

# Memorandum

## City of Lawrence

### City Commission

TO: City Commission  
FROM: Budget Work Group  
DATE: July 7, 2019  
RE: 2020 Budget Work Group Issue Action Report

#### **2020 City Commission Budget Work Group Issue-Action Report**

The 2020 City Manager's Recommended Budget was presented to the City Commission at the June 18, 2019 Commission meeting. Commissioners provided feedback, including questions, concerns and goals for the budget, and charged Mayor Larsen and Commissioner Boley (hereinafter referred to as the Budget Work Group) with conducting an in-depth review of the budget with the assistance of city staff.

Since the June 18<sup>th</sup> meeting, the Budget Work Group conducted several meetings with city staff to review the 2020 Recommended Budget and address the commissioners' feedback. The following report is presented in an issue-action format in which the issue identified by the Commission on June 18<sup>th</sup> is followed by recommended actions that were identified by the Budget Work Group.

This report is presented for the full Commission's consideration in providing direction to the City Manager in advance of the July 16, 2019 Commission meeting. At the July 16<sup>th</sup> meeting, the Commission will establish the maximum expenditures for, and authorize publication of the 2020 budget.

#### **Item No. 1: Review recommended rate and fine adjustments in the Public Parking Fund.**

Issue Description: Commissioners questioned whether the parking fees and fines in the Recommended Budget were adequate or whether they should be increased more to accomplish faster implementation of the recommendations contained in the city's 10-year Parking Plan.

Recommendation: Implement the parking rate and fine increases identified in the 2017 Parking Operations and Development Plan. Implementing the full rate recommendation from the Parking Plan is expected to increase revenue in the Public Parking Fund. Staff anticipates issuing bonds to fund implementation of the parking modernization recommendations outlined in the Parking Operations and Development Plan. The additional revenue will enable the City to issue more debt for this project thereby expediting modernization efforts.

Background: The 2019 Adopted Budget included \$210,000 for investment in new operational technology for the parking system, including license plate reading enforcement technology and an electronic metering system. The 2019-2023 Capital Improvement Program (CIP) anticipated an additional \$720,000 in funding for additional equipment acquisition in fiscal year 2020. Implementation of the Parking Plan

recommendations has been hindered by revenue shortfalls and funding is not available for these investments in 2019 or 2020.

With the exception of some minor rate and fine adjustments over the past few years, parking rates and fines have largely remained unaltered. The current hourly parking rates for long-term (5- and 10-hour) parking spaces were enacted in 2001 and the short-term (2-hour) parking was enacted in 2004. Overtime parking fines were last adjusted in 2016. The current fee structure is not operationally sustainable.

The city’s Public Parking Fund is an enterprise fund, meaning revenues are dedicated to the purpose (parking) and should be sufficient to fund the service, including related equipment and infrastructure. Rates should be managed with incremental adjustments over time to reflect the cost of operations, maintenance and reinvestment in the parking service. The 2017 Parking Operations and Development Plan recommends initial rate and fine increases intended to improve the self-sufficiency and sustainability of the fund. Future rate increases should be considered annually based on future costs.

Staff is reviewing this recommendation and will provide additional information at the July 9<sup>th</sup> meeting.

	2020 CM Recommended Budget*	Adjustments	2020 Work Group Revised Budget
<b>Revenues</b>	\$ 2,063,000	\$ 161,000	\$ 2,224,000
<b>Expenditures</b>	2,067,000	157,000	2,224,000
Revenue over/(under) Expenditure	(4,000)		-
Ending Fund Balance	\$ 164,769		\$ 168,769
Fund Balance as % of Expenditures	7.97%		7.59%

\*Includes updated property tax figures and most recent cost information

**Item No. 2 – School District Support for School Resource Officer program**

Issue Description: Commissioners asked to review the School Resource Officer program to approach Unified School District 497 to provide funding support for this program.

Recommendation: The Budget Work Group recommends directing the City Manager to work with USD 497 administration to schedule this item for consideration at the next City/County/School board meeting. Additionally, USD 497’s participating in the School Crossing Guard program should be scheduled for consideration at the same meeting.

Background: Currently, four (4) SROs are primarily located at the high schools with a presence at middle schools on an on-call basis. In 2020, personnel costs related to these four (4) positions are estimated at \$430,000. This does not account for the Sergeant in charge of that program. Some communities in

Douglas County and across the country receive at least partial reimbursement for SRO programs from the partnering school district.

Regarding the School Crossing Guard program, funding comes from the city's General Fund but some program costs are borne by the Parking Fund. The crossing guard function is supervised by the city's Parking System Supervisor, a position that is funded out the Parking Fund. Additionally, parking enforcement staff (also funded by Parking Fund) cover school crossing guard shifts when school crossing guards are not able to, or fail to report for duty. As an enterprise fund, the Parking Fund should fund only parking-related costs.

An alternate funding source for the SRO program and school crossing guard program is needed in the future and the Commission should approach USD 497 about the future provision of these services. This recommendation does not affect the 2020 budget. The Commission plans to discuss this issue with the School Board for the joint meeting scheduled on July 10, 2019.

### **Item No. 3 – City Commissioner Pay**

Issue Description: Commissioners requested a review of the City Commissioner pay proposal included in the City Manager's Recommended Budget and its impact on the mill levy. They expressed interest in different options to implement the pay proposal, including a phased-in approach.

Recommendation: Reduce recommended city commissioner compensation to the portion of a county commissioner's salary paid by the City of Lawrence tax payers. This equates to approximately 75 percent of the county commissioners' pay rate.

Background: City commissioners expressed concerns that treating service on the commission essentially as volunteer work limits the opportunity to those in the community who are affluent. The current compensation rate of \$9,000 (\$10,000 for mayor positions) is a barrier to individuals who do not have sufficient personal financial means to serve as a city commissioner. Increasing commissioner pay may encourage and enable candidates with lesser financial means to serve in the future. A relevant benchmark was determined to be the salaries paid to the Douglas County Commission.

The Manager's Recommended Budget establishes city commissioner pay at \$38,000, an increase of \$29,000 per commissioner and an increase of \$28,000 for the mayor, compared to prior years. This recommendation attempted to bring city commissioner pay more in line with the Douglas County Board of County Commissioners. County commissioner pay is budgeted for \$37,392 in 2020, with no differential for the commissioner serving as the chair. Establishing City Commission pay at 75 percent of County Commission pay equates to a compensation rate of \$28,044 for each city commissioner. No differential pay is budgeted for the commissioner serving in the mayor position.

In 2018, Lawrence's assessed valuation was roughly 75 percent of the county-wide assessed valuation. Douglas County's assessed value is \$1,382,107,133 and Lawrence is \$1,037,322,439. Lawrence residents pay approximately 75 percent of the county government's property tax revenues. Establishing city commissioner pay at 75 percent of county commissioner pay acknowledges that Lawrence residents fund approximately 75 percent of the property tax resources used to fund the Douglas County government and therefore they fund 75 percent of the property tax resources used to pay the Douglas County commissioners.

#### **Item No. 4 – Parks and Recreation Fee Increases**

Issue Description: The Recommended Budget holds the transfer from General Fund to Recreation Fund flat in 2020 with an additional one-time transfer of \$150,000 to account for the internal service fund. The Recommended Budget includes a combination of fee increases and expenditure reductions to balance the Recreation Fund budget. Despite the combination of fee increases, the establishment of a new facility access fee for recreation centers and expenditure reductions, the Recommended Budget still anticipates a reduction in service levels. The Commission referred several of the recommendations included in the Manager’s Recommended Budget to the Parks & Recreation Advisory Board to review and advise on how to mitigate adverse impacts to social equity.

At the June 18<sup>th</sup> meeting, commissioners expressed several goals related to the Parks & Recreation Department budget, including: the pursuit of sponsorships as a way to enhance revenue and mitigate additional budget impacts; maintaining funding and staffing that enables the Community Building to remain available for “free play” (time in which the facility is not programmed and is available for any member of the public to use); and, elimination of the proposed recreation facility access fee from the 2020 budget.

Recommendation: The Budget Work Group submits several recommendations to accomplish the Commission’s goals for the 2020 Parks & Recreation Department budget. The recommendations are one-time solutions to address the Commission's feedback regarding the 2020 Parks & Recreation department budget. These are not long-term solutions and are not financially sustainable beyond the 2020 budget. The recommendations provide for status-quo service levels in FY 2020 to allow the Parks and Recreation staff and Advisory Board time to develop recommendations for the department’s long-term fiscal sustainability, address fee equity issues and begin planning for the future of recreation facilities, including the Community Building. The recommendations affect multiple funds and are categorized below by fund.

#### **Recreation Fund**

The following recommendations are made for the Recreation Fund.

- 1) Remove City Manager recommended fee increases, including the proposed recreation facility access fee. The combined fee reductions are anticipated to reduce revenue by \$275,000 compared to the Recommended Budget. Establish a recreation facility access fee model for the 2021 budget pending Parks & Recreation Advisory Board review and recommendations.
- 2) Increase budgeted Recreation Fund revenue by \$30,000 to begin accepting rent payments from eXplore Lawrence for space utilized at the Carnegie Building. Increase eXplore Lawrence funding appropriation from Transient Guest Tax Fund by \$30,000 to accommodate this charge.
- 3) Maintain the City Manager’s budgeted revenue for new sponsorship agreements which are estimated to generate \$100,000 to the Recreation Fund in 2020.
- 4) Add back to the budget, the cost of staff 1.50 FTE position reductions and maintain “free play” at the Community Center. This will increase expenditures to the Recreation Fund by approximately \$100,000.
- 5) Shift \$79,000 of operational expenses from the Recreation Fund to the Special Recreation Fund.
- 6) Shift the portion of the fiscal year 2020 debt payment (\$120,000) for Sports Pavilion Lawrence planned for the Recreation Fund to the Debt Service Fund. Beginning with the 2018 Adopted

Budget, the city began paying a portion of the annual bond payment on Sports Pavilion Lawrence from the Recreation Fund. Payment of this \$120,000 will come from fund balance in the Debt Service Fund and is a one-time transaction.

The following table compares projections for the Recreation Fund resulting from these recommendations to the Manager’s Recommended Budget.

	2020 CM Recommended Budget*	Adjustments	2020 Work Group Revised Budget
Revenues	\$ 6,170,000	\$ (245,000)	\$ 5,925,000
Expenditures	6,319,000	(99,000)	6,220,000
Revenue over/(under) Expenditure	(149,000)		(295,000)
Ending Fund Balance	<u>\$ 378,726</u>		<u>\$ 232,726</u>
Fund Balance as % of Expenditures	5.99%		3.74%

\*Includes updated property tax figures and most recent cost information

Special Recreation Fund

The following recommendations are made for the Special Recreation Fund.

1. Eliminate \$30,000 appropriation for the Arts Center grant program.
2. Shift \$51,000 appropriation for the Lawrence Cultural Arts Commission out of the Special Recreation Fund to the Transient Guest Tax Fund.
3. Shift \$79,000 of budgeted Parks & Recreation expenses from the Recreation Fund to the Special Recreation Fund.

The following table compares projections for the Special Recreation Fund resulting from these recommendations to the Manager’s Recommended Budget.

	2020 CM Recommended Budget*	Adjustments	2020 Work Group Revised Budget
Revenues	\$ 828,000	\$ -	\$ 828,000
Expenditures	885,000	(2,000)	883,000
Revenue over/(under) Expenditure	(57,000)		(55,000)
Ending Fund Balance	\$ 267,443		\$ 269,443
Fund Balance as % of Expenditures	30.22%		30.51%

\*Includes updated property tax figures and most recent cost information

Transient Guest Tax Fund

The following recommendations are made for the Transient Guest Tax Fund.

1. Shift \$51,000 appropriation for the Lawrence Cultural Arts Commission out of the Special Recreation Fund to the Transient Guest Tax Fund.
2. Reduce eXplore Lawrence appropriation by \$100,000, offset by a \$30,000 increase to support a new rent payment for space utilized at the Carnegie Building. This payment will be reflected as new revenue in the Recreation Fund. These recommendations result in a \$70,000 net reduction to the eXplore Lawrence appropriation.
3. Reduce funding for the Transient Guest Tax special events grants program by \$30,000, leaving \$120,000 for this program's 2020 budget.

The following table compares projections for the Transient Guest Tax Fund resulting from these recommendations to the Manager's Recommended Budget.

	2020 CM Recommended Budget*	Adjustments	2020 Work Group Revised Budget
Revenues	\$ 1,814,000	\$ -	\$ 1,814,000
Expenditures	1,969,000	(49,000)	1,920,000
Revenue over/(under) Expenditure	(155,000)		(106,000)
Ending Fund Balance	\$ 280,985		\$ 329,985
Fund Balance as % of Expenditures	14.27%		17.19%

\*Includes updated property tax figures and most recent cost information

Background: Revenue in the Recreation Fund comes primarily from the transfer of tax resources from the General Fund and fee revenue, including program enrollment fees, facility use fees, facility rental fees and other sources. Over the past several years, fund balance has been used to fund operational expenses. The Manager’s Recommended Budget included revenue increases and expenditure reductions to balance the fund’s five-year financial forecast.

The Budget Work Group's recommendations accomplish the goal of maintaining current Parks & Recreation service levels in 2020 while allowing the Parks & Recreation Advisory Board to make recommendations for a recreation fee model that accomplishes the Commission’s goals for equity and addresses the revenue needs of the Recreation Fund. As reflected in the Recreation Fund updated 5-year financial forecast, these recommendations are not financially sustainable beyond FY 2020.

**Item No. 5 – Funding the Lawrence Loop**

Issue Description: Commissioners expressed interest in providing additional funding for the Lawrence Loop in the 2020-2024 Capital Improvement Plan (CIP).

Recommendation: The Budget Work Group recommends the following changes to the five-year CIP in order to add funding for construction of new segments of the Lawrence Loop. The recommendation includes \$300,000 in 2021 and \$800,000 in 2022. Half of the funding identified in 2022 is planned to come from grant proceeds, use of the city’s 2022 planned funding is contingent upon receiving a \$400,000 grant.

Recommendations for Lawrence Loop funding:

1. Add \$300,000 in 2021 for the Lawrence Loop Trail from 7<sup>th</sup> Street to Constant Park (CIP# PR2130) in the General Fund.
2. Add \$400,000 in 2022 for the Lawrence Loop Trail from 7<sup>th</sup> Street to Constant Park (CIP# PR2130) in the General Fund.
3. Add \$400,000 in 2022 for the Lawrence Loop Trail from 7<sup>th</sup> Street to Constant Park (CIP# PR2130) in grant funding. This grant funding has yet to be identified. The Friends of the

Lawrence Area Trails (FLAT) group and other advocacy groups are encouraged to raise private funds for construction of this portion of the Lawrence Loop. Additionally, city staff will monitor opportunities for grants.

4. Eliminate planned funding for turf replacement at Sports Pavilion Lawrence (CIP# PR2404) in 2024. This reduces General Fund expenditures by \$700,000 FY 2024.
5. Shift \$200,000 in General Fund expenditures planned for acoustical panels at Sports Pavilion Lawrence (CIP# PR2230) from FY 2022 to FY 2024.
6. Shift \$130,000 in General Fund expenditures planned for the outdoor aquatics center slide replacement (CIP# PR2426) from FY 2023 to FY 2024.
7. Shift \$120,000 in General Fund expenditures planned for sidewalk construction at the Youth Sports Complex (CIP# PR2135) from FY 2021 to FY 2024.
8. Shift \$120,000 in General Fund expenditure planned for Lyons Park shelter replacement (CIP# PR2006) from FY 2022 to FY 2024.
9. Eliminate planned funding for the first phase of the Overland Drive park development (CIP# PR2220). This reduces General Fund expenditures by \$200,000 FY 2021.

#### **Item No. 6 – Funding the 23<sup>rd</sup> Street Land Use/Neighborhood Study**

**Issue Description:** Commissioners expressed interest in funding a land use planning effort for the 23<sup>rd</sup> street corridor between Iowa and Louisiana streets as well as the potential to fund other projects.

**Recommendation:** Revise the recommended CIP to shift \$150,000 in General Fund expenditures planned for parking lot improvements for various Park and Recreation facilities (PR# 2026) to the Bond and Interest Fund for future debt financing. Appropriate \$150,000 in General Fund for a 23<sup>rd</sup> Street Corridor Land Use/Neighborhood Study.

**Background:** Commissioners have discussed various goals for the prioritization of planning efforts, including development of East Lawrence neighborhood design guidelines and a 23<sup>rd</sup> street corridor land-use plan. The [attached memorandum](#) on the June 4, 2019 City Manager’s Report provides a review of planning projects currently in process and considerations for prioritization of the City-County Planning Office’s work plan. The Budget Work Group recommends funding a 23<sup>rd</sup> street corridor plan to study and plan for the affects of the South Lawrence Trafficway east leg construction on this corridor.

#### **Item No. 7 – Utility Rate Increases**

**Issue Description:** The 2020 Recommended Budget includes approximate rate increases in the Stormwater Utility Fund (3 percent), Solid Waste Fund (3 percent) and Water/Wastewater Fund (8 percent). Commissioners expressed concern about the rate increases and requested additional explanation of the need. The Commission also expressed interest in enhancing the income-based assistance program for broader utilization.

**Recommendation:** The Budget Work Group recommends maintaining the rate proposals, including the increases included in the Recommended Budget. The rate structure is driven by several factors, including but not limited to long-term capital asset needs, staffing needs, bonding requirements to maintain certain cash reserves, and State and Federal regulations that require operational changes and investment in new infrastructure and equipment. City staff will research options that the Commission



can consider to fund an expansion of the income-based assistance program. Rate subsidization costs should not be borne by the utility rates and should instead come from other resources.

Background: City staff will provide additional information about the rate model and needed investments in capital projects to maintain infrastructure, capital assets and operations in each of these enterprises.

**Item No. 8 – Mill Levy increase**

General Fund

Issue Description: The Recommended Budget proposes a 0.5000 increase to the General Fund mill levy. Commissioners expressed concern about increasing the mill levy and asked the Budget Work Group to review options for reducing or eliminating the increase.

Recommendation: The Budget Work Group submits the following recommendations to accomplish the Commission’s goal of maintaining a flat mill levy.

1. Reduce City Commission pay as noted in item #3 for an estimated savings of \$50,00.
2. Reduce the increase allotted for the Lawrence Community Shelter, to match funds provided by Douglas County, for an estimated savings of \$144,000.
3. Reduce the Lawrence Chamber of Commerce appropriation by \$20,000.
4. Reduce the Bioscience and Technology Business Center (BTBC) appropriation by \$20,000.
5. Reduce the transfer for capital projects by \$100,000.
6. Reduce transfer to the Special Gas Tax Fund for support of the Internal Service Fund by \$150,000.
7. Reduce new tree planting as part of the Emerald Ash Borer response program by \$30,000.

These recommendations accomplish total General Fund expenditure reductions of \$514,000. The following table compares projections for the General Fund resulting from these recommendations to the Manager’s Recommended Budget.

	<b>2020 CM Recommended Budget*</b>	<b>Adjustments</b>	<b>2020 Work Group Revised Budget</b>
<b>Revenues</b>	<b>\$ 82,011,000</b>	<b>\$ (530,000)</b>	<b>\$ 81,324,000</b>
<b>Expenditures</b>	<b>82,730,000</b>	<b>(514,000)</b>	<b>82,057,000</b>
Revenue over/(under) Expenditure	<u>(719,000)</u>		<u>(733,000)</u>
Ending Fund Balance	<u>\$ 19,089,495</u>		<u>\$ 19,075,495</u>
Fund Balance as % of Expenditures	23.07%		23.25%

\*Includes updated property tax figures and most recent cost information

Additional Items

The Budget Work Group discussed the Burroughs Creek spray park project (CIP# PR2339) which is unfunded in the 2020 Recommended Budget. In lieu of funding the first phase of development of Overland Drive Park, the Budget Work Group recommends funding the water spray park with \$100,000 from the General Fund and \$100,000 from the Special Parks Fund in 2021.

The Budget Work Group also discussed the portable stage project (CIP# PR2409) which is funded out of Transient Guest Tax funds in FY 2021 of the recommended 2020-2024 CIP. The Budget Work Group recommends moving this project to the unfunded list.