Annual Budget
For Calendar Year
2013

Vision

Service and Leadership that enriches the community.

Mission

To provide quality service and leadership that maximizes resources and responds to our community’s present and future needs.

Shared Goals

• Cooperation and Teamwork
• Honesty & Integrity
• Responsiveness and Reliability

These values demonstrate our commitment to professionalism.
Department Officials

DEPARTMENT DIRECTORS
Paul Kratz .................................................................City Attorney
Richard O’Gara .........................................................Human Resources, Rights & Relations Director
Pam Spaccarotella .....................................................Finance Director
Rick Cunningham ......................................................Planning Director
Brook Bench .........................................................Acting Parks, Recreation and Public Property Director
Michael McDonnell ....................................................Fire Chief
Todd Schmaderer .....................................................Police Chief
Robert Stubbe ...........................................................Public Works Director
Dana Markel ...............................................................Convention and Tourism Director
Gary Wasdin ...............................................................Library Director

MAYOR’S EXECUTIVE STAFF
Steve Oltmans .........................................................Chief of Staff
Aida Amoura .................................................................Communications Director
David Dover ...............................................................Deputy Chief of Staff

Allen Herink, City Comptroller
Andrew Brott, Budget Manager

BUDGET STAFF
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Scott Winkler, Scott Crites, Veronica Banks, Virginia Lerch, Leslie Schaefer, Donna Waller,
Sheri Larsen, Deb Sander, Gabe McGrath

PRODUCTION STAFF
Jack Morine, Steve Driscoll, and Nancy Hess

Buster Brown, City Clerk
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THE BUDGET PROCESS

The procedure for the annual budget process, adoption of a tax levy, and amending the budget is specified in the following sections of the Home Rule Charter of the City of Omaha:

Section 5.04 Formulation and Submission of Budget  
Section 5.05 Scope and Content of the Budget  
Section 5.06 Consideration and Adoption of Budget by Council  
Section 5.07 Tax Levy  
Section 5.10 Transfer of Appropriations  
Section 5.11 Emergency Appropriations

The following is a description of each of the steps taken to ensure compliance with the provisions of the Home Rule Charter and to incorporate modern fiscal management and municipal budgeting techniques.

Initial Budget Preparation and Request

The 2013 Budget process began approximately February 24th, 2012 with the process of forecasting 2013 revenues and projecting inflationary increases in regard to fixed costs such as health care, utilities and basic commodities. With this information in mind, preparation of the 2013 Budget request workpapers by the Budget Division staff of the Finance Department was initiated. The departments were instructed to submit any requests for new or expanded services in a separate request.

In order to assist the Departments in the preparation of their request, the 2013 Budget database included the following: (1) all classified and full-time employees listed by classification and salary step as of March 3rd, 2012; (2) all non-personal service expenditure line items detailing 2011 expenditures and 2012 line item appropriations by organization; (3) an equipment and capital analysis worksheet if equipment and/or capital expenditures were expended or appropriated during the 2011 period; (4) a five-year expenditure history detailing by line item each division's expenditures through 2011; (5) 2013 wages calculated with fringe benefits based on current pay scales, projections, step increases and known contractual increases; (6) a memo detailing budget information, instructions and various standardized rates to be used in the budget request preparation process. The budget instructions and other pertinent guides were posted as an electronic link on the budget module.

The database was opened to the departments, divisions and agencies on April 9th, 2012. The Budget Division of the Finance Department supplied technical assistance throughout the months of April and May to assist all departments in preparing their budget requests.

During the period of April 9th through May 1st, 2012 the preparation of budget requests was performed by all departments, divisions and agencies. The preparation of fund statements and supporting schedules reflecting 2011 Actual and 2012 Budget information was performed by the Budget Division. Revised forecasts of 2012 and 2013 revenues were prepared. These forecasts were reviewed by the Finance Director. The final date for submission of all budget requests via the database to the Budget Division was May 1st, 2012.
THE BUDGET PROCESS

Capital Improvement Program

The Capital Improvement Program (CIP), a requirement of the City's Home Rule Charter, is a policy document and financial plan which outlines the City's proposed capital projects for a six-year period. The CIP is designed to guide financial management of capital resources, policy planning and inter-departmental coordination through application and implementation of specific City goals.

Various City departments submit proposed capital improvement projects to the Mayor's Capital Improvement Program Task Force. This Task Force evaluates each of the proposed projects, assigns a preliminary priority ranking, and determines the proposed financing source(s). The prioritized list is then submitted to the Capital Improvement Priority Committee. Representatives from the Finance Department are members of both of these committees and provide financial guidance as to the total dollars available for capital expenditures for each of the six-years of the program. The first year of the program is proposed as the administration's capital budget and is incorporated into the City's annual budget. The final Capital Improvement Program plan is sent to the City Council for their review, consideration and adoption.

Budget Review by the Mayor

The departments and divisions of City government, and various agencies, submitted their 2013 budget requests to the Budget Division of the Finance Department on May 1st, 2012 as required by Section 5.05 (1) of the Home Rule Charter. The requests are recorded, tabulated, reviewed, and analyzed. Based on this analysis, the Finance Department makes recommendations concerning the requested amounts and also prepares an updated estimate of revenues based on current rates for taxes, fees, charges, licenses and permits. This information is then presented to the Budget Committee comprised of the Finance Director, the Mayor's Chief of Staff, the Mayor's Deputy Chief of Staff and the Budget Manager. At this point in the budget preparation process, it is usually the case that requested appropriations exceed projected revenues.

This information is then analyzed and consolidated by the Committee and sent to the Mayor. It is his task to determine priorities, assess current and future needs, make long range plans through integration of the Capital Improvement Program and review staffing levels, requested appropriations and projected revenues. This review for the 2013 Budget was conducted by the Mayor in the time frame of May 22nd, 2012 to June 21st, 2012 in conjunction with the Mayor's staff, the Finance Director and department and division heads. In accordance with Section 5.04 (2), the Mayor then makes all final decisions concerning staffing levels, funding levels for all departments, divisions and outside agencies, capital improvements, revenue estimates, and any changes in tax rates, cost recovery fees and other charges. This financial plan then comprises the Recommended Budget which is sent to the City Council for review, consideration and adoption.

Introduction of the Recommended Budget

The Recommended Budget is presented to the City Council for its consideration no later than thirty days before the tax levy certification date in accordance with Section 5.04 (3) of the Home Rule Charter. The Mayor introduces the Recommended Budget at a regularly scheduled meeting of the City Council by reading aloud a budget message. The text of this budget message, comparative data for the current and immediately past budgets, and all other statements and schedules as required by Section 5.05 of the Home Rule Charter, are included in the printed budget document. Upon submission, the budget becomes a public record and is open to public inspection. The 2013 Recommended Budget was presented to the Omaha City Council on July 17th, 2012.
THE BUDGET PROCESS

Budget Review by City Council

After the introduction of the Recommended Budget, the City Council begins its deliberations and review of the financial plan developed by the Mayor and his staff. Consideration of the budget by the City Council is required by Section 5.06 of the Home Rule Charter and is accomplished through a series of budget hearings which are open to the public and news media. All budget hearings are held in the City Council Conference Room and a schedule of the hearings is posted in advance. At the budget hearings, the Finance Director presents an overview of the budget to inform the City Council of various changes, assumptions, increases and decreases included in the Recommended Budget. Each department director in turn, then presents opening remarks concerning the budget for his/her department and responds to questions and receives comments from the individual council members. At the end of the budget hearing, the Finance Director presents concluding remarks representing the administration's position and answers any questions that may have arisen during the course of the hearings. Upon conclusion of the budget hearings, the City Council is then prepared to receive citizen input and to submit budget revision resolutions in preparation for final adoption of the budget.

Citizen Input

The City Council set a public hearing date of August 14th, 2012 at 7:00 p.m. in the Legislative Chambers of the Omaha/Douglas Civic Center. Section 5.06 of the Home Rule Charter stipulates that the public hearing must be held at least ten days prior to the tax levy certification date. The public hearing was held in the evening hours to provide as many citizens as possible with the opportunity to offer testimony to the City Council. The budget presentation generates press coverage. Daily newspapers, television and radio stations report budget highlights and statistics. Following the budget presentation, copies of the Mayor's Recommended Budget are available to the general public for visual inspection and study at the twelve public libraries, in the City Clerk's office and in the Finance Department. The budget is also posted on the City of Omaha website.

Adoption of the Budget and Tax Levy Certification

After the public hearing, the City Council may, by resolution, make changes to the Recommended Budget. Certain stipulations, however, do exist. Section 5.06 of the Home Rule Charter provides that the City Council may revise the expenditure side of the budget by increasing, decreasing, inserting or deleting appropriation items, except that it cannot reduce appropriations for debt service. Expenditure revision resolutions require a simple majority for passage. The City Council may also introduce resolutions to revise revenue estimates; however, these revision resolutions require an affirmative vote from five of the seven council members. After all amending resolutions have been acted upon, the City Council adopts a final budget resolution by majority vote. The Mayor may veto any of the budget revision resolutions and the City Council may sustain or, with five affirmative votes, override the Mayor's veto. By adopting the budget, the City Council authorizes appropriations by department, division, agency or account for the ensuing budget year. The Charter provides that the budget, as adopted, be reproduced and copies made available to the general public and governmental agencies. Copies of the adopted budget are made available to the public at the twelve public libraries, the City Clerk's office and the Finance Department. The budget is also posted on the City of Omaha website.

After adopting the budget, but no later than October 12th of 2012, the City Council must certify a tax levy. Section 5.07 of the Home Rule Charter provides that the City Council, on the basis of the final budget, shall adopt a resolution certifying a single City of Omaha tax levy for the ensuing fiscal year. The single City of Omaha tax levy certified in any year is limited to $6.125 per $100 of actual taxable value for the City's General Fund plus whatever tax levy is necessary to pay principal, interest and administrative expenses on the indebtedness of the City, and for the satisfaction of judgments and litigation expenses against the City.
THE BUDGET PROCESS

The 2013 Budget was adopted on Tuesday, August 28th, 2012. The City Council on September 11, 2012 certified a single tax levy rate of $.49922 per $100 of actual valuation for 2013 consisting of $.28447 for the General Fund, $.19281 for the Debt Service Fund, $.00600 for the Judgment Fund and $.01594 for the Redevelopment Fund.

Amending the Budget

The Home Rule Charter provides for amending the budget through the provisions of Sections 5.10 and 5.11.

Basically, there are three types of budget transfers, each requiring a successive level of authority. First, the Mayor may, at any time, transfer an unencumbered appropriation balance or portion thereof between appropriations of the same division. Second, transfers between divisions in the same department may be authorized by resolution of the City Council. Third, transfers between departments/agencies may be authorized by ordinance of the City Council.

Public comment on resolutions are heard before the City Council votes on the resolution. Public comment on ordinances are heard after the second reading of the ordinance. Ordinances are advertised in a newspaper of public circulation after the first reading of that ordinance.

To meet a public emergency threatening serious loss of life, health or property, the City Council may, by ordinance, make emergency appropriations or transfers. An ordinance may be passed as an emergency measure after one reading when the City Council finds that an emergency exists pursuant to the Home Rule Charter, Section 2.13. If there are no unappropriated monies available, the City Council may, by ordinance, authorize the issuance of emergency notes.
Introduction

The 2013 budget for the City of Omaha represents the fiscal stability and strength of the community. As with all municipalities, the City of Omaha has faced severe economic challenges in 2008 through 2010, with a significant decline in sales tax revenues and state aid. In 2010 and 2011, the City increased its property tax levies and instituted a 2 ½% restaurant tax to help offset the decline in revenues and to address its unfunded pension obligations. It is worth noting that in 2011, the city experienced a record level flood that resulted in damages in excess of $25 million. In late 2011 and 2012, the City began to experience a slight decline in property tax valuations, and were it not for annexations, the city would have experienced a second decline in revenues.

In spite of all the prior year difficulties, the 2013 budget year was the tightest since the recession. 2013 saw continued downward pressure on revenues, while expenditures began rising. Overall, the city’s 2013 general fund budget increased 3.37% over prior year, and total funds increased 7.88%, primarily as a result of the Combined Sewer Overflow project which is a $1.7B unfunded federal mandate to increase the water quality of the City’s Missouri River. The 2013 budget is fiscally responsible, balanced, and provides for opportunities for growth. The following discusses some of the policy issues, economic factors, regulatory issues, and legislative challenges that the city faced in preparation of the 2013 budget and beyond, and how these issues have been addressed.

Policy Issues

The greatest challenge facing the City is the lack of contracts with the majority of its collective bargaining units. Collective bargaining agreements with its civilian unions expire in 2012 and the collective bargaining agreement with its fire union expired in 2007. The Fire Union has engaged in litigation with the City of Omaha for budget years 2008, 2009, and 2010 for which decisions have been received. The lack of collective bargaining agreements made it difficult to project expenditures for the 2013 budget. Assumptions based on data obtained from the Bureau of Labor Statistics have been used to forecast the 2013 budget. In addition, the City’s two pension funds are significantly underfunded, and the lack of an adequate funding mechanism has weighed heavily on the City’s financial resources.

In November of 2012, the City Council reached a tentative agreement with the Fire Union that addresses the unfunded pension obligation. As currently drafted, the tentative agreement provides for a fully funded pension system for Police & Fire in 2047. The City’s Civilian Pension System (COERS) is also significantly underfunded, and will require similar concessions/additional funding in the next collective bargaining agreement.
2013 Budget Message

-Continued-

The City faces challenges in generating and maintaining adequate reserves. In 2011, the City adopted an ordinance that requires funds be set aside up to 4% of general fund appropriations. As of 2013, the balance in its Cash Reserve Fund is approximately $5M, which brings us back to its pre-2008 balance. The City will continue to fund such reserves in order to provide for contingent funds in the event of future revenue shortfalls such as those it experienced in late 2008/early 2009.

The City is providing additional funding to improve aging infrastructure. Street and highway funds have gradually eroded as street light expenditures were transferred to the Street & Highway fund from the general fund. In 2010, the City adopted a policy to transfer street light expenditures back to the general fund over a ten year period, which will result in an approximately $7.2M available for major street resurfacing annually. Similarly, the City has experienced rising repair and maintenance costs with respect to its’ over 2,700 vehicles. In 2011, the City adopted a Vehicle Replacement Policy specifically with respect to its police cruisers that, coupled with a Master Lease Agreement, provides for all front line police cruisers to be replaced by 2014. This agreement will significantly reduce repair and maintenance costs and result in a fleet of police cruisers that are less than four years of age.

Finally, the city continues to struggle with replacing and maintaining its facilities. In 2012, the City released its Facilities Master Plan which indicates a need of $280M for repairing, maintaining, and constructing city facilities over the next ten years. Current annual funding for city facilities approximates $1.75M annually. As of today, additional funding sources have not yet been identified.

**Economic Factors**

The City of Omaha is fortunate to have a strong economic base with low unemployment. As a result, the City has not experienced the large economic swings such as those experienced on the east/west coast. However, the city has not been immune.

Revenues for the City have slowed. One of the City’s primary revenue sources is the sales tax. Over the 2009-2011 period, net sales tax revenues have declined for two out of the three years. Revenues from property tax have also slowed, primarily due to lower property valuations as a result of the economic decline.

Expenditures have continued to increase for the city, which, coupled with the slowing of its revenues has created a need for tax increases. In 2010, the city increased its property tax levy from 43.387 to 47.587, and again in 2011, the city increased its property tax levy from 47.587 to 49.922. The City also instituted a new occupation tax on bars and restaurants, primarily to fund its unfunded pension obligation. This new occupation tax has resulted in an increase in general fund revenues of $25M in 2013.
2013 Budget Message

-Continued-

**Regulatory Challenges**

On September 25, 2009, the City entered into a consent order with the Nebraska Department of Environmental Quality to complete a series of projects over the next 15 years to reduce overflows from its combined sewer system into the Missouri River. This consent order satisfies the Clean Water Act of the Environmental Protection Agency, and is an unfunded federal mandate. Total expenditures over the 15 year period approximate $1.7B, and will be funded through increases in sewer use fees. The 2013 budget includes $198M in CSO expenditures. Sewer use fees increased approximately 24% from 2012 to 2013 as a result of this project.

The City also faces challenges with respect to new regulatory compliance regarding its bond issuances, and is watchful of the federal government’s fiscal policies. In 2012, the City’s bonds were downgraded by Moody’s Investors Service from Aaa to Aa1. The downgrade was primarily based on persistent under-funding of the City’s pension obligations.

**Legislative Challenges**

In addition to concerns regarding federal budget challenges, the city is also subject to legislative changes at the state level. Recently the State of Nebraska legislature eliminated $3.1 million in state aid, $3.2 million in wheel fees, and has placed restrictions on the ability of the city to enact various occupation taxes without voter approval.

The City of Omaha represents a significant portion of the total economic base of the State of Nebraska. As such, the City continues to challenge its State Legislature for the flexibility of adopting and instituting changes in its revenue base. Recently the state legislature enacted LB357 which allows for the city to increase its sales tax ½% upon voter approval.

**Conclusion**

The City continues to face fiscal challenges. In spite of these challenges, the City is committed to long term solutions. This commitment is evident in the solutions presented with respect to cash reserves, street light funding, fleet replacement, and pension obligations discussed above. We are optimistic with respect to what the future holds and believe that Omaha is a vibrant and strong community that will continue to grow and expand in 2013.
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Good Afternoon. My thanks to all of you for being here today.

I am again presenting to a balanced budget with no proposed tax increase.

Let me begin by telling you we have had a good year. We are starting to see our economy bounce back from a crippling recession. Our workforce has grown by 10,000 positions and job creation is expanding to areas of our City where we have had high unemployment.

This upturn in our economy has been hard fought on many fronts.

The business and labor communities and our Greater Omaha Chamber of Commerce have been instrumental in working with us through the tough times, building back our economy by investing in our City. Taxpayers are seeing the positive impact of their patience and faith in our administration as we made tough choices in order to establish and maintain fiscal stability in Omaha.

We retained our AAA bond rating and regained our positive standing with the rating agencies even when the federal government was downgraded last fall. We’ve used technology to improve services to our citizens at lower costs. We continue to streamline city government, maximize our resources with collaborative partnerships, and look long-term as we plan for the future.

It hasn’t been easy, but we’re getting there. Much of the credit goes to City employees who continue to do more with less for the greater good of our City.

The budget before you today continues our strategy of positioning city government for long term success in responding to the public’s need for services. We are continuing our goal of planning ahead and forecasting our needs in five year increments. It is in the best interest of our taxpayers to avoid surprises, so they know what to expect from a government designed to serve their needs.

The 2013 Budget is a responsible budget.
It reflects a 2.7% increase in the City’s General Fund Budget over last year, most of which is attributed to wage increases and health care costs we are contractually obligated to fulfill. In order to make up for the increase however, we cut our overall spending.

Like other large organizations we are facing rising costs in the price of labor, supplies, fuel and energy. As is the case with many families in our City, we are seeing health care costs increase due to the escalating price of health care nationwide. Utility costs are going up 6 to 7% in some cases.

We have eliminated nearly 60 unfilled positions in city government.

We have revamped 25 of our buildings and upgraded 60 percent of our street lights saving hundreds of thousands of dollars in energy costs now and into the future.

The City is centralizing its parking management in the Public Works Department. This centralization is expected to reduce operating expenses by $1.2 million over the next 2-3 years.

The City adopted a Vehicle Replacement Program for the Police Department’s black and white cruisers. It will allow us to systematically replace an aging fleet of squad cars. Over the next three years, the City will replace all 242 black and white cruisers, reducing high maintenance costs and increasing the police department’s ability to respond to citizen’s requests.

We have prioritized our initiatives and will remain focused on:

- Keeping our streets safe,
- Redeveloping neighborhoods and
- Rebuilding roadways that have been neglected for decades.

Recognizing the importance of the City’s infrastructure to economic development, this administration has implemented a ten-year plan to transition street light funding back to the general fund in order to increase the dollars available for street maintenance and resurfacing. The 2013 Budget includes 1.4 million dollars in the general fund for street lights, which translates to an additional 1.4 million dollars now available for street maintenance and repair. This money for street resurfacing will continue to increase each year ultimately resulting in an additional 7 million dollars available to ensure the strength of our City’s infrastructure now and into the future.

$300,000 has been set aside for the demolition of condemned property that breeds unwanted, and in some cases criminal, activity we cannot afford to allow in our City, not when we are making investments through streetscapes and re-developing our inner City and neighborhoods.

The 2013 Budget continues to set aside money in a Cash Reserve Fund. The ultimate goal is save around 12 million dollars. With this year’s allocation we are more than a third of the way there. These reserves will help the City keep its AAA bond rating, saving taxpayers millions. The Cash Reserve will protect the City against potential tax increases by providing a savings account to draw on in the event of unexpected lost revenues or expenses. The Cash Reserve Fund will be restored to its pre-2009 levels by the end of 2013 and will continue to be funded until we reach our 12 million dollar goal. We must turn the tide on short term solutions that prevent city government from providing quality services to its residents.
No one can predict when the next financial crisis will take place. We have an opportunity and a responsibility to stay ahead of problems that work against the people who elected us to serve in their best interest.

In 2010, the City entered into an agreement with the Omaha Police Officer’s Association that reduced benefits and increased contribution rates. This was a major, historic move toward bringing solvency to the pension system in the years ahead. We presented a similar contract covering firefighters to the City Council a year ago. The Council did not accept the agreement. The administration, however is continuing to set aside funding as necessary until a contract is reached between the City Council and the Firefighters Association.

While negotiations are never resolved as quickly as we’d like, it is still our hope that the City Council can come to a resolution with the firefighters allowing us to rectify a broken pension system and minimize further expenses.

President Obama said that “to build a new foundation for the 21st century we need to reform our government so that it is more efficient, more transparent, and more creative. That will demand new thinking and a new sense of responsibility for every dollar that is spent.” It is innovation, creative thinking and commitment to our community that has kept our economy and our City moving in the right direction.

You are all part of moving our City forward and I thank you.