



CITY COUNCIL WORK SESSION
Wednesday, July 19, 2023 at 6:00 p.m.

CITY HALL
6090 Woodson Street
Mission, KS 66202

Meeting In Person and Virtually via Zoom

This meeting will be held in person at the time and date shown above. This meeting will also be available virtually via Zoom (<https://zoom.us/join>). Information will be posted, prior to the meeting, on how to join at <https://www.missionks.org/calendar.aspx>.

If you require any accommodations (i.e. qualified interpreter, large print, reader, hearing assistance) in order to attend this meeting, please notify the Administrative Office at 913-676-8350 no later than 24 hours prior to the beginning of the meeting.

AGENDA

1. 2023 Revised and 2024 Budget Discussion – Laura Smith

Discussion will continue regarding the City's General Fund Budget and the maximum mill levy to be included in the Resolution of Intent to Exceed the Revenue Neutral Rate for the 2024 Budget.



MEMORANDUM

Date: July 17, 2023
To: Mayor and City Council
From: Laura Smith, City Administrator
RE: 2024 General Fund Budget Work Session

During the July 5 Finance & Administration Committee meeting we presented the first look at the City's 2023 Estimated and 2024 General Fund Budgets. We reviewed the major revenue streams supporting the General Fund and discussed the anticipated expenses both for the current fiscal year as well as for 2024. During the July 19 budget work session the discussion will focus on potential mill levy scenarios to fund the desired level of programs and services in the 2024 Budget.

General Fund Revenues – Review and Recap

The City's General Fund accounts for the core municipal functions and services such as Public Safety, Public Works, Municipal Court, Community Development, Parks + Recreation, and Administration. It also contains the Legislative, or Council, budget. It is an operating budget, focused primarily on revenues inputs and outgoing expenditures in the current fiscal year.

Five revenue streams currently make up 93% of the revenues that support the General Fund budget: sales/use taxes, property taxes, parks and recreation revenues, franchise fees, and fines and forfeitures. Diversification of these revenue streams is important to help weather fluctuations in each because they impact how the City is able to pay for and maintain core services.

As discussed during the July Finance & Administration committee meeting, and more fully described in the July 3 memo included in the committee agenda packet, there have been many factors influencing General Fund revenues over the last few years. The most significant include COVID-19 related revenue decreases and tax refunds – both sales and property tax – that have impacted the City's budget with little or no notice or in ways beyond our control.

Development of the 2024 Budget, just like any other year, relies on both revenue enhancement and expenditure reduction strategies to balance the budget. The primary focus of the July 19 work session is to engage in a conversation and seek direction regarding a potential mill levy increase to allow the City to continue to provide residents and businesses with the services they need and desire.

Property Tax Revenues and Considerations

Like many cities in Johnson County, Mission continues to experience increases in our overall

assessed valuation, driven primarily by residential (both single and multi-family) properties. The current mill rate is 16.374 mills, and one mill generates approximately \$199,000 in the 2023 Budget.

Since 2015, Mission has dedicated a significant portion of the total mills levied to street improvements, even as other General Fund revenues have declined. This commitment aligns with resident priorities for street maintenance expressed through the 2021 DirectionFinder survey as well as Council and staff goals and objectives. In 2023, \$1.4 million dollars or approximately 41% of the total property tax collected was transferred to the Capital Improvement Fund for street maintenance.

Mission’s assessed valuation is expected to increase by approximately \$13.9 million (7%) for the 2024 Budget year, with one mill anticipated to generate approximately \$213,000 annually.

<u>2022 Final Assessed Valuation</u>	<u>2023 Projected Assessed Valuation</u>	<u>Change (\$)</u>
\$199,769,960	\$213,632,383	\$13,862,423

The immediate budgetary consideration is a decision on the maximum mill levy rate to be included in a Resolution indicating the City’s intent to exceed the Revenue Neutral Rate (RNR). That notice is due to Johnson County by Thursday, July 20, 2023 and the Resolution is scheduled as an action item on the July 19, 2023 City Council agenda.

The RNR calculates the mill levy required to generate the exact same amount of property tax as the prior year’s budget. Mission’s estimated RNR for the 2024 budget is 15.313 mills vs. the 2023 mill levy of 16.374. Revenue neutral means that a government levies the exact same amount of property tax they collected in the previous year, providing no allowance for CPI growth, increasing labor or commodity costs, or for growth attributable to new construction. A revenue neutral philosophy requires that a government provide this year’s services at last year’s prices.

As discussed during the 2023 budget process, Mission’s mill levy has actually **decreased** by 1.645 mills since 2016. This was the result of fluctuating values within TIF Districts, changes in reporting in the State budget forms, and changes in final assessed valuations. The table and graph below illustrate the changes in Mission’s total mill levy since 2016.

Mission Assessed Value and Mill Levy History

Tax Year	Budget Year	Assessed Valuation	Mill Levy
2016	2017	\$131,901,035	18.019
2017	2018	\$139,660,568	17.973
2018	2019	\$157,485,882	17.878
2019	2020	\$160,635,601	17.157
2020	2021	\$172,504,333	17.048
2021	2022	\$180,363,391	16.369
2022	2023	\$199,833,897	16.374
2023	2024	\$213,632,383 (est)	TBD

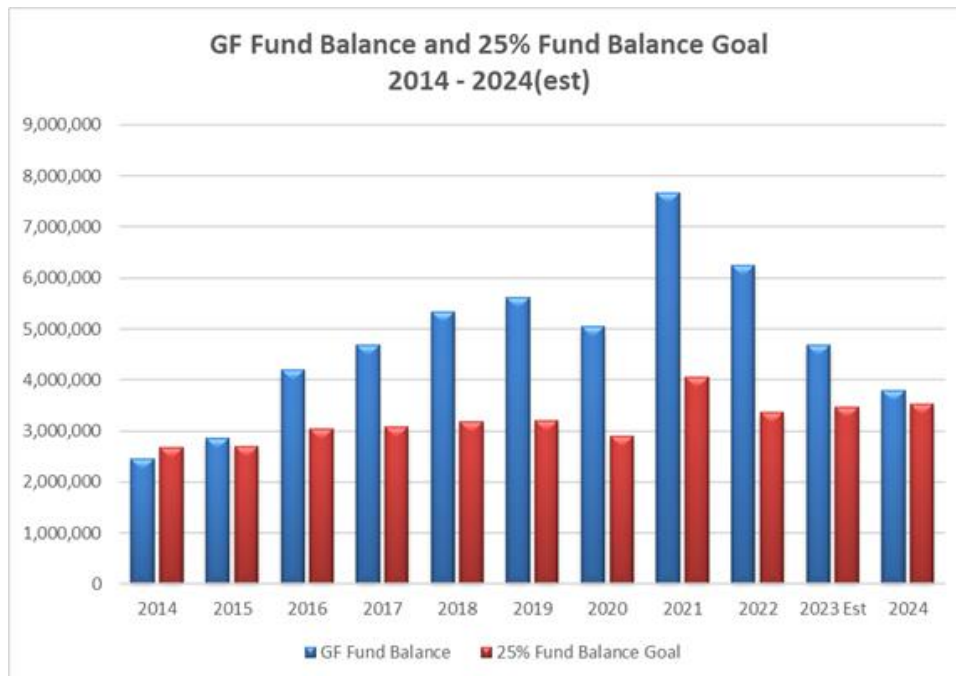
possible, and the transfer of property taxes for street maintenance was maintained at \$1.4 million.

Annual revenues exceed expenses in the 2024 budget when the transfers are excluded. The deficit of revenues to expenditures, is the result of the on-going commitment to fund streets and to subsidize a portion of the residential solid waste contract. Additionally, it should be noted that we are making progress in reducing that deficit from year to year, but the pace of revenues does not keep up with expenditures or the communities goals and we need to think strategically for the 2024 budget and beyond.

General Fund Reserves

The City Council has an established fund balance target/goal of 25% of budgeted General Fund revenues. A number of unique factors have influenced both the annual revenue/expenditure imbalances and the excess reserve funds available over the last several years. Those include things such as the receipt of FCIP bond proceeds in one fiscal year with expenditures spread over two fiscal years, the transfer of SLFRF (ARPA) funds to replace lost revenue, and the funding of top priorities related to streets, parks and sustainability initiatives in the 2023 Budget.

Maintaining the 25% fund balance is a high priority for the Council. The chart below details the City's General Fund position from 2014 through 2024 (estimated).



Because of competing priorities in the 2023 Budget, the Council approved a temporary reduction in fund balance reserves from 25% to 24% to aid in funding the highest priority supplemental recommendations.

Staff has restored the fund balance to 25% with the 2024 Budget. Even with the current deficit of revenues to expenditures currently shown, the City is able to maintain the 25% fund balance that aligns with Council policy. However, additional changes to revenues or expenses side, the 2024 currently falls short of being able to hold additional reserves for assigned priorities in the excess General Fund fund balance or to fund any supplemental requests, including scheduled technology and vehicle and equipment replacement.

To continue to make progress in closing the structural gap between annual revenues and the funds required for operations as well as investment in high priority items identified by our residents, a mill levy increase should seriously be considered. Staff would recommend the Governing Body consider setting the maximum mill levy for the 2024 budget at 18.5 mills, an increase of 2.126 mills over the current rate. The impact of this recommendation along with illustrations of two other potential mill levy scenarios is detailed in the following section.

It is important to note that the maximum mill levy included the Resolution is not final, but creates the flexibility necessary to make a decision in September on the final mill levy to fund the 2024 Budget.

Mill Levy Estimated Impacts

Three alternative scenarios have been prepared to aid in the discussion of an appropriate mill levy for the 2024 Budget. Those scenarios include the following:

1. Maintaining the mill levy at the 2023 rate of 16.374 mills
2. Increasing the mill levy to 17.5 mills (+1.126 mills)
3. Increasing the mill levy to 18.5 mills (+2.126 mills)

The table below illustrates the average estimated appraised and assessed values for the average single-family home in Mission for the 2023 Tax Year (2024 Budget).

Mission: Appraised and Assessed Values for Average Home

Tax Year	Average Appraised Value	Average Assessed Value	% Change 2022 to 2023
2022	\$291,055	\$33,471	-
2023	\$310,935	\$35,758	6.83%

The estimated monthly amount of property taxes paid to the City of Mission in the current fiscal year by the average homeowner is \$548/year or \$46/mo. The estimated impact on the average homeowner in Mission is estimated below for three different mill levy scenarios:

Hold 2023 Mill Rate Constant: 16.374 mills = \$586/yr → \$49/mo ↑ \$3 over current
 Increase 2024 Mill rate by 1.126 17.500 mills = \$626/yr → \$52/mo ↑ \$6 over current
 Increase 2024 Mill rate by 2.126 18.500 mills = \$662/yr → \$55/mo ↑ \$9 over current

Comparatively, the actual property tax revenues generated by the three mill levy scenarios outlined above are as illustrated in the table below.

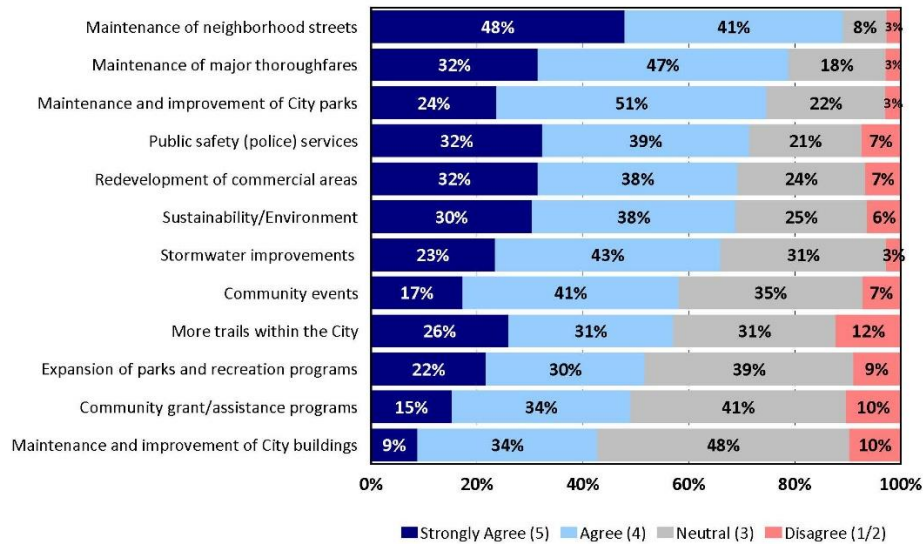
Proposed Mill Levy	Annual Property Tax Generated	\$ increase Over 2023 Property Tax Revenues	Monthly Increase for average homeowner in Mission
16.374 mills	\$3,498,010	\$278,944	\$3.00
17.500 mills	\$3,738,665	\$519,599	\$6.00
18.500 mills	\$3,952,192	\$733,126	\$9.00

In the 2021 DirectionFinder Survey residents were polled to see what items they would most support the City making increased investments in. Results from that statistically valid survey are included here with streets, parks and public safety (policy) topping the list.

2021 City of Mission Community Survey: Findings Report

Q19. Agreement with Statements of Support for Increased City Investment in Current and Future Unmet Needs

by percentage of respondents who rated the item as a 1 to 5 on a 5-point scale (excluding "don't know")



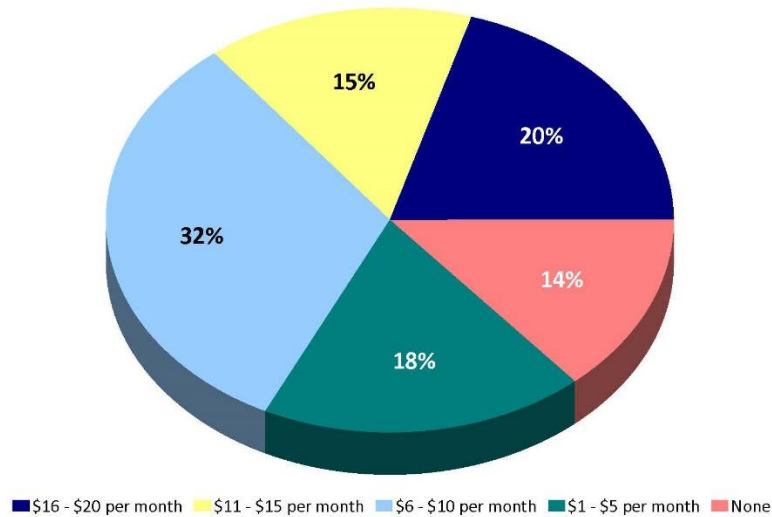
ETC Institute (2021)

Page 27

In that same survey residents were asked to indicate the dollar amount they would be willing to invest to make improvements. Responses are illustrated below with 67% of the survey respondents indicating a willingness to spend \$6 or more per month to make the improvements.

Q21. Maximum Amount Respondent Households Would be Willing to Invest to Make Improvements

by percentage of respondents (excluding "not provided")



Staff recognizes that in any conversation impacting our residents financially, it is important to also make sure we are thinking about ways to protect and support residents for whom even the cost of basic service delivery can cause stresses and pressures.

At the Finance & Administration committee meeting we discussed the Property Tax Rebate program that Mission has offered since 2004. There are certainly options for program modifications which would extend relief and support to more Mission households.

After evaluating the three potential mill levy scenarios for 2024, Staff would note that none of the three provide much flexibility in the 2024 Budget year for additional supplemental requests. However, potentially increasing the mill now provides a way to shore up the foundation of the General Fund and assist the Council in making difficult but important decisions into the future.

Summary

There is still much work ahead for the 2024 Budget and beyond, and Staff we will continue to refine numbers and alternatives throughout the remainder of the budget adoption process. This is critical and continuous work which will allow Mission to maintain high-quality services and to timely address community priorities. If you have any questions prior to the work session, please let me know.

2024 Budget Discussion

City Council Worksession

July 19, 2023

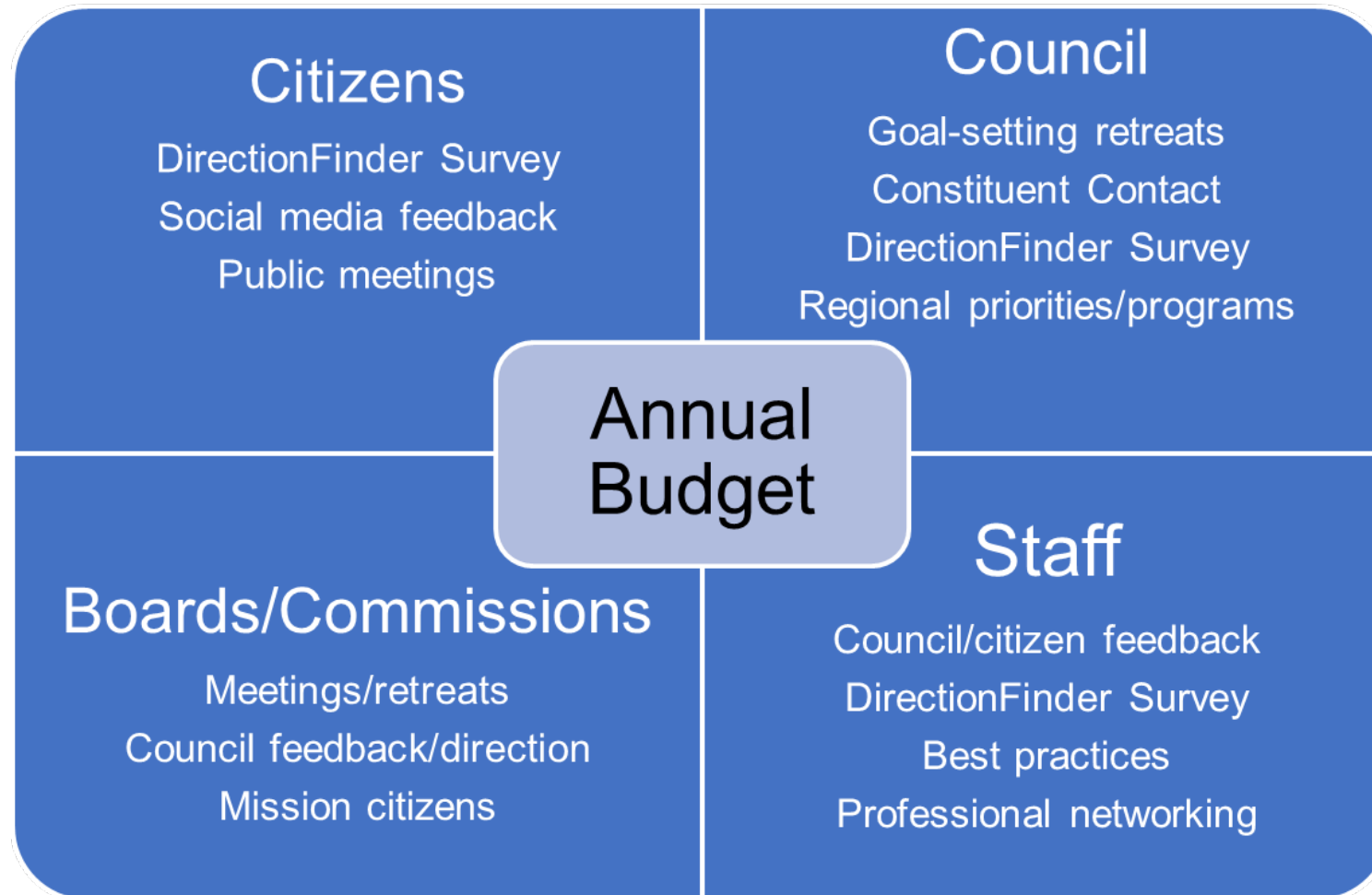


Agenda

- Priorities, Goals and Objectives
- Key Performance Areas
- 2024 Mill Levy Considerations/Intent to Exceed Revenue Neutral
- Remaining steps in Budget process
- Questions/Discussion



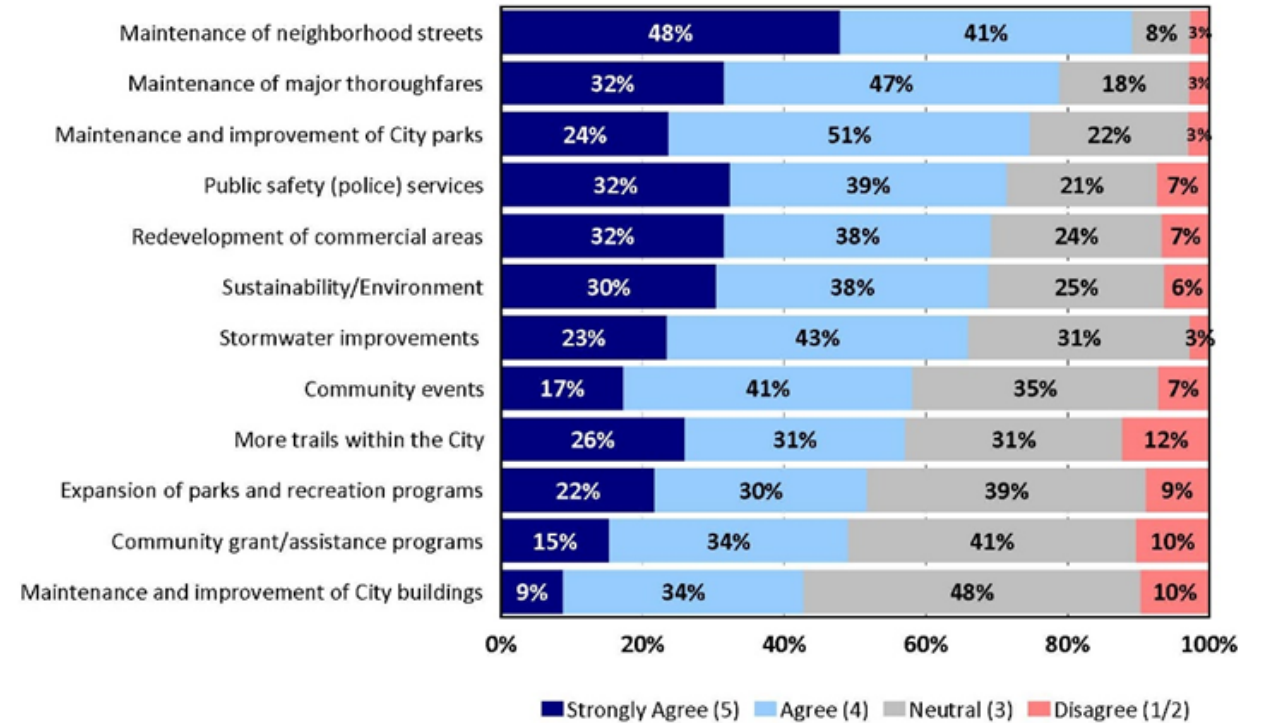
Priorities – Goals - Objectives



2021 DirectionFinder Survey Priorities

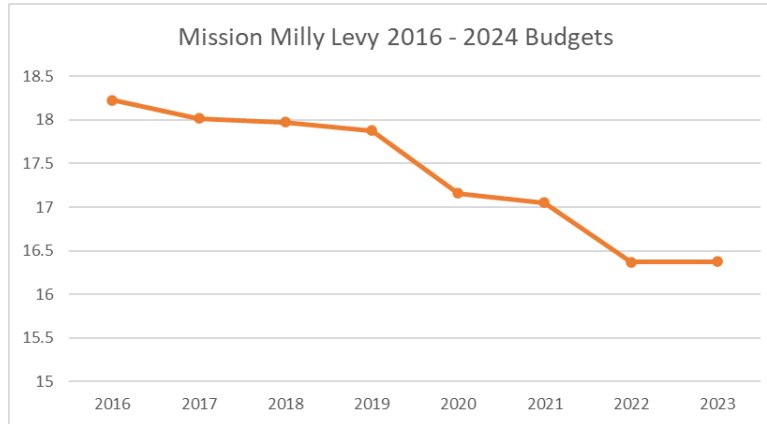
Q19. Agreement with Statements of Support for Increased City Investment in Current and Future Unmet Needs

by percentage of respondents who rated the item as a 1 to 5 on a 5-point scale (excluding "don't know")



Property Tax Revenues

<i>2022 Final</i>	<i>2023 Projected</i>	<i>Change</i>
<u>Assessed Valuation</u>	<u>Assessed Valuation</u>	
\$199,769,960	\$213,632,383	\$13,862,423 (7%)



- Current Mill Rate: 16.374
- One Mill = \$199,000 in 2023 Budget and \$213,000 in 2024 Budget
- 2024 RNR = 15.513 mills
- Mill levy decrease since 2016 = 1.645 mills

If we narrow our focus to the last two budget cycles, Mission originally anticipated increases in property tax revenues in the 2022 and 2023 budgets totaling \$442,179 (illustrated below) and only realized \$181,212 as a result of a decrease in mills (0.679 mills) in 2022 and a tax refund in 2023.

2022 → Projected \$ increase from 2021 = \$122,467	→ Actual increase \$11,500 (mill decrease)
2023 → Projected \$ increase from 2022 = \$319,712	→ Actual increase \$169,712 (refunds*)
Total \$442,179	Total \$181,212



Mill Levy Scenarios and Considerations

Mill Levy Impacts	Total mills	Cost for Avg Homeowner	Increase over current
Hold at 2023 rate	16.374	16.374 mills = \$585/yr → \$49/mo	\$36/yr - \$3/mo
Increase by 1.126	17.500	17.500 mills = \$626/yr → \$52/mo	\$72/yr - \$6/mo
Increase by 2.126	18.500	18.500 mills = \$662/yr → \$55/mo	\$108/yr - \$9/mo



Mill Levy	Total Tax Revenue Generated	Tax Revenue included in Base Budget	Increase over 2023 Revenues
16.374	\$3,498,016	\$3,498,016	\$278,944
17.500	\$3,738,665	\$3,498,016	\$519,599
18.500	\$3,952,192	\$3,498,016	\$733,126

# of Properties	% increase for 2024	% of total properties
128	0% or decrease	4%
282	0-3%	9%
492	3-5%	17%
864	5-8%	29%
595	8-10%	20%
563	10-20%	19%
46	> 20%	2%



General Fund Expenses

Every year staff evaluates several options and alternatives to bring the overall budget into balance including:

- Eliminating/combining positions, holding positions vacant intentionally
- Delaying the purchase of capital equipment
- Eliminating or reducing specific budget line items
- Privatizing or outsourcing services to achieve efficiencies or economies of scale

Each line item is reviewed annually

Expenses are budgeted in four categories: Personnel, Contractual Services, Commodities and Capital

General Fund Transfers to other funds also are counted as expenses. General Fund transfers included for the 2024 Budget are:

- \$1,400,000 to the CIP Fund for street maintenance (property tax)
- \$75,000 to the Solid Waste Utility fund to subsidize a portion of city-wide trash contract.



General Fund Reserves

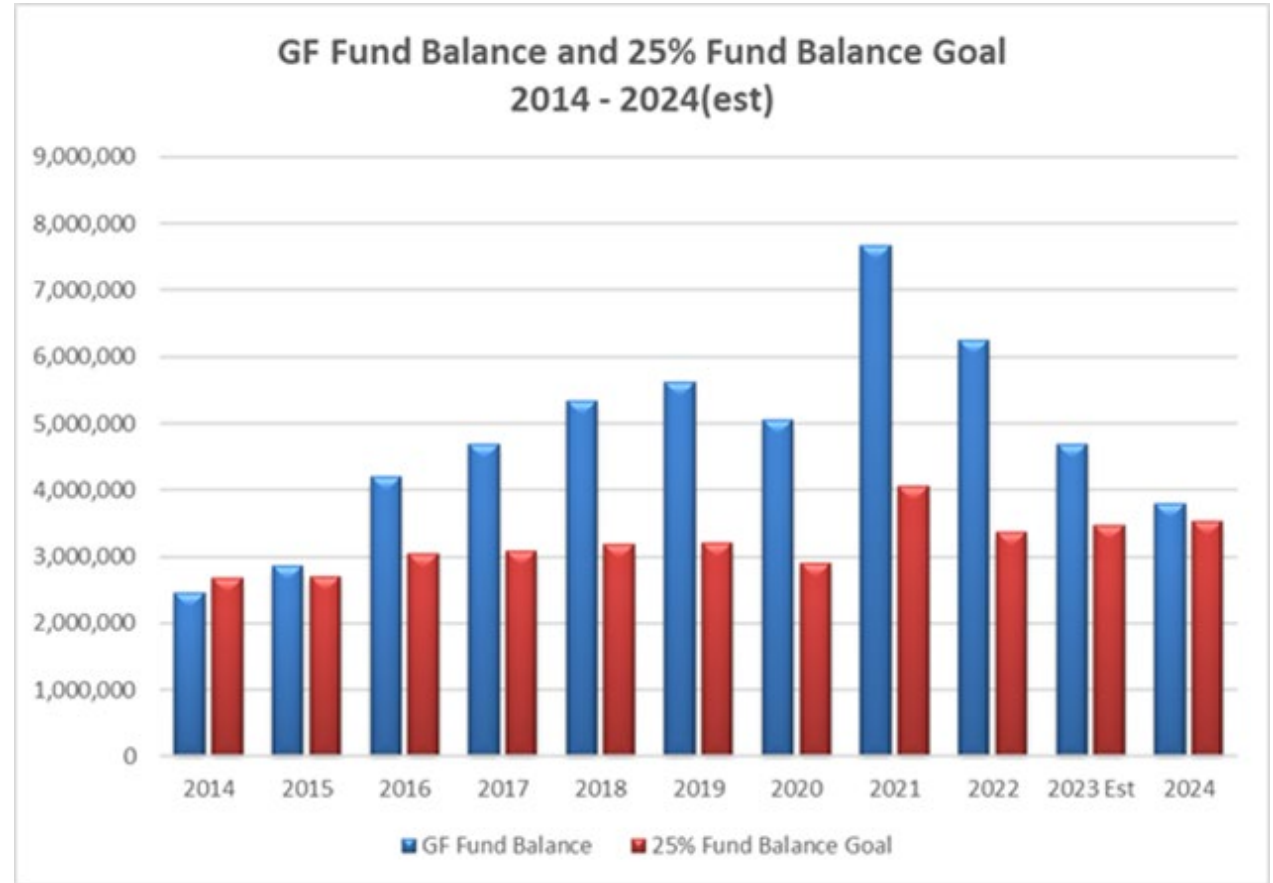
GFOA Recommends no less than 2 months of operating reserves

City Council Policy is 25% of annual General Fund Revenues

Designed to mitigate revenue shortfalls, unanticipated expenditures and to ensure stable tax rates

Dependent on a variety of other factors unique to each community including:

- ◇ Exposure to one-time expenses
- ◇ Reliance of other funds (particularly those with debt service) on sales tax revenues
- ◇ Potential impact on bond ratings



- 2023 GF Reserves reduced to 24% to accomplish the highest priority goals and objectives in the current year's budget
- 2024 (as shown) returns to 25% Reserve Level
- Structural imbalance with the commitment to fund high priority items that needs to be addressed for the longer term



Supplemental Requests

- Council, Staff, and advisory Board’s “wish lists” are always more than we can afford in any one fiscal year
- Requests are evaluated and eventually funded based on department needs, Council/community priorities, policy goals and objectives, and resources available.
- Supplemental requests can be funded in any of the City’s funds including: General Fund, Equipment Reserve and Replacement Fund, MCVB Fund, Stormwater Utility Fund, Capital Improvement Fund and the Parks + Recreation Sales Tax Fund
- Requests are compared to the Key Performance Areas as well as the following:
 - Liability issues*
 - Customer service/Quality of Life*
 - Operational efficiencies*
 - Best practice*
 - Council priority*
 - Connection to climate goals*
 - One-time vs. on-going expenditure*
- No supplemental requests are currently included in the base budget

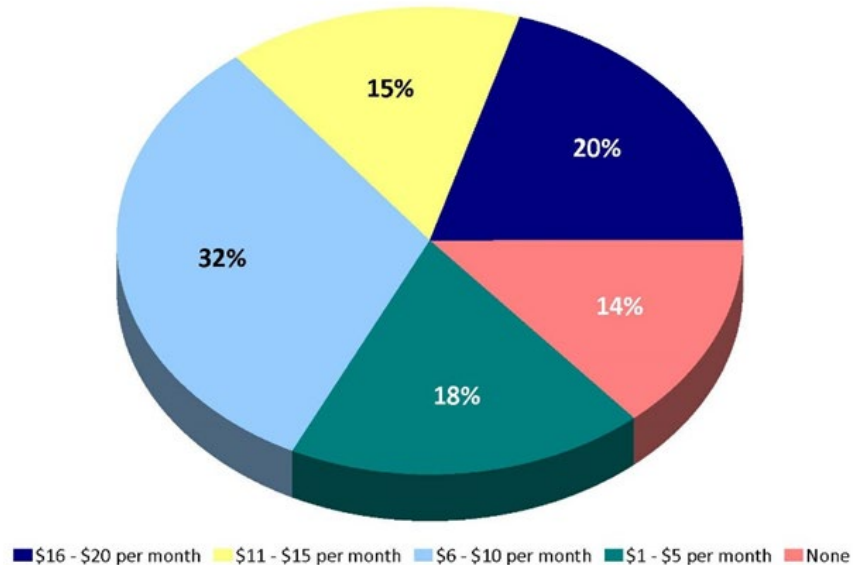


How much would residents support?

2021 City of Mission Community Survey: Findings Report

Q21. Maximum Amount Respondent Households Would be Willing to Invest to Make Improvements

by percentage of respondents (excluding "not provided")



35% willing to invest \$11 - 20 more per month

32% willing to invest \$6 - 10 more per month

Increasing mill levy to 18.500 mills puts the increase for the average homeowner in Mission at \$9 more per month

18.500 mills doesn't solve the problem in one year, but builds a more resilient foundation

Can explore ways to support those who might be impacted most





Remaining Budget Calendar

- August 2** **Final Review of 2023 Revised and 2024 Recommended Budget**
Finance & Administration Committee

- August 16** **Work Session/Community Dialogue on 2024 Budget**
Present recommended 2024 Budget

- September 6** **Special City Council Meeting**
Public Hearing on 2024 Budget and Intent to Exceed Revenue Neutral Rate
Adoption of 2023 Revised and 2024 Budgets (Mission, Rock Creek Drainage #1 and #2)

- October 1** **Deadline to submit certified budget to the County**

Questions/Discussion?