



ITEM: 2018 Budget Highlights

A public hearing for De Soto's 2018 operating budget is set for August 3, 2017. No single responsibility of a city's governing body and administrative officials is more critical than the preparation and adoption of the annual budget. The budget is the principal policy management tool of the governing body, and sets the course for the organizational work plan and levels of service for the community.

Economic activity within the City, new construction, and assessed valuations have accelerated during the past 12 to 18 months, and continued strength is projected for the next 12 months. Of note is an increase in assessed valuations of nearly 9% compared to last year. We have no reason to believe that the real estate market and building activity will not continue their three-year upswing. Regional consumer demand and confidence are expected to remain moderately strong throughout the next 18 months, while interest rates are projected to see some uptick during the last half of 2017.

Listed below are the highlights and items of significance for De Soto's 2018 budget.

1. **Final valuations and mill rates:** As proposed, budget represents an overall decrease of 1.68 mills, representing approximately \$122,000 in revenues. This decrease consists of a decrease of 1.00 in the General Fund, and 0.68 in the Law Enforcement Fund. We have elected to leave the mill levy for Debt Service at the 2017 rate of 4.94 mills in order to improve the City's overall debt profile through targeted debt reduction strategies. The final assessed valuation figure from the County Appraiser's office is \$72,377,407, which is down from the \$73,427,249 figure we were using prior to June 15th. Still, the valuation represents an increase of 8.74%.
2. **Sales Tax Revenues:** Sales and use tax projections for 2017 reflect an upward trend that began in the latter half of 2016. With \$1,303,000 budgeted this year, we are projecting to end the year with \$1,456,650. Revenues from the voter-approved County Courthouse sales tax will have a significant positive impact to the general fund for the next decade, since a portion of the money generated must be shared with the cities in the county. Johnson County projects that De Soto will receive a total of \$1.4 Million over the 10-year period from the tax.
 - i. The tax started on April 1, 2017, and the county estimates that De Soto will receive a total of \$77,852 in additional sales tax in 2017.
 - ii. The county estimates that De Soto will receive \$141,125 in 2018.
3. **Refuse Contract:** The City's contract with Honey Creek Disposal expires at the end of 2017. Preliminary discussions with Honey Creek indicate that a significant rate increase can be expected for the new contract. Comparing costs for other providers in other communities, and considering that Honey Creek has not increased their prices in ten years, an increase seems warranted and appropriate. We have included a 25% increase in budget appropriations and revenues to account for the new contract. We will continue to work with Honey Creek throughout the fall to negotiate the new contract.

4. **Strategic Planning Initiatives:** Although not completely finalized at this time, the City's first Strategic Plan outlines goals and objectives for the community that impact staff resources and budgeting priorities. Included in the Administration Department budget is \$139,000 to implement several high priority initiatives that came out of the strategic planning process. These are listed below:

Item	Department	Cost
Initiative IF5.1: Disaster Mitigation Plan	101-100 Admin	\$ 20,000
Objective IG1.1B: Hire consultant to produce new website	101-100 Admin	\$ 40,000
Initiative IG1.3: Provide printed or non-digital communications	101-100 Admin	\$ 20,000
Objective IG4.3C: Consider reinstatement of providing dumpsters in Miller Park one weekend a year for city-wide cleanup	101-100 Admin	\$ 4,000
Objective AM1.1.A: Hire a consultant to update the 2006 Parks & Recreation plan	101-600 Parks	\$ 35,000
Perform Financial Audit of Franchise Utilities Including Charter, AT&T, Westar, Atmos.	101-100 Admin	\$ 20,000

5. **Capital Improvements:** We will continue to have discussions on the 5-year Capital Improvements plan throughout the fall, which may change the priorities for 2018. The proposed budget document indicates that the Governing Body has tentatively approved a list of projects to implement in 2018, but is specific that we are not bound to the list. The tentative 2018 Capital Projects include the following:

Project Name	Cost (\$)
Yearly Road Maintenance Program	\$437,000
91st Street Westward Extension Design	\$150,000
Sunflower Road	\$35,000
Paint Pool	\$55,000
AV Upgrades for Council Room	\$7,500
ADA Access to Greatlife	\$40,000
Annual Sidewalk Program	\$20,000
Soccer Fields - Phase I	\$146,142
Demolition of old Water Plant	\$25,000
Spring Drive Waterline	\$75,000
Lexington Avenue Sewer Service	\$24,000
TOTAL	\$1,014,642.00

6. **Vehicle and Equipment Replacement Program:** The most notable change from past year's budgets for the general fund is the implementation of the Equipment and Rolling Stock Replacement Program. The overall budgetary impact for the program in 2018 is \$55,839. There is also an impact of \$15,881 to the Water Fund to implement the program.
 - a. In general, the plan is to procure most the City's heavy equipment (backhoes, tractors, asphalt roller, grader, etc.) through lease-purchase arrangements, and fund rolling stock replacements (pickups and dump trucks) with loans from the electric reserve fund. The first year of the program has total expenditures of \$86,700. The average yearly projected expenditures over the next ten years are approximately \$200,000. This figure can be compared to an average historical expenditure of about \$100,000 during the past five years for leases and purchases of equipment and rolling stock. Over time, particularly due to the advantages of leasing our heavy equipment, our costs for vehicle repair will moderate to a degree, and at least partly make up for the added \$100,000 per year investment in new equipment.
 - b. The proposed 2018 budget includes new lease purchase arrangements for a tractor and asphalt roller in the street department; and a backhoe and a mini-excavator in the water department. It also includes the first year of a 5-year loan payment for the purchase of a new 5-yard dump truck for the street department.
7. **Water and Sewer Rates:** The proposed 2018 budget includes a 3.5% rate increase in the water rate, and a 5% rate increase for sewer. These funds will be monitored through the end of 2017, and final rate increases will be set in January of 2018.
8. **Wage Increases:** The base budget includes 3.5% merit increases for all City employees, throughout all departments. This increase is in line with almost all other Johnson County cities, based on discussions with other City Managers. The results of our ongoing compensation study will be available in June, and can guide any adjustment to this figure.
9. **New Employees:** The base budget includes the addition of two positions at City hall; a utility billing clerk, and a monitor/janitorial position. Together, these two positions have a total budgetary impact of \$95,090. \$30,545 will be attributed to the Water Fund, representing 1/2 of the utility billing clerk position.

End of Memo