



# CITY OF HAGERSTOWN, MARYLAND

City Administrator's Department

March 31, 2010

To: Mayor and City Council

The Proposed City of Hagerstown FY10/11 Budget, transmitted herewith, is defined by the economic recession that has been impacting the entire country. The financial downturn is now creating significant problems for State and Local Government budgets. As a result, this Proposed Budget reflects a 12% loss in General Fund revenues from prior projections for FY10/11. This represents a 7.0% decrease in General Fund revenues and expenditures from the current year's approved budget.

**Major highlights of this Proposed Budget include the following:**

- 1. There is no property tax rate increase included in this Budget.**
- 2. General Fund expenditures include \$2.9M in employee wage and benefit reductions including 5 unpaid work stop days, 5 unpaid furlough days, no pay step increases, and no cost of living adjustments.**
- 3. Core operations and services have been sustained in this Proposed Budget, but there are limited reductions in City services.**

This Proposed Budget maintains our commitment to Hagerstown. We have balanced this Budget without raising the property tax rate for our taxpayers. The General Fund will continue to provide critical services and needed capital improvement projects that will enhance the quality of life for our residents. Our Utility Funds, Parking Fund, and Community Development Block Grant Fund will also support significant capital improvements and operations in FY10/11. During this time of financial challenges we will remain committed to providing high quality services, streets, parks, parking facilities, and utilities for the public.

## THE ECONOMY AND HAGERSTOWN'S BUDGET

The economic recession began to seriously impact our financial condition last summer. In August, 2009 the State of Maryland, while facing a large FY09/10 budget shortfall, eliminated funding support for municipalities across the State. As a result, Hagerstown's share of State Highway User and Police Protection revenue was reduced by \$1.7M in FY09/10. Our forecasts reflect a continued loss of this revenue for Hagerstown both next year and in subsequent fiscal years. We are also beginning to see declining growth in revenue from the City's property tax, which is also reflected in the Proposed Budget.

The recession has not only impacted our General Fund. As residential and commercial development and business activity has declined significantly, our utility revenues have been seriously weakened, making it more difficult to generate the revenues needed to support the operations and capital expenditures associated with our water, wastewater, and electric operations. The restoration of growth along with community revitalization and economic development projects will be key to the future financial strength of our utilities.

Likewise, the recession has lowered property values on both residential and commercial real estate in Hagerstown. While we have begun to feel the affect of the declining values in the current year, we are anticipating a significant impact on our future tax base as a result of the upcoming December, 2010 Triennial Reassessment of Hagerstown real estate. Trends indicate this reassessment will produce lower real estate values and a negative impact on future property tax revenue.

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The City has been preparing for this situation. Beginning in December, 2007 we discussed the likely impact of the recession and State budget problems with the Mayor and Council. At the beginning of the current fiscal year the City implemented a freeze on vacant positions, vehicle purchases, and other expenditures to better position us for anticipated losses of future revenues. In September, 2009 the Mayor and Council directed staff to implement a current year plan to reduce expenditures to offset the August, 2009 drop in State revenue. Following earlier budget discussions, in January, 2010, the Mayor and Council authorized staff to utilize a preliminary budget plan for FY10/11 that focused on expenditure reductions to offset the loss of \$4.4M in State and County revenue in the coming year.

While we have utilized good planning and preparations to better position the City, the size of the State and County revenue reductions and the extent of the economic recession have exceeded the levels that were initially anticipated two years ago. We clearly face the potential that our FY11/12 General Fund revenue projections will deteriorate significantly beyond the revenue losses projected for FY10/11. This concern is primarily due to the impact of the December, 2010 triennial reassessment on our property tax revenue.

It is more important than ever that our consideration and decisions related to this Proposed Budget reflect a strong focus on the financial challenges of FY11/12 and beyond. Along with other State and Local governments across the country we are facing an extended period of declining revenue performance. This will force us to make significant reductions in current operating expenditures and require us to restructure both our operations and our personnel costs. To restore our budget to a more sustainable condition, we will need to give more future consideration to reductions in long provided City services and programs, increases in our property tax rate, elimination of positions, and employee layoffs.

In the face of these financial challenges we must still meet our responsibilities to the community and provide good government for our citizens. As a result, we are moving forward with major capital improvement projects in our utilities. The City has taken the first steps toward developing a Strategic Plan to define our future goals and operations for the community. During the past year the Mayor and Council approved a financial assistance program to support developers and businesses who are willing to invest in the Downtown while feeling the impact of the recession. Hagerstown has engaged citizens in new ways through the formation of task forces that have prepared recommendations to the Mayor and Council on "green initiatives", recycling and refuse collection service, and curb and sidewalk policies.

**This current situation is not merely a time of struggle. The current financial challenges before us also provide the City an opportunity to evaluate and adjust our operations, define our goals for Hagerstown, and prioritize the use of our financial resources to achieve our community goals. We can emerge from this time with a streamlined City government that is financially sustainable, and committed to delivering efficient and effective services to our community.**

**COMBINED USES OF FUNDS  
2010/11 BUDGET BY FUND**

The Proposed FY10/11 Budget includes \$135,913,201 in expenditures for all of the City's funds, including \$37,663,144 in the General Fund and \$15,075,029 for the Capital Improvement Projects Fund. The total for our utility operations include \$31,764,359 for City Light, \$18,697,115 for Water, and \$16,556,556 for Wastewater. The Community Development Fund totals \$1,913,347. Our Parking Fund's Proposed Budget is \$1,020,509. These represent the major operating and capital funds. You will also find small Special Revenue Funds totaling \$3,067,705 in addition to Service and Trust Funds totaling \$8,421,250.

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**COMBINED USES OF FUNDS  
2010/2011 BUDGET BY FUND**

|                                   | <b>Original<br/>Budget<br/><u>2009/2010</u></b> | <b>Proposed<br/>Budget<br/><u>2010/2011</u></b> | <b>Increase /<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|-----------------------------------|---|---|----------------------------------|---------------------------|
| General Fund                      | \$ 40,501,112                                   | \$ 37,663,144                                   | \$ (2,837,968)                   | -7.0%                     |
| Community Dev Block Grant<br>Fund | 1,986,643                                       | 1,913,347                                       | (73,296)                         | -3.7%                     |
| Other Special Revenue Funds       | 3,341,107                                       | 3,067,705                                       | (273,402)                        | -8.2%                     |
| Capital Improvement Projects      | <u>19,710,529</u>                               | <u>15,075,029</u>                               | <u>(4,635,500)</u>               | -23.5%                    |
| Total Government-type<br>Funds    | 65,539,391                                      | 57,719,225                                      | (7,820,166)                      | -11.9%                    |
| Light                             | 32,658,304                                      | 31,764,359                                      | (893,945)                        | -2.7%                     |
| Water                             | 23,179,911                                      | 18,697,115                                      | (4,482,796)                      | -19.3%                    |
| Waste Water                       | 28,502,873                                      | 16,556,556                                      | (11,946,317)                     | -41.9%                    |
| Parking                           | 1,048,524                                       | 922,736   | (125,788)                        | -12.0%                    |
| Golf                              | 436,531   | 428,504   | (8,027)                          | -1.8%                     |
| Property Management               | <u>305,340</u>                                  | <u>356,115</u>                                  | <u>50,775</u>                    | 16.6%                     |
| Total Enterprise-type Funds       | 86,131,483                                      | 68,725,385                                      | (17,406,098)                     | -20.2%                    |
| Service & Trust Funds             | <u>8,436,275</u>                                | <u>8,421,250</u>                                | <u>(15,025)</u>                  | -0.2%                     |
| Total Combined Uses of Funds      | <u>\$ 160,107,149</u>                           | <u>\$ 134,865,860</u>                           | <u>\$ (25,241,289)</u>           | -15.8%                    |
| Total Combined Uses of Funds      | <u>\$ 158,545,024</u>                           | <u>\$ 135,913,201</u>                           | <u>\$ (22,631,823)</u>           | -14.3%                    |

**GOALS FOR OUR COMMUNITY, EMPLOYEES, AND BUDGET**

Our preparation of the FY 10/11 Budget and our current year financial adjustments to the State's revenue cuts have focused on three primary goals. These goals reflect our commitment first to the community and also the value we place on employment for our employees. The goals included the following:

1. Avoid an increase in the City's property tax rate.
2. Limit reductions in City services to the community.
3. Preserve employment for City employees.

**Our ultimate goal is to restore sufficient financial stability within our budget to sustain our community services, departmental operations, and compensation of employees.**

**BALANCING THE FY10/11 BUDGET PLAN**

This Proposed Budget was balanced using a Budget Plan, developed by City Department Heads, that was discussed with Mayor and Council in December, 2009 and again this past January. During these Budget Retreats, the Mayor and Council reviewed financial forecasts which projected the \$5.2M loss of General Fund revenue for FY10/11 from earlier projections. Faced with these projections the Mayor and Council authorized staff to use a preliminary plan to balance the General Fund by focusing on expenditure reductions in three primary areas. These included:

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1. **Restructured Wages & Benefits:** The preliminary Budget Plan focuses heavily on a restructuring of the City's employee wage and benefit program in FY10/11. It includes \$2.9M in expenditure savings that eliminated employee cost of living adjustments, pay step increases, and other benefit levels for our personnel. In addition the plan includes five work stop days and five furlough days. Clearly these funding reductions in the FY10/11 Budget Plan represent major impacts on our personnel and changes in our employee compensation program.
2. **Elimination of Capital Expenditures:** In addition the plan includes \$898,000 in capital expenditure reductions which eliminated vehicle purchases, reduced street resurfacing, and lessened support for both community based improvements and City operations.
3. **Reduced Operating Expenditures:** City Department Heads also identified extensive reductions in operating expenditures. These included \$265,000 in reduced expenditures for materials and supplies, a decrease of \$100,000 for fuel and utilities, \$258,000 in lower costs for contractual services, and \$109,000 in debt service cost savings. An additional \$416,000 in expenditure reductions included decreases in staff professional development costs, contributions to community agencies, funding for public functions, elimination of employee awards and the annual picnic. Community service providers were included in these reductions, through the elimination of General Fund support for the operation of the Hagerstown Neighborhood Development Partnership (\$100,000) and the C-Safe After School Program (\$62,000), along with a 20% reduction in the General Fund Budget for contributions to community agencies.

**The Proposed FY10/11 Budget reflects this Budget Plan and achieves the three previously mentioned goals related to the property tax rate, employment for our personnel, and services for the community.**

|  |
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| <b>FY10/11 PROPOSED EXPENDITURE REDUCTIONS</b> |
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To balance the General Fund after this loss of revenue and still follow the preliminary plan's focus on expenditures required some major reductions in expenditures. These reductions and the associated General Fund savings included the following:

1. Elimination of employee pay step and cost of living adjustments - \$769,251
2. Implementation of five unpaid employee work stop days - \$360,000
3. Implementation of five employee furlough days - \$360,000
4. Overtime pay reductions - \$156,350
5. Position Vacancy Management Wage & Benefit Savings - \$150,000
6. Decrease in Temporary & Seasonal Position Costs - \$60,690
7. Elimination of Employee Annual Sick Leave Buy Back Program - \$111,746
8. Eliminate Police & Fire Overtime Premium for Working Holidays - \$110,000
9. Eliminate Holiday Sell Back from Police & Fire Departments - \$63,550
10. Adjustment in Workers Compensation Hold Harmless to 66% - \$19,000
11. Increase in Active Employees Health Insurance Premiums from 3% to 20% - \$112,889
12. Increase Retirees Under 65 Health Insurance Premiums from 3% to 20% - \$68,600
13. Eliminate Prescription Coverage for Medicare Eligible Retirees and Dependents - \$315,050
14. Reduction of Social Security Expenses due to redirection in wages - \$160,135

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- 15. Decrease in Materials & Supplies Expenditures - \$265,021
- 16. Reduced Fuel & Utilities - \$100,045
- 17. Capital Outlay Transfers to the Capital Improvement Program (CIP) from \$1,216,000 to \$522,000 due to deferral of all general fund departmental vehicle and equipment replacements and other projects to future years - \$694,000
- 18. Capital Outlay for Non-CIP - \$128,715
- 19. Contractual Services Expenditure Reductions - \$100,301
- 20. 20% reduction in funding for Public Functions - \$68,593
- 21. 25% reduction in funding for Contributions to Other Agencies - \$85,163
- 22. Eliminate funding for C-Safe After School Program - \$62,000
- 23. Eliminate funding of HNBP and Home Store - \$100,000
- 24. Advertising, Marketing, & Promotions Reductions - \$26,863
- 25. Decreased Funding of Staff Training & Professional Development - \$117,683
- 26. Eliminate Annual National League of Cities Dues - \$3,000
- 27. Reduction in annual debt service cost due deferral of Capital project funding - \$193,095

**SOURCES OF FY10/11 GENERAL FUND REVENUE**

The Proposed General Fund revenue of \$37,667,770 for FY10/11 represents a 7.0% reduction from the FY09/10 Budget and a 12.2% drop from the FY10/11 projections prepared in March, 2009. The primary cause of this sharp decline in General Fund revenue is the loss of \$4.4M in State and County shared revenue for Hagerstown.

The following table illustrates the change in the sources of General Fund Revenues from FY09/10 to FY10/11.

***Sources of General Fund Revenue Growth***

|  |                       |                      |
|--|-----------------------|----------------------|
| <b>FY 10/11 General Fund Budgeted Revenues</b> | <b>\$37,667,770</b>   | <b>7.0% Decrease</b> |
| <b>FY 09/10 General Fund Budgeted Revenues</b> | <b>\$40,536,479</b>   |                      |
| <b>Revenue Growth (Decrease)</b>               | <b>\$ (2,868,709)</b> |                      |
| <b><u>Sources</u></b>                          |                       |                      |
| Property Tax Revenue                           | \$ 1,392,058          |                      |
| State & County Shared Taxes                    | \$ (3,959,367)        |                      |
| Licenses & Permits                             | \$ 63,100             |                      |
| Intergovernmental Grants                       | \$ (20,258)           |                      |
| Service Charges                                | \$ 122,747            |                      |
| Fine & Forfeitures                             | \$ (25,000)           |                      |
| Unallocated Revenues                           | \$ 3,505              |                      |
| Transfers From Other Funds                     | \$ (50,000)           |                      |
| Budgeted Use of Fund Balance                   | \$ (150,000)          |                      |
| <b>TOTAL</b>                                   | <b>\$(2,868,709)</b>  |                      |

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**EXPENDITURE OF GENERAL FUND RESOURCES**

The Proposed General Fund Budget for next year totals \$37,663,145 representing a 7.0% drop in expenditures from the FY09/10 Budget of \$40,501,112. The following table illustrates the changes in the use of General Fund resources by category of expenditure from FY 09/10 to FY 10/11.

**Use of General Fund Revenue Growth**

|  |                       |                      |
|--|-----------------------|----------------------|
| <b>FY 10/11 General Budgeted Fund Expenditures</b> | <b>\$37,663,144</b>   | <b>7.0% Decrease</b> |
| <b>FY 09/10 General Fund Budgeted Expenditures</b> | <b>\$40,532,544</b>   |                      |
| <b>Expenditures Growth (Decrease)</b>              | <b>\$ (2,869,400)</b> |                      |
| <b>Uses</b>  |                       |                      |
| Wages & Benefits                                   | \$ (2,060,022)        |                      |
| Professional Development                           | \$ (170,546)          |                      |
| Materials & Supplies                               | \$ (237,847)          |                      |
| Contracted Services                                | 62,427                |                      |
| Capital Expenditures                               | \$ (473,705)          |                      |
| Debt Service                                       | \$ 180,537            |                      |
| Agency Contributions                               | \$ (85,165)           |                      |
| Other Expenditures                                 | \$ (85,079)           |                      |
| <b>TOTAL</b>                                       | <b>\$(2,869,400)</b>  |                      |

**ALLOCATION OF FY10/11 GENERAL FUND EXPENDITURES BY FUNCTION**

The following table illustrates the allocation of General Fund expenditures by function and helps to show the alignment of our resources with priorities for our community and operations.

| <b>General Fund</b>                       | <b>Allocation</b>   | <b>Percent</b> |
|---|---------------------|----------------|
| Public Safety                             |                     |                |
| Police                                    | \$11,039,761        | 29.3%          |
| Fire                                      | 6,281,465           | 16.7%          |
| Streets, Alleys & Signals                 | 3,376,153           | 9.0%           |
| Engineering & Code Administration         | 2,624,430           | 7.0%           |
| Debt Service                              | 2,444,000           | 6.5%           |
| Parks & Recreation                        | 2,349,520           | 6.2%           |
| Waste Collection & Disposal               | 2,081,030           | 5.5%           |
| Retiree Benefits                          | 1,175,800           | 3.1%           |
| Information Technology & Support Services | 1,053,257           | 2.8%           |
| Finance                                   | 958,168             | 2.5%           |
| Community Affairs/Public Functions        | 869,330             | 2.3%           |
| Planning                                  | 554,895             | 1.5%           |
| Capital Improvements Appropriation        | 522,000             | 1.4%           |
| Human Resources                           | 452,396             | 1.2%           |
| Unallocated Expenses (1)                  | 300,988             | 0.8%           |
| Economic & Community Development          | 287,731             | 0.8%           |
| Legal Counsel                             | 262,700             | 0.7%           |
| City Hall Municipal Buildings             | 260,572             | 0.7%           |
| Contributions To Other Agencies           | 256,300             | 0.7%           |
| City Administrator                        | 201,134             | 0.5%           |
| Mayor & Council                           | 178,494             | 0.5%           |
| City Clerk                                | 133,020             | 0.3%           |
| <b>TOTAL</b>                              | <b>\$37,663,144</b> | <b>100%</b>    |

(1) Includes Operating Transfers, Contingency, and Termination Pay.

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**THE IMPACT OF THE ECONOMY ON OUR UTILITIES & OTHER OPERATIONS**

While most of the prior discussion pertains to the General Fund, other City Funds have also been impacted by the recession. In the case of the Water and Wastewater Funds we are experiencing some significant challenges due to the declining development activity and business operations during the recession. The lack of new utility customer accounts due to the slowdown in economic development is an especially negative impact on our utility finances.

The relocation of the Washington County Hospital and the potential closure of the Gold Bond Plant on Frederick Street will create a significant loss of revenue from two of City Light's largest customers. Consumption levels have also declined as residents and businesses work through the impact of the recession on their finances.

The City's Parking System has been impacted by the relocation of Susquehanna Bank. The future move of Washington County Hospital will create an additional loss of revenue to support parking operations.

The City's Golf Course has been experiencing a decline in play which has created greater pressure on the General Fund to provide additional financial support.

The one exception is the Community Development Block Grant Fund. We have received word from HUD that our annual grant will increase slightly in the coming year. This increase is attributed to a higher appropriation approved by Congress. However our program income from loan repayments property sales and other redevelopment activities will continue to be constrained.

**LOOKING FORWARD / FUTURE CONSIDERATIONS & DECISIONS**

For FY11/12 it is likely the General Fund revenue loss will exceed the FY10/11 level and possibly reach the range of 15-20%. We anticipate this level of revenue loss will be a reality for us for the foreseeable future.

Likewise, there are expenditure adjustments used to balance the FY10/11 General Fund Budget which cannot be relied on as on-going annual reductions. As an example General Fund support for our Capital Improvement Program has generally been approximately \$1.2M on an annual basis. In FY10/11 this funding has been reduced to \$522,000, which is an insufficient funding level to meet our infrastructure and equipment needs in coming years. Another example are the five work stop and five furlough days reflected in the Proposed Budget. We cannot expect our employees to take this form of pay cut each year. Vehicle purchases have been eliminated in the current and next year's budget. This can also not continue as an ongoing budget balancing adjustment.

In light of this situation and the need to reach a more sustainable financial condition, we need to consider and ultimately reach decisions on the following:

1. We will need to restructure our City operations through streamlining and consolidation of City departments and functions.
2. We will need to eliminate staff positions through a combination of attrition, employee retirements, and very likely employee layoffs.
3. We cannot rely on unpaid work stop and furlough days or wage & benefit reductions over the long term to balance our budget.

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4. We will face the need to give strong consideration to reductions in service and program levels in the future. The ongoing loss of 12-20% of our General Fund revenue cannot sustain current programs and services.
5. We need to keep sight of our funding needs for capital improvements. We do not want the condition of our streets, parks, buildings, and vehicles to decline to the point that they seriously impact quality of life for our residents and our ability to deliver desired services.
6. We cannot lose sight of the impact of this recession on our utility finances. The decline in development activity has severely impacted revenues in our water, wastewater, and City Light operations.
7. The potential of a higher property tax rate in Hagerstown increases the longer the impact of the recession weakens our finances. We will need to focus on strengthening our revenues in some way because the level of reduced expenditures in the FY10/11 budget cannot be sustained.
8. Growth and development in the form of property annexation, new construction, business investment, job creation, and neighborhood revitalization are all critical to returning our finances, operations, and services to more stable condition.

**Difficult decisions lie ahead for the Mayor and Council and City Staff. To think otherwise would ignore the reality of our current and future financial condition. These decisions will impact staff, services, and community agencies which are all of value to the City. For our future we will need a balanced and well reasoned approach which considers our goals and priorities for the community and our employees.**

**FY10/11 BUDGET SUPPORT FOR THE COMMUNITY**

Despite the loss of revenue and resulting expenditure reductions, this Budget continues to support important community based projects. A summary of this funding follows:

- \$604,000 for Pavement Preservation Program with \$404,000 from the County's grant related to Federal Stimulus funding and \$200,000 from the City's General Fund. \$204,000 of the work will be completed in Summer 2010, while the remainder of \$400,000 will be completed during the Summer of 2011 prior to June 30, 2011.
- \$1,062,000 in Excise Tax Fund support for the City's share of the Edgewood/US 40 Improvements.
- \$40,000 in CDBG funding for Handicapped Access sidewalk improvements.
- \$400,000 in Federal Grants and Excise Tax funds to design repairs and upgrades to three bridges on Burhans Boulevard.
- \$200,000 in CDBG funds for the construction of a new storm drain on the first block of East Antietam Street.
- \$25,000 in General Fund support to reconstruct deteriorated curbs and sidewalks that are the City's responsibility.
- \$100,000 in State Highway Retrofit grant funding for installation of new sidewalk along Route 40 in Hagerstown.

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- \$50,000 in Forest Conservation funding to plant street trees in various neighborhoods.
- \$430,000 in State Safe Route to Schools grant funds to install new sidewalks to serve walkers to schools located within the City.
- \$50,000 in General Fund funding to support the implementation of a comprehensive storm water management analysis and strategies consistent with the City's Comprehensive Plan.
- \$500,000 for the final traffic study associated with the construction of the bridge and associated improvements to Professional Court.
- \$205,000 for the construction of new concrete sidewalks on the first block of North Potomac Street utilizing \$178,713 in State grant funding.
- \$20,000 in Excise Tax funding to update the traffic study associated with the design of the Northwest Connector from Haven Road to Marshall Street.
- \$20,000 in CDBG to support the construction of a public park along Baltimore Street in coordination with the Hagerstown Housing Authority constructing a new 60 unit senior housing facility.
- \$55,000 in CDBG funding for the construction of a small memorial park located on City owned property at the intersection of Memorial Blvd. & Potomac Avenue.
- \$100,000 for a General Fund vehicle replacement contingency to support the freeze on vehicle purchases which has been in place since July, 2009.
- \$100,000 in General Fund and Utility Fund support to upgrade the hardware and software to support IT infrastructure replacements and additions.
- \$95,000 in funding, almost entirely from the Utility Funds to support additional GIS hardware and software to expand our use of GIS databases.
- \$56,000 in revenues from our cable franchise to expand our Channel Six capabilities and improve our I-Net connectivity.
- \$35,000 in General Fund monies to provide improvements and repairs to enhance the facilities and operation of Municipal Stadium.
- \$15,000, with a State Grant providing \$13,500, for the installation of two fountains on the lake at Pangborn Park to provide aeration of the water.
- \$52,000 in funding to replace the Police Department's boiler with a new energy efficient unit and install a new heat pump.
- \$25,000 in General Fund support for improvements to the downtown through upgrades to the streetscape, landscaping, pedestrian walkways and signage.
- \$30,000 in State grant funds to install a humidity control system in the Hager House to protect the collection and the building's architectural features.
- \$20,000 in State grant funding to construct a barrier free ramp at Potterfield Pool to connect the wading pool with the upper pool deck.

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**PROPERTY TAX**

**REAL PROPERTY TAX RATE  
PER \$100 OF ASSESSED VALUE**

|           | <b>1981/1982<br/>Rate *</b> | <b>2010/2011<br/>Rate</b> | <b>Change<br/>\$</b> | <b>Change<br/>%</b> |
|-----------|-----------------------------|---------------------------|----------------------|---------------------|
| City      | \$ 0.700                    | \$ 0.788                  | \$ 0.088             | 12.6 %              |
| County ** | 0.828                       | 0.948**                   | 0.120                | 14.5 %              |
| State     | 0.084                       | 0.112                     | 0.028                | 33.3 %              |

\* Re-stated per new property tax rate model.

\*\* Assumes County rate remains stable from current year. The County is proposing a lower County tax rate differential for City taxpayers. While not finalized City taxpayers may see a \$0.12 to \$0.13 per \$100 assessed value lower County tax rate beginning July 1, 2011. This is replacing a County tax differential rebate program where the City was receiving approximately \$1.6 million per year.

As mentioned earlier in the message, the real estate tax rate is proposed to remain unchanged from fiscal year 2009/2010 at \$0.788 per \$100 of assessed value. The table above compares City, County, and State tax rates since the City adopted its current City Charter. In this period City property tax rates have increased less than the County or State rates.

**GENERAL FUND CAPITAL INVESTMENT**

The following table summarizes our history of General Fund capital investment since fiscal year 1995/96.

| <b>Fiscal<br/>Year</b>     | <b>Capital<br/>Outlay</b> | <b>Appropriation<br/>To CIP Fund</b> | <b>Total</b> |
|----------------------------|---------------------------|--------------------------------------|--------------|
| 1995/1996                  | 188,084                   | 1,063,338                            | 1,251,422    |
| 1996/1997                  | 151,139                   | 1,349,610                            | 1,500,749    |
| 1997/1998                  | 167,683                   | 836,500                              | 1,004,183    |
| 1998/1999                  | 84,894                    | 428,001                              | 512,895      |
| 1999/2000                  | 371,221                   | 1,146,484                            | 1,517,705    |
| 2000/2001                  | 117,839                   | 754,070                              | 871,909      |
| 2001/2002                  | 112,988                   | 597,301                              | 710,289      |
| 2002/2003                  | 211,417                   | 888,160                              | 1,099,577    |
| 2003/2004                  | 187,480                   | 614,800                              | 802,280      |
| 2004/2005                  | 202,262                   | 1,061,767                            | 1,264,029    |
| 2005/2006                  | 161,135                   | 1,090,294                            | 1,251,429    |
| 2006/2007                  | 186,154                   | 985,262                              | 1,171,416    |
| 2007/2008                  | 201,312                   | 1,267,000                            | 1,468,312    |
| 2008/2009                  | 164,018                   | 1,179,314                            | 1,343,332    |
| <b>Estimated Actual</b>    |                           |                                      |              |
| 2009/2010                  | 68,894                    | 405,563                              | 474,457      |
| <b>Recommended Budget:</b> |                           |                                      |              |
| 2010/2011                  | 78,285                    | 522,000                              | 600,285      |
| <b>Projected:</b>          |                           |                                      |              |
| 2011/2012                  | 195,000                   | 797,000                              | 992,000      |
| 2012/2013                  | 150,000                   | 1,123,000                            | 1,273,000    |
| 2013/2014                  | 155,000                   | 1,032,000                            | 1,187,000    |
| 2014/2015                  | 175,000                   | 1,011,000                            | 1,186,000    |

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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Although we expect that we will encounter financial challenges over the next several years, we will attempt to be prudent in maintaining adequate levels of capital projects funding so that the City's assets and infrastructure are replaced and maintained for our citizens safety and recreational needs.

**BONDED DEBT OUTSTANDING**

Over the last twelve years, the City has utilized the bond/credit market to borrow \$50.8 million for major capital and economic development projects through fiscal year 2008/2009. During this same twelve year period the City anticipates repaid \$32.8 million of principal.

In fiscal year 2010/2011 we propose to issue \$9,139,330 of Water Fund debt and \$2,799,440 of Waste Water Fund debt. These proposed capital expenditures are described in detail in the Capital Improvement Program (Section 4) and in the Enterprise Funds (Section 6). The following table illustrates the balance of bonded debt outstanding at the end of each fiscal year since fiscal year 1997/1998. It is separated into tax supported general bonded debt and self-supporting enterprise fund debt for the City's Light, Water, Sewer, Parking, and Property Management funds.

| <u>Fiscal Year</u>                          | <u>Total<br/>Bonded Debt</u> | <u>General Tax<br/>Supported</u> | <u>Self-<br/>Supporting<br/>Enterprise</u> |
|---|------------------------------|----------------------------------|--|
| 1997/1998                                   | 26,591,741                   | 9,167,683                        | 17,424,058                                 |
| 1998/1999                                   | 30,244,397                   | 10,121,215                       | 20,123,078                                 |
| 1999/2000                                   | 31,033,591                   | 9,420,333                        | 21,613,258                                 |
| 2000/2001                                   | 31,287,614                   | 8,673,737                        | 22,613,877                                 |
| 2001/2002                                   | 31,813,068                   | 7,918,021                        | 22,895,047                                 |
| 2002/2003                                   | 28,343,504                   | 7,203,628                        | 21,139,876                                 |
| 2003/2004                                   | 28,429,079                   | 7,741,852                        | 20,687,227                                 |
| 2004/2005                                   | 31,011,741                   | 11,642,712                       | 19,369,029                                 |
| 2005/2006                                   | 31,842,647                   | 9,836,534                        | 22,006,113                                 |
| 2006/2007                                   | 40,078,392                   | 16,120,194                       | 23,958,198                                 |
| 2007/2008                                   | 39,691,668                   | 14,835,434                       | 24,856,234                                 |
| 2008/2009                                   | 39,336,794                   | 13,342,801                       | 25,993,993                                 |
| 2009/2010 Estimated Actual                  | 64,106,465                   | 20,352,399                       | 43,754,066                                 |
| 2010/2011 Proposed Budget                   | 71,833,863                   | 18,603,662                       | 53,230,201                                 |
| <b>12 Year Increase in Outstanding Debt</b> | <b>\$ 45,242,122</b>         | <b>\$ 9,435,979</b>              | <b>\$ 35,806,143</b>                       |

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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**DEBT LEVELS AND AFFORDABILITY**

Neither State law nor the City's Charter places a limitation upon the amount of general obligation debt the City may incur. However, the City has strictly adhered to a debt policy which is included as part of the fiscal policies section of this document to ensure it prudently and responsibly manages its debt. While the City issues general obligation bonds for its utilities to lower interest costs, this debt is considered self-supporting from utility user charges. Only non-utility general obligation financing bonds are considered to be tax supported.

As the table below demonstrates, the City's debt is still well below the limits established in the City's debt policy.

**TAX SUPPORTED GENERAL OBLIGATION DEBT RATIOS**

| <u>Fiscal Year</u>      | <u>Percent of Assessed Value</u> | <u>Debt Per Capita</u> | <u>General Fund Debt Service as % of General Fund Operating Revenue</u> |
|-------------------------|----------------------------------|------------------------|---|
| 1996/1997               | 0.61 %                           | \$ 214                 | 4.30 %  |
| 1997/1998               | 0.73 %                           | 259                    | 4.40 %  |
| 1998/1999               | 0.79 %                           | 286                    | 5.40 %  |
| 1999/2000               | 0.71 %                           | 257                    | 4.90 %  |
| 2000/2001               | 0.63 %                           | 237                    | 4.70 %  |
| 2001/2002               | 0.54 %                           | 215                    | 4.60 %  |
| 2002/2003               | 0.48 %                           | 194                    | 4.30 %  |
| 2003/2004               | 0.51 %                           | 206                    | 3.60 %  |
| 2004/2005               | 0.71 %                           | 310                    | 3.70 %  |
| 2005/2006               | 0.54 %                           | 257                    | 4.77 %  |
| 2006/2007               | 0.77 %                           | 413                    | 4.84 %  |
| 2007/2008               | 0.64 %                           | 371                    | 5.50 %  |
| 2008/2009               | 0.53 %                           | 330                    | 5.18 %  |
| 2009/10 Estimated       | 0.73 %                           | 497                    | 5.34 %  |
| 2010/11 Projected       | 0.64 %                           | 449                    | 6.49 %  |
| <b>City Debt Policy</b> | <b>10.0 %</b>                    | <b>\$1,000</b>         | <b>10.0 %</b>   |

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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**GENERAL FUND**

**Revenues**

The sources of funds to support the proposed General Fund budget are as follows:

|                               | <b>Revised<br/>Budget<br/>2009/10</b> | <b>Estimated<br/>Actual<br/>2009/10</b> | <b>Proposed<br/>Budget<br/>2010/11</b> |              |
|-------------------------------|---------------------------------------|---|--|--------------|
| Property Taxes                | \$25,780,420                          | \$25,988,920                            | \$27,036,478                           | 4.7%         |
| State and County Shared Taxes | 4,727,055                             | 4,605,319                               | 3,069,714                              | -35.1%       |
| Licenses & Permits            | 1,529,300                             | 1,505,860                               | 1,563,400                              | 2.2%         |
| Intergovernmental Revenue     | 250,000                               | 312,500                                 | 290,000                                | 16.0%        |
| Charges for Current Services  | 3,013,538                             | 2,936,312                               | 2,937,361                              | -2.5%        |
| Contributions & Donations     | 159,950                               | 125,043                                 | 119,692                                | -25.2%       |
| Fines & Forfeitures           | 103,000                               | 100,701                                 | 102,500                                | -.5%         |
| Interest Income               | 252,000                               | 250,500                                 | 277,000                                | 9.9%         |
| Interdepartmental Charges     | 2,250,000                             | 2,173,500                               | 2,246,625                              | -.2%         |
| Sale of Land & Other Property | 15,000                                | 5,000                                   | --                                     | -100%        |
| Other General Revenue         | 17,120                                | 45,590                                  | 14,000                                 | -18.2%       |
| Transfers from Other Funds    | 76,809                                | 26,700                                  | 11,000                                 | -85.7%       |
| Budgeted Use of Fund Balance  | <u>150,000</u>                        | <u>150,000</u>                          | <u>--</u>                              | -100%        |
| <b>Total Current Revenue</b>  | <b>\$38,324,192</b>                   | <b>\$38,225,945</b>                     | <b>\$ 37,667,770</b>                   | <b>-1.2%</b> |

The major revenue changes are as follows:

- This year's estimated property assessment has increased from \$2.545 Billion in fiscal year 2008/2009 to \$2.768 Billion for fiscal year 2009/2010, or a 8.8% increase in assessed base. The current tax rate of \$0.788 per \$100 in assessed value is recommended to be maintained for fiscal year 2009/10. Real estate taxes are estimated at \$20,949,400 and business personal property taxes at \$2,156,000.
- The State and County Shared Taxes 3.9% decrease from the 2008/09 budget is primarily due to the decline in Highway User Revenues and new Room Tax-Tourism Promotion revenue sharing from the County being less than anticipated. Growth in this area has been negatively impacted as a result of higher gasoline costs, resulting in reduced gasoline purchases and a reduction in gasoline tax revenues to the State. This estimate is based on the current distribution formula. The 1.1% increase in State Income Tax revenues is primarily based on historic trends and analysis of the City's estimated actual receipts for FY 2008/2009. Additionally, a decrease in new residential growth has occurred within the City. The .9% increase in County Tax Differential revenues is based on the estimate the City received from Washington County.
- The Licenses and Permitting 10.1% decrease from the 2008/2009 budget is due to an anticipated slow down in development as reflected in building, plumbing, and electrical permits. Residential development has slowed significantly due to the down turn in the housing markets, but non-residential development in the City, while down, is proceeding with several new projects planned for the upcoming year.
- Grant (Intergovernmental) revenues are expected to increase by 3.6% (\$4,000) from the 2008/2009. This is due to the \$4,000 increase in the Board of Education's School Resources grant. This represents a three year cost sharing arrangement with the Board of Education. The increase is the result of the City's Police Department now having the staffing level to devote to policing the schools.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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- ❑ Overall charges for current services are proposed to decrease by 3.6% (\$119,411) primarily due to a decrease in Refuse Collection Fees (\$113,200) that did not occur. Fees are not anticipated to increase unless warranted by the County increasing their landfill tipping fees.
  
- ❑ The 37.5% decrease (\$150,000) in Interest Income is due to a projection that interest rates will continue to fall in response to declining interest rates.
  
- ❑ The 47.1% increase (\$41,053) in Other General Revenues is primarily due to an anticipated increase of \$14,644 in property rentals, a \$20,009 increase in Contributions from private organizations, such as the Volunteer Fire Department, and a \$6,400 increase in Other Miscellaneous Revenues which were budgeted in Fiscal Year 2009/2010.
  
- ❑ Transfers from other funds is lower by \$608,000 primarily because Fiscal Year 2008/2009 included the final return of a \$600,000 prior year advance to the Health Care Fund to prefund healthcare costs.
  
- ❑ Budgeted use of fund balance reflects a lowering of the expected use of fund balance from \$300,000 to \$150,000 for Fiscal Year 2009/2010. We have proposed to eliminate its use for Fiscal Year 2010/2011 as shown in the Financial Projections in Section 10.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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**Cost by Function**

The General Fund expenditures by City functions are shown as follows:

|                                  | <b><u>Revised<br/>Budget<br/>2009/10</u></b> | <b><u>Estimated<br/>Actual<br/>2009/10</u></b> | <b><u>Proposed<br/>Budget<br/>2010/11</u></b> | <b><u>Percent<br/>Change</u></b> |
|----------------------------------|--|--|---|----------------------------------|
| Police                           | \$11,806,340                                 | \$11,196,002                                   | \$11,039,761                                  | -6.5%                            |
| Fire                             | <u>6,462,292</u>                             | <u>6,258,624</u>                               | <u>6,281,465</u>                              | -2.8%                            |
| Total Public Safety              | 18,268,632                                   | 17,454,626                                     | 17,321,226                                    | -5.2%                            |
| Street & Signal                  | 2,895,550                                    | 3,483,521                                      | 3,247,667                                     | 12.2%                            |
| Municipal Buildings              | <u>510,242</u>                               | <u>483,553</u>                                 | <u>485,185</u>                                | -5.9%                            |
| Total Public Works               | 3,405,795                                    | 3,967,074                                      | 3,732,852                                     | 9.6%                             |
| Engineering, Code Administration | 2,561,544                                    | 2,577,121                                      | 2,624,430                                     | 2.5%                             |
| Parks & Recreation               | 2,317,508                                    | 2,305,849                                      | 2,253,393                                     | -2.8%                            |
| Debt Service                     | 2,007,164                                    | 2,041,608                                      | 2,444,000                                     | 21.8%                            |
| Waste Collection                 | 2,211,598                                    | 1,997,360                                      | 2,081,030                                     | -5.9%                            |
| Technology & Support Svcs        | 999,583                                      | 1,043,182                                      | 1,053,257                                     | 5.4%                             |
| Unallocated General Expenses     | 1,569,657                                    | 1,793,398                                      | 992,100                                       | -36.8%                           |
| Finance                          | 1,018,360                                    | 985,643  | 958,168                                       | -5.9%                            |
| Community Affairs & Public Info  | 889,078                                      | 837,916  | 869,330                                       | -2.2%                            |
| Transfers to Other Funds         | 590,022                                      | 650,737  | 740,988                                       | 25.6%                            |
| Planning                         | 555,235                                      | 530,430  | 554,895                                       | .0%                              |
| CIP Appropriations               | 405,563                                      | 405,563  | 522,000                                       | 28.7%                            |
| Human Resources                  | 456,415                                      | 450,749  | 452,396                                       | .0%                              |
| Economic & Community Dev.        | 420,224                                      | 410,793  | 287,731                                       | -31.5%                           |
| City Administrator               | 201,517                                      | 186,243  | 201,134                                       | .0%                              |
| Other General Government         | <u>576,950</u>                               | <u>567,721</u>                                 | <u>574,214</u>                                | -.04%                            |
| <b>Total Cost by Function</b>    | <b><u>\$38,454,845</u></b>                   | <b><u>\$38,206,013</u></b>                     | <b><u>\$37,663,144</u></b>                    | <b>-2.1%</b>                     |

The General Fund expenditures by function include:

- ❑ The \$250,045 (2.1%) increase in the Police Department's budget over the 2008/2009 budget is primarily due to an increase in base wages (\$146,634), an increase in additional wages (\$78,346) and an increase in material, supplies and utilities (\$25,377). Two police officers are to be added in Fiscal Year 2009/2010. This will increase base wages of \$75,576 and increase employee benefits by \$40,894. These officers are expected to be funded through a federal grant in the Special Revenue Grants Fund. Costs for reaccrediting the Police Lab are also included in the proposed budget.
- ❑ The \$161,460 (2.5%) increase in the Fire Department's budget over the 2008/2009 budget is primarily due to an increase in base wages (\$116,207) and an increase in employee benefits (\$10,337). Wages and fringe benefits includes a full year of wages and benefits for the nine additional firefighters that were added in June 2008.
- ❑ The \$170,314 (9.1%) increase in the Finance department budget over the 2008/2009 budget is primarily due to an increase in maintenance costs (\$153,000) associated with implementation of the City's new financial management system that was placed in service on November 3, 2008.
- ❑ The \$404,659 (18.4%) increase in debt service reflects the impact of interest expense of \$418,410, and a principal payment of \$253,286 from the planned 2009 debt issuance of \$8,430,735.
- ❑ The Unallocated General Expenses decreased by 20.0% due to the anticipated savings of \$376,341 the City expects to realize as a result of the transfer of the Police Communications Dispatchers to the County for a new Combined 911 Center.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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**Expenditures by Type**

The use of funds by General Fund expenditures can also be analyzed as follows:

| <b><u>Expenditures</u></b>      | <b>Revised<br/>Budget<br/>2009/10</b> | <b>Estimated<br/>Actual<br/>2009/10</b> | <b>Proposed<br/>Budget<br/>2010/11</b> | <b>Percent<br/>Change</b> |
|---------------------------------|---------------------------------------|---|--|---------------------------|
| Base Wages                      | \$17,471,878                          | \$16,794,581                            | \$16,479,416                           | -5.7%                     |
| Additional Wages                | <u>1,993,989</u>                      | <u>2,028,513</u>                        | <u>1,823,800</u>                       | -8.5%                     |
| Total Wages                     | 19,465,867                            | 18,823,094                              | 18,303,216                             | -6.0%                     |
| Employee Benefits               | <u>7,988,731</u>                      | <u>7,632,223</u>                        | <u>7,538,275</u>                       | -5.6%                     |
| Total Wages & Benefits          | 27,454,598                            | 26,455,317                              | 25,841,491                             | -5.9%                     |
| Materials, Supplies & Utilities | 2,202,004                             | 2,330,444                               | 2,168,572                              | 3.1%                      |
| Trash Collection                | 2,149,900                             | 1,974,798                               | 2,044,251                              | -4.9%                     |
| Debt Service                    | 2,007,164                             | 2,041,608                               | 2,444,000                              | 21.8%                     |
| Contracted Services             | 1,253,627                             | 1,620,534                               | 1,487,453                              | 18.7%                     |
| Transfers to Other Funds        | 995,585                               | 1,056,300                               | 1,262,988                              | 5.4%                      |
| Vehicle Operating Expenses      | 815,635                               | 878,014                                 | 844,945                                | 3.6%                      |
| Maintenance & Repairs           | 585,477                               | 602,255                                 | 597,161                                | 2.0%                      |
| Other Expenses                  | 406,793                               | 328,974                                 | 420,463                                | 3.4%                      |
| Unallocated General Expenses    | 308,800                               | 323,800                                 | 334,900                                | 8.5%                      |
| Communications Expenses         | 141,512                               | 266,841                                 | 268,603                                | 8.1%                      |
| Contributions to Other Agencies | 341,465                               | 341,398                                 | 256,300                                | -24.9%                    |
| Advertising & Printing          | 271,219                               | 263,721                                 | 248,553                                | -16.4%                    |
| Insurance                       | 205,009                               | 239,113                                 | 229,076                                | -9.7%                     |
| Public Functions                | 263,976                               | 235,399                                 | 222,013                                | -15.9%                    |
| Rentals                         | 89,411                                | 93,717                                  | 83,230                                 | -43.3%                    |
| Capital Expenditures            | 84,418                                | 68,894                                  | 78,285                                 | 0.0%                      |
| Professional Development        | 109,334                               | 123,708                                 | 64,364                                 | 6.3%                      |
| Economic Incentives             | --                                    | --                                      | --                                     | 0%                        |
| Reimbursements/Allocations      | <u>-1,231,085</u>                     | <u>-1,038,823</u>                       | <u>-1,233,503</u>                      | 4.3%                      |
| <b>Total Expenditures</b>       | <b>\$38,454,842</b>                   | <b>\$38,206,012</b>                     | <b>\$37,663,145</b>                    | <b>-2.1%</b>              |

Compared with the previous year, the major General Fund expenditures in the proposed budget are as follows:

- The \$992,462 (-5.7%) decrease in Base Wages is a result of \$720,000 savings budgeted for Furlough Days, and \$300,000 budgeted for Vacancy Savings in Fiscal Year 2010/2011. Annual step increases for employees and a cost of living adjustment were not included for employees in the Fiscal Year 2010/2011 budget.
- The \$170,189 (-8.5%) decrease in additional wages reflects City-wide departmental efforts to reduce expenditures for overtime pay.
- The \$233,826 (18.7%) increase in Contracted Services is primarily the result of an increase in costs associated with the City-County collaboration of services for the new Combined 911 Center.
- The \$85,165 (-24.9%) decrease in Contributions to Other Agencies is a result of decreases in amounts the City contributes to several organizations which provide services that create value for City objectives and the citizens of Hagerstown.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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**ENTERPRISE FUNDS**

**LIGHT FUND**

|                                     | Revised<br>Budget<br><u>2009/10</u> | Estimated<br>Actual<br><u>2009/10</u> | Proposed<br>Budget<br><u>2010/11</u> |
|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Operating Revenues                  | \$32,371,037                        | \$32,301,067                          | \$31,720,135                         |
| Operating Expenses                  | <u>32,609,861</u>                   | <u>32,301,133</u>                     | <u>31,886,443</u>                    |
| Operating Income (Loss)             | (238,824)                           | (66)                                  | (166,308)                            |
| Nonoperating Revenues<br>(Expenses) | 273,312                             | 188,502                               | 173,968                              |
| Capital Contributions               | 25,000                              | 16,000                                | 120,000                              |
| Transfers out                       | <u>--</u>                           | <u>(55,000)</u>                       | <u>(55,000)</u>                      |
| Change in Net Assets                | 59,488                              | 149,436                               | 72,660                               |
| Add Back Net Depreciation           | 1,146,458                           | 1,146,458                             | 1,146,458                            |
| Capital Outlay                      | (1,133,000)                         | (676,000)                             | (913,000)                            |
| Repayment of Debt Principal         | (46,502)                            | (46,503)                              | (44,740)                             |
| Deduct Non-Cash Capital Contrib.    | <u>(25,000)</u>                     | <u>(16,000)</u>                       | <u>(20,000)</u>                      |
| Net Surplus (Deficit)               | \$ 1,444                            | \$ 557,391                            | \$ 241,378                           |

Compared with the previous year, the major revenue changes in the proposed budget are:

- No electric rate increases have been projected for Fiscal Year 2010/11. The proposed budget reflects the fourth year of a power supply contract with Allegheny Power.
- Sales of electric revenues are decreasing due to the decline in economic activity. Also, the fiscal year 2010/11 revenues reflect the anticipated move of the Washington County Hospital outside of the City Light Fund territory in early 2011. The annualized loss for the move to outside the city is projected to be \$1.2 million in industrial sales.

The major expenditure changes in the proposed budget are as follows:

- The \$913,000 capital outlay program includes \$151,000 for the library project, \$50,000 for Mills Station, and \$50,000 in Building & Site Improvements.
- The move of Washington County Hospital will have a projected annualized reduction of \$960,000 in purchased power which has been reflected for part of Fiscal Year 2010/11.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
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**WATER FUND**

|                                     | Revised<br>Budget<br><u>2009/10</u> | Estimated<br>Actual<br><u>2009/10</u> | Proposed<br>Budget<br><u>2010/11</u> |
|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Operating Revenues                  | \$9,191,221                         | \$8,554,864                           | \$9,212,560                          |
| Operating Expenses                  | <u>9,232,848</u>                    | <u>8,805,329</u>                      | <u>8,995,390</u>                     |
| Operating Income (Loss)             | (41,627)                            | (250,465)                             | 217,170                              |
| Nonoperating Revenues<br>(Expenses) | (340,036)                           | (312,195)                             | (300,040)                            |
| Capital Contributions               | 2,600,000                           | 1,000,000                             | 1,000,000                            |
| Gain on Fixed Asset Disposals       | --                                  | 1,992                                 | --                                   |
| Transfers out                       | <u>(55,000)</u>                     | <u>(55,000)</u>                       | <u>(55,000)</u>                      |
| Change in Net Assets                | 2,163,337                           | 384,332                               | 862,129                              |
| Add Back Net Depreciation           | 1,500,000                           | 1,500,000                             | 1,658,240                            |
| Capital Outlay                      | (13,706,125)                        | (7,911,977)                           | (9,863,205)                          |
| Repayment of Debt Principal         | (876,098)                           | (736,391)                             | (611,179)                            |
| Additional Principal                | (289,804)                           | (328,745)                             | (510,540)                            |
| Deduct Non-Cash Capital Contrib.    | (1,500,000)                         | (500,000)                             | (500,000)                            |
| Bond Proceeds                       | 12,559,750                          | 10,770,183                            | 9,139,330                            |
| Benefit Charge Funds                | <u>246,376</u>                      | <u>(1,888,743)</u>                    | <u>395,880</u>                       |
| Net Surplus (Deficit)               | \$ 97,436                           | \$1,288,659                           | \$ 570,655                           |

Compared with the previous year, the major revenue changes in the proposed budget are:

- Annual rate increases have been approved for Fiscal Years 2010/11 thru 2013/14. The increase effective July 1, 2010, is 5.0% for inside customers and 6.5% for outside customers. The increase is part of a multi-year plan insure the fund continues to be self-supporting and to fund necessary infrastructure improvements.
- The City is anticipating borrowing about \$9.1 million for Water Fund projects. Approximately \$6.6 million is anticipated from MDE for the West End Reservoir Phase II (\$2.9 million), Willson Transmission Main (\$1.5 million), R. C. Willson Plant – Phase IV (\$120,000), and R. C. Willson Plant – Phase V (nearly \$2.1 million). Approximately \$2.5 million is anticipated from City Bonds for Distribution Services (\$1.0 million), Distribution Equipment (\$1.2 million), Pump Station Improvements (\$280,000), and R. C. Willson Plant Improvements (\$112,500).

The major expenditure changes in the proposed budget are as follows:

- The fiscal year 2010/11 budget includes non-major improvements for: vehicles (\$176,375), Edgemont Reservoir Improvements (\$150,000), Weste End Reservoir Phase II (\$112,500), Breichner WTP Improvements (\$25,000), Pump Station Improvements (\$75,000), and Structures and Improvements (\$10,000).
- Operating expenses include increases in chemical, material and utility costs. No additional staffing is projected and no cost increases in wages is included.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

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**WASTEWATER FUND**

|                                     | Revised<br>Budget<br><u>2009/10</u> | Estimated<br>Actual<br><u>2009/10</u> | Proposed<br>Budget<br><u>2010/11</u> |
|-------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Operating Revenues                  | \$ 9,617,637                        | \$ 8,980,900                          | \$ 9,513,300                         |
| Operating Expenses                  | <u>11,234,483</u>                   | <u>10,722,995</u>                     | <u>11,595,566</u>                    |
| Operating Income (Loss)             | (1,616,846)                         | (1,742,095)                           | (2,082,266)                          |
| Nonoperating Revenues<br>(Expenses) | (358,727)                           | (347,116)                             | (365,477)                            |
| Capital Contributions               | 8,875,000                           | 8,853,920                             | 2,777,560                            |
| Transfers out                       | <u>(55,000)</u>                     | <u>(55,000)</u>                       | <u>(55,000)</u>                      |
| Change in Net Assets                | 6,844,427                           | 6,709,709                             | 274,817                              |
| Add Back Net Depreciation           | 2,138,000                           | 2,138,000                             | 2,451,757                            |
| Capital Outlay                      | (17,698,000)                        | (15,687,825)                          | (5,757,000)                          |
| Repayment of Debt Principal         | (1,079,319)                         | (1,106,478)                           | (1,099,085)                          |
| Anticipated Debt Principal          | (122,346)                           | --                                    | (135,885)                            |
| Deduct Non-Cash Capital Contrib.    | (350,000)                           | --                                    | --                                   |
| Bond Proceeds                       | 8,152,500                           | 9,596,305                             | 2,799,440                            |
| Benefit Charge Funds                | <u>2,203,553</u>                    | <u>(1,037,339)</u>                    | <u>1,481,000</u>                     |
| Net Surplus (Deficit)               | \$ 88,815                           | \$ 612,372                            | \$ 15,044                            |

Compared with the previous year, the major revenue changes in the proposed budget are:

- Annual rate increases have been approved for Fiscal Years 2010/11 thru 2013/14. The increase effective July 1, 2010, is 5.5% for inside customers and 3.5% for outside customers. The increase is part of a multi-year plan insure the fund continues to be self-supporting and to fund necessary infrastructure improvements.
- The City is anticipating borrowing about \$2.8 million for Wastewater Fund projects. Approximately \$2.1 million is anticipated from MDE for WWTP – Phase IV – Headworks (\$76,000), WWTP Disinfection Improvements (\$738,000), Salem Avenue – Winter-Burhans (\$480,000), and City-Wide System Rehabilitation (\$827,440). Approximately \$678,000 is anticipated from City Bonds for Collection System Rehabilitation (\$200,000), WWTP – Phase IV – Headworks (\$14,000), WWTP Equipment (\$100,000), WWTP Disinfection (\$140,000), WWTP/Phase V/Solids Processing (\$70,000), Collection System Equipment (\$80,000), and Grinder Pump Replacement (\$74,000).

The major expenditure changes in the proposed budget are as follows:

- Capital outlay includes continuation of a multi-year plant improvement plan including completion of the ENR, Headworks, and Disinfection improvements. Also included is \$200,000 for the Conrad Court Pump Station as well as other needed improvements to keep the system in good repair and in compliance with our water quality discharge permit.
- Operating expenses reflect higher anticipated chemical and utility costs related to the new enhanced nutrient removal process that will become operational during the fiscal year.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

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**PARKING FUND**

|  | <u>Revised<br/>Budget<br/>2009/10</u> | <u>Estimated<br/>Actual<br/>2009/10</u> | <u>Proposed<br/>Budget<br/>2010/11</u> |
|--|---------------------------------------|---|--|
| Operating Revenues                                     | \$ 935,870                            | \$ 942,311                              | \$ 932,650                             |
| Operating Expenses                                     | <u>618,387</u>                        | <u>610,360</u>                          | <u>590,160</u>                         |
| Operating Income (Loss)                                | 317,483                               | 331,951                                 | 342,490                                |
| Nonoperating Revenues(Exp)                             | (130,713)                             | (133,713)                               | (141,816)                              |
| <br>   |                                       |   |  |
| Contributions in Aid of Cons't<br>Change in Net Assets | <u>95,795</u><br>282,565              | <u>95,795</u><br>294,033                | <u>-</u><br>200,674                    |
| <br>   |                                       |   |  |
| Add Back Net Depreciation                              | 187,188                               | 187,188                                 | 187,188                                |
| Capital Outlay   | (245,795)                             | (229,852)                               | (25,000)                               |
| Repayment of Debt Principal                            | (347,345)                             | (347,345)                               | (351,948)                              |
| Bond Proceeds  | <u>150,000</u>                        | <u>133,203</u>                          | <u>16,203</u>                          |
| <br>   |                                       | ==                                      |  |
| Net Surplus (Deficit)                                  | \$ 26,613                             | \$ 37,821                               | \$ 27,117                              |

The major revenue changes are as follows:

- Operating revenues reflect parking deck permits remaining at \$60.00 per month and a transient parking increase from \$6.00 to \$8.00 per day. Meter rates will remain the same. A new standardized monthly rate of \$46.00 is proposed for all of the surface lots. Deck fee revenues also include a new \$1 fee to park in the two decks during evenings and weekends beginning January 1, 2010.
- Operating revenues also reflect the loss of monthly parkers from the relocation of Susquehanna Bank's main office from the downtown area and the impact of the hospital relocation scheduled for early 2011.
- Bond proceeds reflect the use of carryover unspent proceeds of \$16,203 from the \$150,000 September 2009 bond issue. new lighting for the North Potomac Street Parking Deck.

The major expenditure changes in the proposed budget are as follows:

- Operating expenses include a continuation of operations and implementation of several new programs.
- Capital outlay includes \$25,000 for new energy efficient LED lighting for the top level of the North Potomac Street Parking Deck.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

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**GOLF COURSE FUND**

|                           | Revised<br>Budget<br><u>2009/10</u> | Estimated<br>Actual<br><u>2009/10</u> | Proposed<br>Budget<br><u>2010/11</u> |
|---------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Operating Revenues        | \$214,346                           | \$144,223                             | \$175,922                            |
| Operating Expenses        | <u>446,291</u>                      | <u>467,007</u>                        | <u>461,504</u>                       |
| Operating Income (Loss)   | (231,945)                           | (322,784)                             | (285,582)                            |
| Capital Contributions     | 13,500                              | --                                    | --                                   |
| Transfers in              | <u>211,885</u>                      | <u>290,000</u>                        | <u>255,000</u>                       |
| Change in Net Assets      | (6,560)                             | (32,784)                              | (30,582)                             |
| Add Back Net Depreciation | 21,560                              | 33,000                                | 33,000                               |
| Capital Outlay            | <u>(15,000)</u>                     | <u>--</u>                             | <u>--</u>                            |
| Net Surplus (Deficit)     | \$ --                               | \$ 216                                | \$ 2,418                             |

Compared with the previous year, the major revenue and expenditure changes in the proposed budget are as follows:

- Revenues reflect a decline in play due to the economy and course conditions this past Summer.
- Operating expenses are higher due to an increase in material, supplies and utility costs caused by higher water use from the new course irrigation system. Rentals are also higher due to the leasing of a fairway mower and golf carts.
- The proposed budget reflects a General Fund Transfer of \$255,000 to subsidize operating and capital expenditures.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

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**PROPERTY MANAGEMENT FUND**

|                                      | Revised<br>Budget<br><u>2009/10</u> | Estimated<br>Actual<br><u>2009/10</u> | Proposed<br>Budget<br><u>2010/11</u> |
|--------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Operating Revenues                   | \$355,685                           | \$354,173                             | \$359,541                            |
| Operating Expenses                   | <u>335,253</u>                      | <u>378,705</u>                        | <u>346,465</u>                       |
| Operating Income (Loss)              | 20,432                              | (24,532)                              | 13,076                               |
| Nonoperating Revenues<br>(Expenses.) | <u>3,432</u>                        | <u>2,326</u>                          | <u>1,000</u>                         |
| Change in Net Assets                 | 23,864                              | (22,206)                              | 14,076                               |
| Add Back Net Depreciation            | 78,500                              | 78,500                                | 78,500                               |
| Capital Outlay                       | --                                  | (40,000)                              | (45,000)                             |
| Repayment of Principal               | <u>(40,150)</u>                     | <u>(40,150)</u>                       | <u>(40,150)</u>                      |
| Net Surplus (Deficit)                | \$ 62,214                           | \$(23,856)                            | \$ 7,426                             |

Compared with the previous year, the major revenue and expenditure changes in the proposed budget are as follows:

- Revenues reflect ten leases from the Elizabeth Hager Center, three leases from the Roslyn Building, and a shared-use agreement for the stair tower adjacent to the Clock Building in Public Square.
- Operating expenses include sufficient funds to operate and maintain the Elizabeth Hager Center, Roslyn Building, Fire Police Headquarters and the Alms House.
- Capital expenditures include \$40,000 for the Elizabeth Hager Center for replacement of the roof, carpet replacement and other equipment replacements as needed. The Fire Police Headquarters Building on Valley Road also has \$5,000 for replacement and rehab work as needed.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

**SPECIAL REVENUE FUNDS**

|   | <b>C.D.B.G. FUND</b>  |                      |                       |
|---|-----------------------|----------------------|-----------------------|
|   | <b>Revised</b>        | <b>Estimated</b>     | <b>Proposed</b>       |
|   | <b>Budget</b>         | <b>Actual</b>        | <b>Budget</b>         |
|   | <b><u>2009/10</u></b> | <b><u>209/10</u></b> | <b><u>2010/11</u></b> |
| <b>Revenues</b>                         |                       |                      |                       |
| CDBG Grant Revenues                     | \$1,463,718           | \$ 954,669           | \$1,509,984           |
| Program Income - Principal              | 242,000               | 243,248              | 200,000               |
| Interest & Penalty on Loans             | 62,500                | 67,938               | 68,544                |
| Interest on Investments                 | 3,425                 | 1,800                | 3,425                 |
| Sale - Properties Held to Resale        | 200,000               | 84,964               | 80,000                |
| Other Revenues                          | <u>15,000</u>         | <u>25,000</u>        | <u>15,000</u>         |
| Total Revenues                          | 1,986,643             | 1,377,619            | 1,876,953             |
| <b>Expenditures</b>                     |                       |                      |                       |
| Acquisition                             | 100                   | --                   | 100                   |
| Commercial/Industrial Improvements      | --                    | --                   | 2,500                 |
| Clearance & Demolition                  | 100                   | --                   | 100                   |
| Public Facilities & Improvements        | 340,000               | 50,000               | 577,511               |
| Public Services                         | 174,088               | 174,160              | 195,250               |
| Housing                                 | 1,176,000             | 697,500              | 830,231               |
| Administration                          | <u>296,355</u>        | <u>332,755</u>       | <u>307,655</u>        |
| Total Expenses                          | 1,986,643             | 1,254,415            | 1,913,347             |
| <b>Excess of Revenues Over Expenses</b> | --                    | 123,204              | (36,394)              |
| <b>Net Change in Fund Balance</b>       | \$ --                 | \$ 123,204           | \$ (36,394)           |

Compared with the previous year, the major revenue and expenditure changes in the proposed budget are as follows:

- The grant entitlement for Fiscal Year 2010/11 is \$990,928. This new grant money, along with remaining grant funds that have not been drawn down as of June 30, 2009, as well as program income will be used to fund fiscal year 2010/11 projects.
- The fiscal year 2010/11 projected program income of \$366,969 is primarily from CDBG loan repayments (\$268,544) and sales of homeownership properties (\$80,000).

Compared with the previous year, the major expenditure changes in the proposed budget are:

- Public services, which are still at the maximum 15% of C.D.B.G. expenditures, include \$65,000 for Senior Living Alternative, \$45,000 for Neighborhoods 1<sup>st</sup>, \$60,000 for the Community Free Clinic, and \$12,750 for Girl's Inc Supper Program.
- Housing expenditures of \$830,231 include a total of \$144,231 for Direct Home Assistance, Residential Energy Improvements, Smoke Detectors and Home Safety Makeovers, \$110,000 for continuing the Home Ownership Program; and \$480,000 for Single Family and Residential Rental Loan programs.
- Public facilities include funds for handicap ramps (\$40,000), funds for neighborhood development (\$83,565) and neighborhood parks (\$75,000) and funds to rehabilitate the E. Antietam Street storm drain system (\$200,000).

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

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**ECONOMIC REDEVELOPMENT FUND**

The Economic Redevelopment Fund was established to promote the revitalization of the City's downtown and older neighborhood areas. Currently the fund is being used to promote home and business ownership in targeted areas of the City.

Revenues in this fund for fiscal year 2010/11 consist of interest revenue from investments, the balance of a \$100,000 federal grant to help minority and woman owned businesses and a transfer from the General Fund to fund the PEP Program incentives for the Upper Floor Rent Assistance program. Expenditures consist of costs for the PEP Upper Floors Rent Assistance program, Downtown Residency Initiative, House Keys 4 Employees, and the Minority and Woman Owned Business programs.

**TELECOMMUNICATIONS CENTER FUND**

The Telecommunications Center Fund was established to account for activities related to the City's participation in the federal government's telecommunication work center pilot program. The activities are primarily funded by a federal operating grant and user fees and is self supporting.

The center opened May 1, 1995 on the second floor of the Elizabeth Hager Center. The budget reflects the federal General Services Administration (GSA) paying the cost of operating and leasing the center for the entire fiscal year. The Center is designed with total client convenience and security in mind.

**BUSINESS REVOLVING LOAN FUND/ UPPER FLOORS REDEVELOPMENT FUND**

These funds are designed to assist in the recruitment, retention and expansion of businesses within the City of Hagerstown. The Business Revolving Loan Fund was initially funded through a grant from the MD Department of Business & Economic Development and City Community Betterment Funds. This program provides financing for new and expanding businesses for working capital, equipment and rehabilitation.

The Upper Floors Redevelopment Fund is funded through a \$100,000 grant from the MD Community Legacy Program and \$125,000 from the City's Economic Redevelopment Fund last year. The program provides assistance to install elevators and other equipment necessary to make the upper floors of existing downtown buildings attractive for residential and business use.

**EMPLOYEE FLEXIBLE SPENDING FUND**

The Employee Flexible Spending Fund was established to account for the employee contributions into a pre-tax unreimbursed medical and dependent care fund. Funds are transferred into this fund on a pre-tax basis for employees who participate in the FSA Program for reimbursed medical and dependent care costs. The City savings in social security and Medicare cost from this pre-tax funding are used to pay for the program's administrative costs. For 2010/11, \$6,000 is proposed for transfer to the General Fund for employee activities.

**EXCISE TAX FUND**

The Excise Tax Fund was established to account for the City share of the County Excise Taxes collected by the City. The Excise Taxes may be used only for specific purposes and are tracked in order to comply with the purposes permitted. The permitted purposes include: roads, new construction or development of parks and recreational facilities, new construction or development of water and sewer infrastructure, and new construction or development of public safety facilities.

Funds are proposed to be transferred in 2010/11 for assisting with the Edgewood/Dual Highway intersection improvement project (\$1,062,000), bridge repair program (\$80,000), Professional Court Extension (\$120,000), and Northwest Connector road (\$20,000).

**SPECIAL REVENUE GRANT FUND**

The Special Revenue Grant Fund was established to account operating grants from various federal, state, and local agencies. This fund will also be used to track our usage of Federal forfeited funds (when received). The fund allows the grant revenues and expenditures to be tracked separately by grant project or program. Local matches, if required are shown as transfers in from other funds.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

**SERVICE AND TRUST FUNDS**

In addition to the Enterprise and Governmental Funds, the City has established three internal service funds and one trust fund.

**Workers Compensation Fund** - The fund was created in 1995 to help smooth potential large fluctuations in the City worker's compensation cost that might occur under a large deductible insurance program the City used from September 1, 1995, through 1998. Since September 1, 1998, the City has been using a traditional 100% coverage insurance program. The fund serves as a conduit to collect premium charges based on the payroll of each department. The actual medical claims, processing fees, and premium to the insurance carrier are then paid from this fund.

**Health Care Fund** – The fund was created in 2000 to manage the City's self-insurance program for health care. Under this self-funded plan the City pays a standard monthly administrative fee for each covered member and accepts claim risk up to a specific stop loss for each individual covered. In addition, there is a second level of insurance called the aggregate stop loss which assures that the City does not pay more than the maximum projected expenses. For fiscal year 2010/11 City departments, employees and retirees are expected to pay \$6,608,400 in premium billings which will be used to pay expected program costs of \$6,455,200 for claims, insurance and other administrative costs.

The Health Care Fund also includes continued funding for Other Post-Employment Benefits (OPEB) future liabilities. The 2010/11 proposed budget reflects \$775,000 to continue funding the City's estimated Annual Required Contribution (ARC) that is needed to fund future liabilities associated with retiree health care benefits. The City has continued to fund its annual required contribution towards its OPEB liabilities unlike many other state and local governments.

**Dental Care Fund** – The fund was created in 2006 to manage a self-insurance program for dental care. Under the self-funded plan, the City pays a standard monthly administrative fee for each covered member and process claims up to a \$2,000 limit for each individual covered. Administratively, all City departments are billed pre-established internal "insurance" rates for their department employees, retirees, and dependents. These billings represent the funding source for the Dental Care Fund from which all dental care related administrative and medical reimbursement costs are paid.

**Bloom-Carlile Trust Fund** – The fund was established to segregate funds received from the estates of S. Martin Bloom, Annie Gill Carlile and others from the general accounts of the City. The income earned on investment of the fund is being used to provide assistance to the poor and needy of Hagerstown. The proposed Bloom-Carlile Fund budget for fiscal year 2010/11 includes interest revenues of 1,800 and expenditures administered through the Community Action Council totaling \$1,800.

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

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**THE BUDGET SCHEDULE**

The Municipal Charter of Hagerstown requires the City Administrator to submit a budget to the Mayor and Council at least ninety days before the beginning of the fiscal year. The Charter states that the "budget shall provide a complete financial plan for the budget year and shall contain estimates of anticipated revenues and proposed expenditures for the coming year. The total of the anticipated revenues shall equal or exceed the total of the proposed expenditures." The Charter also states that the budget shall be adopted no later than June 1<sup>st</sup> of each year.

The budget schedule for this year is as follows:

|                            |   |
|----------------------------|---|
| December 15, 2009          | Mayor and Council Budget Work Session and review of budget projections and FY10/11 Preliminary Budget Plan                                      |
| December 19, 2009          | Review of Department CIP requests with Department Managers.   |
| January 12, 2010           | Second Mayor and Council Budget Work Session and review of FY10/11 Preliminary Budget Plan.   |
| January 26, 2010           | First Public Hearing on Community Development funding needs.  |
| January 28, 2010           | Department budget requests and start of review meetings between Department Managers and Budget Committee.                                       |
| February 8, 2010           | Began prioritizing department requests and developing City Administrator adjustments.   |
| March 8, 2010              | Began meeting with departments to review proposed adjustments, obtain their further input and agreement on adjustments.                         |
| March 31, 2010             | City Administrator's Proposed Budget submitted to Mayor and City Council.   |
| April 6, 13, 20 & 27, 2010 | Mayor and City Council review of Proposed Budget and Capital Improvement Program.   |
| May 11, 2010               | Public Hearing on Budget and Capital Improvement Program; property tax rates; and second public hearing on Community Development funding needs. |
| May 25, 2010               | Adoption of budgets and CIP for all funds; set tax rate.  |

CITY ADMINISTRATOR'S BUDGET MESSAGE  
FISCAL YEAR 2010/2011

**DISTINGUISHED BUDGET PRESENTATION AWARD**

This was the sixth consecutive year that the Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Hagerstown, Maryland for its annual budget for the fiscal year beginning July 1, 2009. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

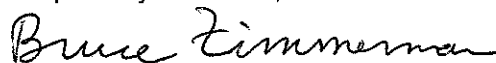
**ACKNOWLEDGEMENTS**

This budget reflects the efforts of a dedicated group of Department Managers and staff. They have contributed creativity, initiative, and many hours toward the programs and projects proposed in this budget. I am appreciative of their efforts.

Preparation of the budget always draws heavily on City staff throughout the organization. I wish to especially acknowledge Al Martin, Ray Foltz, and Michelle Burkner for guiding the budget preparation process. Michelle Burkner, Angie Ludeman, Derek Staubs, Barbara Karn and Elaine Stookey assisted Department Managers in researching and preparing their budgets. They deserve much credit for the many hours they spent in coordinating and preparing the document. Nelia Tidler assisted in the preparation of utility revenue projections as well as reviewing and analyzing all of the Utility fund budgets. Donna Frazier provided oversight on personnel and fringe benefit budget issues. Credit should be given to Dani Frye for the preparation of the budget message. The entire Finance staff deserves special acknowledgment for the extra hours they worked in assisting with and coordinating the production of this year's budget. These contributions have resulted in this comprehensive presentation of next year's budget.

The staff and I look forward to reviewing this budget with you.

Respectfully submitted,



Bruce Zimmerman  
City Administrator