

Special Meeting 2018 Budget - June 3, 2017

Law Enforcement Center, 320 S. Kansas Avenue, Topeka, Kansas, Saturday, June 3, 2017.

The Governing Body members of the City of Topeka met in special session at 9:00 A.M., with the following Councilmembers present: Hiller, Clear, Ortiz, Emerson, De La Isla, Schwartz, Coen and Harmon -8. Mayor Larry E. Wolgast presided -1. Absent: Councilmember Jensen -1.

Mayor Wolgast called the meeting to order and explained the new process they would follow as a Governing Body regarding 2018 Budget discussions. He reported they would conduct Special Meetings instead of Committee of the Whole meetings due to changes in the City of Topeka Governing Body Rules and Procedures in December 2016. He announced a short break was scheduled at 10:30 a.m. and at that time, he and Interim City Manager Gerber would attend the State Capitol Building Weekend Tour Grand Opening and return to the meeting as soon as possible.

Doug Gerber, Interim City Manager, provided opening comments for the 2018 Operating Budget. He expressed the importance of moving through the process in a manner that works best for the Governing Body and commended City of Topeka staff members for their work in drafting the budget.

Nick Hawkins, Budget and Performance Manager, gave a brief overview of the overall budget process; tentative 2018 Budget Calendar; House Bill 2088 relating to the Property Tax Lid and the suggested amendment process. He highlighted the following:

- Revenue Summary including an estimated total of \$259 million consisting of the General Fund, Special Revenue funds, Internal Service funds and Enterprise funds
- Expenditure Summary totaling \$292 million
- General Fund Ending Balance of over 20%

Councilmembers Ortiz and Schwartz asked staff to comment on reserve funds in relation to the general fund ending balance.

Doug Gerber reported the amount in reserve is approximately \$20 million which exceeds the City's financial direction set by the Governing Body as well as best business practices and financial policies adopted by the City.

Councilmember Hiller reminded Governing Body members it would be easier to allocate reserve funds if necessary through the budget process as opposed to making budget amendments at the end of the year.

Doug Gerber reported contingency funds are a practical approach and allows financial flexibility in the event things change in a major way; however, staff would communicate any changes with the Governing Body.

Nick Hawkins continued reporting on the significant changes to the General Fund Budget including expenditure increases to personnel, contractual, commodity and capital.

Mayor Wolgast and Councilmember De La Isla asked staff to comment on the healthcare fund and the effect the wellness program has had on the fund.

Jacque Russell, Human Resources Director, reported the program has not reached the two-year mark (January 2018) and if claims have not decreased by that time the City would see a refund in administrative costs.

Councilmember Schwartz commented on the health incentive program and asked how it relates to savings and how Medicare eligible employees would help with City health insurance costs.

Jacque Russell reported they moved 18-20 people from the City's healthcare plan to Medicare and it would take approximately one year to realize any savings.

Councilmember Hiller referenced increasing healthcare costs and asked how much those costs increased from 2016 to 2017 as it relates to the baseline in 2015. She also asked what the approximate refund amount would be for administrative fees in 2018.

Nickie Lee reported staff has included an increase of 18% for healthcare costs in the 2018 budget.

Doug Gerber reported healthcare claims and trends are fluid and the costs are based on state-wide averages as well as the City's claim history.

Jacque Russell reported healthcare claims are lower in the first six months of 2017 than in previous years.

Councilmember Ortiz commented on the efforts being made by the State to improve healthcare of their employees. She commended the City for making similar improvements in healthcare with incentives such as the wellness program and other small incentives to improve overall employee health.

Nickie Lee provided an overview of the Retirement Reserve Fund. She reported in 2013, the City issued general obligation bonds to establish the Employee Separation Fund which helped offset expected costs to the fund due to anticipated retirements with the fund being fully expended in 2016; therefore, retirement costs would shift back to the Retirement Reserve Fund.

Mayor Wolgast asked if the Retirement Reserve Fund includes vacation pay.

Nickie Lee stated the fund includes vacation pay. She stated she would provide a list of vacation hours paid by each union to the Governing Body as well as include the list in future budget books.

Councilmember Clear asked for a financial breakdown of the Advanced Life Support (ALS) cost totaling over \$300,000 and open positions relating to the listed vacancy credits.

Doug Gerber stated position vacancies are a part of the natural process of employment; however, currently they are addressing the hiring process for the Fire and Police Departments to implement a more staggered process. He reported the City of Topeka Position Review Committee assists with new positions, reclassification and other items related to hiring personnel.

Nick Hawkins provided an overview on significant expenditure decreases and revenue impacts in the General Fund.

Councilmember Hiller asked how many employees are funded by the General Fund in regards to employee vacancy credits and is this level likely to continue to be used as a projection for the future.

Nick Hawkins stated he would provide the information to the Governing Body.

Governing Body members requested a more detailed discussion on Downtown and Arts Grant funding. They expressed the importance of what would be funded and how it relates to the City's priorities.

Councilmember Emerson questioned the administrative costs being charged.

Nickie Lee reported a third party conducts an annual cost allocation study, staff implements the recommendations and keeps the City current with federal regulations in regards to allocation of funds and internal processes.

Councilmember Emerson asked for a breakdown of the investment income.

Councilmember Hiller referenced the Economic and Community Development Committee Report and noted Keep America Beautiful (KAB) was a contracted service; however, if the Governing Body wants community clean up services done an allocation of \$15,000 to \$20,000 needs to be budgeted to address the issue when the time comes.

Doug Gerber stated staff would find the \$15,000 for KAB from the City Utilities budget because elimination of their services would cause additional duties for the Utilities Department staff as well as the program needs to continue.

Councilmember Clear questioned why the City is continuing to fund KAB when it was her understanding it was duplication in services. She asked for more information on the matter.

Doug Gerber stated the KAB funding proposal would be discussed in detail when the City Utilities budget was discussed.

Jason Peek, Public Works Director, provided a review of the Pavement Management Program 2018 Annual Budget totaling approximately \$27 million and noted the proposed amount does not include repair of pot holes. He reported the funding sources include the General Fund (\$1.2 million), Motor Fuel Fund (\$1.5 million), Federal Funds (\$1 million), Countywide Sales Tax Fund (\$6.8 million- including \$3 million for maintenance), Citywide Half-Cent Sales Tax Fund (\$11.6 million) and General Obligation Funds (\$1.5 million). He stated an extra \$2 million is needed and could come from Citywide Sales Tax in the amount of \$1.5 million and the Motor Fuel Tax Fund in the amount of \$750,000 needed for the 10 year forecast.

Councilmember Hiller expressed concern with some of the proposed funding sources not being sustainable for the long term (10 years).

Doug Gerber stated he concurs with Councilmember Hiller and understands there needs to be more discussions on the matter; however, staff focused on proposing a 2018 operating budget with no tax increases.

Mayor Wolgast noted the Citywide Sales Tax is a crucial funding source of the City's Pavement Management Plan and it would not be a sustainable funding source unless it was renewed in 2019.

Councilmember Ortiz expressed the importance of educating the Governing Body on the proposed funding sources of the new Pavement Management Program so they can clearly explain the details to constituents.

Jason Peek stated staff would continue discussions and work diligently to make sure the process is clear and combine projects where applicable (water, sewer, streets etc.) as well as make the information available on the City's open data portal when possible.

Mayor Wolgast stated the Orange Barrel Report is a good information tool to help citizens understand project locations and how improvement funds are distributed.

Councilmember Hiller requested a list of projects and/or breakdown of the \$3 million that would be spent on annual maintenance.

Councilmember Emerson reminded the Governing Body they will need to determine a way to fund the \$3 million in annual maintenance costs for the out years.

Craig Duke, City of Topeka Fire Chief, provided an overview of future plans to move the Fire Department to an ALS service-based department and noted 93% of cities across the nation with a population of over 100,000 have a fire-based ALS provider. He reported the Department would start with two ALS strategically-based units in the community and would use the same medical director as American Medical Response (AMR).

Doug Gerber reported the program has not yet been established; however, the intent of the request was to ensure funding was included in the budget if a plan is approved by the Governing Body to develop protocols and resources. He stated Chief Duke was hired to implement an ALS

based Fire Department and develop a comprehensive plan to deal with fire station locations and operations.

Councilmember De La Isla spoke in support of the funding request and questioned if an ALS-based fire department was part of the accreditation process. She expressed appreciation to staff for realizing the need for this ongoing program in the community and putting a financial plan in motion to support it.

Councilmember Clear spoke in opposition of expending funds for the program until the Governing Body approves a plan. She stated more information would be needed to determine how to best serve the community.

Doug Gerber stated the City would not expend funds for an ALS program until the Governing Body reviews a plan and is comfortable with it.

Councilmember Hiller stated she concurs with Councilmember Clear and believes they must have an overall fire department master plan with a future vision in place before funding is approved for this purpose.

Chief Duke reported an ALS plan is a program that constantly evolves around the nation due to federal and state regulations and must be developed specifically for the needs of each community.

Councilmember De La Isla spoke in support of the new program and funds being earmarked for this purpose; however, she supports putting a hold on funding until a plan has been approved by the Governing Body.

Doug Gerber stated staff supports and believes implementing this piece of a bigger vision is worth consideration by the Governing Body.

Councilmember Hiller requested the fire department master plan include ALS startup funds, funding resources and the costs to renew and/or maintain the program annually.

Nick Hawkins reported staff would respond to all questions at the next budget meeting scheduled on June 7, 2017.

Mayor Wolgast announced City Departments would make short presentations at the June 6, 2017, Governing Body meeting.

Councilmember Clear asked staff to report to the Governing Body how many City vehicles are involved in accidents and how those incidents affect the City's insurance rates.

NO FURTHER BUSINESS appearing the meeting was adjourned at 11:56 a.m.

Brenda Younger
City Clerk