

CITY OF FOUNTAINS  
HEART OF THE NATION



KANSAS CITY  
MISSOURI

## Office of the City Manager

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DATE: February 14, 2019  
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 2019-20

We are pleased to submit to you this transmittal letter that details the Submitted Budget for the City’s fiscal year beginning May 1, 2019 and ending April 30, 2020.

Kansas City is a thriving hub of innovation, creativity and commerce. Many important projects are underway, including a new convention hotel, infrastructure improvements and repairs, and of course, the new single terminal KCI. With a projected citywide revenue increase of 4.1 percent, we will not only continue to deliver the important services residents need and deserve, but also improve upon those services by updating equipment and technologies, and by hiring essential personnel to coordinate neighborhood cleanups and parks safety. Through growing summer youth programs such as Hire KC and Mayor’s Nights, and our continued commitment to supporting families with the addition of a seventh week of paid family leave for all city employees, this budget embodies Kansas City’s exciting momentum and growth. Moreover, this budget reflects our commitment to make our community safer, more equitable, efficient and vibrant for our residents.

The FY 2019-20 Submitted Budget reflects total planned expenditures of \$1.73 billion – an increase of 3.6 percent over the FY 2018-19 Adopted Budget. Revenue growth is strong, increasing 4.1 percent citywide, and 5.3 percent excluding Water Services and Aviation.

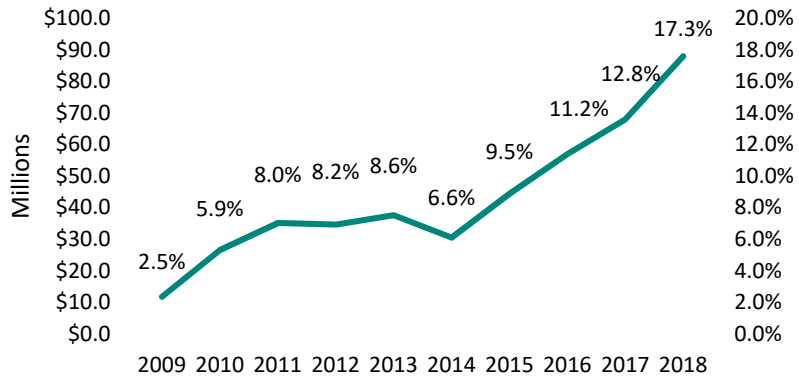
### Citywide Business Plan

Kansas City is a recognized national leader in strategic and financial planning, resident engagement, and budgeting and planning processes. The City received the prestigious 2018 Award for Excellence in Government Finance from the Government Finance Officers Association (GFOA) for “Engaging Residents in KC’s Citywide Business Plan.”

*The City received the 2018 GFOA Award for Excellence in Government Finance for “Engaging Residents in KC’s Citywide Business Plan.”*

The Submitted Budget adheres to the direction of the Adopted Citywide Business Plan to maintain public safety spending. It includes mandatory wage and benefit increases in collective bargaining agreements for fire and labor employees. It proposes pay increases for employees in the Kansas City Police Department. The budget fully funds all city pension plans for the sixth consecutive year. And, the budget includes new investments in equipment and fleet replacement, including in the General Fund for the first time since 2006. All management employees are eligible to receive a two-percent merit increase on their work anniversary date.

**General Fund Balance as a % of operations**



\*Source: Comprehensive Annual Financial Report (CAFR)

A strong local economy and adherence to our financial plan led to a growth of over \$57 million in the City’s General Fund reserve levels since the City adopted its first Citywide Business Plan in fiscal year 2013-14. In the last fiscal year ending April 30, 2018, the City met its policy goal of two months of operating reserves for the first time in the City’s history. Therefore, this budget also begins to address structural balance and reserve levels in special revenue funds as highlighted in the Adopted Citywide Business Plan.

### Capital Improvements Plan

The voters in April 2017 approved \$800 million in new general obligation bond (GO KC) authority. The Submitted Budget includes for council consideration a proposed Year 3 through 8 bond allocation. The bond authority allows for \$48.4 million in new capital spending in FY 2019-20. The bond authority also reduces the financial stress within the pay-as-you-go (PAYGO) capital maintenance programs. The Capital Improvements Plan (CIP) includes \$231.1 million in traditional PAYGO funding across several funding sources, including enterprise funds. 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 to again ask the City Council to adopt the annual budget and the annual GO KC allocations at the same time.

In April 2018, voters also approved renewing the crucial one-percent Capital Improvements Sales Tax. The annual CIP now will focus on neighborhood projects and maintenance – including street preservation – while the GO KC bonds will provide resources for major capital projects as approved by the voters. The CIP increases capital maintenance funding in several areas including streets, bridges, buildings, and parks maintenance. The CIP boosts funding by 70 percent, or \$17 million, for Street Preservation, of which

*The CIP boosts funding to include \$17 million for Street Preservation*

\$500,000 will be dedicated to parks, boulevards and lots, and \$500,000 to Complete Streets development, including enhanced bike/pedestrian lanes. The Submitted Budget also includes \$2.8 million in parks and recreation maintenance to relieve some financial stress on the Parks and Recreation Fund.

Finally, the renewed CIP continues its longstanding allocation of 35 percent of the one-percent Capital Improvements Sales Tax to Neighborhood Conservation projects distributed equally to each council district. Those projects are included in the Submitted Budget for the first time.

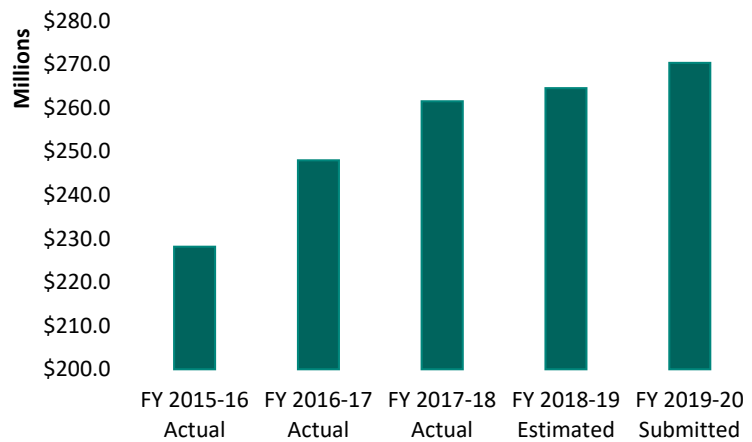
### Changes to the Budget: Governmental Activities

Governmental Activities, which exclude the Aviation and Water Services Departments, increase 4.4 percent to \$1.12 billion. The FY 2019-20 Submitted Budget draws an estimated \$9.0 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 \$56.6 million (5.3 percent). The growth is driven primarily by continued strength especially in Earnings Taxes, Property Taxes, and Local Use Taxes. Earnings tax is the largest single revenue source in the City. The Submitted Budget projects growth of 4.4 percent, which is above the historical average of about 2.5 percent. Property Tax revenue is also bolstered by \$16.2 million due to increased property values and additional levies for capital projects.

**Earnings Tax Revenue Since FY 2015-16**



Growth in sales taxes and convention and tourism taxes moderates in the Submitted Budget to 2.9 percent and 2.0 percent, respectively, reflecting recent trends. Fines and forfeitures, primarily driven by traffic citations, rebounds slightly in the Submitted Budget driven by a modest increase in citation volume over the last several months.

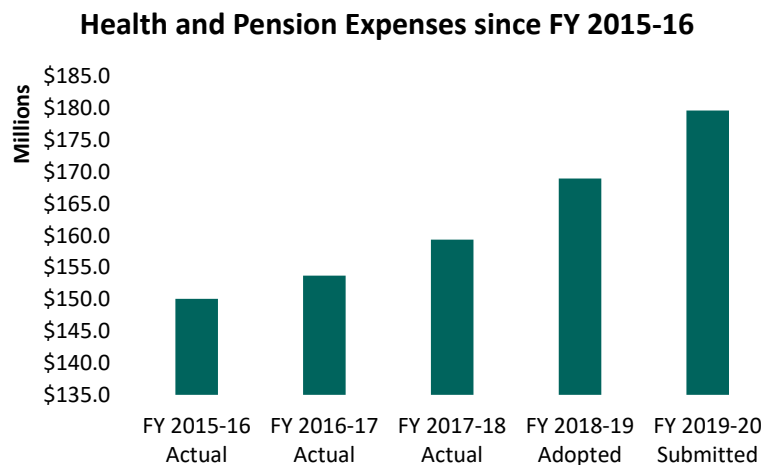
Finally, the FY 2019-20 Submitted Budget increases fee-supported services that have not been increased in several years. Most notably, fire inspections revenue increases by \$671,000 to reflect proposed fee increases included in the Submitted Budget. These fees were last updated well over a decade ago. Similarly, the budget proposes inflationary adjustments to development fees and permits, and streets excavation and lane closure permits.

## Expenditures

The City Council in October 2018 adopted its update to the Citywide Business Plan. The FY 2019-20 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 \$47.3 million (4.4 percent) in the FY 2019-20 Submitted Budget. Of that total, Public Safety expenditures increase \$21.2 million, and all other functions combined grow by about \$26.1 million.

The Submitted Budget focuses on funding public safety, capital improvements, and neighborhoods – the priorities reflected in the Annual Resident Survey. The City also continues its citywide fleet replacement program. Pension and health insurance benefits for City and KCPD employees increase \$8.8 million. Pension costs alone are projected to increase nearly \$23.2 million over the next five years. Therefore, the Mayor’s Pension Task Force is currently examining options to alleviate the city’s liability in the coming years.



## Public Safety

Public Safety is the largest expense in the Governmental Activities budget, totaling \$469.1 million. Expenditures increase \$21.2 million (4.7 percent) in the FY 2019-20 Submitted Budget. Public Safety accounts for over 75 percent of the General Fund operating budget, and nearly 42 percent of the total Governmental Activities budget.

### Police

The Submitted Budget for the Kansas City Police Department (KCPD) increases \$7.3 million (2.9 percent). Wages and benefits increase by approximately \$4.7 million to include step increases for officers and civilians as well as \$2.2 million in pension and health insurance increases. The Submitted Budget maintains current staffing levels, and it increases equipment and maintenance by \$1.3 million including \$500,000 to match Kansas City Police Foundation

*The Submitted Budget also includes \$500,000 in the City’s match for Kansas City Police Foundation grants.*

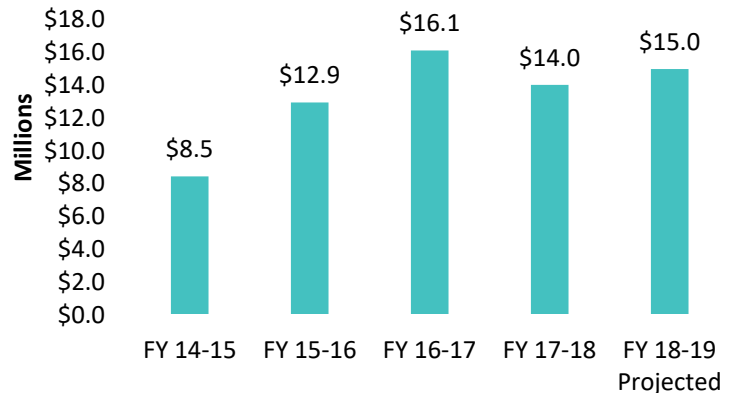
equipment and technology grants, \$500,000 in police vehicle cameras, and \$300,000 in additional vehicles. The budget also adds \$310,000 for debt payments on a reconstructed police helicopter facility; and it includes \$300,000 in the General Services OneIT budget to begin a projected three-year replacement of virtually all KCPD information technology needs.

**Fire**

The Submitted Budget for the Fire Department increases \$13.3 million (7.6 percent) from the Adopted Budget. Most of the increase, \$6.2 million, is for wages and benefits including \$2.1 million in additional pension costs. Just as we added 24 patrol officers and 15 dispatchers to KCPD in the Adopted Budget, this Submitted Budget adds 21 positions to fire department to reduce workloads on emergency responders – including an additional 15 firefighters and three communication specialists. The Submitted Budget includes a reduction of \$1 million in projected overtime. This reflects the increased staffing to fill roster vacancies as well as the department’s efforts to reduce modified duty time throughout the department.

An additional \$5 million (\$12.2 million total) represents the department’s actuarial liability for workers compensation settlements and claims. Fire apparatus and equipment debt payments in the Fire Sales Tax Fund also increase by approximately \$1.1 million to continue the full fleet replacement of fire trucks and ambulance chassis plus approximately \$379,000 for new debt service to replace small fleet vehicles and communication center equipment. Finally, other expenditures increase by \$310,000 for additional training, contracts, and supplies.

**Fire Overtime Costs Since FY 2014-15**

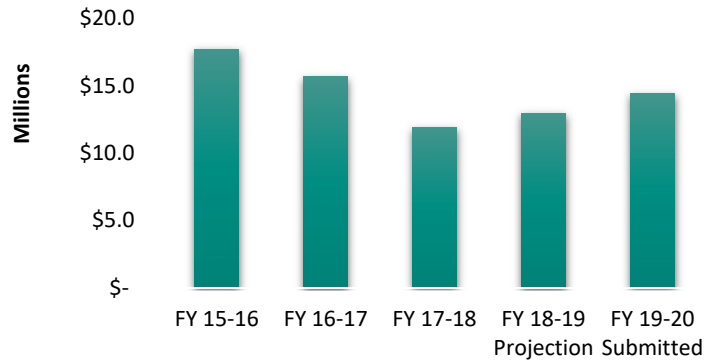


The Submitted Budget includes \$6.4 million in anticipated revenue from the recently-approved state Ground Emergency Medical Transportation (GEMT) system. Finally, ambulance billing revenue is estimated to exceed \$20 million in FY 2019-20. This source has increased every year since the City modernized its collection process in 2015.

### Municipal Court

The Submitted Budget for Municipal Court is largely unchanged for FY 2019-20. Citation volume is expected to rebound. This affects not only the General Fund but also revenue-supported court activities including domestic violence shelter operations, probation, and specialty courts along with youth activities in the Parks and Recreation Department. The Submitted Budget adds an additional \$45,000 (\$135,000 total) to probation case management, which is recommended to be bid in the next fiscal year through a formal procurement process. Finally, the budget increases \$634,000 for the City to begin operating a jail for city detainees and inmates with the cancellation of the jail agreement with Jackson County.

**Municipal Court Revenue since FY 2015-16**



### Transportation and Infrastructure

Transportation and Infrastructure includes the Department of Public Works as well as bus and streetcar operations. Total funding increases by \$10.1 million to \$207.5 million in the FY 2019-20 Submitted Budget, not including Water Services.

### Public Works

The Submitted Budget for Public Works increases \$8.7 million to repair more streets, repaint more crosswalks and improve garage maintenance. Street preservation increases by \$6.4 million and street reconstruction is bolstered by \$24.0 million through GO KC bond projects. The budget also adds \$1.4 million, including \$1.0 million of one-time equipment costs, to fully implement a rural mowing program. The Submitted Budget also includes \$100,000 to maintain matching funding for traffic signal improvements and \$363,000 for an additional crew and equipment for short line pavement markings, such as pedestrian crosswalks.

In Parking Control, debt service decreases by \$5.4 million to reflect final payments this year for the 11<sup>th</sup> and Oak garage. The budget also adds \$500,000 for ongoing garage maintenance and repairs in addition to existing garage management contracts.

### Transportation Authorities

The Submitted Budget increases funding for the Kansas City Area Transportation Authority (KCATA) by \$530,000, consistent with projected growth in the Adopted Citywide Business Plan. The Streetcar

Authority budget, totaling \$10.3 million, is funded primarily from revenues generated within its Transportation Development District (TDD).

## Neighborhoods, Housing, and Healthy Communities

The Submitted Budget for Neighborhoods and Healthy Communities, including parks, neighborhoods, and health services totals \$190.5 million, an increase of \$8.7 million.

### Neighborhoods and Housing Services

The Neighborhoods and Housing Services (NHS) budget increases by \$4.6 million to \$59.4 million to provide additional funding for animal health and public safety, illegal dumping, nuisance abatement, and trash collection.

The Submitted Budget includes continued debt payments for the City’s \$10 million dangerous building demolition program, for which the initial log of dangerous buildings is 100 percent completed. We propose an additional \$3 million bond package to begin early in the next fiscal year to continue these revitalization efforts. The budget also adds two positions to illegal dumping enforcement and restores a position to coordinate neighborhood cleanups. And, it includes \$350,000 for nuisance abatement and cleanup provided by non-profit corporations such as the Full Employment Council and the Missouri Department of Corrections inmate labor and monitoring.

The Submitted Budget includes an increase of \$785,000 to enhance animal shelter operations at the new Kansas City Campus for Animal Care slated to open in early 2020. The budget also includes \$457,000 in new debt payments to replace and expand the city’s solid waste fleet plus an additional \$88,000 to add NHS vehicles to the City’s vehicle replacement lifecycle – the first significant replacement of this kind since 2006.

*The Submitted Budget enhances animal control operations at the new Kansas City Campus for Animal Care slated to open in early 2020.*

The Submitted Budget does not include an allocation for a proposed Affordable Housing Trust Fund. The Finance Department will be tasked during this budget approval timeframe with providing options to support such a program.

### Health and Medical Care

The Health Fund supports three primary types of service: the Health Department, ambulance services, and safety net health care providers. The Health Department Submitted Budget totals \$27.1 million, including \$12.6 million in various grants and program aid. The budget includes the \$1.9 million Healthy Homes Rental Inspection program that was approved by the voters in a special election in August 2018. The transfer to the Fire Sales Tax Fund for ambulance services increases \$555,000 to \$14.4 million. This is an increase of 4.0 percent while the total Fire Department budget increases 7.6 percent. Funding



for safety net health care providers is unchanged from the Adopted Budget at \$30.9 million. Finally, the Submitted Budget includes the final year of debt service for the Kansas City Assessment and Triage Center (KC-ATC) and \$420,000 for ongoing maintenance and security of the facility.

### Parks and Recreation

The Parks and Recreation Department Submitted Budget totals \$72.1 million. The total budget represents a \$4.6 million increase from the Adopted Budget, and it begins to address a structural deficit in the Parks and Recreation Fund as detailed in the Citywide Business Plan. The Parks and Recreation Department maintains 16 mowing cycles annually – up from 11 two years ago. The Submitted Budget creates six Parks Rangers positions for a new Parks Safety and Security program. 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.

### Planning, Zoning, and Economic Development

The Submitted Budget for the Planning, Zoning, and Economic Development goal increases \$4.8 million to \$155.2 million, not including Aviation. Capital improvements at the Kansas City Convention Center include \$3.0 million to expand the convention center kitchen, \$1.65 million for Auditorium Plaza Garage renovations, and \$500,000 to replace carpet in the Grand Ballroom. The budget also includes \$200,000 for maintenance at the Sprint Center.

The City Planning and Development Submitted Budget includes \$150,000 to begin a new comprehensive plan process. The City’s current comprehensive plan, Forging Our Comprehensive Urban Strategy (FOCUS), is over 20 years old. The budget also includes \$500,000 support for third-party technical reviews in the Land Development Division.

### Finance and Governance

Finance and Governance includes several administrative departments and totals \$104.3 million (9.3 percent) of the total Governmental Activities budget. Finance and Governance funding increases overall by 2.5 percent in the Submitted Budget. The Human Relations Submitted Budget includes three new positions: an Ombudsman to assist contractors and developers with payments, contracts, and performance disputes; a MWDBE Certification Manager for compliance; and a Human Relations Specialist for Aviation projects.

The Submitted Budget for General Services adds a Citywide Energy Manager for municipal buildings, and it includes \$1.025 million to support the American Jazz Museum as it begins under new board leadership to implement recommendations of the outside audit. The Submitted Budget also appropriates \$4.8 million in OneIT to support ongoing information technology consolidation efforts. The Capital Improvements Plan includes \$5.5 million for building

*The Submitted Budget for the Human Relations Department adds three positions: an Ombudsman, a MWDBE Certification Manager, and a Human Relations Specialist for Aviation projects.*



maintenance. Finally, Fleet Management increases by \$769,000 to support additional fleet replacement primarily in Public Works.

The Law Department increases by one paralegal to improve response time to tort litigation and neighborhood-related cases, and by \$150,000 for outside legal counsel related to upcoming labor negotiations.

The Human Resources budget adds one position in Labor and Employee Relations to ensure timely delivery of investigations on harassment and discrimination complaints.

The Office of the City Manager adds two positions in DataKC to monitor and report performance in Public Works and Neighborhoods and Housing Services and one position to manage the City's one percent for art program and help staff the Municipal Arts Commission. The Submitted Budget also reduces three vacant positions in the department. The budget includes \$100,000 for a Negro Leagues centennial celebration, \$50,000 for the annual Celebration at the Station event, \$60,000 for the month-long annual Downtown Dazzle holiday event, \$75,000 to support the July 4<sup>th</sup> Riverfest celebration, and \$50,000 for 18<sup>th</sup> and Vine festival support. It includes \$100,000 to support the NAIA basketball tournament and a new allocation of \$500,000 to attract new convention business to Kansas City. The Submitted Budget dedicates \$300,000 to begin the City's commitment to the Keystone Development District through the Economic Development Corporation (EDC), and it also continues to fund the LaunchKC technology start-up initiative at \$50,000. Finally, the budget adds \$350,000 for fiber optic maintenance and \$50,000 for enhanced flood warning systems in the Office of Emergency Management.

## 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 \$178.9 million. Funding for fleet replacement increases by \$2.2 million. The capital improvements budget totals \$53.75 million and includes \$20 million for runway rehabilitations, \$10 million for taxiway construction, \$3 million for parking rehabilitation, \$5.9 million for roadway rehabilitation, \$2 million for airport signage and circuitry, \$2 million for Intermodal Business Center Development, and \$2.9 million for building and roof maintenance. The budget also includes \$2.7 million for the KCPD helipad, which will be repaid by the Public Safety Tax Fund. Revenue increases \$1.9 million (1.5 percent) from terminal and airfield revenue and parking revenue of \$1.25 million and electricity rebates for LED lights of \$650,000.

### Water Services

The Water Services Submitted Budget recommends rate increases of 2.0 percent for water and 6.0 percent for sewer. The proposed increases are lower than those of the last several years prior and reflect

the significant progress the City has made in upgrading water and sewer infrastructure citywide. The final sewer rate increases will be the result of negotiations with the United States Environmental Protection Agency (US EPA) that the City continues in good faith at the time of this budget.

The Submitted Budget invests \$424.2 million to maintain and replace the infrastructure that treats over 37 billion gallons of water used by consumers annually. Major capital upgrades include the continued funding of capital improvements including \$32.9 million in the Smart Sewer Program (Overflow Control Plan), \$31.8 million in wastewater projects, and \$27.7 million in water treatment and line projects. Debt payments in the Sewer Fund increase by \$2.2 million to \$50.1 million to pay for continued long-term infrastructure upgrades. The Water Fund increases by \$4.2 million to \$173.5 million in the budget. Water Services will continue to improve overall system reliability by continuing to fund infrastructure improvements by \$27.7 million, an increase of \$5.9 million.

The Stormwater Fund includes significant program changes to address ongoing structural budget deficits related to stormwater and flood control. Changes include moving the flood warning system maintenance of \$289,000 to the Public Safety Sales Tax and eliminating the street sweeping program of \$1.4 million. Reserves in the stormwater fund are projected to decrease to \$4.7 million by the end of FY 2019-20. The City must find a solution to ongoing revenue shortfalls to ensure a sustainable flood control infrastructure system in the future.

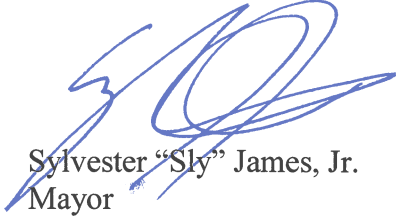
### Important Dates for the FY 2019-20 Budget Deliberations

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 14
Submitted Budget Presentation – Business Session	February 14
First Neighborhood Hearing – Southeast Community Center (South)	February 19
Second Neighborhood Hearing – KCPD Headquarters (Central)	February 21
Introduction of the Budget Ordinance	February 21
Third Neighborhood Hearing – R.B. Doolin Center – NKC Schools	February 23
Public Hearing – Finance and Governance Committee	February 27
First Department Budget Presentation – Business Session	February 28
Fourth Neighborhood Hearing – Gregg Klice Community Center (East)	March 2
Second Department Budget Presentation – Council Work Session	March 5
Public Hearing – Finance and Governance Committee	March 6
Third Department Budget Presentation – Business Session	March 7
Finance and Governance Committee consideration of the Budget	March 20
Business Session on the Budget	March 21
City Council adoption of the Budget Ordinance	March 21

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