



To: Honorable Mayor Steve Marchand and City Council Members
From: John P. Bohenko, City Manager
Date: April 21, 2006
Re: Fiscal Year 2007 Budget Message

In accordance with Article VII of the City Charter, I hereby submit to you the Fiscal Year 2007 Proposed Budget document for all major City funds, including General, Water, Sewer, Parking and Transportation, and Community Development.

With the cooperation of the City Council, School Board, Police and Fire Commissions, Department heads, and the citizens of Portsmouth, we have made significant progress over the past decade. We have upgraded the City's aging infrastructure, fixed and replaced walkways and streets, repaired buildings, refurbished playgrounds, made major water and sewer system improvements, renovated and constructed a new high school complex and are in the midst of building the long-awaited new Library. In addition, we have adopted a new Master Plan created with unprecedented public involvement that will chart our course for the future.

We also have implemented new financial policies to address long-term liabilities and improve our fiscal stability. These include, but are not limited to, the creation of a Fund Balance ordinance, a Leave at Termination Fund, a Health Insurance Stabilization Fund, and a Rolling Stock Replacement Program.

Together, these efforts have led to a series of upgrades in the City's bond rating, now at its highest level ever and resulting in substantial savings to our taxpayers in reduced borrowing costs annually.

Considerable progress has been made despite numerous challenges, including the 1999 imposition of the Statewide Property Tax to fund education. Although we currently are no longer a "Donor" community, the City of Portsmouth was forced in past years to raise a total of \$11.7 million extra in property taxes to send to the State for redistribution to other New Hampshire municipalities.

Even with the loss of the \$11.7 million, we have succeeded in making major advances while maintaining minimum increases in our property taxes. However, we cannot deny the negative impact of the Statewide Property Tax that has burdened our departments and our taxpayers. Unfortunately, this issue was recently resurrected in the courts and it remains to be seen whether it will adversely affect our City in the future.

The 2007 General Fund Budget

The proposed Fiscal Year 2007 budget was built upon the premise of a need to maintain and improve services and continue with economic and infrastructure improvements. The appropriations total \$78,000,247 or a 6.7% increase over FY06. This represents \$62,457,875 in operating expenditures and \$15,542,372 for non-operating expenditures.

The operating budget of \$62,457,875 finances expenditures associated with the day-to-day operations and services provided by Municipal, Police, Fire, and School Departments and represents a combined increase of 7.99% as broken down by departments as follows:

2007 OPERATING BUDGET				
	FY07			
	FY06	Submitted Budget	\$ Change	Percentage Change
Municipal	13,872,895	14,636,933	764,038	5.51%
Police	7,420,295	7,921,165	500,870	6.75%
Fire	5,791,006	6,226,861	435,855	7.53%
School	30,751,492	33,672,916	2,921,424	9.50%
Total	\$ 57,835,688	\$ 62,457,875	\$ 4,622,187	7.99%

With respect to the Fire, Police and School budgets, I am presenting them as reviewed and approved by their respective elected governing bodies – the Police and Fire Commissions and the School Board – for your consideration as the City's policy board.

Each year the Council strives to establish a tax rate that allows the City to continue to provide the services that our residents desire and have come to expect, while at the same time minimizing the rate's financial impact. However, this year presents formidable obstacles to maintaining the same level of services in the face of dramatic increases, particularly in energy and health insurance costs. These two factors alone represent more than one-third of the proposed tax rate increase.

Property taxes remain the City of Portsmouth's major source of funding for the General Fund budget, and also fund our share of the Rockingham County budget.

If adopted as proposed, the enclosed Fiscal Year 2007 budget would result in an overall 8% increase in the tax rate, or \$19.01 per \$1,000 of property value – \$1.41 more than FY06.

I believe this rate is too high and represents an unacceptable burden for the taxpayers of Portsmouth.

Although I am submitting the requested budgets on behalf of the School, Police and Fire elected governing bodies along with the Municipal and Non-Operating budgets, I recommend the City Council consider a tax rate increase of 4.32%, which is in line with the rate of inflation reflected in the January 2005 to January 2006 Consumer Price Index.

To reach this level, however, the City Council must consider options to adjust the total budget by approximately \$2 million for Fiscal Year 2007 as depicted below.

Scenarios	FY 2006 Adopted Budget	FY07 City Manager Proposed Budget	Options to be Considered
Budgeted Property Tax Levy			
Budgeted Property Tax Levy	54,222,971	59,228,912	57,172,701
\$ Increase from FY 2006		5,005,941	2,949,730
Property Tax Rate	\$17.60	\$19.01	\$18.36
<i>Tax Rate change from FY06</i>		\$1.41	\$0.76
% Change from FY 2006		8.01%	4.32%
Budget Adjustment		(0)	2,056,211
Average house valuation			
\$300,000	\$5,280.04	\$5,703.00	\$5,508.00
Increase (Decrease) from FY06		\$422.96	\$227.96

I will later suggest a few general recommendations for possible budget adjustments to help us succeed in establishing a stable tax rate despite substantial financial pressures.

Major Factors Affecting the Proposed City Budget

Energy Costs

The City is not alone in experiencing unanticipated and unprecedented spikes in the costs of electricity, gasoline and diesel, natural gas and heating oil due to a variety of factors that have affected the entire country. This resulted in a shortfall of approximately \$600,000 in the City's FY06 energy budget that also impacted our FY07 energy budget, increasing it by approximately 37%.

The issue of sustainable practices has been identified as an important goal in the City's recently adopted Master Plan. The Mayor and City Council have appointed a seven-member Committee on Sustainable Practices to work with City staff, local officials and the community to identify initiatives to reduce both the cost and consumption of energy and other resources.

Health Insurance Costs

Health insurance costs continue to grow substantially, affecting governments and the private sector, alike.

This year, the New Hampshire Local Government Center (LGC) HealthTrust has provided the City with a health insurance rate that will result in *total* premium costs of well over \$10.5 million. The City employees' share will be approximately \$1.7 million, or roughly one-fifth of their monthly health care premium costs. This leaves the City's share at \$8.9 million, which is \$1.8 million above the current year and again represents the City's largest liability. If new positions are approved, this liability will be higher.

Through the Health Insurance Stabilization Fund established in FY02, the Departments' health premium budgets will increase in accordance with the average growth in health

insurance rates established by the LGC over the prior 10 years, which is 14%. Excluding new positions, the City Departments' budgeted FY07 increase is approximately \$1 million. Without the use of the Stabilization Fund, the Departments would be forced to budget an additional \$800,000. (*Detailed information on the Health Insurance Stabilization Fund can be found in the Financial Guidelines and Policies section of this budget.*)

Salary Costs

The services the City provides are labor-intensive. As a result, the costs associated with employing our teachers, firefighters, police officers, and other municipal professional staff are substantial and constitute 83% of the City's operating budget. This includes step increases, cost-of-living-adjustments (COLA) mandated through contractual obligations and related benefits. The City of Portsmouth has a total of fifteen (15) collective bargaining units. Thirteen contracts have been negotiated and are scheduled to expire on June 30, 2008. The remaining two contracts are scheduled to expire on June 30, 2006. All 15 of the City's labor contracts have increases tied to the November to November Consumer Price Index (CPI) for the Boston-Brockton-Nashua-MA-NH-ME-CT. The CPI for FY07 is 3.26%. For several months, the CPI had been trending at well over 4%. When the CPI was published for the November to November period, the Labor Department announced that this was the largest one-month decline in the CPI since 1949. This decline in the CPI from October to November assisted in a cost avoidance at nearly \$500,000 in salaries and benefits for the FY07 budget. In comparison, the CPI from January 2005 to January 2006 is 4.35%.

Retirement Costs

The New Hampshire Retirement System has announced the FY07 contribution rates for all of the City's full-time employees will remain the same as in FY06 – 6.81% for Group I, 3.70% for Teachers, 9.68% for Police and 14.36% for Fire personnel. However, as salaries increase, so does the City's share of retirement contributions. In FY07, the additional cost will be approximately \$150,000.

New Budgeted Positions

The proposed budgets include positions that were not funded in fiscal year 2006. They include: one custodian in the Public Works Department, which is needed for proper maintenance of the new Library; a fire prevention officer, and the Full Time Equivalent of approximately 17 positions in the School Department. These include additional full-time and part-time professional and support staff, as well as additional time for existing School Department positions.

Other Costs

In addition, overall inflation continues to cause increases in other costs that affect operational budgets citywide. These include building and equipment repairs and maintenance, contracted services, special needs tuition and transportation. While we make every effort in our public bidding process to obtain the best prices for materials and services, market forces continue to dictate energy, material, and contracted labor costs.

Recommended Budget Adjustments

The serious financial pressures on the Fiscal Year 2007 budget require difficult choices in order to maintain a reasonable increase in the tax rate for our residents. Following careful consideration, I recommend that the City Council consider implementing the following changes to the enclosed FY07 budget in order to reduce the tax rate with a minimal disruption in City operations:

- Reduce Operating Expenses by approximately \$1.2 million
- Reduce Capital Improvements by approximately \$300,000
- Increase the use of Debt Service Reserve by \$500,000

I have begun meeting with the City's Department heads to discuss these proposed adjustments. I stand ready to work with the Departments and the City Council during the budget process over the next month to meet the goal of achieving a tax rate acceptable to the City Council, while ensuring the effective and efficient delivery of services to our citizens.

I feel certain that through our collective efforts, we will be able to clearly articulate priorities and reduce the proposed budget. To accomplish this goal, we will have to decide where to make the necessary adjustments. The challenge will be in determining which services to trim to reach our target without also laying off employees.

Although it would be preferable to not face such difficult choices, I believe it is important that we be responsive to the needs and wishes of our citizens while recognizing that each day they must make similar decisions in order to live within their means.

Moving Forward

Even with these proposed budget adjustments, it is essential that we continue to move forward with our long-term financial goals and citywide priorities while ensuring the financial stability of the City in order to provide future services.

We will continue to work to maintain and improve our credit ratings. In Fiscal Year 2006, Standard & Poor's bond rating agency upgraded Portsmouth's bond rating to AA from AA- and Moody's Investors Service affirmed its rating of Aa3 based on the City's strong financial performance. This is the City's sixth upgrade in the last 10 years and these ratings puts Portsmouth among the highest in the State of New Hampshire. We are hopeful that our continued financial practices will result in yet another improvement in FY07.

Implementation of our investment strategy will continue as we work to maximize our Capital Improvement Program. In FY07, I am recommending that we maintain a sufficient appropriation to ensure that we do not reverse the significant progress we have made in our infrastructure improvements. Therefore, I believe a \$300,000 reduction from the \$1.5 million requested by the Planning Board will not have a major impact. The appropriation would still be above \$1 million, which is the average CIP appropriation

over the past eight years. As always, the CIP budget investment in FY07 will leverage thousands of dollars in State and Federal grants to use toward programs benefiting our community.

The 2006 Citywide property revaluation required by State law and necessary to ensure a stable tax base will be completed by September. At this time, we do not expect a major shift in the tax burden to either the residential or commercial property sectors. The information gathered in this survey of every residence will be used to make each property reflect fair market value. Conducting the revaluation in-house has resulted in a saving of approximately \$400,000 to the City.

We also will continue to move forward on several important initiatives already underway, many funded primarily with State and Federal dollars. A list of Continuing Citywide Priorities follows this message, along with a “Budget Highlights” section that provides a closer look at the proposed FY07 budget, including the General and Enterprise Funds.

Conclusion

In closing, I would like to thank the Municipal, Police, Fire and School Departments for their diligence in the budget process for this fiscal year. If we continue to work together, I believe we will be able to successfully balance the expectations of our residents for high quality services, with the desire for a low tax burden.

I would also like to especially thank all of the Departments, the members of the Joint Budget Committee, and the Finance Department for their invaluable input, assistance and commitment to producing the Fiscal Year 2007 Proposed Budget document.

2007 BUDGET HIGHLIGHTS

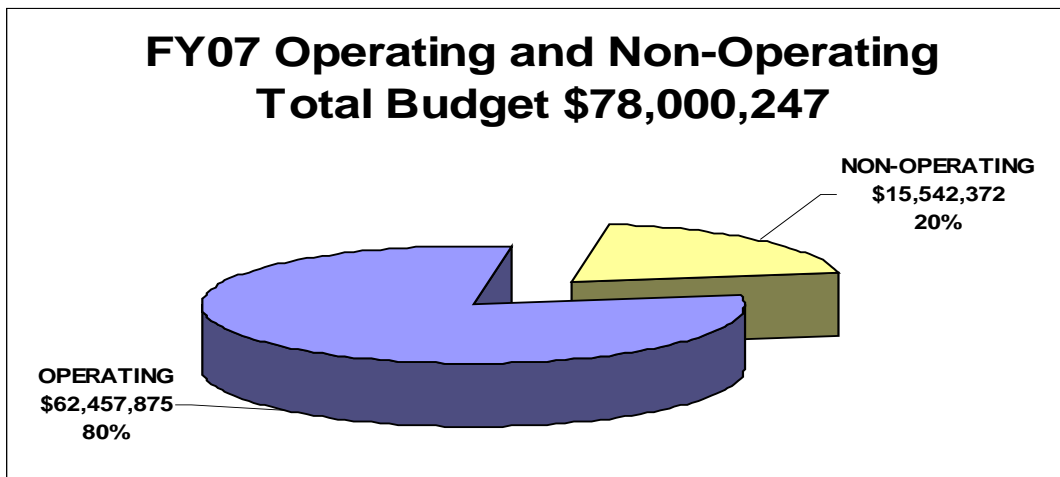
GENERAL FUND

Total Appropriation

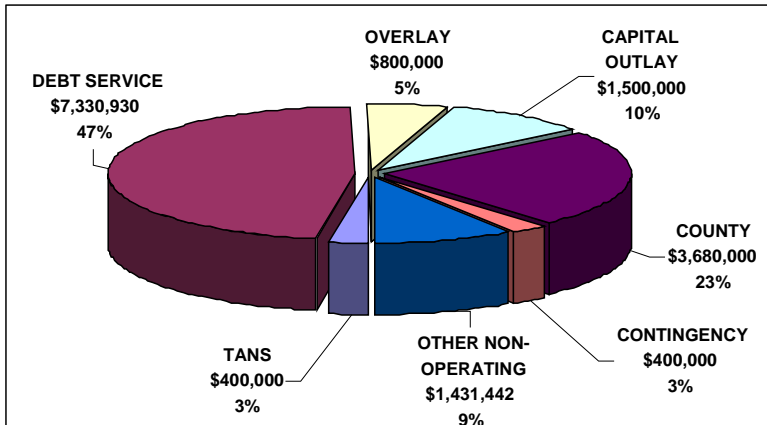
Appropriations for the General Fund total \$78,000,247 or 6.7% increase over the FY06 budget. The following table is a summary of major expenditure categories for the FY05 budget and actual, FY06 budget and FY07 Department requested budget and the budget recommended by the City Manager.

TOTAL GENERAL FUND	FY05 BUDGET	FY05 ACTUAL	FY06 BUDGET	FY07 DEPARTMENT REQUEST	FY07 CITY MANAGER RECOMMENDED
SALARIES	30,147,002	29,540,435	31,632,970	33,553,646	33,553,646
OVERTIME	1,346,817	1,581,443	1,344,661	1,411,981	1,411,981
HOLIDAY	253,484	244,873	262,490	277,473	277,473
LONGEVITY	83,829	83,787	87,358	94,496	94,496
STIPENDS	224,865	219,442	246,603	270,287	270,287
RETIREMENT	1,812,662	1,754,993	2,216,904	2,364,873	2,364,873
HEALTH INSURANCE	5,529,152	5,525,185	6,203,348	7,305,220	7,305,220
DENTAL INSURANCE	1,408,314	1,375,203	1,550,660	1,718,339	1,714,149
INSURANCE REIMBURSEMENT	38,985	53,365	62,028	67,818	67,818
LEAVE AT TERMINATION	958,889	958,889	919,887	958,888	958,888
WORKERS' COMPENSATION	554,073	545,557	592,025	699,412	699,412
OTHER FRINGE BENEFITS	2,558,316	2,340,795	2,685,941	2,903,117	2,903,117
TOTAL SALARIES AND BENEFITS	44,916,388	44,223,967	47,804,875	51,625,550	51,621,360
TRAINING	75,525	49,961	76,750	75,850	72,850
UTILITIES	1,664,815	2,104,580	1,771,800	2,421,286	2,421,286
DIRECT ASSISTANCE	200,500	170,514	204,500	218,000	218,000
OUTSIDE SOCIAL SERVICES	184,830	184,830	192,223	188,304	188,304
CONTRACTED SERVICES	1,048,677	1,101,263	1,134,778	847,639	835,639
OTHER OPERATING	6,657,014.00	6,716,523.84	6,650,762.00	7,105,936.00	7,100,436.00
TOTAL OTHER OPERATING	9,831,361	10,327,671	10,030,813	10,857,015	10,836,515
TOTAL OPERATING	54,747,749	54,551,638	57,835,688	62,482,565	62,457,875
TANS	400,000	104,005	400,000	400,000	400,000
DEBT SERVICE	6,743,538	6,522,299	7,402,012	7,330,930	7,330,930
CONTINGENCY	270,000	270,000	400,000	400,000	400,000
OVERLAY	800,000	185,964	800,000	800,000	800,000
COUNTY	3,680,000	3,225,906	3,680,000	3,680,000	3,680,000
PROPERTY & LIABILITY	270,000	270,000	305,000	313,000	313,000
OTHER GENERAL GOVERNMENT	1,010,915	1,010,487	1,112,529	1,118,442	1,118,442
CAPITAL	1,750,000	1,750,000	1,170,000	1,500,000	1,500,000
TOTAL NON-OPERATING	14,924,453	13,338,660	15,269,541	15,542,372	15,542,372
	69,672,202	67,890,298	73,105,229	78,024,937	78,000,247

The total budget represents \$62,457,875 in operating expenditures and \$15,542,372 for non-operating expenditures as depicted in the following chart.



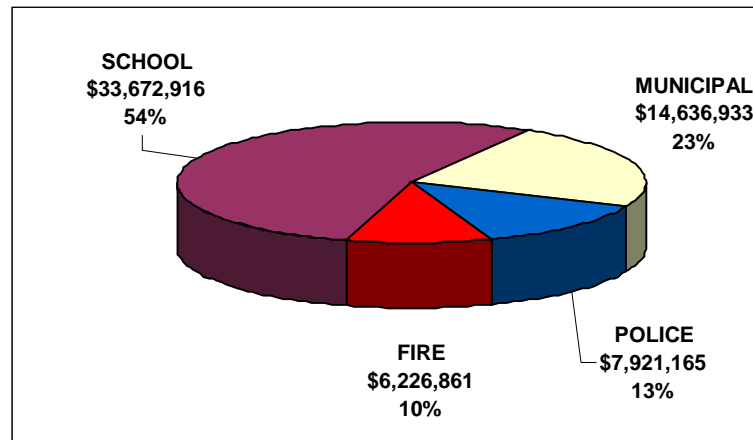
Non-Operating Budget



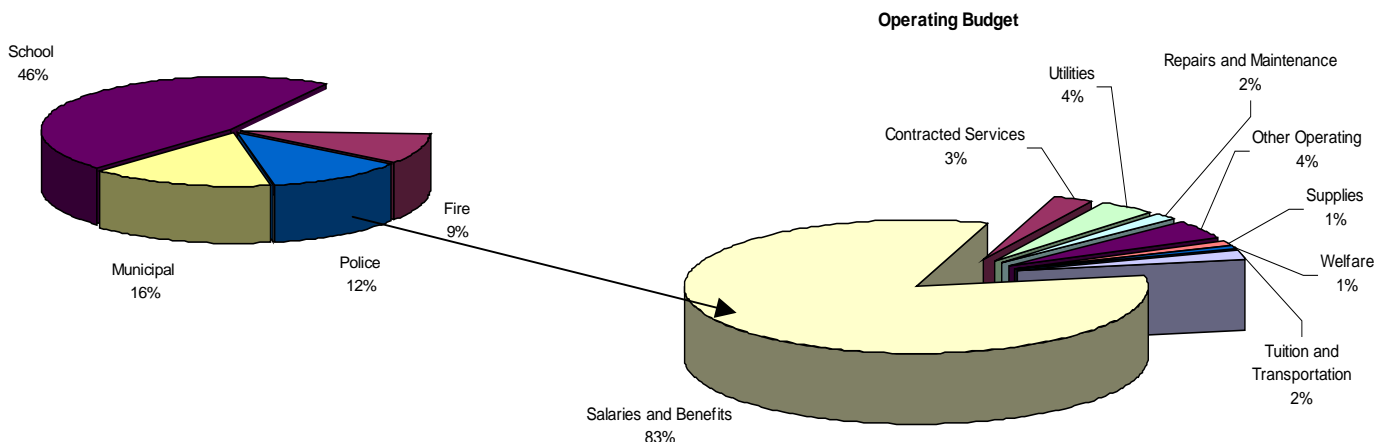
The Non-Operating Budget consists of expenditures for debt service, overlay, capital outlay, county tax, contingency, tax anticipation notes and other non-operating expenditures, and represents a 1.79% increase over the FY06 budget.

Operating Budget

The total Operating Budget of \$62,457,875 funds expenditures associated with the day-to-day operations and services provided by Municipal, Police, Fire and School Departments and represents a 7.99% increase over the FY06 budget for all Departments.

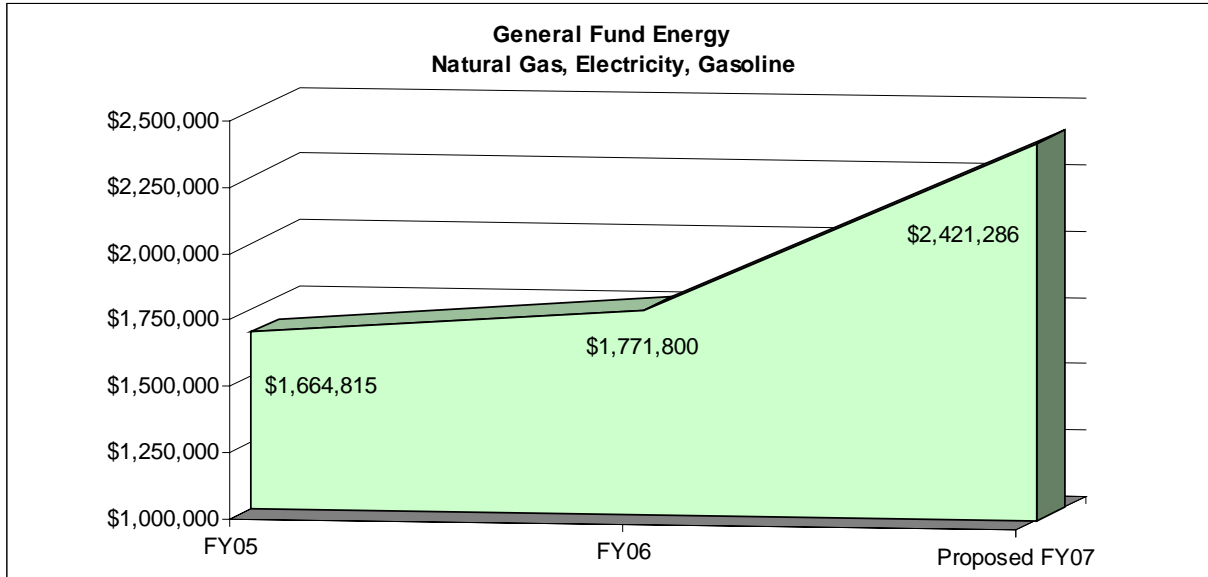


Contractual obligations associated with salaries and benefits constitute 83% of the Operating Budget. The remaining 17% of the Operating Budget is comprised of non-salary and benefit costs such as utilities, contracted services, building and equipment repairs and maintenance, Supplies, welfare and outside assistance, special needs tuition, and transportation and other charges as depicted in the chart below.



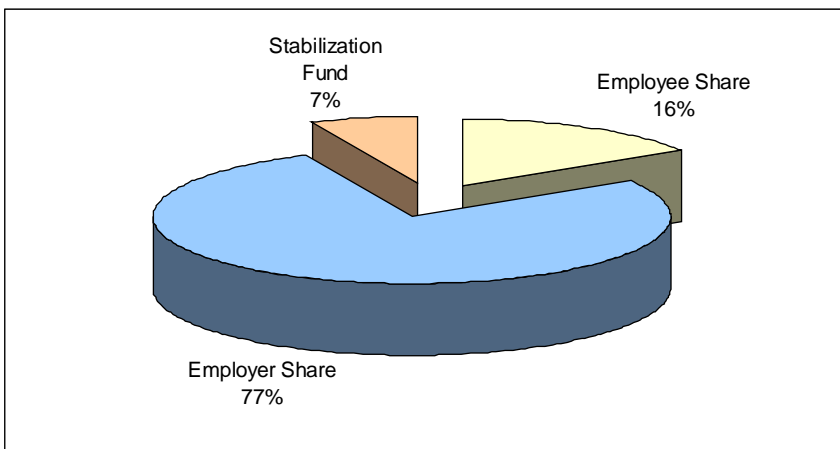
Energy Costs

The energy budget consists of the City's major utilities, natural gas, electricity and gasoline. The proposed FY07 energy budget for the General Fund has increased 37% over FY06 and 45% over FY05, a \$756,000 jump from 2 years ago as shown in the graph below.



Health Insurance

Total health insurance premiums for FY07 (less any new positions) is approximately \$10.5 million, an increase of \$1.8 million from FY06. The allocation of the share of the premiums come from three sources: employee share, general fund budget, and the Health Insurance Stabilization Fund as shown in the pie graph below.

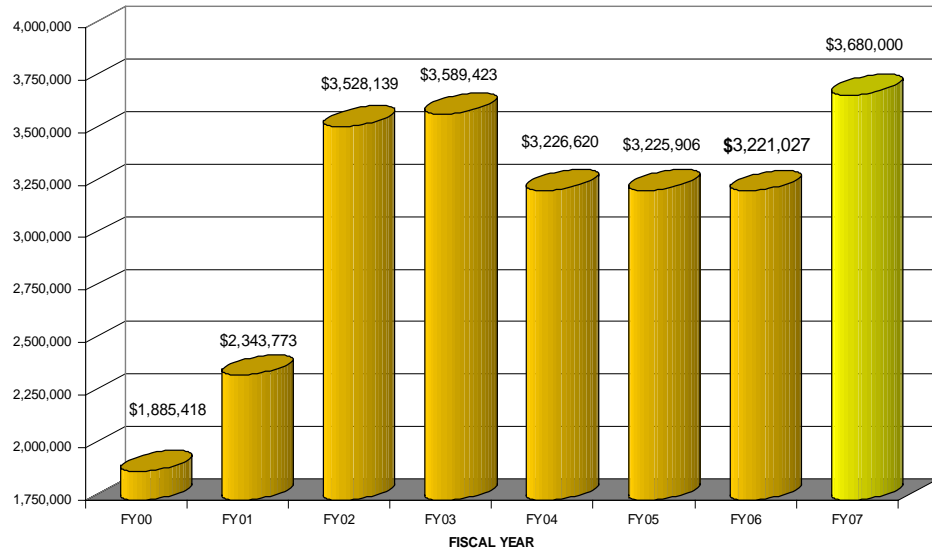


Information on the Health Insurance Stabilization Fund can be found in the Financial Policies and Long-Term Financial Guidelines section of the budget document.

County Tax

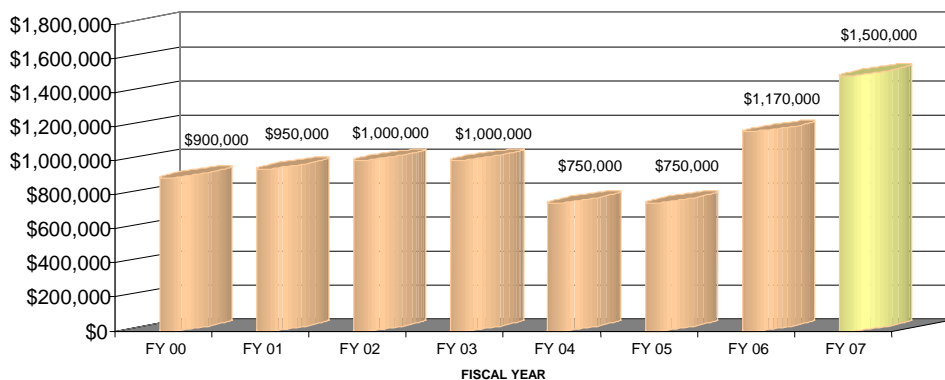
The City of Portsmouth is annually assessed its portion of the Rockingham County budget based on the City's share of the equalization of property values for the entire county. In FY 2007, it is estimated that Portsmouth will pay approximately \$3.7 million to Rockingham County.

The proportion of the City's share, which determines the actual amount due to the County, is established by the Department of Revenue at the time of setting the tax rate.



Capital Outlay

The Planning Board recommends annual appropriations of \$1 million to \$1.5 million from the General Fund for capital projects. The funding for capital outlay in FY06 was \$1,170,000 after two prior fiscal year reductions from \$1 million to \$750,000. This eliminated or delayed the progress of needed infrastructure improvements of \$500,000 for those two years. For FY07, the Planning Board identified projects totaling a recommended budget of \$1.5 million. Appendix II identifies these projects. The chart below provides the history of capital outlay in the General Fund.



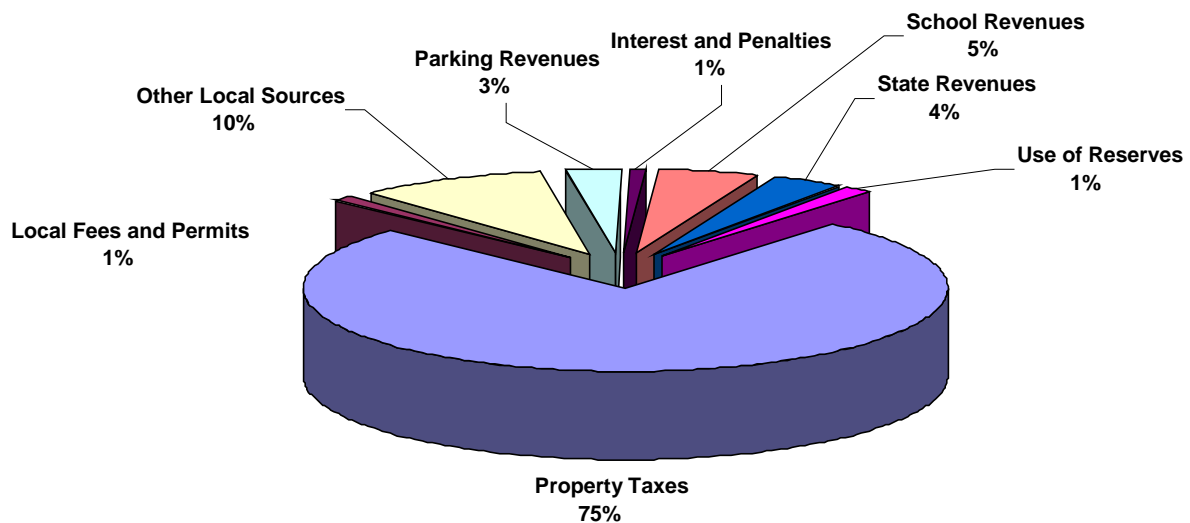
With the FY07 budget, the average expenditure for capital outlay is \$1,002,500 per year over 8 years.

Revenues

The FY07 Municipal General Fund Budget appropriations would be funded from the following sources:

- \$59,228,912 in Property Taxes.
- \$7,250,778 in Other Local Sources.
- \$3,950,000 in School Tuition and other School Fees.
- \$2,829,784 from State Revenue Sharing Funds and State School Building Aid.
- \$2,219,773 from Parking Revenues, less the amount to be transferred to the Parking Fund.
- \$1,073,500 from Use of Designated Unreserved Fund Balance.
- \$807,500 from Local Fees and Permits.
- \$640,000 from Interest and Penalties.

The following chart shows the percentage allocation of these estimated revenue sources.





CONTINUING CITYWIDE PRIORITIES

The City of Portsmouth has several major initiatives underway to benefit our citizens. The proposed FY07 budget reflects their continuation and most of them represent projects that have leveraged millions of State and Federal dollars. They include:

- Implementation of the Master Plan, including substantial revisions to the City's land use regulations. The Master Plan, developed through extensive participation by Portsmouth residents and officials, was adopted by the Planning Board in March 2005 and lays out a set of goals, objectives and strategies that describe a direction and vision for the City over the next ten years. The City has just initiated a comprehensive revision of the City's existing Zoning Ordinance and substantial revisions to the Site Review and Subdivision Regulations, as well as the development of design review guidelines. This phased-review process will continue in FY07, allowing our land use board members, City Council and the public the ability to have meaningful in-depth review and discussion regarding proposed revisions to our land use regulations.
- Completion of the new \$8 million Public Library and a smooth transition from the current 200-year-old structure on Islington Street to the new facility at 175 Parrott Avenue. After years of discussion, construction finally began in May 2005 on the new 38,000-square-foot Library. It is expected to be completed by the end of October, with the move-in taking place in mid-November 2006. The new facility will be more than twice the size of the current Library. A private fund-raising campaign launched in FY 2006 thus far has raised \$200,000 of its \$500,000 goal to pay for furnishings and equipment for the new Library, and to help meet environmentally responsible goals for the building. We believe that the "green building" design efforts we are making now will not only be good for the environment, they also will reduce energy and other operating costs while providing a healthy environment for the public and employees.
- Initiation of the conceptual planning and the public input process for the redevelopment of the McIntyre Federal building site downtown in preparation for its transfer from the U.S. Government to the City of Portsmouth. The decisions made regarding this valuable piece of real estate could reshape the face of the immediate neighborhood and downtown activities, as well as impact our tax base. The first phase of this multi-year project will involve substantial public input regarding the redevelopment of this key site.
- Implementation of the Memorandum of Agreement authorized by the City Council for the public/private partnership between the City and the Sheraton Hotel to increase parking and conference facilities in the Central Business District. This project is anticipated to generate an estimated \$750,000 annually in City property tax revenues

and create 300 new full and part-time jobs. Furthermore, the proposed development will achieve the goals of replacing market-share and related business lost with the closing of Yoken's. Portsmouth is currently the state's only major market unable to accommodate groups larger than 500 for meetings and banquets. The City Council has authorized a \$15 million bond for this project. The City intends to use a UDAG loan for utility relocation and traffic improvement costs.

- Redevelopment efforts along the Islington Street corridor and in the Northern Tier area. The City intends to undertake a feasibility study to determine ways to enhance the value and vitality of the Islington Street area at the edge of the central business district (CBD). The City is investigating the use of Tax Increment Financing as an economic development tool to pay for infrastructure improvements. The City also in FY07 will continue work to implement the goals of the Northern Tier Feasibility Study in the area immediately north of the CBD. These projects are expected to expand the tax base as new businesses move into these areas.
- Initiation of the 400-foot-long Riverwalk pier that will extend along the commercial portion of the Bow Street waterfront. The total construction cost is estimated at \$1.5 million to \$2 million. The City has secured \$1.5 million in federal funding and an additional \$165,000 in public-private funding has been set aside to complete the final engineering and design in FY07.
- Addressing the issue of sustainable practices, which was identified as an important goal in the City's new Master Plan. Training regarding sustainable practices has been carried out with key City staff and local board members, and a community-wide workshop is planned for May 28. A Committee on Sustainable Practices has been appointed to work with City staff, local officials and the community to identify initiatives to reduce the cost and consumption of energy and other resources. These include such long-term projects as improving energy efficiency in City buildings, expanding open space and enhancing public transportation.
- Continued upgrades to the municipal water and sewer infrastructure. The City plans to implement a formal water conservation plan in recognition of the desire to develop sustainable practices and also to meet State requirements as we move forward with augmenting our water supplies. Also planned are treatment plant upgrades for the Madbury, Peirce Island and Pease locations; continued replacement of water lines, and a series of projects to reduce sewer system inflow and infiltration. In addition, we anticipate spending \$100,000 on testing to monitor the effect of the Peirce Island wastewater treatment plant discharge on the Piscataqua River, as is required under our National Pollution Discharge Elimination Treatment permit.
- Continued efforts to inform and involve neighborhood residents, businesses and other stakeholders, and to ensure that City staff are accessible, responsive and inclusive of the public. In FY06 we initiated a City of Portsmouth electronic newsletter transmitted by e-mail every other Wednesday to residents who request it via the City's Web site. There has been a two-fold increase in readership of the editions that

alert residents to City services and programs. In addition, the City has more than doubled the number of meetings it televises via the local government access cable Channel 22 and “webcasts” via the Web site. The first City of Portsmouth Annual Report in nearly 20 years was compiled and posted on the Web site, as well. We will continue and expand the City’s communications outreach throughout Fiscal Year 2007.

- Recommendations from the recently completed water and sewer rate study were presented to the City Council in April 2006. These recommendations, if acceptable to the City Council, will require a number of changes to the existing water tariff and sewer ordinance. We have budgeted funds to retain outside legal counsel with expertise in public utilities to assist with implementing these rate structure changes.
- Study of the City’s overtime costs and policies. The City has hired an independent consultant to provide a citywide audit of overtime. The final report will be provided to the Council as it begins the process of examining this proposed FY07 budget. The independent study included a review of staffing schedules, vacation and sick-time policies, labor contracts and other factors affecting overtime usage.
- Continued monitoring of the Statewide Property Tax and education funding issue, which has been resurrected in the courts. The Legislature in June 2005 adopted a new education funding system that allows communities with high property values to spend any excess Statewide Property Taxes on education in their own communities. However, a Superior Court judge recently declared the new system unconstitutional. The State pledged to appeal to the New Hampshire Supreme Court but there was no indication when, or how, that panel will rule. Therefore, the enclosed budget is based upon the new law that eliminated Portsmouth as a “Donor” community. We will continue to monitor the situation through the Coalition Communities office based at Portsmouth City Hall but partially financed through contributions by the Coalition.
- Continuation of the three-year effort to achieve the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). The awards presented by this professional association of finance officers recognize contributions to the practice of government finance that exemplify outstanding financial management.

BUDGET SUMMARY - FY07

	DEPARTMENT REQUESTED					CITY MANAGER RECOMMENDED		
	FY 04/05 BUDGET	FY 05/06 BUDGET	FY 06/07 operating Budget	% Change	\$\$ Change	FY 06/07 operating Budget	% Change	\$\$ Change
OPERATING BUDGET								
Municipal	13,186,953	13,872,895	14,661,623	5.69%	788,728	14,636,933	5.51%	764,038
Police	7,033,455	7,420,295	7,921,165	6.75%	500,870	7,921,165	6.75%	500,870
Fire	5,489,105	5,791,006	6,226,861	7.53%	435,855	6,226,861	7.53%	435,855
School	29,038,236	30,751,492	33,672,916	9.50%	2,921,424	33,672,916	9.50%	2,921,424
Total	54,747,749	57,835,688	62,482,565	8.03%	4,646,877	62,457,875	7.99%	4,622,187
NON-OPERATING EXPENSE								
Tax Anticipation Note Interest	400,000	400,000	400,000	0.00%	0	400,000	0.00%	0
Debt Service Payments	6,881,963	7,402,012	7,330,930	-0.96%	(71,082)	7,330,930	-0.96%	(71,082)
Overlay	800,000	800,000	800,000	0.00%	0	800,000	0.00%	0
Capital Outlay	750,000	1,170,000	1,500,000	28.21%	330,000	1,500,000	28.21%	330,000
County	3,680,000	3,680,000	3,680,000	0.00%	0	3,680,000	0.00%	0
Contingency	270,000	400,000	400,000	0.00%	0	400,000	0.00%	0
Other General Non-Operating	1,142,490	1,417,529	1,431,442	0.98%	13,913	1,431,442	0.98%	13,913
Capital-Library	1,000,000	0	0.00	0.00%	0	0.00	0.00%	0
Total	14,924,453	15,269,541	15,542,372	1.79%	272,831	15,542,372	1.79%	272,831
Total Gross Budget	69,672,202	73,105,229	78,024,937	6.73%	4,919,708	78,000,247	6.70%	4,895,018
REVENUES								
Municipal/State	13,454,124	13,458,758	13,747,835	2.15%	289,077	13,747,835	2.15%	289,077
School	3,750,000	3,850,000	3,950,000	2.60%	100,000	3,950,000	2.60%	100,000
Use of Fund Balance	1,000,000	0	0	0.00%	0	0	0.00%	0
Use of Reserve for property Appraisal		73,500	73,500	0.00%	0	73,500	0.00%	0
Use of Reserve for Debt	1,000,000	1,500,000	1,000,000	-33.33%	(500,000)	1,000,000	-33.33%	(500,000)
Total	19,204,124	18,882,258	18,771,335	-0.59%	(110,923)	18,771,335	-0.59%	(110,923)
BUDGETED PROPERTY TAX LEVY	50,468,078	54,222,971	59,253,602	9.28%	5,030,631	59,228,912	9.23%	5,005,941
Total Property Tax Commitment	50,716,101	53,905,853	59,253,602	9.92%	5,347,749	59,228,912	9.87%	5,323,059
War Service Credits	309,500	406,500	406,500	0.00%	0	406,500	0.00%	0
Adequate Education Grant	(8,443,473)	(8,874,980)	(8,874,980)	0.00%	0	(8,874,980)	0.00%	0
State Education Tax	9,367,665	8,874,980	8,874,980	0.00%	0	8,874,980	0.00%	0
Total Property Taxes Assessed	51,949,793	54,312,353	59,660,102	9.85%	5,347,749	59,635,412	9.80%	5,323,059
Taxes Due State	924,192	0	0	0.00%	0	0	0.00%	0
ASSESSED VALUATION WITH UTILITIES	3,047,711,379	3,106,411,197	3,156,411,197	1.61%	50,000,000	3,156,411,197	1.61%	50,000,000
ASSESSED VALUATION NO UTILITIES	2,929,145,319	2,985,036,259	3,035,036,259	1.68%	50,000,000	3,035,036,259	1.68%	50,000,000
MUNICIPAL TAX RATE	12.93	13.61	14.93	9.67%	1.32	14.92	9.59%	1.31
COUNTY TAX RATE	1.04	1.02	1.17	14.30%	0.15	1.17	14.30%	0.15
STATE EDUCATION TAX RATE	3.20	2.97	2.92	-1.54%	(0.05)	2.92	-1.54%	(0.05)
COMBINED TAX RATE	17.17	17.60	19.02	8.07%	1.42	19.01	8.01%	1.41

GENERAL FUND EXPENDITURES BY DEPARTMENT

	FY05/06 BUDGET	FY 06/07 DEPARTMENT REQUEST	\$\$ CHANGE	% CHANGE	FY 06/07 CITY MANAGER RECOMMENDED	\$\$ CHANGE	% CHANGE
OPERATING BUDGET							
MUNICIPAL							
GENERAL GOVERNMENT							
CITY COUNCIL	32,121	36,621	4,500	14.01%	36,621	4,500	14.01%
CITY MANAGER	230,605	238,679	8,074	3.50%	238,679	8,074	3.50%
HUMAN RESOURCES	1,969,107	2,181,857	212,750	10.80%	2,172,667	203,560	10.34%
CITY CLERK	163,617	171,638	8,021	4.90%	171,638	8,021	4.90%
ELECTIONS	35,071	43,780	8,709	24.83%	43,780	8,709	24.83%
LEGAL	459,607	434,876	(24,731)	-5.38%	434,876	(24,731)	-5.38%
FINANCE/ACCOUNTING	1,516,478	1,589,416	72,938	4.81%	1,573,916	57,438	3.79%
OTHER GENERAL GOVERNMENT							
GENERAL ADMINISTRATION	844,947	827,006	(17,941)	-2.12%	827,006	(17,941)	-2.12%
REGULATORY SERVICES							
PLANNING	419,581	462,160	42,579	10.15%	462,160	42,579	10.15%
INSPECTION DEPT	319,314	332,087	12,773	4.00%	332,087	12,773	4.00%
PUBLIC HEALTH	98,573	103,151	4,578	4.64%	103,151	4,578	4.64%
PUBLIC WORKS							
	4,972,694	5,246,728	274,034	5.51%	5,246,728	274,034	5.51%
COMMUNITY SERVICES							
PUBLIC LIBRARY	1,272,858	1,368,399	95,541	7.51%	1,368,399	95,541	7.51%
RECREATION	1,013,808	1,086,440	72,632	7.16%	1,086,440	72,632	7.16%
PUBLIC WELFARE	326,790	344,981	18,191	5.57%	344,981	18,191	5.57%
OUTSIDE SOCIAL SERVICES	192,223	188,304	(3,919)	-2.04%	188,304	(3,919)	-2.04%
EMERGENCY MANAGEMENT							
	5,500	5,500	0	0.00%	5,500	0	0.00%
MUNICIPAL SUB-TOTAL	13,872,894	14,661,623	788,729	5.69%	14,636,933	764,039	5.51%
POLICE DEPARTMENT	7,420,295	7,921,165	500,870	6.75%	7,921,165	500,870	6.75%
FIRE DEPARTMENT	5,791,007	6,226,861	435,854	7.53%	6,226,861	435,854	7.53%
SCHOOL DEPARTMENT	30,751,492	33,672,916	2,921,424	9.50%	33,672,916	2,921,424	9.50%
SUB-TOTAL	43,962,794	47,820,942	3,858,148	8.78%	47,820,942	3,858,148	8.78%
TOTAL OPERATING	57,835,688	62,482,565	4,646,877	8.03%	62,457,875	4,622,187	7.99%
NON-OPERATING							
TAX ANTICIPATION NOTES	400,000	400,000	0	0.00%	400,000	0	0.00%
DEBT SERVICE PAYMENTS	7,402,012	7,330,930	(71,082)	-0.96%	7,330,930	(71,082)	-0.96%
OVERLAY	800,000	800,000	0	0.00%	800,000	0	0.00%
CAPITAL OUTLAY	1,170,000	1,500,000	330,000	28.21%	1,500,000	330,000	28.21%
COUNTY TAX	3,680,000	3,680,000	0	0.00%	3,680,000	0	0.00%
CONTINGENCY	400,000	400,000	0	0.00%	400,000	0	0.00%
OTHER GENERAL NON-OPERATING	1,417,529	1,431,442	13,913	0.98%	1,431,442	13,913	0.98%
SUB-TOTAL	15,269,541	15,542,372	272,831	1.79%	15,542,372	272,831	1.79%
TOTAL GROSS BUDGET	73,105,229	78,024,937	4,919,708	6.73%	78,000,247	4,895,018	6.70%