BILL 2016-37

****** Third Reading ******

Memorandum

Date: August 15, 2016

To: City Council

From: Mark Gaugh, City Manager

Subject: 2016-2017 Annual Budget

The budget for the next fiscal year reflects a strong financial position for the City, as we have strengthened or maintained reserve levels in some of the major funds.

The Solid Waste Fund is spending from reserves, but we allowed that a few years ago in order to get the balance to around 50%. A truck purchase is a big part of the expenditure, and we are receiving a grant for about half the cost of the recycling truck. We recovered some expenses when the recycling drop off was moved from near Sutherlands to Clinco, and this change may balance the fund after a period of time. If it does not, a very small rate increase (maybe around $0.50 per month per customer) should balance the fund. This assumes trash collection fees do not increase.

Airport operations have always been partially subsidized by the General Fund. This is not unusual in smaller communities, but airports are a necessary service for community vitality and growth. However, our airport continues to move toward financial self-sufficiency, and with the new hangar purchase, increased rental revenues will help that effort. We will continue to operate the airport as independently as possible from a financial perspective.

Wastewater Fund: The Wastewater Fund operated for several years (1992- 2011) without any rate increases, while the costs of operation increased over that period. This deficit funding always catches up, and in this case, by lowering the reserve balance and underfunding capital needs. This also delays replacement of lines, equipment, etc. which ends up with larger expenses in the future. The system is aging and my goal is to keep up with the infrastructure to avoid deterioration from happening again. We need to continue building the reserve to account for capital needs and sewer extensions that may be needed for expansion.

The Water Fund has a decent reserve, and we have capital plans that will require a strong reserve to avoid additional debt. New line replacements are a consistent need, and we are looking to cash flow a water main extension that will use some existing pipe inventory. Engineering and installation will be a cost that can be handled through reserves, without borrowing. In all utility funds, we have found it very effective to keep our rate increases

low, but regular. In comparing our rates with other municipalities, we are very similar, or on the lower end of the average in many cases. It is less costly for the citizens in the long term if we keep our reserves healthy.
Water rates will have more significant increase in the future, but this will be the needed as a solution to the City's susceptibility to drought conditions. The City's current reservoirs will not supply the City's long-term demand for water.

There are several things that will impact the General Fund in the future, and sales tax collection will be important to the fund's long-term health. General Fund revenues (before capital) are forecasted to be slightly larger than expenses, but next year, we will be receiving less in property tax from the CNH project. For the past three years, we received back taxes that DeKalb County had not been collecting, previously. They have corrected that situation. We also have a considerable amount of legal expenses and that will hopefully decrease once the Aurora tax case award is made. Once the amount of back taxes owed to the City from the telecom is determined, we will know the effect this revenue will have on the General Fund. This should be a huge positive impact. Hopefully, this will be settled within the next year. Capital needs are funded from reserves, but the fund balance should be well within our policy amounts of 25-40%. Keeping up with equipment replacements is important, and we are looking at purchasing used equipment where it makes sense to do so. We also have some in-house transfers of vehicles that will help delay some replacements, while making the best use of the vehicles/equipment. Each year, departments tend to come in under budget by about 2-5%. This will increase the fund balance, but we won't know that amount until this fiscal year is closed out. We will need to continue to watch the sales tax situation and make retail growth a priority for the upcoming year.

Parks Fund- The Park Board has a budget that is fairly stable, and they have been able to fund some capital improvements in the past. The fund may be limited to support large-scale projects without financing.

Band Fund- This year will be the first full year that we put the Band budget on the same fiscal year as the rest of the funds. They are spending from reserves, but again, this is not a problem. Fund reserves are very strong at this time.

Library Fund- Somewhat stable, but the Board will need to monitor expenditures closely.

Municipal Fire Tax- A new budget was created for the voter-approved Fire Tax. Revenues will not be realized until well into the fiscal year.

Storm Water Tax- This fund will be in arrears until it recovers from the Walnut St. contract payout. Some revenue should be available to do some additional storm projects later this fiscal year. In addition, Walnut St. debt service consumes half the revenue of this fund.

Transportation Sales Tax – The next project to be funded from the tax is Groat St. This will be extensive, and if funds allow, will begin construction in the upcoming fiscal year.

However, we may have to build it up over the following year, like we did for the Lathrop project. Groat St.is expected to be less costly than the Lathrop project. We will know how much difference when we get to the bid phase.

TIF/Special- These funds are set up to pay as they go. There are no problems anticipated in these funds for the upcoming year.

The budget accounts for employee step increases for the upcoming year and a modest cost-of-living adjustment (COLA), of 1%. The actual CPI for 2015 was 1.1%, not seasonally adjusted.

Community Projects (Line 10-10-400) - $25,000 budgeted and recommended by the Council Finance Committee.

Bill 2016-37

AN ORDINANCE APPROVING THE CITY OF CAMERON, CLINTON AND DeKALB COUNTIES, MISSOURI BUDGET OF THE ENSUING FISCAL YEAR OCTOBER 1, 2016 TO SEPTEMBER 30, 2017

BE IT ORDAINED BY THE COUNCIL FOR THE CITY OF CAMERON, CLINTON AND DeKALB COUNTIES, MISSOURI, AS FOLLOWS:

Section 1. The City Council hereby has approved and adopted a budget for the fiscal year 2016-2017.

Section 2. The Budget for the fiscal year 2016-2017 is made a part of this ordinance and attached hereto.

Passed and approved on first reading this 15th day of August 2016.
Passed and approved on second reading this 6th day of September 2016.
Passed and approved on third and final reading this 19th day of September 2016.

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Mayor Jerri Ann Eddins

ATTEST:

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City Clerk/Finance Clerk

Third Reading