

2014 MAYOR'S PRELIMINARY BUDGET

City of Grand Forks, North Dakota
Special Committee of the Whole
August 26, 2013

AGENDA

- Guiding Principles
- Mayor's Direction
- Special Revenue Funds
- Enterprise Funds
- Capital Project Funds
- CIP
- General Fund
- Mill Rate Comparison
- Conclusion
- Next Steps
- Questions

GUIDING PRINCIPLES

- Budgeting critical for expenditure control
- Budget document
 - Planning & management tool
 - Long-term perspective
- Fiscal & budgetary policies
 - Integrity
 - Prudent Stewardship
 - Planning
 - Accountability

GUIDING PRINCIPLES, cont...

- Fund Balance – General Fund
 - Fund Balance Policy –
 - Maintain Target Unassigned Fund Balance at 18%
 - If drops below this level
 - Replenish within 3 years
 - Estimated General Fund Unassigned Fund Balance
 - \$6M @ 12/31/13
 - 18% of 2013 Budgeted Expenditures
 - Department Cash Carryover – Consider for capital items
 - Excess –
 - Move to Loan & Stabilization Fund
 - Mitigate future tax impacts
 - Use for one-time expenditures
 - Reserve for Future Fire Station
 - Land
 - Construction

GUIDING PRINCIPLES, cont...

- Expenditures
 - Maintain Integrity of Market/PFP System
 - 3.1% Based on market comparisons
 - Detailed salary plan information in back of budget binder
 - Good performance review required
 - Longevity Pay
 - Recommendation by Mayor & Human Resources – Phase out
 - Continue per current practice for all eligible employees hired through 12/31/13
 - Discontinue for all employees hired on or after 1/1/14
 - Consistent with recommendation of Public Sector Personnel Consultants (PSPC)
 - Efficiencies
 - Continue to rethink operations for efficiency opportunities

MAYOR'S DIRECTION

- Grand Forks Promise – 5 Pillars
 - Safe community
 - Affordable place to live & do business
 - Commitment to youth
 - Rich cultural & healthy experiences
 - Opportunities to be engaged
- Close budgetary gaps
 - Fiscally responsible measures
 - Prudent resource allocation
- Maintain reserves backed by sound financial policy
- Continue 6-year planning-Minimize fiscal impact to citizens
 - Annual review of priorities
 - Develop long-term financial planning-concerted efforts of administration & City Council

MAYOR'S DIRECTION, cont...

- Responsive, equitable service to community
- Maintain quality and level of service
- Focus on Street Repair
- Evaluate necessary investments
 - To provide same standard of service meeting residents' future needs & expectations
- Employees – Treat fairly
 - Consistent with City Council's history of employee compensation
- Evaluate processes/Seek efficiencies
 - Process improvements; utilization of technology; improve service delivery
- Vacant Positions
 - Continue to examine – maximize scope of existing positions

SPECIAL REVENUE FUNDS

- Special Revenue Funds – Account for proceeds of specific revenue for specific purpose
- 2014 Highlights of SR Funds
 - 2101 Loan & Stabilization (est. cash balance \$860,000 1/1/14)
 - Make the following transfers to prevent any mill increases
 - \$54,776 to Insurance Reserve Fund (2151)
 - \$53,293 to GO Dike Bond (3120)
 - \$50,305 to City SA Fund (2145)
 - Also transfer .2 mills to City SA Fund (2145) from City Share Fund (2142)
 - 2121 Public Building
 - Reserve for building/capital needs
 - Working to determine priority needs to determine correct funding level
 - \$45,000 budgeted for City Hall Security System
 - HVAC system
 - \$15,000 City Hall
 - \$30,000 Central Fire (looking into possible EECBG funding)
 - Projection includes energy efficiency lighting project

Special Revenue Funds, cont...

- 2014 Highlights, cont.
 - 2124 Library
 - Moving \$300,000 to capital reserve – future building needs
 - Implementing salary adjustments per study
 - No mill increase to implement
 - Executive Summary of Library – pg#139 of budget binder
 - 2163 Economic Development
 - \$35,000 increase for Air Base Retention efforts
 - Cost share with GF County for BRIC coordinator position
 - Collaboration with GFAFB, BRIC committee & local entities critical in air base retention
 - \$75,000 included to support Bakken Initiative
 - \$10,000 for City contribution of Greater Grand Forks Young Professional Director
 - \$25,000 for UAS Development Center (5th year of 5 year commitment)
 - \$75,000 for Go Downtown/Downtown Development Association (DDA)
 - Continue contribution to EDC, JDA, special events & arts

ENTERPRISE FUNDS - Sanitation

- 2014 BUDGET:

Begin Operating Cash	\$0.3
Revenues	\$9.2
Expenses	<u>\$9.2</u>
End Operating Cash	\$0.3

(Amounts in Millions)

Rate Increase for 2014
Collection 8%
Landfill 4%

Estimated Cash Bal. 1/1/14

Operating Cash	\$300,000
Planned Use of Reserved Cash:	
Legally Restricted:	
Debt Service	\$1,300,000
Landfill Closure & Post Closure	<u>\$1,600,000</u>
Total Cash	\$3,200,000

ENTERPRISE FUNDS - Wastewater

- 2014 BUDGET:

Begin Operating Cash	\$0.3
Revenues	\$9.5
Expenses	<u>\$9.1</u>
End Operating Cash	\$0.7

(Amounts in Millions)

7% Rate Increase for 2014

Estimated Cash Bal. 1/1/14

Operating Cash	\$ 300,000
Planned Use of Reserved Cash:	
Future Vactor Cleaner	\$ 200,000
Set aside lawsuit proceeds for WWTP repairs	\$ 650,000
Unreserved	\$ 250,000

Legally Restricted:

Debt Service	<u>\$4,000,000</u>
Total Cash	\$5,400,000

ENTERPRISE FUNDS - Water

- 2014 BUDGET:

Begin Operating Cash	\$ 0.3
Revenues	\$12.1
Expenses	<u>\$11.9</u>
End Operating Cash	\$ 0.5

(Amounts in Millions)

8% Rate Increase for 2014

Estimated Cash Bal. 1/1/14

Operating Cash	\$ 300,000
Planned Use of Reserved Cash:	
Future WTP Project	\$7,100,000

Legally Restricted:

Debt Service	<u>\$2,500,000</u>
Total Cash	\$9,900,000

ENTERPRISE FUNDS - Stormwater

- 2014 BUDGET:

Begin Operating Cash	\$0.7
Revenues	\$2.4
Expenses	<u>\$2.4</u>
End Operating Cash	\$0.7

(Amounts in Millions)

2014 Rate Increase:

12% Rate Increase in Stormwater Fee

0% Rate Increase in flood protection/greenway mtce fee

Estimated Cash Bal. 1/1/14

Operating Cash	\$ 700,000
Planned Use of Reserved Cash:	
Future purchase-Vactor Cleaner	15,000
Future Flood Station/Eq Repair	60,000
Future SW/Dike/Greenway renewal & replacement	80,000
Future SW Projects	150,000
Future Perm Flood Protection & capital maintenance	75,000
Legally Restricted:	
Debt Service	<u>750,000</u>
Total Cash	\$1,680,000

ENTERPRISE FUNDS – Monthly Utility Bill (4,000 Gallons Per Month)

- 2013

5/8" Min. Charge	\$ 6.26
Water Usage	12.94
Refuse	14.08
Wastewater Min.	12.31
Wastewater usage	11.48
Mosquito	2.55
Stormwater:	
Flood Prot/Greenway	
Mtce	1.39
Stormwater	<u>2.43</u>
Total Bill	\$63.44

- 2014

5/8" Min. Charge	\$ 6.76
Water Usage	13.95
Refuse	15.21
Wastewater Min.	13.17
Wastewater usage	12.28
Mosquito	2.55
Stormwater:	
Flood Prot/Greenway	
Mtce	1.39
Stormwater	<u>2.72</u>
Total Bill	\$68.03
Overall Increase	\$4.59
	7.24%

ALERUS CENTER

- Projecting profit of \$74,776
 - Assumptions used:
 - 6 UND home football games
 - Estimated attendance of 7,000 per game
 - 2 ticketed events
 - Estimated 309 events – meetings/banquets/weddings
 - Hospitality tax estimated 3% increase
 - Full time labor based on current full time positions
 - Part time labor based on schedule
 - Further detail in executive summary – pg #325 of budget binder
 - CIP includes
 - Video Boards - \$2,400,000
 - Score Boards - \$230,000
 - Video Production equipment - \$500,000
 - HVAC - \$225,000
 - Concessions equipment - \$170,000
 - Audio/Visual, Sound System - \$135,000

C APITAL PROJECT FUNDS

2013 Budget	\$ 5.4 M
2014 Budget	<u>\$ 7.3 M</u>
Increase	\$ 1.9 M

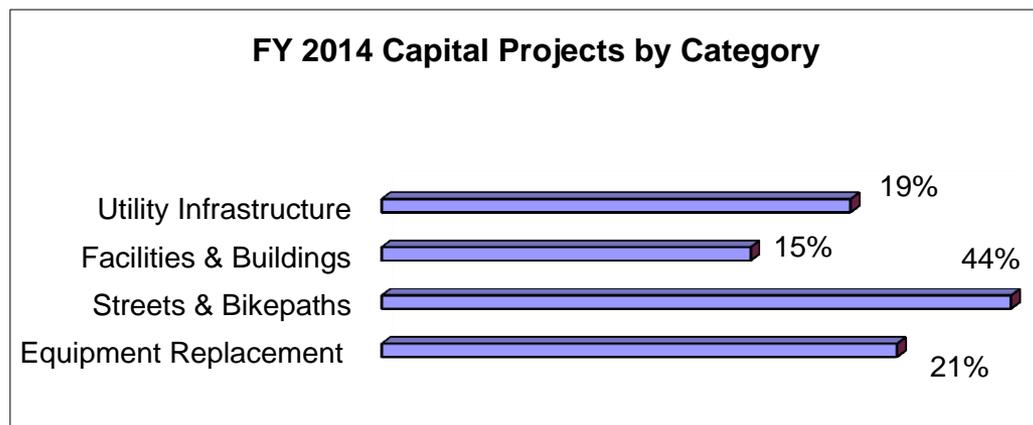
2014 Capital Projects Include:

Sidewalk Repair – ADA	\$ 50,000
2014 Special Assessment Projects	\$5,000,000
Wastewater Capital Project-pump station	\$2,000,000
Capital Vehicle Replacement	\$ 16,000
Nuisance Abatement	\$ 21,000
Bikeway	<u>\$ 180,000</u>
Total 2014 Budgeted Capital Projects	\$7,297,000

CIP – CAPITAL IMPROVEMENT PLAN

- The 2014 CIP is distributed into the following categories:

Equipment Replacement	\$ 6,551,726	21%
Streets & Bikepaths	\$ 13,491,515	44%
Facilities & Buildings	\$ 4,691,800	15%
Utility Infrastructure	<u>\$ 5,962,000</u>	19%
	\$ 30,697,041	



CIP-CAPITAL IMPROVEMENT PLAN

Highlights of 2014 Projects:

Increase funding for Street Capital Maintenance/Rehab program

Water Treatment Plant Project

Pump station

S Washington preventive maintenance (32nd Ave S to Hammerling)

Intersection Improvements

24th & 34th Roundabout

S Washington & 40th Ave S

11th Ave S & 42nd Street

Gateway Dr preventive maintenance(I-29 to N 55th)

17th Ave S/Columbia Rd Turn Lanes

Extend S 34th St & Connect to 40th & 43rd Ave S

N 55th St (Gateway to 17th Ave N)

30th Ave S Major Rehab

Columbia Rd (36th to 40th Ave S)

Construct 24th Ave S (48 to 46th)

GENERAL FUND

- 2014 Budget Highlights:
 - No mill increase for 2014
 - 1 mill decrease for current operations – set aside for future fire station operational impact
 - Wage increase 3.1%
 - NDPERS Pension – 1% increase per State
 - 1% increase Employee
 - 1% increase Employer
 - Continue funding Defined Benefit pension plan as recommended contributions-22 years left on 30 year plan to fully fund
 - Increased funding of CVIC
 - +\$23,600 (matches amount requested of county)

GENERAL FUND, cont...

- 2014 Budget Highlights:
 - Change in FTE's
 - Engineering
 - +1 Principal Engineer
 - +.25 Administrative Specialist (previously .75 temp position)
 - Info Center
 - +.2 Communication Specialist
 - Previously ½ health grant
 - Funding capital replacement reserve
 - Eventually all general fund vehicles will be on replacement schedule & paid out of this reserve – flat amount budgeted annually to prevent spikes in budgeting

GENERAL FUND, cont...

- Revenue Assumptions
 - Property Tax
 - 1 mill = Estimated Value \$162,851
 - Compares to \$153,749 in 2013
 - 5.92% estimated increase value of mill
 - Approximately 50% from revaluation; 50% from new construction & everything excluding revaluation
 - HB 1194 definition of zero increase mills – equates to the City taking 2.96%
 - Sales Tax
 - Budget includes 3% increase in sales tax from 2013 budget
 - Allocate 1% sales tax as in 2013 & previously
 - 49.5% General Fund
 - 20.5% Economic Development
 - 30% Infrastructure

GENERAL FUND, cont...

GENERAL FUND SUMMARY	2014 Mayor		
	<u>2013 Adopted Bdgt</u>	<u>Budget</u>	<u>Change</u>
REVENUE SUMMARY			
RE Tax - for GF operations	\$ 11,577,103	\$ 12,262,680	\$ 685,577
(offset by amount set aside in reserve for future SE Fire Station)	<u>(306,962)</u>	<u>(488,553)</u>	
Net RE Tax for current operations	11,270,141	11,774,127	\$ 503,986
Airport RE Tax	663,040	701,888	38,848
Penalty-Delinq Tax	50,000	50,000	-
Pmt In Lieu-Utilities	785,025	807,622	22,597
Sales Tax	4,746,994	4,889,404	142,410
Fire Prevention Tax	21,000	21,000	-
License & Permit Fees	1,429,134	1,540,004	110,870
State Aid	3,708,288	4,300,000	591,712
Other Intergovernmental	682,993	790,493	107,500
Operational & Wage Reimb's - from other funds	3,783,655	3,898,647	114,992
Other Charges for Services	1,337,138	1,341,472	4,334
Special Assessment Revenue	206,384	165,809	(40,575)
Fines & Forfeitures	807,300	912,300	105,000
Interest	125,000	100,000	(25,000)
Cable Franchise Fee	838,795	865,000	26,205
Nodak Franchise Fee	205,000	224,000	19,000
Xcel Franchise Fee	1,206,094	1,125,000	(81,094)
Other misc	35,766	43,553	7,787
Council Mtg Sponsorship & Calendar Advertising	28,083	28,083	-
Operating Transfers In	<u>1,071,125</u>	<u>1,112,814</u>	<u>41,689</u>
Annual revenue stream	33,000,955	34,691,216	1,690,261
Use of Department Carryover	<u>142,500</u>	<u>21,100</u>	<u>(121,400)</u>
Total Revenue	33,143,455	34,712,316	1,568,861

GENERAL FUND, cont...

GENERAL FUND SUMMARY	2014 Mayor		
	2013 Adopted Bdgt	Budget	Change
EXPENSE SUMMARY			
Personnel Services -	17,933,543	18,694,753	761,210
Benefits	6,980,239	7,450,324	470,085
Materials & Supplies	1,303,408	1,354,965	51,557
Utilities	813,951	837,249	23,298
Contract Services	1,142,245	1,203,255	61,010
Mtce Structures	253,001	245,455	(7,546)
Mtce Equip	955,280	968,651	13,371
Other Operations	1,882,093	2,001,610	119,517
Transfer Out(primarily PSAP)	719,180	769,928	50,748
Capital	891,110	889,544	(1,566)
Capital Replacement Reserve	269,405	296,582	27,177
Total Expense	\$ 33,143,455	\$ 34,712,316	\$ 1,568,861
Net Change - revenue over/(under) expense	\$ -	\$ -	\$ -

GENERAL FUND, cont...

- Cash Balances

General Fund Fund Balance		Recommendation: Use of Cash to fund Reserves for Future Fire Station	
As of 12/31/2012			
General Fund Unassigned Fund Balance 12/31/12	\$ 9,088,319	Estimated Cash Balance	\$8,592,467
Less: Negative Balance Transfer	-	Cost of Land	(500,000)
General Fund Cash 12/31/11	\$ 9,088,319	Construction of Building - set aside reserve	(2,000,000)
Less:		Revised estimated cash balance	\$6,092,467
Unrealized Gain	(280,865)	Revised estimated cash balance	6,092,467
Doris Olson Bequest	(135,281)	Revised estimated cash balance as % of total budgeted expenditures	18.38%
Offstreet Parking Cash	(500)		
Customer Deposits	(79,206)		
Reserve for Future Fire Station operations			
General Fund Cash available for 2013 budget	\$ 8,592,467		
Impact of any forecasted 2013 over/(short)	-		
Projected beginning cash balance @ 1/1/14	<u>\$8,592,467</u>		

GENERAL FUND-Plan for SE Fire Station & Operational Impact to Budget

FISCAL YEARS 2014 - 2019	1 MILL INCREASE PER YEAR FOR 2 YEARS (2012 & 2013) - SET ASIDE							
	EQUIVALENT OF 1 MILL PER YEAR IN 2014 & 2015 - SE FIRE STATION OPERATIONAL IN 2016							
GENERAL FUND	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Revenue			35,179,769	36,361,500	37,588,521	39,030,050	40,573,671	42,125,593
Less mills reserved toward Fire Station operations	(149,311)	(306,962)	(488,553)	(684,188)	-	-	-	-
Use of Department Carryover			21,100	-	-	-	-	-
Use of Fire Station Reserve Cash			-	-	1,025,032	260,960	343,022	-
Total Sources of Funds			34,712,316	35,677,312	38,613,553	39,291,010	40,916,693	42,125,593
Total Expenditures			34,712,316	35,737,717	38,613,553	39,291,010	40,978,188	42,158,041
Net Change in Cash Balance			-	(60,405)	-	-	(61,495)	(32,448)
Cash Balance - Beginning			\$ 6,000,000	\$ 6,000,000	\$ 5,939,595	\$ 5,939,595	\$ 5,939,595	\$ 5,878,100
Cash Balance - Ending			\$ 6,000,000	\$ 5,939,595	\$ 5,939,595	\$ 5,939,595	\$ 5,878,100	\$ 5,845,652
Assumptions:								
Property Tax budgeted w/growth as projected in budget model (ranging from 5 to 5.5%)								
3% increase per year in sales tax								
3% increase per year in state aid								
3% increase per year in salaries								
10% increase per year in Utilities/fuel								
12 FTEs in 2016 for SE Fire Station								

MILL RATE COMPARISON

CITY OF GRAND FORKS 2013 - 2014 COMPARATIVE MILL RATE AND REVENUE GENERATED									
		2013	2014			2013	2014		
		ACTUAL	ESTIMATED	INCREASE		REVENUE	ESTIMATED	INCREASE	
		RATE	RATE	(DECREASE)		GENERATED	REVENUE	(DECREASE)	
1100	General Fund	75.30	75.30	-	(1)	\$ 11,577,289	\$ 12,262,680	\$	685,391
2106	Emergency Fund	1.00	1.00	-		153,749	162,851		9,102
2109	Municipal Band	0.11	0.11	-		16,912	17,914		1,002
2121	Public Building	3.60	3.60	-		553,496	586,264		32,768
2124	Library	9.57	9.57	-		1,471,377	1,558,484		87,107
2142	City Share of Special Improvements	0.45	0.25	(0.20)		69,187	40,713		(28,474)
2145	City Special Assessments	2.36	2.56	0.20		362,847	416,899		54,052
2151	Insurance Reserve Fund	1.35	1.35	-		207,561	219,849		12,288
2157	Noxious Weed	0.02	0.02	-		3,075	3,257		182
	Airport	4.31	4.31	-		662,658	701,888		39,230
5500	Public Transportation	4.79	4.79	-		736,457	780,056		43,599
5600	Dial-A-Ride	1.00	1.00	-		153,749	162,851		9,102
7202	Animal Control	0.50	0.50	-		76,874	81,426		4,552
3100	Dike Construction	5.52	5.52	-		848,693	898,938		50,245
	Total Mill Levy	109.88	109.88	0.00		\$ 16,893,924	\$ 17,894,069		\$ 1,000,145

(1) Operating with one mill decrease in 2014; Set aside equivalent of one mill in reserve to be used toward future SE fire station - projected for 2016

Note: 2013 Actual Rate - 1 Mill = \$153,749
 2014 Estimated Rate - 1 Mill = \$162,851
 (approximately 50% of this increase coming from revaluation; 50% from all changes excluding revaluation)

Mill Rate, cont...

- Property Tax – City portion
 - What does the City collect?
 - \$100,000 Value
 - **\$494** annually (based on 109.88 mills)
 - What do I get in return?
 - Services include:
 - Police; Fire; Street cleaning/snow removal; Health; Eng/Insp/P&Z; Mayor/Council/Admin; 62% of PSAP; Bus/Dial-A-Ride; Animal Control; Flood Protection (prop tax portion); City portion of Airport & Library
- Grand Forks City Residents – What will I pay? What is the impact of Property Tax Relief from State?
 - \$100,000 value
 - **\$435** annual cost to **resident**
 - **\$59 (12%)** paid by **State** through property tax relief

Property tax bill – all entities

- Property tax relief – what to expect

Property Tax Relief			
			Legislative impact
Year of Valuation	2012	2013	
Residential Value(1)	\$ 100,000	\$ 100,000	
Mill Levy			
County/State/Soil	118.19	118.19	
City	109.88	109.88	
Park	40.89	40.89	
School(2)	139.14	89.14	
Mill Levy(4)	408.10	358.10	
Tax	1,836.45	1,611.45	
12% Reduction(3)		193.37	
Tax	\$1,836.45	\$ 1,418.08	
% Reduction from prior year		22.78%	
(1) Does not include valuation increase; this will vary depending on the property, but estimated to average 3%			
(2) 2013 Legislation provides for 50 mill school buydown			
(3) 2013 Legislation provides for 12% across the board reduction			
(4) assumes no net increase /decrease in # of mills by taxing entities			
Additional Footnote			
Legislative Tax Relief-Total accumulative:		\$ 755.87	
New (2013) tax relief (50 mills + 12% reduction)		\$ 418.37	
Existing (2007) tax relief (75 mills)		\$ 337.50	

Conclusion

- In Summary – what does this budget accomplish?
 - Balanced Budget with 6-year outlook
 - No Mill Increase for 2014
 - 1 mill decrease for current operations – set aside for future fire station operational impact
 - SE Fire Station
 - Set aside cash reserve to fund construction and land cost
 - On track with plan to fund operation impact while minimizing property tax impact to citizens
 - Longevity – Phase out beginning 1/1/14
 - Increased funding for construction and repair of Streets
 - Utility Rates
 - Average bill increase \$4 per month
 - Continue to plan for Water Treatment Plant and its impacts as well as other utility projects

THANKS

- Thank You
 - All departments – helped throughout the budget process
 - Finance Department – staff worked very hard so we could have this presentation this evening
 - Mayor & Council who realize resources need to be provided in order to provide services and the importance of good planning and a sound budget
 - Citizens for their input throughout the year

WHAT'S NEXT?

- September 3, 2013 – Preliminary approval of Budget
 - Once preliminary approval given
 - Can't increase budget, but can decrease
- September 16, 2013 @ 6pm – Final Adoption of Budget & Fee List (Public Hearing)
 - Legislation requires the meeting to begin no earlier than 6pm
 - Notice will be given of this public hearing in the newspaper
 - Need to give 7 days notice
 - Recent legislation also requires an additional mailing of a letter be sent as notice to those properties who's home value was estimated to increase 10% or greater - not everyone will get this letter
- October 10, 2013 – Budget certified to County Auditor

Notice in Newspaper

- The notice in the newspaper will look like this:

**IMPORTANT
NOTICE TO
GRAND FORKS CITY
TAXPAYERS**

A Public Hearing to consider increasing the 2013 Grand Forks City property tax levy by **2.96%** will be held at the Grand Forks City Hall Building, 255 North 4th Street, 3rd Floor, Grand Forks, North Dakota on Monday, September 16, 2013 at 6:00pm. Citizens will have an opportunity to present oral or written comments regarding the property tax levy.