

# Memorandum

## City of Lawrence

### City Manager's Office

DATE: 6/17/2011  
 TO: David L. Corliss, City Manager  
 FROM: Casey Toomay, Budget Manager  
 CC: Cynthia Wagner, Assistant City Manager  
 Diane Stoddard, Assistant City Manager  
 Jonathan Douglass, Assistant to the City Manager / City Clerk  
 RE: General Fund Increases over 2011 Budget

As shown on the table below, the 2012 budget requests for the general fund exceed the 2011 budget by just under \$1.1 Million, an increase of 1.5%. The increases for each category of expenditure are summarized below.

Expenditures	2010 Budget	2010 Actual	2011 Budget	2012 Requested	2012 over 2011	% change
Personal Services	\$38,224,954	\$37,885,304	\$38,864,789	\$39,283,654	\$418,866	1.1%
Contractual Services	9,560,367	9,192,765	10,146,685	10,577,837	431,152	4.2%
Commodities	4,358,924	4,055,023	4,355,018	4,551,021	196,003	4.5%
Capital Outlay	417,552	304,382	406,237	384,677	(21,560)	-5.3%
Miscellaneous	-	12,438	-	-	-	
Debt Service	-	-	-	-	-	
Contingency / Transfers	19,908,832	11,682,871	19,847,309	19,915,804	68,495	0.3%
<b>General Fund Total</b>	<b>\$72,470,629</b>	<b>\$63,132,783</b>	<b>\$73,620,038</b>	<b>\$74,712,994</b>	<b>\$1,092,956</b>	<b>1.5%</b>

#### Personal Services

The overall increase in personal services for the 2012 budget is \$418,866. Included in this increase are the following items.

- **Overtime.** A 6% increase in overtime is budgeted for 2012, the majority of which is budgeted in police and fire. Both police and fire anticipate the same amount of overtime usage as 2011. However, higher salaries as well as increases in unemployment and KP&F mean increases in the cost of the overtime. In addition, Fire has included approximately \$30,000 in overtime costs for providing stand-by service at special events that could be charged to the event sponsors. Overall, almost \$50,000 more is budgeted for overtime in the general fund in 2012 than in 2011.
- **Unemployment and FICA.** The 2012 budget assumes an increase in the unemployment insurance costs. The result is an increase of 62%, or \$33,000. No change is assumed in the FICA rate, however, increased salaries translates to an increase of 2%, or \$22,000.
- **KPERS and KP&F.** The 2012 budget assumes increases for the City's contributions to both the Kansas Public Employees Retirement System (KPERS) and the Kansas Police & Firemen's Retirement System (KP&F.) The increase in the KPERS employer contribution

is expected to result in an increase of \$58,000, or 8%, over the 2011 budget. The employer contribution rate to KP&F is also increasing, resulting in a budgeted increase of \$455,000. The table below shows comparison information for KPERS and KP&F. These estimates are based on the baseline payroll and do not account for any adjustment in compensation.

Kansas Public Employees Retirement System (KPERS)				
	2011	2012		
# of covered employees	185	185	General fund only	
general fund budget	\$ 714,831	\$ 772,799	employer contribution only	
Employee Contribution*	4.00%	4.00%	of gross earning	
Employer Contribution**	7.74%	8.34%	of gross earning	
<b>TOTAL</b>	<b>11.74%</b>	<b>12.34%</b>	<b>of gross earning</b>	
* Tier 2 members (hired on or after July 1, 2009) contribute 6%				
**includes 1% death and disability insurance (moratorium on death and disability from 4/1/12 to 6/30/12)				
Kansas Police and Firemen's Retirement System (KP&F)				
	2011	2012		
# of covered employees	277	277	General fund only	
general fund budget	\$ 2,641,952	\$ 3,097,359	employer contribution only	
Employee Contribution*	7.0%	7.0%	of gross earning	
Employer Contribution	14.57%	16.54%	of gross earning	
<b>TOTAL</b>	<b>21.57%</b>	<b>23.54%</b>	<b>of gross earning</b>	
*employees with more than 32 years of service contribute 2%				
Note: KP&F do not pay social security. Most pay Medicare although some opted out.				

- **Longevity.** The 2012 budget assumes an increase of only \$2,835 in the cost of providing longevity to general fund employees.
- **Compensation Adjustments.** The 2012 department budget requests did not include any funding for compensation adjustments.
- **Health Care.** The healthcare committee's recommendation to move to a high deductible plan would require no increase in City funding. However, due to changes in the allocation of staffing among City funds, the cost of health care for general fund employees will increase by \$3,000. Should the Commission decide to stick with the existing healthcare plan design, additional resources would be necessary.

### **Contractual Services**

Contractual Services in the 2012 budget request exceed those in the 2011 budget by \$431,152, or 4.2%. This increase can be attributed to the following:

- **Oread.** Payout of the property tax and sales tax increment from the Oread TIF is expected to increase by \$500,000 over 2011 budget. Revenues are budgeted to offset these expenditures.
- **Utilities.** While natural gas prices are expected to be lower, electric rates are expected to increase. Overall, an additional \$15,000 is budgeted for utilities in 2012.
- **Humane Society.** Our vendor for this required City service has indicated that the service will cost more in 2012. After reviewing other area animal shelter expenditures,

staff agrees that an increase in this cost is appropriate. The vendor cost has remained at \$256,320 since 2009, when funding was actually reduced from \$267,000. An increase of \$24,000 is budgeted for operations of animal shelter services in 2012.

### **Commodities**

An increase of \$196,000, or 4.5% is included in the 2012 budget requests. The bulk of this increase can be attributed to fuel. Usage is expected to be the same as 2010, however, unleaded and diesel fuel prices are expected to increase in 2012. As a result, an additional \$142,000 is budgeted for fuel in the general fund in 2012.

The remainder of the increase can be attributed to an increase in trees, seeds, and plants budget for 2012. In 2010, funding for trees, seeds, and plants was moved from the public parking fund into the general fund. In exchange, the salary and benefits of a parks and recreation maintenance worker who works downtown was moved from the general fund into the public parking fund. This change was not reflected in the 2011 budget but is reflected in 2012. As a result, commodities in the general fund increased. However, personal services in the general fund decreased by an offsetting amount.

### **Capital Outlay**

The 2012 budget in the general fund assumes a decrease of \$21,560, or 5.3%. The reductions can be attributed to reductions in the street division for general improvements in order to offset increases in fuel as outlined above.

Not included in the general fund budget as shown is any funding for the replacement of public safety radios as required by federal mandate. The estimated total cost is \$2.08 million. Staff would propose funding the radios from a combination of proceeds from the infrastructure sales tax, the equipment reserve fund, the storm water fund, gas tax fund, and special alcohol fund.

### **Contingency / Transfers**

This category of expenditures includes transfers out of the general fund. Overall, this category of expenditures in the 2012 budget is \$68,495 more than in the 2011 budget. The transfer to the equipment reserve fund has been held flat with 2011 while the transfer to the capital improvement reserve fund has been increased by \$100,000 over 2011. Changes to the other transfers in 2012 are outlined below.

- **2008 Sales Taxes.** State law requires sales taxes to be deposited into the City's general fund before being transferred out. Therefore, proceeds from the 2008 sales taxes are deposited in the general fund before being transferred to the capital improvement reserve fund, equipment reserve fund, or the transit fund. Proceeds from sales taxes are expected to increase by 2% over 2010 actual, resulting in an increase to the 2012 budget of \$270,000.
- **Countywide Sales Tax.** Some of the proceeds from the City's share of the countywide sales tax are transferred into the City's sales tax reserve fund. Due to increased needs in the general fund, the amount of the transfer budgeted for 2012 has been reduced by \$300,000 from 2011.