

Mayor Graham, City Council and Citizens of O'Fallon:

I am pleased to present the operating budget for the City of O'Fallon for the year ending April 30, 2006. The budget reflects expenditures in all funds of \$34,306,872, which are equally balanced by revenue. This budget represents a decrease of approximately 27.8% compared to the previous year. This includes such capital improvements as the public safety facility and Proposition S projects. General Fund operating expenditures are proposed to increase 6% over FY2005.

This budget was programmed around the goals of the Mayor and City Council as expressed through direct input of the Mayor and Council, staff input, and refinement through Council Committee review and the public hearing process. It is programmed based on the assumption that the same high levels and types of municipal service should be continued in all departments. This budget provides the necessary resources to continue existing, and in some areas improve, service levels and programs.

Revenue Highlights

Sales tax comprises the largest part of the *general revenue* fund, 55%. Sales tax for FY2005-2006 is budgeted at \$6,028,501 and is projected to increase by 3% over this year's projected actuals, although sales tax receipts were lower in FY2004-2005 than the previous year. Sales tax revenues showed signs of recovering this year, and our revenue outlook is encouraging with the completion of American TV & Appliance and Wal-Mart Supercenter. In addition, Premier Lincoln Mercury Volvo should be operational sometime in FY2005-06 and development continues on Central Park Drive and at the Shoppes at Green Mount.

State revenue sources also are beginning to rebound, although not at the levels seen in 2002-03. In the last four years, state income tax revenues have declined \$160,000 and state use tax revenues have declined \$52,000. The completion of the Special Census should bring additional income tax revenue in early 2006.

The revenue for the general fund is proposed to be derived as follows:

<u>Source</u>	<u>Budget Amount (Yr. end FY2006)</u>	<u>% of Total</u>	<u>% Change from FY2005 Budget</u>
Sales Tax	\$6,028,501	55%	3%
State Income Tax	1,629,125	15%	16%
Utility Tax	1,024,296	9%	5%
Building Permits	390,000	4%	4%
Cable Franchise	224,217	2%	5%
State Use Tax	250,423	2%	21%
Road & Bridge	225,000	2%	21%
Property Tax	192,250	2%	15%
Court Fines	125,000	1%	8%
Phone Franchise	145,000	1%	-1%
Subdivision Fees	175,000	1%	14%
Occupancy Permits	70,000	1%	14%
Other	461,042	5%	-20%
TOTAL	\$10,939,854		5%

Property tax comprises 2% of the budget and is ranked eighth among City general fund revenue generators. Once again, the property tax rate is not increased and is levied at 0.8553 per \$1000 equalized assessed valuation. Property tax levy supports general fund programs such as police, street maintenance and construction, and general administrative functions. It is also levied for special functions of library services, parks and recreation, emergency medical services, employee pension funds, and fire protection.

Water Revenue is budgeted to decrease from \$6,139,500 to \$5,804,000, a 5% decrease due primarily to wholesale water rate increases by Illinois American Water Company. Sewer Revenue is projected to decrease 1% from \$4,005,691 to \$3,959,000. The rest of the money is anticipated to come through sewer tap fees and other methods.

Expenditure Highlights

Payroll

The total payroll for all operations, including all fringe benefits, is \$10,289,144. Payroll is 30% of the total operating expenditures. This budget includes a 2% across-the-board increase for non-union employees effective May 1, 2005. In addition, proposed merit pay increases equaling 1% on November 1 for non-union employees. It has been nearly three years since the last salary study, so the Management Team plans to conduct a salary and compensation study to evaluate the salary ranges and benefits for non-union employees.

Administration

In a continuing effort to improve efficiency and expand financial and management information, the utility billing upgrades in the New World software and the new remote water meter reading system are complete. This will be the first full fiscal year with monthly billing, budget billing, direct withdrawal, and credit card payments.

The City Clerk's office continues to move towards a paperless records system. Cable access Channel 10 plans to upgrade its equipment in the City Council Chambers and continues to expand its programming. The City's web site was overhauled last year and now allows residents to pay utility bills online as well as interact directly with City staff.

Public Safety

The new Public Safety Facility was completed in October, and both the Police Department and EMS are enjoying their new building. Construction was on schedule and on budget. Two additional patrol officers are included in this year's budget, but they will not be hired until after a needs analysis is conducted on how community growth impacts officer service demands.

Engineering and Public Works

Engineering staff will be involved in reengineering and rebuilding major arterial and collector roads and intersections, and improving capacities to handle increased traffic volumes in growing parts of the city. Major projects in FY2005-06 include North Lincoln reconstruction, State Street overlay, and the ½-cent sales tax Proposition S projects. Improvements to the downtown and older neighborhoods will continue to be emphasized. While efforts are being made to stretch resources to serve the many new miles of streets in the city each year, consideration will be needed in future budget years to increase street maintenance manpower.

Water and Sewer projects concentrate on the aging underground infrastructure improvement program and expansion of capacity to meet demands of an expanded system. In addition, water and sewer extensions are scheduled to serve newer areas of the community and to open new areas for development. The Public Works Division's new maintenance management software and

GIS mapping system will improve infrastructure maintenance and provide better information for the future needs of utility systems.

Planning and Zoning

Quality building and sustainable development are keys to the future of O'Fallon. Growth continues at an ever-increasing pace. Small increases and utilization of technology in building inspection and planning will address these key areas of need. Approval of the new Subdivision Ordinance and International Building Codes will greatly improve the City's ability to manage growth and maintain O'Fallon's high quality of life. This year's budget includes the consideration of a new Zoning Ordinance, which also will help to insure the City's growth is high quality and sustainable into the future. FY2005-06 also includes economic development planning for the revitalization of existing commercial areas and the development of new business opportunities.

The Planning and Zoning Department's software upgrades will improve building inspections and code enforcement. All inspection information will be automated and inspectors will have the ability to submit their reports wirelessly from the field.

Parks and Recreation

Last year's acquisition of property for the Family Sports Park is the highlight for the future of the Parks and Recreation Department. Development of the park, which consists of 204 acres, will continue in FY2005-06, including design, grant submittal, and preliminary improvements. The Parks and Recreation Department will continue to expand its programs and capacities. More than 100 new recreation programs have been introduced over the past two years.

Summary

Overall, this budget is healthy and meets the needs, goals and demands of the City in all service areas. O'Fallon is an exciting community and is doing a good job to balance the service demands of historic and new residential neighborhoods, regional shopping and interstate highway development, and newly growing centers of employment. The demands for resources in such a fast growing and diverse community are significant and pose significant budgetary challenges. While we strive to manage the growth in our community's infrastructure, we must also manage the growth and capacity of the organization to maintain the City Council's high performance expectations. The strong working relationship between City Council and staff in these areas has proven O'Fallon to be a special community.

I would like to acknowledge the hard work of the employees of the City and the special effort of the Management Team in programming and preparing this budget, particularly Finance Director Dean Rich and his staff. I would also like to thank the Mayor and City Council for their input that helped to formulate the goals and priorities around which this budget was programmed.

Respectfully Submitted,

Walter Denton
City Administrator

