

# 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
      - Outstanding Debt
      - GO Bonds
    - Budget Pressures
      - General Fund Expenditures
      - Budget Pressures

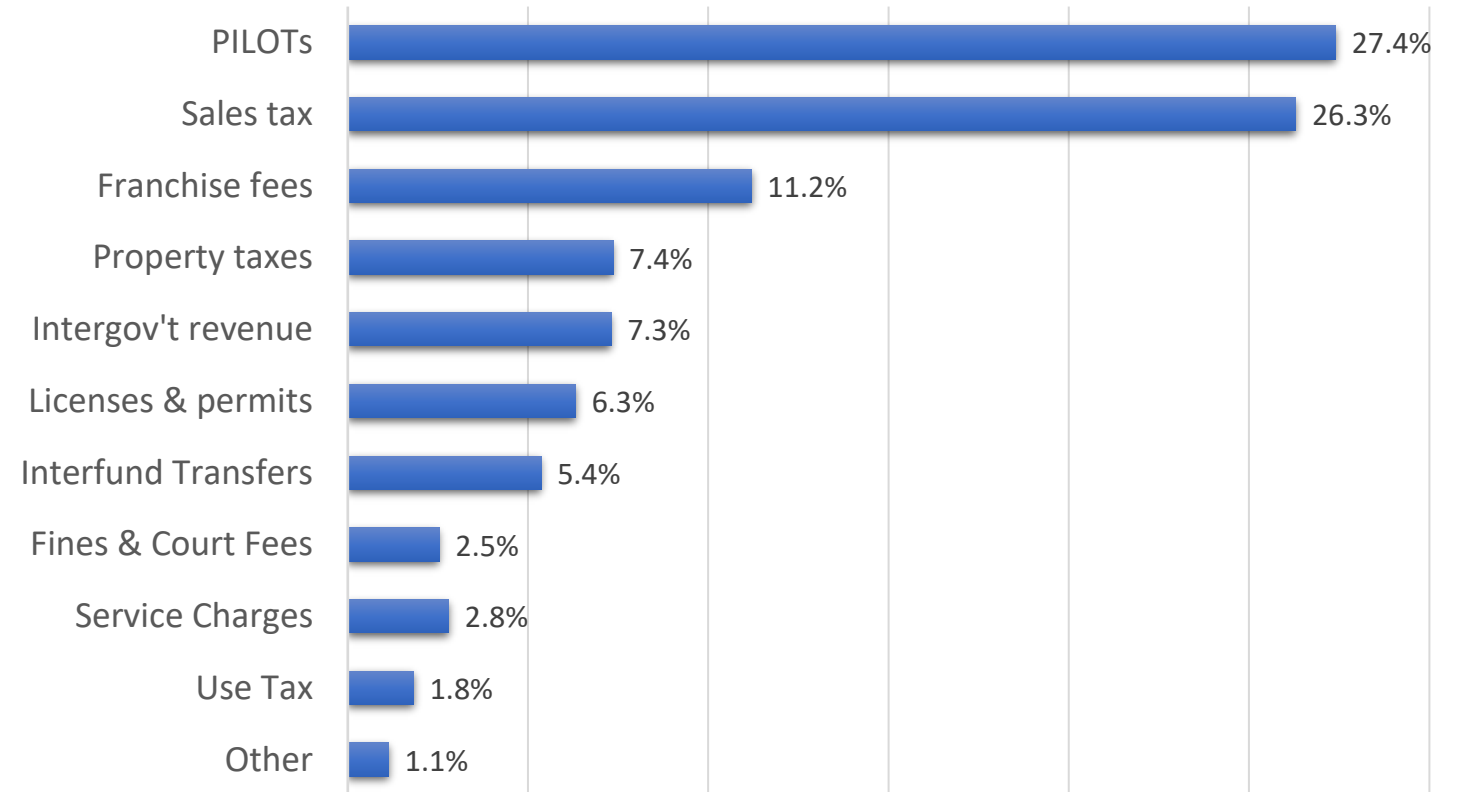
# General Fund Revenues

<b>Historical General Fund Revenue Breakdown</b>						
	<b>Actual 20-21</b>	<b>Actual 21-22</b>	<b>Budget 22-23</b>	<b>Actual 22-23</b>	<b>Budget 23-24</b>	<b>Projected 23-24</b>
<b>Taxes</b>	<b>25,063,047</b>	<b>26,407,417</b>	<b>27,453,000</b>	<b>28,394,924</b>	<b>28,495,625</b>	<b>29,286,000</b>
<b>Franchise Fees</b>	<b>7,376,561</b>	<b>8,161,195</b>	<b>8,344,000</b>	<b>9,228,632</b>	<b>8,333,000</b>	<b>8,747,000</b>
<b>PILOTS</b>	<b>19,255,233</b>	<b>20,168,635</b>	<b>20,848,787</b>	<b>21,760,119</b>	<b>21,301,000</b>	<b>22,348,000</b>
<b>All Other Revenues*</b>	<b>23,036,653</b>	<b>25,352,381</b>	<b>17,657,350</b>	<b>19,398,997</b>	<b>19,932,588</b>	<b>20,777,000</b>
<b>General Fund Revenues</b>	<b>74,731,494</b>	<b>80,089,628</b>	<b>74,303,137</b>	<b>78,782,672</b>	<b>78,062,213</b>	<b>81,158,000</b>

# General Fund Forecast Update for FY 2023-24

- Top 3 revenue categories represent 65% of GF revenue
- Sales Tax susceptible to economic cycles
- Use Tax growing at a much faster rate than Sales Tax
- 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 \$81.5M

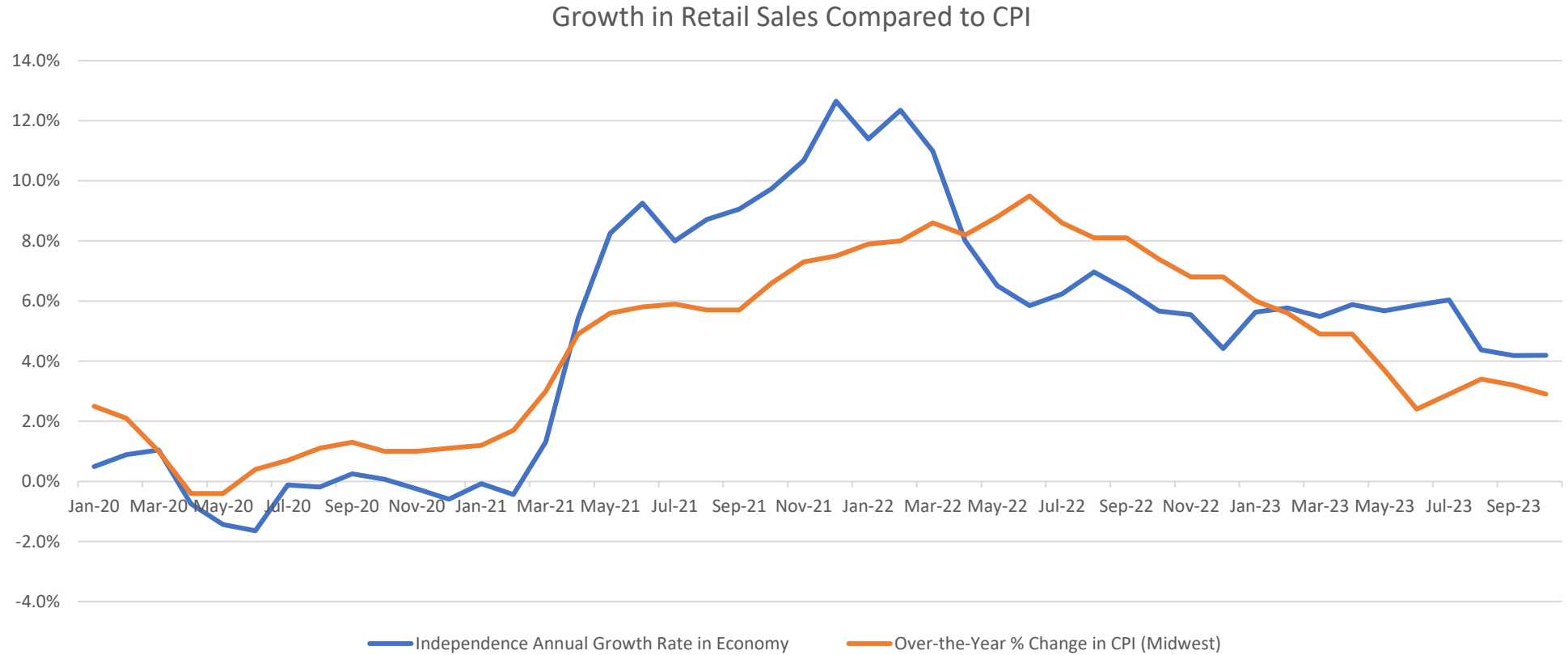
## Major Sources of General Fund Revenues



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%	% Chg. From Same Month Last Yr.	Last 12 Month Retail Sales Values	Annual Growth Rate in Economy	
Oct-22	1,897,010.29	2.0%	2,311,675,697	5.7%	7.4%
Nov-22	1,942,643.11	7.6%	2,325,385,039	5.5%	6.8%
Dec-22	2,319,774.19	3.8%	2,333,947,460	4.4%	6.0%
Jan-23	1,852,005.91	12.9%	2,355,051,649	5.6%	6.0%
Feb-23	1,856,848.71	12.7%	2,375,959,699	5.8%	5.6%
Mar-23	2,116,916.11	1.0%	2,378,021,778	5.5%	4.9%
Apr-23	1,946,049.98	3.8%	2,385,181,978	5.9%	4.9%
May-23	1,941,932.14	1.8%	2,388,583,422	5.7%	3.7%
Jun-23	2,065,092.27	4.3%	2,397,108,287	5.9%	2.4%
Jul-23	2,079,116.11	6.7%	2,410,237,949	6.0%	2.9%
Aug-23	1,999,038.51	-3.7%	2,402,471,119	4.4%	3.4%
Sep-23	2,030,543.57	1.1%	2,404,697,090	4.2%	3.2%
Oct-23	1,936,368.18	2.1%	2,408,632,879	4.2%	2.9%

- Independence supports a \$2.4M (brick & mortar) retail economy
- Independence has enjoyed a \$100M growth in retail sales since October 2022.
- Following the post-COVID trend, growth has been declining, though remains positive and strong

# Economic Growth Indicators – Sales Tax



# Economic Growth Indicators – Use Tax

Four-Year Use Tax History				
Fiscal Year	# of Q1		# of Q1	
	Payments	% Change	Payers	% Change
2020-2021	41,576		2,549	
2021-2022	59,246	42.5%	3,207	25.8%
2022-2023	73,047	23.3%	3,484	8.6%
2023-2024	81,389	11.4%	4,444	27.6%

- On January 1, 2023 a new rule for economic nexus in Missouri went into effect
- Both the number of payments and taxpayers has increased as a result

Top 20 Taxpayers			
	% of Total		
	Use Tax Receipts	Top 20 Receipts	Total Use Tax Receipts
2021	45.83%	\$2.2M	\$4.8M
2022	40.68%	\$2.4M	\$5.9M
2023	40.78%	\$3.1M	\$7.6M

- The percentage of total tax receipts of the top 20 taxpayers has decreased, although their sales have grown
- Broadens the tax base provides for a more reliable revenue source

# Economic Growth Indicators – Use Tax

## Use Tax Receipts by Fund

	2023 Actuals	2024 Budget	2024 Projected
<b>General Fund (002)</b>	1,023,612	642,000	1,769,000
<b>Animal Services (010)</b>	782,000	855,000	855,000
<b>Street Improv Sales Tax (011)</b>	511,806	321,000	884,000
<b>Park Improv Sales Tax (012)</b>	255,895	169,000	442,000
<b>Storm Water Sales Tax (013)</b>	255,895	169,000	442,000
<b>Police Public Safety Sales Tax (016)</b>	127,948	85,000	221,000
<b>Fire Public Safety Sales Tax (017)</b>	511,806	321,000	884,000
<b>Police Use Tax (018)</b>	4,100,000	4,483,000	4,483,000
<b>Total Receipts</b>	<b>7,568,962</b>	<b>7,045,000</b>	<b>9,980,000</b>

- Health & Animal Services and Police were set to receive capped amounts initially of \$762,750 and \$4,000,000 to increase by CPI
  - 2.5% in 22/23
  - 9.3% in 23/24
  - 4.5% in 24/25
- Should not expect to see this type of continued growth in total receipts

# Tax Comparisons

	Sales Tax		Use Tax	Real Estate Tax	Personal Property Tax
	City Share	Total			
Independence	2.625%	8.350%	2.625%	0.4759	-
Kansas City	3.250%	8.725%	3.250%	1.4953	1.4953
Blue Springs	2.500%	8.225%	0.000%	0.5759	0.5759
Lee's Summit	2.750%	8.475%	2.750%	1.2794	1.2794
Liberty	3.375%	8.850%	3.375%	0.8905	0.8905
Raytown	2.500%	8.475%	2.500%	0.3792	0.3792
Average of comparative cities	2.833%	8.517%	2.42%	0.8494	0.7701
<i>*Average rate for each city excludes TIF/BID/CID or other district-specific taxes</i>					

# The City presented a balanced budget for FY2023/2024

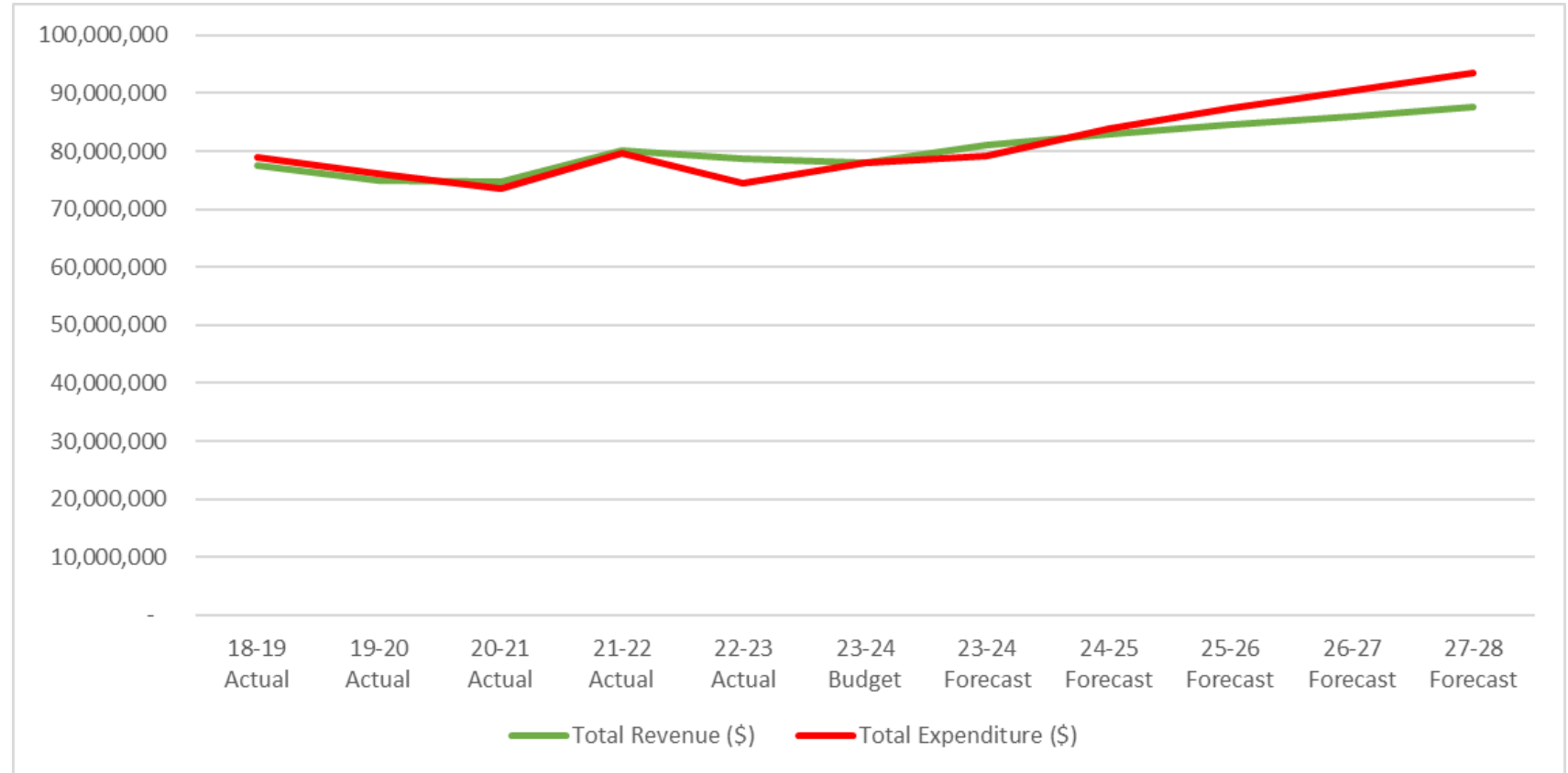
- City addressed structural challenges through an Internal Service Fund beginning in FY2022
- Adjustments to Stay Well Fund
- Use Tax ballot question provided greater flexibility for the use of funds
- Marijuana sales tax initiative was approved by voters and receipts are expected to exceed projections

	FY2022 Actual	FY2023 Budget	FY2023 Actual	FY2024 Budget	FY2024 Projected
<b>Total General Fund Revenues</b>	59,920,993	53,454,350	57,022,553	56,761,213	58,809,902
<b>Total Other Financing Sources</b>	20,168,635	20,848,787	21,760,119	21,301,000	22,348,547
<b>Total General Fund Revenues and Other Financing Sources</b>	<b>80,089,628</b>	<b>74,303,137</b>	<b>78,782,672</b>	<b>78,062,213</b>	<b>81,158,449</b>
<b>Total General Fund Expenditures</b>	78,431,326	74,127,737	73,998,419	77,537,063	78,714,644
<b>Total Other Financing Sources</b>	1,183,231	175,400	398,014	525,150	525,150
<b>Total Expenditures and Other Financing Uses</b>	<b>79,614,557</b>	<b>74,303,137</b>	<b>74,396,433</b>	<b>78,062,213</b>	<b>79,239,794</b>
<b>Excess of revenues over (under) expenditures</b>	475,071	0	4,386,239	(0)	1,918,655

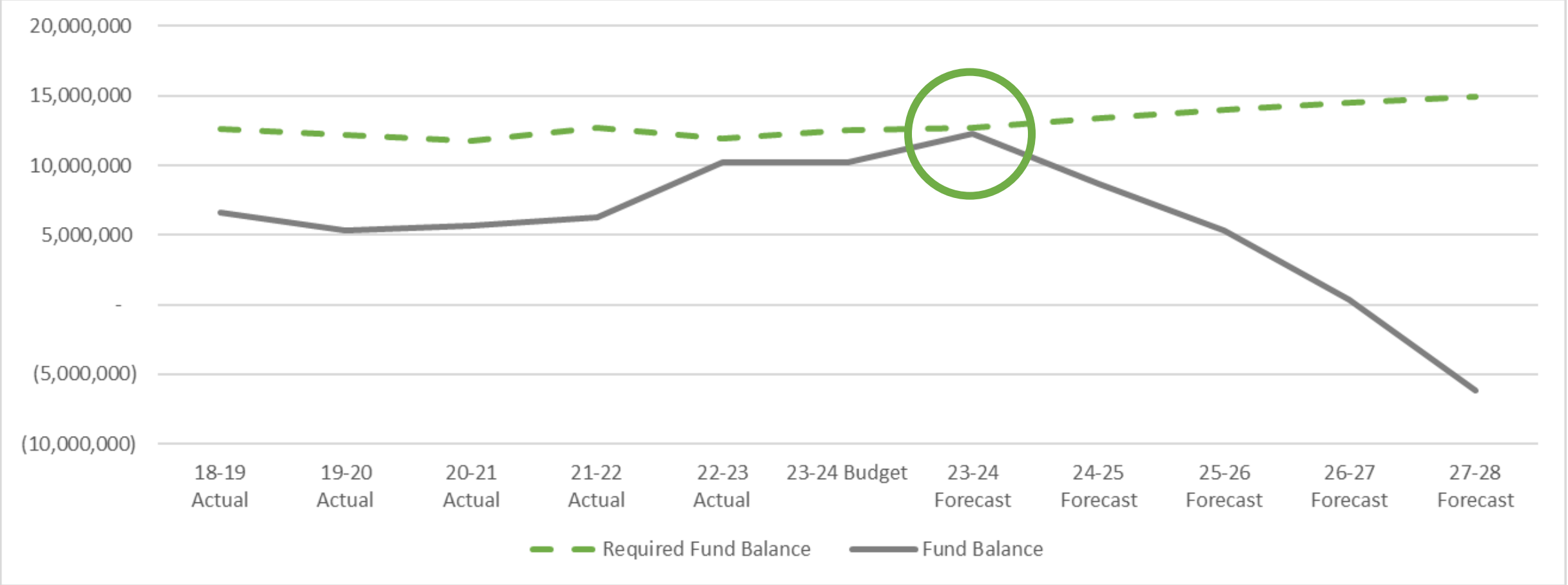
Source: City of Independence, MO FY2023 Comprehensive Annual Financial Report; FY 2023 Adopted Budget; FY2024 Adopted Budget

# General Fund Expenditure and Revenue Growth Forecast

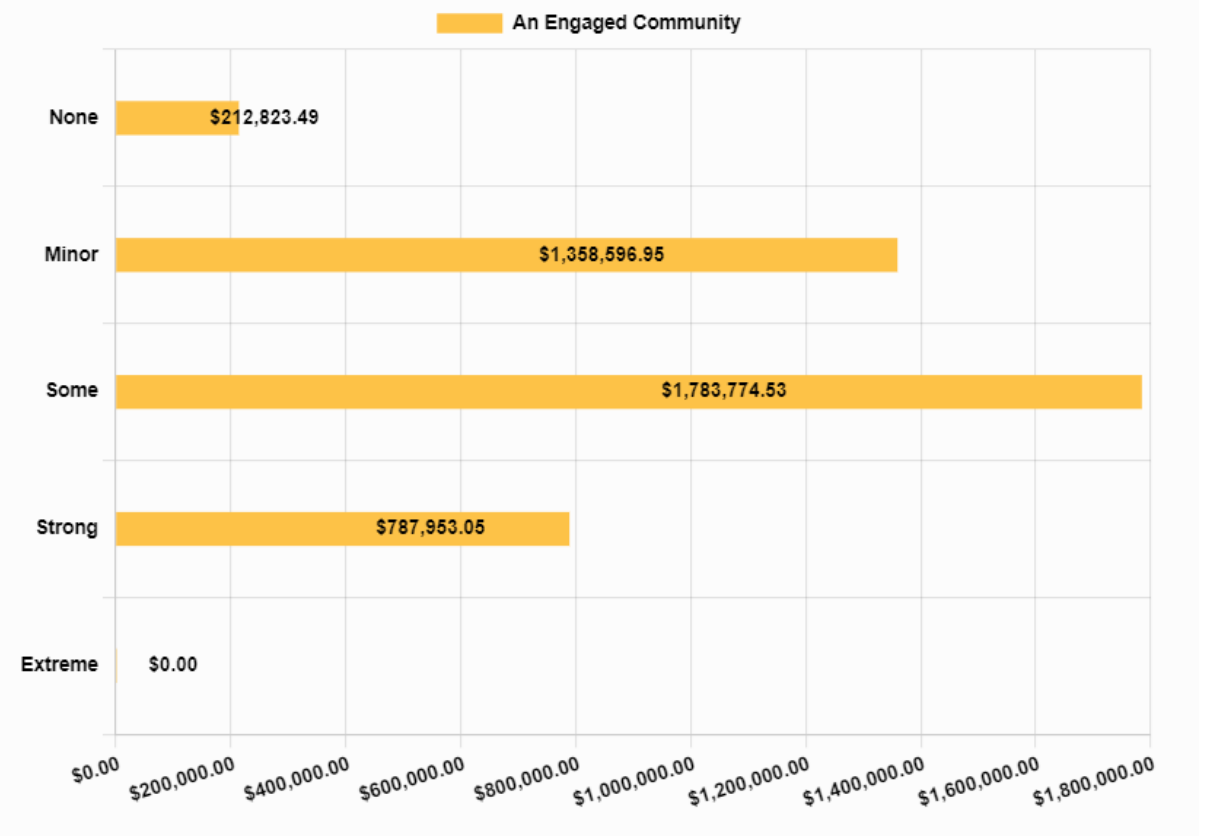
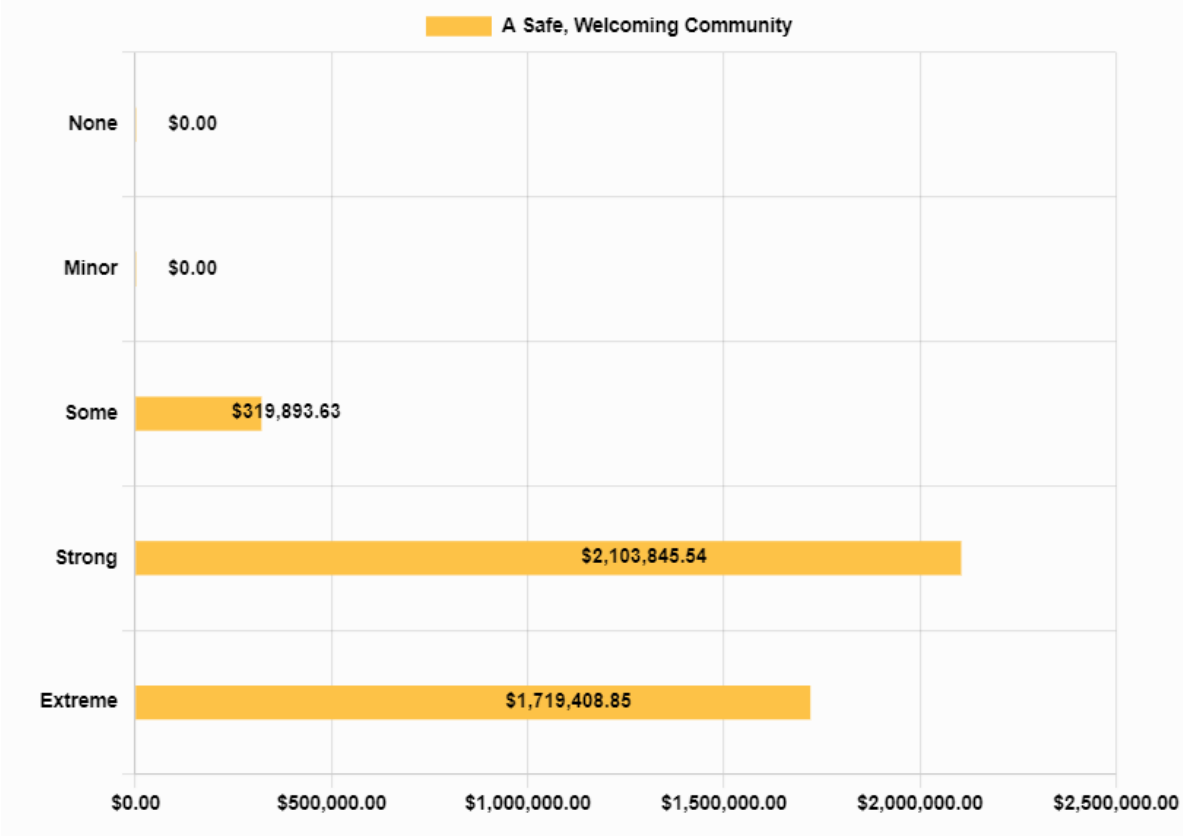
- Conservative Financial Planning - Forecast with no modification current spending habits and no new revenue sources
  - Model assumes a return to full employment
- \$7M projected funding gap in FY2027-28
- 10% annual health increase costs
- Loss of federal funding for transit program in 2024-2025
- 1% LAGERS increases annually
- Reduction in Franchise Fees (revenue base eroding)



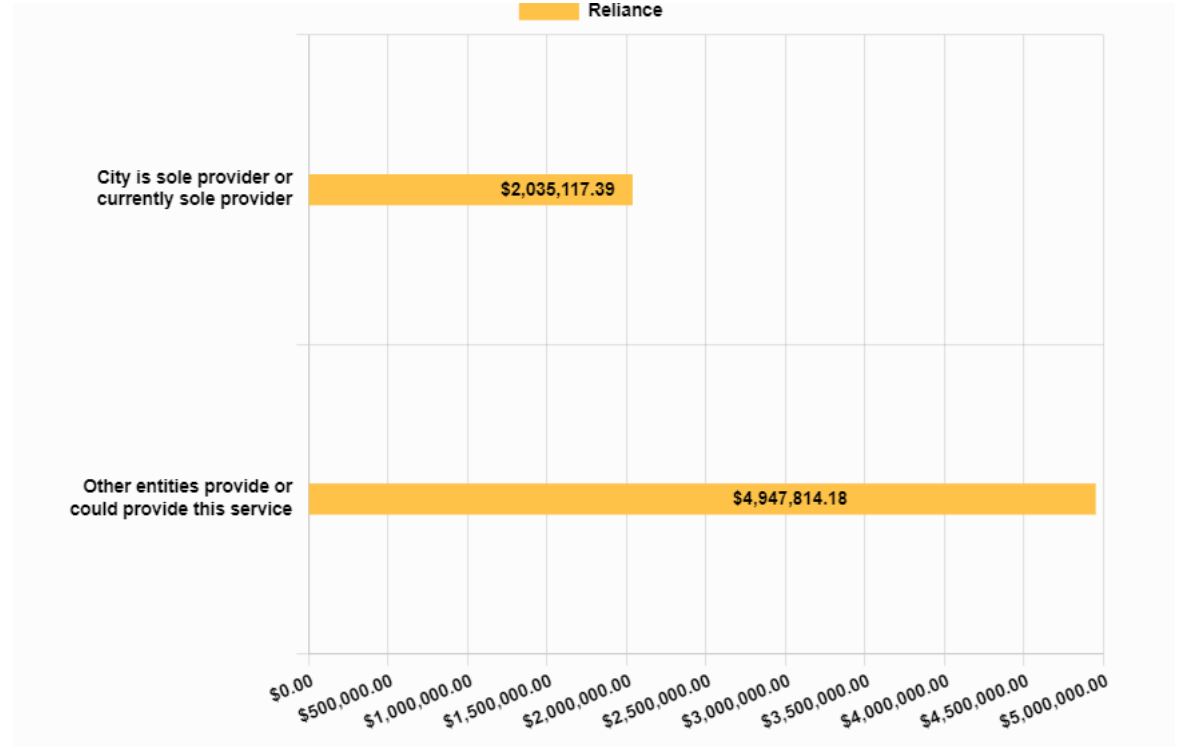
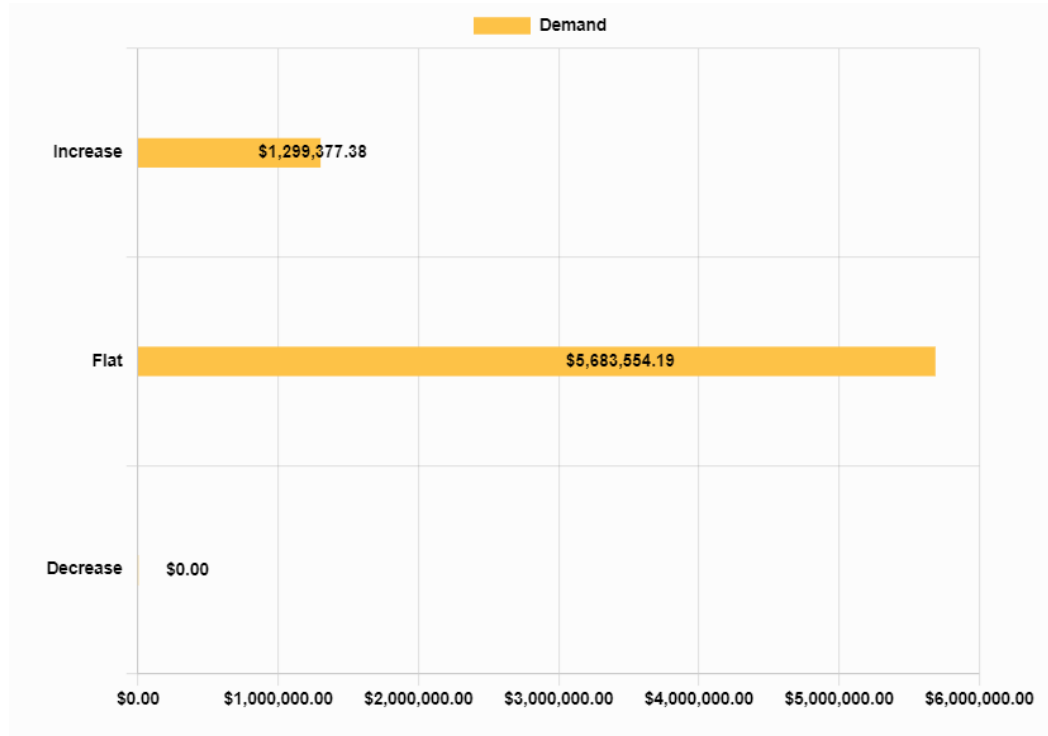
# General Fund Balance Forecast



# Priority Based Budgeting



# Priority Based Budgeting



# Priority Based Budgeting

Program Department†	Program Division†	Program†	Quartile†	Total Cost†
Health & Animal Services	Health Services (4755)	ARCH co-responder program	Most Aligned	\$252,677.65
Health & Animal Services	Health Services (4755)	Mental and Behavioral Health Education	More Aligned	\$98,901.15
Health & Animal Services	Health Services (4755)	Community Public Health Education: Equity and Diversity	More Aligned	\$366,624.36
Health & Animal Services	Animal Shelter (4705)	Animal Code Enforcement	More Aligned	\$409,821.20
Health & Animal Services	Animal Shelter Use Tax	Spay/Neuter Clinics	Less Aligned	\$55,130.56
Health & Animal Services	Animal Shelter (4705)	Intergovernmental Affairs	Less Aligned	\$69,749.90

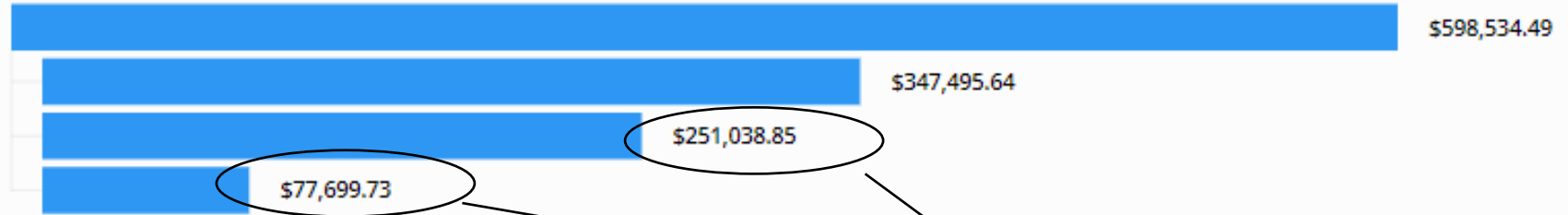
# Priority Based Budgeting

Animal Shelter Services

Personnel

NonPersonnel

Revenue



NonPersonnel

User Group†	Fund†	Account Type†	Account Number†	Total Cost†	Object†	Object Number†	Allocation †	Program Cost†
Health & Animal Services	Property Tax Levy (005)	Revenue	005-005-3311	\$120,000.00	Animal Shelter Charges	3311	47.18 %	\$56,621.98
Health & Animal Services	Property Tax Levy (005)	Revenue	005-005-3315	\$15,000.00	Animal Shelter Retail Store	3315	47.18 %	\$7,077.75
Health & Animal Services	Property Tax Levy (005)	Revenue	005-005-3435	\$14,000.00	Contributions	3435	100.00 %	\$14,000.00
Health & Animal Services	Property Tax Levy (005)	Expense	005-4705-5206	\$1,400.00	Printing and Binding	5206	35.27 %	\$493.79
Health & Animal Services	Property Tax Levy (005)	Expense	005-4705-5208	\$360.00	Fees and Permits	5208	0.00 %	\$0.00

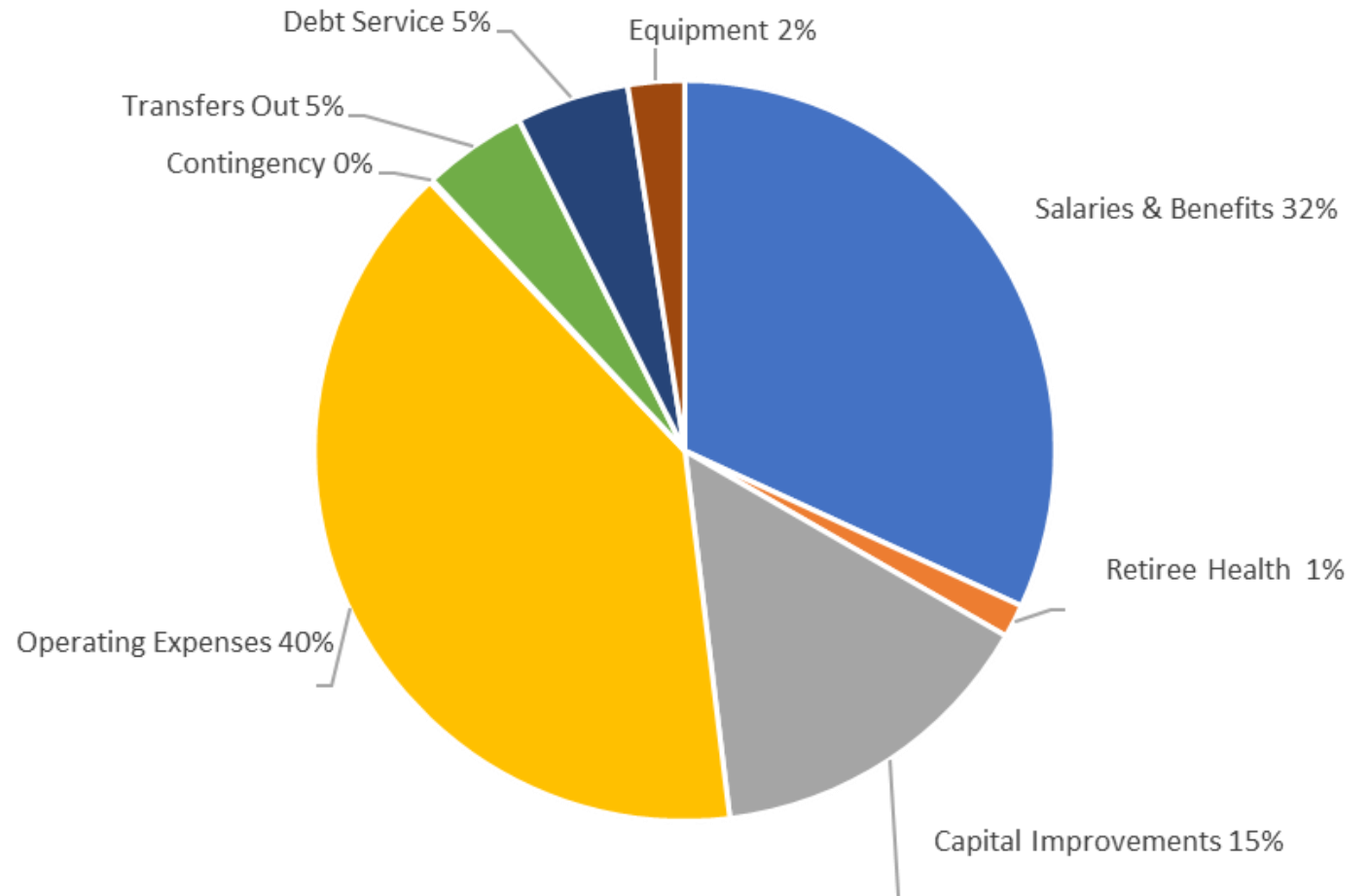


# Opportunities to Improve Forecast

- 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 2023-24 Spending by Type

Category	Budget
Salaries & Benefits	125,922,617
Retiree Health	5,744,940
Capital Improvements	58,195,746
Operating Expenses	157,475,736
Contingency	514,005
Transfers Out	17,951,770
Debt Service	19,471,198
Equipment	9,756,716
<b>Total</b>	<b>\$395,032,728</b>



# Outstanding Debt Load

## Summary of Outstanding Debt:

- No general obligation bonds as of December 31, 2023
  - All debt is limited to either an annual appropriation or specific revenue for repayment
- Debt service as a percentage of non-capital expenditures has decreased significantly from FY2015 to FY2023, from ~17% to ~6%

## Governmental and Business-Type Debt Outstanding<sup>1</sup>

Type of Debt	Principal Owed as of 6/30/2023
<b>General Obligation Bonds</b>	\$0
<b>Revenue Bonds</b>	
Power and Light	\$116,595,000
Water	16,760,000
Events Center	83,415,000
Sanitary Sewer	81,750,000
Other Annual Appropriations	16,630,000
Capital Leases	1,193,813
Tax Increment Financing Loans Payable	103,480,000
Neighborhood Improvement District	12,000
<b>Total Debt</b>	<b>\$419,835,813</b>

Source: City of Independence, MO FY2022 Annual Comprehensive Financial Report;

<sup>1</sup> Net of any discounts of premiums on debt outstanding;

\*\*Excluding Water, Sewer, Electric System, and Event Center revenue bonds; and the outstanding principal amount of the Revenue Bonds anticipated to be paid from CID Sales Tax Revenues.

## Direct and Overlapping Governmental Activities Debt

As of 6/30/2023:

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Independence School District	\$ 164,805,000	93.62%	\$ 154,290,441
Fort Osage Reorganized #1 School District	91,104,475	12.50%	11,388,059
Blue Springs Reorganized #4 School District	247,970,000	2.70%	6,695,190
Raytown School District	124,245,000	8.48%	10,535,976
<b>Subtotal, Overlapping Debt</b>			<b>\$182,909,666</b>
City Direct Debt**			125,853,212
<b>Total Direct and Overlapping Debt</b>			<b>\$308,762,878</b>

# Use of General Obligation Bonds

- **Blue Springs**

- \$1.7 M budgeted GO bond payments in FY 2021-2022
- Total GO bonds payable: \$15,240,000 per June 2022 ACFR
- Aaa Rating (Moody's)

- **Lee's Summit**

- \$2.7M budgeted in payments in 2024
- Total GO bonds payable: \$10,200,000 per June 2023 ACFR
- Aaa Rating (Moody's) and AA+ (S&P)

- **Liberty**

- budgeted 2023 payments this year \$1.2M
- Total GO bonds payable: \$15,040,000 per Dec 2022 ACFR
- Aaa Rating (Moody's) and AA+ (S&P)

- **Kansas City**

- \$800 million approved in 2017
- \$35 million approved in 2023 for parks, recreation & entertainment
  - \$35m YR2, \$25m YR3, \$20m YR4, \$60m YR 5
- \$40 million per year for 20 years (plan)
- \$41.4M budgeted in payments in 2023
- Total GO bonds payable: \$439,755,000 per April 2023 ACFR
- AA3 rating (Moody's) and AA S&P

# Summary

- Simply cutting programs and services is not the answer– Reallocation of resources from lower priority programs to higher priority (strategic alignment)
- Budget pressures, including constantly increasing costs:
  - Transit
  - City Share of Employee Health Insurance
  - Retiree Health Insurance
  - 1% LAGERS Increase (annual)
  - Overall personnel costs increasing
  - Costs of goods and services expected to increase with inflation
- Increased revenue is necessary for long-term budget stabilization