



To: The Honorable Mayor and Finance Committee, Committee of the Whole
From: Chris Lowe, City Administrator
CC:
Date: July 10, 2015
Re: Proposed 2016 Budget Highlights

Background:

The Finance Committee has met several times over the last couple of months to review the preparation of the proposed 2016 Budget. Obviously, the 2016 Budget is dependent upon how closely revenues and expenditures match projections for the rest of 2015. This means that staff has to project revenues as far as 7 months in the future and department heads must estimate their expenditures for that period of time as well. This is dictated by the State of Kansas' budget cycle which requires budget passage in August by statute. Our department heads usually do an excellent job of attempting to stay within their predicted expenditures for the year to protect the validity of the budget numbers presented for the beginning of the next fiscal year. Finance staff also attempts, through conservative budgeting of revenues, to make sure that the numbers presented are also as attainable as possible.

The following document attempts to highlight the various projects and initiatives in the 2016 budget. These items often are a direct result of feedback from the Council retreats in the last two years.

Organization of Funds:

The City is currently organized around 25 different funds. There are three kinds of funds used in public finance. They are governmental, enterprise and special revenue funds. In our budget, those can be grouped as follows by name and fund number:

Levied Funds: General Fund (1), Library (2), Cemetery (3) and G.O. B & I (9).

Enterprise Funds:

The Electric Utility includes four different funds. They are Operating (11), Reserve (32), Capital Improvement (40) and B & I (51).

The Water Utility includes four different funds. They are Operating (12), Reserve (33), Capital Improvement (41) and B & I (15).

The Wastewater Utility (WWTR) includes four different funds. They are Operating (18), Reserve (30), Capital Improvement (42) and B & I (20).

Refuse Fund (24)

Special Revenue Funds

Special Highway Fund (28), Special Parks (26), Quality of Life Sales Tax (27), Capital Improvement Sales Tax (45) and Pool Sales Tax (70)

General Capital Improvement (29)

Budget Summary-All Funds

The total proposed budget across all funds for 2016 is \$17,051,946. That amount includes \$3,538,206 that is a result of budgeting to zero in all funds. This is necessary only to give us budget authority to spend those amounts if there were a catastrophic event that required us to use our reserve funds. The real comparison from a budgetary standpoint if you take out those budgeted items shows that the overall budget in 2016 is \$13,513,741 which is down \$822,642 from \$14,336,383 in 2015. This decrease in spending across all funds equates to a 5.7% decrease in expenditures from FY 2015 to FY 2016.

Discussion of 2016 Levy

The table below shows the proposed 2016 levy structure compared to 2015:

FUND	Expenditures			2016 MILL LEVY	2015 MILL LEVY	INCREASE
	2016 BUDGET	2015 BUDGET	% Incr./ -Decr.			
General	3,056,502	2,852,646	7%	30.527	27.490	3.037
General Bond & Interest	509,469	508,961	0%	5.626	4.354	1.273
Library	136,811	135,328	1%	4.000	4.000	-
Cemetery	78,184	79,646	-2%	2.151	1.892	0.258
				42.304	37.736	4.568

The following table shows the changes in the mill levy and related changes in assessed valuation over recent years. It is noteworthy that the assessed valuation has not reached the level prior to the economic downturn.

Year	2010	2011	2012	2013	2014	2015	2016	Average
Mill Levy	32.416	32.416	33.206	33.542	34.082	37.736	42.304	
Increase		-	0.790	0.336	0.540	3.654	4.568	1.648
Assessed Value	30,858,321	30,937,764	31,019,145	30,138,128	29,703,778	29,369,433	29,540,773	
Increase (Decrease)		79,443	81,381	(881,017)	(434,350)	(334,345)	171,340	(219,591)
% Change		0.26%	0.26%	-2.84%	-1.44%	-1.13%	0.58%	(0.007)

The proposed budget for your consideration sets the levy 4.57 mills higher than the previous year's levy.

The following table demonstrates the impact on homes and commercial properties of varying values if the mill levy is raised by the amount that is put forth in the proposed budget.

Residential Property		
Market Value of Home	Annual Increase	Monthly Increase
100,000	53.83	4.49
150,000	80.75	6.73
200,000	107.66	8.97
Commercial Property		
Market Value of Property	Annual Increase	Monthly Increase
500,000	585.13	48.76
1,000,000	1,170.25	97.52

Budget Discussion by Fund

LEVIED FUNDS

General Fund (1)-

The largest expenditure in the general fund is personnel. In this proposed budget, there is an overall 3% increase built in that employees will receive on their anniversary date as long as they receive a satisfactory annual evaluation.

Our health insurance broker has advised us that he believes our health insurance rates will increase between 15% and 20% when they are renewed in December of 2015. The 2016 budget reflects a 17.5% increase in health insurance costs over 2015, city wide.

General Fund Budget Highlights:

- \$20,000 for County dispatch services (this is the second year of this expenditure)
- \$60,000 budgeted for gateway entrance
- \$3,000 annual support of the Douglas County Senior Services for general operations relating to Baldwin City
- Transfer of \$100,000 to General Fund Capital Improvement projects (Fund 29) for possible future capital projects
- \$50,000 for murals, façade grants, other economic development initiatives in the Downtown OTO
- \$100,000 for repair of brick streets in the downtown area
- \$15,000 for a shelter in Allen Park
- \$20,000 to update the City's Comprehensive Plan

General Fund Bond and Interest (09)-

The Bond and Interest Fund expenditures are almost flat between the 2015 and 2016 budgets. This is due to an increase for debt service (lease costs) for a front loader and a trencher (split with the Water Fund) being offset by the decreases due to the 2015 bond refinance.

General Fund Equipment Reserve (31)-

Budget Highlights:

- \$38,000 for a Ford Utility Interceptor
- \$8,000 Mobile Data Terminals (MDT) Lease

General Fund Capital Improvement (29)

Budget Highlights:

- \$30,000 for preliminary engineering on the Public Works facility

Library Fund (2)-

The Library Fund is normally budgeted to match revenue with expenses. We put a slight increase in percentage for payroll and other payroll related expenses. We have a charter ordinance that sets the Library's mill levy rate at a maximum of 4 mills. This year's budget has set that levy right at 4 mills.

Cemetery and Cemetery Reserve Fund (3, 34)

No significant spending increases in 2016

ENTERPRISE FUNDS

Electric Utility (funds 11, 32, 40, 51)-

The completion of the Census Meter project is scheduled for completion in 2015 and all necessary funds have been included in 2015.

Budget Highlights:

- \$25,000 Repair Blower on Unit #6
- \$80,000 for line improvements and expansion related to the KCP&L customer acquisition
- Bond and Interest include the leasing cost of the Bucket Truck acquired in 2015

Water Utility (12, 15, 33, 41)

The completion of the Census Meter project is scheduled for completion in 2015 and all necessary funds have been included in 2015. This is a tremendous upgrade for our operations and should be a money saver in 2016. The current rate study will have an impact on the 2016 budget. More importantly, a new contract with Wellsville, if completed, would increase 2016 revenues and will certainly help shape the recommendations for rates to our citizens. In the 2016 budget, a large capital project, \$2 million for line replacement under 4", has not been discussed or incorporated into the CIP as of yet; however, it is being placed into the rate study for consideration. Regardless, this would be the only large contemplated project in this fund for 2016. Since it would be a bonded project, there is no budgetary impact in 2016 as repayment would most likely begin in 2017.

Budget Highlights:

- \$20,000 for costs associated with possible KDHE loan for line replacement

- The Bond and Interest Fund expenditures are almost flat between the 2015 and 2016 budgets. This is due to an increase for debt service (lease costs) for a front loader and a trencher (split with the Streets Department) being offset by the decreases due to the 2015 bond refinance.

Wastewater Utility (18, 20, 30, 42)

The Wastewater budget for 2016 reflects the rate increase approved by the Council in 2015. While this is improving the situation with the Wastewater Fund and it appears to be trending in the right direction. There is no significant increase in spending in 2016. It is anticipated that the belt press, bar screen and other improvements to the sewer system that will be acquired or begun in 2016 will be bonded amounts and will not result in budgetary impact until 2017.

Refuse Utility (24)

No significant spending increases in 2016

SPECIAL REVENUE FUNDS

Special Parks (26)

The majority of these funds come from a portion of the state alcohol tax that is distributed to the City on a per capita basis. There is no budgeted spending in 2016 as we will accumulate funds for future projects.

Quality of Life Sales Tax (27)

This is the ¼ cent sales tax that was passed to replace the pool sales tax when the pool was paid off. The bonding language allows for the expenditure of these funds for library, parks and other quality of life initiatives.

Budget Highlights:

- \$35,000 for Library debt service
- \$60,000 for the Depot Grant Project (an additional amount will come from Fund 45)
- \$25,000 for recreational equipment

Special Highway (28)

This fund is primarily supported by State and County Highway Aid. Funds must be used to support street and road projects. We have allowed this fund to accumulate some fund balance and plan to spend down this balance by approving road projects as identified by the street study.

- \$225,000 for street repairs
- \$30,000 for asphalt cold patch

½ Cent Capital Improvement (45)

This is the City's ½ Cent revenue specifically identified for capital improvement projects. Currently, the entire annual revenue stream is geared toward payment of debt for capital

projects including 6th Street. Additionally, \$20,000 will be added to the amount from Fund 27 for the Depot Grant Project.

Pool Sales Tax (70)

This is the remainder of the sales tax that was collected to construct the pool. There is no recommended spending in the 2016 budget, but we did budget it to zero so that we have budget authority should we need it.

2016 Budget Calendar

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| July 13 | City Council work session |
| July 17 | Deadline to publicize Public Hearing on August 3 rd
Note: The Finance Director will summarize the budget information used in this meeting for the Hearing announcement. <u>It must be noted that the mill levy published for the hearing will be the maximum that can be levied without going through another hearing and thus missing the statutory budget deadline.</u> The Council can levy less than the published amount but not more. |
| July 23 | The Budget Hearing announcement will appear in the Baldwin Signal ten days before the hearing, as required by statute. |
| August 3 | The public hearing regarding the budget will be typically be the first item of new business on the agenda. After the hearing is complete, the hearing will be closed and the meeting will continue. The annual budget is typically passed by ordinance. The annual budget ordinance is specifically exempted from the dual reading requirement of the City Code. |
| August 7 | Last day to submit the budget to the Baldwin Signal for publication. |
| August 14 | The budget will be published in the Baldwin Signal in order to meet the statutory deadline prior to certification to the County. |
| August 25 | The statutory deadline for certification of the budget to the County Clerk. |