



Highlights

Why We Did This Audit

The use of Community Improvement Districts (CIDs) continues to grow. There are currently 74 active CIDs in Kansas City. Our 2007 CID audit found CIDs were not consistently meeting their statutory reporting requirements. Another audit of a single CID, primarily funded through a one percent sales tax, found weaknesses in its transparency and accountability to the public.

Objective

Is the city exercising oversight of Community Improvement Districts?

Background

A CID is created when a majority of property owners submit a proper petition to the city and the City Council holds a public hearing and adopts an ordinance establishing the CID. CIDs may be formed as a political subdivision of the state or as a not-for-profit corporation.

The activities and powers of districts are outlined in state law and established in the individual CID petitions. CIDs may use collected revenues and borrowed funds for a variety of purposes including, but not limited to, security, maintenance, refuse collection and disposal, landscaping, property acquisitions, and promoting tourism and business activities.

State law requires CIDs to submit a proposed annual budget to the City Council for review and comment; an annual report to the city clerk of the services provided, revenues, and expenditures; and copies of resolutions approved by the CID board to the city clerk.

Click [here](#) to view the full report.

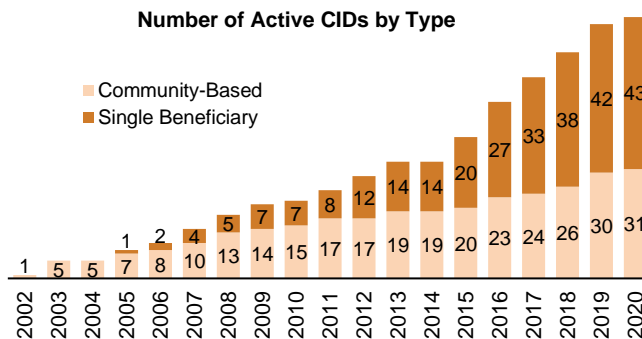
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PERFORMANCE AUDIT

Community Improvement Districts: Strong Oversight Needed to Ensure Public Benefit, Transparency, and Accountability

What We Found

The city's current review of proposed CIDs focuses on ensuring provisions and information required by the state and city are included in petitions. The review process does not evaluate proposed CIDs' public benefit, the purpose and plan, sales tax burden in proposed districts as well within the city, overlaps with other economic incentives, and alignment with city goals.



A robust evaluation of these elements by city staff would provide the City Council with information to consider when they deliberate the merits of whether to approve the establishment of proposed CIDs.

CIDs Overlapping with Other Economic Development Districts



Once CIDs are approved, CIDs petitions serve as guiding principles for the CIDs. Before approval, the city council can incorporate additional accountability and oversight into petitions that the district must follow, including:

- Reducing CID lifespans and eliminating automatic renewals;
- Requiring CIDs to report on expenditures for public infrastructure or services benefiting the public; and
- Submitting an annual financial statement.

Over a third of CIDs did not submit a proposed budget and over a quarter did not submit an annual report as required by state statutes. The City Council could impose a fine on CIDs for failure to timely submit required reports to the city. In addition, the City Planning and Development Department should monitor CID reporting status as required by city policy to better inform the City Council, enhance public accountability and transparency, and ensure CIDs are performing in the best interest of the public.

What We Recommend (full list on back)

We make recommendations to improve existing CID policy to strengthen oversight, transparency, and accountability of CID activities and compliance with reporting requirements. Additionally, this audit provides the city manager with information to assist in responding to Resolution 200309.

Management agreed or partially agreed with the recommendations.

Recommendations

1. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that includes a comprehensive evaluation process for proposed CIDs that, at a minimum, assesses public benefit, tax burden, overlapping economic development districts, and alignment with city goals.
2. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that establishes shorter lifespans for CIDs.
3. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that rescinds automatic renewals for CIDs.
4. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires reporting on expenditures for public infrastructure or services benefiting the public.
5. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that requires submittal of an annual financial statement.
6. The city manager should prepare for City Council consideration an ordinance defining and codifying the city's CID policy that imposes a fine for failure to timely submit required reports to the city.
7. The director of city planning and development should report to the City Council those CIDs that failed to submit required reports on time, fines assessed for failure to timely submit these reports, and whether the work performed by each CID conforms to its submitted budgets every year.