

# CITY OF TOPEKA

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July 3, 2007

Honorable Mayor & City Council Members:

We submit for your consideration the 2008 working budget for the City of Topeka. This budget was developed based on input received from Council members and the request from City departments. While this budget does not call for laying off of any current City employee, it does unfund some positions and requires a mill levy increase of 3.9 mills.

The Topeka City government provides our residents with a wide array of municipal services. Police and fire protection, beautiful parks and recreational programming, street repair and maintenance programs, water, stormwater and wastewater utilities, and many other fine services are provided by dedicated City employees. To provide these services to our residents, other City employees are required to supply internal functions in areas such as finance, legal, human resources, and information technology.

This budget looks to position the City to move into the future. The role of the city government must be to make Topeka a safe, clean and attractive city. We need to be a city government that is forward thinking. To do this, we must supply our employees with the tools and resources that they need to enable them to perform their jobs in a manner that gives the residents of Topeka quality services.

## **Overall Budget Numbers**

To fund the proposed budget requires a 3.9 mill levy increase, based on preliminary estimates of property valuation. For the average Topeka homeowner, this would amount to an increase of \$45 per year or \$3.75 per month.

The 2008 budget from all funding sources (not including internal service funds and contingencies serving as fund balances) grows by \$4.9 million or 2.7 percent from the 2007 Revised Estimate. General Fund expenditures for ongoing operations grow by \$0.8 million or 1.2 percent, from \$67.4 million to \$68.2 million. Expenditures from the General Improvement Fund increase by \$0.7 million or 56.7 percent to

finance various projects, and expenditures for Parks and Recreation and the Zoo increase by \$0.13 million or 1.1 percent. Debt Service demand from the Bond and Interest Fund goes down by \$0.3 million or 1.6 percent, primarily because the Neighborhood Revitalization Act rebate is budgeted as negative revenue rather than an expense. Expenditures from the Enterprise Funds grow by \$1.4 million or 2.4%.

The General Fund for 2008 shows an ending balance of 10.0 percent of revenues, budgeted as the contingency expenditure for flexibility reasons. The General Fund budget is balanced with ongoing revenues sufficient to pay for ongoing operational costs. To adhere to the policy of providing an additional one-percent of expenditures financed by ongoing revenue as a non-appropriated fund balance would require an additional \$680,000 or another 0.6 mills. This has not been included in this budget. It is estimated that the 2007 ending balance will be 10.0 percent of revenue. It is important to maintain an adequate fund balance, not only to provide flexibility in case of extreme circumstances, but also to demonstrate prudent financial management. Both the ending balance and a balanced budget are considered by Moody's Investors Services in determining the City's general obligation bond rating, which is currently Aa3, with a stable outlook.

## **Revenues**

Revenue collections from all budgeted funding sources are estimated at \$178.4 million for 2007 and \$182.5 million for 2008 (does not include revenue for internal service funds), an increase of \$4.1 million. The 2008 estimate is 2.3 percent greater than the revised 2007 estimate. Property tax revenue increases by \$4.6 million, offset by reductions in other revenue sources. City funds receive monies from a variety of revenue sources, including taxes, licenses and permits, state and federal grants, fees for services, court costs and fines, special assessments, earned interest, and other miscellaneous sources. Taxes constitute 44.7 percent of the total revenue, and 34.2 percent comes from fees for services. Actual and estimated revenues for the majority of the budgeted funds can be found in the Fund Summaries Section of this document.

- Sales tax revenue to the General Fund for 2007 is \$26,970,000, which is equal to the Adopted level. The 2007 revised estimate is a 2.4 percent increase from 2006 collections of \$26.3 million. The 2008 estimate of almost \$27.5 million is another 2.0 percent above the 2007 revised estimate.
- The 2007 Revised Estimate for Utility Franchise Fee revenue is increased by \$489,525 above the Adopted level. This increase is based on the 2006 actual revenue from the electric franchise fee.
- Revenue for the Transient Guest Tax Fund is estimated at \$1,610,000 for 2007 and \$1,643,000 for 2008, a 2.0 percent increase.

## **Assessed Property Valuation and Mill Levy**

The mill levy required to fund the 2008 budget is based on the 2007 assessed valuation. As of this writing, the preliminary assessed valuation from Shawnee County for 2007 had not been received. The City Manager's recommendation

assumes a 2.0 percent overall increase including any adjustment for the business and machinery exemption. Adjustments will be made based on the Shawnee County estimate. The table below shows the change in property valuation over the last five years. Three components make up the valuation for property taxes: real property, personal property, and state-assessed or corporate property. The 2.0 percent change in valuation alone, with no change in mill levy, generates approximately \$0.6 million for the six property tax funds. The following chart shows the percentage change in assessed valuation for the past five years.

2001	2002	2003	2004	2005	2006
6.9%	2.2%	4.3%	5.6%	4.4%	4.7%

The overall mill levy for the six funds that will receive property tax revenue increases by 3.91 mills above the 2007 level, from 30.75 mills to 34.66 mills. The General Fund increases by 1.5 mills. The increase is tied to salary and benefit costs, partially offset by reductions in grants, contractual services and transfers. The General Improvement Fund increases by 0.6 mills to finance projects approved in the 2008 Capital Improvement Budget. The Bond and Interest Fund mill levy increases by 1.1 mills. Property tax demand increases from 2007 by \$1.3 million due to there being less available fund balance carried forward to fund 2008 and Heartland Park likely requiring supplemental funding to the sales tax revenue. The mill levy for this fund was reduced each of the last two years. In 2008 there is no additional revenue, and the mill levy will have to be restored.

It should be noted that ten years ago, the City's mill levy was 36.05. Should the Council adopt this budget, the proposed mill levy would be 1.39 mills less than it was ten years ago.

In past years, the City has use various means to avoid rising the mill levy; increasing administrative fees, increasing vacancy credits, using one-time money. While these may address the situation for that year, using these techniques only contributes to the problem in future years.

***Budget Support Information***

Based on the budget work sessions held in June, numerous adjustments have been incorporated into this budget. These adjustments include over \$3.2 million in expenditure reductions from department budgets, and \$104,500 in revenue enhancements for Zoo and Parks and Recreation programs. Approximately \$500,000 of expenditures was added. A table is attached outlining all adjustments.

As I noted in last year's budget message, the most valuable resource any organization has is its employees. The men and women that comprise our workforce determine the quality of services we provide our customers. This budget contains funds to honor our collective bargaining agreements with City union employees and provides non-union employees with a 2.5 percent cost of living adjustment (COLA) along with step movement. It is only just that all city

employees be treated fairly. Employees need to know that their work effort is valued and appreciated by their employer. This salary adjustment allows our employees to maintain their spending power. Our intent is to have a work force that will be motivated to give us their best work effort.

Overall, the authorized Full-Time Equivalent (FTE) positions increase by 3.0 FTE from the 2007 Adopted Budget to the 2008 City Manager's recommended budget. Two new positions are added to Public Works, a Director of the Facility Management Division and an HVAC Specialist. The Division Director will provide oversight and direction for the division, while the HVAC Specialist should provide a positive return in investment by providing ongoing maintenance and trouble-shooting services. The Police Department will shift the Weed and Seed Coordinator from a contracted service to a FTE position.

Last year the City Council approved replacing the City's internal framework. This budget includes continued funding for an Enterprise Resource Planning (ERP) system to replace the antiquated "green screen" accounting and payroll system. This web-based financial and human resource system will provide flexibility, enhanced reporting capabilities, and allow us to re-engineer our business processes.

Given the fiscal constraints facing the City, most funding to outside organizations has been eliminated.

## **Departmental Details**

The Departmental write-ups in the tabbed sections provide descriptions of the Departments, their functions, budget figures, and discussion of significant features. In addition, following this budget message is a summarization of various efforts departments are taking to be more efficient along with what are they doing to effect cost savings and operational efficiencies.

## ***Budget Highlights and Issues***

### **2007**

- Personnel costs for Police and Fire increase by almost \$600,000 to pay the cost of labor agreements entered into after the 2007 budget was adopted.

### **2008**

- The 0.5 percent increase in the KP&F rate for 2008 cost \$170,000, and the 0.6 percent increase in the KPERS rate cost \$180,000 from all funding sources.
- \$150,000 is added to assist with the recruitment and retention of engineering and technical employees in the Public Works Department.

- \$70,000 is provided to the Fire Department to replace defibrillators and other equipment.
- Two new positions and a multi-purpose grounds maintenance machine are added to Facility Management in Public Works.
- The amount available for the inmate clean-up crews is reduced by half and the Economic Development Specialist position is not funded in the City Manager's budget.

### **Cooperation with Shawnee County**

We will continue to explore and take advantage of ways in which the City can work with the Shawnee County government that will result in cost savings to the tax payers and improved operational efficiencies. The possibility of consolidating the City's Park and Recreation Department with the County's is currently being reviewed, and is expected to be completed in mid July.

### **Roadway maintenance**

We have had a study showing that we need to invest \$31 million over ten years in our road infrastructure to bring it up to a more acceptable level. This is not included in this budget proposal. We have also been told that the Army Corp of Engineers has determined that the levies in the City need restoration work which will cost approximately \$18.0 million. Of this amount, the federal government will cover two thirds of the cost requiring the City to expand \$6.0 million over the next three years. As both the roads and levies benefit people who work and shop in Topeka along with city residents, it is recommended that the City look to fund both of these projects with sales tax rather than property tax. We plan to submit for council consideration a proposal to seek an increase in the sales tax for these purposes.

### **The future of the City**

As noted above, the role of the Topeka city government must be to make Topeka a safe, clean and attractive city. As a municipal corporation we must be effective, efficient, responsive and sensitive to the needs of our residents. Topeka should and can be a leading edge city. To do this, we need to have a clear vision of what we want our city to be. We urge the Council to support the current efforts to have a community-wide visioning process. Getting citizen involvement in identifying what they would like to see happen in our city is essential in making Topeka a place people want to live, work, shop and play. Topeka can be a vibrant community and the showcase of Kansas.

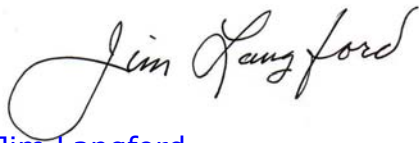
## Summary

By starting the budget process as early as we did, we were able to have the benefit of council discussion prior to preparing this proposed budget. We thank you for taking the time to meet in June and look forward to working with you in the next weeks to finalize and adopt a budget by August 21<sup>st</sup>.

Sincerely,

A handwritten signature in dark ink, appearing to read "Norton N. Bonaparte, Jr.", with a stylized, flowing script.

Norton N. Bonaparte, Jr.  
City Manager

A handwritten signature in dark ink, appearing to read "Jim Langford", with a stylized, flowing script.

[Jim Langford](#)

Director of Budget & Financial Services