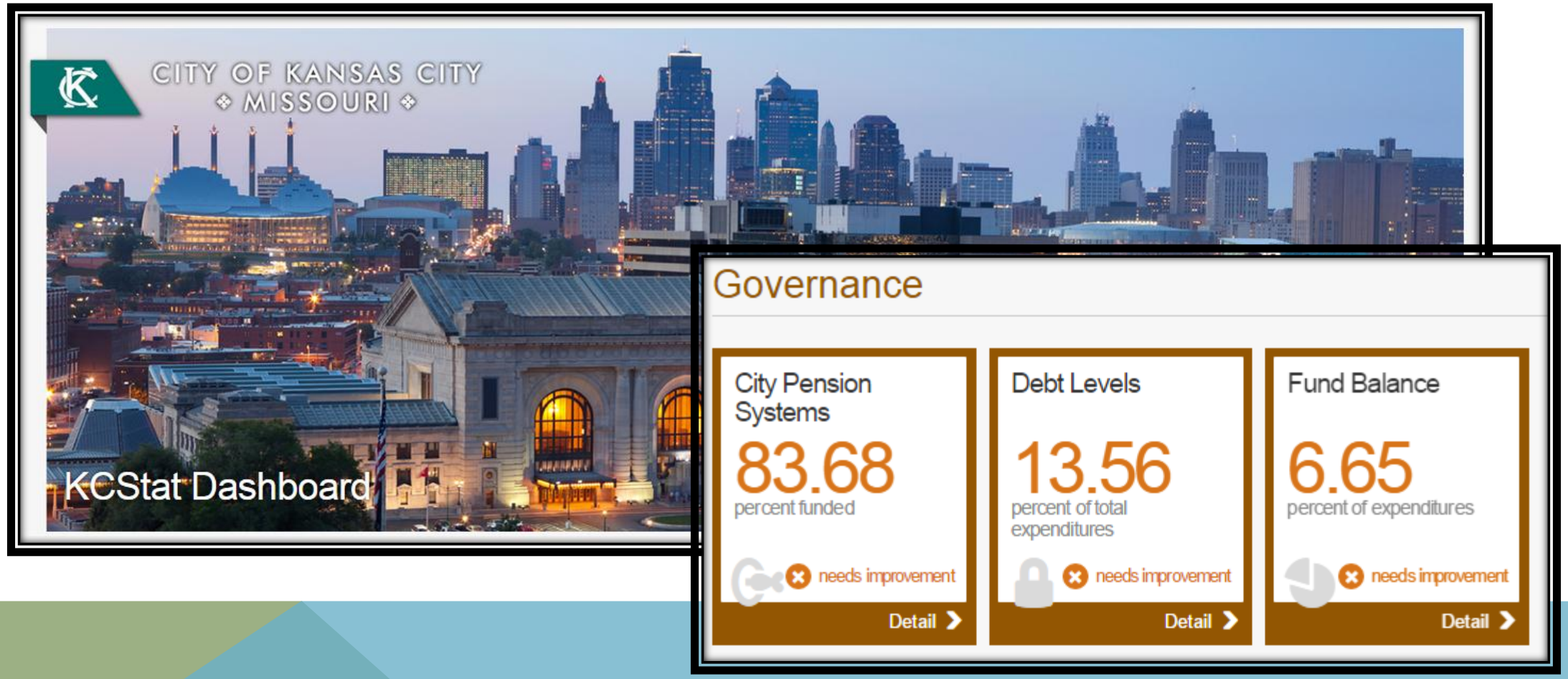
FINANCE & GOVERNANCE

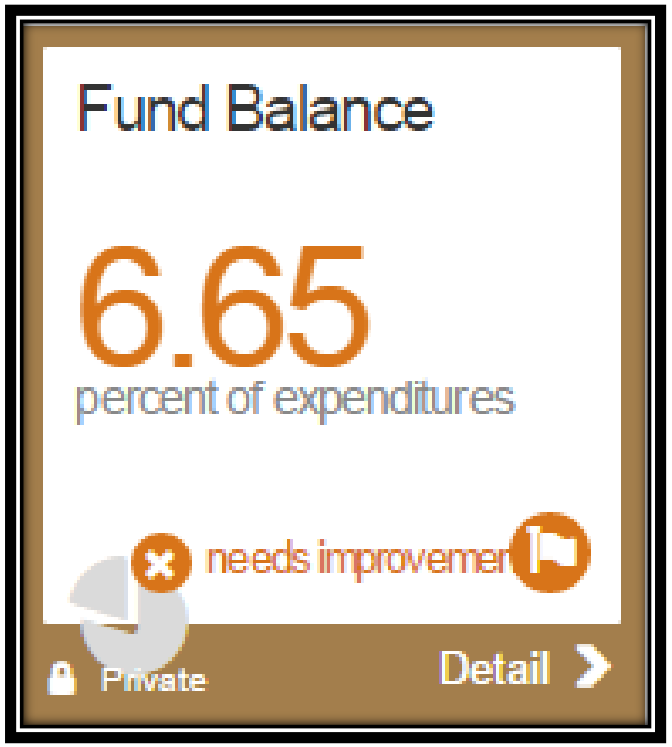
DECEMBER 2, 2014

NEW DASHBOARD SECTION!



http://kcstat.kcmo.org

A STRUCTURALLY BALANCED BUDGET



FUND BALANCE OVER TIME

Increase the city's general fund balance to the recommended level.

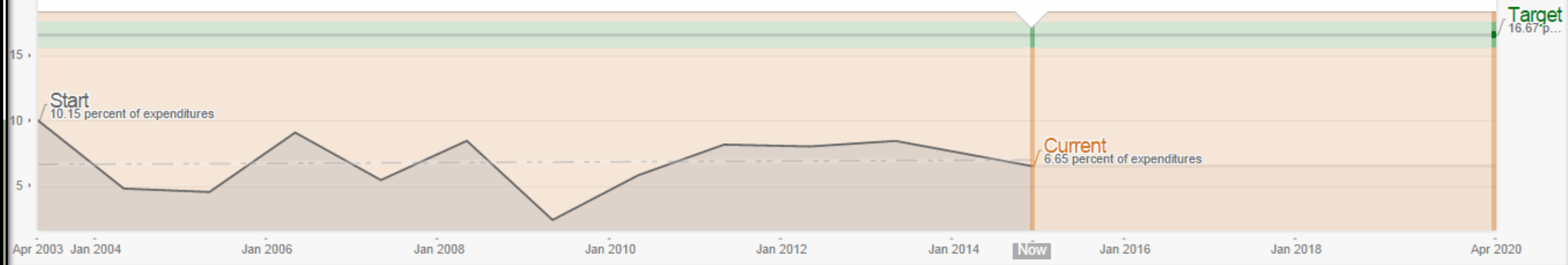
The key measurement for this priority is the General Fund unreserved balance as a percent of annual expenditures. The general fund balance serves to cushion revenue shortfalls caused by economic downturns, emergencies or uneven cash flows. The city's target is two months of expenditures, or 16.67%, by 2020, which is similar to the national median for cities.

Explore the data›

6.65 percent of expenditures
Current as of Dec 2014

16.67 percent of expenditures
Apr 2020 Target

Needs Improvement
Hide chart



Source: Financial Trend Monitoring System (FTMS)

WHAT INFLUENCES THE FUND BALANCE

Fund Balance	General Fund 2013-14	2012-13	2011-12
Restricted			
Workers compensatior	$ 800	$ 800	$ 800
Committed			
Stabilization amount	30,522	36,615	34,555
Contractual obligation	922	1,402	1,135
Re-appropriations	1,124	3,133	2,695
Assigned			
Countercyclical reserve	-	1,020	-
Contractual obligation	4,777	6,366	5,499
Total Fund Balance	**$ 38,145**	**$ 49,336**	**$ 44,684**

The general fund's total fund balance declined by $11.2 million in fiscal year 2014, from the prior year. The general fund's reserves declined by $7.1 million in fiscal year 2014, comprised of $6.1 million for the stabilization amount and $1.0 million for the countercyclical reserve. Several factors influenced the change in fund balance including a $4.1 million decline in legal claim reserves and a $2.8 million decline in workers' compensation claim reserves. The portion of committed fund balance not set aside for reserves declined by $2.5 million due to decreases in contractual obligations and re-appropriations. The portion of assigned fund balance not set aside for reserves declined by $1.6 million due to decreases in contractual obligations.

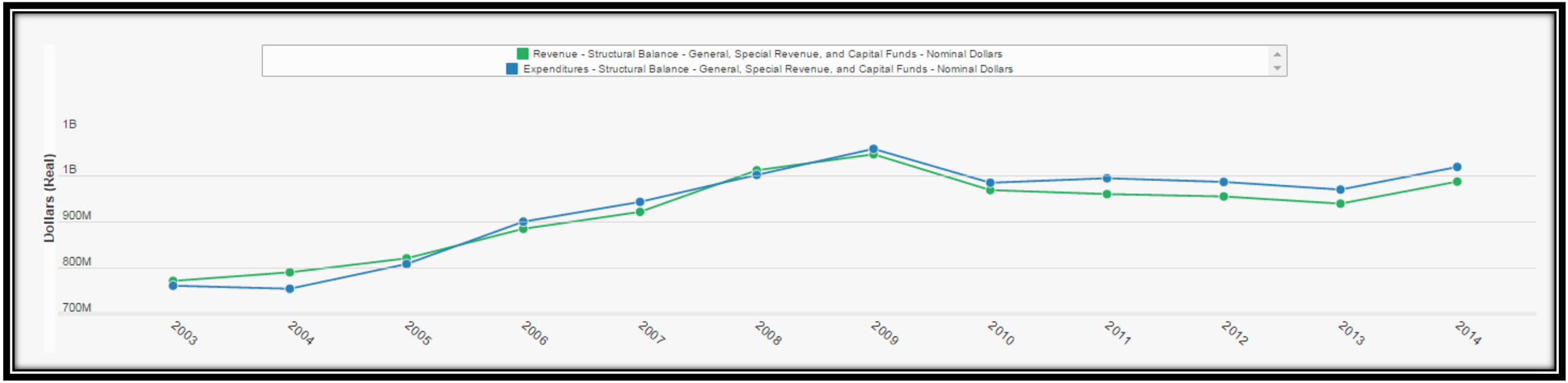
Source: Popular Annual Financial Report(PAFR)

WHAT IS A STRUCTURALLY BALANCED BUDGET?

- **Recurring revenue greater than or equal to recurring expenditures**
- **Fund balance goal equals two months of operating expenditures**

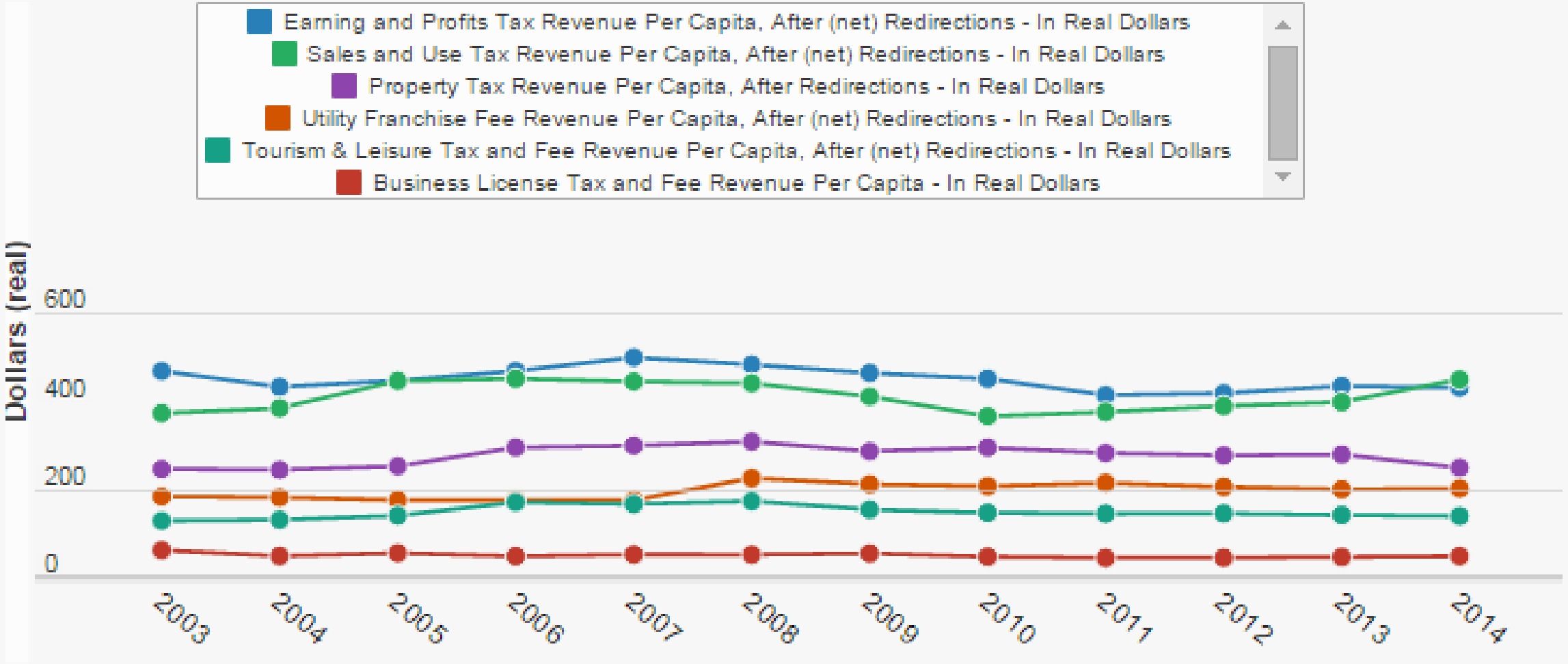
"Recurring revenue. The portion of a government's revenues that can reasonably be expected to continue year-to-year with some degree of predictability"

EXPENDITURE V. REVENUE GROWTH



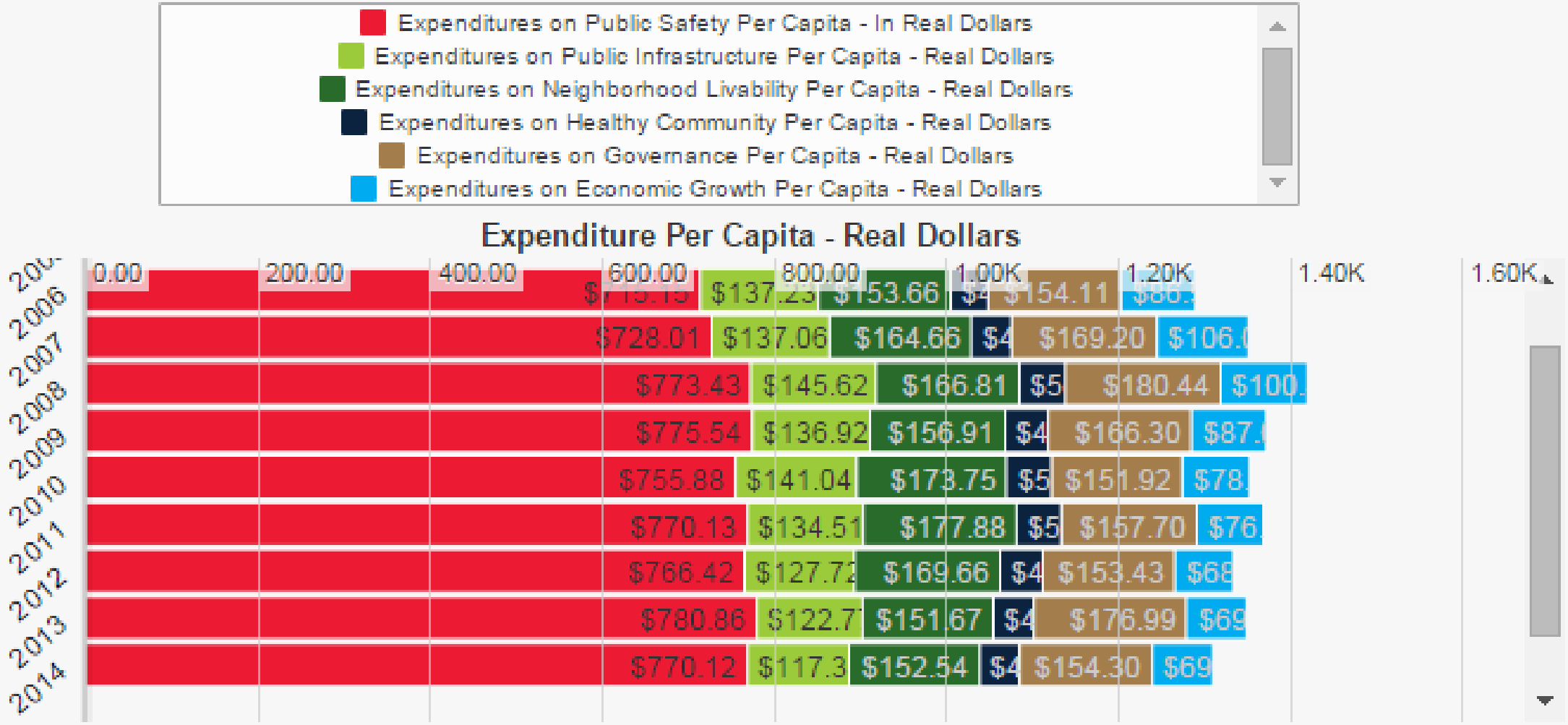
Source: Financial Trend Monitoring System (FTMS)

WHAT'S DRIVING THE REVENUE LINE?



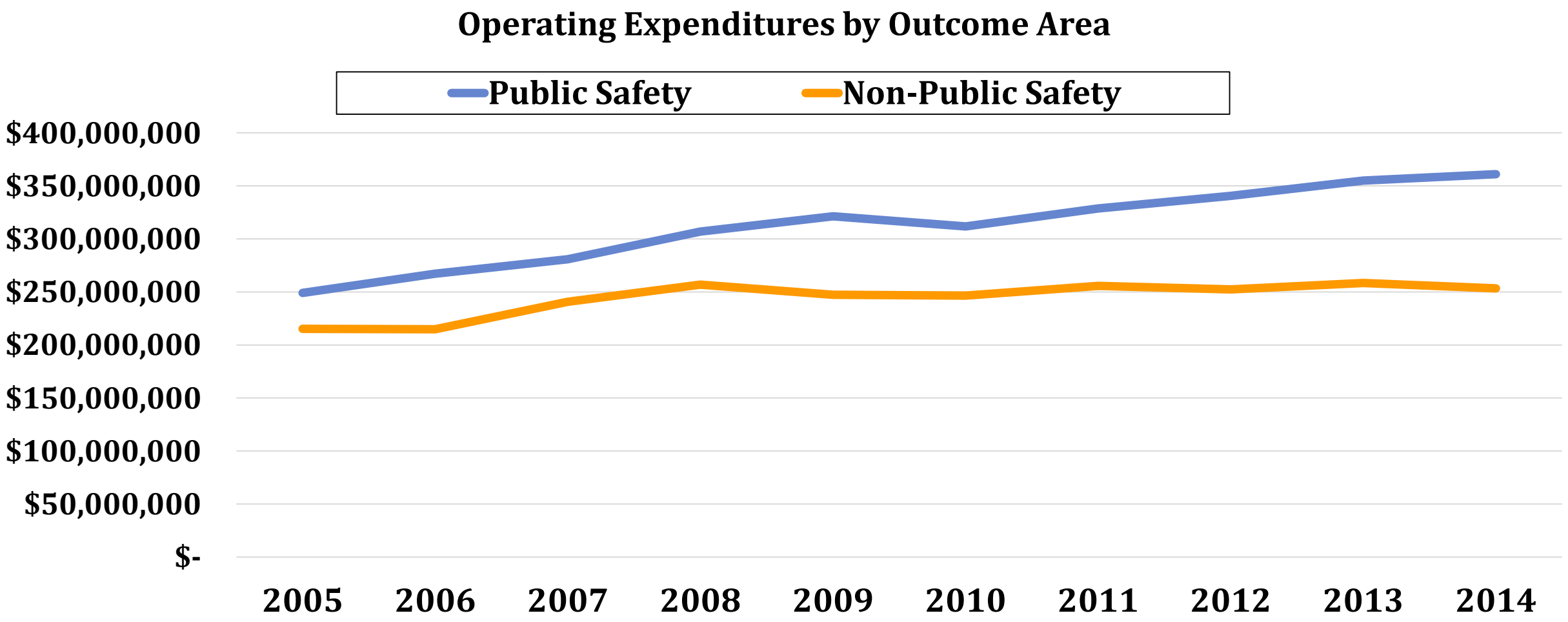
Source: Financial Trend Monitoring System (FTMS)

WHAT'S DRIVING THE EXPENDITURE LINE? EXPENDITURES BY OUTCOME PER CAPITA



Source: Financial Trend Monitoring System (FTMS)

WHAT'S DRIVING THE EXPENDITURE LINE?



Source: Financial Trend Monitoring System (FTMS)

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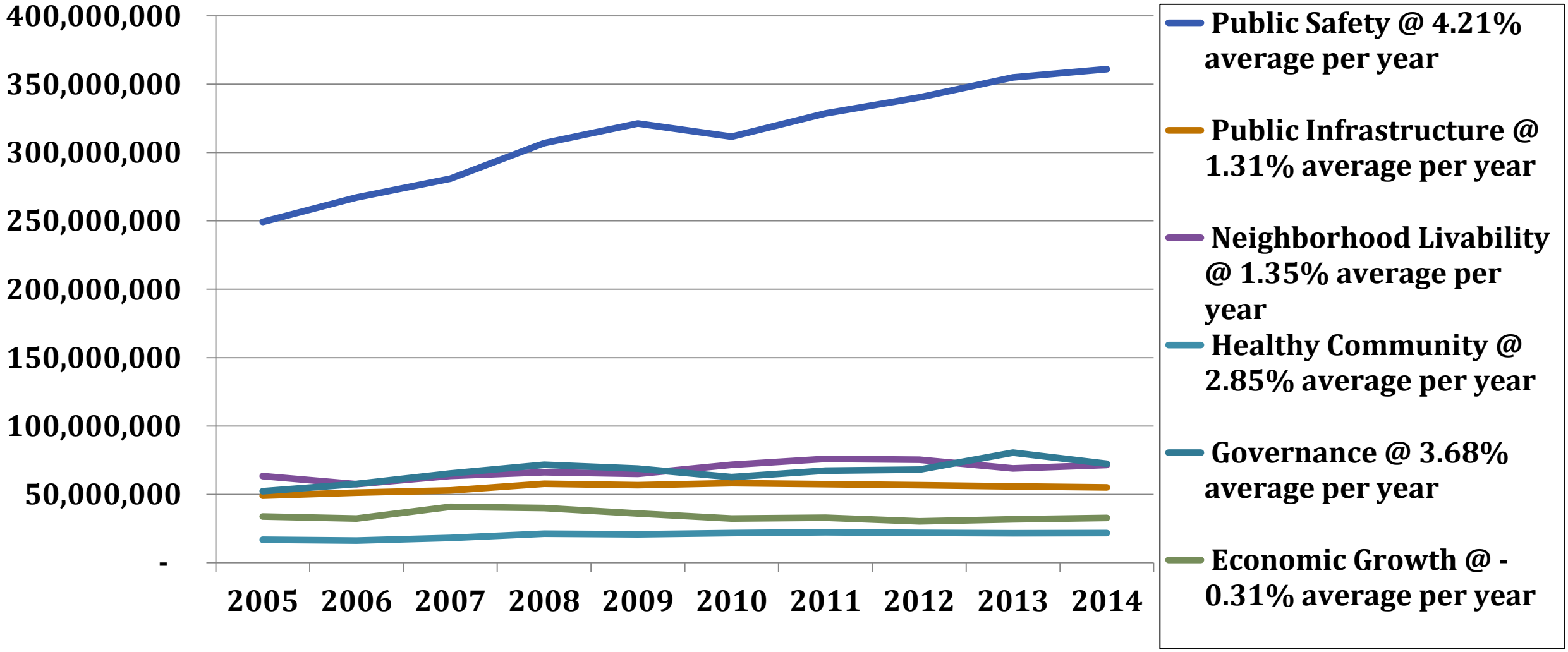
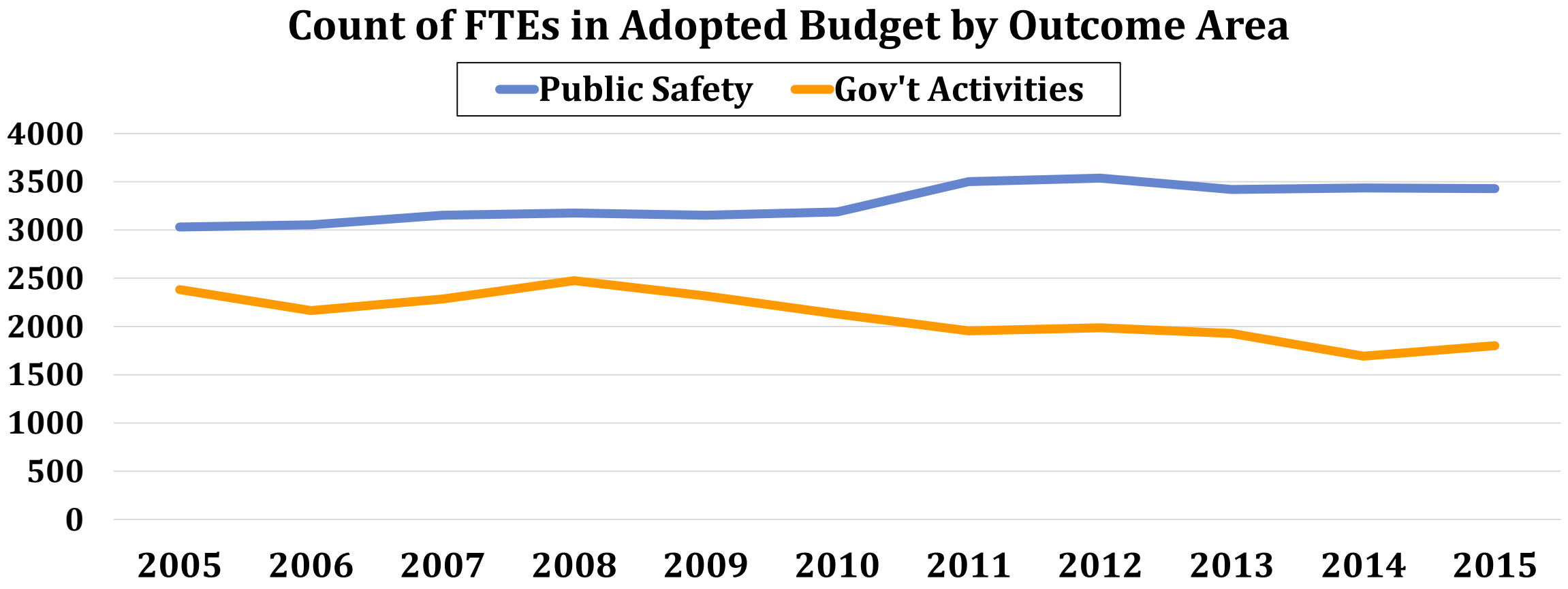


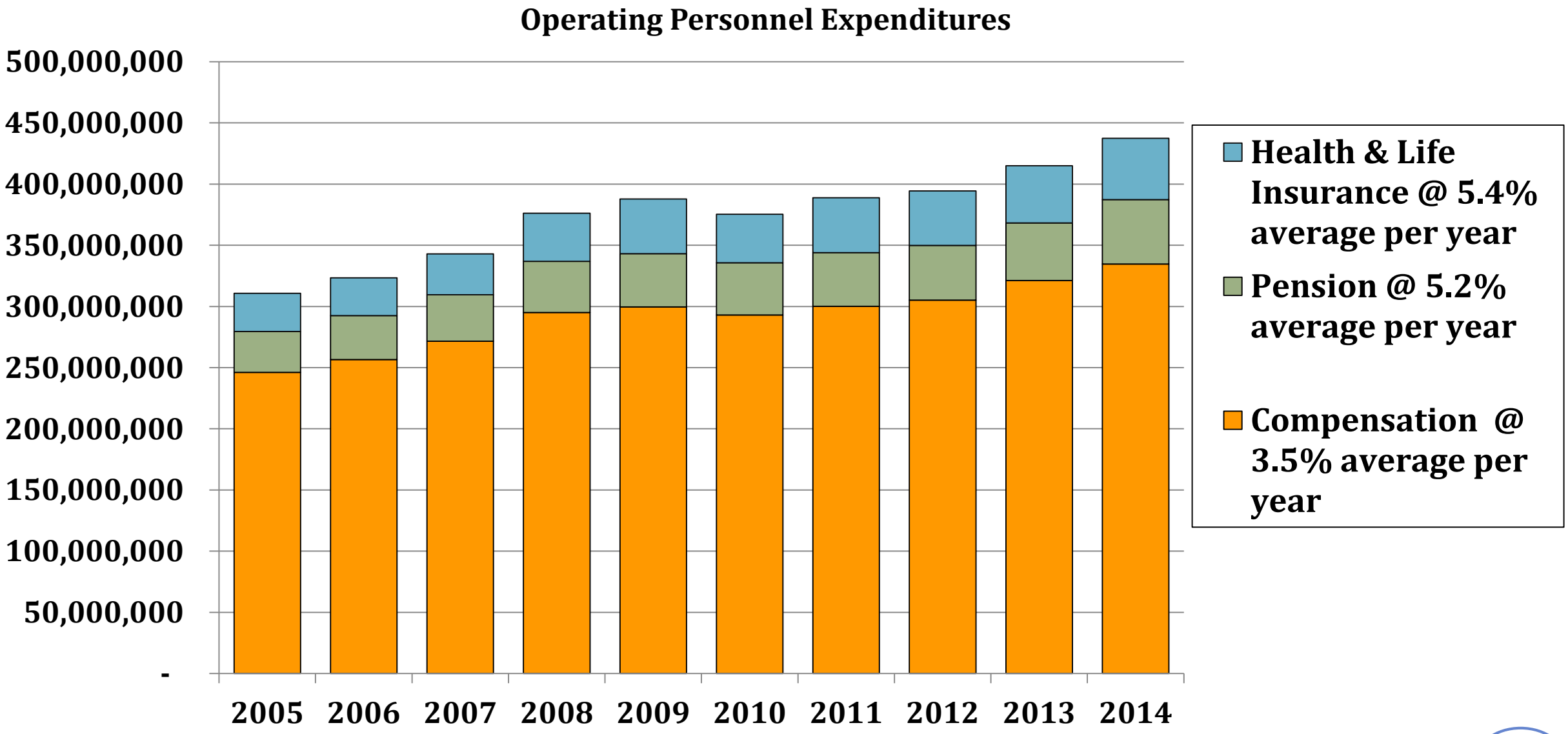
Source: Financial Trend Monitoring System (FTMS)

WHAT'S DRIVING THE EXPENDITURE LINE – FULL-TIME EQUIVALENT POSITIONS



Source: Adopted Budgets FY05 – FY15

WHAT'S DRIVING THE EXPENDITURE LINE?



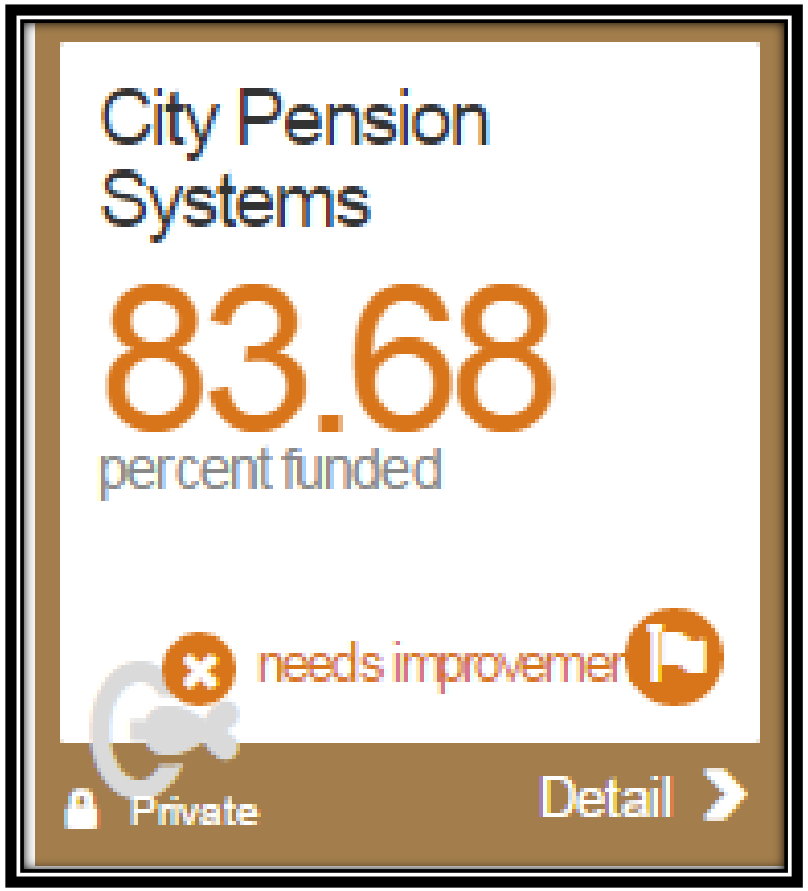
Source: Financial Trend Monitoring System (FTMS)

BUDGET BASIS FUND BALANCE FOR OPERATING FUNDS

	# of Funds (total funds = 82)
Funds with Surplus	51
Funds with Deficit	3
Funds being monitored closely	• Ambulance Services • HOME Investment • ARRA Stimulus

Source: Financial Trend Monitoring System (FTMS)

ACTUARIAL SOUNDNESS OF CITY PENSION SYSTEM



PENSION SYSTEMS FUNDED RATIO

Fully fund the pension systems for employees.

The key measurement for this priority is the funding ratio for the employees' retirement system, which serves all non-public safety employees. A pension is fully funded if this ratio is equal to or greater than 100%; the city's goal is to increase the funding ratio to 100% for all four of its plans. Explore the data›

83.68 percent funded
Current as of Dec 2014

100 percent funded
Apr 2015 Target

Needs Improvement
Show chart

Jan 2004 | Jan 2005 | Jan 2006 | Jan 2007 | Jan 2008 | Jan 2009 | Jan 2010 | Jan 2011 | Jan 2012 | Jan 2013 | Jan 2014

Firefighters' Retirement System Funding Ratio

77.57
percent funded

The funding ratio for the Firefighter Retirement System, which serves KCFD employees. The city's target is 100%.

Police Retirement System Funding Ratio

76.85
percent funded

The funding ratio for the Police Retirement System, which serves uniformed KCPD employees. The city's target is 100%.

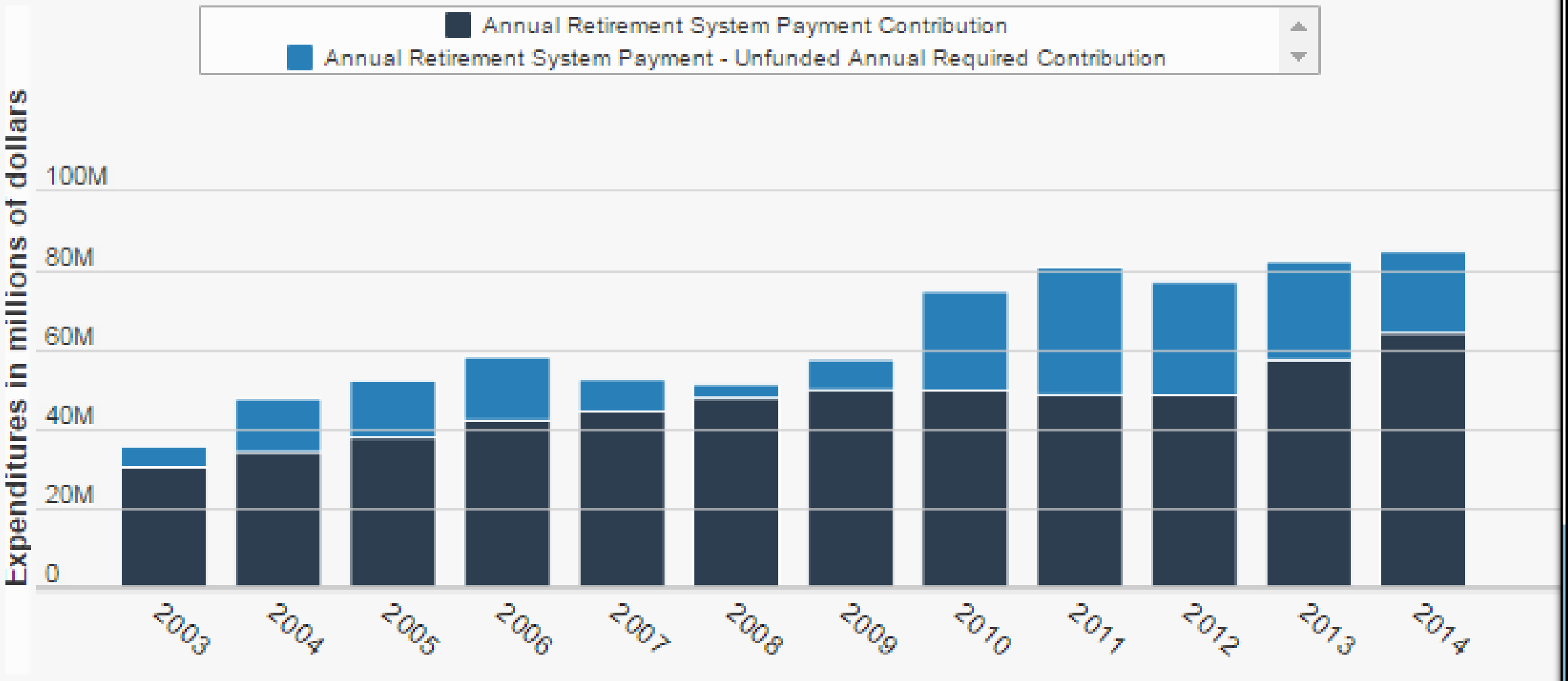
Civilian Police Retirement System Funding Ratio

76.69
percent funded

The funding ratio for the Police Civilian Retirement System, which serves civilian KCPD employees. The city's target is 100%.

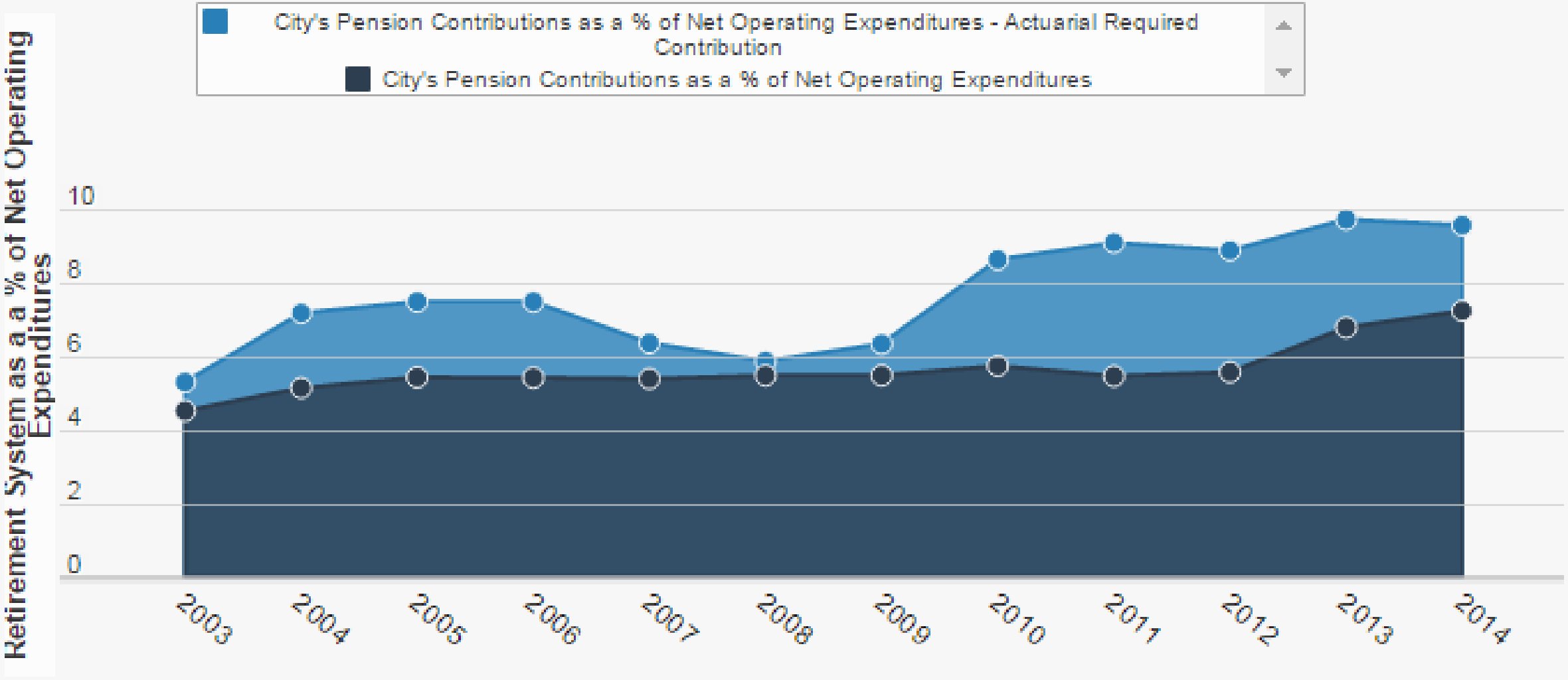
Source: Financial Trend Monitoring System (FTMS)

PENSION ANNUAL PAYMENTS



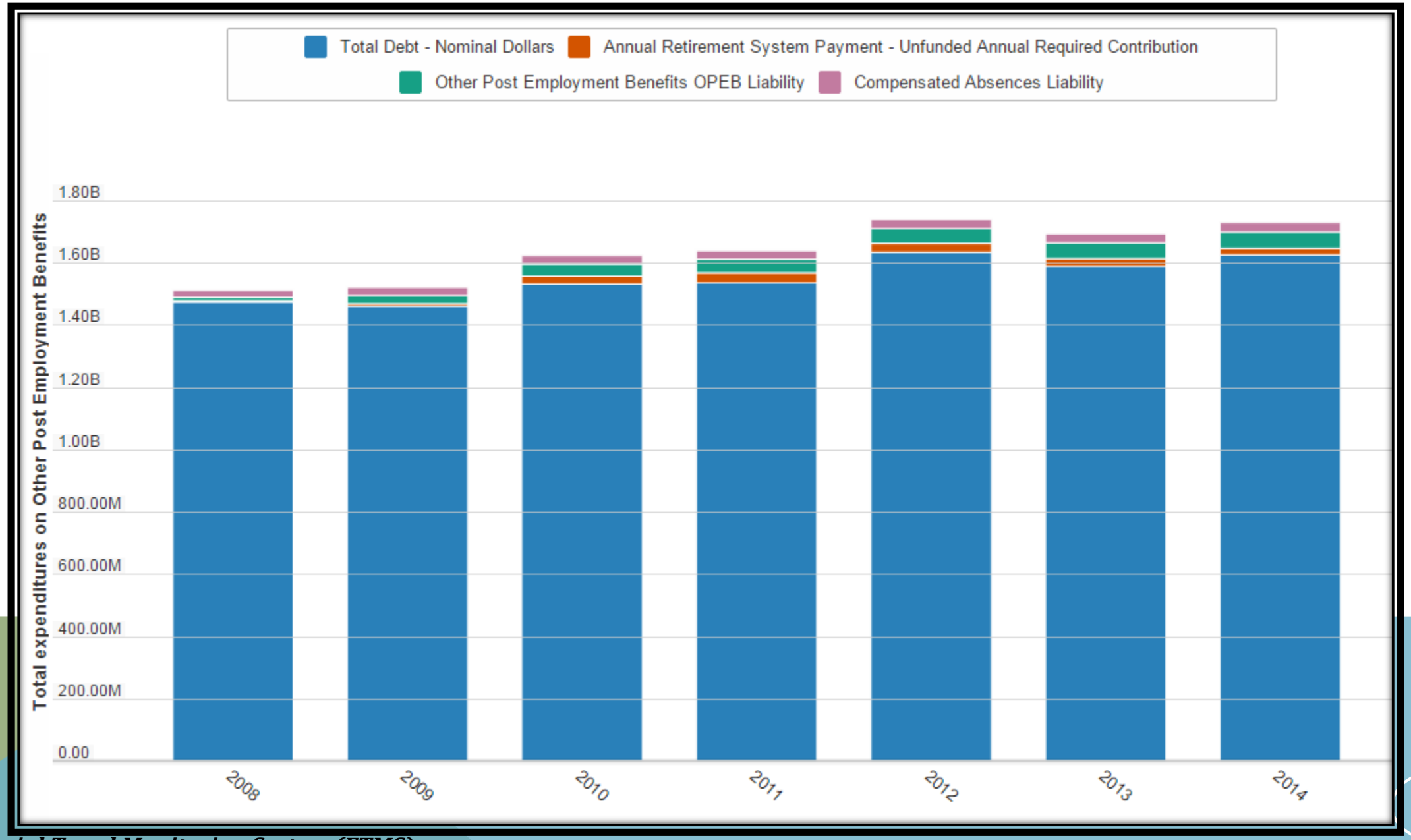
Source: Financial Trend Monitoring System (FTMS)

PENSION AS % OF OPERATING EXPENDITURES



Source: Financial Trend Monitoring System (FTMS)

MAJOR LONG-TERM LIABILITIES: WHAT ARE WE GOING TO OWE



Source: Financial Trend Monitoring System (FTMS)

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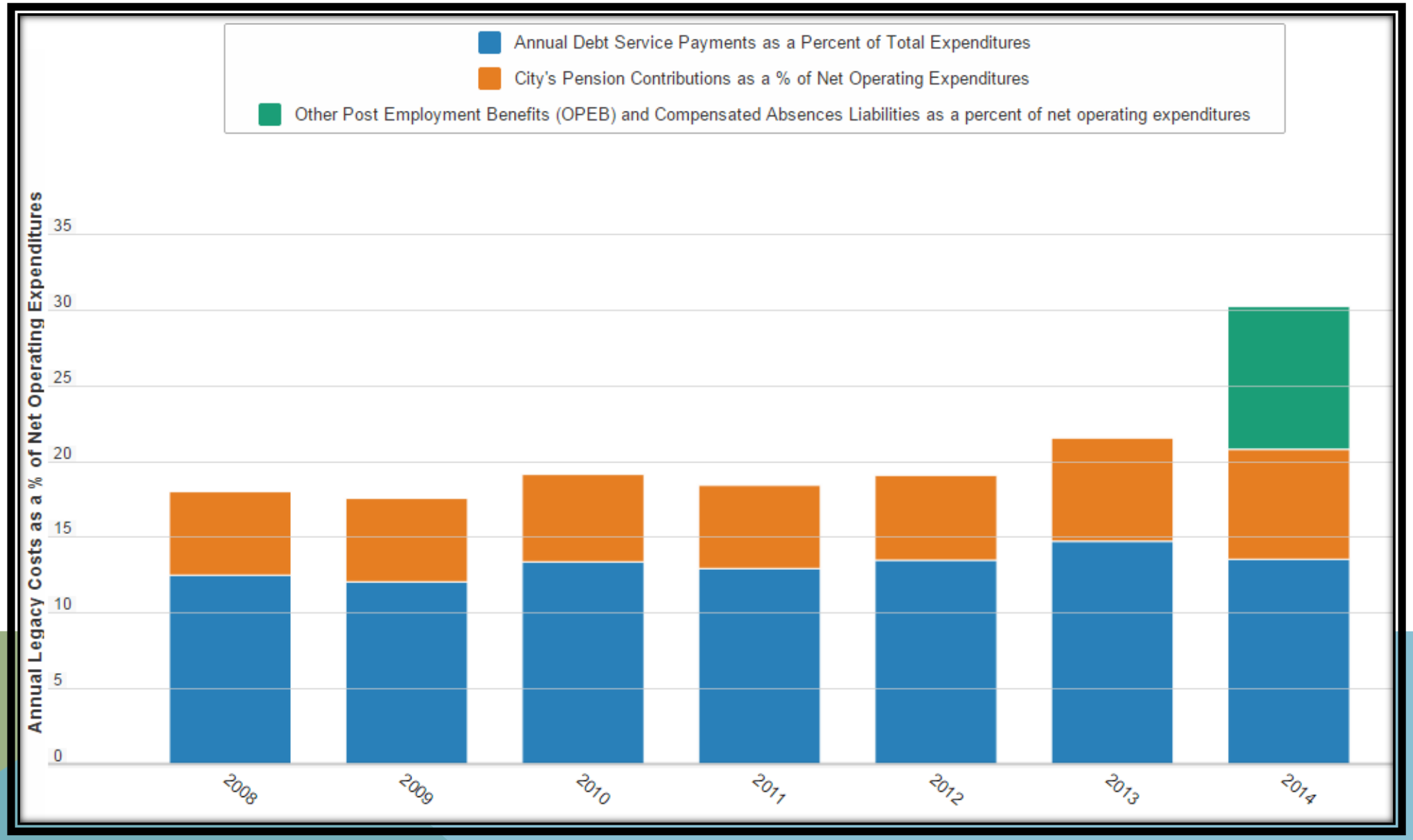
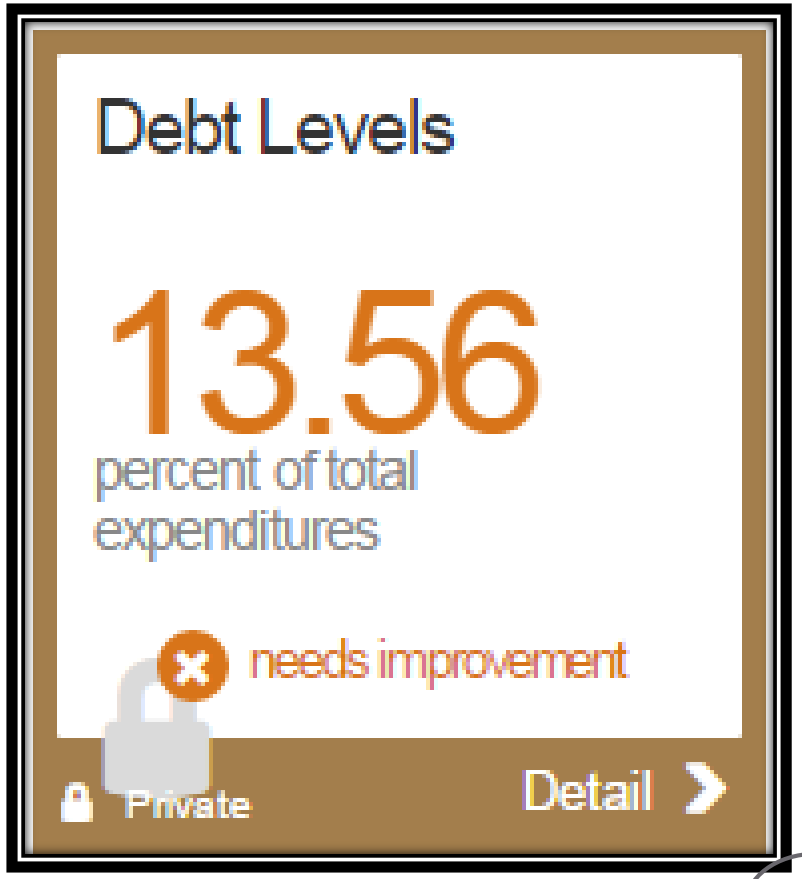


Source: Financial Trend Monitoring System (FTMS)

MAINTAIN CITY'S HIGH CREDIT RATING



MAINTAIN CITY'S HIGH CREDIT RATING

Maintain debt service payments below 10 percent of total city operating expenditures

The credit industry's threshold recommendation for total debt service payments as a percent of total expenditures is 10%; since Kansas City does not yet have a formal target for debt as a percent of expenditures, the 10% target is shown here. Explore the data›

13.56 percent of total expenditures

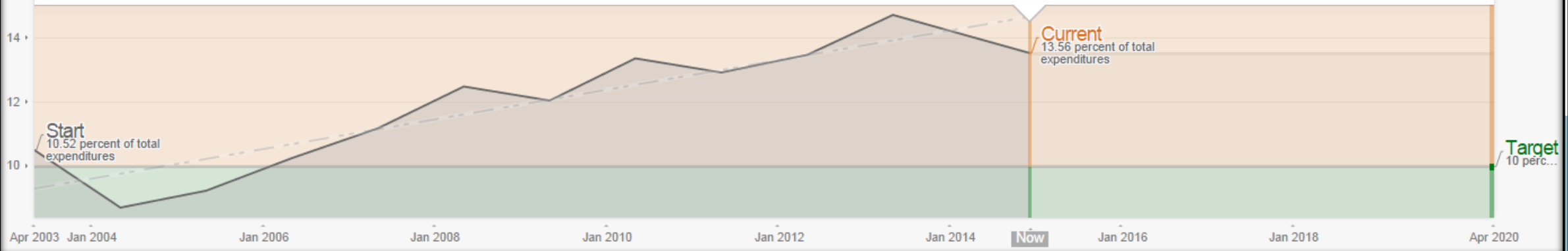
Current as of Dec 2014

10 percent of total expenditures

Apr 2020 Target

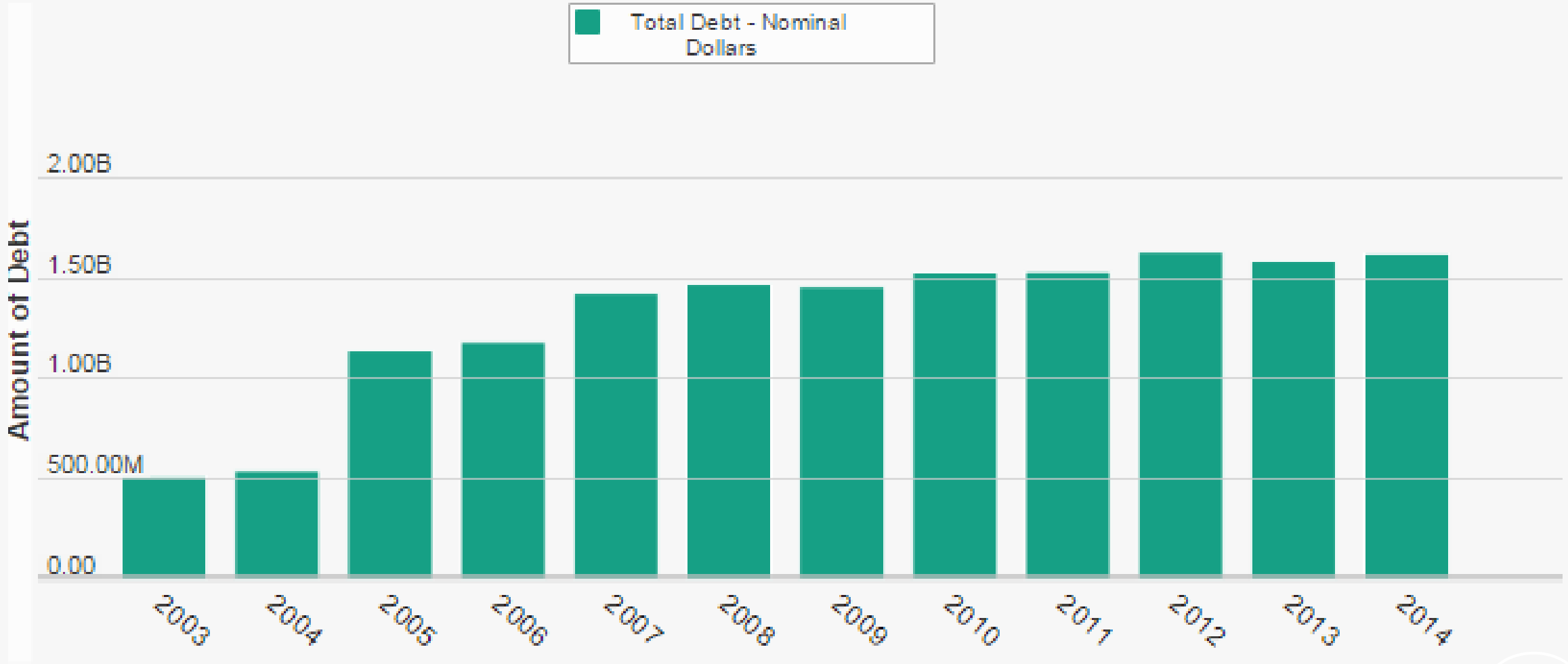
Needs Improvement

Hide chart



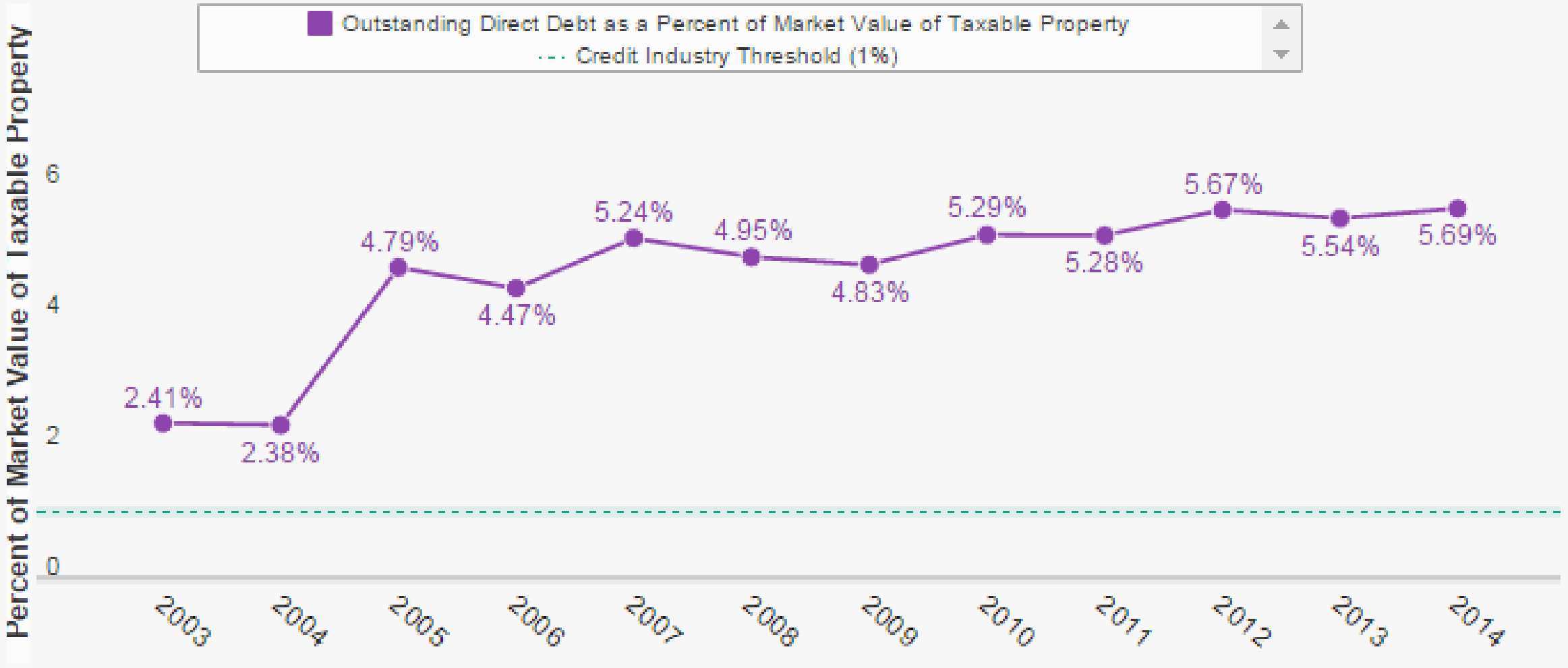
Source: Financial Trend Monitoring System (FTMS)

GENERAL GOVERNMENT DEBT



Source: Financial Trend Monitoring System (FTMS)

OUTSTANDING DEBT AS PERCENT OF MARKET VALUE OF TAXABLE PROPERTY



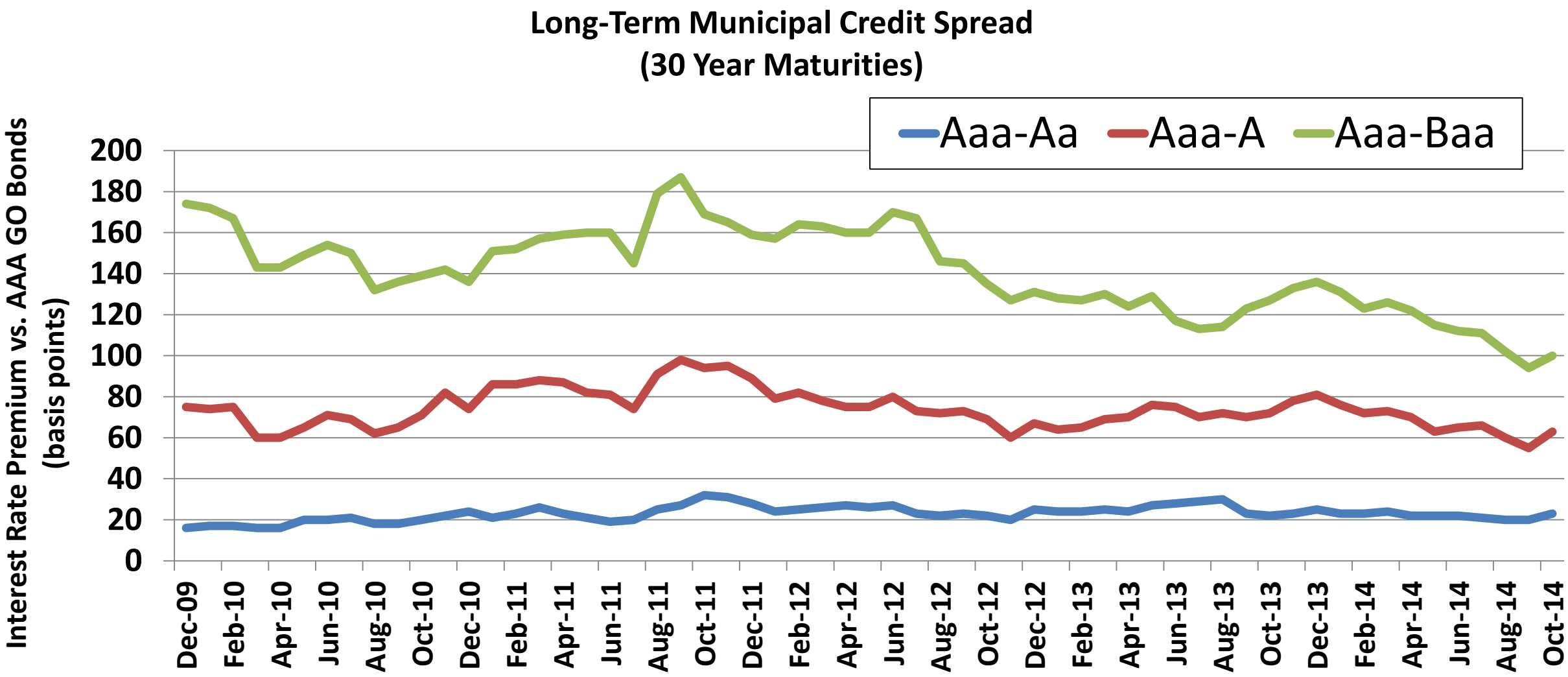
Source: Financial Trend Monitoring System (FTMS)

CREDIT RATINGS (AS OF APRIL 30, 2014)

	Type of Bonds Issued	Moody's Rating	Standard and Poor's Rating
1	General obligations bonds	Aa2	AA
2	Kansas City, Missouri Special Obligation Bonds (Series 2014A, 20	A1	AA-
3	Water revenue bonds (senior lien bonds)	Aa2	AA+
4	Sewer revenue bonds (junior lien bonds)	Aa2	AA
5	Airport revenue bonds (senior lien bonds)	A2	A+
6	Airport revenue bonds (junior lien bonds)	A3	A

Source: Finance Department

CREDIT SPREADS



For illustration purposes only. Past performance may not indicate future results. Source: Thomson Municipal Market Data

STANDARD & POOR'S FEBRUARY 2014 RATING REPORT

- **General obligation and annual appropriation credit ratings affirmed with a stable outlook**
- **Credit strengths**
  - Strong budgetary flexibility
  - Very strong liquidity
  - Very strong management, supported by strong financial practices and policies
- **Credit weaknesses**
  - Very weak debt and contingent liability
  - Uncertainty clouds the earnings and profits tax

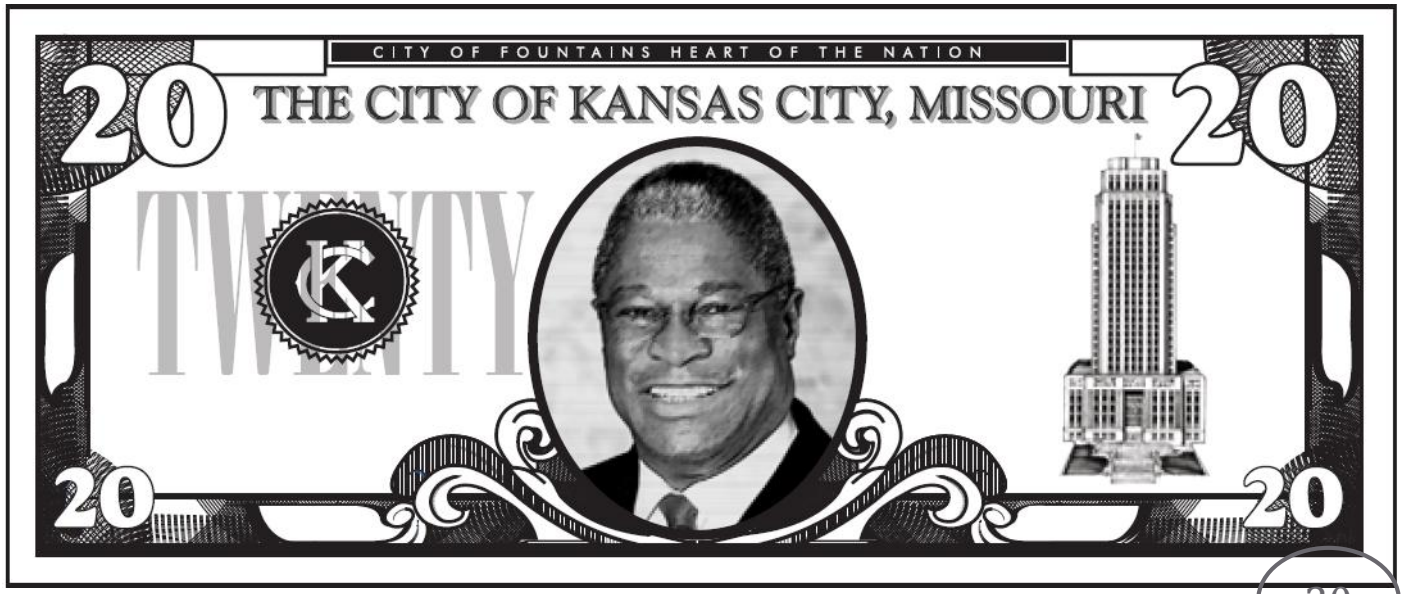
MOODY'S FEBRUARY 2014 RATING REPORT

- **General obligation and annual appropriation credit ratings affirmed with a stable outlook**
- **Credit strengths**
  - Large and diverse economy
  - Management's proven record at closing large, multi-year budget gaps
  - Substantial liquidity available outside the General Fund
  - Recent passage of pension reform
  - Continued support from Earnings Tax (78%-22% margin in 2011)
- **Credit weaknesses**
  - General Fund appropriation for debt obligations
  - Uncertainty over long term collection of the Earnings Tax
  - Modest General Fund reserves relative to budget
  - Planned investments in economic development likely to maintain or increase the City's debt burden

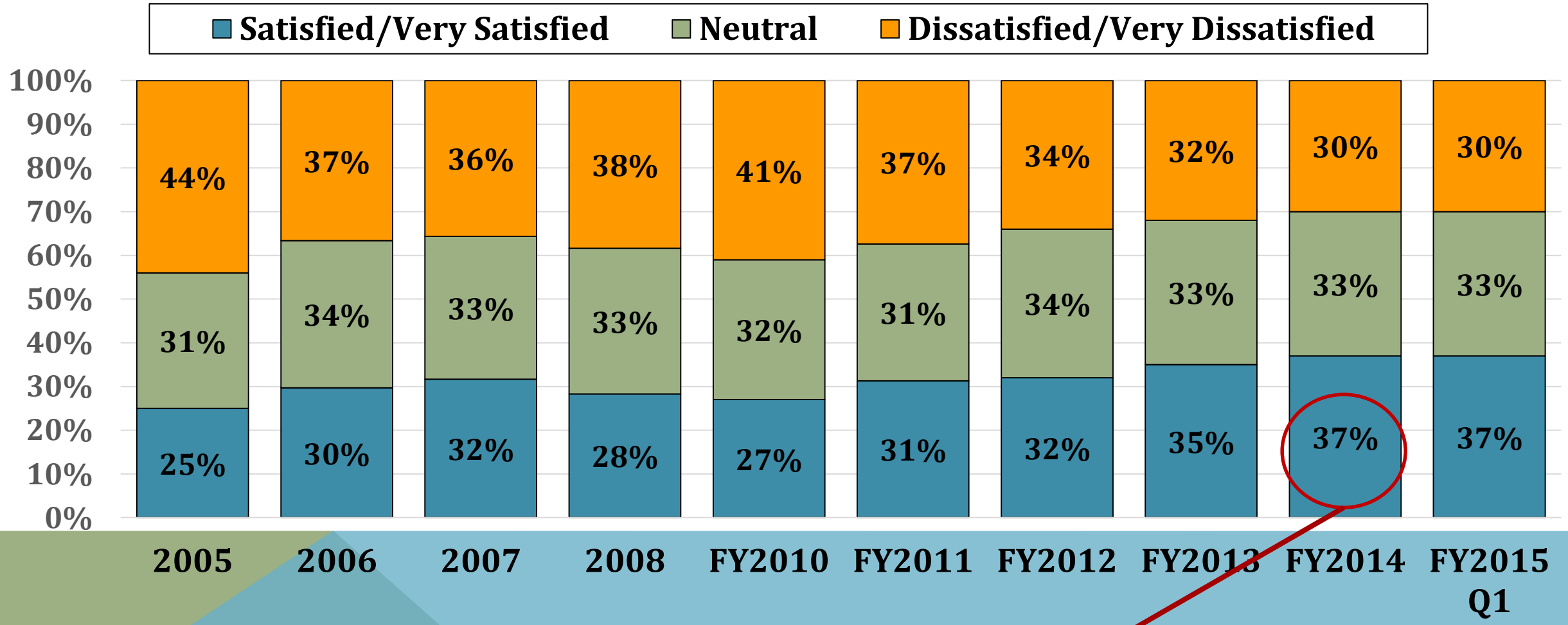
CODIFIED DEBT POLICY

- **Section 2-1990 Code of Ordinances**
  - Last updated in 2007
  - Ordinance to update expected to be introduced in early 2015
- **Having a debt policy is good from a credit perspective**
- **However, an updated policy with defined debt capacity targets would likely be seen as a credit positive (so long as a plan to reach the targets was outlined and adhered to)**
  - Debt to Full Value of Property
  - Debt as a % of Governmental Funds Revenue
  - Debt Service as a % of Governmental Funds Revenue
- **Targets for each ratio currently under consideration**
  - Will be set like Fund Balance target – something to work toward
  - Have to balance need to do projects and progress toward targets
- **Growth in the value of property and new revenue sources to go along with new debt will open up new capacity**

FINANCIAL TRANSPARENCY



CITIZEN SATISFACTION WITH VALUE YOU RECEIVE FROM YOUR TAX DOLLAR



National large city average in 2014 = 36%

Source: Citizen Survey, 2005-FY2015

OPEN DATA: LINE-ITEM BUDGET

OPENDATA KC

HOME KCSTAT DATA IDEAS

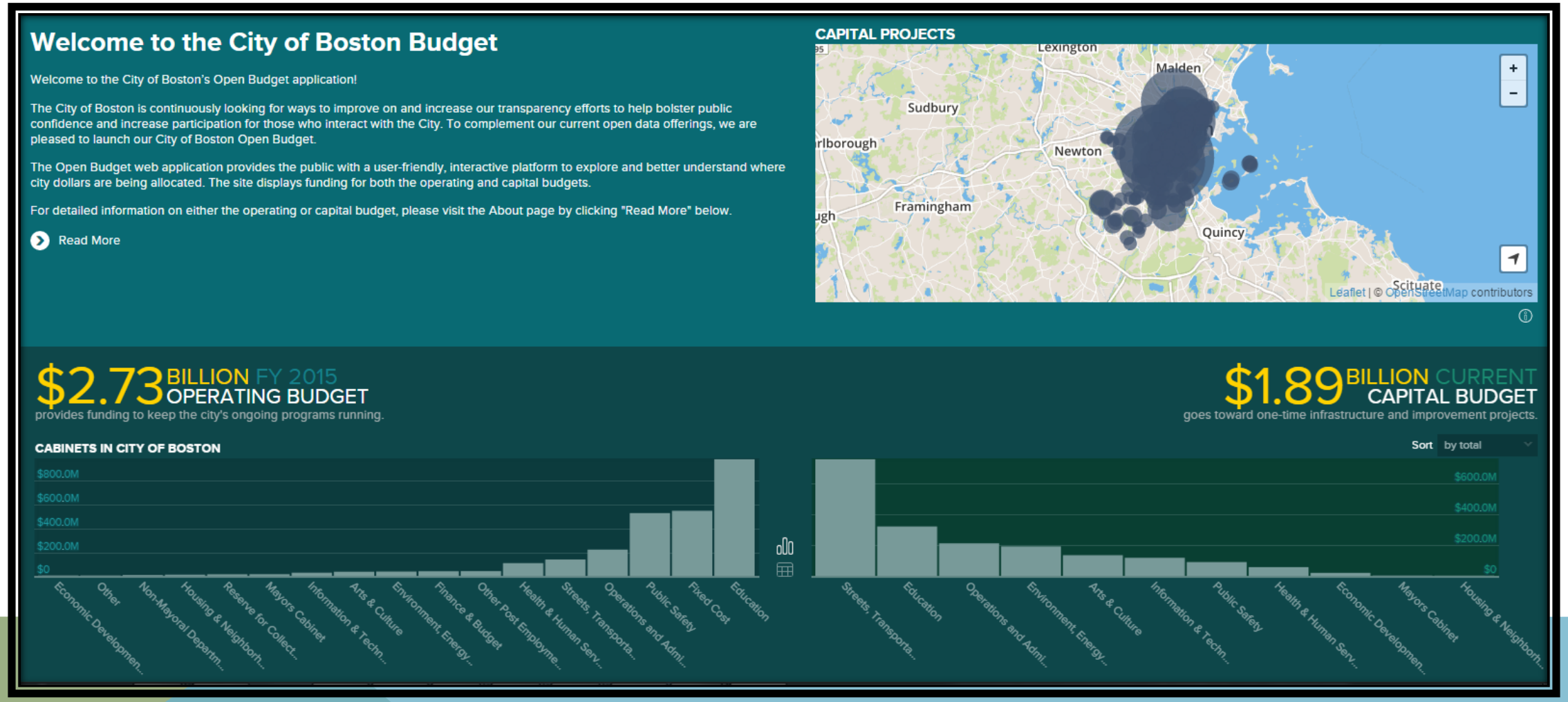
Current Line Item Budget

includes prior years

Manage More Views Filter

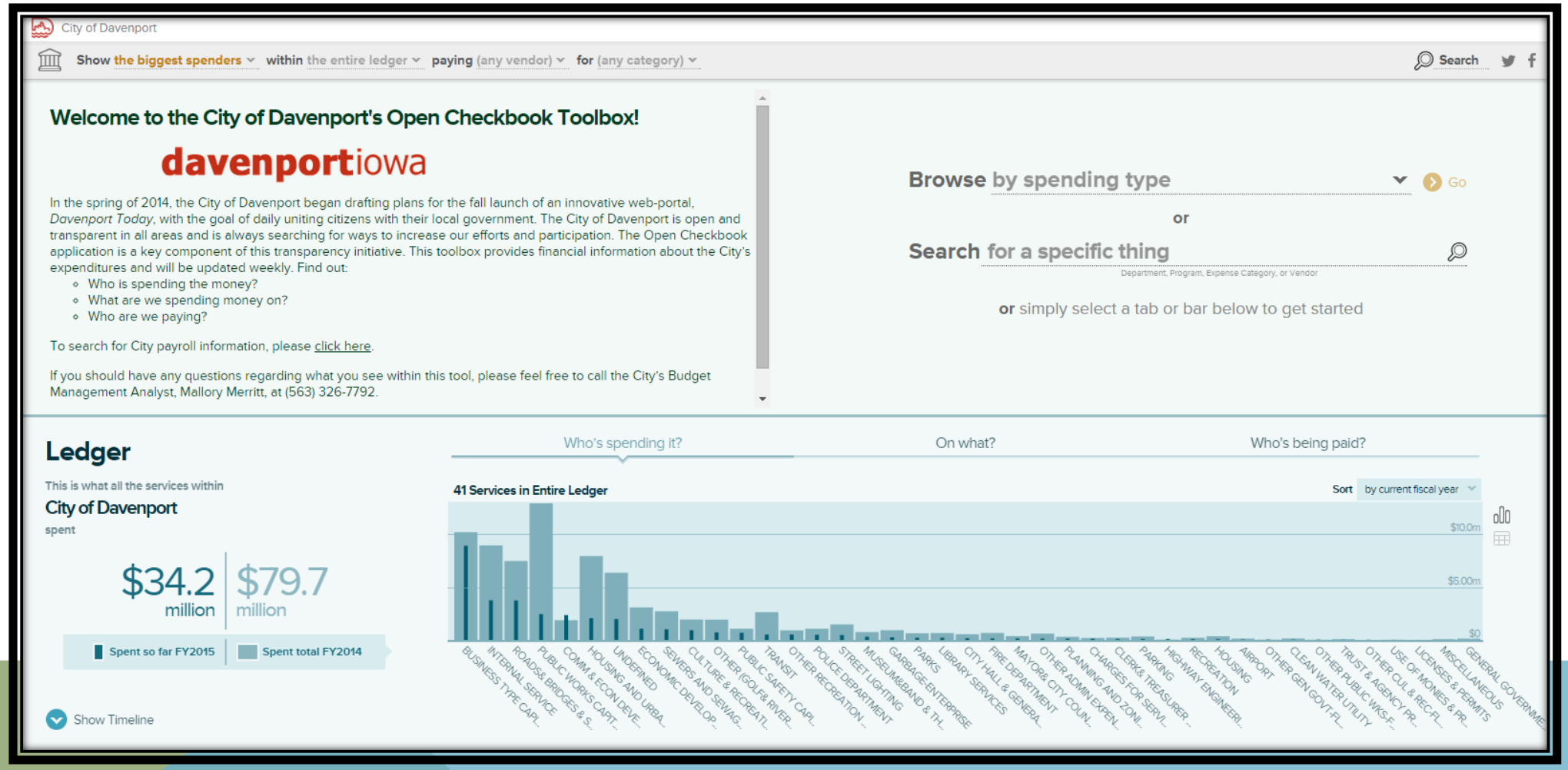
	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Adopted Budg	FY 2014-15 Adopt	Fund	FundName	DeptID	DeptID Name	Pro
1	4,881,995	2,107,123	-2,850,000	-	1000	General Fund	120000	Finance Revenues	
2	148,067,084	158,814,795	169,350,000	173,000,000	1000	General Fund	120000	Finance Revenues	
3	-	-4,000,000	-	-3,000,000	1000	General Fund	120000	Finance Revenues	
4	10,305,217	10,992,247	-150,000	-	1000	General Fund	120000	Finance Revenues	
5	12,688,551	12,490,871	13,250,000	12,700,000	1000	General Fund	120000	Finance Revenues	
6	3,240,637	5,864,126	8,450,000	9,550,000	1000	General Fund	120000	Finance Revenues	
7	109,441	-	-	-	2370	Community Centers	120000	Finance Revenues	
8	433,313	-	-	-	2370	Community Centers	120000	Finance Revenues	
9	1,857,530	-	-	-	2370	Community Centers	120000	Finance Revenues	
10	443,710	864,338	-	33,333	2030	Parks & Recreation Fund	120000	Finance Revenues	
11	1,018,870	-	-	-	2030	Parks & Recreation Fund	120000	Finance Revenues	
12	8,949,030	4,970,311	8,575,000	12,486,000	1000	General Fund	272000	Municipal Court	
13	198,132	119,104	170,000	-	1000	General Fund	272000	Municipal Court	
14	-	-	365,000	370,000	2030	Parks & Recreation Fund	700000	Parks And Recreation Revenues	
15	3,532,523	2,206,098	3,225,000	-	1000	General Fund	272000	Municipal Court	
16	135	202	100	-	5300	STIF Brush Ck-Blu Pkwy Twn Ctr	120000	Finance Revenues	
17	359	39	400	-	5310	STIF Tower-909 Walnut	120000	Finance Revenues	
18	135	-70	100	-	5170	STIF 12th & Wyandotte	120000	Finance Revenues	
19	-142,340	-121,443	-139,900	-	1000	General Fund	120000	Finance Revenues	
20	1,111	2,287	1,000	-	5320	KC DwnTwn Redev Dist Debt Fnd	120000	Finance Revenues	
21	-	-	-	1,800	5320	KC DwnTwn Redev Dist Debt Fnd	120000	Finance Revenues	
22	446	-106	300	-	5180	STIF Midtown Fund	120000	Finance Revenues	
23	-	-	-	200	5180	STIF Midtown Fund	120000	Finance Revenues	

OPEN BUDGET: THE NEXT STEP



Boston has fully built out their site and KCMO's site will have the same format

OPEN EXPENDITURES



BUDGET OFFICE BLOG (BOB)

- **kcmo.sharepoint.com/budgetofficeblog**
- **Internal access via City logon**
- **Appears in monthly *Fountain Pen***
- **Enhance communication – Business Plans**
  - *Festivus* reponses
  - Updates on Budget Process
  - Other Ideas
  - **Fun!**

5-YEAR FINANCIAL PLAN

5-YEAR FINANCIAL PLANNING EFFORTS

Baseline Scenario

- **FY 2014-15 revenues and expenditures equal adopted budget except: overtime for Fire increased $2 million to match current usage**
- **Earnings taxes increase 2.5% per year (optimistic) and is renewed for five more years starting January 2017**
- **No new employees throughout the forecast period**
- **Employer contributions to health insurance: 5.0%**
- **Pension contributions reflect 2013 actuary reports with a 2.0% adjustment in 2020**
- **Salary freeze in 2016, 4.0% for public safety (historical growth rate), 2.0% all other functions**

5-YEAR FINANCIAL PLANNING EFFORTS

Balanced Scenario

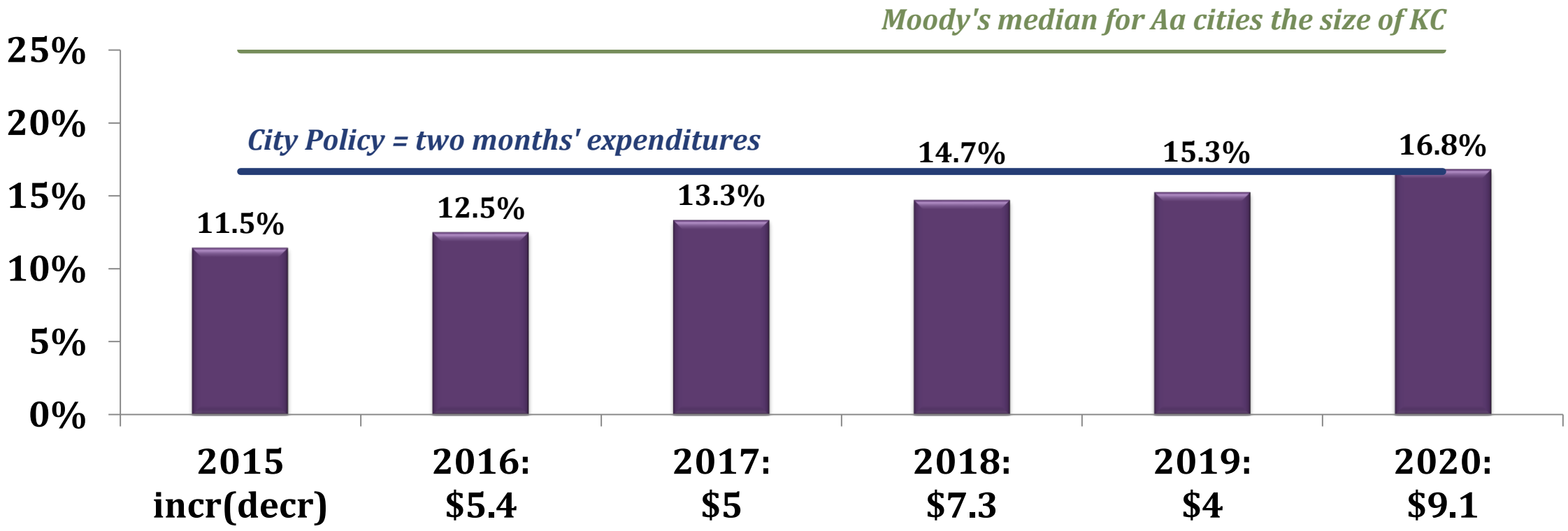
All assumptions of Baseline plus:

- **33% increase in Fines and Forfeitures in FY 2014-15, sustained through forecast period**
- **5% annual savings in worker's compensation claims beginning in 2016 (including police)**
- **Citywide fleet replacement program beginning in 2016 (8 year lease purchase funding)**
- **Equalized salary growth rates for all functions (2.0% per year, 2017-2020)**

5-YEAR FINANCIAL PLANNING EFFORTS

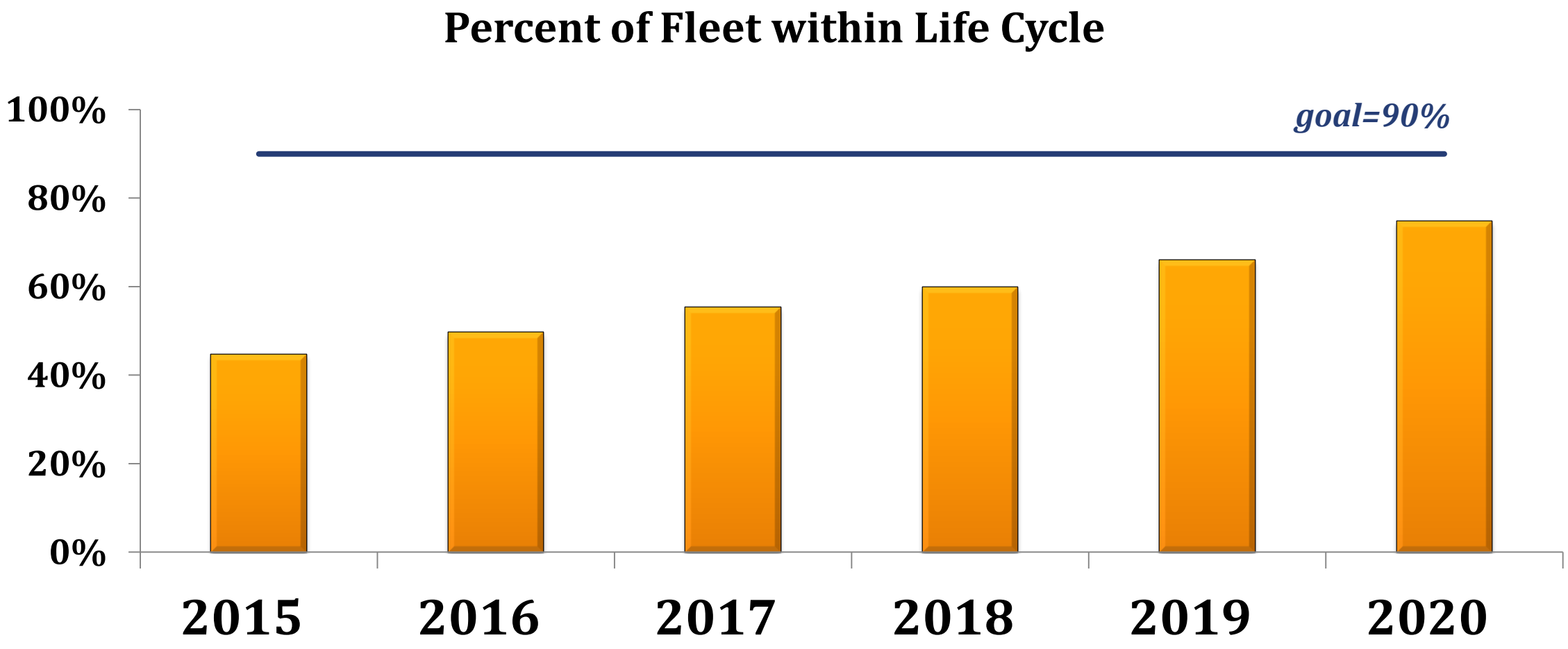
Balanced Scenario

Reserves - General Fund
as a percent of operating expenditures



5-YEAR FINANCIAL PLANNING EFFORTS

Balanced Scenario

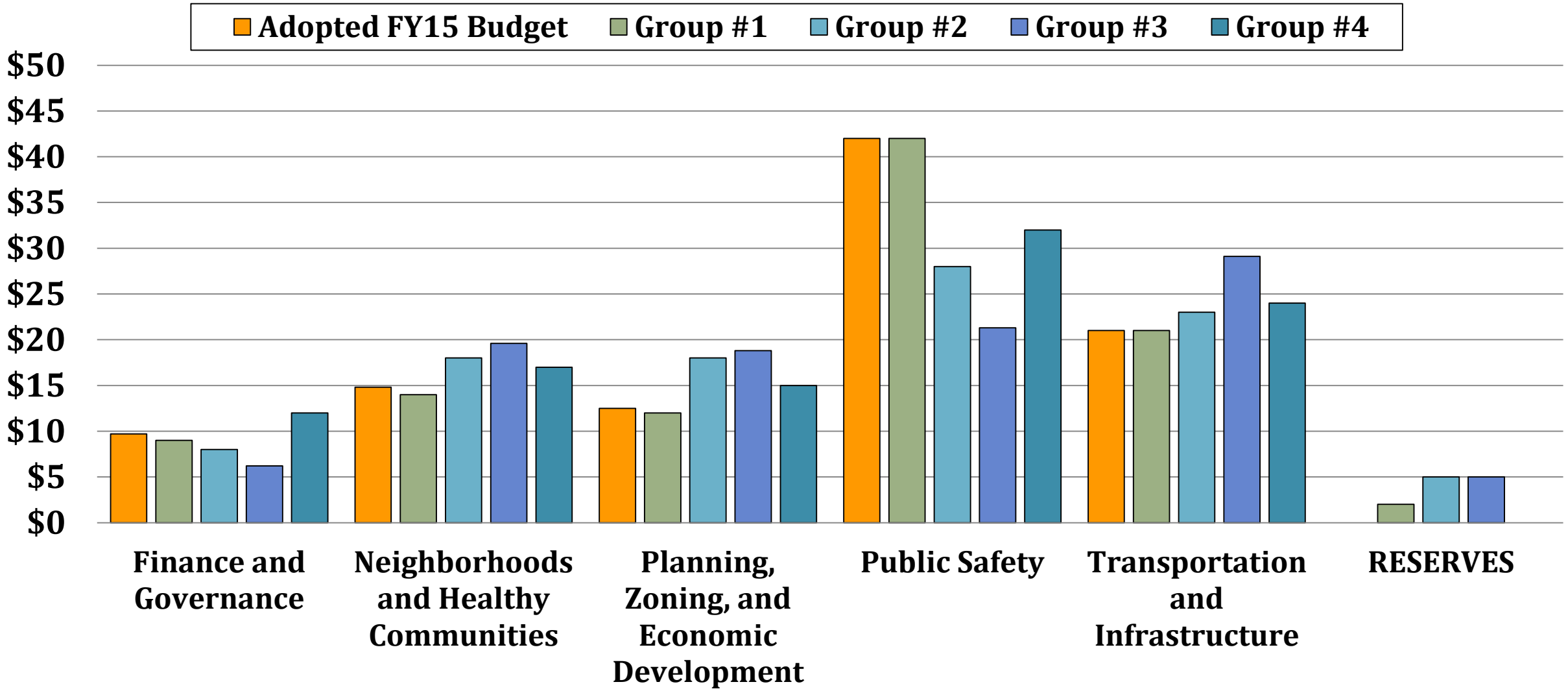


5-YEAR FINANCIAL PLANNING EFFORTS

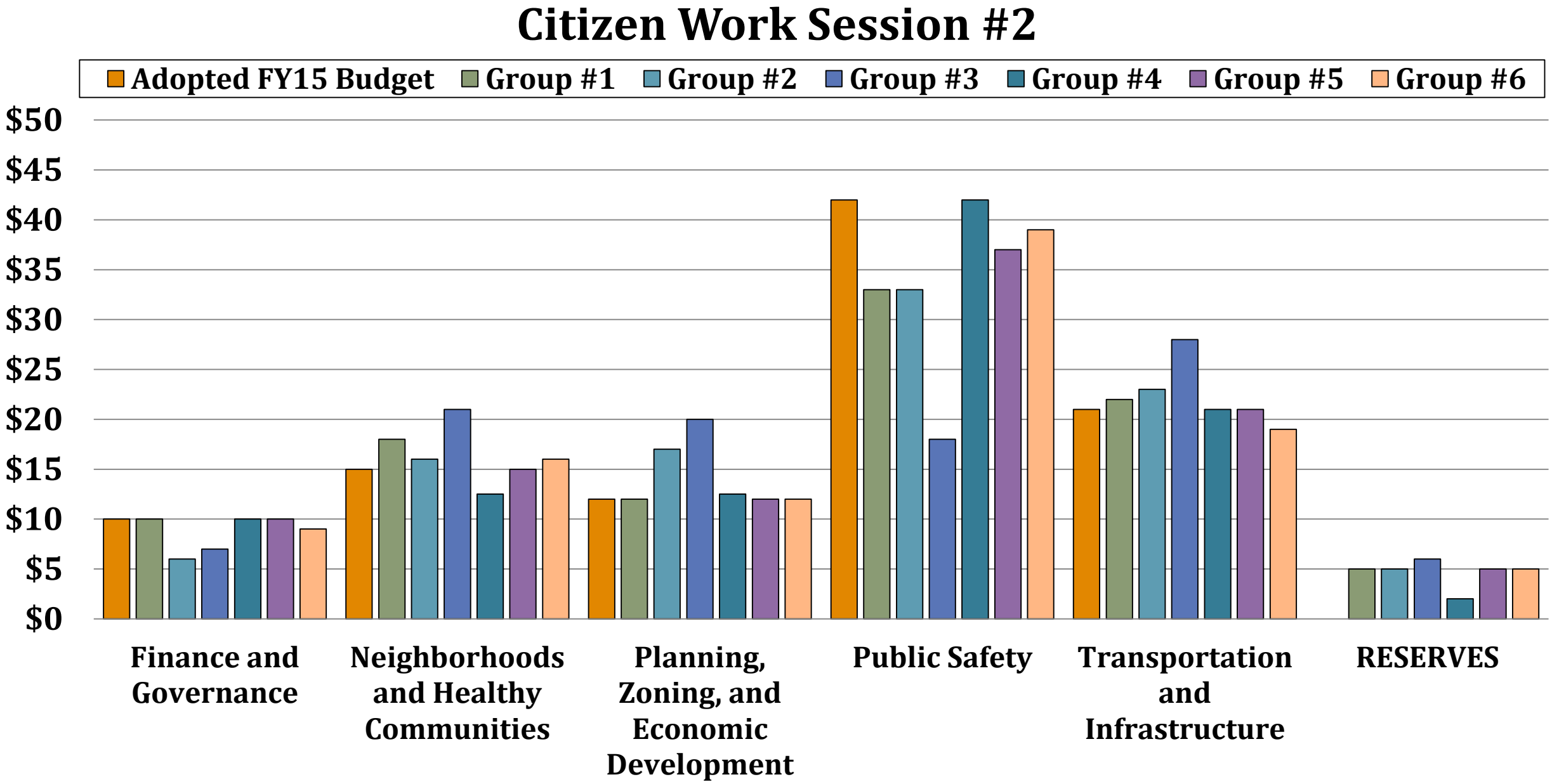
- **Total of 5 sessions and 22 groups**
- **Finance and Governance: remained the same or slight decrease overall**
- **Neighborhoods and Healthy Communities: increased funding**
- **Planning, Zoning, and Economic Development: remained the same or increased funding**
- **Public Safety: decreased by 25%**
- **Transportation and Infrastructure: increased funding**
- **Fund Balance: 1 group had no FB; 1 group set aside $2; 1 group set aside $6**

5-YEAR FINANCIAL PLANNING EFFORTS

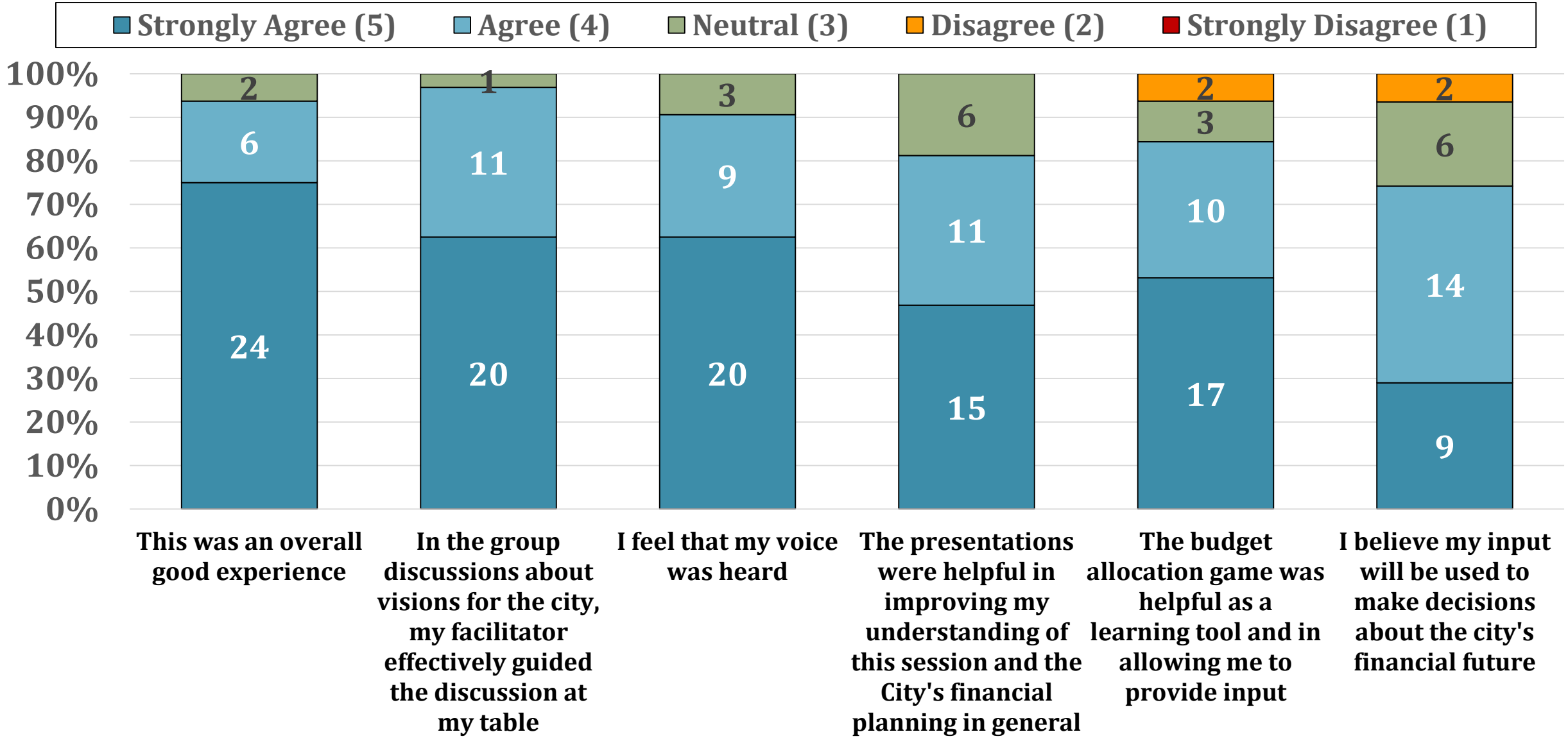
Citizen Work Session #1



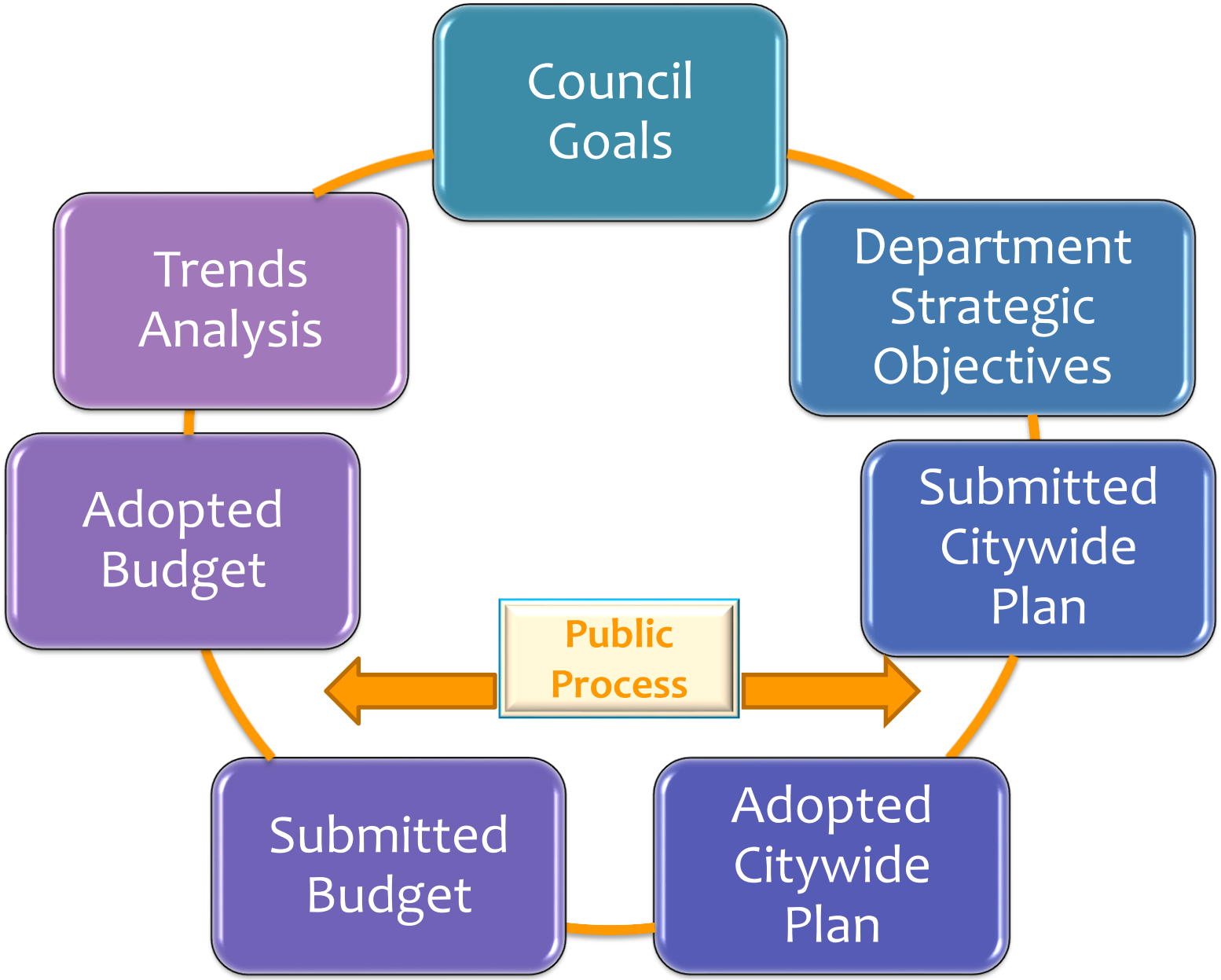
5-YEAR FINANCIAL PLANNING EFFORTS



CITIZEN FEEDBACK: 5-YEAR FINANCIAL PLANNING EFFORTS



5-YEAR FINANCIAL PLANNING EFFORTS



5-YEAR FINANCIAL PLANNING ANNUAL CALENDAR

April
- Budget Baseline
- Citizen Input on Visioning

May-July
- Department Business Plans/KPIs set
- Council Goals and Review of Business Plan
- Citizen Survey
- PIAC Hearings

August - October
- PIAC Submittals due
- Citizen input on citywide business plan
- Employee survey

November:
- Citywide Business Plan/5-Year Financial adopted

December
- FTMS/Indicators (for prior FY)

February/March
- Capital Improvements Submitted by PIAC
- Budget submitted
- Departmental budget presentations
- Public budget hearings
- Budget Adopted

Ongoing
- KCStat and PM Meetings
- Budget quarterly reporting
- Budget cost analysis

REVKC – REVENUE SYSTEM UPDATE

SPECIAL ASSESSMENT CHANGES RESULTING FROM REVKC

- **RevKC implementation allowed for major changes in how assessments are billed and collected**
  - Consolidated and simplified the Code to standardize assessment billing terms
  - Easy to use interface for departments entering assessments
  - Online lookup and payment available for taxpayers
  - Statistics and information available to staff
- **County collection of delinquent assessments on annual tax bill**
  - Platte County – collecting for last few years
  - Jackson County – collecting for decades but recent collaboration with county staff will allow more delinquencies to be sent to the county in the future
  - Clay County – collecting beginning with 2014 tax bill under new agreement

WHAT HAS REVKC DONE FOR US?

Improved Business Processes

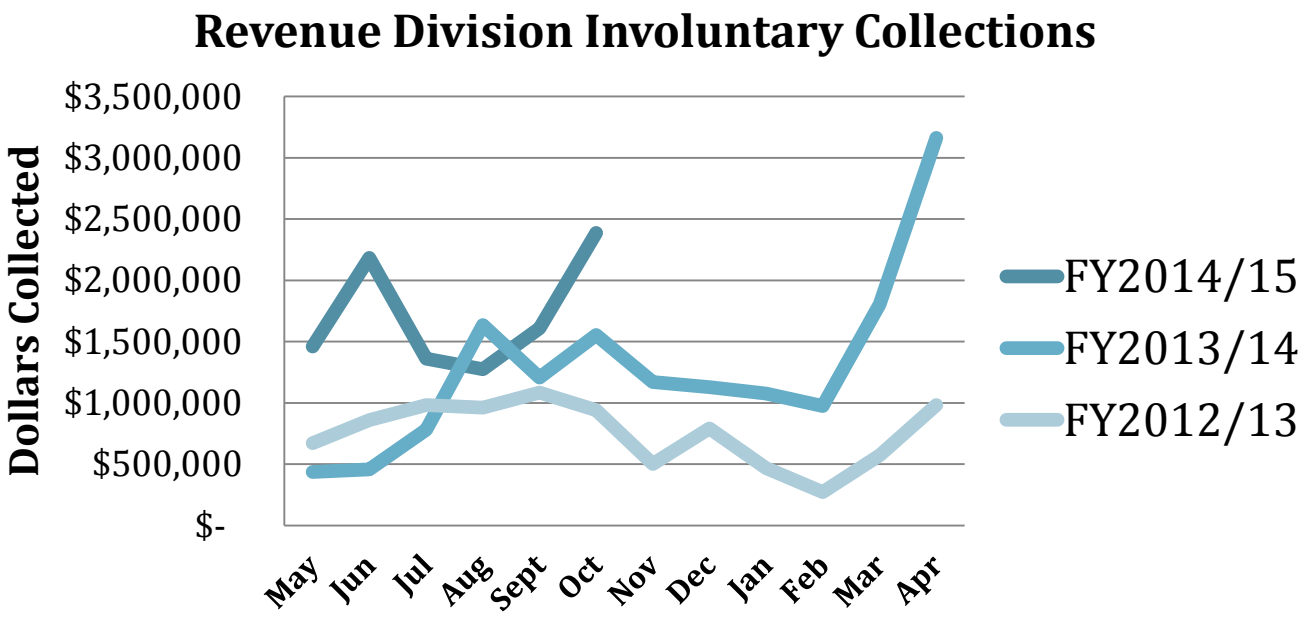
1. Increased collections
2. Latest data-mining for tax compliance and fraud prevention
3. Improved productivity
   a. One stop corrections
   b. Automatic assessments and notifications
   c. Automatic work items
4. Streamlined interfaces
   a. Bank deposits and keying returns
   b. Printing and mailing vendor

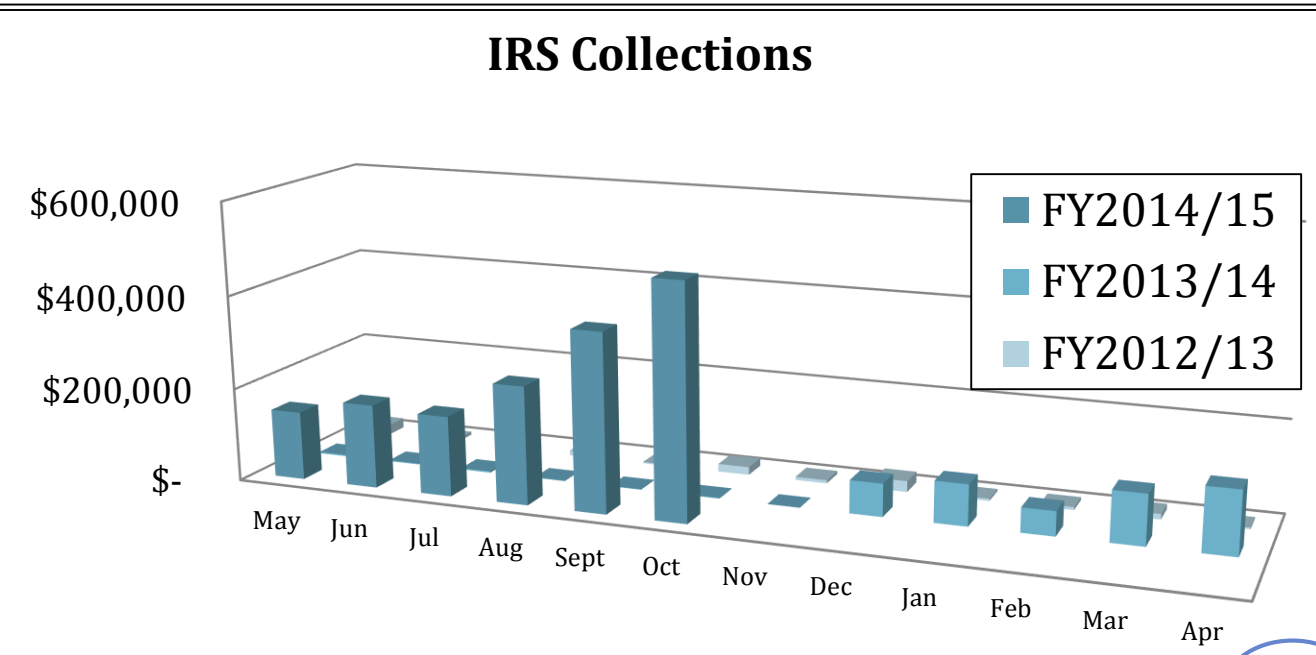
Improved Customer Service

1. Online registrations
2. Online payments
3. Transparency
4. Automatic notifications

Increased Productivity

1. Automated workflow





Final Thoughts or Questions?