

NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:

NTF ANALYSIS OF THE CITY OF OMAHA FY 2023-2024 GENERAL FUND BUDGET: THE GOOD, THE BAD, AND THE UGLY.

BACKGROUND. The annual budget for the City of Omaha steadily increases for several reasons. The city is expanding and requires additional infrastructure, services, and personnel to handle civic obligations. Economic factors like inflation pertaining to employment have caused wage and benefit increases to accelerate. The cost of contracts, supplies, and equipment also has spiked owing to inflationary pressures. Federal and state mandates force budget increases. Notwithstanding the above, the city administration could lower budgetary pressures by eliminating or cutting non-basic city services and utilizing privatization and outsourcing. The City of Omaha represents about 21% of a total property tax bill.

THE GOOD. One city objective is to recover the full cost of providing city services (p. 11). The city actively solicits private and corporate matching funds for city projects. It seeks the lowest cost for banking services and attempts to gain the highest interest payments and least risk for city investment of surplus funds (p. 12). (But see p. 129). An outside accounting firm audits the city finances annually. The city prepares its budgets according to the accrual basis of accounting, so that taxpayers can examine revenue and expenditures in the same time frame. Expenditures set in the accounting period in which the fund liability incurred. The total amount of general obligation bonds outstanding at any time does not exceed 3.5% of the total actual value of taxable real and personal property (p. 13). The general obligation debt margin set at \$500,000 less than the current fiscal year margin (p. 23). The city has a very good general obligation bond rating. The Standard & Poor's AA+ rating is of high quality and sets immediately below the AAA ranking. The city Moody's AA2 rating is the third-highest long-term credit rating that Moody's assigns to high-quality fixed-income securities with very low credit risk (p. 220). Sales and use taxes predicted to rise by 11%, the restaurant tax by 12%. Total revenue would increase by 7% (p. 16). Funding needed for the city stadium fell by over \$814,000 (p. 30). The Cash Reserve would boost by 29%, over \$8 million more for a rainy day fund (p. 31). Likewise, the contingency liability fund would increase by 42%, or almost \$14 million more. The Judgement Fund would increase by about 12% (p. 34), all these funds flush to pay for unexpected emergencies. Payments in lieu of taxes would increase by 4% (p. 114). The General Fund budgets for Police, Fire, and Public Works by percentage total less, however, expenses would necessarily increase (p. 139). In the current employment market, it is difficult to recruit first responder personnel because of a "defund the police" mentality and public indifference. Additional police recruits added because of a greater number leaving police employment here and city expansion. Future planned infrastructure projects also require additional employees. Most of the additional employees are for Police, Fire, and Public Works divisions (p. 179). More employees in the Library Division for library facility expansion and plans for a new library building (p. 180). Several departments decreased use of part-time and seasonal workers and cut overtime hours. A few departments cut regular staff, e.g., Law Dept. (p. 201), some through attrition. Every division of the Finance Dept. increasingly uses direct purchase orders instead of paper vouchers to electronically route and approve documents. The percentage of department electronic payments is increasing to reduce the number of checks written (p. 236). Several departments like the Police and Fire Depts. actually cut costs while increasing needed expenditures in other areas (pp. 249, 290). The Parks Dept. saved \$\$ in several areas and ended Special Events (p. 306). Retiree Supplemental Pension costs have decreased substantially (p. 444). Same with retiree supplemental costs (p. 445). The 2024 budget also does not utilize the 3.5c levy increase approved by voters in 2020 to fund the \$200 million road repair and rehabilitation program.



THE BAD. The budget claims that the city actively opposes state legislation that imposes mandated costs to the city without providing a revenue source to pay for these costs. Yet, at a legislative hearing this session, no city official testified for LR 1CA, which would have required the state to pay for these unfunded or underfunded mandates (p. 11). The Miscellaneous Budget Account would increase by 58% (p. 16). This fund accounts for 8.9% of the total general fund budget compared to 6.1% in the current fiscal year (p. 139). The telephone occupation tax probably fell because of increased cell phone use (p. 28) and fewer landlines to tax (p. 126). Vehicle taxes would drop slightly (p. 124). The costs for ongoing operation and maintenance of the Bob Kerrey Pedestrian Bridge would rise by 61% (p. 46). The expected rate of interest for investments pegged at only 1%, far below the inflation rate and a dismal return in this economy (p. 129). The mayor padded her staff by hiring a homeless services coordinator and community street outreach staffer (p. 185). A prime example of where to cut non-basic services is in the Human Rights & Relations Dept. Unnecessary are the education, outreach, advertising and marketing, community advocacy, and the equity and inclusion (Critical Race Theory)

elements. Also not germane to city government is the expansion of this division establishing relationships with local school districts and delivering “civic training and citizenship education” to youth (p. 211). Also unneeded are the increased number of economic equity and inclusion plans mandated for businesses (p. 214). The Planning Dept. should not be constructing new homes (p.249) in competition with the private sector. Fire Chief Administration personnel costs would rise by over 166% (p. 283). Too much personnel funding spent on employee overtime, e.g., Parks Dept. (p. 310).



Ending nonessentials would save over \$215,000 in employee salaries in its Public Awareness Division (p. 314). There is \$350,000 appropriated from the contingency account in the General Fund. This outlay makes \$50,000 available for each City Council member to allocate. If funds not allocated, they will become available for contingencies. This sum was a much lower \$10,500 in the FY 2023 budget (p. 466). Starting salaries for new police officers will not only be the highest in Nebraska but also higher than in all comparable cities, rising from \$51,000 to \$71,000 a year.

Perhaps a ploy to gain police union support in the 2025 mayoral election. The administration leased administrative library space instead of joining it with the new library on 72nd street, which means additional future appropriations. Unwarranted is a \$1.6 million hike in funding for the NE Humane Society and \$100,000 for Lauritzen Gardens. Private donors can adequately fund both.

THE UGLY: STREETCAR NOT DESIRED. The budget allocates \$147,335,000 for capital expenditure construction and procurement-related expenses for the streetcar plan (p. 381). The recommended FYs 2024-2029 Capital Improvement Program (CIP) includes \$306 million for the streetcar. In the city contract, if TIF does not fully fund streetcar expenses, as the administration pledges, city taxpayers must pay these burdensome costs, because no one else guarantees the bonds. The legal contract reads that the city will repay the bonded indebtedness with TIFs “...and other sources of funds if necessary.” (Sec. 2 A).

PROPERTY TAX RELIEF? The budget offers a property tax cut of 1c per \$100 valuation, or 2.13%. This decrease would total only \$30 on a \$300,000 house, barely a dinner for 2 at a local restaurant, not counting the restaurant tax (p. 19). Note that county property valuations have risen by about 10.2% (p. 123). The city property tax totals 26.8% of the General Fund budget and would increase by 8.5%. The city sales tax totals a larger percentage, 43.3%, increasing by 7.31% (p. 125). So, eliminating several non-basic expenditures like the streetcar blunder would allow for a larger property tax cut (pp. 113-114). An owner of a \$266,500 home will pay \$1,224 in city property taxes, not factoring in the valuation hike.

NTF SUGGESTIONS.

- Grant funding is decreasing, so the city should redouble its efforts to secure grant monies (p. 16).
- Eliminate the Destination Marketing Corporation, costing \$2.9 million next fiscal year, a \$1.2 million hike (p. 52).
- End tourism awards and restaurant week in the Tourism Dept. (p. 330).
- Privatize the printing and graphics services, as the city and county apparently cannot agree on joint appropriations (p. 96).
- Save \$401,000 by eliminating the Parks Dept. Public Awareness division and its use of social media (p. 312).
- End longevity pay.
- Require employees to pay a larger sum for their health insurance and pensions.
- Centralize GIS employees in one division (p. 340).
- Use interlocal agreements to purchase equipment and supplies.
- Privatize vehicle maintenance and municipal parking garages and outdoor work like landscaping.
- Privatize compost operations (p. 392) and sludge disposal (p. 409).
- Privatize laboratory services (p. 410).
- Eliminate several programs from the Library Dept.: community engagement services like providing library materials to nursing homes, hospitals, and seasoned citizen residents (p. 433).
- Eliminate many of the community programs, an ever more costly category. Examples: Victory Boxing Club, Truancy Prevention Program, Rejuvenating Women, Mentor Nebraska, Set Me Free Project (pp.450,452).
- Eliminate the \$4.5 million funding pledged to UNMC (p. 454).
- Stop membership dues, now totaling \$117,600, in several organizations (p. 459).
- Require annual zero-based budgeting in every division and every department. Subtract excess funds from following year appropriations.

- Merge city and county services, e.g., roadway construction, reconstruction, and maintenance.

TAKE ACTION NOW. With inflation and uncertainty in the economy, the City of Omaha budget will continue to climb incrementally or drastically, unless the budgeting process changes. Both the mayor and city council must scrutinize spending during each fiscal year and find personnel and non-personnel places where cuts or eliminations are actionable. Then mayor and council must work together to trim the budget ongoing. City officials must negotiate hard on union contracts and closely examine where privatization or outsourcing could save taxpayer dollars. Demand that elected city officials concentrate on funding basic city services like police, fire, and public works infrastructure and defund non-basic services too often used to solicit votes from specific city populations. Using the information above, lobby the mayor and your city council member to rein in spending and lower the property tax levy to factor in higher valuations. See contact information below and join our *NTF City Watch Project*.

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Agenda and Meeting Information: 402-444-5520 City Council meets at 2 PM every Tuesday in the Legislative Chambers.

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 Click on opinion tab to offer your opinions.
 Click on Mayor's hotline to request services, report issues, or make a complaint.

