

2010/2011 Aumsville Budget Message



Hello Budget Committee and Citizens of Aumsville:

I am pleased to report that we have sustained city services at the current level for the upcoming 2010/2011 budget year! Contingency dollars are at a record low and some discretionary spending has been cut in the proposed budget. I've gone over the main points in the summary below, to brief you for the budget process and prepare you for future financial challenges. As conservative stewards of Aumsville's public funds and trust, we look forward to your collaboration in perfecting this new blueprint for city spending.

PERSONAL SERVICES

After research and no cost-of-living-adjustment (COLA) last year, a 3% COLA is proposed for staff and a few salary step plans were updated according to the biannual schedule. Payment of employee health and welfare benefits was again proposed at status quo.

The Public Employees Retirement System (PERS) reports that even in a good investment return scenario employer base rates would increase for several future biennia. Therefore, I have added new PERS Reserves, Personal Services line items to budget the estimated 4.5% increase in July 2011 and 3% in future biennia in two budget cycles.

We have renamed the Public Works Lead line item Utility Worker III. We are proposing two staff members in this step plan and no one in Utility Worker II line item. An adjustment was made to the public works staff percentages and allocations.

I have also found the need to add Deferred Benefits Liability line items to cover possible payout of staff vacation and compensated overtime time banks.

INSURANCE

City County Insurance Services is in sound financial condition and that has had a good effect on rates. They are holding Health and Welfare insurance premiums to an 8% increase average this year, no Worker's Compensation coverage increases, and they are actually giving us a credit to apply to this year's property/liability insurance premiums.

GENERAL FUND

The proposed property tax revenue includes the standard 3% valuation increase over last year's property tax values; without any of the growth tax revenue that was forecasted in the past for approved new housing units, since development timing is still questionable. Estimated tax revenue to be received is \$510,794 at Aumsville's tax rate for city services, of \$3.6327 per \$1,000 of property valuation. The General Fund needed a large share of the State Revenue Sharing Apportionment this year; because the Police Fund needs \$705,000 to operate, and we anticipate only the \$510,794 in property tax revenue. This resulted in some budget cuts in the General, Police and Park Funds. The Peer Court donation was cut in half to \$500, the City Administrator Professional Development and Dues/Subscriptions line items were cut, and there is no longer a budget for Promotional Items.

We now have to pay an estimated \$1,200 in property taxes for the 6th Street Rental. Energy Costs for the new complex have almost doubled from what we paid for our old city hall and police buildings, and we

were notified that our Audit service fee is also increasing. Capital Outlay is proposed at a minimal \$2,000, and we plan to transfer \$5,000 again to the City Reserve Fund for future unknowns.

I added a new Parks SDC Fund transfer revenue line item, to reimburse the General Fund for the cost of my administrative work on Park SDC projects and reporting. I will now track my time and we'll see how close the proposed \$2,500 comes, as it will fluctuate each year.

We will be working with an even lower Contingency than last year. Although, it looks like we may have just enough cash to cover General and Police operating costs until we receive property tax money in November, if staff minimizes spending in those first months of the budget year. I will again be updating the financial forecast to help prepare us for the challenge of projected future deficits, if new revenue from growth is not realized.

POLICE FUND

We worked creatively to fund the Aumsville Police Department budget request as much as possible.... Personal Services will be requiring close to \$560,000 of the \$705,000 General Fund transfer, and with Materials and Services estimated at over \$155,000, there is not much additional revenue for Capital Outlay or any Transfers. Therefore, we proposed only \$1,500 in Other Equipment for the needed flashlight and related equipment replacement; and are using the police vehicle reserve in the Vehicle Replacement Fund to purchase other necessary vehicle and police equipment.

New psychological testing for police reserves has increased the Consultant line item, and Fuel increased for the new Dodge Charger. We are leaving a very low Contingency and need to keep a close check on spending in the coming year.

VEHICLE REPLACEMENT FUND

Police Department vehicles are being purchased and equipped with the Police Vehicles money transferred to this fund. A \$10,000 Major Office Equip. Fund Transfer line item is proposed, because we found a surplus of money set aside in this fund for the police department and a deficit in the police equipment money needed in the Major Office Equipment Fund. This will leave an estimated \$23,174 for Police Vehicles and \$41,368 for Public Works Vehicles in this fund.

MAJOR OFFICE EQUIPMENT FUND

Police Equipment for the new complex was more than anticipated in this fund, and we are now required to install a camera/video recorder in the interview room. With the \$10,000 transfer from the Vehicle Replacement Fund there will be an additional \$4,410 to fund the installation. The other city funds are keeping sufficient equipment reserves without any transfers this year.

CITY RESERVE FUND

Police Department Preserve still has \$38,386 proposed in this fund, after the assault rifles purchase. We were also able to budget a minimal \$2,711 to set aside for Emergency money. Making the City Reserve Total: \$41,097; after successful development of the City Hall/Police Complex.

WATER FUND, WATER IMPROVEMENTS FUND & WATER SDC FUND

The water rate increases have these funds in good condition. We are able to cover our operating costs and provide for the Capital Outlay and Transfers necessary to maintain an efficient system. We are meeting our Water Improvements Fund savings goal for upcoming Reservoir Maintenance, are able to proceed with the much needed water system computer (SCADA) upgrade, and have cash on hand for other Major Repairs or Contingencies that may come up. The Water SDC Fund also has accumulated growth's share of the SCADA project; and we hope to collect the \$36,000 needed to update the Water System Master Plan, proposed in the SDC Administrative Services line item. Collection of 77 system development charges (SDC) are proposed from subdivisions and development underway.

The shop restroom lift station needs replacement, so there will be a 50/50 cost split for this project out of

the Major Maintenance & Repairs line items in the Water Improvements and Sewer Improvements Funds

SEWER FUND

Our sewer system upgrade is scheduled to be completed in September and we have only been paying interest on our loan to date. The estimated annual loan payment for this over two million dollar project loan is \$154,000 per year. We have known that this is more than our current sewer rate revenue will support, and have been waiting until we have final project costs and loan payment information to complete our rate study and actually increase the rate to what is needed. If we were to have to pay it this year we would be \$35,700 short, without paying any of the accrued interest that would be due with the first payment, or any money for Contingency. Therefore, I have provided for a 5% Contingency and budgeted what remains after the other operating costs into Debt Service. The required rate increase will need to be implemented in the near future.

SEWER IMPROVEMENTS FUND & SEWER SDC FUND

We are again budgeting to complete the multi-million-dollar phased sewer system improvements that have been underway for some time now. We plan to have the effluent irrigation system in place on the acreage we purchased on West Stayton Road for discharge in September; along with the upsizing of the lagoon transfer piping, if our loan funding and Sewer SDC revenue are enough after going out to bid this spring.

The \$75,000 inflow and infiltration management project has been carried over to the new budget year; and we are fortunate to have \$134,966 set aside in the Sewer Improvements Fund for Major Maintenance & Repairs, without any new transfer from the Sewer Fund.

The Project Share Reimbursement/Loan Payment transfer to the Sewer Improvement Fund is the second priority for the Sewer SDC's collections this year. First priority is to supplement state loan money for completion of this summer's sewer system improvements project.

STREET FUND

Gas Tax revenue is proposed to increase to \$170,000 and this will be used to fund the city's share of the 1st Street Improvements grant project. I am working with Marion County Public Works to get this project to bid as soon as possible, however their project design grant match is prioritized with their other county projects. We did receive half of our 1st Street Improvement grant (\$349,500) up front, and the remaining half will not be given to the city until the project is complete. I'm still anticipating a financial challenge in paying some project expenses before they are reimbursed.

We've kept Personal Services and Materials & Services in this fund close to last year's budget.

PARK FUND

The income from telecommunication leases is allowing us to take a smaller share of the State Revenue Sharing apportionment to fund Park Fund expenses; so it can be used to supplement the General Fund's police services transfer. Other proposed uses of State Revenue Sharing money in this fund are the Corn Festival donation that was cut in half to \$500 and a possible new Aumsville Museum donation of \$500.

I added a Park SDC/PW Labor Reimbursement fund transfer, as another avenue to recoup the Park Fund labor costs of eligible Park SDC projects. The \$2,500 proposed may not come in this year, so it is only budgeted as part of the \$5,907 Contingency.

PARK SDC FUND & OPRD GRANTS FUND

The Aumsville City Council and staff are working hard to obtain grant funding for the existing residents share of some great improvements to our community parks; and to cost share on the development of Highberger Park and Greenway this year, even though it is 100% Park SDC funded. Every dollar we cost share on that project provides for the existing residents share of other projects that are not fully funded with these SDC's. In Porter-Boone Park we are excited to develop paved parking, landscaping planters, additional picnic tables, and turn the recreation shelter into the Outdoor Recreation Facility we have

envisioned. In Mill Creek Park we will continue to improve the ballfield with a grass infield, ADA sidewalks to the restroom, better bleacher viewing, and adjacent picnic facilities.

Funding for these projects is proposed in these two funds. To take any financial burden off our operating funds, I have added Park SDC Fund, Transfer line items; to reimburse the Park Fund for public works Personal Services costs and the General Fund for my Park SDC projects Administrative Services expense. Grant funding is paid as a reimbursement, so a loan from the Public Works Equipment Fund is again proposed in case we need it for project costs until we receive reimbursement.

You are welcome to review the copy of the proposed budget sheets available in the city hall lobby. There are no major changes to the accounting policies of the City of Aumsville. In order to ensure observance of limitations and restrictions placed on the use of the money available to the city, the accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which revenues and expenditures for various purposes are classified, for accounting and reporting purposes, in account groups that are in accordance with activities or objectives specified under an adopted budget. The operation of these funds is accounted for by providing a set of self-balancing accounts. These various accounts are called funds and are grouped into Governmental Fund, Proprietary Fund and Fiduciary Fund categories and the following five fund types: General Fund, Enterprise Funds, Special Revenue Funds, Reserve Funds, and Debt Service Fund. The basis of accounting utilized by the city closely resembles the cash basis of accounting whereby revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligations are incurred. The budget document contains budget sheets for all Governmental and Proprietary funds. The budget sheets comprise the actual resources and expenditures from the audits of two prior years; the current year's adopted budget; the projected actual resources and expenditures for the current year; and a proposed budget for next year. The budget sheets are divided into the following category levels: Personal Services, Materials & Services, Capital Outlay, Transfers, Debt Service, and Operating Contingency.

Together we are budgeting \$7,812,828.00, including the transfers. Let me know if you need any additional information. City staff and I are grateful to have the opportunity to serve you!

Signed and sealed this 27th day of April 2010.



Maryann A. Hills
City Administrator Hills, Budget Officer