The annual budget is a plan – a financial proposal that directs the provision of public services and facilities. The services provided by the City of Springfield are based on the available revenues (funds) from all sources as approved in its annual budget.

1. **Overview April 23**
2. **City Council Receives Budget April 26**
3. **Revenue April 30**
4. **Proposed Funding Priorities May 7**
5. **Proposed Funding Priorities Continued May 14**
6. **City Council First Reading May 20**
7. **City Council Second Reading June 3**
Budget Workshop #1
April 23, 2019

Budget Workshop #1 provides a high-level overview of the City’s annual budget development process, including the City Manager’s budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.

Today’s Agenda

1. City of Springfield Budget Definition and Process
2. Financial Policies Created to Guide Sound Financial Management
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The city manager, at least sixty days prior to the beginning of each budget year . . . shall submit to the council a budget with an explanatory message.

Springfield City Charter Section 5.8
In no event shall the total amount of the proposed expenditures exceed the estimated income of the city.”

Springfield City Charter Section 5.8
Budget Process

In accordance with Section 5.8 of the City Charter, the City’s budget process is led by the City Manager, who is required to present a proposed budget to City Council annually by May 1. A series of City Council budget workshops allow City Council to publicly discuss and balance the budget before a new fiscal year begins annually on July 1.

Section 5.8 also states, in summary: The budget shall provide a complete financial plan for the budget year. It shall include the following:

- An itemized statement of estimated revenues, including comparison to prior years
- An itemized statement of proposed expenditures recommended by the city manager for each office, department or agency
- A statement of the amount required for the payment of interest, amortization and redemption charges on the debt for the city
- Provision for contingent expense in the amount not to exceed five percent of the total operating expenditures proposed
- A general budget summary
- Other information as the city manager may deem essential or required by ordinance or law
1. Finance Distributes Budget Prep Worksheets to Departments (Dec. 11, 2018)

2. Department Budget Requests Due to Finance (Jan. 28, 2019)

3. City Manager’s Office Meets with All Departments (February 2019)

4. Finance Department Creates Revenue, Debt Service and Salary Projections (February 2019)

5. City Manager’s Office & Finance Review Estimated Revenue & Projected Expenses (March 2019)

6. Proposed Priorities from City Manager to Finance (April 1, 2019)

7. Proposed Budget from City Manager to City Council (Friday, April 26, 2019)
Budget Definition

The annual budget is a plan – a financial proposal that directs the provision of public services and facilities. The services provided by the City are based on the available revenues (funds) from all sources as approved in our annual budget.

Notes:
• In 2018, the City of Springfield’s Finance Department received the Government Finance Officers Association (GFOA) Distinguished Budget Award for its budget presentation for a 13th consecutive year.

• Throughout the budget workshop process (May 1 – June 30), the public has access to both the proposed budget and the later adopted budget online at Springfieldmo.gov/Budget and at Springfieldmo.gov/OpenData (our data portal).

• On both of these web pages, there are links to full line item detail reports in addition to helpful summaries.

• Printed copies of the proposed budget are available to the public at a cost of $45.44 (the cost of printing).
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The following general principles have been followed in the financial management of the City and in the development of the annual budget.

These policies have been developed to guide the City in delivering a consistent level of service, while maintaining a stable financial position and equitable tax structure.

- **Financial Planning Policies** *(including operating with a balanced budget)*

- **Revenue Policies** *(such as fees for services paid for by those receiving the services to recover the cost of providing such services)*

- **Expenditure Policies** *(such as providing the best service possible given revenue constraints and maintaining adequate cash reserves)*

*Details on these policies are included in the proposed budget*
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Financial Guidelines

The following general guidelines have been followed in the financial management of the City and in the development of the annual budget.

These allow the City to deliver a consistent level of service, while maintaining a stable financial position and equitable tax structure.

- Provide the best service possible of general governmental services funded from current resources
- Maintain General fund balance (reserve) at a level of 20% of operating funds budget
- Provide employees with competitive pay and benefits competitive to the market and region
- Maximize cost recovery through fees for municipal services, consistent with City Council direction
- Seek the best level of service at the least cost
- Fund ongoing expenses with recurring revenue
- Budget with the knowledge that we are reliant on heavily volatile sales tax
Budget Workshop #1 provides a high-level overview of the City’s annual budget development process, including the City Manager’s budget recommendations for the total balanced budget and a closer look at the proposed priorities for the General Fund proposed budget.

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The proposed budget focuses on:

• Employee Recruitment and Retention
• Public Safety
• Fiscal Sustainability
How we have done over the past year:

- Ended Fiscal Year 2018 on budget
- Current Fiscal Year year-to-date is on budget
- Maintained Moody’s Aa1 Bond Rating (second highest possible)
- Continued to maintain 20% operating reserves
- Total debt load is light
- ¼ cent Capital Improvement Tax renewed
- Continued to live within our means
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The following factors impacted the creation of FY20 General Fund proposed budget:

- 2.28% projected increase in sales/use tax; 1% projected increase in payments in lieu of taxes (PILOTs). (FY19 anticipated year end and projecting forward for the FY20 budget.)

- Gross Receipts estimated to be flat from FY18 actuals.

- The big three revenue items account for approximately 86% of the total revenue in the General Fund.

- Although City departments are efficiently run, costs of operations are outpacing revenue growth.
Factors Affecting the City’s Financial Condition

1. Economic Climate

2. City of Springfield’s Fiscal Health & Management

City Population: 167,319
SGF Metro: 462,369
City Population Growth Rate: .35%
SGF Metro Growth Rate: 5.9%
Factors Affecting the City’s Financial Condition

1. Economic Climate

Diversified Economy

- Springfield’s diversified economy provides positive outcomes for middle and working class residents.

- Lower housing prices could lure skilled workers, immigrants, seniors and millennials from the coasts.
Factors Affecting the City’s Financial Condition

1. Economic Climate

Business Growth

2018: Projects reflecting the direct involvement of the Chamber’s economic development team in competitive project announcements within our region

- $14.6 million in new payroll
- $18.5 million in new capital investment

Postronics announced expansion
- $2.5 million capital investment
- 90 new full-time jobs

Küat Racks broke ground on a $2.8 million facility
Factors Affecting the City’s Financial Condition

1. Economic Climate

Business Growth

**Last 3 years:** Projects reflecting the direct involvement of the Chamber’s economic development team in competitive project announcements within our region

- 1,748 new jobs for residents of our region
- $64.7 million of annual payroll now being spent in our economy
- $175 million of new capital investments by companies into our region
Business Growth

The estimated actual valuation, as determined by the County Assessor for commercial lots has increased over 40% in 10 years.

2008 $2,995,409,438  
2018 $4,192,045,969
1. Economic Climate

Factors Affecting the City’s Financial Condition

Personal Income Summary

Bureau of Economic Analysis for Springfield’s Metropolitan Service Area (MSA)
Five counties: Greene, Christian, Webster, Polk and Dallas

2007-2017
Growth in total income $4,591,300,000

Percentage Growth 34.2%

Annualized 3.4%
1. Economic Climate

Factors Affecting the City’s Financial Condition

What is Personal Income by State?
The income people get from wages, proprietors’ income, dividends, interest, rents, and government benefits. These statistics help assess and compare the economic well-being of residents.
2. City’s Fiscal Health & Management

Factors Affecting the City’s Financial Condition

Financial Stability

Financial results for FY2018 were positive.

Overall, the year ended with a positive operating margin of 3% of the General Fund.

The majority of this surplus was generated from revenues that exceeded budget.
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management

Broad Fiscal Indicators

1) Bond Rating
2) Adequacy of Reserves
3) Debt Load
4) Revenue Stability
5) Funded Lifecycle Replacement Plan
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management

Broad Fiscal Indicators

Bond Rating

• Moody’s Investors Service reaffirmed a rating of Aa1 to the City’s outstanding general obligation bonds (second highest possible) in June 2018.

• Municipal issuers with an Aa rating demonstrate very strong creditworthiness relative to other U.S. municipal or tax-exempt issuers.

• Having a higher bond rating gives the City the opportunity to borrow funds, if needed, at a lower interest rate.
Factors Affecting the City’s Financial Condition

2.

City’s Fiscal Health & Management

Broad Fiscal Indicators

Adequacy of Reserves

• The fund balance of the General Fund (which contains the City’s “rainy day” fund) remains within the Council-established reserve goal of 20% of the operating revenue.

• City Council adopted a target range of 15-20%.
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management

Broad Fiscal Indicators

Debt Load

The Missouri Constitution limits the amount of general obligation and special assessment debt a municipality may issue up to 30% of the assessed value of property. The City is not in danger of exceeding the legal debt margin.

The current debt load is less than 1% of the state allowed maximum. Moody’s acknowledges the City as having a “light debt burden.”
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management

Broad Fiscal Indicators

Revenue Stability

- We have budgeted for an increase of 2.28% for sales/use tax next year (projected actual to proposed budget.)

- Sales tax is a volatile revenue source and retail is experiencing a paradigm shift due to online sales.
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management

Broad Fiscal Indicators

Revenue Stability

• Unlike Enterprise Funds, General Revenue Funds cannot be adjusted through administrative pricing or rate increases.

• Due to the fact that the General Fund’s main source of revenue is sales tax, that is volatile.
Factors Affecting the City’s Financial Condition

2. City’s Fiscal Health & Management

Broad Fiscal Indicators

Lifecycle Replacement Plan

• The passage of the Level Property Tax renewal has improved our ability to address items in our Lifecycle Replacement Plan.

• We continue, however, to have unfunded ongoing capital needs.

• For example, $12.1 million of reasonable capital requests were submitted, with the ability to only fund $3.5 million in both carryover funds and the FY20 proposed budget.
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The City’s Revenue Sources

The City’s operations are classified into fund groups for budget purposes.

These fund groups are classified as general, special revenue, grant, capital projects, debt service, enterprise and internal service.
The City’s Revenue Sources

The General Fund has four major revenue sources: sales/use tax, payments in lieu of taxes (PILOTs), licenses and permit fees, and fines and penalties.

FY2020 OPERATING BUDGETED RESOURCES
GENERAL FUND $86,127

- **Sales & Use Taxes**
  - 60.9%
  - $52,393

- **PILOTS**
  - 18.5%
  - $15,966

- **Transfers & Other**
  - 4.8%
  - $4,120

- **Licenses & Fines**
  - 8.1%
  - $7,007

- **Charges & Fees**
  - 0.7%
  - $604

- **Other Taxes**
  - 7.0%
  - $6,037

All amounts are expressed in thousands.
Projected Revenue Increases
(FY19 anticipated year-end actuals to FY20 projected budget)

- 2.28% increase in sales/use tax
- 1% in Payments in Lieu of Taxes (PILOTS)
- Licenses & Fines to remain flat
FY 18 Revenue Highlights & Projections

Payment in lieu of taxes received from CU:

- 4% of all gas revenue
- 4% of water revenue
- 3% of electric revenue
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Continued Impact of Level Property Tax

- Allows continued funding of additional public safety staff:
  - 16 sworn police positions
  - 3 non-sworn police employees
  - LPT to absorb second year costs of 7 firefighters
    (absorbing full costs of SAFER Grant)
- Funding a significant portion of lifecycle replacement plan
  \(\text{(Police, Fire, Public Works, IS Equipment and Vehicles)}\)
- Allows completion of the Comprehensive Plan in FY20
- Jail Payment ($200,000 / year for 10 years)
- Bond issue in January 2020 will fund major capital improvements
**General Fund Appropriations**

**FY2020 OPERATING BUDGETED APPROPRIATIONS**

**GENERAL FUND $86,127**

- **Personal Services**: 79.8% ($68,757)
- **Operating Supplies & Services**: 14.9% ($12,814)
- **Capital Equipment**: 1.2% ($1,054)
- **Transfers**: 4.1% ($3,502)

*All amounts are expressed in thousands.*
General Fund Appropriations

In the proposed budget for Fiscal Year 2020, 60% of General Fund appropriations addresses public safety needs.

Public Safety is funded with other sources.
Budget Workshop Highlights / Takeaways

• The City Charter Section 5.8 dictates the process for City Manager to deliver a balanced budget.

• Priorities in the proposed budget are employee recruitment and retention, public safety, and fiscal sustainability.

• Most major revenues are projected to increase moderately, budgeting conservatively due to uncertain economy.

• The City has a light debt load and maintained AA1 bond rating.

• The fund balance of the General Fund (which contains the City’s “rainy day” fund) remains within the Council established reserve goal of 20% of the operating revenue.
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