



**City of Leavenworth**  
100 N. 5<sup>th</sup> Street  
Leavenworth, Kansas 66048

**CITY COMMISSION STUDY SESSION & SPECIAL MEETING**  
**COMMISSION CHAMBERS**  
**TUESDAY, SEPTEMBER 7, 2021 7:00 P.M.**

Welcome to your City Commission Study Session & Special Meeting - Please turn off or silence all cell phones during the meeting  
Meetings are televised everyday on Channel 2 at 7 p.m. and midnight and available for viewing on YouTube and Facebook Live

**STUDY SESSION:**

1. Quarterly Report by Leavenworth School District (pg. 2)
2. 301 Delaware Project Proposal (pg. 3)
3. Transportation Update (pg. 4)
4. COVID Federal Relief Funds Summary (pg. 7)

**SPECIAL MEETING:**

**Open Special Meeting:**

**Action:** Motion

5. Public Hearing 2022 Budget (pg. 12)
  - a. Open Public Hearing **Action:** Motion
  - b. Presentation of 2022 Budget by Staff
  - c. Public Comments
  - d. Close Public Hearing **Action:** Motion
  - e. Adopt the 2022 Operating Budget **Action:** Motion
  - f. Resolution B-2291 Adopt Housing Budget (Planters II) **Action:** Motion

**Close Special Meeting:**

**Action:** Motion

**Adjournment**

**Action:** Motion

**STUDY SESSION POLICY REPORT  
PRESENTATION BY  
LEAVENWORTH UNIFIED SCHOOL DISTRICT NO. 453**

**SEPTEMBER 7, 2021**

Leavenworth Unified School District No. 453 will provide a quarterly update to the City Commission.

**Policy Report**  
301 Delaware project proposal  
September 7, 2021

Prepared by:



Paul Kramer  
City Manager

**Issue:**

The City Manager's Office was recently approached by Dr. Kristen Simpson, owner of Life Family Chiropractic, which is currently located in downtown Leavenworth, about the possibility of redeveloping the southwest corner of Third and Delaware street for a new medical office building, with a potential second floor residential element, as well.

The property at 301 Delaware is City owned, and Dr. Simpson is exploring the expansion of her thriving practice. Dr. Simpson has indicated a desire stay in the City of Leavenworth, own her own building and to invest in downtown Leavenworth.

Dr. Simpson will present an outline of her proposal, and ask that the Commission provide a consensus for staff to work with her and her team on a more detailed project proposal. The consensus is requested as Dr. Simpson has undertaken some level of pre-development work, but the next step would be to invest more heavily in site and building specifics.

At this point, there have been no discussions about terms of any project, all of which would be part of the development agreement, should the Commission move that direction.

As a reminder, the City Commission authorized the purchase of 301 Delaware in August 2018 as a blight removal measure. The existing dilapidated structure's roof had caved in and the building was an extreme blighting influence on the new Hilton Home2 and surrounding businesses. The building was razed and the lot is currently green space.

**Commission Action:**

The Commission has three basic options:

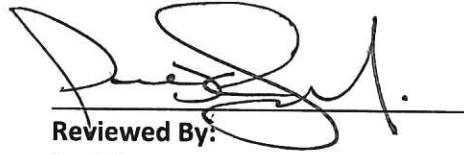
- 1) The Commission can take no action;
- 2) The Commission can provide a consensus for staff to work with Dr. Simpson to bring back a more comprehensive proposal, which would be the first step in a development agreement; or
- 3) The Commission can provide alternative guidance related to the specific proposal or the site itself.

**POLICY REPORT**  
**Transportation Update**

**SEPTEMBER 7, 2021**



**Prepared By:**  
Julie Hurley  
Director of Planning and  
Community Development



**Reviewed By:**  
Paul Kramer  
City Manager

**DISCUSSION:**

In January, 2018, a Transportation Study was completed in partnership with the Mid-America Regional Council (MARC), Kansas City Area Transportation Authority (KCATA), the City of Leavenworth and Leavenworth County. As part of that study, the primary transit alternative suggested for development in Leavenworth was a demand-response service. Since the completion of the Transportation Study, the Leavenworth City Commission has made a commitment to its implementation through annual goal setting.

Demand-response service is intended to provide maximum service coverage and is often the best near-term option in communities with little to no exposure to public transit and an expectation of low to moderate transit usage in the early stages of new service introduction. KCATA currently successfully operates demand-response transit service throughout the Kansas City metropolitan area.

Since that time, the City of Leavenworth has continued to work with KCATA on the development of this transit service and has further partnered with the Guidance Center and Kansas Department of Transportation (KDOT) on development, funding and implementation.

The system has been designed as a demand-response operation in which riders use an app to request a ride, in a similar manner to Uber or Lyft. Rides may also be requested by phone call. Service delivery and dispatch will be provided by the Guidance Center, separate from the transportation system they currently operate for their clients. Initially, rides will only be available within the City of Leavenworth. It is anticipated that as ridership and demand grows, the service area may increase.

Initial funding for capital and operating costs will be provided through a KDOT grant that was awarded in June, 2021 to the Guidance Center, and matching funds in the amount of \$62,000 from the City of Leavenworth. An additional grant to cover technology costs including dispatch software, cameras, and tablets, has been applied for and is awaiting award.

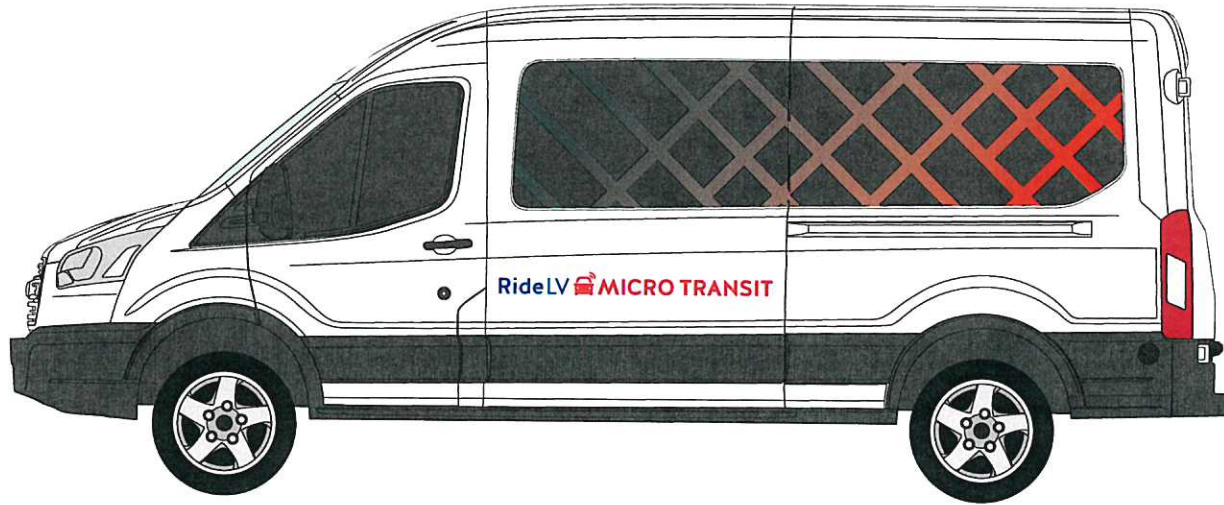
The initial transportation fleet will consist of 3 vans, which have been ordered by The Guidance Center through KDOT. As of this date, and estimated delivery date is unavailable due to widespread supply chain delays. Start of service will depend on the van delivery date. The logo and design of the vans has been designed by KCATA staff and is consistent with their current service fleet throughout the metropolitan area in order to provide consistent branding.

As we await the delivery of the vehicles, staff is currently working on drafting necessary documents including agreements between KCATA, the Guidance Center and City of Leavenworth to address various aspects of the service, as well as other items including a code of conduct and ridership policies.

Discussion of fares is ongoing, and is expected to be in line with current KCATA fares, which are currently \$2 each way.


Despite the uncertainty of the timeline for delivery of the vans, staff at all agencies involved are working towards an early 2022 roll out of the transit service.





**Policy Report**  
 COVID federal relief funds summary  
 Sept. 7, 2021

Prepared by:



Paul Kramer  
 City Manager

**Background:**

In the midst of the global COVID-19 pandemic, the federal government enacted a variety of funding relief plans. Those funds were allocated across the economy and dispersed through several federal agencies. Much of the national attention was given to programs like the Paycheck Protection Program, Emergency Rental Assistant, Child Tax Credit, Enhanced Unemployment Benefits, Airline and National Security Relief program, Payroll Tax Deferral, and many others. Also included in both the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) were allocations to “state, local and Tribal governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery.”

**Subject:**

The City of Leavenworth has received funding from seven (7) different sources/programs. Many of those programs provided funding based on the City’s status as a Community Development Block Grant (CDBG) entitlement community (meaning we receive funds directly from the U.S. Department of Housing and Urban Development) and because the City of Leavenworth operates the Leavenworth Public Housing Authority (LPHA) for the county. In addition to the variety of funding sources, each of those sources comes with its own set of restrictions and reporting requirements.

The first overall category are the CDBG/HUD related sources, all of which are greatly restricted in use.

**1. Community Development Block Grant**

	Community Develop Block Grant (CDBG)
<b>Funds Received</b>	<b>\$ 201,489</b>
<b>Uses of Funds</b>	
Local non-profits for rent, utility, medical, and food assistance and grants to small business in Leavenworth	\$ 141,179
Administration	\$ 3,566
<b>Total Used Funds</b>	<b>\$ 144,745</b>
Funds still available for Local non-profit and small business grants	\$ 56,744
<b>Funds Still Available for Specific Purposes</b>	<b>\$ 56,744</b>
Funds in Reserves	\$ -
<b>Total Funds in Reserves</b>	<b>\$ -</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 201,489</b>

\*CDBG funds are restricted to the activities indicated above, principally direct relief to non-profits and businesses.



## 2. Emergency Solutions Grant (ESG)

	Emergency Solutions Grant (ESG)
<b>Funds Received</b>	<b>\$ 85,437</b>
<b>Uses of Funds</b>	
Local non-profits for rent, utility, medical, and food assistance and grants to small business in Leavenworth	\$ 75,468
Administration	\$ 2,194
<b>Total Used Funds</b>	<b>\$ 77,662</b>
Funds still available for Local non-profit and small business grants	\$ 7,775
<b>Funds Still Available for Specific Purposes</b>	<b>\$ 7,775</b>
Funds in Reserves	\$ -
<b>Total Funds in Reserves</b>	<b>\$ -</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 85,437</b>

\*ESGs have similar restrictions, with nearly all awarded dollars going to rent and utility relief programs run through Catholic Charities.

## 3. Planters II Housing Funding

	Planters II Housing
<b>Funds Received</b>	<b>\$ 34,826</b>
<b>Uses of Funds</b>	
PPE and building enhancements for COVID mitigation	\$ 28,816
<b>Total Used Funds</b>	<b>\$ 28,816</b>
Funds still available for building enhancements for COVID mitigation	\$ 6,010
<b>Funds Still Available for Specific Purposes</b>	<b>\$ 6,010</b>
Funds in Reserves	\$ -
<b>Total Funds in Reserves</b>	<b>\$ -</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 34,826</b>

\*Planters II funds are restricted to use in, and in service of, that building, which the City operates.

## 4. Housing Choice Vouchers (HCV)

	Housing Choice Vouchers (Sect 8)
<b>Funds Received</b>	<b>\$ 84,180</b>
<b>Uses of Funds</b>	
IT equipment and software for remote working	\$ 2,441
<b>Total Used Funds</b>	<b>\$ 2,441</b>
Funds still available for Local non-profit and small business grants	\$ -
Funds still available for building enhancements for COVID mitigation	\$ 81,739
Funds still available for PPE and Public Safety Overtime	\$ -
<b>Funds Still Available for Specific Purposes</b>	<b>\$ 81,739</b>
Funds in Reserves	\$ -
<b>Total Funds in Reserves</b>	<b>\$ -</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 84,180</b>

\*HCV are restricted to the voucher program (commonly known as Section 8).



## 5. Byrne Justice Grant

	Byrne Justice
<b>Funds Received</b>	<b>\$ 76,918</b>
<b>Uses of Funds</b>	
PPE and building enhancements for COVID mitigation	\$ 43,066
<b>Total Used Funds</b>	<b>\$ 43,066</b>
Funds still available for PPE and Public Safety Overtime	\$ 33,852
<b>Funds Still Available for Specific Purposes</b>	<b>\$ 33,852</b>
Funds in Reserves	\$ -
<b>Total Funds in Reserves</b>	<b>\$ -</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 76,918</b>

\*The Byrne grant comes from the Department of Justice directly to the Leavenworth Police Department. Initial PPE for Public Safety and frontline employees was paid for, in part, with these funds. The funds have a deadline to obligate by early 2022.

## 6. CARES Act

	General Fund
<b>Funds Received</b>	<b>\$ 6,757,039</b>
<b>Uses of Funds</b>	
Local non-profits for rent, utility, medical, and food assistance and grants to small business in Leavenworth Administration	\$ 825,000
Hazardous Duty Pay	\$ -
IT equipment and software for remote working	\$ 173,000
PPE and building enhancements for COVID mitigation	\$ 153,000
Free outdoor pool passes to all residents aged 18 and under	\$ 90,000
Overtime for mitigation, covering for departments that were understaffed, employees that were out for COVID protocol; and public safety employees	\$ 135,000
<b>Total Used Funds</b>	<b>\$ 569,000</b>
Funds still available for Local non-profit and small business grants	\$ 1,945,000
Funds still available for building enhancements for COVID mitigation	\$ 175,000
Funds still available for PPE and Public Safety Overtime	\$ 1,164,000
<b>Funds Still Available for Specific Purposes</b>	<b>\$ -</b>
Funds in Reserves	\$ 1,339,000
<b>Total Funds in Reserves</b>	<b>\$ 3,473,039</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 3,473,039</b>
	<b>\$ 6,757,039</b>

\*CARES Act funds were distributed from the federal government to the state government, and in Kansas, the counties held all funds and made allocations to the cities based on submission of eligible activities. The City of Leavenworth submitted more than 100 eligible expenses, including Police and Fire Payroll, in order to receive the total allocation of \$6,757,039.

There are still approximately \$1.4 million in funds remaining for small business and non-profit grants and for building enhancements, which include physical alterations and air quality efforts.

Also remaining are approximately \$3.47 million in reserves, which have stabilized the City's financial position as we attempt to forecast and prepare to deal with the near-, mid-, and long-term impacts of the economic impacts of the pandemic.

## 7. ARPA

	ARPA Fund
<b>Funds Received</b>	<b>\$ 4,274,532</b>
<b>Eligible Uses of Funds</b>	
Responding to the Public Health Emergency/Negative Economic Impacts	\$ -
Revenue Loss	\$ 869,581
Respond to Workers performing Essential Work during COVID-19 (premium pay)	\$ -
Investments in Water, Sewer, and Broadband Infrastructure	\$ -
<b>Total Used Funds</b>	<b>\$ 869,581</b>
Responding to the Public Health Emergency/Negative Economic Impacts	\$ -
Revenue Loss	\$ -
Respond to Workers performing Essential Work during COVID-19 (premium pay)	\$ -
Investments in Water, Sewer, and Broadband Infrastructure	\$ -
<b>Funds Still Available for Specific Purposes*</b>	<b>\$ 3,404,951</b>
Funds in Reserves	\$ -
<b>Total Funds in Reserves</b>	<b>\$ -</b>
<b>Total Funds Used, Still Available, or in Reserves</b>	<b>\$ 4,274,532</b>

\*The most recent funding source to the City is the American Rescue Plan Act (ARPA). ARPA represents the largest funding source for the City, but is much more restrictive than the CARES Act dollars. Along with an Interim Treasury Rule of more than 175 pages, there are accounting requirements as well as quarterly and annual reporting requirements. In addition, the ARPA funds have an obligated and expended deadline of December 2024 and December 2025, respectively.

The funds may be used in seven broad categories.

1. Supporting the public health response
  - COVID-19 mitigation, medical expenses, behavioral healthcare, public health resources.
2. Addressing the negative impact caused by the public health emergency
  - Supporting small businesses, rebuilding public sector staff and replenishing unemployment insurance trust funds, supporting the travel and tourism industry and helping families facing food, housing or financial insecurity.
3. Serving the hardest-hit communities and families
  - Addressing health disparities, investing in housing and neighborhoods, addressing educational disparities, and promoting healthy childhood environments.
4. Replacing lost public sector revenue
  - Recipients may use these funds to replace lost revenue based on formula and guidelines created by the Treasury Department (the recipient's average annual revenue growth over the three full fiscal years prior to the public health emergency, or 4.1%, the national average state and local revenue growth rate for 2015-2018).
5. Providing premium pay for essential workers
  - Funds to "recognize the heroic contributions of essential workers."
6. Investing in water and sewer infrastructure



- Recipients may use funds to “invest in necessary improvements to their water and sewer infrastructures, including projects that address the impacts of climate change.”

7. Investing in broadband infrastructure

- Funds may be used to address “the importance of universal, high-speed, reliable, and affordable broadband coverage.”

Each of these allowable areas has extensive rules about what is allowed and what is not. In the next several months, the City Commission will review and adopt an ARPA Spend Plan to help identify and direct spending of available funds.

One important distinction between the CARES Act funds and the ARPA funds is that ARPA cannot be used as general fund reserves. There are no mechanisms to move funds that way, therefore they must be spent and recorded under one of the allowable uses. Another important distinction is the push toward long-term investments like infrastructure and housing in the Treasury guidance. With those types of uses, planning is key to wise-use of this one-time revenue source.

The City has received half of the ARPA funds allocated, with the second half expected in the next 12 months. In addition, staff has been attending numerous webinars given by the Treasury to help guide the proper and legal use of these funds. Additional written guidance is continual and staff is still working to ensure that all internal controls are in place for reporting and audit requirements.

**Policy Report No. FIN-21-10  
Public Hearing on the Proposed 2022 Budget**

**September 7, 2021**

Prepared By:



Ruby Maline  
Finance Director

Approved By:



Paul Kramer  
City Manager

**Issue:**

According to State statute, the City Commission must hold a Public Hearing prior to adopting the 2022 City Budget in order to receive citizen comment. Attached please find a copy of the notice of public hearing that was published in *The Leavenworth Times*.

By resolution the Commission must also adopt the 2022 Housing Budget.

**Recommendation:**

Staff recommends that the City Commission:

- Hold the required public hearing and then consider the adoption of the proposed 2022 budget with or without amendment, and
- Adopt the 2022 Housing budget.

**Background:**

On July 16, 2022, staff presented to the City Commission the proposed 2022 budget. Attached is the budget transmittal letter that provides an overview of 2022 budget issues, budget summary, and a resolution adopting the 2022 Housing budget.



NOTICE OF BUDGET HEARING

2022

State of Kansas  
City

The governing body of  
**City of Leavenworth**

will meet on September 7, 2021 at 7:00 P.M. at City Hall, 100 N. 5th Street Leavenworth, Kansas for the purpose of hearing and answering objections of taxpayers relating to the proposed use of all funds and the amount of ad valorem tax.

Detailed budget information is available at City Hall; Leavenworth Public Library and will be available at this hearing.

**BUDGET SUMMARY**

Proposed Budget 2022 Expenditures and Amount of 2021 Ad Valorem Tax establish the maximum limits of the 2022 budget.

Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual for 2020		Current Year Estimate for 2021		Proposed Budget Year for 2022		
	Expenditures	Actual Tax Rate *	Expenditures	Actual Tax Rate *	Budget Authority for Expenditures	Amount of 2021 Ad Valorem Tax	Estimate Tax Rate *
General	22,014,849	16.743	19,930,977	17.224	25,271,455	4,135,771	16.970
Debt Service	4,269,254	7.637	6,515,000	7.780	5,471,668	1,897,252	7.785
Library	923,668	3.750	969,500	3.750	1,033,500	913,829	3.750
Library Emp Benefit	270,070	1.080	271,117	1.154	214,500	178,748	0.733
Police Pension Fund	15,332	0.061	16,349	0.055	168,799	13,101	0.054
Fire Pension Fund	124,293	0.410	99,773	0.041	428,317	9,970	0.041
Recreation	1,151,812	2.047	2,610,043	1.809	2,867,099	440,882	1.809
Special Highway	1,766,188		1,110,000		1,347,141		
CVB	451,039		612,003		860,206		
Probation	188,301		220,276		275,645		
Economic Develop	266,613		651,069		1,249,823		
Bus & Tech Park	28,348		31,187		390,000		
CIP Sales Tax	1,993,252		3,470,215		2,846,935		
CountyWide Sales Tax	2,651,119		3,219,446		3,783,217		
Sewer	6,733,431		5,032,470		7,663,049		
Refuse	2,066,207		1,958,690		3,270,922		
Storm Water	1,871,901		3,011,796		2,329,254		
Auto TIF	705,329		794,798		843,116		
Hotel TIF	671,956		631,072		999,587		
Retail TIF	319,865		298,771		533,293		
Refuse Restricted	49,303						
911 Fund			109,500		219,000		
Non-Budgeted Funds-A	3,287,350						
Non-Budgeted Funds-B	1,081,075						
Non-Budgeted Funds-C							
Totals	52,900,555	31.728	51,564,052	31.813	62,066,526	7,589,553	31.142
Revenue Neutral Rate**							28.180
Less: Transfers	3,648,428		6,638,988		7,135,447		
Net Expenditure	49,252,127		44,925,064		54,931,079		
Total Tax Levied	7,282,112		7,282,112		XXXXXXXXXXXXXXXXXXXX		
Assessed Valuation	219,192,469		228,897,649		243,717,259		
Outstanding Indebtedness, January 1,	2019		2020		2021		
G.O. Bonds	26,870,000		19,535,000		27,626,040		
Revenue Bonds	0		5,160,000		0		
Other	0		9,190,000		9,235,000		
Lease Purchase Principal	539,840		254,321		129,371		
Total	27,409,840		34,139,321		36,990,411		

\*Tax rates are expressed in mills

\*\*Revenue Neutral Rate as defined by 2021 Kansas Senate Bill 13.

Carla Williamson  
City Official Title: City Clerk

**RESOLUTION B-2291**

**A RESOLUTION ESTABLISHING THE 2022 HOUSING BUDGET  
AND SPECIFICALLY THE OPERATING BUDGET FOR  
PLANTER'S II, LEAVENWORTH, KANSAS**

**BE IT RESOLVED BY THE MAYOR AND CITY COMMISSION, ACTING AS  
THE PUBLIC HOUSING AUTHORITY (PHA) FOR LEAVENWORTH, KANSAS, that;**

**Section 1.** The 2022 Operating Budget for Planter's II is hereby adopted.

**Section 2.** The Proposed expenditures are necessary in the efficient and economical operation of the Housing agency for the purpose of serving low-income families.

**Section 3.** The financial plan is reasonable in that: it indicates a source of funding to cover all proposed expenditures and it does not provide for use of federal funds in excess of that payable under the provisions of 24 CFR 890, Subpart A.

**Section 4.** All proposed rental charges and expenditures will be consistent with the provisions of law and the annual contributions contract.

**Section 5.** Pursuant to Section 960.209 of the final rule effective May 21, 1984, the PHA is re-examining the incomes of all families living in the project at least once a year.

**Section 6.** No PHA employee reflected in the proposed operating budget is serving in a variety of positions which will exceed a 100% allocation of his/her time.

**Section 7.** This resolution also adopts the budget of expenditures and revenue earnings from administrative fees associated with Section 8 - existing housing assistance payments made on behalf of participant - tenants in the certificate, voucher and HOME tenant based assistance programs.

**Section 8.** This resolution shall be effective January 1, 2022.

**PASSED and ADOPTED** this 7th day of September, 2021.

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Nancy D. Bauder, Mayor

{SEAL}

ATTEST:

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Carla K. Williamson, City Clerk, CMC



July 9, 2021

Mayor and City Commission  
City of Leavenworth  
Leavenworth, Kansas

Dear Mayor and Commissioners:

The City of Leavenworth Management Team is pleased to present the 2022 Operating Budget and 2022-2026 Capital Improvements Program (CIP). The two budget processes were combined in 2019 to provide the Commission and residents of Leavenworth with a clearer comprehensive view of total city resources and expenditures. The change also reflects the interconnectivity between the budgets and provides a condensed picture of the City's priorities and path forward.

#### **OPERATING BUDGET**

The 2022 Operating Budget is balanced, as required by law, and builds on the City's goal to provide high-quality services while maintaining sound financial standing. The budget contains revenue and expenses for all City funds and includes a "pass-through" levy as mandated by the Library Ordinance. The budget was crafted at the beginning of recovery from the most fiscally uncertain period in recent history. The historic COVID-19 pandemic devastated the national economy, left 40 million people unemployed, and created both immediate and future budget implications. While it was challenging to prepare the 2021 Operating Budget before there was an indication of how the economy would respond to the pandemic, completing the 2022 budget together amidst the recovery from the pandemic has provided a different set of challenges. Among those new challenges are: competition for labor, wage inflation, inflated costs of materials and supplies, and delays and price fluctuations in the acquisition of equipment and fleet replacements, and extreme volatility in sales tax, which is the City's primary revenue source.

In addition to these challenges, consideration of the required Revenue Neutral Rate (RNR) recently passed by the Kansas Legislature played a role in the formulation of the budget and the budget process. In March 2021, the Legislature passed SB13, which requires local governments to maintain a RNR that becomes effective with the 2022 budget. A budget following the RNR was determined to be incompatible with the City's ability to maintain service levels, amenities and adequate staffing.

During the lead up to the budget, the City Commission provided guidance to City management to consider the burdens on families and businesses during the pandemic. To that end, the budget includes the following, related to taxes and fees:

- The City supported portion of the mill levy decreases 0.25 mills from 26.909 in 2021 to 26.659 in 2022, and there is a decrease from 4.904 to 4.483 in the Library funds.
- A total City mill levy reduction of 0.66 mills (including the library pass-thru)
- Refuse rates are proposed to remain flat
- Sewer rates are proposed to remain flat

The Management Team has evaluated economic trends, available data, City Commission priorities and adopted goals, public discourse and feedback, staff recommendations, and many other factors while drafting the operating and capital budgets. The following issues, in context of their relation to available resources, were discussed at length in development of the 2022 budget:

- The impact of sales tax growth on projects, initiatives, and priorities.
- Fleet Management.
- Ensuring excellence in public safety.
- Employee turnover.
- Ensuring that the conservative budgeting and spending practices directed by the Commission to reach and surpass budget reserve goals are not squandered due to economic turmoil.
- Completing the implementation of the City employee classification and compensation program to invest in the recruitment, development, and retention of employees.
- Employee health/welfare and retirement expenses.
- Accounting for the impact that the CARES funding had on the City.
- Planning the uses of the American Rescue Plan (ARPA) funding the City received as an entitlement community.

#### General Fund

The City's General Fund accounts for core municipal functions and services such as Police, Fire, Parks and Recreation, Financial Management, Public Works, Planning, and Administration. This is an operating budget focused primarily on revenues coming and going in a particular fiscal year. The primary revenue streams that support the General Fund budget are: 1) Sales and Use Taxes; 2) Property Taxes; 3) Charges for Services; 4) Fines and Forfeitures; and 5) Franchise Fees. Fluctuations in these revenue streams affect how the City is able to pay for and maintain core services.

#### Revenue Highlights

- The City experienced an increase in initial assessed valuation from \$228,897,649 as of November 2020 to \$243,717,259 as of June 2021, an increase of 6.47%. This increase in assessed valuation causes a \$163,195 (4.9%) increase in Ad Valorem taxes, net of funds refunded through the TIF and Neighborhood Revitalization Area (NRA) programs. This increase is allocated as follows: \$81,984 is available for the General Fund to use for operations; \$65,506 is restricted for debt repayment; \$15,157 is available for the recreation activities; and the balance (\$548) is restricted for the use of the police and fire pension funds.
- Total sales tax revenues in the Tax Funds (including both local and countywide sales tax) are budgeted to increase 4.14% (\$632,654) from the 2021 budget. This increase is allocated as follows: \$266,383 for general fund operations and the balance is for capital outlay, and uses determined by the City Commission, such as sidewalks, economic development and debt reduction.



The General Fund 2022 budget includes a budgeted reserve of \$5,023,000, which is available to support unanticipated expenses or underperforming revenues. The 2022 budgeted reserve represents 24.89% of 2022 budgeted General Fund expenditures, which is above the City's reserve target of 16.67%, but includes tax stabilization funding from the federal CARES Act. The ending reserve position on Dec. 31, 2020 was 29.65%, which the Management Team has worked to keep stable through the pandemic of 2020 and the uncertainty of 2021. While budgeting use of reserves during a national recession is common, the Management Team has not elected to change the reserve position at this time. As was reinforced in our 2020 review by Moody's Investor Services, a stable and healthy reserve is critical to maintaining the City's Aa2 bond rating.

#### Expense Highlights

- The Community Center and Parks activities continue to be funded by CIP sales tax in accordance with Ordinance 26.
- City contributions to the Police and Fire KP&F State Pension system and the KPERS State Pension system for all City employees are budgeted increase \$352,877 (18%) over the 2021 budget. The increase is due to several factors: 1) the 2021 budget was lower than previous years because of higher than normal vacancy rates related to the pandemic; 2) the 2022 budget assumes all vacancies will be filled; 3) the 2022 budget includes full implementation of phases 4 & 5 of the employee classification and compensation study and a 2.75% COLA increase.
- Health insurance costs are budgeted to increase 8% resulting in a \$56,495 increase in 2022. For forecasting, the 8% increase is applied to actual premiums for those enrolled in May 2021, and assumes that vacancies are filled with staff who enroll in the highest health insurance tier. This causes a lower increased amount than if the 8% increase was applied to the 2021 budgeted amount.
- The 2022 portion of the 5-year phased implementation of the employee classification and compensation study is \$151,942 (this includes the final phases (4 and 5).

The 2022 employee compensation plan recommendation is to include a 2.75% across the board increase for employees, implemented mid-year. The compensation plan is in line with those being provided by most municipalities in the region. When combined with the classification and compensation allocation, the City remains competitive in the region for employee investment.

#### Other budgets included

It is useful to consider the 2022 budget document as consisting of four separate budgets: Library Funds, Federal Grant Funds, Non-Tax Funds and Tax Funds.

#### **Library**

The Library Ordinance establishes a mill rate not to exceed 3.75 mills to support Library operations. For 2022, the Library's submitted budget requires all 3.75 mills, which generates \$913,968 for 2022 operations. Additionally, there is a second levy for the Library Employee Benefits Fund (EBF). That levy fluctuates based on cost and the 2022 request is 0.733 mills, which will generate \$178,714. The library also receives other (motor vehicle and delinquent taxes) funding.

#### **Federal Grant Funds**

The City receives federal grants each year for Planters II, Section 8, Community Development, and Comprehensive Improvements Assistance Program (CIAP) activities. The 2022 Planters II expense budget

is flat compared to the 2021 budget. The financial condition of the fund is stable. The 2022 Section 8 Fund expense budget is also flat compared to 2021.

The 2022 Community Development Block Grant (CDBG) funds are estimated to decrease \$92,705 (-17.09%) to \$449,809. The decrease represents increased supplemental grant funds in previous years and does not indicate any reduction in the normal annual CDBG allocation. Of that total budget, \$69,961 may be used for administrative purposes; the balance, or \$379,848, is used for a variety of community projects in accordance with CDBG guidelines.

The CIAP Fund (Planters II Capital Fund) was established to account for federal grants received each year for repairs and renovations to the Planters II facility. At the end of 2020, the Fund had a balance of \$109,149. The Fund will receive an allocation of \$163,585 for 2021. The allocation for 2022 has yet to be determined.

**Non-Tax Funds**

The following funds derive their financial support from sources other than ad valorem taxes. Expense budget levels for these Funds are generally dependent upon the availability of revenue generated through the pursuit of the Fund's activity and accumulated reserves. For example, the Sewer Fund expense budget is dependent upon funds generated from the sale of sewer services.

The 2022 base budget for this group of Funds increases \$400,106 or 1.56%, to \$26,002,188.

	<u>2021</u>	<u>2022</u>
CVB Fund	\$842,382	\$860,206
Probation Fund	297,966	275,645
Streets	2,030,871	1,347,141
Eco Development Fund	1,251,660	1,249,823
CIP Sales Tax	3,179,316	2,846,935
County Wide Sales Tax	3,535,436	3,783,217
Sewer	5,735,268	7,663,049
Refuse/Refuse Restricted	2,898,581	3,270,922
Storm Water Fund	3,941,502	2,329,254
Auto TIF Fund (Zeck)	943,166	843,116
Hotel TIF Fund	647,162	999,587
Retail TIF Fund	298,772	533,293
	<u>\$25,602,082</u>	<u>\$26,002,188</u>

The Convention and Visitors Bureau Fund (CVB) Fund was established in 2014 to account for the receipt of transient guest tax revenue that had previously been accounted for in the General Fund. The Fund began 2021 with \$332,703 and an additional \$500,000 in revenue is budgeted for 2022. The \$95,000 budgeted increase in revenues over the 2021 budget is related to anticipated increases in transient guest taxes based on current trends. Budgeted expenses are \$642,972, which is \$30,969 higher than 2021 and includes funding for the City festival, increases in personnel costs, promotional advertising, and tourism grants. Operating Reserves are budgeted at \$217,234 to be available if other projects become identified.

The Probation Fund budget remains relatively flat with a stable fund balance. Liquor tax revenues increase slightly, charges for services increase significantly and personnel expenses increase slightly. The changes in this fund are due to services levels increasing to pre-pandemic levels.

The Streets Fund is budgeted to decrease slightly, although fuel tax is budgeted to increase by \$215,690 because of an anticipated increase in travel and the increase in fuel prices. Personnel expenses are projected to increase by \$93,760 to reflect more normal staffing levels and completing implementation of the salary study, as well as the 2.75% COLA. Transfers out are budgeted to decline because Federal Funds Exchange (FFE) funds are now budgeted in the Street Capital Project Fund, so there is no need to make a transfer from the Street operations fund to the Streets Capital Project Fund.

The Economic Development budget decreases slightly even though there is a slight increase sales tax, which funds the economic development activities. This is due to a slight reduction in contractual services. With the uncertainty of the future of the Leavenworth County Development Corp (LCDC) due to indications of a substantial decrease in funding from Leavenworth County, this budget could see increased use in 2022. The Fund remains stable and operating reserves of \$819,330 are budgeted to be available should other projects become identified.

The 2021 CIP Sales Tax revenues are budgeted the same as the 2020 budgeted revenues. However, the actual amount received during 2021 indicates there will be a 2% increase over the 2020 actuals. Therefore, the 2022 budgeted CIP sales tax revenue reflects a 4% increase over 2020 actual revenues. Expenditures are down because some of the ongoing projects have been completed. The transfer to the Recreation Fund is estimated to be less since activities are closer to the pre-pandemic levels, therefore, revenues generated by recreation programs will increase.

Trends indicate that currently County Wide sales taxes are increasing between 4-6%. There is not enough information at the time of crafting the budget to make precise forecasts, so 2022 tax revenues are based on averages. The 2022 revenues are budgeted to increase by \$128,602 (4.52%). Expenditures are budgeted to increase due to an increase in the transfer to Debt Service for the Thornton Street debt payment and the transfer of funds to supplement the amount of notes issued for pavement management.

There is no proposed rate increase for the sewer fund in 2022. Expenditures decreased even though capital projects are budgeted to increase. This reduction is because the final capital lease payment for the Vactor truck is made in 2021. A significant accomplishment over the past two years is the realization of reserve targets for the operating and capital budgets within the sewer fund. Based on direction by the Commission to work toward this goal without significant impact to rate payers, staff achieved this goal through reduced capital projects, vacant positions and other operational efficiencies.

There is no proposed rate increase for the refuse fund in 2022. Expenditures are budgeted to increase because a refuse truck will be replaced in 2022; personnel expenses are essentially flat, although refuse collectors will see an hourly increase. The reserve goals for the Refuse fund were met in 2020 and still maintain a stable level.

The Storm Water Fund revenue budget stays the same, but budgeted expenditures decrease as ongoing projects are completed. Principal and interest charges on the bond payment increase slightly and contractual services decreases significantly, also due to the completion of capital projects.

**Bond and Interest Fund**

The 2022 Bond and Interest Fund budget increases by \$1,704,987 (45.26%). 2022 budgeted Ad Valorem taxes for this fund increase by \$116,442 (6.54%) to \$1,897,252. This reflects an increase in mills from 7.780 to 7.785 and in increase in assessed values as discussed in the next paragraph. The City has budgeted a sale of bonds to raise \$1,400,000, which will be used to redeem 2021 temporary notes for pavement management. Budgeted 2022 payments consist of principal of \$3,005,000 and interest of \$705,155, a 9.6% increase over 2021.

**Assessed Valuation**

Based upon information recently received from the County Clerk, the City of Leavenworth experienced an increase in assessed valuation from \$228,897,649 to \$243,717,259. This is about a 6.47% increase in assessed valuation; however, tax abated property values, such as the NRA, are \$3,412,516 (about 1.4%).

	2021 Budget	2022 Budget	Variance
Real Property	\$211,835,038	\$227,088,374	\$15,253,336
Personal Property	3,698,081	3,004,317	-\$693,764
State Assessed Utilities	13,412,332	13,624,568	212,236
Total	\$228,945,451	\$243,717,259	\$14,771,808

**Ad Valorem Taxes**

The following table illustrates the 2022 ad valorem tax levy (prior to the delinquency rate calculation) required by each City Fund.

Fund	2021 Budget	2022 Budget	Variance
General Fund	\$3,895,438	\$4,135,761	6.17%
Recreation	413,492	440,894	6.51%
Bond & Interest	1,780,810	1,897,252	6.54%
Fire Pension	9,167	9,899	7.99%
Police Pension	12,672	13,204	4.20%
Subtotal - City	6,112,029	6,497,010	6.30 %
Library Fund	858,569	913,968	6.45%
Library Employee Benefits	264,228	178,714	-32.36 %
Subtotal - Library	1,122,797	1,092,682	-2.68%
Total	\$ 7,234,826	\$7,589,692	4.40%

**Mill Levies**

The table below illustrates the 2022 mill levy rate for each City Fund requiring ad valorem tax support given the assessed valuation data provided by the County Clerk.



Fund	2021 Budget	2022 Budget	Variance
General Fund	17.224	16.970	-0.254
Recreation	1.808	1.809	0.001
Bond & Interest	7.778	7.785	0.007
Fire Pension	0.041	0.041	0.000
Police Pension	0.055	0.054	-0.001
Subtotal – City	26.906	26.659	-0.250

Fund	2021 Budget	2022 Budget	Variance
Library Fund	3.750	3.750	0.000
Library Employee Benefits	1.154	0.733	-0.421
Subtotal - Library	4.904	4.483	-0.421
 Total	 31.806	 31.142	 -0.664

**CAPITAL IMPROVEMENTS PROGRAM (CIP) BUDGET**

The CIP is comprised of three sources: 1) one-fourth of the City’s local sales tax, 2) The City’s portion of the countywide sales tax, and 3) General Obligation Bonds issued by the City for the road maintenance program. The CIP is allocated for a number of bond financed and pay-as-you-go projects, buildings, equipment needs, operating transfers and infrastructure items. Projects included in the CIP are prioritized by staff evaluation of operations and equipment, building and infrastructure conditions along with Commission priorities and direction. Although the CIP represents a five-year-look-ahead, the program is evaluated on a yearly basis to offer the most flexibility to the Commission and the community.

**2022 CIP Highlights Include**

- Funding for the City’s portion of a resurvey of the downtown historic district.
- The inclusion of \$600,000 of CIP sales tax funds to go along with the \$1.40 million in GO bonds to maintain the 2022 road expenditure program at \$2 million.
- Additional storage for the Police Department’s video footage.
- Budgeting for the replacement of Fire Department EMS equipment.
- The replacement of three (3) Police patrol vehicles, one (1) detective vehicle, and one (1) Animal Control van.
- Ongoing debt allocations for the Business and Technology Park, Thornton and 10<sup>th</sup> Avenue street projects, the Animal Control facility and three (3) Fire Trucks, and the new 100’aerial fire truck.
- The replacement of the cooling tower (2022) and roof (2023) on the Riverfront Community Center.
- Haven’s Park restroom, parking lot, and security lights.

- Construction of a new splash pad.
- Allocation for trails.

**Conclusion**

The recommended 2022 Operating Budget and 2022-2026 CIP reflect a cautious approach to the recovery in the local, state and federal economy from the COVID-19 pandemic. The recommended budget proposes to invest heavily in the City’s infrastructure and employee development and workforce stabilization while making enhancements in parks and recreation, community resources and City capabilities with a decreased mill rate. Additionally, careful consideration of expenses in the previous few years has allowed the City to reach a stable reserve position.

As with any budget process, certain areas were selected for enhancements, while others that were equally affected by cuts in previous years remained unchanged. We hope the proposed budget matches the goals and expectations of the residents of Leavenworth and the City Commission.

We appreciate the support of the staff in the preparation and presentation of the City Manager’s recommended 2022 Operating Budget and 2022-2026 CIP and we look forward to reviewing its contents with the City Commission.

Sincerely,

Paul Kramer  
City Manager

Ruby Maline  
Finance Director