

City of Leavenworth City Manager's Proposed 2025 Operating Budget and 2025-2029 Capital Improvements Program (CIP)

City Commission Study Session
June 18, 2025



2025 Operating budget considerations

- The 2025 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.
- Ensuring quality service delivery includes:
 - Public safety (personnel, equipment and operational requirements)
 - Core functions
 - Infrastructure
 - Responsible financial and workplace/workforce management
 - Upgrades to Information Technology Staff and Infrastructure
- Financial impact to residents and businesses
 - Value for taxes paid
 - Optimal revenue and expense structure
 - Mill and utility rates
 - Future obligations (in the form of debt issued and reserve levels)
- Attracting and retaining a quality work force
 - Staying competitive within the region.

FY2025 Overview - Forecasting

- **Watching for the affects of inflation on operating costs**
 - **The City is active in many markets, from consumer goods, to industrial chemicals and materials. The City purchases equipment, specialized items, supply-chain dependent items and local items. Work is done with suppliers, vendors and trends to forecast operating costs.**
- **Anticipating shifts in revenue based on potential economic data**
 - **The City is heavily reliant on sales tax for operations and capital budget items. Sales tax is the most volatile revenue source.**
 - **In recent months we have experienced a decrease in sales tax collections due to a decrease in consumer spending. We have adjusted the 2024 projections and 2025 budget to reflect a more conservative outlook.**
- **Working for the long-term health of the City**
 - **Planning for the future of growth, needs and expectations.**

FY2025 Overview - Reserves

- The 2024 Budget projects our year-end targeted reserve position of 30%.
- To maintain current level of services during a period of reduced revenue collections the 2025 proposed budget projects a year-end General Fund reserve position of approximately 21%.

2025 proposed budget highlights

- Continue our pay-as-you-go pavement management program.
- Continuation of all current City services and operations with no new program expansions and the following staff changes:
 - **IT Department**
 - One Full-time System's Administrator added
 - **Streets Department.**
 - Two full time positions added
 - Focused on curbs and sidewalks
 - No new funding necessary. We are transferring this expenditure from the Streets Capital Projects Fund.
 - **Recreation Division**
 - One Part-Time position added to Recreation
 - Partially funded from the Special Parks Gifts fund.
 - **City Clerk's Office**
 - One position converted from Full-time to Part-time
 - **Probation**
 - One Full-Time position converted from Full-time to Part-time.
- Full execution of all previously scheduled capital improvement projects with an emphasis of scaling back on Park expansion and refocusing on Park maintenance.
- Increasing the pavement management program by 5% over 2024 and fully funding the sidewalk and curb program at \$416,000.

2025 proposed budget highlights

- The 2025 employee compensation plan recommendation is a base 3.5% cost of living increase.
- A recommendation of a flat mill levy at 26.962 for the City and Library, combined.
 - **Scaling back revenue projections**
 - Sales tax
 - Franchise fees
 - Interest revenue
- A flat mill proposal generates an additional \$318,224 as illustrated below:

	2024 Budget	2025 Budget	Difference	% Change
Assessed Value	\$ 303,997,319	\$ 315,799,999	\$ 11,802,680	3.9%
1 Mill Generates	\$ 303,997	\$ 315,800	\$ 11,803	3.9%
Mills				
City	22.533	22.498	(0.035)	-0.15%
Library	4.429	4.464	0.035	0.79%
Total Mills	26.962	26.962	(0.000)	0.00%
Ad Valorem Tax				
City	\$ 6,849,972	\$ 7,104,913	\$ 254,941	3.72%
Library	\$ 1,346,404	\$ 1,409,687	\$ 63,283	4.70%
Total Ad Valorem Tax	\$ 8,196,376	\$ 8,514,600	\$ 318,224	

2025 Operating budget proposal rationale

- Highlights in context of the 2025 budget:
 - The Commission has demonstrated the need for supporting, attracting and retaining staff
 - The Commission has shown support for responsible use of operating reserves
 - Staff and the Commission have been diligent about watching expenses to ensure needs are provided for and program or project expansion are carefully considered – needs vs. wants.
 - Commission goals, input and feedback have informed needs and priorities laid out in the 2025 Operating Budget and the 2025-29 Capital Improvements Program.
 - Sales tax revenue collections declined in the first three months of 2024; therefore, the 2024 Projections and 2025 Proposed Budget are conservative.
 - The City has multiple tools to modify expenditures – projects, positions, etc. – that allow for immediate response to unanticipated trends or activities.

Factors involved in the flat mill proposal.

- A decline in estimated sales tax and franchise fee collections.
- The complete retention of all revenue streams. The flat mill levy proposal is based solely on current and 2025 forecasted conditions, and is an issue that should be analyzed each year based on new information and data. Local governments are subject to mandates from other levels of government that can dramatically impact the shape and composition of budgeting and tax structures without regard for local governments' ability to provide service at levels expected by residents and businesses.
 - Local sales tax on groceries (estimated at \$1.2-1.6 million, or 4-6 mills)
 - Full property tax participation by Leavenworth residents and businesses
- Commission direction to continue to provide services, to ensure the City of Leavenworth is viewed as a good place to work, and to focus on improvements over expansion.

Property taxes

- Looking forward, the Budget Management Team remains concerned that an increasing reliance on sales tax as a portion of general fund revenue makes the City more vulnerable to national economic trends. In its most recent update on the City of Leavenworth's credit analysis, Moody's Investor Service cautions "*The city's reliance on economically sensitive sales tax revenue is a credit challenge.*"
- In addition, a portion of sales tax is tied to a 1 percent countywide sales tax that sunsets in 2035. And, based on the allocation formula – population plus taxes levied – as the City's levy decreases in comparison to the county and other cities in the County, our portion of the countywide sales tax decreases.
- The Management Team is concerned that a continued trend of decreasing local and countywide sales tax along with a flat mill levy is setting the stage for a decrease in city services.
- Property taxes are the only method to bring about cost recovery and expansion in many key areas the City is pursuing for growth: business and industrial/manufacturing. Property taxes ensure that property owners contribute to the upkeep and improvement of the local public goods they benefit from.

Property taxes continued

Depending on where you live in the City, there are two different millage rates

	City of Leavenworth 2024 Budget	
	Leavenworth School District (USD 453)	Lansing School District (USD 469)
State	1.500	1.500
County	35.779	35.779
Leavenworth City	22.533	22.533
School District	56.238	53.443
Library	4.429	4.429
Total Mill Levy	120.479	117.684
% Attributed to City	18.70%	19.15%

If you live in the Leavenworth School District, the portion of your property taxes that go to City-supported services are **18.70%**.

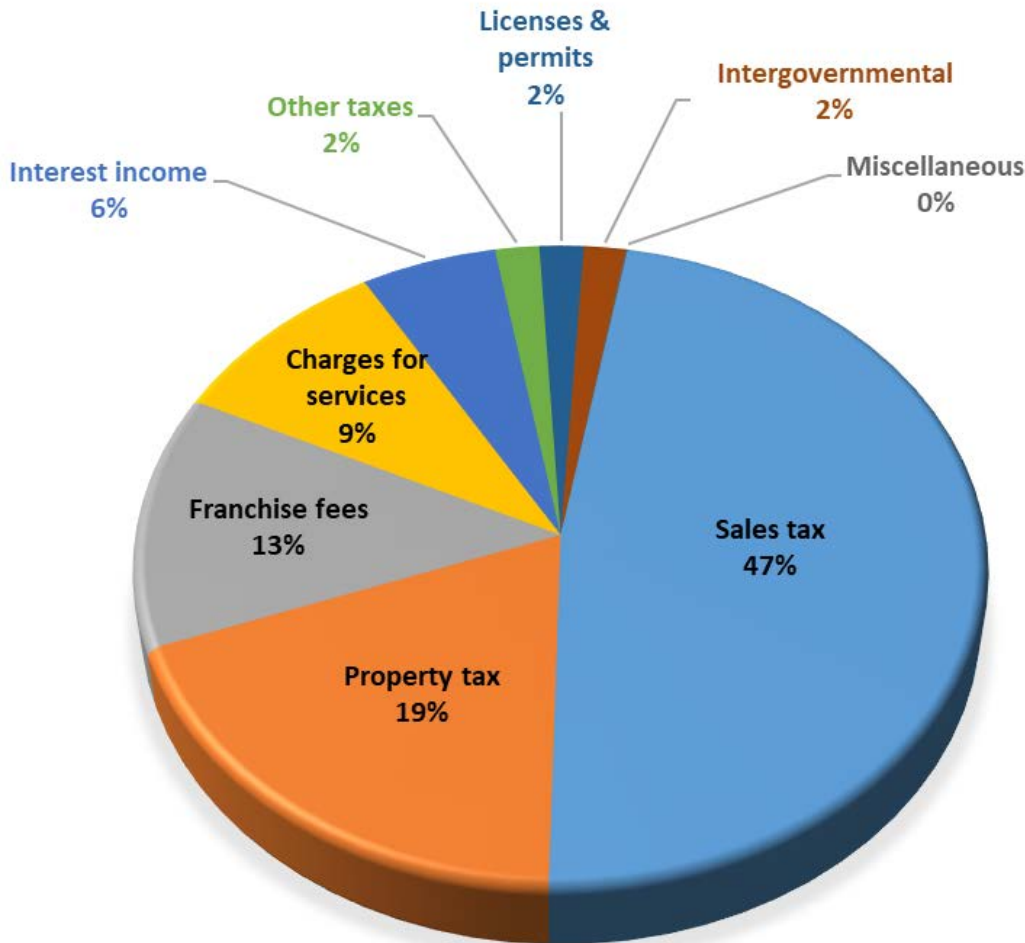
If you live in the Lansing School District, the portion of your property taxes that go to City-supported services are **19.15%**.

*It should be noted that the City of Leavenworth has a more diverse stream of revenue than the School Districts and County, including sales tax, franchise fees, fees and fines, intergovernmental funds, etc.

Revenue Highlights

- The City experienced an increase in initial assessed valuation from \$303,997,319 as of October 2023 to \$315,799,999 as of June 2024, an increase of 3.9%. The 2025 proposed budget keeps the combined City and Library mill levy flat. This will generate an additional \$254,941 in property tax revenues for the City and an additional \$63,283 in property tax revenues to the Library.
- The Library budget proposes a 0.0349 mill increase, therefore the City's mill will decrease by 0.0349 mills in order to keep the mill levy flat.
- Total sales tax revenues (including both local and countywide sales & use tax) are budgeted to increase 4.46% (\$754,174; average 2.23% per year) from 2023 actual sales tax receipts.
 - The six-year trend ending with 2023 has been an annual increase of 4.63%, therefore a 4.46% increase over two years (from 2023 to 2025) is a conservative estimate informed by the fact that the first three months of 2024 saw a decline in sales tax collections. The increase in sales tax revenue will be allocated as follows: approximately \$515,367 to the General Fund, \$23,882 to the Economic Development Fund, and \$305,735 to Capital Improvement Projects.

General Fund: 2025 Proposed Budgeted Revenue - by Type



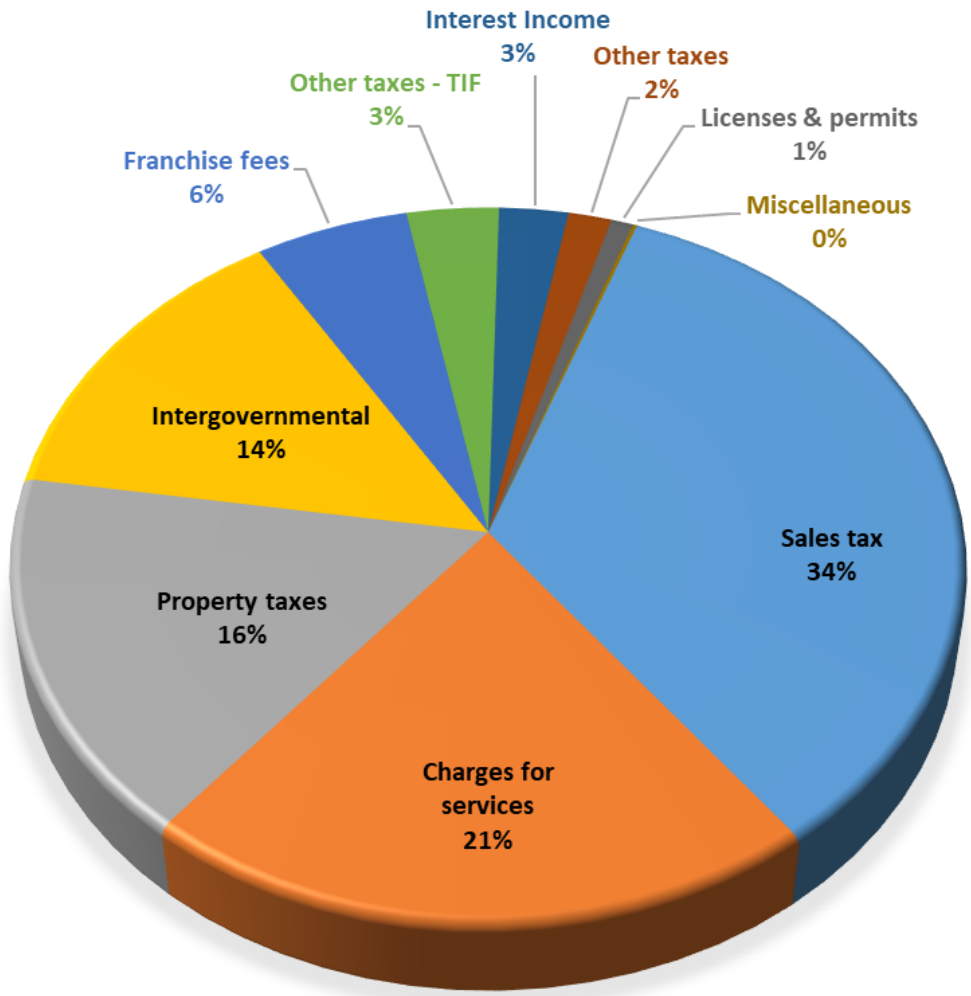
<u>Types of Revenue</u>	<u>Amount</u>	<u>% of Total</u>
Sales tax	10,926,554	48%
Property tax	4,346,887	19%
Franchise fees	2,948,000	13%
Charges for services	2,154,405	9%
Interest income	1,300,000	6%
Other taxes	423,736	2%
Licenses & permits	423,850	2%
Intergovernmental	397,300	2%
Miscellaneous	19,375	0%
Total Revenue	<u><u>22,940,107</u></u>	

This slide illustrates revenue the General Fund is budgeted to receive in 2025. It does not include the fund beginning balance.

Types of Revenue	Amount	%
Sales tax	17,585,663	34%
Charges for services	11,009,885	21%
Property taxes	8,479,110	16%
Intergovernmental	7,133,052	14%
Franchise fees	2,948,000	6%
Other taxes - TIF	1,769,600	3%
Interest Income	1,329,600	3%
Other taxes	831,609	2%
Licenses & permits	423,850	1%
Miscellaneous	75,475	0%
Total Revenue	51,585,844	

This slide illustrates revenue the City is budgeted to receive in 2025. It does not include fund beginning balances, transfers between funds, or fees charged to other funds (i.e. administrative fees for Sewer and Refuse funds and fees charged for garage services).

City of Leavenworth 2025 Proposed Budgeted Revenue - by Type

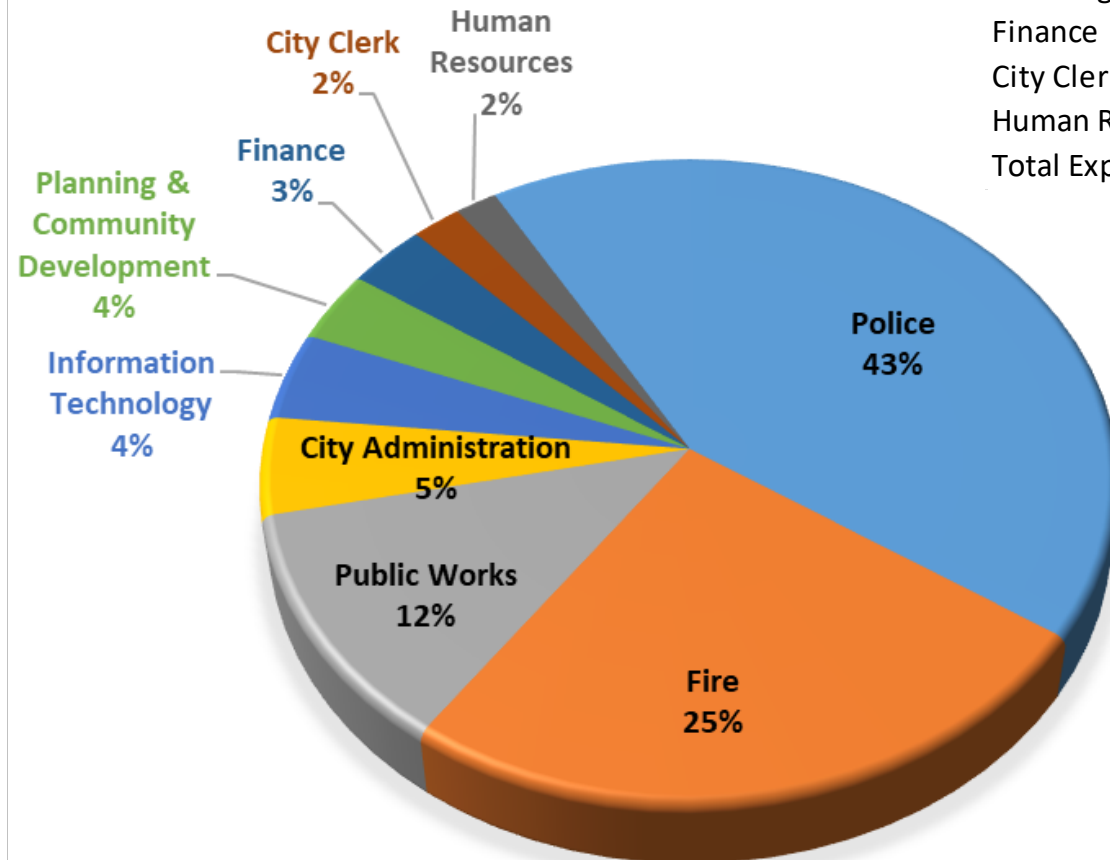


Expense Highlights

- **The 2024 employee compensation plan recommends a 3.5% across the board increase. Total salaries are budgeted to increase 4.28% (\$568,000) over the 2024 budget due to the 3.5% increase for all employees and the changes in staffing in the IT Department (IT Director instead of an IT Manager and addition of an IT Systems Administrator).**
- **Health insurance costs are budgeted to increase 5% over 2024 health insurance costs. In 2024, health insurance costs saw an increase of 21%, so a 5% increase over 2024 will equate to approximately \$730,000 over 2023 actual health insurance, although the exact amount is unknown at this time.**
- **City contributions to the Police and Fire KP&F State Pension system and the KPERS State Pension system for all City employees is budgeted to increase approximately 9% (or \$245,000) over the 2024 budget. This is due to: increases in the KP&F and KPERS contribution rates, salary increases, and budgeting for full employment.**
- **Utilities are budgeted to decrease 2.59% from the 2024 budget, or approximately \$48,000, across all City operations. We continue to experience lower utility rates since the peaks in 2021 & 2022.**
- **IT Contractual Services are budgeted to increase 32% (\$172,000). Investments made in IT personnel, software and hardware to improve performance and increase network security.**

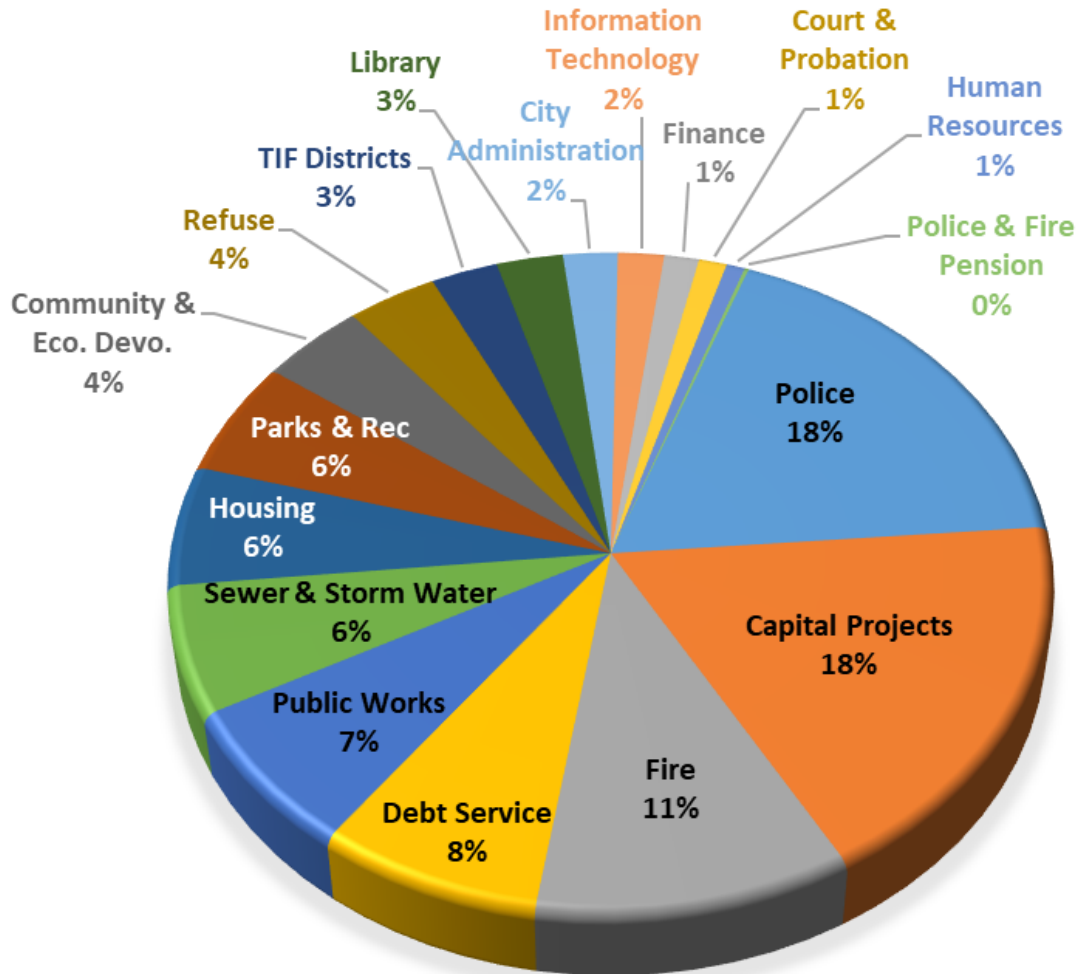
General Fund: 2025 Proposed Budgeted Expenditures – by Function

Function	Amount	% of Total
Police	10,661,296	43%
Fire	6,334,809	25%
Public Works	2,963,723	12%
City Administration	1,219,325	5%
Information Technology	1,094,132	4%
Planning & Community Development	890,121	4%
Finance	819,944	3%
City Clerk	518,070	2%
Human Resources	436,337	2%
Total Expenditures	<u>24,937,757</u>	



2024 Proposed Budgeted Expenditures - by Function

Expenditures do not include transfers between funds, fees charged by other funds (i.e. administrative fee for Sewer, Storm Water, and Refuse funds and fees charged for garage services), or budgeted reserves.



Function	Amount
Police	10,673,895
Capital Projects	10,605,557
Fire	6,334,809
Debt Service	4,499,466
Public Works	4,132,396
Sewer & Storm Water	3,669,311
Housing	3,444,268
Parks & Rec	3,302,884
Community & Eco. Devo.	2,463,143
Refuse	2,122,706
TIF Districts	1,579,600
Library	1,570,618
City Administration	1,287,140
Information Technology	1,094,132
Finance	819,944
Court & Probation	661,363
Human Resources	436,337
Police & Fire Pension	93,043
Total	58,790,612

Value of your City of Leavenworth Tax Dollars

Market Value of Home: \$250,000

Current Mill Rate: 22.533

Assessed Valuation: \$28,750

To determine assessed valuation
multiply market value by 11.5%:
 $250,000 \times 11.5\% = \$28,750$

Annual Tax Liability for City Services: \$647.82

To calculate the annual tax bill, multiply the assessed
valuation by the mill rate and divide the result by 1,000.
 $28,750 \times 22.533 = 647,824$; $647,824 \div 1,000 = \$647.82$

Monthly Expenses for City Services: \$53.99

To determine the monthly tax expenses for City services,
divide the tax liability by 12 months: $647.82 \div 12 = \$53.99$

THE VALUE OF YOUR CITY OF LEAVENWORTH TAX DOLLARS

The following list is a representative sampling of the City Services provided for **\$53.99** per month.

- Police Protection
- Snow Removal
- Street Repairs
- Community Center
- Animal Control



- Fire Protection
- Code Enforcement
- Parks, Playgrounds, Pools
- Capital Improvements
- Health and Safety Inspections

CIP Overview

- **Conservative sales tax projections**
 - **Approximately \$6,125,000 in 2025 sales tax collections in CIP Funds**
 - **Less:**
 - \$1,260,000 transferred out for debt service
 - \$1,699,000 transferred out for street, curb, and sidewalk projects
 - \$2,078,000 transferred out for annual parks & recreation support
 - \$63,800 transferred out for TIF projects
 - **Balance: \$1,024,000 available for new CIP projects**
 - **Focus on:**
 - IT equipment improvements
 - Necessary Police, Fire, Engineering, Public Works, and Parks equipment replacements, and
 - Parks maintenance projects.

CIP Overview, continued

- Increase spending on Pavement Management Program by 5%/year
- Leverage City funds by seeking matching grants for City projects
- Continue replacing major equipment at Waste Water Treatment Plant
- Purchase front loader for Refuse Department
- Use all available Storm Water Assessment Fees to complete the most urgent projects first.
 - The staff continued to discuss the issue after the CIP proposal and although we have some concerns for the future, we will not be proposing a change to the Storm Water Assessment fee in 2025.

General Issues

- **Gazebo Park**
 - Staff has a plan to construct the Gazebo Park in the Central Business District if the Commission wishes to move forward. The Gazebo Park is located in the Downtown Hotel TIF district. The Gazebo Park is budgeted at \$515,000. The TIF balance is \$529,737.64.

General Issues

- **Wilson Avenue Project**
 - **Staff has a plan to move forward on the project if the Commission directs. Wilson Avenue would cost \$1,680,000.**

Wilson Avenue Improvements Budget	\$1,680,000
Design expenditures already incurred and paid for	-114,000
ARPA & Community Development Grant funding allocated to project	-603,346
Waterworks portion of project costs	-147,000
Balance needed to fund Wilson Avenue Project	\$815,654

- **There is \$1,473,725 in the Economic Development Fund to account for the balance.**

General Issues

- **Street Closures**
 - **Staff added \$5,500 to the economic development fund to offset costs associated with street closures for events downtown.**

Next steps

- **The City Commission will hold a budget review meeting on June 28 at 8:30 a.m.**