

LETTER OF TRANSMITTAL

2009 MAYOR'S BUDGET

December 29, 2008

To Members of the Jonesboro City Council
and the Citizens of Jonesboro, Arkansas

Please find attached my recommended budget for Jonesboro's 2009 fiscal year. As I'm sure you are aware, we have had to come in and do a tremendous amount of work in a very short period of time. I would like to commend the hard work of Mr. Jim Barksdale and his staff at the finance department, as well as every Director and Department Head, who along with our City Clerk and City Attorney and their respective staffs put in the extra time and effort it took for us to be able to deliver this document to you by year end.

While I am proud of this budget, it doesn't represent what I would have preferred to have given you. However, the uncertainty of our national economy has made me conservative in our revenue forecasting, and so we all have worked diligently to do the kind of belt-tightening the citizens would expect us to do in these times. Even so, we cannot lose sight of the fact that we are here to serve the people, and this budget represents our best efforts at being prudent with their tax dollars while providing the kind of services they expect and deserve.

A couple of notes to consider as you begin to pour through the budget:

- Our total Expenditure City Budget represents a 4.0% increase over 2008. This includes a 6.3% personnel increase, a 13.2% operations decrease, and a 44.3% fixed assets increase.
- This budget reflects a sharp decrease in reserve spending from 2008. Last year, the City Council approved a budget pulling some \$5.2 million dollars from Operating and Capital Improvement excess reserves. Additionally, we appropriated over \$8 million dollars in a cleanup ordinance later in the year to cover additional expenditures not included the 2008 budget.
- We have limited additional personnel to four. One of those is 84% funded through federal monies, one is a surveyor position that allowed us to eliminate \$67,000 from professional services, and one is a maintenance worker for animal control because we have tripled their physical space and it will be imperative to maintaining the facility.

- We were able to give an across the board cost of living adjustment in the amount of 3% to all city employees.
- Our fixed asset budget came in at just over \$5.2 million dollars, down from nearly \$10.8 million in initial requests and over \$1.6 million above 2008's budget. These include what I consider to be the most essential purchases.
- The budget reflects many items I feel are necessary for our citizens, including a transitional audit of all rolling stock, cash balances and fixed assets at the change of administrations, a quarterly review by an outside accounting firm to report back to the Mayor's office and City Council, a review of accounting practices and budget reconciliation, an outside firm to help streamline our accounting processes and help establish firm financial practices and procedures that will be followed with the strictest of adherence, and the development of a city-wide disaster relief and business continuation plan.

Still, even with hard line accountability, the Operations and Management budget reflects a revenue shortfall of \$4.1 million. After all the cuts, we still could not compensate for almost \$450,000 in additional insurance, pension and benefit costs, and a loss of nearly \$800,000 in interest income due to falling interest rates. Those two items alone force us to make a decision between our people, our services, or our excess reserves. This budget reflects a commitment to our people and the services we provide to our citizens.

Additionally, I am asking you to allow me to change how we are looking at future capital improvements. The budget I have given you reflects just under \$12.3 million dollars in projects that are either already under contract or in process. What is not reflected is over \$2.3 million dollars in high priority additional requests for next year...and they all are important.

I have taken these additional priorities and have also looked ahead to a five year capital improvement plan; it is apparent that projected revenues dedicated to capital improvements are going to be insufficient to meet our demands. That is why I have chosen to remove any new projects from the actual budget, and am scheduling meetings with public finance experts to review our options for alternative financing mechanisms that will allow us to plan for our future capital improvement projects in a way that is responsible to the taxpayers. I anticipate that I will be able to come back to the council in 45-60 days with a revamped priority list and the short and long term financing options that we could consider. I appreciate the latitude to present you with this information.

Still, for 2009, I do not like getting into our excess reserves. But the fact of the matter is those excess reserves are there for times such as these. I am hopeful that the economic conditions we are planning for in 2009 will be short lived and that we are not faced with these kinds of decisions as we plan our budgets for succeeding years. However, I feel that with the changes in accounting and accountability, we will be much better prepared to anticipate many of these issues in advance in those years to come.

I am also mindful that you, just as I, are committed to putting the citizens of Jonesboro first when making any and all budget considerations. I truly believe that this budget represents the best intentions of fulfilling my promise to do just that, while placing the most critical needs of our community in priority.

Thank you for allowing me this opportunity to serve. It has been a privilege to help guide our staff through this process and I look forward to helping answer any questions you may have.

Sincerely,

Harold Perrin
Mayor-Elect