



# City of Lawrence

## CITY MANAGER'S OFFICE

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### CITY COMMISSION

**MAYOR**  
MIKE AMYX

**COMMISSIONERS**  
LESLIE SODEN  
STUART BOLEY  
MATTHEW J. HERBERT  
LISA LARSEN

August 20, 2016

The Honorable Mayor and City Commission  
City of Lawrence, Kansas  
City Hall

Dear Mayor and City Commissioners:

Along with the City's executive team and budget team, I am pleased to present the 2017 Operating and Capital Improvement Budget, which I believe is reflective of City Commission and community goals and priorities, including the continuance of quality city services and programs. I would like to thank the City Commission for its work and guidance on the 2017 budget preparation. Also, I would like to express my appreciation to a number of the City's advisory boards, community organizations, and citizens who have been very engaged in the budget process, providing valuable input and recommendations and helping to guide the priorities for 2017.

The City Commission, in identifying its goal areas of public safety, mental health, infrastructure, non-motorized transportation/transit, affordable housing, and economic development, has set the direction for this budget. The budget reflects shifts to these goal areas from other areas of the City budget, with a small (0.533) mill levy increase. Throughout the process a significant amount has been cut from departmental and outside agency requests, and capital improvements program requests, while additional resources have been added in the goal areas. This has been accomplished, while preserving core services, through a structurally balanced budget.

The City Commission, in identifying its goal areas of public safety, mental health, infrastructure, non-motorized transportation/transit, affordable housing, and economic development, has set the direction for this budget.

This year, the method by which funds are budgeted changed rather dramatically. This was done in an effort to reduce some of the transfers occurring between funds, which complicated the ability to fully understand the budget. Another purpose for the restructuring was to include funds that were previously not budgeted, such as grant funds, in order to increase transparency to the public. Also, staff has worked to organize the budget in a more programmatic fashion, providing a more realistic view of the cost of services. Additionally, the City's capital improvement program (CIP) changed dramatically this year. Now the CIP reflects all City projects costing \$75,000 or more with a life expectancy of five or more years, from all funding sources, for the period 2017-2021. All of these things provide a greater context within which the City Commission can make policy decisions about priorities. By being able to view this context more thoroughly and comprehensively, better decisions can be made, and resources directed to priorities. Another benefit is the ability to put mid-year off-budget requests into the larger context.

Context is an important theme for this budget. It is important to note that over a number of years, the City has been budgeting a projected structural General Fund deficit, with expenditures slated to outpace revenues. In most years, a balance was achieved by year-end through spending constraints or reallocation of some expenditures to other funds. Without resolving the structural deficit, reserves in some of the other funds have been reduced, making it additionally challenging to balance the General Fund. In order to continue to properly fund the traditional core City services, as well as maintain social service funding and direct resources to the other new goal areas of the City, budget cuts in other areas were required.

An additional \$1.0 million in General Fund reductions have been made recently in order to balance this budget. As this transmittal will further explain, these structural cuts, which will be able to be sustained in future years, have included staffing reductions and other operational cuts. These cuts are difficult to make, but required in order to achieve structural balance and place the City on a more firm financial footing moving into 2018, the first year of the new tax lid requirements. The new property tax lid will generally cap the growth in property tax revenue by the increase in the consumer price index. If the property tax lid were in place for 2017, property tax revenue growth would have been limited to 1.6%. Instead, we have utilized 3.8% growth in property tax revenues in preparing the 2017 budget. This illustrates the pressures that will continue to be on the City as we move forward to 2018, despite the cuts that are being recommended for 2017. In fact, additional cuts for 2017 could have been made to help replenish some of the capital reserves that have been significantly reduced over time.

Context is an important theme for the 2017 budget. The new budget format and more comprehensive capital improvements programming enable the City Commission, community, and staff to view the larger picture and context of spending decisions, and budgeting priorities.

**Overview of the 2017 Recommended Budget**

The total 2017 City budget is \$191,490,703. The 2017 budget includes a mill levy increase of approximately 0.533 mills. Several of the City's enterprise funds include proposed rate adjustments. However, the General Fund is structurally balanced and sets the City on the right course for future years, particularly as the City will be facing a property tax lid for the 2018 budget and beyond. The tax lid will create enormous pressures moving forward. Achievement of a structurally balanced General Fund budget has not been easy. The budget includes cuts to existing personnel and other ongoing cuts. Also, I recognize that there remains a number of unmet needs and items that the community wishes it could afford. We simply need to make these adjustments in order to place the City on a solid financial footing for the future.

**City Commission Goals and Areas of Focus for the 2017 Budget**

As previously mentioned, the budget was developed with the City Commission goal areas of public safety, mental health, infrastructure, non-motorized transportation/transit, affordable housing, and economic development, in mind. The following section of this transmittal will outline and categorize some of the major expenses funded in these goal areas.

**Public Safety**

*Police Resources.* This budget continues recent efforts to provide increased resources and equipment for the Police Department. \$435,200 is included in the 2017 budget to support the over-hire of eight police officers authorized in 2016.

The 2017 budget also includes the addition of a Mental Health squad consisting of a police officer, an existing reassigned police officer, a clinical case manager (to be employed with Bert Nash) and a sergeant position. The total net new cost for this unit is \$256,449.

Fire/Medical Resources. The 2017 budget includes funding for continued support for our Fire/Medical Department. The rehabilitation of Fire Station No. 1 is a major capital item, along with the replacement of the training burn tower, upgrades to the emergency vehicle traffic signal preemption system and other equipment.

### **Mental Health**

In response to the City Commission goal of investment in mental health services, \$321,815 is included in the 2017 budget to support the Bert Nash WRAP (Working to Recognize Alternative Possibilities) mental health program, providing mental health services in the local schools. Prior City funding for this program was redirected to other City priorities in 2008. Prior City Commission discussion has identified this item as a priority in order to make progress on the issue of addressing mental health service needs. As previously mentioned, nearly \$50,000 for a clinical case manager (to be employed by Bert Nash) as part of the Mental Health squad, is included. Funding for Bert Nash of \$143,970 for case managers to assist individuals facing homelessness in our community is recommended as well.

### **Infrastructure**

The 2017 budget includes approximately \$12 million in residential street maintenance, major street projects, contract milling, and other street improvements. These items are detailed later in this memorandum. The 2017 budget also includes approximately \$29 million in utility infrastructure improvements related to the new Wakarusa Wastewater Treatment Plant and other water and sewer system repair and improvements. These projects are also detailed later in this transmittal.

### **Non-Motorized Transportation/Transit**

The 2017 budget includes \$450,000 for bicycle/pedestrian/ADA ramp improvements, \$100,000 for the sidewalk gap program, and \$200,000 for traffic calming. The budget also includes match toward a multi-modal transit center, for which a federal grant application is pending. Additional funding for transit amenities and shelters, and fixed route bus replacement is also included.

### **Affordable Housing**

The 2017 budget includes \$300,000 in general obligation bond debt funding for affordable housing. These funds can be utilized to leverage additional funding, or other purposes. This is a step toward addressing this important issue. Staff is also presently working with the City Commission on several policy issues that could help encourage the development of affordable housing.

### **Economic Development**

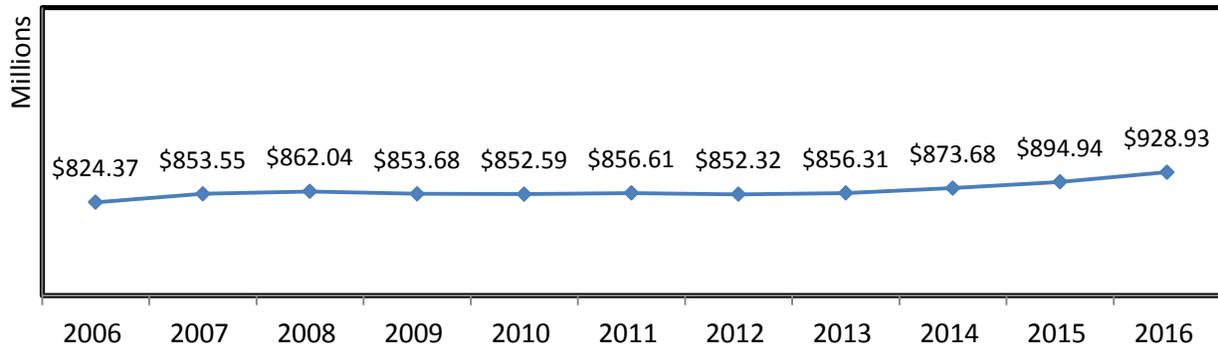
The budget includes continued level funding for economic development activities including the contract with the Lawrence Chamber of Commerce, the joint community and university efforts of the Bioscience and Technology Business Center (BTBC), and Peaslee Tech. These investments enable the community to grow and retain local businesses, recruit new businesses, encourage entrepreneurial activities, leverage our valuable university assets, and provide training for quality workforce in response to needs of local employers. Additional funding in the amount of \$50,000 is allocated for Peaslee Tech. Also, the BTBC requested an additional \$75,000 to create a fund for building improvements and tenant finish that could be allocated to new tenants as needed. The budget includes funding this item at \$25,000 for 2017. Downtown Lawrence is recommended to be funded at \$49,000 for 2017, which is the same as 2016.

### **2017 Revenue Highlights**

*Property Tax.* The assessed valuation used to build the 2017 budget is \$928,929,602. This reflects an approximately 3.8% increase over the assessed valuation used to build the 2016 budget. This means that one mill will generate approximately \$928,929. As shown below, this is the third consecutive year that assessed valuation has grown at least two percent. Prior to 2014, assessed valuation remained relatively flat dating back to 2008. During the 2015 legislative session, the Kansas Legislature implemented a property tax lid for local governments to be effective January 1, 2018. The lid will

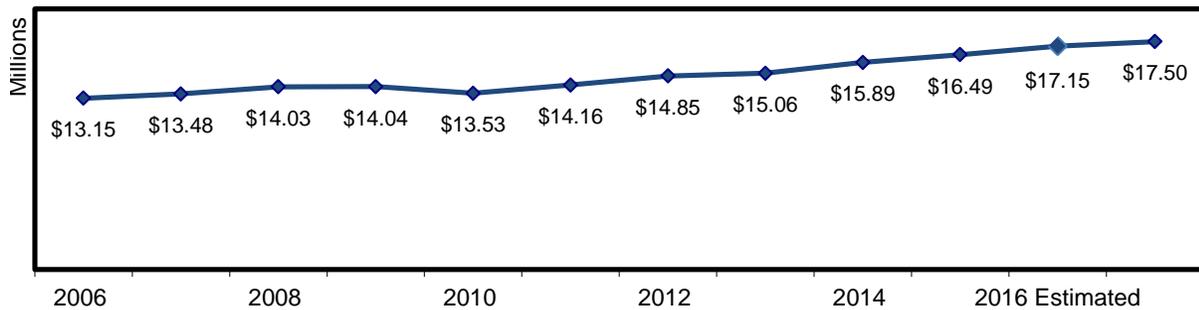
require increases in year over year property tax revenue, adjusted for various allowed exemptions, to be within the consumer price index, or increases will require voter referendum to approve. The effect of the property tax lid will be felt beginning with the 2018 budget.

**Assessed Valuation 2004 – 2016**



*Sales Tax.* Another of the City's largest revenue sources is sales tax proceeds. The proceeds from the 1% City Sales Tax are shown below. The City has seen fairly steady growth in this revenue source over the past ten years and the 2017 budget assumes growth of 2.0% over our estimated 2016 proceeds.

**Proceeds from the City 1% Sales Tax – 2004 –2016 Projected**

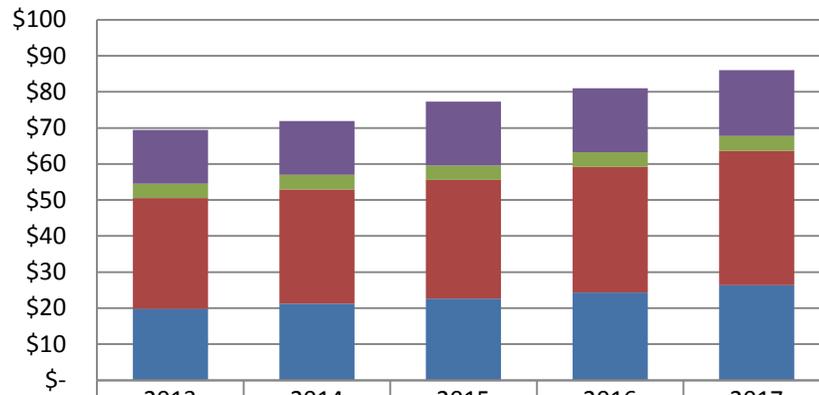


As the budget situation with the City continues to tighten and certain revenue sources are statutorily constrained, growing revenues through the growth in tax base will become increasingly important to the City. Growth in tax base can be achieved through a growing economy. Growth related to new valuation will be exempt from the property tax lid. It is important to note that the property tax rate for industrial and commercial property is double the rate for residential property. This issue will require continued attentiveness to economic development and retail development to enhance the City's property tax base and pull factor for regional sales tax.

**Cost Impacts on Citizens/Ratepayers**

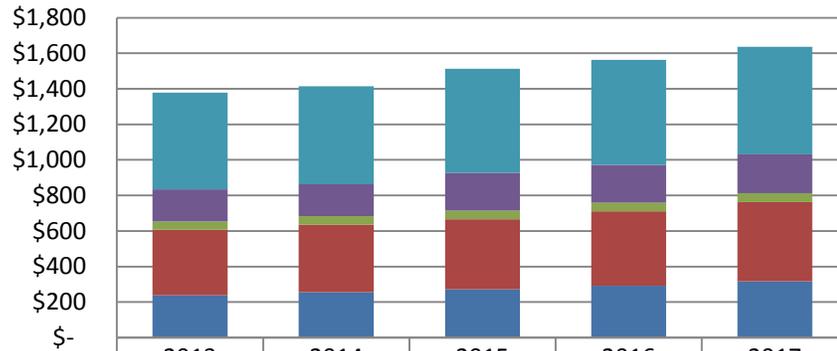
It is important for the City to be mindful of the impact of various City-imposed utility rates and taxes upon the ratepayers and citizens of Lawrence. The charts below demonstrate the impact of City utility rates for the average ratepayer and the annual financial impact to residential households.

### Monthly City Utility Bill to Residential Households



|                               |         |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|---------|
| ■ Solid Waste                 | \$14.94 | \$14.94 | \$17.75 | \$17.75 | \$18.25 |
| ■ Stormwater                  | \$4.00  | \$4.00  | \$4.00  | \$4.00  | \$4.12  |
| ■ Sewer - 4,000 Gallons/Month | \$30.64 | \$31.66 | \$32.94 | \$34.89 | \$37.26 |
| ■ Water - 4,000 Gallons/Month | \$19.87 | \$21.29 | \$22.63 | \$24.32 | \$26.35 |
| Total                         | \$69.45 | \$71.89 | \$77.32 | \$80.96 | \$85.98 |
| Percent Change                | 4.3%    | 3.5%    | 7.6%    | 4.7%    | 6.2%    |

### Annual Financial Impact to Residential Households



|                               |         |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|---------|
| ■ City Property Tax           | \$546   | \$551   | \$585   | \$591   | \$605   |
| ■ Solid Waste                 | \$179   | \$179   | \$213   | \$213   | \$219   |
| ■ Stormwater                  | \$48    | \$48    | \$48    | \$48    | \$49    |
| ■ Sewer - 4,000 Gallons/Month | \$368   | \$380   | \$395   | \$419   | \$447   |
| ■ Water - 4,000 Gallons/Month | \$238   | \$255   | \$272   | \$292   | \$316   |
| Total                         | \$1,379 | \$1,414 | \$1,513 | \$1,563 | \$1,637 |
| Percent Change                | 3.3%    | 2.5%    | 7.0%    | 3.3%    | 4.8%    |

### Employee Position Adjustments for 2017

In order to bridge the \$1.0 million gap that originally existed between projected revenues and expenditures in 2017, staff was required to examine difficult decisions for 2017 that would result in permanent sustainable budget cuts. With the bulk of expenses in the General Fund particularly relating to personnel, this has required a reduction in force. The 2017 budget eliminates 7.5 FTE, with 5.5 of

these positions being currently unfilled or vacated prior to the beginning of 2017. However, two of the positions have incumbents, requiring a reduction in force of those positions. 7.5 FTE represents approximately 1% of the City's total FTEs.

Positions with Incumbents: 2 FTE

Assistant Director of Finance- Finance Department  
Small Business Facilitator- Planning & Development Services Department

Unfilled positions to be eliminated: 5.5 FTE

Communications Specialist (Guest Tax) - City Manager's Office  
Unfilled Parks and Recreation Director position- Parks and Recreation  
Part-time Waste Reduction/Recycling Specialist- Solid Waste Division/Public Works  
Administrative Support II – City Clerk  
Administrative Support III- Fire/Medical Department  
Project Engineer – Public Works

Positions Added with 2017 Budget:

Mental Health Squad- Police Department: In order to meet the priorities of public safety and mental health, the budget includes a Mental Health Squad in the Police Department, as previously noted. This will enable a more coordinated response to mental health issues and engage a mental health professional to work closely with law enforcement. The net new cost of these positions is \$256,449.

Utilities Department positions: Five new positions are included in the Utilities Department 2017 budget, funded from utility rates and included in the rate model for the approved 2017 rates. These positions include four positions for the new Wakarusa Wastewater Treatment Plant operations, and one position for service level improvements in water quality and water testing. The total for these positions is \$294,500.

Stormwater Program Culvert Inspection Crew: The 2017 budget includes the addition of two positions for a culvert inspection crew. Funding for these positions, in the amount of \$130,000 is included in the Stormwater Fund and is paid through stormwater utility rates.

Planning and Development Services reallocation of grant funded positions: The 2017 budget includes the General Fund absorption of a portion of three grant-funded positions to reflect non-grant related work performed by these positions. There is no change to the total number of FTEs, however, this does result in the reallocation of \$50,000 to the General Fund.

Senior Building Inspector (Fee Supported): The 2017 budget includes \$80,000 to add a Senior Building Inspector position, which is needed to keep pace with building projects in the community. The position cost will be offset by building permit revenue, thus the budget impact is neutral.

Fire/Medical positions related to Eudora/Douglas County proposal for ambulance service (intergovernmental revenue offsets expenses): The City of Lawrence provides County-wide ambulance service through an intergovernmental agreement with Douglas County. There is an agreement with Douglas County for the 2017 budget for \$880,912, related to providing ambulance service in the City of Eudora, which would be supported by Douglas County funding. This is an additional cost to the 2017 budget; however with the offsetting revenue the net effect is budget neutral.

### **Employee Compensation and Benefits**

City employees are our greatest asset and continued reinvestment in our employees is a key focus in this budget. Without their hard work, dedication, and expertise, the city would be unable to provide the high quality services it provides to its residents. As a result of funds for merit and market adjustments included in the budget, city compensation is substantially in line with the market. This is important for recruiting and retaining quality employees.

The budget includes a 2% merit pool for general employees for next year. This is roughly \$800,000 total, with approximately \$400,000 impacting the General Fund. The budget also includes the 2017 funding for employees covered by Memorandum of Understanding (MOU) agreements, the Lawrence Professional Firefighters/IAFF Local 1596 and the Lawrence Police Officers Association (LPOA), in accordance with multi-year agreements that began in 2016. The new compensation related to the Fire Pay Plan for 2017 is \$455,400 and the new compensation for the Police Pay Plan is \$291,200.

Contributions to employee healthcare from all City funds will increase a total of \$979,000 or 12%. An overall 12% increase in total employee contributions, through a combination of premium increases, increased deductibles, and plan design changes, are also planned for 2017. The healthcare plan will include increases to employee deductibles for 2017, but no further plan coverage changes are planned. I am thankful to Lori Carnahan, Human Resources Manager, and Michelle Spreer, Benefits Specialist, for their work in managing the employee healthcare program and I also appreciate the extensive work of the employee Healthcare Committee in reviewing plan status and making recommendations for the coming budget cycle.

City contributions to employee retirement are decreasing from the 2016 budget. The 2017 budget includes a decrease of \$552,678, or -17%, for contributions to the Kansas Public Employee Retirement System (KPERS) and a decrease of \$740,930, or -16%, for contributions to the Kansas Police and Fire Retirement System (KP&F). Though this is a budget decrease, the City is funding these retirement systems at the rates set by KPERS and KP&F.

### **Unfunded Requests in this Recommended Budget**

The Commission received a number of requests for 2017 funding from City departments and advisory boards, economic development agencies, social service agencies, and other community groups. Many of these requests are included in the budget, but some are not. Several new positions that were requested were unable to be accommodated within existing funding.

## Department Unfunded Needs

There were many needs identified by City departments in their budget submittals for 2017 that were unable to be funded with existing resources. Similarly, there were a number of capital projects that were unable to be funded through the City's five-year Capital Improvement Plan. In some instances, existing department budget expenditures were reduced or entirely eliminated from the budget. These items are shown in the table below.

| Department                         | Partially Funded, Unfunded, or<br>Reduced Budget Requests  | Amount               |
|------------------------------------|--|----------------------|
| City Attorney's Office             | Adequate Security Measures   | \$ 281,600           |
| City Attorney's Office             | Reduction of Contracted Legal Services   | 21,600               |
| Fire/Med                           | 6.0 additional FTEs  |                      |
| Fire/Med                           | Concrete Replacement at Fire Med facilities  | 500,000              |
| Fire/Med                           | Additional Contractuals and Commodities Expenditures   | 100,000              |
| Fire/Med                           | Additional Building Maintenance  | 100,000              |
| Human Resources                    | Additional Resources for Employee Relations Council  | 10,000               |
| Human Resources                    | Reduction of Part-Time Temporary Salaries  | 4,000                |
| Human Resources                    | Additional 1.0 FTE-Human Resources Specialist or Admin. III  |                      |
| Human Resources                    | Additional 0.5 FTE-Admin. Position   |                      |
| Human Resources                    | Reduction of Part-Time Temporary Salaries  | 8,000                |
| Human Resources                    | Reduction of Printing/Publications/Advertising Budget  | 3,000                |
| Information Technology             | Additional Network Technician position   | 56,700               |
| Information Technology             | New Telecommunications/VoIP Specialist position  |                      |
| Information Technology             | New Administrative Support position  |                      |
| Information Technology             | Replace Server Room Halon Fire System  | 26,730               |
| Information Technology             | Reduction of Part-Time Temporary Salaries  | 17,000               |
| Planning &<br>Development Services | Reduction of Full-Time Position to Part-Time Position  | 38,970               |
| Police                             | Additional 10.0 Investigations FTEs-Police Sergeant (1), Detective (6), Police Officer (2), Admin. Support (1) | 1,054,357            |
| Police                             | 5 Vehicles for Additional Investigations Personnel (shown above)   | 168,500              |
| Police                             | CIT Squad-4 positions requested, 3 positions funded (1 officer will be reassigned)                             | 74,553               |
| Police                             | Vehicle Replacement-14 requested, 10 funded  | 112,000              |
| Police                             | Reduction of Police Over Hire  | 100,000              |
| Police                             | Reduction of Contractuals and Commodities Expenditures   | 168,700              |
| Public Works                       | Increase Salt Funding  | 150,000              |
| Public Works                       | Pavement Maintenance   | 360,000              |
| Public Works                       | Fiber Improvements   | 110,000              |
| Public Works                       | Equipment Replacements   | 500,000              |
| Public Works                       | Facility Maintenance   | 500,000              |
| Public Works                       | Pavement Markings and Cross Walks  | 130,000              |
| Public Works                       | Video Detection Upgrades   | 200,000              |
| Public Works                       | Cartgraph Software   | 60,000               |
| Public Works                       | Improved Central Garage Facilities   |                      |
| Public Works                       | Reclassify a Traffic Position for Fiber Tech   | 60,000               |
| Utilities                          | Equipment and Vehicle Upgrades (5 vehicles, 4 pieces of equipment)   | 364,000              |
|                                    | Unfunded CIP Projects  | 14,937,738           |
| <b>Total</b>                       |  | <b>\$ 20,217,448</b> |

### Other Items Reduced to Balance Budget

In addition to the Department cuts outlined above, the following cuts were made to outside agency funding requests in order to balance the budget:

- Reduce Arts Center facilities maintenance request from \$100,000 to \$55,000- *savings of \$45,000*
- Remove the Reinvent Retirement funding for 2017- *savings of \$40,000*
- Reduce Bioscience Technology Business Center Incentive Fund request from \$75,000 to \$25,000 – *savings of \$50,000.*

### Social Service Agency Funding Allocations

The Social Service Funding Advisory Board reviewed the applications for 2017 social service agency and special alcohol funding. Recommended 2017 social service funding and special alcohol funding combined totals \$1.181 million, an amount that is roughly equivalent to the 2016 budgeted total. The Social Service Funding Advisory Board recommendations for how to allocate the funds assuming level funding for social service agencies are included in this budget as follows:

| Alcohol Funds                                   | Budget 2016       | Request 2017      | 2017 Request vs. 2016 Budget | 2017 Recommended Budget (Social Service Funding Advisory Board Recommendations) | Fund                  |
|---|-------------------|-------------------|------------------------------|---|-----------------------|
| Ballard Community Services                      | \$ 13,210         | \$ 20,000         | 51%                          | \$ 16,702   | Special Alcohol Funds |
| Bert Nash WRAP Program                          | 350,000           | 350,000           | 0%                           | 321,815   | Special Alcohol Funds |
| Big Brothers Big Sisters                        | 8,710             | 10,000            | 15%                          | 9,570   | Special Alcohol Fund  |
| Boys and Girls Club                             | 95,710            | 107,100           | 12%                          | 98,372  | Special Alcohol Fund  |
| Communities in School                           | NA                | 15,000            |                              | -   | Special Alcohol Funds |
| DCCCA First Step at Lake View                   | 37,180            | 37,180            | 0%                           | 37,180  | Special Alcohol Fund  |
| DCCCA Lawrence Outpatient Treatment Services    | 93,534            | 93,534            | 0%                           | 93,524  | Special Alcohol Fund  |
| Douglas County Court Services                   | NA                | 57,756            |                              | -   | Special Alcohol Funds |
| Health Care Access                              | NA                | 30,000            |                              | 6,946   | Special Alcohol Funds |
| Hearthstone                                     | 7,500             | 7,000             | -7%                          | 7,000   | Special Alcohol Fund  |
| Heartland Community Health Center               | 30,000            | 30,000            | 0%                           | 30,000  | Special Alcohol Fund  |
| KU Leadership Involvement and Leadership Center | NA                | 25,000            |                              | -   | Special Alcohol Fund  |
| Van Go, Inc.                                    | 26,273            | 26,273            | 0%                           | 26,273  | Special Alcohol Fund  |
| Willow Domestic Violence Center                 | 17,710            | 19,000            | 7%                           | 18,618  | Special Alcohol Fund  |
| <b>Total:</b>                                   | <b>\$ 679,827</b> | <b>\$ 827,843</b> | <b>22%</b>                   | <b>\$ 666,000</b>   |                       |

| Non-Alcohol Funds                                | Budget 2016      | Request 2017      | 2017 Request vs. 2016 Budget | 2017 Recommended Budget (Social Service Funding Advisory Board Recommendations) | Fund         |
|--|------------------|-------------------|------------------------------|---|--------------|
| Bert Nash Community Mental Health Center         | \$153,208        | \$ 178,208        | 16%                          | \$ 143,970  | General Fund |
| Big Brothers Big Sisters                         | 17,580           | 26,000            | 48%                          | 17,637  | General Fund |
| Boys and Girls Club                              | 119,328          | 148,800           | 25%                          | 115,978   | General Fund |
| Communities in Schools                           | 2,280            | 10,000            | 339%                         | 2,290   | General Fund |
| Douglas County CASA                              | 22,780           | 30,000            | 32%                          | 21,520  | General Fund |
| Douglas County Dental Clinic                     | 15,000           | 15,000            | 0%                           | 15,000  | General Fund |
| Health Care Access                               | 24,410           | 26,800            | 10%                          | 23,331  | General Fund |
| Heartland Community Health Center                | NA               | 60,000            |                              | 31,167  | General Fund |
| Housing and Credit Counseling                    | 15,580           | 17,100            | 10%                          | 15,650  | General Fund |
| Just Food of Douglas County                      | NA               | 27,200            |                              | 5,000   | General Fund |
| Lawrence Community Food Alliance                 | 6,830            | 15,000            | 120%                         | 5,748   | General Fund |
| Salvation Army of Douglas County-Bus Passes      | NA               | 8,000             |                              | 2,375   | General Fund |
| Salvation Army of Douglas County-Pathway of Hope | NA               | 15,000            |                              | 5,083   | General Fund |
| Sexual Trauma and Abuse Care Center              | 8,200            | 8,200             | 0%                           | 8,200   | General Fund |
| Shelter, Inc.                                    | 29,150           | 32,000            | 10%                          | 28,575  | General Fund |
| Success by 6 Coalition of Douglas County         | 25,050           | 55,000            | 120%                         | 25,033  | General Fund |
| TFI Family Services                              | 6,380            | 9,000             | 41%                          | 6,503   | General Fund |
| The Willow Domestic Violence Center-Work Clothes | 3,640            | 2,500             | -31%                         | 2,500   | General Fund |
| The Willow Domestic Violence Center-Outreach     | 5,470            | 5,500             | 1%                           | 5,500   | General Fund |
| Van Go, Inc.                                     | 31,890           | 31,890            | 0%                           | 29,460  | General Fund |
| Warm Hearts                                      | 5,470            | 5,470             | 0%                           | 4,480   | General Fund |
| <b>Total:</b>                                    | <b>\$492,246</b> | <b>\$ 726,668</b> | <b>48%</b>                   | <b>\$ 515,000</b>   |              |

### **Other Outside Agency and City Advisory Board Funding**

The proposed 2017 budget also includes other funding for various outside agencies, and City boards.

| <b>Other Outside Agency Budget Requests</b>      | <b>Budget 2016</b> | <b>Request 2017</b> | <b>2017 Request vs. 2016 Budget</b> | <b>2017 Recommended Budget</b> | <b>Fund</b>                     |
|--|--------------------|---------------------|-------------------------------------|--------------------------------|---------------------------------|
| Bioscience and Technology Business Center (BTBC) | \$ 200,000         | \$ 200,000          | 0%                                  | \$ 200,000                     | General Fund                    |
| BTBC-Economic Development Incentive Fund         | NA                 | 75,000              |                                     | 25,000                         | General Fund                    |
| BTBC-Incubator                                   | 75,000             | 75,000              | 0%                                  | 75,000                         | General Fund                    |
| Destination Management Inc. (DMI)                | 90,000             | 30,000              | -67%                                | 30,000                         | Guest Tax Fund                  |
| Douglas County Health Department                 | 671,401            | 713,343             | 6%                                  | 671,401                        | General Fund                    |
| Douglas County Senior Services ReINVENT          | 47,500             | 47,500              | 0%                                  | 7,500                          | General Fund                    |
| Douglas County Special Olympics                  | 250                | 500                 | 100%                                | 500                            | Special Recreation Fund         |
| Downtown Lawrence Inc.                           | 49,000             | 49,000              | 0%                                  | 49,000                         | General Fund/<br>Guest Tax Fund |
| eXplore Lawrence                                 | 880,000            | 990,000             | 12.50%                              | 990,000                        | Guest Tax Fund                  |
| K-10 Connector                                   | 120,000            | 327,800             | 173%                                | 120,000                        | Transit Fund                    |
| KU Small Business Development Center             | 20,000             | 20,000              | 0%                                  | 20,000                         | General Fund                    |
| Lawrence Alliance                                | 4,000              | 4,000               | 0%                                  | 4,000                          | Special Recreation Fund         |
| Lawrence Arts Center Facilities Maintenance      | 110,000            | 156,343             | 42%                                 | 55,000                         | General Fund                    |
| Lawrence Arts Center Scholarships                | 30,000             | 60,000              | 100%                                | 30,000                         | Special Recreation Fund         |
| Lawrence Chamber of Commerce                     | 200,000            | 200,000             | 0%                                  | 200,000                        | General Fund                    |
| Lawrence Children's Choir                        | 8,200              | 5,000               | -39%                                | 5,000                          | Special Recreation Fund         |
| Lawrence Community Shelter Inc.                  | 100,000            | 150,000             | 50%                                 | 100,000                        | General Fund                    |
| Lawrence Community Shelter Inc.                  | 84,000             | 169,500             | 102%                                | 84,000                         | Special Alcohol Fund            |
| Lawrence Community Shelter Inc.                  | 15,600             | 15,600              | 0%                                  | 15,600                         | Public Transportation Fund      |
| Lawrence Cultural Arts Commission                | 41,500             | 43,820              | 5.60%                               | 41,500                         | Special Recreation Fund         |
| Lawrence Humane Society                          | 360,000            | 360,000             | 0%                                  | 360,000                        | General Fund                    |
| Lawrence Public Library                          | 3,750,000          | 4,050,000           | 5%                                  | 4,033,737                      | Library Fund                    |
| Peaslee Center-Growth                            | NA                 | 50,000              |                                     | 25,000                         | General Fund                    |
| Peaslee Center-Technical Training Center         | 100,000            | 145,105             | 45%                                 | 125,000                        | General Fund                    |

|                              |                     |                     |            |                     |                         |
|------------------------------|---------------------|---------------------|------------|---------------------|-------------------------|
| Ryan Gray Playground         | NA                  | 25,000              |            | 15,000              | Special Recreation Fund |
| Sister Cities Advisory Board | 8,000               | 8,000               | 0%         | 8,000               | Guest Tax Fund          |
| Watkins Museum               | 30,000              | 40,000              | 33%        | 40,000              | Guest Tax Fund          |
| <b>Total</b>                 | <b>\$ 6,994,451</b> | <b>\$ 8,010,511</b> | <b>15%</b> | <b>\$ 7,330,238</b> |                         |

### **Library Fund**

The Library has requested \$4,050,000 in funding in 2017. The 2017 budget includes \$4,033,737 which is the amount projected to be generated from the increased library mill levy and existing fund balance. The fund balance for the Library Fund will be essentially depleted.

### **Guest Tax Fund**

eXplore Lawrence (Convention & Visitors' Bureau) has requested \$990,000 in funding from guest tax to conduct its marketing and promotion of Lawrence as a destination. The fund also includes \$30,000 for Destination Management, Inc. (DMI) for Freedom's Frontier National Heritage Area. Guest Tax funds will also be used to fund \$150,000 in special events grants, \$71,500 for a Communications Specialist position which will jointly support the city's outreach and marketing efforts as well as support those functions of the convention and tourism bureau, and support the second year of a \$150,000 commitment to the Junior Olympic event to be held in the summer of 2017. The Guest Tax will also support the Sister Cities program, and the final year of a commitment to the Watkins Museum's third floor core permanent exhibit on the history of Lawrence and Douglas County. Other items of note include funding for \$150,000 of debt service for Sports Pavilion Lawrence and \$95,000 in debt service for the Carnegie Building project.

### **Transit Fund**

The 2017 transit budget includes continued support for transit operations and activities. Funding of up to \$4 million toward a new transit hub has been earmarked from proceeds from the transit sales taxes, pending the grant application for a joint parking/transit center facility with the University of Kansas. The fund also includes funding 30-minute service on two additional routes, bringing 6 of 11 city funded routes to this improved level of service. Capital outlay also includes funding for additional buses and amenities.

In 2015 and 2016, the City Commission authorized the payments of \$120,000 for the City share of the Johnson County Transit-operated K-10 Connector. The 2017 budget includes \$120,000 as a continued local contribution to this service. While this amount is less than what has been requested by Johnson County Transit to support the service, it attempts to strike a balance between assisting with funding for the service and keeping local route needs a priority, which is the suggestion of the city's Public Transit Advisory Committee. It is unknown at this point what potential impact keeping this contribution level may create and we will continue to be in contact with Johnson County Transit on the issue.

### **Recreation Fund**

The Recreation Fund provides funding for a broad cross-section of recreation programs and services that meet the needs of the citizens of Lawrence. The division is directly responsible for staffing, scheduling, operating and programming of four recreation centers, two historic buildings, four swimming facilities, a nature center and lake, softball, baseball, soccer, football complexes and a wide variety of multipurpose play areas. Additionally, this fund also provides maintenance funding for two our biggest operations, which are the four aquatic facilities and Sports Pavilion Lawrence at Rock Chalk Park. This account is funded primarily by user fees as well as through a transfer from the City's share of the countywide sales tax, which is to be increased slightly in 2017.

### **Special Recreation Fund**

The Special Recreation Fund provides funding for various recreation activities. Additionally, funding is provided for scholarships for the Lawrence Arts Center, the Lawrence Alliance which organizes the community's Festival of Cultures, and the Lawrence Cultural Arts Commission (LCAC) and its programs, such as the Outdoor Downtown Sculpture Exhibition, Phoenix Awards and community art grant program.

### **Water and Wastewater Fund**

In 2013, the City Commission adopted new Master Plans for the Water and Wastewater Utilities along with the 2013-2017 Capital Improvement Program. These plans outline the capital projects necessary to provide the City with a safe and reliable system with sufficient capacity to serve our community into the future, including a substantial commitment to repair and maintain existing facilities. The multi-year plan included construction of a new Wastewater Treatment Plant, which was approved in 2015 and expected to be operational in early 2018. The plan also accompanied a five year rate plan to provide continued funding for reinvestment in the utility infrastructure. Rate adjustments to fund 2016 and 2017 operations and capital improvements were approved by the City Commission during 2016. For typical residential customer usage of 4,000 gallons water and sewer, the 2017 rates represent a \$4.40 total monthly cost increase (or 7.4% increase) between adopted 2016 and 2017 rates.

### **Parking Fund**

The Parking Fund continues to experience growth in expenditures while revenues remain fairly flat. Beginning in 2016, expenditures and staffing related to beautification and numerous amenities specific to downtown were moved from the Parking Fund to the Guest Tax Fund, reducing on-going expenditures in this fund. 2017 also includes a \$150,000 payment toward debt related to the Vermont Street parking garage. Staff recommends discussions this upcoming year related to the parking system, including a discussion about modernization through technology.

### **Capital Improvement Reserve Fund**

The Capital Improvement Reserve Fund is slated to cover the funding for the annual vehicle replacement program, at \$500,000. It should be noted that by the end of 2017, the Capital Improvement Reserve Fund will essentially be depleted.

### **Debt Service Fund**

In 2017, the Debt Service Fund budget includes a \$2.5 million reduction in the debt service fund reserves, however that is based on future debt that will be paid off in the near future and is balanced with the requirements of the City's CIP. It should be noted that while the City maintains debt capacity, that capacity is tempered by the need to maintain adequate reserves in the Debt Service Fund in order to protect the City's bond rating. This is discussed in more detail in the next section of the transmittal.

### **A Note about Fund Balances**

It is important for the City to maintain appropriate fund balances in its operating funds. Fund balance is key to having the flexibility to continue operations if revenues decrease unexpectedly, or if additional operations are required unexpectedly. In today's climate, funding from state and federal levels is subject to immediate rescission and also unfunded mandates from these other levels of government are realities. Appropriate fund balances also play a major role in the City's credit rating, which determines the rates at which it can issue debt. Differences in interest rates as a result can mean hundreds of thousands, or even millions in additional costs. Moody's, one of the largest municipal credit rating agencies, derives a credit score from financial and demographic information on the city. Thirty percent (30%) of that score is based on the City's finances, and in particular four major areas (% related weighting of the rating score):

- 10% = Fund Balance
- 05% = 5-Year change in Fund Balance
- 10% = Cash Balance

05% = 5-Year change in Fund balance

In its publication "Rating Methodology of US Local Government General Obligation debt", Moody's states:

*"Fund balance describes the net financial resources available to an entity in the short term. The input for this factor isn't simply General Fund balance; we include all reserves that our analysis finds is available for operating purposes. The specific funds that will be included will vary by credit, although almost all will include at least the General Fund unassigned plus assigned fund balance. The fund balance communicates valuable information about both the past and the future. The existing balance depicts the cumulative effects of the local government's financial history. It also identifies the liquid resources available to fund unforeseen contingencies as well as likely future liabilities. The strength of a given level of fund balance varies depending on the particular local government and its respective operating environment. Larger balances may be warranted if budgeted revenues are economically sensitive and therefore not easily forecasted, or to offset risk associated with tax base concentration, unsettled labor contracts, atypical natural disaster risk, and pending litigation. Alternately, municipalities with substantial revenue-raising flexibility may carry smaller balances without detracting from their credit strength; this weakness is offset by their ability to generate additional resources when necessary. We include both restricted and unrestricted fund balance unless there is reason to believe the restricted portions are not usable for operating purposes. "*

In its June rating report for the City of Lawrence, Moody's specifically notes that material declines in reserve levels is one factor that could lead to a downgrade in credit rating.

### **2017-2021 Capital Improvement Program**

The 2017 Capital Improvement Program (CIP) process was significantly revamped from prior years. Rather than simply a general obligation debt funding plan, the CIP was expanded to include all capital projects \$75,000 and with a life expectancy of at least 5 years, to be funded from any source or combination of sources. The projects were reviewed and scored by the City's management team staff using a priority matrix.

Prior to discussing projects recommended for funding, it should be noted that the CIP process yielded a significant number of unfunded projects, which despite their merits did not rise to the priority level given the funding available. The total of unfunded projects for 2017 reached approximately \$15 million, with the 5 year total reaching nearly \$100 million of unfunded projects.

The 2017 CIP projects are those that by virtue of priority and need, are included in the 2017 budget. Included for funding are approximately \$78 million in projects, with a significant emphasis on infrastructure reinvestment in the City's water and wastewater systems, street and facility maintenance, and operational equipment and vehicles. Highlights of the 2017 projects include:

#### **Public Safety**

Fire Station No. 1/Senior Center Rehabilitation (8<sup>th</sup> & Kentucky): \$6 million in funding is included in the budget, with \$5.48 million from general obligation bonds and \$520,000 planned from intergovernmental sources to complete the upgrades at this facility, to include expansion of the bunk room and other operational areas, and maintenance to the exterior of the building, along with HVAC improvements.

Fire/Medical Projects: \$350,000 is included in 2017 and 2018 to replace the training burn tower. \$719,000 in general obligation debt is planned for emergency vehicle traffic signal preemption systems, and \$50,000 from the equipment reserve fund is planned for the replacement of an air compressor for self-contained breathing apparatus at Fire Station No. 1.

Police Equipment: \$672,100 is included in 2017 for mobile data computer replacements, \$392,000 for police vehicle replacements, and \$95,000 for a crime scene scanner.

Police Facility Design: \$1.5 million is included in the 2017 budget for the design of a police facility.

### **Infrastructure**

Street Maintenance: The 2017 Capital Improvement Budget includes a total of \$3.84 million for residential street maintenance, contract milling for in-house pavement rehabilitation, and the State of Kansas connecting links program (KLINK). An additional \$8.3 million in funding, from a combination of the capital improvement reserve fund, infrastructure sales tax, and general obligation bonds, is included for major street projects, outlined as follows:

- Kasold Reconstruction- 6<sup>th</sup> Street to Bob Billings Parkway
- Wakarusa Drive Reconstruction- Inverness to 6<sup>th</sup> Street
- Queens Road Improvements- 6<sup>th</sup> Street to City Limits

It should be noted that the 19<sup>th</sup> Street Reconstruction Project from Harper to O'Connell, originally included in the draft CIP for 2017, has been moved to 2018.

Public Works Equipment: Approximately \$2 million is included in the 2017 budget to fund the city's vehicle replacement program, and other major equipment such as a street sweeper, three dump trucks, a rubber tire loader, video detection equipment and a skid-steer loader.

Stormwater Improvements: \$650,000 in stormwater funding is included in the 2017 to fund a storm sewer video inspection unit, 13<sup>th</sup>/Brookcreek Drainage Improvements, and stormwater culvert lining.

Airport Improvements: The 2017 budget includes \$80,500 for a city match of \$724,500 in Federal Aviation Administration funding for the construction of a wildlife fence at the Lawrence Municipal Airport. \$136,000 in funding is included to reconstruct the terminal apron.

Utilities Projects and Equipment: The 2017 budget includes \$29.3 million for the completion of the Wakarusa Wastewater Treatment Plant and conveyance corridor projects, and approximately \$12.9 million for the rehabilitation and replacement of water tanks, water lines, sewer infrastructure, pump stations, manholes and plant maintenance.

### **Affordable Housing**

Affordable Housing Initiatives: \$300,000 is included in the 2017 budget for affordable housing initiatives to meet the demand for affordable housing investment in Lawrence. These funds could be available to leverage additional funding or for targeted projects. Future years funding is listed as \$300,000 in 2018 and \$350,000 per year in 2019-2021, for a total of \$1.65 million over the five year period. Staff believes that this funding is a start to address needs in this area, while balancing what the City can afford at this time.

### **Non-Motorized Transportation/Public Transit**

Bicycle Pedestrian Improvements: The 2017 Plan includes \$450,000 for bicycle/pedestrian/ADA ramp improvements, \$100,000 for the sidewalk gap program, and \$200,000 for traffic calming.

Multi-Modal Transit Center: The 2017 Plan includes up to \$4 million from the City towards a \$28 million project with the University of Kansas to construct a transit center and parking garage on the University of Kansas campus. This project is pending while awaiting word on the status of the grant application.

Transit Shelters and Amenities: The 2017 budget includes \$150,000 in additional transit shelter and amenity funding to enhance the public transit system for riders.

Fixed Route Transit Buses: The 2017 budget includes \$1.5 million in funding for bus replacements for the transit system.

### **Other**

Parks and Recreation Projects: \$700,000 is included in the 2017 budget for general maintenance and repairs for parks and recreation facilities. \$330,000 is included for the replacement of HVAC units at the Indoor Aquatic Center. \$120,000 is included to install additional ADA compliant restroom facilities at the Youth Sports Complex. \$75,000 is included for downtown brick paver replacement. \$500,000 is included to upgrade facilities at the Eagle Bend Golf Course, to be paid through golf revenues. \$75,000 is budgeted to install a trail to connect 29<sup>th</sup> Street to Haskell, and \$85,000 is included to replace a bus for the recreation division.

One Stop Shop: \$30,000 toward the creation of a one-stop shop for the Planning & Development Services function is included in the 2017 budget. This will enable staff to evaluate opportunities to consolidate operations and improve customer service.

Other Projects: Other projects in the 2017 CIP include:

- Downtown Canopy Lighting Sidewalk & Roofing (\$350,000 from General Obligation Debt)
- Community Health Boiler (\$112,500 from General Obligation Debt)/Chiller (\$162,500 from General Obligation Debt)/Building Stabilization (\$37,500 from General Obligation Debt)
- Solid Waste vehicles—automated side load refuse truck, dual purpose front load and automated side load refuse truck, rear load refuse truck, roll-off container truck replacement (\$800,500 from solid waste fund)
- Solid waste facility on Kresge (\$2,700,000 from solid waste fund)
- Parking garage pay stations (\$99,000 from public parking)
- Parking garage assessments/maintenance (\$150,000 from public parking)
- Roof replacement at Fire/Medical Station #3 (\$140,000 from General Obligation Debt)
- Roof and Drainage Maintenance for Fire/Medical (\$90,000 from General Obligation Debt)

### **Conclusion**

The budget for 2017 emphasizes prioritization of City Commission goal areas, while continuing support of core city services and facilities. While the budget may not be able to fund everything that may be desired by the community, it strikes an appropriate balance between addressing important needs and priorities and what the community is able to afford. The budget also has been reorganized in order to enhance transparency and create context within which to make important priority decisions during a time of limited resources and moving forward into future years.

I want to thank the department directors for their work preparing their 2017 budget requests. I also want to thank our budget team- Bryan Kidney, Brandon McGuire, Casey Toomay, Diane Stoddard, and Danielle Buschkoetter for their efforts in managing a successful budget process. This group has worked many long hours to bring this budget forward. As always, we look forward to implementing the City Commission's priorities in 2017 and our upcoming discussions on strategic planning.

Respectfully submitted,



Thomas M. Markus  
City Manager