

# Agenda

- Financial Update
  - Revenues & Forecast
    - What are the City's primary revenue sources and how are they trending?
    - General Fund Five Year Forecast
    - Economic Growth Indicators
  - What are the City's primary expenses and how are they trending?
    - Expenditures
      - General Fund Expenditures

# General Fund Revenues

## Historical General Fund Revenue Breakdown

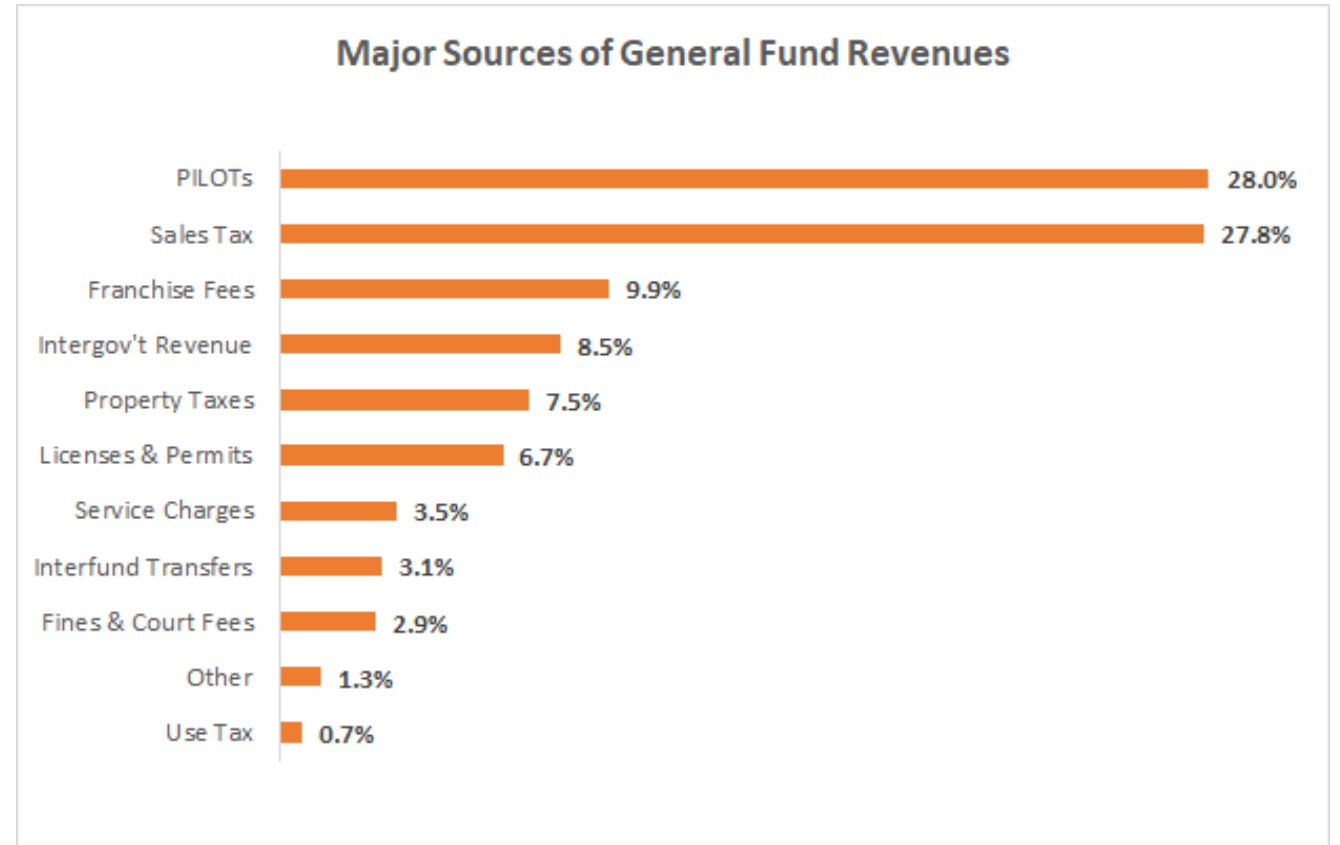
	Actual 17-18	Actual 18-19	Actual 19-20	Actual 20-21	Actual 21-22	Budget 22-23
<b>Taxes</b>						
Property and Railroad Utilities	7,967,851	7,877,260	7,792,507	5,924,381	5,731,008	5,903,000
Sales Tax	18,021,064	17,533,711	17,744,938	18,295,167	19,926,036	20,635,000
Use Tax / Waterfall	-	-	-	435,288	395,847	535,000
Cigarette	449,698	412,888	415,193	408,211	354,525	380,000
<b>Total Taxes</b>	<b>26,438,613</b>	<b>25,823,859</b>	<b>25,952,638</b>	<b>25,063,047</b>	<b>26,407,417</b>	<b>27,453,000</b>
<b>Utility Franchise Fees</b>						
Water	25,223	35,825	26,837	35,231	33,381	36,000
Gas	3,892,885	3,869,197	3,407,027	3,557,985	4,610,098	4,600,000
Telephone	2,784,941	2,730,897	2,124,771	1,796,726	1,587,995	1,696,000
Electricity	793,175	727,217	678,348	645,173	634,161	712,000
Cable	1,275,444	1,288,443	1,286,363	1,341,447	1,295,560	1,300,000
<b>Total Franchise Fees</b>	<b>8,771,668</b>	<b>8,651,579</b>	<b>7,523,346</b>	<b>7,376,561</b>	<b>8,161,195</b>	<b>8,344,000</b>
<b>PILOTS</b>						
Power & Light	14,052,880	14,130,811	12,757,506	12,602,964	13,425,339	14,071,000
Water Service	3,184,837	3,175,319	3,070,250	3,119,911	3,151,180	3,145,209
Sanitary Sewer	2,829,814	3,064,598	3,363,804	3,532,358	3,592,116	3,632,578
<b>Total PILOTS</b>	<b>20,067,531</b>	<b>20,370,728</b>	<b>19,191,559</b>	<b>19,255,233</b>	<b>20,168,635</b>	<b>20,848,787</b>
Licenses & Permits	4,598,143	4,733,532	5,012,961	4,772,400	5,595,200	4,410,950
Intergovernmental Revenue	5,349,156	5,246,677	4,930,541	5,655,410	5,883,819	5,810,000
Service Charges	2,431,168	2,455,574	2,536,496	2,013,571	2,177,202	1,955,400
Fines & Court Costs	3,716,388	3,913,826	2,890,921	2,152,627	2,116,881	2,156,000
Interfund Chgs Supp Svcs	5,099,696	5,035,500	5,035,500	5,035,500	5,035,500	2,354,600
Other	978,574	1,253,154	1,683,461	2,599,109	1,014,779	970,400
Transfers In*	-	-	-	808,037	3,529,000	-
<b>Total All Other Revenues*</b>	<b>22,173,125</b>	<b>22,638,263</b>	<b>22,089,880</b>	<b>23,036,653</b>	<b>25,352,381</b>	<b>17,657,350</b>
<b>Total General Fund Revenues</b>	<b>77,450,937</b>	<b>77,484,429</b>	<b>74,757,423</b>	<b>74,731,494</b>	<b>80,089,628</b>	<b>74,303,137</b>

Source: City of Independence, MO Adopted Budgets (FY 2017-2021) and FY 2022 Adopted Budget; FY2022 CAFR

\*Indicates one-time revenue

# General Fund Forecast Update for FY 2022-23

- Top 3 revenue categories represent 66% 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)
  - Telephone has been steadily decreasing while cable faces state legislative changes
- Total General Fund projected revenues for FY 2022-23 are \$75.9M



# Tax Comparisons

	Sales Tax		Use Tax	Real Estate Tax	Personal Property Tax
	City Share	Total			
Independence	2.625%	8.240%	2.650%	0.6059	-
Kansas City	3.250%	8.860%	3.250%	1.6918	1.6918
Blue Springs	2.500%	8.600%	0.000%	0.6366	0.6366
Lee's Summit	2.750%	8.360%	2.750%	1.4199	1.4199
Liberty	3.375%	9.870%	3.375%	0.7968	0.7968
Raytown	2.750%	8.360%	0.000%	0.4757	0.4757
<b>Average of comparative cities</b>	<b>2.925%</b>	<b>8.810%</b>	<b>3.125%</b>	<b>1.0042</b>	<b>1.0042</b>

*\*Average rate for each city, excludes TIF/BID/CID or other district-specific taxes*

# The City presented a balanced budget for FY2022/2023

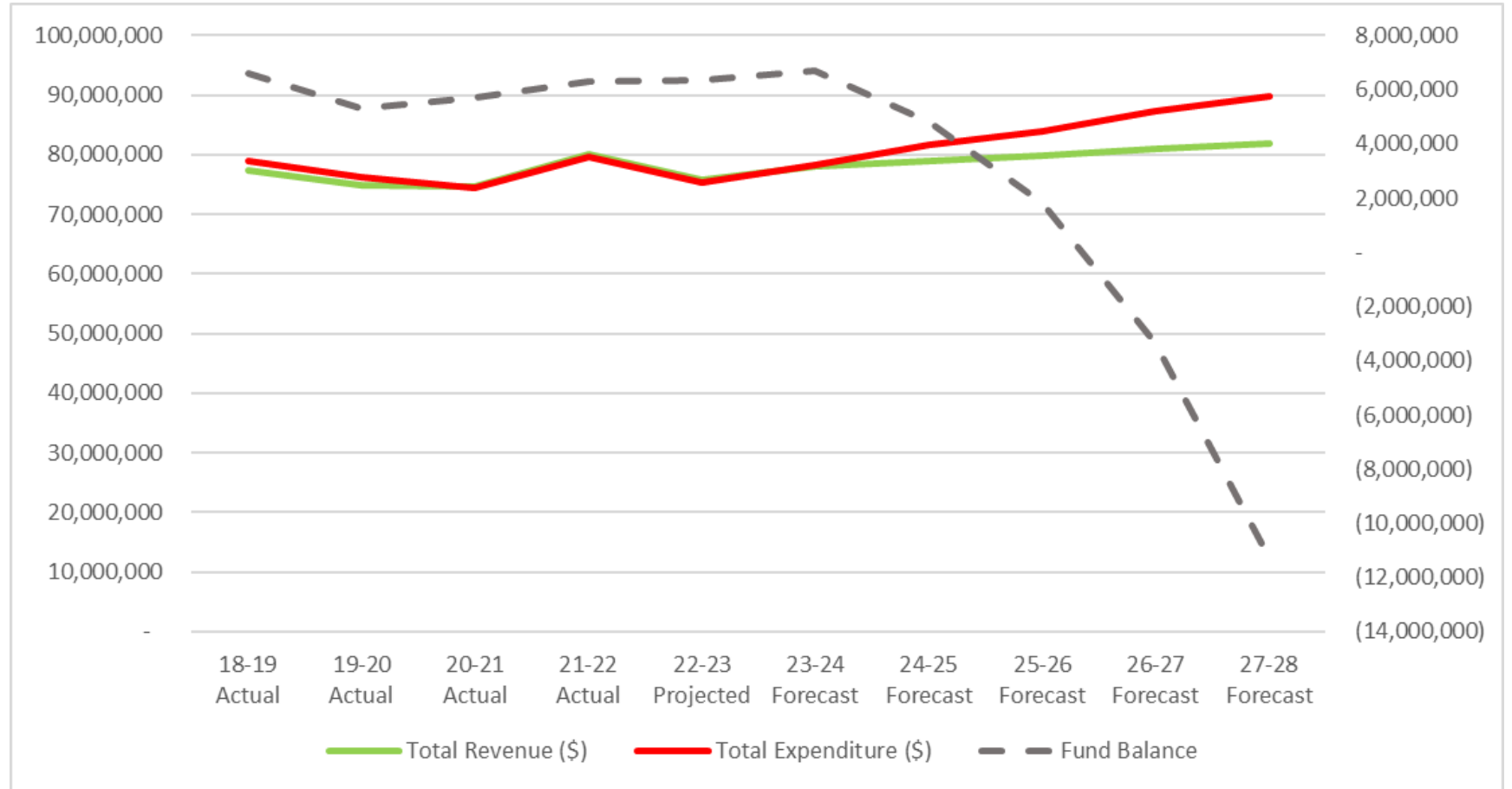
- City addressed structural challenges through an Internal Service Fund
- Adjustments to Stay Well Fund
- Use Tax ballot question provided greater flexibility for the use of funds
- Marijuana sales tax initiative will go to voters in April and will be dedicated to public safety

	FY2021 Budget	FY 2021 Actual	FY2022 Budget	FY2022 Actual	FY2023 Budget	FY2023 Projected
<b>Total General Fund Revenues</b>	58,424,792	55,476,560	57,331,165	59,920,993	53,454,350	52,957,892
<b>Total Other Financing Sources</b>	19,614,000	19,255,233	20,696,578	20,168,635	20,848,787	22,944,834
<b>Total General Fund Revenues and Other Financing Sources</b>	78,038,792	74,731,793	78,027,743	80,089,628	74,303,137	75,902,726
<b>Total General Fund Expenditures</b>	77,706,767	73,417,160	77,672,790	78,431,326	74,127,737	75,226,286
<b>Total Other Financing Sources</b>	10,000	201,179	354,953	1,183,231	175,400	559,749
<b>Total Expenditures and Other Financing Uses</b>	77,716,767	73,618,338	78,027,743	79,614,557	74,303,137	75,808,211
<b>Excess of revenues over (under) expenditures</b>	322,025	1,113,455	(0)	475,071	0	94,515

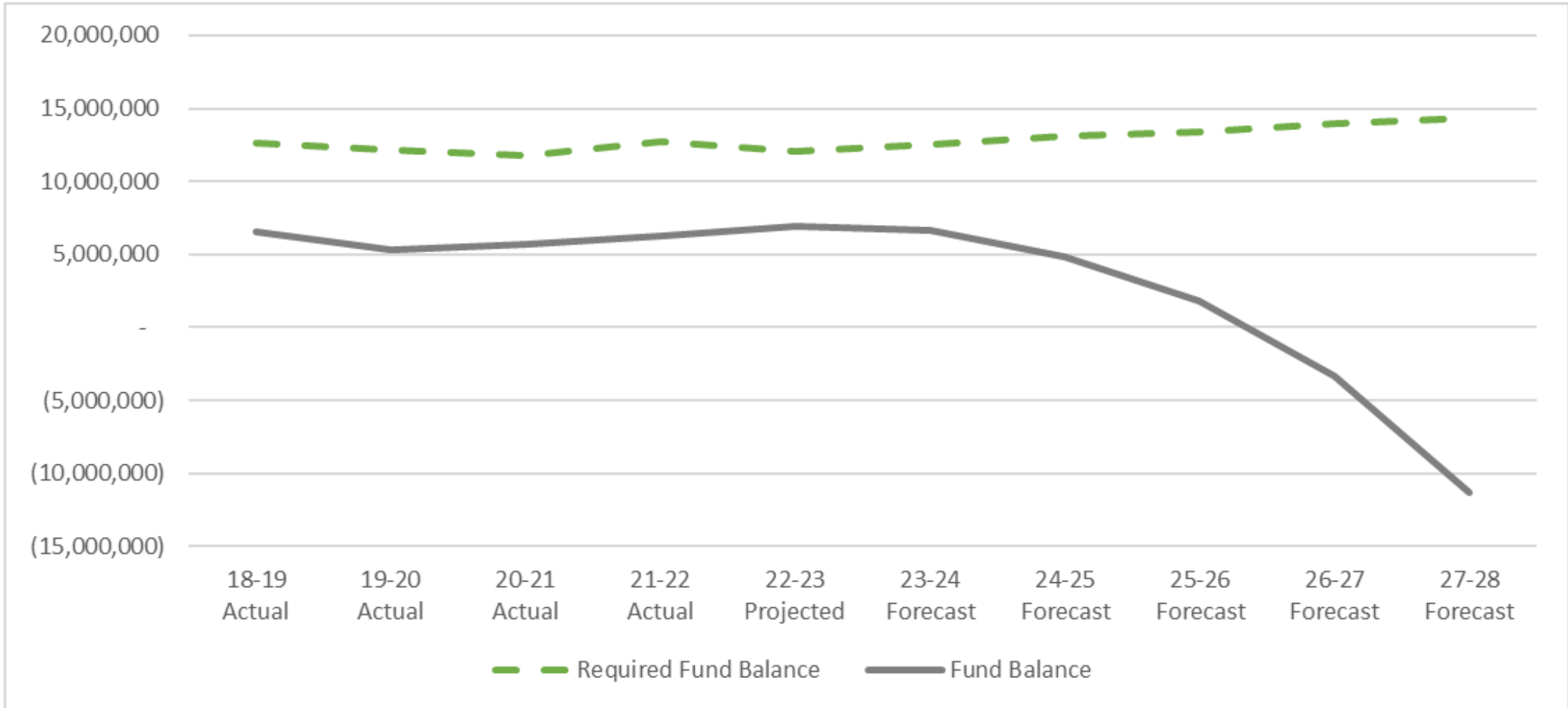
Source: City of Independence, MO FY2022 Comprehensive Annual Financial Report; FY 2022 Adopted Budget; FY2023 Adopted Budget

# General Fund Expenditure and Revenue Growth Forecast

- Conservative Financial Planning - Forecast with no modification current spending habits and no new revenue sources
  - Assumes staffing shortages continue in the next few years
- The farther out projections run, the harder it is to accurately reflect anticipated changes in fund balance
  - Allow a more proactive approach to monitoring expenditures
- 10% annual health increase costs
- Loss of federal funding for transit program in 2024-2025
- 1% LAGERS increases annually
- Reduction in Franchise Fees (revenue base eroding)



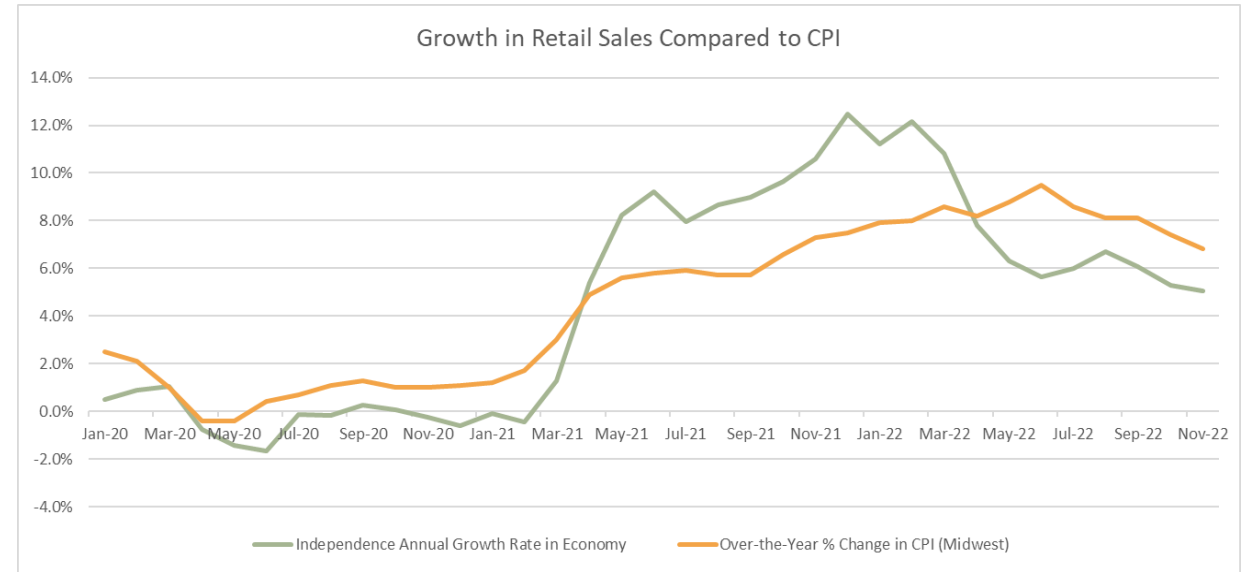
# General Fund Balance Forecast





# Economic Growth Indicators

City of Independence							
1% City Sales Tax Receipts Reported by Filing Period from MO DOR							
Rolling 12-Month Retail Sales by Business Activity Month							
Filing Month	Receipts Totals			Growth			Over-the-Year % Change in CPI (Midwest)
	Total Receipts @1%	Total Retail Sales Value	From Same Month Last Yr.	Last 12 Month Retail Sales Values	Annual Growth in Retail Sales	Independence Annual Growth Rate in Economy	
Jan-21	1,698,246.27	169,824,627	11.3%	2,001,463,920	(1,607,755)	-0.1%	1.2%
Feb-21	1,478,790.94	147,879,094	-1.4%	1,999,431,348	(8,850,933)	-0.4%	1.7%
Mar-21	2,011,904.83	201,190,483	18.6%	2,030,948,732	25,951,127	1.3%	3.0%
Apr-21	1,892,281.47	189,228,147	40.3%	2,085,332,242	106,871,390	5.4%	4.9%
May-21	1,830,053.49	183,005,349	25.0%	2,121,894,011	161,277,306	8.2%	5.6%
Jun-21	1,936,749.29	193,674,929	9.3%	2,138,425,051	180,436,293	9.2%	5.8%
Jul-21	1,860,803.11	186,080,311	0.2%	2,138,781,456	157,627,162	8.0%	5.9%
Aug-21	1,784,034.97	178,403,497	7.1%	2,150,586,373	171,211,679	8.6%	5.7%
Sep-21	1,942,758.83	194,275,883	9.9%	2,168,163,385	178,598,701	9.0%	5.7%
Oct-21	1,859,495.94	185,949,594	10.6%	2,186,046,707	192,400,018	9.7%	6.6%
Nov-21	1,802,473.16	180,247,316	9.2%	2,201,235,132	210,484,832	10.6%	7.3%
Dec-21	2,221,276.47	222,127,647	16.0%	2,231,886,877	247,664,581	12.5%	7.5%
Jan-22	1,637,000.69	163,700,069	-3.6%	2,225,762,319	224,298,399	11.2%	7.9%
Feb-22	1,646,606.28	164,660,628	11.3%	2,242,543,853	243,112,505	12.2%	8.0%
Mar-22	2,094,333.19	209,433,319	4.1%	2,250,786,689	219,837,957	10.8%	8.6%
Apr-22	1,864,591.50	186,459,150	-1.5%	2,248,017,692	162,685,450	7.8%	8.2%
May-22	1,905,493.22	190,549,322	4.1%	2,255,561,665	133,667,654	6.3%	8.8%
Jun-22	1,974,969.92	197,496,992	2.0%	2,259,383,728	120,958,677	5.7%	9.5%
Jul-22	1,936,752.84	193,675,284	4.1%	2,266,978,701	128,197,245	6.0%	8.6%
Aug-22	2,062,250.17	206,225,017	15.6%	2,294,800,221	144,213,848	6.7%	8.1%
Sep-22	1,994,636.21	199,463,621	2.7%	2,299,987,959	131,824,574	6.1%	8.1%
Oct-22	1,878,792.81	187,879,281	1.0%	2,301,917,646	115,870,939	5.3%	7.4%
Nov-22	1,910,660.92	191,066,092	6.0%	2,312,736,422	111,501,290	5.1%	6.8%



- Independence supports a \$2.3 billion annual retail economy
- Growth in retail sales has increased by over \$111 million as compared to one year ago, or a 5.1% increase
- Growth has slowed over the past twelve months but remains positive.

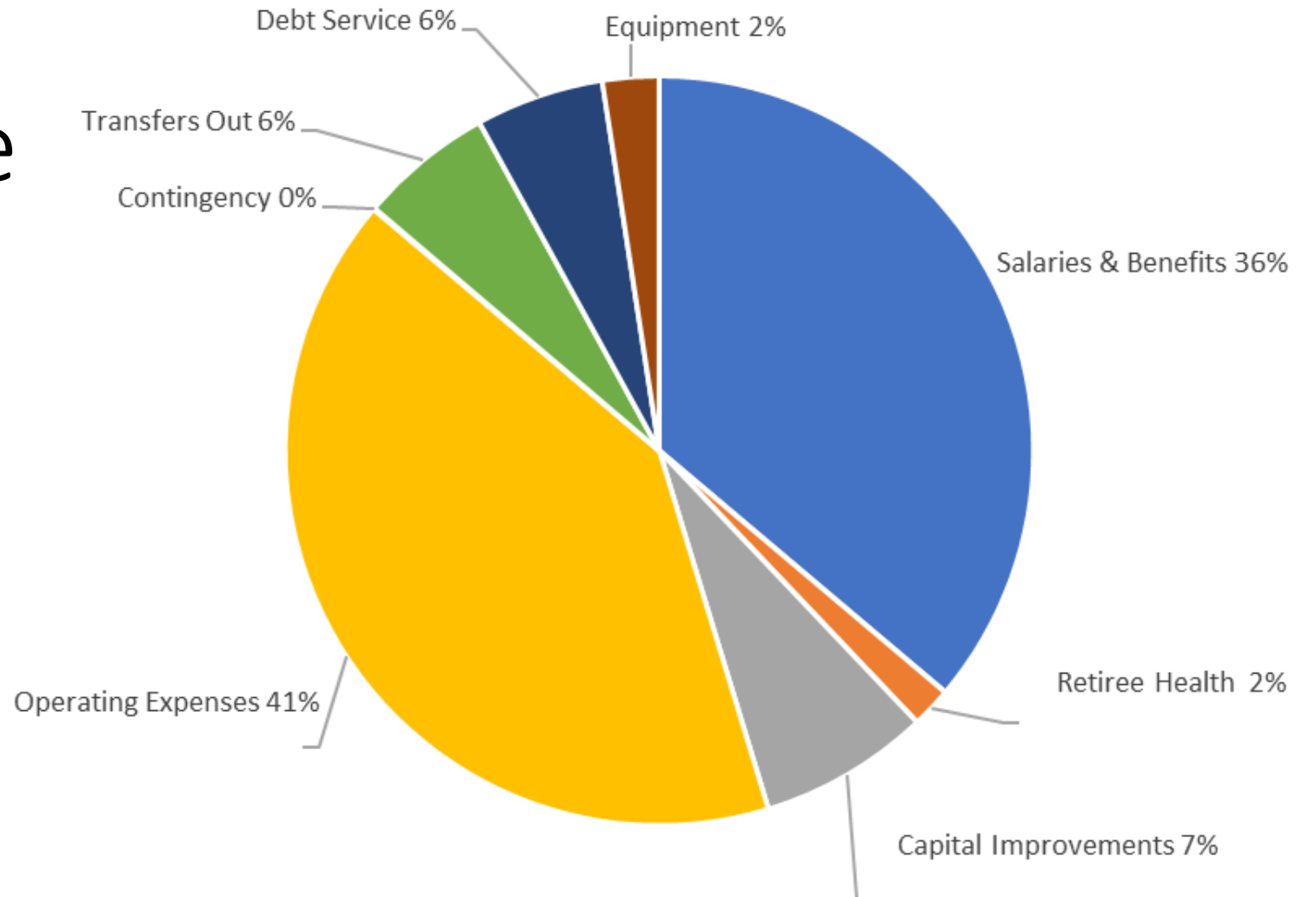


# Opportunities to Improve Forecast

- Reallocate or restructure low priority programs to create a structurally balanced forecast and create flexibility for strategic enhancements
- Options to control personnel expenditures include staffing study, non-monetary employment incentives, and performance reviews
- Reallocate current resources (both people and dollars) to higher performing programs that align more closely to the strategic plan and community needs
- Implement recommendations from OT report and control personnel expenditures
- Capitalize on opportunities to enhance revenue:
  - Economic development and capital investment
  - Regional events (one-time)
  - New revenue sources:
    - Sales Tax
    - Personal Property Tax
    - Transit

# FY 2022-23 Spending by Type

Category	Budget
Salaries & Benefits	121,918,070
Retiree Health	5,911,000
Capital Improvements	24,903,836
Operating Expenses	137,845,953
Contingency	150,000
Transfers Out	19,547,612
Debt Service	18,707,966
Equipment	8,248,958
<b>Total</b>	<b>\$337,233,395</b>



# Use of General Obligation Bonds

- **Blue Springs**
  - \$1.7 M budgeted GO bond payments in FY 2021-2022
  - Total GO bonds payable: \$16,410,000 per June 2021 ACFR
  - Aaa Rating (Moody's)
- **Lee's Summit**
  - \$4.4M budgeted in payments in 2023
  - Total GO bonds payable: \$33,570,000 per June 2022 ACFR
  - Aaa Rating (Moody's) and AA+ (S&P)
- **Liberty**
  - budgeted 2023 payments this year \$1.6M
  - Total GO bonds payable: \$16,505,000 per June 2022 ACFR
  - No rating available from Moody's or S&P
- **Kansas City**
  - \$800 million approved in 2017
  - \$40 million per year for 20 years (plan)
  - \$55.8M budgeted in payments in 2023
  - Total GO bonds payable: \$434,273,000 per April 2022 CAFR
  - AA3 rating (Moody's) and AA S&P

# Summary

- FY 22-23: \$95K surplus (preliminary)
- FY 23-24: \$264K deficit (preliminary)
- Increased revenue is necessary for long-term budget stabilization
- Budget pressures, including constantly increasing costs
- Simply cutting programs and services is not the answer— Reallocation of resources from lower priority programs to higher priority (strategic alignment)