



**City of Shawnee
Council Committee
MEMORANDUM**

TO: Governing Body
FROM: Nolan Sunderman - City Manager
DATE: May 3, 2021
SUBJECT: Budget Overview - 2021 Revised and 2022 Budget Intro

BACKGROUND:

The budget is the greatest tool the Governing Body has to create the type of community they believe our residents and businesses want Shawnee to be. Over the past 12 months, the entire world has been impacted by the COVID-19 pandemic. The Shawnee community has been resilient through their support of local businesses and supporting their neighbors in numerous ways. The City utilized funds to help support our residents through additional funding for human service agencies and business assistance grants. There will be additional funding opportunities in the future to continue supporting the recovery from the COVID-19.

In 2020, the City adopted the first ever strategic vision and parks and recreation master plan. We have worked to define our City through the development of a vision for the future of Shawnee and align the work (and the funding for that work) we do to achieve the City's vision.

The City of Shawnee has a history of strong financial management and fiscal responsibility. For 14 years, the Government Finance Officer's Association has awarded the City with the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. In 2019, the City received a AAA bond rating which is the highest designation from S&P Global Ratings.

Our overall budget continues to build a strong foundation so we can provide high-quality services, maintain ample reserves, and adequately protect our assets which include: infrastructure, equipment, facilities, technology, and human capital. This has been accomplished by:

- Using ten-year forecasting to plan for the future
- Identifying dedicated sources of revenue to ensure we maintain strong reserves
- Developing equipment replacement schedules, comprehensive facility maintenance programs, and long term technology plans to maintain our assets
- Identifying specific gaps in the critical priorities of stormwater, street maintenance, and public safety and gaining public support and initiating new revenue sources to help fill those gaps
- Establishing policies that define our best practices for financial management and total compensation
- Leveraging outside funding at the local, state, and federal level as well as public-private partnerships to help us achieve our goals

- Dedicating a portion of the landfill impact fee to economic development, providing an otherwise non-existent resource for special projects that will increase our tax base and enhance the economic viability of our community.

DISCUSSION:

The 2022 budget continues the work mentioned above. As we move forward with our strategic vision and updated comprehensive plan, this budget provides solid support to accomplish those initiatives. It has allowed us to provide a foundation to support high-quality services, maintain ample reserves, and adequately protect our City's assets for the years ahead.

Budget Calendar

In the upcoming committee and council meetings, staff will present a variety of items for the Governing Body to consider for the 2021 revised and 2022 budgets. The proposed budget calendar is below:

- May 3 Council Committee Meeting
 - Proposed 2022-2031 Capital Improvement Program
 - Budget Introduction
- May 17 Council Committee Meeting
 - Department Budget Presentations
- June 7 Council Committee Meeting
 - Revenue Update
 - Shawnee Economic Development Council and Visit Shawnee Presentations
 - Economic Development Fund Update
- June 14 City Council Meeting
 - Presentation of the 2020 Comprehensive Annual Financial Report (CAFR) and 2020 Audit
- June 21 Council Committee Meeting
 - Budget Review and Wrap Up
- July 6 Council Committee Meeting
 - Committee meeting as needed – topics requested by Governing Body
- July 12 City Council Meeting
 - Governing Body establishes budget limit and sets the public hearing
- August 23 City Council Meeting
 - Conduct a public hearing and consider the 2021 revised and 2022 budgets

Senate Bill 13 Update

During the 2021 Kansas legislative session, Senate Bill 13 (SB13) became law. SB13 repeals the property tax lid applicable to cities and counties, establishes new public hearing requirements for cities seeking to collect property taxes in excess a revenue-neutral rate, prohibits valuation increases resulting solely from normal maintenance of existing structures, and expands the ability for payment plans for property taxes.

Senate Bill 13 defines the revenue-neutral rate is “the tax rate for the current tax year that would generate the same amount of property tax revenue as levied the previous tax year, using the current tax year’s total assessed valuation”. The revenue-neutral rate is not the same as the mill levy.

SB13 presents two notable changes the Governing Body should be aware of while considering the proposed budget. First, SB13 changes the date by which the City's revenue rate is due to the County. It used to be August 25th but is now July 15th, or six weeks earlier. Staff does not anticipate this impacting the City's budget calendar. If there are additional items the Governing Body wishes to be researched, considered, or discussed, staff would ask for those requests as soon as possible. Second, there are new public hearing and notification requirements. Notice of the public hearing must be mailed to all Shawnee properties. While the mailing requirements will be fulfilled by the County, the City will incur the costs of printing and postage. The statute exempts the mailing requirements until the 2022 calendar year.

In 2020, with the introduction of Finance Director Cawby to the team, the Governing Body set a new philosophy on budgeting. Staff created a "target" budget which would ensure our operating budget is balanced. The target budget is based on a three-year look back at budgeted vs actual expenditures and the ultimate bottom line of how those match up to our revenues. The target budget was used by staff as the starting point for their 2021 revised and 2022 budgets.

FINANCIAL INFORMATION:

Over the course of the next few weeks, staff will present revenue collections and projections. While we don't have a audited financials for final 2020 amounts tonight, we are close enough that staff can provide a high level overview of the City's financial performance for 2020:

- General Fund ended the year with 54% fund balance
- Revenues were 17% over 2020 revised budget
- Assessed valuation was up 5.6% from tax year 2019 to 2020
- Expenditures under the 2020 revised budget by \$1.8 million (3.4%).

As you will see in the presentation, staff has implemented the recommendations from the December 14, 2020 Council Meeting where one-time expenditures were identified for 2020 and 2021 to bring the General Fund balance down to approximately 40% at the end of 2021. The target of a 40% ending balance for 2021 remains the City's overall goal in the 2021 revised budget.

RESULTS:

The City has established key [Results](#) or goals to achieve on behalf of its citizens. This item contributes to the Result(s) of Attractive, Healthy, and Well-Maintained Community; Economic Growth and Vitality; Effective Mobility and Reliable Infrastructure Environmentally Sustainable and Well-Planned Community; Quality Cultural and Recreational Opportunities; Safe Community; and Good Governance.

IMAGINE SHAWNEE PRIORITY PILLARS:

The City has established five pillars as part of the Imagine Shawnee Strategic Plan. These pillars are the foundation of the vision for Shawnee and are utilized as a guide by staff and the Governing Body. This item supports the following Pillar(s):

- Provide exceptional city services and infrastructure

RECOMMENDATION:

This item is for informational purposes only. Throughout the budget process, staff hopes that Councilmembers will share ideas, ask questions and provide direction. We can also meet individually with Councilmembers as needed. As Councilmembers know, while staff's goal is to present a sound budget based on needs and goals expressed by Councilmembers and citizens

in the past, the budget process is fluid. Staff can adapt to any direction, research any question, and bring forward any type of presentation that will provide the information needed so that the Governing Body can make the best possible decisions.