

# 2016-2017 City of Albion Budget Narrative

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## **BALANCED: Additional Valuation and Voter-Approved Sales Tax Create Opportunity to Lower Levy**

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On September 13, 2016 the Albion City Council adopted a balanced budget for the ninth year in a row, while reducing the overall Albion levy by nearly 20 percent. Significant factors that created the opportunity to reduce the levy rate are:

- 1) A significant increase in overall taxable valuation due to the addition of Ethanol Plant redevelopment project valuation following Valero's pay off of the TIF bonds in June of 2016; and,
- 2) Renewal and reallocation of a voter-approved ½ cent sales tax in May of 2016.

The following is a brief narrative summary of the City of Albion's fiscal system and budget considerations for the 2016-2017 fiscal year (October 1, 2016 – September 30, 2017).

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### **Listing of Sources of Revenue and Significant Sources of Expenditures; Ranked in order of highest to lowest:**

#### **Significant Sources of Revenue: Significant Expenditures:**

- |                            |   |
|----------------------------|---|
| 1) Utility User Fees       | 1) Utility Departments & Reserves for future improvements             |
| 2) Sales Tax               | 2) Capital Improvements: Pool, Streets, Library, Parks/Sports Complex |
| 3) Property Tax            | 3) Operation Budget for Governmental Service Departments              |
| 4) Business Occupation Tax |   |

Our projected sources of revenue match up well with our projected expenditure bases.

Utility user fees finance the costs and reserves associated with the utility department operation and capital projects, including debt service for such projects.

Sales Tax revenues are used for capital projects, street improvements, water tower debt, swimming pool debt, and economic development.

Property Tax and Business Occupation Taxes are used to finance the operation budgets for all city governmental service departments such as administration, park, pool, library, airport, police, and fire protection.

#### **1) City Utilities & User Fees**

The largest expenditure base is in the city utility departments and their reserves for future improvements. In order to finance the expenditures (costs) incurred to provide utility services, the City of Albion uses a user fee system that generates revenue from users who gain benefit from utilization of the utility services provided by the city. The amount billed per customer is proportional to the use or benefit gained by the specific user.

Historically, the City of Albion has had utility rates among the lowest in the State of Nebraska. In the mid-2000's, the City leadership team acknowledged that costs to operate the utilities had outpaced revenues from such low user fees and that significant improvements to the City utility system were necessary. Originally, the City responded by incorporating incremental annual user fee increases based upon an economic indicator known as the CPI (Consumer Price Index). At the time, this system was recognized by the City Council as a financially responsible method of preparing for our community's future by keeping revenue increases at pace with the increasing costs associated with providing utility services.

In 2007, significant capital improvement needs of the sewer collection and wastewater treatment systems were identified. The costs associated with these projects were anticipated to go beyond normal inflationary cost increases and the City Council acted proactively by initiating a new progressive sewer rate escalation program as recommended by the NWRA (Nebraska Rural Water Association). This incremental rate increase program was adopted so that the City may be able to finance the needed future improvement projects. Several upgrades to the existing system have been made in recent years, the most significant of which is the new Waste Water Treatment facility, completed in 2013.

In 2009, capital improvements to the water system were mandated by the state due to high levels of selenium in the drinking water. There have been no water rate increases as a direct result of a new well project that was completed to address the issue. The City is currently exploring options for a secondary source of drinking water and plans to begin initial design and construction phases in the 2016-17 fiscal year.

All utility rates are reviewed annually in August. The Albion City Council considers information from the CPI, NWRA's rate study and comparison, as well as any other information about the system that may indicate increasing costs to provide the utility services to the community. This year Water rates increased by 1%, which is in line with projected cost (CPI) increases; while Sewer rates increased by 4% due to costs of operation and Nebraska DEQ debt service requirements. There were no increases to Solid Waste rates.

## **2) City Sales Tax & Uses**

Our City Sales Tax revenues have been providing employable reserves for capital improvements to the City's infrastructure since 1998. Proceeds are financing the 2000 water tower project, repaying bonds for 2002, 2003, and 2009 streets projects, financed all 2008 street improvement projects with cash reserves, financed the 2008 fire hall construction project, allows for major fire equipment purchases, provided additional reserves for the 2013 Sewer plant construction project, provided reserves for the 2014 Albion Family Aquatic Center project, financed a 2014 Library improvement project, financed improvements to the Sport Complex in 2014-15, and continues to finance the Albion Economic Development Program, which has successfully assisted commercial development in the community through demolition, loan security, recruitment, and other community economic development programs. The City of Albion has a positive retail pull factor which means that Albion is drawing in sales from other areas and that retail sales in Albion are higher than the state's average per capita sales.

It is estimated that Fiscal Year 2015-2016 sales tax revenues will be \$713,000: \$220,715 for the voter specified ½ cent Fire Department Sales Tax for new construction and equipment; and \$492,285 for the 1 cent local option sales & use tax which is divided among public works capital improvements and the Albion Economic Development plan.

In May of 2016 Albion voters approved a 10 year continuation of the ½ cent sales tax - originally approved in 2006 for Fire Department Building, Equipment, and Maintenance - assigning 50% of the future proceeds toward the Swimming Pool Bonded Debt. Starting October 1, 2016 the ½ cent sales tax revenues will be divided accordingly: 50% to the Swimming Pool Bonded Debt; 30% to Fire Dept Building, Equipment, & Maintenance, 10% to Police Dept Building, Equipment, & Maintenance; 5% City Hall Building & Maintenance; 5% Library Building & Maintenance. The 1 cent perpetual sales tax will continue to fund public works capital improvements and the Albion Economic Development Plan.

## **3) City Property Taxes/Business Occupation Taxes**

Since the City of Albion has specific user fees to generate revenue to offset costs for utility services and Sales Tax Revenues are in place to finance other capital improvements and purchases, the City is able to focus property taxes and business occupation taxes to the operating budgets for Governmental Service Departments such as Administration, Parks, Pool, Library, Police, Debt Service and Fire Protection. Due to the pay-off of the TIF bonds in June of 2016, the City will no longer receive business occupation taxes on the electricity used at the Ethanol Plant; however, the community gains the benefit of the Ethanol Plant's full valuation as of October 1, 2016.

The General Fund property tax request, used for day-to-day operations of the governmental units listed in the above paragraph is \$483,642 and the total levy rate for 2016-17 is \$0.4345 per \$100 valuation.

The following table illustrates the property tax obligation for property of various values. These tax obligations fund the Streets, Park, Pool, Police, Fire Protection, Library – and also partial debt service of a voter approved Bond for construction of the new pool facility.

<b>Annual Property Owner Tax Obligation for City Services</b>					
<b>Property Value</b>	<b>\$ 100,000</b>	<b>\$ 150,000</b>	<b>\$ 250,000</b>	<b>\$ 300,000</b>	<b>\$ 350,000</b>
<i>Annual Property Tax Obligation</i>	\$ 434.50	\$ 651.75	\$ 1086.25	\$ 1303.50	\$ 1520.75

**4) Summary of General Budgetary Issues**

The City conducts Community Attitude Surveys every five (5) years to establish a basis for public feedback and ratings of City facilities and services. Since 2011, those responses have been utilized in part to assist the City in establishing budget priorities and identifying potential Capital Improvement Projects. Respondents were asked to rate the City services as *Good, Fair/Average, or Poor*. The overall results for all government provided services on the 2016 survey results were *Good*.

The highest rated services were Fire and Rescue Services, Police Protection, Airport, and Garbage Services. The sales tax approval for Fire Construction and Equipment is greatly assisting in improving facilities and equipment for our fire department – an ambulance was purchased in 2010, a new pumper truck was purchased in the fall of 2011, a Grass Rig purchased in 2012, a Quick Response Rescue Truck was purchased in 2014, and SCBA Air Tanks and a Crew-cab Pickup were purchased in 2015, and a new SCBA fill station and additional air packs were purchased in 2016. Police protection - although a public safety entity - was not included in the language of the original sales tax question placed before Albion voters in 2006, therefore has been funded only by property tax and administrative revenue transfers to finance operating expenditures but beginning October 1, 2016 will receive 10% of the ½ sales tax for building, equipment, and maintenance costs (estimated to be \$20,000 in the 2016-17 fiscal year).

Recreational facilities including the Parks, Sports Complex, Pool, and Library all received *Good* ratings in 2016 as well. Property taxes and transfers from administrative revenues fund the maintenance and operation of these facilities. The Tennis Courts, and Public Restrooms are exceptions that the public felt needed priority attention according to the 2011 and 2016 surveys. As part of the Pool Project that began construction in 2013, the Mayor and Council committed to provide adequate tennis facilities for the community. Renovation and resurfacing was considered in 2014, but it was determined that reconstruction of the tennis courts at the Sports Complex would be necessary due to the inadequate base beneath the paved surface. A multi-sport surface recreation area project has been approved for construction in the Spring of 2017. The Library had foundation and masonry repair and electrical upgrades in 2013, had a basement improvement project in 2014-15, and is expected to have landscaping project completed in 2016. Other improvements are expected prior to celebrating the Library’s 110<sup>th</sup> year in 2018.

In both 2011 and 2016 the lowest rating received for facilities/services was a *Fair/Average* rating for street conditions. In October 2012, the City completed a major maintenance project that included armor coating and/or sealing of all asphalt streets in Albion. In 2015-16, various areas were repaired, including some downtown curbing. 2015-16 Capital Projects included Ruby Street partial reconstruction, new construction of 8<sup>th</sup> and South Streets near the Albion Family Aquatic Center, and Phase I of the Fairview Storm Sewer Project which has been awarded for Fall 2016 construction. A micro-surfacing maintenance project - similar but also superior to the 2012 armor-coating - to recondition all asphalt streets in town as well as the Church Street improvement project (Hwy 91 to 2<sup>nd</sup> Street) are both budgeted for completion in 2017 pending successful bid lettings. Included in the Street Department 2016-17 operating budget are routine maintenance, patching, snow removal, and annual crack tarring.

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Prepared by Andrew L. Devine, Administrator/Clerk/Treasurer

There are more opportunities for major street projects in the future, however the City would like to retire existing bond payments for 2002 and 2003 Street projects before incurring more debt associated with major street projects. The comprehensive 2016-17 Capital Improvement Plan was approved by the City Council as part of the budget adoption process, includes a schedule of future Street Projects, and is available for review at the City Government page of the AlbionNE.com Website – see link below.

Other concerns raised in the survey about City facilities and services which impact the budget were: safe drinking water, storm water drainage, lack of recreational trails; and code enforcement to clean up the appearance of the community. The City well project is complete and producing safe, clean water for the community; however, the city is planning on exploring another water source in 2016-17 as an adequate backup production well. In 2015, a plan to take a phased approach to Storm drainage projects was put into place and those projects are incorporated in the Capital Improvement Plan. Recreational trails have been added to the Capital Improvement Plan as a result of the 2016 survey, however, no cost estimates or timeline has been assigned at this point. During the 2011-12 budget planning sessions it was decided to no longer contract code enforcement with Boone County. The subdivision, zoning, and building code responsibilities have all been absorbed by the City Clerk's office and nuisance abatement by the Police Department.

In conclusion, it is exciting and encouraging for the City of Albion to have the opportunity to 1) continue providing essential public services at or above acceptable levels, and 2) realize significant progress in regards to value-added Capital Improvements of various facilities – while also marking a reduction in the levy impact upon the general population for the coming year. Although the process takes time and patience, the City and County economic development programs are positively impacting our citizens and our City budget. Positive economic impacts have directly resulted from such efforts and have provided the opportunity to adequately fund municipal services, maintain property tax rates at a secure level, and incorporate stable municipal financial planning for the future of our community.

Links to the completed State Budget forms, 2016-17 Capital Improvement Plan, City Sales Tax Information, and other public documents are available for review at: [www.AlbionNE.com/live/city-government/](http://www.AlbionNE.com/live/city-government/)

While citizens are encouraged to participate in budget workshops that are generally held in the summer months of July and August, the budget process requires consideration year round so please feel free to stop by City Hall to review budget documents at any time.

*Respectfully Submitted,*



*Andrew L. Devine  
City Administrator/Clerk/Treasurer, City of Albion*