

# City of Omaha 2011 Budget Proposal

Media Briefing Book



Jim Suttle, Mayor  
City of Omaha  
1819 Farnam Street, Ste 300



## From the Office of the Mayor

Dear Fellow Citizens,

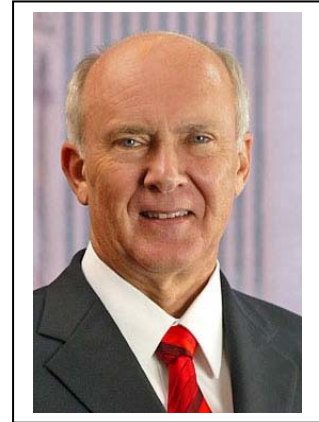
We are proud to present our 2011 City of Omaha budget proposal. It is a lean and responsible program premised on our expectations as a community that we will maintain our exceptionally high quality of life.

Omaha is a community with a proud history of meeting and overcoming challenges. Now, we face a great economic challenge. I have every confidence that our community is equal to this challenge if we stay focused on solutions.

There is ample evidence that our high quality of life is our singular strength. It is the envy of other cities. *Forbes Magazine*, *BusinessWeek* and *CNNMoney.com*, among others, consistently put us on their lists of the nation's best places to live, work and play.

Our 2011 budget proposal recognizes that we must play to the strength of our high quality of life. Doing so requires resources that we do not currently have. We present a carefully crafted solution that involves some essential revenue enhancements.

We are committed to solutions. Doing nothing is not a solution. Doing nothing leaves a legacy of problems for the future. The reality is that we ARE the future. We welcome input from the community as we work together to stabilize our finances, maintain our high quality of life and continue to define the kind of City we want to be.



Sincerely,

*Jim Suttle*

Mayor  
City of Omaha



# CONTENTS

2011 Budget Proposal Overview .....	1
Guidelines and Drivers .....	3
Recommended General Fund Expenditures .....	4
Projected 2011 General Fund Revenues .....	5
Cost Reduction Measures .....	6
The Case for a Property Tax Increase.....	7
The Case for a Restaurant Tax.....	8
The Case for a Wheel Tax Increase .....	9
Contact and Web Reference Information .....	10

# 2011 Budget Proposal Overview

## City Finances

The budget is lean and responsible – cutting more would mean eliminating services that provide Omaha’s exceptional quality of life. Our 2011 budget is premised on citizen expectations that we will maintain our quality of life. To do that, we require resources that we currently do not have. Working together, we will fulfill the obligations that come with our expectations.

Our 2011 budget maintains appropriate levels of city services; balancing quality, efficient services against affordability; maintaining infrastructure; freeing cash levels sufficient to maintain a favorable bond rating, and implementing objectives that are consistent with our long-range financial plan.

A number of factors contribute to our City’s current financial situation:

- Economic recession
- Increase in health care costs
- Increase in unfunded pension liability
- Increase in costs of services
- Deteriorating assets/infrastructure

## Revenue Gap

2011 Budget Shortfall                      \$33.5 million

(General Fund only)

Includes:

Operating Budget Shortfall	\$21.6 million
Increased Pension Contribution	\$13 million
Increased Cash Reserve	\$500,000
Increased Funding Visitors Bureau	\$2.3 million
Increased Funding At Risk Youth	\$1.5 million
Cost Reduction for Fire Department	(\$5.47 million)

*Staying on track requires a fair, community-wide solution to stabilize our City’s finances.*

## Current Cost Reductions

- Wage freeze for 2009 and 2010 for all bargaining units
- Health care premiums for retirees
- Reduction in firefighters through attrition
- Voluntary furloughs, spending freeze (limited to mission critical and public safety), reduced library hours, pool closings
- Installation of accountants in both police and fire departments
- City Attorney hired to monitor and reduce court time for police officers
- Contract negotiations with police that have achieved reductions in pension benefits and increased the age of retirement

## Revenue Enhancements

### Property Tax

- 454,731 people live within the Omaha city limits. The median home value = approximately \$133,700.
- Under the current property tax rate, the average citizen pays \$636.24 based on the median home value annually for police, fire, garbage, parks, pools, community centers, 911 services and libraries. This equates to \$1.74 per day per citizen for these services.
- The proposed increase of 4.44 cents per hundred will result an increase in annual property tax of \$59.36 based on median home values. This equates to 16 cents per day.

16 cents per day is less than: - a can of pop - a first class stamp - a Redbox movie
---

### Restaurant Tax

- A Restaurant Tax is based on discretionary spending. It taxes the gross receipts of Omaha bars, restaurants and caterers. Ticket sales and non-profit organizations will be excluded.
- A portion of the Restaurant Tax will be used to fund increased advertising for the City of Omaha in order to offset the potentially negative effect of the tax to the bar, restaurant and catering industry. A 4% tax on a \$50 dinner is an additional \$2 per meal.

### Wheel Tax

*The wheel tax is a road-use fee that is set aside for street maintenance and cannot be used for the City's operating budget.*

- City streets are 20% of City's total assets; the typical life cycle of a street is 10-12 years with routine maintenance.
- The number of lane miles resurfaced annually is declining: 44 in 2007 to 26 in 2009. The City maintains 1,471 major street lane miles; at the current rate the City resurfaces every 56 years.
- A \$23 increase per passenger and commercial vehicle, and \$10 increase for all other registered city vehicles will generate an additional \$8.5 million per year.
- The fee per passenger vehicle will increase from \$35 to \$58; and from \$54 to \$77 per commercial vehicle.

*Your input is valued as we work together to stabilize our City's finances and maximize Omaha's quality of life.*

# Guidelines and Drivers

## Budget Guidelines

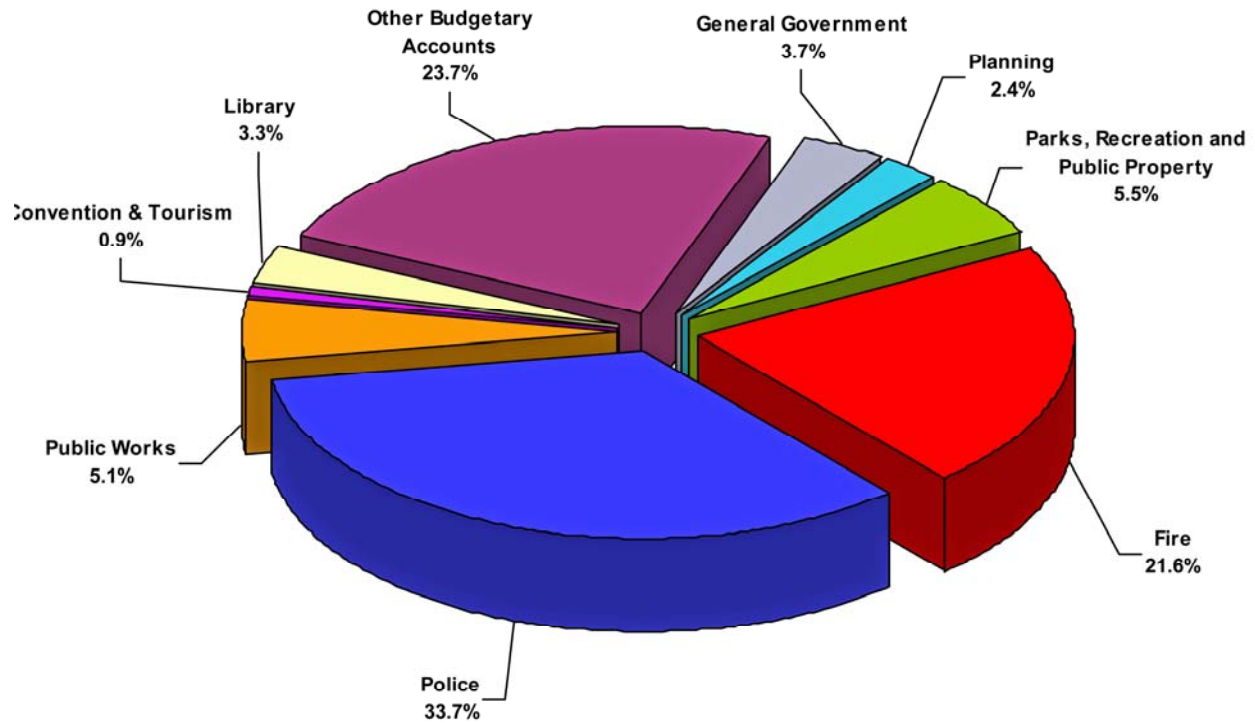
- Meet the obligations that accompany our community's expectation that we will maintain our high quality of life.
- Balance quality, efficient services against affordability.
- Maintain appropriate infrastructure.
- Free cash levels sufficient to maintain a favorable bond rating.
- Implement goals consistent with a long-range financial plan.

## Budget Drivers

- Economic Recession.
- Increase in Health Care Costs.
- Increase in Unfunded Pension Liability.
- Increase in Costs of Services.
- Deteriorating Assets/Infrastructure.

# Recommended General Fund Expenditures

## CITY OF OMAHA 2011 RECOMMENDED - GENERAL FUND

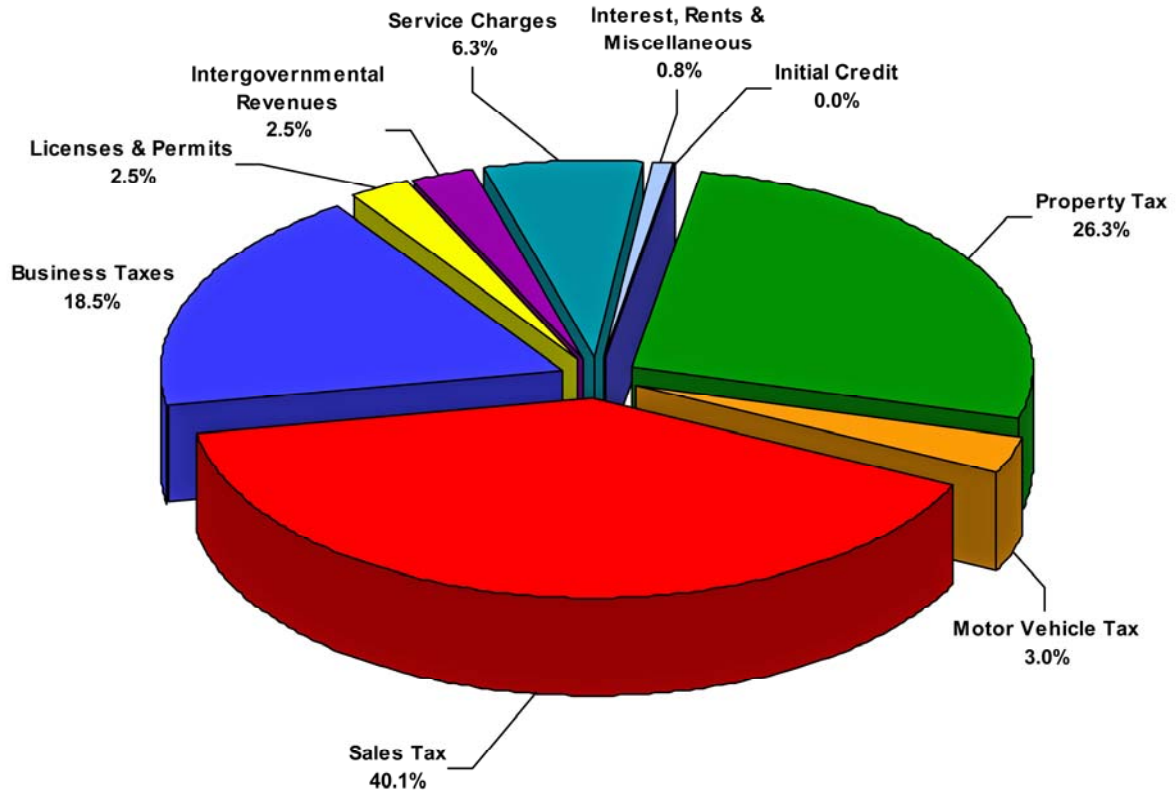


	2011		2010	
	Budget	%	Budget	%
General Government *	\$ 11,643,149	3.7%	\$ 11,432,289	4.1%
Planning	7,417,222	2.4%	6,784,881	2.4%
Parks, Recreation and Public Property	17,154,544	5.5%	18,297,135	6.5%
Fire	67,715,881	21.6%	68,782,298	24.5%
Police	106,078,240	33.7%	98,289,052	35.0%
Public Works	16,097,386	5.1%	16,272,610	5.8%
Convention & Tourism	2,734,902	0.9%	500,000	0.2%
Library	10,374,791	3.3%	10,294,689	3.7%
Other Budgetary Accounts	74,234,485	23.7%	50,185,235	17.9%
	<b>\$ 313,450,600</b>	<b>100.0%</b>	<b>\$ 280,838,189</b>	<b>100.0%</b>

\* Mayor's Office, City Council, City Clerk, Law, Human Resources, Human Rights & Relations and Finance

# Projected 2011 General Fund Revenues

## CITY OF OMAHA 2011 SOURCE OF REVENUE - GENERAL FUND



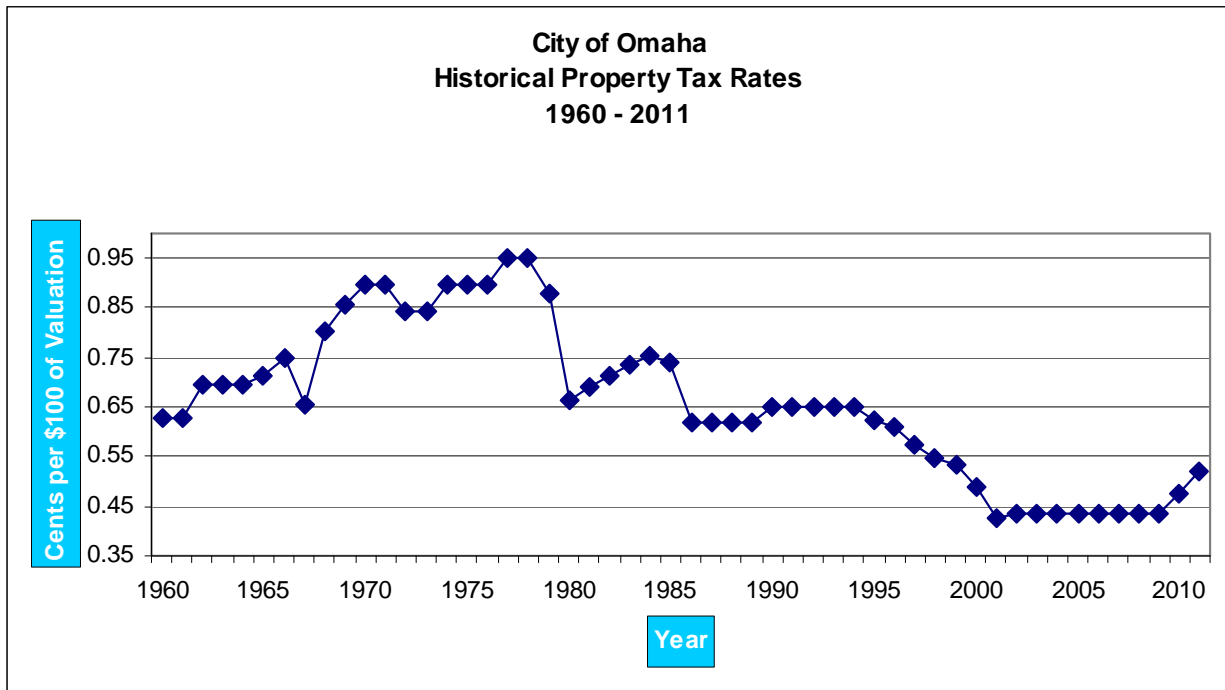
Revenue Items	2011 Budget	% of Total	2010 Budget	% of Total
Property Tax	\$ 82,523,309	26.3%	\$ 70,322,657	25.1%
Motor Vehicle Tax	9,408,238	3.0%	9,300,000	3.2%
Sales Tax	125,900,000	40.1%	122,954,000	43.9%
Business Taxes	57,650,744	18.5%	34,932,000	12.4%
Licenses & Permits	7,795,680	2.5%	8,544,362	3.0%
Intergovernmental Revenues	7,895,057	2.5%	9,303,000	3.3%
Service Charges	19,633,582	6.3%	19,386,252	6.9%
Interest, Rents & Miscellaneous	2,643,990	0.8%	4,222,453	1.5%
Initial Credit	-	0.0%	1,873,465	0.7%
	<u>\$ 313,450,600</u>	<u>100.0%</u>	<u>\$ 280,838,189</u>	<u>100.0%</u>

## Cost Reduction Measures

The City and the Mayor have worked hard over the past year to cut expenditures where possible. Specifically, the Mayor has instituted the following cost saving measures:

1. Negotiated zero percent wage increases for all bargaining units for 2009 and 2010. These cost savings are approximately \$7 million annually.
2. Instituted health insurance premiums for retirees based on the retiree's ability to pay. The implementation was challenged by members of all Unions and is currently in litigation.
3. Reduced the number of firefighters through attrition. In 2009, there were 667 firefighters. Through attrition, that number has decreased to 650. The average cost of a firefighter, including benefits, is \$80,000 per year, resulting in approximately \$1.4 million in annual savings.
4. The City has instituted responsible, cost saving measures to minimize the impact of the economic recession. Those measures include spending reductions based on mission critical and public safety related expenses only, voluntary furloughs, pool closings, reduced and/or closed library hours, and layoffs.
5. Recognizing the need for increased financial management, the City has installed experienced accountants in both the Fire and Police Departments, which constitute the greatest percentage of expenditures outside of Public Works. These accountants report directly to the Finance Director, and work together with the Chief of Police and Fire Chief to find cost savings and institute financial controls. The Public Works Department has a full time accountant already on staff.
6. A City Attorney has been hired to monitor and coordinate court time for police and fire personnel. The City has an obligation under contract to pay sworn personnel regular pay and overtime for court appearance. Court time has been increasing. This position will potentially save \$500,000 of additional court costs annually.
7. The City has successfully negotiated tentative agreements with the Police Union that reduce pension benefits as well as increase the age of retirement.

# The Case for a Property Tax Increase



In 1994, the City’s overall property tax rate was 65.04 cents per hundred. In 1995, the City began lowering its property tax rate each year until 2001, when the property tax rate became 42.523 cents per hundred. While costs were increasing exponentially, the City held property tax rates at substantially the same level until 2010, when they were raised to 47.587 cents per hundred, which is still 20 cents lower than 1995.

The City is proposing a modest tax increase of 4.44 cents per hundred. This will raise the current property tax rate from 47.587 cents to 52.027 cents per hundred. The financial impact of this increase in tax rates, assuming the same property tax valuations as 2010, will be an additional \$12 million in general fund revenue.

There are approximately 454,000 people who live within the Omaha city limits. The median home value for our citizens is \$133,700. The financial impact per home of the proposed tax increase is an additional \$59.36 per year, or 16 cents per day. This is less than a postage stamp.

The property tax increase will be solely for general fund expenditures. It will help offset the increased costs of the operating budget, and will provide our citizens with the quality of life to which they are accustomed. Specifically, this increase will help pay for police protection, fire protection, garbage collection, community parks, pools, and centers, 911 services, and the City’s excellent library system.

## The Case for a Restaurant Tax

Proposed as an Entertainment Tax in the 2010 budget, the 2011 budget proposes a modified Entertainment Tax entitled the Restaurant Tax. The Restaurant Tax is a tax on gross receipts derived from the sale of food or beverages. It is a discretionary tax, based on discretionary spending. In addition, it excludes ticket sales and non-profit organizations.



The tax proposed is a 4 percent tax on gross receipts. The estimated revenue from the institution of this tax is \$23.5 million, and will be used primarily to pay for increased operating costs, the unfunded pension liability, and increased advertising within the Omaha Convention and Visitors Bureau.

While the tax may at first glance seem significant, the impact to the average citizen is not. Take, for instance, a couple who go out for dinner. The typical meal costs \$50. A 4% restaurant tax will add an additional \$2, making the total bill \$52. A \$25 meal would be \$26, an increase of \$1 per meal. This increase is less than a gallon of gas or the cost of the Sunday paper.

We are faced with a significant unfunded pension liability. This tax is a solution to our unfunded liability.

## The Case for a Wheel Tax Increase

The Wheel Tax has been in place since 1917. Enacted as the City Motor Vehicle Registration Fee, it was originally enacted at \$1 per vehicle. Since that time, it has been increased only eight times, less than once per decade. The last increase was in 2004, when it was increased to \$35 per passenger vehicle (its current level).



*The Wheel Tax is a road-use fee that is set aside for street maintenance and cannot be used for the City's operating budget. Everyone is currently aware of the condition of the City's streets. However, you may not know the following:*

- City streets are 20% of total City assets; the typical life cycle of a street is 10-12 years with routine maintenance.
- The number of lane miles resurfaced annually is declining: 44 in 2007 to 26 in 2009. The City maintains 1,471 major street lane miles; at the current rate the City resurfaces every 56 years.
- The winter of 2009/2010 was a record year for snowfall. The snowfall was so significant that the City was declared a Snow Emergency. Costs for snowfall exceeded the City's budget by over \$1.2 million in 2009, and have already exceeded its budget for 2010.

The City must take care of its streets. The proposed Wheel Tax increase of \$23 per passenger and commercial vehicle, and \$10 for all other vehicles, would generate an additional \$8.5 million per year.

Per citizen, the fee per passenger vehicle would increase from \$35 to \$58; and from \$54 to \$77 per commercial vehicle.

Included in the increase is \$3 per passenger and commercial vehicle for repair and maintenance of park roads. The City's several hundred miles of park roads receive no money for repairs and maintenance. The \$3 increase will provide approximately \$1 million dedicated solely to park roads.

## Contact and Web Reference Information

### For more information contact:

Ron Gerard  
Director of Communications  
Mayor Jim Suttle  
(402) 444-3520  
[Ron.gerard@ci.omaha.ne.us](mailto:Ron.gerard@ci.omaha.ne.us)

### Online City of Omaha Budget Information:

Office of the Mayor  
<http://www.cityofomaha.org/mayor>

City of Omaha Finance Department  
<http://www.cityofomaha.org/finance/>