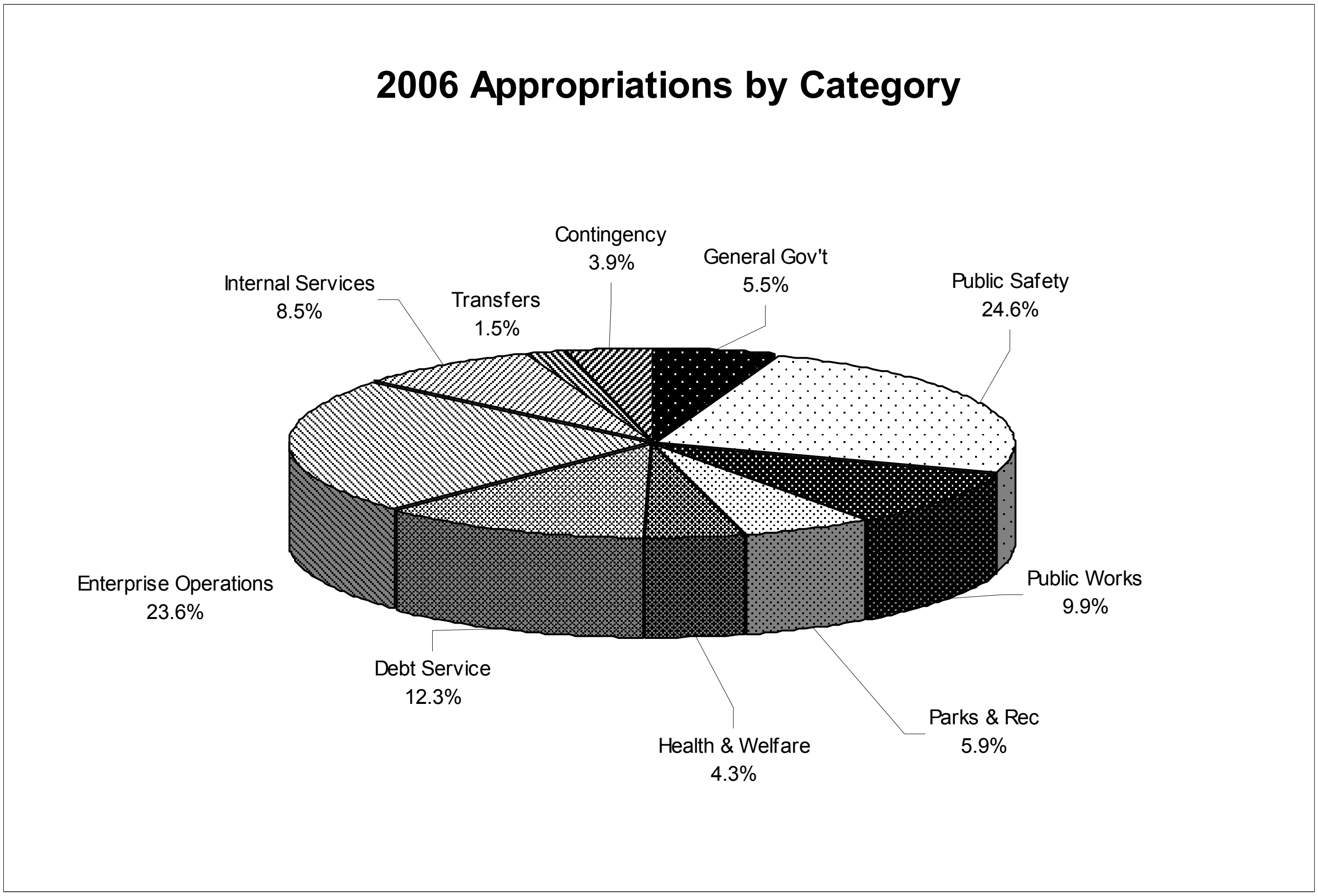
Budget Summary: Appropriations



The graph above and the Appropriations Summary Table demonstrate the distribution of expenditures among the various categories and functions of government. The Revenue Summary Table is inserted to show that the budget is balanced between available funding sources and appropriations. The Revenues section provides explanation and discussion of the revenue estimation process and the estimates of the revenue sources. General Government expenditures are 5.5 percent of the total costs. General Government includes the administrative and support departments of the City, providing guidance, legal, financial, human resource and other services in support of the direct service departments. Public Safety consists of the Police and Fire Departments. These budgets constitute 24.6 percent of the total budget and 61.3 percent of the General Fund budget. The Public Works Department maintains and develops the city infrastructure and is 9.9 percent of the budget. Another 5.9 percent of expenditures are devoted to maintaining the parks and providing recreational programming, including the Topeka Zoo. Health and Welfare expenditures, which are 4.3 percent of the total, are for grants to various social service and community organizations and the activities of the Housing and Neighborhood Development Department. Debt Service for bond and lease purchase payments take up 12.3 percent of the budget. Enterprise Operations include the utility operations of the City along with parking and the operation of the golf course. These expenditures are 23.6 percent of the total. Internal Service operations, which are financed by charges to city departments for services, account for 8.5 percent of the total. Transfers from one fund to another as expenditures include the General Fund support for the demolition of unsafe structures and various capital projects, and transfers from the Transient Guest Tax Fund to support Parks and Recreation and other activities. These transfers make up 1.5 percent of total expenditures. Contingency amounts represent 3.9 percent of the total. Generally, these amounts serve as part or all of the budgeted fund balance and are to be accessed for expenditure for emergencies or other necessary unforeseen expenditures or revenue loss. This is especially true for those funds that receive property tax revenue, such as the General Fund. State law constrains the unappropriated fund balance for these funds to 5.0 percent of expenditures. The contingency amount is appropriated to allow for a larger budgeted ending balance. The percentage breakout of the categories, less transfers and contingencies can be found at the bottom of the Expenditure Summary Table.

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This table compares 2005 and 2006 expenditures from all funding sources, excluding the Internal Service Funds. The overall budget increases by $10.5 million or 6.9 percent from 2005 to 2006 when contingency and transfer amounts are removed from the total. Personal Services, which makes up 45.7 percent of the total, grows by $4.6 million or 6.6 percent in 2006. This growth is driven by several factors. The budget provides an across the board increase of 2.1 percent plus step movement for all employees. Eight firefighter positions are added at a cost of $600,000; an incentive/reward pool of $316,000 is added to the Police Department; the City's contribution to the health insurance plan increases by 12 percent; and a pool of $120,000 is provided to address salary compression issues. The growth in commodities of 10.6 percent is found primarily in the utilities reflecting an increase in the cost of materials to treat drinking and waste water. The $2.3 million growth in capital outlay is fueled by one-time expenditures financed from excess General Fund balance. Payments for debt service increase by $1.8 million in 2006. The majority of the increase, about $1.0 million, will go to service debt on revenue bonds and Kansas Department of Health and Environment Revolving Loans issued for water pollution control and stormwater capital improvement projects. There is also a net of $0.8 million for general obligation debt, which will towards debt service on temporary notes and bonds issued in 2005.   Non-salary expenditures less debt service and the $2.1 million for one-time capital projects account for $60.9 million in 2005 and $62.8 million in 2006. The growth rate for non-salary expenditures is 3.0 percent from 2005 to 2006, which much of that growth coming from the increase in commodity expenditures by the utility enterprise funds.

Comparison of 2005 and 2006 Expenditure Objects

	2005 Estimate	2006 Adopted	Percent Change
Personal Services	$ 69,469,471	$ 74,074,774	6.6%
Contractual Services	29,970,974	30,551,029	1.9%
Other Payments	11,762,971	11,727,085	-0.3%
Commodities	9,495,113	10,505,394	10.6%
Capital Outlay	1,198,126	3,437,254	186.9%
Debt Service	21,342,200	23,102,397	8.2%
Non-Cash Expenditures	8,515,307	8,666,319	1.8%
Other Financial Uses	1,425,154	3,006,579	111.0%
Contingency	-	7,422,473	-
Total Expenditures	$ 153,179,316	$ 172,493,304	12.6%
Less Contingency and Transfers	$ 151,754,162	$ 162,201,092	6.9%
Including Internal Service Funds	$ 166,858,330	$ 178,270,369	6.8%

The five-year outlook for the General Fund reflects a manageable situation assuming no revenue catastrophes like the loss of $2.1 million in revenue sharing from the State of Kansas in 2003. The majority of employees did not receive any type of increase in 2004 and a 1.5 percent across-the-board increase is the extent of salary enhancements for 2005. A modest increase is budgeted for 2006, but City employees will have expectations for future years, especially if the economy continues to improve or inflation kicks into high gear. The Five-Year Outlook assumes that overall salary and fringe benefit increases can be moderated to be in line with current cost of living projections and that health insurance costs will be controlled through plan modifications. Moderate increases are built in for other operating costs.

Maintaining a 10.0 percent ending balance in the General Fund has been a policy choice of the City Council. It is a major factor for the rating agencies that set the City's bond rating. Loss of sales tax revenue and the state revenue sharing prohibited the General Fund from hitting the 10.0 percent target for 2003, which ended with the balance at 7.6 percent. Fueled by sales tax revenue, the 2004 ending balance jumped to 11.4 percent, putting the fund in good standing for the future.

Budget Summary: Appropriations

In July of 2004 the City Council passed Resolution 7490 that establishes a policy for the General Fund requiring a structurally balanced budget beginning in 2006. The policy states that budgeted recurring revenues must exceed expenditures by 1.0 percent. Any surplus in the balance is to be used for capital projects, increasing the fund balance or debt reduction. The City will not be able to rely on excess balance to reduce demand for property tax, but will have to fund the budget plus 1.0 percent with recurring revenue. The policy is designed to provide a cushion against revenue loss and to insure the General Fund does not rely on one-time revenue (excess ending balance) to fund operations. The City Manager submitted a 2006 budget that adhered to this policy. However, the final budget approved by the City Council fell short of meeting the guidelines. The budget uses approximately $1.0 million of the ending balance to reduce mill levy. This is demonstrated by the table showing "One-time Expenditures from Balance" at $2.3 million and "Revenue in Excess of Expenditure" at a negative $3.3 million. Accounting for the one-time expenditure, to be structurally balanced would require another $1.0 million. To meet the structurally balanced plus one-percent of expenditures would take $1.7 million. The projections for 2007-2009 reflect the policy's intent. For 2007, the table shows that an additional $2.3 million will be required to meet the policy's requirements, with revenue exceeding expenditures by $689,000 to provide the 1.0 percent cushion.

Five-Year Outlook for the City General Fund

	2004 Actual	2005 Revised	2006 Adopted	2007 Projected	2008 Projected	2009 Projected
Beginning Balance	4,192,045	9,139,605	10,151,612	6,820,654	7,493,323	8,185,888
Revenue:						
Revenue Estimates	52,478,944	53,375,547	53,964,880	55,044,178	57,777,062	58,932,603
Property Tax Revenue	14,538,554	9,554,073	10,291,650	10,600,400	12,566,412	12,943,404
KP&F Refunding Bond Proceeds	13,186,045	--	--	--	--	--
Revenue Adjustment for 10.0 % Ending Balance	--	--	--	1,600,000	--	--
Adjustment for Current Revenue to Exceed Expenditures by 1.0 percent	--	--	--	689,000	(345,000)	255,000
Revenue Total	80,203,543	62,929,620	64,256,530	67,933,578	69,998,474	72,131,007
Total Available	84,395,588	72,069,225	74,408,142	74,754,232	77,491,797	80,316,895
Expenditures:						
Expenditures	62,069,938	61,917,613	65,280,909	65,280,909	67,260,909	69,305,909
KP&F Retirement Liability Payout	13,186,045	--	--	--	--	--
Salary Costs Increase 3.0 percent	--	--	--	1,500,000	1,550,000	1,600,000
Other Operating Increase 2.0 percent	--	--	--	280,000	285,000	290,000
Health Insurance	--	--	--	200,000	210,000	220,500
Subtotal Expenditures	75,255,983	61,917,613	65,280,909	67,260,909	69,305,909	71,416,409
Debt Reduction and Capital Improvement	--	--	2,306,579	--	--	--
Total Expenditures	75,255,983	61,917,613	67,587,488	67,260,909	69,305,909	71,416,409
Ending Balance	9,139,605	10,151,612	6,820,654	7,493,323	8,185,888	8,900,486
As Percent of Revenue	11.4%	16.1%	10.6%	11.0%	11.7%	12.3%
Revenue in Excess of Expenditure	4,947,560	1,012,007	(1,024,379)	672,669	692,565	714,598
Expenditure % change	27.0%	-17.7%	5.4%	3.0%	3.0%	3.0%
Revenues % change	45.3%	-21.5%	2.1%	5.7%	3.0%	3.0%

For 2007 and beyond, revenue other than property tax is projected to increase 2.0 percent
Property tax valuation is projected to increase by 3.0 percent for 2007 through 2009.
Salary projections for 2007 through 2009 are based on 3.0 percent overall growth.
Health insurance costs are projected at 5.0 percent for 2006 through 2008.