BILL 2013-30

Memorandum

Date: August 5, 2013

To: City Council

From: Mark Gaugh, City Manager

Subject: 2013-2014 Annual Budget

The budget for fiscal year 2013-2014 is presented for your review. The City's financial condition is stable, to improving. Sales tax revenues continue to be relatively flat, which affects General Fund expenditures. We did fund some capital improvements, such as an excavator replacement in public works and patrol car replacement cameras in the police department. Our Working Capital Policy is to bring the level to the range of 25-40% within five years of Resolution adoption (January 2013). The current reserve level is approximately 22-23%.

There is planned debt service in the newly created Transportation and Storm Water Tax Funds to cover the construction of Eighth St. and Walnut St. storm water improvements.

In the utility funds, we planned for capital improvements in water, wastewater and electric. Most of these expenditures involve upgrades/improvements at the water and wastewater plants and the Electric Division is re-conductoring a power line from West St. to Orange St. area. Much of the water plant capital will largely be paid for from a lawsuit award (Atrazine settlement) of approximately $274,000 received in January 2013. I received a letter from DNR yesterday, which allows us a grant of 70% for engineering services to do a rate cost of service study, as well as a watershed plan to control growth and development in our reservoir watersheds. The total expense is estimated at $61,635. My plan is to add a line: 08-20-208-01 Water Shed/Rate Study to cover the expense, and add a line: Grant Proceeds - $43,144. This will amount to a net expense of $18,491 in the Water Fund.

The budget does allow employee step increases for the upcoming year and a cost-of-living adjustment (COLA), of 2%. The last COLA and step increase was in 2010. Since that time, employees were required to pay a larger portion of their health insurance premiums, as well. We will continue to monitor benefit levels and participation rates, based on the health of the funds.

The reserve percentages shown forecasted for water and wastewater are skewed, since the capital funding proceeds from the loans are not factored into the formula. So, if you see that the percentage looks low, it is for that reason. Reserve balance percentages should actually end up being within, or close to our Working Capital policy guideline.