

The City of  
**Osage City**  
Kansas



**2004 Operating Budget**

*August 12, 2003*

July 28, 2003

Dear Citizen:

In order to help local residents understand the City's budget, we have prepared the following explanation of the 2004 Operating Budget. This document summarizes the essential elements of the City's most important policy document. It is my hope that this document will provide the reasoning and the planning behind the tables and numbers that normally comprise the budget document.

The complete budget, including the state submission and the budget detail, is available for review at Osage City Hall and available on-line at [www.osagecity.com](http://www.osagecity.com). Further questions or comments are always welcome.

Thank you for your interest in our community.

Sincerely,

Don Cawby,  
City Manager



# City of Osage City, Kansas

## List of Principal Officials

### **ELECTED OFFICIALS**

Mayor	J. Patrick Lawless
City Councilman, Council President	Mike Brenner
City Councilman	Stephen Kellison
City Councilman	Robert Tomlinson
City Councilman	Joe Sahlberg
City Councilman	Chad Wilkins
City Councilman	Gary Griffith
City Councilman	Bill Curtis
City Councilman	Quintin Robert

### **APPOINTED OFFICIALS**

City Manager	Don Cawby
City Clerk	Linda Jones
City Treasurer	Teresa Talkington
City Attorney	Rick Godderz
Director of Parks and Recreation	Joe Serna
Director of Utilities	Mike Gilliland
Chief of Police	Fred Nech
Street Superintendent	David Wright

### **BOARDS AND COMMISSIONS**

Planning & Zoning Commission	Tom DeBaun, Chair
Industrial Development Board	Casey Mussatto, Chair
Parks & Recreation Board	vacant
Tree Board	Cheryl Mussatto, Chair
Library Board	Tim Gogolski, President



# Overview of City Government

The City of Osage City is a City of the Second Class under state law and operates under the Mayor-Council-Manager form of government.

**City Council.** The Governing Body consists of eight City Council members who are elected in four wards in non-partisan elections for overlapping terms and a Mayor who is elected at-large for a two-year term. Elections for the Mayor and Council are held on the first Tuesday in April of odd numbered years. The candidates receiving the highest number of votes for Mayor and in each ward are sworn in and begin to serve at the next regularly scheduled meeting.

Annually, in April, the Council elects one of its members to serve as President of the Council. The Mayor presides over Council meetings, has full voting rights, as do the other Commissioners, and has veto power. The Council is the legislative body of the City Government. It determines all matters of City policy and must approve all City ordinances and resolutions as well as adopt the annual City Budget.

**City Manager.** The City Manager is the chief administrative officer to the City and is appointed to serve at the pleasure of the Governing Body. The City Manager has a voice at all Commission proceedings, but does not have a vote. The City Manager is directly responsible for the daily operations of the entire municipal organization and hires department heads to aid in this function.

**Boards & Commissions.** The Council has established certain Boards and Commissions to assist in the operation and planning of the City. Currently the City has a Planning and Zoning Commission to make recommendations on long term plans for the city, zoning matters, special use permits, and the City's comprehensive plan. The City also has an Industrial Development Committee that assists in economic development efforts and works on marketing the community to prospective businesses and residents. The Tree Board is given the authority to beautify the community through the planting of trees in City areas and it promotes tree planting among the City's residents. The Library Board was established to oversee the daily operations and planning for the City Library. The Parks and Recreation Board was established by the City in 2003 as the City took over the recreation administration from the Recreation Commission. The Parks and Recreation Board will be responsible for overseeing recreational programs for both youth and adults, and will make recommendations on planning and development of the City's parks and green spaces.



## Overview of 2004 Budget

The City of Osage City's 2004 net budget of \$9,304,911 is a reduction of \$1,310,649 (12.3 percent) from the 2003 revised budget of \$10,613,561. The 2004 budget includes expenditures of \$2.03 million from funds that receive a mill levy, \$4.72 million from utility funds, \$1.94 million from capital improvement funds, and \$630,000 from all other funds. When factoring out budgeted transfers of \$837,061, the 2004 budget is \$8,481,851. Table A on the next page documents the revenues, expenditures and ending balance for the 2004 budget.

### 2004 Initiatives

Over the past several years, The City's staff has continued to cite the need for maintaining and upgrading our equipment, buildings, roads, and vehicles. This budget seeks to identify replacement plans over the next several years that will provide funding for streets, safety equipment, vehicles, machinery and utilities. Major initiatives in this area include:

- **Police.** This budget includes 1.4 mills to continue replacement of police vehicles and upgrading of in-car cameras and other safety equipment. The budget reflects an increase of almost \$9,000 over 2003 from the Special Safety Equipment Fund.
- **Streets.** The 2004 budget includes \$100,000 from the CIP Fund and \$50,000 from the Special Highway Fund for major maintenance and replacement in the street program. Some of the 2003 and 2004 funds will be used to establish a street maintenance program with our on-call engineers that will help the City to maximize the dollars placed into the program. The City also plans to make a major upgrade to North Sixth Street and California Street from Sixth to Ninth, with financing coming from some debt service mechanism.
- **Equipment Replacement.** The 2004 budget includes a set aside amount of almost \$54,000 in the Equipment Reserve Fund for the replacement of old City equipment, including vehicles, mowers, or machinery. The idea behind the fund is to place funds from all the utility funds and the General Fund and to then prioritize which equipment should be replaced. The City is developing an inventory system that will allow for this replacement plan to be implemented.

**Table A – 2004 Budget – All Funds Status**

<b>Revenues and Expenditures</b>	<b>Beginning Balance</b>	<b>2004 Revenues</b>	<b>2004 Expenditures</b>	<b>Ending Balance</b>
General Fund	\$ 115,966	\$ 1,129,718	\$ 1,200,182	\$ 45,501
<b>Special Revenue Funds:</b>				
Special Safety Equipment Reserve Fund	18,694	22,562	41,000	256
Library Fund	337	66,584	66,921	(0)
Library Employee Benefits Fund	-	6,124	6,124	-
Industrial Development Fund	15,910	4,589	20,000	499
Airport Fund	18,185	26,771	44,180	776
Employee Benefits Fund	17,025	187,031	195,057	9,000
Dedicated Sales Tax Fund	612	244,903	244,903	612
Special Highway Fund	129,819	92,340	139,770	82,389
Alcohol Safety Fund	275	1,000	1,000	275
Special Parks and Recreation Fund	23,548	129,494	148,042	5,001
Special Enforcement Fund	1,156	-	-	1,156
Court Bond Fund	276	1,000	1,000	276
<b>Enterprise Funds:</b>				
Electric Fund	590,383	2,297,360	2,334,910	552,833
Water Fund	301,817	756,867	433,886	624,798
Natural Gas Fund	455,046	1,436,284	1,565,162	326,169
Sewage Disposal Fund	20,621	133,300	143,339	10,581
Sanitation Fund	177,016	246,000	241,557	181,459
<b>Capital Project Funds:</b>				
Capital Improvement Fund	1,408	509,996	508,900	2,504
<b>Total Budgeted Funds</b>	<b>\$ 1,888,096</b>	<b>\$ 7,291,924</b>	<b>\$ 7,335,933</b>	<b>\$ 1,844,087</b>
<b><u>Nonbudgeted Funds - Reserves:</u></b>				
Equipment Reserve Fund	\$ 14,433	\$ 64,000	\$ 53,944	\$ 24,489
Cemetery Trust Fund	12,906	-	-	12,906
<b>Total Nonbudgeted Funds - Reserves</b>	<b>\$ 27,338</b>	<b>\$ 64,000</b>	<b>\$ 53,944</b>	<b>\$ 37,394</b>
<b><u>Nonbudgeted Funds - Restricted:</u></b>				
Bond and Interest Fund	\$ 42,608	\$ 279,070	\$ 306,679	\$ 14,999
Electric Upgrade Bond and Interest Fund	13,463	246,053	244,053	15,463
Electric Upgrade Bond Reserve Fund	312,000	-	-	312,000
Utility Deposit Fund	51,996	50,000	50,000	51,996
Water Upgrade Project Fund	-	591,082	591,082	-
Pool Capital Improvement Fund	492,493	213,263	700,000	5,756
Golf Course Improvement Fund	-	6,439	6,439	-
CDBG Heartland - 91 Fund	2,565	30,780	30,780	2,565
<b>Total Nonbudgeted Funds - Restricted</b>	<b>\$ 915,126</b>	<b>\$ 1,416,687</b>	<b>\$ 1,929,033</b>	<b>\$ 402,779</b>
<b>Grand Totals</b>	<b>\$ 2,830,559</b>	<b>\$ 8,772,611</b>	<b>\$ 9,318,911</b>	<b>\$ 2,284,260</b>
<b>Less Transfers</b>		<b>\$ (837,061)</b>	<b>\$ (837,061)</b>	
<b>Grand Totals</b>	<b>\$ 2,830,559</b>	<b>\$ 7,935,550</b>	<b>\$ 8,481,850</b>	<b>\$ 2,284,260</b>

The budget also includes \$68,480 to exercise the option on the digger truck lease, \$74,900 to replace the 1990 bucket truck, and \$40,000 to replace the sewer pump station at 13<sup>th</sup> St. and E St.

- **City Maps.** The current year budget includes \$10,000 in 2004 for updating the City Maps for utilities, wards, and zoning in AutoCad. The maps are currently in Cad but not useable on a day to day basis and have not been recently printed.
- **Community Building.** The 2003 budget moved up planned expenditures of \$9,000 to re-roof the community building in the fall of 2003. The budget also continues to include \$9,000 each year to purchase new tables and chairs for the building.

### **Cashflow**

The purpose of a cash balance is to provide emergency funds and the necessary cash flow throughout the year. The balances in Table A above also represent all of the reserve funds available for future year planning and purchases.

In the 2004 budget, all of the major operating funds listed above, have adequate funds for cash flow purposes and to meet most minor emergencies as they may arise. Each fund is expected to have at an ending balance of at least 5.0 percent when comparing the ending cash balance to that year's projected expenditures.

### **Salaries**

The 2004 budget includes a 10 percent increase in the base salaries for police officers. This salary increase was provided to reduce turnover and to build a police force that "knows the community." Currently police salaries are well below those of officers with the Sherriff's office or in comparative communities. Of the six officers with the force, only the Chief and Assistant Chief have more than 2 years with the Department.

The budget also includes a salary increase "pool" of approximately 3.5 percent. This amount is provided to allow for decisions to be made by the Council on the nature of future salary increases and the current pay system.

## Capital Improvements

The 2004 budget includes funding for several capital improvement projects. The newest project will be the construction of the community's new swimming pool. In 2003, the public approved a .6¢ sales tax to finance the construction of the new pool. The sales tax will cover almost \$1.6 million in bonds that the City issued for the construction. This money will match a \$200,000 private grant from the Jones Trust to assist in completion of the pool.

A sewer line will need to be constructed to accommodate the new pool at a cost of almost \$90,000. This project will be funded from 2004 Capital Improvement Program Funds.

The Santa Fe Depot project will finally begin construction in 2003 and will continue through most of 2004. The project is currently estimated to be over \$750,000, but bid alternates and the availability of state funding may curtail the improvements that were planned for the areas surrounding the building.

The City's Water Line Improvement Project and the upgrade to the City's Water Plant will both continue into 2004. The water line project will be adding several new sections of line since much of Phase II of the project was moved up to Phase I because of favorable bids. The grand total of the water line project will be \$1.8 million over the life of the project.

The City's Water Plant is currently undergoing renovations to meet future water quality standards. The \$1.0 million upgrade to the plant should be completed in 2004.



**CDBG Sign for Water Line Project**

Finally, \$150,000 in total funds will be set aside for the upgrade of City streets in 2004. The City is planning a major rebuild of south Sixth Street and California Street between Sixth and Ninth Streets. The project would rebuild the street, the curb and guttering, and would add a storm sewer for about one-half of the project. The project is estimated to cost between \$750,000 and \$900,000. It is hoped that the Kansas Department of Transportation's new revolving loan program can be used to finance the project.



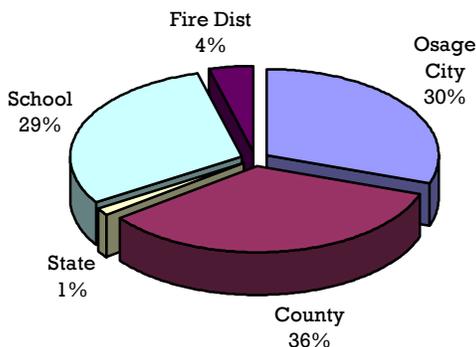
**South 6<sup>th</sup> Street Looking North**

## Mill Levy

A mill levy is defined as the tax rate that property owners pay on the assessed valuation of their property. A “mill” is \$1 of property taxes for each \$1,000 of assessed valuation. For example, if a homeowner has a \$5,000 assessed valuation on his/her home; they will pay \$5 in property taxes for each mill levied by the City, County, school district, and State.

Fund	2003		Proposed 2004		Final 2004	
	Taxes	Mill Rate	Taxes	Mill Rate	Taxes	Mill Rate
General	\$ 229,526	16.278	\$ 132,565	9.192		
Bond & Interest	50,113	3.554	25,138	1.743		
Employee Benefits	141,388	10.027	166,543	11.547		
Airport Fund	15,329	1.087	14,428	1.000		
Special Safety Equipment	13,057	0.958	20,192	1.400		
Library	56,838	4.024	58,036	4.024		
Library Employee Benefits	-	0.000	6,346	0.440		
Industrial Development	-	0.000	2,683	0.186		
Special Parks & Recreation	-	0.000	44,220	3.066		
<b>Subtotal</b>	<b>\$ 506,251</b>	<b>35.928</b>	<b>\$ 470,151</b>	<b>32.598</b>		

For 2004, the mill levy for the City will be reduced by 3.33 mills. This reduction primarily reflects a reduction of over 7.0 mills in the General Fund, the shifting of 1.0 mill from the Recreation Commission to the City and moving of 2.0 mills from the General Fund to the Parks & Recreation Fund for the new pool operations.



<u>Taxing District</u>	<u>Dollars</u>	<u>Mills</u>
Osage City	\$ 271.79	32.598
County	309.37	37.106
State	12.51	1.500
USD #420*	264.05	37.187
Fire Dist # 2	38.41	4.607
<b>Total</b>	<b>\$ 896.13</b>	<b>112.998</b>

\* The first \$20,000 in residential value is exempted from the state education mandated levy of 20 mills.

The 2004 Levy was calculated on an actual valuation of \$14,422,525. This is \$286,854 or 2.02% more than the valuation for the 2003 budget year.

Residential property in the county and city is assessed at 11.5%. For the calendar year 2004, a home with a market value of \$72,500 will have a taxable value of \$8,338. The \$896.13 in 2004 property taxes would be a reduction of over \$36.51, or 3.9 percent, from the 2003 amount.

## **Presentation of 2004 Budget By Selected Funds**

The City budget is financed through a wide variety of revenue sources. The property tax supported funds receive most of their revenue from various taxes, fees, and user fees. The enterprise funds are supported mainly by user fees. The 2004 budget for the City estimates revenues of \$8.77 million. The utility funds comprise 55.5 percent of all the City's revenues. The General Fund represents 12.9 percent of total revenues.

The adopted 2004 budget for the City of Osage City contains expenditures of \$9,318,911. The expenditures mirror revenues as they comprise the City's budget. The utility funds represent 50.6 percent of all expenditures and the General Fund represents 12.9 percent of total expenditures.

All cities in Kansas are required to use "fund accounting" for their budgeting and expenditure processes. Each fund has a purpose and its own budget for revenues and expenditures. Therefore, the budget is broken into groups of funds in this presentation for discussion purposes. The budget consists of the tax levy funds (including the General Fund and bond & interest funds), special revenue funds, and the enterprise funds (utilities).

*See the budget detail in Appendix A and the planning sheets in Appendix B for more detail and insight into the revenues and expenditures of these funds.*

### **General Fund**

**Revenues.** Budgeted 2004 General Fund revenues are \$1,129,718, a reduction of \$26,008, or 2.3 percent, over the revised 2003 revenues. The reduction is due primarily to property taxes being reduced by over \$100,000 and the increase in new sales taxes being under \$90,000. A one-time transfer of \$100,000 is included in 2003 to cover potential land purchases and \$51,000 in state aid is budgeted, but not expected to be received in 2004.

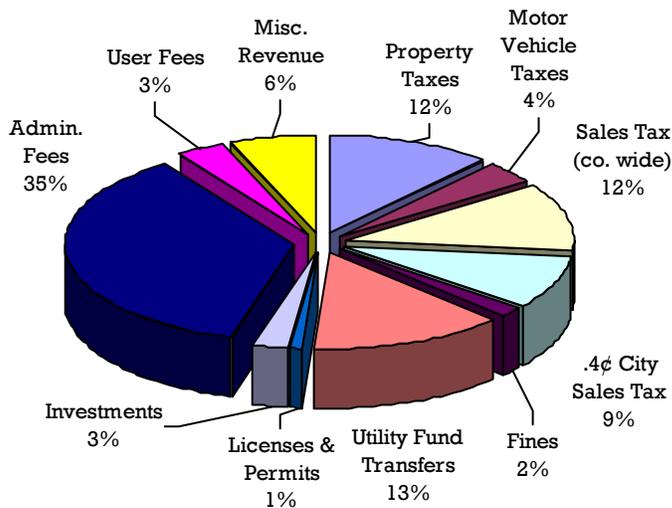
The budget reflects transfers of administrative fees that more adequately reflect the expenses incurred from the enterprise funds in the central

administration areas. Administrative Fees transfers are calculated at 9.0 percent of sales and charges for the Electric, Water and Natural Gas funds. The fees are calculated at 7.7 percent for the Sewer and Sanitation funds. These fees are based upon an internal evaluation of administrative costs that are attributable to the utility funds. These percentages were agreed to by the City Council to be used in future years for budget planning purposes.



**Osage City Hall**

**General Fund Revenues**  
2004 Budgeted

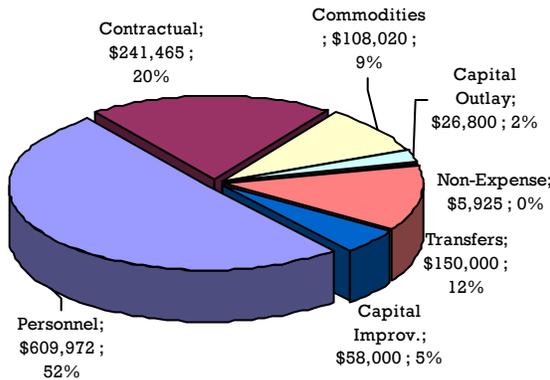


Furthermore, the budget reflects 3.5 percent transfers from the utility funds each to the General Fund and to the Capital Improvement Fund that are consistent with the private utilities' industry standard for benefits to the served communities for the region. These amounts were based upon data from Kansas Municipal Utilities which compared the benefit of municipal utilities to a community versus the benefit of privately held utilities.

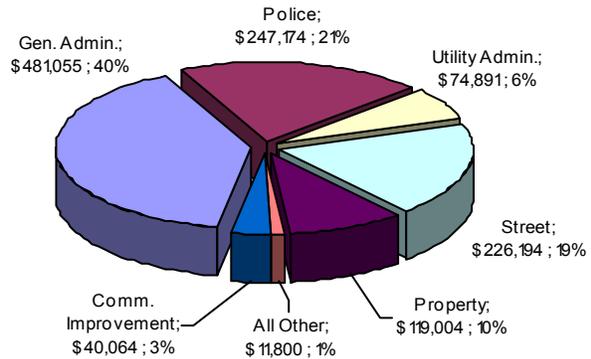
One important item of note is the considerable decline in General Fund revenue over the past few years from investments on idle funds. In 2000, the City collected \$132,038 in interest on its idle funds. The interest estimated for 2004 is a reduction of almost 85 percent from actual 2000 receipts. The lowering of interest rates by the federal government, in an attempt to stave off a major recession in the economy has had a negative impact on this major revenue item that is projected to receive around \$30,000 in 2003 and 2004.

**Expenditures.** General Fund expenditures are broken into Department or program units for budget tracking and control. For 2004, the total General Fund budget is \$1,200,182. When factoring out a contingency for \$50,000 in state aid (a state budget requirement that is not in the 2003 revised budget), 2004 expenditures are a reduction of \$11,698 (approximately 1.0 percent) from the current year. The following two charts show General Fund expenditures by expenditure type and by program.

### By Expenditure Category



### By Program



### General Administration

The function of General Administration is to provide those services that are generally considered to be “internal” to the organization. The program includes the functions of: City Manager, including the City Council, the City Clerk, financial and personnel operations, utility billing, the Municipal Court; and legal services. This area also functions to provide General Services, such as insurance and professional services to the entire organization.

For 2004, the General Administration budget is \$481,055. The budget includes \$156,255 for City Hall’s four full-time employees. The budget also includes \$50,000 in contingency funds for state aid payments that are unlikely to occur. The budget includes funding for on-call engineering services (\$6,000), updating the City’s maps in Auto Cad (\$10,500), and a \$125,000 transfer to the Capital Improvements Fund.

### Utilities Administration

The Utilities Administration program ensures the smooth operation of the City’s electric, water, gas, and wastewater utilities. The Utilities Department is charges with monitoring the utility systems, identifying policy issues, performing commodity purchasing and price tracking, and monitoring national and regional utility issues.

In 2004, expenditures are estimated at \$74,891. The budget includes \$40,191 for the full-time Utility Director and \$30,700 for related contractual expenditures. The budget reflects the first time the Utility Director position will be funded entirely out of the General Fund. Utility funds are assessed certain percentages to cover the costs for this program and the utility billing functions included in the City Hall budget.

## **Police Department**

The function of Police Department is to provide public safety to promote the well being of the citizenry at large. The Police Chief is responsible for the administration of the Department and the operations of the other five full-time officers and two part-time police officers.

The budget for 2004 includes \$247,174 from the General Fund, an increase of \$6,569 over the current year revised budget. The Police Department's budget is driven mainly by personnel expenditures, with 74.4 percent of total expenditures going to salaries. For 2004, the budget includes an average increase of approximately 10.0 percent for police officer positions. This initiative will get Osage City officers salaries to comparable salaries with other surrounding departments and the departments of our peer cities. In the past two years, the Department has turned over 67 percent of its force.

Furthermore, the Department is in desperate need of upgrading its technology and equipment to meet current standards and to avoid problems in prosecuting crimes. Funding has been increased in Special Safety Equipment Fund to continue the car replacement program and to upgrade other safety equipment.

## **Street Department**

The Street Department maintains and upgrades public streets, alleys and drainage systems. The department is responsible for coordinating winter snow removal, cleaning City streets, initiating maintenance projects on City streets, and maintenance of traffic signs and pavement markings.

The Department has a budget of \$226,194 in 2004 and \$227,159 in 2003. Both budgets are an increase of over 12.0 percent from 2002 actual expenditures of \$201,885. The 2004 budget includes \$141,144 for the salaries of the Department's four full-time employees. Personnel expenditures represent 62.2 percent of the Department's total expenditures. The Department's budget also includes \$41,000 for the purchase of street maintenance materials. Additional materials are also budgeted through the Special Highway Fund for chip-sealing activities and major asphalt work.



**Market Street Looking West**

## **Property Department**

The Property Department focuses on maintaining public buildings and grounds, and operating the City's cemeteries. The department also performs much of the new construction at the City's facilities and parks. Currently the Department mows all of the City's grounds with in-house labor. These



**Santa Fe Park & Depot**

facilities include the City's four parks, the municipal airport, the library, many of the City buildings, the City lake, and the City's three cemeteries.

The 2004 budget includes \$119,004 for total expenditures in the Department. The budget includes two full-time staff and one part-time housekeeper. In the past utilities for the City pool have been

included in this program, but the funding for pool operations was moved to the Special Parks & Recreation Fund for the budget year. Also, the budget includes \$8,000 for the purchase of new equipment, which is scheduled to include a new mower for 2004.

## **Development & Planning**

This program oversees two important aspects for the City – planning and zoning. These functions include, but are not limited to: land use planning, processing requests for annexation, platting properties, and zoning. The costs of planning and zoning activities and training in these areas are provided out of this program. The 2004 budget makes no changes to this program and holds funding levels equal to the 2003 approved budget.

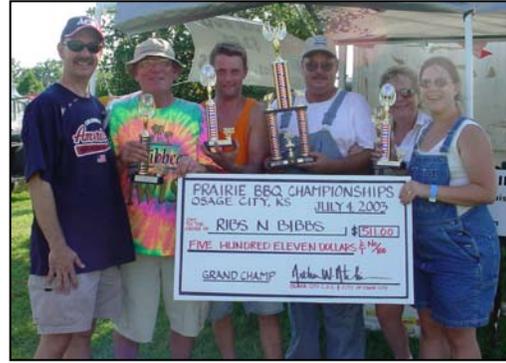
## **Tree Board**

The Tree Board receives an annual appropriation for the planting of new trees and the replacement and maintenance of older trees on City property. The Tree Board's goals are to beautify the community through the addition and maintenance of the City's trees and to promote tree planting and care throughout the community. The 2004 budget makes no changes to this program and holds funding levels equal to the 2003 approved budget.

## **Community Improvement**

The Community Improvement program includes several sub-programs that exist to improve the quality of life in Osage City. First, the program supports

the animal control officer and related expenditures. Second, the program funds building inspection activities to ensure the safety of new construction and the conformance with City building and zoning requirements. Third, the program provides funds for citywide activities, such as the July 4<sup>th</sup> event and other community events that are often held in conjunction with the Chamber of Commerce and other community groups.



2003 Prairie BBQ Grand Champions

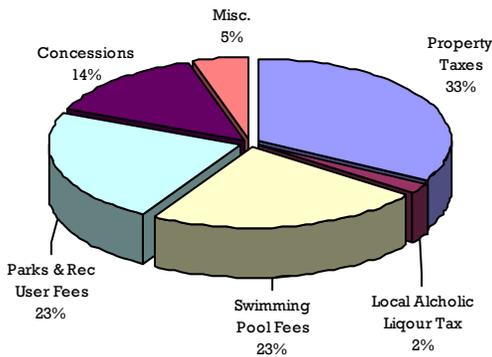
For 2004, the Community Improvement program has a budget of \$40,064. The majority of expenditures are for salaries (\$28,414) and for contractual services related mainly to animal control costs (\$7,350). Fourth of July and Barbeque Contest funding that was funded at \$1,500 for 2003 was not budgeted for 2004.

### Special Parks & Recreation Fund

For 2003, the City took over the operations of the Osage City Recreation Commission. The Commission, School District and City all agreed to this transfer as it officially transferred to the City on July 1, 2003. The recreation

activities will be operated by the City under a full-time Parks & Recreation Director. A Parks & Recreation Board will be created to make policy decisions on recreation activities and to provide recommendations to the City on parks facilities.

**Parks & Rec. Revenues**  
2004 Budgeted



For 2004, the mill levy that was issued by USD 420 for the commission will now be issued by the City of Osage City. The City

also levied an additional two mills for the fund in 2004 in order to operate the new City pool in the budget year. This amount is typically the amount the City spent on the pool operation from tax sources in past years, but instead of transferring the money between funds, the mill levy was levied directly. The Parks & Rec. fund will rely heavily upon user fees for its operations, with approximately 46 percent coming from this source for 2004. For 2004, the program is budgeted to spend \$148,042 but is estimated to only generate \$129,494 in revenues. Revenues and expenditures by program are detailed in the following table.

**Special Parks and Recreation Fund Budget -- 2004**  
By Program

<b>Program</b>	<b>2004 Revenues</b>	<b>2004 Expenses</b>	<b>(Loss)/Gain</b>
Administration	\$ 46,744	\$ 53,122	\$ (6,378)
Concessions	8,000	6,394	1,606
City Pool	42,000	57,901	(15,901)
Special Events	13,600	4,500	9,100
Youth Programs	17,300	23,474	(6,174)
Adult Programs	1,850	2,650	(800)
<b>Total</b>	<b>\$ 129,494</b>	<b>\$ 148,041</b>	<b>\$ (18,547)</b>

**Bond & Interest Fund**

**Revenues.** The Bond & Interest Fund provides the revenue necessary to retire the City's annual outstanding general bonded indebtedness. Debt in this category consists primarily of general obligation bonds used to pay the cost of various public improvements (streets, pool) and special assessments for various street and sewer improvements in new subdivisions. The Bond and Interest Fund services debt by making principal and interest payments on general obligation bonds.

Annually, the City levies an ad valorem tax to help pay debt service on bonds for the Osage City Public Library. All other debt financed through this fund comes from dedicated revenues (sales tax for the pool, water utility funds) or special assessments.

**2004 Bond & Interest Fund Revenue Sources**

Ad Valorem	\$ 24,258
Motor Vehicle Tax	8,826
Transfer from Sales Tax	133,679
Special Assessments	37,000
Miscellaneous	752
Other Financing Sources*	<u>208,234</u>
<b>Total Revenue</b>	<b>\$ 412,749</b>

*\*Include transfers from Special Revenue Funds.*

Special assessments are another source of revenue for this fund. Special Assessments are the fees paid by benefiting property owners for water, sewer, street, and sidewalk improvements. Other sources of revenue included in this fund are the motor vehicle tax, delinquent property taxes, and transfers from other funds.

Type of Debt	Amount Due 2004	
	Interest	Principal
<b>General Obligation:</b>		
Huffman series 1995	\$ 10,038	\$ 10,000
Arrowhead	4,158	10,000
Library Series 1999A	33,250	30,000
Street Series 2001A	39,555	35,000
Swimming Pool 2003	83,679	50,000
<b>Total G.O. Bonds</b>	<b>\$ 170,679</b>	<b>\$ 135,000</b>
<b>Revenue Bonds:</b>		
Electric Refunding	169,053	75,000
<b>Total Debt Payments</b>	<b>\$ 339,731</b>	<b>\$ 210,000</b>

**Expenditures.** The Bond and Interest Fund services debt by making principal and interest payments on bonds. Debt in this category consists primarily of general obligation bonds used to pay the cost of various public improvements (streets, pool) and special assessments for various water and sewer improvements in new subdivisions.

### **Library Funds**

The Osage City Public Library receives its funding through the City of Osage City. For 2004, the Library will receive \$66,921 in its General Fund and \$6,124 in its Employee Benefit Fund. The Library operates more as an independent authority than it does as a City department. The Mayor makes appointments to the Library Board, but the City Council is not involved in the day to day operations of the Library.

The Library receives its funds through a City mill levy that is “passed through” to the Library for its operations. The Library will receive only that amount budgeted. The City does provide utilities, grounds keeping and light maintenance for the Library.

### **Airport Fund**

The Airport Fund provides funding for minor upkeep and repairs at the City Airport. The 2004 budget for the Airport Fund includes expenditures of \$44,180. This amount includes continued expenditure of the projected \$150,000 in 2003 grant funding for the upgrade of the runway apron, lighting and airport beacon to bring the airport into compliance with current Federal Aviation Administration requirements. The grant requires a 10.0 percent

match of \$15,000 for the capital improvements project. For 2004, the City still has access to an additional \$100,000 of federal funding to improve the airport.

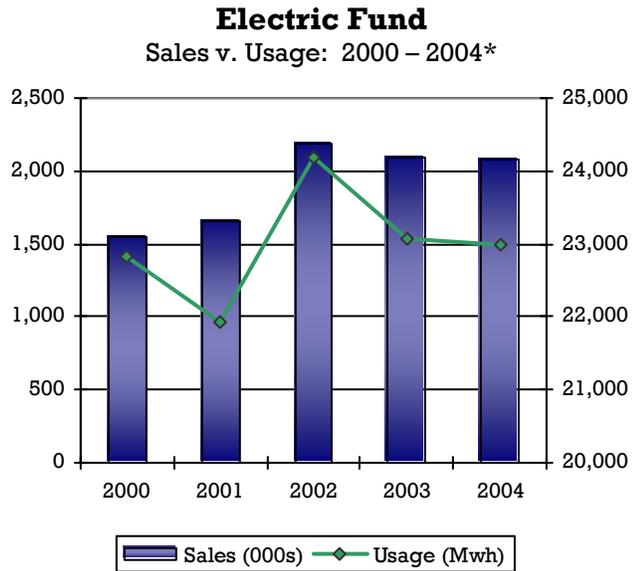
### Employee Benefit Fund

The Employee Benefit Fund is used to pay the benefits of those individuals funded directly from the General Fund or other tax supported funds. However, the fund is a good indication of the trend in the cost of benefits, primarily health insurance, for the City at large. For 2004, the City estimates expenditures of \$195,057 from the fund.

The largest expenditure from this fund is for health insurance. The projected expenditure of \$94,655 comprises 48.5 percent of all benefits for 2004. The projected cost in 2004 is an increase of slightly over \$10,000, or 12.0 percent, from the 2003 amount.

### Electric Fund

**Revenues.** The majority of the revenues to the Electric Fund come from sales and charges for electricity. For both 2003 and 2004, the fund is budgeted to receive \$2.3 million in total receipts, with approximately 90 percent coming from sales each year. The following chart shows both actual and projected usage in comparison to sales and charges revenues from 2000 through 2004.



To other major component of revenues is \$135,000 received annually to provide on-call generation for Westar Energy. This contract is scheduled to end in 2005.

Electric fund revenues increased significantly in 2002. The increases were due in large part to usage, but were also affected by an increase in the minimum charge to cover the debt service incurred for the electric system upgrade which started in 2000.

**Expenditures.** The 2004 budget estimates expenditures of \$2,334,910. Excluding transfers the budget would be \$1,932,022 for 2004. The budget is a reduction of almost \$200,000 from the 2003 budget. The 2003 budget includes \$225,000 to construct new cooling towers and heat exchangers for the newer engines in the power plant. However, the 2004 budget includes almost



**Power Plant Control Panels**

\$140,000 to exercise the option to purchase on the digger truck and to replace the 1990 bucket truck.

The amount of electricity purchased for resale (\$920,000) is an increase of \$100,000 over 2003, based on more historical trends in usage and prices. Electricity purchased for resale represents 39.4 percent of all Electric Department expenditures. The Electric Fund is budgeted to pay \$187,502 in

administrative charges and to make total transfers of \$402,888 to other funds. The Electric Fund supports eight full-time positions, four in the power plant and four on the line crew. Salaries and Wages for the eight positions is estimated at \$322,773 in 2004.

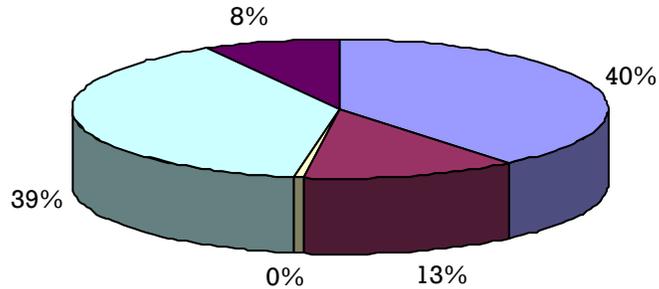
## **Water Fund**

**Revenues.** The water fund is the most stable of all the utility funds and with the assistance of state and federal aid the fund has been able to support major upgrades to the system over the past few years. In 2004, the fund is projected to receive \$756,867 in total receipts, with \$733,067 coming from sales and charges. Sales and charges for 2004 are an increase of just over \$60,000 from the 2003 estimate. This increase reflects the City of Burlingame now being on Osage City water for an entire year.

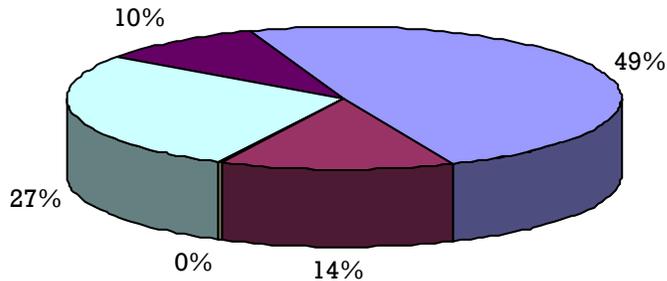
One unique aspect of the fund is that the largest customers for this utility are not in the City, but rather are other water suppliers. The City serves Osage City RWD #7 and the City of Burlingame. Osage City RWD #7 in turn serves Osage RWD #6 and the City of Reading. These entities have their own water rights or storage supplies in the Marais Des Cygne or Melvern Reservoir, but the City of Osage City pumps the water to its plant and treats the water for these suppliers.

The pie charts below compare actual 2002 water customers by usage to sales receipts.

### 2002 Usage by Customer Type



### 2002 Receipts by Customer Type



In 2002 rural water districts used almost the same amount of water as all Osage City residential customers, but paid only 55.6 percent of what residential customers paid.

**Expenditures.** Budgeted expenditures for 2004 from the fund are \$433,886. This is a reduction of over \$184,000 from the 2003 expenditure amount. The major reduction in 2004 is the pay-off of general obligation bonds in 2003. However, this is only a one-time reduction as payments on the Water Supply Loan will begin in 2005.

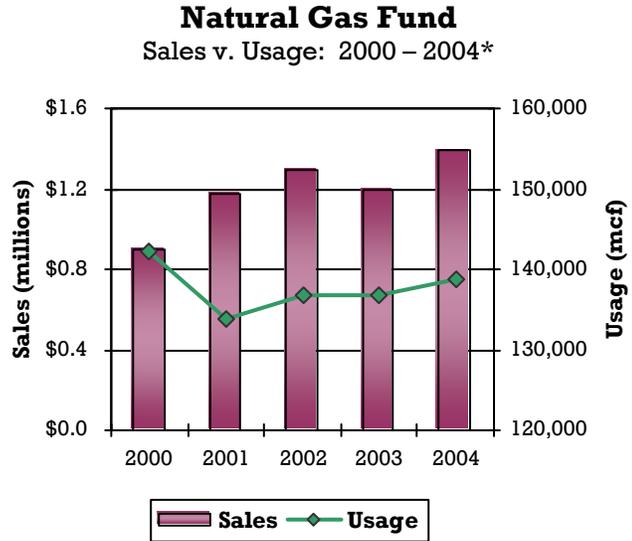
The major expenditures for the Water Department are \$94,645 for personnel, \$40,000 for water chemicals, \$62,000 for utilities, and transfers and administrative charges totaling \$125,291. The Water Fund supports two full-time positions in the Water and Gas Department.

## Natural Gas Fund

**Revenues.** The Natural Gas Fund projects receipts of \$1,436,284 for 2004. This amount is based upon the assumption that gas rates in 2004 will be increased back to around 2002 rates which were \$9.60 per mcf. This would be an increase of around \$2.0 per mcf. This rate increase is driven entirely by the current prices of the commodity, the rates at which gas has been purchased for this coming winter, and the projected market prices for 2004. Typically the City realizes savings for the winter by storing gas during the summer while rates are lower. However, for 2003 rates have been historically high and are not coming down very quickly for the winter. Consequently, the

City has had to lock into some of its winter supply at an average rate well over \$5.00 per mcf. This price does not include the cost of transportation (which is usually around \$1.13 per mcf) storage costs or operating costs.

One of the difficulties in projecting natural gas prices is the volatility of customer usage. Even an average winter temperature of only a few degrees can have a great impact on the amount of gas used in a season. The chart above documents both actual and projected usage and sales charges for 2000 through 2004.



\* 2003-04 amounts represent budgeted amounts.

**Expenditures.** The 2004 budget for the Natural Gas Fund is \$1,565,162, an increase of \$187,732 over the 2003 revised estimate. The increase reflects a major increase in the projected price of natural gas for 2004. Natural gas purchased for resale, budgeted at \$1,134,840 in 2004, comprises 72.5 percent of the entire fund budget. Administrative charges are budgeted at \$125,464 and other transfers at \$110,582. Salaries and wages are budgeted at \$84,737 to support three full-time positions and one part-time position.

## Sewer Fund

**Revenues.** FY 2004 sewer revenues are estimated at \$133,300, the vast majority of which come from sales and charges. For residential customers, charges for sewer are calculated based on the customers winter water average (Jan - Mar). This average is then applied to their utility account for one year (Apr - Mar). Charges for commercial customers are based on actual water usage. However, most Osage City businesses vary only slightly in the water usage throughout the year. Therefore, there is typically very little variance in sewer revenues from year to year.

**Expenditures.** Approved expenditures for 2004 total \$143,339. The budget year estimate includes \$40,000 for the replacement of a new pump station at Thirteenth Street and E Street. The 2004 budget also includes \$9,000 for smoke testing of sewer mains at selected locations. Transfers for 2004 were

curtailed from normal percentage transfers because of a low fund balance and other pressing needs. The 2004 budget includes administrative charges of \$10,110 and a transfer of \$5,000 to the equipment fund. The Sewer Fund supports one full-time position from the Water and Gas Department.

### Sanitation Fund

The sanitation fund collects around \$240,000 annually and 2004 is not expected to be any exception. 2004 revenues are estimated at \$245,000. For 2003, reserve funds of \$35,002 are being placed back into the main fund. The fund's goal is to build up a balance of over \$100,000 by the end of each decade in order to purchase a new trash truck. The fund is projected to have an ending balance of \$181,459 by the end of 2004.

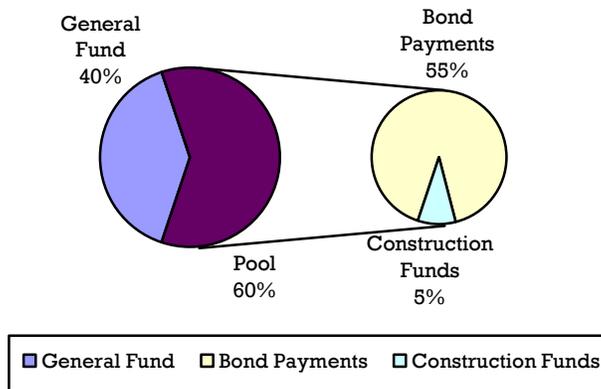
### Dedicated Sales Tax Fund

This fund serves as a clearinghouse fund for the new one cent sales tax that will go into effect on October 1, 2003. The sales tax receipts will be deposited into the fund. Four-tenths of the receipts will be transferred to the General Fund for general operations. Of the remaining six-tenths, funds will be transferred to the Bond & Interest Fund to cover the debt payments on the pool bonds and then the remainder will be transferred to the Pool Construction Fund.

For 2004, the new one-cent sales tax was originally expected to generate about \$258,000 per year. However, the 2003 Kansas Legislature made major changes to the manner in which sales tax is collected. It is projected that Osage City could lose up to \$50,000 from the local sales tax because of the

statutory change. The following chart shows how the \$258,000 in taxes would be transferred to the appropriate funds.

**New City 1¢ Sales Tax**  
2004 Distribution

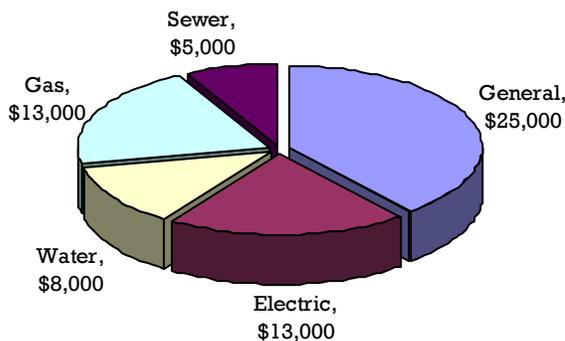


## Special Highway Fund

Is scheduled to receive at least \$92,000 from the State of Kansas, which represents our local share of motor fuel taxes. It is true that the State of Kansas did reduce funding to the program for 2004, but the City is not likely to see that reduction for another year or so because of built up balances in the Kansas Department of Transportation funds. Approximately \$75,000 of the funds will be used to cover debt payments for the 2001 Street Bonds, while the remainder will be used for materials to make street improvements.

## Equipment Reserve Fund

For 2004, the Equipment Reserve Fund is scheduled to receive transfers totaling \$64,000. The funds are broken out as shown in the chart below.



It is the intention of this budget to begin a process of planned replacement through this fund. The City will undertake an inventory of its equipment, vehicles and machinery and will prioritize that equipment for a replacement schedule. The Equipment Fund will serve as the funding source for this maintenance plan and will

continue to receive transfers in future budget years to implement the plan.

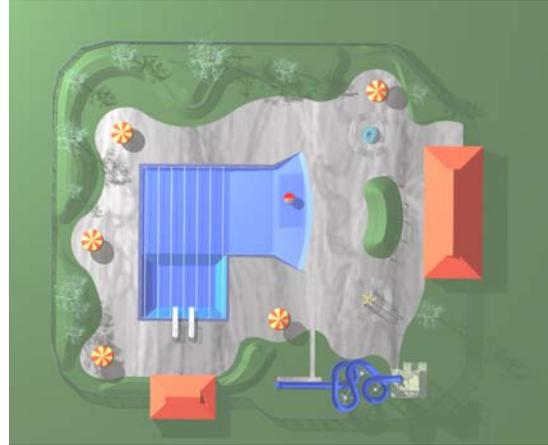
2004 expenditures include \$18,944 for the second of three annual payments on the Cat Loader purchased in 2003. Also, \$35,000 is included for the purchase of two new trucks for animal control and for the street department and for some new mowing equipment requested in the Capital Improvements Plan. The 2004 budget would leave about \$25,000 at the end of 2004 for any unforeseen equipment emergencies.

## Capital Improvements Fund

The City has a six-year Capital Improvements Program (CIP) that lists the projects and equipment the City expects to finance over that time. A project or piece of equipment is included in the CIP if it has an expected life of several years, is a fixed asset, or is a vehicle or piece of machinery.

Included in the 2004 Budget is the approved 2004 CIP as it impacts the 2004 budget. The 2004 CIP totals \$4.7 million and includes \$1.16 from the Capital Improvements Fund, \$3.1 million from Utility or Construction Funds, and \$50,000 from equipment funds.

The Capital Improvements Fund will receive transfers of slightly over \$300,000 to fund 2004 projects. The fund will also receive \$200,000 in grant funds for the new swimming pool from the Jones Trust.



**Preliminary Design of New Pool**

*Please refer to Appendix C, which includes the Capital Improvements Program for 2004.*

***For more information, contact:***

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