

Memorandum

City of Lawrence

City Manager's Office

DATE: 06/15/10
 TO: David L. Corliss, City Manager
 FROM: Casey Toomay, Budget Manager
 CC: Cynthia Wagner, Assistant City Manager
 Diane Stoddard, Assistant City Manager
 Jonathan Douglass, Assistant to the City Manager/ City Clerk
 RE: Fund balance historical information

Pursuant to Commission inquiry, below is historical information on the use of fund balance in the City's General Operating Fund.

Background

As shown below, expenditures in the general fund have exceeded revenues only once in the past seven years.

	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009
Total Revenue	40,502,901	45,602,608	48,755,943	50,720,977	53,345,230	55,906,940	59,782,704
Total Expenditures	41,257,800	40,844,267	47,205,987	54,110,109	52,979,452	55,132,099	59,442,123
Revenue over Expenditures	(754,899)	4,758,341	1,549,956	(3,389,132)	365,778	774,841	340,581
Beginning Balance	8,919,482	8,164,583	12,922,924	14,472,880	11,083,748	11,449,526	12,224,367
Unreserved End Balance	8,164,583	12,922,924	14,472,880	11,083,748	11,449,526	12,224,367	12,564,948
Fund balance as % of expenditures	19.79%	31.64%	30.66%	20.48%	21.61%	22.17%	21.14%

In 2006, actual expenditures exceeded actual revenues by almost \$3.4 million. Despite the need to use fund balance forward, however, the unreserved fund balance at the end of 2006 was 20.48% of expenditures, which was well within the Commission guidelines of between 15% and 30% of expenditures.

The need to spend down the fund balance in 2006 was the result of a number of factors.

- **Decision to Reduce Mill Levy.** During the budget hearing for the 2006 Budget, it was decided to reduce the mill levy by 1.5 mills. It was understood that it would be necessary to spend down fund balance in order to fund the recommended expenditures. Some of the mill levy decrease came from the Public Transportation Fund. The remainder came from the General Fund.
- **Desire to fund Commission Priorities.** Despite the decision to reduce the mill levy, the Commission desired to maintain, or in some instances, increase funding for a number of priorities in 2006. While some were one-time expenditures in the general fund, the majority were on-going expenditures.
 - *Public safety.* The budget was increased due to additional staffing in both the police and fire medical departments.
 - Police- Two grants ended in the middle of 2005. As a result, funding for 9.6 full time equivalent positions had to be absorbed in the general fund. Funds were added to the budget in 2006 for the first full year of these additional positions.
 - Fire – Construction of Fire Station #5 in 2005 resulted in the addition of nine new firefighter positions. Funds were added to the budget for these positions beginning in 2006.

- *Street Maintenance.* Following completion of the Pavement Condition Index, efforts were made to increase street maintenance. Additional funds were budgeted for work including the rebuilding of Kasold Drive.
- *Economic Development.* The budget was increased in the 2006 for two new initiatives aimed at supporting economic development.
 - Biosciences- Funding was budgeted for the Lawrence Douglas County Bioscience Authority (\$200,000); and
 - ECO2 – Funding for the operations of ECO2 was budgeted for the first time in 2006 (\$15,000).
- *Employee Compensation.* The budget was increased in order to fund a number of items related to employee compensation and benefits.
 - General Wage Adjustment - A 3% general wage adjustment for all employee groups was budgeted for 2006;
 - Step Program – The budget was increased to fund the step program for all employee groups in 2006. Employees were eligible for merit increases of up to 5% in addition to the general wage adjustment;
 - Healthcare - the budget was increase to fund for health care costs, which increased in 2006. (\$285,739);
 - Extraboard Firefighters Health Care – The budget was increased in order to extend single health coverage to extraboard firefighters and other part-time regular employees (\$41,084); and
 - Longevity – The budget was increased to fund full longevity was included in the 2006 budget.
- *Homeless Issues.* In response to the work of the Homeless Task Force, the budget was increased in order to fund case management and other services related to homelessness (\$180,000).
- *Downtown Development.* The budget was increased to provide additional resources for downtown landscaping (\$94,000).
- *Service Delivery.* Funding for a number of program improvements aimed at improved service delivery was included in the 2006 general fund budget, including:
 - Matrix – Funding for a study of the City’s development process was included. The goal was to identifies ways to improve development from both a community wide and business community perspective (\$88,750);
 - Webmaster – a position was added to the City Manager’s office to provide oversight of the City’s ever expanding presence on the internet through the City’s website and electronic based communications (\$46,382);
 - Fiber optic cable – funding for this project in partnership with the County was also included in the 2006 budget (\$32,000);
 - Landscaping - The budget was increased to fund increased maintenance of medians across the City and the Memorial Park Cemetery (\$91,595);
 - Building Maintenance – A Senior Maintenance Worker position was added to the building maintenance division in 2006 (\$30,118); and
 - Zoning Enforcement - A Zoning Enforcement Manager position was added to the Code Enforcement division of Neighborhood Resources (the predecessor to the Planning and Development Services Department) in 2006 (\$67,967);
- *Outside Agencies.* The budgets for a number of outside agencies grew in 2006. For example, the allocation for Boys and Girls Club increased 75% (\$61,722).

Summary

During the process to develop the 2006 budget, the decision was made to deliberately spend down fund balance. This decision allowed the Commission at the time to reduce the mill levy but not sacrifice funding for the priorities outlined above. Despite spending almost \$3.4 million of fund balance, the fund balance at the end of 2006 was 20.48% of expenditures, or just over \$11 million.