

General Fund Five Year Forecast Update

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Agenda

1. Economic Outlook
2. Updated General Fund Five Year Forecast
3. Major Revenues
4. Expenditures
5. Fund Balance

Nationwide Job Postings

- Job postings have reached record highs
- Significant labor shortage in some sectors
- Growing gap between openings and hires
- The available labor force remains at rates not seen since the mid 1970's

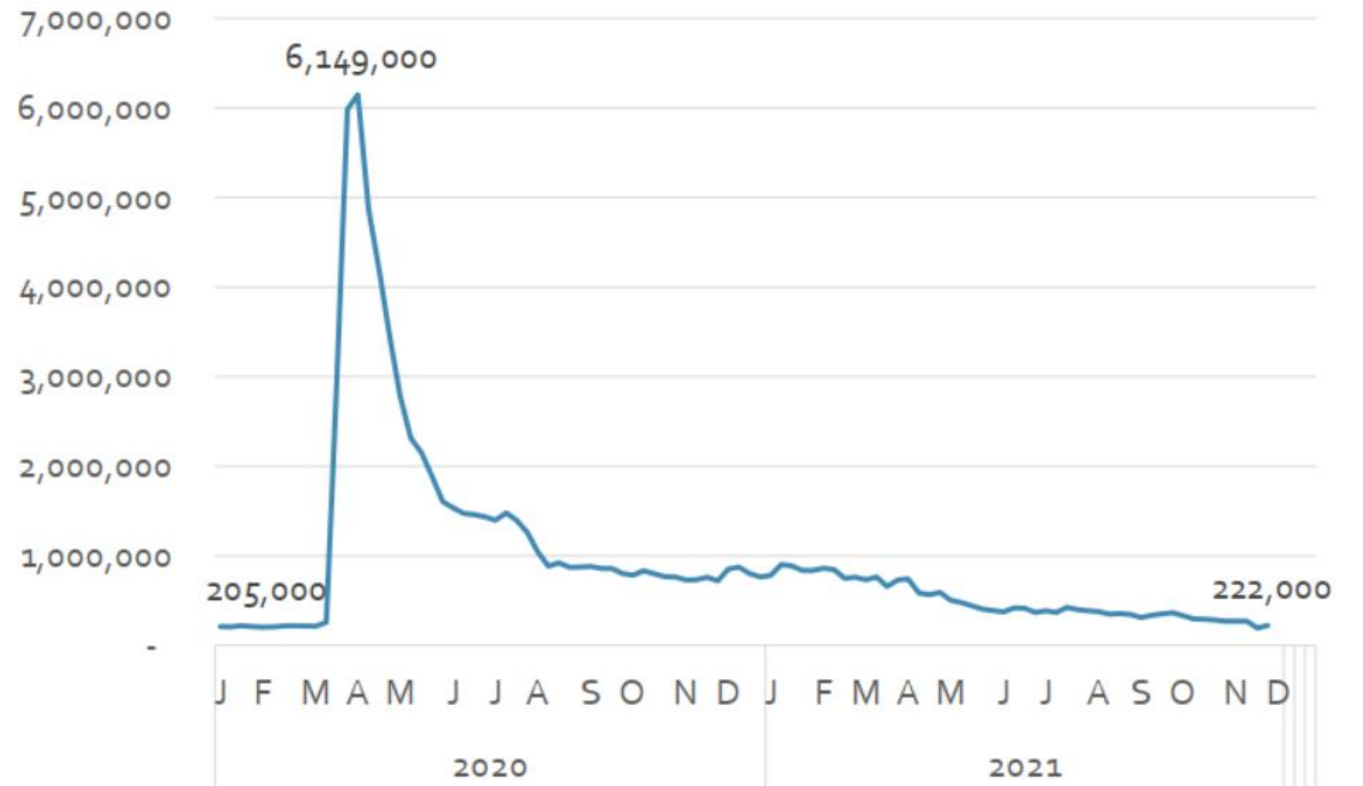
U.S. Job Postings, Current vs. Previous 12 Months



National Unemployment Claims

- Dipped in November 2021 to levels below pre-pandemic
- The following week, claims increased about 8%

U.S. Initial Unemployment Insurance Claims (Weekly)
Seasonally Adjusted (through Nov. 27, 2021)



Moody's November Forecast

Risks:

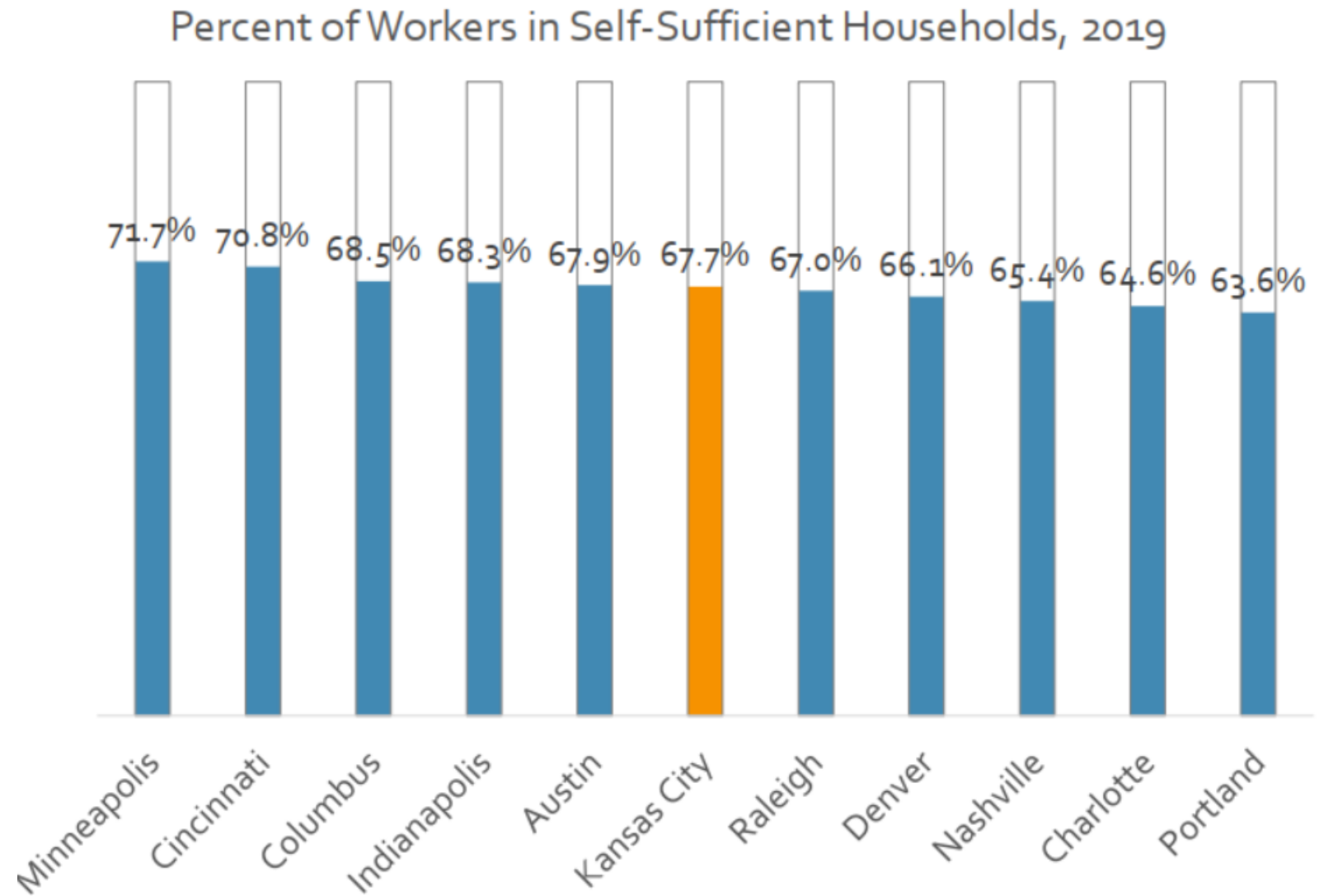
- Omicron variant
- Supply chain issues worsen, and inflation increases
- Labor supply
- Increased inflation

Upsides:

- Millennials begin buying homes
- Large savings cushion is tapped to boost consumer spending, even without stimulus

Cost of Living

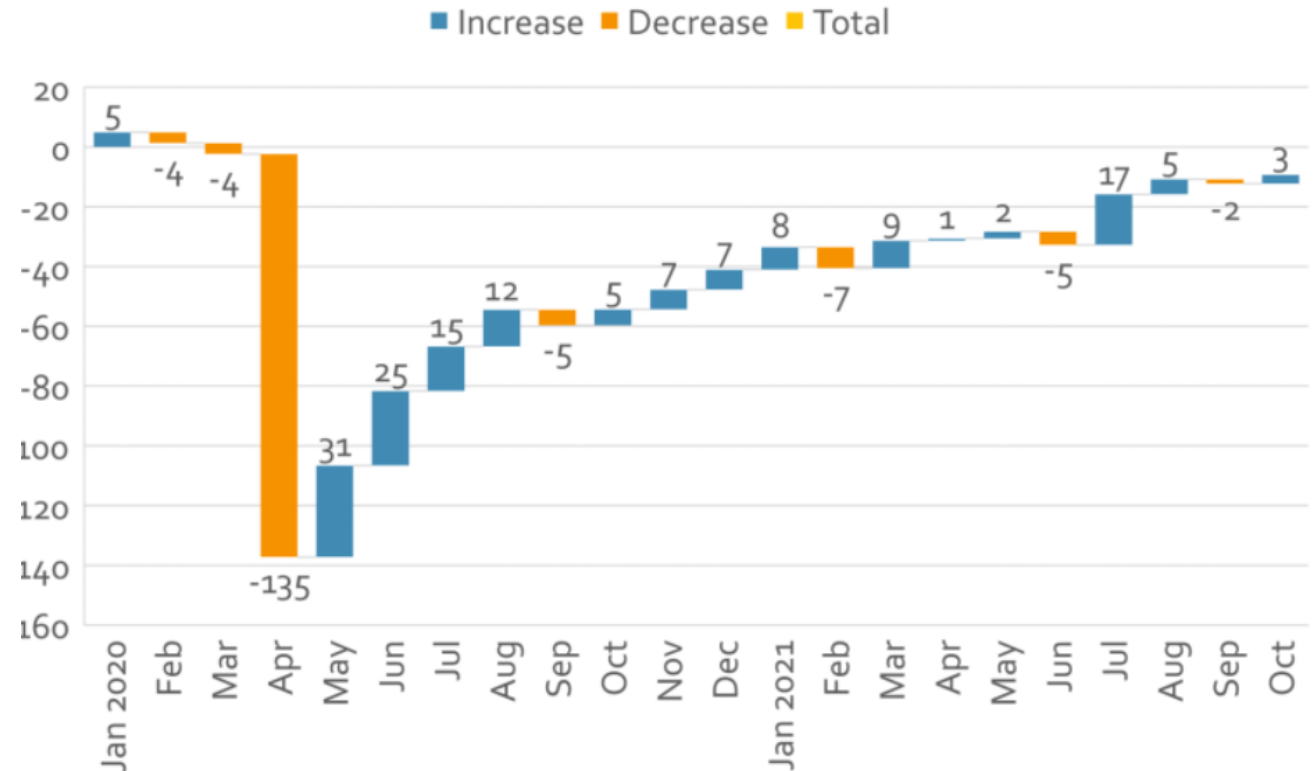
Rising inflation is impacting the cost of living



KC Unemployment Update

- Employment recovered more quickly than national average at first
- Recently was flat until July increase of 17k jobs
- Since then, modest growth
- Overall, KC has regained 127k of the 142k jobs (90%) lost during the first few months of the pandemic

KC Total Non-Farm Payroll Employment
Monthly Change Since January 2020



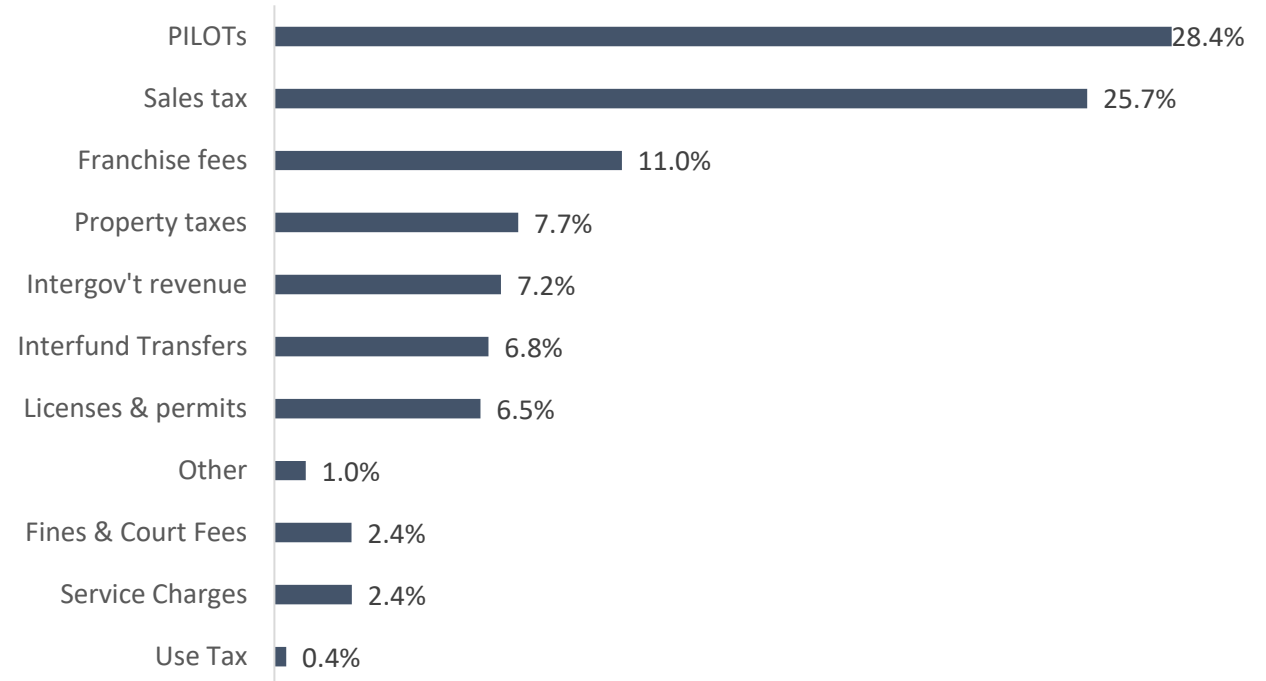
Economic Outlook Summary

- Given depth of recession, recovery has exceeded expectations
- Increased demand has created upward price pressures which should lessen in the next year
- Shift in worker attitudes – what kind of job they want to come back to and what it will take to lure them back
- Even achieving historically normal growth rates will be challenging in later years
- Unlocking the untapped potential of existing work-age population is a key strategy to increase future growth, competitiveness, and inclusiveness of KC regional economy

General Fund Forecast Update for FY 2021-22

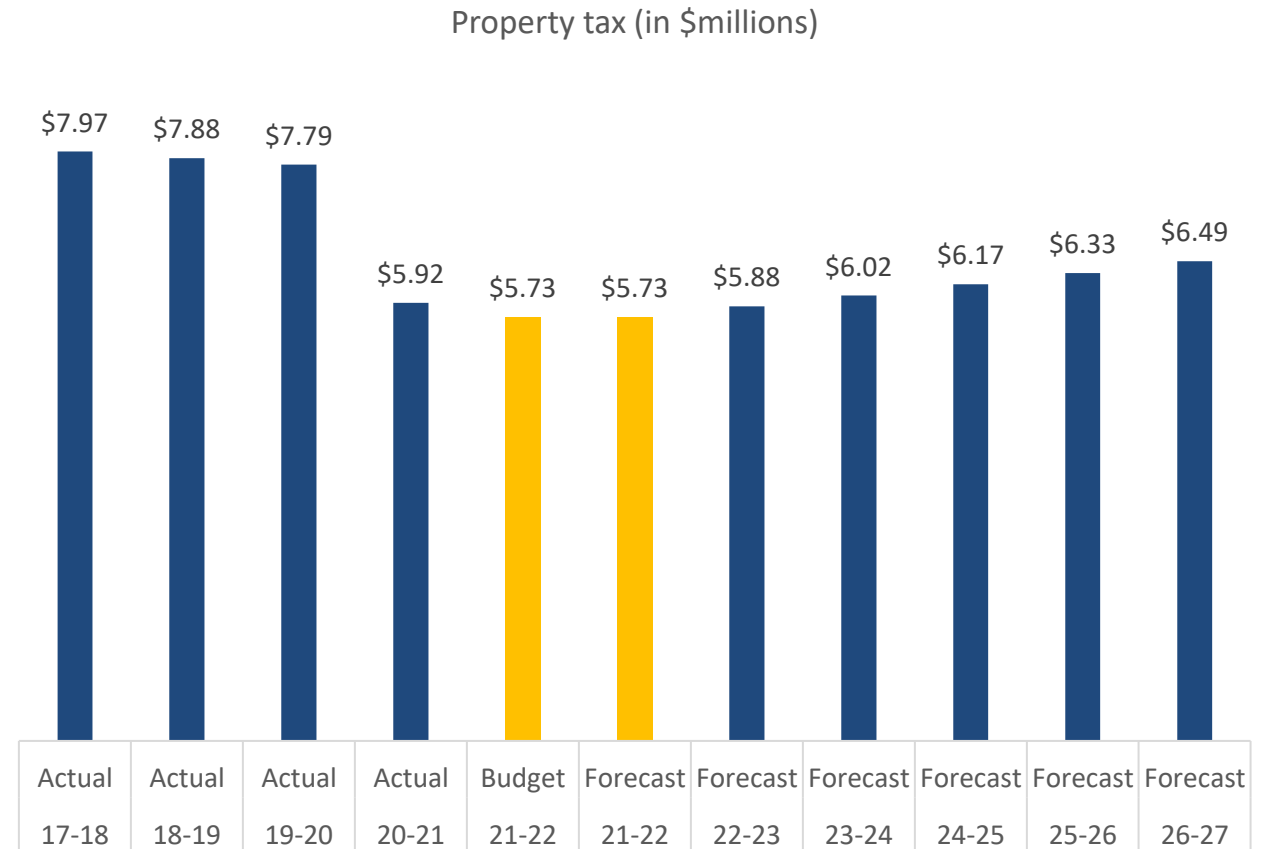
- Top 3 revenue categories represent 65% of general fund revenue
- Sales tax susceptible to economic cycles
- Franchise fees
 - Uncertain long-term outlook
 - Energy efficiency (gas, electric)
 - Technological change and customer trends (telephone and cable)
- Total General Fund projected revenues for FY 2021-22 are \$77M
- This year included one-time APRA revenues of \$3.1M

Major Sources of General Fund Revenues



Property tax

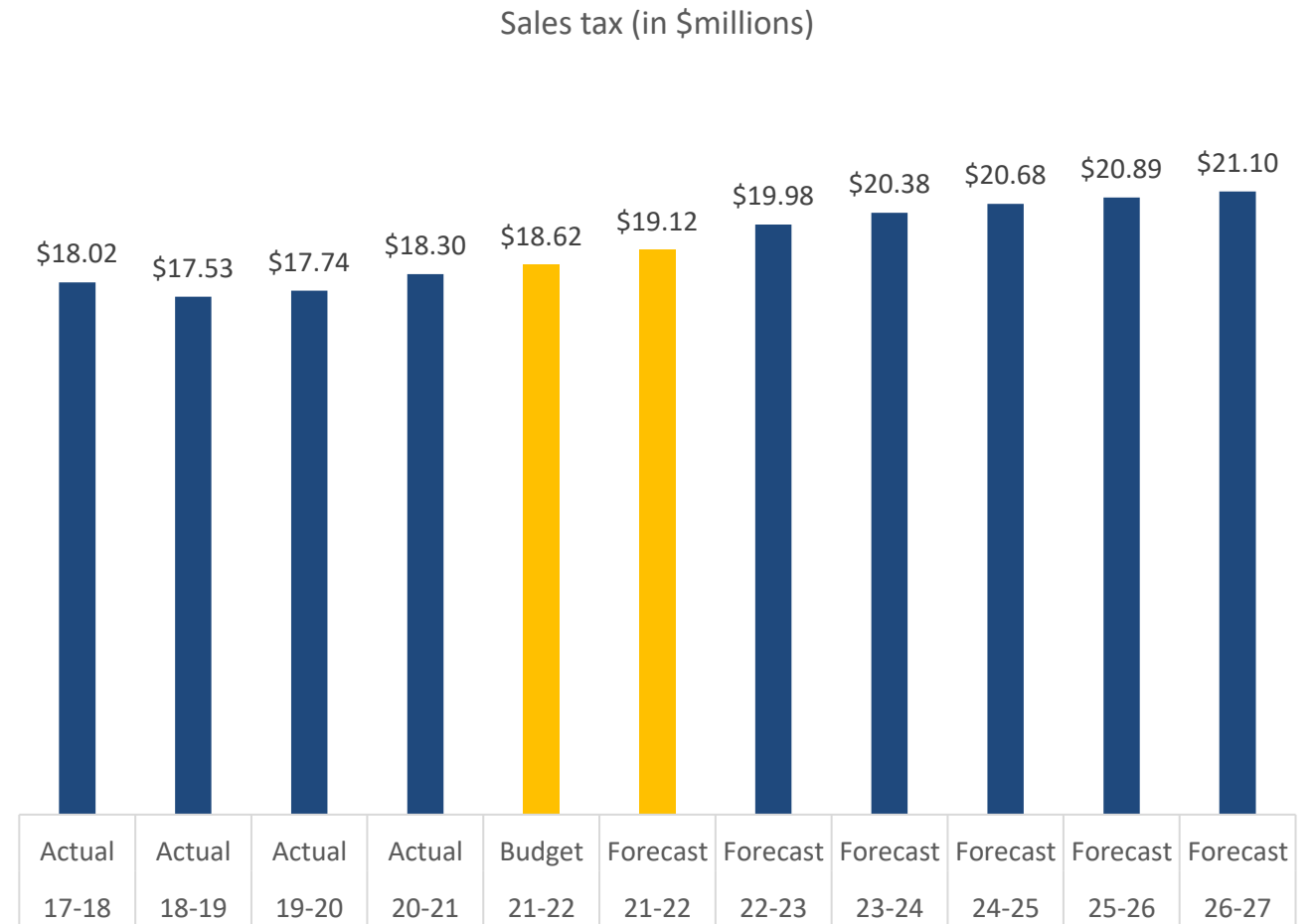
- City has experienced steady AV growth in reappraisal years
- Growth in property value is limited to reevaluation of current property
- Jackson County has streamlined assessed valuation procedures and expect smoother increases going forward
- Revenue upside is limited by Hancock if more aggressive AV projection were to be assumed



*The levy for Parks, Recreation, Health and Animal Services moved to separate funds beginning FY 20-21.

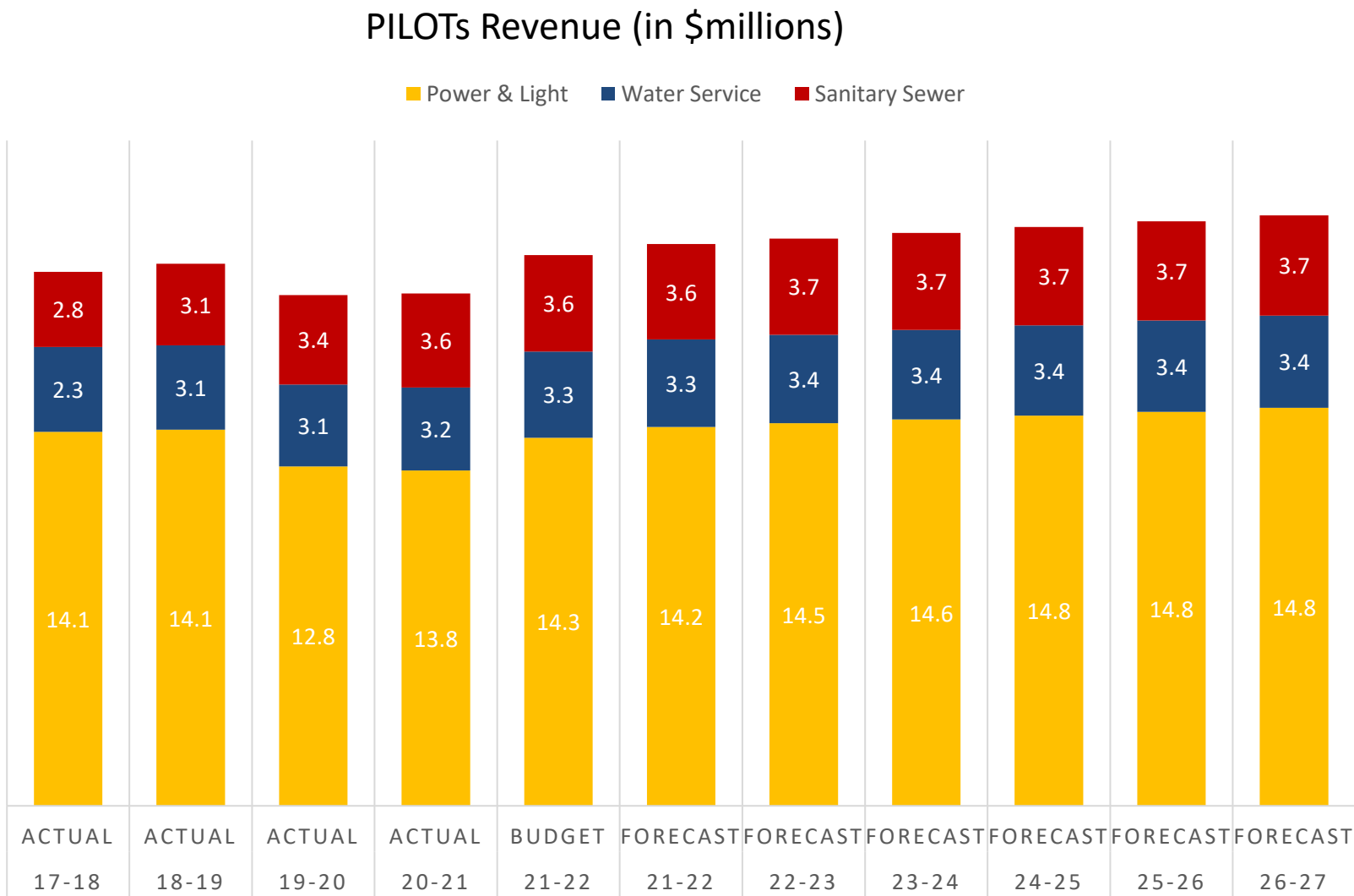
Sales Tax

- 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



PILOTs

- Based on gross revenue
- Expected trend is slightly upward



Use Tax Adjustment – Prop P Vote

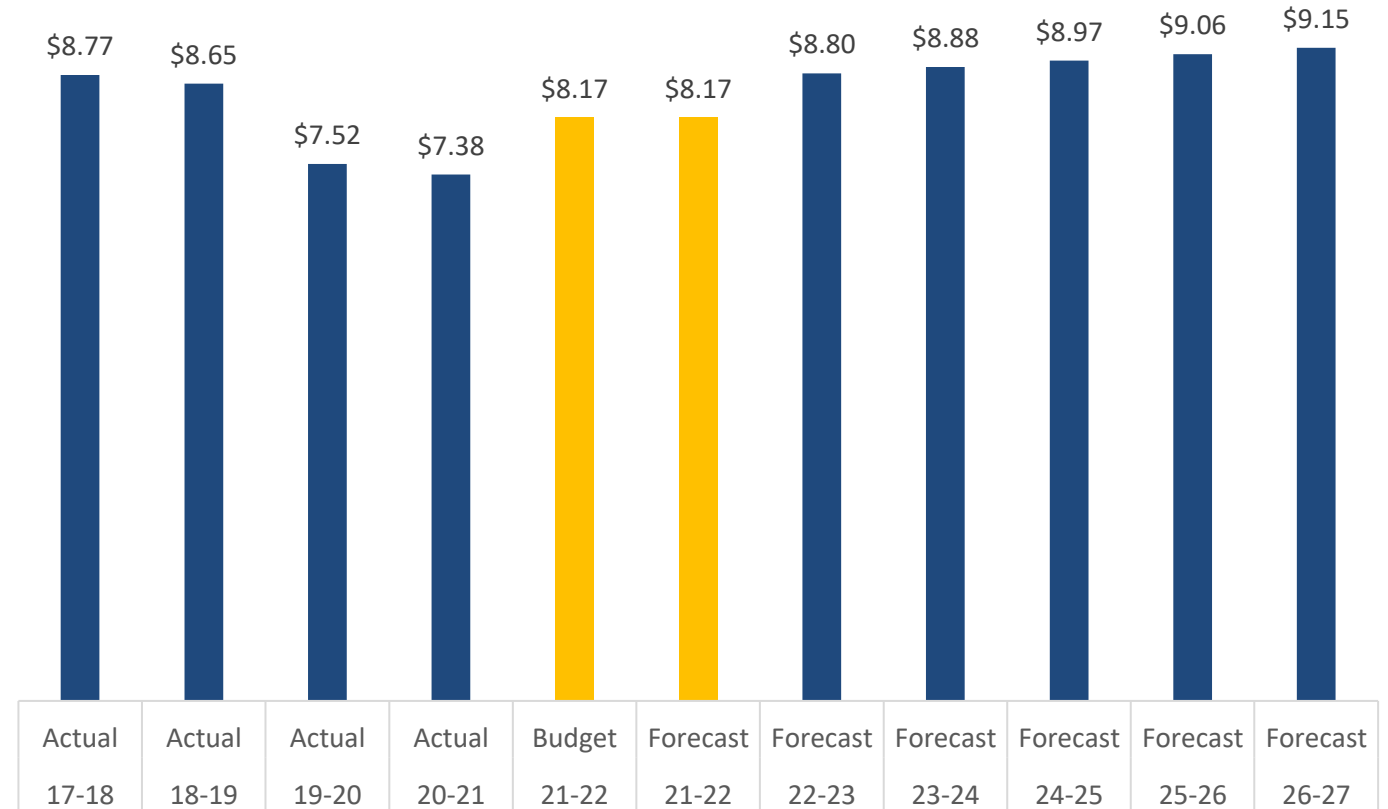
- On track to trigger the waterfall provision this fiscal year
- General Fund will receive less revenue due to recent Prop P changes

City of Independence			
2022 Budget versus Amended Use Tax Collections by Fund			
	Original	Proposed	Increase
Fund	Budget	Amended	(Decrease)
Animal Shelter Use Tax (010)	\$ 762,750	\$ 762,750	\$ -
Police (018)	3,032,000	4,000,000	968,000
Waterfall			
General Fund (002)	448,000	277,000	(171,000)
Street Improv Sales Tax (011)	224,000	138,000	(86,000)
Park Improv Sales Tax (012)	112,000	69,000	(43,000)
Storm Water Sales Tax (013)	112,000	69,000	(43,000)
Police Public Safety Sales Tax (016)	56,000	35,000	(21,000)
Fire Public Safety Sales Tax (017)	56,000	35,000	(21,000)
	1,008,000	623,000	(385,000)
Total Revenue (All funds + waterfall)	\$ 4,802,750	\$ 5,385,750	\$ 583,000

Utility franchise fees

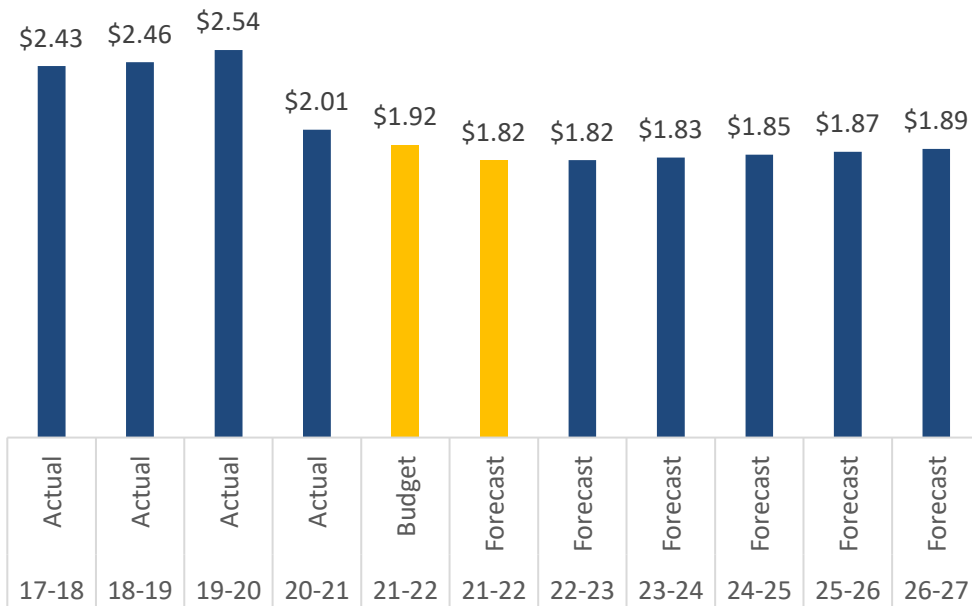
- Water: Historically, volatile revenue source, but very small component of total
- Gas: Performance dependent on weather
- Telephone: Projected structural decline as citizens cut cord
- Electricity: Performance dependent on weather; energy efficiency efforts
- Cable: Projected structural decline as citizens cut cord and legislative reduction
- Recent increase to fuel tax by State are included.

Franchise Fees (in \$millions)

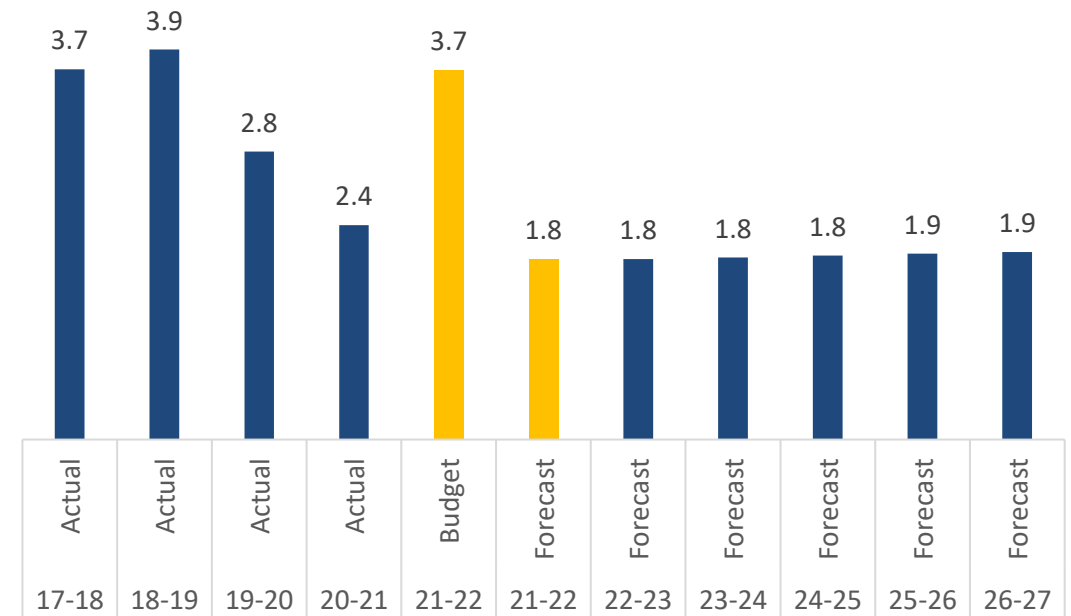


Fines and Forfeitures and Charges for Services

Charges for Services (in \$millions)



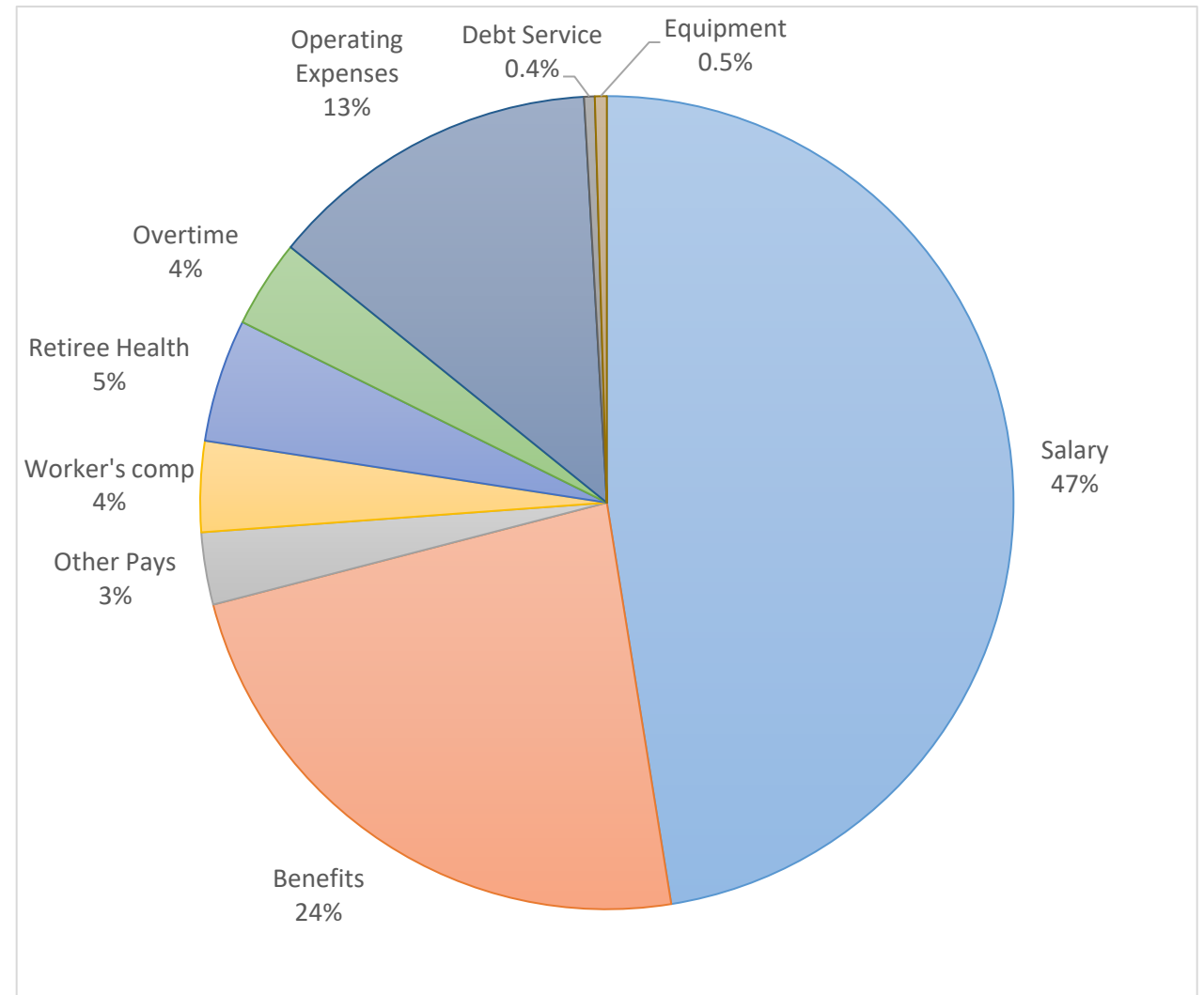
Fines and Forfeitures (in \$millions)



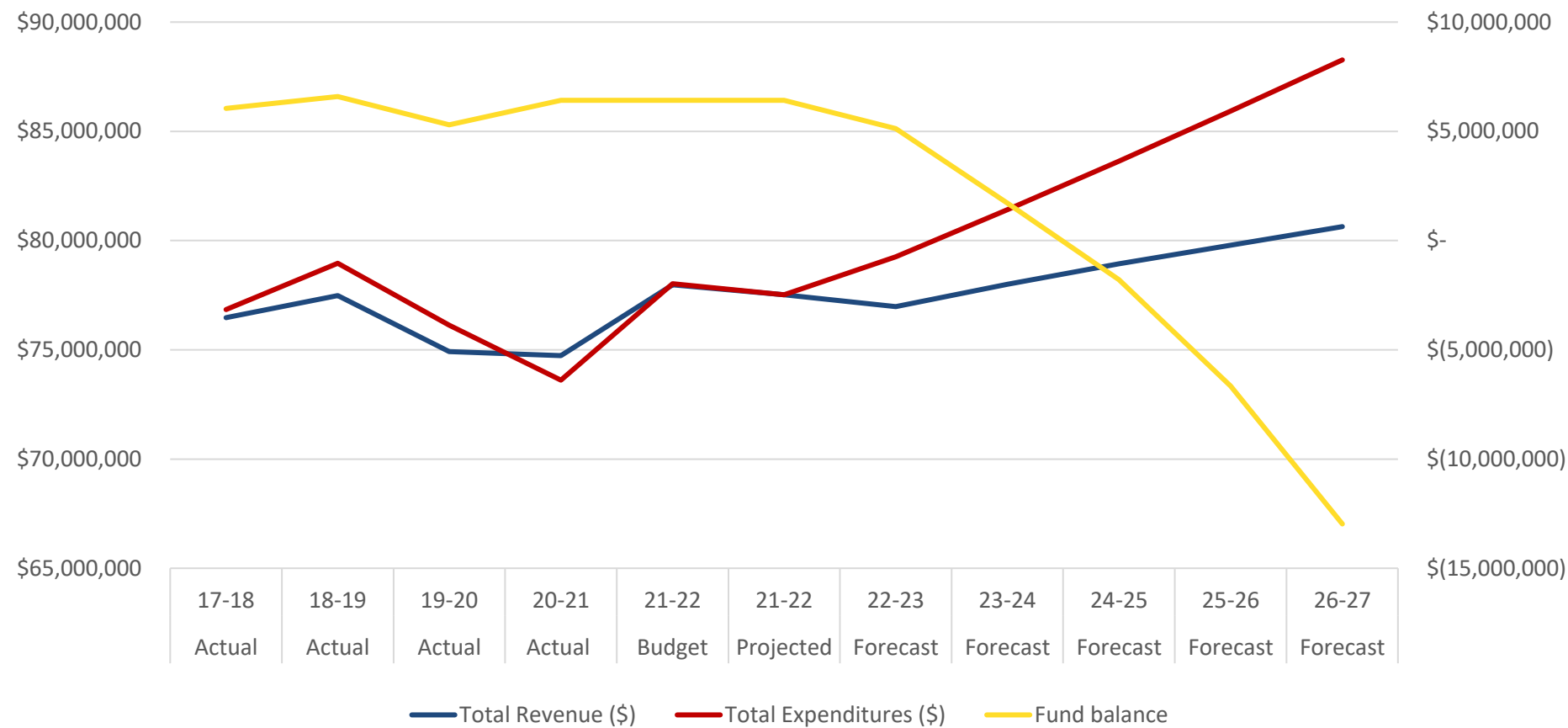
Projected FY 2021-22 Expenditures

Category

Salary	\$36,794,563
Benefits	18,214,704
Other Pays	2,226,408
Worker's comp	2,791,000
Retiree Health	3,789,000
Overtime	2,709,169
Operating Expenses	10,296,924
Debt Service	327,925
Equipment	367,050
Total	\$77,516,743



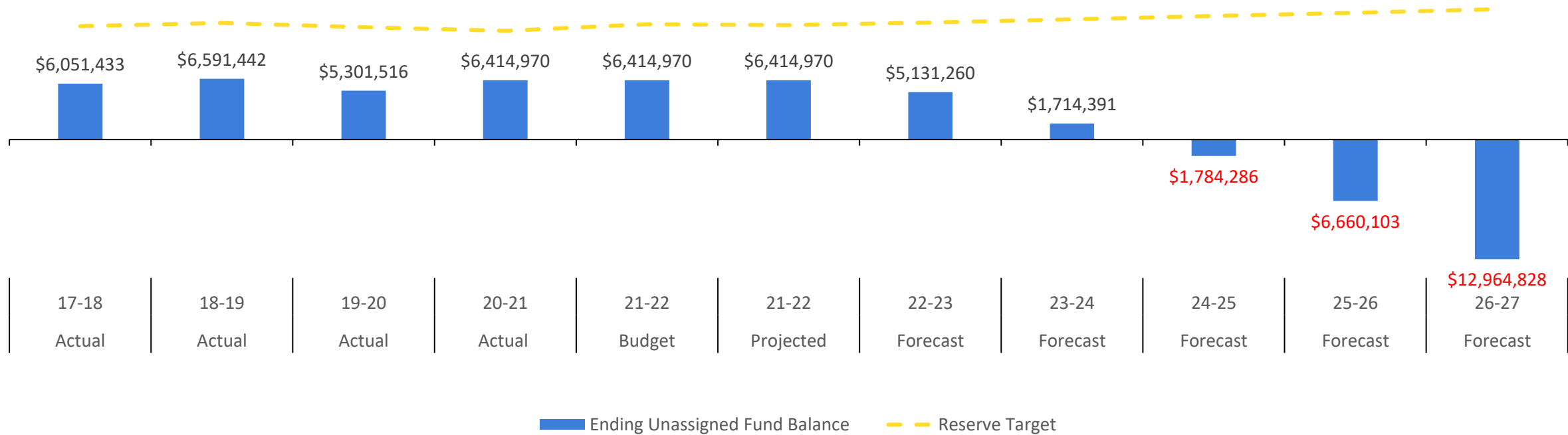
General Fund Expenditure and Revenue Growth Comparison



Fund Balance Five Year Forecast

- Projected year end unassigned fund balance is \$6.4M
- The City’s reserve balance policy is 16% of annual revenues

Fund Balance versus policy (16% of revenue)



General Fund Reserve Policy

	Independence	Blue Springs	Liberty	Raytown	KC MO	Lee's Summit
GF Expenditures (millions)	\$78.0	\$32.7	\$22.0	\$12.8	\$500.4	\$80.3
Reserve Policy	16% of GF revenue	25% GF expenditures	18-22% of GF revenues	17% of GF expenditures	2 months of operating expenditures, about 17%	
Reserve Target	\$12.4	\$8.0	\$4.0	\$2.2	\$85.1	\$13.2
Actual Reserves	\$6.4	\$7.0	\$4.8	\$7.2	\$69.7	\$23.0
% of Reserve Policy	52%	88%	121%	331%	82%	174%

Budget Considerations and Next Steps

- Forecasted revenue and expenses are trending close to budget
- ARPA money not available next year
- Transit grants
- Healthcare costs
- Service level
- Continue to monitor revenues and expenditures
- Begin a fiscally conservative preparation of FY 2022-23 budget



Questions/Discussion

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