



MEMORANDUM

Date: May 3, 2017
To: Mayor and City Council
From: Laura Smith, City Administrator
RE: 2018 Budget Memo #1

Kansas law requires that cities develop and adopt a balanced budget on an annual basis. The City of Mission's budget covers the period of January 1st through December 31st each year, and the total budget is made up of more than a dozen individual funds. Our annual budget discussions focus primarily on the City's General Fund and those funds tied specifically to capital infrastructure investments. The entire budget will ultimately be adopted together, but the City's operating and infrastructure budgets are generally discussed separately throughout the process.

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. We will work to encourage input and suggestions through multiple forums in the coming months. Our discussions may occur at City Council committee meetings, City Council meetings, City Council work sessions, public forums, and through social media outlets. The budget calendar anticipates final approval/adoption of the City's budget at the August 16th City Council meeting.

Council Priorities, Goals, and Objectives

The City Council has not had a facilitated goal setting session since November of 2013, so for the last several years we have worked to identify common issues or priorities at the outset of the budget process. We also continue to rely on the results of the 2015 DirectionFinder survey and the 2017 Budget Resolution (copy attached). A table summarizing budget decisions since 2002 is included for your reference.

As a part of the 2018 Budget, staff plans to recommend a facilitated goal setting session be included in the Legislative Budget annually. This will formalize a structured and comprehensive method for collectively reviewing and evaluating priorities for future budgets.

Challenges and Opportunities for the 2018 Budget

Each year we identify potential threats and opportunities to our service delivery objectives. These can come from a variety of sources, including the public, elected officials, and professional staff. In addition to the priorities/issues that were identified several weeks ago by the City Council (see attached), we anticipate the following to also be an important part of the 2018 Budget development process:

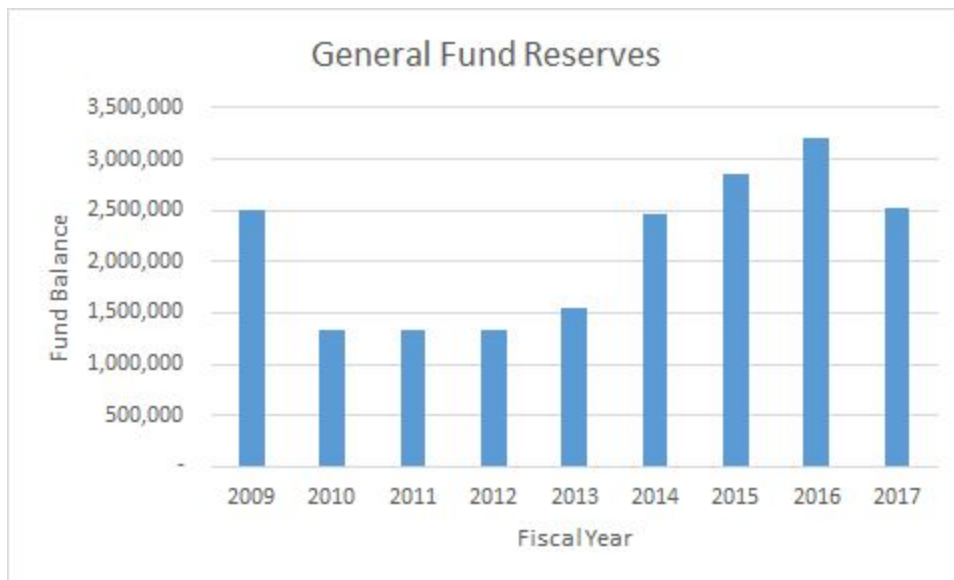


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- Balancing service delivery/operating needs with infrastructure investment
- Appropriately funding facility and equipment needs
- Implementing recommendations from the 2017 Classification and Compensation study
- Increases in employee health/welfare and retirement costs that outpace inflation.
- Continuing to explore cost recovery goals for the Community Center that reach 100% self-sufficiency
- Decision on repayment obligations for Transportation Utility Fee
- Leveraging increased redevelopment opportunities city-wide
- Planning for and implementing changes necessitated by the property tax lid which became effective as of January 1, 2017

Fund Balance Considerations

The City Council has an established fund balance goal of 25% of budgeted General Fund revenues. In order to restructure stormwater debt, a deliberate draw-down of fund balance occurred in 2010, and since that time, there has been a concerted effort to rebuild the City’s reserve funds.



	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fund Balance	2,507,748	1,324,492	1,335,927	1,340,574	1,551,771	2,463,712	2,860,160	3,214,825	2,517,375
% Fund Balance	23%	13%	13%	13%	16%	23%	26%	29%	22%



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The rebuilding of fund balance that has been accomplished is important, and we will continue to try and balance this goal with the myriad of others which compete for resources.

General Fund Revenue Estimates

We are still in the preliminary stages of our budget development process. Brian will review 2017-2018 General Fund revenues as we we prepare to begin our more detailed review and analysis for the 2018 Fiscal Year.

**CITY OF MISSION, KANSAS
RESOLUTION NO. 969**

A RESOLUTION ESTABLISHING BUDGET POLICIES FOR BUDGET YEAR 2017 FOR THE CITY OF MISSION, KANSAS, ROCK CREEK DRAINAGE DISTRICT #1, AND ROCK CREEK DRAINAGE DISTRICT #2.

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

WHEREAS, the City of Mission seeks 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 2017 Budget.

1. Maintain the Stormwater Utility Fee \$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 \$82,000 in combined annual revenue.
3. Maintain a total mill in the General Fund equal to approximately 18.225. The revenues generated from the equivalent of 7 mills will be transferred to the Capital Improvement Fund to support street maintenance. Property tax revenues to be transferred to the CIP Fund in 2017 are estimated at \$925,000.
4. Continue to use the revenues from the $\frac{3}{8}$ -cent Parks & Recreation Sales Tax for debt service on the outdoor aquatic facility, replacement and repair of facility and equipment needs at the Sylvester Powell, Jr. Community Center and maintenance and enhancement of the City's outdoor parks and trail systems. The Parks & Recreation Sales Tax is estimated to generate approximately \$850,000.

Section 2. The Governing Body has established the following policies to maintain basic services and city operations as part of the General Fund within the 2017 Budget.

1. Preserve the equivalent mill levy rate (18.225) used to fund the 2016 Budget. Although total mills are levied in the General Fund, the revenue from 7 mills is dedicated for street maintenance, leaving 11.225 mills available to support General Fund operations.
2. Maintain a General Fund balance of no less than \$2.25 million. The City's goal for reserve funds

is 25% of total General Fund revenues. In order to achieve this goal, the fund balance target for 2017 would be \$2.89 million.

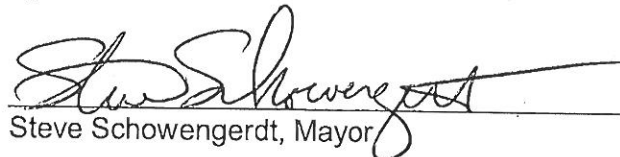
3. Maintain the Solid Waste Utility Rate at \$13.59 per month for single-family property owners. An estimated transfer in the amount of \$85,000 from the General Fund subsidizes single-family residential trash service from Deffenbaugh, which will be contracted at a rate of \$15.79 per month per home in 2017.
4. Continue to implement merit pool increases for outstanding employee performance.
5. Fund replacement of the highest priority capital equipment needs, including hardware and software (citywide), a front wheel loader (Public Works), mowers (Public Works), a one and a half ton truck (Public Works), an air compressor (Public Works), a half ton truck (Parks & Recreation), and various police vehicles and equipment. Capital equipment expenditures are estimated at \$551,000.
6. Establish an Equipment Reserve Fund with a \$250,000 transfer from the General Fund.
7. 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 a 50% rebate of the Solid Waste Utility Fee. This expense is estimated at approximately \$25,000.
8. Continue to explore opportunities to increase the cost recovery goal for the Community Center, ultimately working toward 100%. The 2017 Budget as presented achieves a 93% cost recovery rate, excluding capital.

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

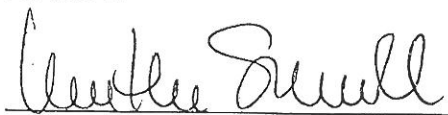
1. Continue to research and refine the street maintenance program, including presenting funding or financing options to address full-depth reconstruction projects and maintenance of major thoroughfares.
2. Research and begin implementation of a comprehensive asset management program.
3. Continue to look for partnership options that could decrease costs supported by Mission taxpayers.
4. Continue to aggressively manage department expenditures to be as efficient as possible in using limited resources to deliver high quality services.
5. Facilitate a Council goal setting session to develop and articulate Council goals and objectives for upcoming budget cycles.

PASSED AND APPROVED BY THE GOVERNING BODY OF THE CITY OF MISSION on this 17th day of August 2016.

APPROVED BY THE MAYOR on this 17th day of August 2016.


Steve Schowengerdt, Mayor

ATTEST:



Martha Sumrall, City Clerk

Historical Summary of Mission's 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 Service	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 CIP Fund for streets.
2016	2017	18.2250	0.0000	0.0000	18.2250	\$336.00	\$163.08	\$0.00	No change in Total Mill Levy or utility fees. Transportation Utility Fee continues to be replaced with 7 mills dedicated to street maintenance. Final mill levy rate impacted by property valuation.

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

What do you think are the three most important issues facing Mission in the next 1-2 years?

- Pedestrian safety on Jo Drive
- Working to improve the safety and accessibility along the Jo Drive corridor
- Keeping Johnson Drive **VIABLE** and **SAFE**

- Gateway (5)
- Leveling and rebuilding our vacant structures with class
- Get the development projects completed
- Impacts future developments will have on the current look, feel, and culture we have going on now

- Streets/roads (3)
 - Street/Sidewalk repair projects
 - Start full depth reconstruction program
- Infrastructure

- Implementation of Park and Recreation Master Plan (3)

- Driveway tax
- Adjudication of TUF

- Creation of the CIP Master Plan
- Getting out of debt
- Emerald Ash Borer trees
- Housing options/choices
- Ability to move young families into the community (“re-greening”)
- Maintaining housing stock
- Maintaining business satisfaction along Johnson Drive
- Managing Community Center expenses

If there was one thing about the City that you could "snap your fingers" and change overnight, what would it be?

- Pedestrian safety on Jo Dr
- Tear up all of the streets and start over (2)
- Upgrade and repair/replace the stormwater infrastructure
- Mitigate flooding along Rock Creek and redevelop those parcels
- Get rid of pole signs
- Build Gateway with elements more similar to 2005 project (aquarium)
- More budget for city events - miss the parade, and other events. Feel like they bring the city together. Traffic signal at Johnson Drive and Woodson
- Convert Broadmoor Park to an off-leash dog park

What is the one thing about the City that you want to "shout from the rooftops" so everyone knows?"

- Great things have happened and are going to continue to happen in Mission
- That we have the best staff in the world who make us all look great and keeps the city running smoothly!
- All of the re-development that has occurred and is pending
- Coolest downtown in Johnson County
- Mission is one of the safest, clean and resident friendly city in the Metro area. Come on down and let us show you.
- Shout out what a great place Mission is to LIVE WORK AND PLAY
- Great quality of life with economic value
- Walkability, can get anywhere you need
- We are one big family. Everyone is more than welcome and we love recognizing each other and getting everyone together.
- No city compares - down home and friendly
- We are a vibrant community with great people and an ideal location to buy a house or open a business.

2017 Budget Survey Questions:

1. Please identify two things you would like to have more information about as it relates to the City's budget.

- I would like to understand whether the City has a comprehensive asset management plan. This plan would list all City assets both short term and long term, their condition and expected life. The result should be the framework for understanding, by year, the funding needed to maintain the assets we have. In conjunction do we have a comprehensive CIP for assets in the future.
- I would like to understand the strategic goals and objectives the City has which should then filter down into budget actions.
- I would like to understand all performance metrics being employed by the City or any survey information comparing to other municipalities.
- Infrastructure costs.
- Outside revenue opportunities such as grants, matching funds etc.
- Our current debt and what portion will be paid off this year. Tom Valenti' status on his payments to the city.
- Opportunities, both short and long term to increase revenues. (2016)
- Suggestions for realistic potential reductions to expenses. (2016)
- What costs/expenses are static versus those that can fluctuate based on outside factors. (2016)

2. Please identify what you believe are the two largest threats to the City's budget.

- Legislative action negative to municipalities.
- Unknown large expenditures such as streets that needed reconstruction versus just maintenance
- State Legislature local property tax lid.
- Affirmation of the TUF appeal - What happens to the funds already collected?
- Unforeseen catastrophic problems. Financing infrastructure needs.
- Street and stormwater future needs. (2016)
- Unexpected expenses because of deferred maintenance. (2016)

- Expenses for phones, cameras and other essential operating systems. (2016)
- Debt service. (2016)
- Flat or declining revenues. (2016)

3. *What are your top two priorities for the City's budget?*

- Identifying and understanding our strategic goals and objectives
- Making sure we know all current budget year costs and future costs
- Creating a plan that addresses the 2017 budget but also budgets into the future (the plan does not need to be a one year fix but instead a plan over a period of years to make sure we are positioned to handle the knowns and allow us to handle the unknowns)
- Take care of residents, businesses, and employees.
- Infrastructure - roads, gutters, sidewalks and curbs.
- Continue to pay down the debt and continue to build our general fund balance.
- Realistic balancing of revenue vs. expenses with debt reduction vs. infrastructure needs. (2016)
- Continued commitment to responsible debt repayment and contributions to reserve funds, balanced with reasonable support of key programs and services. (2016)
- Maintaining a healthy and aggressive street program. (2016)
- Keep a strong and well-equipped police Department. (2016)

Initial Revenue Projections for 2018 Budget

Taxes	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	5 Year Average	Budgeted 2017	Revenues To Date 4/15 2017	Estimated 2017	Budgeted 2018
<u>Property Tax</u>										
Real Estate Tax (General Property Tax)	1,199,688	1,168,193	1,162,067	1,296,911	1,370,292	1,206,715	1,475,000	841,671	1,425,000	1,450,000
Real Estate Tax (7 Mills for Streets)	-	-	-	-	790,654	-	925,000	534,685	900,000	850,000
Property Tax	1,199,688	1,168,193	1,162,067	1,296,911	2,160,946		2,400,000	1,376,355	2,325,000	2,300,000
<u>Delinquent Property Tax</u>	8,621	12,731	13,609	3,449	26,172	9,603	20,000	5,853	10,000	15,000
<u>Motor Vehicle Tax</u>	125,859	132,115	136,642	159,066	160,200		243,500	52,095	163,700	168,200
<u>City Sales/Use Tax</u>										
City Sales Tax	2,126,575	2,058,865	2,182,135	2,163,877	2,228,893	2,132,863	2,200,000	583,331	2,275,000	2,300,000
City Use Tax	368,620	478,673	1,003,224	914,404	821,687	691,230	540,000	271,567	800,000	700,000
City Sales/Use Tax	2,495,194	2,537,538	3,185,359	3,078,281	3,050,581		2,740,000	854,898	3,075,000	3,000,000
<u>County Sales/Use Tax (Intergovernmental Revenue)</u>										
County Sales/Use Tax	750,255	768,514	694,382	706,592	789,285	729,936	751,000	203,655	750,000	757,000
County Sales/Use Tax - Jail	187,564	192,082	172,948	175,766	196,621	182,090	182,000	50,733	193,000	193,000
County Sales/Use Tax - Pub Safety	187,564	192,082	172,946	175,744	196,599	182,084	182,000	50,733	193,000	193,000
County Sales/Use Tax - Court House	-	-	-	-	-	-	-	-	70,000	193,000
	1,125,383	1,152,679	1,040,276	1,058,102	1,182,505		1,115,000	305,122	1,206,000	1,336,000
<u>Alcohol Tax (Intergovernmental Revenue)</u>	38,569	42,641	45,517	57,129	60,484	45,964	58,000	17,507	65,000	65,000
<u>Franchise Tax</u>										
KCP&L	584,577	598,503	602,486	611,095	684,428	599,165	630,000	146,786	625,000	650,000
KS Gas Service	172,209	231,572	252,212	212,333	158,251	217,081	200,000	88,889	175,000	175,000
SBC Telephone	41,477	51,870	56,577	29,359	22,793	44,821	26,000	5,799	26,000	25,000
SureWest Telephone	-	-	-	6,872	4,732	1,718	4,000	1,128	6,000	5,000
AT&T (SBC) Video	45,586	26,581	27,939	60,392	63,000	40,125	64,000	11,369	45,000	65,000
SureWest Video	14,847	23,757	23,090	20,722	19,181	20,604	22,000	3,872	15,000	20,000
Time Warner Video	114,089	95,487	74,601	68,835	69,898	88,253	72,000	15,799	63,000	70,000
Google (New)	-	-	-	41	2,567	10	1,500	4,611	15,000	15,000
Franchise Tax	972,785	1,027,770	1,036,905	1,009,649	1,024,850		1,019,500	278,253	970,000	1,025,000
Subtotal Taxes	5,966,099	6,073,667	6,620,374	6,662,587	7,665,737		7,596,000	2,890,083	7,814,700	7,909,200

	<u>Actual 2012</u>	<u>Actual 2013</u>	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Actual 2016</u>	5 Year Average	<u>Budgeted 2017</u>	Revenues To Date 4/15 2017	<u>Estimated 2017</u>	<u>Budgeted 2018</u>
Pool Revenues										
Outdoor Pool Membership	22,020	18,509	35,146	33,563	40,758	27,309	35,000	120	35,000	35,000
Outdoor Pool Front Desk	16,748	16,066	40,506	38,375	42,896	27,924	40,000	1,212	40,000	40,000
Outdoor Pool Concessions	10,855	9,701	22,288	20,472	20,924	15,829	20,000	1,150	22,000	22,000
Outdoor Pool Program Fees	3,259	1,188	320	4,575	7,194	2,336	5,000	2,710	5,000	5,000
Outdoor Pool Rental	350	1,220	435	2,220	4,751	1,056	3,000	-	5,000	3,000
Super Pool Pass Revenue	<u>4,115</u>	<u>4,001</u>	<u>6,055</u>	<u>5,340</u>	<u>5,920</u>	4,878	<u>5,000</u>	-	<u>6,000</u>	<u>6,000</u>
Pool Revenue	57,347	50,685	104,750	104,545	122,443		108,000	5,192	113,000	111,000
Community Center Revenues										
Community Center Membership	872,878	854,846	837,079	781,576	776,697	836,595	860,000	204,770	816,000	800,000
Community Center Rental	221,259	187,577	194,746	212,183	266,601	203,941	285,000	93,098	350,000	275,000
Community Center Program	313,405	310,472	328,282	287,694	300,449	309,963	350,000	95,116	325,000	315,000
Community Center Daily Fees	81,743	107,212	136,089	212,089	226,288	134,283	225,000	64,121	225,000	250,000
Community Center Misc.	8,992	11,970	17,500	9,567	6,156	12,007	10,000	1,733	5,000	8,000
Community Center Resale of Items	1,564	1,643	926	954	661	1,272	1,000	226	1,000	1,000
Community Center Sponsorship/Ads	3,535	900	-	-	-	1,109	1,500	-	-	-
Mission Summer Program	204,244	167,718	189,203	222,956	214,338	196,030	235,000	52,671	225,000	225,000
Mission Square PILOTS	<u>53,125</u>	<u>53,125</u>	<u>53,125</u>	<u>53,125</u>	<u>26,563</u>	53,125	<u>53,125</u>	-	<u>53,125</u>	<u>53,125</u>
Community Center Revenues	1,760,746	1,695,462	1,756,951	1,780,144	1,817,753		2,020,625	511,734	2,000,125	1,927,125
Police Fines	1,502,993	1,247,155	1,131,204	964,828	974,933	1,211,545	1,259,500	311,566	1,167,300	1,055,500
Licenses and Permits	137,743	201,331	136,024	143,010	152,425	154,527	150,750	40,046	157,500	153,300
Plan Review/Inspection Fees	135,995	114,231	184,662	247,902	152,346	170,698	200,000	50,471	150,000	180,000
Charges for Services	383,662	191,140	310,861	510,404	250,282	349,017	167,250	63,627	230,500	172,500
TIF/CID Proceeds	-	-	122,748	42,527	-	-	-	-	-	-
Bond Lease Proceeds	-	-	190,000	221,260	367,920	-	-	-	-	-
Miscellaneous	109,892	127,905	58,522	93,576	137,205	97,474	77,000	14,375	92,000	55,000
Transfers In	-	60,557	100,000	25,518	-	-	-	-	-	-
TOTAL REVENUES	<u>10,054,477</u>	<u>9,762,134</u>	<u>10,716,096</u>	<u>10,796,301</u>	<u>11,641,044</u>		<u>11,579,125</u>	<u>3,887,094</u>	<u>11,725,125</u>	<u>11,563,625</u>
Dedicated Street Mill Transferred Out	-	-	-	-	790,654		925,000	534,685	900,000	850,000
	<u>10,054,477</u>	<u>9,762,134</u>	<u>10,716,096</u>	<u>10,796,301</u>	<u>10,850,390</u>		<u>10,654,125</u>	<u>3,352,409</u>	<u>10,825,125</u>	<u>10,713,625</u>