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Office of the City Manager

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COUNCIL
December 15, 2010

Honorable Mayor and Members of City Council
City of Hamilton, Ohio

Re: **2011 Budget in Brief**

Dear Mayor and Members of City Council:

I am submitting my recommended 2011 All-Funds Budget. This Budget in Brief follows the format of the appropriation ordinance, which I am requesting City Council to approve.

The City's All-Funds Budget totals \$317.2 million for 2011 which includes the General Fund, Special Revenue Funds, Capital Project Funds, Debt Retirement (Sinking) Fund, Enterprise Funds, Internal Service Funds, and Trust Funds. The 2011 recommended budget is \$5 million, or 1.6%, more than the 2010 budget. Each of the budgets shown below is less for 2011 than in 2010, except the Enterprise Funds. The \$20 million increase is primarily caused by a \$23 million increase in Wastewater construction budget (Modified Consent Decree Projects) and \$13 million increase in the Electric Operations budget due to recognition of power purchase gross revenue and expenditures rather than the net of revenue and expenditures. These are offset by net decreases of \$16 million in other Enterprise Funds items. The detailed explanation for the year-to-year budget reduction is explained herein.

All funds are balanced. (Please see Attachment A for budget details.) Please note that budget comparisons are made between the 2010 budget approved by City Council and the 2011 recommended expenditure budget, unless otherwise noted.

All-Funds Expenditure Budget

	2010	2011
General Fund *	\$ 45,618,765	\$ 44,357,623
Special Revenue Fund	36,327,901	30,083,743
Capital Project Funds	10,299,591	3,978,241
Debt Retirement Fund	3,557,869	3,615,209
Enterprise Funds	206,310,645	225,888,987
Internal Service Funds	10,099,258	9,299,774
Trust Funds	<u>9,450</u>	<u>9,250</u>
Total	\$312,223,479	\$317,232,827

* Based on forecast

General Fund (100)

General Fund revenue is \$43.5 million and General Fund expenditures are \$44.4 million for 2011. Unlike the 2010 budget, this means that the City is not “living within its means” for 2011 because expenditures exceed revenue, even after significant cuts. Unfortunately, the City will be challenged to balance the General Fund budget for years to come. It is clear that the recovery from the Great Recession will take much longer than the post-war recoveries of the past.

Fund Balance

The General Fund unencumbered balance at the end of 2011 is expected to be \$2.6 million which will achieve the 5% of revenue goal. Although the 5% fund balance is at the low end of prudent range (5% - 15%), it nonetheless achieves the minimum public finance standard. The fund balance at the end of 2010 is estimated at \$3.4 million and the City is using \$800,000 to balance the budget and achieve the minimum fund balance. The \$800,000 is approximately the amount of Estate Tax revenue received in 2010 above the \$1million budgeted amount. Because the Estate Tax is unpredictable, this source should be considered one-time and unsustainable.

General Fund Expenditure Budget

	2010	2011
Revenue	\$46,888,969	\$43,469,150
Fund Balance	<u>2,204,092</u>	<u>3,474,327</u>
Total Resources	\$49,093,061	\$46,943,477
Expenditures	<u>\$45,618,765</u>	<u>\$44,357,623</u>
Fund Balance	\$3,474,327	\$2,585,854

General Fund Revenue

Estimated Revenue for 2011 is \$43.5 million, which is \$3.4 million, or 7.2%, less than in 2010. Tax revenue is \$176,240 less, primarily because of decline in City property tax revenue reflecting the Miami Conservancy District inclusion in the inside millage. Licenses and Permit revenue is \$622,960 less because of a one-time 2010 cable franchise payment of \$507,900 due to the franchisee changing the payment schedule and a \$115,060 reduction in license and permit fees, primarily related to year-to-date construction permit experience. Recreation fee revenue is \$55,900 less due to programmatic reductions. Fines and Forfeiture revenue is \$152,376 less based on year-to-date experience. Transfers-in are \$636,310 less primarily because the need for advances made to other funds in 2010 was less than in the prior year. Intergovernmental revenue is \$1.7 million less because of a reduction in one-time Estate Tax revenue of \$858,340, an anticipated \$521,250 reduction in Local Government Fund revenue, and a \$339,100 reduction in grant revenue. Miscellaneous revenue is \$102,000 less primarily because of an expected decline in interest earnings on City invested funds.

General Fund Expenditures

Expenditures for 2011 are \$1.2 million, or 2.7%, less than estimated 2010 expenditures. General Fund expenditures are based on current contractual salary and benefits for represented employees, no salary and benefit increases for non-represented employees, permanent budget reductions implemented mid-year in 2009 that have carried forward, health care costs recently negotiated,

and current pension and other benefits rates. Health care increased by 17% as the City is migrating to a Health Savings Account Plan which avoided a 30% increase. The City-wide health care increase is \$1.1 million and the General Fund increase is \$618,500.

Departments were asked to reduce their 2011 budgets by 6%. All departments were able to do so either by budget reductions or by transferring costs to other funds, except for the Police and Fire Departments. Negotiated contracts with both the IAFF and FOP require minimum staffing and to reduce these levels would require re-opening the contracts. Neither union has been willing to do so, although discussions continue because reduced staffing in these departments will be required to balance budgets in future years. Finally, the Police and Fire Departments were required to reduce their budgets by \$280,500 each. This is a 2% reduction for Fire and a 1.8% reduction for Police.

Additional reductions required to balance the budget totaling \$1.1 million include the following:

- Police and Fire reductions totaling \$561,000 including holding 7 positions vacant;
- Park Administration, Playground Programs, and Outdoor Athletics Programs are eliminated and the Parks & Playground Maintenance program is moved to Public Works. As a result, 2 positions are eliminated and the budget is reduced by \$340,000 (net of reduced revenue);
- The Health Department is re-organized and 2 positions are eliminated for a budget savings of \$193,000; and
- Eliminate the General Fund portion of the TV Hamilton budget for a savings of \$28,400.

General Capital Projects

Once again, there is no General Capital budget for vehicles, equipment, and building improvements in 2011 because estimated resources do not support it. Please note that deferred capital projects will result in the continued deterioration of assets that will be more costly to repair in the future. The City will have an increase in street repairs and improvements resulting from the implementation of the 1/3 KWH tax in 2011.

General Fund Forecasts

The final 2011 General Fund Forecast is attached (see Attachment B) for your information. This provides estimated revenue by source including reimbursements from restricted funds, expenditures by department, and fund balances. A multi-year forecast will be part of the 2011 strategic planning process.

Special Revenue Funds

Special Revenue Funds of \$4 million include a variety of funds for which revenue can be used only for a specific purpose such as grants, certain fee-based services, debt service, and capital improvements. All of the funds are balanced. The 2011 Special Revenue Funds expenditure budget is \$6.3 million, or 61.3%, less than the 2010 budget amount. This is primarily the result of the street improvement budget not being developed until early next year. The major funds are highlighted as follows.

Public Safety and Health Income Tax Fund (210)

This fund includes the dedicated income tax of 0.25% that totals \$2,800,000 for 2011. The amount of \$1,162,000 is transferred to the General Fund for each of the Police and Fire

Departments and \$476,000 is transferred to the General Fund for the Health Department. The 2011 fund balance is expected to be \$273,256, or 9.7% of revenue, less than the 15%, recommended balance.

Capital Improvement and Debt Service Fund (215)

Revenue totals \$2,610,000 and includes dedicated income tax of 0.2% for \$2,240,000, proceeds from the sale of property for \$120,000, and a transfer from the General Fund for \$250,000.

Expenditures and reserves total \$2,947,206. The amount of \$500,000 is set aside for emergency repairs. Other expenditures include \$60,000 for income tax refunds, \$80,694 transferred to the Parking fund for debt service, \$238,835 transferred to the Golf Fund for debt service, and \$2,067,677 transferred to Fund 775 for general obligation debt service. Other than for emergencies, no new capital expenditures are budgeted for 2011. This fund will be reviewed after the 2010 financials to determine if there are resources available to address ongoing, capital budget needs. The 2011 fund balance is expected to be \$493,263 which is 18.9% of revenue, more than the 15% recommended balance.

The fund has sufficient fund balance to provide \$337,206 to balance the budget.

Police Pension Fund (246), Police Levy Fund (249), Fire Pension Fund (250), Charter Fire Force Levy Fund (252), Fire EMS Levy Fund (253)

This revenue totaling \$2,785,500 is from the property tax millage of 2.6 mills. It is transferred to the General Fund to support the Police and Fire Departments for their specific purposes. The revenue amounts reflect the same assumptions as the property tax revenue in the General Fund. The 2011 fund balance for these funds is expected to be \$719,840 which is 25% of revenue. The fund balance goal is three months' revenue.

CDBG, HOME, Homelessness, and Neighborhood Stabilization Funds

Funding varies year-to-year depending on the availability of funds from the federal government. The approval of specific expenditures is done through a separate process.

For 2011 resources are \$5.8 million and expenditures are \$5.6 million, the difference of \$200,000 is primarily in yet-to-be allocated CDBG revolving loan funds.

Stormwater Fund (279)

Revenue totals \$2,128,000, which is \$12,000, or 0.6%, less than the 2010 budget. This revenue amount is consistent with 2010 revenue collections to date. No rate increase is planned or budgeted.

Expenditures are \$2,626,518 which is \$765,788, or 22.6%, less than the 2010 budget. Salaries and benefits are \$21,558 less; non-personnel expenditures are \$152,971 less, primarily because there is no emergency reserve budgeted in 2011; and capital projects are \$591,259 less based on available resources. The Public Works has accelerated capital expenditures in 2010 to use up the high fund balance. The 2011 fund balance is expected to be \$332,389 which is 15.6% of revenue, which is the fund balance recommendation.

The fund has sufficient fund balance to provide \$498,518 to balance the budget.

Refuse Collection and Disposal Fund (280)

Revenue totals \$3,278,372 and is \$23,500, or 0.7%, less than the 2010 budget. This reflects recent revenue collection experience. No increase in rates is budgeted for 2011 and a new contract with the current vendor is being negotiated.

Expenditures total \$3,105,999 which is \$31,605, or 1%, less than the 2010 budget. The expenditure budget will be amended once the new contract is approved.

Because the fund receives payment from customers in advance of the City paying the vendor, the fund should have a positive balance at all times. The 2011 estimated fund balance is \$710,550 which is 21.6% of revenue. This is somewhat higher than the 15% recommended balance but future capital expenditures will have to be paid for from the reserve.

Street Maintenance Fund (281)

Revenue totals \$2,754,000 and is \$40,972, or 1.5%, more than the 2010 budget. The sources for this fund primarily include the gas tax and motor vehicle license taxes. These sources total \$2,690,000.

Expenditures total \$3,978,820 which is \$70,039, or 1.8%, less than 2010. This is a continuation budget for street cleaning and street repairs. It includes a \$500,000 contingency for emergencies.

The 2011 fund balance is estimated to be \$775,236 which is 28.1% of 2011 revenue. This is higher than the recommended 15% fund balance.

The fund has sufficient fund balance to provide \$1.2 million to balance the budget.

Parking (550)

Revenue is budgeted at \$544,104, which is an increase of \$54,194, or 10.8%. The primary increase is a transfer from Fund 215 for debt service. The Parking Fund can no longer fully support parking debt. Without the transfer, revenue decreases by \$36,500, or 7.3%. This reflects the loss of parking lot rentals and meter revenue primarily due to the Elder Beerman closing.

Total expenditures are budgeted at \$702,235 which is \$15,049, or 2.2%, more than 2010. This is primarily the result of increases in salaries and benefits.

The 2011 fund balance is estimated to be \$20,752 which is 3.8% of revenue, and significantly less than the recommended 15% working capital reserve amount. It is likely that the Parking debt service will need to be entirely supported by Fund 215 in 2012.

The fund has sufficient fund balance to provide \$158,131 to balance the budget.

Golf (560)

Revenue is budgeted at \$1,082,090 which is \$151,296, or 12.3%, less than 2010. This reflects a reduction in non-recurring note proceeds of \$100,000 (the note proceeds were used to buy equipment in 2010), a \$64,658 reduction in golf revenue which is due to fewer rounds played in the depressed economy, offset by net increases of \$13,362 in other line items.

Expenditures are budgeted at \$1,047,419 which is \$231,037, or 18.1%, less than 2010. This reflects the non-recurring equipment purchases made in 2010 of \$150,000, a reduction of \$42,200 in salaries and benefits, and net reductions of \$38,837 in other line items.

The Golf Fund has no capital improvements budgeted for 2011. The fund will be reviewed after the 2010 financials are closed to determine if resources are available for capital expenditures. Although much progress has been made in replacing dated equipment in 2010, some of the remaining equipment used at the golf courses has exceeded its useful life, parts are difficult to obtain, and repairs are costly. The 2011 fund balance is estimated to be \$235,714 which is 21.8% of revenue. Because of the bad economy, the weather-dependent nature of golf, and the need to replace equipment, a fund balance of this amount is needed.

Other Special Revenue Funds

The other smaller Special Revenue Funds expenditures are balanced to revenues. They are primarily grants and special purpose fee-based funds.

Capital Project Funds (301, 307, and 311)

These funds are for City street improvements. The Public Works Department expects to develop the 2011 street improvement plan early next year based on need, utility construction projects, and Council direction. The budget for these funds will change accordingly.

The Special Assessments Fund 301 is the conduit for bond proceeds used for gutter, curb, and sidewalk improvements, the cost of which is assessed to property owners. Until the 2011 plan is approved, only \$218,750 in debt service is budgeted.

Issue II Project Fund 307 is the conduit for state street improvement funds. The state revenue is \$993,250 and this amount is budgeted for street improvements in 2011. Specific improvements will be identified in the new plan.

Infrastructure Renewal Program Fund 311, which receives resources from a variety of other funds, is used to capture the cost of infrastructure projects, primarily street improvements. For 2011, \$294,000 of the 1/3 KWH tax revenue is transferred from the General Fund. The amount of \$158,491 is budgeted for the TID Route 4 debt service, and an amount of \$500,000 is budgeted as a contingency reserve. The fund has sufficient fund balance to provide \$364,491 to balance the budget. An additional amount of approximately \$3 million will be available from the sale of street improvement bonds supported by the 1/3 KWH tax revenue.

Funds 302 and 311 have sufficient fund balances to provide \$68,750 and \$364,491, respectively, to balance the budgets.

Clean Ohio Grants Fund 310

The City has received two brownfield remediation grants for the 550 Main and Estate Stove sites. For 2011 revenue is budgeted at \$2.1 million and expenditures are budgeted at \$112,000 for Estate Stove and \$1,995,750 for 550 Main.

Debt Service Fund (775)

This is the conduit fund from which the required general government principal and interest payments on bonds are made. The 2010 budget is \$3,614,209 and reflects the 2011 obligation.

The 2011 estimated fund balance of \$1,180,537 is necessary to reserve against a potential decline in revenue so that the City can meet its debt service obligation.

Internal Service Funds (610, 620)

These funds were created to recognize the citywide cost of services in shared areas – Fleet Maintenance and Central Services. All costs are budgeted in other funds and the Internal Service Funds are reimbursed for the services provided; therefore, revenues and expenditures should be equal over time. Fund balances should reflect a relatively small working capital amount. For 2011, budgeted expenditures are equal to budgeted revenue.

The Fleet Maintenance budget is \$2.5 million which is \$118,292, or 4.5%, less than the 2010 budget. A fund balance of \$336,500 is kept as a contingency reserve for an unexpected rise in fuel prices, future capital expenditures for equipment, and other emergencies.

Central Services includes the Deputy City Manager's Office, Economic Development, Information Technology, Customer Service, Stores, Communications, Telecommunications Technology, and Meter Reading. The budget is \$6,809,142 which is \$681,200, or 9.1%, less than the 2009 budget. Significant reductions are budgeted in Information Technology for \$390,100, Economic Development for \$96,300, Meter Reading for \$75,500. Net reductions of \$119,300 occur in the other Central Services departments.

Enterprise Funds

Utilities

For each of the following utilities, the City has consulted with Sawvel and Associates, Inc. regarding demand and capacity planning and rate setting. In addition, please note that each of the utilities has sufficient balances in Rate Stabilization Funds, Reserve Funds, and other funds as required by bond indentures and supports the required bond coverage ratios. In the following analysis, 2011 expenditure budgets are compared to the 2010 amended budgets. Amended budgets include changes that occurred since the 2010 adopted budget was approved and encumbrances carried over from the 2009 prior year. The encumbrances are committed funds. If the prior year encumbrances are significant, they will be noted.

Overall, utility rates are increasing by 2.8% in 2011. The Gas rates are unchanged, the Electric rates increase by 2%, the Water rates increase by 6%, and the Wastewater rates increase by 8%. Both the Water and Wastewater have significant capital improvement projects.

Electric Utility

Operations (502)

Operating Fund revenue of \$77.5 million is \$10.1 million, or 14.9%, increase from 2010 revenue. This is primarily the result in an increase in sales to other systems. Under the current banking agreement for Greenup, which expires at the end of the year, the City received the net difference between the power that was bought and sold. Now the gross revenue and expense is recognized. This difference in the 2011 budget is \$10.3 million. The remaining amount is the result of the 2% rate increase.

Operating Fund expenditures of \$83.9 million is a \$14.9 million, or 21.6%, increase from 2010 expenditures (a 23.9% increase without prior year encumbrances). Again this is primarily the

result of the expiration of the Greenup banking agreement. The additional purchase power cost is \$12.9 million. An additional net \$2 million is primarily the result of increased transfers for capital improvements. The operating expenditure budget exclusive of transfers is an increase of \$11.1 million, or 22.4%.

The fund has sufficient fund balance to provide \$6.4 million to balance the budget.

Hydroelectric Operations (524)

This fund is used to capture the City costs of the Meldahl project, which includes City salary and benefits, travel, contractual services, and property acquisition. American Municipal Power (AMP) will reimburse the costs in accordance with the mutual agreements approved by AMP and the City. Both revenue (AMP reimbursements) and expenditures are budgeted for \$694,726 in 2011.

Capital Improvements (522, 525)

The Construction Fund (522) includes those projects funded from bond proceeds received in 2009. The budget for 2011 completes the planned project improvements including new facilities and facility upgrades, which will result in three new substations, three new transmission lines, upgraded distribution circuits, and improved control and monitoring equipment. Also included is the demolition of a building on City-owned utility property.

The Capital Improvement Fund (525) includes projects funded primarily by cash transferred from the Operating Fund. The transfer from the Operating Fund is \$6.4 million to provide funding for \$5.5 million in projects and a reserve. The capital improvement projects are part of the utility's annual plan to maintain, repair, and replace production and distribution assets.

Bond Service Fund (528)

The Bond Service Fund is budgeted at \$14,714,000 to pay debt service through a transfer from the Operating Fund (502).

Gas Utility

Operations (501)

Operating Fund revenue of \$28.3 million is \$3.4 million, or 10.7%, less than 2011 revenue. This is primarily the result of a \$5.2 million decrease in customer revenue because of lower passed-through natural gas costs, offset by a \$1.8 million transfer from the Rate Stabilization fund to balance cash flow in the winter months.

Operating Fund expenditures of \$29.8 million are \$3.7 million, or 11.1%, less than in 2010 (a 10.8% decrease without prior year encumbrances). This is primarily the result of a decrease in non-personnel expenditures of \$4.6 million, primarily due to lower natural gas costs. These decreases are offset by \$156,160 increases in salary and benefits and a \$691,000 increase in transfers to other funds, primarily to the capital improvement fund. The operating expenditure budget exclusive of transfers is a decrease of \$4.4 million, or 15.4%.

The fund has sufficient fund balance to provide \$1.5 million to balance the budget.

Capital Improvements (512, 515)

The Construction Fund (512) includes those projects funded by bond proceeds from the 2009 bond sale. The remaining amount is \$707,412 and includes the completion of the replacement of 20,000 linear feet of mains, an integrity assessment of 11.1 miles of mains, and a proportionate share of City garage renovations.

The Capital Improvement Fund (515) budget of \$3.9 million includes projects primarily funded by \$3.5 million transferred from the Operating Fund. This provides funding for ongoing improvements and repairs and replacements to the Gas system which include distribution system improvements, some main replacement, equipment and tools, metering, and system controls. The fund has sufficient fund balance to provide \$358,375 to balance the budget.

The fund has sufficient fund balance to provide \$358,375 to balance the budget.

Bond Service Fund (518)

The Bond Service Fund is budgeted at \$1,675,000 to pay the debt service through a transfer from the Operating Fund.

Water Utility

Operations (503)

Operating Fund revenue of \$15.6 million is \$2.3 million, or 12.8%, less than 2010 revenue. This decrease is primarily due to no transfers budgeted in 2011 compared to \$2.2 million in 2010. In addition, revenue related to customer sales is increasing by \$100,000, which is the result of the 6% rate increase offset less demand, and a decrease in miscellaneous revenue of \$200,000, primarily the result of lower interest earnings.

Operating Fund expenditures of \$15.9 million are \$2.8 million, or 15.7%, less than 2010 (an 11.2% decrease without prior year encumbrances). By category, transfers are \$1 million less than 2010, particularly to the System Reserve Fund. Purchased services are \$1 million less, primarily for repairs and maintenance and engineering and other consulting services; supplies are \$980,000 less, primarily for chemicals; and \$60,000 less in other expenditures. These reductions are offset by a \$198,000 increase in salaries and benefits. The operating expenditure budget exclusive of transfers is a decrease of \$1.9 million, or 13.7%.

The fund has sufficient fund balance to provide \$351,280 to balance the budget.

Capital Improvements (531, 535)

The Construction Fund (531) includes those projects funded from bond proceeds. Budgeted revenue is \$5 million which is bond sale proceeds for the Water Main Replacement Project. Of this amount, \$1.8 million is expected to be spent in 2011 with the remaining amount spent over the next three years.

The Capital Improvement Fund (535) includes those projects funded primarily by cash transferred from the Operating Fund. The 2011 transfer amount is \$1.3 million with an additional amount of \$151,000 from tap and connection fees, for a total of \$1.5 million. Expenditures of \$1.6 million are for ongoing improvements, repairs, and replacements to the Water system. This includes

hydrant replacement, equipment replacement, production and distribution improvements, power generators, and security enhancements.

The fund has sufficient fund balance to provide \$120,420 to balance the budget.

Bond Service Fund (538)

The Bond Service Fund is budgeted at \$2,337,000 to pay the debt service through a transfer from the Operating Fund.

Wastewater

Operations (504)

Operating Fund revenue of \$13.6 million is \$437,700, or 3.3%, more than 2010 revenue. This includes an increase of \$1.3 million for revenue related to customer sales based on the 8% rate increase but less demand, offset by a reduction of \$935,000 in the transfer to the rate stabilization fund, and an increase of \$70,730 in miscellaneous revenue.

Operating Fund expenditures of \$15.7 million are \$571,000, or 3.8%, more than 2010 (a 5.1% increase without prior year encumbrances). Transfers to other funds increased by \$1 million, primarily to the Bond Reserve Fund to support the debt service on bonds to be issued in 2011. In addition, salaries and benefits increase by \$348,800. These are offset by reductions in professional and technical services of \$47,000; other purchase of services of \$549,000, primarily utilities and sludge removal; supplies of \$235,000, primarily chemicals; and other increased expenses netting \$53,200. The operating expenditure budget exclusive of transfers is a decrease of \$494,200, or 5.4%.

The fund has sufficient fund balance to provide \$2 million to balance the budget.

Riverside Nature Area Fund (543)

This fund includes interest earnings of \$1,000 and expenditures of \$1,000 for the maintenance of the nature area.

Capital Improvements (541, 545)

The Construction Fund (541) includes those projects funded from bond proceeds. The 2011 revenue totals \$32.1 million, primarily from bond proceeds. The expenditure budget is \$30.2 million. The budget supports compliance with the Modified Consent Decree. They include projects to mitigate sanitary sewer overflows during rain events through the design and construction of increased storage capacity, enhanced flow capabilities, and minimizing flow restrictions in the system. Treatment enhancements are included such as maximizing the capacity of aeration basins, providing back-up power generation, and improved efficiency.

The Capital Improvement Fund (545) includes projects funded primarily by cash transferred for the Operating Fund. The 2011 amount is \$1.8 million transferred from the Operating Fund. The total expenditure budget is \$2.7 million and is part of the annual plan for ongoing improvements, repairs, and replacements to the Sewer system. Equipment repairs, equipment purchases, sewer cleaning, and sewer lining are included.

The fund has sufficient fund balance to provide \$756,181 to balance the budget.

Bond Service Fund (548)

The Bond Service Fund is budgeted at \$4,253,804 to pay the debt service through a transfer from the Operating Fund.

Trust Funds

The Benninghoffen Trust is budgeted in the amount of \$1,750 and the Unclaimed Monies Fund is budgeted in the amount of \$7,500. These are the same as the 2010 amounts.

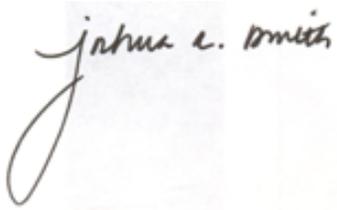
Conclusion

We have been challenged over the past year to balance the budget yet maintain basic services for our citizens. The City's General Fund has received the most attention but all City funds have been analyzed closely to achieve this goal. The fund balance in the General Fund remains razor-thin and is likely to remain so until the Great Recession is reversed and economic expansion brings new jobs to the City, probably no earlier than 2013.

I thank and commend the Finance Department for its dedication, effort, and support as the 2010 budget was being developed.

It is the recommendation of this office that City Council receive this report, concur in its recommendation, and consider the necessary legislation.

Sincerely,

A handwritten signature in black ink that reads "Joshua A. Smith". The signature is written in a cursive style with a large, looped initial "J".

Joshua A. Smith
City Manager

ATTACHMENT A

ATTACHMENT B