

2017-2018 City of Albion Budget Narrative

City able to lower tax levy for second year in a row due to Actual Valuation Growth and Favorable Cash Reserves

On September 12, 2017 the Albion City Council adopted a balanced budget for the tenth year in a row, while reducing the overall Albion levy by 12 percent. Significant factors that created the opportunity to reduce the levy rate are:

- 1) A significant increase in overall taxable valuation due to physical asset growth, investment, and development, as well as annexation;
- 2) Favorable cash reserves due to sound fiscal planning, conservative budget execution; and,
- 3) Receipts of reallocated revenues from the voter-approved ½ cent sales tax renewal approved in 2016.

The following is a brief narrative summary of the City of Albion's fiscal system and budget considerations for the 2017-2018 fiscal year (October 1, 2017 – September 30, 2018).

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: Streets, Parks/Sports Complex, Fire Dept, Pool |
| 3) Property Tax | 3) Operation Budget for Governmental Service Departments |
| 4) Business Occupation Tax | |

Our projected sources of revenue continue to 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, streets, 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. Sewer rates are higher than water rates because the costs to pump clean water from the ground and deliver it to consumers are less than the costs associated with treating the water for re-introduction into the environment once it is returned to the city via the sewer collection system.

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.

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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 NRWA (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 the **water department is currently carrying a significant capital project cash balance in anticipation of the construction of a new well within the next 12-24 months. A significant portion of this cash balance was derived from a transfer of Capital Improvement Sales Tax Funds, not water rates.**

All utility rates are reviewed annually in August. The Albion City Council considers information from the CPI, NRWA'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 all utility rates increased by 1.5%, which is in line with projected cost (CPI) increases and anticipated costs to operate each utility.

In August of 2017 the Nebraska Rural Water Association provided the City with a survey of current water and sewer rates from what they determined to be an appropriate community peer group across the State of Nebraska. According to the data provided by NRWA, Albion's 2017-18 water and sewer rates are still below average.

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 ballfield improvements to the Sport Complex in 2014-15 as well as the 2016-17 multi-purpose sport court project, financed the 2016 Fairview Street Phase I Storm Sewer project and the 2017 Church Street Downtown Entrance project, and continues to finance the Albion Economic Development Program, which has successfully assisted commercial development in the community through demolition, loan security, recruitment, business façade improvement, Downtown Revitalization Planning, 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 2016-2017 sales tax revenues will be nearly \$718,000: \$110,580 for the Swimming Pool Bonded Debt; \$66,350 for Fire Dept Building, Equipment, & Maintenance, \$22,115 for Police Dept Building, Equipment, & Maintenance; \$11,060 for City Hall Building & Maintenance; \$11,060 for Library Building & Maintenance; \$54,360 Motor Vehicle Sales Tax for the Street Department; \$367,315 for Public Works Capital Improvements; and \$75,000 allocated for 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, Streets, Parks, Pool, Library, Police, Debt Service and Fire Protection.

The General Fund property tax request, used for day-to-day operations of the governmental units listed in the above paragraph is \$512,546 and the total levy rate for 2017-18 is \$0.4014 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, Airport Authority, Administration – and also partial debt service of a voter approved Bond for construction of the new pool facility.

Annual Property Owner Tax Obligation for City Services					
Property Value	\$ 100,000	\$ 150,000	\$ 250,000	\$ 300,000	\$ 350,000
Annual Property Tax Obligation	\$ 401.40	\$ 602.1	\$ 1003.50	\$ 1204.20	\$ 1404.90

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, SCBA Air Tanks and a Crew-cab Pickup were purchased in 2015, a new SCBA fill station and additional air packs were purchased in 2016, and a new training facility was purchased in 2017.

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. In 2016, recreational trails were expressed as the highest recreation need for the community. The Tennis Courts, and Public Restrooms were also 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 project was completed in 2017. Improvements to the west ball fields, a recreational trail project, and a campground expansion are all on the Capital improvement plan for 2018. 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 2017. Other improvements are expected prior to celebrating the Library’s 110th 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 8th and South Streets near the Albion Family Aquatic Center, and Phase I of the Fairview Storm Sewer Project which has been completed in the Fall of 2016. 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 2nd Street) were both completed in 2017. Included in the Street Department 2017-18 operating budget are routine maintenance, patching, snow removal, and annual crack tarring.

There are more opportunities for major street projects in 2018 as existing bond payments for 2002 and 2003 Street projects are retired. The highest priority project is the Fairview Street Phase II Storm Sewer and Paving Improvement Project. The comprehensive 2017-18 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.

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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 2017-18 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, and a community group is leading the way with a goal to raise funds for construction of the first phase in 2018. 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, 2017-18 Capital Improvement Plan, City Sales Tax Information, and other public documents are available for review at: 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,



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City Administrator/Clerk/Treasurer, City of Albion*