7)%

Revenue reduction of \$1.9 million (Gas Tax and State Aid) is offset by growth and incremental revenue assumptions.



Target Development

Revenue Estimate	\$ 36,225,000
Expenditures Excluded from Program	
Prioritization	
Mayor	\$ (24,000)
Council	\$ (77,300)
Non-Departmental	\$ (450,000)
Debt	\$ (2,200,000)
General Fund Capital	\$ (1,500,000)
Transfers Out	\$ (1,200,000)
Margin of Error	\$ (46,298)
Target Expenditures for General Fund	
Departments	\$ 30,727,402

CITY OF

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NEBRASKA



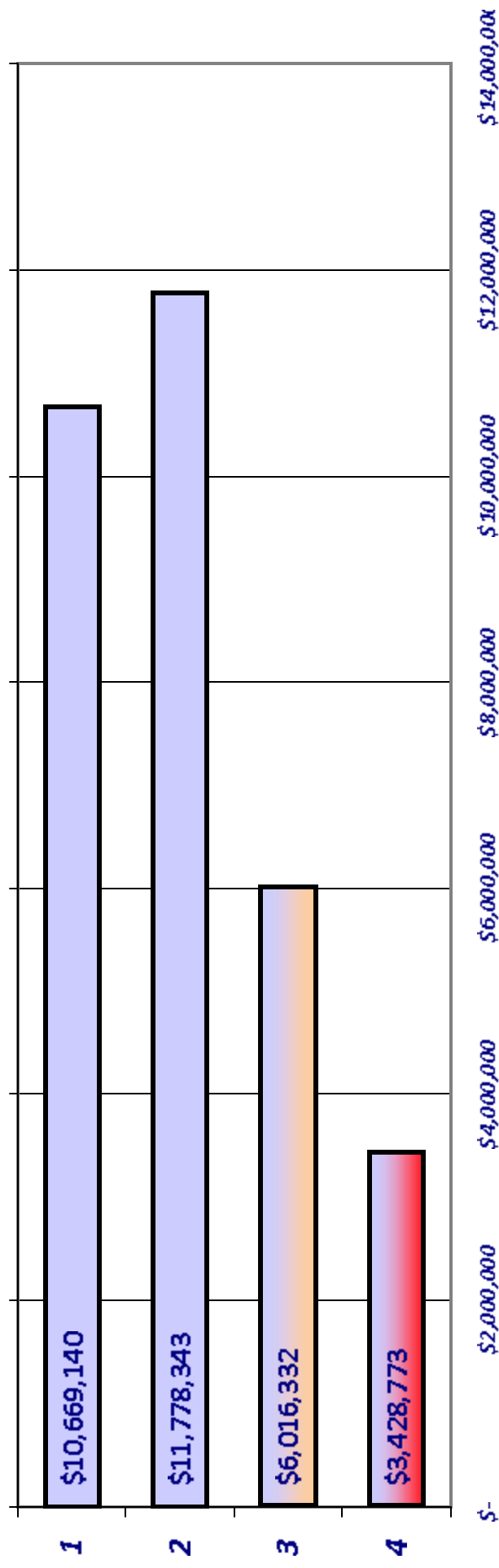
GENERAL FUND

2011/2012 PROPOSED BUDGET

Target Setting

General Fund – All Departments

Priority Based Budgeting: Spending Array Perspectives



Quartile Ranking

(Quartile 1: Highest Rated Programs;
Quartile 4: Lowest Rated Programs)



Target Assignment

Target Expenditures for General Fund

Departments	\$	30,727,402
Police Services	\$	7,987,194
Fire and Ambulance Services	\$	6,181,531
Public Works	\$	5,801,561
Administrative Services	\$	3,526,667
Parks and Recreation	\$	3,121,117
Library	\$	1,690,038
Building and City Hall	\$	1,118,750
Emergency Management	\$	1,072,369
Planning	\$	228,175
	\$	30,727,402

Departmental Budgets

	Target	Appropriation Requested	Incremental Revenue	Net	Over/(Under) Target
Police Services	\$7,987,194	\$8,272,539	-	\$ 8,272,539	\$285,345
Fire & Ambulance Services	\$6,181,531	\$6,332,920	\$50,000	\$ 6,282,920	\$101,389
Public Works	\$5,801,561	\$5,806,857	-	\$ 5,806,857	\$5,296
Administrative Services	\$3,526,667	\$3,667,147	\$150,000	\$ 3,517,147	\$(9,520)
Parks & Recreation	\$3,121,117	\$3,184,153	\$63,000	\$ 3,121,153	\$36
Library	\$1,690,038	\$1,686,671	-	\$ 1,686,671	\$(3,367)
Building & City Hall	\$1,118,750	\$1,117,415	-	\$ 1,117,415	\$(1,335)
Emergency Management	\$1,072,369	\$1,073,617	-	\$ 1,073,617	\$1,248
Planning	\$228,175	\$233,518	\$5,500	\$ 228,018	\$(157)
	\$30,727,402	\$31,374,837	\$268,500	\$31,106,337	\$378,935

FTE Changes

- Impacted employees are being notified over the next week
- Within the General Fund, the net change is a reduction of 5.3 employees. The impacts are all in vacancies or part-time and seasonal positions.
- Within the remaining funds, three full-time employees will be impacted.

Additional Budget Assumptions

- Solid Waste – elimination of residential clean-up card program; replacement with expanded tree limb program and reduction in minimum load charge
- Lincoln Park Pool – funding for redevelopment is recommended with the property tax rate authority of CRA
- Departmental Reorganizations
 - Consolidation of an Administrative Services Department comprising all governance functions for added efficiency in a 500+ employee organization
 - Public Works reorganization to gain efficiencies and continue to strengthen the professional engineering skills of the team

Future Budget Study Session Topics

- July 19 – Fiscal Health and Wellness – Consultants
- Future Dates – July 25 and Beyond:
 - Additional Funding Sources
 - MEF/City's mill levy
 - Proposed Parks and Recreation Supplement
 - Naming Rights
 - Capital – General Fund and 400 Fund
 - Enterprise Fund Budgets
 - CRA Budget

Future Council Meeting Activities

- July 26
 - Approval of BID budgets and assessments
 - Set date for Board of Equalization
- August 9
 - Approval of salary ordinance
- August 16
 - Last Study Session regarding 2012 Budget
- August 23
 - Approval of Fee Schedule
- September 13
 - Approval of 2012 Budget

Summary

- Allowance of \$500,000 food and beverage tax for State Fair related items – lottery match and maintenance of facilities.
- Additional 3% cell phone company occupation tax to offset loss of State Aid to Cities funding and Nebraska Advantage Act dollars
- Layoffs minimized with impacts to Police and Fire Departments being delayed until consultant's work complete
- Only impact to cash reserve is funding for maintaining Police and Fire FTEs
- Incremental debt is minimal and will be incurred only if necessary