

2024 BUDGET PRESENTATION

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July 12, 2023

City Council Work Session



2024 Budget Timeline



Tax Terminology



Ad Valorem Tax = Property Tax



Mill Rate = Property Tax Rate



1 mill generates \$130,165 of City tax levy,
given \$ 130.2 M assessed value



Tax Levy = Revenue generated by applying
mill rate to assessed value

City of Basehor Fund Structure

<u>Governmental Activity Funds</u>	<u>Capital Project and Equip Funds</u>	<u>Enterprise Funds</u>	<u>Fiduciary Funds</u>	<u>Special Funds</u>
<i>These funds are primarily funded by property tax.</i>	<i>These funds are primarily funded by sales tax.</i>	<i>These funds are primarily funded by utility charges.</i>	<i>These funds are held by the City but not controlled by the City.</i>	<i>These funds have specific restrictions of revenues and expenditures.</i>
General	Capital Improvement	Wastewater	Cedar Lake	Land Bank Fund
Employee Benefit	Consolidated Highway	Solid Waste	Glenwood Sewer	Mayor's Charity Fund
Parks & Recreation	Special Alcohol Fund			Assistance Programs Fund
Bond & Interest				



The City of Basehor

2024 Budget Priorities

Basehor is...
advancing
trails and
parks projects.



Basehor is...
a place where we
take pride in our
community and its
safety.



Basehor is...
improving,
modernizing, and
maintaining
roads.



Basehor is...
proposing
no tax rate
increase.



Basehor is...
a desirable place
to live, work,
and grow a
business.



Basehor is...
continuing to
promote fiscal
transparency
and stewardship.



You spoke. We listened.

Priorities established are in line with results of 2019 ETC Citizen Survey

Breaking Down the Mill Rate

	% of Total Levy	Total Mill Levy
City	23%	33.873
Leavenworth County	25%	35.924
USD #458	41%	59.633
State	1%	1.500
Basehor Community Library	5%	7.142
Fairmount Township Fire	5%	7.419
Total	1.000	145.491



Analysis of Cities of the Third Class

There are three classes of cities in Kansas: First Class (25), Second Class (98) and Third Class (503).

The average city mill rate (property tax rate) of third class cities is **48.795 mills**.

When ranked from the highest mill rate to the lowest mill rate, Basehor is **339** out of 503.

The City took formal action in 2022 to remain a city of the third class.



Analysis of Cities of with Similar Populations (6,000-8,000)

Regardless of class, there are 12 cities in Kansas that have a population of between 6,000 – 8,000.

The average city mill rate (property tax rate) of those cities is **44.022 mills**.

When ranked from the highest mill rate to the lowest mill rate, Basehor is 10 out of 12 (or 2nd from the lowest).



How are property taxes calculated on a house?



The Leavenworth County Appraiser's Office assigns an appraised value to all homes in Basehor.

$$\text{Appraised Value} \times \text{Assessment Percentage} = \text{Assessed Value}$$



$$\text{Assessed Value} \times \text{Mill Rate} \div 1,000 =$$

City Portion of Tax Bill

The Mill Rate is the only portion of the tax calculation equation that the City controls.

How are property taxes calculated on a house?



The Leavenworth County Appraiser's Office assigns an appraised value to all homes in Basehor.

$$\$375,000 \times 11.5\% = \$43,125$$



$$\$43,125 \times 33.873 \div 1,000 =$$

$$\$1,461$$

The Mill Rate is the only portion of the tax calculation equation that the City controls.

What are the Assessment Percentages for Tax Calculation Purposes?



RESIDENTIAL: 11.5%



COMMERCIAL/INDUSTRIAL:
25%



VACANT LOT: 12%



The Importance of a Diversified Tax Base



Being too reliant on one tax base makes any City susceptible to economic downturns.



Cities seek a variety in their community, including residential, commercial, and industrial.

In addition to the difference in assessment percentages, certain commercial also bring in sales tax revenue to the community.



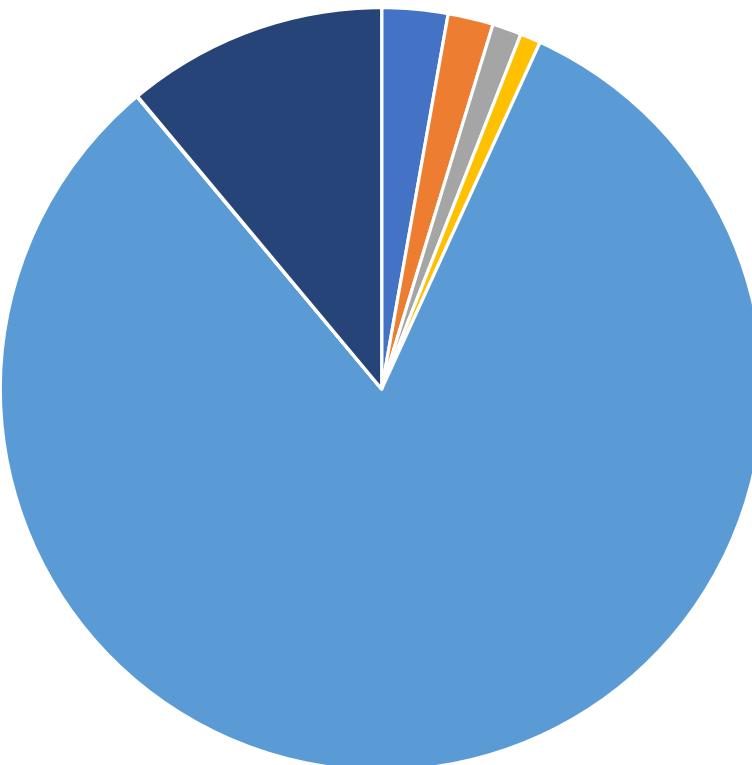
Bedroom communities (communities with primarily single-family homes and little commercial or multifamily properties) often see a limited number of amenities. In addition, most of the population commute elsewhere to work.

Amount of rooftops and daytime population are two of many factors businesses evaluate when deciding whether to locate in a particular community.



Breakdown of the Properties in Basehor – By Parcel

Agriculture	90	2.79%
Commercial	62	1.92%
Exempt	40	1.24%
Farm	28	0.87%
Residential	2648	82.08%
Utility	1	0.03%
Vacant	357	11.07%

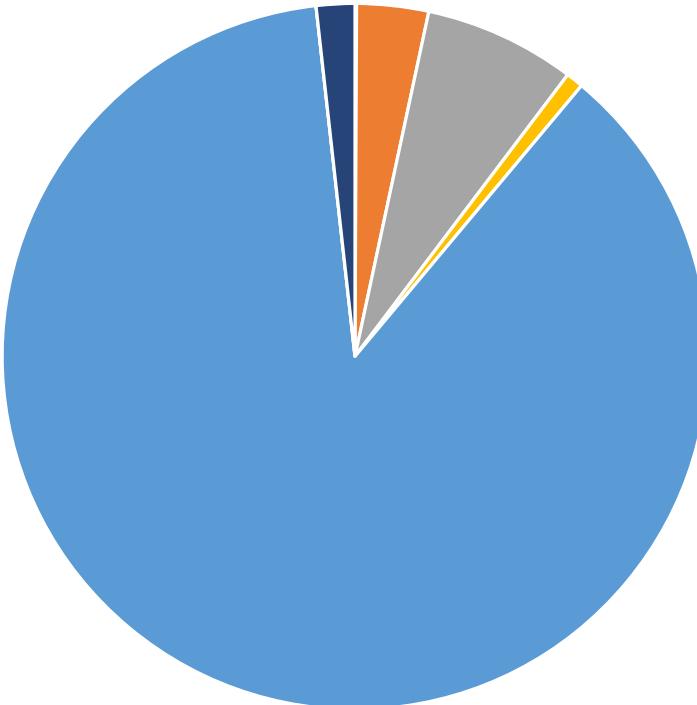


- Agriculture
- Commercial
- Exempt
- Farm
- Residential
- Utility
- Vacant



Breakdown of the Properties in Basehor – By Appraised Value

Agriculture	0.06%
Commercial	3.29%
Exempt	6.95%
Farm	0.78%
Residential	87.15%
Utility	0.00%
Vacant	1.77%



- Agriculture
- Commercial
- Exempt
- Farm
- Residential
- Utility
- Vacant



Other Cities in Leavenworth County: Breakdown of Commercial Properties

% of Appraised Value – Commercial Properties

- Basehor: 3.29%
- Lansing: 6.44%
- Tonganoxie: 6.43%
- Leavenworth: 13.14%



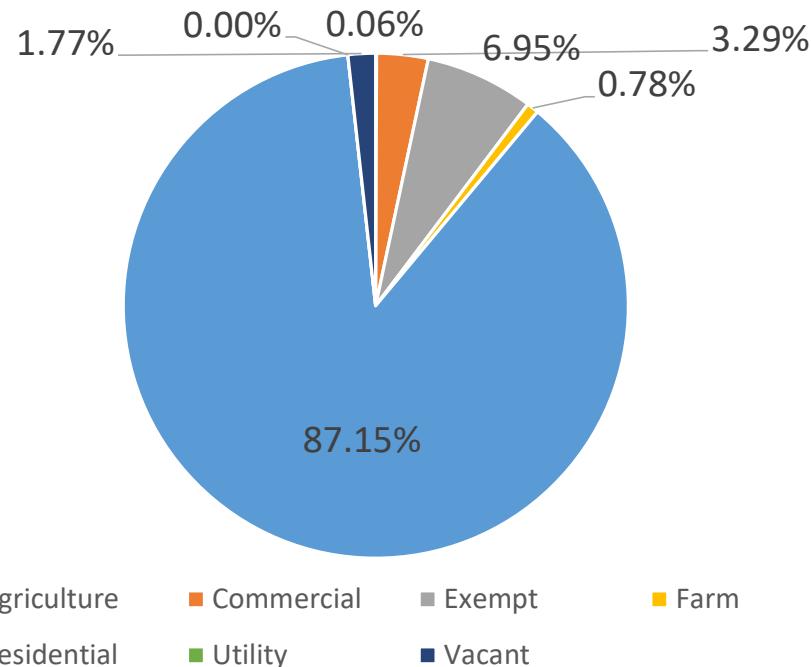
Property Valuation – 2023 and 2024

- Assessed value for 2023 budget:
 - \$111,141,399
- Assessed value for 2024 budget:
 - \$130,165,285
- Increase by percentage:
 - 17.12%
- Increase in property tax collection:
 - Flat Mill Rate: Estimated \$644,000 for 2024
 - Quarter Mill Reduction: Estimated \$612,000 for 2024

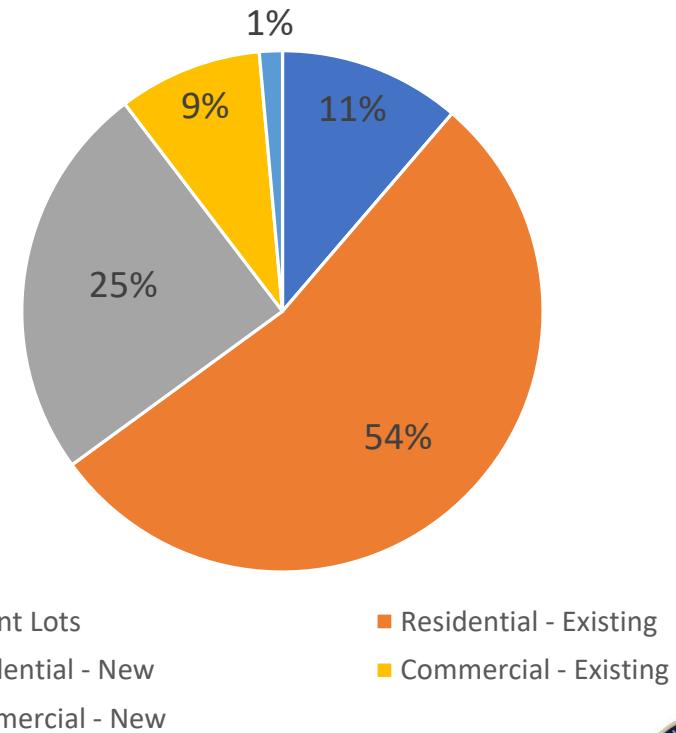


Property Valuations: Actual Dollars by Parcel Type

Breakdown of Appraised
Value by Type

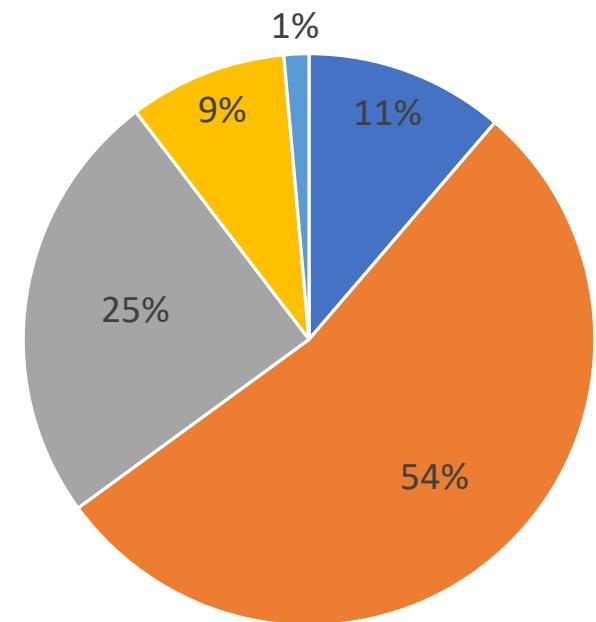


Breakdown of Actual Dollars of Property
Tax Revenue Increase by Type



Property Valuations: Actual Dollars by Parcel Type

Parcel Type	Estimate of Increase	Number of Parcels	Impact Per Parcel
Vacant Lots	\$ 72,596.69	357	\$ 203.35
Residential - Existing	\$ 345,798.87	2453	\$ 140.97
Residential - New	\$ 159,003.45	195	\$ 815.40
Commercial - Existing	\$ 57,502.42	58	\$ 991.42
Commercial - New	\$ 9,098.57	4	\$ 2,274.64
	\$ 644,000.00		



█ Vacant Lots █ Residential - Existing █ Residential - New
█ Commercial - Existing █ Commercial - New

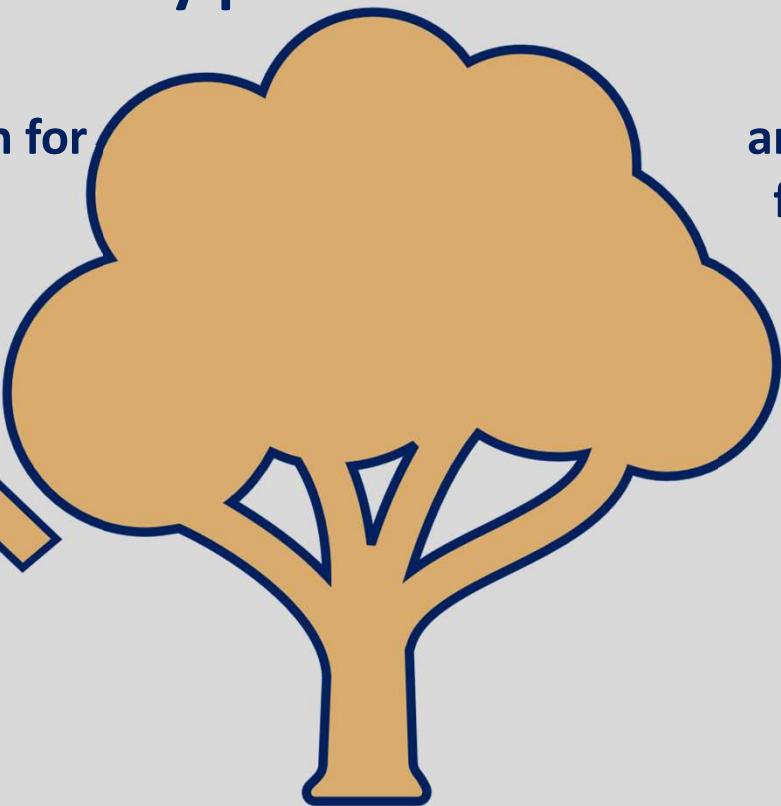


No increase in tax rate but property values increased...
what does that mean for Basehor property owners?

On average, the City portion of the taxes will increase...

an estimated \$12 per month for
residential properties

an estimated \$83 per month
for commercial properties

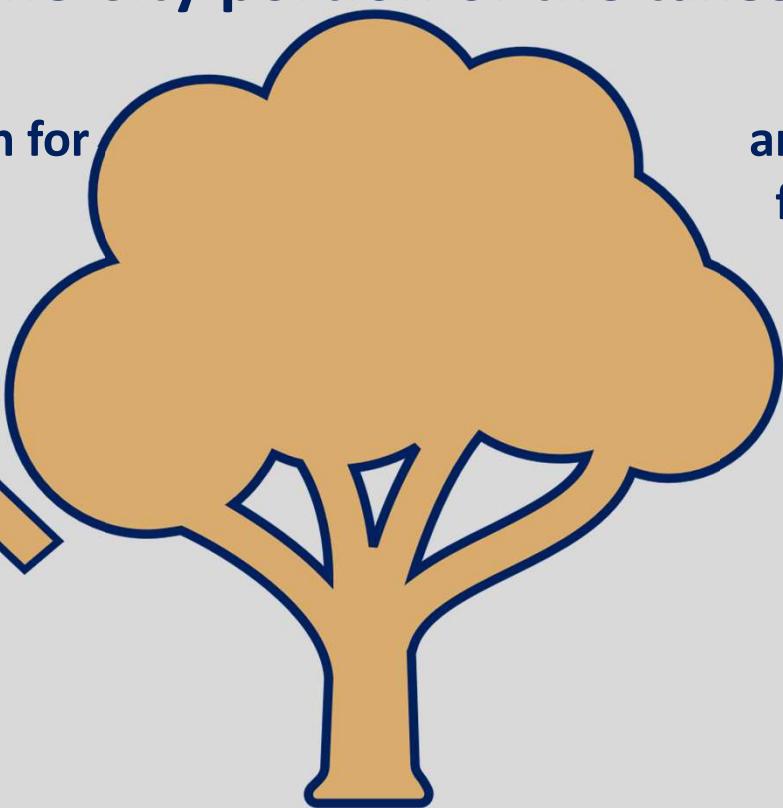


Quarter mill decrease but property values increased...
what does that mean for Basehor property owners?

On average, the City portion of the taxes will increase...

an estimated \$11 per month for
residential properties

an estimated \$79 per month
for commercial properties



Long-term Forecast of Property Tax Performance

- Model Assumptions Include:
 - Decline in building permit activity
 - Proposed cap on assessments at 4% (pending legislation)
 - Impact of Local Ad Valorem Tax Reduction Fund (LAVTRF)
- Model Evaluates:
 - Impact of flat mill rate
 - Impact of quarter mill reduction

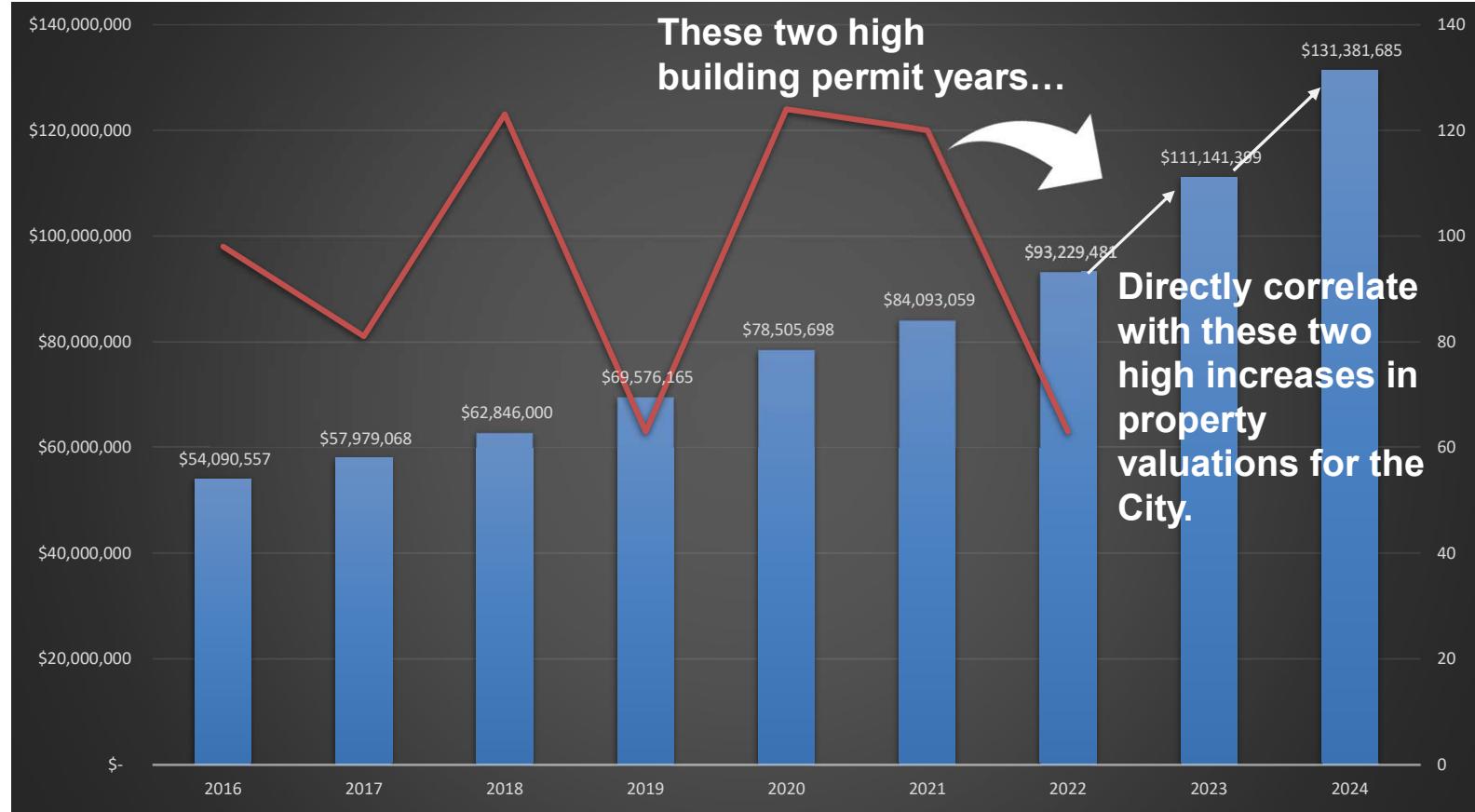


Assessed Valuation and Building Activity

Two highest building permit years: 2020, 2021

Two highest increases in valuation by %: 2023, 2024

New development will be seen in the City's property valuation 2-3 years after permit issuance.

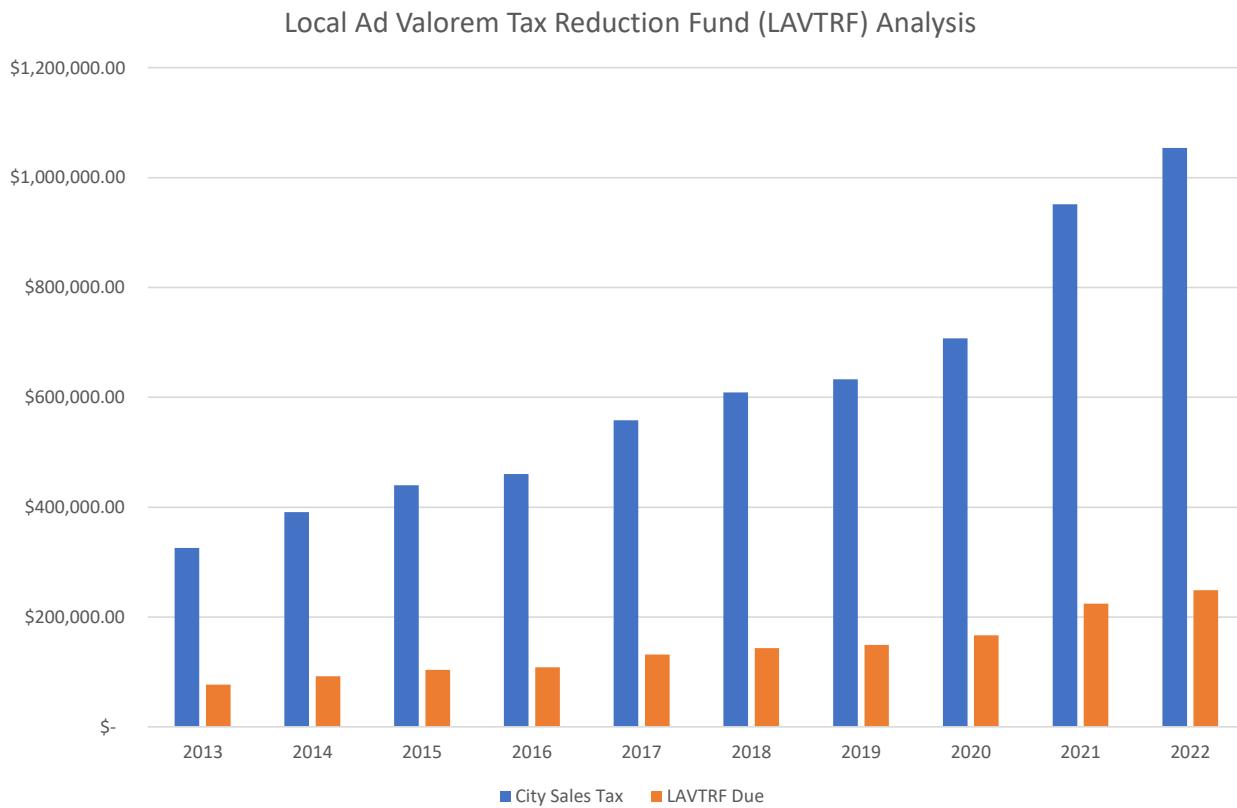




Local Ad Valorem Tax Reduction Fund (LAVTRF)

- KSA 79-2959
- Outlines the transfer of sales and use tax to local counties and cities equivalent to 3.63% of the State of Kansas' receipts.
- These funds were intended to allow local jurisdictions to reduce their mill rate.
- The State of Kansas has exempted itself from this obligation from 2003-2024.

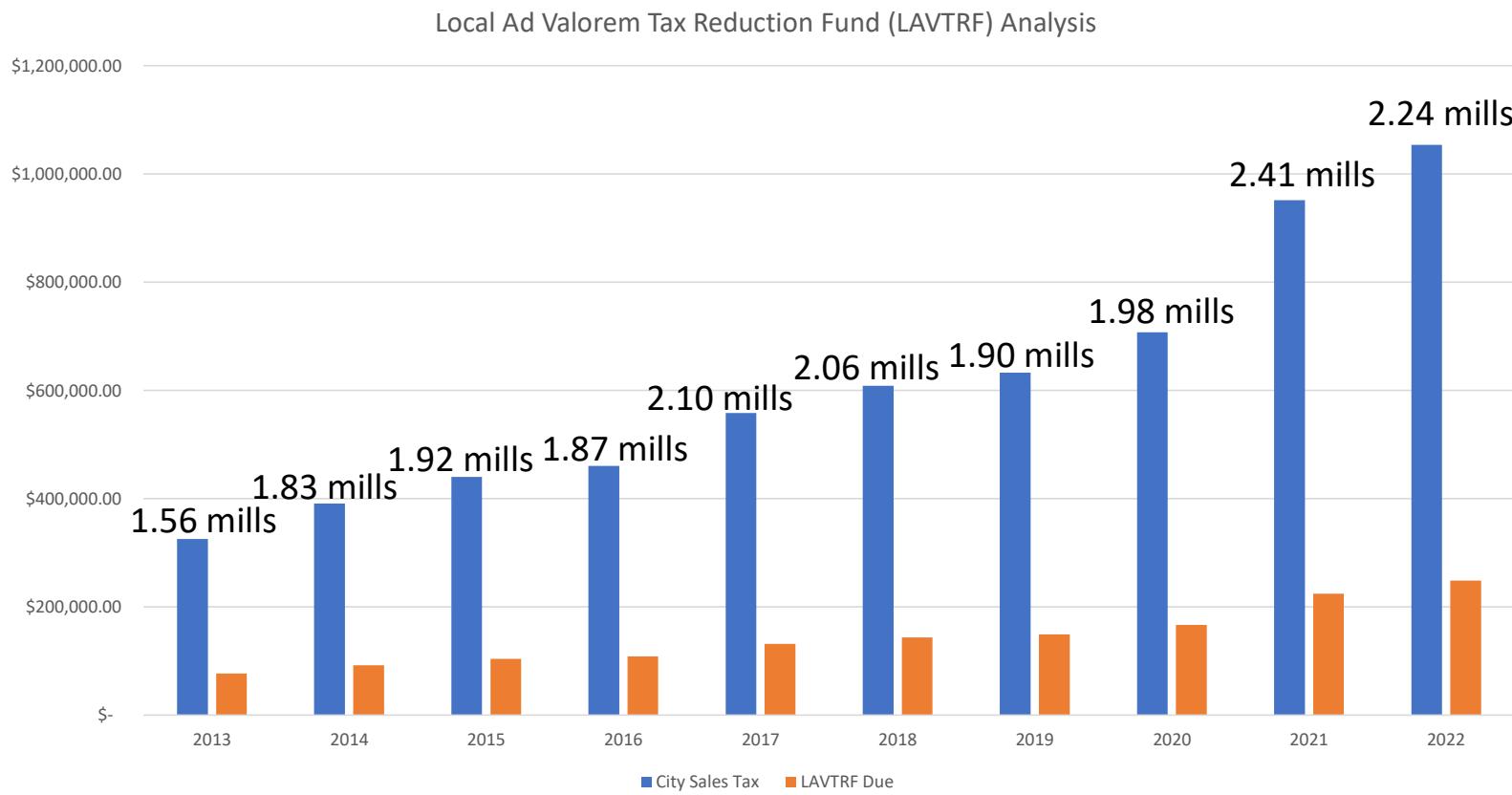
Local Ad Valorem Tax Reduction Fund (LAVTRF)



	City Sales Tax	LAVTRF Due
2013	\$ 325,630.73	\$ 76,832.57
2014	\$ 390,949.67	\$ 92,244.57
2015	\$ 440,151.28	\$ 103,853.69
2016	\$ 460,597.75	\$ 108,678.04
2017	\$ 558,277.71	\$ 131,725.63
2018	\$ 608,837.93	\$ 143,655.31
2019	\$ 632,649.60	\$ 149,273.67
2020	\$ 707,402.24	\$ 166,911.56
2021	\$ 951,472.28	\$ 224,499.88
2022	\$ 1,053,834.77	\$ 248,652.31
Total		\$ 1,446,327.24



Local Ad Valorem Tax Reduction Fund (LAVTRF)



The mill rate reduction shown is not cumulative. It is for that specific year considering that year's value of 1 mill for the City of Basehor.

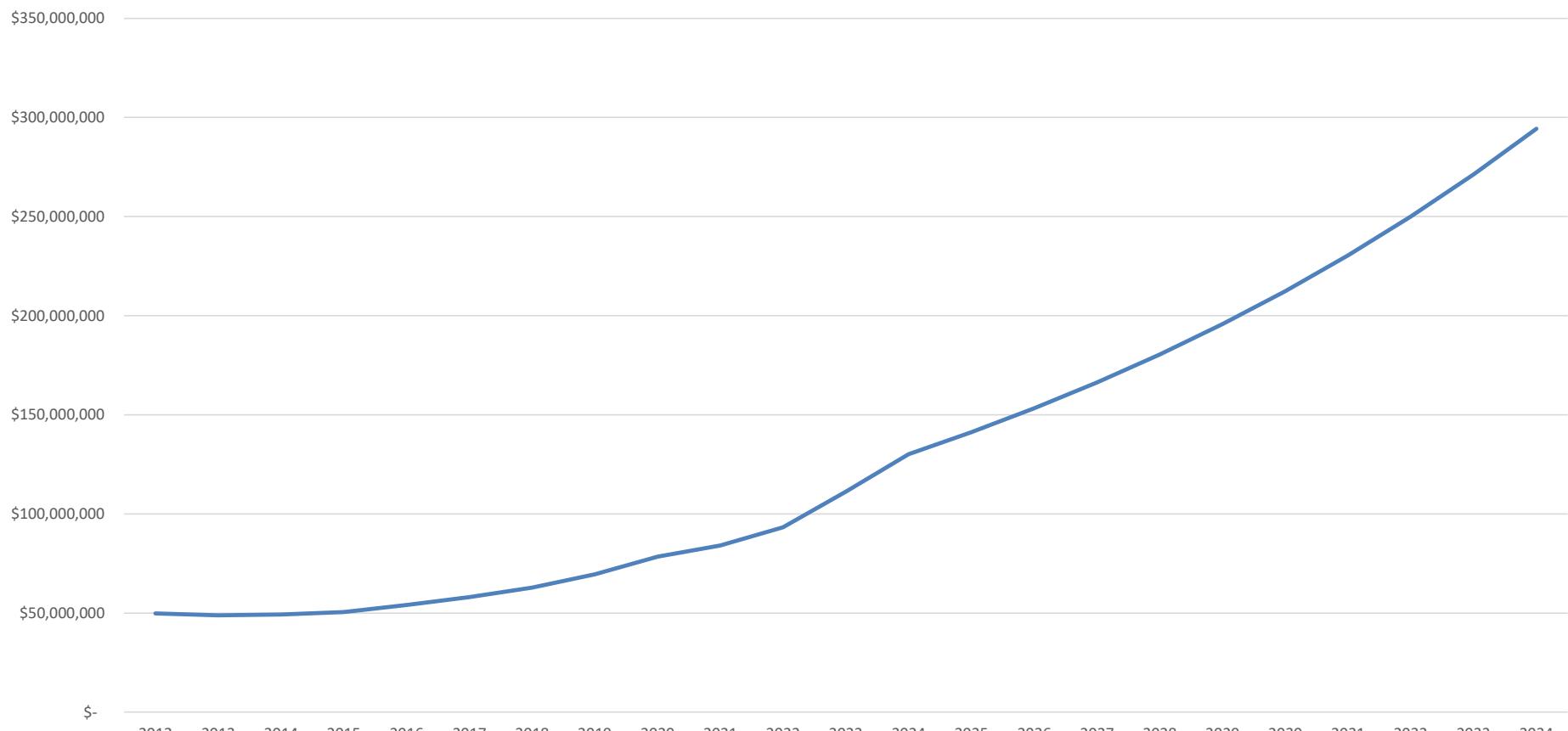


Proposed Constitutional Amendment – Property Valuations

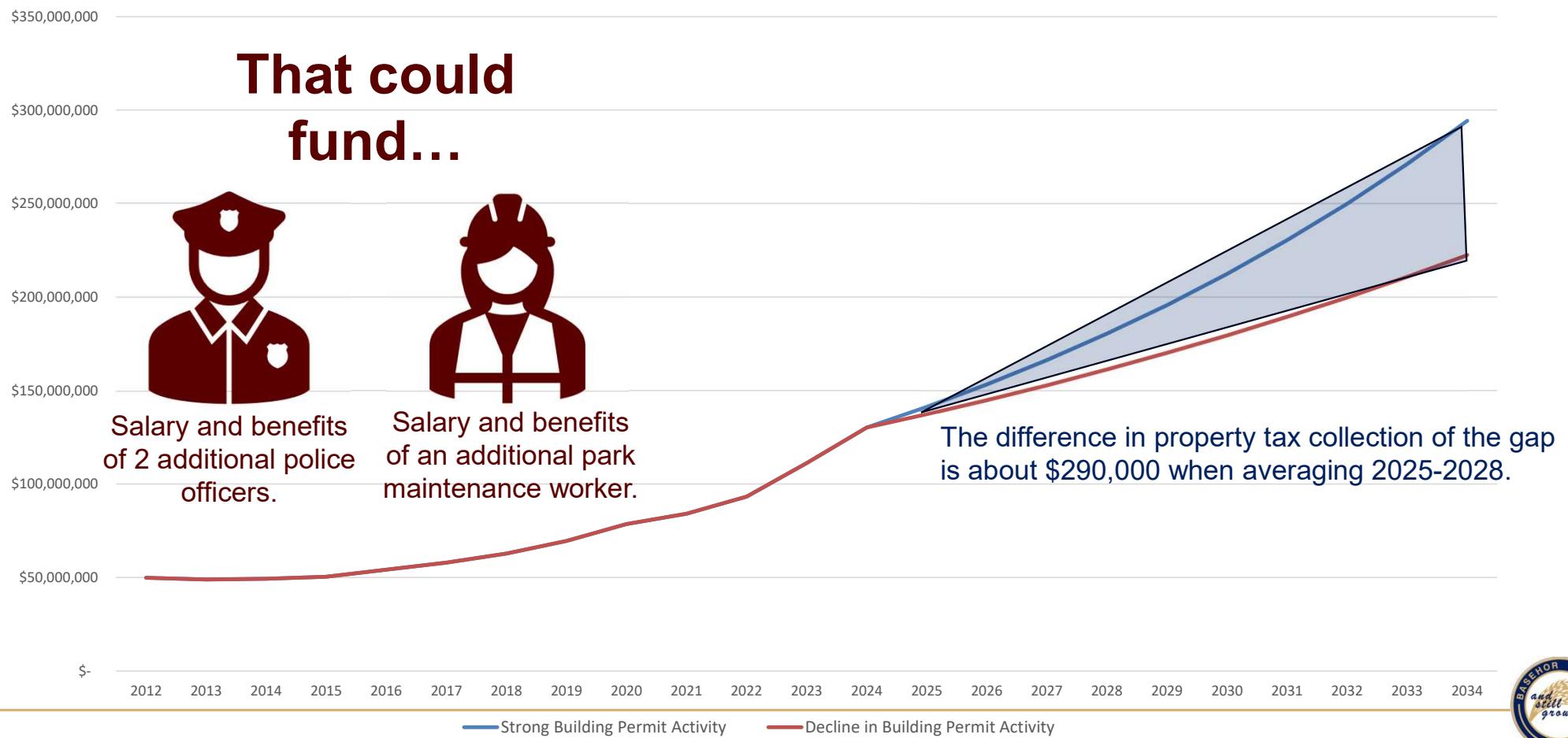
- Kansas Senate passed a constitutional amendment restraining property valuations.
- The maximum property valuation would be 4%, with exclusions including:
 - Sold properties
 - Improved/renovated properties
 - New development
- Quick Numbers for Basehor:
 - Basehor averages 225 home sales per year
 - Basehor averages 40 permits for home improvements



Projection of Assessed Value – Strong Building Permit Activity



Projection of Assessed Value – Decline in Building Permit Activity



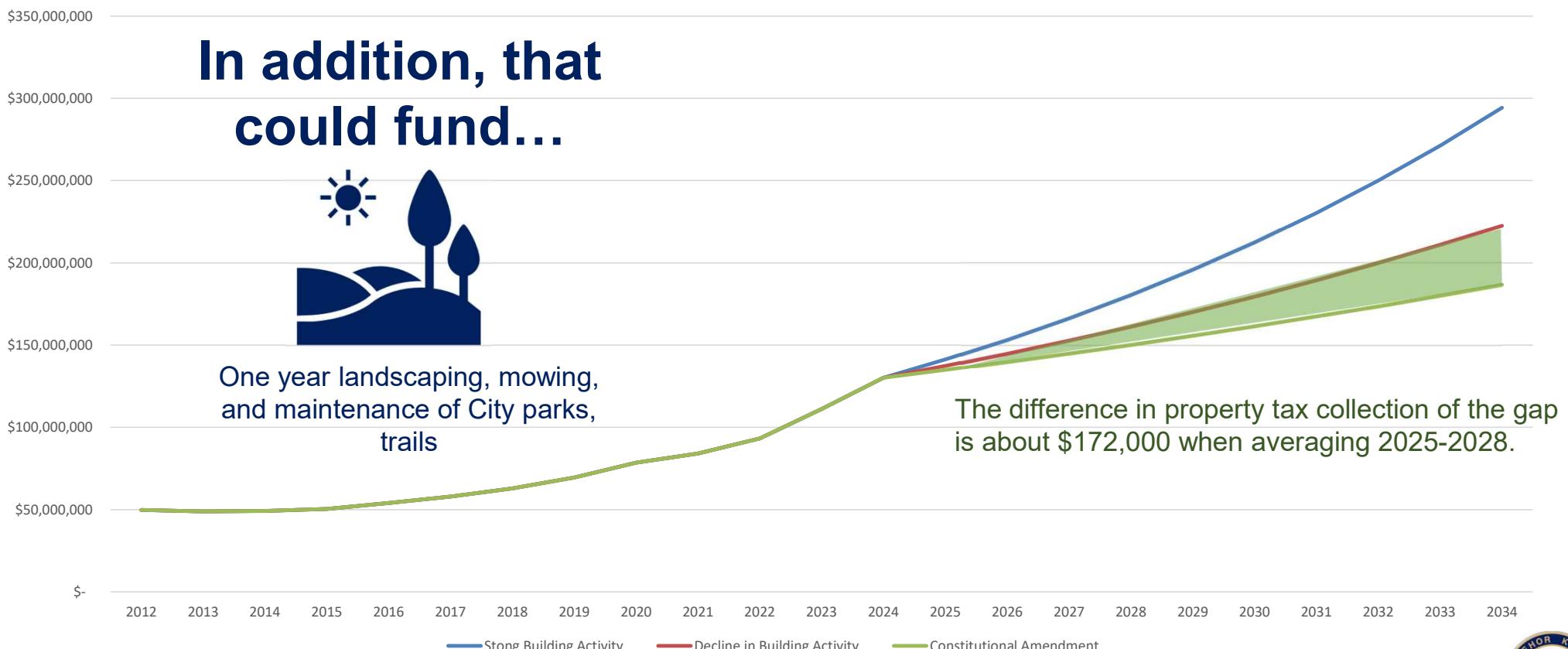
Projection of Assessed Value – Constitutional Amendment

In addition, that could fund...



One year landscaping, mowing, and maintenance of City parks, trails

The difference in property tax collection of the gap is about \$172,000 when averaging 2025-2028.



Value of a Quarter Mill in 2024 and beyond

In 10 years, with the conservative growth assumption including a decline in building permit activity, a quarter mill has an average value of **\$43,000** in property tax revenue annually over the next 10 years.

These items are in support of the following budget priorities:

- Basehor is... advancing trails and parks projects.
- Basehor is... a place where we take pride in our community and its safety.

That quarter mill could fund one or more of the following:



Benefits of a new police officer



Salary of an additional park maintenance worker.



More frequent Citizen Satisfaction Surveys



Increase in Expenses- Inflation vs New Initiatives

- All ad valorem (property taxes) goes to the General Fund. A portion of the property taxes are transferred to the following funds:
 - Employee Benefits
 - Bond & Interest
 - Parks & Rec Fund
- Total expenses in the general fund have increased by 16.69% from 2023 to 2024.
- Of the 16.69%:
 - 10.54% is for **new** initiatives (such as citizen satisfaction survey, support to the fireworks display, and Civic Campus improvements)
 - 6.15% is for **inflation** of existing expenses



Staff Recommendations: 2024 Budget

- Staff recommends a flat mill rate for 2024 of 33.873.
 - This is to support the 2024 budget priorities while also helping mitigate the need for a mill rate increase in future years due to reduced residential building permit activity.
- Staff recommends the City of Basehor adopt a formal position to support the funding of the Local Ad Valorem Tax Reduction Fund (LAVTRF).
 - Staff recommends the position include the provision that 100% of the LAVTRF funds received be dedicated to a reduction in the mill rate.
 - For 2022, that would have been a reduction of 2.24 mills.
 - Staff recommends the position include the provision that the City will work collaboratively with Leavenworth County and any other cities where appropriate on this effort.

The recommendations included in this presentation are subject to the review, input, approval, or denial of the Governing Body.



2024 Budget Timeline



At next meeting:

- *Bring a revised presentation and budget model including all feedback received from the Governing Body.*

