



# MEMORANDUM

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**To:** Mayor and City Councilors  
**From:** Rich Olson, City Manager  
**Date:** February 16, 2015  
**Re:** Discussion – Fiscal Year 2015-2016 Pre-budget Discussion

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City staff has prepared a brief slide presentation for a pre-budget discussion during the Work Session. Last year, the City Council did not have a pre-budget work session due to the fact that most of our budget issues were discussed during the City Council's biennial planning retreat. Staff continues to update this presentation as information is received and will provide a handout during the Work Session.

For the last four years, I have stated that the upcoming budget year would be a challenge. For the first time in years, the City will start the upcoming budget year in the hole. The loss of \$240,000 in privilege license revenue, along with adjustments, which need to be made in Police Department wages, will be hard to overcome. All indications are that only moderate growth may occur in our sales tax revenues due to the new Thompson Thrift project. The building industry remains sluggish, but we do hope for a partial rebound during the upcoming year.

Unfortunately, we know that we will have an increase in our health insurance costs, but we hope to keep the increase down to 5 – 9%. There is little opportunity to issue new debt without raising property taxes; however, it is an excellent time to do so as interest rates continue to be low. There are a number of legislative issues, which could adversely affect the City. Most of the unknowns will not be known until late April or May – well after I submit my proposed budget to the City Council.

The primary purpose of the pre-budget discussion is to inform the Council of budget issues, opportunities, (which are few this year) and challenges. If you would like to propose a project or a program, staff will endeavor to work it into the budget, if possible. Unfortunately, after you receive a copy of my balanced budget, if something is added, something will need to be cut.

RCO/vdw