

# 2017 Budget Amendment & 2018 Operating and Capital Improvement Budget

Public Hearing

August 1, 2017

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# Presentation Outline

- Purpose of Hearings
- Review Budget Basics
- Review Recommended Budget Summary
- Answer Frequently Asked Questions
- Request City Commission Action

## Purpose of the Budget Hearings

- Answer questions
- Hear objections

## Action Requested

- Adopt Ordinance No. 9388 amending the 2017 budget
- Adopt Ordinances and Resolution establishing utility rates for 2018
- Adopt Ordinance No. 9387 establishing the maximum expenditure levels for 2018 and adopting the 2018-2022 CIP

## Budget Basics

How was the budget developed?

- The budget was developed using the strategic plan as a guide

## Budget Basics

Where do Lawrence residents' property taxes go?

# Budget Basics

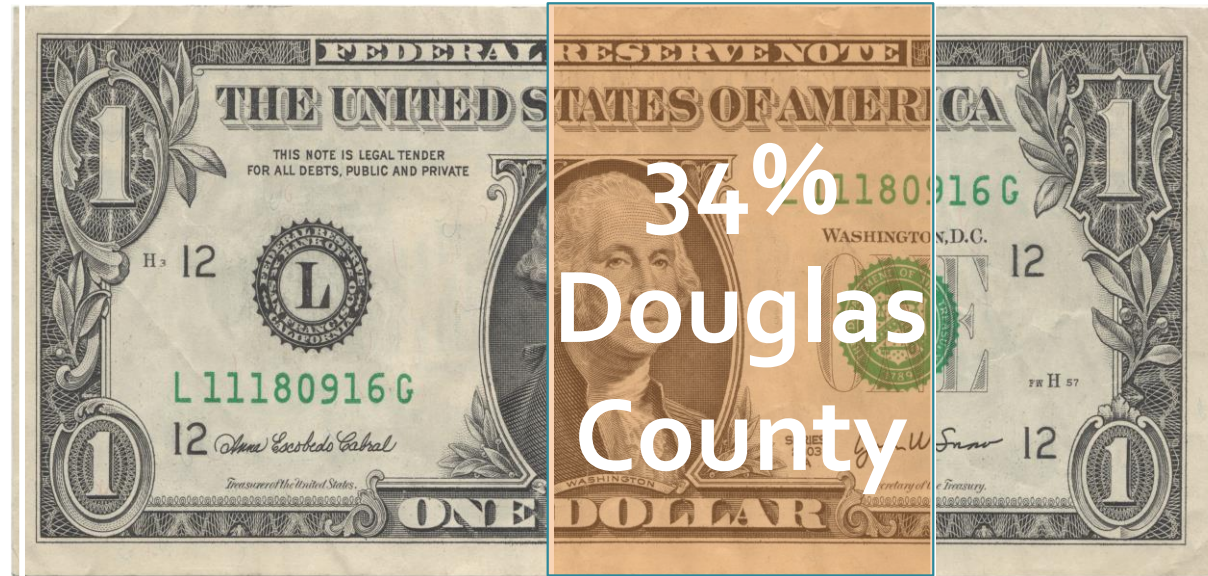
Where do Lawrence residents' property taxes go?





## Budget Basics

Where do Lawrence residents' property taxes go?



# Budget Basics

Where do Lawrence residents' property taxes go?



**1% State of Kansas**

# Budget Basics

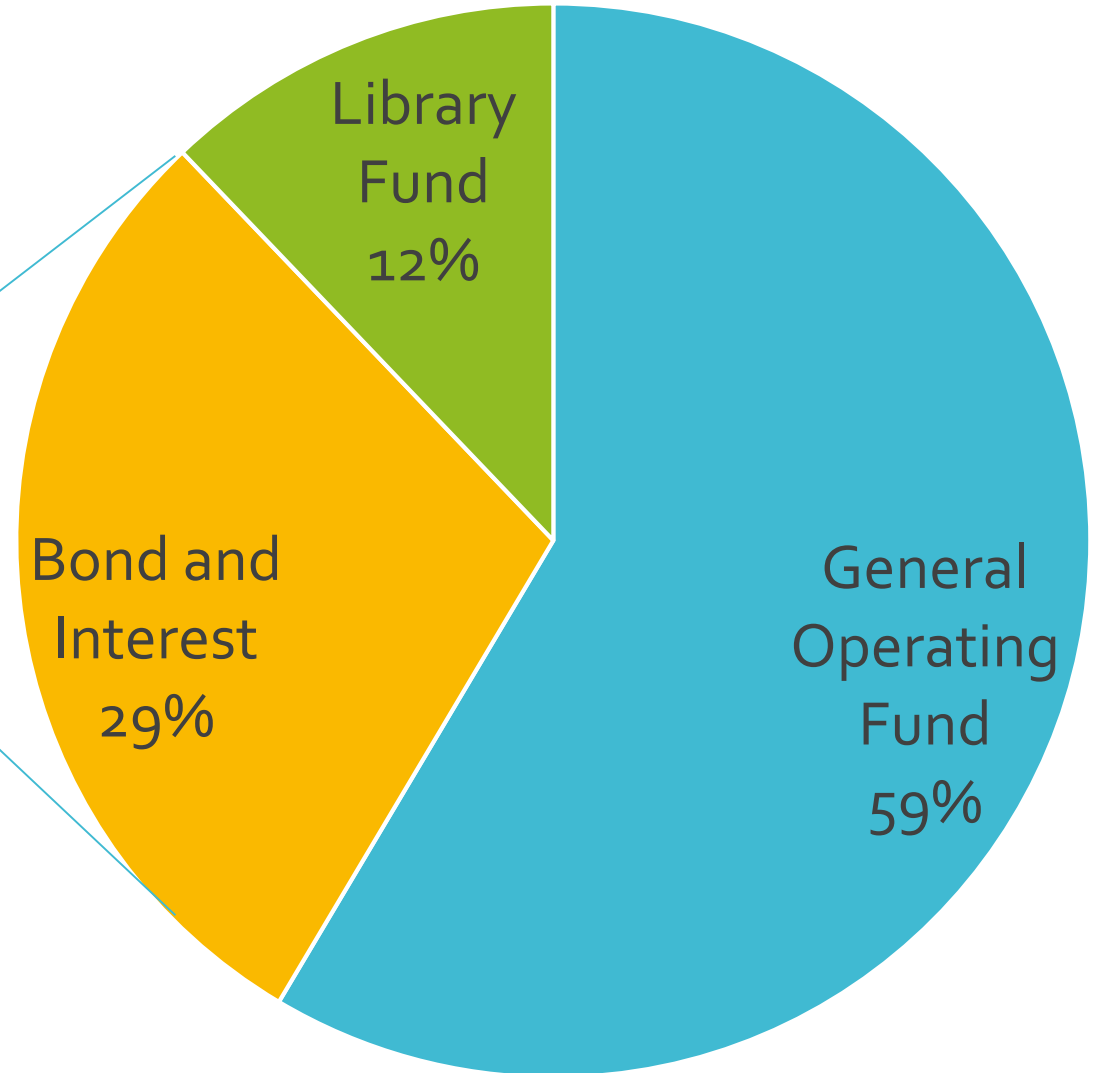
Where do Lawrence residents' property taxes go?

**24% City of Lawrence**



# Budget Basics

## Where do city property taxes go?





## Budget Basics

Property taxes make up 19% of total revenues that fund the City budget.

- Charges for service (39%)
- Sales tax (21%)
- Intergovernmental (8%)
- Franchise fees (4%)
- Transfers in (4%)
- Fines and fees (2%)
- Miscellaneous (2%)
  - Special Assessments, Interest, etc.
- Licenses and Permits (1%)

# Budget Basics

How are property taxes calculated?

## How are property taxes calculated?

1

Determine the assessed valuation for your property (residential 11.5% commercial 25% of fair market value.)

$$\begin{array}{rcl} \text{Market Value of Home} & = & \$175,000 \\ & \times \text{Assessment Rate} & \times 11.5\% \\ \hline \text{Assessed Valuation} & = & \$20,125 \end{array}$$

## How are property taxes calculated?

1

Determine the assessed valuation for your property (residential 11.5%; commercial 25% of fair market value.)

2

Multiply assessed valuation by the mill rate levied by the City for 2018.

$$\begin{array}{r} \text{Assessed Valuation} = \$20,125 \\ \times \text{City mill rate} \quad \times 33.268 \\ \hline \$669,519 \end{array}$$



## Budget Basics

# How are property taxes calculated?

1

Determine the assessed valuation for your property (residential 11.5%; commercial 25% of fair market value.)

2

Multiply assessed valuation by the mill rate levied by the City for 2018.

3

Divide by 1,000. The result is your estimated City tax liability.

$$\$669,519 / \$1,000 = \$670$$

The estimated 2018 City tax liability for a home with a fair market value of \$175,000 is **\$670**.

# Estimated 2018 City Property Tax

Fair Market Value of Home	Assessed Valuation	Approximate 2018 City Tax Bill
\$100,000	\$11,500	\$383
\$125,000	\$14,375	\$478
\$150,000	\$17,250	\$574
\$175,000	\$20,125	\$670
\$200,000	\$23,000	\$765
\$225,000	\$25,875	\$861
\$250,000	\$28,750	\$956
\$275,000	\$31,625	\$1,052
\$300,000	\$34,500	\$1,148
\$350,000	\$40,250	\$1,339
\$400,000	\$46,000	\$1,530
\$450,000	\$51,750	\$1,722
\$500,000	\$57,500	\$1,913

## Budget Basics

Where does sales tax come from?

## Combined Sales Tax Rates

Taxing Jurisdiction	Percent Levied
State of Kansas	6.50%
Douglas County	1.00%
City of Lawrence	1.55%
<b>Total</b>	<b>9.05%</b>

# Budget Basics

- Annual Per Capita Sales Tax is \$1,025
  - Annual per capita sales tax is derived by taking FY 2016 collections and dividing it by the population
  - This is artificially inflated, it does not account for purchases made from those that live outside City limits

	Consumer Purchases	Sales Tax Paid	State	County	City*
Annually	\$11,326	\$1,025	\$736	\$43	\$246
Monthly	\$944	\$85	\$61	\$4	\$20

\*Includes the City portion of County-wide sales tax

# Budget Basics

- Annual Per Capita Sales Tax is \$1,025



**\$246**  
**City of**  
**Lawrence**



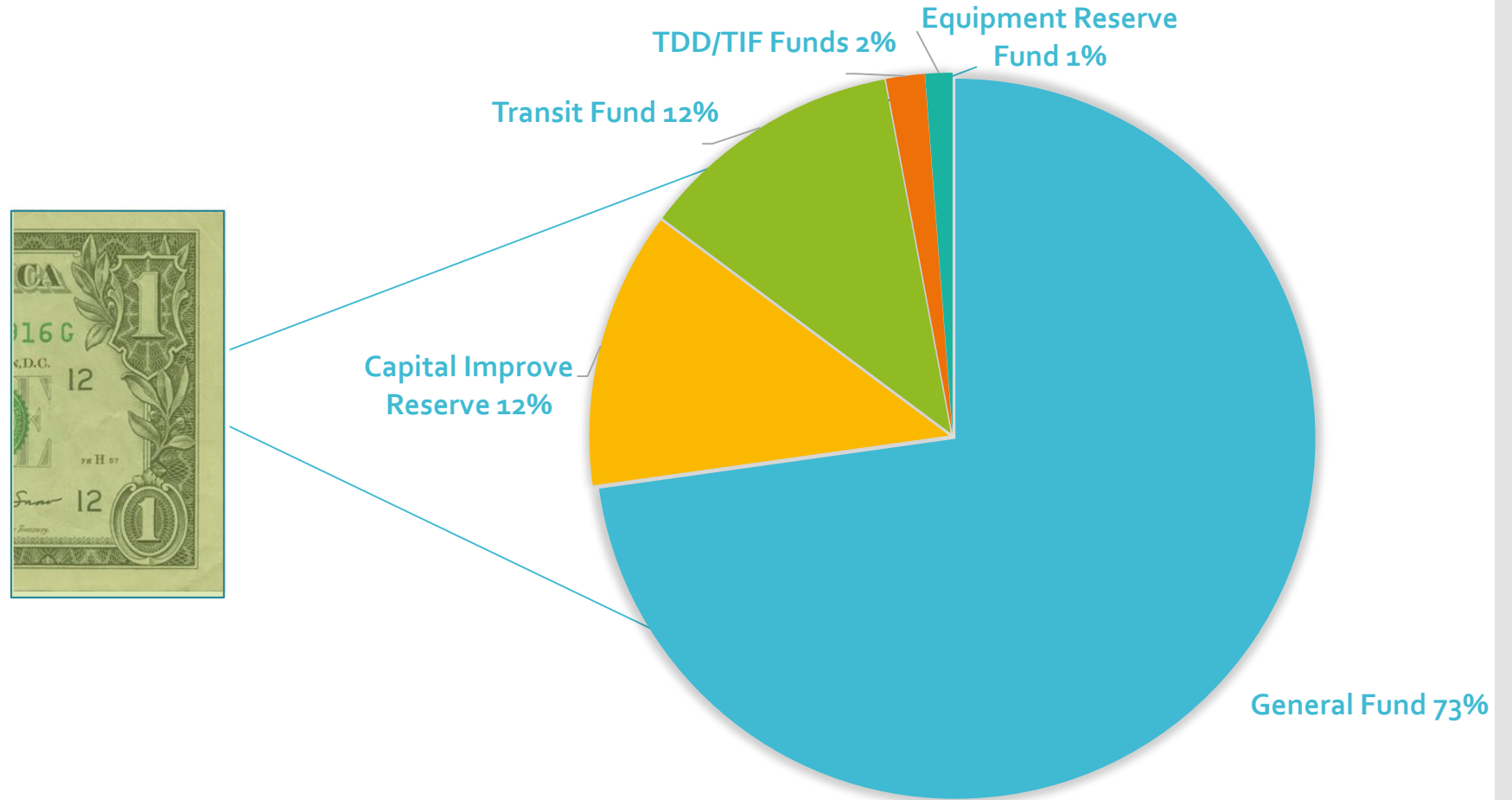
**\$736** State of  
**Kansas**



**\$43** Douglas  
**County**

# Budget Basics

## Where does sales tax go?



# Budget Basics

## What are funds?

- Funds are separate, self-balancing pot of money that have designated purposes
  - With few exceptions, funds must be kept separate (i.e. revenues designated for one purpose cannot be used for another funds' purpose)

## Why do we need them?

- Funds are legally required



# Budget Basics

What is fund balance?

- Fund balance is the difference between assets and liabilities

What should it be?

- Fund balance should be interpreted in the context of the specific fund

General Fund

- Fund balance policy states it should be between 15% and 30% of expenditures in the general fund
- Currently at 25% due to the volatility of some major revenue sources

# 2017 Budget Amendment Summary

Fund	2017 Adopted Budget			2017 Proposed Amended Expenditures
	Actual Tax Rate	Amount of Tax that was Levied	Expenditures	
Library	4.039	3,752,018	4,033,737	4,131,000
Airport			121,289	170,000
City Parks Memorial			23,502	38,000
Housing Trust			300,154	380,000
TDD/TIF/NRA			1,851,293	2,689,000

- Public Library fund balance is a carry forward that will be distributed to the library in 2017.
- Airport Fund and City Parks Memorial Fund had expenditures that were budgeted for 2016 that will be made in 2017.
- Housing Trust Fund is using additional fund balance to finance part of a housing study.
- The TDD/TIF/NRA funds have additional fund balance due to the Oread TDD-TIF. Funds had been held in anticipation of a settlement. Funds have now been distributed accordingly.

# 2018 Budget Summary

- Total 2018 Operating Expenditures: \$196,990,000
- Legally Adopted Budget Total: \$255,290,000
- Total Mill Levy Rate: 33.268 mills
  - Increase of 1.25 mills in Bond and Interest Fund
- Utility Rate Increases
  - Water/Sewer increasing 8%
  - Solid Waste increasing 3%
  - Storm Water increasing 3%
- Tax Lid Impact
  - Tax Levy under the tax lid by \$4 million

# Property Tax Lid Calculation

- Adjustments to last years levy of \$29,700,000
  - Consumer Price Index allowance is \$365,000
  - Exemptions
    - Taxes on new construction, annexation, and property that changed in use \$394,000
    - Increase in property tax for debt fund \$1,700,000
    - Increase in Law Enforcement expenditures of \$1,500,000
    - Increase in Fire/Medical expenditures of \$2,400,000
    - Increase in Library of \$328,000
- Maximum Tax Levy (\$) without an election
  - \$36,400,000
- Published Tax Levy (\$) is \$32,800,000
- Tax Lid Impact
  - Under the tax lid \$4 million

## 2018 Budget Impact

- For owner of \$175,000 home, property tax bill would increase \$25, or \$2.10/month for 2018.
- Utility Rate increases for the typical customer would be:

	Water - 4,000 Gallons/Month	Sewer - 4,000 Gallons/Month	Storm Water	Solid Waste	Total
Monthly	\$1.80	\$2.93	\$0.12	\$0.55	\$5.40
Annually	\$22	\$35	\$1	\$7	\$65

- This is a total increase of \$90, or \$7.50 per month.

What else  
can you get  
for \$7.50?



- One adult ticket to a movie  
\$10.89



- Fast Food Value Meal \$7.50



- Large Carryout pizza \$7.99



- 3 gallons of unleaded fuel  
\$6.80

## 2018 Budget Impact

- For owner of \$175,000 home, City tax bill would be \$670, or \$56 per month
- Utility rates for typical customer would be:

	Water - 4,000 Gallons/ Month	Sewer - 4,000 Gallons/ Month	Storm Water	Solid Waste	Total
Monthly	\$28	\$40	\$4	\$19	\$91
Annually	\$337	\$482	\$51	\$226	\$1,096

- Total cost for city services for a typical homeowner for 2018 would be \$1,766, or \$150 / month
- Lawrence residents also pay approximately \$246 in sales tax annually, or \$20 / month towards city services

City provided services for \$150 / month

What does  
the 2018  
budget pay  
for?





# How does that compare to other services?

- Unlimited data, talk, and text cellular phone service  
\$80 / month
- Electricity  
\$90 / month
- Up to 190 standard and HD Cable channels  
\$79.99 / month
- Daily delivery of newspaper  
\$18.25 / month
- Basic home phone service with unlimited long distance  
\$43 / month
- Home security system  
\$28.99 / month
- Car Insurance  
\$113 / month
- Up to 110 Mbps down/10 Mbps up internet service  
\$54.99 / month
- Gym membership  
\$50 / month

How much  
water can I get  
for \$1.00?

**\$1.00 worth of Bottled Water**

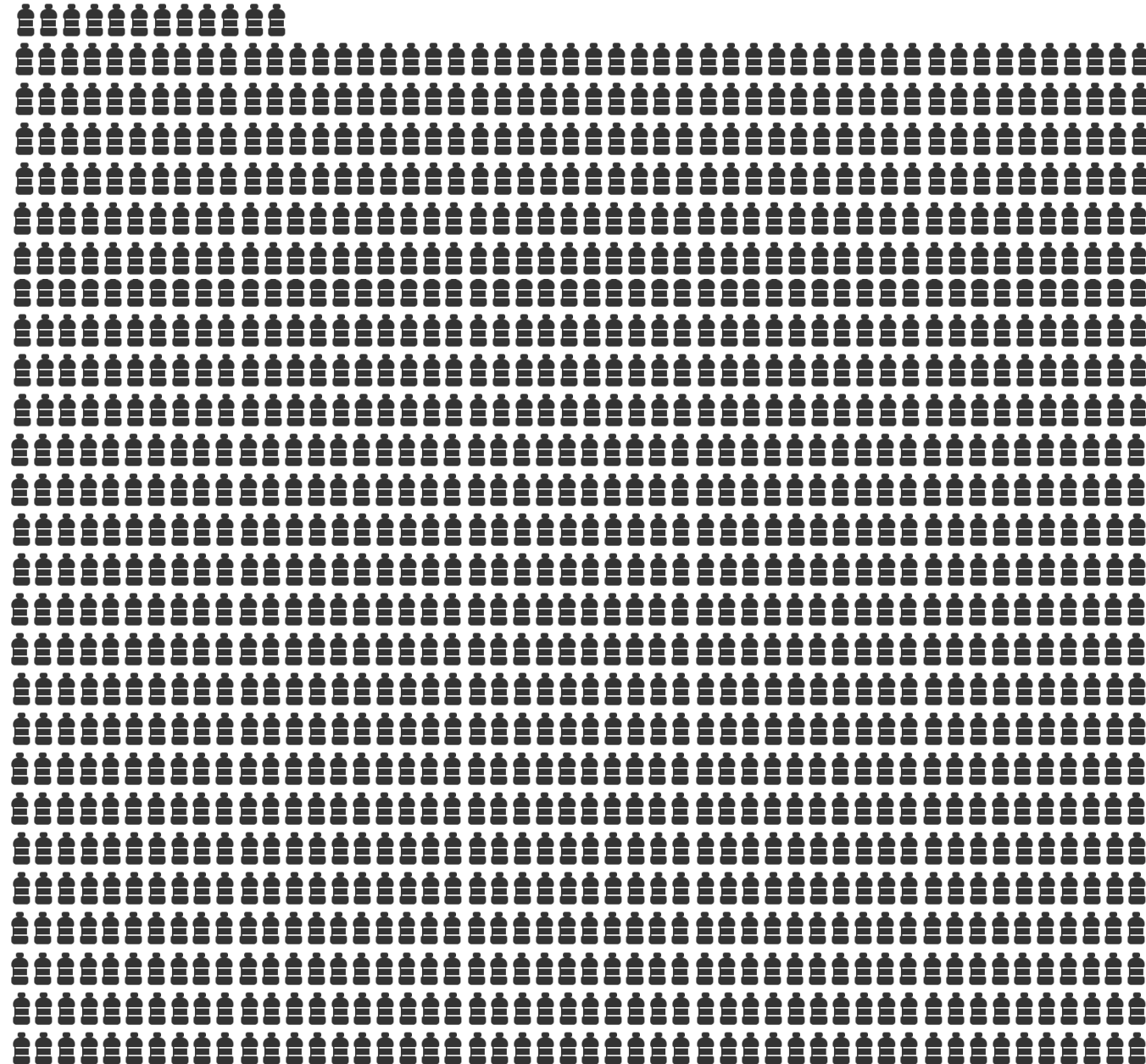
- 16 ounces is \$1.00



How much  
water can I get  
for \$1.00?

## \$1.00 worth of City Provided Water

- 16 ounces is \$0.0008



Isn't assessed  
valuation  
going up?

- Assessed Valuation increasing 6% over the 2017 Budget
  - Original estimate 2%
- Not all assessed valuation is on existing property. Some of the increase is due to new residences and businesses.

If assessed valuation is going up, why do we need a mill levy increase?

- Assessed Valuation growth is not generating sufficient revenue to fund a balanced operating budget in 2018 and a balanced 2018-2022 CIP without a mill levy increase
  - .10 mill equals approximately \$1M of project costs
  - .10 mill equals approximately \$100,000 of debt service

Isn't revenue  
from sales  
tax  
increasing?

- 2017 sales tax is up 2.8% (year to date) over 2016
  - 2017 revised budget assumes an increase of 2% (adopted budget assumed 4%)
- 2018 budget is an additional 2% above 2017 revised

## Why are costs going up?

- Salary and benefit expenses
- Cost of service increasing (electricity, chemicals, landfill charges, cost of materials, etc.)
- List of CIP projects

## What has been done to limit cost increases?



- Eliminated 11 FTEs, net reduction of 9.25 FTEs



- Plan design to limit growth in employee healthcare expenses



- Unfunded programs and projects



## What if taxes aren't increased?

- If taxes are not increased at a rate of 1.25 mills, projects from the CIP will have to be eliminated
  - .10 mill equals approximately \$1M of project costs
  - .10 mill equals approximately \$100,000 of debt service

## Action Requested

- Adopt Ordinance No. 9388 amending the 2017 budget
- Adopt Ordinances and Resolution establishing utility rates for 2018
- Adopt Ordinance No. 9387 establishing the maximum expenditure levels for 2018 and adopting the 2018-2022 CIP