

The City's Shortfalls

LEST 1 needed \$400,000 more than budgeted for the recession
 City's LEST shortfall: \$6.7 million over the past 3 years

Like the County:

- Property tax
- Sales tax
- Utility fees
- Other fees

Consequences of losing LEST Funds:

- ✗ Higher Positions
- ✗ Full on public positions
- Violation of State Law

Weathering the Recession

• Regional difficult and economic pain
 • 2008 - 2010
 • Population: 11.5 million
 • Unemployment: 12.5%
 • State of Missouri
 • The number of cities, counties and towns that have lost jobs in 2010 positions

Per agreement:

• State and federal government
 • 6% of the County's population
 • 10% of the County's population
 • 10% of the County's population

Law Enforcement Sales Tax 1

• 1.5% on 1/1/08
 • 1.5% on 1/1/10
 • 1.5% on 1/1/12
 • 1.5% on 1/1/14
 • 1.5% on 1/1/16
 • 1.5% on 1/1/18
 • 1.5% on 1/1/20
 • 1.5% on 1/1/22
 • 1.5% on 1/1/24
 • 1.5% on 1/1/26
 • 1.5% on 1/1/28
 • 1.5% on 1/1/30

The Results:

• Moody's raised the City's bond rating during the recession

"On a quarterly basis, management re-evaluates revenues and expenditures and makes cuts accordingly to maintain balanced operations"

"Demonstrating a responsive approach to budgeting officials saved \$13 million in expenditures total in 2011 to offset the softening of sales tax revenue"
 July 2011



Introduction

Springfield FY 2014 Budget



Overview of City's Finances
 • Budget
 • Strategies used in response to 2008-2010 Recession
 • Preparing for the future

LEST 1

Thank You.



CITY OF Springfield



City's Intentions Moving Forward

- 1 The City will keep our LEST commitment to voters by subsidizing from our General Fund to...
 - Retain 60 police officers
 - Retain 23 civilian police staff
 - Operate a South District Police station
- 2 The City will keep our commitment to voters regarding our Pension Sales Tax...
 - Renewal election held in April 2014
 - Work to anything to put the renewal on hold

So, why not put the City's Police Fire Pension Tax at risk?



Police-Fire Pension...

Our forefathers made a commitment to provide a pension benefit to our hard-working public safety servants.



YES

Supporting the Police-Fire Pension

1

2

Recession 2008-2010

- Sales Tax declined 11%
- Use Tax declined 18%
- PILOTS declined 16%

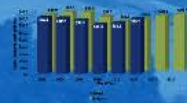
Cost-Cutting Measures:

- Hiring freeze for all positions including public safety
- In 2009, 10% of all General Fund positions were vacant
- Fire stations closed daily on a rotating basis
- Supervisory level and above were required to take 3 half-day pay
- Leadership team took voluntary pay cut, which has not been restored
- Merit steps frozen for 2 years, not COA for 3 years
- Approximately 10% reduction to non-salary related expenses
- Elimination of services, including multi-family housing inspections, neighborhood improvement program and employee wellness program
- Budget "re-balanced" quarterly

Funding Challenges

- Public Safety is an increasing percent of the General Fund budget
- LEST 1 requires 185,5000 PVLI General Fund subsidy
- Health Insurance has increased 19% since 2007
- Wellness Compensation 2011 position total was \$4 million negative cash balance
- Starting in the lower third both locally and benchmark cities
- Sales Tax Revenue still below 2008 level
- Over the next four years, City's equipment replacement and required facilities maintenance \$44 million
- 69 positions still vacant and frozen City-wide

GENERAL FUND SALES TAX RECEIPTS Fiscal Years 2007-2014



Preparing for the Future

- Retirement of Trained Public Safety employees: \$575,000 for next 4 years
- Waste removal with County and Missouri Department of Transportation
- Public Safety Training and Equipment

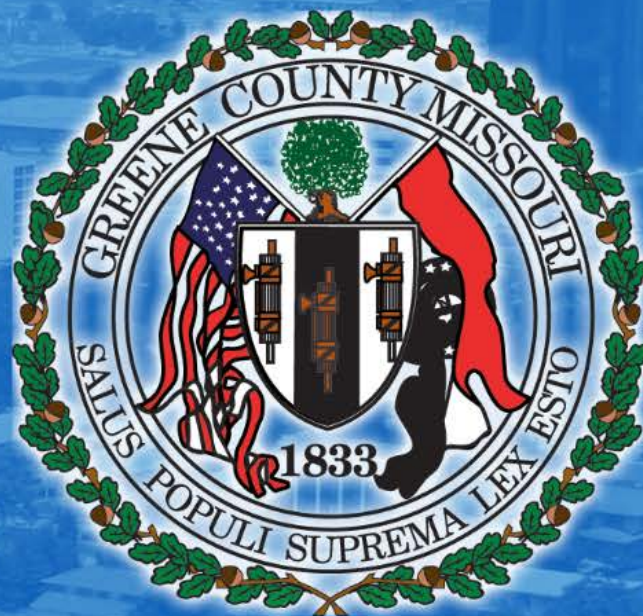


Thank You

for partnering with us for the good of the Citizens of Springfield-Greene County.



Thank You.



Introduction

Overview of City's Finances

- Budget
- Strategies used in response to 2008-2010 Recession
- Preparing for the future

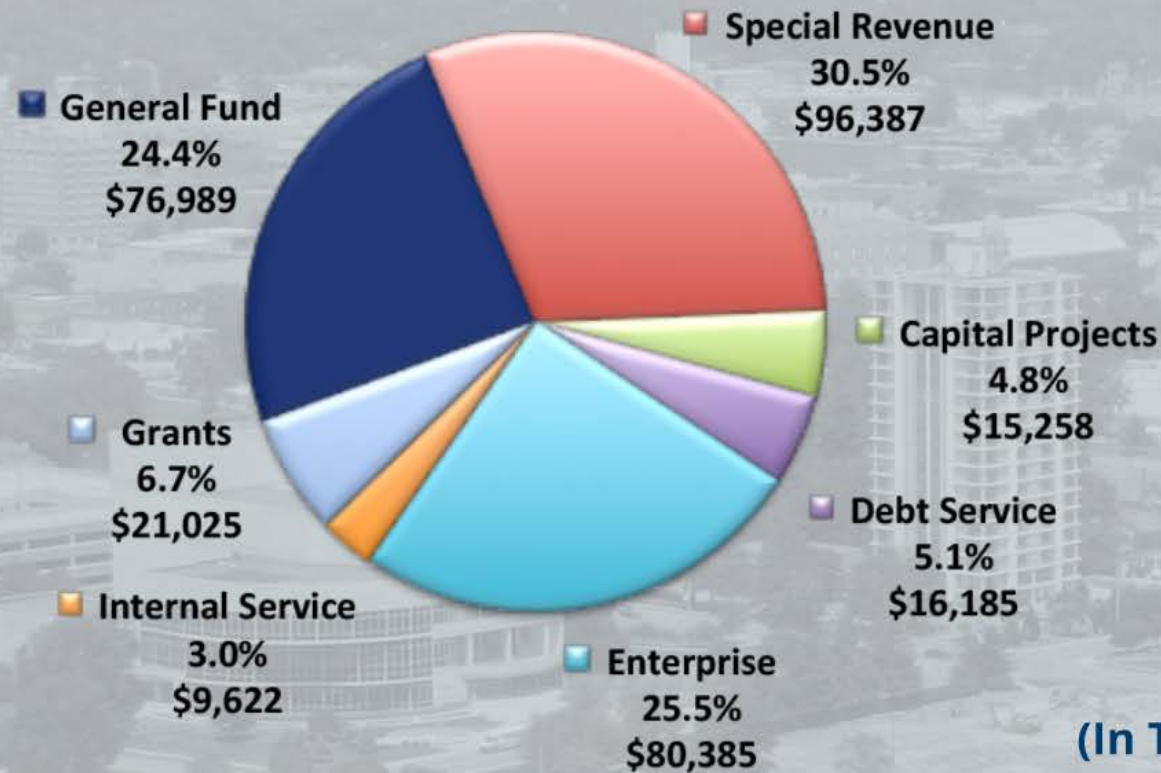


LEST 1

Springfield FY 2014 Budget

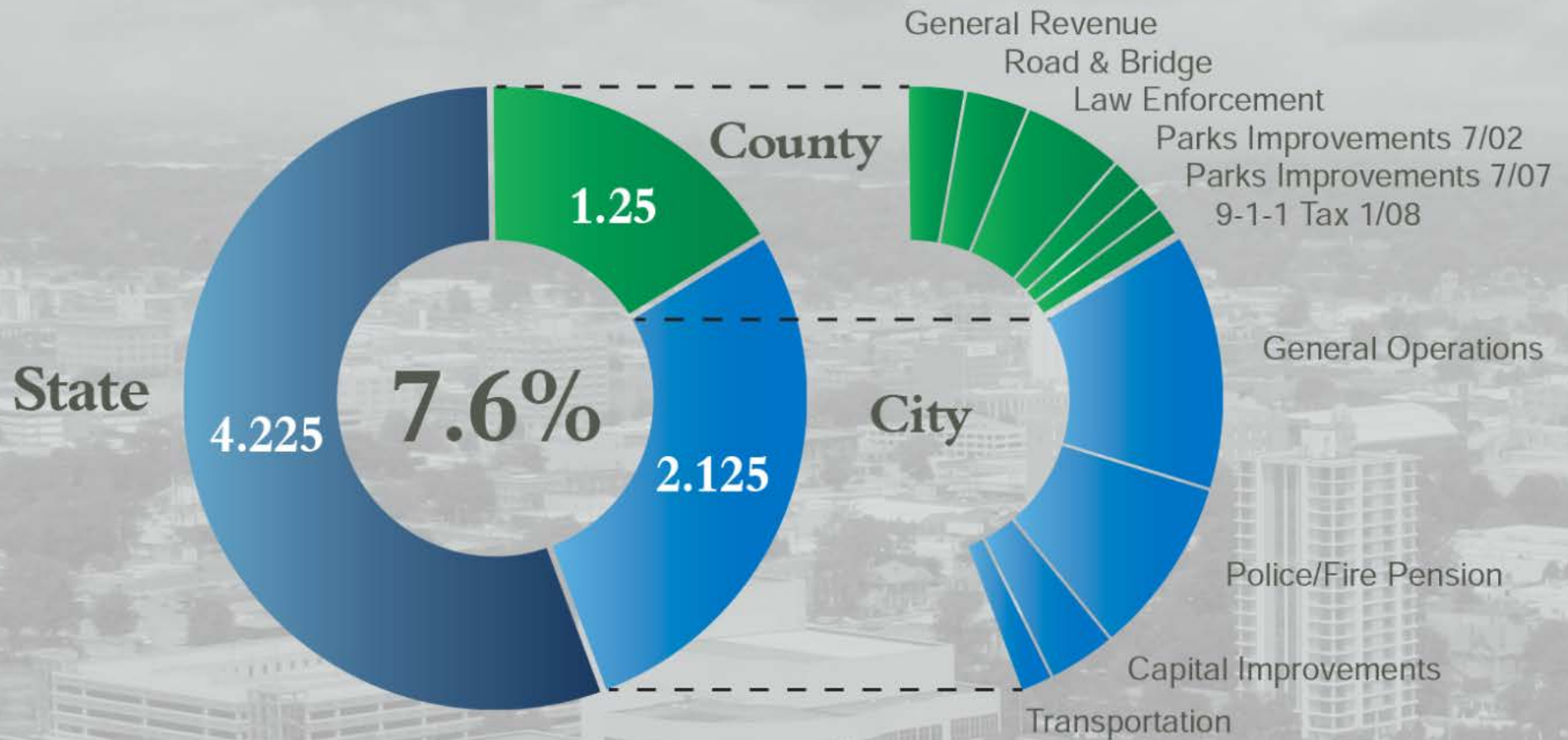
FY 2014 OPERATING BUDGETED APPROPRIATIONS

All funds: \$315,851



(In Thousands)

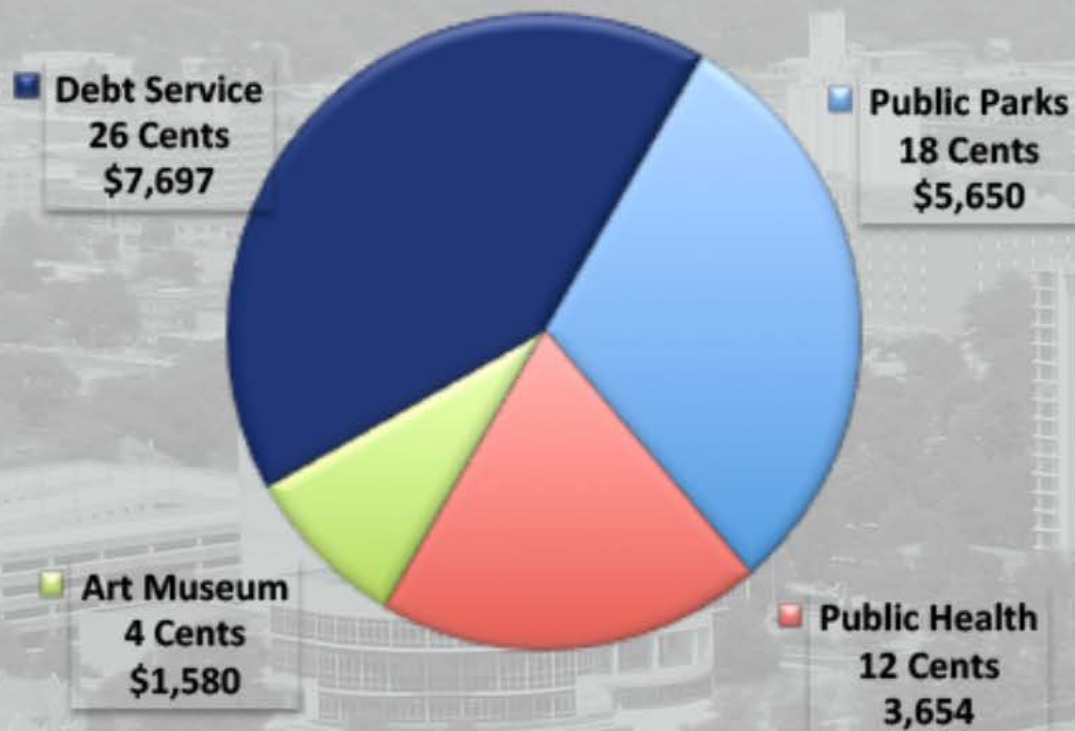
Sales Tax Breakdown



FY 2014 BUDGETED PROPERTY TAX

Total City Tax Levy: 60 Cents

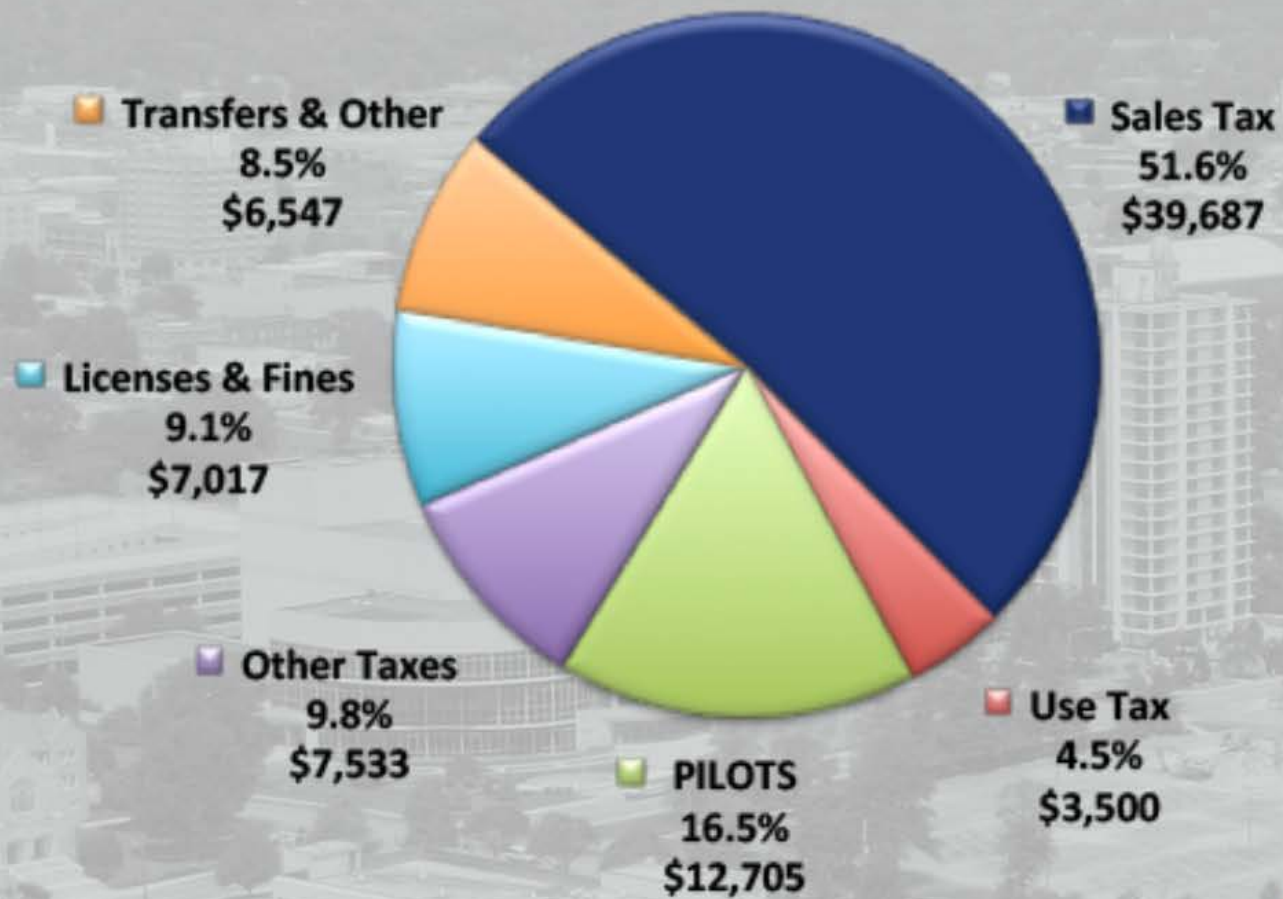
\$18,581



(In Thousands)

FY 2014 OPERATING BUDGETED RESOURCES

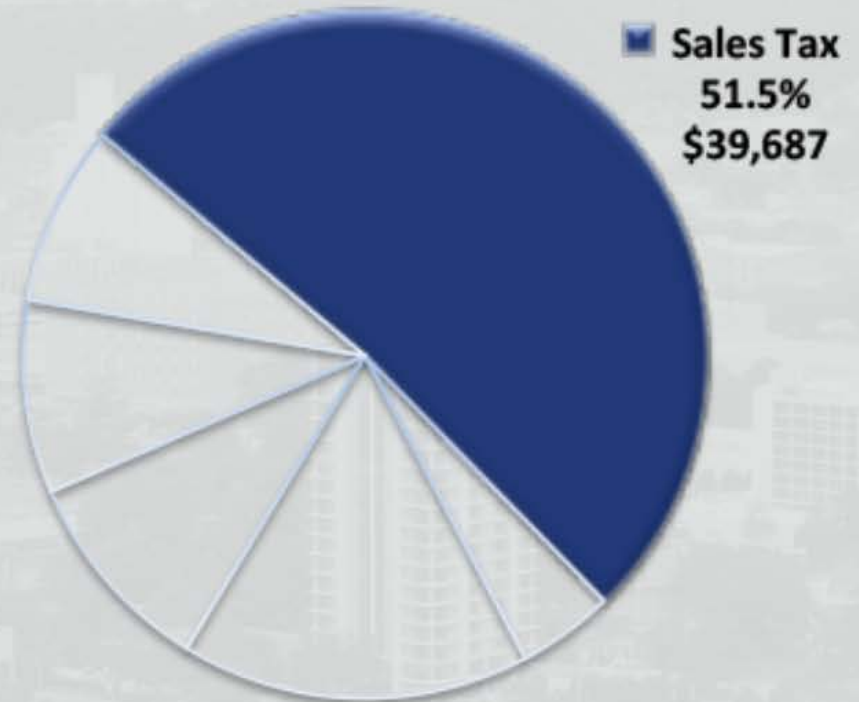
General Funds: \$76,989



(In Thousands)

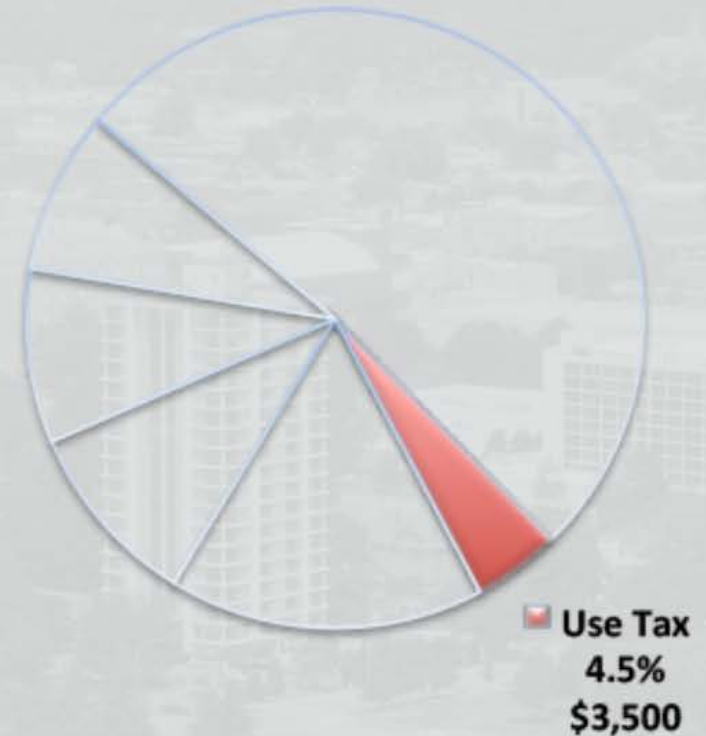
Sales Tax

- 1% General Sales Tax
- Challenging to rely on volatile revenue source for core services
- Providing core services to larger daytime population



Use Tax

- Passed by voters in 1996
- Rate equivalent to City's sales tax rate
- Equally split between the General and Transportation funds



Payments in Lieu of Taxes

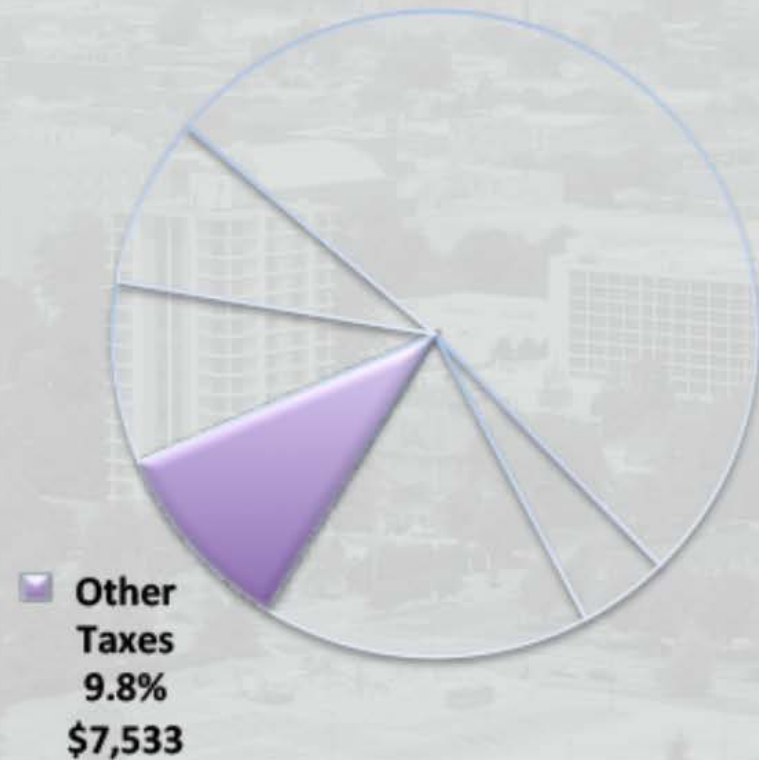
- CU is owned by the City
- Payment based on % gas, electric, and water revenues
- Difficult to estimate



■ PILOTS
16.5%
\$12,705

Other Taxes

- Gross receipts taxes paid on telecommunications
- Telecable taxes
- Cigarette tax



Licenses and Fines

- Occupational Licenses
- Permits
- Fines
- Annual fee study

■ Licenses &
Fines
9.1%
\$7,017



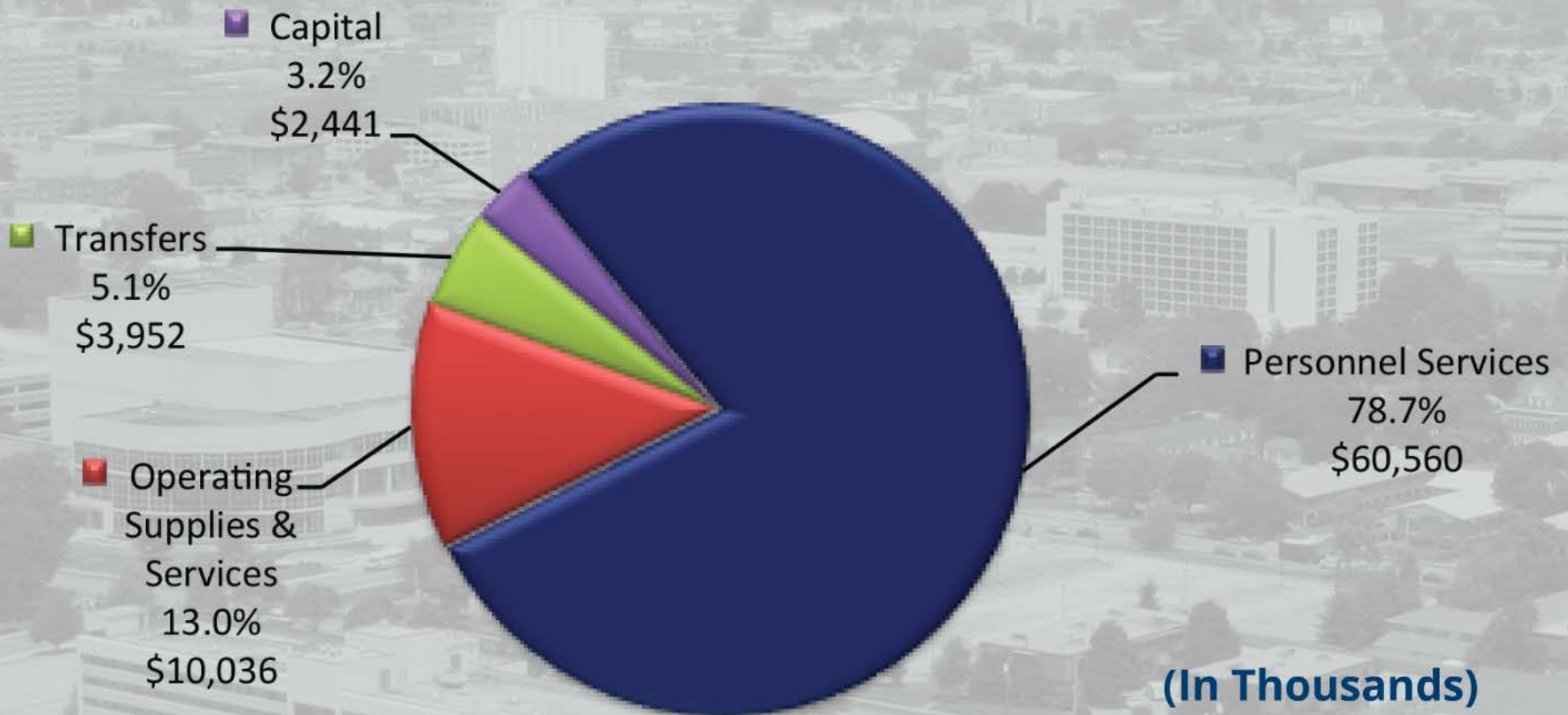
Transfers & Other Revenue

- Overhead support fee charged to other funds
- Interest income
- Miscellaneous revenue

■ Transfers & Other
8.5%
\$6,547



FY 2012 OPERATING BUDGETED EXPENSES GENERAL FUNDS \$76,989



FY 2014 GENERAL FUND TRANSFERS

Other \$613,000

COPS & SAFER
\$687,000

Animal Control
\$554,000



Debt Payments
\$1,242,000

LEST
\$855,000



Police

\$26.8 million
35%

\$167 per
resident



Fire

\$19.4 million
25 %

\$121 per
resident



Public Works

\$7.2 million
9 %

\$45 per
resident



Administration

\$12.2 million
16 %

\$77 per
resident



General
Expenditures &
Transfers
\$5.6 million

8 %

\$35 per
resident



Planning &
Building
Development
\$4.0 million

5.1%

\$25 per
resident



Municipal Court

\$1.7 million
2.3%

\$11 per
resident

How the City Allocates Its Money


Recession 2008-2010

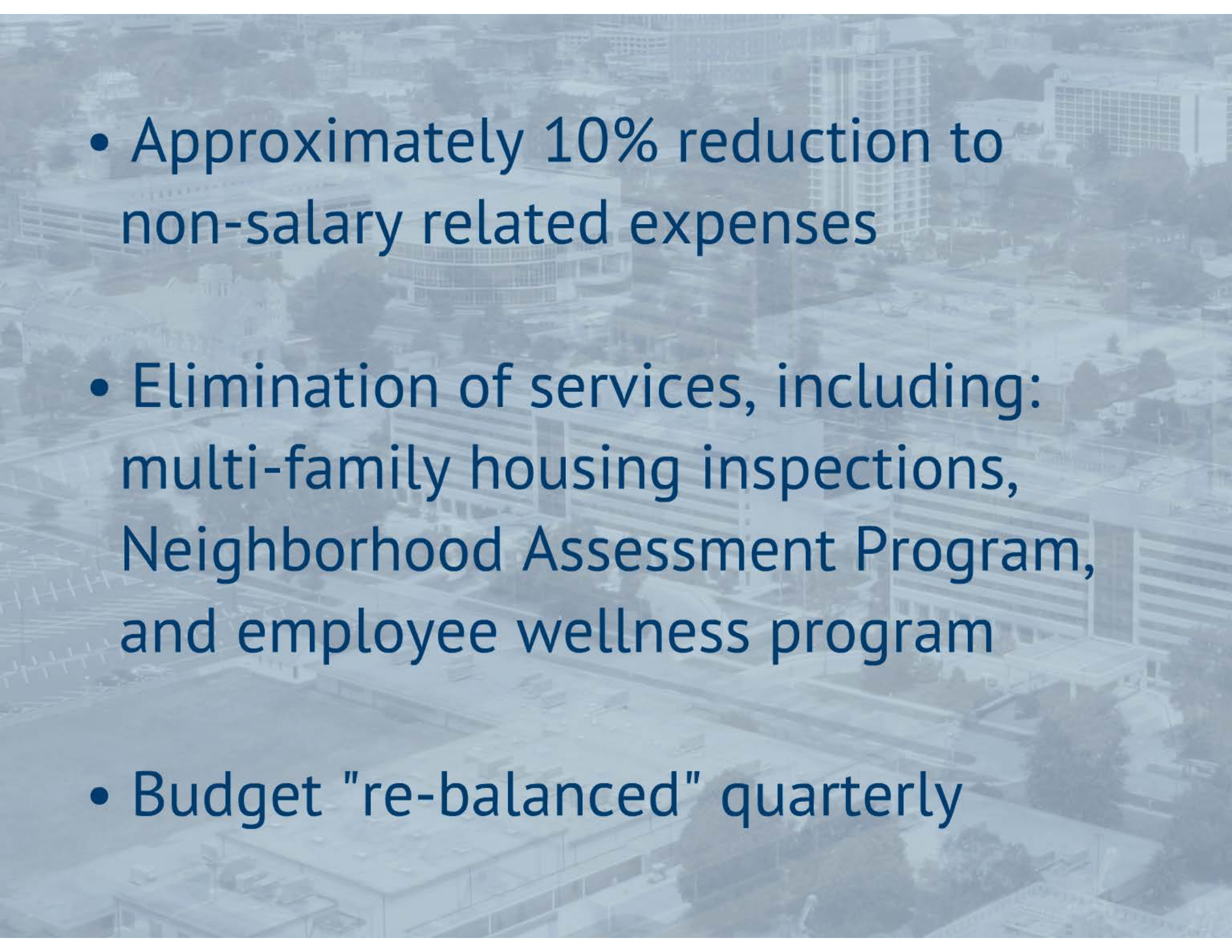
- Sales Tax declined 11%
- Use Tax declined 18%
- PILOTS declined 15%

Cost-Cutting Measures:

- Hiring freeze for all positions, including public safety
- In 2009, 10% of all General Fund positions were vacant
- Fire stations closed daily on a rotating basis

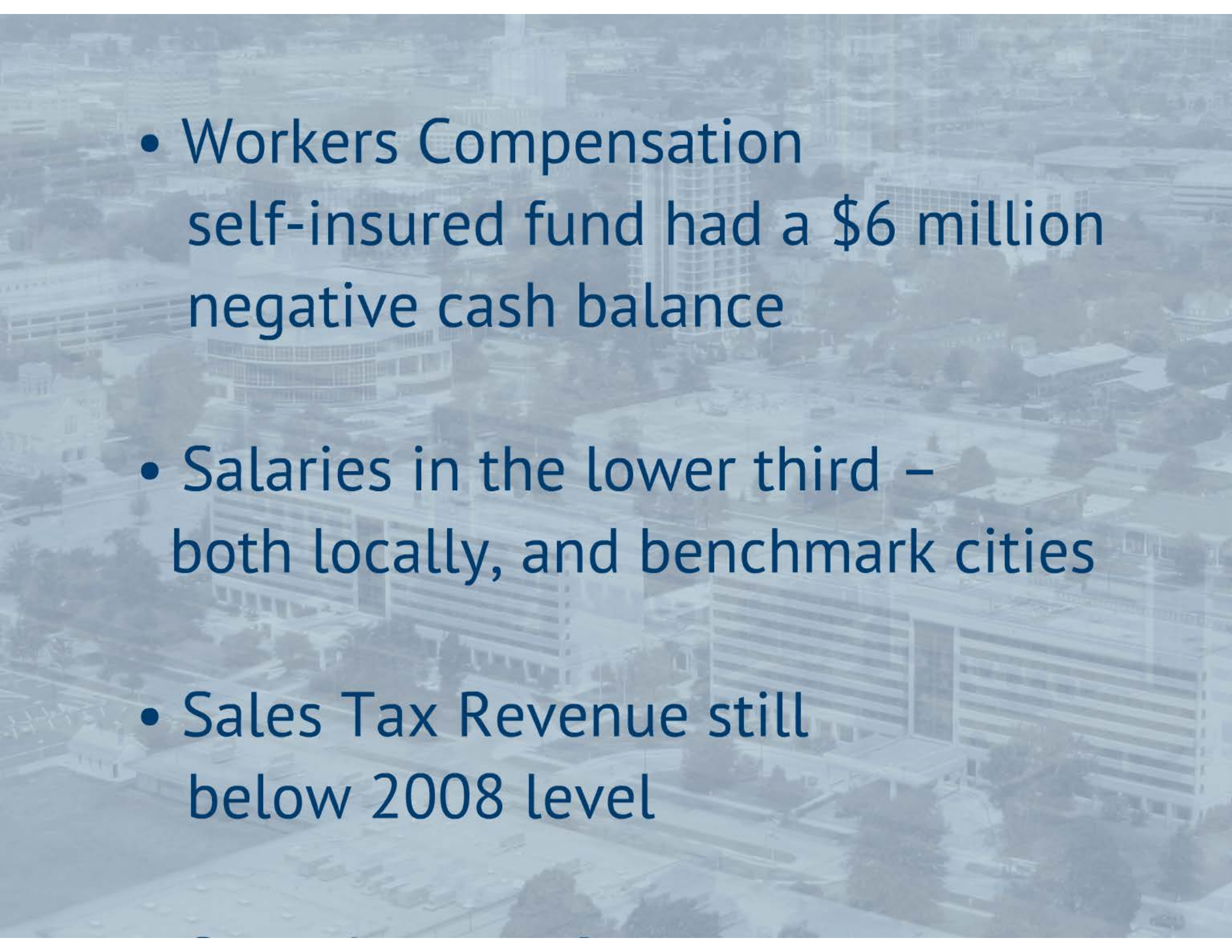


- 
- An aerial photograph of a city, likely Los Angeles, with a semi-transparent blue overlay. The image shows various buildings, including a prominent skyscraper and several large, multi-story structures. The text is overlaid on the left side of the image.
- Supervisory level and above were required to take 3 furlough days
 - Leadership Team took voluntary pay cut, which has not been restored
 - Merit steps frozen for 2 years; no COLA for 3 years

- 
- An aerial photograph of a city, likely Los Angeles, with a semi-transparent blue overlay. The image shows various buildings, including a prominent circular building in the center, and a network of roads. The text is overlaid on this background.
- Approximately 10% reduction to non-salary related expenses
 - Elimination of services, including: multi-family housing inspections, Neighborhood Assessment Program, and employee wellness program
 - Budget "re-balanced" quarterly

Funding Challenges

- Public Safety is an increasing amount of the General Fund budget
- LEST 1 requires \$855,000 FY13 General Fund subsidy
- Health insurance has increased 19% since 2009

- 
- An aerial photograph of a city, likely San Francisco, with a blue semi-transparent overlay. The image shows various buildings, including a prominent circular building in the center-left, and a dense urban landscape with streets and greenery.
- Workers Compensation self-insured fund had a \$6 million negative cash balance
 - Salaries in the lower third – both locally, and benchmark cities
 - Sales Tax Revenue still below 2008 level

- 
- An aerial photograph of a city, likely Los Angeles, showing various buildings, streets, and green spaces. The image is overlaid with a semi-transparent blue filter. Two bullet points are overlaid on the image in a dark blue font.
- Over the next four years, City's equipment replacement and required facilities maintenance: \$44 million
 - 69 positions still vacant and frozen City wide

GENERAL FUND SALES TAX RECEIPTS

Fiscal Years 2007-2014



Preparing for the Future

- Replacement of Trunked Radio System setting aside \$575,000 for next 7 years
- Replacement of Self-Contained Breathing Apparatus (SCBAs) for Fire Department funded over 2 fiscal years
- Fully funding 29 Police and Fire grant-funded positions

**"We're not out
of the hole yet"**

Law Enforcement Sales Tax 1

- County and City Leaders signed agreement in 1997
- Voluntary, but binding agreement
State Statute Section 70. 220, RSMo.
- City Commitments:
 - 60 additional police officers
 - 12 additional civilian police staff
 - South District Police Station



Per agreement:

- Distributed based on population
- 60% of the County's population live in Springfield
- County is receiving a larger percentage of the tax than they previously were

Weathering the Recession

- **Required difficult and decisive action**

Layoffs

Hiring freeze

Leadership

voluntary pay cut

Frozen merit steps

Furloughs

No salary increases

**But despite all of this...we maintained our
commitment to voters on all LEST promises.**

The City's Shortfalls

LEST revenue does not cover City commitments to the voters

**City's LEST Shortfall: \$6.7 million
over the past 5 years**

Consequences of losing LEST funds:

✘ 60 Officer Positions

✘ 12 Civilian police positions

Violation of State Law

Like the County...

The City values public safety

The City is heavily reliant on sales and property tax revenues

- **88% of County's sales tax is generated inside City limits**
- **62% of County's assessed value in City limits**

The City is keeping its LEST 1 commitments to voters


An aerial photograph of a city, likely San Francisco, showing a dense urban landscape with various buildings and a prominent tall tower on the right. The sky is filled with large, white, fluffy clouds. The text is overlaid on the upper portion of the image.

The City is heavily subsidizing the LEST 1

The City continues to have budget challenges

The City is playing the hand it has been dealt

The City supported the County's LEST 2 Sales Tax



**Just like our citizens did,
we tightened
our belt and lived
within our means.**

The Results:

- **Moody's raised the City's bond rating during the recession**

"On a quarterly basis, management re-evaluates revenues and expenditures and makes cuts accordingly to maintain balanced operations."



"Demonstrating a responsive approach to budgeting, officials made \$4.5 million in expenditure cuts in 2011 to offset the softening of sales tax revenue."

- July 2011

But we're not out of the woods yet...

- Over the next four years, City's equipment replacement and required facilities maintenance: \$44 million
- Dollar figure continues to rise as unmet needs pile up
- Salaries in bottom third of surveys
- Annual Budget Struggles ...very public

Annually balanced our budget...

- Without drawing down reserves
- Without relying on one-time funds
- Without borrowing funds

City's Intentions Moving Forward

1

The City will keep our LEST commitment to voters by subsidizing from our General Fund to...

- Retain 60 police officers
- Retain 12 civilian police staff
- Operate a South District Police Station

2

The City will keep our commitment to voters regarding our Pension Sales Tax

- Renewal election anticipated in April 2014
- Won't do anything to put the renewal at risk

**So, why not put
the City's Police Fire
Pension Tax at risk?**



Police-Fire Pension...

Our forefathers made a commitment to provide a pension benefit to our hard-working public safety servants.



"A promise made
is a debt unpaid."

- 20th Century Poet Robert Service



An aerial photograph of a city, likely Atlanta, Georgia, showing a mix of modern high-rise buildings and older, lower-rise structures. The image is overlaid with a semi-transparent blue filter. The text is centered in a dark blue, sans-serif font.

**"A promise made
is a debt unpaid."**

- 20th Century Poet Robert Service

**To address the problem,
sacrifices had to be made.**



**But a promise is a promise.
And we wanted to keep our promise.**

Citizens voted

YES

to fully funding the pension fund.

...That renewal is right around the corner.

Pension Tax Ballot Language

Question 1

Shall the City of Springfield impose a sales tax at a rate of three-quarter of one percent (3/4-cent) solely for the purpose of providing revenues for the Springfield Police Officers' and Firefighters' Pension System, with said tax to sunset upon the Pension System fund reaching a fully-funded (100%) status as determined by an independent actuarial study conducted for the Pension System Board of Trustees.

The City made promises in return:

1

Use Police Fire Pension Sales Tax only to fund the pension as required by the ballot language and State law

2

Sunset the tax once the closed pension plan achieves 100% funding

Why is the Pension Sales Tax renewal so important?

- Closed plan
 - Anything less than 100% funding must be covered by another funding source
- Vital to the City's fiscal health
- Addressing the problem is favorably recognized by Moody's
- Not kicking the can down the road

Despite the budget challenges, the City will....

Maintain our commitment to voters



LEST 1



**Police-Fire
Pension Sales Tax**

Thank You

for partnering with us for the good of the
Citizens of Springfield-Greene County.

