

**IN LIEU OF
DIRECTORS' MEETING
MONDAY, NOVEMBER 29, 2010**

I. CITY CLERK

II. MAYOR

1. NEWS ADVISORY. Mayor Beutler will hold a news conference Tuesday, November 23rd at 555 S. 10th to discuss City employee retirement match.
2. No news conference on Tuesday, November 23rd due to a paperwork delay. Will be rescheduled.
3. NEWS RELEASE. Volunteers needed for gameday recycling.
4. NEWS RELEASE. Lincoln Recycles Day results, prize winners announced.
5. NEWS RELEASE. Information available on city tree recycling program.
6. NEWS RELEASE. Tips offered on reducing holiday waste.
7. Washington Report, November 19, 2010.

DIRECTORS:

FINANCE/AUDITING

1. Pre-audit report to the Mayor and Audit Committee of the City of Lincoln, Nebraska.

III. COUNCIL RFI'S/CITIZEN CORRESPONDENCE TO INDIVIDUAL COUNCIL MEMBERS

JONATHAN COOK

1. Telephone message from Linell Connolly. Thank you for your vote against the rezoning and CVS project at 27th Street and Old Cheney Road.

IV. MISCELLANEOUS

V. CORRESPONDENCE FROM CITIZENS

VI. ADJOURNMENT

OFFICE OF THE MAYOR

555 South 10th Street, Lincoln, NE 68508, 441-7511, fax 441-7120

DATE: November 22, 2010

FOR MORE INFORMATION: Diane Gonzolas, Citizen Information Center, 441-7831

Mayor Chris Beutler will discuss the City employee retirement match at a news conference at **10:45 a.m. Tuesday, November 23 in Room 303, County-City Building, 555 S. 10th St.**

Mary M. Meyer

From: Council Packet
Subject: FW: NO NEWS CONFERENCE

Subject: NO NEWS CONFERENCE

A paperwork delay has caused us to postpone the news conference below. A new date has not been set.

Diane

OFFICE OF THE MAYOR
555 South 10th Street, Lincoln, NE 68508, 441-7511, fax 441-7120

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FOR MORE INFORMATION: Diane Gonzolas, Citizen Information Center, 441-7831

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PUBLIC WORKS AND UTILITIES DEPARTMENT

Recycling Office, 2400 Theresa Street, Lincoln, NE 68521, 441-7043, fax 441-8735

FOR IMMEDIATE RELEASE: November 23, 2010

FOR MORE INFORMATION: Gene Hanlon, Recycling Coordinator, 441-7043

Linda Stevenson, AmeriCorps Volunteer, 441-8004

VOLUNTEERS NEEDED FOR GAMEDAY RECYCLING

Volunteers are needed to assist with “Go Green for Big Red,” a collaborative gameday recycling effort conducted by the City of Lincoln Recycling Office, UNL Recycling Services and AmeriCorps.

Volunteers walk designated parking lots in pairs before Nebraska home football games distributing plastic recycling bags and encouraging fans to recycle empty cups, cans and bottles. Volunteers collect the bags after kickoff.

Volunteers will meet at 1:30 p.m. Friday prior to the Nebraska-Colorado game on the west side of the Sheldon Art Museum to get their assignments. Raising Cane’s Chicken Fingers and Pepsi will provide snacks for all volunteers.

For more information, contact Linda Stevenson at 441-8004 or l Stevenson@lincoln.ne.gov.

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LINCOLN RECYCLES DAY RESULTS, PRIZE WINNERS ANNOUNCED

The City Recycling Office reports that businesses involved with Lincoln Recycles Day collected over four tons of wood waste, 495 pounds of paint and 200 pounds of recyclable batteries at various events Saturday, November 13.

The events included a latex paint exchange at EcoStores Nebraska, wood waste collection at Hofeling Enterprises and a recyclable battery exchange at Interstate All Battery Center.

“Over 750 residents pledged to improve recycling habits during the past month,” said City Recycling Coordinator Gene Hanlon. “Those pledges were turned into action on Lincoln Recycles Day as many residents took advantage of the various events taking place throughout the city. Even though Lincoln Recycles Day is only one day, there are numerous opportunities for residents to recycle a wide variety of materials. We hope they will make recycling a part of their daily activities.”

Local pledges were entered into prize drawings. Local prize winners receiving a year-long subscription to curbside recycling are:

- Jeanne Giles, from Journal Star Recycling
- Mike Thomas, from Recycle Link
- Cara Heminger, from Recycling Enterprises
- Tee Smith, from Midwest Refuse and Recycling Service
- Allie Ruup, from Star City Recycling

Other prize winners:

- John Clark, \$100 Russ’s Market gift card
- Ellen Cunningham, \$100 Wal-Mart gift card
- Monica Manning, \$100 worth of Nebraska Lottery tickets
- Jerry Gulland, “100 Greenbacks” gift certificate from Interstate All Battery Center
- Ardy Rockemann and Robert Smith, \$25 gift certificates from T.O. Haas Tire Co.
- Melissa Crouch, \$29 gift certificate from Graham Tire

-more-

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In addition to independent businesses hosting recycling events, Lincoln Recycles Day is sponsored by the City's Solid Waste Operations, Division of Public Works and Utilities, WasteCap Nebraska, Lincoln Public Schools and the Americorps program.

This was Lincoln's sixth annual celebration in conjunction with America Recycles Day, which is nationally recognized to encourage recycling and the purchase of recycled-material products. For more information on America Recycles Day, visit www.americarecyclesday.org. For more information on the City's recycling program, call the recycling hotline at 441-8215.

PUBLIC WORKS AND UTILITIES

Recycling Office, 2400 Theresa Street, Lincoln, Ne 68521, 441-7043, fax 441-8735

FOR IMMEDIATE RELEASE: November 24, 2010

FOR MORE INFORMATION: Gene Hanlon, Recycling Coordinator, 441-7043

Linda Stevenson, AmeriCorps Volunteer, 441-8004

INFORMATION AVAILABLE ON CITY TREE RECYCLING PROGRAM

The City Recycling Office reminds residents to pick up a flyer from retailers about the annual tree recycling program while shopping for a tree this holiday season. The flyer contains a map listing the City's eight tree recycling sites and dates the trees will be accepted for recycling. The collection of trees will end Sunday, January 9.

This is the 24th consecutive year for the City's tree recycling program. It is the oldest program of its kind in the state. Over the last 23 years, the City has recycled more than 182,217 trees.

The Solid Waste Operations Division of the Public Works and Utilities Department and the Parks and Recreation Department work together to offer this service to residents. Hofeling Enterprises, 2200 South Folsom Court, will be donating grinding services again this year. Residents can obtain tree mulch at no cost from Hofeling Enterprises, on a first-come first-served basis, starting January 10.

More information on the City's tree recycling program can be found by contacting the recycling hotline at 441-8215 or by visiting the City website, lincoln.ne.gov (keyword: recycle).

PUBLIC WORKS AND UTILITIES

Recycling Office, 2400 Theresa Street, Lincoln, Ne 68521, 441-7043, fax 441-8735

FOR IMMEDIATE RELEASE: November 24, 2010

FOR MORE INFORMATION: Gene Hanlon, Recycling Coordinator, 441-7043
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TIPS OFFERED ON REDUCING HOLIDAY WASTE

City Recycling Coordinator Gene Hanlon has some helpful tips for households dealing with increased waste during the holiday season.

For party hosts:

- Calculate and buy only the amount of food needed for the party or dinner.
- Buy food that is packed in packages made of recycled content that can be recycled again.
- Plan foods that are easily frozen and package leftovers for guests to take home.
- Use dishes, glassware, silverware and cloth napkins rather than plastic and paper.
- Decorate with natural items – squashes, gourds and colorful leaves for a fall festival; pine cones and natural wreaths for winter holidays).
- Buy a live tree that can be planted outside after the holidays.

Cards:

- Electronic cards or cards made from previously used cards and/or materials that you have at home save on costs as well as waste.
- Cards that you have received (all holidays) can be sent to St. Jude's Ranch for Children. For more information, visit <http://stjudesranch.org>.
- A phone call is more personal and more appreciated by those you do not see often or visit with only via the internet.

Gifts:

- To help eliminate waste, buy less, buy local and buy "green."
- Give a gift of experience – tickets to a play, concert or sports event, lessons or classes, or a year-long pass to the State parks or a favorite museum.
- Give the gift of time – babysitting, a monthly ride for the person who does not drive or does not have a car, offering to routinely take a neighbor's recyclable items to the drop-off sites.
- Give a gift that gives twice such as a donation to the person's favorite charity.
- Encourage others in their recycling habits by giving a reusable lunch bag filled with their favorite food, recycle bins for their garage, or a battery charger and rechargeable batteries.
- Plan gift exchanges that incorporate previously loved or homemade products – books, a refurbished piece of furniture or a rebuilt bike can be cherished by more than one person.

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Wrapping Gifts:

- Use funny papers, comic books, coloring book pages or decorated paper bags.
- New kitchen towels, gloves or a reusable shopping bag can be the wrapping and a gift.
- Use cloth ribbon or a thin scarf that can be reused. Make cloth ribbons by tearing that stained holiday tablecloth or other material into strips.
- For gifts that need boxes, start saving food boxes that you usually recycle. Cracker and cereal boxes (including those round oatmeal boxes), tubes from paper towels and toilet paper hold many gifts and make appealing shapes.
- Make the package a part of the gift – put seeds or bulbs in a flower pot. Put ingredients for cookies on a cookie sheet, or a “themed” food basket in a picnic basket.
- Use popcorn (not buttered and unsalted) as packing protection then put it out for the birds to eat. Unsalted, in the shell peanuts work as well.

Pack away what can be used again – wrapping paper, bows, etc. Recycle cardboard packaging, gift wrap, cards and the tree. Give usable products that you no longer need to a local thrift store or shelter.

For more information on reducing holiday waste, visit lincoln.ne.gov (keyword: recycle).



WASHINGTON REPORT

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Washington Report

Archived at:
[www.capitaledge.com/
archive.html](http://www.capitaledge.com/archive.html)

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CONGRESS RETURNS FOR “LAME DUCK” SESSION

CONGRESS

Members return to Washington for organizational meetings and duties. Members of the House and Senate – as well as those recently elected and scheduled to be sworn-in on January 5 – returned to Washington this week for a “lame duck” session that began with little legislative business.

Thus far, there have been no big surprises, as Democrats and Republicans in both chambers easily re-elected their leaders to virtually the same posts they occupied this Congress. In the House, however, their titles will change, as GOP leader Rep. John Boehner (R-OH) will be the new Speaker of the House, with his top deputy, Rep. Eric Cantor (R-VA), taking the Majority Leader post. Meanwhile, Rep. Nancy Pelosi (D-CA) will become House Minority leader in the 112th Congress, and Rep. Steny Hoyer (D-MD) will occupy the Number Two position of Minority Whip. Current Majority Whip Rep. James Clyburn (D-SC) will hold the title of Assistant Democratic Leader in the next Congress, the number three position in the Democratic leadership.

In the Senate, Majority Leader Harry Reid (D-NV), Assistant Majority Leader Richard Durbin (D-IL), Minority Leader Mitch McConnell (R-KY) and Assistant Minority Leader Jon Kyl (R-AZ) all maintained their positions for the next Congress.

Much of the talk this week concerned earmarks – the line items in annual appropriations bills for specific projects in Members’ districts that constitute a fraction of the annual federal budget but are decried as the poster child for the trillion dollar deficit. House Republicans enacted a moratorium on earmarks for 2010, and the tactic appears to have been successful, as they regained the majority for the 112th Congress.

As a result, the House GOP approved a moratorium for the next Congress this week and were joined by Senate Republicans as well. However, Senate Democrats have shown little interest in a moratorium, and several Senate Republicans have indicated they may ignore the ban, since their vote was non-binding and without sanctions. In addition, even some of the most conservative members of the House Republican caucus indicated that they support earmarking as part of the transportation reauthorization process and House GOP leaders have yet to come up with an actual definition of what constitutes an earmark, so there are already chinks in the moratorium armor.

As for actual legislative business, the two most prominent issues for the lame duck session will be approval of an FY 2011 budget (none of the 12 annual appropriations bills have been approved), as well as the extension of the Bush-era tax cuts that expire at the end of the year, as well as other expiring tax provisions such as the estate tax. Very little public progress has been made on these matters, although significant behind the scenes negotiating is expected over the next two weeks.

Due to the Congressional recess, the next Washington Report will be sent on
December 3

On the budget front, Senate GOP Leader Mitch McConnell (R-KY) this week announced that he would not support an “omnibus” appropriations bill that would make quick work of the FY 2011 budget by wrapping all 12 bills into one package. Senate Democrats would be unable to move an omnibus package through that chamber without some Republican assistance, so McConnell’s announcement seems to indicate that a Continuing Resolution (CR) funding federal agencies at their FY 2010 levels is likely.

What would have to be negotiated is the length of the CR. Members could choose to delay decisions until early next year – when Republicans would control the House – or simply abandon any attempt to craft a budget and extend the CR straight through FY 2011. Also to be negotiated through this process is the status of earmarks that were included in versions of the FY 2011 appropriations bills considered thus far on the subcommittee and full committee levels. It is not likely that a year-long CR would include any earmarks, if recent history (FY 2007) is a guide.

Starting today, Members take a one week break for the Thanksgiving holiday. They will return to Washington the week of November 29 and hopefully answer some of these questions.

COLLECTIVE BARGAINING

Senate leader intends to file for cloture on collective bargaining measure. There are reports that Senate Majority Leader Harry Reid (D-NV) will set aside floor time to consider legislation (S 3194) that would mandate that states and local governments enter into collective bargaining with their public safety officers.

A cloture motion begins the process of floor consideration of legislation that is expected to be the subject of a filibuster. A cloture motion must garner 60 votes in order to end debate on a bill and bring it to a final vote. Reid, who was just re-elected in a hard fought race in which he received significant union support, is expected to push for the collective bargaining bill, but may not be able to take the time needed during the lame duck session to consider the measure as a stand-alone bill.

Passage in the lame duck session would appear to be the last chance for passage in some time for supporters of a collective bargaining bill, as the measure is not expected to be considered in the Republican-controlled House during the next congressional session.

State and local government organizations have opposed the collective bargaining bills on the grounds that it represents a federal intrusion into matters traditionally handled on the local level. Those concerned by the measure may want to contact their Senators reinforcing opposition to the legislation.

BUDGET

Deficit Commission Co-Chairs issue draft proposal. Alan Simpson and Erskine Bowles, the Co-Chairs of the National Commission on Fiscal Responsibility & Reform, issued their draft package of proposals last week. The package received widespread media coverage over the course of the last week in anticipation of a lame-duck Congress convening to complete work on more immediate budget and tax issues. See related story below.

Since the Commission’s final set of recommendations must garner the approval of 14 of its 18 members, the Commission’s final recommendations will almost certainly differ significantly from the Simpson-Bowles draft package. Indeed, given the disparate ideologies of Commission members, the Commission may find it difficult to agree on any final recommendations at all. The Commission is scheduled to issue its final set of recommendations by December 1, after which the package goes to Congress for a simple up or down vote.

President Obama created the bipartisan National Commission on Fiscal Responsibility & Reform by Executive Order in the wake of the failure of legislative efforts to create a similar commission. The Commission is charged with identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run. While few observers think the Commission’s

proposals will become law, many of them believe that even the draft proposal issued by Simpson and Bowles has the potential to create momentum towards a “Grand Bargain” on budget and taxes.

The overarching theme of the Simpson-Bowles proposal is that the entire federal budget must be on the table and that cuts need to be made in entitlement programs, discretionary spending (including Defense) and tax expenditures. The proposal would cut \$4 trillion in federal spending and reduce the projected federal deficit by \$3.8 trillion through FY 2020. Most cuts would begin after FY 2012 in an effort to avoid reversing economic recovery.

Of the proposal’s \$3.8 trillion in deficit reduction:

- ◆ \$1.4 trillion would come from discretionary spending,
- ◆ \$733 billion would come from mandatory (or entitlement) spending,
- ◆ \$751 billion would come from eliminating tax expenditures,
- ◆ \$219 billion would come from new revenue and
- ◆ \$673 billion would come from the resulting reduced debt payments.

Bowles and Simpson project that their proposal would stabilize the federal debt by FY 2014; reduce it to 60 percent of GDP by FY 2024, and reduce to 40 percent of GDP by 2037. For all federal spending, the proposal imposes the broad test of whether the spending in question invests in education, infrastructure, research and development and clean technology. Overall, the proposal sets the goal of capping federal revenue and spending at 21 percent of Gross Domestic Product (GDP).

Highlights of the Simpson-Bowles proposal are outlined in several broad categories below.

Discretionary Spending

Overall, the proposal would cut discretionary spending by \$1.4 trillion from current baseline levels. The proposal calls for rolling discretionary spending back to FY 2010 levels in FY 2012 (\$1.1 trillion), reducing it by 1

percent every from FY 2013 through FY 2015 and limited subsequent yearly increases to the rate of inflation through FY 2020 (\$1.4 trillion). To enforce those discretionary spending levels, the proposal calls for the establishment of procedural obstacles to bills exceeding discretionary spending caps, including an automatic across-the-board cut at the end of a session if necessary to bring total discretionary spending under the cap. The proposal calls for:

- ◆ Dividing the cap between Defense and non-defense programs and creating a firewall between them;
- ◆ Making transportation spending mandatory, linking transportation spending to revenues and prohibiting general fund “bailouts” of transportation trust funds;
- ◆ Establishment of a “Cut-and-Invest Committee” to de-authorize “outdated, low-priority and inefficient programs and recommend high-priority, long-term investments,” and
- ◆ Moving to a biennial budget.

The proposal outlines \$200 billion in “illustrative spending cuts” that could help meet its discretionary spending goals, including:

- ◆ Freeze non-combatant federal salaries for three years,
- ◆ Cut the federal workforce by 10 percent,
- ◆ Reduce overseas bases by one-third,
- ◆ Reduce Defense Department procurement by 15 percent,
- ◆ Replace military personnel performing commercial activities with civilians,
- ◆ Consolidate Defense Department retail activities,
- ◆ Integrate the children of military personnel into local schools,
- ◆ Reduce congressional and White House budgets by 15 percent,
- ◆ Terminate low-priority Army Corps of Engineers construction projects,
- ◆ Eliminate all earmarks,
- ◆ Sell excess federal property and
- ◆ Eliminate funding for commercial space flight.

Comprehensive Tax Reform

The proposal calls for a simplification of the tax code through a consolidation of the

tax code. Most radically, the proposal calls for an elimination of all tax expenditures and the replacement of current marginal tax rates with three (instead of the current six) marginal tax rates of 8 percent, 14 percent and 23 percent, with one corporate tax rate of 26 percent.

The proposal also highlights tax legislation introduced by Senators Ron Wyden (D-OR) and Judd Gregg (R-NH) that would:

- ◆ Establish three marginal tax rates of 15 percent, 25 percent and 35 percent,
- ◆ Set a single corporate tax rate of 26 percent,
- ◆ Repeal the Alternative Minimum Tax,
- ◆ Triple the standard deduction to \$30,000,
- ◆ Eliminate the deduction of state and local taxes and most itemized deductions,
- ◆ Limit the mortgage interest deduction to first homes and mortgages under \$500,000,
- ◆ Limit charitable deductions to 2 percent of adjusted gross income and
- ◆ Cap the income tax exclusion for employer-provided health care.

In recognition of the political difficulty of enacting a sudden change to the tax code the Simpson-Bowles proposal calls for a “haircut” approach that would phase in tax changes gradually through FY 2015.

The proposal also calls for a gradual \$0.15 increase in the \$0.183 per gallon federal gasoline excise tax beginning in FY 2013, with the revenue directed to the Highway Trust Fund.

Mandatory Spending

Although the projected growth in health care costs is largely responsible for projected deficits, the Simpson-Bowles plan identifies only \$200 billion in health care cost savings, with much of those savings coming from cuts in Medicare payments to doctors, a cap on catastrophic health care costs and efficiencies and passage of tort reform.

The proposal also calls for:

- ◆ An adjustment in how inflation is measured when calculating Social Security and other entitlement payments,
- ◆ A \$3 billion reduction in farm subsidies,
- ◆ An increase in federal employee pension contributions,
- ◆ Reduction in spending from the telecommunications Universal Service Fund,
- ◆ Further auctions of the wireless communication spectrum and
- ◆ Requirement that the Power Marketing Administrations to charge market rates for electricity.

Social Security

Overall, the Simpson-Bowles proposal calls for:

- ◆ Gradually increasing the retirement age to 69 by 2075,
- ◆ Gradually moving to a “more progressive benefit formula,”
- ◆ Adjusting how inflation is measured when determining benefit levels,
- ◆ Gradually raising the income cap on Social Security payroll taxes so that 90 percent of all personal income is taxed (currently 86 percent of personal income falls under the cap) and
- ◆ Including all newly hired state and local government employees in Social Security beginning in 2020.

TRANSPORTATION

House transportation landscape changes.

The November 2 elections brought about significant changes in the House of Representatives, paramount among them the Republican takeover of control over the body and all of its committees. The current Chairman of the Transportation and Infrastructure (T&I) Committee Jim Oberstar (D-MN) lost not only his gavel in the GOP takeover, but his seat in Congress as well, so he will not be returning in January.

Rep. John Mica (R-FL) will in all likelihood become the next Chairman of the T&I Committee, and while his Democratic counterpart is not yet determined, it will likely be Rep. Nick

Rahall (D-WV), who has expressed keen interest in the position. The new personalities guiding the T&I Committee policy will have a significant impact on the direction of the committee, and on the pending surface transportation reauthorization legislation, which expired on September 30, 2009 and has been subject to short-term extensions since then.

Mica has traditionally supported highway funding over mass transit or rail projects, and he has called for increased oversight of Obama Administration programs such as the TIGER discretionary grants and high-speed rail program awards from the stimulus bill. As Chairman, he would be expected to direct the committee away from livability and mass transit projects. However, he does have a reputation for an even-handed approach to legislating on transportation issues, which could be useful in what will surely be a contentious and difficult two years.

Likely Ranking Member Rahall may not be much more help to the Administration in achieving its agenda. Rahall's congressional website highlights his support of bridges, highways, roads, and other projects, but does not mention rail or mass transit among his list of supported projects. While this may be nothing more than a reflection of his rural district's needs, it is not a promising start for those supporters of broadening transportation investment beyond roads.

It is expected that Rep. John Duncan (R-TN) will replace Rep. Pete DeFazio (D-OR) on the Subcommittee on Highways and Transit, and DeFazio will become the new ranking member. DeFazio had hoped to become the new Ranking Member of the full committee, but Rahall took the seat because of his ranking seniority on the committee. DeFazio has a long history of supporting transportation initiatives, and he will have a strong influence on the subcommittee.

Mica has indicated that another short-term transportation extension will be passed while the long-term reauthorization language is drafted. Most observers believe that if there is any chance for a long-term measure to be approved in the new Congress, it must be done early in the session, before pre-2012 election

partisanship becomes too intense.

With the Republicans in power in the House, significant changes to the authorization process are expected, and Mica may not be granted complete control over the legislation as Republican leaders may use the bill to demonstrate their authority and opposition to government spending. Speculation about the inclusion of congressional project is rampant.

GRANTS & NOTICES

Department of Housing and Urban Development

HUD has made revisions to the FY 2010 Choice Neighborhoods Initiative Notice of Funding Availability. Changes have been made to expand on the definitions of key terms, improve the mapping tool, change the application submittal process and extend the application deadline. The new deadline for applications is December 9, 2010. A notice explaining all revisions can be found at:

<http://bit.ly/bIyqk1>

Economic Dev. Administration

EDA published a notice of changes to be made to its grant programs – Public Works and Economic Development Facilities Program, Economic Adjustment Assistance Program, and Global Climate Change Mitigation Incentive Fund Program – for FY 2011. These programs assist with construction, rehabilitation and other economic development initiatives. Local governments are eligible to apply for each individual program. Applications for the FY 2011 EDA programs will be accepted on a rolling basis, and EDA anticipates making awards on a quarterly basis. The deadline for applications to be considered in the first cycle is December 15, 2010. Details on each grant program, FAQs and additional information can be found at:

<http://bit.ly/a7MDlo>.

National Endowment for the Arts

NEA is accepting applications for The Big Read Grant Program. The Big Read provides communities with grants and comprehensive resources that support their efforts to read and discuss a single book or the work of a poet. Applicants

should develop and produce a well-planned with widespread community involvement. The literary programming should feature innovative, diverse activities, and plans to connect to the chosen book or poet. The ideal Big Read program lasts approximately one month and must occur between September 1, 2011 and June 30, 2012. Approximately 75 awards will be made ranging from \$2,500 to \$20,000. Grants must be matched at least one-to-one with nonfederal funds. Applications are due February 1, 2011 and should be submitted online through the eGRANT application at:

www.NEABigRead.org

National Endowment for the Humanities

NEH is currently accepting applications for America's Historical and Cultural Organizations Program planning and implementation grants. This program supports projects in the humanities that encourages dialogue, discussion and civic engagement and fosters learning among people of all ages. Eligible applicants include state and local governments, non-profits and institutions of higher education. Awards of up to \$75,000 will be made; cost-sharing is required. The deadline for both planning and implementation grants is January 12, 2011:

<http://bit.ly/bq2EIH>

City of Lincoln, Nebraska

Pre-audit Report to the Mayor and Audit Committee
of the City of Lincoln, Nebraska

August 31, 2010

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Introductory Matters

In accordance with Statement on Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*, we would like to communicate certain matters to you in connection with our approach for the August 31, 2010 audits of the financial statements of the City of Lincoln, Nebraska and selected funds.

Audits of Financial Statements

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

Those standards require that we plan and perform:

- ✓ The audit of the financial statements to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our engagement does not include a detailed audit of every transaction.
- ✓ The audit of compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.

Our audit focuses on the likelihood of a material misstatement in the financial statements.

Our audit of the financial statements is designed to detect misstatements and noncompliance that, in our judgment, could have a material effect on the financial statements taken as a whole. Consequently, our audit will not necessarily detect errors or fraud resulting in an immaterial misstatement of the financial statements. Accordingly, a material misstatement or noncompliance having a direct and material effect may remain undetected.

Likewise, our audit of compliance with the types of compliance requirements applicable to each major federal award program is designed to detect noncompliance having a direct and material effect on a major program. Consequently, our audit will not necessarily detect noncompliance having an indirect and material or an immaterial effect on selected programs.

Our audits will be made for the purpose of rendering opinions on the following financial statements as of and for the year ended August 31, 2010, issuance of reports on compliance based on the audits of the following financial statements, and issuance of reports on internal control over financial reporting based on the audits of the following financial statements:

- ✓ City of Lincoln, Nebraska (CAFR)
- ✓ Lincoln Parking System
- ✓ Emergency Medical Services Fund
- ✓ Solid Waste Management Fund
- ✓ Lincoln Water and Wastewater Systems
- ✓ Community Health Permanent Endowment Fund (separate communication provided to the Fund's Board of Trustees)
- ✓ West Haymarket Joint Public Agency (separate communication provided to the Agency's Board of Representatives)

The objectives of our audit of the City of Lincoln, Nebraska for the year ended August 31, 2010 also includes the following:

- ✓ Expression of an opinion on your compliance, in all material respects, with the types of compliance requirements described in the *U. S. Office of Management and Budget Circular A-133 Compliance Supplement* that are applicable to each of your major federal award programs.

- ✓ Issuance of a report on your internal control over compliance based on the audit of your compliance with the types of compliance requirements that are applicable to your major federal award programs.
- ✓ Issuance of a report on your schedule of expenditures of federal awards

An audit of the financial statements does not relieve management or the governing body of their responsibilities.

Other Services

Other services we will provide include:

- ✓ Apply agreed-upon procedures as specified in the Title 132-Integrated Solid Waste Management Regulations
- ✓ Review bond offering documents
- ✓ Assist management in drafting of the financial statements and related notes of the Solid Waste Management Fund, Emergency Medical Services Fund, Lincoln Parking System, Community Health Permanent Endowment Fund, and West Haymarket Joint Public Agency

The actual terms of our engagement are more fully documented in an engagement letter dated October, 2010 and signed by you and BKD.

Planned Scope & Timing of the Audits

Our audit approach emphasizes the areas of higher risk, focusing on the unique characteristics of the operating environment, the effectiveness of your internal control and your financial statement amounts and disclosures.

Based on our understanding of the above entities and our assessment of your internal control, we plan our audits to achieve the appropriate level of assurance regarding material misstatements.

We have preliminarily identified the following areas as significant risks of material misstatement due to error or fraud and propose to address these areas as described:

Risk Area	Audit Approach
All Audits:	
Risk of management override of controls	Review accounting estimates for bias, review of journal entries, evaluate business rationale for unusual transactions
Improper revenue recognition	Perform analytical procedures, substantive testing, testing reasonableness of recorded allowance
Investment valuation and disclosure	Confirmation of investments, fair market value testing, obtain SAS 70 reports, and review disclosure requirements
Capital assets	Test selected additions and disposals, challenge reasonableness of lives and capitalization, and inquire of management regarding potential impairment issues
Debt	Confirm the balance and terms of selected outstanding debt agreements, review applicable disclosure requirements and adherence to debt covenants, and test debt transactions entered into by the West Haymarket JPA for the benefit of the City
Net assets	Review of restrictions and classification of balances

Risk Area	Audit Approach
Federal award programs	Review determination of major federal programs for A-133 compliance testing, test expenditures of federal awards, and review additional testing and disclosure requirements for expenditures of American Recovery and Reinvestment Act of 2009 (ARRA) award monies
Risks unique to individual audits:	
Lincoln Parking System – unearned revenue	Review major commercial contracts, test football game reserved parking deposits and perform analytical review
Emergency Medical Services Fund – allowance for doubtful accounts and contractual adjustments	Review of subsequent receipts, write-offs and contractual adjustments
Solid Waste Management Fund – landfill closure and post-closure care costs	Obtain estimates from independent engineers, review reports and test assumptions and methodologies used
<p>We welcome any input you may have regarding the risk areas identified above, any other significant risk areas in your opinion or other matters you believe warrant particular attention during the audits.</p> <p>We may develop additional significant risks as we complete risk assessment procedures.</p>	

We propose the following timeline:

- ✓ **Planning and Related Risk Assessment procedures – September 2010**
- ✓ **Performance of A-133 Procedures in Relation to Compliance with Requirements for Federal Programs – October/November 2010**
- ✓ **Final Year-end Procedures – Lincoln Water and Wastewater Systems – Late October, 2010**
- ✓ **Review Drafts of Financial Statements and Management Letter – Lincoln Water and Wastewater Systems – Mid November, 2010**
- ✓ **Final Reports – Lincoln Water and Wastewater Systems – Late November, 2010**
- ✓ **Final Year-end Procedures (CAFR) – Begin Week of November 29, 2010 through Week of December 13, 2010**
- ✓ **Delivery and Review of Draft Financial Statements, Federal Compliance Reports and Management Letters – Late January, 2011**
- ✓ **Final Reports – Mid February, 2011**

The financial statements and management letter, together with our letter regarding auditor responsibilities, will be furnished to the Audit Committee upon approval by the City of Lincoln's Finance Department. Final reports are expected to be completed in mid-February, 2011

✓ **Ongoing Communication**

Regular communication between the Audit Committee and the auditors is critical to the success of the audit. Accordingly, the audit team may be available to the Audit Committee at any time throughout the audit, not just the prescribed times identified above. In addition, there may be instances which require communication during the audit (prior to delivery of the financial statements) such as:

Auditing & Accounting Matters

- ✓ Fraud involving senior management
- ✓ Illegal acts
- ✓ Significant deficiencies and/or material weaknesses
- ✓ Material instances of noncompliance for federal award programs

We understand the appropriate individuals in the governance structure with whom to communicate is Mr. Chris Beutler, Mayor and Mr. Don Herz, City Finance Director.

If for any reason, any member of the Audit Committee would need to contact us, please call Jamie Johnson, at (402) 473-7600.

We wish to communicate the following significant matters related to the financial statement audits to you that are, in our judgment, relevant to your responsibilities in overseeing the financial reporting process:

Critical Accounting Policies and Practices

- ✓ Investment valuation and disclosure
- ✓ Accounting estimates
- ✓ Revenue recognition
- ✓ Presentation of West Haymarket JPA
- ✓ Refer also to Note 1 of the various financial statements

New Accounting and Auditing Pronouncements

- ✓ Implementation of GASB 51: *Accounting and Financial Reporting for Intangible Assets*
- ✓ Statement on Auditing Standards No. 117, *Compliance Audits*

Consideration of Errors or Fraud

One of the most common questions we receive from governing bodies is, “How do you address fraud in a financial statement audit?” Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*.

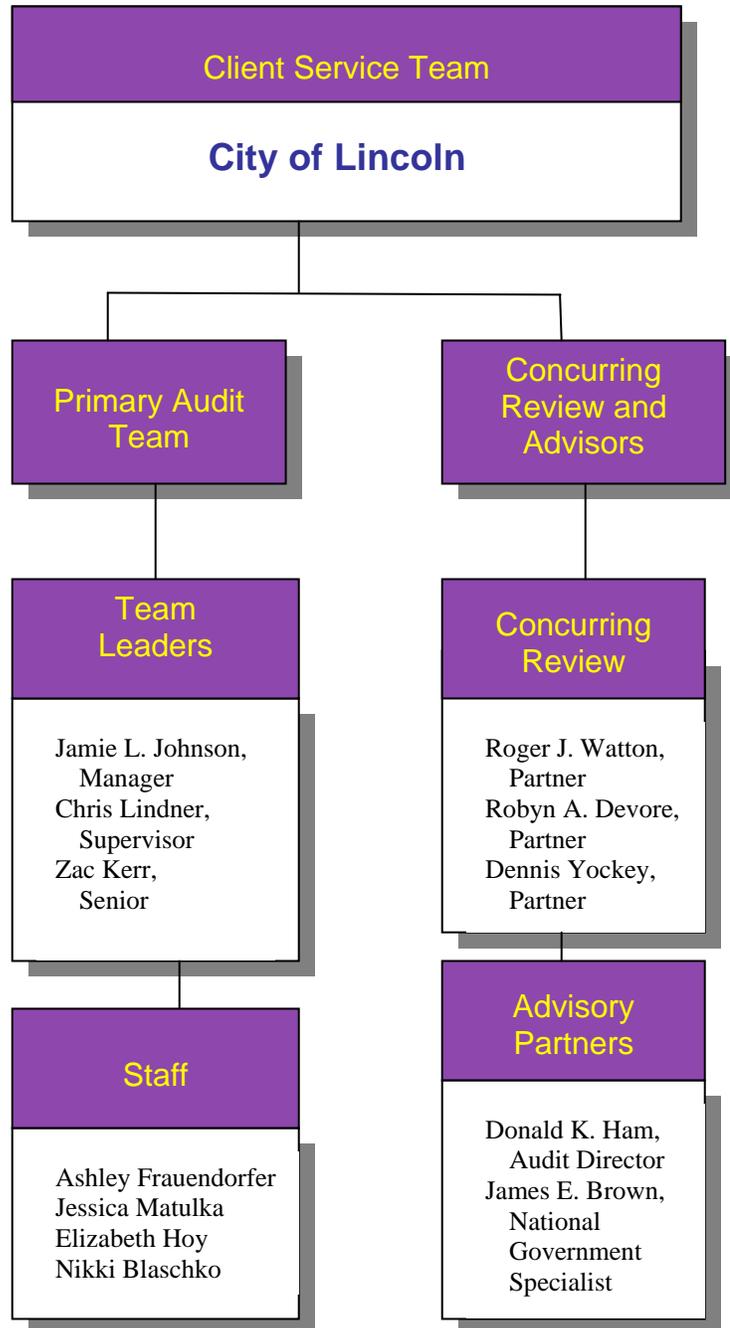
Statements on Auditing Standards Nos. 104 - 111 address how we are to assess and respond to the risks of material misstatement due to error or fraud in an audit.

Our audit approach includes such procedures as:

- ✓ **Engagement Team Brainstorming**
 - ✓ Discussions include how and where they believe the entity's financial statements might be susceptible to material misstatement due to errors or fraud, how management could perpetrate and conceal fraudulent financial reporting and how assets of the entity could be misappropriated
 - ✓ An emphasis is placed on the importance of maintaining the proper state of mind throughout the audit regarding the potential for material misstatement due to errors or fraud
- ✓ **Inquiries of Management and Others**
 - ✓ Personnel interviewed include the Mayor, Finance Director, City Controller, individuals responsible for compliance with requirements for federal award programs and others
 - ✓ Inquiries are directed towards the risks of errors or fraud and whether personnel have knowledge of any fraud or suspected fraud affecting the entity
- ✓ **Reviewing Accounting Estimates for Bias**
- ✓ **Evaluating Business Rationale for Significant Unusual Transactions**
- ✓ **Incorporating an Element of Unpredictability Into the Audit Each Year**

Our Engagement Team

BKD's #1 asset is our outstanding team of people who strive daily to deliver on our commitment of unmatched client service. They put a face on the **BKD Experience**. You'll find the following team members personally committed to delivering results to you in accordance with applicable professional standards.



**Questions,
Observations or
Suggestions**

We welcome any questions that the Mayor or Audit Committee may have. As always, you may contact Jamie Johnson at (402) 473-7600 at any time.

Our clients deserve, and to the best of our ability receive unmatched client service. We welcome the opportunity for you to experience the same as we deliver the services outlined above.

Our goal is to deliver results with integrity: results that are unquestionably ethical while also practical, timely and affordable.