



Office of the Mayor *and* Office of the City Manager

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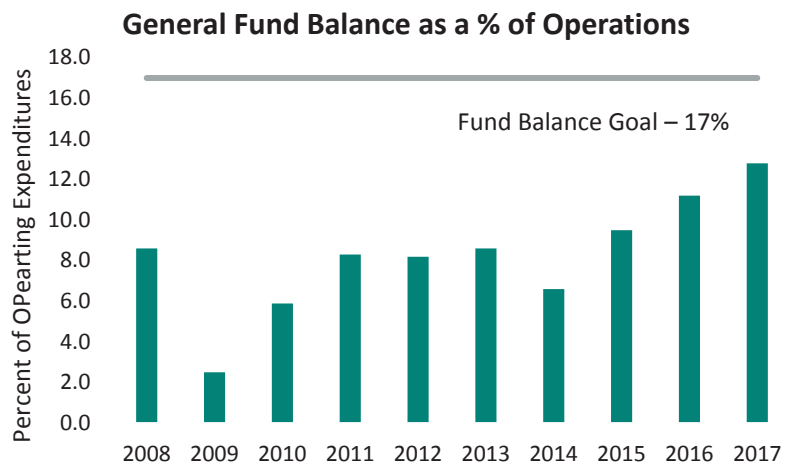
DATE: February 8, 2018
TO: Members of the City Council of Kansas City
FROM: Honorable Mayor Sylvester “Sly” James, Jr. and Troy M. Schulte, City Manager
SUBJECT: Submitted Budget for Fiscal Year 2018-19

We are pleased to submit to you this transmittal letter that details the Submitted Budget for the City’s fiscal year beginning May 1, 2018 and ending April 30, 2019.

The City continues its growth and economic development, as reflected in strong revenues. Residents have approved plans to repair infrastructure, expand the streetcar system, and build a new airport terminal. The two-year, \$10 million dangerous buildings demolition program is nearing successful completion as we eliminate blight and improve the quality of life in neighborhoods. We remain committed to public safety while finding innovative and creative ways to maintain basic city services.

The FY 2018-19 Submitted Budget reflects total planned expenditures of \$1.66 billion – an increase of 4.4 percent over the FY 2017-18 Adopted Budget. Revenue growth is strong, increasing at 5.7 percent in Governmental Activities Funds, and 5.2 percent including Aviation and Water Services.

The Submitted Budget also includes a surplus of \$983,000 to the General Fund balance. It is our goal again to not spend the required Contingent Appropriation. This would add an additional \$5.4 million to the General Fund balance pursuant to the Citywide Business Plan. The General Fund balance (reserves) has continued to grow since its low point in 2009 to a current level of 12.8 percent. We must remain committed to achieving the City’s adopted reserve goal of at least two months of operating expenditures – about 17 percent, or approximately \$88 million.



*Source: Comprehensive Annual Financial Report (CAFR)

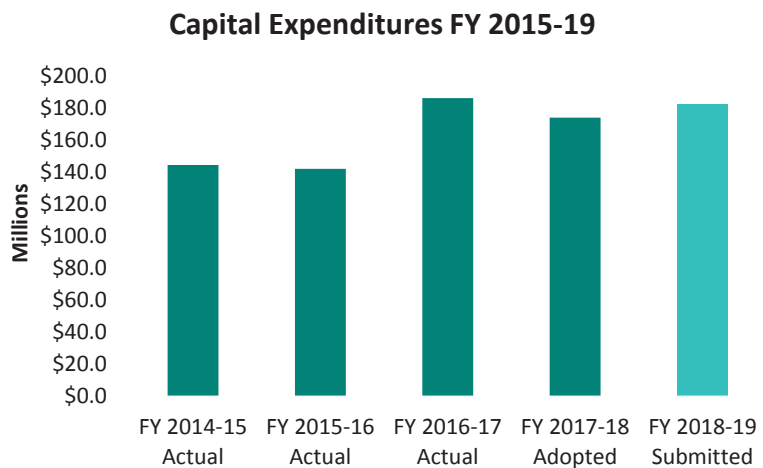
The FY 2018-19 Submitted Budget adheres to the direction of the Citywide Business Plan to maintain public safety spending. It includes mandatory wage and benefit increases in collective

bargaining agreements for fire and labor employees. And, it proposes step increases in the Kansas City Police Department for employees who are not at the top of their pay ranges. The Submitted Budget also sustains increased debt payments for police stations, fire stations, and fire trucks. Public Safety expenditures increase over \$14.6 million in the General Fund net of transfers. By contrast, total revenues in the General Fund increase \$21.1 million. The General Fund grows 2.9 percent, with most increases dedicated to public safety. *Public safety now consumes 76 percent of General Fund expenditures net of transfers.*

The non-public safety portion of the budget is dedicated to maintaining existing services with no significant service changes. The Submitted Budget maintains infrastructure funding at current levels. The City also will continue its citywide fleet replacement program. Finally, the Submitted Budget proposes a reduction of 39 non-public safety positions. Nine of these positions are currently filled and will result in an involuntary reduction in force.

Capital Improvements Plan

The voters last year approved \$800 million in General Obligation Bond (GO KC) bond authority. That approval increases capital expenditures in the FY 2018-19 Submitted Budget reducing the financial stress within the pay-as-you-go (PAYGO) capital maintenance programs. The Capital Improvements Plan (CIP) includes \$184.1 million in traditional PAYGO funding across several



funding sources and an additional \$58.8 million in GO KC bonds. The Public Improvements Advisory Committee (PIAC) has reviewed and commented on both the CIP and the GO KC plan pursuant to Resolution No. 160951. While the GO KC Bonds are separate from the operating budget, the intent is for the City Council to adopt the annual budget and the annual GO KC allocations at the same time. Moving forward, the Capital Improvements Sales Tax will focus on neighborhood projects and maintenance – including street preservation – while the GO KC bonds will provide the resources for major capital projects as approved by the voters.

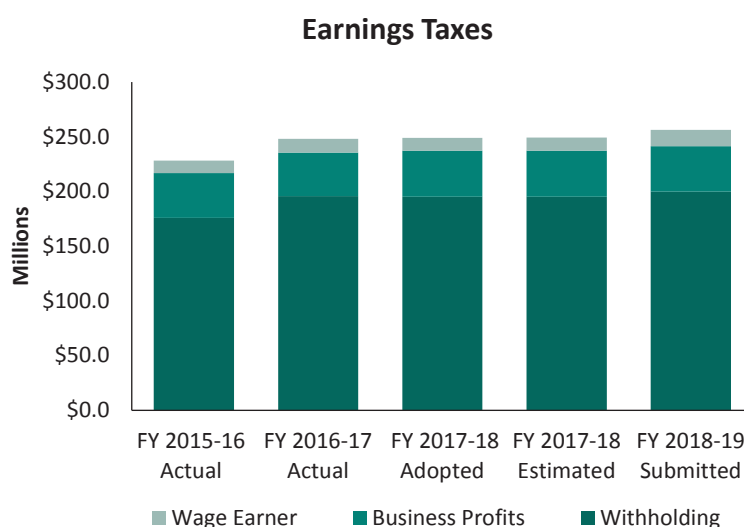
There will be a crucial election in April to renew the one percent Capital Improvements Sales Tax for 20 years. The sales tax currently generates over \$83 million per year for infrastructure maintenance and replacement. Capital improvements and maintenance is projected to increase dramatically beginning in the next fiscal year with the infusion of GO KC bonds. Several important projects, including the John “Buck” O’Neil bridge and the continued revitalization of 18th and Vine Historic District, are dependent upon the successful renewal of this vital resource.

Changes to the Budget: Governmental Activities

Governmental Activities, which exclude the Aviation and Water Services Departments, increase 4.1 percent to \$1.08 billion. The FY 2018-19 Submitted Budget draws an estimated \$15.2 million from reserves in Governmental Activities Funds to support current service levels and maintenance. This targeted use of special revenue fund reserves is manageable in the short run but unsustainable in the long term.

Revenue

The Submitted Budget projects Governmental Activities revenues to increase \$57.3 million (5.7 percent). The growth is driven primarily by continued strength in Earnings Taxes, an increase to the debt levy, and Sales Tax increases due to the Central City Sales Tax. Earnings tax is the largest single revenue in the City. The Submitted Budget projects growth of 3.0 percent, which is above the historical average of about 2.5 percent. Property Taxes and Convention and Tourism taxes also show increases over prior years. Sales taxes increase primarily due to the addition of the 1/8-cent Central City Sales Tax. Utilities taxes are projected to increase by 10.6 percent due to projected utility rate increases. Fines and forfeitures, primarily driven by traffic citations continue to decline by another projected \$4.8 million (32 percent), tempered only by a projected increase in parking citations.



Expenditures

The City Council in October 2017 adopted its update to the Citywide Business Plan. The FY 2018-19 Submitted Budget is a “one-year snapshot” of the City’s charter-required five-year financial plan. The budget is organized into five goals: Public Safety; Transportation and Infrastructure; Neighborhoods, Housing, and Healthy Communities; Planning, Zoning, and Economic Development; and Finance and Governance.

Governmental Activities expenditures increase \$42.7 million (4.1 percent) in the FY 2018-19 Submitted Budget. Public Safety expenditures increase \$14.3 million. All other functions combined grow by about twice that total - \$29.4 million.

Public Safety

Public Safety is the largest expense in the governmental activities budget, totaling \$447.9 million. Expenditures increase \$14.3 million (3.3 percent) in the FY 2018-19 Submitted Budget. Public Safety accounts for over 76 percent of the General Fund operating budget, and 41.6 percent of the total Governmental Activities budget.

Police

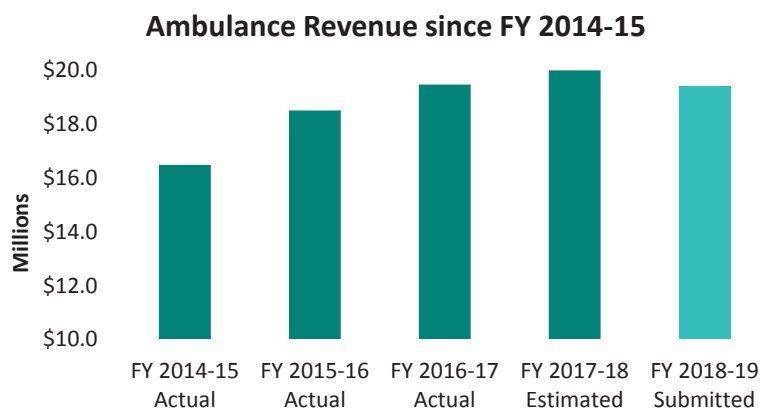
The FY 2018-19 Submitted Budget for the Police Department increases \$5.6 million (2.2 percent). Virtually all the proposed increase is in the General Fund. Wages and benefits increase by approximately \$7.5 million to include step increases for officers and civilians. The Submitted Budget also adds eight new dispatcher positions (of 21 requested), matches a grant from the federal COPS MORE program to add 15 additional patrol officers (of 30 requested), and includes the City’s match for a Hall Family Foundation grant for six social worker contract positions in each of the patrol divisions to address violence in the city’s core. These increases are in addition to the Board of Police Commissioners' base budget submittal.

The Submitted Budget also includes the City’s match for a Hall Family Foundation grant for six social worker contract positions in each of the patrol divisions to address violence in the city’s core.

The Submitted Budget also proposes to transfer downtown parking control to the Police Department, resulting in an increase of ten positions. The Police Department estimates that this will generate nearly \$4.5 million in additional parking revenue citywide, of which approximately \$2 million would benefit the General Fund. The budget also consolidates several information technology programs in the OneIT division (transferring a \$2.5 million expense from KCPD to the City budget), and it increases \$650,000 for building maintenance of patrol stations within General Services Facilities Maintenance. The budget also increases \$75,000 for the Kansas City Metro Crime Stoppers' TIPS hotline, bringing the total reward amount to \$5,000 for each valid tip.

Fire

The Submitted Budget for the Fire Department includes all budget impacts of collective bargaining agreements including wage increases, overtime, and minimum staffing requirements. The total Submitted Budget increases \$8.2 million (5.0 percent) from the adopted budget. Most of the increase, \$8.1 million, is for wages and benefits. Included

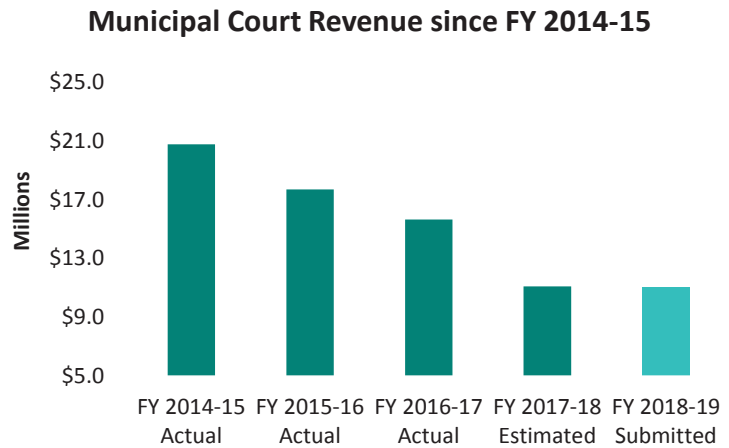


within that increase is a projected overtime increase of \$3.8 million and a pension increase of \$2.4 million the from Adopted Budget. Fire apparatus debt payments in the Fire Sales Tax Fund also increase approximately \$744,000 to continue the full fleet replacement of fire trucks and ambulance chassis.

The Submitted Budget includes \$2 million in anticipated revenue from the recently approved state Ground Emergency Medical Transportation (GEMT) system. Also, ambulance revenue is estimated to exceed \$19.5 million in FY 2018-19. This source has increased every year since the City modernized its collection process in 2015.

Municipal Court

The Submitted Budget for Municipal Court is largely unchanged for FY 2018-19. Reduced citation revenue over the last several years has resulted in lower budgets for revenue-supported court activities including domestic violence shelter operations (\$166,000 decrease), probation (\$100,000 decrease), and specialty courts (\$279,000 decrease). Finally, the budget includes debt service on Phases I and II of the court building renovation.



Transportation and Infrastructure

Transportation and Infrastructure includes Public Works as well as bus and streetcar operations. Total funding increases by \$1.7 million to \$191.5 million in the FY 2018-19 Submitted Budget not including Water Services.

Public Works

The FY 2018-19 Submitted Budget for Public Works significantly increases funding for street projects. It maintains previous budget levels for street resurfacing and expands street reconstruction through GO KC bond projects. It also increases bridge maintenance to \$3.7 million. The renewal of the one-cent PIAC sales tax will allow the City to increase the funding for street preservation beginning in FY 2019-20. The budget also adds \$275,000 to match a federal grant to add 35 traffic synchronization cameras and extend the City’s fiber optics network. The Submitted Budget adds one position in Coordination Services to track citywide capital projects; and it adds two positions in Asset Management in order to track citywide infrastructure assets and maintenance conditions.

In Parking Control, the Submitted Budget reflects the transfer of two downtown parking garages – the KC Live garage and the 11th and Walnut garage – to private management as part of the Three Light Development agreement. Debt service increases by \$3.3 million for the 11th and Oak garage for the final debt payments on that facility. Downtown Parking Control enforcement transfers to the KCPD while Public Works will continue to operate garages, meter collections, and overall parking management.

Transportation Authorities

The FY 2018-19 Submitted Budget increases funding for the Kansas City Area Transportation Authority (KCATA) by \$844,000 (1.5 percent) consistent with the Adopted Citywide Business Plan. The budget also includes \$1.3 million from the KCATA Sales Tax to develop a new transit center at 12th and Charlotte in downtown Kansas City.

The Streetcar Authority budget is fully funded from revenues generated within its Transportation Development District (TDD), and it includes debt service for two new vehicles.

Neighborhoods, Housing, and Healthy Communities

The Submitted Budget for Neighborhoods and Healthy Communities, including parks, neighborhoods, and health services, shows an increase of \$12.1 million.

Neighborhoods and Housing Services

The Neighborhoods and Housing Services (NHS) budget increases by \$10.5 million to \$65.1 million due to the recently-approved 1/8-cent Central City Sales Tax. The sales tax is expected to generate over \$10 million for reinvestment in the city's urban core. No Central City Sales Tax funding has been allocated for any projects in this budget.

The Submitted Budget includes continued debt payments for the City's \$10 million dangerous building demolition program. And, the budget includes \$150,000 to support the KC Catalytic Urban Redevelopment Initiative (KC-CUR) through Greater Kansas City LISC. The Submitted Budget reduces three positions through vacancies in Regulated Industries, Neighborhood Services, and Solid Waste. The budget also reduces neighborhood nuisance abatement programs by \$275,000 while increasing Land Bank funding by about \$250,000 to support a seven-month mowing cycle. Solid waste programs including residential refuse collection, leaf and brush collection, bulky item collection, and recycling are held constant.

The Submitted Budget includes debt payments at 18th and Vine and the Linwood Shopping Center grocery store. Finally, the FY 2018-19 Submitted Budget anticipates a reduction in Community Development Block Grant (CDBG) funding of about \$590,000 compared to the Adopted Budget. The 2018-2022 Five-Year Consolidated Plan and 2018 One Year Action Plan

budget will be passed in the spring, at which time the federal grant funds will be adjusted accordingly.

Health and Medical Care

The Health Levy funds three primary types of service: the health department, ambulance services, and safety net health care providers. The Health Department Submitted Budget increases \$2.8 million to \$27.2 million, including \$14 million in various grants and other program aid. The transfer to the General Fund for ambulance services and for administrative services increases about \$1 million to \$14.9 million. Funding for safety net health care providers is largely unchanged from the current year at \$31.9 million based on patient encounter data. The Submitted Budget adds 10 positions to the Health Department: two in Communicable Diseases, one in Health Administration, and seven in Environmental Health Services, which are fully fee supported. And, it includes \$1.2 million from the Health Building Fund to build a new garage for health department mobile service vehicles, HVAC upgrades, and elevator maintenance. The budget includes \$400,000 to upgrade the department's electronic health records system. Finally, the Submitted Budget includes \$540,000 for the Kansas City Assessment and Triage Center (KC-ATC), representing the second of three years of debt service.

Parks and Recreation

The Parks and Recreation Department Submitted Budget totals \$59.1 million and adds three positions in accounting, engineering, and the KC Museum. The Submitted Budget also adds \$250,000 to create a Resource Development Team. The Resource Development Team's goals will be to increase use of Parks and Recreation amenities and to generate park revenues through a variety of sources including friend organizations, planned giving, fundraisers, sponsorship, and corporate giving. The final year of debt service on the Urban Youth Baseball academy increases from the Adopted Budget by \$1.4 million. Fleet replacement for Parks and Recreation remains at \$1.5 million as part of a long-term plan to address the department's aging equipment. Finally, the budget adds \$300,000 for ongoing maintenance at Starlight Theater.

Planning, Zoning, and Economic Development

The Submitted Budget for the Planning, Zoning, and Economic Development goal increases \$1.6 million to \$141.1 million. Capital improvements in the Kansas City Convention Center decreases \$1.9 million and existing debt service for Bartle Hall increases by \$4.2 million. Strong hotel/motel revenues result in a \$1.3 million increase to VisitKC and a \$200,000 increase to the Neighborhood Tourist Development Fund.

Economic development debt payments and support increases \$1.5 million for KC Live, \$2.4 million to the 12th and Wyandotte development district, and \$500,000 for the Linwood Grocery Store.

City Planning and Development increases three positions in development services including a new administrator of the City's Compass KC online permitting system.

Finance and Governance

Finance and Governance includes several administrative departments in the City and totals \$105.5 million (8.8 percent) of the total Governmental Activities Budget. Finance and Governance funding increases overall by 16.4 percent in the Submitted Budget.

General Services decreases 10 total positions in Administration, Facilities Management, Information Technology, and Procurement. The Submitted Budget includes an additional \$250,000 to support the American Jazz Museum. And, approximately \$2.7 million transfers from the Police Department to OneIT to support ongoing information technology consolidation efforts.

The Submitted Budget for the Finance Department adds two positions in the Revenue Division to enhance revenue collections through additional audit activity.

The Facilities Management budget includes \$785,000 to lease the 4400 Blue Parkway Building for the Department of Neighborhoods and Housing Services. And, the Capital Improvements Plan includes an additional \$1.1 million for building maintenance. Finally, Fleet Management increases by \$400,000 to support additional fleet replacement primarily in Public Works.

The Law Department increases by two positions in collections and one position in Municipal Court Prosecution.

The Submitted Budget for the Finance Department adds two positions in the Revenue Division to enhance revenue collections through additional audit activity. The positions are expected to generate over \$1 million of additional revenue.

The Human Resources budget adds one position in Labor and Employee Relations to increase investigations on harassment and discrimination complaints, and is paid by Water Services funds.

The Office of the City Manager decreases by two positions in the City Manager's Office and one vacant position in the Action Center. The Submitted Budget also adds an Internal Auditor position and a Citywide Fiber Network Manager.

The Office of the City Auditor Submitted Budget includes a \$50,000 salary reduction target.

Finally, the Submitted Budget includes \$90,000 for the *Teens in Transition* program funded by the Office of the Mayor. This program allows for year-round contact with at-risk youth at a second location in Ruskin to address increased juvenile crime in this neighborhood. Also added is an additional \$50,000 to the Kansas City Film Office to support additional staff. The budget also supports an additional week of paid parental leave for city employees, expanding the program from six to seven weeks.

Changes to the Budget: Business Type Activities

Business Type Activities, or “enterprise funds,” include the Aviation Department and Water Services Department. They operate solely on service fees, and they are separate units within the budget. Business Type Activities represent approximately one third of the total budget.

Aviation

The Submitted Budget for Aviation totals \$177.7 million. Funding for fleet replacement increases by \$2.2 million. The capital improvements budget totals \$44.5 million and includes \$20 million to rehabilitate Taxiway C, \$3 million to remove Taxiway D, \$3 million in parking improvements, \$3 million in Overhaul Base improvements, and several drainage improvements, parking improvements, building and electrical projects. Revenue increases \$9.2 million (5.3 percent) from airline agreements, passenger revenue, property rental, rental car leases, interest, and parking revenue.

Water Services

The Water Services FY 2018-19 Submitted Budget invests \$408.7 million to maintain and replace the infrastructure that treats over 37 billion gallons of water used by consumers annually. Major capital upgrades include \$3.5 million – an increase of \$1 million – to maintain the automated meter reading (AMR) system. The Submitted Budget also includes \$87.2 million for capital improvements including \$34.9 million in the Smart Sewer Program, \$25.5 million in wastewater projects, \$24.9 million in water treatment and line projects, and \$250,000 in stormwater projects. Debt payments in the Sewer Fund increase by \$11.4 million to \$47.9 million to pay for continued long-term infrastructure upgrades. The Water Services also includes \$600,000 for installation of fire flow meters in Consumer Services.

The FY 2018-19 Submitted Budget recommends rate increases of 2.0 percent for water and 9.5 percent for sewer. The proposed increases are more consistent with last year’s proposal and lower than the last several years prior.

Important Dates for the FY 2018-19 Budget Deliberations

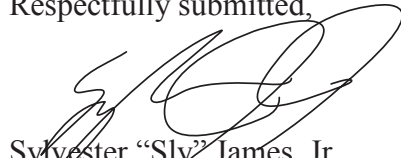
For your review, the following dates are provided as key milestones in the process of deliberating and adopting the annual budget of the City under city charter requirements.

Mayor and City Manager’s Budget delivered to Mayor and Council	February 8
Submitted Budget Presentation – Business Session	February 8
First Neighborhood Hearing – Christ the King Church (South)	February 17
Introduction of the Budget Ordinance	February 22
First department director hearing – Business Session	February 22
Second Neighborhood Hearing – Guadalupe Center Auditorium	February 24

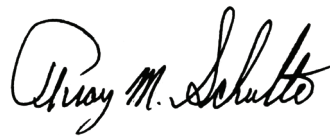
Second department director hearing – Business Session	March 1
Third Neighborhood Hearing – R.B. Doolin Center – NKC Schools	March 3
Public Hearing – Finance and Governance Committee	March 7
Fourth Neighborhood Hearing – KCPD Headquarters (Central)	March 8
Finance and Governance Committee consideration of the Budget	March 14 and 21
Business Session on the Budget	March 22
City Council adoption of the Budget Ordinance	March 22

This Submitted Budget follows the lead of our Citywide Business Plan to sustain public safety enhancements and maintain basic operations. We must continue to address structural deficiencies, reserve levels, and basic service provision in order to become a *resilient* organization as outlined in the Citywide Business Plan. City budget staff stands ready to address any questions you may have regarding the information presented in this preliminary budget. We look forward to working with you as you review it.

Respectfully submitted,



Sylvester "Sly" James, Jr.
Mayor



Troy M. Schulte
City Manager