

Memorandum

City of Lawrence

City Manager's Office

TO: David Corliss, City Manager
FROM: Casey Toomay, Assistant City Manager
CC: Diane Stoddard, Assistant City Manager
Brandon McGuire, Assistant to the City Manager
DATE: **Updated – July 22, 2014**
RE: Commissioner Inquiries Regarding the 2015 Budget

Background

The following memo provides responses to requests for information from City Commissioners related to the 2015 Budget. Additional information will be added as available.

Q: How much of the increase in KPERS and KP&F contributions is due to the change in the contribution rates vs. the increase in the number of FTEs and/or salary increases?

A: The 2015 recommended General Fund budget includes \$154,000 for additional KPERS contributions and \$373,000 for additional contributions to KP&F.

Of the \$154,000 increase in KPERS, \$33,476 can be attributed to six new positions recommended for 2015. Of the \$373,000 increase in KP&F, \$18,765 can be attributed to the new Sergeant position recommended for 2015.

The employer contribution rates for 2014 and 2015 for KPERS and KP&F are shown below.

	Employer Contribution Rates	
Retirement Plan	01/01/2014	01/01/2015
KPERS	0.0969	0.1041
KPF	0.1992	0.2136

If no new positions were added and no salary increases were provided, the KPERS contribution rate change would result in an increase of \$65,000 while the KP&F rate change would result in an increase of \$295,847.

If the contribution rates did not change but salary increases were provided in 2015, the increase in KPERS contributions would be \$20,260 and the increase in KPF contributions would be \$63,857.

Q: If other Kansas communities are faced with similar increases in pension costs and healthcare costs, why aren't other communities increasing their mill levies?

A: There are many different variables that should be considered when comparing ourselves to other communities. A community could have more growth in assessed valuation, which would mean they need a smaller mill levy increase, if any, to generate the same increase in revenue from property taxes. A community could rely more on other revenue sources (sales tax, fines

and fees, service charges, etc.) to fund their operations. A community may have increased their mill levy in a prior year or future year. A community could have a different fund balance policy, meaning they are more comfortable spending down their fund balance in any given year. A community may provide a different level of service or not provide some services at all. The compensation and benefits offered by the community, including healthcare plan design, could be different.

Q: What explains the increase in the Fire Department's contractual service budget?

A: There is an increase of \$79,953 in other service contracts for lease payments for non-apparatus department vehicles. There is an increase of \$14,500 budgeted for federally mandated training for technician level HazMat personnel and for training for Technical Rescue certifications.

Q: What equipment is included in the 2015 General Fund budget?

A: The table below shows all capital outlay included in the recommended budget for the General Fund for 2015.

Department	Amount	Description
General Overhead	\$80,000	Various department equipment as needed (added through mill levy increase in 2014)
Information Technology	10,000	Server and network hardware replacement as needed
Police	335,000	Police equipment as needed (added through mill levy increase in 2013)
Police	9,800	Annual allocation for Forensics upgrade in Police Department
Police	260,000	Replacement of ten sedans with SUVs in Patrol
FireMed	44,000	Three thermal imaging cameras used by the Fire Department
Streets	40,000	Repair roof on one of the salt domes used to store salt for snow removal
Engineering	10,000	Replacement of printer used to produce 11x17 color maps, plans, drawings, etc. that is at the end of its useful life.
Engineering	48,000	Replacement of 2 inspection vehicles
Traffic	10,000	Fiber equipment (splicer, breakout kit, OTDR) in the Traffic Division of Public Works
Airport Maintenance	25,000	Replacement of pick-up truck used for building and facility maintenance, including the Airport
Airport Maintenance	45,000	Overlay repairs at the Airport
Parks and Recreation	28,000	Replacement of Parks and Recreation equipment as needed (i.e. field painters, mowers, etc.)
Building Inspection	51,000	Three vehicles for the expanded rental registration program
TOTAL CAPITAL OUTLAY	\$995,800	

Q: What is driving the increase in contractual services in General Overhead Division of the General Fund?

A: The increase can largely be attributed to an increase of \$101,023 for services provided by Douglas County for Emergency Communications (dispatch.) This also includes the \$100,000 recommended for the City's share of the operations of the Peaslee Technical Training Center for 2015. Other increases include \$40,000 for indigent defense and the additional \$20,000 for the Lawrence Humane Society.

Q: Explain the increase in FTEs in Municipal Court.

A: The number of Full Time Equivalents (FTEs) is shown below. In 2014, a change was made to the number of hours worked by the part-time Court Security Officer, resulting in an increase of .26 FTE. An additional court clerk is recommended for 2015.

2013 Actual	2014 Budget	2014 Estimated	2015 Recommended
7.5	7.50	7.76	8.76

Q: What is the capital outlay in the budget for the Airport Maintenance Division?

A: The 2015 budget for this division includes \$20,000 to fund apron repairs on the east side of the hangars and \$25,000 to fund matching funds for federal / state grants. It also includes \$25,000 for a pick-up truck that will be used by building and facility maintenance primarily at the airport but also at other city facility.

Q: What are the largest non-personnel expenses?

A: A memo summarizing the increase in the general fund line was provided on the June 17th study session agenda. That memo explains that the ten largest non-personnel expenses for 2015 are as follows:

- Transfer of infrastructure sales tax to reserve funds
- Emergency communications
- Service contracts for lease of non-apparatus fire medical vehicles
- Transfer of the transit sales tax to the Transit Fund
- Miscellaneous contractual services (copiers, shredding, etc.)
- Property insurance
- Indigent defense
- Police equipment
- Electricity
- Vehicle replacement

Q: What is the mill levy for comparable communities, specific to population?

A: A comparison of levies used to build the 2014 budget for several cities in Kansas is provided below. Mill rates are the result of assessed property valuation and budgeted expenditures. Population does not factor into the mill rate calculation. For illustration, two cities with the same service levels and same assessed valuation will impose the same mill levy. If those cities have the same service levels but the assessed valuation is lower in one city, then that city must impose a higher mill levy. All things equal, the tax burden is the same but the result of the equation (mill levy) varies.

When the Commission adopts the budget it determines service levels (expenditure levels) and that expenditure figure is used by the County Clerk to calculate the mill levy. The Commission could adopt a budget in which expenditures do not change from one year to the next, but if assessed valuation changes, then the mill levy would change accordingly.

City	City Mill Rate 2014 Budget	Total Assessed Valuation	Population
Overland Park	12.83	2,674,654,757	178,919
Salina	26.93	405,107,476	48,045
Lenexa	29.71	860,180,551	49,398
Lawrence	30.04	860,322,675	89,512
Wichita	32.15	3,124,330,492	385,577
Topeka	39.94	1,027,850,592	127,939
Hutchinson	41.49	280,612,762	41,962
Emporia	41.58	145,169,235	24,958
Manhattan	43.42	496,646,266	56,069
Leavenworth	49.5	1,999,870,247	35,816
Newton	51.11	116,974,268	19,189
Eudora	31.1	39,192,112	6,184

Q: Provide an overview of the fund balance history (memo last year didn't have the actual amount in fund balance with %)

A: The following table includes a history and projection of the general operating fund unreserved balance. City policy dictates that an unreserved year-end balance between 15 and 30 percent of actual expenditures is maintained.

General Fund Operating Balance	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Estimated 2013*	Projected 2014	Baseline 2015
Total Revenue	55,906,940	59,782,703	64,205,935	65,929,255	67,833,902	70,078,692	72,429,372	75,017,605
Total Expenditures	55,132,099	59,442,123	64,023,128	65,912,573	67,790,623	69,912,800	72,717,523	75,807,776
Revenue over (under) Expenditures	774,841	340,580	182,807	16,682	43,279	165,892	(288,151)	(790,171)
Unreserved General Fund Balance								
Beginning Balance	11,449,526	12,224,367	12,564,947	12,747,754	12,764,436	12,807,715	12,973,606	12,685,455
Unreserved Ending Balance	12,224,367	12,564,947	12,747,754	12,764,436	12,807,715	12,973,606	12,685,455	11,895,284
Fund balance as % of Expenditures	22.17%	21.14%	19.91%	19.37%	18.89%	18.56%	17.44%	15.69%

*Unaudited and subject to change