



Office of the Mayor

Mayor Kay Barnes

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February 9, 2006

Councilwoman Deb Hermann
First District-at-large

Councilman Jim Glover
Fourth District-at-large

Councilman Bill Skaggs
First District

Councilwoman Rebecca Nace
Fifth District-at-large

Councilwoman Bonnie Sue Cooper
Second District-at-large

Councilman Terry Riley
Fifth District

Councilman John Fairfield
Second District

Councilman Alvin L. Brooks
Sixth District-at-large

Councilman Troy Nash
Third District-at-large

Councilman Charles A. Eddy
Sixth District

Councilwoman Sandra McFadden-Weaver
Third District

City Hall
414 E. 12th Street, 24th Floor
Kansas City, Missouri 64106

RE: Budget Transmittal Letter

Dear Council Members:

Fulfilling the Charter responsibilities as Mayor I submit to you my recommendations regarding the City Manager's 2006-2007 preliminary budget.

In the last five years the City has faced a challenging economic climate with stagnant revenues which resulted in our having to make budget reductions of more than a quarter billion dollars and a significant decrease in the number of City employees. Every city department has felt the effects of these conditions while struggling to maintain levels of service to the residents of our city.

The 2006-2007 preliminary budget suggests we have finally turned a corner and are moving into a more favorable financial situation. The proposed budget meets two key requirements toward achieving a structurally balanced budget – current revenues that equal current expenditures and projected revenues that equal or exceed projected expenditures – and provides an improved capability to increase funding for basic services for our citizens.

Although the increase in General Fund revenue is modest, it does finally give the City the ability to finance and improve basic services that were reduced in previous budgets.

I commend City Manager Wayne Cauthen and his staff for their efforts in crafting this preliminary budget. This budget is the first in five years to represent a significant improvement in the City's efforts to construct a budget which is structurally balanced. Of particular importance is the increase in the Fund Balance, expected to be six percent by the start of the fiscal year.

I also want to recognize the Manager's creativity and commitment to our citizenry which are represented in the 2006-2007 budget. Nothing is more important to our residents than the delivery of quality basic services. This budget takes significant steps to improve service delivery, particularly in areas which our citizens have recommended as priorities.

Important improvements in customer service at City Hall include the implementation of the Consolidated Call Center and Phase I of the 311 system that will roll out later this year, providing residents more access to information and services than currently exists. Already, the Action Center has extended its hours into the evening and to Saturdays.

Service delivery is also dependent on hiring and maintaining a quality work force. The Manager's initiative to address chronic turnover and the City's inability to attract and retain quality employees by increasing salaries for front-line service delivery personnel has great potential to improve service by creating higher levels of continuity in all departments, as well as increasing efficiency.

I applaud the proposal to consolidate a number of City functions into the Department of General Services, another step in continuing the reorganization the Manager began instituting in the 2005-2006 budget year. This consolidation will create a more efficient administrative center to provide support for those departments that deliver basic services, allowing them to concentrate on their core functions.

This proposed consolidation also highlights the importance of the City Charter revisions recommended by the Charter Review Commission, which I recommend being placed on this year's August ballot. The current City Charter requirements related to the city's Purchasing functions must be changed in order for this consolidation to happen. This is an important example of the need for a revised City Charter, which will give the Manager more flexibility in making organizational changes such as these.

Many of the significant initiatives recommended in the 2006-2007 budget are possible thanks to the City Council's diligence in making tough decisions over the last several years.

I appreciate the Manager's creation of a budget document which highlights the Council's priorities, and how recommendations for 2006-2007 are organized to reflect these priorities.

I will address each priority specifically.

Public Safety

Public safety is one of the highest priorities for our citizens. In a year following an increase in the murder rate, it is particularly important that we ensure our public safety agencies are receiving appropriate funding.

Police Department – This budget allocates 29.1 percent of unrestricted general revenue operations to the Police Department, nine percent (\$36 million) more than what is mandated by the State of Missouri. This 6.3 percent increase in the Police Department's budget over the 2005-2006 budget addresses many of the department's priorities, including adding new officers to address response times and community policing, as well as to begin staffing the new Shoal Creek station.

As was noted above, while the City has continued to make reductions to departments city-wide, we have recognized the importance of fully funding the Police Department in our continuing efforts to keep our citizens safe. While the City and the Police Department work together to protect our residents, I believe we must also continue to collaborate and compromise on proposals to consolidate appropriate City and KCPD functions, and to jointly purchase health insurance in an effort to reduce costs and improve efficiency.

I strongly encourage the Police Department and the City Manager's staff to continue to work together to take advantage of every opportunity to cut costs and increase efficiency, in order that more funding can be made available for Police Department priorities.

In addition, I want to voice my support of the Manager's recommendation to consider the implementation of photo-radar as another way of potentially increasing the Police Department's revenues. The use of this system will enhance public safety in Kansas City. As you know, traffic related deaths are up dramatically. In addition, revenue realized from this program could fund the increase in officers and detectives to combat violent crime in our community.

Fire Department – The proposed budget authorizes the addition of 36 firefighters from the Fire Sales Tax Fund, completing the City's personnel commitment made to residents as part of the Fire Tax, and totaling 135 new positions over the last four years.

MAST – During the last year, significant progress has been made in stabilizing MAST. The passage of the Health Levy and the hiring of a new Executive Director have led to a dramatically improved financial situation, which has afforded MAST the ability to hire high quality managers, supervisors, paramedics and EMT's. MAST continues to meet city mandated response time standards, in addition to other financial and operational improvements, as well as planning for solvency into the future.

I enthusiastically praise the new management of MAST for this dramatic turn around.

Safe City Plan – I strongly support the allocation to the Safe City Plan, which is an important component in our collaborative efforts to identify and address public safety issues which hamper neighborhood revitalization and citizen safety.

Economic Growth

Despite challenging economic times, we have continued to encourage economic growth across the city, and it is clear that our efforts are resulting in successful projects, including our soon-to-be-revitalized downtown.

In the Manager's budget transmittal letter, he reviews the city's expenditures which are budgeted to cover the funding needs of the City's active Tax Increment Financing districts.

While it is important that we monitor the amount of funding allocated into these projects, we must also examine the return on these investments.

Between 1996 and 2004, TIF projects created approximately 37,000 new jobs while creating an estimated \$14 *billion* in state personal and business income taxes. During that same period, of the \$1.8 *billion* in public/private TIF plans, \$1.4 billion, or 71 percent, consisted of private investment.

The City of Kansas City, during fiscal year 2005, received more than \$28 million in new tax revenues as a result of TIFs. Of that total, over \$23 million was generated by individual earnings (\$7 million) and city sales taxes (\$16 million). That equates to over \$700 million dollars in new employee wages and \$700 million in new sales generated within the City of Kansas City. Additionally, based on the aforementioned sales figure, the state received over \$12 million in new income taxes and approximately \$32 million in sales taxes.

Examples of TIF projects that are or will be generating future new taxes are as follows:

1. The mixed-use Downtown Entertainment District: This plan helped Kansas City retain the world headquarters of H&R Block and eliminate blight in downtown Kansas City. To date, over \$11 million has been allocated to blight remediation in the form of removing strip clubs, massage parlors, haunted houses and adult video stores from the district. But-for TIF assistance, this project would not have come to fruition.
2. The Pershing Road TIF Plan: When it comes online in 2007, this plan will create approximately 2,000 *new* and 4,000 *retained* IRS employees to Kansas City and has spurred over \$130 million in investment through fiscal year 2005. The total anticipated investment for this plan is over \$300 million.
3. The 87th and Hillcrest Plan: Approved by City Council in 2005, this will help retain a longtime Kansas City employer, Dean Machinery, while remediating a

blighted and underdeveloped area. Anticipated jobs retained are **163** while estimated investment is over \$60 million.

4. The Brush Creek TIF Plan: An urban core, mixed-use redevelopment, this plan has established over 10 new retail facilities in late 2005, which includes a highly anticipated supermarket. Through fiscal year 2005, over \$40 million in investment has occurred and, but-for TIF assistance, this project would not have occurred.
5. The Blue Ridge Mall TIF Plan: A plan that has blight remediation in the form of razing the former Blue Ridge Mall and redeveloping the former Kaiser Building. This plan also anticipates a 570,000 square foot retail center and creating over 1,500 **new** jobs.
6. In the Northland, the KCI and Shoal Creek TIF Plans have created over 1,000 new jobs and over \$200 million in new investment since inception.

These numbers clearly demonstrate how important Tax Increment Financing projects are to the City.

A second noteworthy item under the Economic Growth section of the Manager's preliminary budget is the Smart Moves regional transit effort. I support this regional approach and look forward to working with the Council and other metropolitan-area leaders to promote this initiative.

Under the *Convention and Tourism Activities* sub-section of the Economic Growth section, I want to voice my support for the continuation of the City's financial support of the Jackson County Sports Authority/Truman Sports Complex. It is imperative that we do all we can to keep the Kansas City Chiefs and Royals in Kansas City, Missouri.

Public Infrastructure

In a city of our size, addressing public infrastructure needs has always been a daunting task. However, thanks again to the Council's diligence and the City Manager's forward thinking, we have made significant progress over the last year in this important area.

In fact, just two weeks ago the Capital Improvements Management Office announced that in 2005 it broke construction records in addressing the City's capital projects backlog, doubling the number of projects under construction and in design from our 2004 totals.

In addition, the Public Works Department reports that over the past three years the City has placed an increased emphasis on street preservation. For example, in the category of "improved residential miles" the City completed 136 in 2005-06, up from only 90 miles in 2003-04. Total miles improved during that same period rose from 165 to 250.

It is also noteworthy that we are now in position to make major improvements to our streets and bridges. According to CIMO, we have \$119,614,845 of bridge projects scheduled over the next five years (approximately \$14 million spent this year). Replacement or the construction of new streets will total \$153,872,026 over the same period (approximately \$12 million spent this year). These sums should provide the City with a huge leap forward in street and bridge work.

The completion of these new projects has begun to relieve the need for future years' spending on deferred maintenance. Due to public support for the renewal of the one cent sales tax and general obligation bonds for infrastructure, we are now able, for example, to replace a bridge whereas previously we spent deferred maintenance dollars repairing a decaying structure.

It is instructive to review several examples of major infrastructure projects that have and will help to alleviate the burden to spend deferred maintenance dollars. They are:

1. In the past year, the City spent \$20 million downtown to address capital maintenance needs. The funds, which were set aside from the arena and entertainment projects, paid to reconstruct streets, replace traffic signals and build new sewers. Replacing aging infrastructure downtown with these improvements relieves the demand on the deferred maintenance budget.
2. The Manager recommends that \$35 million of the \$80 million in bond proceeds this year be set aside exclusively for maintenance related projects. This is money that was not previously available which also supports our efforts to fix and maintain our infrastructure.
3. The replacement of the 27th Street Bridge which was a constant drain on deferred maintenance funds.
4. Building a new Southeast Community Center with general obligation bonds passed by the voters relieved the deferred maintenance budget of monies previously used to repair the half-century-old center.
5. Major North Oak improvements from 96th to 111th Street eliminated a draw on deferred maintenance funds.

While it is true that even new infrastructure needs maintenance, the amount is nowhere near the level required to constantly patch and repair near-obsolete infrastructure.

Despite these successes, I was particularly disappointed in the low level of positive feedback in this year's Citizen Satisfaction Survey in the general area of streets and street maintenance. With that in mind one has to wonder if improvements to city streets are being confused with the condition of roads that are the responsibility of the state government. The City needs to do more to communicate with the public about the progress being made in this important area.

In addition, Councilman Chuck Eddy, Chair of the Finance and Audit Committee, and I will work with the City Auditor to revise the methodology for the annual citizen satisfaction survey. We will also direct the Auditor to compare our ratings with four cities of similar size: St. Louis, Dallas, Denver, and Minnesota.

I am also recommending that the Public Improvements Advisory Committee consider allocating the additional \$3.9 million in sales tax revenues which were identified after the PIAC's fall distributions be used for deferred maintenance projects.

I'd like to commend the CIMO staff for its efforts and to note that although the department will be moving forward in 2006-2007 without consultant assistance, I am confident that it will maintain its current high level of productivity and efficiency.

In recognition of the significant improvements by CIMO and the City staff, the City of Kansas City was presented the Award of Excellence in Public/Private Partnerships by the United States Conference of Mayors at its winter meeting in January.

Healthy Community

Last year Kansas City voters approved a much needed nine-year levy increase for public health, ambulance and emergency medical services, allowing us to more adequately and appropriately address the indigent health care and emergency service needs of our community. I am pleased that work has also begun to address the possible sources of funding for indigent and uninsured health care services in the Kansas City region under the leadership of the Health Care Council of Greater Kansas City. The Health Care Council, sponsored by the Greater Kansas City Chamber of Commerce and the Civic Council of Greater Kansas City, is examining the possibility of a metro-wide health levy tax or other methods to enhance indigent health care and funding.

As we move forward in 2006, there is a possibility of a state-wide ballot initiative increasing fees on tobacco sales, which may ultimately also have a positive impact on the City's budget related to public health issues.

Maintaining and improving public health goes beyond health levies and indigent care.

Keeping our city clean is also an important component of public health. The City's recycling program, which, as you know, was successfully implemented without a tax or fee increase, has changed our overall approach to solid waste removal. However, I suggest we move forward cautiously on the Manager's recommendation to reduce the operations of the City's recycling centers. Regardless of who operates the recycling drop-off centers, we must assure apartment and single-family housing dwellers that the centers will provide the same level of service and educational outreach that has been provided for 14 years.

I am very supportive, however, of the Manager's initiative to phase in implementation of a semi-automated trash collection system in the fall of 2006. I believe this program will help the

appearance of our neighborhoods by eliminating unsightly bags which sit on our curbs, and by containing trash, preventing it from littering streets and sidewalks. This program will be implemented in phases similar to the way the recycling program was implemented, allowing us to identify and solve problems as we move into new areas.

Neighborhood Livability

I support and commend the enhancement and/or return of a number of city services, including:

- The addition of a third curbside leaf and brush collection for all residents
- The creation of six additional property code inspector positions and associated equipment
- The creation of four legal investigator positions to address liquor control enforcement and to expand inspections and regulations of salvage yards

Governance

As I noted earlier in this document, I cannot stress enough the importance of rebuilding the Fund Balance, and recommend that the Council make this a top priority as we move forward with our budget deliberations this year and next. Bond rating agencies look closely at a city's fund balance in their review of our debt capacity as they assign bond ratings. **By increasing our fund balance we can help assure the stability of our bond rating.**

Also, as I did in my 2005-2006 budget transmittal letter, I want to reemphasize the need for the City's Finance Department to utilize and maximize existing resources, particularly relating to aggressive pursuit of uncollected funds and updating the City's archaic business license ordinances to provide a fair and equitable levying of taxes and fees to all corporate and individual taxpayers which at the same time establishing a stable source of revenues for government operations in a fiscally responsible and sound manner. Furthermore, in this era of reduced federal and state formula funding to cities, we must continue to be innovative in seeking competitive federal, state, and philanthropic grants for city departments and community priorities in order to bring additional dollars to Kansas City.

Progress has been achieved in reforming the City's revenue structure, and I am aware that our new Finance Director Debra Hinsvark has a comprehensive master plan for these activities.

Over the last three years, the Council has faced many difficult decisions in finalizing the annual budget. Although we still face difficult choices, we now have the opportunity for renewed emphasis on basic services. With an improving economy and additional efficiencies by our professional staff, I believe we can look forward to this trend continuing into the coming years.

Sincerely,


Kay Barnes



Office of the City Manager

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DATE: February 9, 2006
TO: Honorable Mayor Kay Barnes and Members of the City Council
FROM: Wayne A. Cauthen, City Manager
SUBJECT: City Manager's Budget for Fiscal Year 2006-07

I am pleased to submit to you for your consideration the budget for the City's fiscal year that begins May 1, 2006, and ends April 30, 2007. My third budget as City Manager of this great city totals \$1,108,811,631 an increase of \$10,790,470 or just slightly less than one percent over the adopted FY 2005-06 budget.

This budget places a priority on basic services to neighborhoods. This budget is made possible by the City's work to close the recurring structural budget problems, consolidate functions, and reduce costs wherever possible. A brief listing of the new or expanded services to be provided directly to neighborhoods in FY 2006-07 are identified below and a brief overview of the programs is provided throughout this budget message.

- 36 Additional Firefighters
- 40 Additional Police Officers
- Additional funding for illegal dumping abatement
- Additional personnel for Dead Animal Collection and Disposal
- Additional personnel for Roadside Weed Removal and Sight Clearance
- Additional Property Code Enforcement Personnel
- Additional recycling education programming
- Additional inspectors to monitor City's regulated industries
- An additional curbside leaf and brush collection (total of 3)
- Creation of a Nuisance Abatement and Clearance Program
- Expanded Communicable Disease Prevention and Education programming
- Expanded neighborhood traffic and parking control enforcement
- Doubling of Funding for the Paint Program
- Full funding for Parks mowing in parks and on city boulevards
- Full funding for Land Trust vacant lot maintenance
- An additional mowing cycle for abandoned private lots throughout the City.
- Funding for a new 311 system for citizen requests for service
- Implementation of a semi-automated trash cart collection program
- Restoration of the Rat Control and Abatement Program

The above service expansions and restorations are thematic of a Clean City approach that will focus on cleanliness issues in this City. A city that is clean provides opportunities for economic

development, neighborhood revitalization, crime deterrence, and stronger infrastructure for an overall better quality of life.

An additional effort will be undertaken in FY 2006-07 to expand the hours that the City delivers services to its residents. The recent expansion of the operating hours of the Action Center is an example of an effort to make the City more accessible to its residents. Beginning in May of 2006, selected city programs will begin providing service delivery outside of normal business hours and on weekends. This is a way to improve customer responsiveness, utilize the maximum amount of daylight that is available during the summer months, and take advantage of cooler temperatures in the evenings. This initiative may be extended to permitting functions and regular office programs where customer service can be provided just by changing staff work schedules. All City departments are currently being asked to identify potential programs where current work schedules could be staggered to expand service hours without incurring additional costs.

Behind us are the days when basic operating budgets had to be reduced just to get the budget balanced. This budget is the culmination of significant work on the part of the Mayor, City Council, and City staff to collaboratively resolve our structural budget issues and to better align our organization to meet our service delivery needs. In my first budget the Mayor and City Council asked for a consolidation of City programs to maximize limited resources. These consolidations were identified and implemented with my second budget proposal in FY 2005-06, and we are seeing the dividends from those decisions in this third budget.

The focus of this budget preparation is to restore most operating budgets to a level where the City could provide adequate citizen response and be able to implement the Neighborhood Improvement Program as part of an effort to focus the delivery of city services in targeted neighborhoods. The goal is to provide adequate funding for city programs including the funding necessary to support basic utilities, gasoline usage, and current staffing and operations. These areas were often under-funded in previous budgets which forced departments to scale back operations and service delivery just to pay the fixed costs of operations.

This budget is also a testimony to the work of former Councilman Jim Rowland and the Budget and Audit Committee who were forthright in their desire to significantly change the way this City does business and to lay the groundwork for improved service delivery by focusing their energy on resolving the structural budget problems which forced the city to scale back services even during the best of times. Budget reductions of over \$250 million over the past five years have had a tremendous impact on the ability of this City to provide basic services and cannot be restored in only one fiscal year. This budget starts the restoration process in earnest, and future budgets will allow the City to again reinvest funds into the additional staffing and additional operating costs necessary to adequately provide services to a City of over 322 square miles. To complete this process in a fiscally responsible manner will require several more years and the continuing discipline to live within our means and not add new programs without new sources to pay for them.

This proposed budget continues and expands on the work already begun this year to consolidate and streamline city operations. During this current fiscal year, the City has consolidated its fleet operations, codes administration and city planning, building security functions, finalized the consolidation of Information Technology personnel, and begun the process of building a consolidated call center capable of using 311 and providing expanded services to the public. The

City has begun the process of consolidating and strengthening our contract compliance functions in prevailing wage, minority and women business participation, Section 3 monitoring, and workforce utilization. The City is also actively searching for a professional to lead the City's consolidated facility management function. In addition, the City and the Kansas City Police Department are actively engaged in identifying ways to reduce costs through the consolidation of back-office functions such as human resources, risk management, fleet and facility management, and purchasing. Consolidation will allow the City and Police to reallocate personnel and other identified savings to other public safety needs.

Also proposed in this FY 2006-07 budget is a reorganization of the City's back office functions to create a Department of General Services. Functions to be reorganized include the following:

<u>Function</u>	<u>Current Department</u>
▪ Duplicating Services	Finance
▪ Security	City Manager
▪ Capital Improvement Management Office	City Manager
▪ Fleet Management	City Manager
▪ Mailroom	Finance
▪ Records Maintenance	Finance
▪ Risk Management / Employee Safety	Finance
▪ Facility Management	Public Works
▪ City Property Management	City Planning
▪ Purchasing / Surplus Property (Charter change)	Finance

These functions provide primarily back-office and other support functions to other departments throughout the City. Approval of the proposed City Charter will be necessary to fully implement this reorganization due to current Charter requirements on the location of Purchasing. This reorganization will allow the departments to better focus their energies on priority service areas and their core functions. For example, the Public Works Department, once this reorganization is complete, will have Capital Project Planning, Parking Control, Waste Management, and Streets and Traffic operations as its core responsibilities. This will allow departmental management to focus more of their attention to service delivery improvements and customer response issues. No positions or functions are eliminated as a part of this restructuring in this upcoming budget with next year providing the opportunity for staff to evaluate the needs of these programs and formally construct this new delivery system of internal support operations.

The Proposed FY 2006-07 Budget by the Numbers

The proposed expenditures in the FY 2006-07 budget by fund category appear in the following table:

Fund	FY 2005-06	FY 2006-07	\$ Change	% Change
General Fund	\$342,411,180	\$371,762,349	\$29,351,169	8.57%
General Fund Supported	\$135,155,431	\$141,928,215	\$6,772,784	5.01%
Other Special Revenue	\$288,203,996	\$299,939,609	\$11,735,613	4.07%
General Municipal Total	\$765,770,607	\$813,630,173	\$47,859,566	6.25%
Enterprise	\$329,255,154	\$292,568,499	(\$36,686,655)	-11.14%
Assessment	\$2,995,400	\$2,612,959	(\$382,441)	-12.77%
Grand Total	\$1,098,021,161	\$1,108,811,631	\$10,790,470	0.98%

The above numbers reflect the following significant changes:

- Growth in the General Fund can be attributed to the payment of the annual contract for Zoo operations which previously were recorded in a separate fund. The other significant change is the budgeting of capital maintenance funding in the General Fund. Previously these expenses were recorded in other funds.
- Growth in the General Fund supported funds is attributed to the inclusion of the Parking Garage Fund as a General Fund supported fund, and the impact of the new health levy
- Other special revenues fund growth is reflective of increased revenues, and the inclusion of three new Economic Incentives funds that were previously not budgeted.
- The decline in Enterprise funding is attributable to the completion of several large-scale capital projects at Kansas City International Airport
- The decline in assessment funds is attributable the change in accounting for the Auditorium Plaza Garage Fund which has been consolidated with other garages into a new General Fund supported Downtown Parking Garage Fund.

The above numbers also reflect the following expenditure adjustments that have been made that are not specific to any one department:

Salary and Benefits

- The budget reflects the full year impact of the 3.25% average salary increase to all city employees during FY 2005-06 including Police civilian staff that starts the implementation of the variable pay plan or pay for performance program.
- This budget reflects a partial year impact of the average three percent salary increases to be granted in FY 2006-07 to all city employees with full implementation of the variable pay

plan that has been approved by Local 500 and the City Council and which is applied to all non-public safety personnel.

- This budget reflects a full-year impact of the average 4.3 percent raises granted in FY 2005-06 to uniformed public safety employees not at the top of their respective ranges as agreed to with Local 42 and extended to the Police Department. Consistent with the current labor agreement, a two percent raise for most uniformed personnel at the top of their pay range with more than 16 years of service will be provided as well. This agreement is extended into FY 2006-07.
- This budget anticipates average salary savings, or the savings that are generated by the turnover of current employees, at 5.5 percent for all departments exclusive of Public Safety. While some departments may argue that this limits their flexibility to respond to service delivery demands, the salary savings requirement equates that every open position must be vacant for an average of three weeks before being filled. The City's average vacancy rate has historically exceeded 7-10% over the last few years.
- To address this chronic turnover and the City's inability to attract and retain key employees, this budget proposes nearly \$2 million in expenditures city-wide to increase entry-level-salaries for the City's front-line service delivery personnel. A recently completed market salary study by a consultant retained by the Department of Human Resources revealed that in many cases, the starting salaries for the City's entry-level labor positions are 20% to 40% below the local market. With such low starting salaries, the City finds it difficult to attract and even harder to retain front-line service delivery personnel. As a result, the most basic of city services often suffer from a lack of personnel. The positions impacted by this proposed adjustment are as follows:

1. Animal Control Officer
2. Code Enforcement Supervisor
3. Dispatcher
4. Engineering Technician
5. Equipment Operator
6. Fleet Maintenance Technician
7. General Supervisor
8. Maintenance Worker
9. Plant Operator
10. Utility Repairer
11. Utility Repairer Supervisor
12. Secretary

A total of 1,041 positions throughout the City are impacted by this recommendation at a cost of \$2,058,000 with slightly less than \$1,000,000 coming from the funds supported by the General Fund in FY 2006-07. The study also revealed that as employees move through the range, their salary inequity with the market diminishes. This increase of the minimum entry-level salary should help attract more candidates to these positions. Future budgets will attempt to correct other positions to insure that the City is paying market level salaries in important positions.

- Health insurance premium increases of 2.5 percent for City employees and a 10.1 percent increase for Police Department employees are provided in this budget. This proposed budget also recommends that the current compromise proposal between the City and the Police Department for the joint purchase of health insurance be adopted. This compromise proposal allows the City to improve its benefit package for its employees by adopting most of the Police Department's current health package, maintains all but two elements of the current benefit package for Police employees, and reduces the cost necessary for renewal of the current Police Department package. Total combined savings to the City is \$500,000 for next year as a result of this combination. The long-term advantages of joint procurement include standardized increases for all City personnel which make for easier and better budgeting of health insurance costs into the future. Most importantly though for the City, it broadens the current risk pool and allows claims to be funded over a larger population. This should, in the long-term, result in lower health care costs for the City as a whole.

An Update on the City's Four Defined Benefit Pension Systems

All of the City's pension systems remain adequately funded and this will continue into FY 2006-07. This does not mean that the City's pension systems are fully-funded. One measure used to gauge the fiscal soundness of a pension system is to report the pension's funded liability ratio. That is, the percentage of current pension liabilities that are covered by current assets. A pension system with a funded ratio of 100% or greater is considered fully-funded. Pension systems with a funded ratio between 80% and 100% are generally considered adequately funded, but future investments will need to be made or improvements in the value of the pension systems will need to occur in order to address the deficiency. Funded ratios below 80% should raise concerns that the City's pension funding needs to be addressed to increase the level of participation to restore the system to a level of financial soundness. The current funded ratios for the four pension systems are reflected below:

<u>System</u>	<u>Funded Ratio</u>	<u>FY 2006-07 Contribution</u>	<u>Recommended Contribution</u>
City Employee Retirement	82.6%	12.03%	18.08%
Fire Employee Retirement	84.6%	19.60%	21.46%
Police Uniformed Employee	81.6%	20.60%	29.06%
Police Civilian Employee	74.5%	11.14%	15.87%

Unlike many other cities, Kansas City did not neglect its pension systems during the stock market boom of the late 1990's and therefore, will not have to spend large sums of money to restore the systems to adequate funding levels. Nevertheless, the incremental annual cost to fully fund the City's pension systems to the required actuarial rate would be an additional \$21 million per year. This budget recommends a 200 basis point or two percent increase in the City's contribution rate to the Police Civilian Pension System from the current 9.14% increase to 11.14% beginning in May of 2006. This increased contribution will cost the City an additional \$600,000 for FY 2006-07. A further 200 basis point increase is anticipated in FY 2007-08 to stabilize the funding of the system.

While no other pension contributions increases are recommended in the FY 2006-07 budget, the Police Department did request an additional 200 basis (2%) increase to the Police

Uniformed Pension Program. This proposed budget defers that increase until FY 2007-08. Currently, the City's two pension systems (City Employee and Fire) are reported actuarially different than the Police Department's two pension systems. This results in a more difficult comparison of the financial strengths and weaknesses of the two plans. During this upcoming year, I will ask the City's Director of Human Resources and Pension Administrator to meet with the Police Department and develop a common matrix for evaluating the City's pension systems on a consistent basis. In addition, I will ask them to also incorporate the findings of a current actuarial study that is being conducted to measure the impact of the health insurance subsidies currently provided to retirees. This is a mandate from the Governmental Accounting Standards Board (GASB) and requires the City to begin reporting in its Comprehensive Annual Financial Report (CAFR), the financial impact of the post-employment benefits that it is providing to its former employees and address any long-term financial risks associated with those benefits. I am recommending that the City develop a uniform approach to funding pension improvements that address the overall soundness of all of the City's pension systems.

Employee Training and Development

In the City departments that are supported by the General Fund, excluding Public Safety, this budget proposes that one-percent of employee payroll be allocated towards professional development and training of City staff. This amount totals \$881,611 for FY 2006-07. When the economy turned down a few years ago, the City reduced and in most cases eliminated any funding for employee training and development. In many respects this is a penny-wise and pound-foolish decision that was made to help balance the budget, but which has profound long-term impacts on staff development and training. Department directors are being granted the discretionary authority to utilize these funds for training as they best see fit. This may involve conference attendance or seminars, or simply employee college tuition assistance. The recommended industry standard is that an organization should spend a minimum of two percent of payroll on staff training and development, and every effort will be made to achieve this level of funding over the next couple of years while meeting other City Council priorities. This budget also seeks to redress chronic deficiencies in ongoing staff compliance training. The Human Resources Department is provided \$75,000 to provide training to develop managerial and supervisory training, as well as, ethics and sexual harassment training. The Office of Environmental Quality is provided \$50,000 to provide training to all City departments who need environmental compliance training. Previously, interested departments had to pay for these programs out of their operating budgets which reduced the participation necessary to make the training effective.

This budget also provides \$500,000 from the 2004-05 health insurance premium refund to restart a new Employee Safety program for all City departments including Police. In FY 2004-05, the City spent over \$6 million dollars on workers compensation claims and settlements for injuries incurred by workers while working for the City. This number becomes even larger when you factor in the loss of productivity and the necessary overtime that must be paid to cover for an injured employee. While there will always be injuries to employees given the nature of some City work, expenditures of this magnitude indicate a problem that must be addressed. This proposed funding will allow the City to hire the necessary staff and develop the essential training guidelines that should result in the eventual reduction of workers compensation costs and an overall improvement in employee work conditions. Standards will

be developed and enforced through the annual evaluation process to insure that training is provided, received, and updated as needed to all City staff. As with general staff training and development, eliminating or curtailing these expenditures are easy decisions to make during belt tightening-times, but have long-term financial and in this case, physical impacts if not addressed.

Gasoline and Fuel Prices

This proposed budget allocates a total of \$5.3 million across all city departments to fully fund the procurement of unleaded and diesel fuel for City vehicles. This is an increase of \$3.0 million from the amount budgeted in the FY 2005-06 budget and should fully fund the departmental fuel consumption at current prices. The initiative to provide expanded service outside of normal business hours may have an impact on fuel consumption, both positive and negative and will be identified as part of that implementation.

A Look at the Local Kansas City Economy

The proposed budget, as with every City budget, is strongly impacted by the current state of the local economy, which is now in recovery. Business profits have recovered and capital investment is now occurring and these are reflected in the projected collections of the city's one percent profits tax, and the fees generated from occupational licenses. Convention and tourism taxes are again growing reflecting the stability of the local tourist activity in the City and increased occupancy at restaurants and hotels. This budget projects collections from earnings and profit taxes (the City's largest revenue sources) will total \$177.8 million in FY 2006-07. This reflects a 3.0% increase over the mid-year estimate of \$172.5 million for FY 2005-06. Real property tax revenue is projected to increase by two percent off of a higher base reflecting the impact of the 2005 property reassessment and the continued strength in the City's overall property valuations. Other projected revenues for FY 2006-07 are held at or near current estimates as they do not move upward on a consistent basis. Revenue streams such as utility taxes are weather dependent, and therefore, an average collection history is used with an estimate based on current rates. It should be noted that the City's estimates for its sales tax collections are held flat with the adopted estimates used in FY 2005-06. Over the past six years, sales tax collections have increased three years and declined three years relative to the prior year around a relatively flat base. This erratic collection history has led staff to recommend that sales tax estimates be held at current levels until a better trend line can be established. Overall, in the FY 2006-07 budget, aggregate revenue growth rates in the funds supported by the General Fund still remain below 3.5% as compared with the adopted FY 2005-06 budget.

The local and national economies as a whole continue to grapple with the impact of hurricanes Katrina and Rita and rising fuel prices. Most experts on the economy believe that the national economy is strong enough to weather the price shocks, but the impacts will be felt closely within the City budget. As mentioned, this budget already must deal with significantly higher fuel prices and the impact on construction costs could cause significant price pressures on the City's capital projects currently underway or planned for the near future. These price shocks may require the City to adjust its estimates for construction costs even higher which will further limit the amount of work that the City can do with current resources.

Attachment II at the end of the message graphically presents the revenues and expenses associated with the total budget and those funds that receive support from the General Fund.

The Structural Budget Balance is Improving

The FY 2006-07 budget as submitted is not a structurally balanced budget. However, this budget essentially accomplishes two of the four requirements of a structurally balanced budget. According to municipal finance standards, a budget is structurally balanced if all four of the following objectives are achieved:

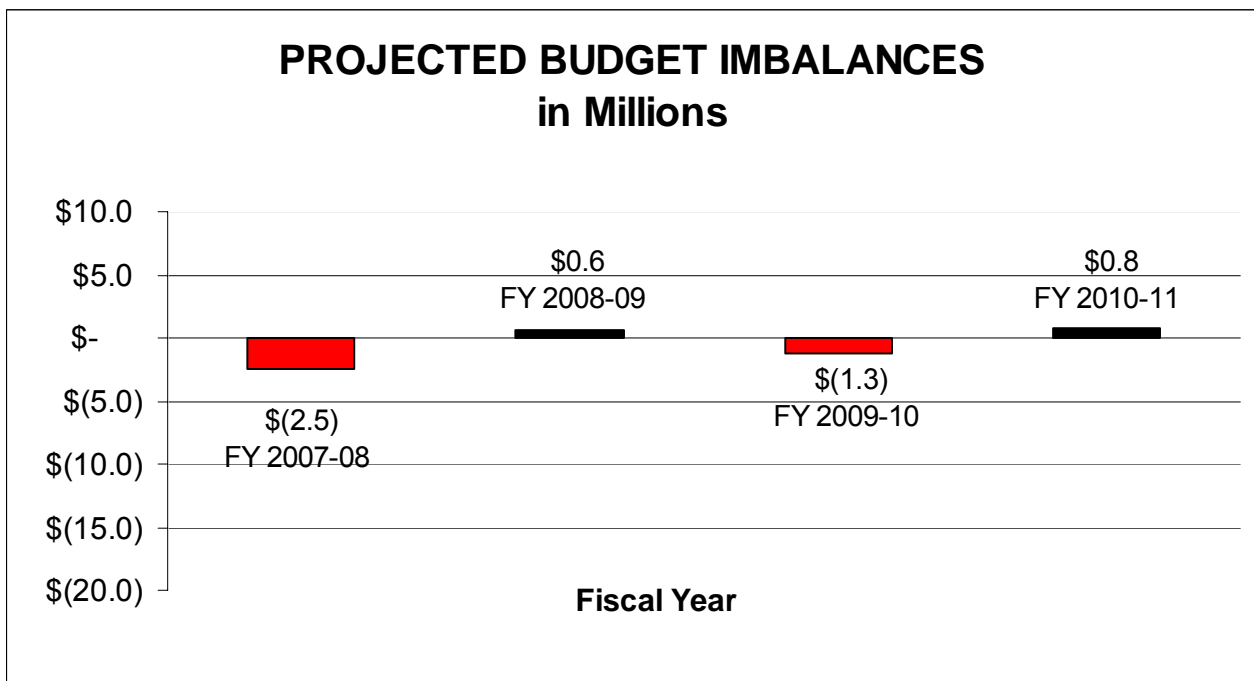
1. Current revenues equal current expenditures.

- The FY 2006-07 budget as recommended achieves this goal and is the first budget in the last five to achieve this milestone. One-time resources are used in this budget, but are more than offset by one-time expenditures.

2. Projected revenues that equal or exceed projected expenditures.

- In early November 2005, City staff presented the five-year financial forecast to the City's Budget and Audit Committee. Among the findings:
 - An improving local economy, consolidations, and efforts aimed at controlling costs have significantly reduced and even eliminated the projected deficits forecast through FY 2011 to the point that they are statistically insignificant.

The projected fiscal imbalances in each of the fiscal years through FY 2011 are projected below:



3. Projected capital maintenance funding equals needed capital maintenance funding.

- The FY 2006-07 budget as proposed cannot alone address the deferred maintenance needs of the City that have been estimated at nearly \$750.0 million. While this budget recommends over \$100 million in funding from general obligation bonds and current resources to address the capital maintenance backlog, the projected capital maintenance needs far exceed the ability of the City with its current resources to address.

4. Fund balances are at adequate levels.

- The proposed FY 2006-07 budget is predicated on rebuilding the unreserved fund balance of the General Fund by prudently estimating revenues and expenses and setting aside funds annually as part of the budget. The projected unreserved fund balance in the General Fund is estimated at six percent of General Fund expenditures by the end of FY 2006-07. By continuing to make the tough decisions necessary to balance the budget, it is projected that the fund balance can be rebuilt to the recommended level of at least eight percent of general fund expenditures within the next two years.

This Budget Reflects Council Priorities

The FY 2006-07 proposed budget seeks to address the following council priorities that have been consistently identified for several years. Those priorities are:

- Public Safety
- Economic Growth
- Public Infrastructure
- Healthy Community
- Neighborhood Livability
- Governance

This budget was developed within the context of these priorities and the relationship between funding, performance, and citizen satisfaction. This budget continues a multi-year effort to integrate meaningful performance measures that address both citizen satisfaction and empirical data from the departments as a true measure of the City's effectiveness and efficiency in the delivery of services. For many programs, this budget provides adequate baseline funding at current service levels to begin to measure and monitor performance of City programs.

Given the fiscal restraints under which this budget operates, it is imperative that we have a clear idea of what must be provided, what will be provided, in what manner, and at what level. These outcomes are presented without regard to department, as multiple departments are often involved in pursuit of the same goals and outcomes.

Council Priority: Public Safety

Desired Community Outcome: *Kansas City is, in fact and in the perception of its citizens, one of the safest urban centers in the United States.*

Public Safety encompasses services which every city must have to secure the public's sense of well-being, including fire suppression and prevention, police protection, adjudication of ordinance violations, incarceration of sentenced individuals, emergency medical treatment, and disaster planning and coordination. Effective inter-agency coordination and cooperation exists both locally and regionally to respond to and/or solve specific safety issues and problems. A strong orientation toward prevention of both crime and fire is evident. Partnerships between the city's neighborhoods and the public safety agencies are essential in order to provide effective public safety.

This proposed budget spends \$307,509,298 or 28% of all available resources in this budget to make progress toward that outcome. This translates into planned expenditures of \$690 for every resident in this City. The departments whose services can be attributed to the provision of Public Safety include Police, Fire, Health, Municipal Court, City Manager's Office, and Neighborhood and Community Services. Significant budgetary changes that are planned to address this Council priority are identified below:

Police Department

The largest planned expenditures in this category pertain to the operations of the Kansas City Missouri Police Department. A total of \$184,841,548 is budgeted for the operations of the police department, an increase of \$12,744,486 or 7.4% over the current budget.

State of Missouri statutes require that the City allocate at least 20.0% of its unrestricted General Revenue to the operations of the Kansas City, Missouri Police Department. This proposed budget allocates 29.4% of General Revenues to the Police Department (excluding the Police Department allocation from the Public Safety Sales Tax) or \$37.9 million more than the amount required by State law.

The proposed Police Department budget strives to accomplish the following priorities:

- This budget adds 20 new officers at a full year cost of \$1,155,122 to honor the City's commitment to hire 180 new officers over nine years.
 - This budget marks the fifth year of a nine-year commitment to increase the number of Police Officers on the streets to address response times and community policing efforts.
- This budget adds twenty new officers and the associated equipment at a partial year cost of \$1,082,320 to address the staffing needs at the new Shoal Creek station that is scheduled to open in November of 2006. The Police Department has also agreed to find the 17 civilian support positions necessary for the Shoal Creek operations from its current staffing complement. To fully fund 100 new officers would require over \$6 million in resources. It is my recommendation that the City and Police address the need for

additional officers over the next few years through consolidation and redirecting that cost savings generated in both City and Police operations into additional officers.

- This budget reduces the required salary savings from \$4,035,000 to \$3,447,600, a 14.6% reduction from FY 2005-06. This reduction provides greater flexibility in the hiring of vacant officers and critical civilian personnel.
- This budget provides full funding for the activities of the Parking Control program of the Police Department. Under an agreement with the City, the Police Department will direct its existing parking control personnel to enforcement of abandoned vehicles and traffic control issues in the neighborhoods, while the City creates a staff to focus on parking issues and enforcement in the downtown area. Under this operating agreement, the Police will be able to provide better response to important neighborhood and community policing without tying up the scarce time of uniformed officers who can be used for calls for service and community policing problem solving. This initiative also allows the City to estimate an additional \$2 million in revenue that will be generated from traffic and parking violations that were previously not being captured. It is this new initiative that allows the City to make the investment back into the Police Department and provide the additional officers needed for the Shoal Creek patrol station.
- As previously mentioned, this budget provides \$1.5 million for health insurance increases to offset prior year shortages and to fully fund an estimated 10.1 percent increase in FY 2006-07 Police health insurance premium increases.
- This budget provides an additional \$713,000 to adequately fund gasoline consumption at current prices.
- This budget provides an additional \$150,000 for a total of \$1.2 million in FY 2006-07 to address workers compensation payments.
- Funds Police facility improvements at \$16,619,580 in FY 2006-07 from the quarter cent Public Safety Sales Tax to continue the projects approved by voters. Projects undertaken with these funds include the design of the new Metro Patrol Station and the equipping of the new Police Academy and Shoal Creek Patrol station. Should the trend of static collections in sales and use taxes continue into the future it may result in the City being forced to scale back the number of projects that are to be funded from the Public Safety sales tax.
- It should be noted that several Missouri cities have begun implementing photo-radar in their communities as a way to use technology to better enforce existing traffic laws. The implementation of photo-radar would also have positive benefits from additional revenues generated by traffic fines. Should the City Council consider this program, it could be a way for the City to increase revenues to accelerate the hiring of additional police officers.

Fire Department

A total of \$92,648,186 is proposed to be allocated in the FY 2006-07 budget to the Kansas City, Missouri Fire Department an increase of \$3,311,588 or 3.7% over FY 2005-06:

- This budget authorizes an additional 36 firefighters funded from the Fire Sales Tax Fund at a cost of \$2,691,292 bringing the total additional firefighters added over four years to 135 new positions and completing the City's personnel commitment made to the residents as part of the Fire Sales Tax.
- This proposed budget allocates \$5,214,894 for upgrades and improvements to Fire Department facilities as part of the voter approved quarter-cent Fire Sales Tax.
- This budget provides an additional \$588,052 for a total of \$2.25 million is provided to offset workers compensation claims of Fire personnel.
- The Fire overtime budget is increased by nearly \$200,000 to \$1.7 million reflecting the projected use of overtime by the Department with the full implementation of the two-in and two-out mandatory minimum staffing provisions.
- This budget also anticipates the loss of over \$745,000 in revenue associated with Fire Prevention activity as a result of recent court litigation. The City's ability to provide adequate and timely inspections of public spaces will inevitably be harmed as a result of this decision. It is the recommendation of staff that the City Council place on the ballot a proposal that would ask the voters to approve the fees associated with this important public service and forestall future cuts to this important program.

MAST Ambulance

- For the first time in two budgets, no additional resources must be directed to MAST ambulance. The passage of the Health Levy in April of 2005, strong City action to adequately address ambulance needs, and some remarkable improvement in the overall financial management of the ambulance operation has resulted in a stable funding level for the upcoming year.

Municipal Court

- This budget recommends additional funding to support the operations of the Municipal Court and to fully implement the recommendations outlined in 2005 as part of the Municipal Justice Study. The proposed budget includes full funding for the eight full-time and one part-time judge currently serving on the bench. Six court support positions were added in FY 2005-06 to address customer service response concerns and are fully budgeted in FY 2006-07. This staffing increase provides the necessary staffing ratio of support personnel to municipal judges at 8:1, which is within the range recommended in the study.
- This proposed budget also recommends full funding at the requested level of \$734,606 of the indigent court services currently provided by Legal Aid of Western Missouri. Two additional defense attorneys will be supported by this additional funding and reflects an increase of \$186,639 over the funding provided in FY 2005-06.

Neighborhood and Community Services

- This budget as proposed recommends that the work of the Safe City Plan continue into FY 2006-07 by allocating \$66,000 to cover the cost of the consultant currently on staff. The City's consultant, former Police Major Barry Mayer, is doing a tremendous job of identifying issues of public safety that have been hampering neighborhoods revitalization. Most importantly, once these issues have been raised, Barry has led the efforts and marshaled the resources to resolve them.
- This budget also provides \$500,000 in the Municipal Corrections Institution (MCI) budget to fund the outsourcing of post-arraignment detainees. Currently these detainees are housed on-site at MCI. This co-location of detainees in a dormitory setting along with sentenced inmates requires a higher staffing ration and provides a dangerous mix of population that puts our corrections staff and inmates at risk.

Council Priority: Economic Growth

Desired Community Outcome: *Kansas City has a vital economy in which businesses have opportunities for growth and all citizens have opportunities for rising wealth and prosperity.*

Economic Growth includes programs designed to enable Kansas City to thrive and succeed in a highly competitive economic system in order to create a unique venue that makes Kansas City an exciting, invigorating, and urbane place to live. These programs include planning, building and zoning code regulations, public transportation, tourism, aviation, economic incentives, and business retention, attraction, and development.

A total of \$323,616,513 or 29% of the total budget supports this important activity. This expenditure reflects \$726 per resident of the City. The Kansas City Aviation, City Planning and Development, KCATA, Public Works economic incentives, and convention and tourism activities are the primary recipients of this funding. Significant budgetary changes that are proposed to address this Council priority are identified below:

Kansas City Airports

- The largest proposed expenditure in this area is the \$141,096,221 estimated to be spent to support the operations of the Aviation Department and the Kansas City International Airport (KCI), Charles C. Wheeler Downtown Airport, and the former Richards-Gebaur Airport.
 - Planned capital improvement spending in the Aviation Department diminishes significantly in FY 2006-07 to \$39,240,215 from \$90,980,000 in FY 2005-06 as the capital improvements at KCI, Downtown Airport, and the American Airlines overhaul base move towards completion.
 - Aviation departmental revenues less federal grants are projected at \$111,656,317 for FY 2006-07, an increase of 10.1% over FY 2005-06 reflecting the increased collections from passenger facility charges, customer facility charges, and airport

parking. New revenues totaling \$4 million are also anticipated to be collected from the transportation facility charges from the new consolidated car rental facility.

- Four additional positions are added to increase customer response for bus and parking services at KCI.

Economic Incentives

- Reimbursement requests totaling \$34,585,546 are budgeted to cover the funding needs of the city's 32 active TIF districts. This reflects an increase of \$700,200 over the FY 2005-06 estimate. Of this amount, \$19.8 million is derived by resources captured from other taxing jurisdictions.
- A total of \$12,697,306 is allocated in the budget to support eleven active Super TIF projects/districts and economic special project developments in the City. This is an increase of \$700,200 over FY 2005-06 and reflects 3 new (909 Walnut, Blue Parkway Shopping Center and HOK Sports Garage) projects coming on line in FY 2006-07. These districts receive 100% of the City incremental taxes generated within that district. Nine of the eleven districts support debt service backed by an annual appropriation pledge of the City.

City Planning and Development

- In the FY 2006-07 budget, significant staff reinvestments are being made to improve and accelerate the City's planning and permitting processes are budgeted for the first time.
 - Four new planner positions were added during FY 2005-06 to facilitate development and redevelopment throughout the City and make the City's plan review and approval process a speedier process to encourage further development. These planners will also enhance the City's long-term planning capacities. They are fully supported by development review fees.
 - 13 positions that are fully fee-supported are added to augment the platting and plan permitting processes that must occur before development approvals can be obtained which had previously been a bottleneck in the development process.
 - 15 positions associated with inspections of public infrastructure that are built as part of private development projects were transferred from Public Works to City Planning and Development during FY 2005-06 and three additional inspection positions are incorporated into the City Planning and Development budget in FY 2006-07. This final consolidation which is fully supported by development review fees should allow the City and private developers realize the full benefits of a one-stop shop for city planning and codes review.
- An additional \$44,119 is provided in this budget for a total of \$215,000 to support the City's obligations to the Downtown Community Improvement District that has been so effective in approving the appearance of downtown. The increase is attributable to the increased public ownership of downtown property for the KC Live! and Sprint Center projects.

City Manager's Office

- One additional staff position is funded in FY 2006-07 in the City Manager's Office of International Affairs and Trade to coordinate the efforts at developing trade opportunities with Mexico and other nations. This funding is derived by reallocating a portion of the funds previously allocated to an outside agency that performed this task on our behalf.

Kansas City Area Transportation Authority

- This budget recommends a total of \$46,984,732 in funding for the Kansas City Area Transportation Authority (KCATA). While total funding decreases \$389,009 for the KCATA over FY 2005-06 due to no anticipated growth in sales tax collections and higher TIF and Super TIF reimbursements, this should not adversely impact the KCATA operations in the short-term. With the current 3/8 cent sales tax paid by Kansas City residents scheduled to expire in March of 2009, progress must continue on the Smart Moves regional transit to insure adequate long-term funding for the KCATA.

Convention and Tourism Activities

- This budget recommends the continuation of financial support of the Jackson County Sports Authority in the amount of \$2 million for FY 2006-07.

Convention and Entertainment Centers

- Six additional maintenance positions are added for a partial year in the Kansas City Convention and Entertainment Centers to provide improved maintenance of the expanded ballroom that is scheduled to open in the spring of 2007. Additional funding is also provided for facility maintenance, utilities, and cleaning to maintain our investment.
- This budget also provides an additional \$450,000 for a total of \$1.2 million from the dedicated restaurant tax revenues and maintains our commitment to voters and the business community to provide ongoing capital maintenance of the Bartle Hall complex. The financing of the Bartle Hall ballroom expansion project was built around the need to provide adequate facility maintenance funds. This annual capital maintenance budget is scheduled to reach \$2 million per year by FY 2010 without an additional draw on General Fund resources.
- While General Funds do not support the maintenance of the Convention Complex, the General Fund does subsidize the operations of the Convention and Entertainment Center and international development efforts of the City to the tune of \$1,450,572. Of this amount, over \$1 million can be attributed to the underperformance of the Muehlebach Hotel project. Additional convention and tourism dollars must be directed to cover this obligation, which in turn requires the General Fund to support Convention Center operations.
- Debt service requirements on the bonds sold to finance the Bartle Hall expansion project as well as the early 1990's expansion are budgeted at \$17,393,708 in FY 2006-07.

Restaurant sales tax revenues made available after the anticipated TIF/Super TIF reimbursements and facility capital maintenance funding and used to support Bartle Hall debt service total \$14,185,231 in FY 2006-07 with the balance of needed resources to be covered by prior year resources and interest earnings. This is consistent with the financing approach used for the ballroom expansion.

Council Priority: Public Infrastructure

Desired Community Outcome: *Kansas City is adequately and efficiently served with well-planned, coordinated, and maintained public buildings, water, stormwater, bridge, and road systems.*

Public Infrastructure includes streets, curbs, sidewalks, stormwater catch basins, bridges, water systems, and public buildings. These assets shape the City's living and work environments, provide the physical framework for the attraction of businesses and jobs, and help make new development feasible. This Outcome will place significant emphasis on using existing infrastructure in order to get the full benefit from investments already made, as well as on providing the highest quality new improvements where economic benefits clearly justify new investment. Deferred maintenance obligations should be decreasing over the foreseeable future.

A total of \$229,230,581 or 21% of the total budget is designated in this budget as contributing to the achievement of this desired outcome reflecting planned expenditures of \$514 for every resident of the City. The departments of Parks and Recreation, Public Works, and Water Services contribute to this effort. Significant budgetary changes that are proposed to address this Council priority are identified below:

This City continues to focus its efforts to address the need for maintenance of the City's infrastructure. Recent voter approval of the \$300 million in general obligation bonds and \$500 million in water and sewer bonding authority will allow the City to make progress in addressing its maintenance backlog and help make the City a better place to live and do business.

- This budget anticipates the sale of a further \$80 million in general obligation bonds in the upcoming fiscal year. The final amount that will be sold is dependent on the recommendations of the Bond Financial Advisory Committee which has recently begun deliberations on the possibility of an upcoming issuance. Of the amount to be sold, nearly \$45 million has already been committed by the Council to complete projects (e.g. Liberty Memorial). It is my recommendation that the balance of funding made available under the bond sale be used exclusively for maintenance related projects.
- The City's overall capital maintenance budget from current resources should also be considered in the context of approximately \$101.9 million in total resources that will be made available for capital maintenance and related projects in FY 2006-07. The amount for capital maintenance must also be considered in the context of expenditures for certain projects that have not been considered maintenance projects. For example in the past year, the City spent over \$20 million from funds set aside for the arena and downtown entertainment district to

address capital maintenance needs. These funds were used to separate combined sewers, reconstruct streets, and replace traffic signals.

- An additional \$6.1 million in debt service costs is built into the budget to pay for this additional \$80 million in debt service obligations. A total of \$11.9 million is budgeted to support the debt service obligations for the first \$160 million of the \$300 million total bond authorization. As a result of the debt service obligations, capital maintenance funds provided in FY 2006-07 total \$21.9 million a decrease of \$7.6 million from FY 2005-06. While this decrease is significant it is less than the \$11.9 million increase in FY 2006-07 debt service costs.
- The staff recommendation for the proposed uses of the budgeted and bond funded capital maintenance funds are incorporated as Attachment I to this budget message. As the PIAC had completed their deliberations before the final pay-as-you-go maintenance number was finalized, it will be necessary for PIAC to review and make a final recommendation as to the capital maintenance budget for FY 2006-07.
- As part of this capital maintenance effort, staff will be replicating the accomplishments of the Capital Improvements Management Office (CIMO) and applying the lessons learned to maintenance project management. In FY 2004-05, the City delivered \$34 million in capital maintenance projects while the adopted budget provided \$36.3 million in capital maintenance funding. These expenditures in FY 2004-05 on maintenance are significantly higher than in previous years. With available funding of \$100 million next year in current resources and bond funds plus approximately \$45 million of capital maintenance funding that remains unspent, over \$145 million is available for expenditure in the upcoming year. It is the goal of staff to insure that the City and the contractor community develop the capacity to deliver these resources as quickly as possible.
- The proposed FY 2006-07 capital maintenance budget is supplemented by an additional \$500,000 from General Fund resources to support the expanded maintenance obligations of the Bruce R. Watkins Drive. Under a cost sharing arrangement developed during the construction of the roadway, the City and State of Missouri agreed to share the maintenance of the enhancements and the surrounding public property. As both the City and State suffered through budget difficulties, this agreement languished. In 2005, at the request of the Board of Parks and Recreation Commissioners this agreement was updated. Beginning in FY 2006-07, the State will expand maintenance activities along the roadway and provide enhanced maintenance of the landscaping in an effort to boost the attractiveness of the roadway as it leads residents and visitors alike into and out of downtown. This \$500,000 allocation reflects the estimated fifty percent share to be paid by the City for maintenance of an important civic asset.
- This budget incorporates the recommendations of the Public Improvements Advisory Committee (PIAC) as to the allocation of the one-cent sales tax for capital improvements. Because of delays in determining the final allocations of interest earnings and TIF and Super TIF reimbursements, the PIAC allocated too few resources when it met over the autumn of 2005. The final determination of projected revenues in the Sales Tax fund results in the PIAC being able to allocate an additional \$3.9 million in sales tax projects. It is the recommendation

of staff that the PIAC consider using these funds to address projects identified by City Council resolution as priority projects and currently not funded in the capital budget or use these available funds to supplement the proposed capital maintenance funding. Attachment II at the end of this message details the PIAC recommendations for FY 2006-07 through FY 2010-11.

Water Services

- This budget recommends a 6.0% increase in water rates for FY 2006-07 that will generate an additional \$2.1 million dollars to be used to offset increased personnel and operating costs. Price increases for fuel and chemicals, and debt service requirements as well as the need to adjust entry-level salaries of 175 front-line staff employees to address attraction and retention of maintenance personnel are the reasons for the requested increase.

Public Works

- This budget proposes an increase of \$343,000 for a total of \$1.3 million to replace equipment currently used by the Public Works Department. The level of funding necessary to routinely replace the equipment as it wears out is estimated at \$3 million per year.
- This proposed budget also reduces the amount of Public Works engineering that are charged to capital projects and funds this staff cost directly from General Fund resources. Under the working arrangement with the Capital Improvements Management Office (CIMO), engineering planning and design is retained in the departments while project construction and management is accomplished by CIMO. This specialization of skills results in quicker service delivery and a more efficient use of city staff.
- In FY 2006-07, the City's Capital Improvement Management Office moves forward without consultant assistance. The transition from external consultants to City staff is already occurring and is anticipated to be complete by the end of December of 2006. Costs associated with project management and delivery remains within the 10 percent industry benchmark.

Parks and Recreation

- This budget as proposed recommends \$85,000 in one-time General Fund support for the Liberty Memorial Rededication that is anticipated to open on Veteran's Day 2006.

Council Priority: Healthy Community

Desired Community Outcome: *Kansas City is a community that ensures the health and well-being of its citizens and environment.*

Healthy Community emphasizes the creation and maintenance of a healthy and quality environment that supports and sustains all citizens, particularly the more vulnerable populations. Programs and activities include the delivery of health and wellness services, social services, youth services, sanitary sewer services, recreation services, trash collection and disposal, and product recycling.

A total of \$122,409,630 or 11% of the total budget is designated in this budget as contributing to the achievement of this desired outcome reflecting planned expenditures of \$275 for every resident of the City. Significant budgetary changes that are planned to address this Council priority are identified below:

Indigent Health Care

- This budget recommends increased funding for all of the City's indigent care providers. This is made possible by voter approval of a health and hospitals property tax increase in April of 2005. All participating agencies in the ballot proposal receive an increase in funding equivalent to two percent from the anticipated growth of the new levy collections.
 - Total recommended funding for Truman Medical Center is budgeted at \$24,600,000 for FY 2006-07. \$180,000 of this amount reflects the increase from the new health levy increment. The remaining \$420,000 is provided to Truman or another provider to address the chronic issue of health care provision for the City's indigent population at the Municipal Correction Institution (MCI).
 - The five neighborhood Health Centers are budgeted to receive a two percent increase on the new health levy increment. This new health levy funding effectively doubles the annual support provided by the City. Their recommended funding for FY 2006-07 is as follows:

○ Northland Health Care Access	\$268,302
○ Richard Cabot Club	\$499,579
○ Swope Parkway Health Center	\$1,211,731
○ KC Free Health Clinic	\$497,681
○ Samuel U. Rodgers Center	<u>\$1,211,731</u>
Total	\$3,689,024
 - Funding for indigent care at Children's Mercy Hospital remains at \$1,200,000 or the same amount received in FY 2005-06.

Health Department

- This budget recommends the reestablishment of the rat control program in the amount of \$106,734. This funding will support the cost of one staff person to manage contracts and provide public education on efforts that residents can undertake to control rodents. Funding is also provided to abate properties and areas of rodent infestation. This program was one of the first programs eliminated when the economy turned downwards in the early part of the decade. With the economic recovery and the available funding from the previous Health Levy, this program can now be restored.
- This budget also recommends that an additional six positions and operating costs be added to the Health Department to better protect the City against communicable diseases. This new funding equates to an additional \$500,000 provided over the current budgeted levels in these programs.

- The Health Department continues to be the provider of last resort in the City's communicable disease efforts. State and federal funding cutbacks have forced local hospitals and clinics to scale back services in various communicable diseases such as sexually transmitted diseases and refer them back to the Health Department for treatment. With this budget, we are recommending that the City begin the process of restoring the necessary positions in the Health Department to address this need. Several more years will be needed to accomplish this so that the current health care providers are not reduced further, but ultimately it is the City that must insure that the public health is protected.

Water Services

- A six percent sewer rate increase is proposed in the budget to address infrastructure needs of the sewer system. The proposed rate increase will generate an additional \$2.6 million on an annual basis to maintain and repair the City's sanitary sewer system. This rate increase is consistent with the approved Water Services Department Competitive Business Plan which proposed rate increases of up to six percent for up to ten years.

Public Works

- The city's cost for curbside residential trash collection is estimated at \$9,461,732 in FY 2006-07.
 - Included in this number is the cost of collection by City crews from the Missouri River south to 63rd St. The replacement of the City's solid waste collection fleet and the implementation of curbside recycling have helped to reduce the average cost of collection.
 - The cost of contract residential trash collection is anticipated to increase by six percent mostly due to higher fuel prices, but that growth occurs off of a much lower base negotiated in FY 2005-06 due to the impact of the two-bag limit.
 - This budget recommends that the City begin phased implementation of a semi-automated trash collection system beginning in the fall of 2006 for selected neighborhoods throughout the City. A total of \$400,000 is budgeted in FY 2006-07 to start implementation. This program would eventually provide to all City households a trash bin that would collect residential trash. This will remove bags from the streets which are often vulnerable to tearing and animals that spread trash throughout our neighborhoods. Another benefit would be reduced worker injury for our trash collection staff that often must walk several miles and repetitively lift and throw heavy bags into garbage trucks.
 - This budget also recommends that the City recalculate the percentage of the cost of residential trash collection that is rebated to apartment owners in buildings with seven or more occupied units. In the 1970's, as a result of a court settlement, the City agreed to reimburse these landlords a percentage of the costs of trash collection because free and unlimited trash collection was provided through the city's earnings tax. Apartment owners argued and were victorious that their tenants received no benefit even though they paid the earnings tax as city

residents. With the implementation of the two bag limit and the assessment of fees for additional bags as well as curbside recycling, the City has been able to significantly reduce the amount of garbage that is collected. In essence, the City no longer provides unlimited trash collection and thus the standing agreement from the 1970's needs to be adjusted. This budget recommends that the percentage of reimbursement provided since the 1970's be reduced from 66% of the average monthly cost of residential trash collection per occupied unit to 33% of the monthly contract cost per occupied unit. Implementation of this new approach provides nearly \$600,000 in annual savings to the City and levels the playing field so that all residents who pay the earnings tax receive roughly the same benefits.

- With the increase in housing units' downtown, it is time for the City to retool how solid waste services are provided to multi-family residences. Over the next year, I will be asking our Public Works department to develop some proposals to insure that multi-family residents have access to the same services as other residents.
- The recommended budget for the City's curbside recycling program, KC Recycles, totals \$3,968,165 for contract collection of household recyclables and reflecting the full year cost of weekly curbside recycling. This is an increase of \$102,494 over the adopted FY 2005-06 budget. The recycling budget anticipates a six percent increase in contract costs due to higher fuel costs. Funding for one staff position is provided for contract oversight and management as well as \$20,000 for free dumpsters for neighborhoods meeting their recycling participation targets. A total of \$50,000 is also provided for recycling education and outreach. The total cost of the City's recycling program equates to a cost per household of \$2.13 per month.
 - With the implementation of an award-winning curbside collection, the City now can scale back the expenses associated with operating the City's four recycling drop-off centers. This results in budget savings of \$332,000 in FY 2006-07. These centers collected an estimated 3,300 tons of recycling in FY 2004-05 prior to the implementation of curbside recycling and have seen a significant reduction in usage since weekly curbside collection began. It is also estimated that less than 10% of the visitors to the sites are apartment dwellers. A total of \$150,000 remains in the budget for creation of new City staff positions to manage, operate and maintain convenient, volunteer/community based recycling drop-off centers for apartment dwellers.
- This budget also incorporates two new positions at a cost of just under \$90,000 in Public Works to respond to dead animal removal on City streets and public property. This program has been reduced over the past years to balance the budget, but like rat control, the problem still remains. A total of three persons in the Waste Management division of Public Works will be made available to provide rapid response to reports of animal road kill on city roadways and ditches to resolve potential traffic issues and public health issues as well as maintaining an attractive City.

Council Priority: Neighborhood Livability

Desired Community Outcome: *Kansas City is a community of livable, strong, and stable neighborhoods.*

Neighborhood Livability emphasizes a variety of criteria that contribute to the desired community outcome. Connectivity promotes positive interaction between neighbors, between neighborhoods, and between neighborhoods and the City. Identity values the creation of a distinctive character and sense of place in each neighborhood. Housing Needs encourages the development of a variety of housing options for citizens and quality of available housing. Neighborhood Health and Vitality promotes the concept that healthy neighborhoods are safe and clean. High Quality Development and an Excellence in Urban Design encourage the development of high quality places. Programs and services include housing (development, rehabilitation, and financing), community development, code enforcement (property maintenance, nuisance, and solid waste), park maintenance and development, clean city, land use planning, street lighting, and street tree maintenance.

A total of \$70,632,902 or six percent of the total budget is allocated for achieving this outcome. This reflects planned expenditures of \$158 for every resident in the City. In FY 2006-07, the City will begin implementation of its Neighborhood Improvement Program. The Neighborhood Improvement Program is a change in the way that the City approaches service delivery. On an annual basis several neighborhoods in the City will be targeted for special attention to address and resolve issues of blight, home repair, or infrastructure repair needs to see if the decline in these neighborhoods can be stemmed or reversed. The budget was predicated on rebuilding basic service budgets to insure that adequate resources are available to provide current services in the City and targeted service enhancements in these selected neighborhoods. Significant budgetary changes that are planned to address this Neighborhood Revitalization priority are identified below:

Public Works

- This budget recommends an additional curbside leaf and brush collection for all residents at a cost of \$160,000. Five years ago, the City reduced curbside leaf and brush collections from 3 to 2 as a belt tightening measure. This budget proposes either an additional fall collection or a summertime collection for residents. In the FY 2005-06 budget, staff proposed replacing the City operated leaf and brush disposal sites proposed replacing it with a fee based disposal system whereby residents could drop-off up to five bags for no charge and would be assessed a fee for loads greater than 5 bags. This proposal met with some resistance. An additional curbside leaf collection is presented as an alternative. An additional curbside collection would increase convenience for residents, and reduce overall costs to the City for leaf and brush collection. A fee based option for more than five bags would be made available for residents seeking immediate disposal of leaves and brush. A total of \$60,000 is also provided in the Public Works budget to pay the full disposal and transportation costs of neighborhood associations who seek to have voluntary leaf and brush collections in their neighborhoods.
- An additional \$100,000 is provided for a total of \$608,165 in FY 2006-07 to support the abatement of illegal dumpsites. Additional funding is provided to dispose of materials, pay

overtime costs, remove graffiti, or install video equipment to help prevent recurrence and prosecute violators.

Neighborhood and Community Services

- Six additional property code inspector positions and associated equipment are added in this budget at a cost of \$300,000 to begin to address the demand for additional property code enforcement and reduce the current caseload for each inspector. Future budgets will seek to add additional inspectors to allow the current workload of cases per inspector to be reduced to more manageable levels.
- A total of four legal investigator positions that are fully supported by fee revenues are added in FY 2006-07 in the Regulated Industries group to address liquor control enforcement and to expand inspections and regulations of salvage yards in the City.
- Funding from General Fund resources for the Paint Program is doubled from \$50,000 to \$100,000 in this proposed budget to better augment the City's minor home repair efforts. This funding is in addition to the funding for the Minor Home Repair program which will be allocated as part of the Consolidated Plan.
- The Center for Community Services Program and three positions are funded from General Fund resources for the first time in this budget. This important program staffs the Neighborhood Advisory Council and maintains the city's database for neighborhood organizations is funded at \$167,388. Previous funding was provided by the Local Law Enforcement Block Grant (LLEBG) which has not been renewed due to federal budget redirections.
- This budget provides initial funding in the amount of \$100,000 for a nuisance abatement effort to address the issues of dumping and proper maintenance. Under the provisions of this program, failure to comply with notices to abate the nuisance will allow the City to enter the property, abate the nuisance and bill the costs back to the property owner. It is hoped that this program will enable the City to accelerate response for nuisance abatement rather than the protracted processes that the City had to follow in the past.

City Planning and Development

- This budget appropriates a total of \$10,572,358 in CDBG and HOME funds for FY 2006-07. Because of the ongoing involvement of the receiver and Federal Court in the dismantling of the Housing and Economic Development Financial Corporation (HEDFC), this budget does not anticipate any program income in FY 2006-07. Should the receivership and claims issues be resolved in a timely manner, and program income generated for use by the City, the budget will be amended at that time to reflect those additional resources. Final recommendations for the use of the CDBG and HOME funds will be developed by the City Council's Neighborhood Development and Housing Committee.

Parks and Recreation

- This budget provides \$300,000 from General Fund resources to mow and manage the vacant Jackson County Land Trust properties within the City limits. It is anticipated that these expenditures will be reimbursed by Land Trust through the sale of properties. This funding should provide up to six mowing cycles on the properties as well as funding for property clean-up and debris disposal.
- This budget also proposes increased funding for mowing private properties that have been declared a nuisance. A total of \$150,000 is provided for this purpose, an increase of \$50,000 over FY2005-06. These costs are then assessed against the property owner.
- This budget proposes an additional \$1,000,000 to service the debt necessary on the recently approved upgrade the fleet of the Parks and Recreation Department. An analysis of the condition of the various departmental city fleets after consolidation of the fleet maintenance function resulted in the recommendation that an immediate investment need to be made to upgrade the condition of the Parks fleet to address safety issues and increase productivity of city crews.
- This budget proposes to restore funding to mow all of the City's Parks and Boulevards at a recommended standard of every ten days during the growing season. The contract mowing budget for mowing of Parks properties increases \$161,010 or 34.5% over budgeted FY 2005-06 levels. Funding for mowing of the City's boulevards increases by \$333,699 or 22.2% over the funding provided in FY 2005-06. This funding increase is necessary to offset an estimated 20% contractor price increases due to fuel cost increases as well as restore funding for spot weed control and debris removal in City parks. This funding is provided in an attempt to gauge whether adequate funding for basic park maintenance results in any appreciable positive change in the ratings of City parks and boulevards by City residents.
- Five new positions are added in this budget to create two full crews of three for right-of way mowing and maintenance. These crews will be dispatched to mow the City public right-of-way along roadside and ditches. This most basic of city services that has long been neglected will assist site clearance for traffic safety and retard illegal dumping by providing better maintenance along roadways.
- Incorporated into the proposed budget are the costs associated with support of the Park Planning and Design Services group for the Parks and Recreation Department at a cost of \$797,294. Over half of the costs to support this design group are charged to Parks capital projects.

Council Priority: Governance

Desired Community Outcome: *Kansas City is a community where there is effective leadership in local government with efficient operating and support systems, and where informed and involved citizens regularly participate in government.*

Governance emphasizes the commitment to effectiveness and efficiency in running the city government. Operating and support systems are as streamlined as possible without undermining activities necessary to support an efficient service delivery system. The relationship between government and citizens is designed to exchange information about issues, services, programs, and ideas, and to include other community partners. Together citizens, government, and political leaders will develop appropriate and acceptable policies and decisions that provide for the desired services delivered in an efficient and cost-effective manner.

Total expenditures on City administration, departmental administration or services internal to the City total \$55,412,707 or five percent of the total budget. This equates to expenditures on an annual basis of \$124 per resident.

Rebuilding the Fund Balance

- This budget as proposed, adds \$1,142,149 to the unreserved fund balance of the General Fund. This contribution along with current year additions should help push the unreserved fund balance to six percent by the end of FY 2006-07.
- A further item for the City Council to consider that would boost fund balance would be the repeal of the resolution restricting the use of gaming funds to infrastructure and maintenance activities. Repeal or amendment of this resolution would allow the City to deposit gaming receipts into the General Fund. As these funds would continue to be used for capital maintenance activities, but spent out over a longer period of time, this would allow the City to increase its cash fund balances that it reports to the credit agencies. This would have no impact on the overall budget.
 - To achieve the stated goal of an eight percent unreserved fund balance for FY 2005-06 in the General Fund, an additional \$13.7 million would be needed for a total of \$29.7 million.

City Clerk

- A total of \$30,000 is provided in the City Clerk's budget to fund an inauguration event to be held for the new Mayor and City Council in April of 2007.

City Auditor

- Full funding of \$35,000 is provided to support the annual citizen survey conducted by the City Auditor. In FY 2006-07, I will be seeking to participate with the City Auditor in this analysis to insure that the information generated can be used by the City to measure and hopefully improve performance of City services.

Finance Department

- A total of \$100,000, an increase of \$50,000 over FY 2005-06 is provided to retain the City's financial advisor who assists the City in overall financial management and debt issuance to insure that the City's creditworthiness is maintained.

- \$75,000 is provided to continue the City's efforts to encourage electronic filing and reporting of City earnings and occupational taxes to simplify the process and streamline the cost of tax collection.
- An additional position is added in Finance to support training and problem resolution pertaining to the use of the City's PeopleSoft financial system.
- The Finance Department has also begun organizing a task force on updating the city's occupational license as recommended in the FY 2005-06 budget. The recommendations are expected in late spring 2006.

Human Resources

- Three positions were added in FY 2005-06 to provide training and the ongoing support of the City's PeopleSoft Human Resources Information System and is reflected in this budget for the first time.

Information Technology

- Eight positions were added in FY 2005-06 to provide technical assistance and ongoing support of the PeopleSoft Financial and Human Resources systems.
- This budget reflects the addition of funding in the amount of \$983,276 for Oracle Licensing which allows the City to buy a universal license for the use of Oracle as the city's database for information systems.
- This budget also reflects the final phase of the Information Technology staff consolidation which organized all of the City's information technology staff into one department. Seven positions from the Fire and Neighborhoods and Community Service Departments were impacted by this consolidation.

Law

- This budget allocates an additional \$125,000 to the Law Department budget to support the retention of expert legal staff to assist the City in a variety of complex and transactional legal issues such as development projects, bankruptcy cases and other areas where the City may not have the necessary staff in-house to provide that service to the City.
- An additional attorney position is provided in Law to assist with the backlog of workers compensation claims of the City and the Police Department. Resolution of workers compensation claims is one example where the City and Police can address issues of common concern and accomplish with the most efficient use of scarce resources.

City Manager's Office

- A total of \$750,000 is added to the Action Center budget to support the anticipated debt service on the City's Call Center/311 system over the next eight years.

- One additional staff position is added and two current staff persons are to be redirected in this upcoming budget to develop and implement a Grants Management Program and compliance effort for the City. A series of violations in the Community Development Block Grants and other grants that were identified as part of the City's annual audit need to be fully resolved and procedures put in place to prevent recurrence to insure that the City's remains a strong candidate for the receipt of federal and state grant funds.

Mandated Expenditures

This budget also provides for the following mandated expenditures as required by State law or the City Charter.

- The contingent appropriation of the General Fund is funded at \$4.1 million or just slightly over one percent of General Fund revenues. The City Charter requires that no more than three percent or no less than one percent of General Fund revenues be set aside to address the unanticipated or unplanned expenditures that arise over the course of the fiscal year.
- Election costs for the Kansas City Boards of Election Commissioners and the Platte and Clay County Commissioners are funded as required for the upcoming fiscal year.
 - Included in the allocation for the Board of Elections are the estimated costs of the State primary and general election in August and November of 2006 as well as the City Primary and General Election in February and April 2007. The total estimated cost of these four elections is \$1,242,500.

Staffing Changes

The budget as presented reflects a total of 6,997.3 full-time equivalent positions, an increase of 196.5 positions from the FY 2005-06 adopted budget. Non-public safety positions increase by 82.9 positions with 42 or 50% of these new positions fully supported by service charges or grants. Public Safety positions increase by 104.1 over FY 2005-06 reflecting the continuing commitment to increase Police and Fire staffing and a final recommendation on the Police Department parking control officers in the Police Department. Enterprise positions increase slightly by 9.5 positions in the upcoming budget. Staff will continue efforts to manage the position count so that the retirement incentive program generates the long-term fiscal savings promised in the program. Further information about the change in position counts can be found in the executive overview of the budget document.

Important Dates for the FY 2006-07 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.

Departmental director hearings on the proposed budget:

February 13 and 14, 2006

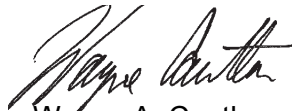
Business Session on the Submitted Budget	February 16, 2006
Evening public hearing on the submitted budget	February 22, 2006 7:00 p.m.
Introduction of the Budget Ordinance	March 2, 2006
Finance Committee consideration of the budget	March 8, 15, 22, 2006
Final Business Session on the Budget	March 23, 2006
City Council adoption of the budget	March 23, 2006

Conclusion

This proposed FY 2006-07 budget continues the process begun during FY 2004-05 to streamline and consolidate city functions as part of a comprehensive effort to improve basic service delivery, improve customer responsiveness and reduce the ongoing structural budgetary problems faced by this City. Through the hard work and resilience of the Mayor and City Council to put our fiscal house in order, the City can now begin the work of reinvesting its growing resources back into the community. The focus of this budget preparation was to meet your priorities and to rebuild the services provided by this great City. I believe this budget moves the City forward greatly in improving citizen satisfaction with the services we provide, while living within our available resources,

I want to thank you, the City Council, and the City departments for the assistance provided in preparing this budget. My staff stands ready to address any questions you may have regarding the information presented in this preliminary budget. I look forward to working with you as you review it.

Respectfully submitted,


Wayne A. Cauthen
City Manager

ATTACHMENT I

Summary of Proposed Capital Maintenance Funding For
FY 2006-07

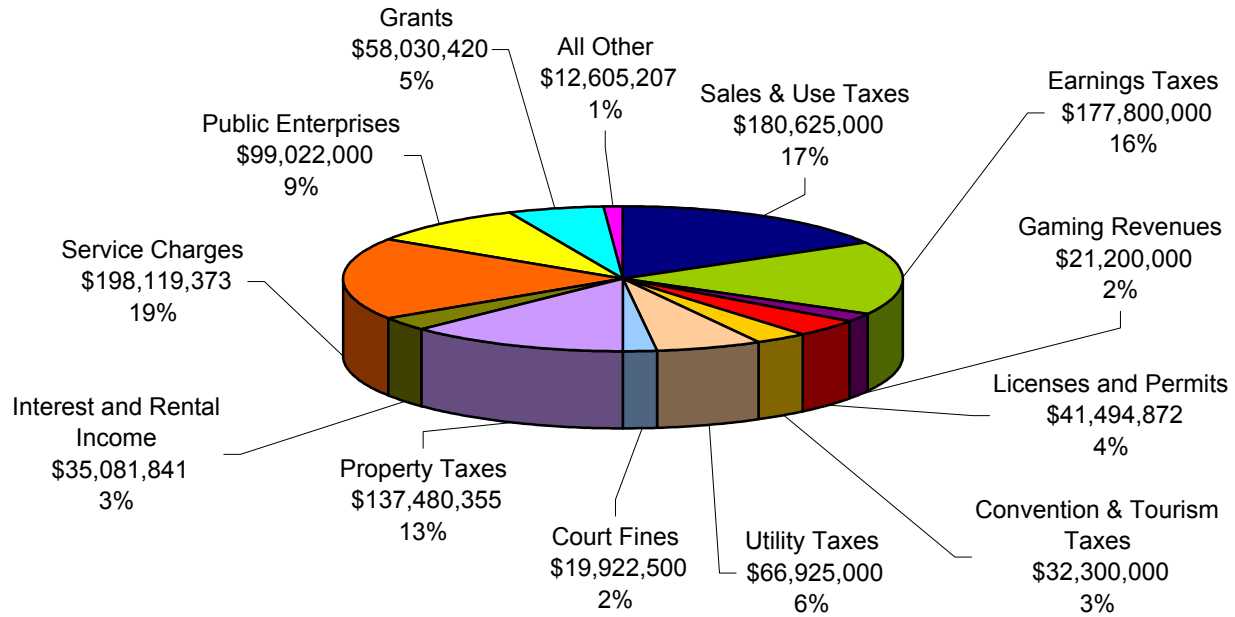
Project	FY 2006-07 Estimated GMF*	FY 2006-07 Preliminary GO Bond**	FY 2006-07 Estimated Total
Conventions and Entertainment Centers			
CEC Facility Improvements	\$ 1,200,000	\$ --	\$ 1,200,000
Parks and Recreation			
Park Maintenance	\$ 755,000	\$ --	\$ 755,000
Park Facilities Improvements	700,000	--	700,000
Tree Trimming	500,000	--	500,000
Bruce R Watkins Dr Maint	500,000	--	500,000
Golf Course Renovation	355,000	--	355,000
Community Center Maintenance	245,000	950,000	1,195,000
Parks Roads And Parking Lots	100,429	--	100,429
KC Zoo Maintenance	100,000	5,500,000	5,600,000
Fountain and Monuments	100,000	1,500,000	1,600,000
Swimming Pool Maint	100,000	--	100,000
Lake Restoration Program	--	1,475,000	1,475,000
Boulevard Reconstruction	--	950,000	950,000
Parks and Recreation Total	\$ 3,455,429	\$ 10,375,000	\$ 13,830,429
Public Works			
Street Preservation	\$ 6,800,000	\$ 9,700,000	\$ 16,500,000
Facility Improvements	5,000,000	2,500,000	7,500,000
Sdwlk & Curb Construction (RPI Fund)	1,500,000	--	1,500,000
Traffic Signals	1,176,635	--	1,176,635
Bridge Rehabilitation	1,000,000	8,000,000	9,000,000
Downtown Signal Coordination	1,000,000	--	1,000,000
Ada Curb Cuts & Corner Rehab	406,750	--	406,750
Street Markings	100,000	--	100,000
Neighborhood Sign Replacement	100,000	--	100,000
Parking Garages Maintenance	100,000	--	100,000
Aquila Streetlight Upgrades - Phase 2	--	2,500,000	2,500,000
Street Reconstruction - SW Trafficway - I-35 to 31st	--	1,000,000	1,000,000
Public Works Total	\$ 17,183,385	\$ 23,700,000	\$ 40,883,385
Water Services			
Catch Basin Replacement	\$ 100,000	\$ 7,525,000	\$ 7,625,000
Water Services Total	\$ 100,000	\$ 7,525,000	\$ 7,625,000
Total Capital Maintenance	\$ 21,938,814	\$ 41,600,000	\$ 63,538,814
Other Projects			
Liberty Memorial	\$ --	\$ 10,000,000	\$ 10,000,000
87th Street Improvements	--	8,300,000	8,300,000
SE Community Center	--	8,000,000	8,000,000
Barry Road Improvements	--	6,400,000	6,400,000
Briarcliff Parkway	--	3,000,000	3,000,000
Chouteau and Gardner Drainage	--	1,700,000	1,700,000
M-210 Roadway Improvements	--	1,000,000	1,000,000
GO Bond Projects Sub-Total	\$ --	\$ 38,400,000	\$ 38,400,000
Capital Maintenance Total:	\$ 21,938,814	\$ 80,000,000	\$ 101,938,814

Reflects Projects that can be under construction within one year of bond issuance

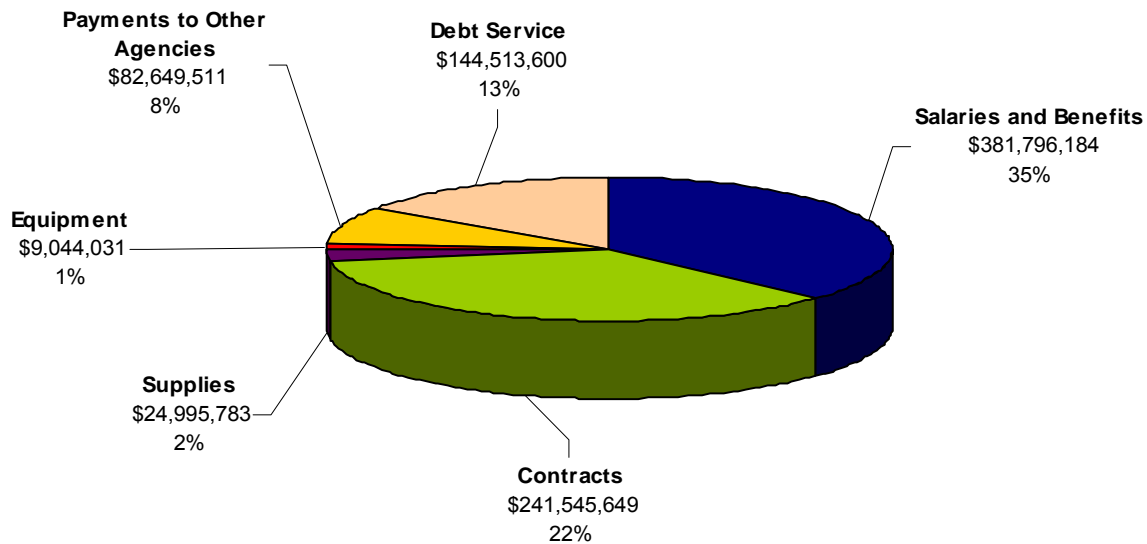
** Final Recommendations to be determined by Public Improvements Advisory Committee

ATTACHMENT II
Graphical Presentation of City Budget

How the Money is Collected
\$1,080,606,568



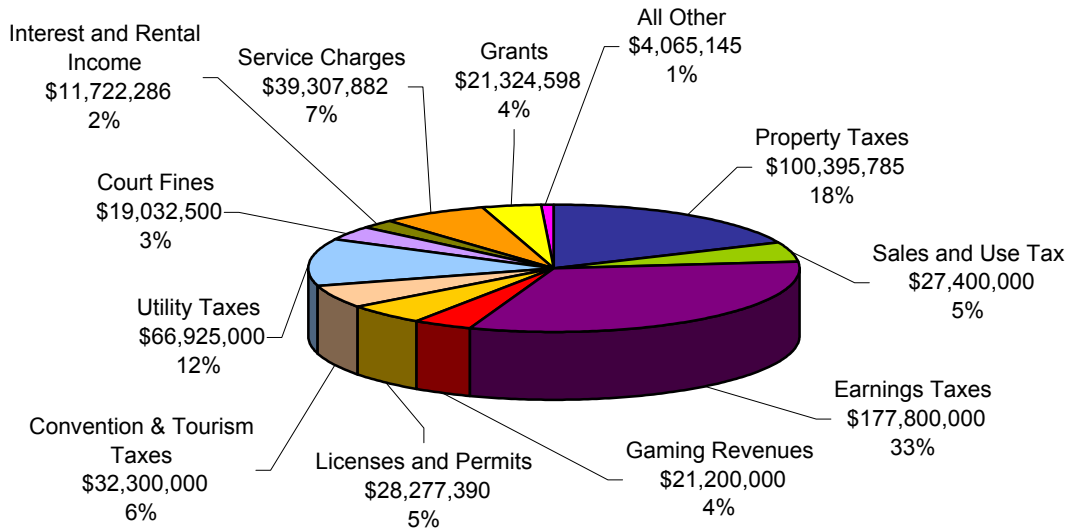
How the Money is Spent
\$1,108,811,631



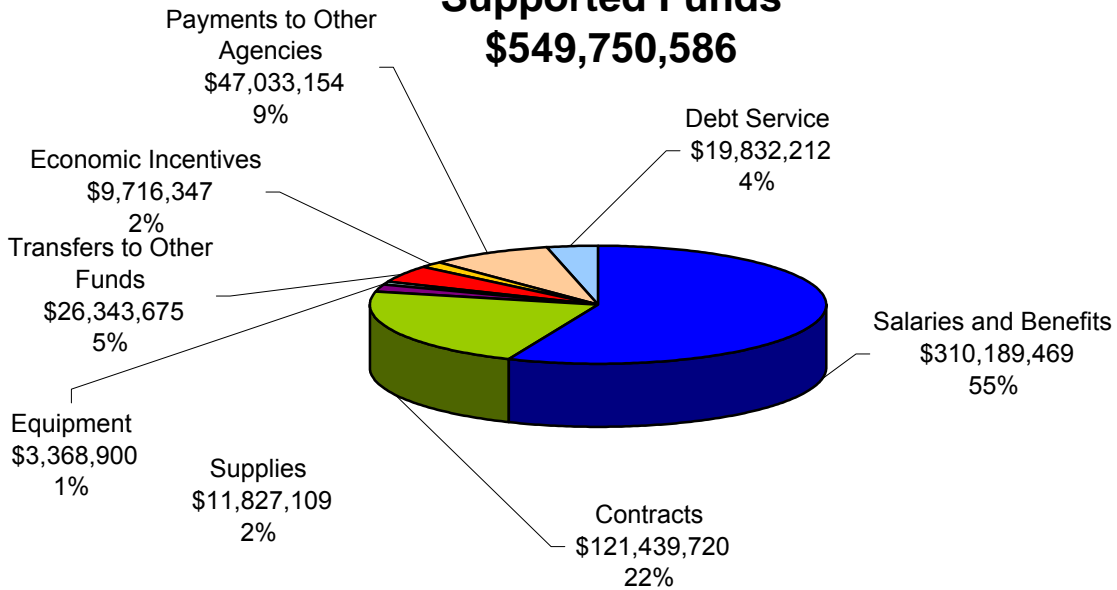
Difference is primarily attributable to the use of reserves in the Aviation Department

ATTACHMENT II
Graphical Presentation of City Budget

**Revenue Collections By Source in the General Fund
Supported Funds
\$549,750,586**

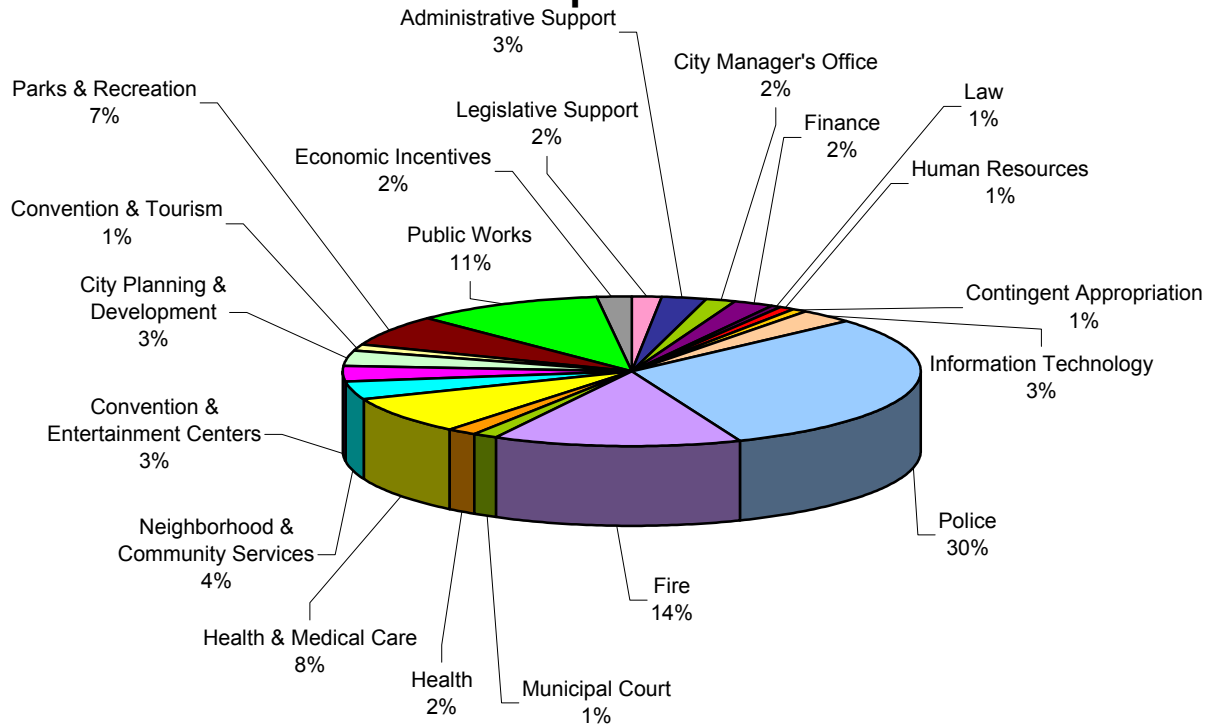


**Expenditures By Type in the General Fund
Supported Funds
\$549,750,586**



ATTACHMENT II
Graphical Presentation of City Budget

General Fund Supported Expenditures By Department



General Fund Supported Expenditures By Desired Outcome

