



City of Paducah, KY FY 2009 Budget Proposal

By: Charles Cole, III

Letter of Transmittal

December 18, 2008

To: William F. Paxton, Mayor of Paducah, KY

From: Charles Cole, III

The following document represents the proposed Budget for FY09 for the city of Paducah, KY. In the budget, you will find a full budget analysis for 2005 to the present. The proposed budget changes our budgetary priorities from attracting tourism and businesses to helping our ailing citizens, which will in turn attract more people to Paducah.

The glaring change that may stand out will be represented by the introduction of a new social program, Learning House, that focuses on low-income housing and financial literacy. The budget proposal also took into account the slumping economy and the high pay of city workers. Cutbacks have been made and efficiency has been championed. It is my personal suggestion to you that you locate inefficient positions and costs in the city to minimize inappropriate lay-offs.

The budget has been balanced with safeguards to prevent missing financial goals.

Thank you for allowing me to work on this budget and I hope to consult for you in the future.

Sincerely,

Charles Cole, III

Budget Consultant

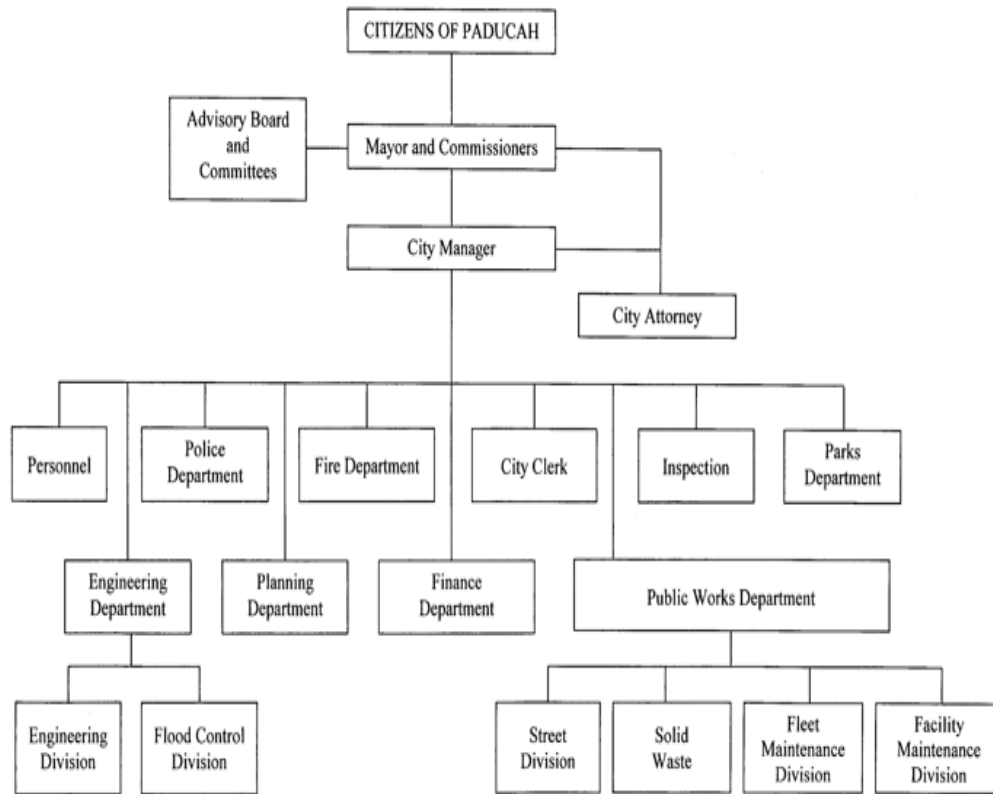
Overview for the City of Paducah, KY

Paducah is a small city in Kentucky with a population of 26,307. The racial make-up of the city is 72.78% White, 24.15% African American, 0.25% Native American, 0.64% Asian, 0.08% Pacific Islander, 0.55% from other races, and 1.56% from two or more races. Paducah's per capita is \$18,417 (1999) and the poverty rate is 22.4%.

Paducah's budget shows the city's want to administer social programs to help its citizens. Over the past few years, the city has been hemorrhaging money and this budget analysis will investigate why while also offering helpful solutions to fix the budgetary problems. With a new direction, Paducah will be able to move forward with its many social programs that are geared to help the inhabitants of the city.

Paducah, KY Systems Organizational Chart

CITY OF PADUCAH, KENTUCKY ORGANIZATIONAL CHART



Budget Priorities & Issues

The Budget saw much movement between 2005-2009. They were both under and over budget throughout the review period. The explicit budgetary goals of the city as defined by the budget were:

- Major Employer Attraction Hotel and Convention Center: Development Agreement (including Riverwalk)
- Barkley Airport: New Terminal, Expanded Air Service and Separate Taxing Authority
- Soccer Complex
- Development: Site Selection and Acquisition Tax
- Increment Financing Creation
- Broadway – Kentucky Resolution ¹

Each factor above intends to add attraction value to Paducah to lure tourists and businesses. The city of Paducah has a belief that by raising its appeal to outsiders, it will receive an increase in revenue from the influx of tourists.

The budgetary priorities are controversial when you compare them to the demographics of the city however. There is 22% of the total population living in poverty and the per capita is roughly \$18,000. The budgetary priorities seem out of touch with the perceived needs of the city. Increasing tourism should be a secondary priority. The priority should be to offer basic functions to the city with an

¹ Due to the intent of the budgetary study, the list was not elaborated. The important factor of the list is that all items dealt with city attraction and tourism in some form or another.

emphasis on social programs. There is a special projects section in the budget that would allow for it. The social programs will be discussed in more detail in the expenditures section.

At a macro level the budget stayed level with few peaks or valleys except for certain departments. The variations that did occur were vital and will be explained in more detail below.

Revenues

City of Paducah					
FY 2005 through 2009					
Revenues	FY05 Actual	FY06 Actual	FY07 Actual	FY08 Estimated	FY 09 Projections
Property Taxes	5,346,389	5,577,715	5,141,000	5,356,000	5,416,458
Major Licenses	18,721,775	19,951,171	19,771,250	20,836,015	18,895,633
Other Licenses	646,992	651,778	622,500	675,500	640,756
Grants	807,381	733,605	799,695	842,915	769,995
Fines	60,024	141,025	127,175	117,500	87,644
Property Rent and Sales	385,080	438,289	448,440	472,640	395,188
Charge – Services	513,123	614,510	625,230	659,895	535,534
Interest Income	183,471	343,036	400,000	455,000	214,644
Misc. - Other	197,954	6,356,902	411,565	200,000	2,682,485
Total Revenues	26,862,189	34,808,031	28,346,855	29,615,465	29,638,337

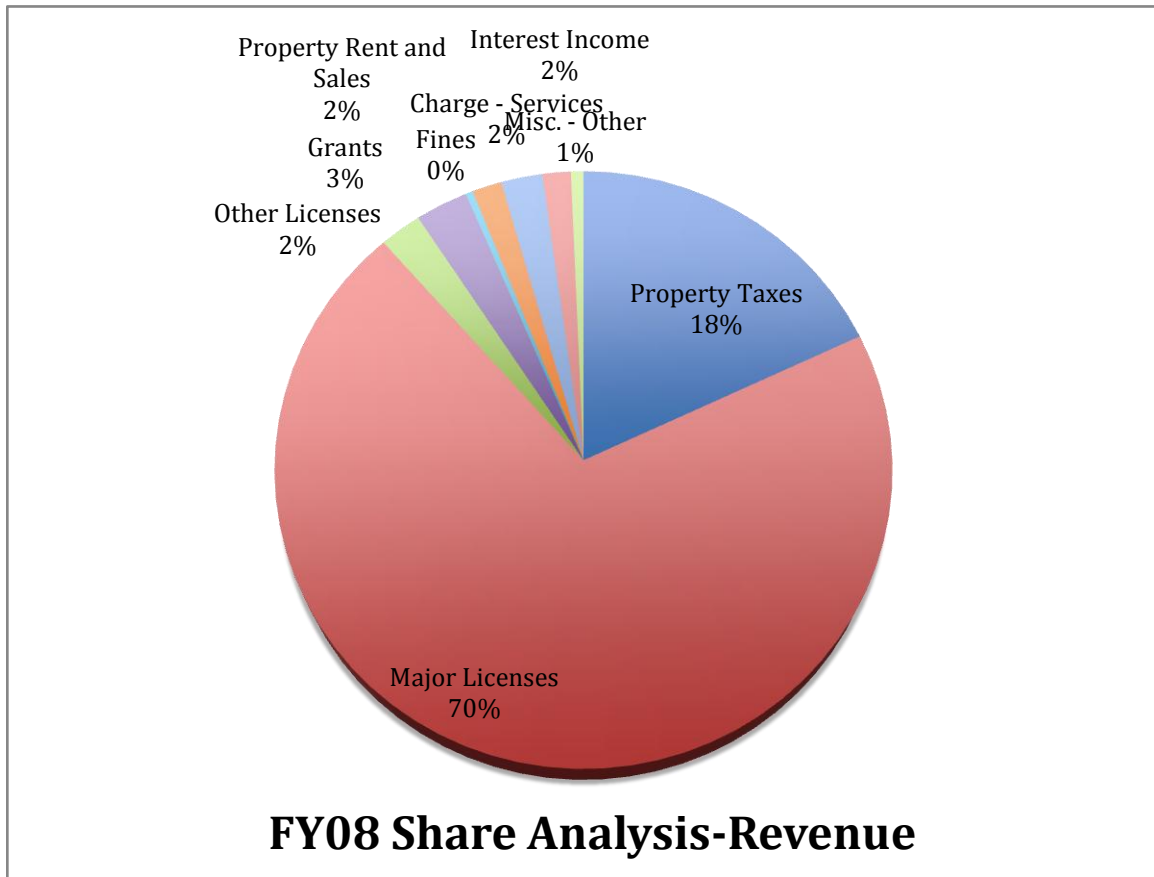
Property Taxes decreased by 7% from FY06 to FY07 before rising once again for the estimated cost. Property taxes are a combination of residential and business property.

Major Licenses are the fees to the city that range everywhere from marriage licenses to business licenses. The revenue flow from this section grew steadily across all years and is expected to continue to grow despite the slumping economy.

The revenue for fines projection for FY09 is fairly conservative at roughly \$88,000. There was a vast increase in fines from FY05 to FY06. During this time, there was a hike in parking fees. Since then, the fines have tapered off. There will be a hike in parking fees once again in FY09 to aid in funding for Paducah's much-needed social programs. The conservative estimate is published to help establish a strong funding base that is not overly reliant on fines.

In FY06, there was \$6 million in funds in the miscellaneous category. These funds came from Federal Funds to aid Paducah in expanding its public transportation infrastructure. The one time aid caused a huge spike in the trend analysis, but it was leveled off after the uncharacteristic rise of FY06. FY09 projects \$2 million dollars will be given with a large percentage going to fund the new social programs being proposed. A plurality of the funds will come from special grants from the federal level. They are considered miscellaneous funds because they carry stipulations that are not common in the normal grants that the city receives. These grants will be

provided to the city with a bond structure that allows for federal money to match contributions that Paducah finds independently. Paducah has a strong list of potential donors that have committed prior to the budget being balanced.



The revenue for FY08 depended heavily on Major Licenses (70%) and Property Taxes (18%). In the above pie chart, it shows our conservative estimate of fines at 0% rounded (actually 0.4%) however, in actuality it will account for roughly 1.4% of the revenue source. Paducah has been creative in finding funds from unlikely sources.

Expenditures

Expenditures	FY05 Actual	FY06 Actual	FY07 Estimated	FY08 Budgeted	FY09 Projections
Personal Services	18,045,086	18,519,431	19,994,000	21,140,805	17,810,572
Contractual Services	1,876,901	1,616,043	2,379,760	2,186,055	1,761,013
Commodities	3,438,575	3,995,610	4,436,600	4,420,955	3,564,716
Capital Outlay	315,719	279,268	405,810	150,345	343,223
Contributions	331,250	417,832	610,800	408,500	378,388
Special Projects	37,616	-	-	-	26,331
Interfund Transfer	3,026,405	9,058,708	2,366,815	1,308,805	5,754,096
Total Expenditures	27,071,552	33,886,892	30,193,785	29,615,465	29,638,338

The expenditures for Paducah had more variance than the revenues due to Interfund Transfers. The largest block of funds spent qualified as Personal Services. Personal Services are the basic funds that pay for salaries and other staffing needs, e.g. transportation, benefits, etc. This area allots for the majority of budgets. The budget saw a general increase in personal services from FY05-FY08. However, to free up funds for social programs and to deal with the declining economy, the

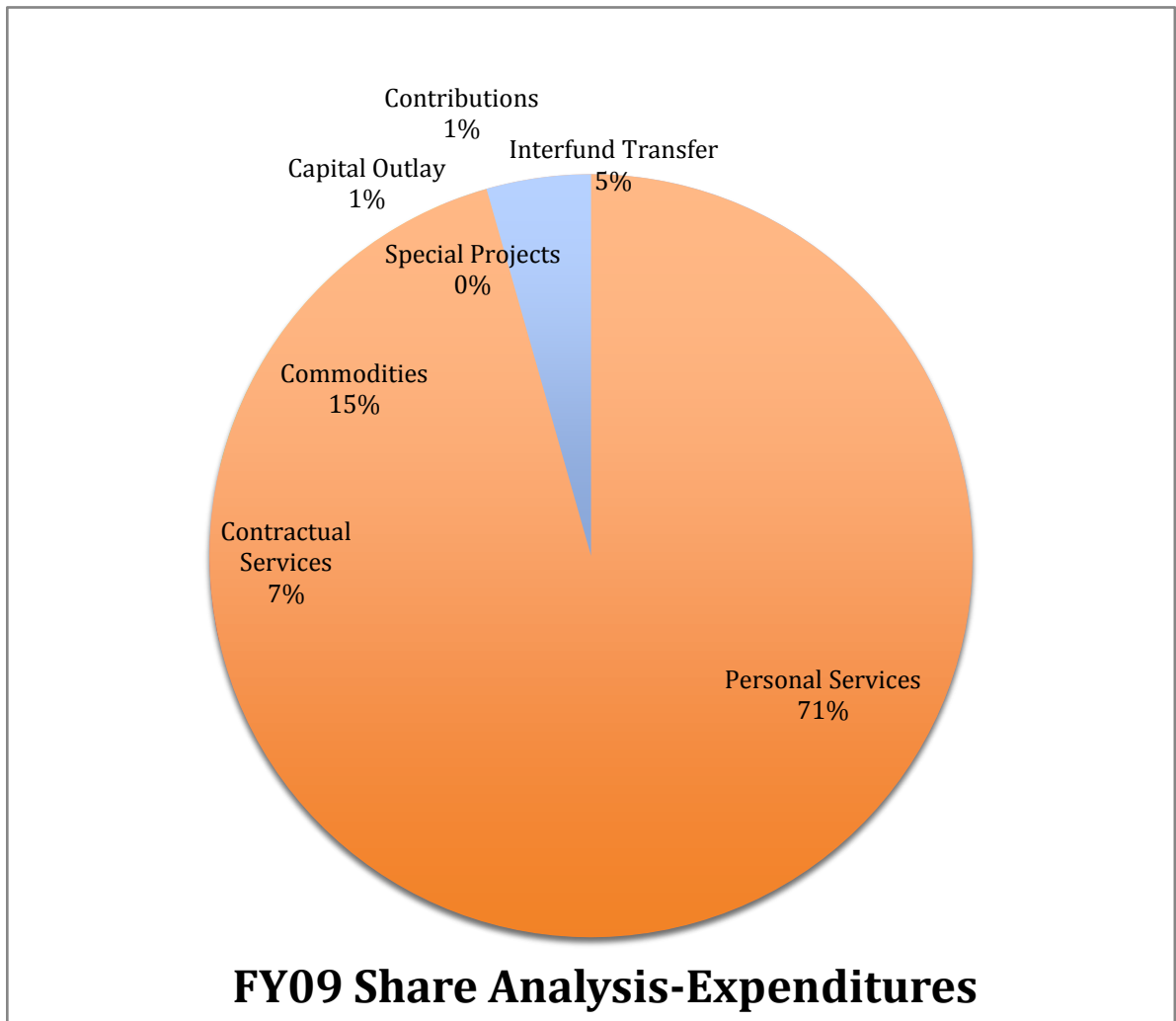
budget will see a \$3 million cut as employees will be downsized in certain departments across the board.

Commodity Outlays are an equipment classification that tends to cost more than \$100 and less than \$50,000. The range of items can include everything from motor trucks to laptop computers. The expected total of Capital Outlay for FY09 is projected at roughly \$343,000. The increase is a representation of the equipment that the new programs will need to operate. In efforts to save money, all departments are urged to purchase refurbished items whenever possible.

Contractual Services are services that take place over a multitude of years (normally 3 for Paducah). The fees associated account for the current contract plus inflation along with the projected rate times and unit of services. Contractual services account for 7% of the proposed budget for FY09. Special Projects are funds allocated for a specific project. For FY09, it will be the social program to aid the impoverished residents of the city. The current budget has allocated less than 1% for this category, as it has historically been a frugal category.

Interfund Transfers account for 5% of the proposed FY09 budget. Interfund Transfers are funds that can be taken from one area of a budget and transferred to another. There tends to be stipulations for such a transaction and they can be found in the actual budget. Paducah relies heavily on this and it has been used to balance the budget multiple times in the last 10 years. It allows for a conservative budget

while also allowing for low risk endeavors. Due to the freedom that the Interfund Transfers grants, a variance analysis is moot as a difference in funds are allocated through this measure. The personal services put the most strain on the budget. That problem must be remedied, as Paducah's budget does not warrant such high cost for administrators. The cut should be made across the board.



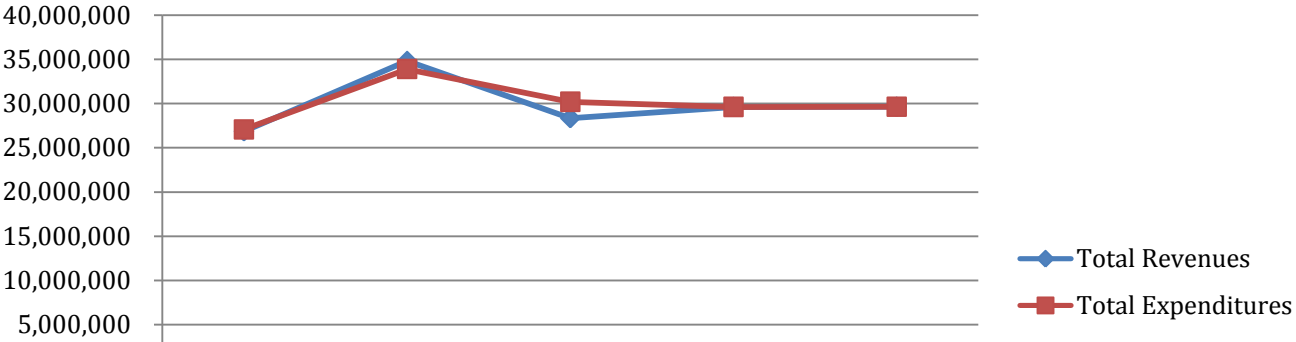
Social Program – Learning House

The Learning House Social Program would be a two-step approach to aiding the residents of Paducah. The first step is to allow for more low-income housing. In order to receive the low-income housing, residents must meet a criterion. That criteria includes:

- Must be under the poverty line.
- Must attend classes. If resident has no high school diploma, must enroll in mandatory GED classes. If residents have a high school diploma, must attend a mandatory financial literacy program
- The resident must show they are making progress to being financially independent. Three consecutive years without appropriate improvement will get your voucher taken away.

The program has allotted \$5 million to get the program started. The funds will be taken from ‘Interfund Transfers’ and placed into ‘Special Projects’. The Chart below shows Revenue over Expenditures and gives a visual representation of the budget and of its balancing. Paducah met budget all but one year (FY07). The budget for FY09 is balanced and allows for a new project to be introduced.

Revenues Over Expenditures



	FY05 Actual	FY06 Actual	FY07 Actual	FY08 Estimated	FY 09 Projections
Total Revenues	26,862,189	34,808,031	28,346,855	29,615,465	29,638,337
Total Expenditures	27,071,552	33,886,892	30,193,785	29,615,465	29,638,338

Conclusion

The Paducah budget is very small in comparison to many businesses let alone other cities. The original budgetary priorities have been changed to a more socially conscience model. By helping the inhabitants of the cities better themselves, it will ultimately make the city a more attractive place for businesses. FY09 is the first phase of change. The more people that join the workforce, the more tax revenue the city gets. By cutting personal services, more funds will be freed for beautification projects. ²

² All information came from Paducah’s 07-08 Budget