



Financial Trends
Monitoring System
Report

City of Kansas City Missouri

2003-2012

Introduction

This first annual Financial Trends Monitoring Report is patterned after the International City/County Management Association's (ICMA) *Evaluating Financial Condition: A Handbook for Local Government*. Financial indicators in the report have been identified by ICMA, credit rating agencies, and other governmental professional associations as the factors most relevant in determining the financial condition of local governments. The FTMS also includes relevant measures from the Government Finance Officers Association's (GFOA) long-term financial planning model, which recommends a fiscal environment analysis that examines categories of sufficiency, flexibility, vitality, equity, demand and political environment.

The sound financial condition of the City depends on its ability to balance the demands for service with available financial resources. Monitoring financial condition allows managers to identify existing and emerging financial problems and develop solutions in a timely manner. Effective monitoring can also provide additional information for the annual budget process, give City Council a wider context for decision-making and establish a starting point for setting financial policies.

By using 10 years of audited data, trend analysis answers several questions:

1. How fast is an indicator changing and in which direction?
2. How does one trend compare to another and is there a correlation?
3. How do our trends compare to local or regional trends?
4. How can we effectively use the results for planning, budgeting and policy making?

HOW TO USE THIS REPORT

10-year trends in operating position, revenues, expenditures, debt and capital, and service levels are compared to population, inflation, other similar entities, or benchmarks. Many of the indicators are adjusted for inflation and population to control for growth in these areas. This conversion is standard in financial trends analysis.

The format for analysis of each indicator is as follows:

1. Graphical presentation of the indicator's trend
2. Formula for computing and interpreting the indicator
3. Analysis of the 10-year trend
4. Fiscal and operational strategies which may recommend policy development, revenue reform, or productivity improvements.

The definitions for the trend indicators are as follows:

Positive – The trend is positive and the indicator meets any policy or performance measures set by the City.

Watch – The trend is uncertain. The indicator should be watched carefully because it may move in a direction that could have a negative impact on the City's financial health.

Negative – The trend is negative. The indicator does not meet policy or performance measures set by the City. Corrective action should be considered.

Scorecards

The results can be organized into customized “scorecards” to give management, policymakers, and stakeholders a variety of ways to analyze results. The following provide three examples.

The first scorecard evaluates 17 “core” indicators—those indicators considered to be the most fundamental snapshot of financial condition. Of these, 7 are positive or not rated, 3 are watch, and 7 are negative.

Core Indicators

Not Rated	4
Population	
Per Capita and Median Household Income	
Employment	
Property Value	
Positive	3
Property Tax Per Capita	
Franchise Fees Per Capita	
Salaries & Benefits as a Percent of Operating Expenditures	
Watch	3
Operating Revenue Per Capita	
Sales and Use Tax Per Capita	
Capital as a Percent of Total Expenditures	
Negative	7
Structural Balance	
Unreserved Operating Fund Balances	
Earnings Tax Per Capita	
Operating Expenditures Per Capita	
Fringe Benefits as a Percent of Personnel Costs	
Debt Service as a Percent of Operating Expenditures	
Annual Pension Payments	
Grand Total	17

Scorecards

The second scorecard looks at all 48 indicators organized per the ICMA’s financial indicators. Environmental scan indicators evaluate community needs and resources and are not rated. Operating Position indicators look at reserves and liquidity. Revenue indicators are evaluated for growth, flexibility, and diversity. Expenditure indicators are evaluated for growth, efficiency, and effectiveness. Long-term Liabilities indicators evaluate unfunded future obligations. And finally, Service Level indicators assess infrastructure condition and services per client base.

ICMA Indicators

[-] Environmental Scan Indicators	8
[+] Not Rated	8
[-] Operating Position Indicators	4
[+] Watch	1
[+] Negative	3
[-] Revenue Indicators	14
[+] Positive	5
[+] Watch	6
[+] Negative	3
[-] Expenditure Indicators	10
[+] Positive	2
[+] Watch	2
[+] Negative	6
[-] Long-Term Liabilities Indicators	4
[+] Negative	4
[-] Service Level Indicators	8
[+] Positive	4
[+] Watch	3
[+] Negative	1
Grand Total	48

The majority of Service Level indicators are rated positive. The exceptions are infrastructure condition assessments. All long-term liabilities indicators are rated negative. Of the remaining indicators, Operating Position, Revenue, and Expenditures, 75% are rated watch or negative.

Scorecards

The third scorecard organizes all 48 indicators per the GFOA *Financing the Future* report. Sufficiency describes the City’s ability to obtain resources adequate to provide planned service levels. Flexibility refers to the City’s ability to adapt its fiscal structure to changing conditions and match resources to needs. Vitality refers to the ability of the City’s economy to provide revenues to meet demand. Demand is a match between the services provided and what citizens consider to be adequate levels. Equity (taxpayer burdens) and Political Environment are not part of the FTMS but will be addressed by other planning processes.

GFOA Indicators

Economic	3
+ Not Rated	3
Sufficiency	25
+ Positive	6
+ Watch	8
+ Negative	11
Flexibility	10
+ Positive	2
+ Watch	2
+ Negative	6
Demand	5
+ Positive	3
+ Watch	2
Vitality	5
+ Not Rated	
Grand Total	48

Economic and Vitality indicators are not rated and no Demand indicator is Negative. Over 75% of Sufficiency indicators are rated Watch or Negative and 80% of Flexibility indicators are rated Watch or Negative.

Snapshot & Table of Contents

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Environmental Scan *Current Year* *Prior Year*

8	Population	N/A
9	Population Density	N/A
10	Per Capita and Median Household Income	N/A
11	Percent Population Below Poverty	N/A
12	Employment	N/A
13	Property Value	N/A
14	Building Permits	N/A
15	Crime Rate	N/A

Operating Position Indicators *Current Year* *Prior Year*

16	Structural Balance	<input checked="" type="checkbox"/>
17	Unreserved Operating Fund Balances	<input checked="" type="checkbox"/>
18	Operating Surpluses (Deficits)	<input checked="" type="checkbox"/>
19	Liquidity	<input type="checkbox"/>

Revenue Indicators *Current Year* *Prior Year*

20	Revenue Pie Graphs	<input checked="" type="checkbox"/>
21	Operating Revenue Per Capita	<input type="checkbox"/>
22	Restricted and Renewable Revenues	<input checked="" type="checkbox"/>
23	General Fund Revenue Estimation Error	<input type="checkbox"/>
24	Sales Tax Revenue Estimation Error	<input checked="" type="checkbox"/>
25	Tax Redirections	<input type="checkbox"/>
26	Earnings Tax Per Capita	<input checked="" type="checkbox"/>
27	Sales Tax Per Capita	<input type="checkbox"/>
28	Property Tax Per Capita	<input checked="" type="checkbox"/>
29	Franchise Fees Per Capita	<input checked="" type="checkbox"/>
30	Tourism & Leisure Per Capita	<input type="checkbox"/>
31	Business License Per Capita	<input checked="" type="checkbox"/>
32	Service Charges as a Percent of Total Revenue	<input type="checkbox"/>
33	Intergovernmental as a Percent of Total Revenue	<input checked="" type="checkbox"/>

Snapshot & Table of Contents

Page No.

Expenditure Indicators *Current Year* *Prior Year*

34	Expenditures Pie Graphs	<input checked="" type="checkbox"/>
35	Operating Expenditures Per Capita	<input checked="" type="checkbox"/>
36	Expenditures by Outcome Per Capita	<input checked="" type="checkbox"/>
37	General Fund Expenditure Estimation Error	<input checked="" type="checkbox"/>
38	Salaries & Benefits as a Percent of Op Exp's	<input checked="" type="checkbox"/>
39	Personnel costs per FTE	<input type="checkbox"/>
40	Fringe Benefits as a Percent of Personnel Costs	<input checked="" type="checkbox"/>
41	Capital as a Percent of Total Exp's	<input type="checkbox"/>
42	Outstanding Debt as a Percent of Market Value	<input checked="" type="checkbox"/>
43	Debt Service as a Percent of Operating Exp's	<input checked="" type="checkbox"/>

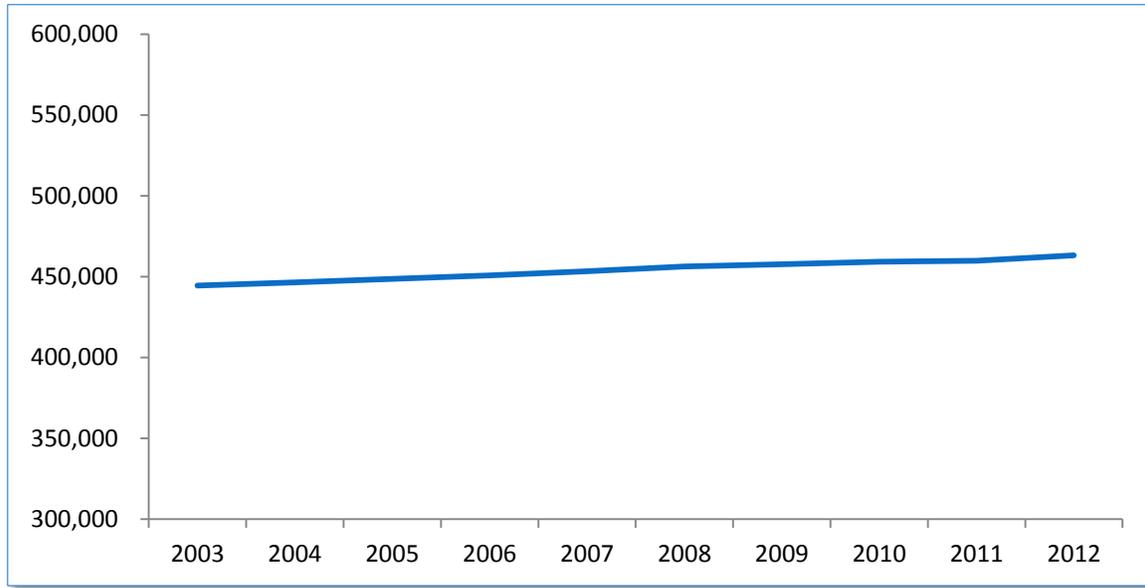
Long-Term Liabilities *Current Year* *Prior Year*

44	Pension Funding Ratio Non-Uniform	<input checked="" type="checkbox"/>
45	Pension Funding Ratio Uniform	<input checked="" type="checkbox"/>
46	Annual Pension Payments	<input checked="" type="checkbox"/>
47	Other Post-Employment Benefits (OPEB)	<input checked="" type="checkbox"/>

Service Level Indicators *Current Year* *Prior Year*

48	Non-Uniform Per Capita	<input type="checkbox"/>
49	Administrative Overhead	<input checked="" type="checkbox"/>
50	Police Per Capita	<input type="checkbox"/>
51	Fire Per Capita	<input checked="" type="checkbox"/>
52	Overall Pavement Condition Index	<input checked="" type="checkbox"/>
53	Overall Bridge Condition Index	<input type="checkbox"/>
54	Overall Streetlight Condition Index	<input checked="" type="checkbox"/>
55	Parkland Square Footage Per Capita	<input checked="" type="checkbox"/>

Population*



Description

Changes in population can directly affect the City budget, impacting tax collections and cost of services. An increasing population is generally considered positive. Because of the interrelationship of population levels and other economic and demographic data and the high percentage of fixed costs within the city budget, a decline in population is a warning trend. Rapid increases or decreases are also warning trends, as timely reaction to extreme and sudden change can be difficult. The composition of the City's population, including population under 18 and over 64, and the percent of high school and college graduates, can be important measures of community assets and liabilities. Subcomponents of population will demand, draw upon, and provide funding for city services in very different ways.

Analysis

Kansas City's population has grown a total of 4.2% over the past ten years. Much of the growth is concentrated towards the northern, southern, and eastern City limits, with expectations for more growth as those areas continue to develop. Population increases in the downtown area should continue as the City invests in housing with new dwelling units planned for the immediate vicinity in and around the Central Business District. Population losses in the central, urban core of the City, as well as older sections north of the river, continue a trend of the past several decades. The percent of population under 18 and over 64 declined slightly between the two census periods of 2000 and 2010. The current ratio of 35.2% falls below state and national numbers of 37.8% and 37.0%, respectively. The percent of population 25 and older with a college education is 29.6%, higher than the state (25%) and national ratios (27.9%).

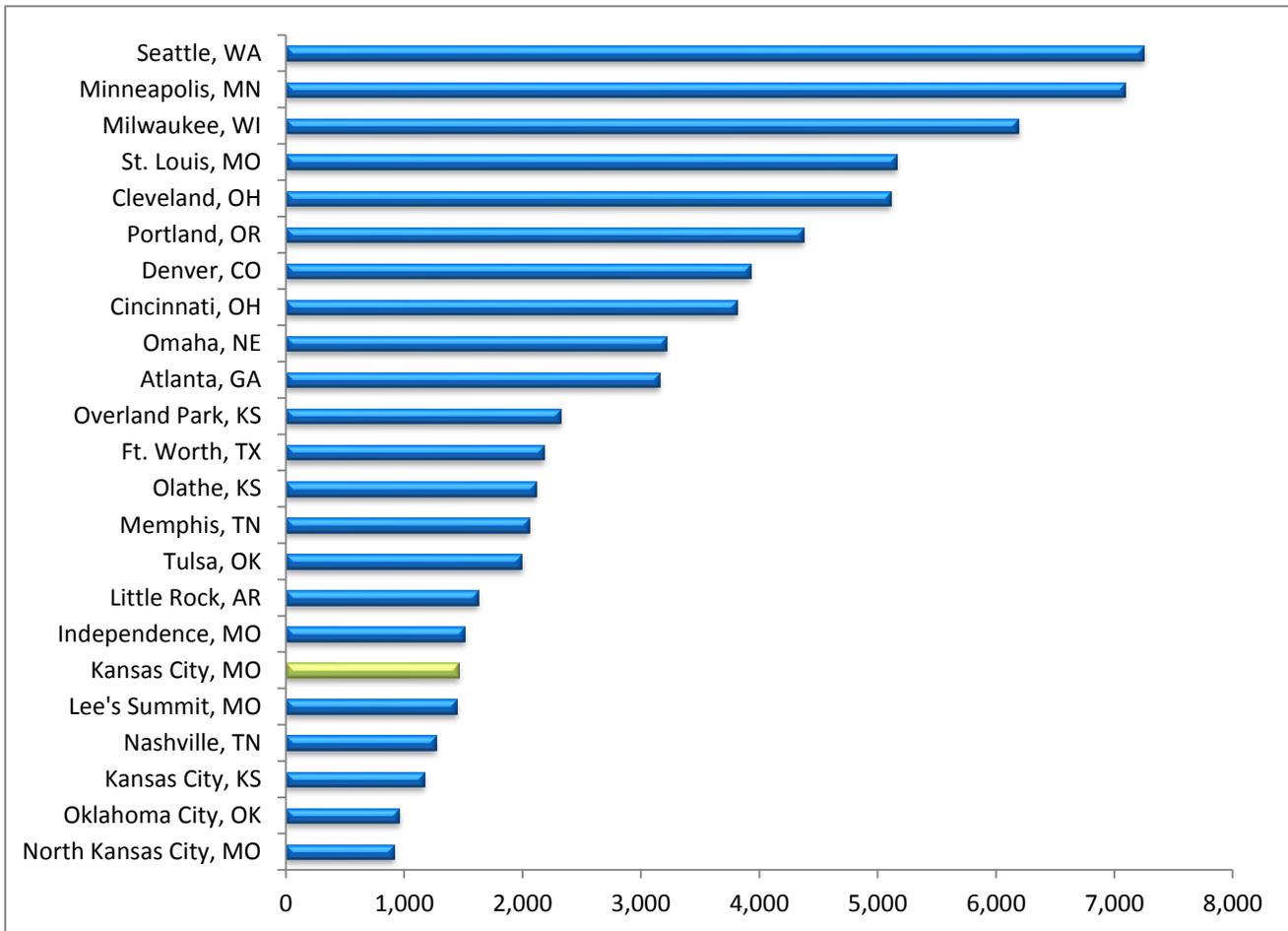
Fiscal & Operational Strategies

1. Monitor change, composition (i.e., age and education levels), and location of the City's population to determine the cost of serving residents and the revenues contributed through taxes.

Source: Census Bureau & City Planning and Development Department

* based on proportional net change in dwelling units between the 2000 and 2010 Censuses

Population Per Square Mile



Description

Population per square mile or population density, is one condition that affects the cost of providing public services. A City with compact boundaries and high population density can provide street maintenance and fire and police protection for less cost per household than if that same population is spread out over twice as much land area. Extremely high densities often lead to higher costs as well, a function of the extra burden of social problems in densely populated central cities.

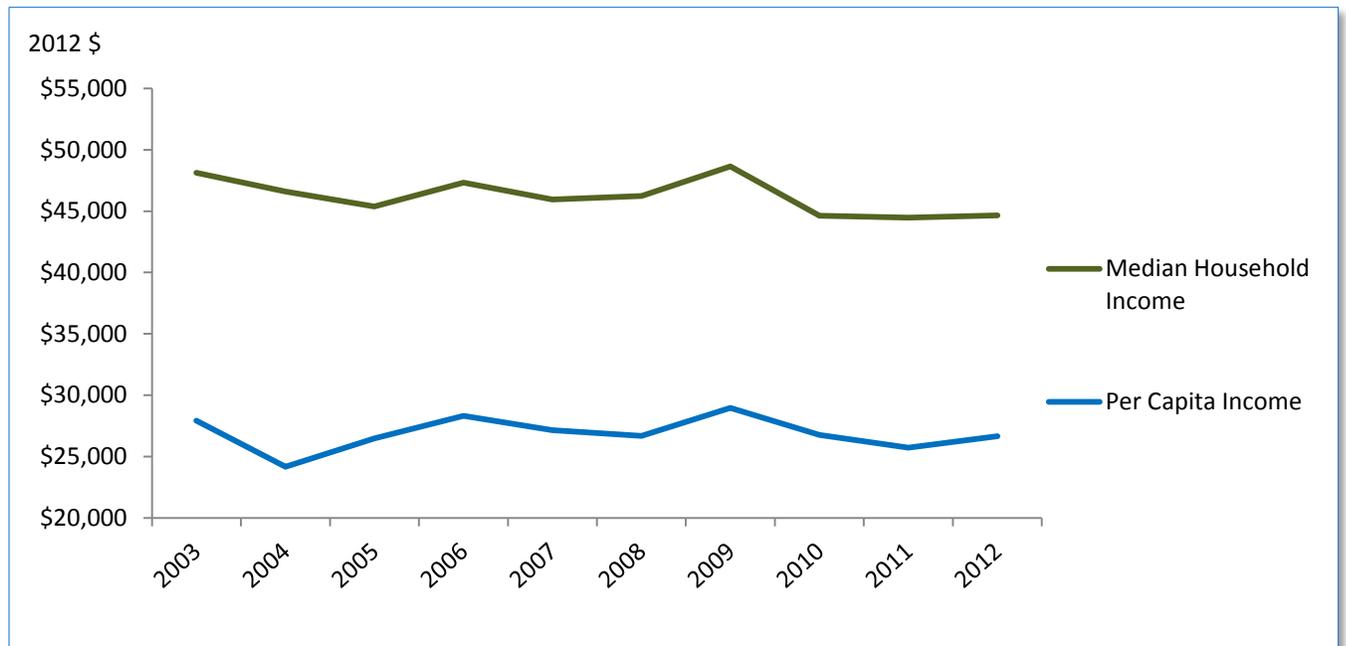
Analysis

With nearly 75% of the General Fund budget dedicated to Fire, Police and Courts, and Public Works, exploiting ways to export costs and import revenues from non-residents is essential for Kansas City's long-term fiscal stability. Compared to peer cities, Kansas City has far fewer residents to pay for road miles, pipes, sewers, and police and fire protection.

Source: 2012-13 Adopted Budget, 2010 Census

Income

Adjusted for Inflation



Description

Income per capita and median household income are two measures of a community's ability to pay taxes. Generally, the higher the income levels, the more property taxes, sales taxes, income taxes, and business taxes the City can generate. If income is distributed evenly, a higher per capita income may mean a lower dependency on governmental services. A decline in per capita and household income results in a loss of consumer purchasing power that in turn hurts retail business and can ripple through the rest of the local economy. Credit rating agencies use per capita personal income as a measure of the health of the local economy.

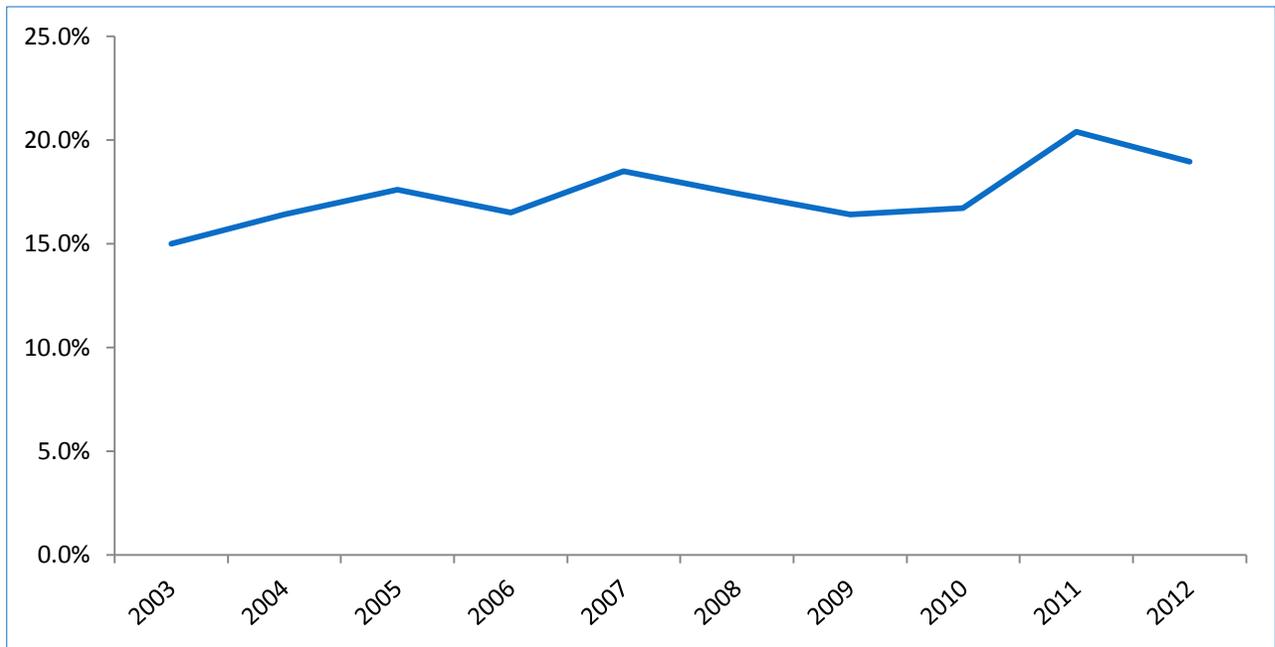
Analysis

At \$27,000, the City's per capita income is slightly higher than the nationwide median for Aa-rated cities as reported by Moody's Investors Service. Income indicators are important for the City because of their relationship to sales and earnings taxes, the City's two largest single sources of revenue. Current median household income is \$44,648.

The City's per capita and household income have not kept pace with inflation and have declined in real terms 5% and 7%, respectively, since fiscal year 2003. Income rebounded in fiscal year 2009 back to 2003 levels, but gains were quickly lost as a result of the economic downturn. Since 2010, income has kept pace with, and in the most recent year, slightly exceeded inflation.

Source: American Community Survey 1 year estimates

Percent of Population Below Poverty



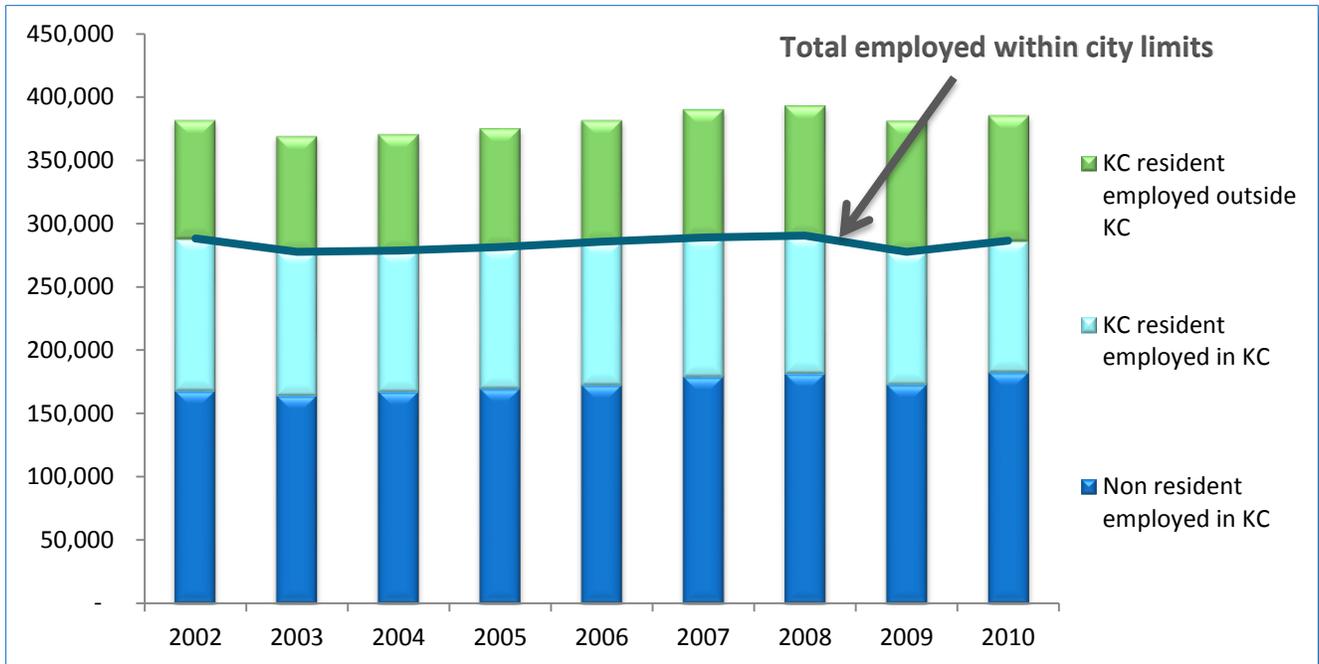
Description

Aggregate income changes may not capture important changes in the distribution of income. An increase in the proportion of poverty households can signal a future increase in the level and unit cost of some services because poverty exacerbates issues related to public safety, educational performance, and numerous other community dynamics.

Analysis

The percent of individuals below poverty peaked in 2011 to over 20%. The lowest level for this indicator over the ten year period occurred in 2003 at 15%. The current estimate of 18.9% remains well above this, and above state and national measures of 14%. As with measures of personal income, an increase in the number of public assistance recipients can signal a future increase in the level and unit cost of services.

Employment Composition



Description

Employment base is directly related to business activity and personal income. A growing employment base provides a cushion against short run economic downturns in one sector. Both of these factors will have a positive influence on the local government's financial condition. A reduced percentage of employed citizens can be an early sign of an economic downturn, which would likely have a negative impact on government revenues. Credit rating agencies consider the employment base the primary measure of a City's ability to attract future economic growth and viability.

Analysis

The earnings tax is the single largest revenue source for the City, and collections are a direct function of employment levels. Kansas City's total employment declined 4% in 2003 and 4% again in 2009 but has remained fairly stable otherwise, ranging between 280,000 and 290,000. Employment in 2010 of 286,651 is slightly above the nine year average.

Kansas City collects earnings tax on all persons working within the City limits, but also on every resident, regardless of where they work. That brings the total taxable employees to over 380,000. The tax base is almost evenly divided between residents and non-residents.

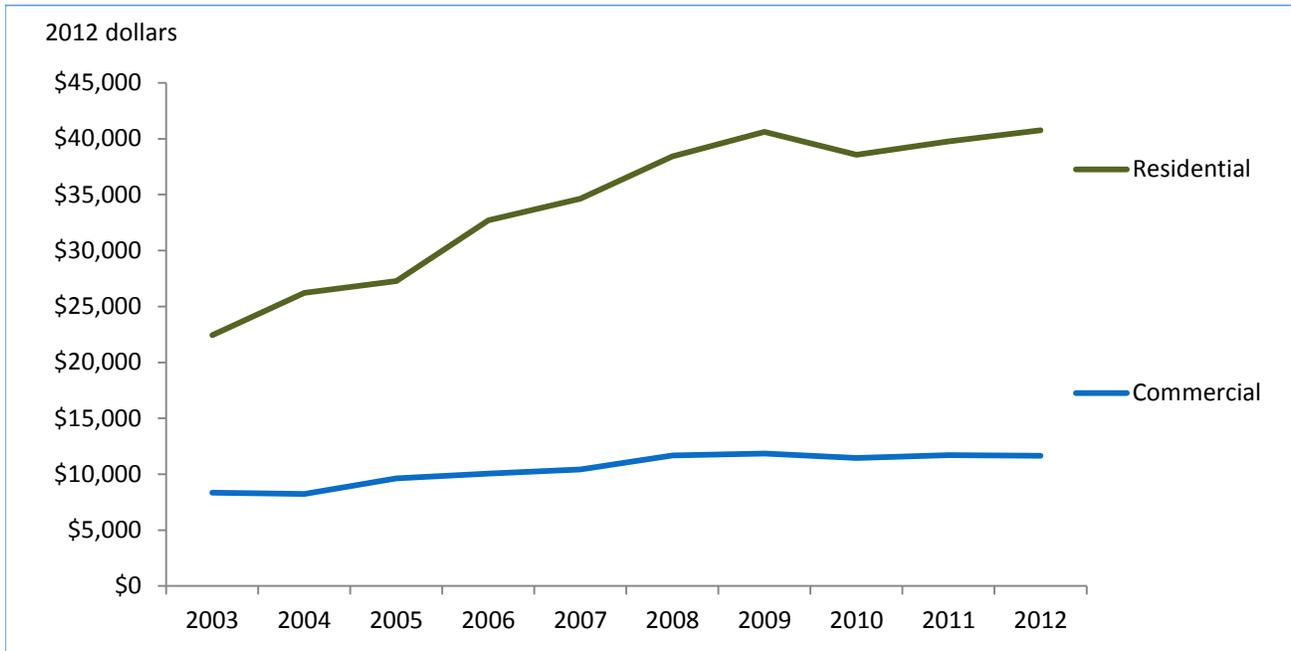
Fiscal & Operational Strategies

1. Monitor employment trends by major sector.

Source: U.S. Census Bureau - Longitudinal Employer-Household Dynamics

Market Value of Taxable Real Property Per Capita

Adjusted for Inflation



Description

Property value is an important indicator of the health of the local economy. Population increases and economic growth can increase property values as demand drives prices up. A decline in property value is a warning trend, as credit rating agencies review the property tax base to assess the financial health and debt capacity of a city.

Analysis

Real property values have grown faster than inflation and population since fiscal year 2003. Despite the economic downturn, property values in Kansas City have remained relatively stable since fiscal year 2009. Furthermore, Missouri's Hancock Amendment limits both revenue windfalls and shortfalls. The maximum levy rates are allowed to increase by the lesser of the Consumer's Price Index or assessed value growth, not including new construction or a new voter approved levy increase. As a result, property tax revenue is mostly stable: when market value increases, levy rates are adjusted down; when market value decreases, levy rates are adjusted upward.

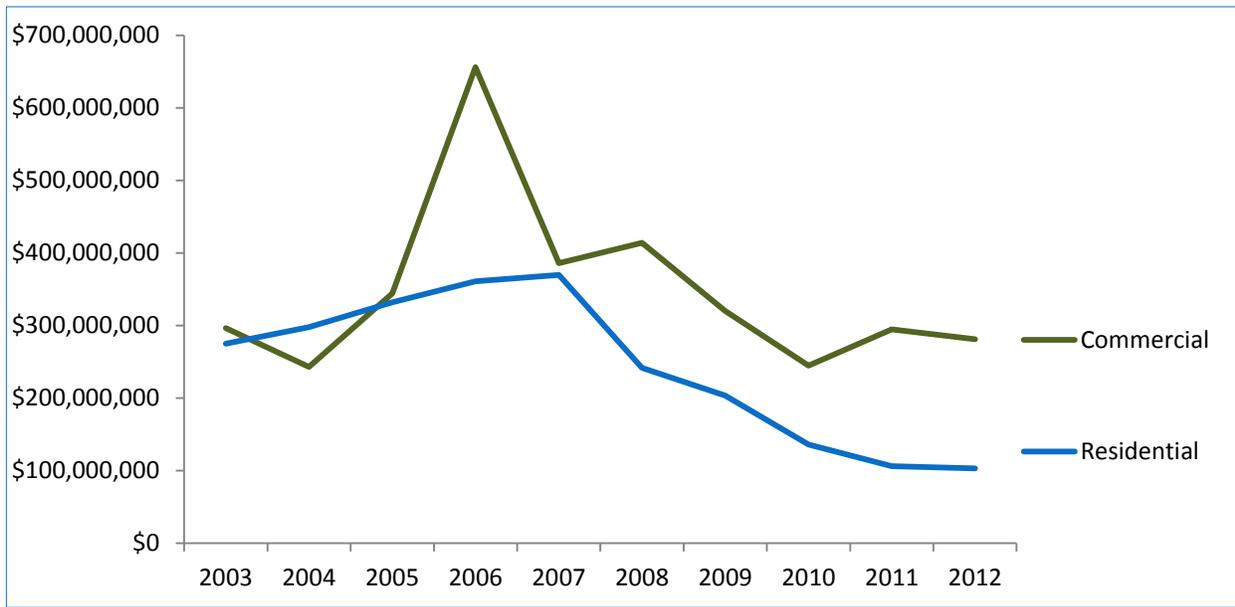
At \$52,600, the City's full value per capita is about one third of the \$155,000 nationwide median for Aa-rated cities as reported by Moody's Investors Service.

Fiscal & Operational Strategies

1. Conduct an annual analysis to track changes in assessed value by type (real or personal) and by class (residential or commercial), as well as the breakdown of the growth between reassessment and new construction.

Building Permit Valuation

Adjusted for Inflation



Description

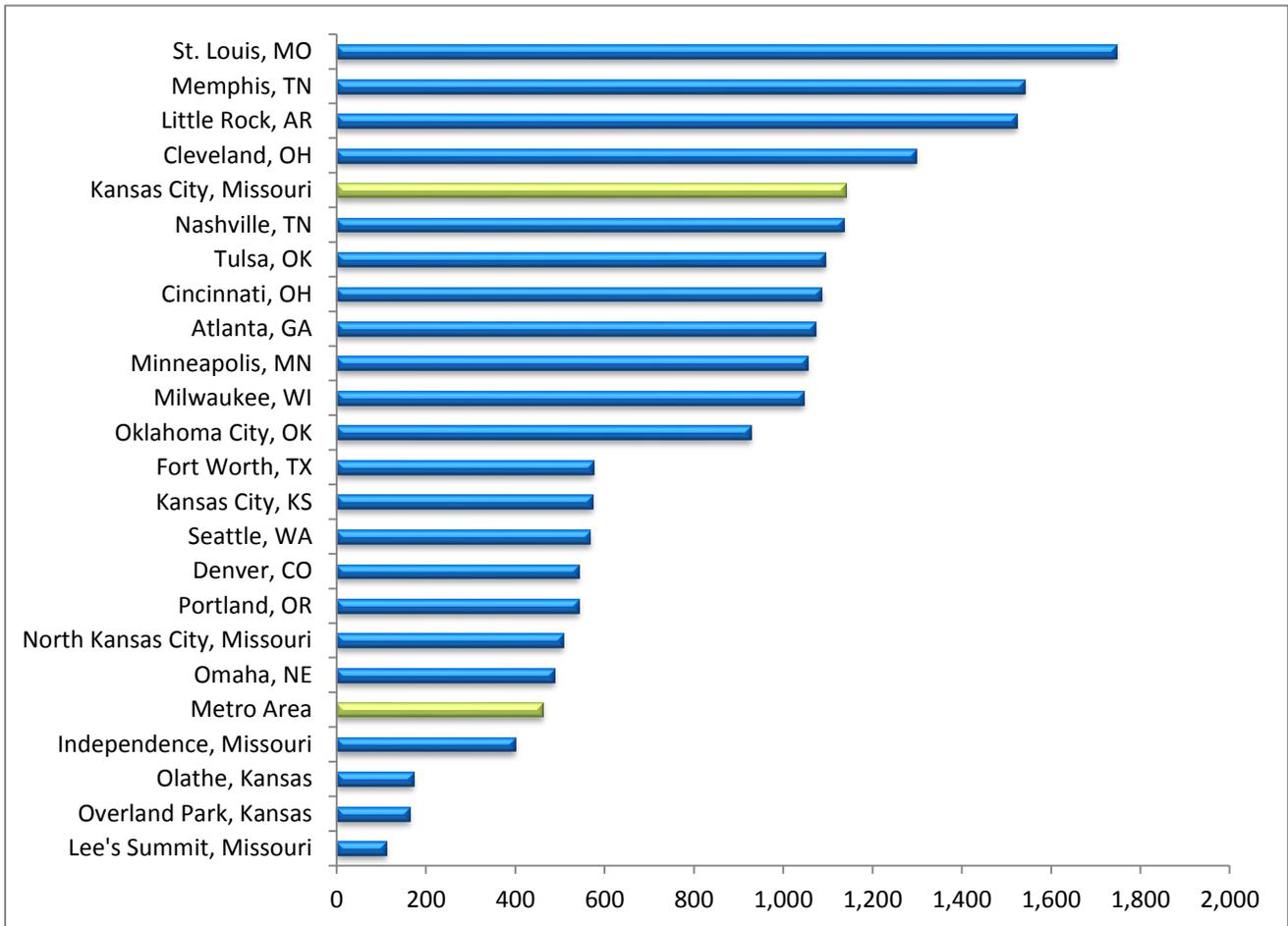
Building permits are an important measure of, and leading indicator for, economic activity. If commercial and residential growth are occurring, other revenue sources will grow positively as well.

Analysis

Commercial building permits spiked in fiscal year 2006 due to a focused investment in downtown Kansas City. However, since fiscal year 2007 residential and commercial building permit valuations have decreased significantly, down 72% and 27%, respectively.

Source: City Planning and Development Department

2010 Violent Crime per 100,000 Population



Description

Crime rate captures a negative aspect of a community that can affect its present and future economic development potential. The crime rate also measures demand on public services in the form of public safety expenditures. A rising crime rate, in extreme circumstances, can jeopardize the long-term health of the community by driving away existing businesses, discouraging new business, and straining the local government's budget with increased expenditures.

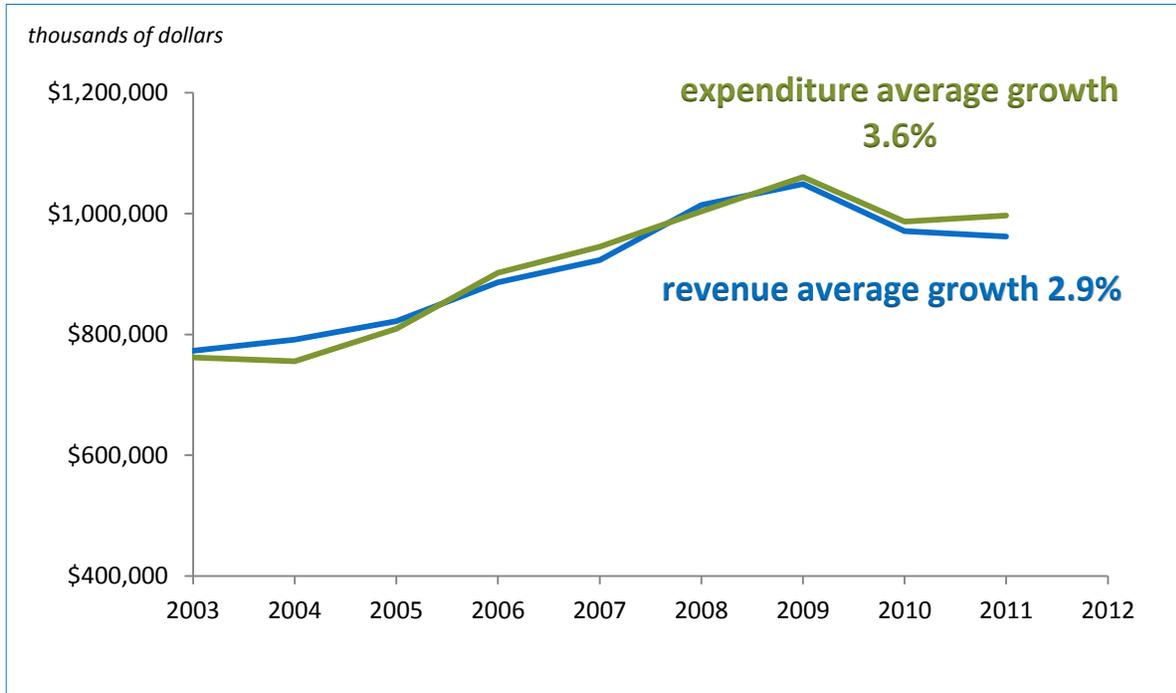
Analysis

With nearly half of the General Fund budget dedicated to Police and Courts, monitoring this trend and considering it in forecasts of future expenditures is essential. The number of violent crimes per 100,000 inhabitants in Kansas City is well above the metro average, the Midwest regional average, and other cities in the metro area, but is comparable to other central cities.

Source: FBI

Structural Balance

Operating Funds



Description

Structural balance compares total sources of funds and total uses of funds. Managing for structural balance guarantees services promised today can be funded tomorrow. A decreasing gap of revenues greater than expenditures, or an increasing gap of expenditures greater than revenues is a warning trend. A significant and continued gap of revenues greater than expenditures may indicate a tax burden inconsistent with service levels and is also a warning trend. Recommended practices suggest a budget is structurally balanced when the following conditions are met: current expenditures equal current revenues, adequate reserves are maintained, revenue growth is equal to or greater than expenditure growth, and capital maintenance expenditures are not deferred. Operating Funds include General, Special Revenue and Capital Improvements Funds.

Analysis

Negative Trend. Average expenditure growth over the ten year period exceeds average revenue growth, often requiring the use of fund balance to achieve a balanced budget as required by State statute and City charter. Revenues declined significantly during the recent recession, forcing the City to make significant cuts to expenditures that were more reactionary than strategic. The City will monitor spending patterns and revenue collections through the annual budget, in conjunction with a newly developed forecast model.

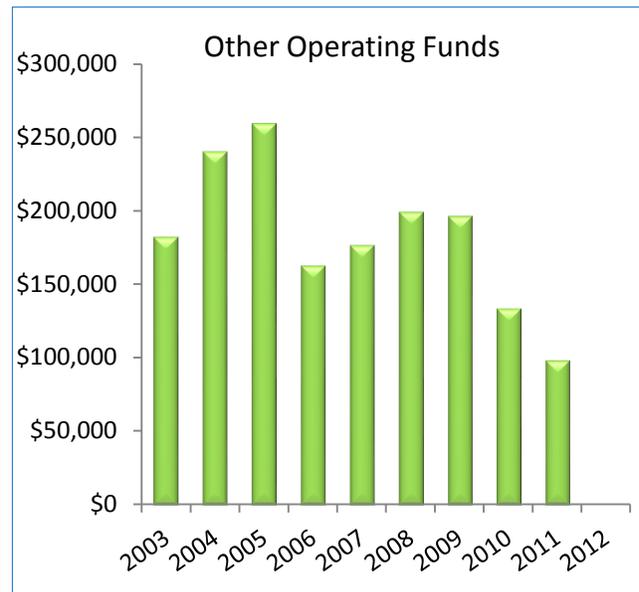
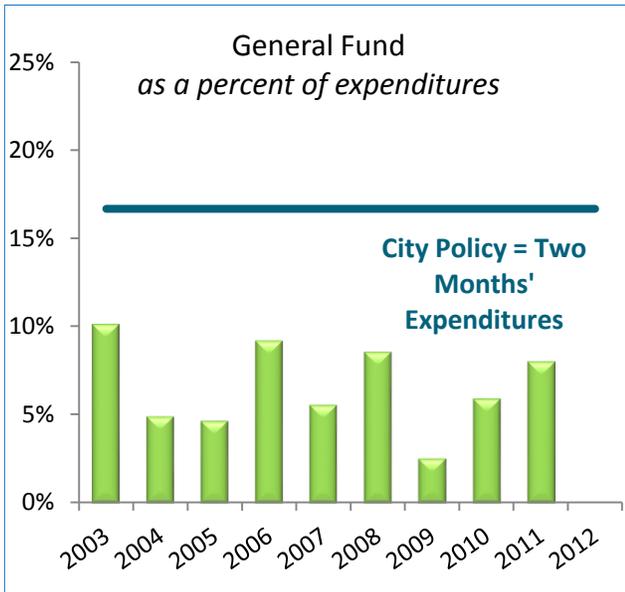
Fiscal & Operational Strategies

1. Annually update the Financial Trends Report.
2. Continue to integrate the Strategic Fiscal Planning Model with the budget to show the five-year impact of current policies, service levels and council priorities.
3. Identify infrastructure maintenance requirements to maintain acceptable condition ratings.



Negative Trend

Unreserved Fund Balance-Operating



Description

The financial health of the City is partly determined by the level of fund balances available to cushion revenue shortfalls caused by economic downturns, emergencies, or uneven cash flows. A declining fund balance is a warning trend and may indicate the City is in financial distress. An insufficient level of balance is also a warning trend. To determine the appropriate level of reserves, a government should analyze the elasticity of the revenue base, the level of insurance it maintains, the reliance upon intergovernmental revenues, the likelihood and magnitude of natural disasters, and the government's liquidity and ability to borrow. Operating funds include General, Special Revenue, and Capital Improvements Funds.

Analysis

Negative Trend. General Fund unreserved fund balance remains below the City's policy of two months' expenditures and below the 18% national median for cities as reported by Moody's Investors Service for 2010. The 2012 report by the Citizens' Commission on Municipal Revenue stated, "Given an ambitious plan to issue significant additional debt over the next few years, the City will need to show credit rating agencies a plan to maintain or improve its reserves. The City's stated goal of two months should be considered a minimum threshold. The City should strive to increase its General Fund balance by at least 1% per year until it reaches three months or 22%, thereby bolstering its case for AAA rating consideration."

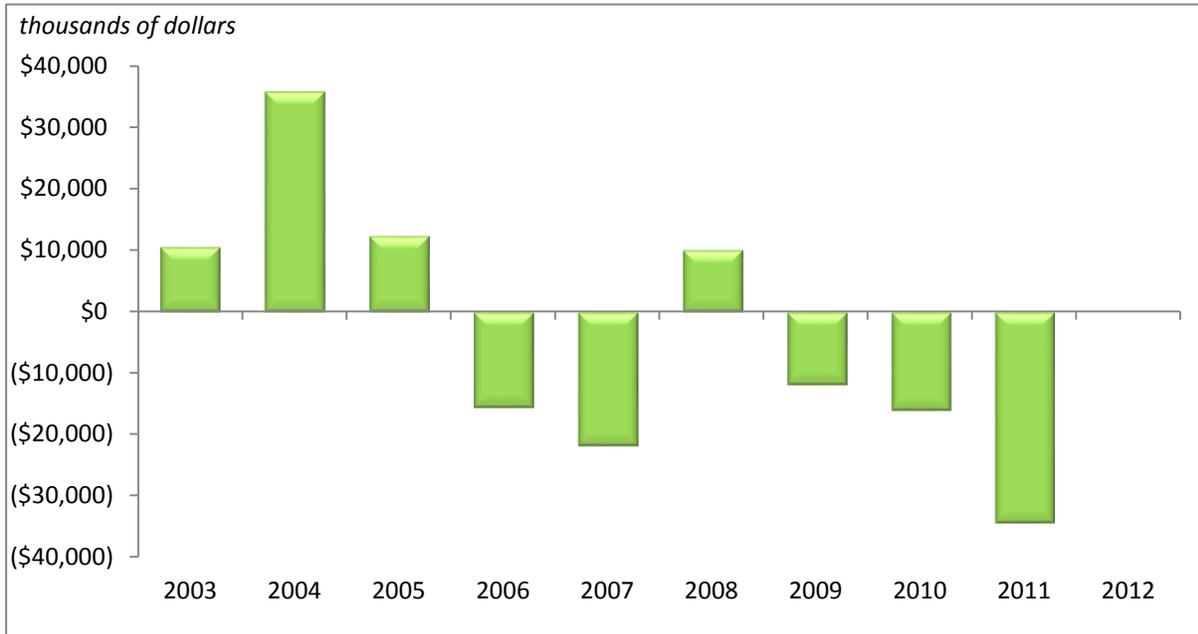
Fiscal & Operational Strategies

1. Continue to integrate the Strategic Fiscal Planning Model with the budget to show future compliance with the adopted fund balance and reserves policy.
2. Utilize the model to prioritize and implement City goals while complying with the fund balance and reserves policy.



Negative Trend

Surpluses (Deficits)-Operating Funds



Description

Operating deficits may occur because an emergency requires a large immediate expenditure, or because revenues and expenditures are difficult to predict. Frequent and/or increasing deficits are warning trends. Large deficits may reflect a revenue structure that cannot support current service levels. Credit rating agencies consider the following occurrences to be warning trends: two consecutive years of operating deficits, a current deficit greater than the previous year, deficits in two or more of the last five years, or an abnormally large deficit (greater than 10 percent of revenues) in any one year. Funds include General, Special Revenue, and Capital Improvements Funds.

Analysis

Negative Trend. The City has incurred deficits in five of the last nine years. However, none of the deficits over the last ten years are greater than 4% of revenues.

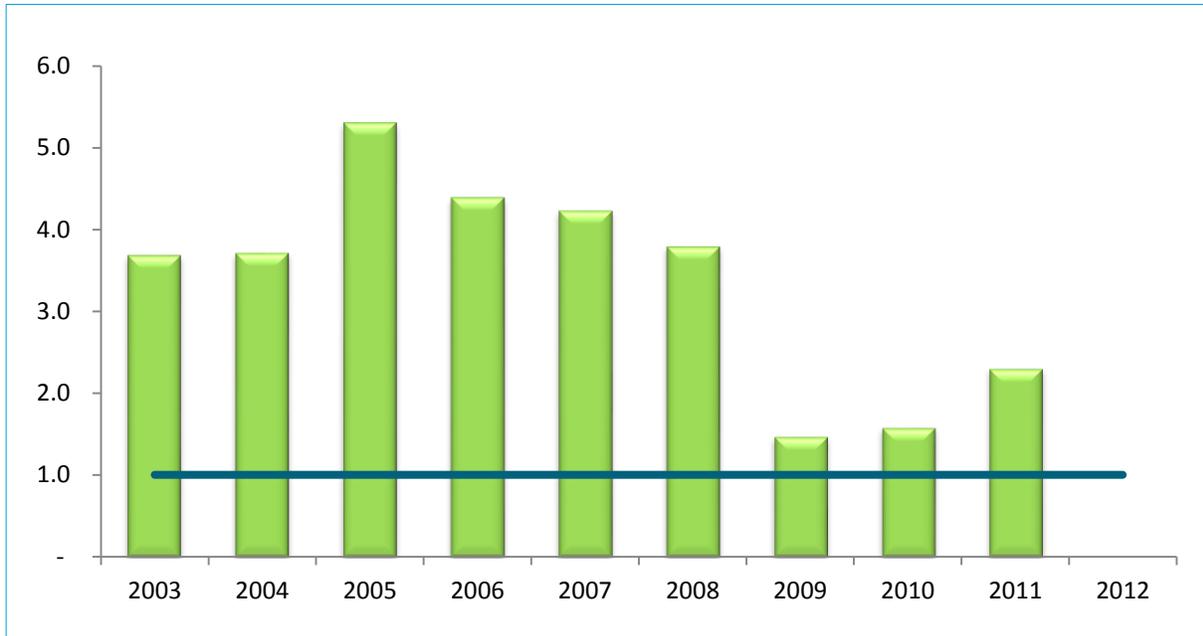
Fiscal & Operational Strategies

1. Evaluate structural balance.



Negative Trend

Liquidity



Description

Liquidity is a measure of the City's short-run financial condition: the ability to pay bills in a timely manner. A 1:1 ratio of cash and short term investments to current liabilities means the City has enough cash on hand to cover accounts payable and other liabilities due within one year. A low or declining ratio is a warning trend and may indicate the City is overextended in the long run. This measure is calculated for all Governmental Activities.

Analysis

Watch Trend. Liquidity declined in 2009, partially due to two consecutive years of flat or declining overall revenue growth, a function of a weakened economy. An accounting change for the recording of variable rate debt also impacted this ratio after 2009. The City's adjustment to expenditures combined with a recent revenue rebound has led to improved liquidity. The City has formally adopted its long established cash management and investment policies and procedures to manage cash effectively and protect against insolvency throughout the year.

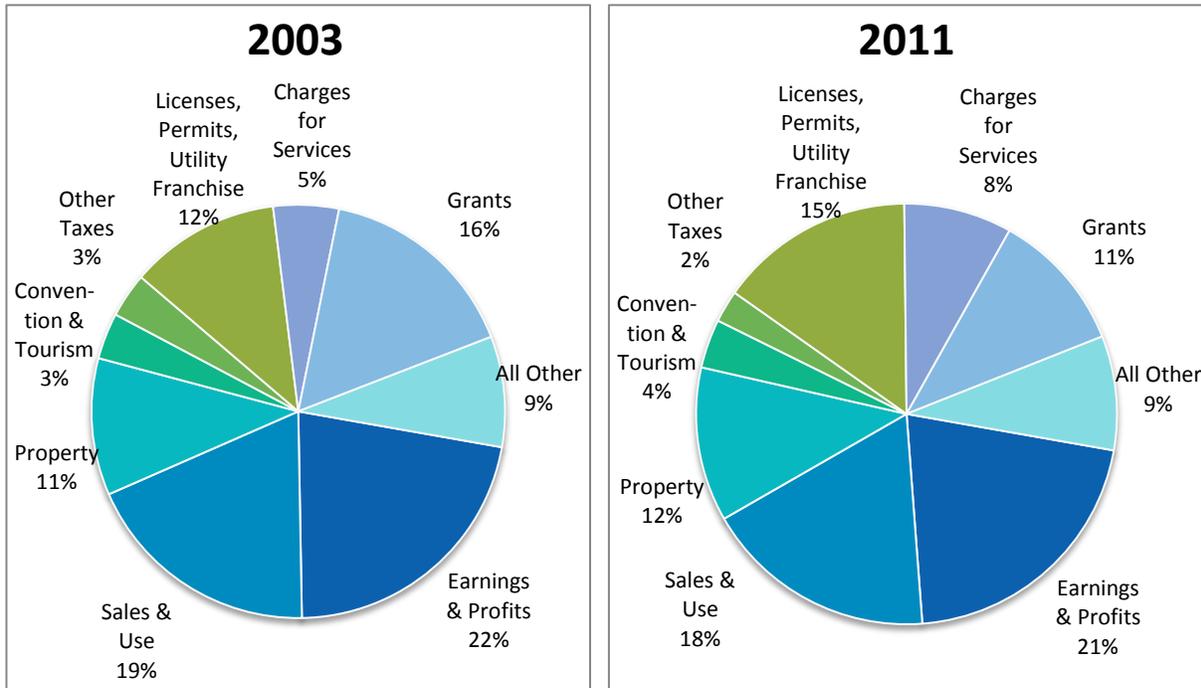
Fiscal & Operational Strategies

1. Evaluate structural balance.
2. Continue to conduct monthly cash flow analyses to ensure a prudent and optimal investment mix.



Watch Trend

Revenues By Source



Description

The trend and distribution of revenues can be used to analyze the City's capacity to provide services. Revenues should be free from spending restrictions to allow adjustments to changing conditions. They should be balanced between sources that fluctuate with the economy (elastic) and sources that do not (inelastic). Revenue sources should also be diversified so they are not overly dependent on one sector or one tax base, or external funding sources such as federal grants.

Analysis

Positive Trend. Earnings and Sales and Use tax collections continue to be the most important sources of revenue in the City's diversified revenue base. Charges for Services and Franchise Taxes have grown faster than other revenues, and together now represent almost 25% of the total. The City has successfully increased reliance on own source revenue in the face of declines in intergovernmental resources.

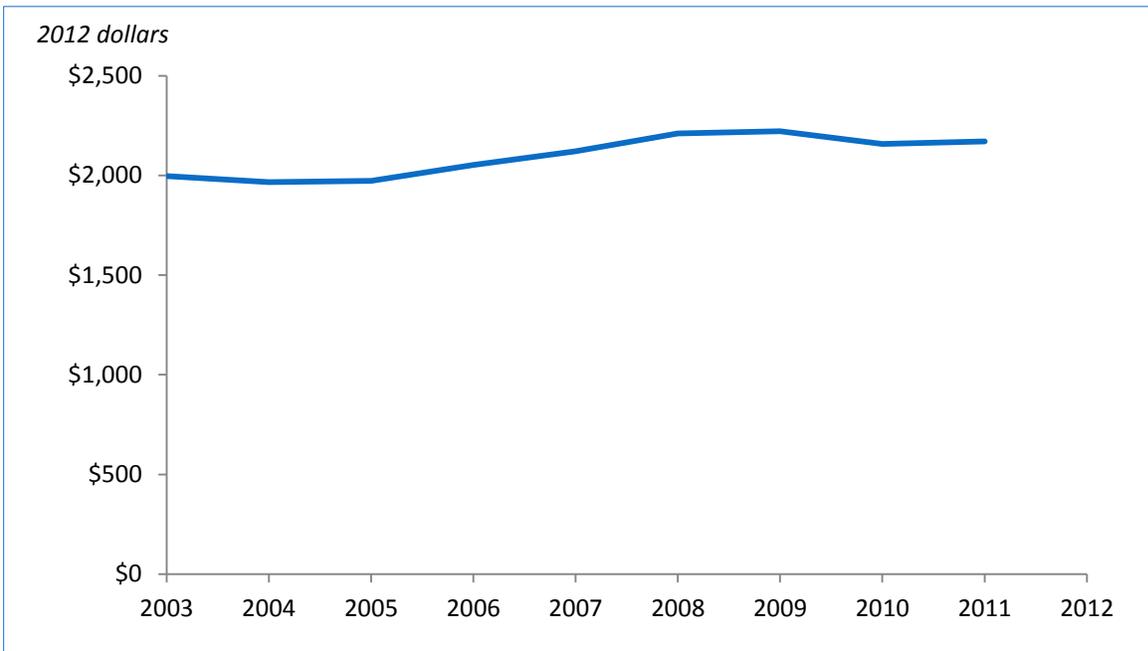
The City relies upon a variety of sources and no single one provides more than a quarter of total revenues. This diversity is a major factor for reliability—revenues are mostly stable, protected from extreme fluctuation, and prior to the recent recession, overall growth was generally strong. Major taxes are efficient to administer, costing about one cent per dollar collected. Property taxes are relatively low, and a majority of other revenues are partially paid by non-residents using City services, easing the overall burden on Kansas City's taxpayers.



Positive Trend

Operating Revenue Per Capita

Adjusted for Inflation



Description

Revenues should grow enough each year to offset those factors which increase service costs: inflation and population growth. Ideally, real per capita revenues should remain constant over time. Declining real per capita revenues indicate a warning trend and may reflect a weak local economy, high tax delinquencies, or a reliance on revenues which do not grow with the economy. Real per capita revenues that are increasing may also be a warning trend if the increases reflect non-recurring revenues, increasing tax burdens, or expenditure pressures from new development. Includes revenues from General, Special Revenue, and Capital Improvements Funds.

Analysis

Watch Trend. Between 2006 and 2009 revenues grew faster than increases in population and inflation, largely due to strong growth in earnings taxes and additions to the utility franchise tax base.

Fiscal & Operational Strategies

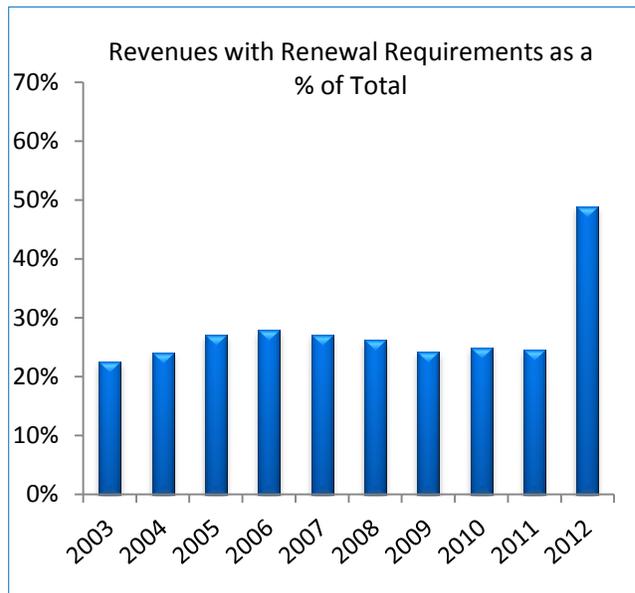
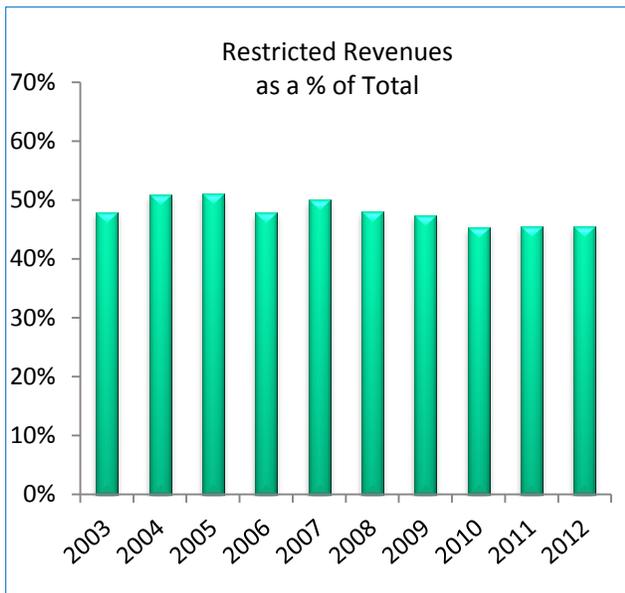
1. Identify and monitor factors which influence future revenue growth.
2. Evaluate individual revenue sources to identify changing tax burdens.
3. Estimate future costs of new development.



Watch Trend

Restricted and Renewable Revenues

Operating Funds



Description

Restricted revenues are legally earmarked for a specific use, and accounted for in Special Revenue Funds. These restrictions can impact the City's flexibility to respond to changing conditions and citizen demand. Revenues with renewal requirements are not necessarily restricted, but their sunset provisions create funding uncertainties, and are especially problematic if the revenue pays for recurring operating expenses. As of 2012, revenues with renewal requirements are the property tax levy for health, all sales taxes, and the Earnings and Profits Tax. Operating funds include General, Special Revenue and Capital Improvements Funds.

Analysis

Negative Trend. Dedicated revenues have remained constant as a percent of total revenues over the ten year period, averaging about 50%. More problematic are the seven individual taxes with sunset provisions, five of which expire within the next six years. The doubling of this ratio in 2012 reflects a new statewide voter-approved requirement for earnings tax renewals every five years, a critical funding source of general operations.

Fiscal & Operational Strategies

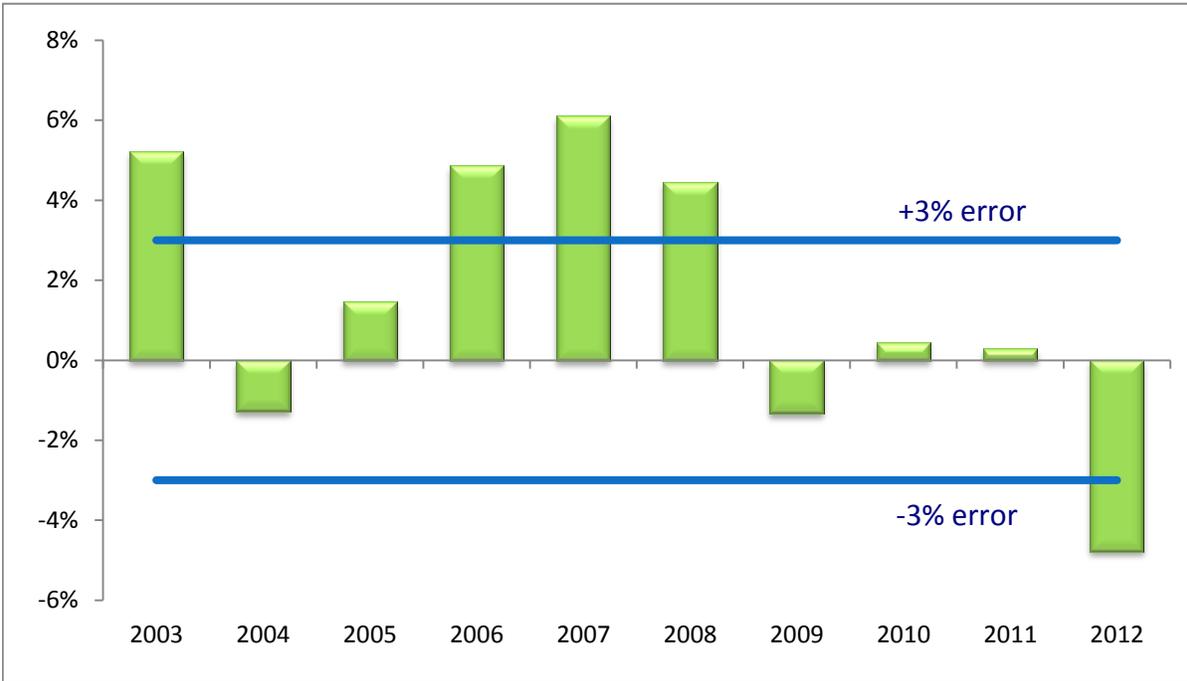
1. CCMR* recommendation: Limit both the dollar amount and number of taxes and fees subject to renewal periods of five years or less. Any newly authorized revenue stream with a sunset ideally shall not be used to fund recurring costs.
2. CCMR* recommendation: Whenever possible, the City shall not dedicate a revenue stream to a specific use or program. Dedication or earmarking of revenue streams does not allow the City to respond to changing economic conditions or service expectations and is dispositive to the City's general credit.



Negative Trend

*Citizens' Commission on Municipal Revenue

General Fund Estimation Error - Revenues



Description

Forecasts always involve error. Due to the conservative nature of municipal budgeting, actual revenues generally come in higher and expenditures generally lower than budgeted. Large errors in estimation can cast doubt on the level of the budget numbers themselves and force policymakers to face constraints that may never materialize. Revenue estimation, in particular can be difficult as isolated, one-time events can have a significant impact. Generally, estimates that are within +/- 3% of actuals are considered acceptable. For revenue estimates, a warning trend would be defined as several years of estimate errors much higher than 3%, several years of negative errors, or a pattern of increasing errors. This analysis does not include transfers in.

Analysis

Watch Trend. Revenue estimates have stayed inside the +/-3% error band in five of the last ten years but have been negative in three of those years, including the most recent year. The error in 2006 was due to significant overages of earnings tax revenue and the first full year of arena fee revenue. The error in 2007 was due to significant overages of earnings tax revenues. The error in 2008 was due to an overage in utility franchise taxes reflecting the first year of wireless collections and a significant settlement payment. Fines and Forfeitures and Utility Franchise Fees were significantly below budget in 2012, due to a change in enforcement focus and a mild winter, respectively.

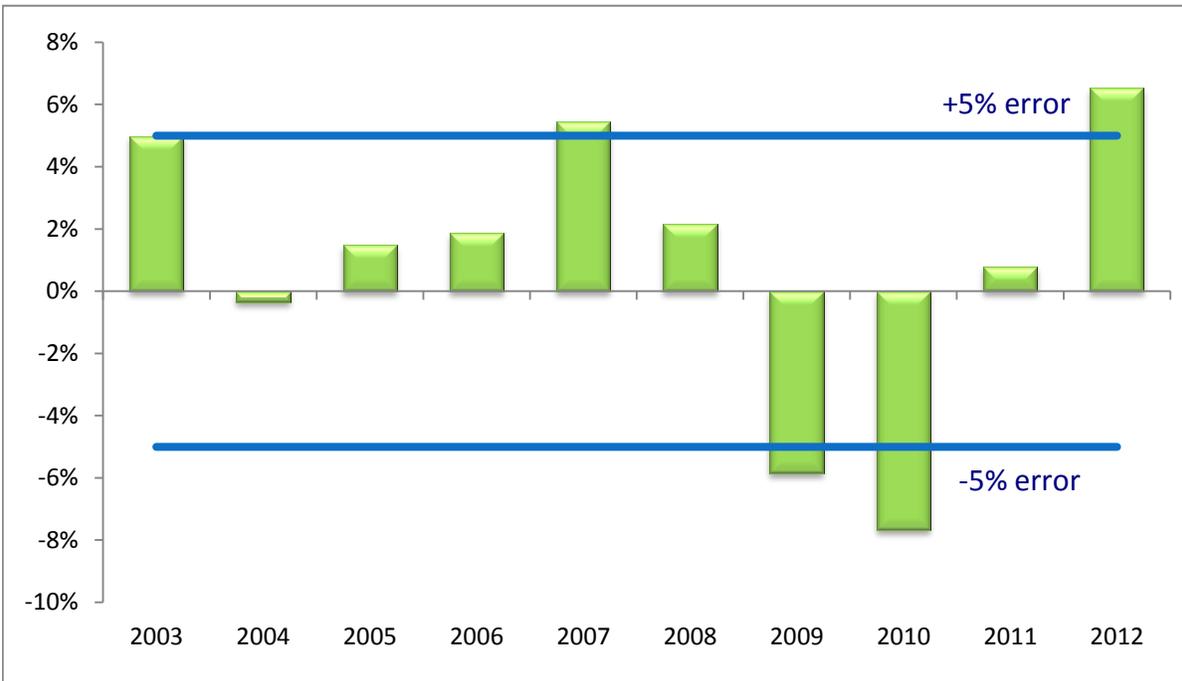
Fiscal & Operational Strategies

1. Conduct an analysis of individual taxes and test models for forecasting.



Watch Trend

Sales Tax Estimation Error



Description

Sales taxes are the City's second largest general municipal revenue, fully dedicated to specific purposes and accounted for in Special Revenue Funds. Revenue estimation, in particular can be difficult as isolated, one-time events can have a significant impact, and this elastic revenue source is very sensitive to economic fluctuations. Generally, estimates that are within +/- 5% of actuals are considered acceptable. For revenue estimates, a warning trend would be defined as several years of estimate errors much higher than 5%, several years of negative errors, or a pattern of increasing errors.

Analysis

Positive Trend. Forecasts exceeded the 5% tolerance in four of the last ten years, largely due to the difficulty of forecasting economically sensitive revenues during a recession, large refunds, and several State remittance timing issues. Because sales taxes are dedicated to specific purposes, the 2012 Citizens' Commission on Municipal Revenue recommended that these and other dedicated taxes not be used to fund recurring operating costs.

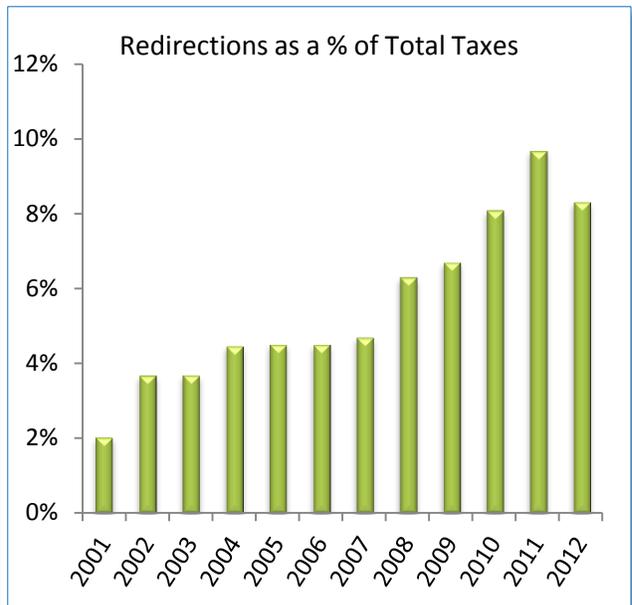
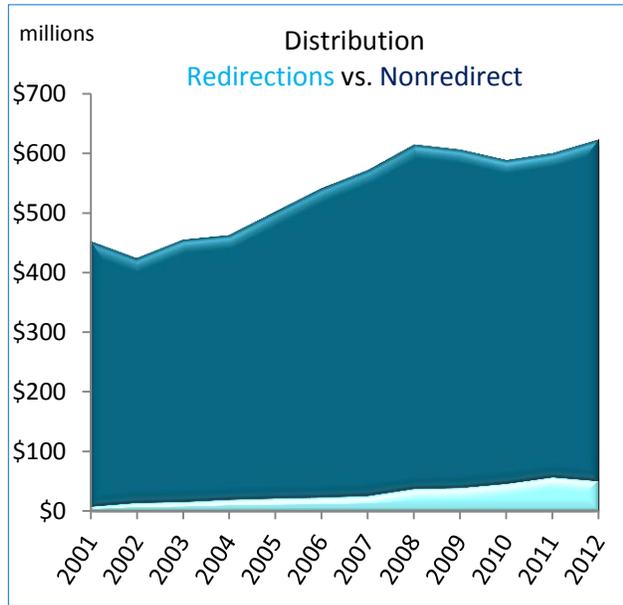
Fiscal & Operational Strategies

1. Monitor the tax base composition and activity of major industries.
2. Monitor CPI and GRDP growth.
3. Monitor State refunds and timing distribution of funds.



Positive Trend

PILOTs and Economic Activity Taxes



Description

Redirections are taxes dedicated to economic development projects. Redirections are justified by a “but for” test--the development and resulting tax revenue would not have materialized “but for” the use of tax incentives. Redirections are an important tool used by policymakers to implement City economic development priorities.

Analysis

Watch Trend. Redirections have more than tripled in the last 10 years and in the 2012 budget they represent over \$50 million, or 8% of gross tax revenues. The City must remain diligent in evaluation of projects that could result in displacement and/or substitution effects, driving tax revenue away from non-TIF areas, and thereby resulting in lower aggregate revenues.

Fiscal & Operational Strategies

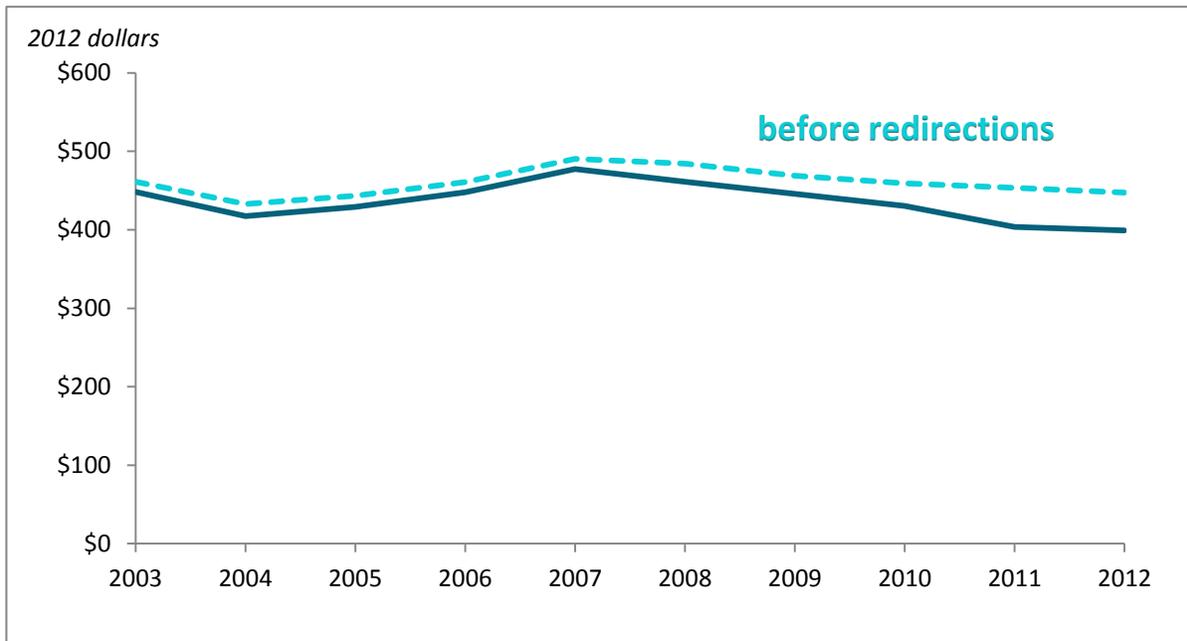
1. Continue to track and publicly report project results against original benchmarks.
2. Track aggregate redirection data against the City’s budget.
3. Establish policy for the number of years granted in the redirection of EAT's.
4. Consider policy to cap total redirections.
5. Incorporate redirections in annual forecast model.



Watch Trend

Earnings Tax Revenue Per Capita

Adjusted for Inflation



Description

Earnings and Profits tax revenues represent the single largest source at 21% of general governmental revenue. Annual collections of \$207 million translate into \$450 per resident per year. Factors impacting revenue include employment, population, income, and business activity. Growth that does not keep pace with inflation is a warning trend, and can signal a decrease in the labor market and/or wages, declining population, or recession.

Analysis

Negative Trend. Earnings and Profits taxes have increased on average about 2.4% per year since 2003, slightly less than the increases in inflation and population. But all of that growth occurred between 2005 and 2008. Revenues have actually declined in real terms since 2008, averaging 2% decline per year after adjusting for population and inflation. A potential threat to this important revenue source is Proposition A which requires earnings tax renewals every five years. Although Kansas City residents overwhelmingly approved a five-year extension through December 2016, the City's long-term financial health is vulnerable to renewal requirements of this critical source of operating funds.

Fiscal & Operational Strategies

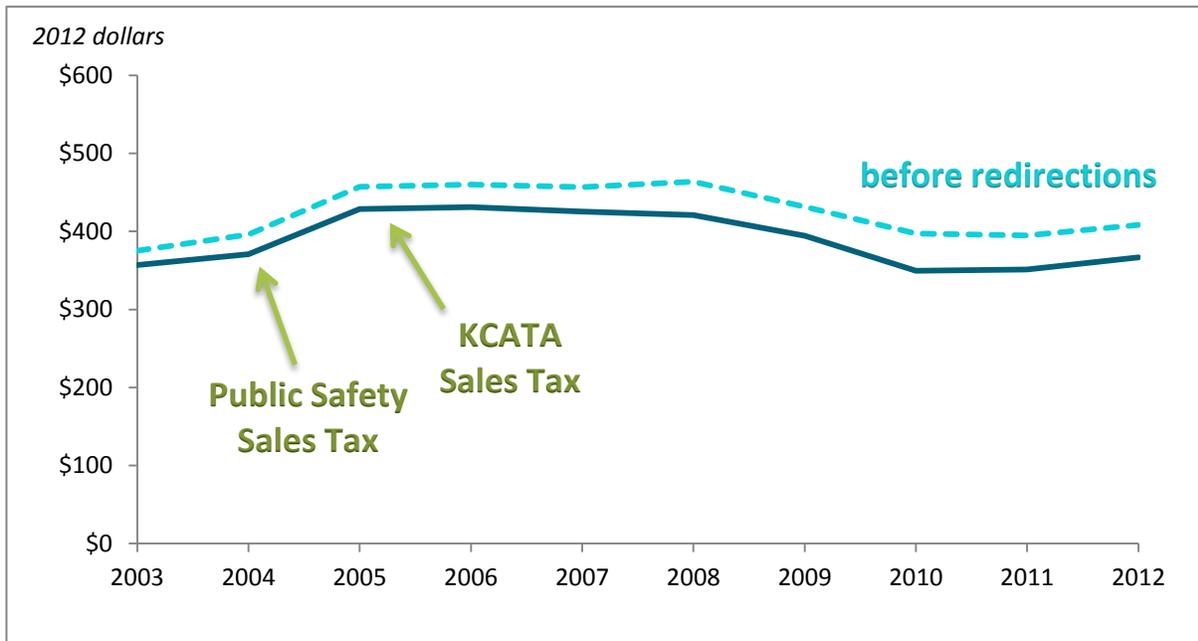
1. Monitor population.
2. Monitor KCMO employment rate.
3. Monitor real personal income growth.
4. Monitor redirections as a percent of total revenue.
5. Pursue legislative relief at the State level regarding Proposition A.
6. Implement plan for tax renewal (current expiration is December 2016).
Identify revenue replacement strategy if not renewed.



Negative Trend

Sales and Use Tax Revenue Per Capita

Adjusted for Inflation



Description

Sales and Use tax revenues represent 18% of general governmental revenue, the second single largest source. Annual collections of \$190 million translate into \$410 per resident per year. Economic factors impacting revenues include inflation, income, the cost of consumer credit, and changes in retail development. Sales tax growth that does not keep pace with inflation is a warning trend.

Analysis

Watch Trend. Sales and Use tax revenues were hard hit by the economic downturn in 2008. Real per capita growth in the past two years is evidence that retail activity is rebounding.

Fiscal & Operational Strategies

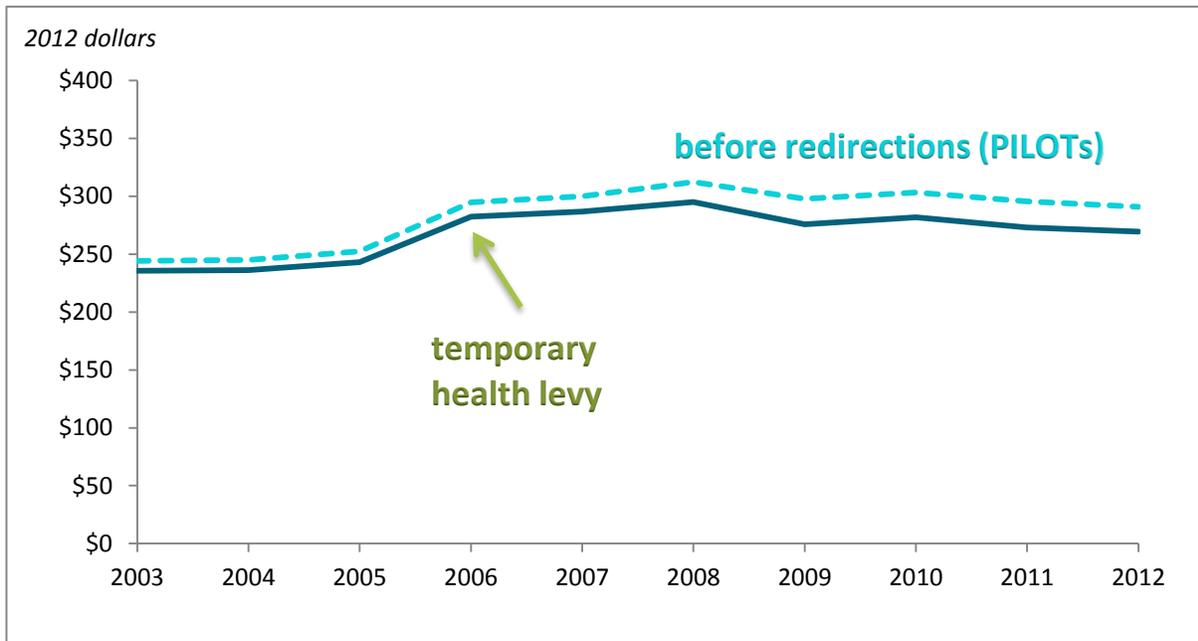
1. Monitor the tax base composition and activity of large retailers.
2. Conduct an annual analysis of sales and use taxes, detailing the historical change in each, as well as the tax base change for important sectors.
3. Investigate sources of retail sales forecasts and use those to forecast sales tax revenue when producing budget forecasts.
4. Monitor large state refunds and settlements.
5. Monitor redirections as a percent of total revenue.
6. Support State Legislation to implement Streamlined Sales Tax Agreement.
7. Review existing sales tax exemptions, and opportunities to expand the base.
8. Implement plans to renew the taxes scheduled to expire within the next five years: Public Mass Transportation (12/2015), Fire (12/2016) and General Sales dedicated to capital improvements (12/2018).



Watch Trend

Property Tax Revenue Per Capita

Adjusted for Inflation



Description

Property tax revenues represent 12% of general governmental revenue. Annual collections of \$128 million translate into \$275 per resident per year. Factors impacting revenue include population, income, and construction activity. The Hancock Amendment requires an annual levy certification which limits both revenue windfalls and shortfalls. The maximum levy rates are allowed to increase by the lesser of the Consumer's Price Index or assessed value growth, not including new construction or a new voter approved levy increase. As a result, property tax revenue is mostly stable: when market value increases, levy rates are adjusted down; when market value decreases, levy rates are adjusted upward.

Analysis

Positive Trend. With the exception of collections from an additional health levy approved by voters in April 2005, revenues have increased at about the same rates of population and inflation growth. Property tax levies have remained mostly unchanged. Current collection rates have declined in recent years, most likely due to the recession and resulting foreclosures.

Fiscal & Operational Strategies

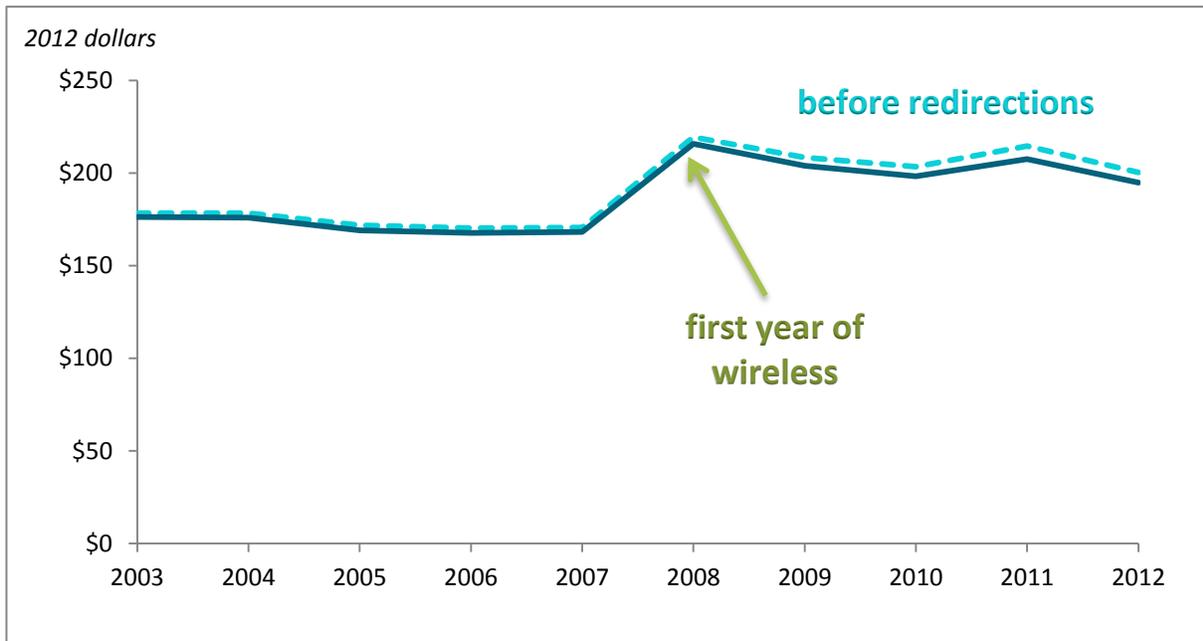
1. Conduct an annual analysis to track changes in assessed value by type (real or personal) and by class (residential or commercial), as well as the breakdown of the growth between reassessment and new construction.
2. Evaluate renewal options for the temporary Health Levy, scheduled to expire in April 2014.
3. Evaluate options relative to levy rates that are at or near the voted maximum.



Positive Trend

Utility Franchise Fees Per Capita

Adjusted for Inflation



Description

Utility franchise fees represent 10% of general governmental revenue. Annual collections of \$93 million translate into \$200 per resident per year. Factors impacting revenue growth include temperature, number of customers, and changes in utility rates. Growth in this revenue stream is dependent on utility rate increases as requested of, and granted by, the Public Service Commission for electric and natural gas, consumption patterns (energy conservation and “green” initiatives), weather conditions, number of customers, competition (mostly in telephone and cable industry) and statutory exemptions.

Analysis

Positive Trend. While franchise fees have generally kept pace with population and inflation, proposed changes in delivery of broadband services threaten future collections.

Fiscal & Operational Strategies

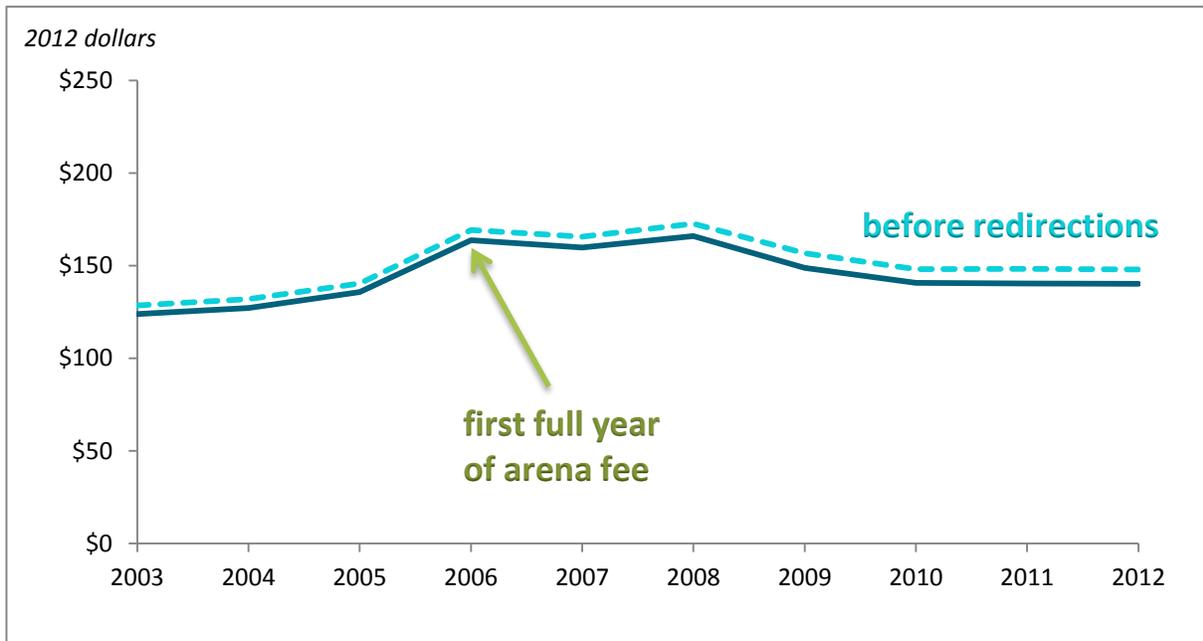
1. Monitor Federal and State regulatory changes in the gas, electric and telecommunications industries to identify threats to future collections.
2. Monitor weather patterns.
3. Monitor customer base.



Positive Trend

Tourism and Leisure Per Capita

Adjusted for Inflation



Description

Revenues includes Gaming, Convention and Tourism, and the Arena Fee.

Analysis

Watch Trend. Collections were impacted by the economic downturn in 2008. Recent recovery is driven largely by gains in the Convention and Tourism tax, and Arena Fee.

Fiscal & Operational Strategies

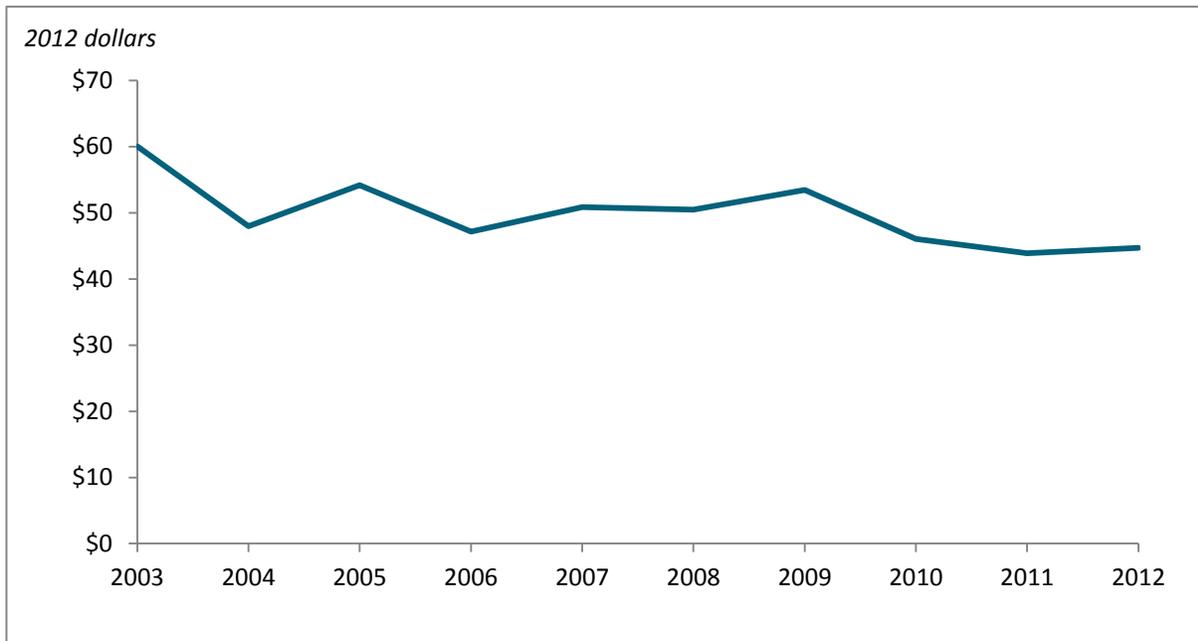
1. Monitor average room rate.
2. Monitor average occupancy rate.
3. Monitor casino market share.
4. Monitor future bookings and events.
5. Monitor CPI for hotel and food.



Watch Trend

Business License Per Capita

Adjusted for Inflation



Description

Business license revenue is \$21 million or 2% of general municipal revenues. There are a myriad of rate calculations in the current business license structure. Retail/wholesale, service manufacturers and contractors are billed according to gross receipts. Other businesses pay a flat rate according to occupations, and still others pay a fee per unit (per truck, per seat, per cab).

Analysis

Negative Trend. Growth is largely determined by collection effort. Higher collections in 2003, 2005, and 2009 are due to increased focus on audit and delinquencies. But those windfalls are temporary, and subsequent growth falls behind population and inflation increases. A 2012 addendum to the report by the Citizens' Commission on Municipal Revenue recommended a restructuring of the license fee that addresses complexity, inequity, and stagnant growth issues.

Fiscal & Operational Strategies

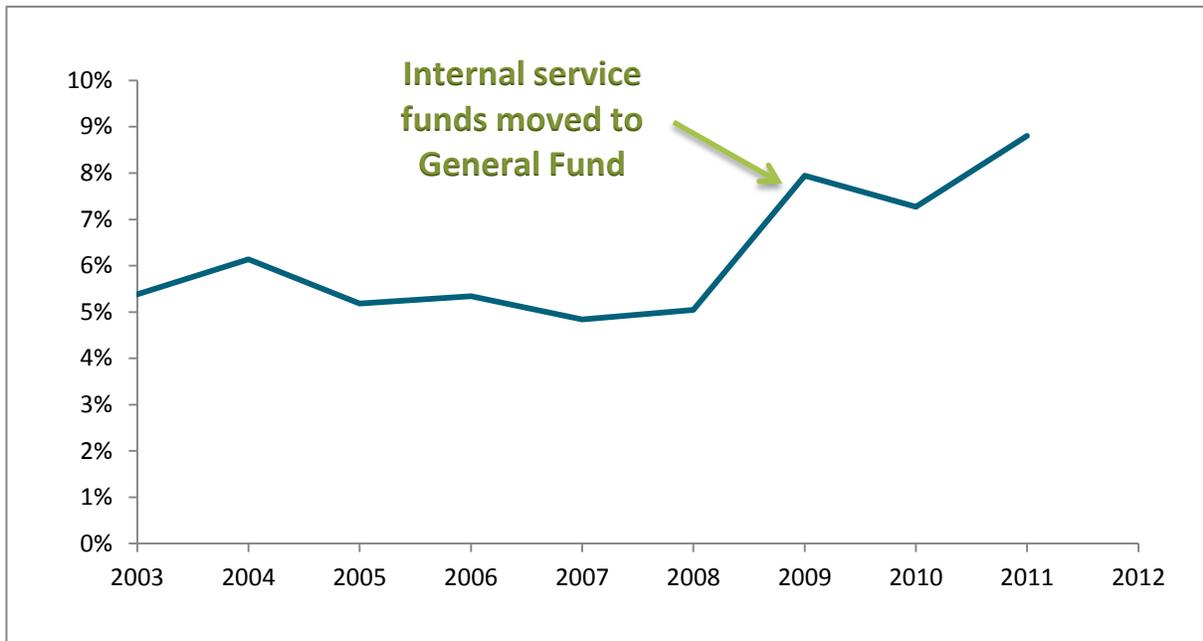
1. Implement the recommendations of the CCMR subcommittee.
2. Monitor number of active businesses.
3. Monitor Gross Regional Domestic Product (GRDP).



Negative Trend

Service Charges

as a Percent of Total Revenue



Description

Service Charges account for 8% of revenue. Cost recovery studies measure whether fees and charges are sufficient to cover the entire cost of service provision. A less-sophisticated analysis measures service charge revenues as a percent of revenues which, if declining, is a warning trend. Service charges that do not keep pace with other revenue sources may reflect increasing tax subsidies to user fee-supported programs.

Analysis

Watch Trend. Service charges increased due to a change in accounting procedures. The City's internal service funds were closed and moved to the General Fund resulting in an increase in service charges.

Fiscal & Operational Strategies

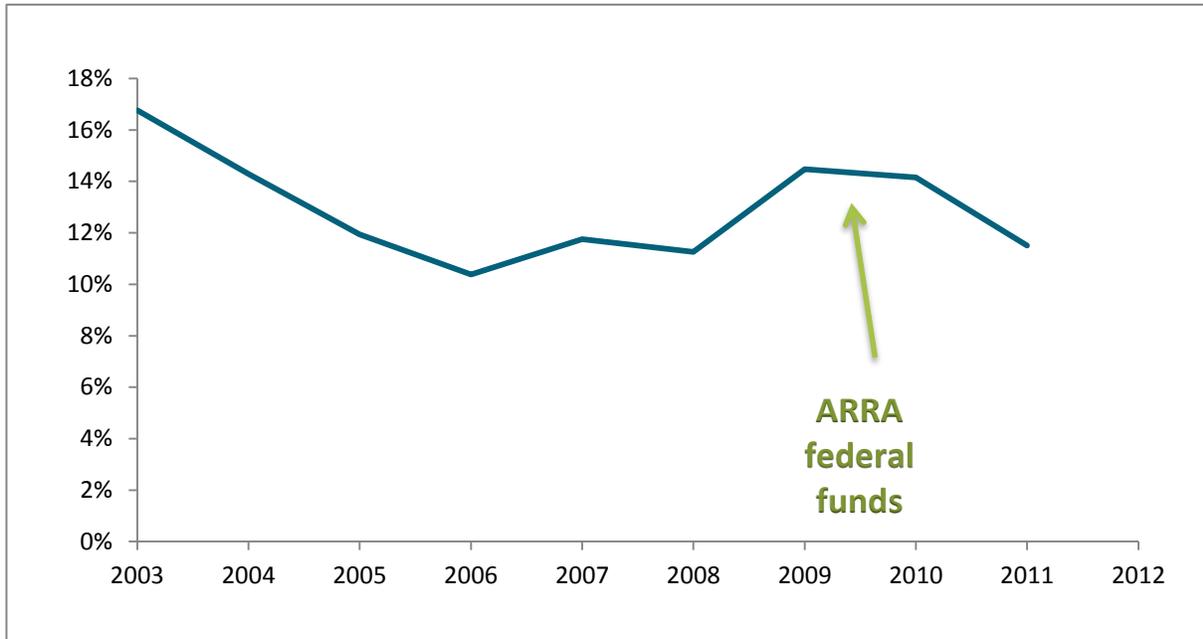
1. Verify whether growth in expenditures of fee supported programs approximates the growth in revenues.
2. Conduct annual review of user charges. Produce a periodic report which measures cost recovery, and amount and source of any subsidy for each fee-supported activity.
3. Review other programs to determine if service charges should be used for funding.
4. Adopt a formal user fee policy.



Watch Trend

Intergovernmental Revenue

as a Percent of Total Revenue



Description

The percent of revenue received from other governmental entities measures the City's reliance on external sources to support services. Increasing reliance upon intergovernmental revenues is a warning trend. If these funds are reduced or withdrawn, the City must address the political, social, and economic consequences of raising taxes or cutting programs. Additionally, conditions attached to the use of these revenues may increase the cost of services.

Analysis

Positive Trend. The City has minimal reliance upon other governmental entities, with the exception of American Recovery and Reinvestment (ARRA) monies in 2009 and 2010.

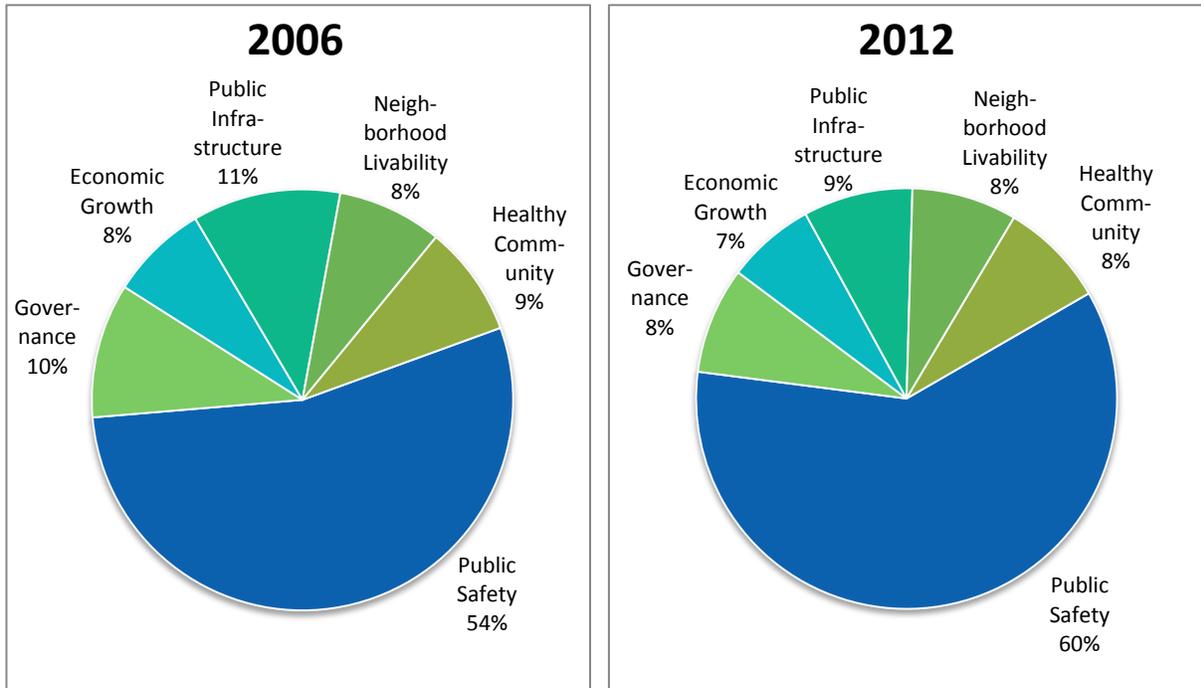
Fiscal & Operational Strategies

1. Identify intergovernmental revenues associated with federal and state mandates, and track the budgetary impact of unfunded mandates.
2. When applying for grant funding, quantify the total commitment in matching funds, additional reporting requirements, future maintenance requirements and overhead costs.
3. Ensure that one-time revenues are not used to cover recurring operations.



Positive Trend

Operating Expenditures by Outcomes



Description

Expenditure trends and composition can be used to analyze the change in expenditure pressures and priorities. Ideally, a government's expenditure growth rate will not exceed its revenue growth rate, and the government will have maximum flexibility to adjust spending. Expenditures do not include capital or debt; those expenditures are analyzed separately.

Analysis

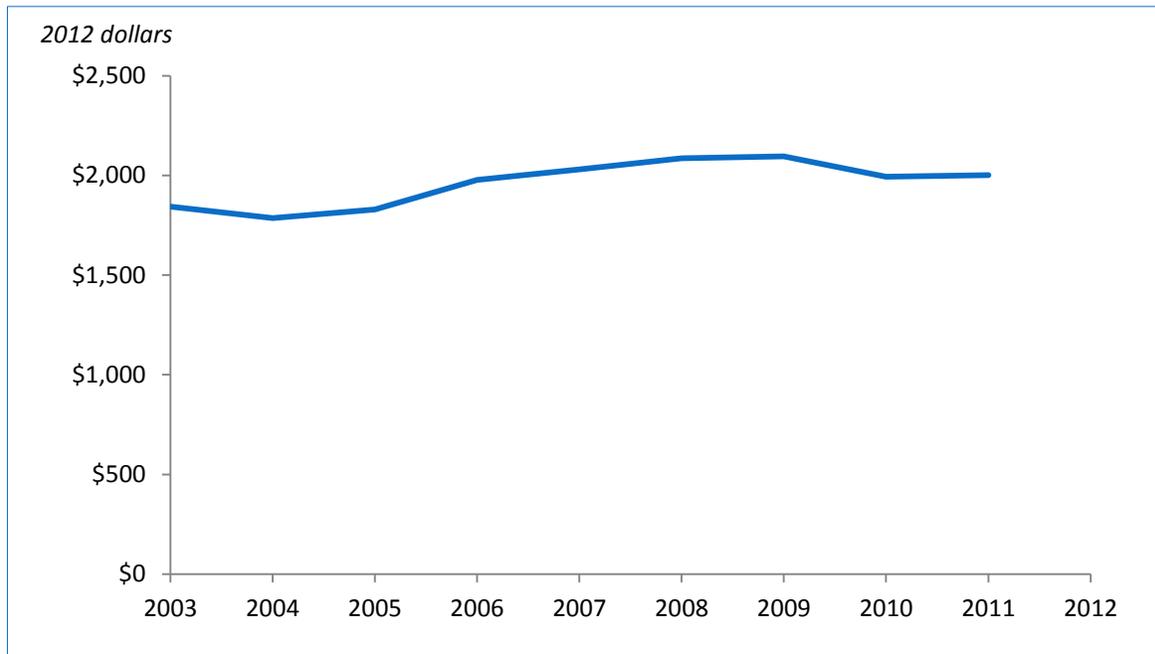
Negative Trend. Public Safety has been the fastest growing category, representing 54% of expenditures in 2006, to now 60% of the total in 2012. Governance expenditures can be viewed as a proxy measure for overhead. At 8%, the city's overhead is generally consistent with other local jurisdictions. All non-public safety categories have remained flat or declined in the last six years.



Negative Trend

Operating Expenditures Per Capita

Adjusted for Inflation



Description

To achieve long-term structural balance, the City matches service levels to available resources. A rise in real per capita expenditures is a warning trend. If the increase in spending is greater than can be accounted for by inflation or population, and it cannot be explained by the addition of new services, it may indicate declining productivity. Includes operating expenditures from all Governmental Funds.

Analysis

Negative Trend. Expenditures have increased on average 3.6% per year since 2003, faster than the rate of population and inflation during that same time period. The City is continuing its performance management effort to ensure services are provided efficiently.

Fiscal & Operational Strategies

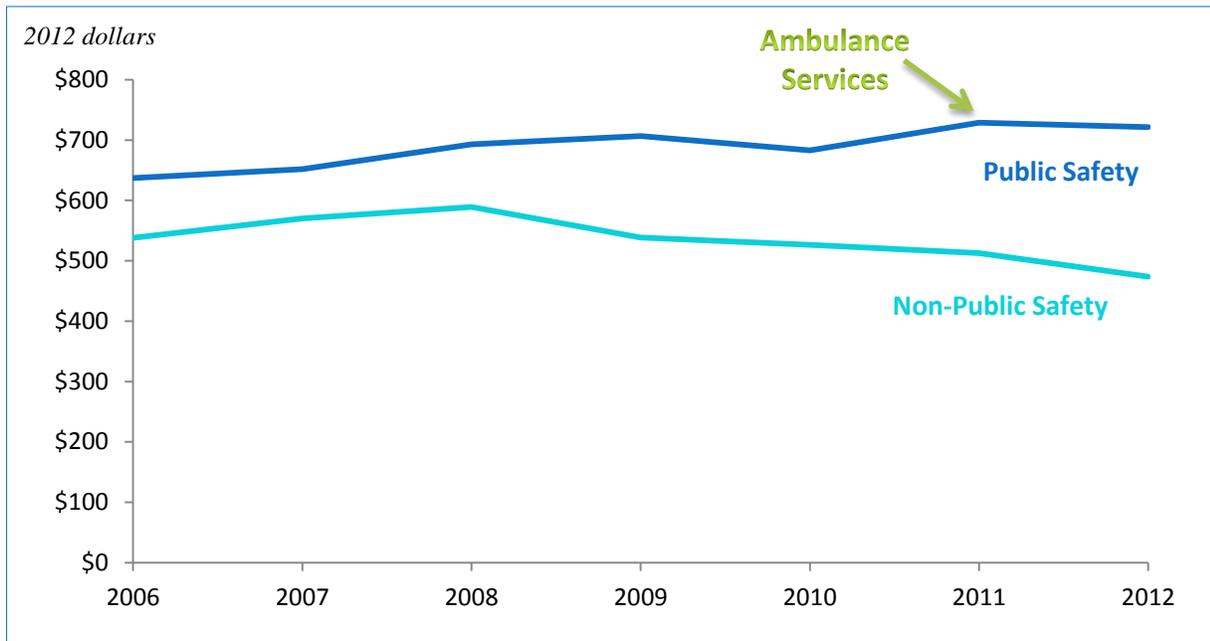
1. Evaluate individual service areas to determine if pattern reflects changes in efficiency or citizen demand.
2. Monitor citizen demand for services and survey citizen satisfaction.
3. Continue to integrate performance measures into the budget process.
4. Evaluate full range of service delivery options including public, private, public/private, etc.



Negative Trend

Operating Expenditures Per Capita

By Outcome, Adjusted for Inflation



Description

To achieve long-term structural balance, the City matches service levels to available resources. A rise in real per capita expenditures is a warning trend. If the increase in spending is greater than can be accounted for by inflation or population, and it cannot be explained by the addition of new services, it may indicate declining productivity. Includes operating expenditures from Governmental Funds.

Analysis

Negative Trend. Public Safety expenditures exceeded increases in inflation and population. Neighborhood Livability kept pace with those increases. Expenditures in all other areas--Governance, Economic Growth, Healthy Community, and Public Infrastructure--have declined in real per capita terms. The outcome with the greatest loss is Public Infrastructure, reflecting cuts in capital improvements for parks and public works. The City is continuing its performance management effort to determine if services match citizen demand and council priorities.

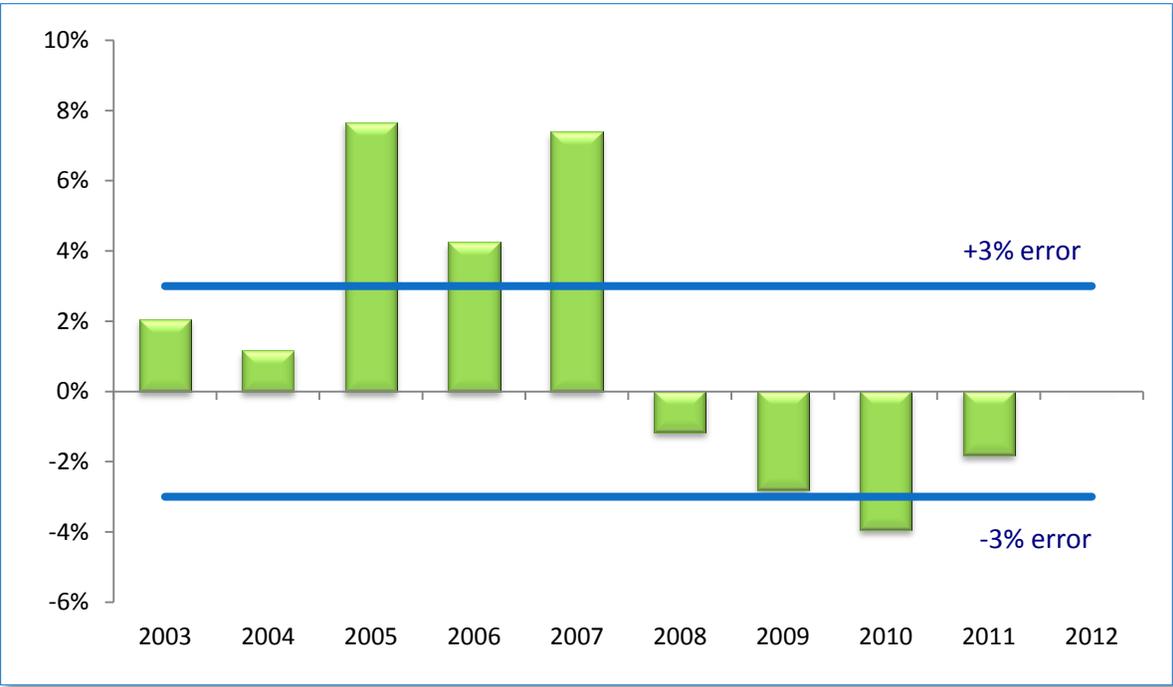
Fiscal & Operational Strategies

1. Evaluate individual service areas to determine if pattern reflects changes in efficiency or citizen demand.
2. Monitor citizen demand for services and survey citizen satisfaction.
3. Continue to integrate performance measures into the budget process.
4. Identify capital / maintenance costs required to maintain the City's infrastructure.



Negative Trend

General Fund Estimation Error - Expenditures



Description

Forecasts always involve error. Due to the conservative nature of municipal budgeting, actual revenues generally come in higher than budgeted and expenditures generally lower. Large errors in estimation can cast doubt on the level of the budget numbers themselves and force policymakers to face constraints that may never materialize. Generally, estimates that are within +/- 3% of actuals are considered acceptable. For expenditure estimates, a warning trend would be defined as several years of estimate errors much greater than -3%, several years of positive errors (overspending the original budget), or a pattern of increasing errors. This analysis does not include transfers out.

Analysis

Positive Trend. Actual expenditures have been under budget in the last four years. The majority of the budget overage in 2005 occurred in Information Technology, Public Works, and Parks Departments. Actual expenditures exceeded original budget in most departments in 2006. The majority of the budget overage in 2007 occurred in Public Works, with smaller overages occurring in Convention Facilities, Finance, and Fire Departments. The majority of savings in 2009 and 2010 occurred in General Government, Public Works, and Parks categories.

Fiscal & Operational Strategies

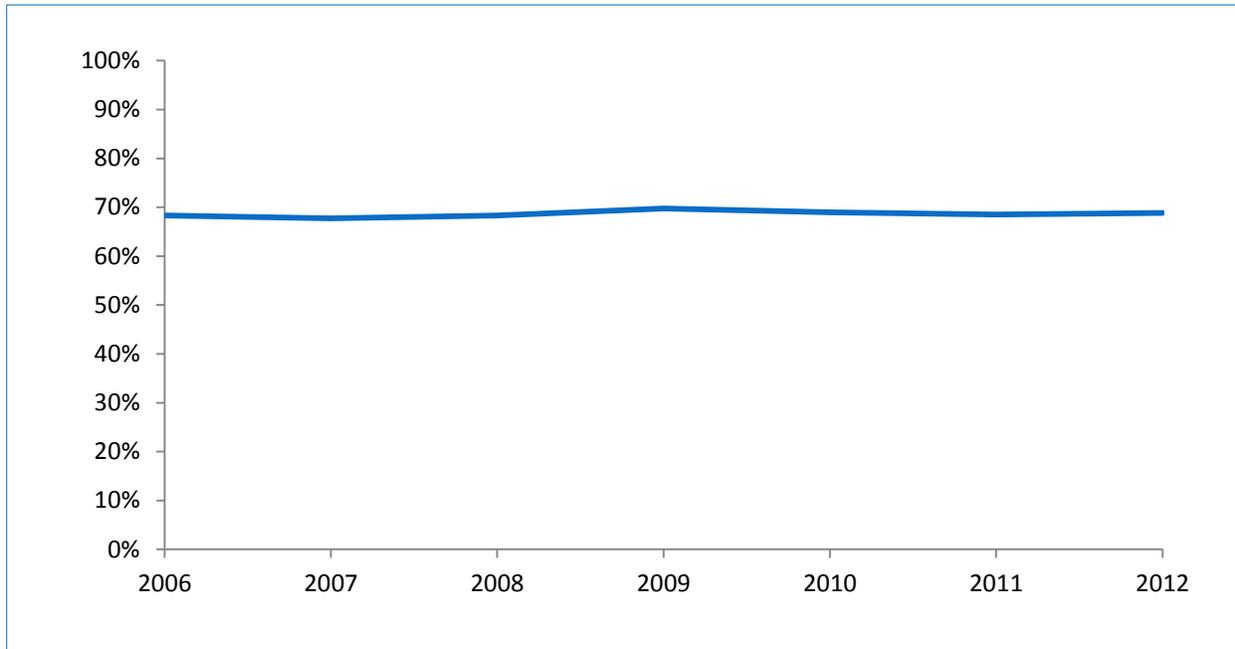
1. Integrate performance and productivity measures within annual budget to link expenditures to service levels and service delivery efficiencies.



Positive Trend

Salaries and Benefits

as a share of Operating Expenditures



Description

An increase in salaries as a percent of operating expenditures is a warning trend. Salaries which grow faster than other expenditures may lead to a long-run structural imbalance between revenues and expenditures. This ratio for municipalities generally falls between 60% to 80%.

Analysis

Positive Trend. Salaries and benefits have remained a consistent 69% of operating expenditures over the seven year period. The percentage falls within the range for municipalities.

Fiscal & Operational Strategies

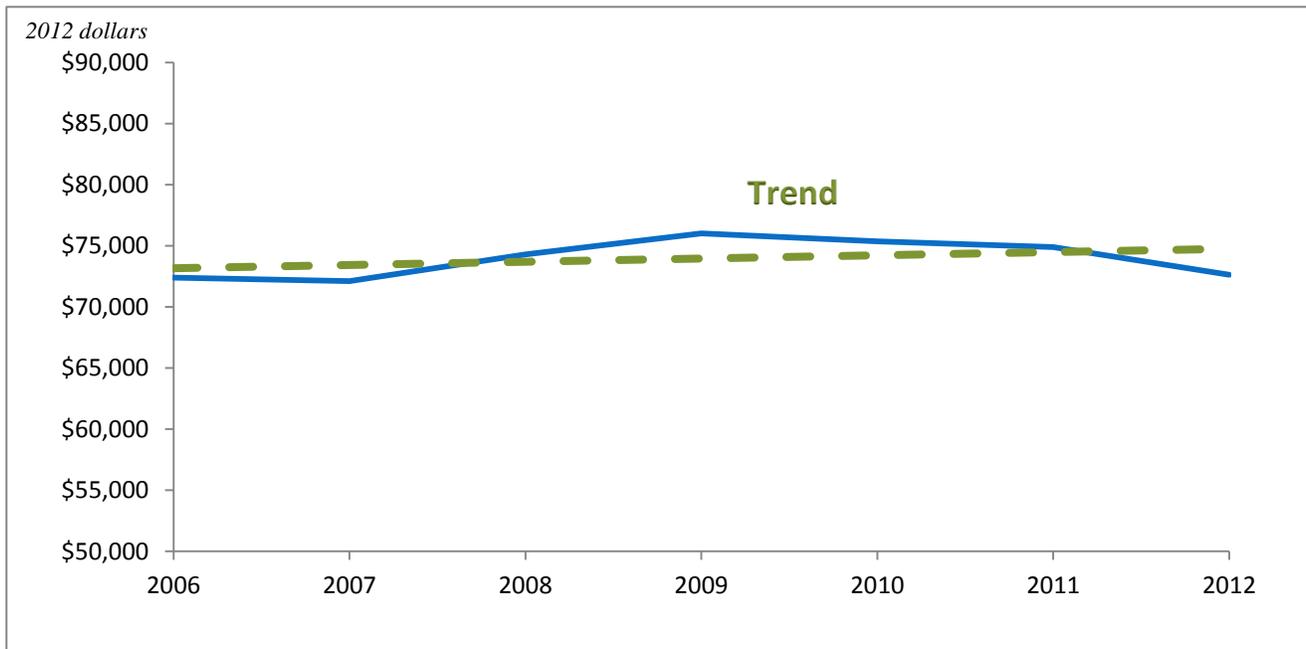
1. Develop service delivery standards and incentives to ensure the highest level of productivity.
2. Evaluate all service delivery options to increase efficiency.



Positive Trend

Salaries and Benefits Per Employee

Adjusted for Inflation



Description

Because salaries and benefits comprise the majority of operating expenses, increasing compensation can be a warning trend. However, if overall compensation is not at a sufficient level or is declining, the City could be at a competitive disadvantage to recruit qualified personnel.

Analysis

Watch Trend. From 2006 through 2012, average compensation per employee grew 3.3% per year, compared to average annual inflation of 2.4%. However, after adjusting for inflation, average compensation declined in real terms in each of the last three years. Formal salary surveys are necessary to determine whether individual salaries are sufficient to attract and retain quality personnel.

Fiscal & Operational Strategies

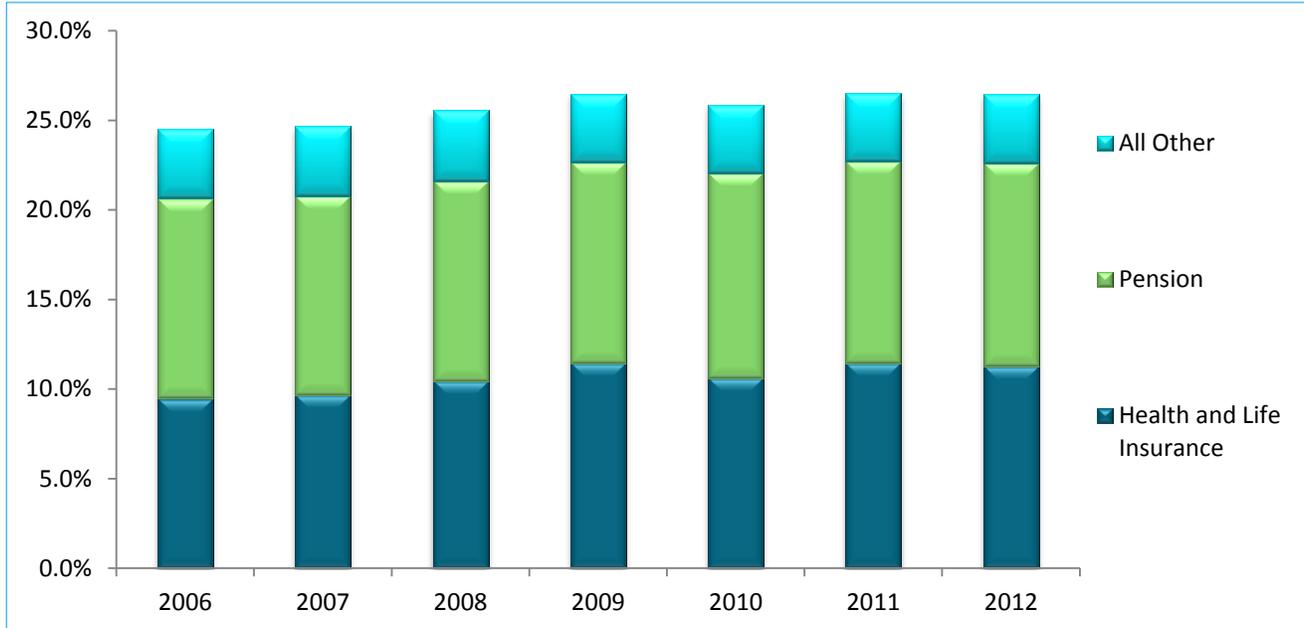
1. Incorporate salary survey to ensure salaries are competitive with peers.



Watch Trend

Fringe Benefits

as a percent of Personnel Costs



Description

Fringe benefits represent a significant personnel cost, exceeding 25% of salaries and wages. The largest components of fringe benefits are pensions plans and health and life insurance. Some benefits such as health insurance require immediate cash outlays. Others, like pension payments, can be deferred. Because of the complex nature of funding and recording fringe benefits, these costs can escalate unnoticed and place a financial strain on the City—one that is not always readily identifiable.

Analysis

Negative Trend. Approximately 70% of operating costs are personnel expenses, and benefits make up an ever increasing share of those costs. Average growth in fringe benefits per employee, prior to layoffs in 2010, was 7%, compared to salary growth of only 3% during the same time period. Health and life insurance payments have grown faster than any other benefit outlay, with annual increases ranging from 10% to 16%. As benefit costs increase, the City faces new financial pressures. And if higher costs, partially borne by employees, do not reflect improved quality or quantity of benefits, the City may have difficulties attracting and retaining quality personnel.

Fiscal & Operational Strategies

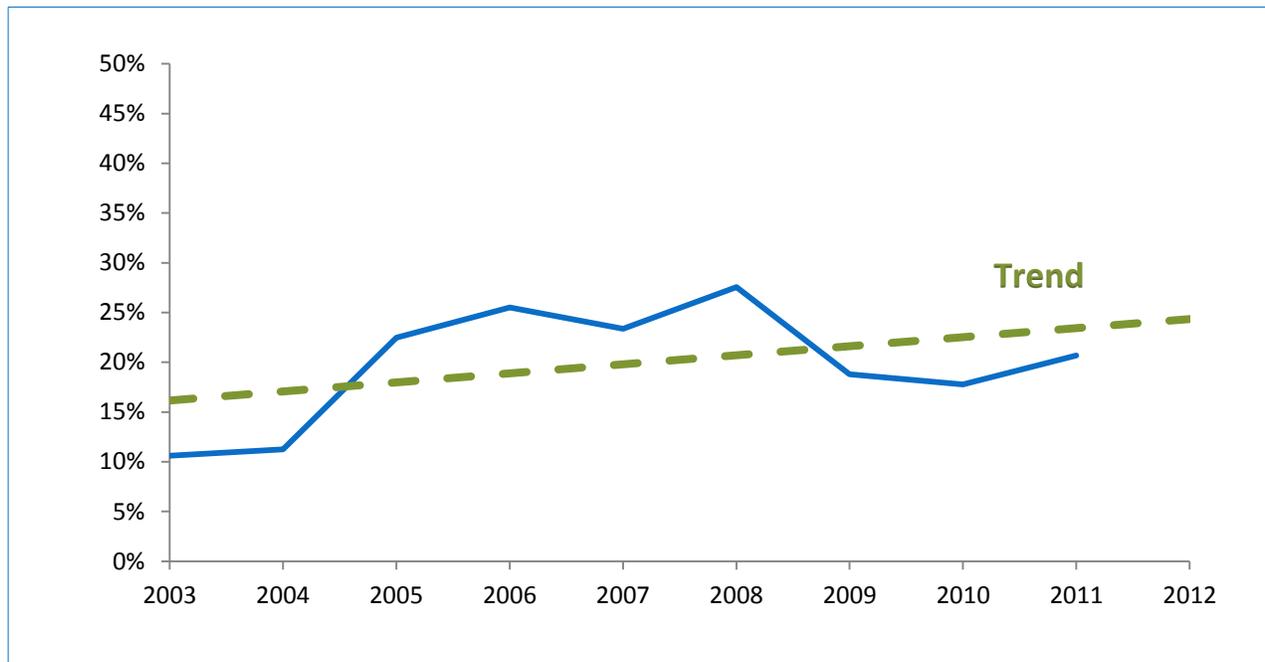
1. Evaluate the quantity and quality of individual fringe benefits.
2. Implement programs to reduce health insurance costs.
3. Implement funding plans and/or changes in plan design for indirect benefits, including unfunded pension liabilities, compensated absences, and other post-employment benefits.
4. Include full funding of all long-term liabilities in the forecast model.



Negative Trend

Capital Expenditures

as a share of General Government Expenditures



Description

The decline of physical assets such as streets and buildings have far-reaching effects on business activity, property values, and operating expenditures. Detailed budget data and performance measures can be used to measure expenditures and deferrals by asset type, and gauge citizen satisfaction with asset condition. However, the general trend of infrastructure effort can be measured by capital outlay as a percent of general government expenditures, where capital outlay includes both new infrastructure and maintenance. A declining percentage is a warning trend and may indicate infrastructure needs are being deferred.

Analysis

Watch Trend. Because capital needs, and thus capital investment, can fluctuate from year to year, conclusions for this indicator are based on an overall trend. Since 2003, the trend for capital investment slopes up. However, capital investment as a percent of total expenditures fell sharply in 2009 and has failed to return to the previous levels of 2005 through 2008, a strong indicator that deferrals are accruing.

Fiscal & Operational Strategies

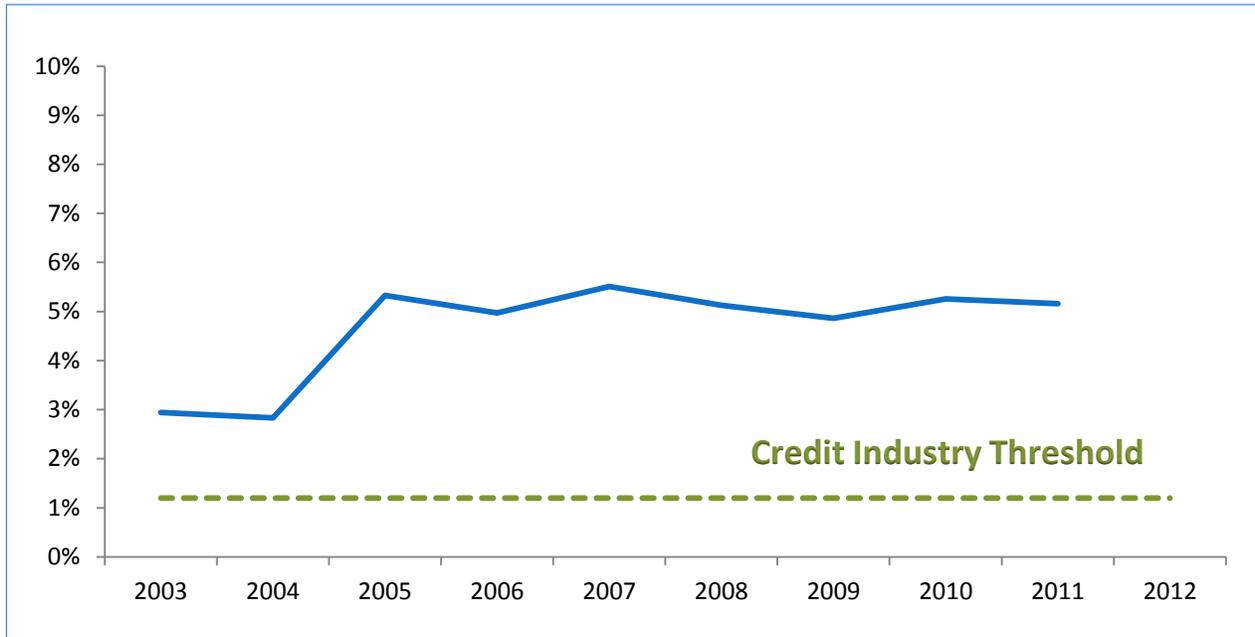
1. Develop detailed budget information to track new capital and maintenance expenditures per unit, by asset type; including the impact on the long-term operating budget.
2. Develop asset "performance measures" by surveying taxpayer satisfaction of street condition, parks, bridges, etc.
3. Implement a capital planning effort which includes policies and criteria reflecting community priorities.
4. Develop infrastructure maintenance requirements to maintain existing infrastructure.



Watch Trend

Outstanding Direct Debt

as a percent of Market Value of Taxable Property



Description

Outstanding debt as a percent of the market value of property measures the total direct debt of the city to the value of its taxable property. This ratio is similar to that used by credit analysts when measuring the loan-to-value ratio of a particular project or property.

Analysis

Negative Trend. While higher than the national median for "A" and "AA" rated cities, the City's ratio of debt to market value of taxable property has remained stable over the past eight (8) years. This is due in part to consistent and substantial increases in the value of property which occurred at the same time the City's outstanding debt was increasing. Growth in the value of property has slowed in the last few years, as has growth in outstanding debt.

Fiscal & Operational Strategies

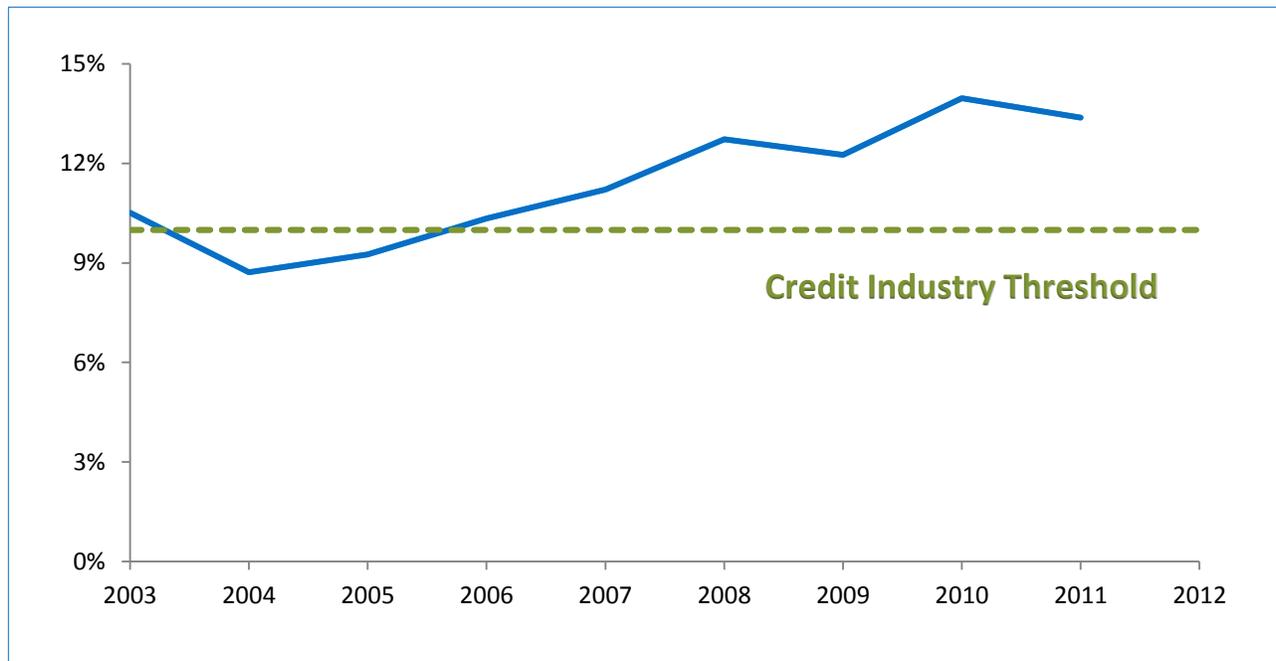
1. Monitor debt levels in conformance with codified debt policy.
2. Limit approval of new debt to those projects with a new revenue source.



Negative Trend

Annual Debt Service Payments

as a Percent of Total Expenditures



Description

The ratio of debt service to expenditures is an indicator of the community's ability to repay long term obligations and is monitored closely by credit rating agencies. Debt service can be a major component of fixed costs, and its increase may indicate excessive debt and fiscal strain. A ratio which is increasing or exceeds the national median is a warning trend.

Analysis

Negative Trend. The City's debt service as a percent of expenditures is above the threshold and has been steadily increasing. The City's debt position rose dramatically between 2006 and 2010; mostly attributable to significant investments in the downtown area including the Sprint Center and Power and Light District. Debt service needs have leveled out in recent years but when combined with a decreasing amount of operating expenditures due to the recession, the upward trend continues. The City closely manages its debt structurings to ensure that at least 50% of principal is paid off within 10 years. As of the end of fiscal year 2012, that percentage was 55%.

Fiscal & Operational Strategies

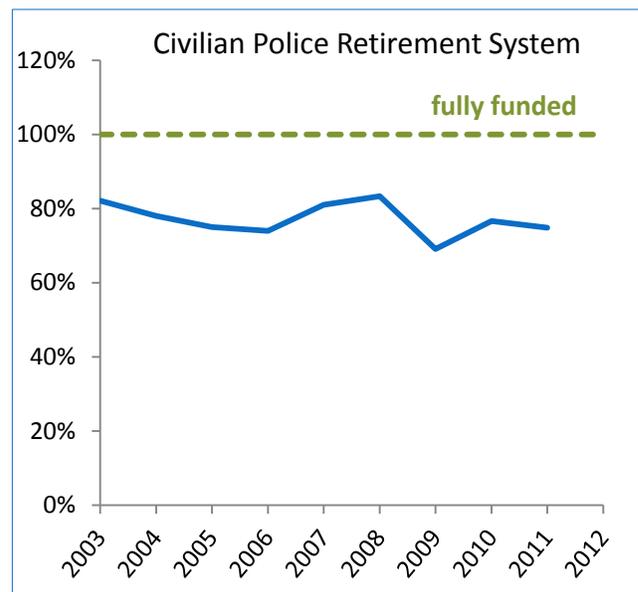
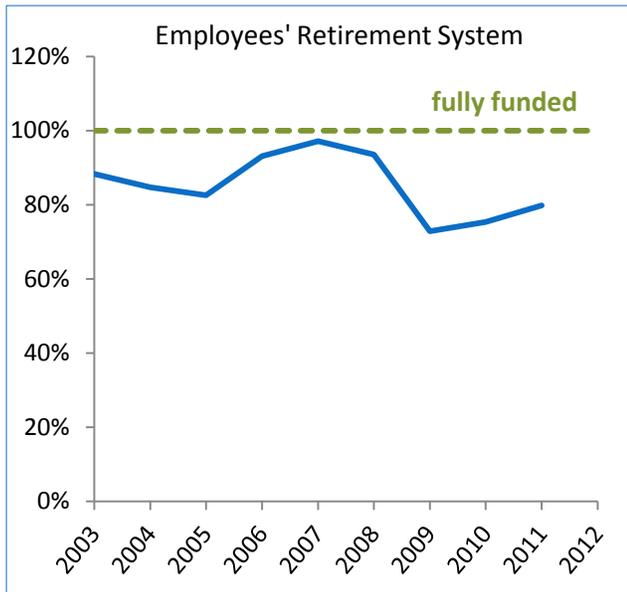
1. Monitor debt levels in conformance with codified debt policy.
2. Limit approval of new debt to those projects with a new revenue source.



Negative Trend

Pension Funding Ratio

Employees' and Civilian Police Retirement Systems



Description

The funding ratio for a pension plan measures the funding progress of the plan expressed as actuarial value of assets divided by actuarial accrued liability. Simply stated, the actuarial accrued liability is the dollar amount that is required to meet the future benefits of current participants. A pension is fully funded if this ratio is equal to or greater than 100%. For those plans that are not fully funded, this ratio should increase over time until fully funded.

Analysis

Negative Trend. Since 2009, the funding ratios for non-uniform pension systems have improved slightly, but remain well below 100% funding. The severe downturn in the market in 2008 and 2009 had a significant impact on the overall funding levels of both plans which were near or above 100% funding in 2002. Since that time however, the City has fallen short of making the recommended annual contributions to these plans. Additional contributions totaling \$11.5 million would have been necessary in 2011 to achieve 100% funding.

Fiscal & Operational Strategies

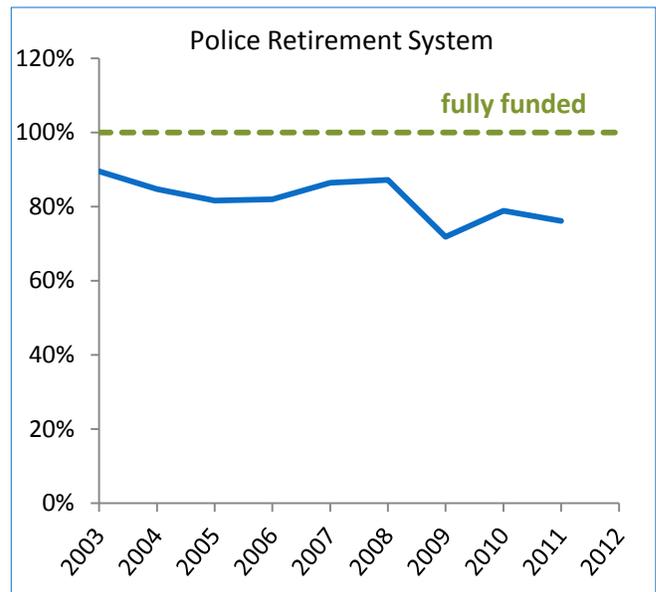
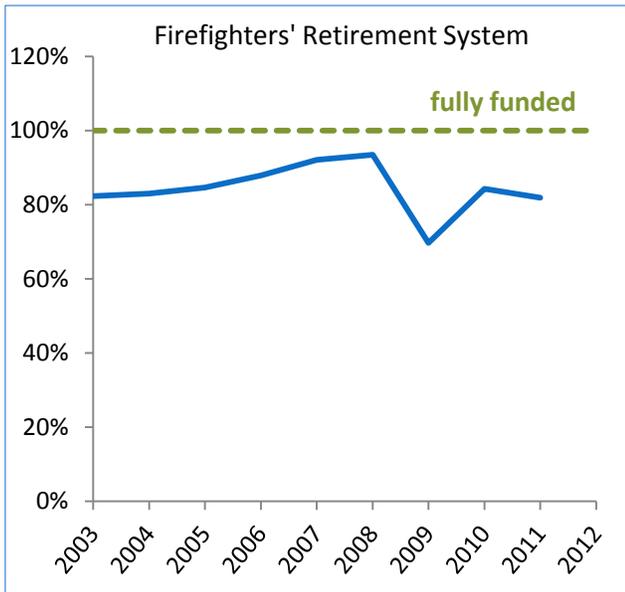
1. Develop a long term plan to improve pension funding levels.
2. Include full funding of pensions plans in the forecast model.



Negative Trend

Pension Funding Ratio

Firefighters' and Police Retirement Systems



Description

The funding ratio for a pension plan measures the funding progress of the plan expressed as actuarial value of assets divided by actuarial accrued liability. Simply stated, the actuarial accrued liability is the dollar amount that is required to meet the future benefits of current participants. A pension is fully funded if this ratio is equal to or greater than 100%. For those plans that are not fully funded, this ratio should increase over time until fully funded.

Analysis

Negative Trend. The severe downturn in the market in 2008 and 2009 had a significant impact on the overall funding levels of both plans, which were near or above 90% funding in early 2008. Exacerbating the situation, the City has fallen short of making the recommended annual contributions since 2008. Additional contributions totaling \$20.5 million would have been necessary in 2011 to achieve 100% funding. At the current 82% and 76% respectively, both plans fall far short of the 100% fully funded goal.

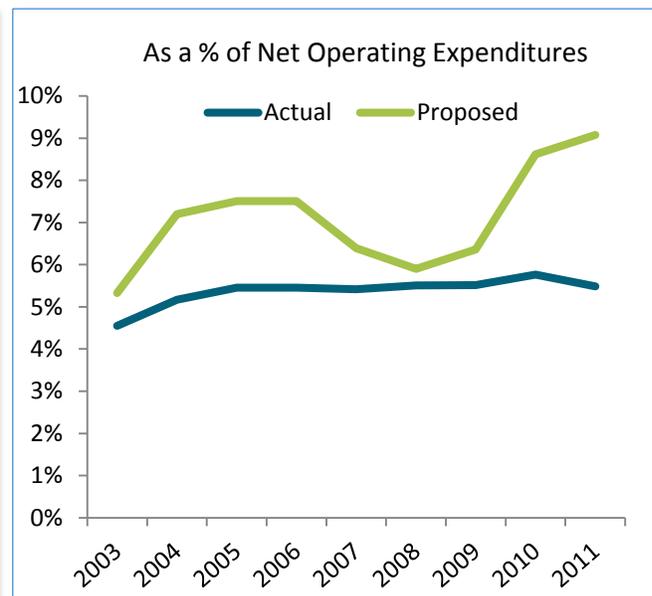
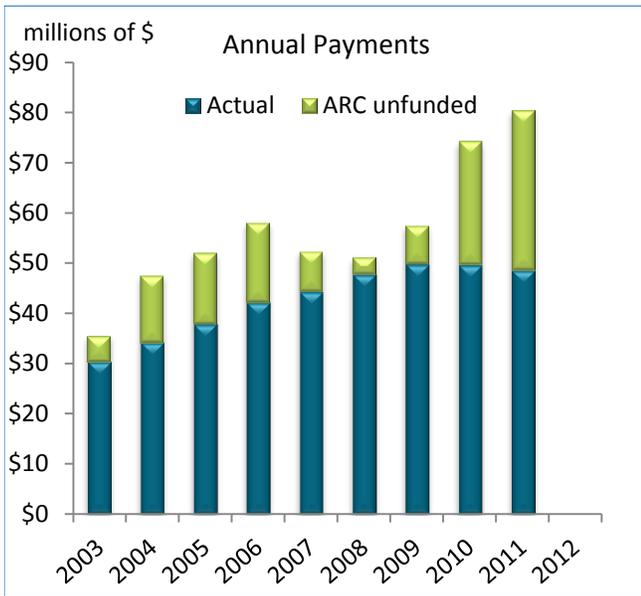
Fiscal & Operational Strategies

1. Develop a long term plan to improve pension funding levels.
2. Include full funding of pensions plans in the forecast model.



Negative Trend

Annual Pension Payments



Description

Annual pension payments can be a major component of fixed costs, and their deferral an indicator of fiscal strain. Frequent, increasing, or consecutive deferrals, measured by actual contributions that are less than the actuarial recommended levels, is a warning trend.

Analysis

Negative Trend. The City has not consistently made its actuarial required contribution (ARC) to its four pension plans in the ten year period, but most notably since 2010. The City paid only 60% of the annual required contribution in 2011, the lowest funding percentage of the entire period. However, the *dollar* amount of contribution has remained level since 2008: approximately \$50 million per year or 6% of net operating expenditures. The funding difficulties were born when the plans lost significant value during the market downturn, and now much larger annual contributions are required to make up that loss and cover benefits. Payments in excess of 9% of net operating expenditures are now required.

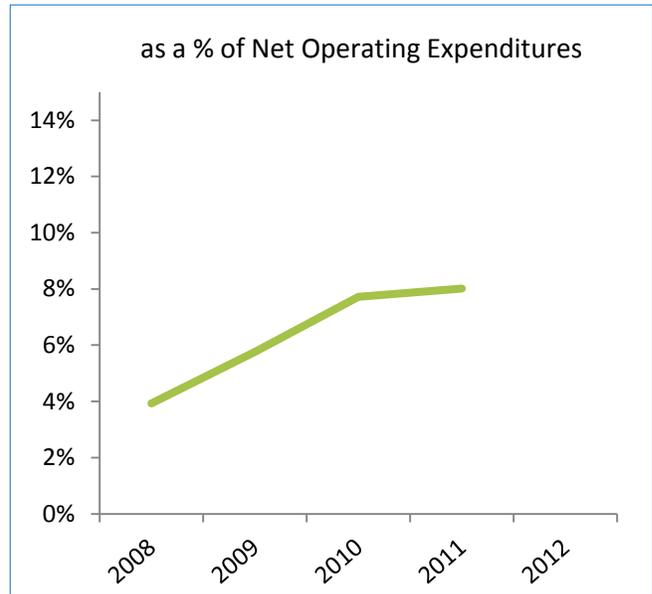
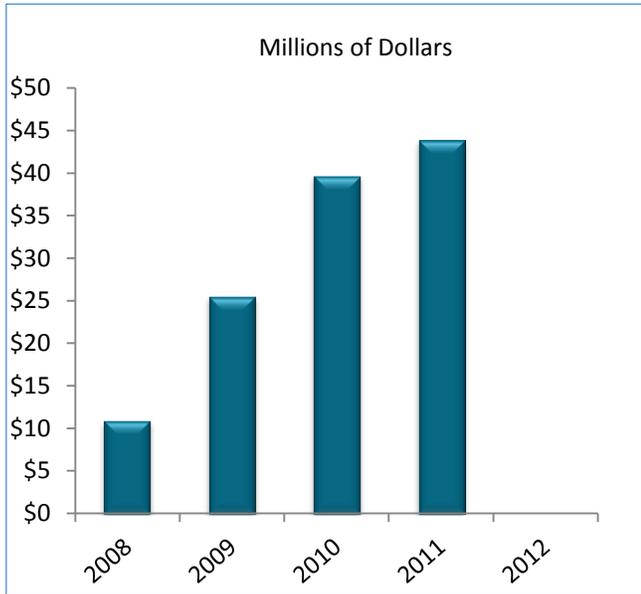
Fiscal & Operational Strategies

1. Develop a long term plan to improve pension funding levels.
2. Include full funding of pensions plans in the forecast model.



Negative Trend

Other Post Employment Benefits (OPEB) Liability



Description

The City sponsors a single-employer, defined benefit healthcare plan that provides health care benefits to retirees' and their dependents, including medical and pharmacy coverage. The City requires the retirees to pay 100% of the same medical premium charged to active participants. The healthcare rates paid by the retirees are typically lower than the going market rate for individual health insurance policies. The Governmental Accounting Standards Board (GASB) requires governmental entities to record the difference between these amounts, an implicit rate subsidy, as a liability. An increasing unfunded liability is a warning trend.

Analysis

Negative Trend. Healthcare premiums for retirees and other post employment benefits increased in recent years reflecting increases in health care costs. GASB does not require advanced funding of the OPEB liability and, at this time, the City's liability is unfunded. Contributions are made to the plan on a pay-as-you-go basis. However, reductions to the City's net assets may create an image that management is not working to address and fund all City costs.

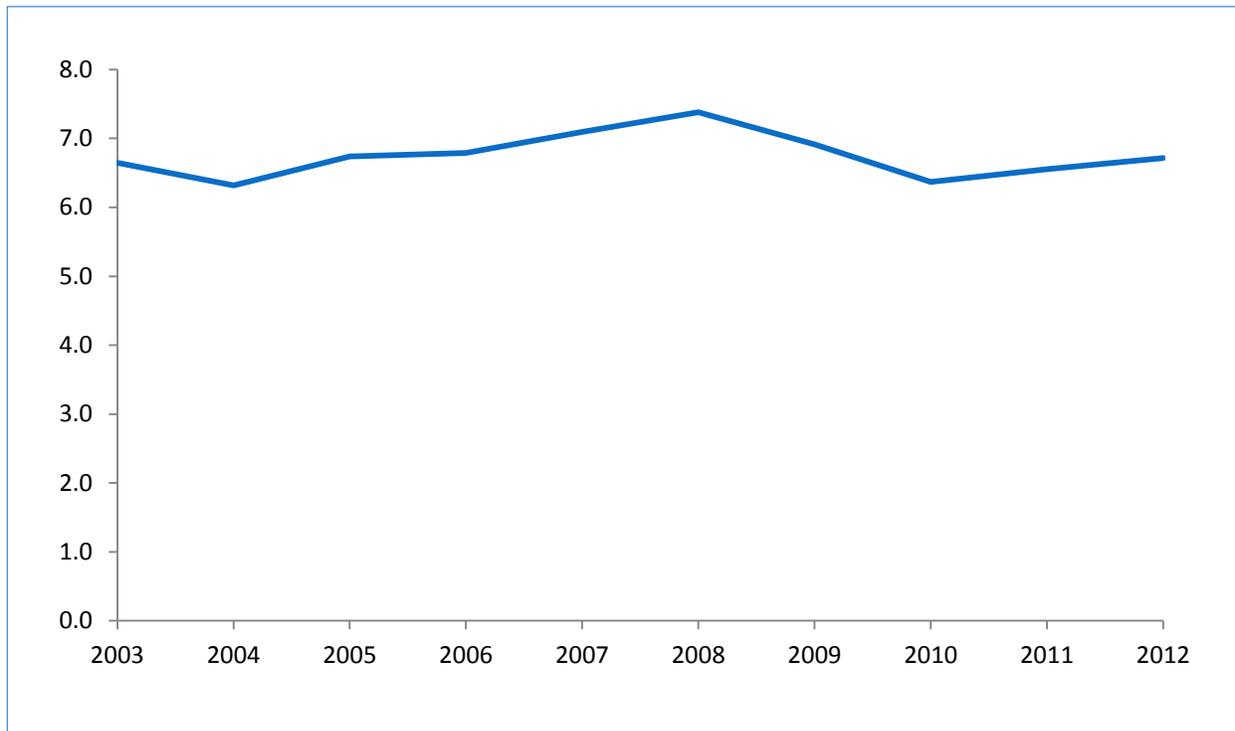
Fiscal & Operational Strategies

1. Develop a long term plan to fund OPEB.
2. Include full funding of OPEB in the forecast model.



Negative Trend

Non-Uniform Employees Per 1,000 Population



Description

Detailed budget data and performance measures can be used to track the level and efficiency of government service. A general level of service can be measured by the number of employees per 1,000 residents. Generally, to guarantee the same level of services, employees per customer should remain constant over time. Changes in employees per customer can indicate if the city is becoming more or less labor intensive, and if personnel productivity is changing.

Analysis

Watch Trend. There were significant reductions in force in 2009 and 2010, in order to balance the budget in the face of sluggish revenues during the recession years. Layoffs of over 400 positions in those two years could reflect more efficient service delivery, or it could mean less services are being offered.

Fiscal & Operational Strategies

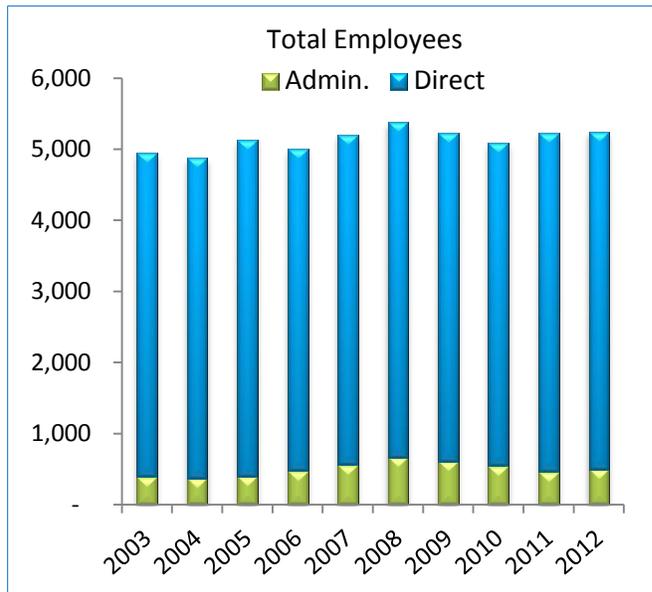
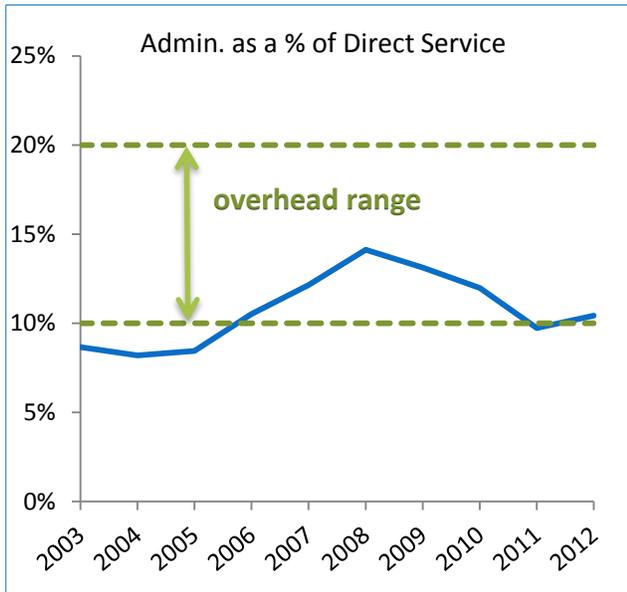
1. Continue refining performance measures that gauge efficiency of service delivery, as well as customer satisfaction.



Watch Trend

Administrative Overhead

Ratio of Admin. Employees to Direct Service Employees



Description

This measure is a proxy for administrative efficiency. A high and/or increasing ratio would be a warning and could indicate inefficiencies. In most cities, overhead functions range between 10% and 20%. Administrative employees include City Council and Mayor, City Manager, City Clerk, Auditor, Human Resources, IT, Law, Finance, General Services, and Human Relations. Analysis includes all employees paid from General Municipal Funds.

Analysis

Positive Trend. The current ratio falls within the range of comparable cities. The ratio increased in 2008 when employees in direct service departments, who were performing administrative functions, were reclassified to a newly created General Services department. This move consolidated administrative functions previously performed across departments, thereby reducing redundancies. The declines in this ratio since 2008 could signal greater efficiencies in support delivery systems, or insufficient levels of support to direct service departments.

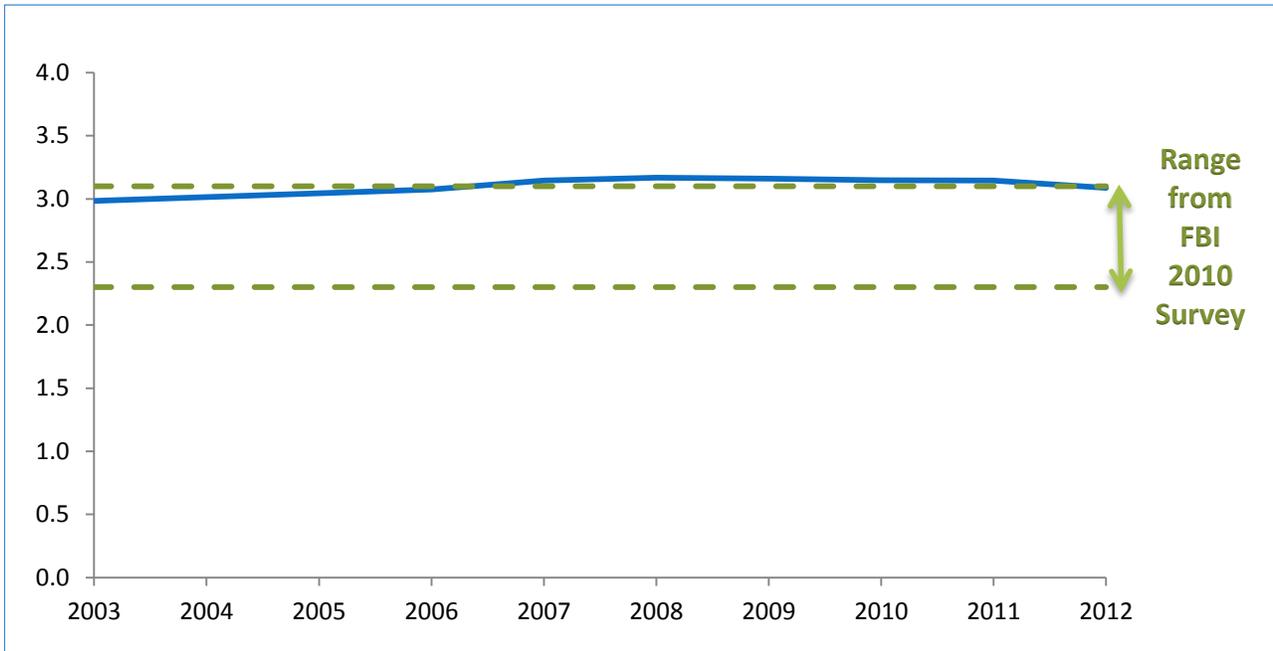
Fiscal & Operational Strategies

1. Continue refining performance measures that gauge efficiency of service delivery, as well as customer satisfaction.
2. Evaluate optimal levels of overhead support, and ensure administrative support staff are factored in forecast assumptions for direct service employee additions/subtractions.
3. Implement recommendations of the 2012 Internal Services survey.



Positive Trend

Uniform Police Employees per 1,000 Population



Description

Detailed budgeted data and performance measures can be used to track the level and efficiency of public safety service. However, the general level of service can be measured by the number of officers per 1,000 residents. A higher number of employees may signal higher service levels or service delivery inefficiencies. According to the FBI, the average number of officers per 1,000 residents in 2010 for Midwestern cities with population greater than 250,000 was 3.1. For cities in the west north central region that includes Missouri, Iowa, Kansas, Minnesota, Nebraska, and North and South Dakota, the average was 2.3.

Analysis

Watch Trend. Kansas City's ratio of uniform police per resident currently falls within the range for, but is high relative to other cities in the comparison group.

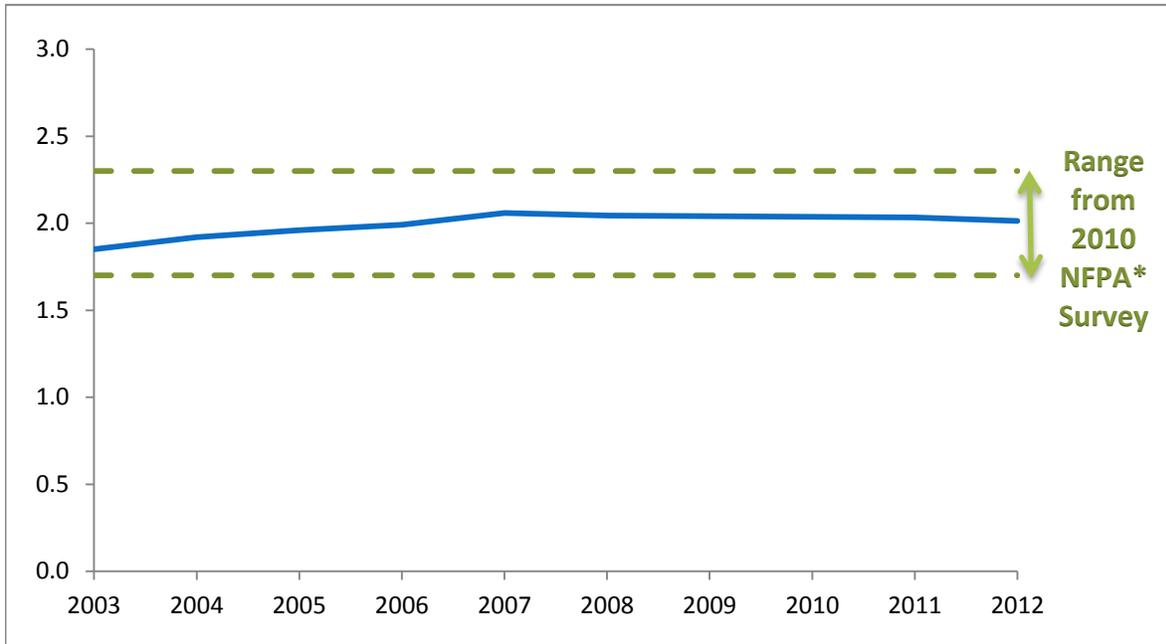
Fiscal & Operational Strategies

1. Monitor performance measures to gauge efficiency of service delivery as well as customer satisfaction. These could include response time, number of cases per officer, and market value protected.



Watch Trend

Firefighters per 1,000 Population



* National Fire Protection Association

Description

Detailed budgeted data and performance measures can be used to track the level and efficiency of public safety service. However, the general level of service by the Fire Department can be measured by the number of firefighting employees per 1,000 residents. A higher number of employees may signify higher service levels or service delivery inefficiencies.

Analysis

Positive Trend. Kansas City's ratio conforms with national averages. Comparisons to other cities must also consider number of fire calls, daytime population, and land area.

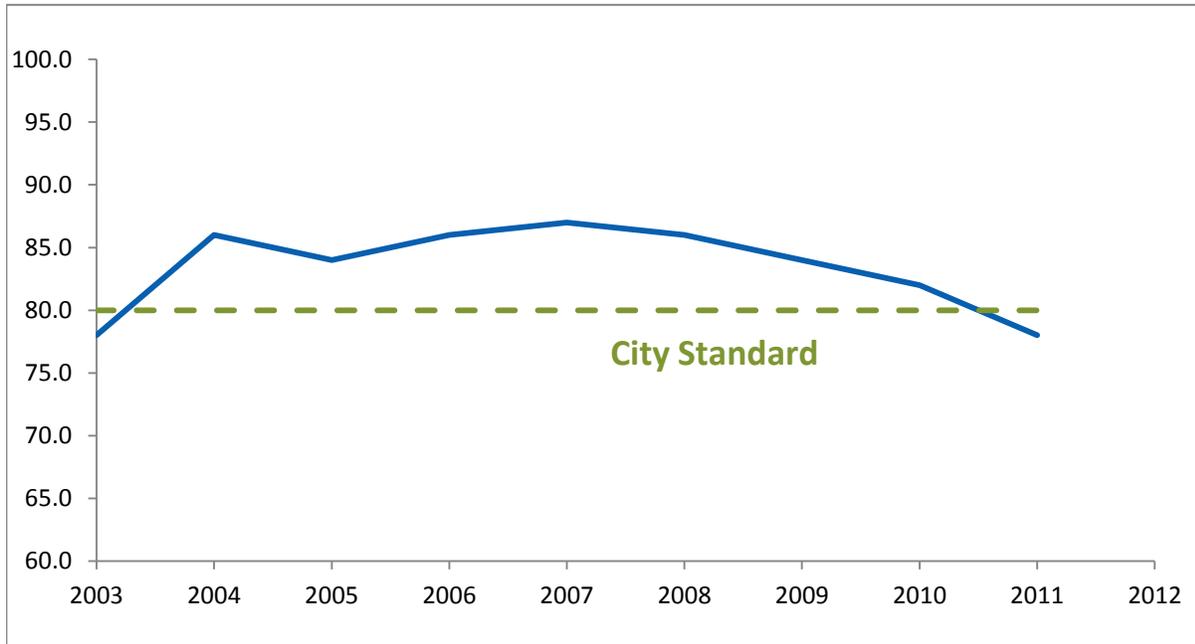
Fiscal & Operational Strategies

1. Continue to monitor performance measures to gauge efficiency of service delivery as well as customer satisfaction. These could include response time, fire calls per capita, training hours, people protected per firefighter, and fire expenditures per person.
2. Evaluate options for mutual aid agreements with surrounding departments for manpower and equipment.



Positive Trend

Overall Pavement Condition Index



Description

Pavement health is measured by a Street Distress Rating System (SDRS). The system calculates a Pavement Condition Index (PCI) to measure the extent and severity of pavement distress such as cracking, rutting, graveling, etc. It is expressed as a number from 0 (very bad, essentially gravel) to 100 (essentially perfect). Timely investments in routine maintenance can extend pavement life and provide for a safer driving experience. Not only will roads last longer, but repairing a failed road can be four to nine times more expensive than consistent routine maintenance.

Analysis

Negative Trend. The City's overall street inventory condition peaked in 2007 and has deteriorated each year since, and is now below the City's standard. During fiscal year 2011, the amount expended was 25% of the actual amount required, and the current funding gap is estimated to be \$63 million.

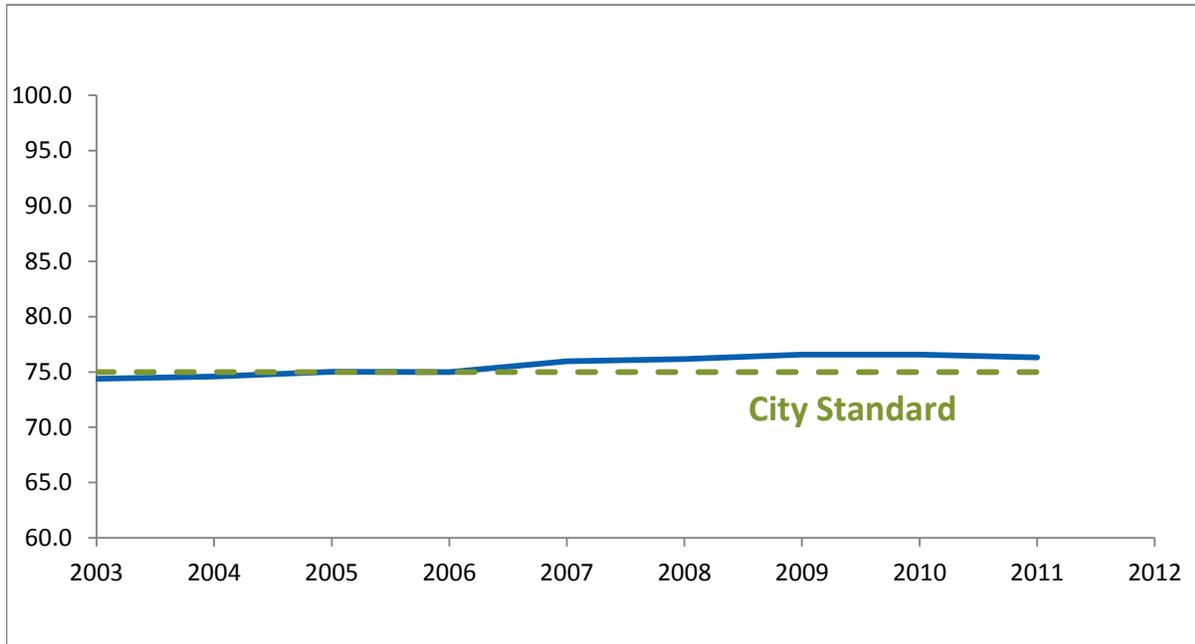
Fiscal & Operational Strategies

1. Continue to rate the condition of every street and increase funding plans for street maintenance and rehabilitation in the annual CIP.



Negative Trend

Overall Bridge Condition Index



Description

The condition of bridges is measured using the Federal Highway Administration Rating System. The condition index ranges from zero for a failed bridge to 100 for a bridge in perfect condition. The index classifies bridges as good or better (65 and 75 on up, respectively), fair (45 to 65) and substandard (less than 45). It is the City's policy to maintain on average at least 75 percent of its bridge system at a good or better condition level.

Analysis

Watch Trend. The City's overall bridge inventory condition is slightly above the City's standard of 75. However, during fiscal year 2011, the amount expended was 15% of the actual amount required, and the current funding gap is estimated to be \$7.3 million. Spending will need to increase to maintain bridges per the City's standard.

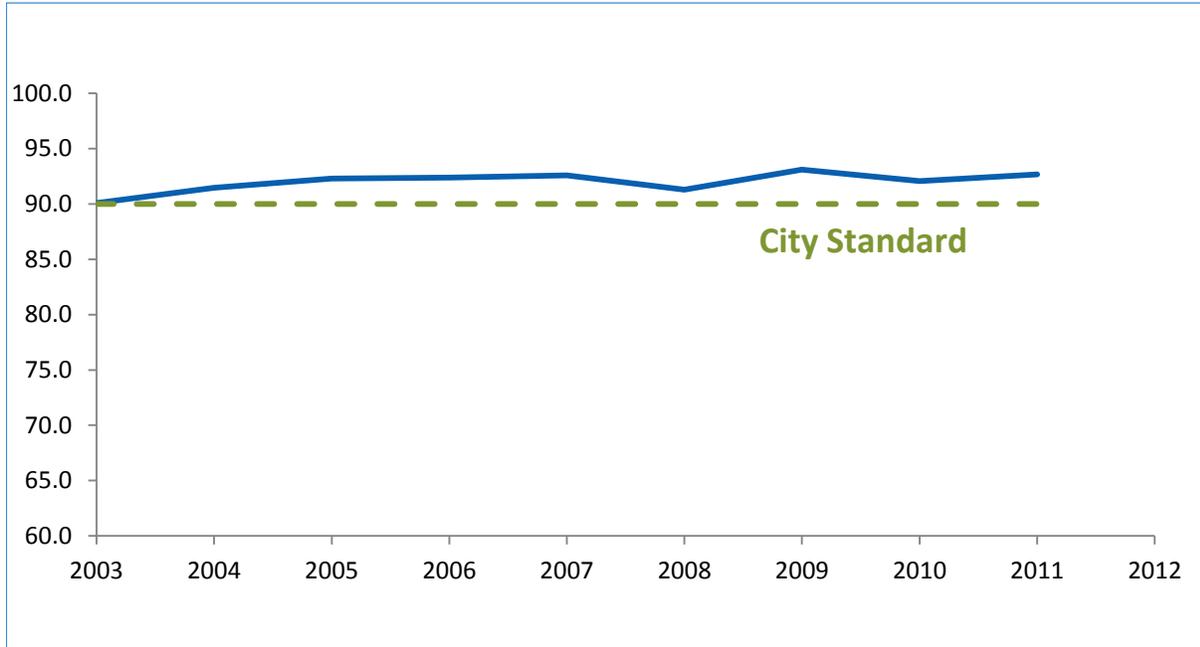
Fiscal & Operational Strategies

1. Continue to rate the condition of every bridge and maintain funding plans for bridge maintenance and rehabilitation in the annual CIP.



Watch Trend

Overall Streetlights Condition Index



Description

The condition of street lighting is measured using a system designed by the City that assigns a rating based on 16 different factors. The condition index is used to classify street lighting in better condition (90 and up), good condition (80 to 90), and substandard condition (less than 80). It is the City's policy to maintain an overall average of at least 90 percent condition rating for the entire street light system.

Analysis

Positive Trend. The City's overall street light inventory condition has remained above the City standard of 90.

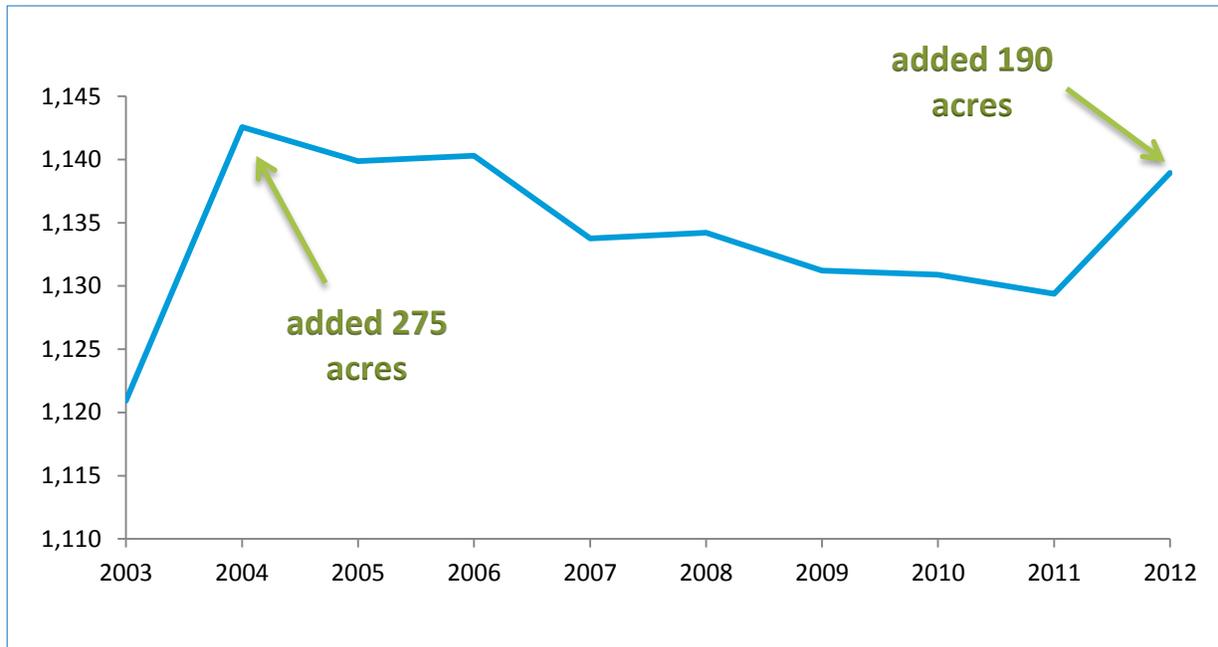
Fiscal & Operational Strategies

1. Continue to rate the condition of every street light and maintain funding plans for maintenance and replacement in the annual CIP.



Positive Trend

Parkland Square Feet Per Person



Description

The amount of green space per citizen is an important measure of a community's quality of life. Park and recreation areas are economic engines that increase the value of nearby private land, making communities livable and desirable for businesses and homeowners.

Analysis

Positive Trend. At 1,139 square feet of parkland per person, Kansas City ranks comparably with cities such as Portland, Phoenix, Lincoln, Houston and Raleigh in providing green space for their citizens.

Fiscal & Operational Strategies

1. Monitor citizen satisfaction with parks and recreation services.
2. Forecast the full cost of parkland maintenance for both existing and proposed parkland acquisitions.



Positive Trend