

# Memo

**To:** Mayor & Council  
**From:** Mark K. Anderson  
**CC:**  
**Date:** 4/27/2015  
**Re:** April 27, 2015 Budget Meeting 5:00 p.m.

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I expect that the first item that will be addressed at this meeting is the southern bypass alignment. You received a response from Burton Lumber on Thursday which states their position on this issue. I will meet with staff on Monday to address what additional response/recommendation that staff would have on this issue.

After the above agenda item is addressed, I would recommend that we break for dinner before we start the budget portion of the meeting.

When the Council last met, I agreed to come back with recommendations for funding of manpower and equipment based on requests that had been made by department heads. Since we last met, I have met with each of the department heads to better understand their most pressing manpower and equipment needs. In addition to those two issues, I have several issues that require Council direction.

**2015/16 Tentative Budget:** Included in the packet (provided Saturday night) was a copy of the current budget estimates which does not include additional manpower, capital purchases, equipment charges for any internal service fund vehicles acquired in 2015/16 and proposed transfers in the 2015 budget.

**Sale of Airport Industrial Property:** The draft survey of the property we intend to sell to Three Strings indicates the parcel contains 39.66 acres of land or 1.16 more acres than originally thought. We may need to get a boundary line agreement to claim this additional acreage that is within the existing fences. As noted before, the General Fund and Sewer Fund jointly own the land and the Water Fund owns the ~120 acre feet of water rights the City acquired with the property. When the property was purchased, the three funds contributed equally. The net proceeds the City expects to receive from the sale of this property is \$2,734,500. The value of the committed 40 acre feet of water at \$6,000 per acre foot is

\$240,000. Based on the financial needs of the Water Fund, I would recommend that we share the proceeds equally between the three funds and that the 3.5 acres of land the City wants to retain be purchased by the Industrial Park Fund. This will put all funds in a better position to participate at an appropriate level in the expansion of the Public Works facilities.

**Fund Surplus:** In order to keep General Fund surplus within allowable limits, I am recommending that \$1,200,000 be transferred to other funds prior to the current fiscal year end. The proposed transfer is as follows:

- Internal Service Fund - \$200,000
- Capital Projects Fund - \$1,000,000

The transfer to the Internal Service Fund would help to replenish this fund that went four years without any funding. The transfer to the Capital Projects fund is to set aside the proceeds from the sale of the Airport industrial property for construction of additional public works facilities.

**Manpower Requests:** I have provided a list of the following:

- Initial Manpower Requests Made by Department Heads
- Recommended Funding of Manpower

Based on limited uncommitted operating resources, I do not feel comfortable recommending that all unassigned funds be committed to additional staffing. Although most requests are justifiable, I can't in good conscience recommend significant staffing increases in public works when the Water and Sewer Funds are running large operating losses.

**Capital Purchases:** Enclosed is a summary of requested capital items with my recommendation for funding. The summary recommends funding of \$1,412,739 of the \$2,395,190 of General Fund requests with surplus funds. Note that the City Council and City Manager discretionary funds were already incorporated into the draft budget. With the above recommendation to transfer \$1,000,000 to the Capital Projects Fund, I would expect that \$1,000,000 of the Public Works facilities expansion would be funded through the Capital Projects Fund. Also note that a the anticipated donation of \$70,000 to help fund a splash pad is already shown in the miscellaneous revenue account.

There are some items that have '?'s next to them that I wish to discuss with the Council. I also wish to discuss the expansion of the public works facilities in more detail as well.

As discussed at the last City Council meeting, equipment needed for the newly hired building inspector will be purchased in the current budget year.

**Internal Service Fund Equipment Charge:** The Internal Service Fund was established to set aside monies (by charging departments for the use of their vehicles) to have funds available to replace vehicles used for General Fund activities. The primary uses being police and roads. Currently \$166,000 is built into the budget for equipment charges. This amount will increase as additional vehicles are authorized for purchase in the 2015/16 budget. Currently we have about 60 vehicles that are in the Internal Service Fund.

**General Fund Surplus:** Proposed General Fund surplus is summarized below:

<i>Beginning Unappropriated Surplus 6/30/14</i>	<i>1,773,025.00</i>
<i>Estimated Operating Profit 2014/15</i>	<i>114,802.00</i>
<i>Debt Service Reserve (CIB Loan)</i>	<i>(280,205.00)</i>
<i>Transfers 2014/15 (Net of Ind. Park Sale)</i>	<i>(288,500.00)</i>
<i>Manpower Additions 2015/16</i>	<i>(205,099.00)</i>
<i>Additional Capital Expenditures 2015/16</i>	<i>(322,739.00)</i>
<i>Current Projected 2015/16 Operating Profit</i>	<i>333,741.00</i>
<i>Estimated General Fund Surplus 2015/16</i>	<i>1,125,025.00</i>

**Water Rates:** Wes Bingham has proposed three different scenarios for water rate increases in the memo that was sent on Saturday. The spreadsheets will be displayed for the Council on Monday night as they have many variables that are not easy to understand without explanation. These proposed rates increases would not go into effect until January 2016.

**Sewer Rates & Utility Rates:** The current budget includes a 10% increase in sewer rates, but to realize the amount of additional revenue that is projected, the rate increase would need to go into effect earlier than January 2016.

Also, there should be discussion about an increase in the Utility (Storm Drain) fee as current revenues will not cover anticipated expenses if additional secretarial support is approved for public works. Also, the City will need to start thinking about the replacement of the street sweeper in the next few years as it is nearing the end of its useful life.

**Budget Adoption:** As noted before, the City is obligated to adopt a Tentative Operating Budget by the first meeting in May. (May 7th) At the meeting we should schedule a public hearing for the adoption of the final budget. Adoption of the Tentative Budget does not prevent the Council from holding additional budget workshops to address any remaining concerns the Council has with the budget.

**Summary:** This budget is more complicated than previous budgets. As a result, I expect to meet with the Council one or more times before the final budget is adopted. I expect to talk about the results of the Mike Swallow analysis (which is not yet complete) of our current pay structure which will include the review of pay grades for newly created positions to make sure positions are properly classified/compensated. Thank you for your continued support.