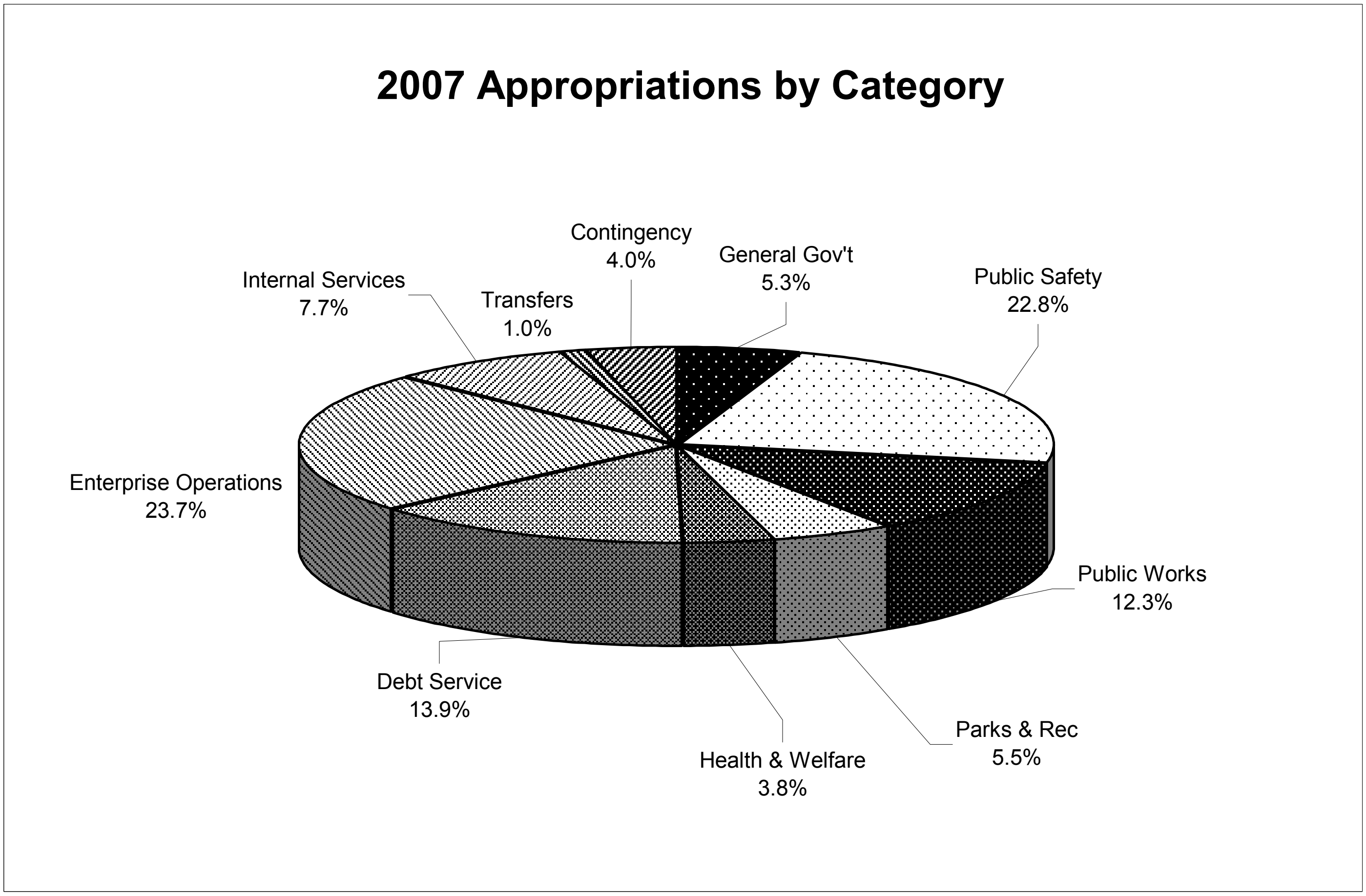
Budget Summary: Appropriations



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 provided 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 5.3 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 22.8 percent of the total budget and 63.7 percent of the General Fund budget. The Public Works Department maintains and develops the city infrastructure and is 12.3 percent of the budget. Another 5.5 percent of expenditures are devoted to maintaining the parks and providing recreational programming, including the Topeka Zoo. Health and Welfare expenditures, which are 3.8 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 13.9 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 23.7 percent of the total. Internal Service operations, which are financed by charges to city departments for services, account for 7.7 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 1.0 percent of total expenditures. Contingency amounts represent 4.0 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 exceed 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 2006 and 2007 expenditures by category from all funding sources, excluding the Internal Service Funds. The overall budget increases by $8.3 million or 4.8 percent from 2006 to 2007 when contingency and transfer amounts are removed from the total. Personal Services, which makes up 41.1 percent of the total, grows by $1.0 million or 1.1 percent in 2007. This growth is driven by offsetting factors. The budget provides an across the board increase of 2.0 percent plus step movement for all employees. However, budgeted salary savings were increased by a combined $1.1 million from the General Fund, Parks and Recreation Fund and the Zoo Fund. This action offset the impact of the salary increase. In addition, the City's contribution to the health insurance plan increases by 5 percent and the 2007 budget contains 6.1 FTE positions less than 2006. The growth in other payments of 7.3 percent is reflective of the estimated increase in payments for health insurance claims. Payments for debt service increase by $4.9 million in 2007. The majority of the increase, about $3.6 million, will go to service debt on revenue bonds issued to build the Topeka Boulevard Bridget. This debt service is financed from a county-wide half-cent sales tax. There is also a net of $1.0 million for general obligation debt, which will towards debt service on temporary notes and bonds issued in 2006. The growth in non-cash expenditures represents an increase in the depreciation cost as assets are added.

Comparison of 2006 and 2007 Expenditure Objects

	2005 Actual	2006 Estimate	2007 Adopted	Percent Change
Personal Services	$ 71,082,750	$ 73,697,606	$ 74,687,632	1.3%
Contractual Services	43,981,648	40,377,361	39,746,038	-1.6%
Other Payments	17,398,605	11,383,500	12,215,444	7.3%
Commodities	2,078,405	10,478,511	10,545,162	0.6%
Capital Outlay	2,149,008	1,756,100	1,104,258	-37.1%
Debt Service	22,591,310	23,929,753	28,844,161	20.5%
Non-Cash Expenditures	8,954,553	9,436,319	11,400,610	20.8%
Other Financial Uses	2,951,365	3,766,171	3,675,303	-2.4%
Contingency	6,918	-	8,368,659	-
Total Expenditures	$ 171,194,562	$ 174,825,321	$ 190,587,267	9.0%
Less Contingency and Transfers	$ 169,452,243	$ 171,955,582	$ 180,218,305	4.8%
Including Internal Service Funds	$ 184,988,868	$ 190,105,043	$ 206,975,136	8.9%

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. Local governments in Kansas will lose property tax revenue from new business and machinery as the 2006 Kansas Legislature exempted those purchases. It is expected to phase out over the next seven years and the Legislature is supposed to provide revenue to offset a significant amount of the lost revenue. City employees enjoyed a modest salary increase in 2006 overall of 3.6 percent and are budgeted to receive slightly less in 2007. 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. The positive trend continues in 2005 with the year ending with a balance equal to 17.1 percent of total revenue. For 2006, 12.1 percent is expected and 10.3 percent is budgeted for 2007.

In July of 2004 the City Council passed Resolution 7490 that established a policy for the General Fund requiring a structurally balanced budget beginning in 2006. The policy stated 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 is not to rely on excess balance to reduce demand for property tax, but rather 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

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General Fund does not rely on one-time revenue (excess ending balance) to fund ongoing operations. The 2006 adopted budget fell short of meeting the guidelines. The budget used approximately $1.0 million of the ending balance to reduce mill levy. The 2007 budget is much closer to complying with the policy, but still falls short. It is very close to balanced with ongoing revenue almost equal to ongoing operations, which do not include the $1.1 million listed on the "One-Time Expenditures from Balance" line. To meet the structurally balanced plus one-percent of expenditures would take about $700,000 in new revenue. The projections for 2008-2010 reflect the policy's intent. For 2008, the table shows that an additional $1.3 million will be required to meet the policy's requirements, with revenue exceeding expenditures by $681,322 to provide the 1.0 percent cushion.

Five-Year Outlook for the City General Fund

	2005 Actual	2006 Revised	2007 Adopted	2008 Projected	2009 Projected	2010 Projected
Beginning Balance	9,139,605	10,872,736	7,891,659	6,791,659	7,472,981	8,174,757
Revenue:						
Revenue Estimates	54,199,611	54,799,795	55,154,313	56,257,399	58,004,747	59,164,842
Property Tax Revenue	9,403,449	10,291,650	10,960,296	11,289,105	12,256,078	12,623,760
Revenue Adjustment for 10.0 % Ending Balance	--	--	--	610,000	--	--
Adjustment for Current Revenue to Exceed Expenditures by 1.0 percent	--	--	--	657,027	618,160	1,221,980
Revenue Total	63,603,060	65,091,445	66,114,609	68,813,531	70,878,985	73,010,582
Total Available	72,742,665	75,964,181	74,006,268	75,605,190	78,351,966	81,185,339
Expenditures:						
Expenditures	61,869,929	65,365,943	66,152,209	66,152,209	68,132,209	70,177,209
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	61,869,929	65,365,943	66,152,209	68,132,209	70,177,209	72,287,709
One-time Expenditures from Balance	--	2,706,579	1,062,400	--	--	--
Total Expenditures	61,869,929	68,072,522	67,214,609	68,132,209	70,177,209	72,287,709
Ending Balance	10,872,736	7,891,659	6,791,659	7,472,981	8,174,757	8,897,630
As Percent of Revenue	17.1%	12.1%	10.3%	10.9%	11.5%	12.2%
Revenue in Excess of Expenditure	1,733,131	(274,498)	(37,600)	681,322	701,776	722,873
Expenditure % change	-0.3%	5.7%	1.2%	3.0%	3.0%	3.0%
Revenues % change	-5.1%	2.3%	1.6%	4.1%	3.0%	3.0%

For 2008 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 2008 through 2010.
Salary projections for 2008 through 2010 are based on 3.0 percent overall growth.
Health insurance costs are projected at 5.0 percent for 2008 through 2010.