



# Agenda Item Report

## City Commission - Apr 20 2021

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Department	Staff Contact
Finance	Danielle Buschkoetter, Budget and Strategic Initiatives Manager

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### Recommendations

Consider approving the second quarter budget adjustment for 2021.

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### Executive Summary

The adopted FY2021 budget was identified as a placeholder budget and the need for budget adjustments anticipated due to uncertainty caused by the pandemic and to allow for the adoption of our strategic plan. As such, the size and scope of the adjustments to the budget in 2021 are more significant than we anticipate in future years.

The intent of the quarterly budget adjustment process is to keep the public and City Commission informed on changes to the budget made throughout the year to address unforeseen expenditures, carry forward fund balances, and to remain flexible for new projects and opportunities throughout the year.

As part of this quarterly process, a formal budget amendment may be brought forward to increase a fund's expenditure authority if necessary. For this to occur, a public hearing must be held and notice of the public hearing must be given at least 10 days prior to the hearing. This is anticipated to occur towards the end of the year if needed. Throughout the year, staff will look for places to reduce expenditures to offset the impact of these items whenever possible.

Many of these items have been before the City Commission previously for consideration and this is capturing those items to formally adjust the budget to account for those decisions. A summary of adjustments is presented below by fund. There is also a section for items that are known items that may have a budgetary impact, but that exact amount is not yet known.

### Summary of Quarter 2 Adjustments

#### General Fund (001)

Increase contractual services by \$290,000 for the Emergency Winter Shelter program. The City Commission approved \$200,000 in funding for this program on January 5, 2021, and an additional \$90,000 in funding on February 16, 2021. It should be noted that some funding for this program was awarded in 2020.

On March 16, 2021, the City Commission authorized funding \$40,000 for the Children's Advocacy Center while considering General Fund outside agency requests for FY2021.

Increase Personal Services for 4.0 FTEs in the Planning & Development Services Department that was approved by the City Commission on March 2, 2021. The increase requested is \$159,000, which is the proportional amount of funding needed to hire staff mid-year. The memo and presentation included the amount required for a full year. Additionally, commodities were increased by \$6,000 to account for the equipment needs for the new staff members.

On March 2, the City Commission also approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The General Fund impact of that is estimated to be \$761,000, which is the proportional amount of funding needed to hire staff mid-year.

Increase contractual services by \$93,000 for upkeep of the Law Enforcement Center for all of FY2021. When the budget was developed for FY2021 the future of the Law Enforcement Center was unknown with the transition to the new Police Facility. The budget only accounted for upkeep of that facility for the first quarter of FY2021. While there is still some uncertainty related to the future of that facility, it will need to be maintained beyond the first quarter of FY2021.

In February, the City was notified that Lawrence would be receiving an additional allocation of approximately \$218,000 in Gasoline Tax funds from the Kansas Department of Transportation in 2021. Staff recommends using these proceeds to increase funding for Street Maintenance Program (MS-21-8006). This will be net neutral, but there will be an increase in revenues and expenditures to account for this additional funding.

On April 13, the City Commission approved an additional 6.0 FTEs to assist with project management of the City's 5-year Capital Improvement Plan and Maintenance Plan. These positions will be offset by bond proceeds and has a net-neutral budget impact. Both revenues and expenditures will be increased by \$129,000 in the General Fund to account for the General Fund portion of the projects.

The total cost of these changes will be approximately \$1,696,000 and will come from offsetting revenues, fund balance, and savings from other line items. The additional staffing costs are considered ongoing costs whereas the other items are anticipated to be one-time in nature. Ongoing costs will be incorporated into the FY2022 budget.

#### Airport Fund (201)

Through the CARES Act, the City was awarded \$69,000 in 2020 and anticipates spending that funding in FY2021 to automate the two manual gates at the airport. Additionally, the second round of CARES funding was awarded to the City in the amount of \$23,000. This is also anticipated to be spent in FY2021 for additional maintenance needs. This is considered one-time funding and will have a fiscal impact of \$92,000 in the Airport Fund.

#### Guest Tax Fund (206)

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The financial impact to the Guest Tax Fund is estimated to be \$7,000, which is the proportional amount of funding needed to hire staff mid-year. These ongoing costs will be incorporated into the FY2022 budget.

#### Transportation Fund (210)

On January 14, 2021, the City Commission approved the issuance of 15,600 bus passes for the Lawrence Community Shelter. To properly account for these in alignment with the Generally Accepted Accounting Principles (GAAP), these need to be expensed in the budget.

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The financial impact to the Public Transportation Fund is estimated to be \$24,000, which is the proportional amount of funding needed to hire staff mid-year.

The total cost of these changes will be approximately \$40,000 and will come from fund balance and savings from other line items. These ongoing costs will be incorporated into the FY2022 budget.

#### Gasoline Tax (214)

In February, the City was notified that Lawrence would be receiving an additional allocation of approximately \$218,000 in Gasoline Tax funds from the Kansas Department of Transportation in 2021. Beginning in FY2021, all proceeds from the Gasoline Tax Fund are being transferred into the General Fund to be allocated.

#### Water & Wastewater Fund (501)

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The financial impact to the Water & Wastewater Fund is estimated to be \$249,000, which is the proportional amount of funding needed to hire staff mid-year.

On April 13, the City Commission approved an additional 6.0 FTEs to assist with project management of the City's 5-year Capital Improvement Plan and Maintenance Plan. These positions will be offset by bond proceeds and has a net-neutral budget impact. Both revenues and expenditures will be increased by \$150,000 in the Water & Wastewater Fund to account for the Water & Wastewater Fund portion of the projects.

The total cost of these changes will be approximately \$399,000 and will come from offsetting revenues, fund balance, and savings from other line items. These ongoing costs will be incorporated into the FY2022 budget.

#### Solid Waste Fund (502)

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The financial impact to the Solid Waste Fund is estimated to be \$120,000, which is the proportional amount of funding needed to hire staff mid-year. The ongoing costs will be incorporated into the FY2022 budget.

#### Public Parking Fund (503)

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative

Services Fund to support various Commitment Areas. The financial impact to the Public Parking Fund is estimated to be \$12,000, which is the proportional amount of funding needed to hire staff mid-year. These ongoing costs will be incorporated into the FY2022 budget.

Stormwater Utility Fund (505)

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The financial impact to the Stormwater Utility Fund is estimated to be \$18,000, which is the proportional amount of funding needed to hire staff mid-year.

Additionally, a need has been identified to move \$400,000 from MS-21-9804 Stormwater System Identification, Assessment, & Model Creation to MS-21-9801 Stormwater Replacement, Rehabilitation, Lining, & In-House Construction. These funds will be utilized to cash fund minor pump station improvements, lining work, and repairs identified while construction is underway with other projects and additional Stormwater improvements are needed at the same location. One such project is on the April, 20 agenda with the Engineering Service Agreement with George Butler Associate, Inc. There is no net impact related to this item.

The total cost of these changes will be \$18,000 and will come from fund balance and savings from other line items. These ongoing costs will be incorporated into the FY2022 budget.

Administrative Services Fund (523)

On March 2, the City Commission approved an additional 9.5 FTEs in the Administrative Services Fund to support various Commitment Areas. The financial impact is estimated to be \$1,191,000, which is the proportional amount of funding needed to hire staff mid-year. These costs will be spread across all operating funds as outlined below.

**Operating Fund**

General Fund	\$761,000
Guest Tax Fund	\$7,000
Public Transportation Fund	\$24,000
Water and Wastewater Fund	\$249,000
Solid Waste Fund	\$120,000
Public Parking Fund	\$12,000
Stormwater Utility Fund	\$18,000
<b>Total Operating Funds</b>	<b>\$1,191,000</b>

Through the joint Lawrence-Douglas County Sustainability Office, the City supports an Incubator Farm program. The City received a \$5,000 grant to provide additional programming for FY2021. The matching funds of \$7,000 will be transferred from the General Fund so that all the programming is coming out of one fund. This will be a net neutral item but will increase both revenues and expenditures of the Administrative Services Fund by \$12,000.

As the strategic plan performance indicators have been developed, there are a number of

measures tied to the Community Satisfaction Survey and \$50,000 has been added so that data can start to be collected with a survey in FY2021.

Additionally, a payroll adjustment related to the reversal of 2020 furloughs of \$45,000 has also been added. The total cost of these changes will be approximately \$1,298,000 and will come from fund balance and savings from other line items. These ongoing costs will be incorporated into the FY2022 budget.

#### Utilities Bonded Construction Fund (552)

Move \$1.32 million from MS-21-0022 (Pump Station 16 Upstream Interceptor Rehab) to MS-21-9902 (Watermain Replacement Program) to provide an emergency repair on the Vermont Street Bridge Watermain. This project was going to be included in the 2022-2026 Maintenance Plan, however, the main failed on February 21, 2021, and needs to be repaired.

The Pump Station 16 (MS-21-0022) has been pushed out to FY2022 and will be included in the 2022-2026 Capital Improvement Plan for reconsideration. This will also allow this project to be completed in conjunction with the Southwest Lawrence Conveyance Corridor Improvement Project (MS-21-0015).

#### Farmland Remediation (604)

On April 13, the City Commission approved an additional FTE to oversee the Farmland Remediation project. This has been identified as a critical need as remediation efforts continue on that site. The financial impact to the Farmland Remediation Fund is estimated to be \$55,000, which is the proportional amount of funding needed to hire staff mid-year. These ongoing costs will be incorporated into the FY2022 budget.

#### Federal Agency Fund (611)

On March 9, 2021, the City Commission approved 2020 Emergency Solutions Grant (ESG) award and 2020 ESG-CARES Act Round Two award. These are pass-through funds but exceeded the amount budgeted in FY2021. The financial impact to the Federal Agency Fund is estimated to be an increase of \$1,124,000. This is a non-legally-budgeted fund but has been included for informational purposes.

#### American Rescue Plan (ARP)

On March 10, 2021, the American Rescue Plan was adopted. As part of that legislation, the City is expected to receive approximately \$9 million in FY2021 with a potential second installment of \$9 million in FY 2022, depending on pending regulations from the United States Department of the Treasury (Treasury), to help address the impacts of the Coronavirus Disease 2019 (COVID-19).

While the approximate amount is currently known, there is still much uncertainty regarding how those funds will be utilized and prioritized. This is likely to impact not only the City's FY2021 budget, but will likely impact future budget allocations as well.

While we are awaiting further clarifying language from the Treasury, here is what the American Rescue Plan has indicated these funds may be used for:

- To respond to the public health emergency with respect to COVID–19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.
- To respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work.
- For the provision of government services to the extent of the reduction in revenue of such local government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the local government; or
- To make necessary investments in water, sewer, or broadband infrastructure.

It should also be noted that the \$1.9 trillion American Rescue Plan provides funding for some of these uses in other areas, so a more robust process to select projects for funding still needs to be determined once additional guidance is provided by the Treasury. However, there are a few items that are being discussed that staff wanted to note. First, is standing up a Grants Team to help manage the funding. This would be approximately \$120,000 of the allocation to fund that team initially. A full recommendation will be brought back once more information is known.

Additional funding that cities may be able to access through a competitive process are also outlined in the American Rescue Plan. Staff plans on applying for these dollars where possible. One identified project that is being considered is a revision to the Land Development Code which would cost approximately \$400,000. If Federal Funding is unable to be identified for this item, it would be funded out of the General Fund.

#### On the Horizon

There are a few items that are likely to impact the City's FY2021 budget but the exact amount of these items are not yet known. As more information is known, items will be brought before the City Commission for consideration.

In late 2020, the City was notified of an award by the Kansas Department of Transportation for an aviation grant. The City does have a match requirement and a budget adjustment may be required to account for that match being spent in 2021. The exact amount of the match is not yet known and will be included in a future quarterly budget adjustment memo.

There are several capital projects currently in the design phase for construction this summer. With the increased costs related to materials, it is anticipated that when these projects are bid out, they may be over the original budget estimates. There are two projects currently that staff is reviewing and are likely to come in over budget once bids are received. They are East 23rd Street Haskell Bridge to East City Limits (MS-20-0005) and Lawrence Loop from Peterson to Michigan (MS-20-8000). Budget estimates did include some contingency and some scope alternatives may be considered to keep costs down. These items will come back to the City Commission for consideration when the full impacts are known with a recommendation.

On March 12, 2021, the City announced that back overtime would be paid out to affected

employees within the Lawrence-Douglas County Fire Medical Department and Police Department. The impact of this is estimated to be \$999,000. With the current level of vacancies within the Police Department, it is anticipated that a portion or all of this cost will be able to be offset using these savings in current vacancies. It is still early in the year and this will need to continue to be monitored. If additional adjustments are required, it will be included in a future budget adjustment.

## **Alignment to Strategic Plan**

Commitments in support of the outcome areas

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## **Fiscal Impact**

While many of these specific items were not included in the FY2021 budget when it was adopted, the need for adjustments to the budget was anticipated.

The net impact to the City is summarized by fund:

- General Fund: Net increase of \$1,349,000
- Airport Fund: No net impact
- Guest Tax Fund: Net increase of \$7,000
- Public Transportation Fund: Net increase of \$40,000
- Gasoline Tax Fund: No net impact
- Water & Wastewater Fund: Net increase of \$399,000
- Solid Waste Fund: Net increase of \$120,000
- Public Parking Fund: Net increase of \$12,000
- Stormwater Fund: Net increase of \$18,000
- Administrative Services Fund: Net increase of \$1,298,000
- Utility Non-Bonded Construction Fund: No net impact
- Farmland Remediation: Net increase \$55,000
- Federal Agency Fund: Net increase of \$1,124,000
- American Rescue Plan: Net increase of \$9,000,000

These costs will be offset by unanticipated revenues, use prior year fund balance, and/or savings found throughout the year.

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## **Action Requested**

Approve the second quarter budget adjustment as presented.

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