



# County Administrator's Office

Dennis M. Hays, County Administrator

701 North 7<sup>th</sup> St., Suite 945  
Kansas City, Kansas 66101-3064

Phone: (913) 573-5030  
Fax: (913) 573-5540

**July 15, 2010**

## **2011 Unified Government Proposed Budget County Administrator's Budget Message**

Mayor Reardon and Unified Government Commissioners:

Wyandotte County is benefitting from a decade of progress and success. More than \$1-billion dollars in new development, thousands of newly created jobs, the lowest crime rate in a quarter of a century and the lowest Unified Government tax rate in a decade are things to celebrate.

But the global recession which started in 2008 and still drags on is creating unprecedented financial pressures on the Unified Government. The national collapse of the housing market caused an increase in foreclosures, a decrease in home sales, a dramatic drop in the assessed values of property and a severe decline in property tax revenues. Rising unemployment and slower consumer spending created a serious drop in sales tax collections. And the Kansas Legislature, facing it's own budget crisis, slashed hundreds of millions of dollars in promised, legally obligated local government funding over the past few years.

### **Impacts of the Recession on the Unified Government**

The global recession caused Wyandotte County property values to decline resulting in significantly lower property tax revenues. Property taxes collected have plunged 6.8% since 2008, forcing spending reductions of \$7.1-million. The lower property values mean the same tax rate generates less actual tax dollars.

Sales tax revenues declined as consumer confidence faded and citizens tightened the belts of their own household and business budgets. Sales tax revenues available to pay for basic Unified Government services and programs declined \$4.8-million.

Meanwhile, longstanding funding partnerships with the State of Kansas were stopped. Elimination of the Machinery and Equipment property tax and suspension of the promised reimbursement plan to compensate local governments for lost revenue has cost the Unified Government \$2.6-million since 2009. Cancellation of the Local Ad Valorem Tax Reduction Fund in 2003 is costing the Unified Government as much as \$4-million dollars a year in what had

been steady, reliable funding. The cumulative effect of halting the LAVTR has cost the UG an estimated \$24-million since 2003.

While revenues evaporated in the wake of the recession, demands for Unified Government services continue and in many cases are increasing as a result of the on-going economic troubles gripping the nation. The total difference from 2008 actual revenues and 2011 forecasted revenues is a loss of \$16.8-million.

*The State of American Cities Survey on Jobs and the Economy*, shows that 7 in 10 city officials are responding to the economic crisis by making personnel cuts, including layoffs, hiring freezes and furloughs. Many cities are also cutting public safety spending and healthcare benefits.

Cities will likely face a combined fiscal shortfall of between \$56-billion and \$83-billion over the next three years, driven by declining tax revenues, ongoing demands for services, and cuts in state aid.

As a response to the declining economic conditions, cities continue to engage in the difficult task of balancing their budgets. In addition to those cutting personnel, 68% are cutting capital projects. 22% of city officials indicate they are cutting public safety budgets, which is typically an option of last resort. More than half of all respondents see even greater cuts in city services if taxes or fees are not raised. City budget shortfalls are predicted to become more severe as tax collections, which lag the overall economy, catch up with economic conditions.

### **Summer 2009: Response to the Recession**

In the summer of 2009, the Unified Government of Wyandotte County/Kansas City faced a \$12-million shortfall as the budget for 2010 was planned. Reducing personnel costs became a major tool in balancing revenues and expenditures. The municipal workforce was reduced by 15% with more than 300 positions eliminated. Most employees were furloughed 15 days, pay was frozen for two years and a retirement incentive program was put in place causing many senior, experienced employees to leave the Unified Government sooner than they otherwise might have.

Every Unified Government department and outside agencies which receive tax funding were hit with at least a 10% budget cut.

All capital expenditures, from equipment to street projects, were suspended in 2010. The only exceptions are those purchases or projects paid for with grant funds or federal stimulus dollars. Other reductions included curtailment of travel to conferences and meetings by UG officials; purchase cards issued to fewer employees allowing tighter controls on expenditures; and membership dues and contributions to organizations, associations and community agencies were reduced.

The popular County Initiative for Infrastructure Program (CiFi) which shares revenues for public works projects between Bonner Springs, Edwardsville and KCK was suspended in the 2010 budget. During its existence, the program provided \$8-million in infrastructure funding to Bonner Springs, Edwardsville, KCK and Lake Quivira.

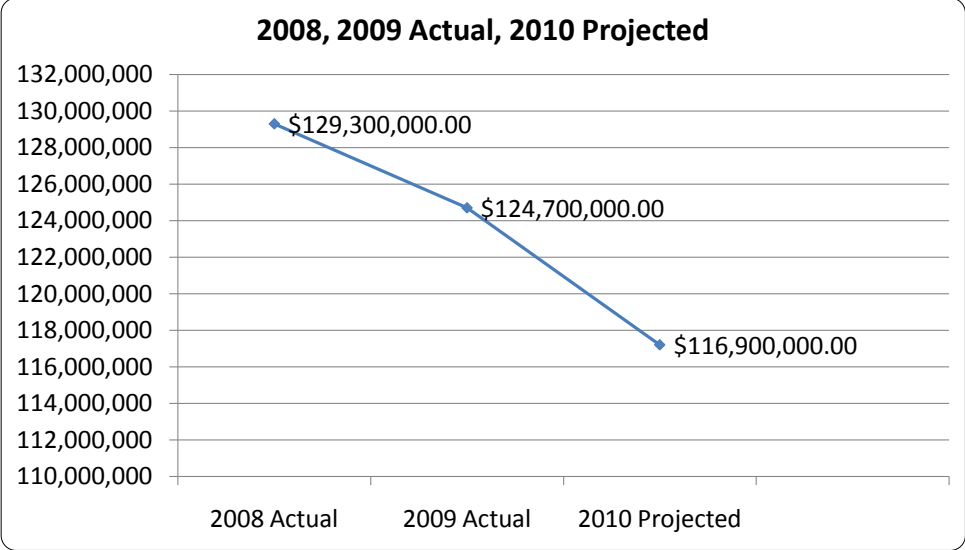
The 3-1-1 Call Center, launched two years ago was scaled back in 2010 budget. The front door of the Wyandotte County Courthouse was again locked to reduce security costs. The popular Senior Citizen Utility Tax Rebate Program was reduced in 2010 with limits placed the amount of each individual rebate.

**Summer 2010: Where are we now?**

A year later, as the 2011 budget is planned, the Unified Government workforce has been trimmed 18% with 384 fewer employees on the payroll. Spending on programs and services by the Unified Government has been slashed \$7.1-million since the onset of the nation’s economic collapse.

But even those severe cost-cutting measures have’nt been enough. That’s because assessed values on Wyandotte County property plunged 14% since 2009 and sales tax revenues are down \$4.1-million. The economic pressures have drained cash reserves below desired levels.

## City and County Combined General Fund Personnel Budgets



### **Where Do We Go From Here?**

Two difficult questions confront the Unified Government and citizens of Wyandotte County as the 2011 proposed budget is calculated.

Do we continue to cut spending and drastically reduce, or even eliminate, basic government programs and services on which the community depends?

Or, do we choose to take steps which will help basic services survive at reduced levels?

### **The 2011 Budget Proposes to Maintain Basic Services**

The 2011 Proposed Budget is built on the attitude that further drastic budget cuts beyond those already planned are ill advised and will result in damaging reductions to basic, vital Unified Government services and would require a major layoff of employees.

The Unified Government must be prepared to take full advantage of new growth and development and in solid position to provide the needed services which fuel and support future growth.

For years, our philosophy has been, and continues to be, that Wyandotte County's future success comes from growth and expansion of the tax base, not in a slash and burn approach to funding the basic services on which our citizens depend in their daily lives.

### **The 2011 Proposed Budget**

- Funds 70 public safety positions with Public Safety Sales Tax and federal grants
- Imposes 20% cuts for UG departments and outside agencies
- Ends mandatory furloughs
- Avoids employee lay-off
- Freezes pay except the increase mandated in existing union contracts
- Proposes undertaking bold changes in the way the Unified Government operates
- Calls for maximizing collection of delinquent taxes and other bad debt
- Reduces the Board of Public Utilities Payment-in-Lieu of Tax fee
- Maintains adequate property tax revenues to avoid deeper cuts in services
- Creates a balanced budget for City and County general funds as required by law
- Rewards furloughed employees with 3 additional personal leave days

### **Unified Government Workforce**

Unified Government employees are making substantial sacrifices to balance the budget and keep services and programs running. Most employees are forced to take 15 unpaid furlough days from the end of 2009 through 2010. That equates to a 4.6% pay cut. The proposed budget ends furlough days in 2011. The budget as proposed also avoids laying-off employees.

Pay has been frozen for two years. The 2011 proposed budget continues that pay freeze a third year for all non-union employees. The 2011 proposed budget honors all existing union contracts.

As noted, most UG employees are enduring major financial sacrifices to keep services flowing to taxpayers. The 2011 budget recommends rewarding that dedication. All employees who were forced to take 15 furlough days will receive three personal days to use as they choose. The days can be used as soon as 2011, or banked and carried to retirement.

### **Maintaining Adequate Property Tax Revenue**

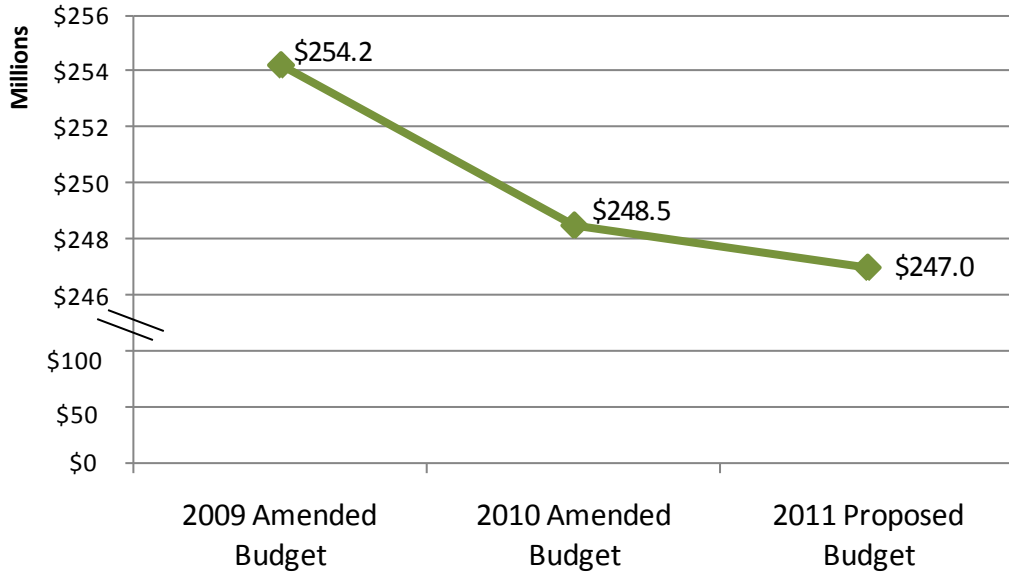
National economic developments have taken a heavy toll on Unified Government revenues. Property tax revenues have plunged \$5.7-million since 2008 as a result of lowered assessed valuations on homes, businesses and other property. The value of Wyandotte County property dropped 14% since 2009. This creates a situation where the same tax rates produce fewer dollars to pay for services and programs.

But the unrelenting decline in property valuations and the unintended decline in property tax revenues have reached the breaking point. The Unified Government is collecting millions less than is needed to pay for basic government services, even with the drastic spending cuts imposed over the past three years.

The 2011 budget recommends adjusting county property taxes to offset the unintended loss of revenue caused by the nation's economic troubles. The proposed adjustment will recoup money lost due to shrinking valuations, allowing vital city and county services to survive.

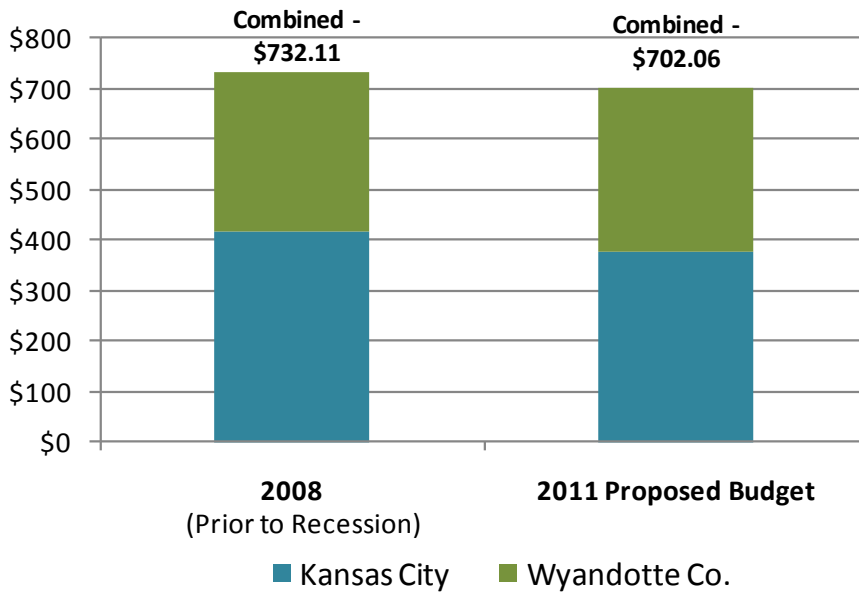
Even with the proposed adjustment of 6.4% in the Unified Government tax rate, the Unified Government will not be collecting any more tax dollars than it did in 2008, a year when Unified Government tax rates were at the lowest point in a decade due to the consistent annual tax cuts approved by the Commission. And property tax revenues will still be more than \$5.5-million below 2009 levels.

### Unified Government Will Continue to Spend Less with the 2011 Budget



\*Excludes transfers between Unified Govt. funds

### Estimated Unified Government Property Taxes For Wyandotte County Single-Family Home Property Tax Comparison, Pre-Recession vs. Today



It should be noted, Wyandotte County has one of the lowest county property tax rates in Kansas. Wyandotte County ranks 98<sup>th</sup> out of 105 Kansas counties for the amount of taxes collected from county residents. Only 7 counties out of 105 have a lower county property tax.

With consolidation, the Unified Government is required to maintain separate accountings of budgets for City and County operations. This is to ensure a fair balance between KCK taxpayers and taxpayers in Bonner Springs and Edwardsville. In recent years, the budget has required significant financial transfers from the KCK city general fund to the county general fund to avoid large increases in the county tax levy. KCK city taxpayers have been carrying a much heavier burden in supporting countywide operations such as the jail than taxpayers in the rest of Wyandotte County. In fact this year, the KCK city general fund had a \$1-million cash reserve while the county general fund suffered a \$6-million shortfall. The 2011 budget adjusts Unified Government tax rates to more equitably share the costs of countywide operations with all taxpayers who use them.

### **Bold Moves: Collecting Money Already Owed**

From delinquent taxes to unpaid fees and fines, the Unified Government has millions of dollars in uncollected debts on the books. Businesses and individuals who refuse to pay money they legally owe, hurt every citizen in Wyandotte County. The Unified Government is developing and implementing initiatives to improve the collection of money it is already owed.

- The Unified Government now participates in the State of Kansas debt set-off program which assists local government in collecting money it is owed. The names of delinquent taxpayers are submitted to the Kansas Department of Revenue. Those names are cross-referenced to see if the delinquent taxpayer is receiving any payments from the State—from income tax refunds to lottery winnings. If so, the debt owed to the Unified Government is deducted from the payment. In the spirit of partnership, Unified Government staff introduced the program to the Board of Public Utilities which also implemented it. In the first year and a half, the BPU recovered \$722,000 in unpaid utility bills.
- Delinquent property tax payments are a long-running problem for Wyandotte County residents. The millions of dollars in unpaid property taxes hurt the ability to pay for important government services and require the rest of our property owners to pay more. The cost of delinquent tax payments affects more than the Unified Government. Public schools, the KCK Community College and State of Kansas are also impacted by the non-payment of taxes owed. The Unified Government is studying bold programs to improve the collection of delinquent property taxes.
- Unpaid parking fines are also a serious problem. The Unified Government is already developing a program to pursue those citizens who feel an undeserved privilege to park illegally and then not pay the fine.

- People who violate the law by not properly registering and tagging their vehicles also cost Wyandotte County residents a significant amount of revenue. The Unified Government and Wyandotte County Sheriff are working on an effort to enforce proper vehicle registration and tagging, an effort estimated to generate several hundred thousand dollars in revenue which is legally owed.

### **Bold Moves: Restructuring How the Unified Government Operates**

The financial crisis confronting local governments across the nation demands transformational changes if governments are to deliver the same or better services with less money. Building the 2011 budget has forced difficult decisions and drastic cuts to vital services. It has forced officials to look at innovative ways to offer services in even more efficient and effective ways. We've had to break the mold of traditional thinking and re-evaluate the way we do everything. It is clear that due to the national economic meltdown, Unified Government finances are on an unattainable course. The 2011 budget calls for studying innovative changes in the business and operating structure of the Unified Government, including:

- Functional integration of business operations between the Unified Government and The Board of Public Utilities. The 2011 proposed budget calls for studying the cost savings which could be gained by integrating UG and BPU technology operations, purchasing departments, human resources, payroll and other basic operations. Consolidating day-to-day business operations offers great promise to save both taxpayers and ratepayers money.
- Privatization of government programs and services. A select team of Unified Government employees will be assembled to analyze operations which can be outsourced to private companies at a lower cost. This undertaking will also include analyzing the sale of Unified Government owned assets including parking garages and parking lots, the UG Transit system and sewer treatment plants.
- The cost of housing inmates in the Wyandotte County Jail is a large and growing cost for taxpayers. A detailed evaluation of inmate costs will be undertaken with an eye to reducing expenses.

### **A Decade of Progress and a Bright Future**

The 2011 Budget Message began discussing the decade of progress Wyandotte County and the Unified Government are experiencing. Those successes are not diminished by the economic conditions confronting us. In fact, those successes make it easier to deal with the financial pressures and maintain the improved quality of life.

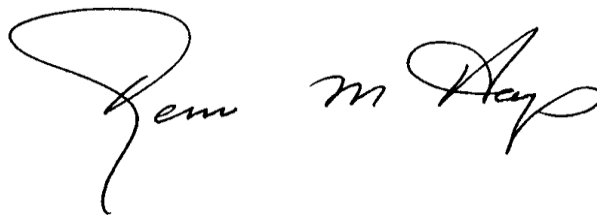
- Kansas City, Kansas is experiencing the lowest crime rate in 25 years. The investments in public safety are paying off for everyone in our community. Passage of the Public

Safety and Infrastructure Sales Tax is allowing the Unified Government to continue that investment.

- The population of Wyandotte County has stabilized as citizens discover the quality of life and attractions our community offers. KCK ranks 5<sup>th</sup> in the metro for new home construction.
- Businesses and industries are opening and expanding from east to west. Despite the difficult economy, Wyandotte County businesses are experiencing success and creating jobs. The Village West development and other new retail centers such as Plaza at The Speedway are also paying off in big ways. The rapidly growing retail and entertainment center in western Wyandotte County is producing more than \$11-million annually in property tax revenues. That revenue did not exist a few years ago. Without those revenues today, the Unified Government would not be able to survive the effects of the national economic calamity.
- Construction of the Hollywood Casino at Kansas Speedway is underway generating an estimated \$1.6-million in fees and contributions. Construction of the Kansas City Wizards Stadium will bring an expected \$545,000 to the UG treasury. Residents in Bonner Springs and Edwardsville will also share in those revenues due to groundbreaking casino revenue sharing agreement between the three cities.
- Major Capital Improvements are being built throughout the city in large part to federal stimulus dollars pumped into the community.
- The property taxes paid to the Unified Government by Wyandotte County residents are lowering than a decade ago.

The 2011 Proposed Budget positions the Unified Government to continue the decade of progress and build upon it as the national and state economies grow stronger. It is sound, solid financial plan which balances spending reductions with the need to continue providing citizens with programs and services which improve our quality of life and make Wyandotte County a great place to live, work and raise our families.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis M. Hays". The signature is fluid and cursive, with a large initial "D" and a stylized "Hays".

**Dennis Hays**  
**County Administrator**