

Summary of Changes to the Proposed Budget

The *Mayor's 2005 Proposed Budget* required a mill levy increase of just over four mills, based on the final valuation figure of \$938.4 million. The mill levy would have increased from 33.2 to 37.3 mills.

In keeping with recent history, much of the discussion of the City Council centered on adopting a budget that would not require a mill increase. The Council passed a budget with a total levy of 32.391 mills, 0.833 mills less than the 2004 mill levy. The table on the following page provides a summary of the changes. The Council adopted revenue changes that netted \$4,251,729 over 2004 and 2005, allowing for a 4.554 mill reduction. The expenditures from property tax financing were decreased by \$334,377 equal to 0.356 mills for the net decrease of 4.910 mills from the Proposed Budget.

The most significant area of adjustment was a decision to increase franchise fees on the electric and natural gas utilities from 3.0 percent to 5.0 percent effective in 2004. This proposal had been under consideration for several months and the Council took this action rather than increase property taxes. Five percent is also the franchise fee charged to telephone and cable television utilities. Expenditure adjustments by the Council were not major and consisted primarily of shifting dollars from one area to another. The most significant change was the decision to approve financing of the unfunded liability for the Kansas Police and Fire Retirement System (KP&F) with general obligation bonds. Issuing bonds provided an estimated net present value savings of about \$1.0 million by reducing the finance charge from the 8.0 percent applied by the state retirement system to 4.64 percent. This action increased the City's bonded indebtedness by \$13.4 million, but it was considered the correct policy choice given the savings in finance costs. The City Council took \$450,000 proposed for ongoing rehabilitation and repairs of City properties and shifted it to various grants and other uses.

Property Tax Funds Revenue Adjustments

- Franchise fees on electric and natural gas utilities were increased from 3.0 percent to 5.0 percent, generating an additional \$0.6 million in 2004 and \$3.1 million in 2005.
- Development Services fees and permits and Occupational licenses were increased, generating an additional \$65,000 in 2004 and \$505,000 in 2005.
- The estimate for interest earned by idle funds was increased from \$360,000 to \$380,000 for the General Fund and from \$70,000 to \$109,600 for the Bond and Interest Fund.
- \$100,000 from the General Fund was designated as a transfer to the Golf Fund. This 2004 expenditure reduced the 2005 beginning balance and had to be replaced with property tax revenue for 2005.
- The final estimate on the impact of Neighborhood Revitalization Act rebates and Industrial Revenue Bond payments reduced overall revenue by \$164,087.
- The City of Topeka allows a 3.2 percent delinquency or non-collection to allow for non-payment of taxes by property owners. This delinquency amount is reduced as the level of property tax revenue decreases.

Property Tax Fund Expenditure Adjustments

- The decision to bond the KP&F unfunded liability reduced General Fund expenditures by \$1,688,090 for payments into the system, but increased debt service by \$1,611,906. The overall annual savings was \$76,184.
- Technical adjustments to correct errors required \$28,289.
- The grant to the Topeka Cemetery was increased from \$50,000 to \$100,000.
- The appropriation for Downtown Topeka Incorporated redevelopment grants was increased from \$150,000 to \$250,000.
- \$100,000 was transferred to the Golf Fund in 2004.
- \$25,000 was added to provide a stipend for interns that serve in the Planning Department.
- \$26,600 was added to the City Council budget to provide laptop computers, cell phones, and additional training for council members and staff.

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- The grant for the Community Resource Council was increased from \$97,000 to \$100,400.
- \$100,000 was designated to be distributed by the City Council to various grant agencies and programs.
- \$100,000 that was required by ordinance to be included for the Office of the Arts was eliminated.
- The General Fund contingency was budgeted at 10.0 percent to provide the ending balance. The various expenditure adjustments, primarily the KP&F retirement system payment shift, allowed for a reduction of \$126,000.
- Funding to begin providing upfront funding to address rehabilitation and repair needs on existing city facilities versus using General Obligation Bond revenue was eliminated. The initiative of \$450,000 was equal to about half a mill. In addition, to meet the 5.0 percent limit on unappropriated fund balance imposed by state law, the General Improvement Fund ending balance was reduced by \$5,114.
- The overall reduction in expenditures allowed a decrease of \$10,368 from the 3.2 percent delinquency allowance.

Adjustments to Other Funds

As mentioned above, the Golf Fund received a revenue increase of \$100,000 in 2004. This was the only revenue adjustment made to other fund sources. Expenditure adjustments included an increase in the Capital Project Planning Fund expenditure limit to allow use of all available funds. In the Transient Guest Tax Fund, the grant to the Kansas Expocentre was reduced from \$80,000 to \$60,000 to provide a \$20,000 grant for the Fiesta Mexicana.

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<u>Fund</u>	<u>Description</u>	Budget Change	Budget Change	Mill Impact
		<u>2004</u>	<u>2005</u>	<u>2005</u>
<i>Revenue Adjustments</i>				
General	Electric and Natural Gas Franchise Fees	(600,000)	(3,075,000)	(3.916)
General	Increase Development Service Fees and Occupational License Fees	(65,000)	(505,000)	(0.607)
General	Interest on Idle Funds	-	(20,000)	(0.021)
Bond & Interest	Interest on Idle Funds	-	(39,600)	(0.042)
Golf	Transfer In from General Fund	100,000	-	-
Prop. Tax Funds	IRB and NRA revenue adjustments	-	164,087	0.175
Prop. Tax Funds	Effect of Changes on 3.2% Delinquency Provision	(21,280)	(111,216)	(0.141)
	<i>Revenue Subtotal</i>	(586,280)	(3,586,729)	(4.554)
<i>Expenditure Adjustments</i>				
General	KP&F Rate Reduction	-	(1,688,090)	(1.799)
General	Technical Corrections and Adjustments	-	28,289	0.030
General	Topeka Cemetery	-	50,000	0.053
General	Downtown Topeka Inc. Grants	-	100,000	0.107
General	Transfer to Golf Course Fund	100,000	-	0.107
General	Planning Department Intern Stipend	-	25,000	0.027
General	City Council training and equipment	-	26,600	0.028
General	Increase Community Resources Council Grant	-	3,400	0.004
General	Grant dollars to be distributed by Council	-	100,000	0.107
General	Transfer to Arts Fund	-	(100,000)	(0.107)
General	Contingency adjustment based on expenditure reductions	-	(126,000)	(0.134)
Gen. Improv.	Eliminate Rehabilitation and Repair Account Initiative	-	(450,000)	(0.480)
Gen. Improv.	Reduction in balance	-	(5,114)	(0.005)
Bond & Interest	Debt Service on KP&F Refinancing	-	1,611,906	1.718
Prop. Tax Funds	Effect of Changes on 3.2% Delinquency Provision	-	(10,368)	(0.011)
Capital Project	Technical adjustment to increase expenditure limit	-	156,034	-
Transient Guest	Kansas Expocentre Grant	-	(20,000)	-
Transient Guest	Fiesta Mexicana Grant	-	20,000	-
	<i>Expenditure Subtotal</i>	100,000	(278,343)	(0.356)
	Total Mill Levy Adjustment from Proposed Budget			(4.910)
	Changes from 2004 Mill Levy			(0.833)