

City of Spirit Lake

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May 1, 2009

Mayor Andera and City Council Members:

Presented herein is the City of Spirit Lake Certified Budget for FY 2009/2010. This budget represents the recommendations of the City Administrator and the policy objectives of the Council.

The FY 10 Budget represents a “maintenance budget” for the fiscal year, in recognition of the national and local economic difficulties. The Budget holds the tax levy at the current rate, in spite of instituting a debt service levy for the first time in many years. To make this happen, various operating levies were reduced which will limit our resources for on-going operations. The Council felt that this course was preferable, given the economic decline that is also affecting Spirit Lake.

The Budget maintains existing services with restrictions in growth. City administration will need to be flexible to meet the ongoing demands for service with more limited funding. Maintaining the current tax levy rate and service levels, in the face of increasing costs, is possible due to our progress in addressing the City’s challenging financial position. The City will need to be prepared for potential reductions in State funding and other revenues due to the economy. Fund balances have been increased over the past two years, which will now be used to a small extent to absorb cost increases and revenue losses.

In FY 10, expenses and transfers out are \$15.7 million and total revenues are \$15.6 million. Expenses are reduced from the prior year. The tax levy rate is \$10.544 per thousand dollars of taxable valuation.

Next fiscal year, the Water Treatment Plant expansion project will near completion. 19th Street next to the Courthouse will be reconstructed, and the City will begin the installation of infrastructure in the Pointe of Pines, Second Addition development area. In addition, the City is planning for further improvements in existing streets, in various storm drain systems, and facilities. Addressing current deficiencies in this infrastructure is a prudent course of action. The City will also continue the practice of short-term internal financing of projects. This is one of our strategies to reduce the City’s debt.

FY 10 Budget Message

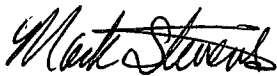
The City also has budgeted small amounts to address some street repair projects, drainage improvements, and extension of water lines. Other maintenance projects are also anticipated. The Council has allocated funds for design work on a number of larger projects that are planned for the future. These include major street and park improvements, drainage system upgrades, and utility extensions. If federal or other funding becomes available, these projects will be ready to start on a short time frame.

While no funds are specifically budgeted, the City anticipates that the Great Lakes Golf Resort project will commence this summer. In a few short years, this project will substantially increase the City's tax base and improve the commercial vitality of the community. The City will closely watch construction activity to ensure that it follows sound environmental practices. This project will not be subsidized by the City. However, growth will require a limited increase in future City expenditures for public services. New tax revenues should pay for this increase.

In spite of the current economic problems, the future of Spirit Lake is bright. We have tremendous environmental, cultural, and public and private assets that make this community one of the finest in the upper Midwest. It is our duty to protect these assets while benefiting from their use.

The Council and City administration have worked closely together on policy issues and the development of this Budget. The coming year presents challenges and opportunities as we strive to improve our financial condition yet meet the needs of City residents.

Sincerely,



Mark Stevens
City Administrator