



The reduction to 4.5% in 2008 resulted in a loss of revenue of nearly \$180,000. Besides LGA and property taxes, revenue is also generated from other sources including: fines and forfeitures, licenses and permits, interest earnings, franchise fees, and other charges for service. Opportunities to increase revenue were applied as appropriate, but when offset with the cut in LGA and franchise fees, the result was a loss of revenue of .17% in the coming year.

Budgeted expenditures in the General Fund also translate to a .17% decrease from the previous year, despite a budgeted wage increase of 2% and an anticipated 17% increase in health insurance. The two largest line items that were reduced in the coming year were professional services and the completion of the Katherine Island stabilization and bridge replacement project.

Overall, the City of Albert Lea's General Fund results in a balanced budget. The following chart compares departmental revenues and expenses with the previous year as well as the percentage change:

<b>GENERAL FUND</b>					
	<b>Budget 2008</b>	<b>Percent of Total</b>	<b>Budget 2007</b>	<b>Percent of Total</b>	<b>Percentage Change</b>
<b>Revenues</b>					
Property taxes	\$4,250,000	29.62%	\$3,900,000	27.13%	8.97%
Other taxes	1,765,000	12.30%	1,760,500	12.25%	0.26%
Licenses & permits	300,785	2.10%	261,000	1.82%	15.24%
Intergovtl revenue	6,312,331	43.99%	6,846,501	47.63%	-7.80%
Charges for service	595,869	4.15%	506,012	3.52%	17.76%
Fines and forfeits	110,000	0.77%	118,000	0.82%	-6.78%
Miscellaneous	1,014,985	7.07%	981,010	6.83%	3.46%
<b>Total revenues</b>	<b>\$14,348,970</b>	<b>100.00%</b>	<b>\$14,373,023</b>	<b>100.00%</b>	<b>-0.17%</b>
<b>Expenses</b>					
General government	\$1,596,980	11.13%	\$1,612,461	11.22%	-0.96%
Police	3,665,260	25.54%	3,428,075	23.85%	6.92%
Fire and inspection	1,828,840	12.75%	1,785,787	12.42%	2.41%
Public works	2,860,119	19.93%	3,004,006	20.90%	-4.79%
Parks and recreation	2,572,810	17.93%	2,430,205	16.91%	5.87%
Library	880,085	6.13%	929,911	6.47%	-5.36%
Community develop	255,346	1.78%	270,428	1.88%	-5.58%
Debt service	89,530	0.62%	112,600	0.78%	-20.49%
Transfers-other funds	125,000	0.87%	338,750	2.36%	-63.10%
Miscellaneous	475,000	3.31%	460,800	3.21%	3.08%
<b>Total expenses</b>	<b>\$14,348,970</b>	<b>100.00%</b>	<b>\$14,373,023</b>	<b>100.00%</b>	<b>-0.17%</b>

In regard to the City's reserve balance, the mid year (07/07) unreserved fund balance is \$8,064,682. The State Auditor's Office recommends maintaining reserves equal to at least half of next year's budgeted expenditures. The 2008 proposed budget has expenditures of \$14,348,970. Therefore, our reserves continue to be within guidelines proposed by the State.

In the Enterprise Funds, we have budgeted for a three percent increase in the sewer fund and a four percent increase in the water fund. The Mayor and City Council have supported the staff's recommendation to apply a small increase each year over the next five years to provide the necessary funds for operation, yet maintain a reasonable increase to the consumer. This strategy will result in a positive balance for both accounts over the next several years. The City of

Albert Lea continues to rank in the lower to mid tiers for water and sewer rates within a three-state region.

The Solid Waste Management Fund is budgeted to expend over \$178,000 in the next year. This translates into more than a \$70,000 loss with current revenue projections. The City is preparing to implement several new strategies to reduce this gap. The hours of operation have been reduced, persons living outside the city limits that utilize the facilities, will be charged a higher rate to dispose of trash, and a compost sticker will need to be obtained at a separate fee for users of this service. The Office of the State Auditor will continue to monitor the financial statements of this enterprise fund and require additional changes if necessary.

The Parking Fund is budgeted to balance, with an increase in the cost to provide snow removal, street sweeping, striping, lighting and maintenance of parking areas.

**ENTERPRISE FUNDS**

	Budget 2008	Budget 2007	Dollar Change	Percentage Change
Water Fund				
Revenue	\$1,703,800	\$1,582,800	\$121,000	7.64%
Expenses	1,695,973	1,580,091	115,882	7.33%
Sewer Fund				
Revenue	4,030,000	3,866,150	163,850	4.24%
Expenses	3,973,048	3,878,503	94,545	2.44%
Solid Waste Mgmt Fund				
Revenue	107,500	107,500	0	0.00%
Expenses	178,330	172,840	5,490	3.18%
Parking Fund				
Revenue	66,495	61,810	4,685	7.58%
Expenses	66,495	61,810	4,685	7.58%

Overall, there is minimal change to the operating budgets of both the general fund and enterprise funds between the 2007 and 2008 budget years. All departmental budgets and Funds identified within the budget have a detailed description and justification on file with the Director of Finance. The City Council, employees and public are welcome to review the information, which is available upon request.

It has been a privilege and pleasure to work with the Council and staff on preparing the 2008 Proposed Budget. I am confident that the budget is a good representation of the direction that the citizens of Albert Lea have expressed they wish to go, as well as a responsible plan for City Council to adopt and for the staff to follow. It will be both a challenge and a reward to meet the expectations.

Respectfully Submitted,



Victoria Simonsen  
City Manager