



December 22, 2017

Honorable Mayor and Board of Aldermen:

I am pleased to present the City of Osage Beach's operating budget for FY2018. The **FY2018 Operating Budget totals \$28,571,180** in expenditures and includes the City's Governmental Funds, Enterprise Funds, and Component Units. The City's Governmental Funds include the General Fund, the Transportation Fund, and the Capital Improvement Tax (CIT) Fund. The City's Enterprise Funds consist of the Water Fund, Sewer Fund, Ambulance Fund, and both airport funds, the Lee C Fine Fund and the Grand Glaize Fund. The City's Component Units include the Prewitt's Point Tax Increment Financing (TIF) Fund and the Dierbergs Tax Increment Financing (TIF) Fund. The City's operating budget is a spending plan that outlines expenditures and specifies the funding of the expenditures. The expenditures reflect the priorities of the City to deliver superior services to our community while preserving financial reserves.

FY2018 Operating Budget - All Funds

Cash & Equivalent Balance	
January 1, 2018	\$18,434,772
<i>Restricted - Fund Reserves</i>	7,628,891
<i>Restricted - Other</i>	7,426,991
<i>Unrestricted</i>	3,378,890
Total Revenues	\$24,606,394
Personnel	7,008,566
Operations & Maintenance	7,881,204
Capital Expenditures	4,661,870
Debt Service	6,434,540
Transfer to Other Funds	2,585,000
Total Expenditures	\$28,571,180
Cash & Equivalent Balance	
December 31, 2018	\$14,469,986
<i>Restricted - Fund Reserves</i>	6,094,398
<i>Restricted - Other</i>	7,418,692
<i>Unrestricted</i>	956,896

Funding for the FY2018 expenditures takes into account prior year appropriations not expended at fiscal yearend, as authorized by Missouri Statutes, in addition to revenues budgeted for FY2018. The overall January 1, 2018, beginning Cash & Equivalent Balance of \$18,434,772 includes prior year

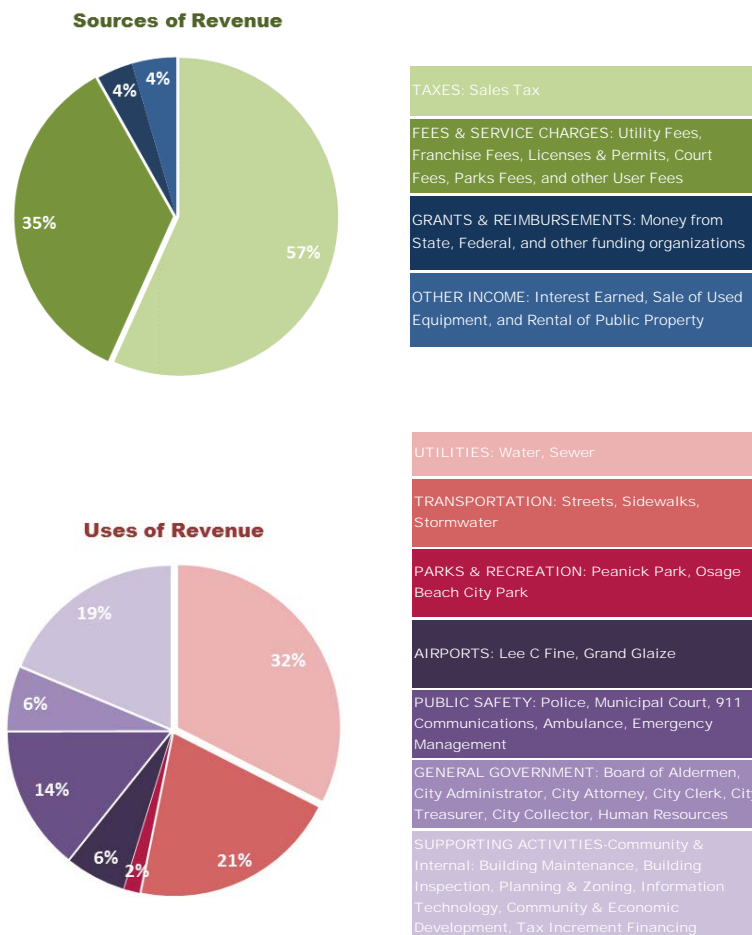
appropriations not spent as of December 31, 2017, in addition to monies projected for reserves and any unrestricted monies available for spending.

The City is committed to maintaining sufficient reserves as reflected in the City of Osage Beach Reserve Policy dated December 1, 2016. This policy establishes target levels of Fund Reserves specific to each fund. The overall December 31, 2018, yearend Cash & Equivalent Balance of \$14,469,986 has allocated funds of \$6,094,398 for Fund Reserves per the Reserve Policy, \$7,418,692 for other restricted funds as dictated by bonding regulations or other State or Federal requirements, and \$956,896 for unrestricted monies available for spending. Each fund's restricted and unrestricted budgeted yearend balances are outlined in the details within the FY2018 Operating Budget enclosed.

The FY2018 Operating Budget is divided into numerous departments and fund budgets, allocating resources to deliver the highest level of service to the community. It depicts the accounting details, the revenue and expenditures, of each department and fund. Another useful way to view the budget is by depicting the specifics not by accounting details but rather by category of sources and uses of revenue, for example, transportation, parks and recreation, or by public safety as a function of service to the community.

The following is an aggregate synopsis by function of the FY2018 Governmental and Enterprise Funds as budgeted to further show where the City's money comes from and where the City spends money. The Component Units (TIF Funds) and transfers between the other funds are excluded to accurately depict total sources and uses of revenue. TIF Fund revenues are flowed through the Governmental Funds to each specific TIF Fund. Transfers between funds represent the movement of money from one fund to another fund for subsidy purposes for specific expenditures, within legal perimeters.

FY2018 Budgeted Revenue Sources and Uses



FY2018 REVENUE

Total FY2018 sources of revenue to support the City's Governmental Funds, Enterprise Funds, and Component Units is budgeted at \$24,606,394, 5.1% less than projected in the previous FY2017 budget. The grants and reimbursements from other funding sources show the largest projected decreases in FY2018 versus FY2017. Grants and reimbursements are directly related to specific operating capital or capital expansion projects and in FY2017 those specific projects were completed.

Sales tax and fees and service charges, the two largest sources of revenue for the City overall, are projected to increase in FY2018 over FY2017 by 2.1%.

FY2018 EXPENDITURES

FY2018 total budgeted expenditures for the Governmental Funds, Enterprise Funds, and Component Units is \$28,571,180, 6.3% less than the FY2017 budget. FY2017 total actual expenditures are estimated to come in at 7.6% under budget at yearend, December 31; however, a portion of that represents various capital projects, more than \$1.6 million, that were not completed in FY2017 and are carried over into the FY2018 budget. These are mainly transportation projects. Net of the FY2017 carried over projects, FY2017 actual expenditures are estimated to come in at 2.4% under budget at yearend, December 31. With FY2017 expenditures under budget and a decrease in spending projections in FY2018, the city was able to add more funds to the reserve banks.

In addition to comparing uses of revenue by categories, an overall look at personnel and operations and maintenance expenditures can be of importance as these are ongoing expenditures to the City within all funds and all departments. FY2018 personnel and operations and maintenance expenditures are budgeted at 8.2% more than FY2017 budget. Much of the increase is contributed to operations and maintenance and this is due to several large, one-time maintenance projects in the Transportation Fund. These maintenance projects represent nearly \$1.0 million in sealcoat and asphalt overlay expenditures that won't be repeated for a few years.

City Debt:

Total outstanding principal for all City debt as of December 31, 2017, is \$28,011,313; totals payments in the amount of \$4,087,721 were made in FY2017.

The City's debt consists of obligated bonded debt of \$16,900,000 of Water and Sewer Revenue Bonds pledged with future utility customer revenues and capital improvement sales tax collection. Bond principal payments in FY2018 are projected to be \$2,505,000 leaving a projected balance of obligated bonded debt as of December 31, 2018, of \$14,395,000. The payoffs of these bonds are at various dates beginning in 2022 and ending in 2027.

Holding limited obligation to the City, the Prewitt's Point tax increment bonded debt outstanding balance as of December 31, 2017, is \$11,055,000. These bonds financed roads and water and sewer infrastructure in the Prewitt's Point redevelopment area and are payable solely from bond proceeds, payments in lieu of taxes, economic activity tax revenue, and monies from the debt service reserve fund. Debt service on these bonds cannot exceed the life of the redevelopment area which expires May 1, 2023. Bond principal payments in FY2018 are projected to be \$1,750,000 leaving a projected balance of limited bonded debt as of December 31, 2018, of \$9,305,000.

In addition, the City has an estimated outstanding debt obligation of \$56,313 as of December 31, 2017, for the FY2015 purchase of a new ambulance. Total financed in FY2015 was \$141,995. This is a five year note with a scheduled FY2019 maturity.

FY2018 CAPITAL PROJECTS AND PURCHASES

Capital expenditures for FY2018 are budgeted at \$4,661,870 and include necessary items to meet expansion goals of the City. The list below indicates the major capital expenditures included in the FY2018 budget. The specific fund budget and the revenue source for each stated project is included.

FY2018 Major Capital Expenditures		
<u>Capital Expenditure</u>	<u>Appropriation</u>	<u>Fund / Revenue Source</u>
Taxiway Reconstruction Ph 2 Engineering	\$140,000	Lee C Fine Airport Fund / Fees & Service Charges, Grants & Reimbursements
Dorothy Lane (OBSRD Project)	\$150,000	Transportation Fund / Grants & Reimbursements
Tan-Tar-A Lift Station Improvement	\$185,000	Sewer Fund / Fees & Service Charges, Other Income
Mace Rd Ph 2 Engineering	\$225,000	Transportation Fund / Sales Tax, Other Income
Columbia College Water Tower Painting	\$260,000	Water Fund / Fees & Service Charges, Other Income
Grand Glaize Airport Seal Coat/Hold Sign Construction	\$264,234	Grand Glaize Airport Fund / Fees & Service Charges, Grants & Reimbursements
Dude Ranch Sidewalk/Trail	\$446,728	Transportation Fund / Sales Tax, Other Income
New Water Well	\$620,000	Water Fund / Fees & Service Charges, Other Income
Mace Rd Ph 1 Construction	\$930,733	Transportation Fund / Sales Tax, Other Income, Grants & Reimbursements

Other capital projects worth noting include new bleachers at Peanick Park, two new radar units and four new mobile terminals for the Police Department, installation of a new storm siren on State Route KK, and various street and sidewalk improvements. Each of these projects, although individually not as costly as those listed above, provides vital upgrades to services within our community.

BUDGET PROCESS

The City's fiscal year (FY) is a calendar year, January 1 – December 31. Upon the completion of the July Financial Statements in early August, the department managers were given budget request forms. These forms were completed and submitted to me with budget requests for the upcoming year along with estimated expenditures for the remainder of the current year. I projected and calculated the revenue and beginning balances for the upcoming year. Meetings with the department managers were held and adjustments were made based on revenue projections, cash flow calculations, and priorities set by the Mayor and Board of Aldermen to ensure a balanced budget would be presented for adoption. A balanced budget is required by State Statutes and is when expenditures do not exceed projected revenue sources and cash availability.

FY2018 Operating Budget Draft #1 was presented to the Mayor and Board of Alderman in October and four public budget workshops with the Mayor and Board of Aldermen, department managers, and the City Administrator were held. Budget work sessions allow department managers to present and explain their budget sections to the Mayor and Board of Aldermen and allow the Mayor and Board of Aldermen an opportunity to provide input, ask questions, and provide further direction as it pertains to the spending program of the City.

The Budget Workshops netted changes to draft #1 and FY2018 Operating Budget Draft #2 was submitted to the Mayor and Board of Aldermen for consideration to adopt; the first reading was held at the regularly scheduled Board of Aldermen meeting on December 7, 2017 and the second and final reading at the December 21, 2017 regularly scheduled Board of Aldermen meeting. A public hearing preceded the first reading with both readings passed unanimously. Per State Statutes, the budget must be adopted by ordinance prior to the implementation on January 1.

HIGHLIGHTS OF FY2017

During FY2017 the City completed numerous capital projects, investing nearly \$5 million into the community, promoted economic and community development, and improved upon internal operations. The following are major capital investments that were completed or substantially completed in FY2017.

- Lee C Fine Airport Taxiway Ph 1 Reconstruction was completed in FY2017. This is phase 1 of 2 phases. Engineering for phase 2 has begun with construction to begin in FY2019.
- The final phase of the Nichols Road reconstruction from the Nichols overpass to Osage Beach Parkway was completed in the spring of FY2017 with a ribbon cutting ceremony held in May.
- Both the east and the west end of the Osage Beach Parkway was restriped in late FY2017.
- Sands Lift Station upgrades were substantially completed in FY2017. This work has been done inhouse saving the City thousands of dollars in outside services and includes pumps, piping, electrical, etc.
- The Water Master Plan was updated in FY2017 providing the City with a plan for defining and prioritizing our resources and infrastructure.
- Medic 8 received a new power load system to assist ambulance personnel in patient loading and unloading.
- Two new police vehicles were purchased to replace aging patrol vehicles.
- The Peanick Park dugout roof project was completed along with fencing upgrades and a new playground made possible through the LWCF Grant.
- The Parks Department received a new tractor with several attachments, in addition to a few replacement equipment pieces, to enhance park and ballfield maintenance.
- After an unexpected turn of events in late FY2016 and carried over into FY2017, City Hall's HVAC ground source heat pump system was replaced with a high efficiency heat pump system. The installation of the new system was completed in FY2017, it uses natural gas, and is expected to be more efficient; saving the City money and resources.

City efforts in economic and community development are diverse and in FY2017 those included assisting developers with project planning, incentive program design and maintenance, infrastructure development, event support, enhancement to quality of life through community activities and investments to our parks, public safety, marketing, and promotion of tourism, along with activities which embrace a regional approach through our partnerships with our other community groups including active involvement with LOREDC (Lake of the Ozarks Regional Economic Development Council) and LOCLG (Lake of the Ozarks Council of Local Governments). The following are activities, accomplishments, or milestones met in FY2017 regarding our works in economic and community development.

- Arrowhead TIF – Broke ground in FY2017. This is a pay-as-you-go, \$385 million, 226-acre, 8 phase development, including a 120,000-square foot assisted living and skilled nursing facilities, various retail, entertainment, and residential components. Phase 1 and 2 are in progress.
- Osage Beach Commons TIF – Approved in FY2017. This is a pay-as-you-go, \$30 million, 13-acre, retail development. Demolition of the existing structures is currently taking place with construction of public improvements to begin in 2018 and stores opening in 2019-20.
- FY2017 construction value permitted in the city was \$28.1 million, nearly 2.4 times that of FY2016.
- The City participated with LOCLG's Economic Development Advisory Committee in completion of the CEDS (Comprehensive Economic Development Strategy) as required by the Missouri Department of Economic Development.
- The City actively participates with LOREDC's Housing Task Force Committee in implementation of the Housing Study completed in late FY2016.

- The City has increased community engagement through multiple Facebook pages, twitter feeds, and a newly upgraded website with better citizen engagement features.
- The City has continued community advertisement both locally and in the Kansas City and St. Louis markets through cooperative advertisement agreements with Tri County Lodging Association, to enhance the promotion of the City.
- Through application to the Board of Aldermen, the City supported four events in FY2017 through its Community Event Support Funds; Firefighters Combat Challenge, Lake Race – Festival of Speed, Bike Fest, and Aquapalooza. The funds are set aside to be awarded to support events that bring visitors, trade, and business into the City.
- The following are all the City sponsored community events held in FY2017:
 - The 22nd Annual Polar Bear Plunge, 16th Annual Polar Bear Strut, 11th Annual Super Plunge, 3rd Annual Pee Wee Plunge, and Cops on Top for Special Olympics
 - 20th year in operation - Waste Oil Recycling Program
 - 17th Annual Osage Beach Fall Festival
 - 12th Annual White Goods Recycling Event
 - 9th Annual City-Wide Garage Sales
 - 9th Annual Controlled Deer Hunt
 - 6th Annual Young Eagles Fly Event at the Grand Glaize Airport
 - 5th Annual Light Up the Parkway holiday light display
 - 4th Annual Holiday Light Park at the Osage Beach City Park
 - 3rd Annual Osage Beach Easter Egg Hunt
 - 1st Annual National Night Out
 - Continued the Shop with a Cop program for the holidays
 - Continued the Well Head Protection Program in addition to plugging three abandoned wells with Missouri Department of Natural Resources (MDNR) Funds

Numerous internal improvements were implemented in FY2017 throughout various departments to improve employee development, communication, work efficiency, and employee involvement.

- Several IT programs, cloud service upgrades, and additional infrastructure additions were completed in FY2017. This included the much-needed jump to Office 365 to all users in addition to dedicated AT&T internet service via fiber connecting all City facilities; City Hall, OB City Park, LCF Airport, Grand Glaize Airport, and Public Works.
- The Employee Strategic Planning Committee (ESPC) was formed to increase employee engagement and communication. All departments are well represented by the non-management committee members. The committee facilitated the employee appreciation dinner and numerous holiday activities in FY2017, as well as assisted in problem solving and feedback gathering on numerous internal projects.
- Safety Coordinator Program – This program was created to facilitate a more intensive risk management and safety focus at the employee level within each department. The Safety Coordinators are instrumental in putting in place the daily safety practices and identifying the departmental safety hazards.
- The City continued the employee wellness program focusing on wellness and safety. Activities include various weight loss and exercise programs and contests, safety meetings, the annual health fair, and blood drives.
- The 2nd Annual Employee Survey was conducted in FY2017. The survey was highly accepted and yielded good, constructive comments. An outside clinician reviewed the results and our engagement rating remain relatively unchanged from the previous year's survey. Recommendations included enhanced training and professional development, and improvements to communications were made by the clinician. Although we continue to work on those city-wide, efforts have been made throughout the year.

- The Mayor and Board of Aldermen participated in an Advanced Meeting back in August, led by an Organizational Development Consultant, for the purposes of building collaboration and to discuss some strategic planning. The Management Team also participated together, led by the same consultant, in a Team Building Session. Both sessions were very productive for both groups. Many items that resulted from the Mayor and Board of Aldermen's session were helpful in the budget process for the Management Team.
- The City received its 18th Certificate of Achievement for Excellence in Financial Reporting. The City Treasurer's Office continually does an exceptional job.

Each year the City tracks numerous operating indicators from various functions within the City, see the chart below.

Operating Indicators by Function					
	2013	2014	2015	2016	2017
Licensing					
Business Licenses	649	659	635	628	625
Contractor Licenses	473	514	470	401	419
Liquor Licenses	78	77	74	69	67
Taxi Licenses	-	-	8	13	8
Dog Licenses	18	30	18	12	22
Building					
Residential Permits	67	77	70	49	75
Commercial Permits	72	73	71	76	81
Police/911/Ambulance					
Incident Reports	1,464	1,660	1,832	1,851	1,752
Traffic Violations	1,783	1,856	2,145	1,975	1,968
Traffic Warnings	2,507	2,099	2,307	2,348	2,547
Non-Traffic Violations	134	153	178	203	133
911 Center Calls Answered*	21,160	21,458	20,859	21,463	24,108
Ambulance Calls for Service	812	777	858	885	968
Water					
Total Water Sold (gallons)	326,699,000	318,395,000	314,906,000	333,424,000	310,163,815
Sewer					
Daily Sewage Treatment (gallons)	1,006,000	1,176,000	1,320,000	1,304,000	1,358,000
Recycling					
Waste Oil (gallons)	551	634	1,029	2,427	863
White Goods (pounds)	8,500	5,168	5,620	7,860	9,080
Airports					
LCF - Take Offs/Landings	4,721	4,522	5,023	4,863	4,971
GG - Take Offs/Landings	2,348	2,129	2,431	2,768	3,130

*Includes emergency and non-emergency calls

CONCLUSION

The City of Osage Beach is recognized as both a retail and tourist destination and we pride ourselves in being the heart of Lake of the Ozarks. The Lake of the Ozarks was awarded the Best Recreational Lake by USA Today readers and Osage Beach is part of the ever-growing and popular Lake community, supporting a vital tourist economy along with growing diversity in its economic base.

The FY2018 budget represents the priorities of the City for our community and it is a financially responsible plan for our resources to provide the superior services to our community while preserving appropriate financial reserves.

I would like to thank the department managers and staff for their assistance in the development of the FY2018 Operating Budget. The City is fortunate to employ exceptionally talented and educated individuals!

Respectfully submitted this 22nd day of December 2017,

Jeana L Woods, CPA

City Administrator