TO: Carol Marinovich, Mayor/CEO
Unified Board of Commissioners

FROM: Dennis M. Hays, County Administrator

DATE: July 10, 2003

RE: Proposed 2004 budget

This year I am most pleased to submit the proposed budget for 2004 which recommends a 7% reduction in the property tax rate for the combined City/County mill levy. This represents an offset to the taxpayer comparable to the increase in valuation for existing properties as a result of reappraisal.

This recommendation is possible despite a major economic downturn that has had significant impacts on our economy both nationally and regionally. This recommendation is possible despite our community experiencing a major natural disaster in the form of an F-4 tornado cutting some thirteen (13) miles through our city on May 4, 2003, and despite major unanticipated cuts in state funding totaling more than $9 million.

This tax rate reduction is possible because our time has come. New growth and development in the western part of our community as well as the redevelopment and revitalization of neighborhoods in our urban areas are now returning the long awaited dividends in the form of new revenues to support Unified Government services. Our citizens and taxpayers for many years have experienced some of the highest tax rates across the state. But now our efforts to successfully grow our community allow us to return revenue resulting from the increase in valuation, and to establish a long-term goal to lower the mill levy making our community competitive throughout the region.
We believe that this a major accomplishment while many other cities and counties across the state find that they must retain the new revenues resulting from reappraisal and in many cases additionally increasing the mill levy to compensate for the economic downturns and loss of state funding. To the credit of the long-term vision for Wyandotte County that was set out by the Unified Government Commission some six (6) years ago, and our recent cost cutting and budget initiatives we are able to realize new growth, new revenues and cost savings.

As a result of increases in assessed value some $7 million in revenue would be generated in 2004 if the mill rate remained unchanged. Instead it is proposed that the mill levy be reduced to compensate the taxpayer for increases in valuation resulting from reappraisal of existing properties. This amounts to $5 million being returned to the taxpayers. Unfortunately additional cuts in the tax rate would have been possible had it not been for the dramatic and unanticipated cuts in state funding to the Unified Government. We have proposed to utilize the remaining $2 million in new growth revenues to offset these state funding cuts.

The 2004 proposed budget includes two new initiatives, which reflect citizen opinion from last year’s community survey. First, it is proposed that $500,000 from new sales tax revenues be committed to a new urban redevelopment program to support redevelopment initiatives in the urban core. Secondly, it is proposed in the CMIP budget that $250,000 of additional funds be allocated to neighborhood streets, sidewalk and curb repair programs and neighborhood traffic calming initiatives. These new initiatives are followed by continued efforts to support current public safety staffing levels and to augment projects for our park systems, both of which were highlighted in last year’s citizen’s survey.

Thanks to the combined efforts of the Mayor, Commission, labor and management our budget position has been restored to a strong fiscal position, which enables us to set forth a long-term goal, which I truly believe can be achieved. I propose that we establish a long-term goal to lower the mill levy on an ongoing basis over the next five years placing us in a competitive position with other cities and counties in the area and across the state. While no one can accurately predict the future, and in particular the variables of federal and state funding for local government, all indications today suggest that this administration and future administrations should strive over all reductions in tax rates, taking advantage of the new growth to provide relief to Wyandotte County taxpayers. This then I believe will foster continued growth of our community for many years to come.

I believe that our time has come
Proposed 2004 Budget

Cuts combined Tax Rate by 7.1%, reducing mill levy to 79.24
Highlights of Proposed 2004 Budget

- Establishes long-term goal to continue reduction in mill levy to make KCK/WYCO competitive
- Strengthens Fund Balance
- Creates one-half million dollar Urban Redevelopment Program funded by new sales tax revenue
- Adds one-quarter million dollars to augment neighborhood curb, sidewalk and traffic calming programs
- Maintains priority service levels, i.e. Public Safety
- Continues additional funding for Parks and Recreation
Unified Government Goals

- Reduce property tax rates
- Diversify tax revenues
  (less reliance on property tax)
- Revitalize urban core
- Stabilize mid-town corridors
- Grow the community
  - Enhance property values
  - Attract needed retail, commercial and entertainment opportunities
  - Stimulate population growth through residential development
Obstacles Overcome

- Survived difficult and lean budget years in 2001 and 2002
- Weathered F-4 Tornado on May 4
- Endured serious economic downturn nationally
- Suffered major unanticipated reductions in State Funding
Growth in Assessed Valuation

Year


Amount ($ Millions)

State Assessed  Existing Value  Accum. New Const.
Increase in Property Tax Revenue

If no decrease in mill levy

<table>
<thead>
<tr>
<th>New Growth</th>
<th>Reappraisal Impact</th>
<th>Potential New Revenue</th>
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<tr>
<td>$2 million</td>
<td>$5 million</td>
<td>$7 million</td>
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7.1% Tax Rate*
Decrease

*Proposed 2004 Budget recommends 7.1% mill levy decrease
Number of New Single-Family Permits
Kansas City, Kansas 1979-2003

2003 Projection
History

• 2003 Budget faced $8M+ deficit
• Commission began budget process in Fall 2001 for 2003 budget year
• Three staff teams formed to identify efficiencies
• Chamber engaged
• Community survey conducted
• New revenue & budget cuts were identified
Key Points of 2003 Budget

- No Increase in Property Tax Rates
- Maintained Public Safety at Today’s Level
- Positions: Eliminated 56 Added 31 = 25 Net Reduction
- No Layoffs
- Parks and Recreation Funding Increased
- Established Acceptable Fund Balance Policy
- Froze all employee salaries 2002 or 2003
Initiatives

- Delinquent Property Tax - $200,000
- Public Safety Business Office - $100,000
- Oracle contract to staff position - $25,000
- House Arrest w/Pre-Trial - $50,000
- False Alarm Program - $80,000
- Parking Lot Program - $350,000 - $450,000
After August 2002 Budget Adoption, State Cuts Demand Transfer Revenues
November 2002

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<tr>
<td>City General Fund</td>
<td>$2.38 million</td>
<td>$1.98 million</td>
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<tr>
<td>County General Fund</td>
<td>$2.24 million</td>
<td>$1.82 million</td>
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<tr>
<td>Street &amp; Highway Fund</td>
<td>$.57 million</td>
<td>$.51 million</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$5.19 million</strong></td>
<td><strong>$4.31 million</strong></td>
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KCK Residents
$75,000 home

2002
$733.78
85 mills

2003
$733.78
85 mills

2004
$683.51
79 mills
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<td>August 7</td>
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<td>Adoption of Budget by BOC</td>
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