

Memorandum

City of Lawrence

City Manager's Office

To: Management Team
From: Casey Toomay, Budget Manager
Date: April 6, 2012
Re: 2013 Budget Instructions

The following information will assist you in preparing your 2013 Budget Request. Please feel free to contact me if you have any questions during this process.

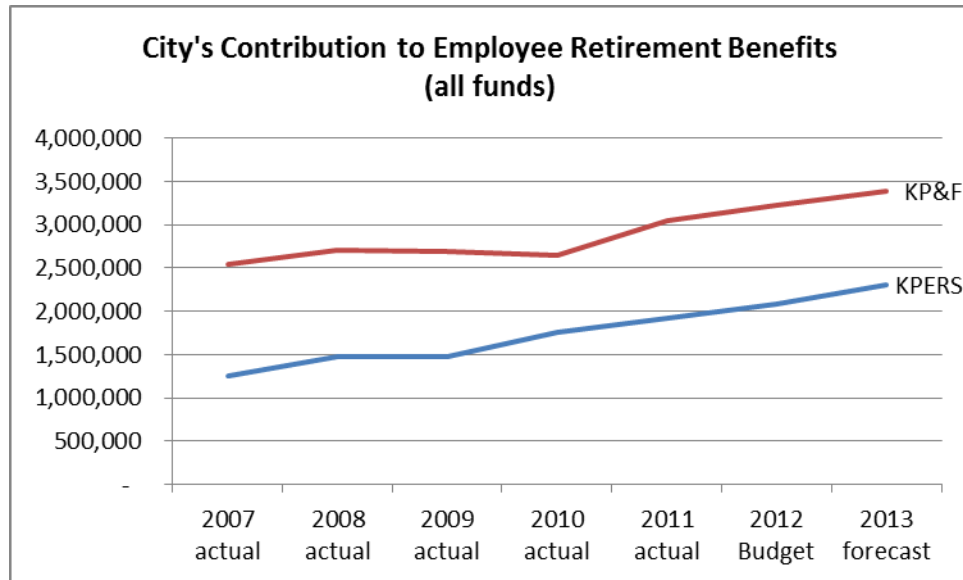
Budget Trends – Revenue and Expenditures

Preliminary estimates from the County Appraiser indicate assessed valuation will likely be less for 2013 than it was for 2012. Sales tax is expected to grow, however, liquor tax, fines and fees, building permits and other charges for services are likely to remain flat. Overall, our preliminary forecast for the general fund anticipates revenue growth at less than 2% over the 2012 budget.

Given the recent discussion regarding potential changes to solid waste services, rate increases for solid waste seem unlikely. Water and sewer rates will be determined following discussion of the master plans, but significant increases are not anticipated for 2013.

And while little revenue growth is projected, some significant increases in expenditures are anticipated for 2013.

- ❖ *Personal Services.* Salaries and benefits, including the City's contribution to employee healthcare, made up over 40% of the City's actual expenses in 2010. Changes expected for 2011 include:
 - **Wages.** Memoranda of Understanding signed in 2011 committing the City to a general wage adjustment and merit increases for most public safety employees. Increased compensation for non-public safety employees, as well as longevity, continue to be top priorities and will require additional resources for 2013.
 - **Employee retirement.** The graph below shows the trend over the past years for the City's contribution to KP&F and KPERS. In 2011 the City contributed \$433,000 more to KP&F and \$173,000 more to KPERS than in 2010. It is likely that 2013 will bring significant increases as well.



- **Employee healthcare.** Although changes have been made to plan design in order to control the rising cost of employee healthcare, increased costs remain a challenge for 2013. Holding the City's contribution flat in 2013 will be an issue for discussion for later in the budget process.
- **Other Post-Employment Benefits.** Known as (OPEB), funding the City's liability for retiree healthcare continues to be an issue for 2013 and will require additional resources in future years.
- ❖ *Contractual Services.* The largest contractual service expense is for electricity, which accounts for 12% of all contractual services across all budgeted funds. Electrical rates are estimated to increase by 13% for 2013. Motor vehicle repairs, along with machinery and equipment repair and maintenance, account for a large percent of the City's contractual services. As vehicles and equipment continue to age, their maintenance and repair needs may increase for 2013. Payments to the Library are likely to increase in 2013 due to preparations for the expanded Library facility. Landfill charges, another large contractual expense for the City, will increase in 2013 due to contractually agreed upon rates.
- ❖ *Commodities.* The largest three commodities in the 2012 budget were street maintenance materials, chemicals and fuel. Street maintenance continues to be a top priority of the City Commission which means a continued need for resources. Chemical prices and fuel prices are expected to escalate. Departments are encouraged to review operations for feasible ways to conserve fuel. Conversations regarding compressed natural gas and other alternative fuels will occur.
- ❖ *Capital Outlay.* Aging vehicles and equipment need replacement which is likely to increase budgets for 2013, particularly in public safety and public works.
- ❖ *Transfers Out.* While there is not net increase, the transfers of sales tax are likely to increase as sales tax proceeds are projected to grow in 2013. Transfers out of the enterprise funds into the general fund are likely to be held flat for 2013 while the City Commission considers adoption of a transfer policy.

Budget Parameters

- ❖ *General Fund.* As shown below, 2013 department expenditures in the general fund have to be less than 98% of 2012 budget in order to balance with forecasted general fund

revenues for 2013. The table also shows how 2013 expenditures can only be approximately \$1 million, or 1.5%, more than 2011 estimated expenditures.

General Fund	2011 Estimated	2012 Budget	2013 Forecast	2013 Forecast
Revenues		\$65,964,732	\$67,217,772	\$67,217,772
Expenditures*	\$66,148,865	67,973,199	68,316,152	
97.8% of budget**				67,143,761
Revenues over Expenditures		(\$2,008,467)	(\$1,163,660)	\$74,012

* transfers to achieve 5% fund balance not included

**not all divisions at 97.8% of budget (i.e. health insurance, transfers of sales tax, etc.)

In light of expected increases in personnel costs, and in order to keep budgeted expenditures within budgeted revenues, therefore, all departments in the general fund will be asked to **submit budgets for all categories other than personal services equal to 2011 (not 2012) budget.** If a reduction in force would be required to achieve this expenditure level, please highlight that in your transmittal message and include a discussion of the impact of staff reduction on service levels.

- ❖ *Other Funds.* Departments should submit budgets that keep expenditures within budgeted revenues for 2013.

Payroll Projections

You will be notified when payroll projections are placed in your department's budget folder. Please check for accuracy in the projected numbers of positions (full time are in 1021 and part time regular are in 1027; temporary are in 1026). Please note – **initial projections will not contain any amount for a merit pool for non-MOU covered employees or longevity for any employees.** Vacant positions will be included and will be projected at the minimum of the pay range for the position.

You will receive further instruction regarding revising your budget requests based on the recommendation for the merit pool for 2013, if any, at a later date.

Overtime and Call/Callback

As always, departments need to budget for overtime and call/callback. Remember the amount budgeted must include funds for FICA, unemployment, KPERS and KP&F related to these hours.

Recruitment Costs

Departments should budget for all new employee physicals, drug screens, background checks, recruitment advertising, and new supervisor training. Additional information on the estimated costs of these items will be provided by Human Resources in early April.

Information Systems Charges

Each department, depending on number of computers, connections to the network and other factors, will be charged appropriately for upgrades, shared costs, etc. Jim Wisdom will be providing this information to you. Information Systems has advised that software license fees are expected to increase for 2013. Departments should anticipate a small increase over 2012.

Regarding telephone charges, according to Information Systems our rates per minute for long distance as well as monthly charges for AT&T lines are locked in by multi-year agreement. Therefore, you can assume the same per minute rate when budgeting.

Utilities

Departments should anticipate an increase of thirteen percent (13%) in electricity costs and an increase of three percent (3%) in natural gas costs over 2011 actual.

Fuel

Departments should assume the same fuel usage as 2011 and the following average price per gallon for fuel in 2013:

Diesel - \$4.30/gallon
Unleaded- \$4.10/gallon

Health Care Costs

Departments in the General Fund do not need to budget health care expenses. Those department budgets outside of the General Fund will be provided with health care cost estimates in mid-April and will need to include them in their budget requests.

Format

The following should be completed for each department by **5:00 p.m. on Monday, April 30, 2012**:

Transmittal Memo

Please use the standard agenda format for this memo and save it in your network budget folder. The memo should briefly focus on what reductions will be necessary and what they mean to the level of service your department will provide. As mentioned previously, you should also note if a reduction in force, if any, would be necessary.

Detail Budget

Rather than creating the budget detail Excel spreadsheets, all changes will be made in Innoprise. The 2013 working budget has been created. It is pre-loaded with 2012 amounts for all line items including personal services.

Finance will upload 2013 payroll line items when the payroll projections are complete.

Please update the overtime and call/callback line items. **Remember, the amount budgeted for overtime and call/callback must include funds for FICA, unemployment, KPERS and KP&F related to these hours.**

With the exception of the General Fund divisions, please enter healthcare for your departments.

The expenditures entered into Innoprise for your department should equal the 2011 budget for all categories other than personal services, although you may make adjustments within the categories. Remember, the 2011 actual numbers are not audited numbers so adjustments for the 14^t through 99th periods and encumbrances should be considered.

Capital Outlay Requests

The form to be used for these prioritized requests is in Excel and is included in a folder called Budget Forms on the Network. Please use this form exclusively for this request and be sure to prioritize your requests. Each department will complete a capital outlay spreadsheet with multiple tabs for each request. For departments with multiple divisions, create one Capital Outlay spreadsheet for each division, with multiple tabs for each request. Save these requests in the Network. As in the past, all vehicle and computer capital outlay requests should be submitted for review to Steve Stewart and Jim Wisdom, respectively, before you submit them in your proposal.

Program Improvements

If you have other significant issues related to your department's ability to provide efficient and effective services please identify them in your transmittal memo. More information will be requested as needed.

Budget Summary Pages

The significant issues, major goals and objectives, organizational charts, current year accomplishments, and performance indicators should be updated in the **Pages to Publish folder on the network by Monday April 30, 2012**. Remember, only one person can access each file at a time, so please plan accordingly.

We will be making an effort to improve our performance indicators for 2013 so please pay special attention to updating the indicators for your department.

Contact me if you need assistance updating your organizational chart.

Accessing Budget Documents

Please be sure and save all your materials into your folder so the City Manager's Office can access your requests.

Department Head Meetings with City Commissioners

Meetings will be scheduled the first week of May to review your submittals, however, departments will not have budget hearings before the City Commission. Four budget study sessions have been tentatively planned during the summer. Department Directors will be asked to attend in order to answer questions from the City Commission.

Budget Calendar

The budget calendar as adopted by the City Commission can be found on the network at [CITYDATA\budget\2013 budget process](#). Check back frequently as updates will be posted there.

Due Date

All budget submittal materials should be completed by 5:00 p.m. on Monday April 30, 2012. Please email me when your submittal is complete.

Many thanks to all who help make this process accurate, timely, and responsive to the instructions herein. Please let me know if you have questions or need more information.