



1918 Train Wreck Manhattan

Thoughts ...

City Commission needs to Guide the Budget Train Not Ride It

The city is down to the last few weeks of budget deliberations.

The published budget will indicate a zero mil levy growth. Some will interpret that to mean that property taxes will not increase. That conclusion is false as assessments have increased. In order to achieve a true zero property tax increase the city would need to reduce the mil levy by one full mil. To achieve zero property tax growth the mil levy needs to be one full mil lower than 2013.

2013 city mil levy - 43.439

Achieving a flat mil levy for 2014 will still increase the city budget by over one million dollars.

As I listened to the Budget Work Sessions bleed out of City Hall over the past few months I noticed a reluctance of the majority of the Commission to get down into the weeds and figure out the budget issues. Some of them stated that they did not want to micro manage. Others seem to just not understand budget details. One of the Commissioners even stated that if the committees recommend it or the staff needs it then we should give it to them. That comment really caused me to want to run over to City Hall and step on the structure. The Commission's job is to make the final budget determination. They ended the last work session dictating a zero mil levy increase, but left the details to the City Manager. Maybe he should be the elected official. As City Manager he should not be forced to make all the tough calls. For what it is worth here are some budget suggestions.

What would it take to actually achieve a zero property tax growth equation? The answer would be to look at the budget line by line. In many cases growth or increases can be reduced. In other cases funding sources can be changed. The key to mil levy reduction is to fund as much as possible from sources other than property taxes.

- The Commission has the ability to reduce the mil levy below the level of last year.
- The Commission needs to focus resources like the infrastructure portion of the Eco Devo tax, CVB and the City University Fund on projects that reduce general fund expenditures.

- Outside agency requests need to be funded from sources other than the general fund and growth limited to at least the rate of inflation.

The City University Fund is a sales tax generated fund. Its purpose is to benefit both the City and KSU. This year 1/3 of the funds, \$224,600, are for McCain Auditorium. The fund was not designed to be a KSU building fund. This fund request should be denied by the Commission. Instead funds should be placed on road construction on North Manhattan Avenue to facilitate the new Department of Agriculture Buildings 250 employees. The building is on KSU property. Road maintenance, upgrade and repair in the city should take priority over upgrade of a restroom in McCain Auditorium. Denying this request would not impact the budget for this year, but would free up funds for future road improvement. Public works will need as much as 40 million dollars to maintain the roads over the next 10 years. Current funding is at about 1 million a year for roads, the city needs 4 million a year.

The CVB (Convention and Visitors Bureau) budget has consistently been handed over to the Chamber of Commerce in a broadly worded contract. This million dollar fund is intended to attract visitors to Manhattan, and is billed by the Chamber as being very successful. The fund has subsidized the Discovery Center, as operations have not and probably never will break even.

(My statue has some things in common with the CVB and the Discovery Center. The current version was dedication in May 1966. Like the Discover Center membership cards, you could join a Johnny Kaw Club and receive a membership for \$1.00. Unlike the Discover Center it only cost \$7,000 to build my magnificent edifice and that was at no cost to the city. Like the Discover Center my statue was designed to be a tourist attraction, not sure how that worked out.)

CVB funds are derived from the bed tax generated by local hotels. CVB funds can be directed towards uses other than the Chamber Contract. Several other facilities in the City could be subsidized using the same logic as applied to the Discovery Center. The Wolfe House and Manhattan Arts Center come to mind as similar facilities. The Wolfe House is currently receiving about \$5,000 from the General Fund. MAC receives about \$45,000 each year from the city. Last year the 45K came from the general fund. This year it has been moved to the Eco Devo Fund. The swimming pools operate at about a 160K loss. In other words the general fund covers 160k of operating cost, the remainder is covered by admission fees. It is logical to lump the Pools, Wolfe House, MAC and the Discovery Center together as facilities that attract visitors and fund them all from CVB. This would achieve a significant mil levy reduction, but would not eliminate any funding for Pools, Wolfe House, Discovery Center or MAC. The CVB contract would continue as in previous years, but with a few less dollars. The contract should also be revised to address the following three issues:

- The contract needs to be modified to prohibit funds being granted to third parties. This is in reference to the Field House study as the Chamber provided funds from CVB to a private third party. This is legal under the current contract, but can be viewed as a giveaway of tax dollars. The support provided by the CVB fund appears to indicate City Support/tax dollar support of the Field House project.
- The Third Parties section of the Chamber Contract should be revised to state: The Services to be performed by the Chamber are intended solely for the benefit of the City. Nothing contained herein shall create a contractual relationship with, or any rights in favor of, any person or entity not a signatory to this Agreement. *This includes the award of grants to fund studies and surveys of any kind.*
- Services were defined in the last Chamber contract as the *2013 Business Plan* for the Manhattan Convention and Visitors Bureau. The business plan should be replaced by a defined chamber 2014 marketing plan, with specifics. The current business plan is not focused on the marketing aspects. The City should consider and RFP with a marketing firm as an alternative. The Chamber has an unchallenged monopoly on the CVB budget.
- In addition to the contract changes the Convention and Tourism Committee should be appointed by the Mayor. The Committee mission would be to make recommendation to the City Commission and the Chamber on the expenditure of funds. Committee rules should be in clear language that states – *Budget recommendations of the Committee can only be overruled by the City Commission through majority vote.*

The City currently has three economic development funds. The accounts are referred to as the MEDOFAB, RICOED 6500 (this is the old expired Roads and Jobs ½ cent tax) and the RICOED 6600 (the recently passed roads, debt reduction and eco devo/infrastructure tax). The account balances for the 2014 budget year are MEDOFAB \$25,001, RICOED 6500 \$2,510,283 and RICOED 6600 \$1,868,002. The grand total of unspent funds is \$4,403,285. The MEDOFAB and 6500 accounts can only be used for traditional economic development activities. The majority of the 6500 funds are committed to NBAF. The 6600 fund however can be used for infrastructure and does not have to be used to subsidize or attract new business to Manhattan. The 1.8 million dollars in the 6600 account should be targeted for infrastructure in 2014. Sufficient funds are available in the MEDOFAB and 6500 accounts to cover any potential traditional economic development opportunities especially since the Prathista deal fell through and has added \$500,000 to the accounts uncommitted fund balance.

The city owns a number of properties that are not being fully utilized. Many of the properties are a liability and not an asset. The city needs to evaluate each of the owned properties and turn them into true assets and not liabilities. For example:

- At the traffic circle at Bluemont the city owns a vacant house (The Jarbeux House). It was moved to the current location when the circle was constructed. The house is not on the tax role and is not being used by the city. The city should sell this property to the highest bidder. The city will never recover initial investment cost for the property. But selling the house will put it back on the tax role and is a better option than retaining ownership. The only other functional use for the building might be as a MFD training opportunity, torch it.
- The Community House is another city property that has not necessarily been an asset over the past few years. It is historic and for that reason the city has retained ownership. The city could sell the structure using the proceeds to fund other CIP projects. A suggestion was floated to turn the building into a facility to house social service agencies supported by the city. This would put most of the nine agencies currently supported under one roof and eliminate much of their current infrastructure cost. Elimination of that cost would drive the SSAB funding for those agencies to zero. The SSAB funding could then be used to restore the Community Building, an interesting thought. The building is restored/saved, and SSAB is the beneficiary. Of course the emergency shelter and crisis center could not be relocated to the building. Maybe the SSAB could look into this type of alternative funding option for those agencies.

The list of Outside agencies funded by the city through property tax dollars and not under the control of the City Manager has been reduced over the past few years. The Municipal Band was moved into the Parks and Recreation budget and DMI has been moved into the Eco Devo Fund. This year (2014) MAC funding may also come from the Eco Devo Fund. Several outside agencies still remain in the budget and request property tax funding: aTa, nine social service agencies (UFM has withdrawn their funding request) and the Wolfe House.

- aTa has requested a 5% funding increase. The COLA increase for city staff is 1.7%. The aTa on demand service grant should be limited to a 1.7% increase. Reduce the Increase in aTa funding from \$2,744 to \$866. 2013 funding was - \$52,138. 2014 funding request is \$54,882. *Reduce the request to \$53,004, saving \$1888.*
- The city has over the years funded ten social service agencies. UFM withdrew their tax dollar grant request of \$3000 for this year. The SSAB presented the commission with a 2014 request to fund the ten agencies at \$381,400. In 2013 the agencies were funded at \$354,920. SSAB has requested a 7.46% increase over last year's funding.

Some of the agencies like Kansas Legal Services were recommended to receive a 26% increase over 2013 levels. The SSAB budget contains a \$26,400 increase over budget year 2013. The SSAB budget should be limited to a 1.7% increase. With the withdrawal of the UFM request, \$3,000 has been eliminated. This reduces the increase to \$23,400 or 6.2%. If the remaining nine agencies are limited to a 1.7% increase the funding for SSAB will increase to \$360,953. *This will result in a savings of \$17,446.*

- The Wolfe House request for \$5,000 should be moved to either the CVB or Eco Devo Budget (like MAC). *The end result is a 5K savings.*
- A \$24,334 budget savings is achieved by the three items listed above.

The MFD has requested the addition of a new administrative position, a training officer at a cost of \$81,000 per year. The functions are currently being handled by another administrative position. The intent is to split that position into two jobs. The elimination of this position would not eliminate training funds from MFD. Training would continue as planned, but the responsibility for the training would remain with the current department leadership. The U.S. Army has combined training and operations officers at Battalion Level and higher. Those organizations normally number between 450 and 900 soldiers. It does not appear that the size of MFD justifies a distinct separate training officer. The position enhances administrative and headquarters growth, without provided substantive training improvements. Denial of this new position will save \$81,000.

It is interesting to note that the Public Works department made a presentation on roads that indicated as much as 40 million dollars being needed to maintain city streets. The budgets however only plan for ten million. It seems our priorities are wrong. The 2014 budget reduces roads by 10%, but advocates increases in things like aTa and SSAB by up to 6.2%. The Commission needs to redirect as much funding as possible from CVB, City University Fund and the latest Economic Development Fund ½ cent sales tax – infrastructure into funding adequate city streets.

The final city budget work session had the mil levy at 43.699. The city manager was directed to publish a budget at last year's level of 43.439. A zero mil levy increase is the worst case for the year. The City manager will need to reduce the budget presented at the last work session by .260 mils. The adjustments provided in this document would reduce the mil levy to 43.149 *a minus .29 mil levy.*

A zero mil levy increase is still a property tax increase. The Commission needs to reallocate funds and achieve real property tax reduction. The final budget document will be voted in August. The Commission needs to figure out if they are going to take charge or continue to

blame expenses on the appraiser, RCPD, the Library and the City Staff. Time for the politicians in City Hall to drive the train, we already have enough passengers.

Mr. K