

# ***City of Mission***

## **CITY COUNCIL WORKSESSION**

**April 27, 2016**

**6:00 p.m.**

**Mission City Hall, 6090 Woodson**

### **AGENDA**

- 1. 2017 Budget - Budget Process and Goals and Objectives**
- 2. Adjournment**

Mission City Hall  
6090 Woodson, Mission, Kansas  
913-676-8350



**MEMORANDUM**

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**Date:** April 22, 2016  
**To:** Mayor and City Council  
**From:** Laura Smith, City Administrator  
**RE:** 2017 Budget Memo #1 - Budget Process and Goals and Objectives

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In our first budget work session, we will plan to cover the following:

1. Review and recap the 2017 budget process and calendar
2. Begin discussion of City Council goals and objectives
3. Review 5-Year Financial Forecast - General Fund Revenues/Expenditures

**Annual Budget Process**

**Purpose and Goals**

A city's budget is not just an accounting document - it is a management and planning tool. Because the City's resources are limited, the budget helps determine which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community. The City's annual budget becomes a dollars and cents expression of the most immediate priorities. In adopting an annual budget, a City Council quite literally, "puts its money where its mouth is."

Kansas law requires every City to develop and adopt a balanced budget on an annual basis. But, even if State law did not require it, good government demands that public entities regularly and periodically assess their organizational goals and their financial ability to achieve these goals. Among other things, a budget is:

- a statement of priorities that reflects a vision of the City's collective future
- a spending guide which reflects the City's priorities
- a policy document indicating policy decisions and priorities through the allocation of funds to specific services and programs
- a communication device sharing these choices with residents
- an outline of anticipated revenues to support City services, including tax rates
- a plan of objectives for the upcoming fiscal year

**Budget Structure**

The City of Mission's budget covers the period of January 1st through December 31st each year. The total budget is made up of more than a dozen individual funds. Annual budget discussions focus on the City's General Fund and those funds tied specifically to capital infrastructure investments. These include the Capital Improvement Fund, the Stormwater Utility Fund, the Transportation Fund, the Street Sales Tax Fund, the Special Highway Fund, the Special Parks Fund and the Parks and Recreation



## MEMORANDUM

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Sales Tax Fund, most of which have dedicated, limited purpose revenue streams. The entire budget will ultimately be adopted together, but the City's operating and infrastructure budgets are generally discussed separately as we move through the process. A table summarizing budget decisions since 2002 is included for your reference.

### General Fund

The City's General Fund accounts for the core municipal functions and services such as Public Safety, Public Works, Parks & Recreation, and Administration. This is an operating budget, focused primarily on revenues coming and going in a particular fiscal year. There are four primary revenue streams that support the General Fund budget: sales/use taxes, property taxes, fines and forfeitures, and parks and recreation revenues. Altogether, these revenues make up 80-85% of the annual General Fund budget resources. Fluctuations in these revenue streams impact how the City is able to pay for and maintain core services.

### Capital Project Funds

Capital infrastructure projects are generally are large in scope (expensive) and may take several years to complete. Because of this, they are more appropriately handled outside of the General Fund. Over the last several years, Mission has emphasized investment in infrastructure, primarily for stormwater and streets. With an increased investment in these long-term assets, dedicated revenue streams have been implemented to increase transparency and accountability.

### Budget Development Process

The Mayor, City Council, City staff, and the citizens of Mission are all important participants in the creation and execution of the City's budget. The formal budget process typically begins in the first quarter of each year. State law requires the City's budget be submitted to the County Clerk by August 25th.

In order to help the Mayor and City Council discern which programs and issues are of the highest priority to citizens, it is important for the residents of Mission to play an active role in the budget process. We will work to encourage input and suggestions through multiple forums in the coming months. The discussion can occur at City Council committee meetings, City Council meetings, City Council work sessions, public forums, and through social media outlets.

### Council Goals and Objectives

The City Council has not had a facilitated goal setting session since November of 2013, so there is not a current set of goals and objectives for us to review at the outset of the budget process. There will be a number of other resources that we use to help guide us in establishing priorities for the 2017 budget. Those will include your responses to a short survey, information from the 2015 DirectionFinder survey and the 2016 Budget Resolution (copy attached). Going forward, we should



## MEMORANDUM

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schedule a formal goal setting process later this fall to develop a new set of goals and objectives, and then make it an annual occurrence. This will provide us with a structured way to collectively review and evaluate priorities for future budgets.

### **Challenges and Opportunities for the 2017 Budget**

Each year as we work through the budget process, we identify potential threats and opportunities to our service delivery objectives. These items come from the public, you as elected officials, and from your professional staff. The list may be modified as we go through the process, but we expect the following to be part of our 2017 Budget conversations:

- Balancing service delivery/operating needs with infrastructure investment
- Appropriately funding facility and equipment needs
- Increases in employee health/welfare and retirement costs that outpace inflation.
- Implementing more aggressive cost recovery goals for the Community Center to reach 100% self-sufficiency
- Increased redevelopment opportunities city-wide
- Legislative impacts, including the imposition of a property tax lid as of January 1, 2017

The cover e-mail for your packet included a link to a brief survey on the 2017 budget. It is intended to capture your questions and/or priorities as of today. Please take a few minutes to complete this. Results will be shared in the aggregate. A link to the DirectionFinder survey results on the City's website was also included for your information.

You will receive a second meeting packet, with financial forecast information, early next week. If you have questions regarding any of the material included, please feel free to contact me prior to Wednesday's work session.

**CITY OF MISSION, KANSAS  
RESOLUTION NO. 948**

**A RESOLUTION ESTABLISHING BUDGET POLICIES FOR BUDGET YEAR 2016 FOR THE CITY OF MISSION, KANSAS.**

**WHEREAS**, the City of Mission must continue to provide basic services to protect the health, safety, and welfare of the citizens of this community; and

**WHEREAS**, the City of Mission continues to promote a redevelopment vision designed to bring increased density to our commercial corridors to positively impact property values and lower the per capita cost of basic services; and

**WHEREAS**, it is important to fund the replacement and repair of public infrastructure such as streets, sidewalks, storm water structures, parks, and public facilities to encourage private redevelopment; and

**WHEREAS**, the City has implemented more transparent methods for paying for services and infrastructure through dedicated stormwater, solid waste, parks and recreation, and street revenues;

**NOW, THEREFORE**, be it resolved by the Governing Body of the City of Mission:

**Section 1.** The Governing Body establishes the following policies to maintain the public infrastructure as part of the Community Investment Program (CIP) within the 2016 Budget.

1. Increase the Stormwater Utility Fee from \$23.00 per ERU per month to \$28 per ERU per month. This would provide an estimated \$2.5 million annually in Stormwater Utility fees for repayment of debt service.
2. Maintain the current property tax mill rate of 10.500 mills in Rock Creek Drainage District #1 and Rock Creek Drainage District #2. The Drainage Districts generate approximately \$80,000 in combined annual revenue.
3. Suspend the Transportation Utility Fee in the 2016 Budget.
4. Increase the mill levy in the General Fund by 7.0 mills (estimated total mill rate of 18.354). The revenues generated from the mill increase (\$833,000 annually) will be transferred to the Capital Improvement Fund to support the residential street maintenance program.
5. Use the revenues from the  $\frac{3}{8}$ -cent Parks & Recreation Sales Tax for debt service on the outdoor aquatic facility, facility/equipment costs associated with the Sylvester Powell, Jr. Community Center and maintenance of the City's outdoor park and trail amenities. The sales tax generates approximately \$800,000 annually.

**Section 2.** The Governing Body has established the following policies to maintain basic services and city operations as part of the General Fund and within the 2016 Budget.

1. Preserve the equivalent 2015 mill levy rate (11.354) for General Fund operations. Although the total mill to be levied in the General Fund is 18.354, the revenues generated by the 7.0 mill increase will be used exclusively for street maintenance.
2. Maintain a General Fund balance of no less than \$2.0 million. The City's goal for reserve funds is 25% of our total General Fund revenues. To reach that goal, the city would need to have a General Fund balance of approximately \$2.5 million.

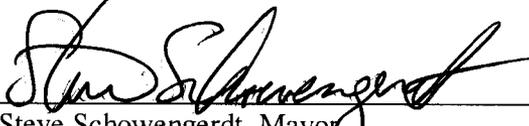
3. Maintain the Solid Waste Utility Rate at \$13.59 per month for single-family property owners. An estimated transfer in the amount of \$85,000 from the General Fund subsidizes single-family residential trash service from Deffenbaugh, which will be contracted at a rate of \$15.79 per month per home in 2016.
4. Continue to implement merit pool increases for outstanding employee performance.
5. Fund replacement of the highest priority needs from the 10-year replacement schedule, including replacement of the Police Department's front line fleet, a skid steer in Public Works, the phone system at City Hall/Police Department and the Neighborhood Services vehicle. Capital equipment replacement will be accomplished through purchase and lease-purchase and is estimated at \$236,500.
6. Maintain the Franchise and Mill Rate Rebate program at 100% of the City Franchise Fees, 100% of the total City Mill exclusive of all City special assessments, and 50% rebate of the Solid Waste Utility Fee. This expense is estimated at approximately \$18,000.
7. Increase the cost recovery goal for the Community Center from 80% to 90% of operating costs, excluding capital.

**Section 3.** The Governing Body directs staff to pursue the following areas as part of on-going budget considerations.

1. Continue to research and present options for a sales tax election within the next 6-9 months that would fund full-depth reconstruction projects and maintenance of major thoroughfares in the City's street program.
2. Continue to look for partnership options that could decrease costs supported by Mission taxpayers.
3. Continue to aggressively manage department expenditures to be as efficient as possible in using limited resources to deliver high quality services.
4. Use the results of the 2015 DirectionFinder survey to evaluate and articulate Council goals and objectives for upcoming budget cycles.

**PASSED AND APPROVED BY THE GOVERNING BODY OF THE CITY OF MISSION** on this 19th day of August 2015.

**APPROVED BY THE MAYOR** on this 19th day of August 2015,

  
Steve Schowengerdt, Mayor

ATTEST:

  
Martha Sumrall, City Clerk

## Mission Historical Summary of Mill Levy and Utility Fees

Tax Year	Budget Year	Property Tax Mill Levy				Stormwater Utility Fee	Solid Waste Utility Fee	Transportation Utility Fee	Notes/Comments:
		General	Stormwater	Debt Serv	Total Mill Levy				
2002	2003	5.1240	0.0000	0.0000	5.1240	\$0.00	\$0.00	\$0.00	No change. Final mill levy rate impacted by property valuations.
2003	2004	5.0410	0.0000	0.0000	5.0410	\$0.00	\$0.00	\$0.00	No change. Final mill levy rate impacted by property valuations.
2004	2008	7.9100	1.0000	1.0250	9.9350	\$48.00	\$0.00	\$0.00	Increase in GF mill for operations, add 1 mill for stormwater and establish Stormwater Utility at \$4/mo/ERU, add 1 mill for debt service for acquisition of Mohawk Park
2005	2006	9.9310	1.0030	1.0280	11.9620	\$48.00	\$0.00	\$0.00	Increase in GF mill to maintain existing basic service levels
2006	2007	11.1470	1.0020	1.0270	13.1760	\$72.00	\$0.00	\$0.00	Increase in GF mill to address revenue concerns, but agreed to 4 year moratorium on all future mill rate increases until the longer term effect of redevelopment could be assessed on both revenues and expenses. Stormwater ERU increased to \$6/mo/ERU based on needs identified through engineering studies and projects.
2007	2008	11.1650	1.0040	1.0290	13.1980	\$72.00	\$0.00	\$0.00	No change. Final mill levy rate impacted by property valuations.
2008	2009	11.1800	1.0050	1.0300	13.2150	\$72.00	\$121.06	\$0.00	Portion of residential trash service fees shifted to single-family property owners, General Fund still subsidizing approximately 40% of the cost of this service
2009	2010	11.1820	1.0050	1.0300	13.2170	\$72.00	\$121.06	\$0.00	No change. Final mill levy rate impacted by property valuations.
2010	2011	10.1830	0.0000	1.0300	11.2130	\$228.00	\$121.06	\$72.00	GF mill reduced. Stormwater utility was adjusted to cover existing debt service for more than \$20 million in improvements, stormwater mill was eliminated. TUF implemented following public input on how to fund comprehensive street maintenance program.
2011	2012	10.3260	0.0000	1.0450	11.3710	\$228.00	\$121.06	\$72.00	No change. Final mill levy rate impacted by property valuations.
2012	2013	10.3610	0.0000	1.0490	11.4100	\$276.00	\$163.08	\$72.00	Stormwater fee increased by \$4/month to fund Johnson Drive interceptor project.
2013	2014	10.3610	0.0000	1.0490	11.4100	\$276.00	\$163.08	\$72.00	No change. Final mill levy rate impacted by property valuations.
2014	2015	11.3540	0.0000	0.0000	11.3540	\$276.00	\$163.08	\$72.00	1 mill for Debt Service reallocated to GF after completion of Mohawk Park bond issue. No change in Total Mill Levy. Final mill levy rate impacted by property valuations.
2015	2016	18.2250	0.0000	0.0000	18.2250	\$336.00	\$163.08	\$0.00	Increase the Stormwater Utility Fee by \$5.00, from \$23/mo/ERU to \$28/mo/ERU for debt service. Replace the Transportation Utility Fee with 7 mills in the General Fund transferred to Streets.

\*All utility fees are illustrated based on their impact to a single-family residential property.



**MEMORANDUM**

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**Date:** April 26, 2016  
**To:** Mayor and City Council  
**From:** Laura Smith, City Administrator  
**RE:** 2017 Budget Memo #2 - 5-Year Financial Forecast

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The first work session memo detailed our budget process and started to outline how we establish goals and objectives for the annual budget and beyond. This memo provides forecast information on the major revenue streams in the City’s General Fund as well as some historical context for the General Fund fund balance.

**5-Year Financial Forecast**

As a part of our annual budget discussions we use a 5-Year financial forecasting model that helps:

- Obtain a better understanding of future challenges
- Create a common set of assumptions and expectations
- Place an emphasis on long-term financial planning

Historically, the 5-Year model consistently predicts that expenditures outpace revenues within the forecast period. However, since every budget adopted by the Council is statutorily required to be balanced, the unbalanced numbers reflect the work that must be done every year to ensure expenditures are in line with revenues.

In the past, most of our attention has been focused on total revenues/expenditures in the City’s General Fund. Last year, we expanded that conversation to include both a more detailed analysis of the primary revenue/expense drivers within the General Fund.

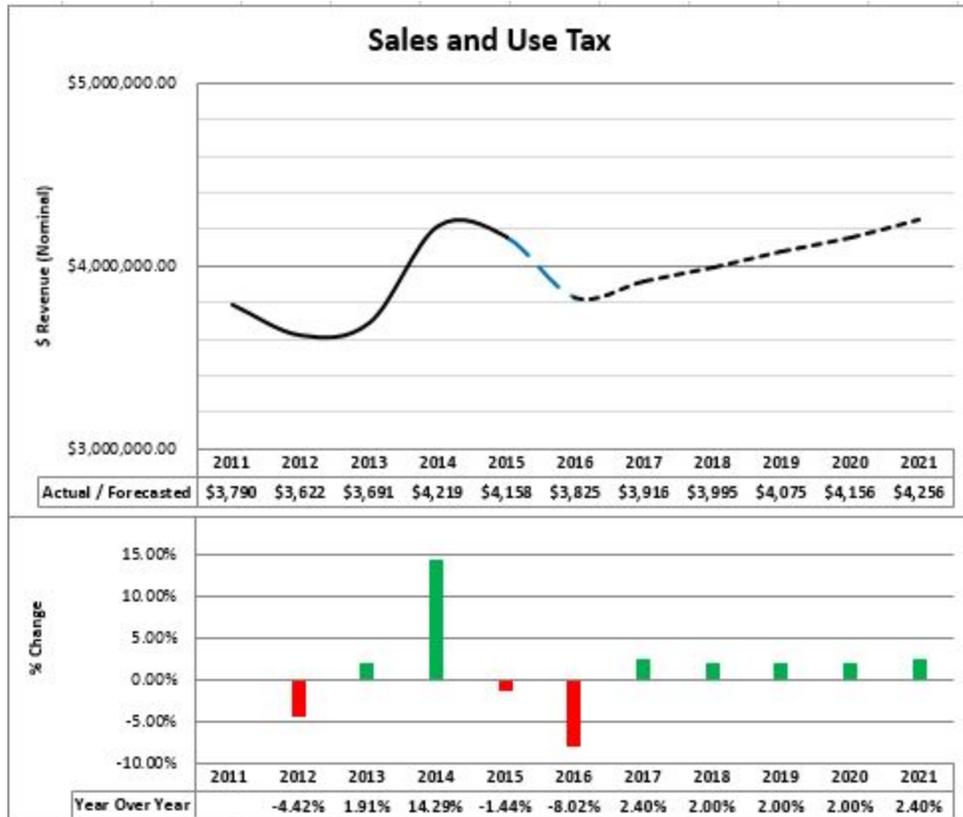
**General Fund Revenue Forecasts and Assumptions**

**Sales and Use Tax Revenues**

The largest revenue stream in the City’s general fund comes from sales and use taxes. This revenue stream includes the City’s 1% general sales tax and the portion of the County’s sales tax (general and special use) that is distributed based on a statutory formula. Sales and use tax revenues comprise approximately 38% (\$3.8million) of the budgeted General Fund revenues for 2016.

The chart below depicts the City’s actual (solid line) and forecasted (dotted line) sales and use tax revenues from 2011 through the end of the forecast period. In both 2014 and 2015, Mission’s

**MEMORANDUM**



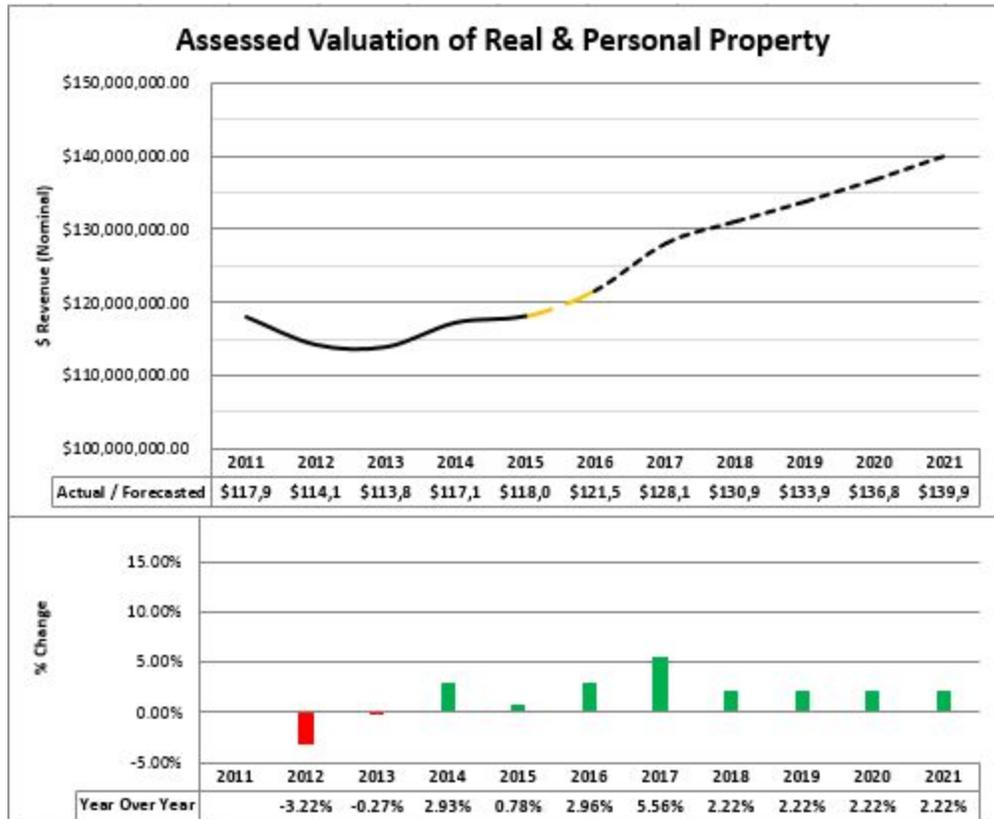
sales tax collections exceeded budgeted projections. For forecasting purposes, we used the 2016 budgeted figure and grew sales tax by CPI (as projected by the CBO Forecast) through 2021. Sales tax is potentially the City’s most volatile or “elastic” revenue stream, subject to shifts in the national and regional economy. The current forecast model does not include assumptions regarding any significant development occurring at the Gateway site or elsewhere throughout the City, therefore, presenting a conservative revenue model.

Property Tax Revenues

Property tax revenues comprise approximately 15% of the General Fund revenues in the 2016 Budget. This revenue stream is based on the assessed valuation of taxable real and personal property in each taxing jurisdiction. Historically, the City Council has had responsibility for setting the mill levy annually during the budget process. One mill is equivalent to one dollar for every \$1,000 of assessed property value.

The assessed valuation is established by the Johnson County Appraiser’s office. The chart below details Mission’s actual assessed valuation since 2011, and projections through the forecast period.

MEMORANDUM

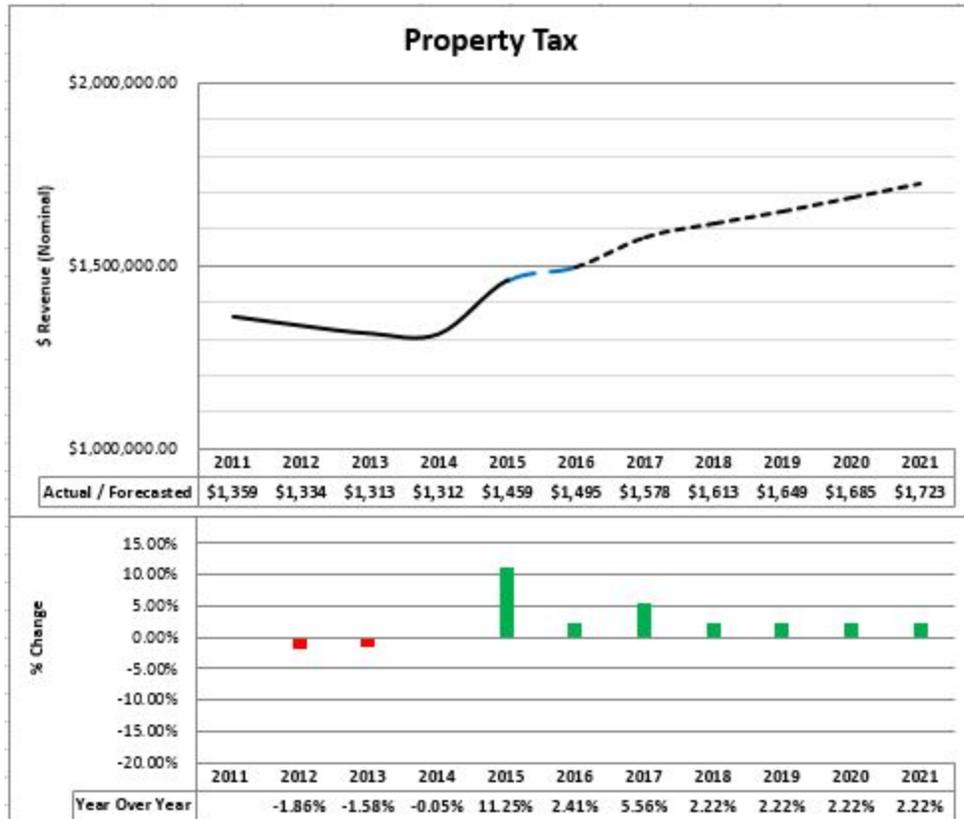


From 2010 to 2013, the City’s overall property valuations were declining, consistent with county-wide trends. Since 2014, Mission’s valuations have been increasing slowly. Based on estimates provided by the County Appraiser in February, that trend is expected to continue, and we anticipate an overall increase in assessed valuation for 2016 of 5.5%.

Property tax assumptions through 2021 are based on the general fund mill levy being held constant (11.225 mills), and a 2.22% increase in assessed valuation over the forecast period. The opportunities available to the City to impact/change property tax revenues are through increases or decreases in the annual mill levy, or efforts to increase property values. This can be accomplished by encouraging density in development/redevelopment, public infrastructure investment, as well as efforts to maintain the overall quality of existing commercial and residential properties. Based on the Appraiser’s estimates, one mill is expected to generate approximately \$128,000 in the 2017 Budget.

During the 2016 budget process, the mill levy was increased by 7 mills to fully replace revenues previously generated by the Transportation Utility Fee (TUF). The use of the TUF was suspended in the 2016 budget pending a determination by the Kansas Supreme Court on the legality of this funding

## MEMORANDUM



mechanism. The forecast estimates do not include the revenues generated by the additional 7 mills. Although received in the General Fund, these revenues are immediately transferred to the Capital Improvement Fund for street maintenance.

Central to our discussions regarding property tax revenues will be the imposition of a property tax lid effective January 1, 2017. We anticipate this will be the last budget cycle where these restrictions are not in place.

### Parks and Recreation Revenues

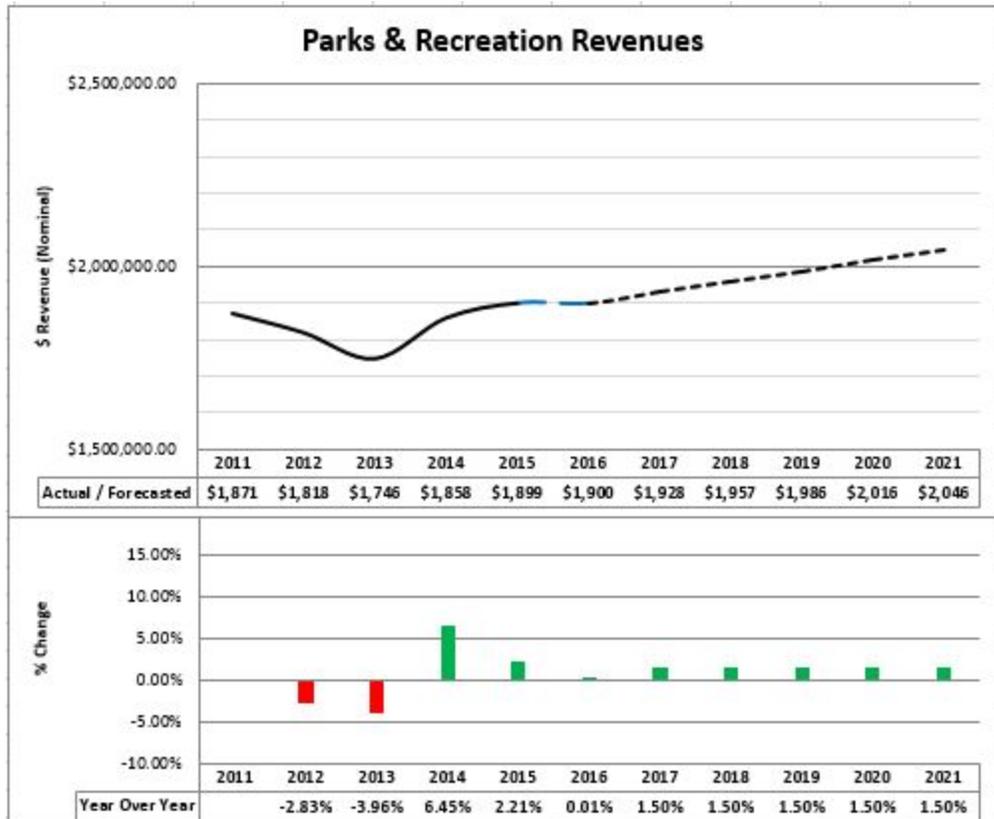
Parks and Recreation revenues are generated through:

- Memberships, facility rentals, class/program fees and summer camp fees from the Community Center
- Memberships, daily fees and concessions from the Mission Family Aquatic Center

From 2010-2013, parks and recreation related revenues were declining. The City experienced an

**MEMORANDUM**

upward trend in the 2014 budget, driven by revenues from the new Mission Family Aquatic Center (outdoor pool) and an increase in summer camp registrations.



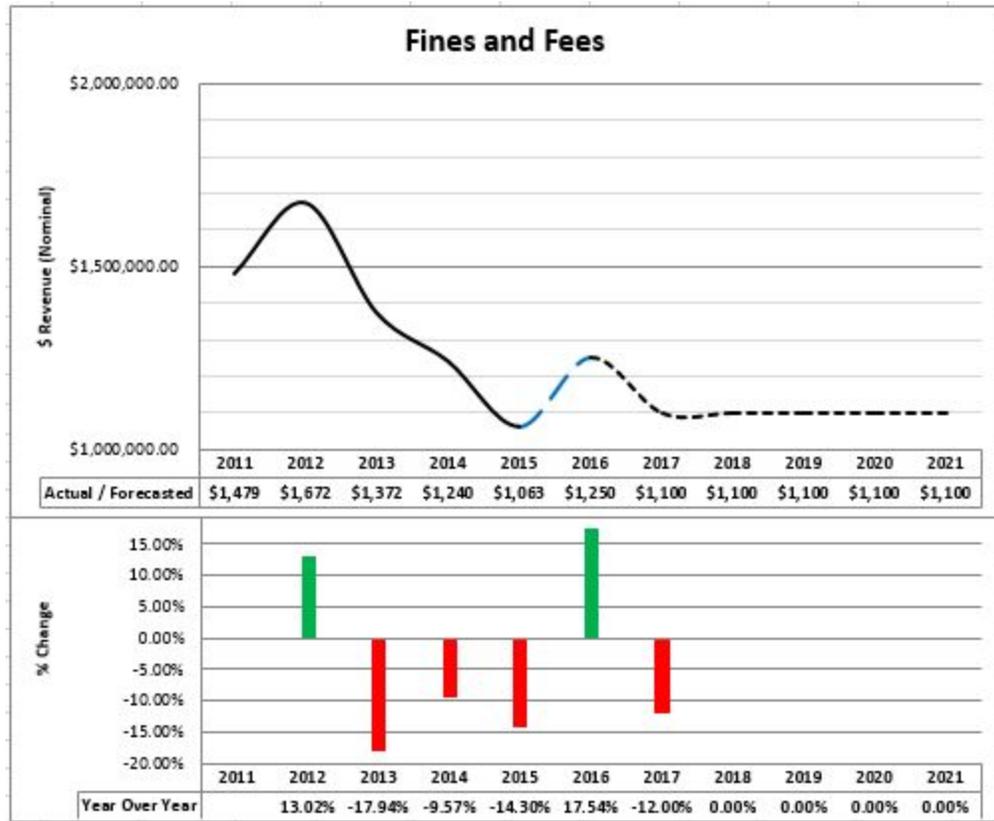
Revenues in the forecast period are projected to increase slightly. Following the recommendations of a Community Center Task Force convened in 2015, the City Council revised the cost-recovery goals for the Community Center to move the facility toward higher self-sufficiency. The goal is to move from 80% to 90% in 2016, ideally increasing cost-recovery to 100% with the 2017 budget. Conservative revenue estimates are designed to help facilitate the conversations and decisions regarding steps necessary to achieve the new cost-recovery goals.

At the May 4th Community Development Committee meeting, the Council will receive a more detailed update on the steps taken to date to improve cost-recovery. The work related to increase self-sufficiency will be on-going, and staff is excited to continue to work to meet the challenge without compromising important service delivery objectives.

**MEMORANDUM**

Fine and Forfeiture Revenues

Fine and forfeiture revenues are collected as a result of law enforcement activity, primarily traffic enforcement. This revenue category represents approximately 12% of annual General Fund revenues. Since 2009, there has been significant fluctuation in this revenue stream, attributed primarily to varying philosophical approaches held by the three Chiefs that served during that time period.



For forecasting purposes, revenues have been estimated at 2015 actual collections from 2017 through the balance of the forecast period.

**General Fund Revenue/Expenditure Forecasts and Fund Balance Impacts**

The General Fund is used to account for resources traditionally associated with providing government services that are not required legally, or by sound financial management practices, to be accounted for in a separate fund. This fund supports the general operations of the City.

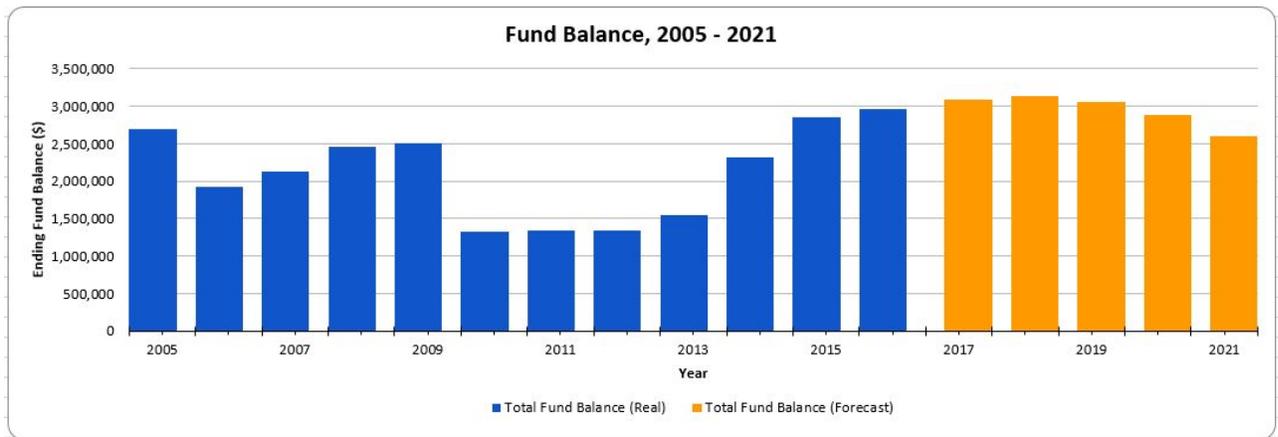
Except for the last 5-6 years, General Fund revenues were shared between operating costs and investment in capital projects. From 2004-2013, approximately \$11 million was transferred from the



**MEMORANDUM**

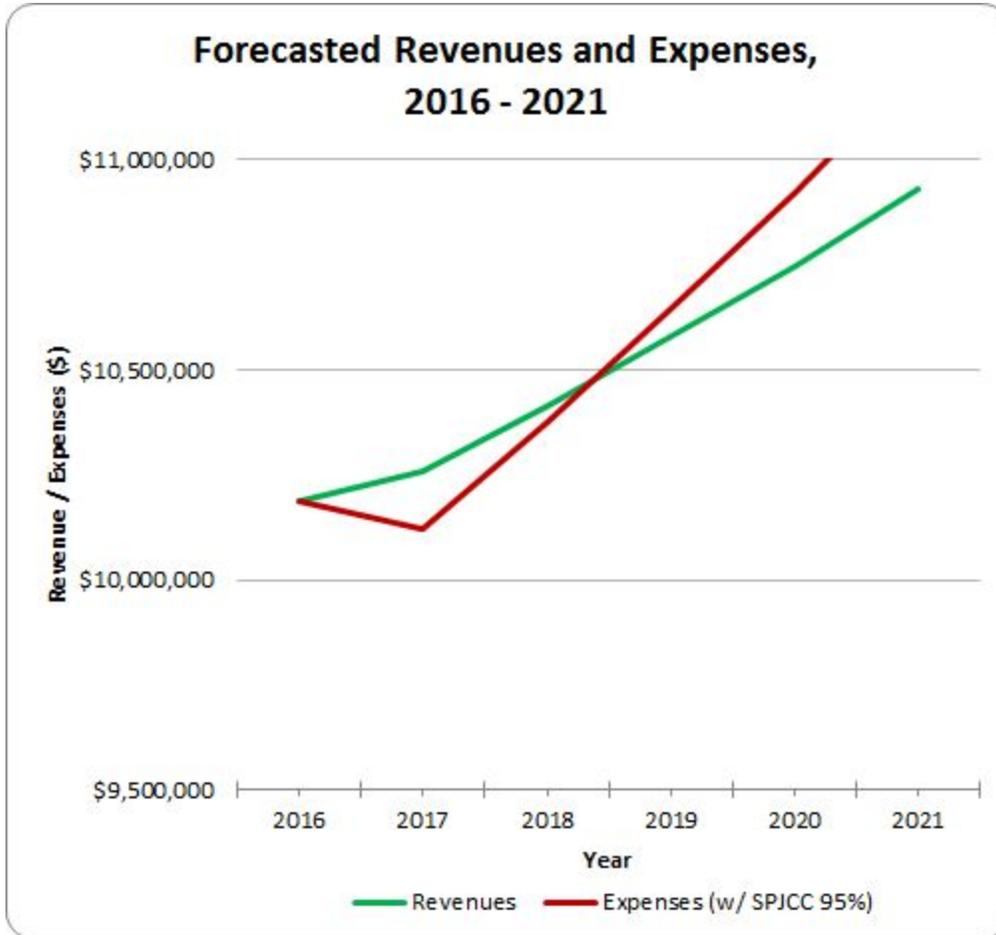
General Fund for capital project construction or debt service associated with capital project construction, representing approximately 18% of total General Fund (operating) revenues for that same time period.

The City Council has an established fund balance goal of 25% of budgeted General Fund revenues, or approximately \$2.5 million. Following a deliberate draw-down of fund balance in 2010, to restructure stormwater debt, there has been a concerted rebuilding effort. As you can see from the table below, we have achieved, and exceeded, that goal as of December 31, 2015.



There have been many years when our review and analysis showed the City’s fund balance turning “upside-down” within the forecast period. This is not uncommon in forecasting models, and can serve as a reminder that there is work to be done each year. The information included on the following pages illustrates the overall revenue and expenditure trends for the City’s General Fund through 2021.

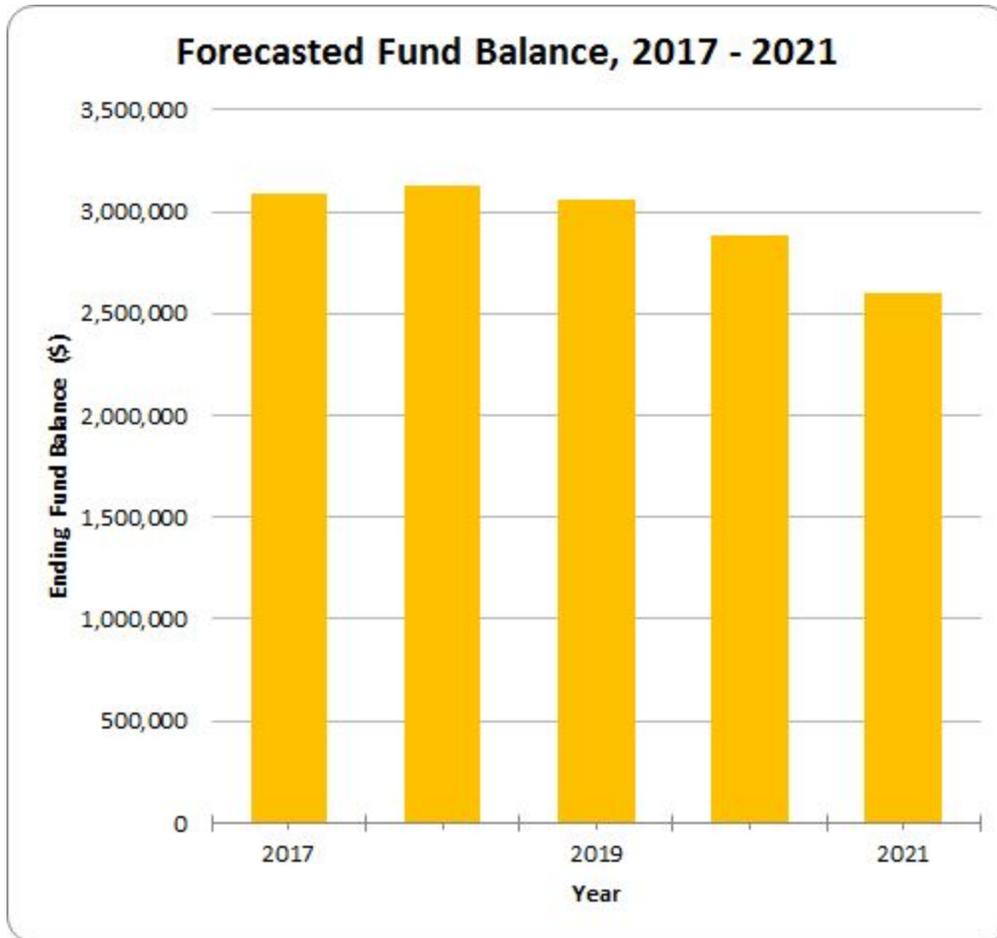
MEMORANDUM



	2016	2017	2018	2019	2020	2021
Revenue	10,185,542	10,256,092	10,415,718	10,578,296	10,743,883	10,929,162
Expenses*	(10,088,035)	(10,121,335)	(10,377,756)	(10,645,388)	(10,921,095)	(11,218,896)
<b>Surplus (Deficit)</b>	<b>97,507</b>	<b>134,757</b>	<b>37,962</b>	<b>(67,092)</b>	<b>(177,212)</b>	<b>(289,734)</b>
Ending Fund Balance	2,957,687	3,092,444	3,130,407	3,063,315	2,886,103	2,596,369

\* The effect of obtaining SPJCC's cost recovery goal at 95% is subtracted from Expenses.

MEMORANDUM



	2017	2018	2019	2020	2021
<i>Fund Balance Target</i>	2,564,023	2,603,930	2,644,574	2,685,971	2,732,290
<b>Ending Fund Balance</b>	<b>3,092,444</b>	<b>3,130,407</b>	<b>3,063,315</b>	<b>2,886,103</b>	<b>2,596,369</b>
Remaining to 25% Target	0	0	0	0	(135,922)
Fund Balance as % of GF Revenue	30.15%	30.05%	28.96%	26.86%	23.76%



## MEMORANDUM

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### **General Fund Summary and Next Steps**

While the outlook in the General Fund is much improved, there are still a number of deferred technology, equipment and facility needs that will be part of our conversation over the next several years. Much of the progress for the General Fund is due to a number of things the City has done over the last 10-12 years to address the infrastructure challenges facing the community. Specifically, through the creation and use of dedicated revenue streams and the conscious use of debt. The dedicated funding sources include or have included:

- Stormwater Utility Fees
- Transportation Utility Fees (not assessed in 2016 Budget)
- Property Tax Revenues (dedicated mill for Mohawk Park debt service and now for street maintenance)
- ¼-cent Dedicated Street Sales Tax
- ⅜-cent Dedicated Parks & Recreation Sales Tax
- Drainage District Revenues
- Special Benefit District Assessments (Gateway stormwater)
- Special Highway Revenues (pass through from State)
- Special Parks & Recreation Revenues (pass through from State)
- County, State or Federal Funds
- Transfers from the General Fund

In our upcoming meetings we will explore the capital infrastructure needs in more detail as we continue to build a complete budget for 2017. If you have questions regarding any of the material included, please feel free to contact me prior to Wednesday's work session.