

Special Meeting City Council Budget Retreat - Wednesday, June 2, 2015 – 5:30 p.m.
Fire/EMS Training Room – 13001 Metropolitan

Governing Body Present: Mayor Jeff Harrington; Councilmembers Joe Peterson, George Cooper, Tom Stephens, Bob Reeves, Rodger Shannon, Mike Thompson, Dani Gurley and Mark Kipp

City Staff Present: Jack Helin, City Manager; Amber McCullough, City Clerk; Tillie LaPlante, Finance Director; Carol Sharp, Human Resources Director; Kevin Bruemmer, Public Works Director; Rick Sailler, Utilities Director; Skip Dobbs, Parks and Recreation Director; Matt Beets, Project Manager; Jack Granath, Library Director; Mark Zaretski, Police Chief; Dennis Hubbel, Fire Chief and Ed Kennedy, Patrol Commander

2015 Budget Retreat for 2016 Budget – The City Manager reviewed the Retreat Topics to be covered and made a presentation:

- **Library Sales Tax** - The ten-year Library Sales Tax expires December 31, 2016. The City will receive an estimated \$450,000 in sales tax in 2016 after the bonds are paid off and an estimated \$75,000 in 2017.
- **Utility Amendments – Water Fund** –
 - The City did not complete four projects in the 2014 fund; Cornell Waterline – Morse to Spring - \$105,000; Emerson Waterline – Morse to Murphy - \$50,000; Sheidley Waterline –Murphy to Pine - \$220,000 and 134th Street PRV Facility - \$22,000
 - The balance totaling \$397,000 was carried over from 2014 to 2015 and is available in the Water Fund.
 - Staff recommended amending the 2015 budget by \$397,000 to complete these projects in 2015.
 - With this amendment, the reserve balance carryover from 2015 to 2016 is estimated to be eight months operations. Staff’s target reserve is six months operations.
- **Utility Amendments – Wastewater Fund** –
 - Two unanticipated expenditures occurred in 2015 which were not budgeted; rehabilitate influent pump - \$8,500 and replace influent pump check valve - \$6,500
 - One unanticipated expenditure needs to occurred in 2015 which was not budgeted; rehabilitate clarifier no. 1 drive- \$30,000
 - Staff recommended amending the 2015 budget by \$45,000 for these expenditures.
 - With this amendment, the reserve balance carryover from 2015 to 2016 is estimated to be five months operations. Staff’s target reserve is six months operations.

The Finance Director made a presentation:

- Staff budgets revenues conservatively to eliminate the need to cut budgets mid-year if revenues fall or unforeseen expenses arise and to allow adequate carryover to the following year.
- Staff includes contingencies in the expenditures. The 2015 budget included six percent (6%) of General Fund expenditures for contingencies. The State allows up to ten percent (10%).
- Carryover (Reserves) – Per State Statute, up to 5% in the General Fund can be budgeted as cash carryover to provide cash for the next budget. Our bond rating could be lowered if reserves dip. Carryover needed for the General Fund (5% of expenditures) is estimated to be \$428,045. Carryover needed for the Debt Service Fund is estimated to be \$50,000.
- City Sales & Use Tax – Estimated collections for 2015 are three percent (3%) higher than 2014. Current collections are six percent (6%) higher through May. The 2016 City Sales/Use Tax is estimated to drop 7.5% due to the probable move of the Ford dealership.
- County Sales & Use Tax – Collection for 2015 and 2016 estimated to increase three percent (3%) over 2014. Current collections are six percent (6%) higher through May.
- Casino Revenue – Through May 2015, revenue is 10% higher than collections through May 2014. Total collections in 2014 were \$680,000 which included the January 2015 payment which was received in 2014. Total 2016 collections estimated at \$600,000 due to the uncertainty of the revenue source.
- 2016 Budget Unknowns – Valuation not available until July 1 and will not know expenditures until meet with Department Heads and the available fund balance may go up or down.
- Summary of Budget for General Fund:

• Estimated Carryover from 2015 to 2016	\$ 1,941,226
• Estimated 2016 Revenue*	\$ 7,090,020
• 2016 Expenditures (3% Increase Excludes Personnel)	(\$ 8,560,895)
• Carryover from 2015 to 2016 (5% of expenditures)	(\$428,000)
Additional Available for 2016 Budget	\$ 102,351 Assumes same property tax.

➤ Summary of Budget for Debt Service Fund:

- Estimated Carryover 2015 to 2016 \$ 209,881
- Estimated 2016 Revenue * \$ 2,120,215
- 2016 Expenditures (\$2,230,147)
- Carryover from 2015 to 2016 (\$ 50,000)
- **Surplus for 2016 Budget** \$ 49,949 **Assumes same property tax revenue.**
- Additional carryover from 2015 to 2016 is due to collection of delinquent taxes and less delinquency on current taxes than estimated.

➤ Sales Tax History – The City has a one percent (1%) General Sales Tax currently in place.

- One half of this sales tax was passed in 1985 for capital improvements.
- In June 2009, the City Council passed an ordinance repealing a section of the ordinance which established the half-cent sales tax which was passed for capital improvements. The ordinance stated "...all or any portion of such revenue may be utilized for other purposes if such application is deemed appropriate by the governing body.
- Since 2009, the half-cent sales tax has been used partially for general fund operations due to economic downturn.
- In 2014 and 2015, the half-cent sales tax was budgeted for capital purchases rather than operations.
- Use of half-cent sales tax
 - General Fund Capital (same as 2015) \$593,078
 - 2015 General Debt Payments \$376,028
 - Total Capital/Gen Debt Payments \$969,116
 - Estimated half-cent sales tax \$947,500
 - Excess capital – could be used for operations \$ 21,616

➤ Capital Improvement Sales Tax:

- The one-quarter cent Capital Improvement Sales Tax is estimated to generate \$474,000 in revenue in 2016.
- In the 2015 budget, \$300,000 of this sales tax was used for street improvements.

➤ Funds Available for Capital Items:

- General Fund (same as 2015) \$ 593,078
- Capital Improvement Sales Tax Fund \$ 474,000
- Total Available for Capital Needs \$ 1,067,078
- 2015 Street Transfer from General Fund (\$ 366,978)
- 2015 Capital Improvement Fund for Streets (\$ 300,000)
- Total 2015 Transfers to Street Fund (\$ 766,978)

Total available for other capital items (if same as 2015) \$ 400,100

➤ Street Project Funds Available:

- Estimated carryover from 2015 to 2016 \$ 277,687
- 2016 Estimated Revenue
 - State and County taxes \$ 323,862
 - Interest \$ 500
 - Transfer from General Fund (same as 2015) \$ 366,978
 - Capital Improvement Sales Tax Fund \$ 300,000
 - Estimated 2015 revenue \$ 991,340

Total street funds available \$1,269,027

2016 Operating costs besides street repairs

- Engineering \$1,500
- Street light maintenance \$1,000
- Development Agreement Fees \$2,000
- Traffic signal maintenance \$15,000
- Street light electricity \$185,000
- Total Operating costs before street repairs \$204,500

Total available for street work in 2016 and carryover to 2017 \$1,064,527

- State and County taxes are received throughout the budget year so half of the revenue is not available until the second half of the years.
- Capital Improvement Sales Tax revenue available when received each month.
- Recommend to carryover \$250,000 from 2016 to 2017 for street repair work in the spring.
 - Total available funds for street work and carryover to 2017 \$1,064,527

- Carryover from 2016 to 2017 (\$250,000)
- Balance Available for Fall 2016 Street Repairs \$814,527
- 2015 Street Repairs Budget \$715,000

The Public Works Director and the Project Manager made a presentation:

- The Public Works department takes a multiple level approach using different repair techniques every year.
- Pavement lifespan is twenty to twenty-five years if recommended maintenance is done.
- Explained how staff evaluates streets needing repair.
- Explained the types of street repairs.
- Sidewalk Repair Program
 - The governing body decided to use General Funds to repair existing sidewalks
 - Staff rated the condition of existing sidewalks and prioritized the repairs working out from the grade school.
 - The City is in the second year of a three-year plan to repair all poorly rated sidewalks. It may take an extra one or two years to complete the plan.
 - Sidewalk ramps are required by the Americans with Disabilities Act of 1994 and are placed when the street is overlaid. Some ramps are installed each year in-house and are included in all new construction.
- Staff recommended closing Steventon Drive.
 - Very little traffic and in poor condition
 - Approximate annual maintenance cost is \$4,500
 - There are no buildings on the road
 - Items are dumped on the road and the City incurs cost to dispose of the debris.
- 2015 Street List
 - Staff provided a list of thirty-three streets identified as needing repair. Staff identified the top sixteen streets budgeted for repair in 2016 including full-depth repairs and sidewalk repairs.

The City Manager and the Police Chief made a presentation:

- Staff recommended the City purchase a new records management system.
 - Kansas City, Kansas and Wyandotte County public service agencies purchased New World Systems “Aegis” software which staff recommended the City purchase.
 - The Police Department’s software is outdated and incompatible with neighboring public service agencies.
 - Estimated cost to purchase the Aegis system:

Software:

○ Police initial cost		\$90,000
○ Police annual maintenance	\$11,500/year	
○ Court initial cost	\$9,000	
○ Court annual maintenance	\$500/year	
○ Fire/EMS initial cost		\$ 40,000
○ Fire/EMS annual maintenance	\$5,500/year	
○ KCK upload cost (share with KCK)	\$20,000 estimated	
○ Total initial estimated software cost		\$139,000
○ Total software annual maintenance	\$17,500	

Hardware:

○ Twenty-five tablets/laptops (18 police, 7 fire/EMS)		\$125,000
○ Fifteen mobile printers		\$7,500
○ Total initial estimated hardware cost		\$132,500
○ Twenty-five wireless connections	\$1,250/month	

Total initial cost estimates:

○ Software total	\$139,000
○ Hardware total + cost share	\$152,500
○ Total initial cost	\$291,500
○ Total annual maintenance cost	\$34,900

- The actual cost to purchase the police department administrative building was \$120,000. The 2015 budget included \$240,000 for the purchase which left \$120,000 unspent. The department has not used the budgeted \$12,500 for the administrative building lease since the City purchased the building. Unspent CIP funds in the Parks and Recreation budget total \$7,000 for a total amount of \$139,000.

- The fire department plans to delay purchasing a new pumper truck by two years which leaves \$120,000 available from the current Emergency Services CIP. The Services CIP for the building will have approximately \$34,000 in uncommitted funds when it expires. Staff expects the 2016 CIP to generate \$31,000 for a total amount of \$185,000.

2016 Capital Summary:

➤ Street repairs	\$814,527
➤ Other General Fund capital items	\$400,100
➤ Police records management system	<u>(\$ 31,000)</u>
➤ Total available for other capital	\$369,100

The Human Resource Director made presentation:

- The City does a compensation study every three years.
- City pay ranges according to the 2015 compensation study are 9.1% behind market peers.
- Staff recommended the following:
 - Recommendation No. 1
 - Adjust pay ranges 9.1% to meet market results. This impacts thirty-two employees.
 - Implementation date of September or October 2015.
 - Total cost to bring employees up to the minimum range is \$71,000 for a full year of base wages and benefits.
 - Recommendation No. 2
 - Adjust current employee pay that resulted in compression from implementing Recommendation No. 1. This impacts seventy-one employees.
 - Implementation date of September or October 2015.
 - Total cost is approximately \$81,000 for a full year of base wages and benefits.
 - Recommendation No. 3
 - Provide adjustments per pay plan for employees and positions that are currently out of market by more than fifteen percent (15%) . This impacts four employees.
 - Implementation date of September or October 2015.
 - Total cost is approximately \$6,500 for a full year of base wages and benefits.
 - Recommendation No. 4
 - Adjust ranges and employee pay in accordance with the City’s pay plan effective January 1, 2016.

Philosophy of Merit or Pay for Performance Increases:

- Merit pay emphasizes and rewards performance rather than just years of service, rewards top performers and helps motivate and retain the highest performing employees.
- Merit is overwhelmingly used by public entities. Eighty percent (80%) of public entities use merit system nationwide to include eight local cities.
- Structure of the current pay plan adopted by the City Council on December 6, 2004 includes a range increase based on the Kansas City Consumer Price Index (CPI) and a merit increase based on the evaluation score. Employees received the range increase plus merit on their base. The current merit system acknowledges everyone’s work and rewards superior performance.
- Effect of No Merit on Pay Plan – Employees do not move up in ranges, new employees hired at same rates as employees with years of service and makes salary adjustments necessary.
- If We Keep Current Merit Plan – Two ways for pay to increase: COLA added to pay ranges and base pay and merit increase added to base pay. Employees move up in the pay ranges by merit increase amount and maintains separation of new hires and current pay ranges within pay ranges.
- Recommend the City pay all employees a Cost Of Living Adjustment (COLA) based on the Kansas City CPI, pay all employees a merit increase of 1-2% based on evaluation and raise all pay ranges by the CPI percentage.
- Health Insurance – Health insurance estimated to increase 5% in July 2016. The City currently pays \$850 for family that will increase to \$875 in July, if approved and if employee meets Wellness Program requirements.
- Wellness Program – Wellness program incentive for 2016-2017 will increase from \$75 per month to \$100 per month and covered spouses will be required to have a physical with bloodwork.

The Finance Director made a presentation:

- School Resource Officer Salary/Benefit Funding – Staff recommended funding percentage be dropped from 75% to 50% based on the amount of time the officer spends.

➤ Recommended Use of General Fund :			
• Funds Available			\$102,351
• Possible additional surplus			
○ Use half of Debt Service Funds available	\$25,000		
○ Use 2015 capital for 2016 operations	<u>\$21,000</u>		
	\$46,000		\$148,351
• Possible 2016 additional Expenditures			
○ \$25 per month additional health insurance			
○ contribution for family coverage to begin July 2016	(\$ 5,250)		\$143,101
○ Additional Operating cost for Police software	(\$ 22,900)		\$120,201
○ Reduce transfer from Drug and Alcohol for DARE program	(\$21,000)		\$99,201
○ Full year payroll adjustments per salary survey	(\$140,000)		(\$40,799)
○ Merit Increases	(\$67,000)		(\$107,799)
➤ Funding for 2016 recommendations:			
• Funds Needed	(\$107,799)		
• Street Improvements			
○ 2016 per current assumptions	\$814,527		
○ 2015 Budget	<u>\$715,000</u>		
Excess Street improvements 2016 over 2015	\$99,527		
• Recommended to budget \$107,799 of half-cent sales tax for operations, maintain the same budget improvements in 2016 and reduce capital expenditures in 2016 by the balance \$8,272.			
➤ Revised Summary of Capital – 2016			
• Street repairs	\$814,527		
• Reduction for 2016 recommendations	(\$ 99,527)		
• Street repairs 2016 (same as 2015)	\$715,000		
• Other General Fund Capital items	\$400,100		
• Police Records Management System	(\$ 31,000)		
• Use of excess half-cent sales tax	(\$21,000)		
• Reduction for 2016 recommendations	(\$ 8,272)		
Total available for other Capital – 2016	\$339,828		

The City Manager discussed the expiration of the ¼ percent Library sales tax in December 2016 and the future year budget impacts:

- If continued, the sales tax will generate an estimated \$475,000 in additional General Fund revenue which equates to 7.25 mills.
- Before continuing the sales tax, the Governing Body would need to receive the approval of a majority of its voters.

The City Manager requested consensus on these items:

- Increase salary ranges by 9.1% and bring those below range to the bottom of the range - Yes
- Pay compression adjustments – Yes
- Market position specific adjustments – Yes
- Police/Court Records Management System – Yes
- \$25 per month health insurance – Yes
- Reduce transfer from Drug and Alcohol Fund to General Fund for DARE program – Yes
- Merit increases 1-2% – Yes

- 2016 Budget Calendar:
 - Tuesday, July 14 - Budget Work Session
 - Monday, July 20- Budget Work Session
 - Monday, July 27 – Budget Work Session Prior to City Council Meeting, Public Hearing and Budget Approval
 - Monday, August 10 – Public Hearing

The meeting adjourned at 9:30 p.m.

Amber McCullough, City Clerk