



City of Blue Springs

Office of Administration

TO: Honorable Mayor and City Council

DATE: July 29, 2005

SUBJECT: Fiscal Year 2005-06 Recommended Budget

I am pleased to submit the Fiscal Year 2005-06 recommended budget for your consideration and approval. This budget proposal will be the final budget that I submit to the City Council prior to my retirement on December 31, 2005.

The proposed document represents our continued effort to provide residents with an exceptionally high value of municipal services for their financial support. In this proposal, we have assembled the resources necessary to initiate and continue many important priorities of the Mayor and Council, and address many community issues identified in the most recent citizen survey. The table below provides a brief summary of new and ongoing budget initiatives in support of the top five “most important” citizen priorities as identified in the December 2004 Citizen Survey (in priority order).

#1 Improved Flow of Traffic Congestion

- Adams Dairy Parkway new road construction south from Willow Tree Subdivision to Wyatt Road
- Design and engineering for Woods Chapel Road widening and improvement project
- Highway 7 widening project (Wyatt Road to Colbern Road)
- Continued implementation of the Highway 7 Demonstration Project (I-70 to Duncan Road – completion of new commuter park-and-ride lot and installation of new art work at I-70 and Highway 7)

#2 Community Planning and Development

- Implementation of the South Area Annexation Plan and the expansion of city borders – Chapman Farms, Eagles Ridge, and other developments
- Continued development and implementation of infrastructure needed for development in the south portions of the city
- Continued implementation of business redevelopment strategies throughout the Highway 7 Corridor, especially at the intersection of Highways 40 and 7
- Economic Development – focusing on the creation of the new Blue Springs Economic Development Corporation public/private partnership

<p>#3 Maintenance of Streets and Buildings</p> <ul style="list-style-type: none">• Maintain current level of funding for annual street maintenance• Proposal for new sales tax initiative to support much-needed street maintenance and sidewalk improvements throughout the city
<p>#4 Enforcement of Building/Property Maintenance</p> <ul style="list-style-type: none">• New position added in the Codes Division to improve customer service responsiveness related to code violations and nuisance issues
<p>#5 Effectiveness of City Communication with the Public</p> <ul style="list-style-type: none">• Recommended community “Visioning” process to identify long-term strategic initiatives for the community• Continued funding for public relations, CTV 7 programming, and <i>The Blue Springs Magazine</i>

This budget proposal fully supports all these initiatives and more.

As all of you are aware, many cities across the nation have been faced with severe fiscal challenges over the past four to five years, forcing leaders and policymakers to make difficult decisions and service delivery choices. We have not been immune to the overall revenue decline. But we have managed effectively, maintained, and even expanded basic services like police protection, code enforcement, and infrastructure development, as well as other services offered to our residents and customers.

Prior to FY 2000, it was not uncommon to see 5 to 8 percent annual growth in sales tax. Over the past four years, revenue from sales tax has been “flat” with annual increases between one and two percent. Although there are several new retail projects on the horizon in Blue Springs, sales tax revenue for 2006 will see little growth and the budget anticipates less than one percent increase. The decline in revenue over the past four years has created some challenges for us. However, we are continuing our efforts to hold down operating expenditures without jeopardizing service levels to ensure adequate funding for all city operations, including capital improvements.

The proposed budget is balanced, appropriately maintains the General Fund reserve accounts (as established by the City Council), and reflects the various fee and rate increases implemented during the past year in the Water and Sewer Funds. All local taxes, including sales tax, property tax, and franchise fees, are maintained at current authorized levels. With the exception of a sales tax proposal related to street maintenance that would ultimately require voter approval, no tax increases are proposed to fund the 2006 submitted budget.

This transmittal memorandum summarizes only a few of the highlights included in the budget document. Other notable and significant budgetary changes are provided in the department budget summaries for each department and program.

TOTAL BUDGET

The proposed budget totals \$56,756,179 (p.5); an increase of \$11,416,868 (25 percent) from the Fiscal Year 2004-05 adopted budget. The overall operating budget increases by approximately 5 percent and debt service decreases by almost 20 percent due to refinancing the conference center and golf course debt. The majority of budget increases are the result of new road improvement expenditures related to the annual Capital Improvements Program (CIP). Additional detail regarding the annual CIP is referenced later in the budget message and the budget document. The General Fund budget increases by approximately 4 percent as ongoing expenditures have been carefully managed to contain costs where possible. The Fiscal Year 2005-06 planned budget is allocated as follows (p.11):

Category	Adopted FY 2004-05	Proposed Budget FY 2005-06	Percent of Total Budget
Personal Services	\$ 14,396,319	\$ 15,197,740	27%
Supplies and Materials	\$ 1,550,622	\$ 1,665,781	3%
Contractual Services	\$ 13,260,833	\$ 13,880,640	24%
Sub-Total Operations	\$ 29,207,774	\$ 30,744,161	54%
Debt Service/Misc.	\$ 2,728,065	\$ 2,588,941	5%
Capital Improvements	\$ 13,403,472	\$ 23,423,078	41%
Total Budget	\$ 45,339,311	\$ 56,756,179	100%

ONGOING AND NEW INITIATIVES

Although the total budget increases by 25 percent (due to capital improvement projects), the overall operating budget has very modest growth in 2006. In fact, with the exception of five new positions (two in the General Fund and three in the Enterprise Funds) and providing funds for modest employee raises, the majority of operating expenditures are flat. And, where possible, I have reduced and reallocated many budget items to control overall budget growth, while meeting Council priorities. I am pleased to submit a budget with no current program reductions or eliminations. We will continue to provide residents with the best possible services and amenities available. The following will highlight some of the changes/programs in the 2006 budget.

Staffing and Personnel Costs

Total salaries and personnel costs are estimated at \$15.1 million and comprise approximately 27 percent of the total budget and 62 percent of the General Fund budget, where most employee costs are funded. Overall, personnel expenses will increase by \$801,421 in FY 2006, a 6 percent increase from 2005. This increase includes an allocation for annual employee raises, increases in health insurance costs, increases in the employee retirement system (LAGERS), and other items such as FICA, Medicare, and deferred compensation.

The budget includes funding for salary increases comparable to what other governmental entities and private companies are offering their employees. Eligible employees will have an opportunity to receive a salary increase based on their individual performance ranging from 0 percent to a maximum of 3.5 percent. Overall, the average cannot exceed 3 percent for the entire organization. This plan supports the philosophy that employees should receive an adjustment based entirely on their work performance. Additionally, the budget provides funding to adjust all salary ranges by 2 percent, moving them upward to reflect market conditions and competition in the greater Kansas City metropolitan area. Salary ranges have not been adjusted in more than three years.

A total of 263.8 full-time equivalent positions (p. 294) are included in this budget submittal and include a total of five new positions, which are all offset by new/additional revenue. The new positions are as follows:

- Codes Customer Service/Secretary (General Fund)
- Municipal Court Clerk (General Fund)
- Two Sewer Maintenance Workers (Enterprise Fund)
- One Sewer/Water Utility Project Manager (Enterprise Fund).

Codes Secretary – This position will be added to the Codes Division and will help support the code violation and inspection division. Currently, the city investigates over 1,400 nuisance violations annually, utilizing the services of two, full-time inspectors. In the past, the inspectors have been responsible for fielding complaints through telephone calls, e-mails, walk-ins, etc., and handling all administrative matters related to the customer calls, investigation, follow-up, and ultimately satisfactory resolution. An increase in the number of calls and administrative work have kept our codes inspectors from being as responsive as we would like them to be. As a result, we have reached the point where administrative help is needed. This position will be full-time and the cost will be completely offset by an increase in nuisance violation and code inspection fees.

Municipal Court Clerk – Blue Springs Municipal Court continues to handle and process more cases today than ever. In FY 2004, the court handled 30 percent more cases than the previous year and is on pace in 2005 to see another caseload increase, topping out at nearly 9,500 tickets/cases for the year. To help with this in the current year, a part-time court clerk was added. This budget submittal proposes to make the part-time position full time. With this change, the Municipal Court will have four, full-time court clerks. Revenue generated from court costs and fines will cover the cost of this change.

Utility Fund Positions – This budget proposal includes three new positions to be supported by the Utility Funds (75 percent sewer and 25 percent water). The positions include two maintenance workers and one project manager. All positions will be funded from sewer and water customer charges. The sewer maintenance division has not added staff for 20 years; while the sewer collection system has grown by 55 percent and added 12 sewer lift stations. The delay in adding personnel has been accomplished by incorporating efficiencies and best practices such as outsourcing activities to contractors. In the last three years, however, it has become more

difficult to accomplish all necessary activities involved in the annual upkeep and maintenance of our water and sewer systems. Historically, city staff have performed these activities more effectively than outside contractors. The additional staff will allow us to be proactive and responsive to our infrastructure needs and avoid increased system and equipment failures, repairs, and insurance claims against the city.

Community Planning and Development

Identified as the second overall city priority by citizens in the annual survey, and in response to Council action over the past few years regarding development policies and practices, Community Planning and Development continues to be a major focal point in the budget. With a total departmental budget of over \$1.40 million (p.121), Community Planning and Development will provide critical coordination and support for many ongoing development-related initiatives throughout the city, especially those involving Highway 7 redevelopment, Highway 40, the Adams Dairy Parkway Corridor, Chapman Farms, and others.

The 2005 fiscal year saw many changes and opportunities related to development. The planning department responded positively by working with many builders and developers to improve the development process and by providing creative solutions to occasional challenges. The data collected from customer service surveys indicates that we have been improving and continue to get better in many different categories. Implemented in April 2004, the surveys are mailed monthly to every customer utilizing the city's development process. Currently 85 percent of those surveyed were very pleased with the staff attitude, and 79 percent were very pleased with the level of assistance they were receiving throughout their projects. The budget does not specifically require an allocation to support this customer service effort; however, monthly developer surveys will remain a priority for staff in 2006. The budget does include funding to host the second annual "city-sponsored" developer training workshop as another tool to better communicate with the development community and support training efforts that will make development projects go more smoothly.

The budget also includes approximately \$62,000 for the city's continued development of a Geographical Information System (GIS). Launched three years ago, the planning department sees GIS and the delivery of useful development data to the building community as a positive and proactive way to improve the development process and quality of development applications received on projects. In 2006, GIS data will be Web-hosted and, for the first time, developers, builders, surveyors, engineers, and other development technicians will be able to access important parcel, mapping, infrastructure, utilities, and other critical information and data from the city's Web site.

The planning budget provides another \$40,000 for specialized consulting services related to ongoing planning efforts, as well as other Unified Development Code revisions and policy changes requested by the City Council. Additionally, it is anticipated that with all the interest in the Adams Dairy Parkway Corridor as a local retail corridor, the City Council may wish to undertake a formal update to the ADP Corridor Plan. The proposed budget provides funding for such a project.

Brownfields Grant – In November 2004, planning staff worked with a local brownfields consultant to prepare and submit two applications for Environmental Protection Agency (EPA) brownfields funding to conduct a community-wide petroleum site assessment, and a community-wide hazardous substances site assessment. The applications requested \$200,000 each, with no required match or cost-share, to conduct a "community-wide assessment" of potential brownfields sites. In May 2005, staff announced that the city received a congratulatory letter from the EPA stating that we were selected to receive grant funds for a community-wide petroleum assessment. Although the second grant application for a hazardous substances assessment was not accepted, the petroleum assessment grant will greatly assist the city and potential developers in determining environmentally problematic properties, especially related to redevelopment efforts along Highway 7, Woods Chapel Road, and 40 Highway. The 2006 budget proposal includes the \$65,000 grant (no local match required) and allocates these funds for use in the planning department.

As indicated earlier, the Codes Division budget increases in 2006 to support one additional full-time secretary position. The 2004 citizen survey ranked the enforcement of building and property code/maintenance as the fourth highest overall community priority. With the addition of a second, full-time Code Inspector position in 2005 and now the addition of a clerical support person, the city is adding resources to respond to this community priority. We are confident that these changes will result in a more responsive code enforcement program, which will translate into a physically more attractive community for all residents and visitors. In addition to this effort, the Administration Department is launching a new citizen request and customer complaint tracking system to support our ongoing efforts to be more customer focused and responsive to problems, issues, and inquiries. The budget includes \$7,000 for this requested tracking system.

Public Safety and Emergency Medical Services

Budget expenditures for public safety efforts involving the Police Department and Ambulance Service total more than \$10 million (p.191) for 2006. This represents approximately 30 percent of all department expenditures and accounts for almost half of the city's total workforce. This includes 112 total employees including 78 Class A Certified/Commissioned Police Officers. The remaining 34 are dispatch, clerical, and other non-commissioned support personnel.

Due to the addition of six new officers in 2005, there are no new public safety positions added as part of this budget submittal. However, the proposed funding continues to support many important police services and programs.

During the 2005 fiscal year, the Police Department successfully completed one of the first major hurdles involved in the multi-year accreditation process through the Commission on Accreditation of Law Enforcement Officers (CALEA). On March 18, 2005, the department received "Recognition" level by CALEA. Started in 2004, this process facilitated a complete and comprehensive review of all departmental policies and practices to ensure compliance with nationally accepted public safety standards. We anticipate the department will receive full accreditation by mid-2006.

Funds totaling \$99,980 are allocated for state-mandated police officer training and certification, and for advanced education. The allocation of training funds represents almost 50 percent of the total funds budgeted citywide for all training-related initiatives.

The proposed Emergency Medical Services (EMS) budget for 2006 totals \$1,900,816 (p.197). This represents a decrease of \$10,656 from 2005. The budget for 2006 includes \$120,000 for a replacement ambulance. Since 1992, the Central Jackson County Fire Protection District (CJC) has, through contractual agreement with the city, provided local emergency medical services. Considered one of the best services in the Kansas City metropolitan area, expenditures supporting the service have continued to outpace many other programs supported by the General Fund. Because of these increases and utilization of the same EMS provider for over 12 years, the city initiated a comprehensive EMS evaluation, focusing on cost analysis and containment, needs assessment, and the evaluation of other service providers. The 2005 budget included funds to complete this study and the City Council subsequently approved a consulting services contract for this analysis in July 2005. The forthcoming report, analysis, and recommendations will be presented to the City Council and staff later this year.

To help offset some of the EMS expense, the proposed budget maintains emergency ambulance fees for residents and non-residents at the current rate. Resident fees will remain at \$650 per run and non-resident fees will remain at \$800 per run. Our annual contract with Central Jackson County Fire Protection District continues to provide one of the premiere ambulance services in the metropolitan area. Revenues collected from ambulance fees fund approximately 60 percent of the total EMS budget, with the city's General Fund subsidizing the operation by 40 percent. This revenue collection rate is comparable to current national standards for ambulance service. The General Fund subsidy for 2006 is estimated at \$755,816, compared to \$766,099 in 2005.

Economic Development/Tourism

During the 2005 fiscal year, the City Council, staff, and other community stakeholders embarked upon a collaborative effort to evaluate the city's Economic Development (ED) program, and to seek new and creative opportunities for delivering ED services in the future; positioning Blue Springs for continued success in retail, commercial, office, and many other competitive markets. This effort began in September 2004. On June 20, 2005, the City Council authorized the creation of the Blue Springs Economic Development Corporation (EDC) and approved a Board of Directors to guide this new organization in its infancy and ensure a smooth transition from a city department to a true, not-for-profit public/private partnership.

The 2006 budget allocates \$303,921 for the Economic Development program, which will eventually become the budget for the new EDC. The budget includes an additional \$50,000 for expanded ED programs, services, and activities. We anticipate these additional funds will be generated from EDC membership and partnership contributions. During 2006, we also expect the EDC to file corporate by-laws and articles of incorporation and enter into a formal contractual obligation with the city for the delivery of certain services. Next year will be a very critical first year for the EDC as they develop a strategic business plan for the new organization, grow membership, resolve organizational/operational issues related to this transition, and capitalize on development momentum and retail/commercial opportunities in Blue Springs.

The budget continues funding for tourism and local convention activities by allocating \$10,000 for tourism-related services managed by contract through the Blue Springs Chamber of Commerce. An additional allocation of \$10,000 is included to help launch a new program aimed at promoting Blue Springs as a local, regional, and national sports venue destination point. These funds are generated from the 6.5 percent hotel/motel tax levied on all hotel rooms located within the city. While all the long-term vision for tourism and sports-related initiatives have not been completely achieved during 2005, substantial progress was made and we remain optimistic that both initiatives will help promote sporting events, convention, and tourism activities throughout the Blue Springs region, and will create an environment conducive to support local businesses, amenities, attractions, and generate greater economic activity.

The 2006 proposed budget includes \$43,139, representing the city's commitment to support the Kansas City Area Transportation Authority (KCATA) commuter bus service from Kansas City to Blue Springs. The KCATA continues to work, in conjunction with many regional partners, on a long-term funding plan consistent with priorities and commitments made well over one year ago.

Community/Public Relations

Local residents place a high priority on the effectiveness of city communication with the public. In fact, in last year's citizen survey it was ranked as the fifth highest overall city priority.

In support of this, the city spends a substantial amount of time and effort on public awareness-building campaigns, marketing, and promotions to provide consistent and accurate information to our residents and the business community. The time and money spent on these activities easily pays for itself in the positive media attention and increased economic development activity. Through the Public Information Office and Economic Development Department, an estimated \$186,565 is spent annually on public relations and marketing programs.

In the 2005 budget, the Office of Public Information was formally created and identified as an individual division within the City Administrator's office, creating a new level of importance and overall awareness. Coupled with the expansion of CTV 7 in 2004, public communication, information, programs, and services have never been better. The 2006 budget continues funding of these important communication services.

Funds are also included to continue producing *The Blue Springs Magazine* and special community issue produced in conjunction with the Blue Springs School District, Central Jackson County Fire Protection District, and the Blue Springs Chamber of Commerce. In its third year of production, the "Community Issue" magazine continues to be met with widespread public enthusiasm.

Employee Training and Development

In an ongoing effort to provide the best services possible to Blue Springs citizens, continued emphasis is placed on employee development and training. For the third consecutive year, funds have been proposed for the Management Development Program, which provides city

supervisors and managers with ongoing skills development in health and safety, policy and law, management, coaching, and mentoring. The program requires all management level employees and supervisors be kept abreast of changing employment law, as well as productivity trends and efficiency efforts. If there are sufficient budget allocations in the future, the program will eventually be offered to all employees.

The overall city budget includes over \$300,000 for organization training and education opportunities in technology applications, process improvement, performance measurement, and strategic planning. The Police Department accounts for approximately 50 percent of all training and education appropriations, which are generally mandated by the State and Federal Government. Funding is again proposed for several important employee benefits including \$167,686 for the continuation of the city's two percent employee deferred compensation match and \$811,401 to fully fund the state-administered (LAGERS) employee pension fund.

Parks and Recreation

Blue Springs is known regionally and nationally for its excellent park system, and the 2006 budget continues funding for many important park programs that have helped create this reputation. The budget allocates a total of \$7,101,883 (p.170) to all park programs, including the Adams Pointe Golf Club, and maintains current service levels on all existing programs and services.

The budget is highlighted this year with a parks capital improvements program totaling over \$1.9 million (p.185). Included in the CIP is \$1,220,913 for Phase I of Gregory O. Grounds Park at Lake Remembrance, \$593,743 for continued citywide bicycle/pedestrian path development, and \$55,000 for a second community skate park. The city's first skateboard park opened in 2005 at Burrus Old Mill Park. The second skate park at James Walker School Park is scheduled for completion in October or November 2005. These CIP projects were budgeted in 2005; however, they have not been completed and the previous year's funds will be "carried forward" and included in the 2006 budget proposal.

Strategic Planning and Visioning

In 1997, the City Council undertook a major community visioning process with a large citizen stakeholder group. The effort, which involved over 100 local individuals, produced a long-term strategic plan and vision for the community called Out of the Blue Into the Future (OBIF). Adopted and accepted by the City Council in November 1998 as the new community vision, staff and city officials have endeavored to propose plans and programs annually in support of the various objectives identified in this plan. Over the past eight years, we have been extremely successful in allocating financial resources through the annual budget process in support of OBIF. As a result, there are many initiatives in the plan that have come to fruition or are well underway.

It is my recommendation that the City Council initiate another community visioning process, very similar to OBIF, during the 2006 fiscal year. In support of this effort, my budget proposal includes \$60,000 for professional consulting and facilitation services. The city utilized the

National Civic League for the process in 1997 at a cost of \$50,000; and it would be my recommendation that the firm be used again.

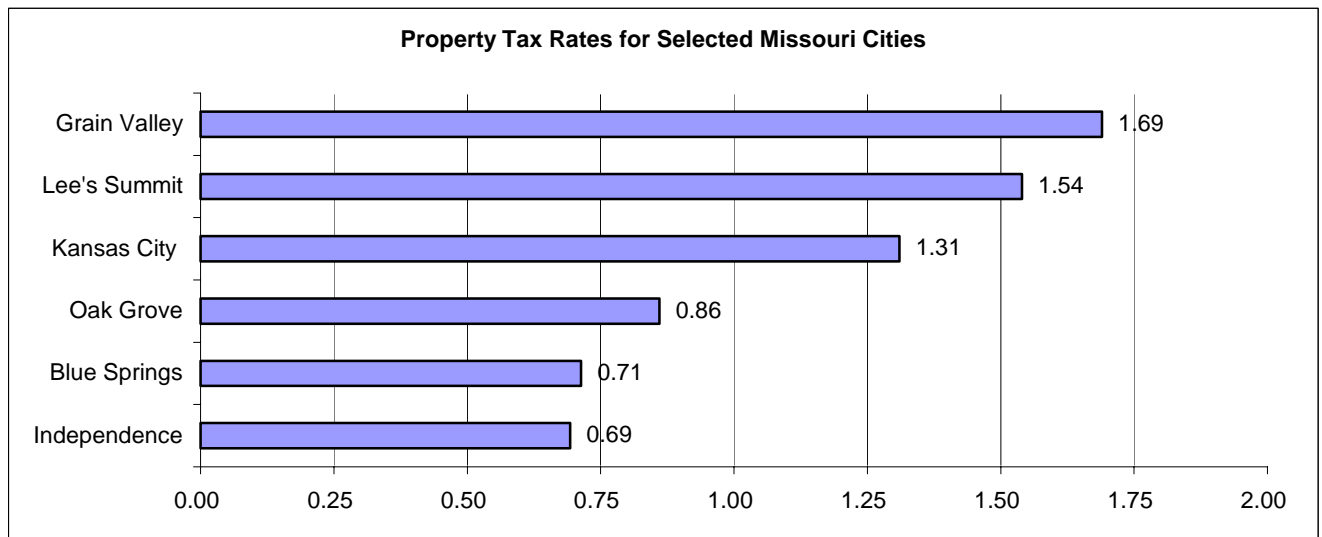
GENERAL FUND

Revenues

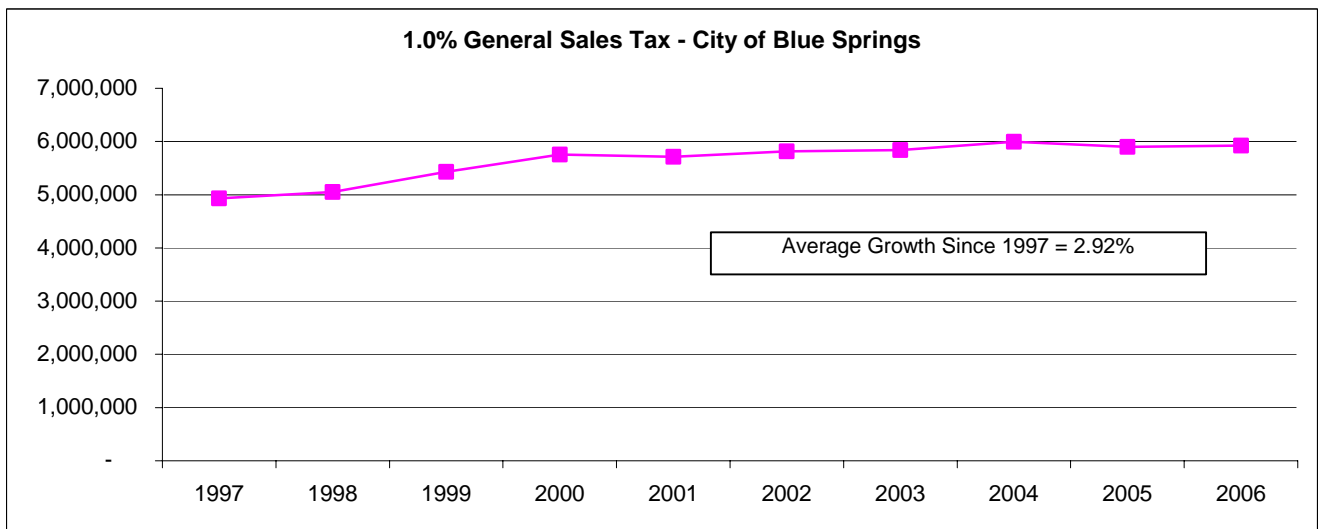
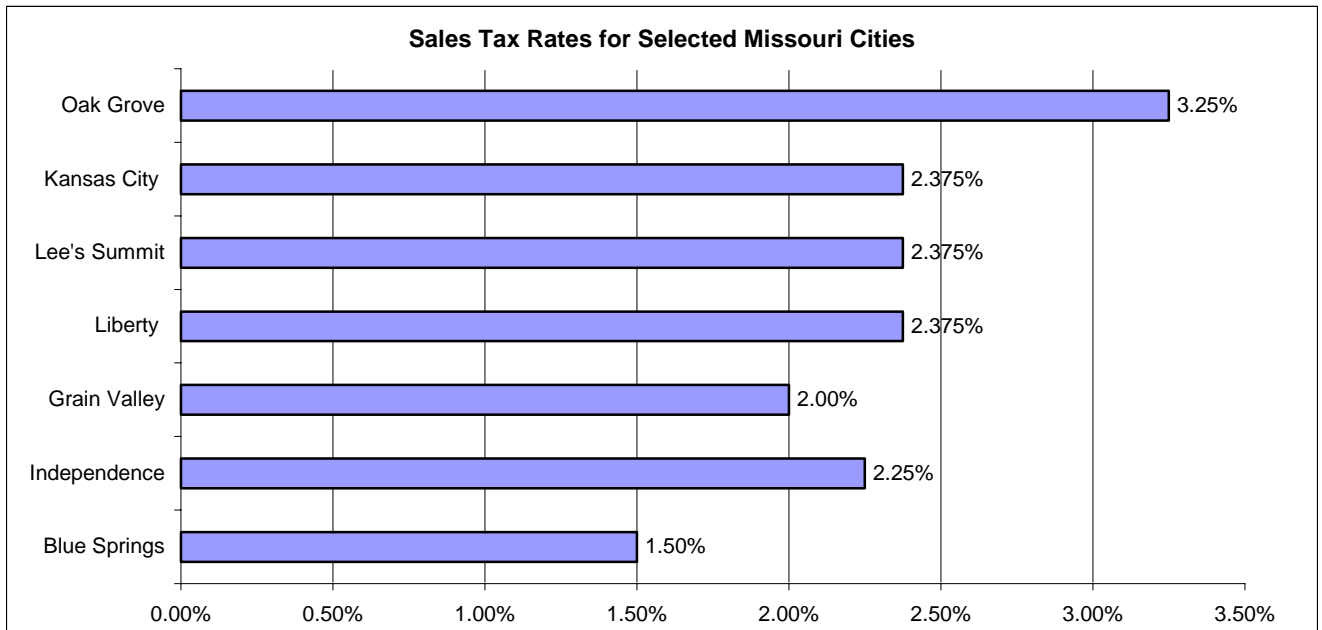
General Fund revenues are projected to total \$20,803,257 (p.39) for Fiscal Year 2005-06, an increase of \$630,769 (3.1 percent) compared to the adopted budget for Fiscal Year 2004-05.

Significant changes are:

- Personal Property Tax and Real Estate Tax revenues are estimated to be \$3,608,138 (p.40). New construction is estimated at \$10 million compared to \$15 million in the current year. Personal property tax revenue continues to increase modestly with the total assessed property valuation for 2006 increasing to an estimated \$673,802,101. The city's municipal property tax rate of \$0.7140 remains as one of the lowest in the Eastern Jackson County area; 2005 is a reassessment year for Jackson County.



- Sales Tax, the General Fund's largest revenue source, is slated to increase \$22,044 (less than one percent) to \$5,921,637 (p.40) Historically, sales tax revenue has shown approximately 5-8 percent growth each year; however, the past five to six years, sales tax has been almost flat with annual growth averaging around 1.5 percent. While our sales tax projection for 2006 does not assume revenue growth from any large-scale new developments in the city, we remain optimistic that within the next two to three years, we will see new retail development occurring in Blue Springs and will have an opportunity to reduce some of the sales tax leakage going to neighboring cities like Independence and Lee's Summit.



- Intergovernmental Revenues** are projected to be \$2,703,523 (p.41), or \$89,445 more than the previous year's adopted budget. Revenues include \$1,427,263 from the state fuel tax and \$1,276,260 from federal, state, and local grant funds. Of the funds received from Jackson County, \$180,771 is anticipated from the Jackson County Combat D.A.R.E. Grant, which partially funds the Community and Youth Outreach Unit D.A.R.E. Program conducted at 12 Blue Springs elementary schools. Jackson County will also provide \$262,165 from County sales taxes to fully fund the Drug Task Force. Also included in intergovernmental revenues

is a two-year expansion of the domestic violence grant at \$168,348 and the final year of the youth alcohol grant at \$39,000.

- Charges for Services are estimated at \$3,077,490 (p.42) and increase by \$135,751 (4.6 percent) from the adopted budget for the Fiscal Year 2004-05. Most of the increase is attributed to: 1) actual increases in building permit fees, 2) more customer activity impacting construction permit fees, license bureau fees, and parks and recreation programs. All fee increases proposed in the 2005 budget are consistent with city policy to recoup staff time and resources in providing the service whenever possible. Charges for service include all development-related fees, public safety, municipal court, license and tax, and EMS (ambulance) fees.
- Ambulance Fee revenue is at \$1,145,000 (p.41) for 2006. Fees will not be increased in 2006 and will remain at the adopted budget levels established in 2004. Emergency transport fees will remain at \$650 for residents and \$800 for non-residents. Non-emergency transport fees remain at \$300 for residents and non-residents. The city has contracted for ambulance services from Central Jackson County Fire Protection District since October 1, 1992. Current revenues fund approximately 60 percent of the program cost, with the city's General Fund subsidy covering the remaining 40 percent. The city will complete a comprehensive independent assessment of the EMS program in late fall 2005 and early winter 2006.

Expenditures

Total budgeted expenditures in the General Fund are estimated at \$21,963,687 (p.39), an increase of \$921,096 (4 percent) from the adopted Fiscal Year 2004-05 expenditures. General Fund expenditures are broken down as follows (p.44):

Category	Proposed Budget FY 2004-05	Adopted Budget FY 2005-06	Percent of Operating Budget
Personal Services	\$ 13,056,016	\$ 13,720,161	62%
Supplies and Materials	\$ 1,227,926	\$ 1,285,876	6%
Contractual Services	\$ 5,982,258	\$ 6,170,531	28%
Capital Outlay	\$ 776,391	\$ 787,119	4%
General Fund Operating	\$ 21,042,591	\$ 21,963,687	100%

HOTEL/MOTEL TAX FUND

Hotel/Motel Tax revenue is a 6.5 percent gross receipts bed tax placed on all Blue Springs hotels. Initially passed by voters in 1998 at 5 percent, voters approved an increase to 6.5 percent in April 2003. The revenue resulting from the tax is restricted for use toward convention and tourism activities and specifically the annual debt service on the conference center. Debt service in 2006 is \$346,649. During the 2005 fiscal year, the city refunded and refinanced the original debt issued to construct the conference center. Original bonds were issued at a 7 percent interest

rate and were refinanced at 4 percent; thus providing substantial annual savings. Since opening the Adams Pointe Conference Center in March 2000, each year the General Fund has made a financial contribution to the conference center in the approximate amount of \$72,000. Due to refunding the bonds, the General Fund will no longer be required to provide assistance.

Revenue for Fiscal Year 2005-06 is estimated at \$511,277 (p.47) and increases slightly from the 2005 budget. While some economic indicators are improving, the hotel industry, as a whole, is still struggling. Hotel occupancy rates, desired to be between 55 and 60 percent, are still hovering around 50 to 52 percent. Unfortunately, the I-70 road reconstruction project currently underway is taking a toll on local hotel business by making it difficult for travelers to exit and access many hotel facilities.

CAPITAL IMPROVEMENTS PROGRAM

The Capital Improvements Program (CIP) guides the city in the planning, scheduling, and budgeting of major improvement projects. It outlines expenditures, allocates existing funds and anticipates future revenues to rehabilitate, restore, improve, and add to the city's infrastructure.

Each year, city staff, in conjunction with the Planning Commission and City Council, develop a CIP forecast for the next six fiscal years. The process, which begins in December each year, usually concludes in late spring with its adoption by the City Council. The proposed CIP for 2006 through 2011 identifies many potential CIP projects totaling over \$86.7 million (p.230). Although projects are recommended and adopted by the City Council each year, the CIP is only a proposed plan and may be altered following its adoption to reflect changes and emerging priorities of the City Council or changes in available funds.

The proposed CIP budget for Fiscal Year 2005-06 recommends capital expenditures totaling \$23,423,078 (p.6). Of this amount, \$18,414,283 is for new construction projects, \$3,105,979 for new equipment and maintenance projects referred to as capital outlay, and \$1,902,816 that has been carried forward and re-budgeted from projects included, but not completed, in the 2006 budget year (Phase 1 of Gregory O. Grounds Park and the citywide bicycle path plan).

Over 46 percent (\$11 million) of the total CIP expenditures for 2006 reflect our ongoing efforts to complete Highway 7 from Wyatt Road to Colbern Road. Capital Improvements Fund expenditures are broken down as follows (p.7):

Improvement Type	Adopted Budget FY 2004-05	Proposed Budget FY 2005-06	Percentage of Capital Budget
Parks and Recreation	\$ 2,781,150	\$ 1,902,816	8%
Street Construction and Improvements	\$ 7,125,220	\$ 17,414,283	74%
Sanitary Sewer System	\$ 600,000	\$ 1,600,000	7%
Water System	\$ 370,000	\$ 200,000	1%
Capital Outlay and	\$ 2,527,102	\$ 2,305,979	10%

Equipment			
Total Improvements	\$ 13,403,472	\$ 23,423,078	100%

Highway 7 Improvement (Colbern to Wyatt)

Due to unique funding opportunities that became available to city officials during the 2005 fiscal year, the city has estimated \$11 million for the widening and overall improvement of Highway 7 from Wyatt Road to Colbern Road. The funding will come from the Federal Government's Highway Transportation Bill, through the Mid-America Regional Council (MARC), and the State of Missouri. Although some federal government approvals are still pending, we are relatively certain they will be available and have allocated them in the 2006 proposed budget. The city is required to provide a 20 percent local match. This improvement project will support the city's ongoing efforts to develop the southern portions of the city and provide additional development opportunities, originally planned for several years into the future, tied to the Chapman Farms and Eagles Ridge mixed-use developments and several additional projects under consideration.

Adams Dairy Parkway Phase (ADP)

The city continues to aggressively budget funds each year for the Adams Dairy Parkway (ADP). During 2005, the city opened three key sections of ADP (Duncan Road to Roanoke, 40 Highway to Sunnyside School Road, and Moreland School Road to Willow Tree Subdivision). Federal/State highway grant funds provided 80 percent of the construction costs for these improvement projects.

The proposed 2006 budget includes \$2,535,000 for continued expansion of ADP from Willow Tree Subdivision to Wyatt Road and further installation of decorative streets light along the ADP Corridor. Federal/State grant funds will provide 80 percent of the funding for these projects and the city will provide a funding match of 20 percent.

Woods Chapel Road Design and Engineering

Although there is not a specific funding allocation for Woods Chapel Road in the 2006 budget, work on the design and engineering of a comprehensive roadway improvement and widening project from 40 Highway on the south to Duncan Road on the north will be undertaken and completed in 2006. It is our hope and belief that with completed engineering and design plans for Woods Chapel Road, we will position ourselves in the future to take advantage of grant opportunities similar to our success on Adams Dairy Parkway. Staff fully realizes the importance of this roadway to help serve the traffic needs of our community. With the Council's support and direction, we are committed to making the improvement of Woods Chapel a major priority over the next few years.

Street Maintenance

The city maintains a street system of approximately 478 lane miles of road. The proposed budget includes \$1,300,000 for the city's annual street overlay program, which provides for crack sealing, deep strength patching, micro paving, and major asphalt overlays. The current appropriation of \$1,300,000 provides maintenance for approximately 6 percent of the city's total

road system. Additionally, \$100,000 of this amount is set aside for annual sidewalk maintenance, infill, and new construction.

This level of funding is not adequate to appropriately service and maintain our annual street maintenance needs, and we continue to fall behind each year. It is my recommendation to the City Council that during the 2006 fiscal year, the Council provide Blue Springs voters with the opportunity to consider a sales tax ballot issue dedicated for the improvement of streets and sidewalks. In the coming weeks, staff will be presenting a more detailed proposal, but our initial recommendation is to ask local voters to support at least a half-cent sales tax increase for a five-year period. The revenue generated from a half-cent revenue source (approximately \$14 million over five years) would fund major street repair and overlay projects, as well as over 2,000 individually identified sidewalk maintenance issues throughout the city. Without an additional revenue source to combat an increasing backlog of street maintenance issues, we will continue to fall behind and our residents will experience a continued decline in street quality.

Water and Sewer Projects

Funding for operational needs and CIP projects comes exclusively from the Water and Sewer revenues generated from user/customer fees and development-related permits and tap fees. The CIP budget includes \$1,800,000 for combined water and sanitary sewers. Sanitary sewer projects total \$1,600,000 for citywide sanitary sewer line improvements. Total water system improvements proposed include \$200,000 for citywide water line improvements. The amount of funding available for water and sewer system maintenance and improvement is substantially more in 2006 than in prior years. On September 3, 2003, the City Council approved, with the recommendation and support of the city's Development Advisory Commission, a three-year phased increase in local water and sewer tap fees. The increases were required for expansion of water and sewer facilities and construction inspection for public improvement projects throughout the community. The final increase of the tap fees approved in 2003 will become effective in November 2005.

A major CIP initiative funded in the 2006 proposed Sewer budget is \$1,000,000 for design and engineering services related to a final sewer solution for Chapman Farms, Eagles Ridge, and other major developments in the southern portions of the city. While we expect the actual developments to reimburse the city for these costs long-term, the funds are being allocated and advanced to support the Council's desire to expedite development in the south.

Parks and Recreation

There are no specific new CIP projects for the Parks and Recreation Department included in the 2006 budget proposal, although funding for several projects is carried over and "rebudgeted" from the 2005 Fiscal Year. These projects include the following: \$1,220,913 for Phase I of Gregory O. Grounds Park at Lake Remembrance, \$593,743 for bicycle/pedestrian paths, \$33,160 for a downtown "pocket park", and \$55,000 for a second skate park facility.

GOLF COURSE FUND - Adams Pointe Golf Club

Adams Pointe Golf Club opened to the public in 1998. The proposed budget for Fiscal Year 2005-06 is \$1,7861,299 (p.177), a decrease of \$275,423 from last year. The proposed golf course budget reflects the new management agreement with Kemper Sports Management; a private course management firm responsible for the day-to-day operations of the golf course.

The 2006 budget includes \$1,320,093 for operations and \$73,000 for capital outlay items for a total "operations and maintenance" budget of \$1,393,093. Revenue generated by user fees is estimated at \$1,815,920 and is expected to cover all operations and maintenance (O&M) costs for the 2006 fiscal year, including annual debt service. The golf course was constructed using revenue from bonds issued in 1996 for a 20-year period. The annual debt service for 2006 is \$393,206, \$135,975 lower than the 2005 debt service amount. Debt service was decreased in the spring of 2005 when the golf course bonds were refunded and refinanced. We expect to have approximately 37,830 rounds of golf played during the 2006 fiscal and believe the golf course may actually operate in the black in 2006 and may even make an estimated \$12,000 in surplus revenue.

WATER FUND

Revenues

Water revenues are projected to increase in Fiscal Year 2005-06 to \$6,495,649 (p.83). The water and sewer systems support approximately 19,000 total customers.

Water and sewer rates increased across the board in January 2004, the first such comprehensive increase in many years. Approved by the City Council in 2004, water and sewer rates have gone up the last two years and will be increased for the third consecutive year in October 2005. The rate increases were driven primarily by water rates increases from the city's two water wholesale providers, the City of Kansas City, Missouri and the City of Independence. The rate increases also support ongoing annual maintenance costs and utility expansion throughout the city.

The change resulted in an "average" bill increase of 5 percent and established a tier system for water customers. For the first time, customers pay more if they use more. The rate structure was designed to encourage water conservation and environmental sensitivity. Beginning in August 2005, staff will undertake another comprehensive review of the rate structure to determine what additional fee adjustments may be needed in the future.

In July 2004, the City Council authorized staff to pursue a cooperative agreement with the Tri-County Water Authority for the future allocation and distribution of an additional two million gallons of water per day. The City of Blue Springs has identified the need for additional water supply to maintain existing customer demand, as well as meet future growth demands. Numerous plans were evaluated and the Tri-County initiative emerged as the best and most cost-effective solution. While no expenditures are allocated in the 2006 budget for this effort, the total project cost to Blue Springs (\$17.4 million) will be debt financed by Tri-County Water Authority. Delivery of the additional water is scheduled for August 2006 with future budget appropriations and utility rate structure appropriately affected to pay operating and bond debt.

Expenditures

The operating portion of the Water Fund increases by \$107,268 (2 percent) to \$5,543,961 (p.83) in Fiscal Year 2005-06. Water Fund capital expenditures decrease by \$187,100 in 2006. Each of the capital projects is summarized in the Capital Improvements section of this memorandum. The Water Fund will help fund approximately 50 percent of a new project manager position being proposed in the budget and shared equally by the Water and Sewer Funds.

SEWER FUND

Revenues

Sewer revenues are projected to increase in Fiscal Year 2005-06 to \$6,496,632 (p.89). Revenues generated from sewer utility customers support annual costs related to the Sni-A-Bar Wastewater Treatment Plant and the Little Blue Valley Sewer District.

Expenditures

Operating expenditures for Fiscal Year 2005-06 are projected to be \$5,789,396, an increase of \$1,452,196 (33 percent) from Fiscal Year 2004-05. Included in the budget proposal is \$600,000 that is directly related to sewer tap fee revenue, and will allow for much-needed citywide sewer maintenance addressing inflow and infiltration issues, system deterioration due to age, and expansion to handle more flow and growth-related issues. As previously mentioned, the Sewer Fund is also highlighted by an allocation of \$1,000,000 for engineering and design related to the south sewer system for Chapman Farms, Eagles Ridge, and other developments in south Blue Springs. Additionally, the budget proposal includes two, new sewer maintenance positions and will share a project manager position with the Water Fund.

CONCLUSION

Since 1978 I have, in conjunction with the elected officials, relied extensively on the valuable and frequent input of our residents and businesses. In fact, without the input of our citizens in establishing and setting community priorities, the annual budgeting process and the allocation of resources would be ineffective and without context. We have been extremely successful in recruiting enthusiastic and passionate community-minded individuals to give us input and to assist with numerous planning and visioning initiatives (Highway 7 Corridor Plan, Out of the Blue Into the Future, Comprehensive Plan, Downtown Plan, Park Master Plan, Public Art Commission, South Area Plan, Lake Remembrance and Gregory O. Grounds Park Plan, and many more). And, to the extent possible, this budget proposal, like ones before it, endeavors to balance existing resources with an aggressive plan to not only address immediate needs in the community but fund many desirable, long-term amenities. To this end, I have put forth two very specific recommendations for the Council's consideration that I believe are critical to the future of Blue Springs: 1) sales tax proposal for streets and sidewalks and 2) community visioning and strategic plan development.

In closing, this submitted budget reflects the priority directives of the Mayor and City Council, and responds to many issues identified in the December 2004 citizen survey. Another citizen survey will be performed in 2006. The budget continues the high standard for providing the best

Mayor & City Council
July 29, 2005

quality services to the community, maintaining and improving the City's infrastructure, and maintaining a strong financial position.

It has been my sincere privilege to serve as City Administrator of Blue Springs since 1978. During my 27 years as Administrator, I have been extremely fortunate and blessed to work for this fine municipal organization and the different elected officials, staff, boards and commissions, and the numerous individuals who have helped shape the image and personality of our community. I have been especially fortunate to have such a competent and skillful staff; whose abilities and expertise in many different areas has earned this community the reputation in the metropolitan area as the city to try and imitate. The staff has always resulted in an annual budget submittal grounded in solid projections, assumptions, and recommendations.

While there are many challenges and unique opportunities on the horizon for Blue Springs, I am especially gratified knowing that, as I near retirement, this city is in solid financial condition. This budget proposal has been developed with considerable staff input and analysis to ensure the highest level of success going forward.

I want to personally acknowledge the work of all the staff who worked so diligently and tirelessly on the preparation of this proposed budget for submission to you.

Very truly yours,
CITY OF BLUE SPRINGS

Frederick R. Siems, Jr.
City Administrator