



City of Lawrence

CITY MANAGER'S OFFICE

CRAIG S. OWENS
CITY MANAGER

City Offices
PO Box 708 66044-0708
www.lawrenceks.org

6 East 6th St
785-832-3000
FAX 785-832-3405

CITY COMMISSION

MAYOR
BRADLEY R. FINKELDEI

COMMISSIONERS
COURTNEY SHIPLEY
STUART BOLEY
LISA LARSEN
JENNIFER ANANDA, JD, MSW

July 7, 2020

Honorable Mayor and City Commissioners,

I am honored to again propose the operating and capital budget for the City of Lawrence, Kansas. We continue to face ongoing impacts of the global pandemic even as locally we see reduced case counts and have begun as a community to fade the restrictions and safety precautions to allow a more socially and economically productive environment. Demand for services remains high and this budget assumes largely normal operations.

This is the first year we will work to operationalize the Strategic Plan adopted in 2020. This budget will return focus to the top priorities the community identified during a prolonged and extensive session of listening that culminated in the adoption of the Strategic Plan. Identified were 5 Outcomes: Unmistakable Identity, Strong, Welcoming Neighborhoods, Safe and Secure, Prosperity and Economic Security, and Connected City. These outcomes define what we are charged by the community to do.

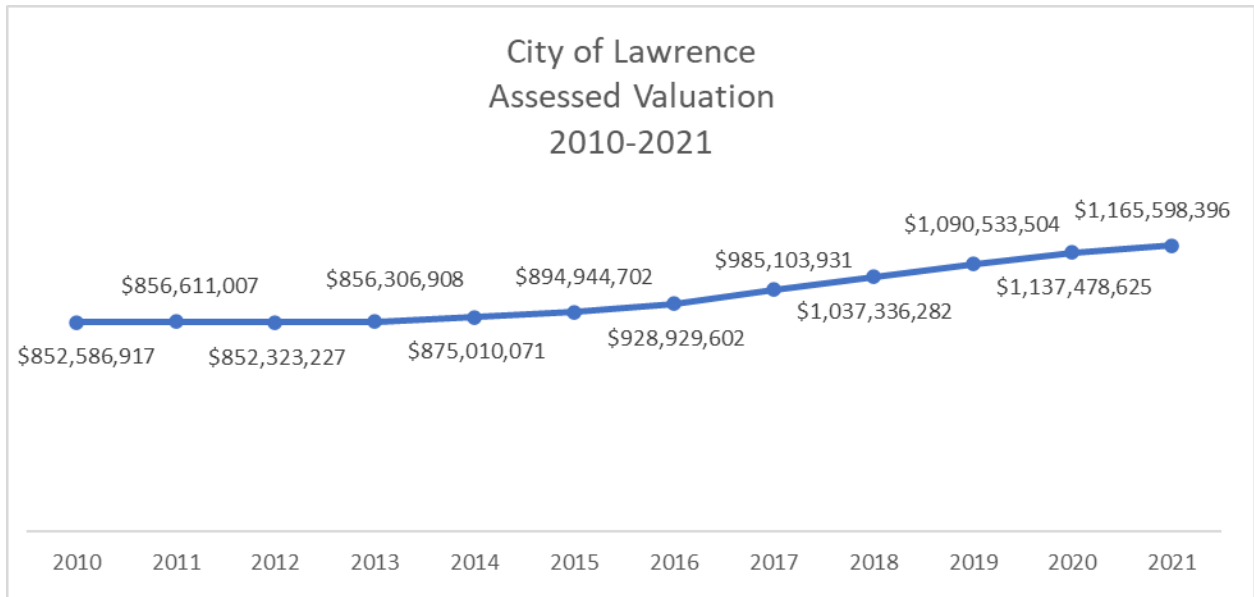
Along with these priorities, we adopted a framework that also prescribes the standards we will meet as we deliver results. These are Community Engagement, Efficient and Effective Processes, Equity and Inclusion, Sound Fiscal Stewardship, Engaged and Empowered Teams, and Environmental Sustainability. When we deliver the outcomes, we will do so through a balance and commitment to these ways of doing our work together.

The Strategic Planning Framework drives the "what" and "how" of our work as a municipal organization. As we continue to align resources around this framework we will measure and report our progress. This reporting creates a feedback loop for community members, policy leaders and the professionals of the organization.

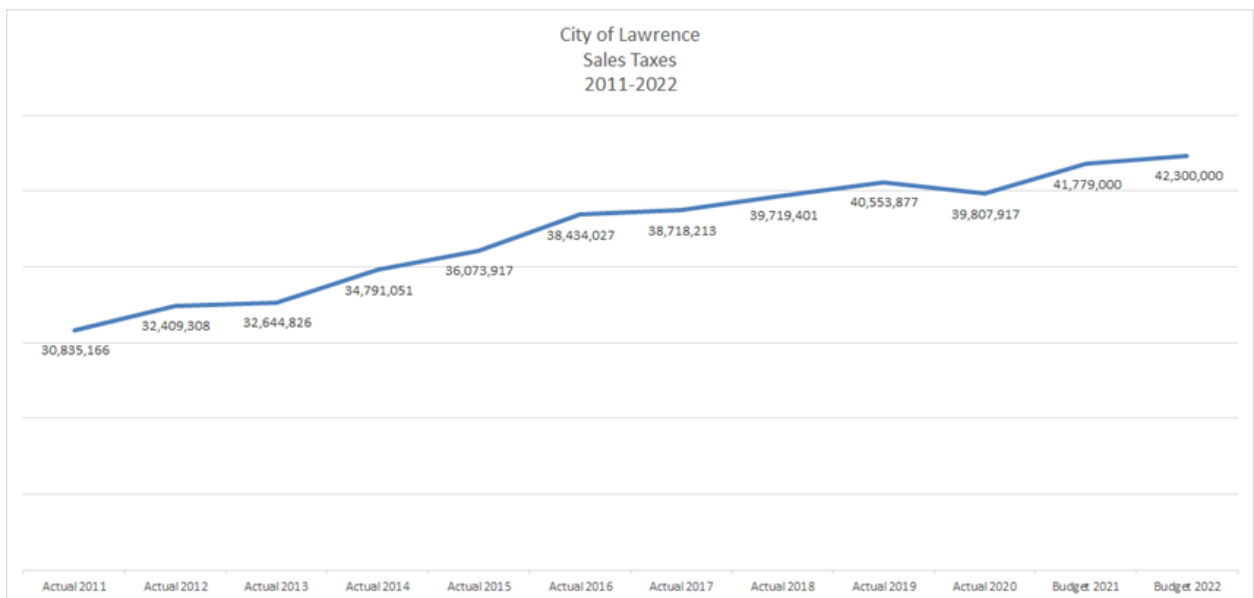
Revenues

The City continues to feel the impacts of COVID-19 but the FY2022 budget assumes growth in many of our key revenue streams. The chart below shows the historical trend in assessed valuation across the past 10 years. The FY2022 budget includes a 2.5% increase over the prior year.





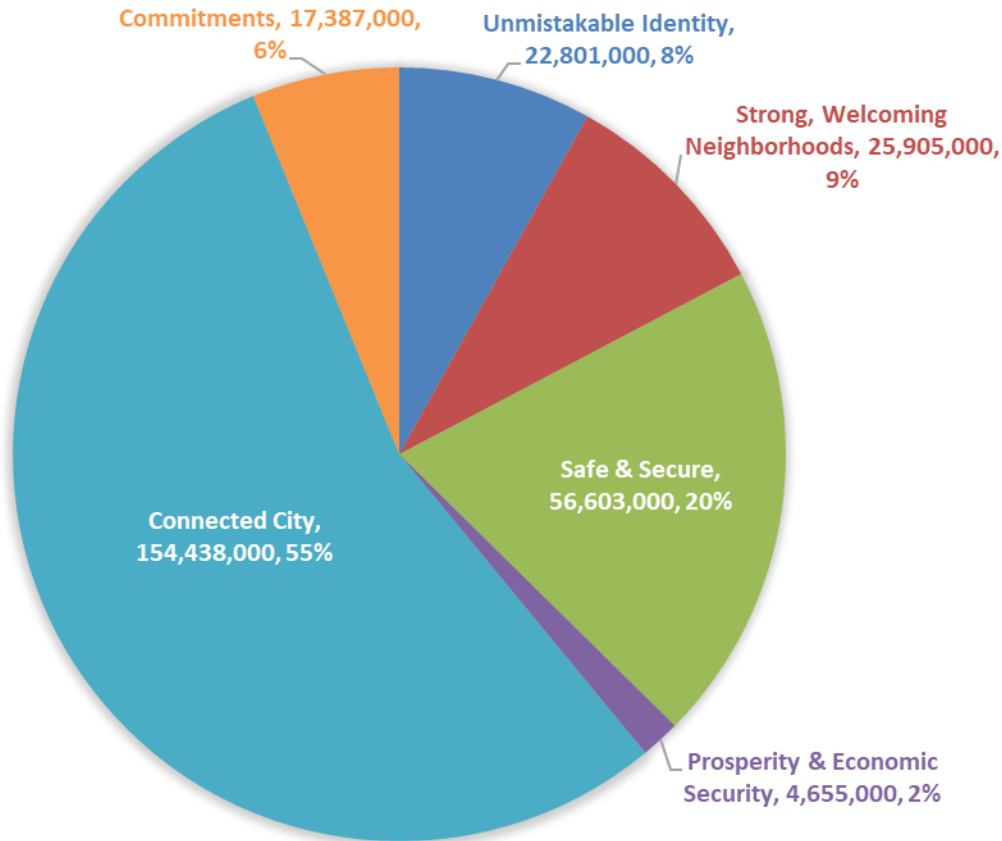
Another major revenue stream is sales tax, which was heavily impacted in 2020 but is starting to rebound. The budget assumes a 4.3% increase in sales tax in FY2022 over the 2019 actuals.



Finally, there are revenue increases that have been identified in City utilities (water/wastewater, solid waste, stormwater). However, the details of that will be presented later in 2021 with the update of the rate models. The rate models rely on the annual financial audit, which was recently completed.

Expenditures

The chart below shows the operating budget by strategic plan outcome area. This is the first year the strategic plan is being operationalized so further alignment will be made over the coming years.



Features of this Budget

This budget is presented with no property tax or sales tax rate increase.

This budget provides for no substantial reduction in any significant services provided by the city.

Though there are literally thousands of initiatives and programs in this budget that respond to the community's Strategic Plan priorities, three significant areas were prioritized.

Housing Initiatives

Homelessness and affordable housing are among the greatest challenges of our time. In 2017, Lawrence voters approved a dedicated sales tax to support affordable housing initiatives. As we continue our work on affordable housing needs through innovative

projects and partnerships, we must also support the needs of people experiencing homelessness in our community.

The COVID-19 pandemic has worsened conditions and illuminated the urgent need to support those experiencing homelessness with safe, adequate housing and supportive human services. The City and County governing bodies recently adopted Joint Resolution No. 7373 which commits both organizations to collaborate on strategies to address homelessness. Recent efforts include the Built for Zero initiative to improve the system of services available to people experiencing homelessness. A complimentary effort includes an upcoming system needs assessment which will identify, at a community level, the investments needed in supportive services, sheltering and housing to eliminate chronic homelessness within the next three years. These initiatives position our community to pursue unprecedented Federal and State funding for solutions to homelessness made possible by pandemic relief legislation and the work of the United States Interagency Council on Homelessness.

The 2022 Proposed Budget expands our existing Community Development Division, within the Planning and Development Services Department, to support the City's engagement in strategies to reduce and end homelessness. The Community Development Division presently addresses Affordable Housing and federally funded homeowner and neighborhood assistance programs. The team will be rebranded as the Housing Initiatives Division with an expanded focus to include solutions to homelessness.

As we engage in this work, we advise focusing City resources on three specific outcomes: 1. Homeless Outreach, 2. Emergency Sheltering, and 3. Rapid Rehousing. To support this focus, the proposed budget consolidates previous outside agency funding (General Fund and Alcohol Funds) for programs that advance our goals in these three areas.

Infrastructure

The five-year Capital Improvement Plan adopted for the 2021 fiscal year comprehensively addressed the backlog of infrastructure maintenance and improvement that had accumulated from years of underfunding across multiple systems. We are now on a disciplined schedule of investment to assure system utility, reliability and lowest cost of ownership for the community. These are existing systems upon which all in our community depend and become more important for the most vulnerable in our population and for development of our economy.

Engaged and Empowered Teams

In 2018 the city hired McGrath and Associates, a national consulting firm specializing in public sector compensation, to take a comprehensive look at the compensation system for the city. They found general and specific lag in compensation compared to local and regional market pay for similar positions. They also studied internal equity of how

positions were compensated in relation to different jobs within the organization. In 2021 many of these recommendations were still not addressed. This 2022 proposed budget makes substantial progress and prepares for final implementation in 2023 of these recommendations.

The commitment to keep up in a competitive market as we see significant labor shortages, particularly in the entry level and highly skilled classifications, recognizes the human infrastructure that must be maintained to do the critical work our community needs and demands.

Finding a Sustainable Balance

In approaching the significant public expectations in Lawrence I am reminded of a saying, "We can do anything, but we can't do everything." Over the past several years or even decades we have tried to do everything and have not fully embraced the idea that many of the things that we are "in business" to do as a city are not short term or simple.

We must be realistic about the full lifecycle cost of our infrastructure and understand delaying investment also makes that more expensive. Doing this year after year creates a balloon payment. We are paying off that balloon payment across several systems over the next five years. We do not recommend shorting necessary investment going forward and are not reflecting that here.

Like our physical infrastructure we must be disciplined and invest in our people consistently and to keep pace with other cities asking the same or even less of the people that serve their cities. The 2018 compensation study gave us the road map and this budget takes one of the final steps to closing those gaps. Many of those who work for the city are Lawrence and Douglas County residents. They understand the impact of all of our budget decisions on tax rates and fees. The management of our pay system should not only attract and retain strong, creative and passionate public employees, but should manage these costs and hold them in line with economic conditions in our region and in our community. This makes for predictable and manageable costs for the largest aspect of most any city's budget.

Through deep engagement with the public in 2019-20 we understand the necessity to prioritize the needs and expectations of our community and putting it in a framework that forces us to confront and balance competing perspectives. In all things we consider those we serve, those in our care in the organization, those who have been historically marginalized and underrepresented, the tax and financial burdens of our decisions, and the relationship we have with our planet and environment. There are no short-cuts if we are to continuously uphold all of our commitments and keep them perpetually in balance. The results, however, will characterize a high-performing government that reflects the values of the community.

Though we are offering a balanced budget with no property tax increase for FY 2022, there are looming challenges that must be addressed structurally and systematically over the next two years. The American Rescue Plan Act (ARPA) and other Federal assistance has helped us continue to provide the essential services our community needs to recover from the pandemic and continue our recovery from years of infrastructure underinvestment. However, these are temporary measures. *We face structural budget challenges if we are to deliver what this community says it needs in a responsible and sustainable way.* It is important that policy leaders and the community understand that some combination of service reductions, increased tax rates, or stronger growth in property values and sales tax or a combination of the above will be required to sustain direction. This is not a complicated reality, but it will be difficult and require difficult decisions and work as a community.

Economic Development and a Stronger Tax Base

The pandemic took a heavy toll on retail and on office and commercial space. The values were impacted and are returning to pre-pandemic levels at different paces but will return and continue to rise. We have seen manufacturing and light industrial expansion and new construction during the pandemic. Some of the vacant property at the east side of Lawrence seems to be rapidly filling and adding to the tax base and employment numbers. Retail has recently reignited and if it sustains will be a significant part of the solution to the structural imbalances.

Lawrence is unbalanced by not yet having the private sector job and commercial property tax base a city of our size would have. While housing is a priority, the growth of housing without commercial development to balance it will place a heavier burden on the city budget as residential development generally tends to consume more municipal services than it contributes as compared to commercial. The economic development strategic plan sets a course for the community to achieve a healthier local economy that achieves a very realistic potential to be seen on national radar.

Our strategic plan is built to guide this work, but it will take time to gain alignment and implement these strategies. Commitment from all parts of our community will be necessary to build the economy that will support the needs and ambitions of the city-wide strategic plan and service expectations. The county, public school districts and the city all benefit from a stronger tax base.

Acknowledgement

I want to acknowledge the hundreds of hours of work invested by dozens of our team members to create this plan and make critical decisions to pull this together. We anchored it to the strategic plan, but it took a great deal of work to prioritize and balance this plan. In particular I recognize the work of Jeremy Willmoth, Finance Director, and Danielle Buschkoetter, Budget and Strategic Initiatives Manager who led this work.

Though proud of the work and the outcome, this is not the right budget for this community until the public engages with it and the City Commission makes the adjustments necessary. We look forward to answering questions and providing more detailed information on the strategies and ideas that have gone into it. We also look forward to working to make this the right plan for Lawrence through our meetings and discussions with the community in the weeks ahead.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Owens', written in a cursive style.

Craig S. Owens,
City Manager