



MEMORANDUM

TO: Mayor Smith and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: Major and Local Street budget projections

DATE: January 20, 2012

Elsewhere in the agenda packet you will find budget projections for the major and local street funds. These were prepared by incorporating trend information for maintenance operations and estimated costs for preventive maintenance projects such as the cold-in-place recycling or mill-and-fill method that DPW Director Schoonover has used in recent years. In the case of these preventive maintenance projects, the cost averages about \$300,000 annually for the five years of the projection.

No funds were included for addressing major reconstruction projects on streets that have deteriorated beyond the point at which preventive maintenance would be effective.

Based on this analysis, we conclude that the projected spending would result in an accumulated deficit between the two funds of nearly \$1 million at the end of the 2017-18 fiscal year. Even though debt for a 2001 bond issue of \$775,000 for street improvements is retired in the 2016-17 fiscal year, this frees up just \$75,000 annually.

The challenge, of course, is that our ability to offset these looming deficits with appropriations from the general fund has been diminished by the continuing reductions in revenues from key sources. Cost cutting has been insufficient to both balance operating budgets and expand capital investments.

That is the challenge we will be discussing on Monday. Finance Director Christine Mossner and DPW Director Schoonover will be in attendance to provide additional information.