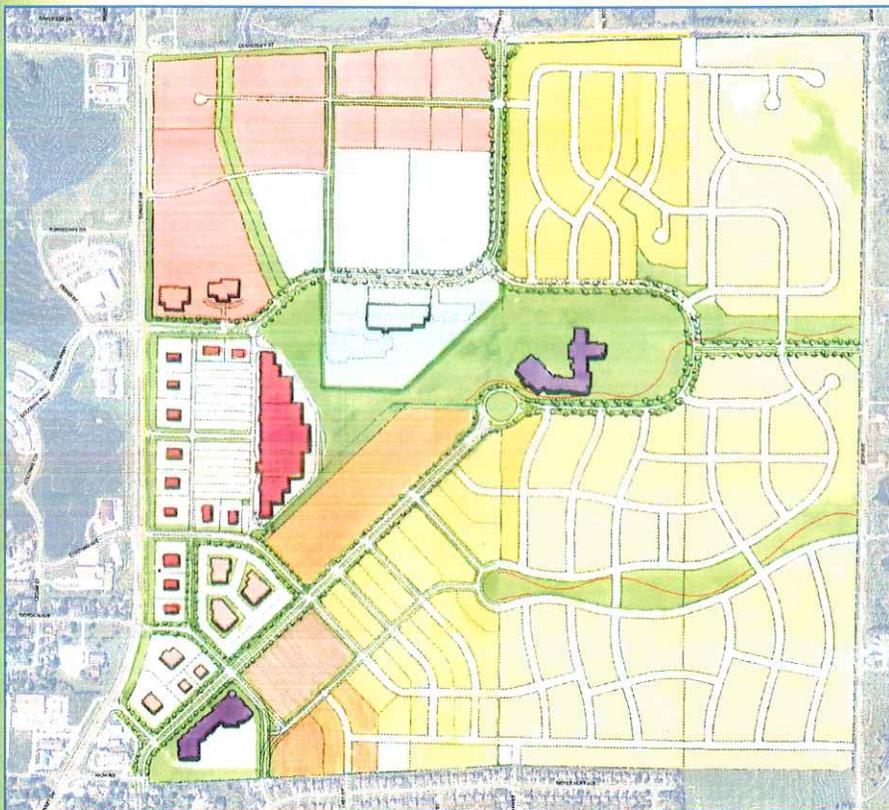
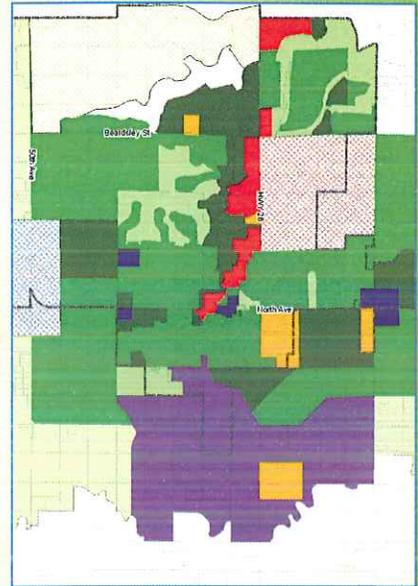




**Proposed Budget**  
**FY 2013-2014**  
**July 1, 2013—June 30, 2014**

**Presented:**  
**February 4, 2013**



**Mayor**  
Doug Pierce

**Council Members**

Frank Curtis  
Eric Delker  
Mike Leto  
Dave Murillo  
Jamie Sylvester

**City Manager**  
Marketa Oliver

**City Clerk**  
Jeff Rosien



# Executive Summary



Doug Pierce  
Mayor

February 4, 2013

Council Members:  
Frank Curtis  
Eric Delker  
Mike Leto  
Dave Murillo  
Jamie Sylvester

The Honorable Mayor and City Council Members  
City of Norwalk  
705 North Avenue  
Norwalk, Iowa 50211

RE: FY 2013/2014 Budget and Tax Levy

Marketa George Oliver  
City Manager

Dear Mayor Pierce and City Council Members:

Jeff Rosien  
City Clerk

Submitted for your review and consideration is the 2013-2014 Proposed Budget for the City of Norwalk. The budget provides the financial plan for all City funds and activities for the fiscal year beginning July 1, 2013 and ending June 30, 2014. The tax levy rate is proposed to be \$15.69000 per thousand dollars of taxable valuation, which is the same as the current levy.

Dustin Huston  
Fire Chief

Ed Kuhl  
Police Chief

This budget reflects the City's priorities of maintaining strong core services of public safety and public works. The budget includes operational funding to maintain current staffing levels as well as upgrade capital equipment. It also includes funding for several capital improvement projects in the public works, parks and utilities areas and to purchase necessary capital equipment, such as motorized cots for the ambulances, computer equipment, a scanner to archive plans, etc. A comprehensive Capital Improvement and Capital Equipment plan is included in your budget documents. The following graphs show where the City's money comes from and where it goes.

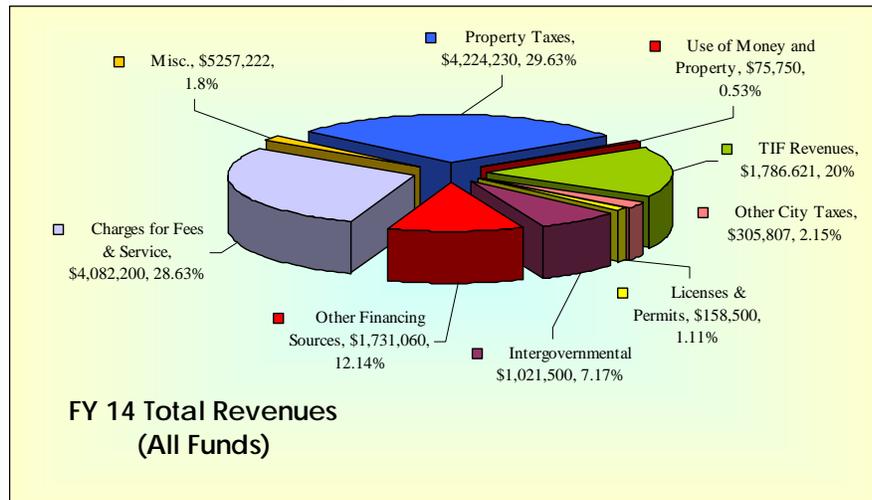
Tim Hoskins  
Public Works Director

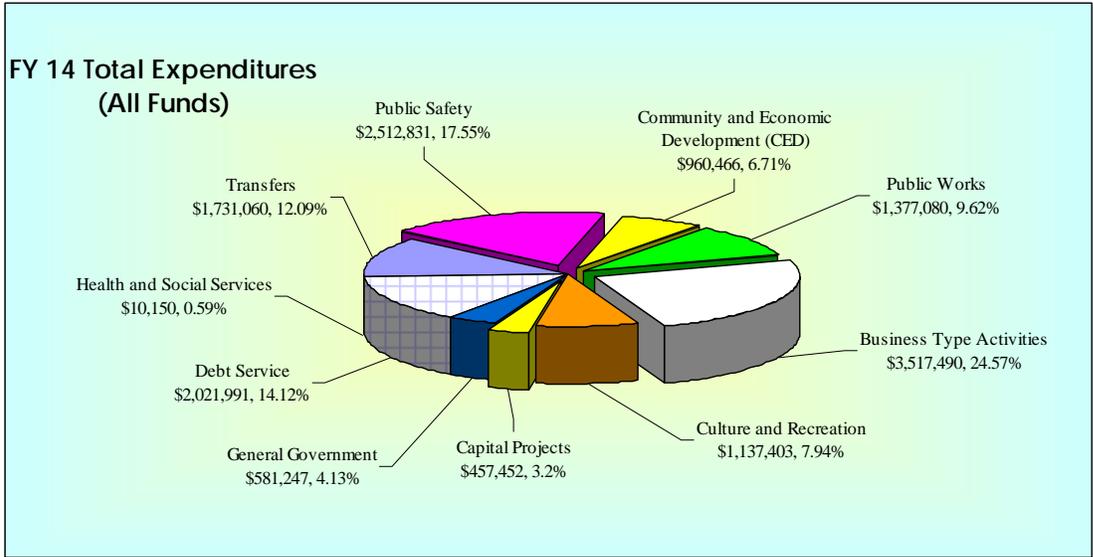
Nancy Kuehl  
Parks & Recreation  
Director

Mike Johnson  
Acting Development  
Services Director

Holly Sealine  
Library Director

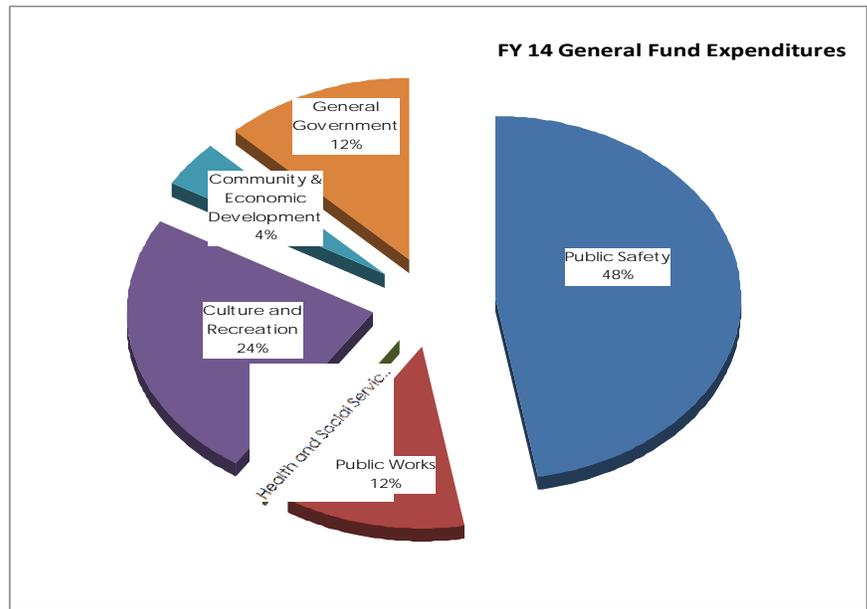
Jim Dougherty  
City Attorney





**General Fund**

The City maintains many "funds" within the City budget. The General Fund supports the bulk of the City's operations and the operations most identified with the City, such as Fire and Police. The Police, Fire, Parks, Recreation, Library, Planning and Building and Administrative operations are funded primarily with General Fund and Trust and Agency dollars. Some grants and donations are also included in the General Fund. Donations and revenue from Parks and Recreation programs help fund those operations. Other General Fund revenues consist of property taxes, licenses and permits, fines, miscellaneous revenues and charges for services. Other funds, such as water, stormwater, TIF and employee benefits, are charged an administrative service fee to offset the support provided by administrative staff. This is reflected in the budget through transfers. A list explaining the transfers included in the FY 14 budget is included with your detailed budget information. Following is a graph showing how the General Fund is broken down by expenditure category. Total General Fund expenditures, as shown below, including transfers are \$4,092, 059. Total General Fund revenues are \$4,128,260.



**Special Revenue Funds**

Special Revenue Funds contain proceeds from a specific source and are required by law to be accounted for separately and used for a specific purpose. Examples include TIF, Road Use Tax and Employee Benefits.

Public Works operations are funded primarily with Road Use Tax and Employee Benefits dollars. Any remaining expenses are augmented with General Fund dollars. Community Development and many capital projects are funded by bonds or other debt, which can be internal or external and which are repaid using Tax Increment Financing and with grants, when possible. Staff works continually to identify any opportunities for cost containment or reduction and revenue enhancement. We have always and plan to continue to actively pursue grants and donations to accomplish any number of the Council’s priorities.

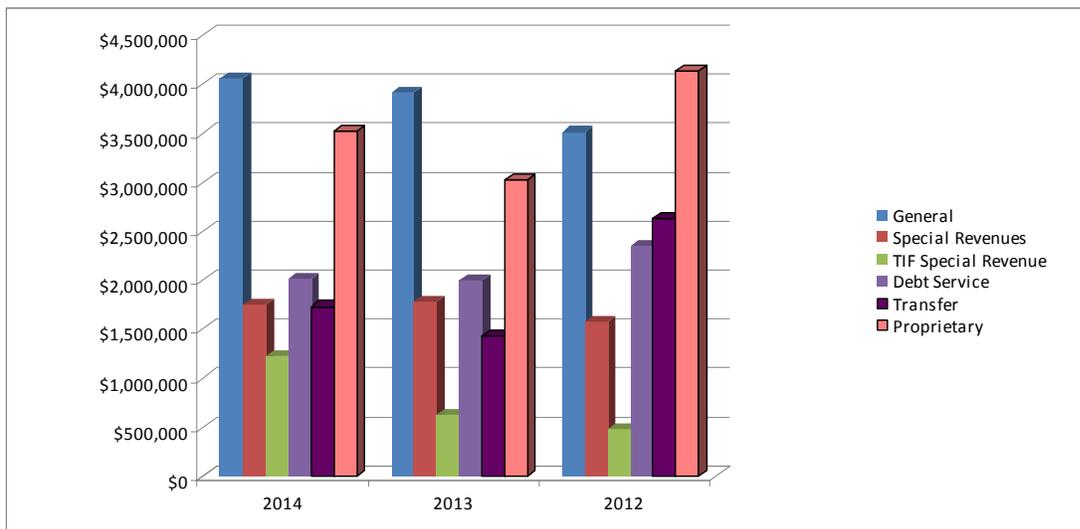
**Debt Services Fund**

The Debt Services Fund is dedicated for the payment of the principal and interest on the City’s long term debt. Revenue for this fund comes from property tax or from TIF, but can also come from other fund transfers. A graph showing the long-term debt service expenditures is included in your budget book.

**The Enterprise Funds**

Enterprise Funds are often referred to as “proprietary.” These funds account for operations that function in a manner similar to a business, usually city utilities. Norwalk’s main enterprise funds are water, sanitary sewer, stormwater and equipment fund.

Following is a graph showing a three-year history of the City’s budgeted funds in these categories. (Please note the TIF Special Revenue is broken out as its own category pursuant to how the City is required to report these expenditures to the State of Iowa.)



The total expenditures in all funds and all categories proposed for Fiscal Year 2014 are \$14,317,170. This includes \$906,764 for capital improvements and \$438,175 for capital equipment.

**Personnel**

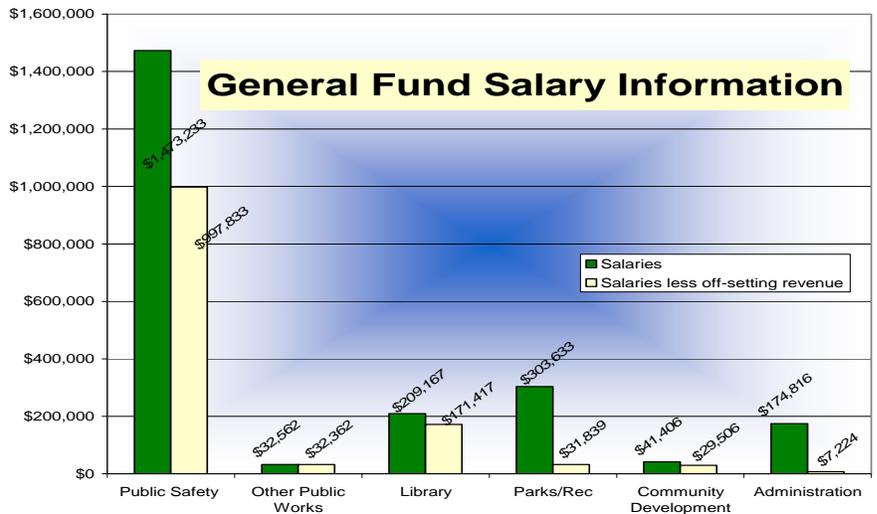
The bulk of the City's budget is driven by personnel costs. The City currently employs 47 regular, full-time employees and 17 part-time regular employees.

Of the 47 current full-time employees, 14 are in the Police Department, 14 in Public Works, 4 in Fire, 2 in Library, 5 in Administration, 1.5 in Community and Economic Development, 2.5 in Planning and Building and 4 in Parks and Recreation. Approximately 28 *paid on call* employees comprise the rest of the employees in the Fire Department. A current organizational chart is included in your packet. Of the 17 part-time employees, there are 11 in the Library, 1 in Administration and 5 in Fire.

In the FY 13 budget, there was additional funding included to expand the City's Fire/EMS services to have overnight, in-house staffing and to add a Police officer. A total of \$240,000 was budgeted for this purpose. Partial additional staffing was included in the budget and full staffing levels were tied to the franchise fee, which went to a vote and was defeated in August, 2012. The Fire/EMS costs were approximately \$130,000 of the \$240,000 total.

The expansion of services was also predicated on an EMS rate increase, which was projected to increase revenues by \$70,000 to \$200,000. Given the outcome of the franchise fee vote, the Fire Department was able to increase services to offer weekend, in-house coverage in FY 13, but not able to offer the overnight, in-house coverage.

The desire remains to expand those staffing levels to provide overnight, in-house Fire/EMS service, however no funding source has been identified to accomplish that. To complicate the issue further, the projected revenues from the increase in EMS fees has changed from \$70,000 to \$55,000 and General Fund property tax collections are down \$112,969 in FY 14 from FY 13. Therefore, General Fund revenues did not allow for additional staffing in the FY 14 budget. The following graph shows how General Fund salaries are distributed. (The bulk of the Police and Fire salaries are paid for with General Fund dollars.) Without the influx of General Fund dollars, in order to increase staffing in one area of the General Fund, staffing in another area would have to be decreased.



Included in the FY 14 budget are revenues anticipated to be generated from a rental housing inspection program, which is planned to be housed in the Fire Department. Staff plans to review revenues at mid-fiscal year to see if they are sufficient to enable the next level of service expansion.

### **Capital Updates**

This City is winding down a number of large capital projects but gearing up to work on others. The fiber project was a unique opportunity the City had to become connected and partner with the schools. Faced with the challenge of connecting facilities in today's communication world, the City of Norwalk looked at several options. With the Norwalk Community Schools already having a fiber network in place to connect all their facilities it was logical for the City to do the same. After conversations with the school district, a sharing opportunity surfaced that would help the City accomplish its needs by using some of the extra capacity within the school system and sharing new fiber installed by the City. This whole process would save our local taxpayers the cost of an entirely duplicated system. The new fiber system also accomplished another couple of challenges including that of connecting the new Public Works facility to the school as well as other City facilities and connecting the communication system for the upgraded emergency dispatch project. New fiber was installed from public works to the school, from City hall to the water tower, from City hall to Oviatt Elementary School, and from the school fiber into the public safety building. This entire project became a success largely due to the good relationship between the City and the School. The project is substantially complete and the punch list has been finished. This project should be closed out in Spring of 2013.

The Westcom project is also winding down. The transition has occurred as planned and with only one major milestone left, the project should wrap up in May or June. All Police cars and Fire apparatus have added mobile data and now have access to call and map information. The Police Department will be working on electronic ticketing in the next couple of months and this will wrap up the mobile data project portion of the project. The overall project has been a success but due to some issues (mostly technology related) the end date has been pushed back. However, the positive feedback from the public and employees continues to reinforce that this move was in the best interest of the City.

Included in the FY 14 budget are projects such as seal coating County Line Road; continued support of sump pump removal, manhole rehabilitation, Lakewood lift station building, High Road water loop, meter pit maintenance/replacement, Fire hydrant replacement, water meter change out, replacement of street lights, traffic light street name project, basketball court resurfacing, adult sports field resurfacing and irrigation and the much-needed reconstruction of Sunset trail. There is also funding to begin the Sunset (Highway 28) Streetscaping effort to beautify the City's entryways, design and build an entryway sign and undertake tree replacement on Cherry Parkway and Ash Tree replacement.

You will note the sump pump removal budget is lower than in previous years. The budget for this was scaled back in FY 14 due to usage (the average for the last three years is \$21,787 per year) and the apportionment of the City into smaller stormwater districts. The City has made and continues to make considerable progress in eliminating inflow and infiltration into the stormwater system.

In the capital equipment area, staff is excited to recommend the purchase of power cots for the ambulances. The lack of power cots was noted in the most recent State inspection and this will be an improvement for the safety of our employees. A power washer is also budgeted for the Fire Department and a patrol car in the Police Department.

There is an increase in technology funding. The purpose is to make necessary upgrades to the City's network and replace outdated and dysfunctional equipment. It will also enable the City to bring computers into licensing compliance and put employees on the same types of machines and same software platforms.

The City anticipates nearly a \$35,000 reduction in health care costs for the plan year. (Please note the savings was approximately \$90,000 over what we would have paid had the City not made some plan design changes.) Because the health care plan year is from December to December, a portion of the savings would be realized in both FY 13 and FY 14. The City's wellness committee works on programming to educate employees on healthy lifestyle choices to reduce insurance usage and \$12,000 is budgeted for wellness programs, including funds for capital equipment.

Other capital purchases in FY 14 include dump trucks, a grader payment, a bucket truck and skid loader. As previously mentioned, a comprehensive capital project and equipment plan is included with your budget detail.

### **Policy Initiatives**

One of the major policy initiatives included in this budget is the implementation of a rental inspection program. This program would require rental properties to be inspected on a regular basis for life, health and safety issues. Staff will bring legislation forward for Council consideration in the near future and anticipates having the program functional by the beginning of the fiscal year. This program would be administered and handled through the Fire Department, who has also recently begun commercial inspections.

The budget has funding to begin a focused beautification effort and do some planning for community aesthetic enhancement along our entryways and along the City's main transportation corridor. Also included in this budget is funding for a facilitator to lead strategic goal setting.

Another change in the upcoming year is an organizational shift in the Police Department. Previously, the department had two full-time administrative officers, the Chief and the Assistant Chief (Major). In the upcoming fiscal year budget, the Chief will be the only full-time administrative position. The Major will be split between administrative duties and patrolling. Also, in order to expand office coverage for the Police Department (which was reduced when the City transitioned to Westcom and laid off a dispatcher), the Parks and Recreation secretary is cross-trained as is the Police secretary. Each of the positions is funded partially by Police and partially by Parks and Recreation so that the two positions can cover each other for lunches, vacation, sick leave, etc. This is a solution we reached to provide coverage without increasing staffing levels.

### **Reserve Levels**

The City's General Fund reserve levels are currently an area which could use emphasis. The proposed FY 14 budget adds \$36,401 to the General Fund reserves. The City's General Fund reserve is critical because it is the City's only unrestricted reserve available in the event of an emergency. Utility reserve balances are adequate and the stormwater balance is quite healthy in order to build up funding for large capital projects in the near future. The FY 14 budget adds to utility reserve levels as follows: Water - \$10,802; Sanitary Sewer - \$30,898 and Stormwater - \$4,747. \$127,775 in Equipment Fund reserves that have been built up for major capital purchases are being used for those purchase in FY 14.

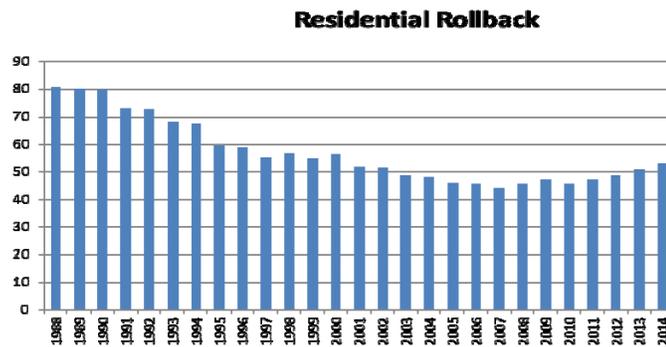
### **Legislative Issues**

The City remains extremely concerned about changes under consideration to commercial property taxes. Governor Brandstad in his Condition of the State speech outlined a number of provisions that are and should be of grave concern to local governments and residential property tax payers. In worst case scenario, the impacts could be far reaching not only on the City's General Fund, but would significantly impact the debt service and TIF funds. The Governor indicated he would be proposing:

1. Permanent revisions to the school finance formula to shift from "allowable growth" to 100 percent state aid;
2. Tie all classes of property together in a combined rollback, and reduce commercial and industrial property tax values by 20% over a four-year period with 100% backfill to local governments of the lost property tax revenue; and
3. Restrict the valuation growth from 4% to 2% for all classes of property.

There are many reasons why this is problematic for the City of Norwalk.

1. After full implementation, the City's valuation loss would be \$15,335,923, with a revenue loss of nearly \$400,000 without State backfill. In order to recoup this loss, without the backfill, the average residential homeowner would pay approximately \$125 MORE per year in property taxes to cover the loss of revenue.
2. In order to make up for the revenue loss, the City would need to add \$18,403,107 in valuation under the new valuation cap, just to remain in the position we are in today. It has taken the City more than 8 years to achieve this kind of growth. The City would need even more growth if other provisions in the Governor's proposal, such as tying property classes together, has greater impact.
3. The valuation growth cap at 2% (much like the 4% cap that is in place now.) Also, the impact of tying all of these properties together could have a much more far reaching impact than has yet been calculated. Following is a graph charting the historical path of the residential rollback. If this were in any way representative of how this could impact values of commercial property if the classes were tied together, the results would be a significantly higher rate for all ratepayers.



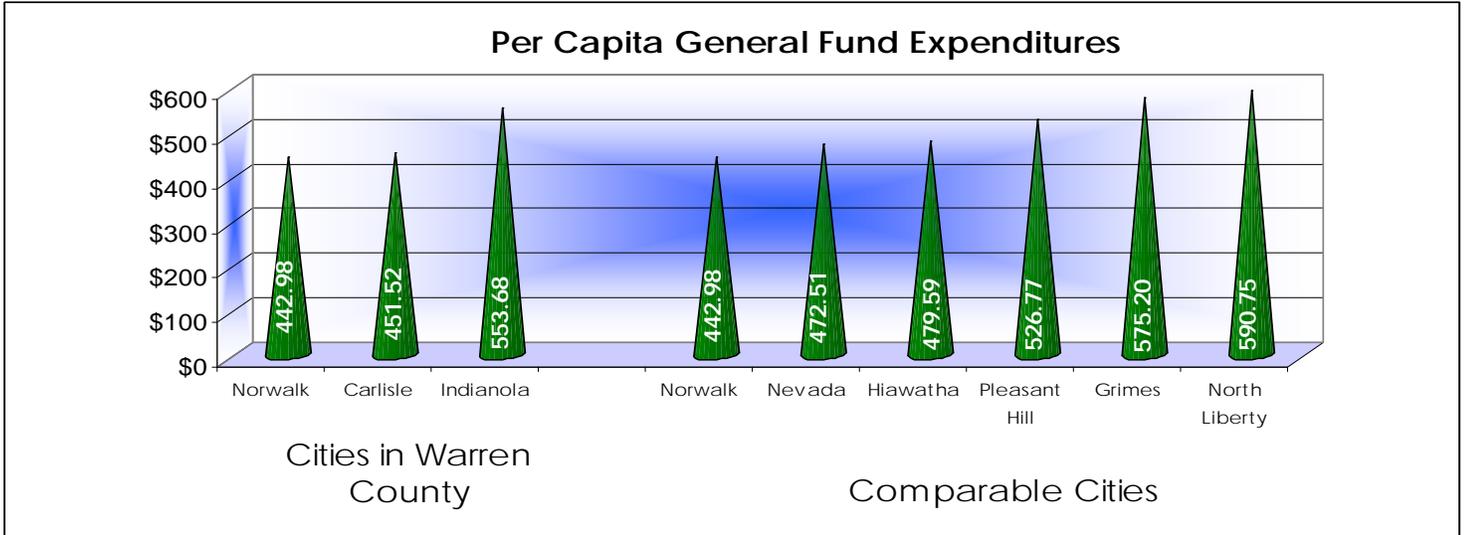
\*\*\*The residential rollback is the amount calculated by the Iowa Department of Revenue each year that represents what percentage of the value of the property is taxable.\*\*\*

4. There is nothing to insure that the State would truly backfill City revenues. This has happened repeatedly in the past where the State limits or eliminates a City revenue source but promises to "backfill" the loss. The loss is then never truly backfilled to the full extent of the loss and on many occasions (most recently in 2002) the state has eliminated reimbursements to cities altogether. (When the State eliminated reimbursements to cities in 2002, the cost was \$70 million to the State at the time. The cost of this concept is anticipated to be \$400 MILLION after five years.) Also, the fact that this is the first time in the history of the homestead credit that the state has fully funded the credit is another example of why cities are extremely hesitant to trust promises of backfill.

A valid and viable option would be for the State to give a property tax credit that they fund annually. This would enable the State to fund its priorities and hold cities, school districts and counties harmless.

**Benchmarking**

City staff members are continually looking for ways to enhance efficiency and reduce costs. Following is a graph benchmarking Norwalk’s General Fund expenditures for FY 13 compared to those of surrounding and comparable communities.



**Year-End Estimates**

The year-end estimates found in the State budget forms are the same as the Fiscal Year 13 budgeted numbers. The City’s financial software does not currently enable staff to enter estimates for the end of the current fiscal year. However, staff is working with the software provider to update this and enable entry of this information for tracking, which will make the year-end estimates a valuable tool, both in the State budget forms and in the City’s financial software.

**Tax Rate/Residential Rollback**

The projected tax rate is \$15.69000 per \$1,000 of taxable valuation. This rate is the same as last year. Combined with the residential rollback rate of 52.8166%, the average homeowner in Norwalk will pay a total of \$1,458.90 in City property taxes, which is \$36.83 above the 2013 amount of \$1,421.57. The stability of the City levy rate and the amount of taxes a property owner will actually pay is a primary objective in our budgeting. With the City property taxes of \$1,458.90, this means that for approximately \$121 per month, the citizens and visitors of Norwalk receive 24 hour Police and Fire protection; emergency medical services; renovated recreational facilities and additional parks programming; road repair and reconstruction; utility assistance for those in need; capital projects upgrading the infrastructure they use every day; snow removal; and a host of other services and protections.

It has been our pleasure to develop this budget for Council consideration. This budget represents the culmination of Council priorities and financial planning. This budget reflects a great deal of hard work and difficult choices that Council has undertaken past and present. The oversight of the City’s finances is likely the most arduous task of any public official.

Sincerely,

Marketa George Oliver  
 City Manager

Jeff Rosien  
 City Clerk