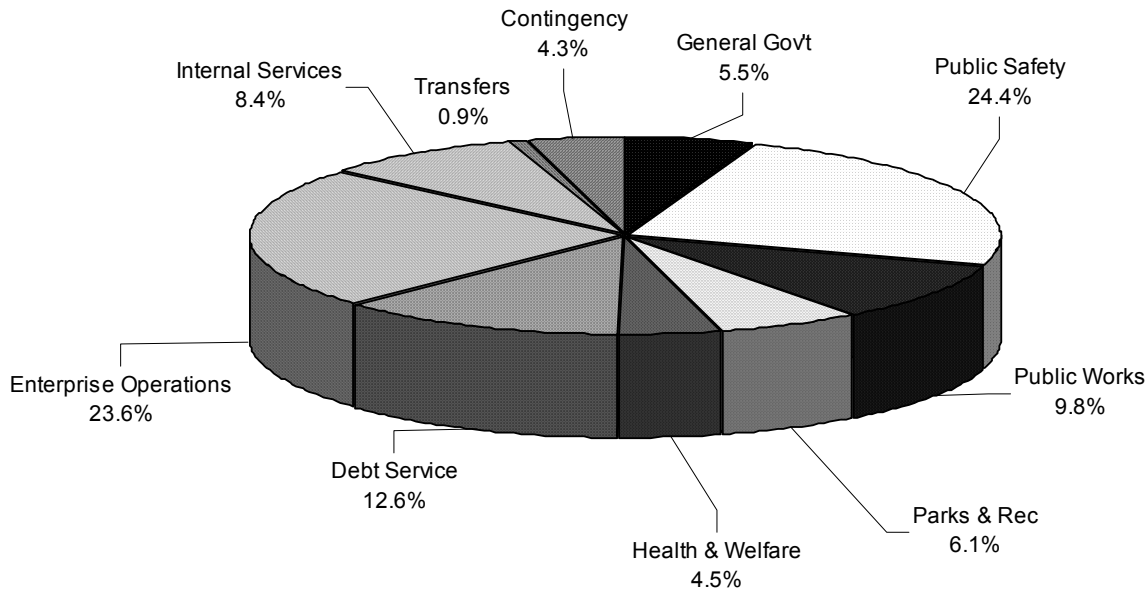


Budget Summary: Appropriations

2005 Appropriations by Category



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 24.4 percent of the total budget and 62.8 percent of the General Fund budget. The Public Works Department maintains and develops the city infrastructure and is 9.8 percent of the budget. Another 6.1 percent of expenditures are devoted to maintaining the parks and providing recreational programming. Health and Welfare expenditures, which are 4.5 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 12.6 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 8.4 percent of the total. Transfers from one fund to another as expenditures include the General Fund support for the Planning Department and the demolition of unsafe structures, and transfers from various funds to the Bond and Interest Fund for debt service. These transfers make up 0.9 percent of total expenditures. Contingency amounts represent 4.3 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.

Budget Summary: Appropriations

This table compares 2004 and 2005 expenditures from all funding sources, excluding the Internal Service Funds. The overall budget increases by \$6.2 million or 4.3 percent from 2004 to 2005 when contingency and transfer amounts are removed from the total. The biggest factor contributing to the increase is payment for debt service. Payments for debt service decreased by \$1.6 million in 2004 because of general obligation debt refinancing. The majority of the savings taken in 2004, making them a one-time event that had to be funded in 2005. In addition, the refinancing of the unfunded liability for the Kansas Police and Fire (KP&F) Retirement System shifts \$1.6 million from Personal Services to Debt Service. There is also close to another \$1.0 million for debt service on temporary notes and bonds issued at the end of 2004. Personal Services drop by half a percent with reduction for the KP&F refunding shift to the Bond and Interest Fund partially offset by a 1.5 percent across-the-board salary increase. This category is 46.5 percent of the total. Non-salary expenditures less debt service account for \$58.7 million in 2004 and \$61.1 million in 2005. The growth rate for non-salary expenditures is 4.0 percent from 2004 to 2005. The majority of the increase occurs in the utility enterprise funds as most other budgets were held flat or reduced slightly. The significant shifts of funding seen in Contractual Services and Commodities occur because of accounting adjustments in the utility enterprise funds.

Comparison of 2004 and 2005 Expenditure Objects

	2004 Estimate	2005 Adopted	Percent Change
Personal Services	\$ 70,965,272	\$ 70,633,166	-0.5%
Contractual Services	34,267,694	29,251,786	-14.6%
Other Payments	11,439,352	11,570,976	1.2%
Commodities	2,543,487	9,748,065	283.3%
Capital Outlay	1,626,150	1,332,219	-18.1%
Debt Service	17,299,595	21,644,634	25.1%
Non-Cash Expenditures	7,227,953	7,788,636	7.8%
Other Financial Uses	1,617,558	1,384,719	-14.4%
Contingency	452,837	7,402,000	-
Total Expenditures	\$ 147,439,898	\$ 160,756,201	9.0%
Less Contingency and Transfers	\$ 145,664,018	\$ 151,869,945	4.3%
Including Internal Service Funds	\$ 159,381,118	\$ 166,355,111	4.4%

Budget Summary: Appropriations

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. City employees will have expectations for salary increases for 2006 and beyond. 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. 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 Mayor and City Council. It is a major factor for the rating agencies that set the City's bond rating. Since 2003 ended with a 7.6 percent balance, considerable resources have had to be invested to provide for a 10.0 percent by the end of 2005. Loss of sales tax revenue and the state revenue sharing prohibit the General Fund from hitting the 10.0 percent target for 2003.

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. Beginning with the 2006, the table shows that an additional \$970,051 will be required to meet the policy's requirements, with revenue exceeding expenditures by \$630,000 to provide the 1.0 percent cushion. In this scenario, the additional dollars are left in the ending balance from year to year, but they could be put towards the categories allowed under the policy.

	2003 Actual	2004 Revised	2005 Adopted	2006 Projected	2007 Projected	2008 Projected
Beginning Balance	8,226,144	4,192,045	5,718,614	6,120,000	6,750,000	7,400,000
Revenue:						
Revenue Estimates	46,478,775	48,125,181	51,847,026	52,883,967	53,941,646	55,020,479
Property Tax Revenue	10,733,859	14,823,260	9,554,073	9,840,695	10,135,916	10,439,994
State Revenue Transfers	(2,000,000)	--	--	--	--	--
Revenue Adjustment for 10.0 % Ending Balance	--	--	--	--	--	--
Adjustment for Current Revenue to Exceed Expenditures by 1.0 percent	--	--	--	970,051	1,807,151	2,619,241
Revenue Total	55,212,634	62,948,441	61,401,099	63,694,713	65,884,713	68,079,713
Total Available	63,438,778	67,140,486	67,119,713	69,814,713	72,634,713	75,479,713
Expenditures:						
Expenditures	59,246,733	61,421,872	60,999,713	60,999,713	63,064,713	65,234,713
Salary Costs Increase 3.0 percent	--	--	--	1,500,000	1,600,000	1,600,000
Other Operating Increase 2.0 percent	--	--	--	265,000	270,000	270,000
Health Insurance	--	--	--	300,000	300,000	300,000
Subtotal Expenditures	59,246,733	61,421,872	60,999,713	63,064,713	65,234,713	67,404,713
Ending Balance	4,192,045	5,718,614	6,120,000	6,750,000	7,400,000	8,075,000
As Percent of Revenue	7.6%	9.1%	10.0%	10.6%	11.2%	11.9%
Revenue in Excess of Expenditure	(4,034,099)	1,526,569	401,386	630,000	650,000	675,000
Expenditure % change	-4.5%	3.7%	-0.7%	3.4%	3.4%	3.3%
Revenues % change	-11.2%	14.0%	-2.5%	3.7%	3.4%	3.3%

For 2006 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 2006 through 2008.
 Salary projections for 2006 through 2008 are based on 3.0 percent overall growth.
 Health insurance costs are projected at 5.0 percent for 2006 through 2008.