Annual Budget
For Calendar Year
2015

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.
City of Omaha Elected Officials

Jean Stothert
Mayor

Pete Festersen
District 1
City Council President

Ben Gray
District 2
City Council Vice President

Chris Jerram
District 3
City Council Member

Garry Gernandt
District 4
City Council Member

Rich Pahls
District 5
City Council Member

Franklin Thompson
District 6
City Council Member

Aimee Melton
District 7
City Council Member
Department Officials

DEPARTMENT DIRECTORS
Paul Kratz................................................................. City Attorney
Mikki Frost......................................................... Human Resources, Rights & Relations Director
Stephen Curtiss.................................................. Finance Director
James Thele...................................................... Planning Director
Brook Bench...................................................... Parks, Recreation & Public Property Director
Bernard Kanger................................................ Finance Director
Todd Schmaderer............................................. Police Chief
Robert Stubbe.................................................. Public Works Director
Dana Markel...................................................... Convention & Tourism Director
Gary Wasdin..................................................... Library Director

MAYOR'S EXECUTIVE STAFF
Marty Bilek......................................................... Chief of Staff
Carrie Murphy.................................................. Deputy Chief of Staff - Communications
Cassie Seagren................................................ Deputy Chief of Staff - Economic Development

Allen Herink, City Comptroller
Andrew Brott, Budget Manager

BUDGET CONTRIBUTORS
Lisa Baker, Al Herink, Don Drazdys, Amy Hicks, Setareh Makinejad, Andrew Brott,
Scott Winkler, Scott Crites, Veronica Banks, Virginia Lerch, Donna Waller, Sheri Larsen, Amy Bell,
Deb Sander, Gabe McGrath, Bobbie King, Kyungae Jun, Todd Thorsheim, Tyler Leimer, Nicole Sweeney

PRODUCTION STAFF
Jack Morine, Steve Driscoll, and Nancy Hess

Buster Brown, City Clerk
City of Omaha
Budget Document
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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 2015 Budget process began approximately February 5th, 2014 with the process of forecasting 2015 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 2015 Budget request by the Budget Division staff of the Finance Department was initiated.

In order to assist the Departments in the preparation of their request, the 2015 Budget database included the following: (1) all classified and full-time employees listed by classification and salary step as of March 15th, 2014; (2) all non-personal service expenditure line items detailing 2013 expenditures and 2014 line item appropriations by organization; (3) a five-year average of expenditures for all line items; (4) a five-year annual expenditure history detailing by line item each division’s expenditures through 2013; (5) 2015 wages calculated with fringe benefits based on current pay scales, projections, step increases and known contractual adjustments; (6) an instruction letter, FAQ, and inflationary guideline 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 March 31st, 2014. The Budget Division of the Finance Department supplied technical assistance throughout the months of March and April to assist all departments in preparing their budget requests.

During the period of March 31st through April 23rd, 2014 the preparation of budget requests was performed by all departments, divisions and agencies. There were some extensions permitted. The preparation of fund statements and supporting schedules reflecting 2013 Actual and 2014 Budget information was performed by the Budget Division. Revised forecasts of 2014 and 2015 revenues were prepared. These forecasts were reviewed by the Finance Director and City Treasurer.
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 2015 budget requests to the Budget Division of the Finance Department 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, which is typically comprised of the Finance Director, Mayor, Mayor's Chief of Staff, Budget Manager, and any other representative the Mayor's office desires to be included in the budget analysis. 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. It is the Mayor's 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 2015 Budget was conducted by the Mayor in the time frame of April 30th, 2014 to June 25th, 2014 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 2015 Recommended Budget was presented to the Omaha City Council on July 22nd, 2014.
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 approved by the Mayor and the Mayor's 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 or other appointed locations and a schedule of the hearings are 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, and 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 12th, 2014 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, internet, 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 13th of 2014, 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 $0.6125 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 2015 Budget was adopted on Tuesday, September 9th, 2014. On September 9th, 2014 the City Council certified a single tax levy rate of $.48922 per $100 of actual valuation for 2015 consisting of $.26597 for the General Fund, $.20131 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.
The City of Omaha is proud to present a balanced budget for 2015 that reflects the contributions of many. This budget is aligned with the strategic priorities of the current administration. These priorities are to:

- Enhance public safety and the perception of safety
- Optimize the delivery of city services
- Maximize development in disadvantaged areas
- Enhance and expand job and business growth
- Build trust through managed communications
- Influence change in state policy

**Budget Drivers:**

**Revenue**
- The City Council approved a large annexation package which increased the 2015 General Fund budgeted revenues and expenses by $861,507.
- Sales tax continues to increase at a steady pace. The City continues to remain cautiously optimistic regarding sales tax growth. Unfortunately, LB775 and LB312 refunds remain somewhat unpredictable and are projected to remain at their recent higher levels. Refunds are budgeted at $12.5 million in 2015. Even with the refunds, net sales tax receipts are projected at $143.7 million which is a 6.5% increase over what was received in 2013 and a 6.2% increase over the 2014 budget. Sales tax continues to be a major revenue source for the general fund at 41% of revenues.
- Property tax valuations are forecasted to be relatively flat (when excluding annexations) compared to the 2014 values. Property tax is a large revenue source and accounts for approximately 22% of General Fund revenues. The growth in sales and restaurant tax along with limited growth in city expenditures enabled the city to approve a 2% property tax reduction.
- The Restaurant tax continues to perform well, helping to offset the stagnant growth of property tax. Restaurant tax is projected at $29 million in 2015, an estimated increase of 4.7% over 2014.
- Net General Fund revenue increased by 2.8% in the 2015 budget.

**Expenditures**
- Labor costs: A majority of the City of Omaha’s General Fund is used for labor costs, all of which are under contract. Although negotiations are ongoing and some tentative agreements have been reached, most of the City employees currently do not have union contracts for 2015. This means that in the 2015 budget they continue to use a pay scale for the last period they had an approved contract. We have budgeted the following wage increases in the wage adjustment account (totaling $15,482,725 for all funds of which $11,122,757 is attributable to the General Fund):
  - Civilian Personnel: 2%
Budget Message - Continued

- Police Sworn Personnel: 2%
- Fire Sworn Personnel: 2%
- Civilian Pension: 7%

- Health care costs: The City of Omaha has faced rising health care costs that have played a significant impact on the budget. The City budget includes a complement of over 2,700 individuals in our active headcount for which health insurance is provided as a benefit of employment. There are also over 5,000 dependents for those employees. The City also provides over 900 retirees with health insurance until age 65. The retiree group has over 1,300 dependents. In total, the city provides healthcare for approximately 10,000 individuals when considering all past and current employees and their dependents. The Human Resources department has worked with the Silverstone Group to improve efficiencies and control costs in healthcare. The 2015 budget includes a 1.5% decrease for health insurance for both employees and retirees. The health insurance budget for 2015 (excluding employee contributions) is approaching $60 million dollars. In 2015 we have budgeted $14,695 per active employee for health insurance.

- Utilities: The City of Omaha maintains over 222 facilities including police stations, fire stations, libraries, public swimming pools, ice arenas, golf courses, wastewater treatment plants and pump stations, maintenance facilities, and others. These facilities add up to approximately six million square feet of building space. The 2015 budget includes the following increases:
  - OPPD estimated to remain flat
  - MUD water increase of 6% over 2013 expended
  - MUD natural gas estimated to decrease 4.3% below 2013 expended
  - Gasoline estimated at $3.36 per gallon
  - A large sewer increase due to the combined sewer overflow project

Status of Major Financial Challenges

The City of Omaha continues to make hard choices and meet challenges through both phased-in and disruptive changes that in the long run will improve efficiency of the City and support sustained execution of its mission.

- Combined Sewer Overflow Program (CSO):
  - Final plan submitted in Oct 2009 and approved in Feb of 2010 to deal with this federal mandate. The original completion date was Oct 2024, but due to the floods of 2011 that has been extended to Oct 2027
  - Cost estimated at $2 billion (current dollars) over 15-20 years
  - Annual Sewer Fee rate increases through 2018 have been adopted
  - Largest Public Works project in the history of the State of Nebraska
  - Continual monitoring of progress in hopes of project scope reduction based on current results

- Civilian Pension Systems:
  - Civilian plan is underfunded.
  - Annual contribution increases were implemented for 2006-2012 for civilian groups; negotiations continue to develop a solvency plan for the system. Some tentative agreements have been reached which will positively affect the long term funding of the pension. Assuming the new agreements are reached, the pension system is projected to reach full funded status in approximately 25 years.
  - The budget includes an appropriation for the City match which will help stabilize the long term funding of the plan.

- Retiree Health Care Benefits:
  - The City continues to negotiate with bargaining groups to increase cost sharing by employees and reduce health costs.
  - The Postretirement benefits due in more than 1 year equaled $173.9 million at 12/31/13.
  - The budget has a slight decrease for overall health care expenses in 2015.

- General Fund:
  - Growth for property tax continues to lag below inflation rates.
Reserves:
   - The City has made an effort to increase both the Cash Reserve Fund and the Contingent Liability Fund. Through additional funding in 2013 through 2015, these combined funds will be at historical highs. Such reserves will help protect the City’s bond rating, as well as protect the City against potential tax increases by providing reserves to draw upon in the event of unexpected loss of revenues or unexpected expenditures.

Commitment to our Strategic Priorities

- A Police recruit class is scheduled for the middle and the end of 2015. We have added 29 new Police Officers to the budget.

- The Human Resources (HR) Department has budgeted for a City-Wide Health and Wellness Program. Additionally, there are funds set aside for increased training for HR employees.

- Street resurfacing is a priority, and the budget provides continued funding levels for this activity.

- The Library will maintain normal operations in 2015. All branches will remain open and operating hours will not be reduced.

- As a cost saving measure in 2015 the Parks Department will continue to provide mowing and snow removal services to all libraries instead of paying for a contract service.

- The Fire Department will have the new electronic format implemented for Ambulance Billing. It is anticipated this will bring in additional revenue to the General Fund by reducing medical billing errors due to the old manual process and paperwork.

- The Planning Department continues to implement an on-line Plan Renewal, Licensing, and Code Enforcement system through the use of Acella software. The City will leverage this software application in other departments to provide for on line permitting in Public Works and the Fire department. Acella software is used by over 500 government entities nationwide for permitting, licensing and asset management. The use of the Acella Software represents our commitment to e-government initiatives to better serve our citizens.

- They Mayor’s hotline is staffed and managed so that every citizen can expect courteous and helpful service from the staff.

- We have set aside funds for demolition of dilapidated homes in our city that breed unwanted, and in some cases criminal, activity. There are currently over 780 properties waiting on demolition funds. This funding for demolition is as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
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<tbody>
<tr>
<td>General Fund</td>
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<tr>
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<td>CDBG</td>
<td>$200,000</td>
</tr>
<tr>
<td>Habitat for Humanity</td>
<td>$200,000</td>
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Conclusion

The City of Omaha is a great city with a strong economy and relatively low unemployment. The 2015 adopted budget protects the services that our citizens rely upon. It grows the city through an aggressive annexation plan. It provides property tax relief. And lastly, this budget is aligned with the strategic priorities cited at the introduction of this budget message.
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Good afternoon Council members and citizens of Omaha. It is a pleasure and an honor to be with you today.

Thank you for the opportunity to discuss the financial picture of our city, our proposed budget for 2015, and the priorities and goals we considered in our work. I also want to thank each of you for your suggestions, and for being an important part of this budget process. I am pleased with the financial health of our city and the hard work by many to get to this point.

I am also very pleased to announce today that our proposed 2015 city of Omaha budget will include a modest reduction in the property tax levy. This reduction will be the first property-tax-rate-cut since 2001; the first in 14 years.

The cut is two percent. Again, modest, and tempered by investments I believe we need to make in Omaha, most importantly in the area of public safety. This property tax rate cut will help make our city more affordable and competitive.

Now, I believe it's important to look back one year and measure our progress on financial matters through today.

When I took office last June, we faced a $13 million shortfall in the 2013 budget. We ended 2013 with a cash surplus of nearly $12 million dollars.

The budget I proposed last year, for 2014, and you adopted, was designed to correct and balance a budget which was anticipated to be $19 million short.

Our approach was to resolve that with increased efficiencies and doing more with less, not tax increases. So, where are we today?

Through the first half of 2014, we are pleased to report that nearly every city department is on budget and no department is far off their mark. I believe we will end 2014 with positive results. This contrasts with prior budgets that were overspent in some departments by millions several years in a row.

We have addressed significant, ongoing department overspending, especially in the fire department.

Now let me discuss 2015, next year's budget and what we recommend to you and the citizens of Omaha. Several goals and priorities guided our work. I believe it's important to share those with you and mention a few budget items for each.
First, my number one priority as mayor is public safety. Both the police and fire departments will receive additional funding to reflect this priority.

Specifically for the police department, we have budgeted for 21 additional police officers next year. This important enhancement to our crime fighting efforts will result in budgeting for 825 sworn officers for our city. It also approaches my long-term goal of 840 sworn officers, which we will achieve in 2016.

We must continue the progress we are making to reduce violent crime. The personal safety of all citizens is without a doubt, our most important responsibility.

Second - tax relief. As I mentioned, this goal is met by the first property tax rate cut in Omaha in 14 years. We worked very hard to incorporate some measure of property tax relief in our proposed budget. The 2% tax rate reduction will result in citizens paying about two million dollars less in property taxes next year than this year.

The 2% tax rate cut will also apply to newly annexed residents of our city, resulting in an even lower property tax rate than the vast majority of them pay now as part of their S.I.D.

Our third priority is to continue to build up our cash reserves. We recommend adding 750-thousand dollars to our cash reserve fund which will result in a $6 million balance; a record high. And, we advocate an increase of $650,000 dollars in the contingent liability fund that will result in a balance of one-point-nine million dollars.

These two “rainy day funds” are important for unanticipated expenses and economic fluctuations. It is my goal to increase these savings accounts even more in the years ahead.

Our fourth priority is spending restraint. General fund spending in several departments will be less next year than this year. In fact, when we started this process, I asked all departments to provide me with a draft department budget less than the current year.

After applying my priorities and goals, we recommend overall general fund spending at just 2.3% over the current year.

As you would expect, most of the increase is due to wages and pension benefits currently being negotiated.

Our fifth priority is more effective management and this work is of course, never-ending. With our cabinet and key staff we have developed an administrative strategic plan. The portion of the plan dedicated to department performance standards is already saving money and improving workflow.

For example, projected 2015 expenses for employee and retiree health care are slightly less than this year. That’s very positive. This is due in part to efforts by our human recourses staff to manage health care expenses more effectively.
Another example is the planning department. We have restructured our leadership and improved processes to focus on our customers.

For the first time, we have standards of performance in our code enforcement division and we are expanding the use of Acela software, the on-line permit application and review system. By the end of this year, we expect more than 80 percent of all permits to be handled promptly and efficiently, on line.

The final goal is to support our neighborhoods and become a more livable city.

To help achieve this, we propose the following for 2015:

- Continued funding for the important neighborhood grant programs and significantly increased funding for neighborhood alliance support.
- A large increase in funding for the step-up summer jobs program.
- Additional funding for our convention and tourism efforts to increase promotion, attract more visitors, and build on the reputation we have as a great city for regional and national sports and other events.
- We keep our commitment to those who use our city parks, swimming pools, and libraries by maintaining their locations and hours, as they exist today.
- We have increased the street resurfacing budget by 200-thousand dollars to a total of seven-point-one million,
- The budget for brick street repair will be doubled.
- We will maintain nearly one million dollars in demolition and we will fill nine positions for building inspectors.
- This budget also includes an initial investment of 150-thousand dollars for an Omaha Land Bank.

On the revenue side of the budget, we project property tax revenues to be relatively flat.

We do however, expect strong retail activity and have budgeted a 5.7% increase in net sales tax revenue for 2015 compared to this year. Since several of our labor agreements are under negotiation at this time, we are allocating funds to the wage adjustment account.

This will allow us to sufficiently manage the results of the pending negotiations on future wages and pension contributions in 2015. We will of course continue to keep you informed on the progress of these negotiations.

Each year our budget process is challenging and difficult, and it should be. We are spending the people’s money to improve their city and provide important services. While our priorities may
differ at times, we must all work together to provide the most effective and transparent city government possible.

Of course, public input is important in this process and I welcome anyone who is interested to attend our budget public hearing in this chamber on Tuesday evening, August 12th at 7:00 p.m.

Having served on the Omaha City Council I certainly understand and respect your role in reviewing our budget in the coming weeks.

I hope as you progress in your work you will find that our budget enhances public safety, provides meaningful property tax relief, supports neighborhoods, builds our cash reserves, and welcomes new citizens to the city with high quality services.

Ours is a growing and vibrant city. We serve a creative, energetic, caring and enterprising community. I am proud of the work we have accomplished together on their behalf and am very optimistic about the future. Thank you!