

November 12, 2007

To Persons Interested in the City of Hastings Budget:

This budget document has been prepared by City Staff and approved by the Mayor and City Council. The annual budget is the mechanism by which the City has established the Program of Service and priorities for the fiscal year. The City of Hastings budget meets all of the requirements set forth by the State of Nebraska Budget Act.

MULTI-PURPOSE DOCUMENT

The budget process and the subsequent adopted budget serve four purposes: planning, management, fiscal control, and communication.

Planning is the first and most critical element of the budget process. The Mayor and Council have the lead role in the planning phase by establishing service levels, directing new programs or projects, and setting priorities. Planning occurs throughout the year but is the central focus of the Mayor and Council's annual planning retreat. In the planning element, the key concerns of citizens represented by the Mayor and City Council are discussed, and the budget is laid out in respect to those concerns.

The management element is to direct the work of the City departments in conformity with the program of service established by the Mayor and Council.

Fiscal control is the use of the budget as a tool to measure the City's financial performance. The budget sets the financial road map for the year and provides the basis for evaluating revenue receipts and expenditures for conformity with the financial management plan.

After final adoption and printing, the budget document is available to the public, serving as a method of communicating to the public the City's annual financial plan and program of service.

The City of Hastings budget is heavily reliant on sales taxes to finance general government services and operations. We monitor sales tax proceeds and net taxable sales within the City on a monthly basis. In recent years, we have noted that our net taxable sales are experiencing the same rate of growth as neighboring cities. Several years ago a steering committee was formed to focus on ways that we as a community can build retail sales in Hastings.

The City's Comprehensive Land Use Plan is scheduled to be financed in this year's budget. This important document will be invaluable as we plan for the future growth of the community.

We continue to see a very good performance from the Aquacourt Waterpark.

We are fortunate that we as a community have much to offer in terms of educational opportunities, health care services, cultural and recreational activities, low crime rate, housing selections, and quality municipal services. Recent improvements in municipal facilities have only helped improve the quality of life in our community.

BUDGET DESCRIPTION

The budget corresponds to the accounting system used by the City. As a municipal government, the City practices fund accounting, which is the generally accepted accounting procedure for local government. The City budget is made up of individual fund budgets for each of the City's accounting funds. The General Fund is the general operating fund of the City and accounts for most City services and departments. The Street Fund, the Museum Fund, and the Landfill Fund also finance municipal services.

PROPERTY TAXES

The subject of property taxes is of interest to most citizens. In the State of Nebraska, the authority to levy property taxes has been granted by the Legislature to numerous governmental subdivisions. Persons who own property in the City of Hastings pay taxes to the taxing subdivisions listed on the following page:

- Hastings Public Schools (School District 18)
- City of Hastings
- Adams County
- Central Community College
- Little Blue Natural Resources District
- Educational Service Unit Number 9
- Community Redevelopment Authority
- Adams County Agricultural Society

There are four factors that affect the amount of taxes that each property taxpayer pays. These factors are the **tax requirement** established by each taxing subdivision, the **tax rate** and the **total assessed valuation** of the taxing subdivision, and the **assessed valuation** of a property owner's property. The taxing subdivisions listed above have different geographic boundaries, so the total assessed valuation of each taxing subdivision varies.

Taxes are paid to the Adams County Treasurer, who distributes the taxes to each taxing subdivision based on the subdivision's tax rate. The tax rate for the City of Hastings for 2007 is \$0.4728/\$100 of assessed valuation. The following chart shows the City's property tax rate for the past ten years. The tax rate for each taxing subdivision is computed by dividing the total property tax requirement for each taxing subdivision by the subdivision's assessed valuation.

CITY OF HASTINGS TAX RATES

Expressed as Cents/\$100 Value

<u>Year</u> <u>Tax</u> <u>Rate</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	.5136	.5313	.5043	.5418	.5405	.5365	.5278	.5295	.5111	.4728

HOW CITY PROPERTY TAXES ARE CALCULATED

The next section describes the several steps involved in calculating City property taxes. Property owners may wish to follow these steps to project their 2007 tax bills which are paid in 2008.

The calculation of property taxes involves multiple individuals and governmental entities. The actions performed by each are as follows:

1. The Adams County Assessor establishes a value for each parcel of property within the City. These values are summed to calculate the City's total assessed valuation. The total assessed valuation is certified to the City of Hastings. The 2007 total assessed valuation is \$967,300,310.
2. During the development of the Annual Budget for the City, the City Council determines the City's total tax requirement. This figure is approved with the adoption of the Budget and certified to the Adams County Treasurer. The 2007-2008 total tax requirement is \$4,573,065.
3. The City of Hastings tax rate is computed by dividing the total property tax requirement by the total assessed valuation. The tax rate is expressed in cents per \$100 of valuation. For 2007-2008, the tax rate computation is \$4,573,065 divided by \$967,300,310 times 100, which equals .4728. This is the City's tax rate.
4. Property owners' tax bills are prepared by the County Treasurer for all taxing jurisdictions (city, county, schools, etc.) and combined into one property tax bill that is sent to the property owner. The City portion of the tax bill is computed by multiplying the assessed valuation of the individual property by the City tax rate. For a \$100,000 home, the computation would look like this:

$$\mathbf{\$100,000 \text{ (value of home)} \times .4728 \text{ (tax rate)} / 100 = \$472.80 \text{ (City taxes)}}$$

A homeowner's tax bill will be higher than this because it will also include the taxes for the other taxing jurisdictions—schools, county, etc. This computation calculates only the City portion of the tax bill. The total taxes that will appear on a property owner's tax statement reflect levies from the following governmental units at the levy rates shown on the next page. This table represents property owners that are own property in the City of Hastings and are in the Hastings Public School System (District #18).

Adams County	\$0.32649428 per \$100 value
Agricultural Society	\$0.02791340 per \$100 value
Central Community College	\$0.08016100 per \$100 value*
Educational Service Unit Number 9	\$0.015392007 per \$100 value
City of Hastings	\$0.47276579 per \$100 value
Community Redevelopment Authority	\$0.02405044 per \$100 value
Hastings Public Schools (School District 18)	\$1.3299961 per \$100 value
Little Blue Natural Resources District	\$0.02905322 per \$100 value
TOTAL	\$2.30582624 Source: Adams Cnty Clerk *Hall County Clerk

Using the example of the \$100,000 house, the taxpayer's total tax bill would be \$2,305.83. Of this, the City will receive \$472.77 or 20.5%.

The next chart shows the total taxes requested by the City for the years shown above and the distribution of the tax dollars for specific municipal purposes. These figures represent the total property tax requirement of the City of Hastings.

DISTRIBUTION OF CITY PROPERTY TAXES					
YEAR	GENERAL FUND	MUSEUM FUND	DEBT SERVICE	CRA FUND	TOTAL
1998-99	\$1,385,744	\$350,480	\$1,354,648	(See Note)	\$3,090,872
1999-00	\$1,414,460	\$655,892	\$1,354,648	\$0	\$3,425,000
2000-01	\$1,414,460	\$655,893	\$1,783,130	\$0	\$3,853,483
2001-02	\$1,774,051	\$683,333	\$1,549,325	\$0	\$4,006,709
2002-03	\$1,774,051	\$682,240	\$1,555,428	\$0	\$4,011,719
2003-04	\$2,167,491	\$688,800	\$1,155,428	\$0	\$4,011,719
2004-05	\$2,732,267	\$727,936	\$883,862	\$0	\$4,344,065
2005-06	\$2,520,000	\$751,065	\$1,302,000	\$0	\$4,789,190
2006-07	\$2,520,000	\$751,065	\$1,302,000	\$0	\$4,573,065
2007-08	\$2,250,000	\$751,065	\$1,302,000	\$0	\$4,573,065

Note: CRA (Community Redevelopment Authority) taxes for 1998 and following years are certified to the Adams County Clerk by City of Hastings as required by law, since the CRA no longer has levy authority, but are not included in total City taxes.

The assessed valuation of the City of Hastings is determined by the Adams County Assessor. This represents the sum of all the property values in the City. The Assessor establishes a value for each individual parcel of property within the City and adds up the individual property valuations to calculate the total assessed valuation for the City of Hastings. Assessed valuation is frequently called

tax base. Generally speaking, as tax base increases and grows through new residential, industrial, and commercial development, the tax rate decreases. The following chart shows the City's assessed valuation for the past ten years.

**CITY OF HASTINGS
ASSESSED VAULTATION**

1998 - \$601,805,435
1999 - \$644,688,040
2000 - \$764,081,785
2001 - \$739,484,210
2002 - \$742,239,890
2003 - \$747,695,655
2004 - \$823,072,065
2005 - \$863,631,605
2006 - \$894,774,075
2007-\$967,300,310

As the assessed valuation increases, the City's property tax base is broadened allowing the property tax requirement to be spread over a larger base, which reduces the tax rate.

**FREQUENTLY ASKED QUESTIONS
ABOUT THE CITY BUDGET**

We at City Hall have compiled a list of questions that citizens frequently ask. If your question is not listed here, please call and we will provide the information to you.

Q. What is the largest single General Fund expense?

A. The business of the City is providing municipal services; thus, employee salary and wages are the City's largest expense. The Police Department is the largest department in the General Fund in terms of number of employees (53) and total departmental budget (\$3,598,327).

Q. What does the City do with Wheel Tax money?

A. Wheel Tax monies are deposited into the Street Fund of the City. Along with other Street Fund revenue sources, Wheel Tax funds are used for the operation and maintenance of the street system which includes paying salaries for Street Department employees and purchasing materials for street patching, filling potholes, right-of-way

mowing, snow removal, maintaining curbs and storm drains, cleaning and sweeping streets and municipal parking lots, traffic lights, signs and signals.

Q. What happens to the money the City gets from Keno?

A. The City's share of Keno proceeds is deposited into the Keno Community Betterment Fund. Because Keno is an unpredictable source of revenue, the City Council has chosen to save and accumulate the Keno proceeds during the current year and authorize expenditure of the Keno proceeds that were generated the previous year. By spending one year "in arrears", the Council can be assured that there will be sufficient Keno proceeds to cover the expenses approved.

Items that will be purchased using Keno Funds in this year's budget include: Police Patrol cars, Fire Truck down payment, Fire Hose equipment, Parks Boom truck attachment, Parks tractor, Computer servers for the Library, and community concerts.

Q. How does this budget compare to last year's

A. The total adopted budget for 2007-08 is \$33,111,983 as compared to \$33,209,084 for the previous year. A comparison of individual funds is shown on the chart on the next page.

Fund Name	2006-07 Budget	2007-08 Budget
General	\$11,822,293	\$12,367,527
Street	\$2,913,849	\$2,957,459
Museum	\$1,293,291	\$1,292,126
Community Development	\$349,519	\$349,519
Self-Insured Health	\$2,454,500	\$2,490,500
BAN/St. Construction	\$3,859,968	\$5,536,910
Debt Service Fund	\$1,865,999	\$2,038,858
Landfill	\$2,482,640	\$1,652,510
Cemetery Perpetual Care	\$68,562	\$83,562
BID Fund	\$54,500	\$54,500
MIRF Cigarette Tax Fund	\$4,000	\$1,094
Keno Community Betterment	\$518,145	\$657,452
Perpetual Housing Rehab.	\$109,000	\$103,000
Library Grant	\$105,000	\$120,000
Natural Disaster Fund	\$105,000	\$88,000
Econ. Dev. Rev. Loan Fund	\$201,000	\$415,686
Public Safety Grant Fund	\$782,824	\$136,043
Diversion Fund	\$15,000	\$20,507
Pioneer Spirit Trail Fund Phase II	\$243,368	\$243,342
Aquatic Center Fund	\$1,762,450	\$1,045,000
Airport Fund	\$808,442	\$401,141
Police Equipment Sinking Fund	\$679,734	\$667,247
South Landfill Cap Fund	\$40,000	\$40,000
Park Grant Fund	\$370,000	\$350,000
TOTAL	\$33,209,084	\$33,111,983

Q. Where in the budget can I find the Lied Super Screen Theatre ticket money, and what does the City do with this money?

A. Proceeds from Lied Super Screen Theatre ticket sales and admission charges to the Hastings Museum are a revenue source to the Museum Fund. Both of these revenue sources provide operating capital to the Museum Fund which is used to cover costs associated with the Museum and Lied Super Screen Theatre such as salaries, utilities, supplies, maintenance, film rental and royalties, and repayment of loans incurred for start-up costs not covered by the donations made during the fund drive. Property taxes are also used to support the Hastings Museum.

Q. What is the City's bonded debt, and where does the City get the money to make debt payments?

A. Funding for the City's Debt Service is provided from property taxes and from special assessment payments for water, sewer, and/or paving projects that were constructed by the City. The following table shows the City's bonded debt as of 10/1/2007, the beginning of the 2007-2008 Fiscal Year.

Bond Issue	Original Principal Amount	Outstanding Principal Amount
2002 Refunding Bonds #1	\$1,840,000	\$1,035,000
2002 Refunding Bonds #2	\$2,340,000	\$1,830,000
2003 Refunding Bonds	\$1,475,000	\$590,000
2003 B Refunding Bonds	\$4,130,000	\$2,845,000
2003 Lochland General Obligation Bonds	\$610,000	\$530,000
2004 Various Purpose Bonds	\$1,875,000	\$1,675,000
2003 Westbrook Bonds	\$520,000	\$470,000
2006 Various Purpose Bonds	\$1,250,000	\$1,250,000
2006 Refunding Bonds	\$2,185,000	\$1,955,000
Total	\$16,225,000	\$12,180,000

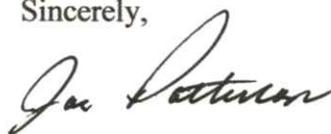
Source: City Treasurer

Total special assessment principal receivable is \$1,218,012.25. This does not include an average of 6.50% per annum interest on declining balance towards the assessments. Some of these assessments have completed their 15-year payment schedules while others are just beginning in 2007 and will run 15 years. The total debt in principal owed by the City of Hastings is \$12,180,000 compared to \$15,025,000 last year. It is important to note that last year the City paid off the Waterpark debt with the now retired \$0.005 Sales Tax issue.

ADDITIONAL INFORMATION

I hope this information was helpful to your understanding of the budget process and the budget document. Your comments and feedback are welcome and encouraged. To share your views or to obtain additional information, please don't hesitate to contact me. I can be reached by phone at 402-461-2318 or by e-mail at jpatterson@cityofhastings.org. I invite you to learn more about the City of Hastings by visiting our website at www.cityofhastings.org. As always, I welcome any suggestions or concerns you may have.

Sincerely,



Joe Patterson
City Administrator