

Five-year model update

Executive Budget Team

November 9, 2020

Agenda

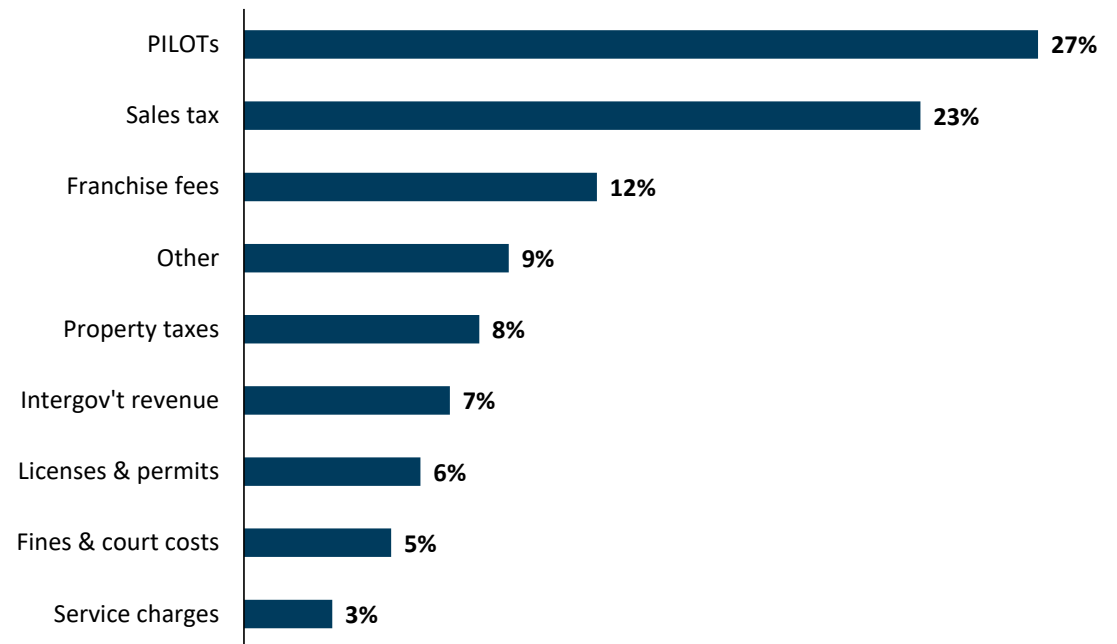
1. Five-year model overview
2. Major revenues
3. Expenditures
4. Model output

Five-year model overview

1. Forecast of general fund major revenues and expenditure categories
2. Uses conservative assumptions based on historical experience
3. Measures the structural balance of the general fund
4. Periodically updated throughout fiscal year as new information is received
 - Especially important this fiscal year as budget was prepared during the COVID lockdown

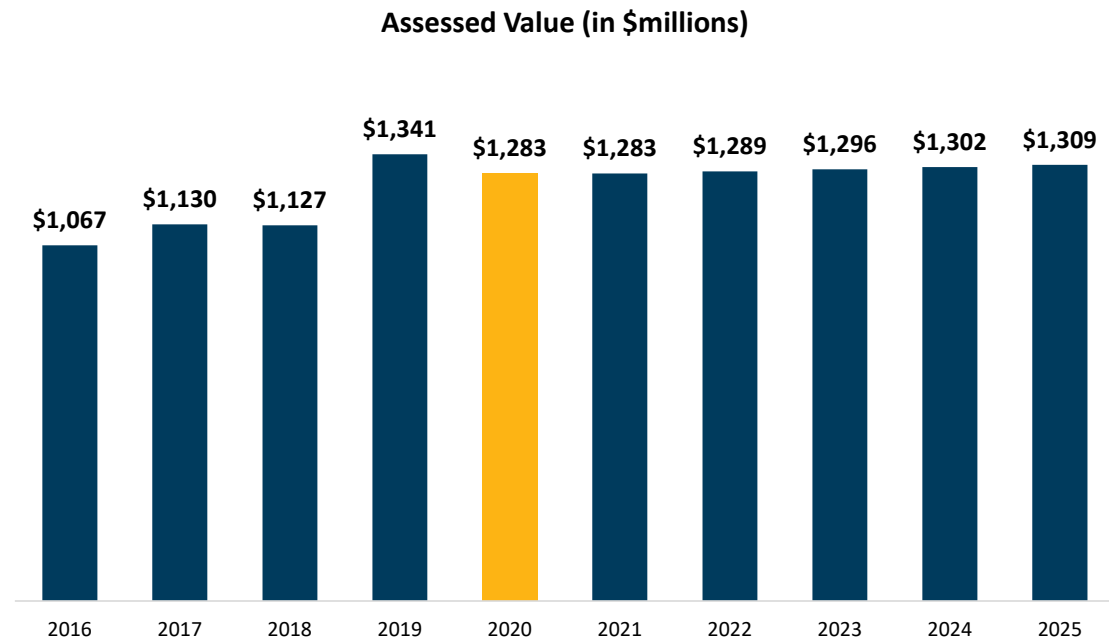
Major revenues

- Top 3 revenue categories represent 62% of general fund revenue
- Sales tax susceptible to economic cycles
- Franchise fees
 - Uncertain long-term outlook
 - Energy efficiency (gas, electric)
 - Technological change and customer trends (telephone and cable)



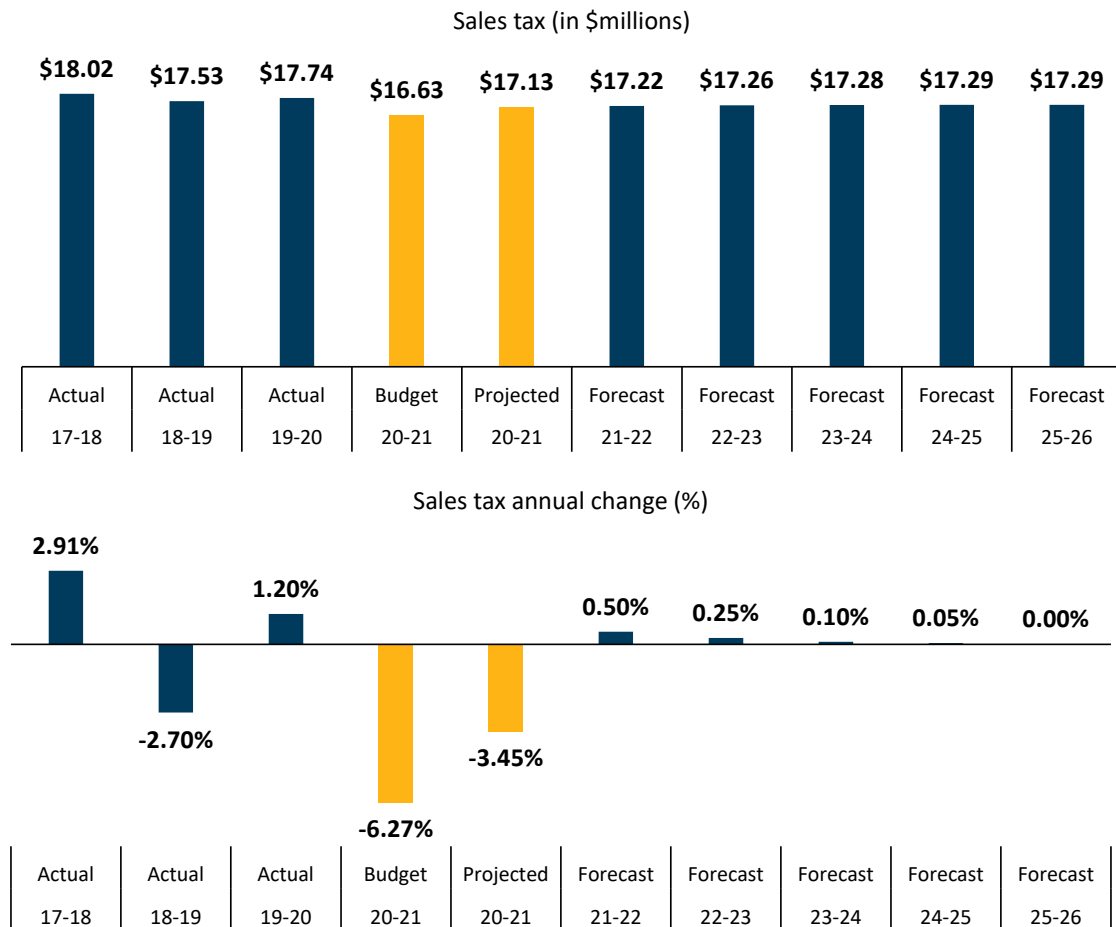
Property tax

- 2019 and 2020 AV numbers show the recent increases and subsequent appeals
- Model assumes slower pace of AV growth compared to 2019 reappraisal and unknowns due to status of appeals



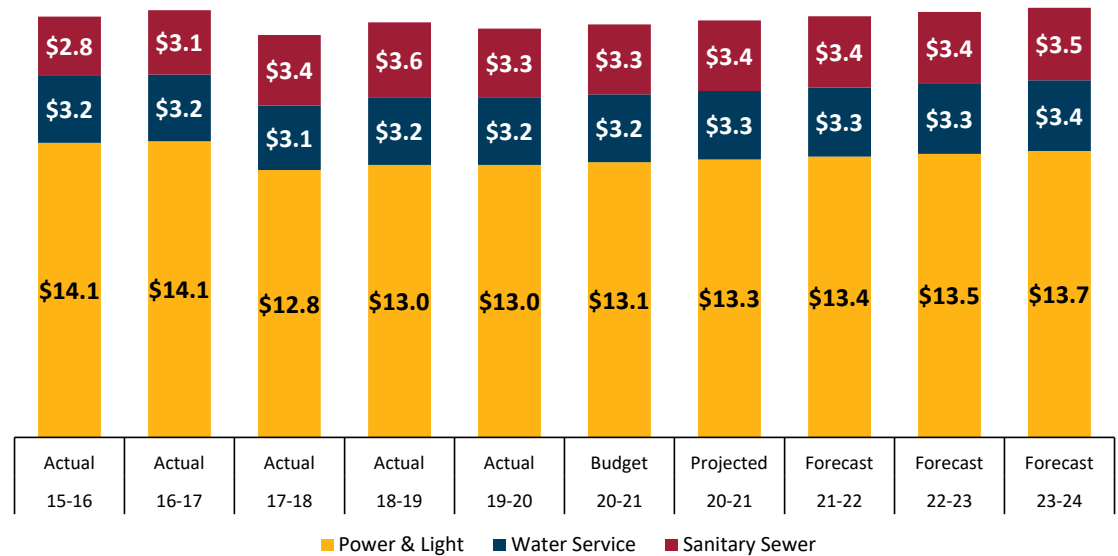
Sales tax

- FY21 budgeted sales tax number projected during COVID lockdown
- State DOR remits data to Finance with a two-month lag
- Monthly sales tax receipts have been resilient to date
- Updated projection to incorporate actual experience YTD
- Use tax waterfall may supplement portions in year four or five. Significance based on future legislations (ie. Wayfair)



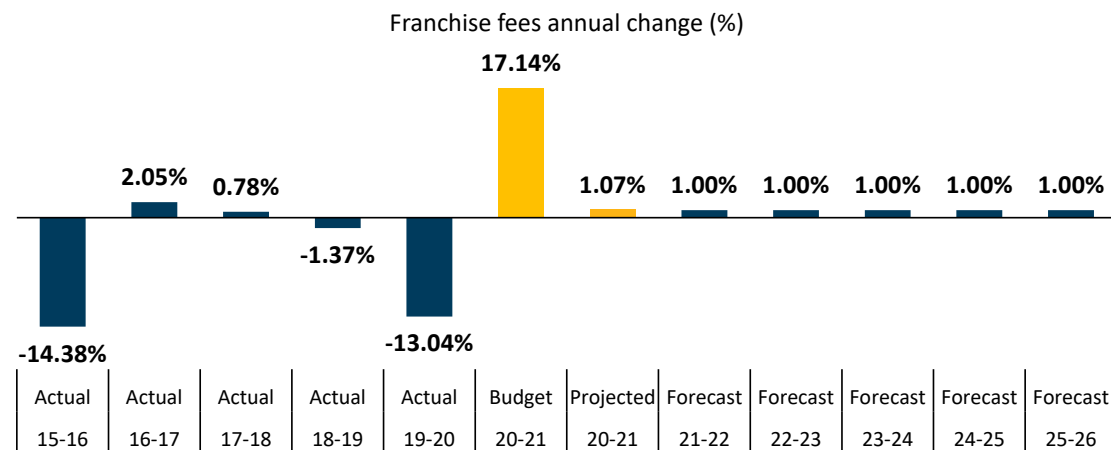
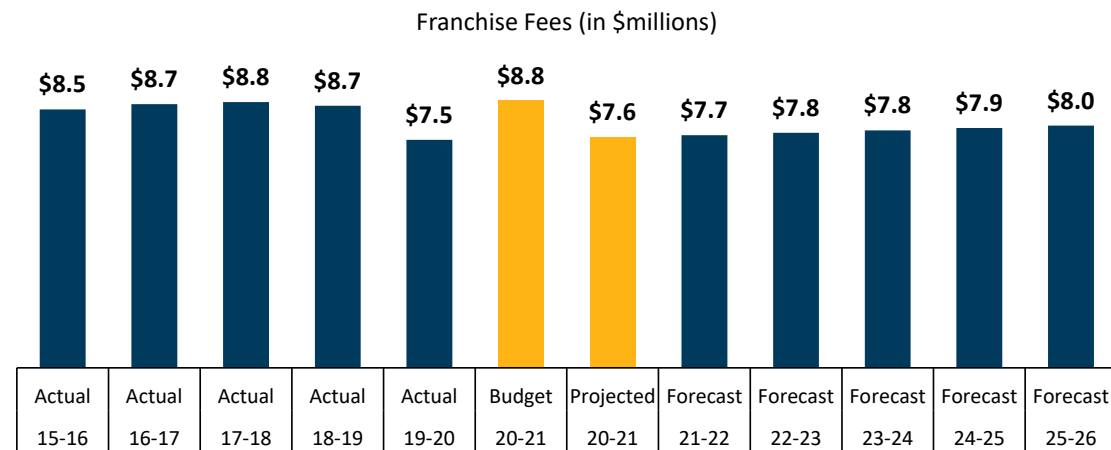
PILOTs

- Stable revenue source and tied to gross utility revenues.
- Expected trend to stay steady.



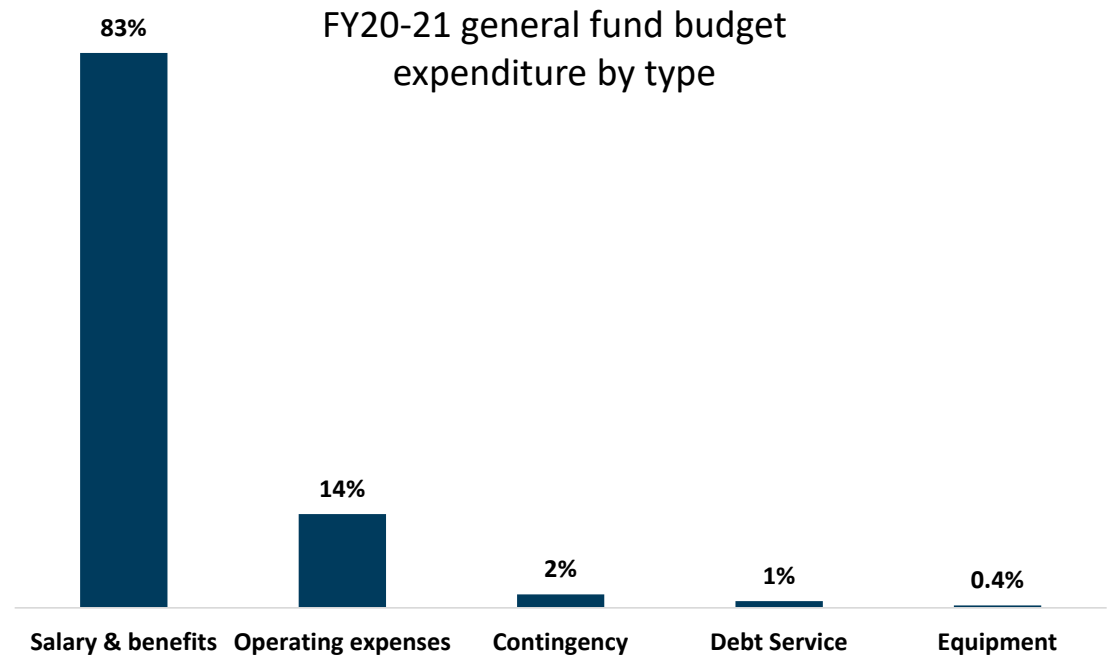
Utility franchise fees

- Water: Historically volatile revenue source, but very small component of total
- Gas: Performance dependent on weather
- Telephone: Projected structural decline as citizens cut cord
- Electricity: Performance dependent on weather; energy efficiency efforts
- Cable: Projected structural decline as citizens cut cord.



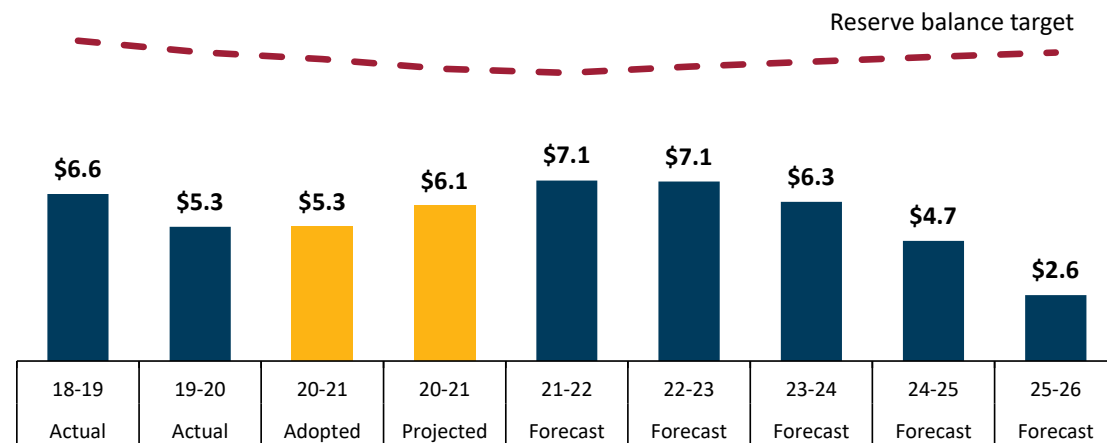
Expenditures

- Model forecasts salary and benefit expenditures under current agreements for each represented group
- Model assumes 2% cost increase for non-represented employees
- Model assumes 1% increase for operating expenses, continued budget diligence



Five-year model output

- Projected year end unassigned fund balance is at right
- The City's reserve balance policy is 16% of annual revenues
 - Approximately \$11.9 million target for FY21
- City must continue to make additional adjustments over 5-year horizon to meet this goal.





Questions/discussion

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