2017 Budget Amendment & 2018 Operating and Capital Improvement Budget

Public Hearing
August 1, 2017
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• Purpose of Hearings
• Review Budget Basics
• Review Recommended Budget Summary
• Answer Frequently Asked Questions
• Request City Commission Action
Purpose of the Budget Hearings

- Answer questions
- Hear objections
Action
Requested

• Adopt Ordinance No. 9388 amending the 2017 budget
• Adopt Ordinances and Resolution establishing utility rates for 2018
• Adopt Ordinance No. 9387 establishing the maximum expenditure levels for 2018 and adopting the 2018-2022 CIP
How was the budget developed?

• The budget was developed using the strategic plan as a guide
Where do Lawrence residents’ property taxes go?
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Where do Lawrence residents’ property taxes go?

34% Douglas County
Where do Lawrence residents’ property taxes go?

1% State of Kansas
Where do Lawrence residents’ property taxes go?

24% City of Lawrence
Where do city property taxes go?

- General Operating Fund: 59%
- Bond and Interest: 29%
- Library Fund: 12%

Budget Basics
Property taxes make up 19% of total revenues that fund the City budget.

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for service</td>
<td>39%</td>
</tr>
<tr>
<td>Sales tax</td>
<td>21%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>8%</td>
</tr>
<tr>
<td>Franchise fees</td>
<td>4%</td>
</tr>
<tr>
<td>Transfers in</td>
<td>4%</td>
</tr>
<tr>
<td>Fines and fees</td>
<td>2%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2%</td>
</tr>
<tr>
<td>• Special Assessments, Interest, etc.</td>
<td></td>
</tr>
<tr>
<td>• Licenses and Permits</td>
<td>1%</td>
</tr>
</tbody>
</table>
How are property taxes calculated?
How are property taxes calculated?

Determine the assessed valuation for your property (residential 11.5% commercial 25% of fair market value.)

Market Value of Home = $175,000
x Assessment Rate x 11.5%
Assessed Valuation = $20,125
How are property taxes calculated?

1. Determine the assessed valuation for your property (residential 11.5%; commercial 25% of fair market value.)

2. Multiply assessed valuation by the mill rate levied by the City for 2018.

Assessed Valuation = $20,125 
× City mill rate 
× 33.268 
$669,519
How are property taxes calculated?

1. Determine the assessed valuation for your property (residential 11.5%; commercial 25% of fair market value.)

2. Multiply assessed valuation by the mill rate levied by the City for 2018.

3. Divide by 1,000. The result is your estimated City tax liability.

$669,519 / $1,000 = $670

The estimated 2018 City tax liability for a home with a fair market value of $175,000 is $670.
<table>
<thead>
<tr>
<th>Fair Market Value of Home</th>
<th>Assessed Valuation</th>
<th>Approximate 2018 City Tax Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$11,500</td>
<td>$383</td>
</tr>
<tr>
<td>$125,000</td>
<td>$14,375</td>
<td>$478</td>
</tr>
<tr>
<td>$150,000</td>
<td>$17,250</td>
<td>$574</td>
</tr>
<tr>
<td>$175,000</td>
<td>$20,125</td>
<td>$670</td>
</tr>
<tr>
<td>$200,000</td>
<td>$23,000</td>
<td>$765</td>
</tr>
<tr>
<td>$225,000</td>
<td>$25,875</td>
<td>$861</td>
</tr>
<tr>
<td>$250,000</td>
<td>$28,750</td>
<td>$956</td>
</tr>
<tr>
<td>$275,000</td>
<td>$31,625</td>
<td>$1,052</td>
</tr>
<tr>
<td>$300,000</td>
<td>$34,500</td>
<td>$1,148</td>
</tr>
<tr>
<td>$350,000</td>
<td>$40,250</td>
<td>$1,339</td>
</tr>
<tr>
<td>$400,000</td>
<td>$46,000</td>
<td>$1,530</td>
</tr>
<tr>
<td>$450,000</td>
<td>$51,750</td>
<td>$1,722</td>
</tr>
<tr>
<td>$500,000</td>
<td>$57,500</td>
<td>$1,913</td>
</tr>
</tbody>
</table>
Where does sales tax come from?
## Combined Sales Tax Rates

<table>
<thead>
<tr>
<th>Taxing Jurisdiction</th>
<th>Percent Levied</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Kansas</td>
<td>6.50%</td>
</tr>
<tr>
<td>Douglas County</td>
<td>1.00%</td>
</tr>
<tr>
<td>City of Lawrence</td>
<td>1.55%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.05%</strong></td>
</tr>
</tbody>
</table>
Budget Basics

• Annual Per Capita Sales Tax is $1,025
  • Annual per capita sales tax is derived by taking FY 2016 collections and dividing it by the population
  • This is artificially inflated, it does not account for purchases made from those that live outside City limits

<table>
<thead>
<tr>
<th></th>
<th>Consumer Purchases</th>
<th>Sales Tax Paid</th>
<th>State</th>
<th>County</th>
<th>City*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>$11,326</td>
<td>$1,025</td>
<td>$736</td>
<td>$43</td>
<td>$246</td>
</tr>
<tr>
<td>Monthly</td>
<td>$944</td>
<td>$85</td>
<td>$61</td>
<td>$4</td>
<td>$20</td>
</tr>
</tbody>
</table>

*Includes the City portion of County-wide sales tax
• Annual Per Capita Sales Tax is $1,025

$736 State of Kansas

$43 Douglas County

$246 City of Lawrence
Budget Basics

Where does sales tax go?

- General Fund 73%
- Capital Improve Reserve 12%
- Transit Fund 12%
- Equipment Reserve Fund 1%
- TDD/TIF Funds 2%
What are funds?
• Funds are separate, self-balancing pot of money that have designated purposes
  • With few exceptions, funds must be kept separate (i.e. revenues designated for one purpose cannot be used for another funds’ purpose)

Why do we need them?
• Funds are legally required
What is fund balance?
- Fund balance is the difference between assets and liabilities

What should it be?
- Fund balance should be interpreted in the context of the specific fund

General Fund
- Fund balance policy states it should be between 15% and 30% of expenditures in the general fund
- Currently at 25% due to the volatility of some major revenue sources
2017 Budget Amendment Summary

- Public Library fund balance is a carry forward that will be distributed to the library in 2017.
- Airport Fund and City Parks Memorial Fund had expenditures that were budgeted for 2016 that will be made in 2017.
- Housing Trust Fund is using additional fund balance to finance part of a housing study.
- The TDD/TIF/NRA funds have additional fund balance due to the Oread TDD-TIF. Funds had been held in anticipation of a settlement. Funds have now been distributed accordingly.

<table>
<thead>
<tr>
<th>Fund</th>
<th>2017 Adopted Budget</th>
<th>2017 Proposed Amended Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual Tax Rate</td>
<td>Amount of Tax that was Levied</td>
</tr>
<tr>
<td>Library</td>
<td>4.039</td>
<td>3,752,018</td>
</tr>
<tr>
<td>Airport</td>
<td></td>
<td>121,289</td>
</tr>
<tr>
<td>City Parks Memorial</td>
<td></td>
<td>23,502</td>
</tr>
<tr>
<td>Housing Trust</td>
<td></td>
<td>300,154</td>
</tr>
<tr>
<td>TDD/TIF/NRA</td>
<td></td>
<td>1,851,293</td>
</tr>
</tbody>
</table>
Total 2018 Operating Expenditures: $196,990,000

Legally Adopted Budget Total: $255,290,000

Total Mill Levy Rate: 33.268 mills
  • Increase of 1.25 mills in Bond and Interest Fund

Utility Rate Increases
  • Water/Sewer increasing 8%
  • Solid Waste increasing 3%
  • Storm Water increasing 3%

Tax Lid Impact
  • Tax Levy under the tax lid by $4 million
• Adjustments to last years levy of $29,700,000
  • Consumer Price Index allowance is $365,000
• Exemptions
  • Taxes on new construction, annexation, and property that changed in use $394,000
  • Increase in property tax for debt fund $1,700,000
  • Increase in Law Enforcement expenditures of $1,500,000
  • Increase in Fire/Medical expenditures of $2,400,000
  • Increase in Library of $328,000
• Maximum Tax Levy ($) without an election
  • $36,400,000
• Published Tax Levy ($) is $32,800,000
• Tax Lid Impact
  • Under the tax lid $4 million
• For owner of $175,000 home, property tax bill would increase $25, or $2.10/month for 2018.

• Utility Rate increases for the typical customer would be:

<table>
<thead>
<tr>
<th></th>
<th>Water - 4,000 Gallons/Month</th>
<th>Sewer - 4,000 Gallons/Month</th>
<th>Storm Water</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>$1.80</td>
<td>$2.93</td>
<td>$0.12</td>
<td>$0.55</td>
<td>$5.40</td>
</tr>
<tr>
<td>Annually</td>
<td>$22</td>
<td>$35</td>
<td>$1</td>
<td>$7</td>
<td>$65</td>
</tr>
</tbody>
</table>

• This is a total increase of $90, or $7.50 per month.
What else can you get for $7.50?

- One adult ticket to a movie $10.89
- Fast Food Value Meal $7.50
- Large Carryout pizza $7.99
- 3 gallons of unleaded fuel $6.80
• For owner of $175,000 home, City tax bill would be $670, or $56 per month

• Utility rates for typical customer would be:

<table>
<thead>
<tr>
<th></th>
<th>Water - 4,000 Gallons/Month</th>
<th>Sewer - 4,000 Gallons/Month</th>
<th>Storm Water</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>$28</td>
<td>$40</td>
<td>$4</td>
<td>$19</td>
<td>$91</td>
</tr>
<tr>
<td>Annually</td>
<td>$337</td>
<td>$482</td>
<td>$51</td>
<td>$226</td>
<td>$1,096</td>
</tr>
</tbody>
</table>

• Total cost for city services for a typical homeowner for 2018 would be $1,766, or $150 / month

• Lawrence residents also pay approximately $246 in sales tax annually, or $20 / month towards city services
What does the 2018 budget pay for?

City provided services for $150 / month
How does that compare to other services?

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited data, talk, and text cellular phone service</td>
<td>$80 / month</td>
</tr>
<tr>
<td>Up to 190 standard and HD Cable channels</td>
<td>$79.99 / month</td>
</tr>
<tr>
<td>Basic home phone service with unlimited long distance</td>
<td>$43 / month</td>
</tr>
<tr>
<td>Up to 110 Mbps down/10 Mbps up internet service</td>
<td>$54.99 / month</td>
</tr>
<tr>
<td>Electricity</td>
<td>$90 / month</td>
</tr>
<tr>
<td>Daily delivery of newspaper</td>
<td>$18.25 / month</td>
</tr>
<tr>
<td>Home security system</td>
<td>$28.99 / month</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>$113 / month</td>
</tr>
<tr>
<td>Gym membership</td>
<td>$50 / month</td>
</tr>
</tbody>
</table>
How much water can I get for $1.00?

$1.00 worth of Bottled Water
• 16 ounces is $1.00
How much water can I get for $1.00?

$1.00 worth of City Provided Water
- 16 ounces is $0.0008
Isn’t assessed valuation going up?

- Assessed Valuation increasing 6% over the 2017 Budget
  - Original estimate 2%
- Not all assessed valuation is on existing property. Some of the increase is due to new residences and businesses.
If assessed valuation is going up, why do we need a mill levy increase?

- Assessed Valuation growth is not generating sufficient revenue to fund a balanced operating budget in 2018 and a balanced 2018-2022 CIP without a mill levy increase.
  - .10 mill equals approximately $1M of project costs
  - .10 mill equals approximately $100,000 of debt service
Isn’t revenue from sales tax increasing?

- 2017 sales tax is up 2.8% (year to date) over 2016
  - 2017 revised budget assumes an increase of 2% (adopted budget assumed 4%)

- 2018 budget is an additional 2% above 2017 revised
Why are costs going up?

- Salary and benefit expenses
- Cost of service increasing (electricity, chemicals, landfill charges, cost of materials, etc.)
- List of CIP projects
What has been done to limit cost increases?

- Eliminated 11 FTEs, net reduction of 9.25 FTEs
- Plan design to limit growth in employee healthcare expenses
- Unfunded programs and projects
What if taxes aren’t increased?

• If taxes are not increased at a rate of 1.25 mills, projects from the CIP will have to be eliminated
  • .10 mill equals approximately $1M of project costs
  • .10 mill equals approximately $100,000 of debt service
• Adopt Ordinance No. 9388 amending the 2017 budget
• Adopt Ordinances and Resolution establishing utility rates for 2018
• Adopt Ordinance No. 9387 establishing the maximum expenditure levels for 2018 and adopting the 2018-2022 CIP