

Five-year model update

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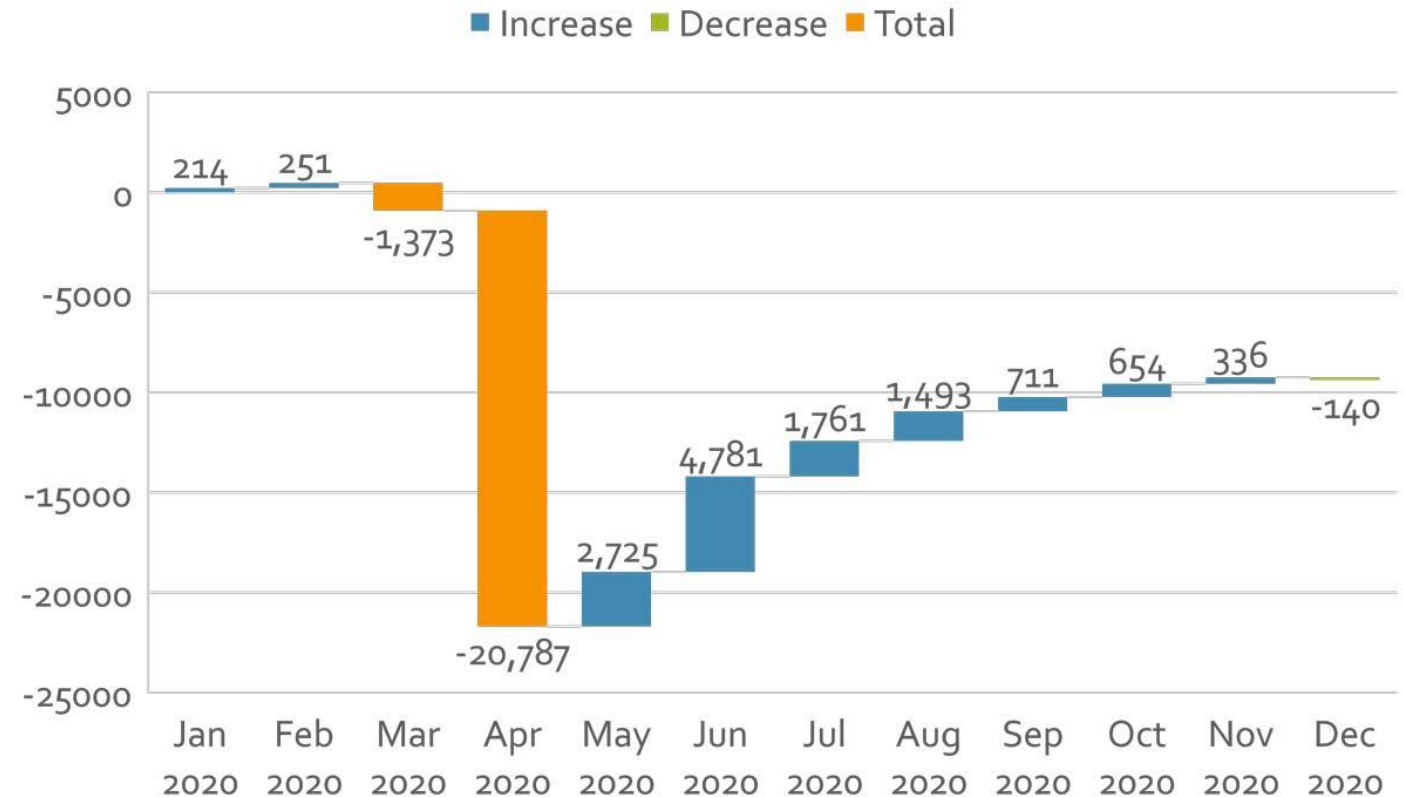
Agenda

1. Economic Outlook
2. Updated Five-year model
3. Major revenues
4. Expenditures
5. Model output

Nationwide Unemployment Update

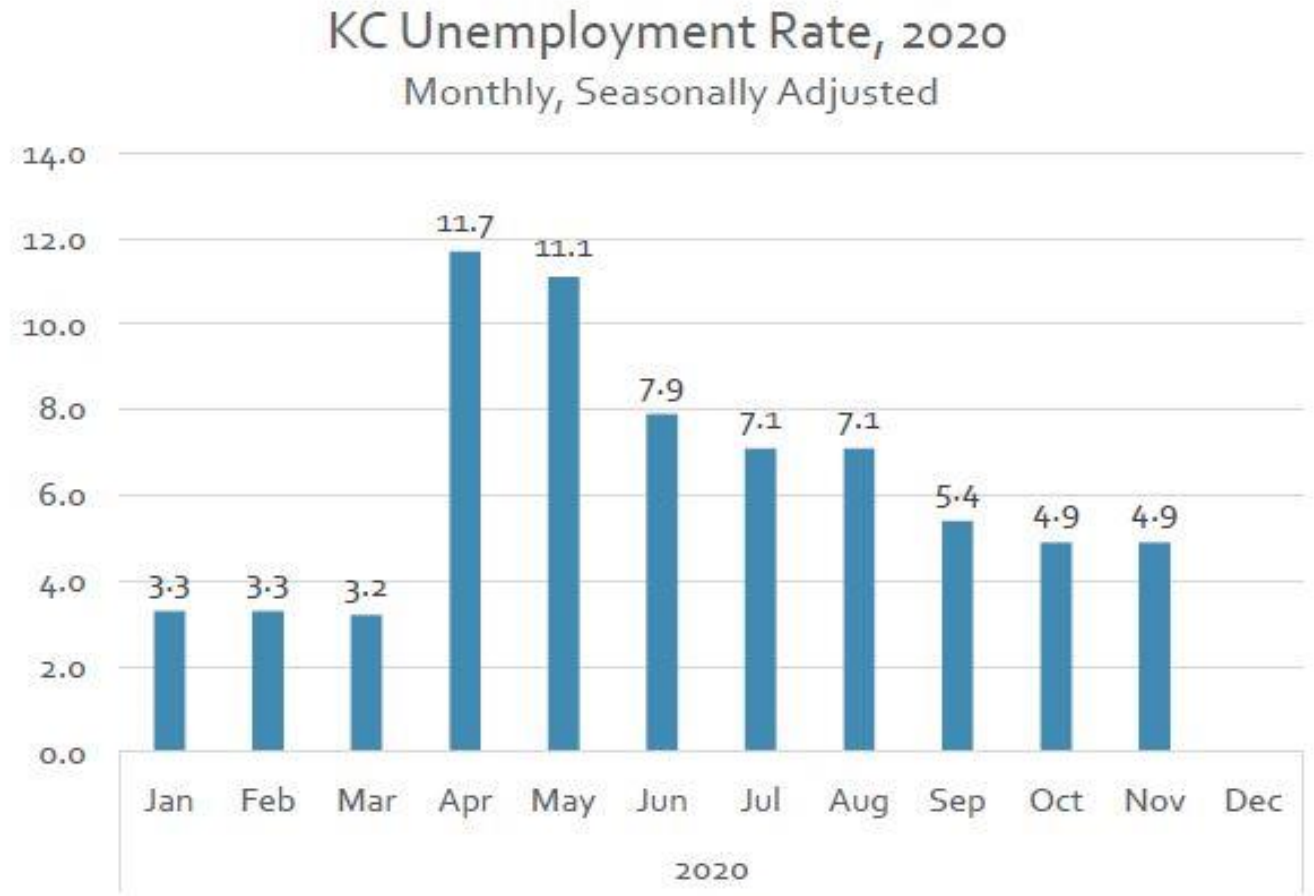
- Non-farm payroll employment has recovered more than half (55%) of the jobs lost at the peak of the economic shutdown
- Recent months show the recovery stalling

U.S. Total Non-Farm Employment
Monthly Change in Thousands, 2020



KC Unemployment Update

- As of November 2020, KC's unemployment rate is about 2 percentage points below the nation's
- Progress has slowed considerably in recent months and remains 1.7 percentage points above pre-recession levels



Stimulus Bill

- Individuals: \$600, with \$600 for qualified dependents
- Moratorium on evictions until January 31st
- Federal unemployment \$300 per month until March 14th
- Support for businesses – entertainment, agriculture, economic injury disaster loans
- Billions in rental, food, and childcare assistance
- Other aid: billions in transit, education, and vaccine distribution

Local Impact

- Data through end of October shows that jobs for those earning > \$60,000 per year have mostly recovered (down -1.6%)
- Jobs for people earning \$27,000-\$60,000 down -3.9%
- Jobs for people earning < \$27,000 down -17.2%
- In 2019, the estimated median income in Independence was \$59,000

Americans Scraping By Say They Fear a Second Stimulus Won't Be Enough

A proposed package includes \$600 checks for individuals, but some facing overdue rent and stacks of bills say the money would make only a small dent.

Economy

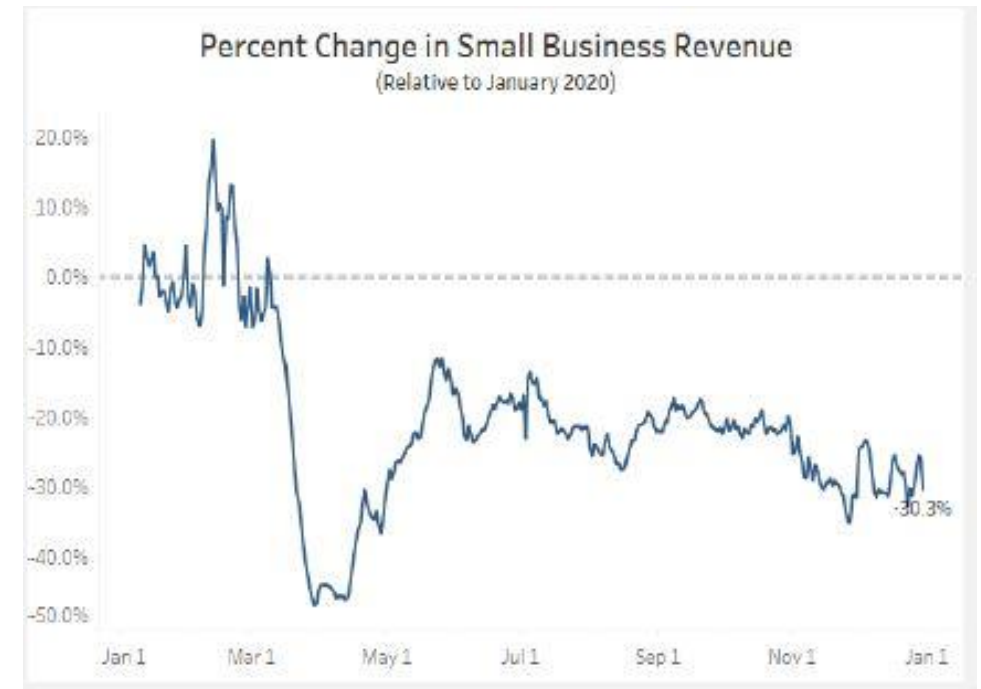
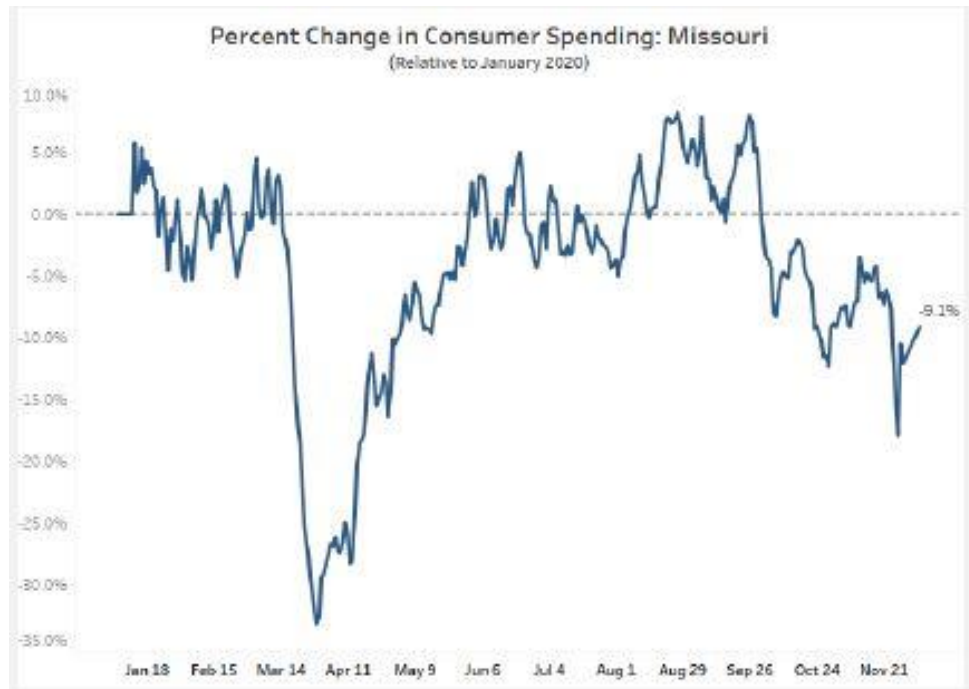
The recession is over for the rich, but the working class is far from recovered

The stock market and home values are back at record levels, while jobs remain scarce for those earning less than \$20 an hour



Economic Outlook in Missouri

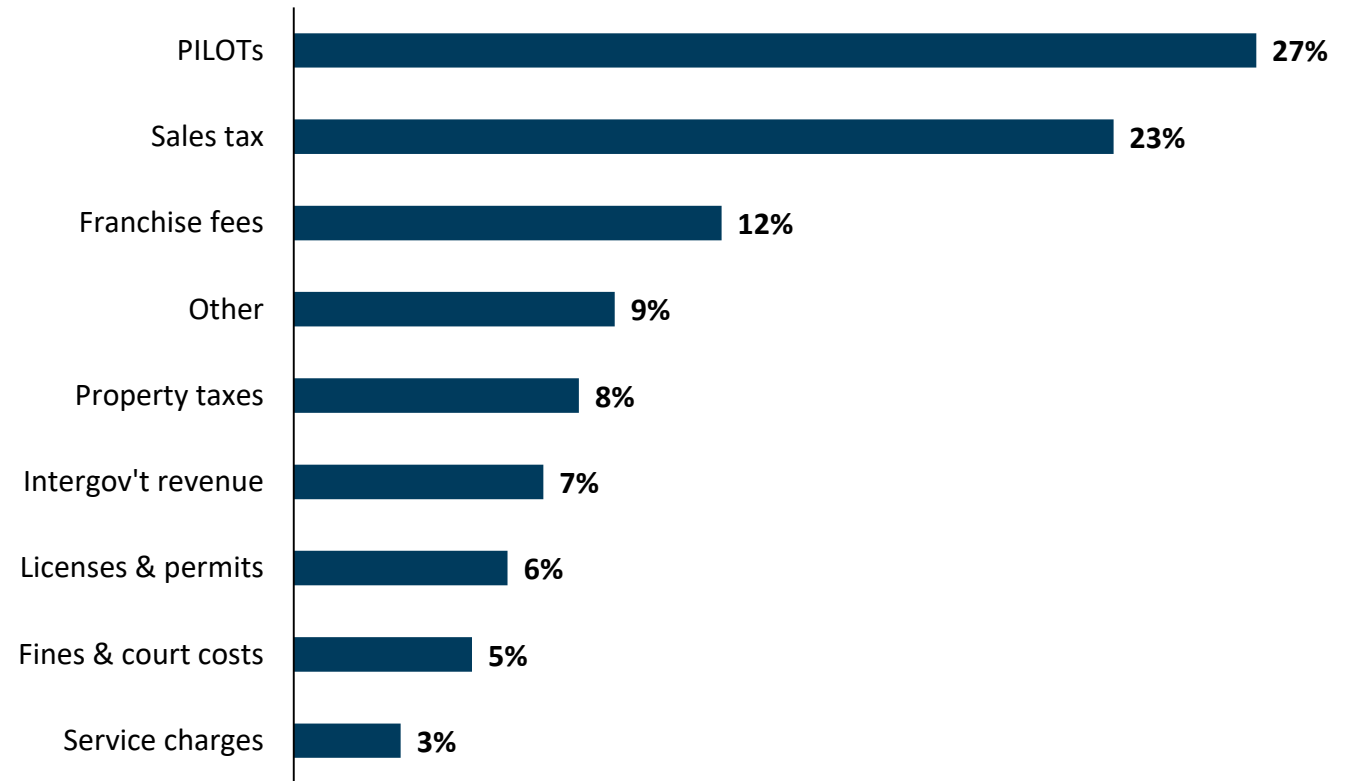
- COVID was and remains devastating to Missouri's economy
- The recovery was fairly robust compared to other states, but we have a long way to go
- Missouri had some highlights with manufacturing and construction
- Concerns especially in consumer spending and small business revenue



Five-year Forecast Update

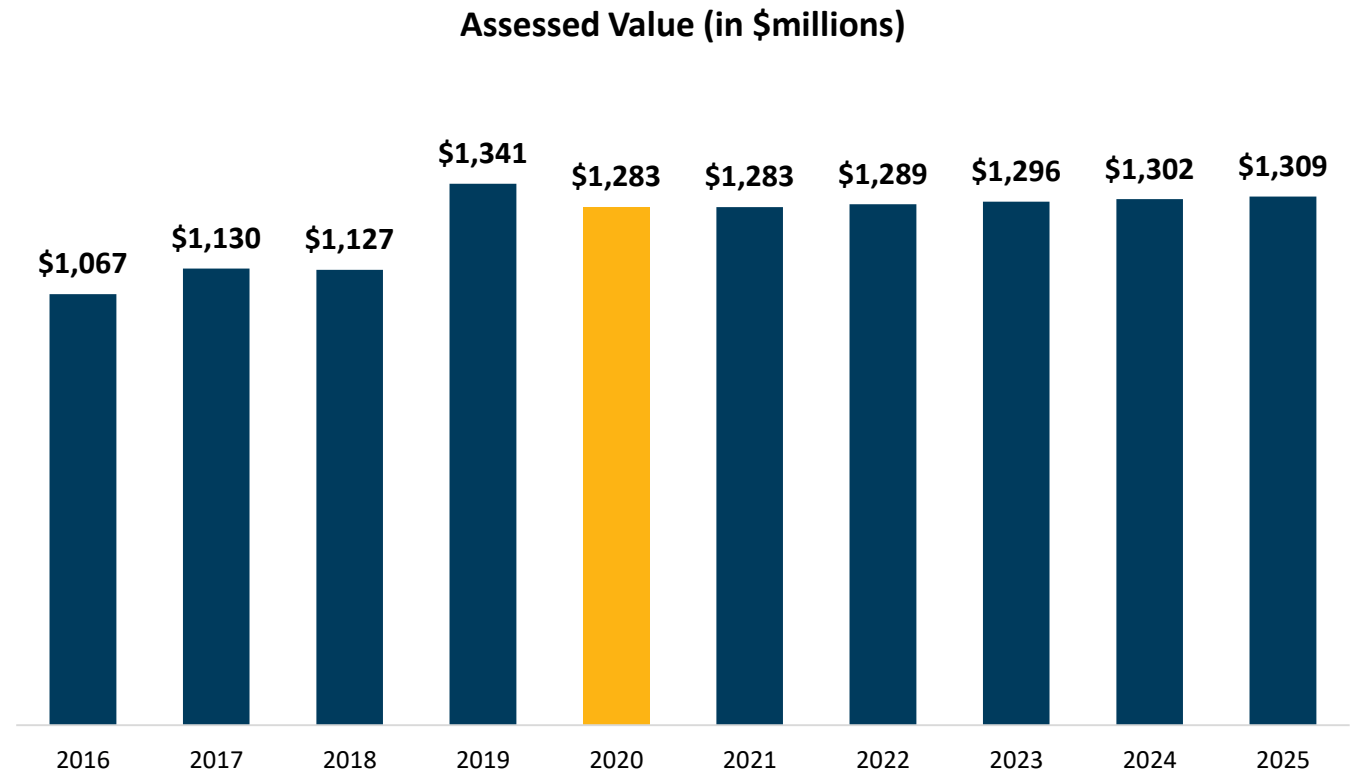
- Top 3 revenue categories represent 62% of general fund revenue
- Sales tax susceptible to economic cycles
- Franchise fees
 - Uncertain long-term outlook
 - Energy efficiency (gas, electric)
 - Technological change and customer trends (telephone and cable)
- Total General Fund budgeted revenues are \$74.4M

Major Sources of General Fund Revenues



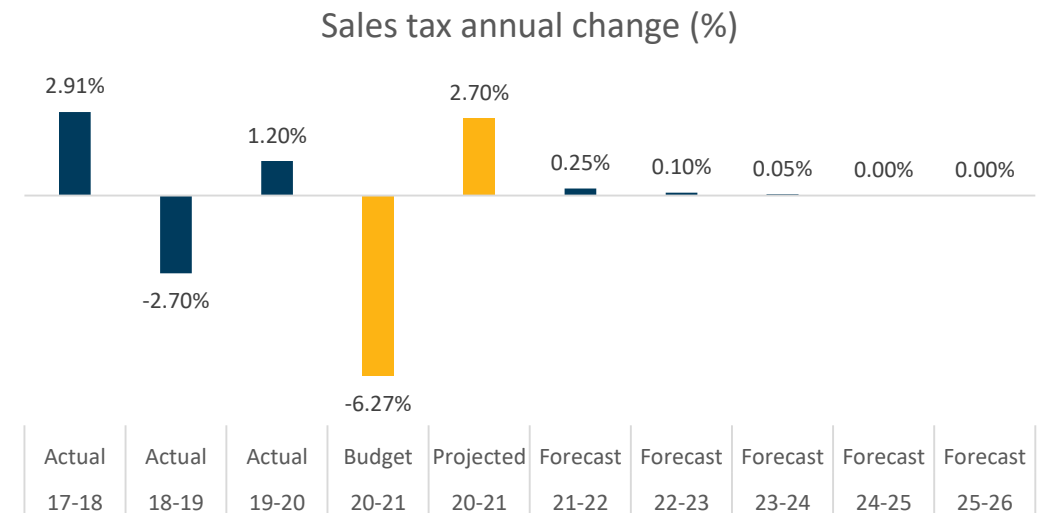
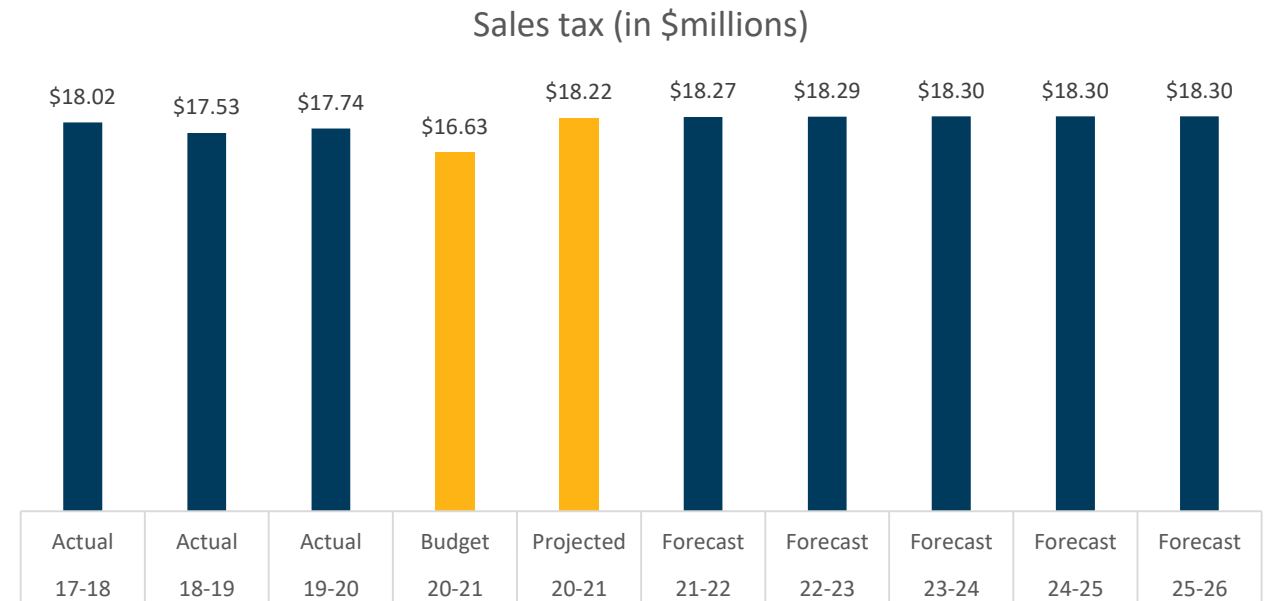
Property tax

- City has experienced solid AV growth in reappraisal years (odd-numbered years)
- Slight pullback in even-numbered years
 - 2020 AV decrease primarily a result of BOE property tax appeals from 2019 reappraisal
- Model assumes slower pace of AV growth compared to 2019 reappraisal.
- Revenue upside is limited by Hancock if more aggressive AV projection were to be assumed.



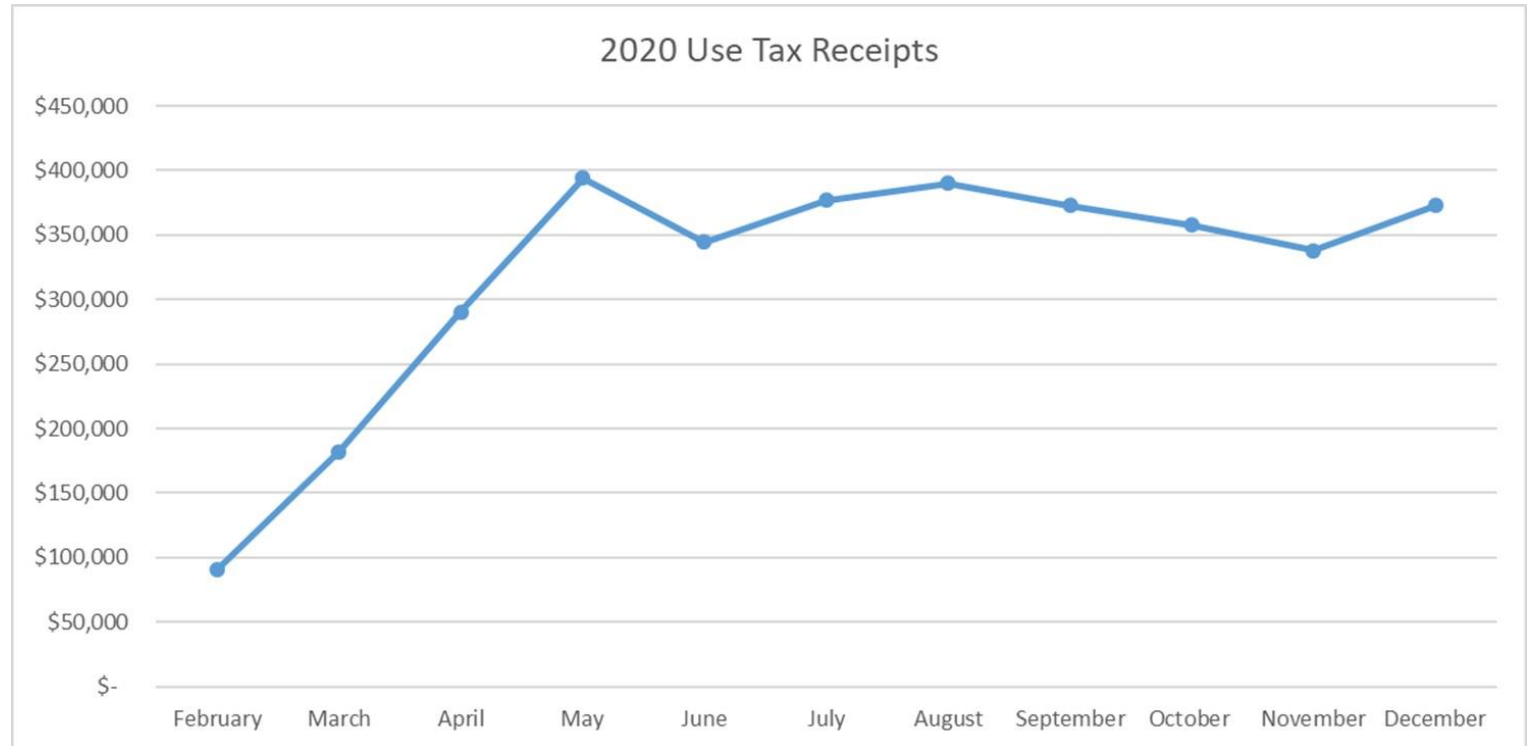
Sales tax

- 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



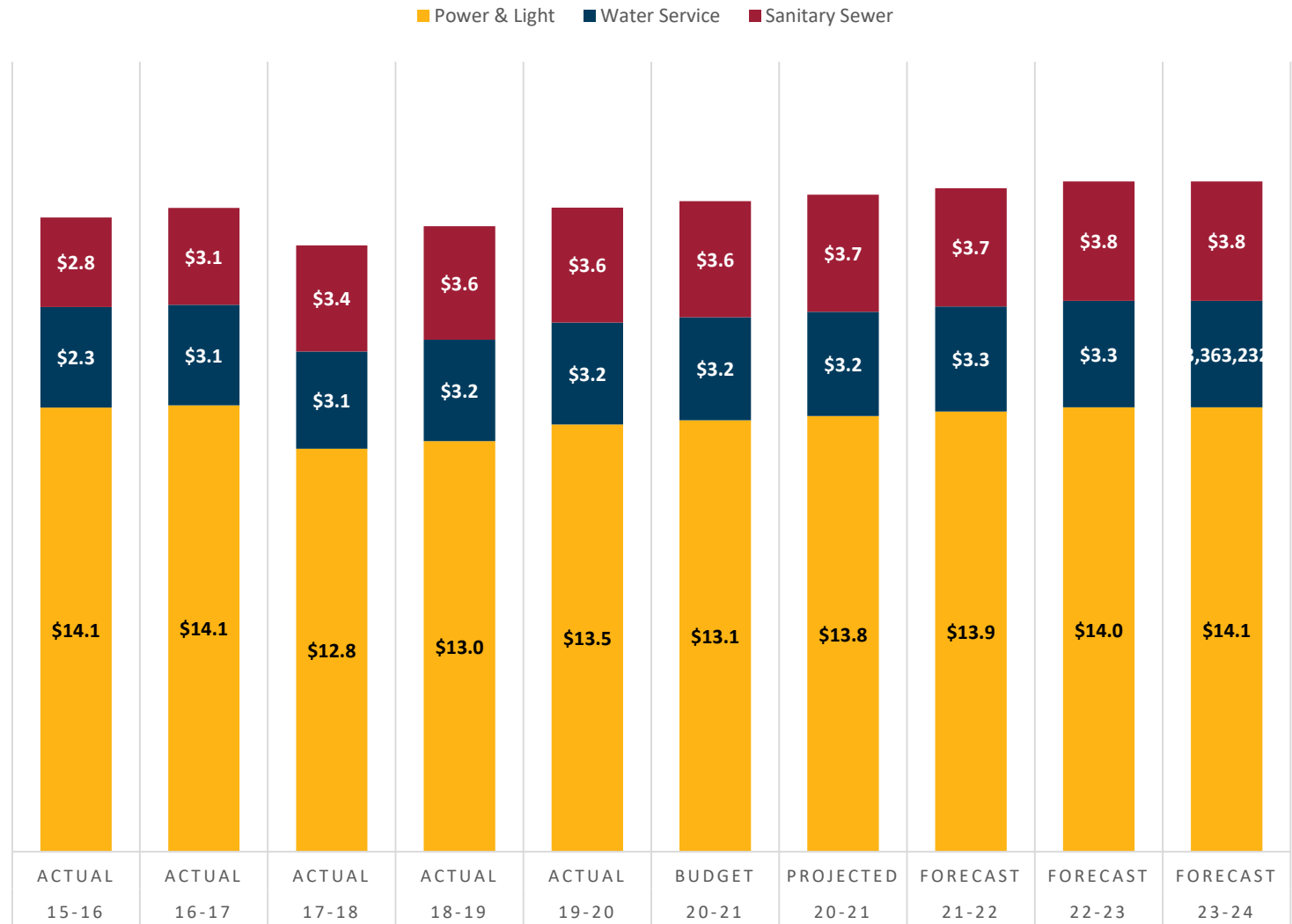
Use tax – Waterfall Provision Impact on the General Fund

- On track to trigger the waterfall provision this fiscal year
- Forecast a total of \$665,000 will waterfall, if the CPI remains relatively flat and the use tax receipts remain stable
- The General Fund share of this revenue is \$295,963
- Offsets lost revenue from closure of Penney's and Macy's



PILOTs

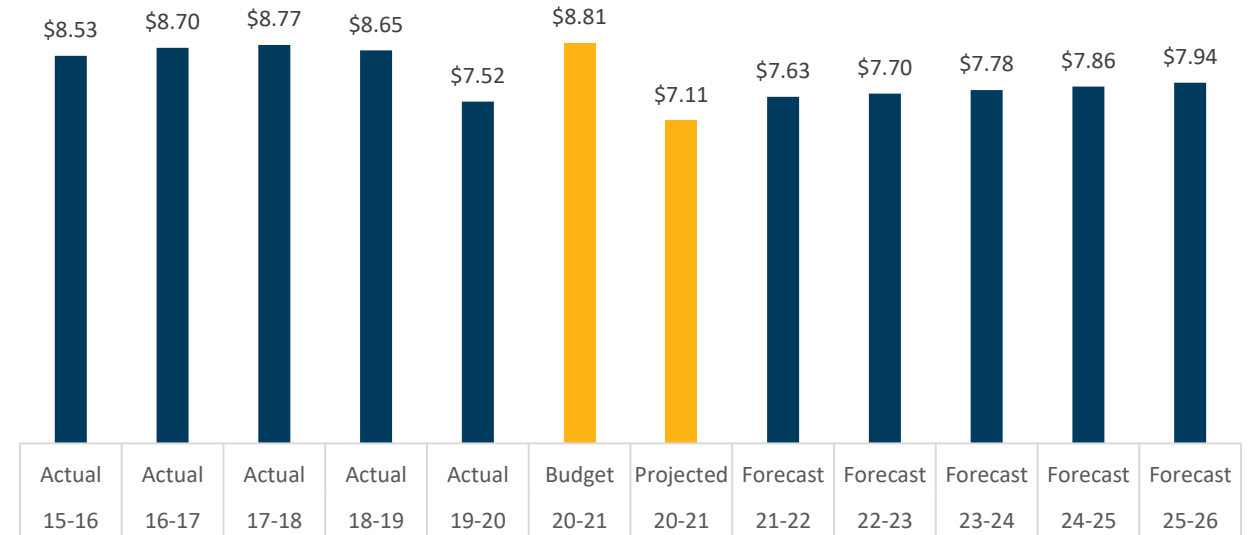
- Based on gross revenue
- Expected trend is slightly upward



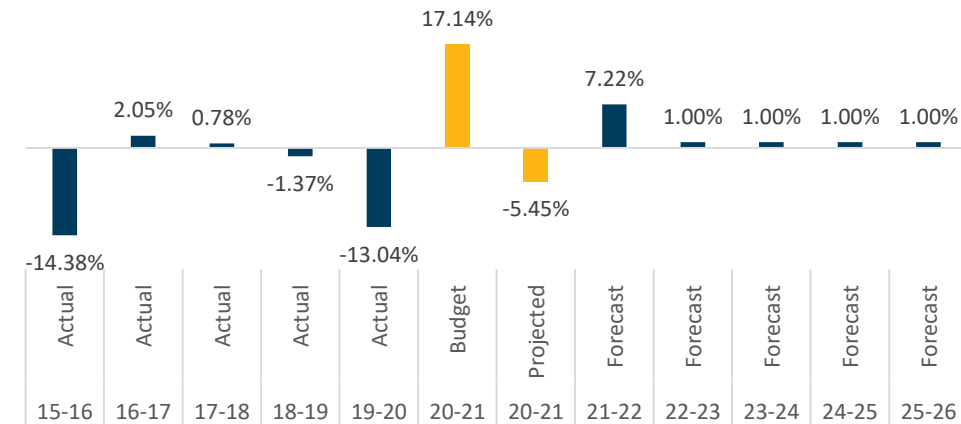
Utility franchise fees

- 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.

Franchise Fees (in \$millions)



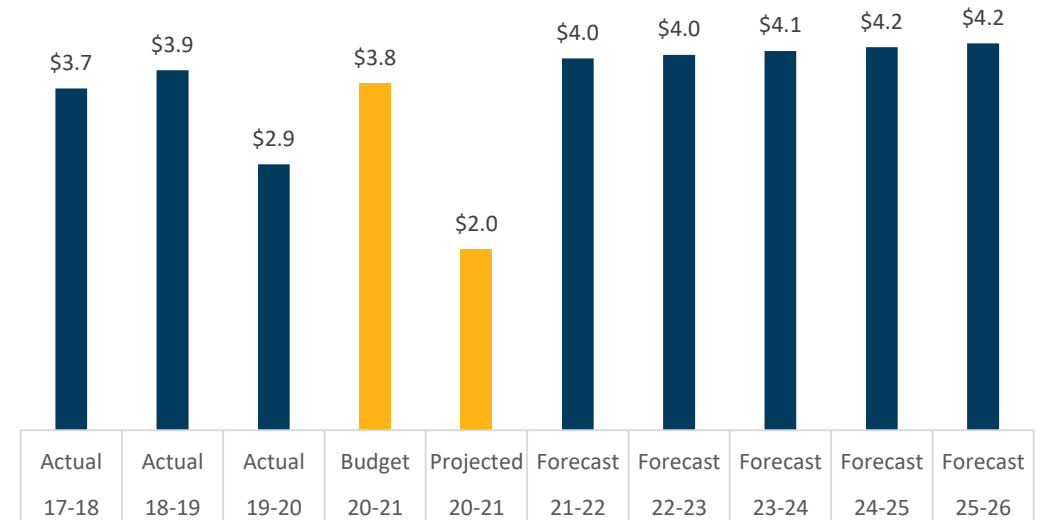
Franchise fees annual change (%)



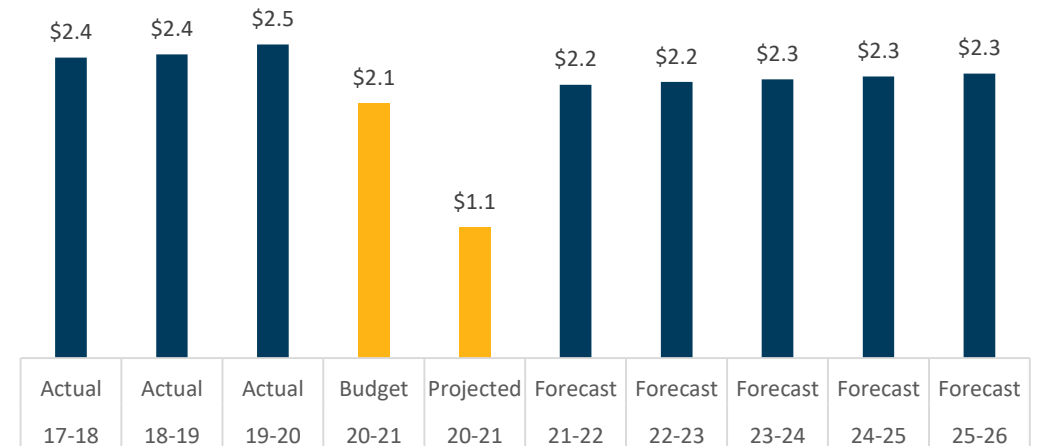
Fines and Forfeitures and Charges for Services

- Both trending down
- Fines and forfeitures are trending \$1.8M less than budget due to court closures and residual impacts of SB 5
- Charges for services are trending \$1M less than budget

Fines and Forfeitures (in \$millions)

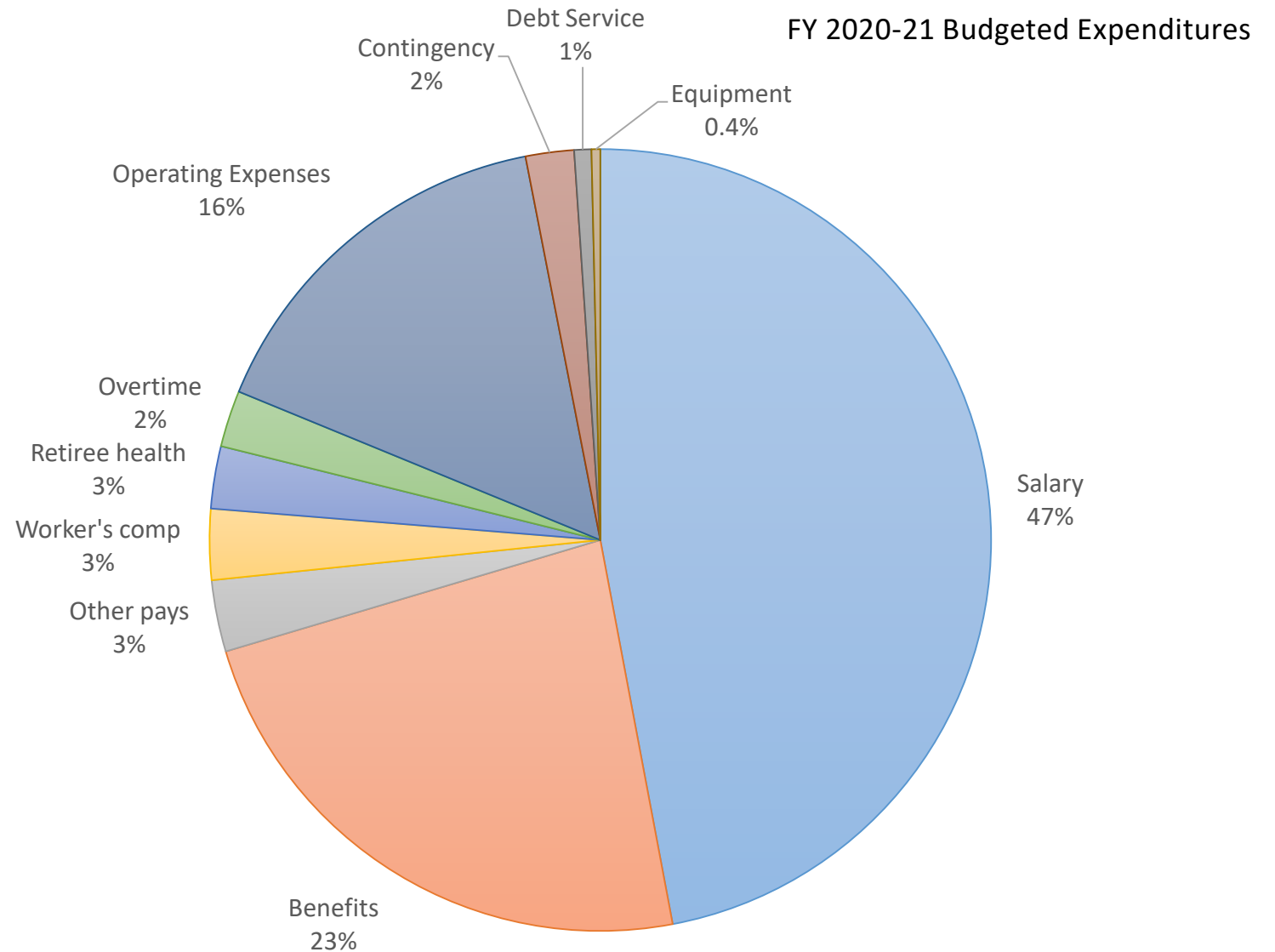


Charges for Services (in \$millions)



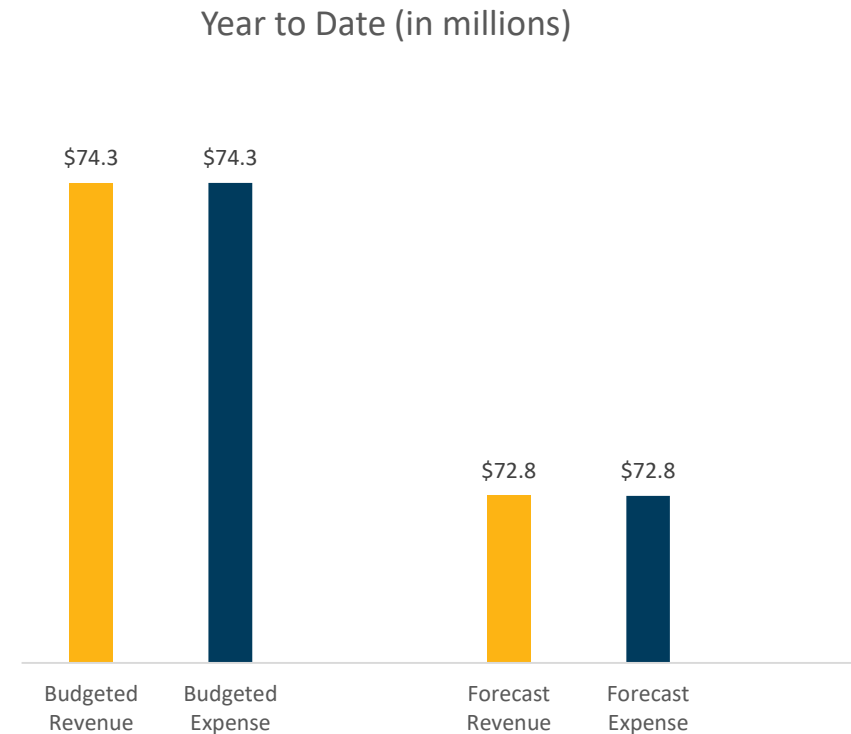
Expenditures

- Five-year model forecasts salary and benefit expenditures under current CBA for each represented group
- Assumes :
 - 2% cost increase for non-represented employees
 - 1% increase for operating expenses, continued budget diligence



Budget Impacts and Considerations

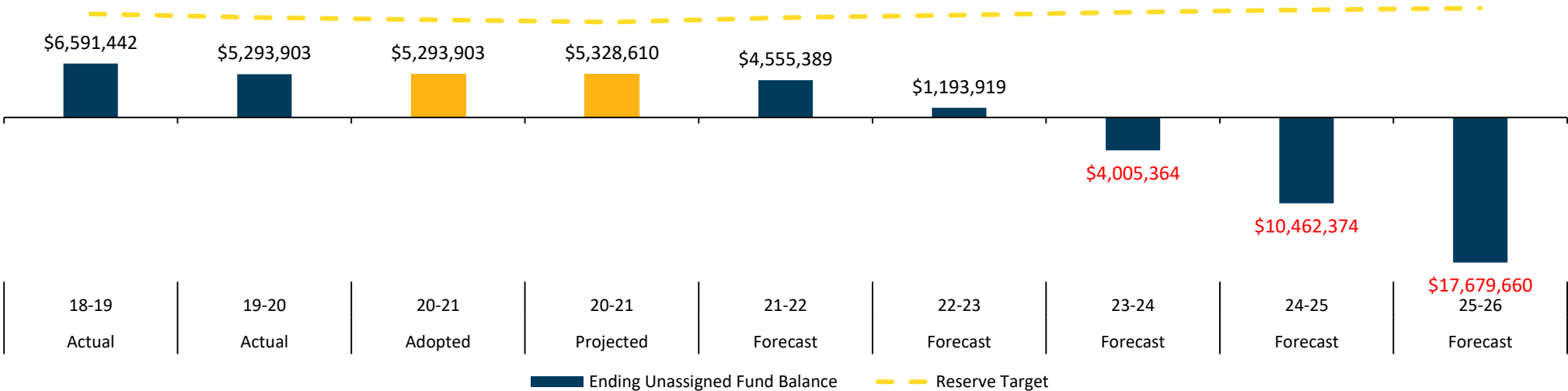
- Forecasted revenue and expenses are trending below budget
- Healthcare costs
- Transit impact
- Union negotiations
- Service level



Five-year model output

- Projected year end unassigned fund balance is \$5.3M
- 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.

Fund balance versus policy (16% of revenue)



Conclusion and Recommended Next Steps

- Continue to monitor revenues and expenditures
- Present resolution at 2/1 meeting deferring the remaining \$12.5 million COVID emergency loan
- Begin a fiscally conservative preparation of FY 2021-22 budget



Questions/Discussion

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