

Information of Possible Interest

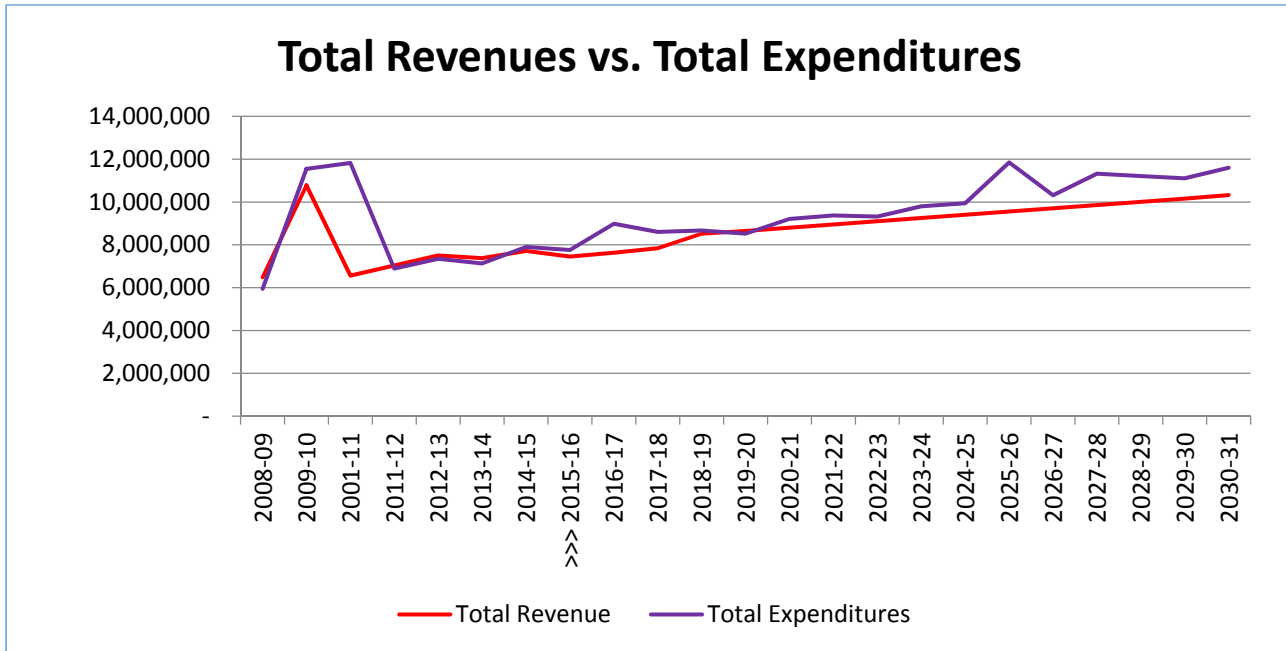
- From FY2007-08 to FY2014-15 the City's Revenues from...
 - Real Estate taxes have grown at a compounded rate of 0.9%
 - The one cent Sales Tax has grown at a compounded rate of 1.2%
- For the same time period, the City's expenses (excluding capital purchases) have grown at a compounded rate of 4.2%.
- The Police and Fire Departments make up 69.8% of our total General Fund & Capital Improvement Fund (GF & CIF) current year budget.
- Police & Fire Personnel costs alone make up 58.6% of our total GF & CIF budget.
- Leaf collection (sometimes cited as a service the City could curtail) is budgeted at less than \$100,000 (1.3% of our total General & Capital Improvement Funds budget) for FY2015-16.

FY2013-14 was the first time that revenues from Sales Tax recovered to exceed the levels of FY2007-08 (six years earlier)

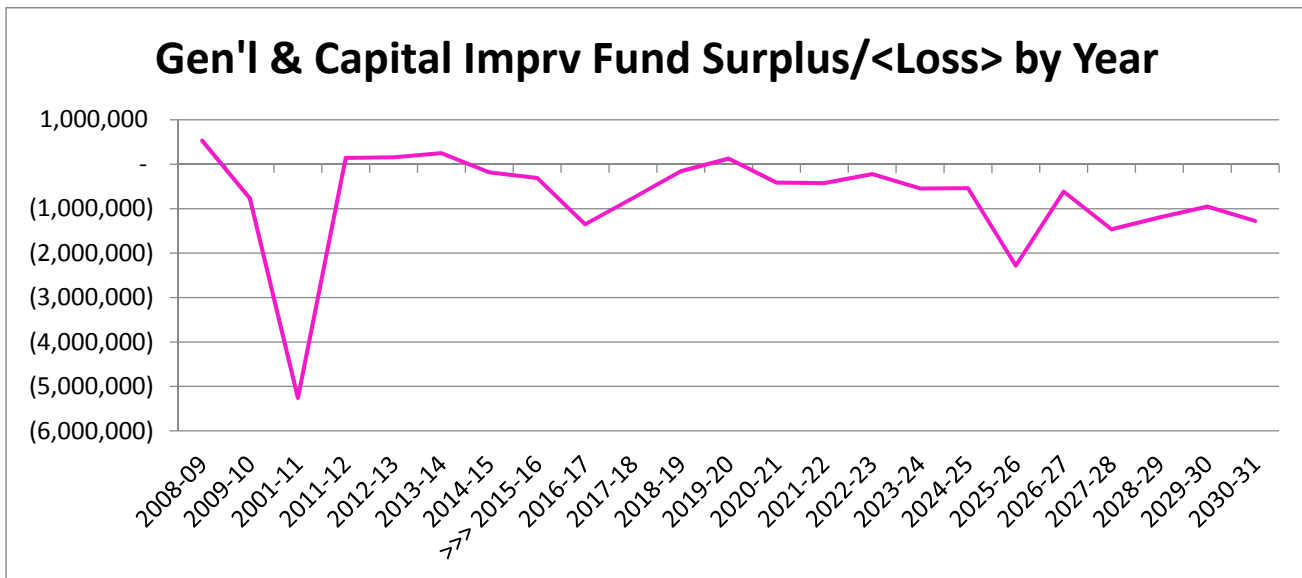
- The FY2015-16 results would be worse if the City had not deferred the \$600,000-plus purchase of a needed replacement pumper truck for the Fire Department into FY2016-17.
- The City Hall/Police Department /Fire Department/Public Works complex was constructed after multiple public meetings, and was judged the cheaper alternative (to maintenance and improvement of the existing facilities), reflecting:
 - Need to add four Fire Department response personnel to maintain ISO insurance rating for residences and businesses (ISO rules changed)
 - Upcoming significant capital repairs necessary to maintain existing structures and meet ADA requirements
 - Discounted costs in then-current depressed construction environment
 - Discounted debt funding costs in then-current depressed financial environment
 - Inadequacy of facilities in general – space for public meetings, space for municipal court, sally port for police department, etc.
- Recent survey of City residents indicated:
 - Support for maintaining the current level of City services (response times by emergency personnel, other public services.)
 - Lack of sufficient financial support for a public park or other recreational accommodations
- Since 2007-08, the City has added...
 - Four Fire Department responders (to comply with ISO)
 - Fire Department-staffed (two additional responders) and operated Ambulance (to assure and reduce response times to city emergencies)
 - Replaced three City structures with modern, efficient facilities in great condition, sufficient to serve all the City's foreseeable needs.
- Since 2007-08, the City has reduced expenditures by...
 - Consolidating Police & Fire dispatch services with other municipalities
 - Slowed personnel expense growth by reducing wage growth and instituting cost-sharing of medical insurance premiums

Illustration of the Coming Issues

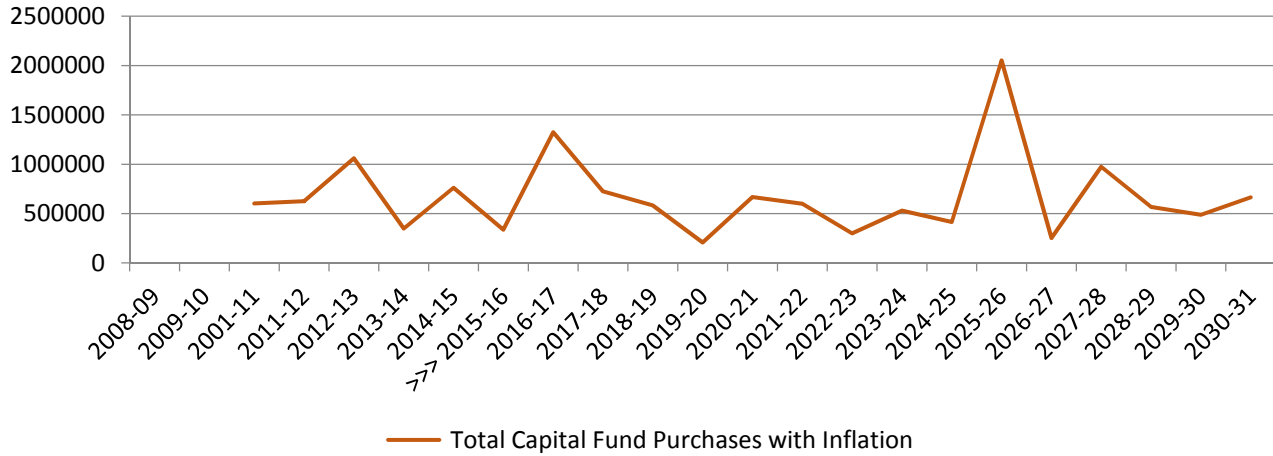
The following graphical representations illustrate the challenges the City faces in the coming years. These graphs present the more favorable financial outcomes expected if the Shriner’s site is developed for retail and both the April propositions proposed by the City are passed. It is assumed the LECC site remains undeveloped or is developed in a manner that generates no net increase to City revenues^(A).



In all future years except one, forecasted Revenues (red) fall short of Expenditures (purple), by amounts ranging from \$155,000 to \$1,280,000. Expenditures include City services and Capital Expenditures. Capital Expenditures include equipment to provide City services [fire trucks, police cruisers, etc.] as well as direct spending on items such as street paving, etc.)

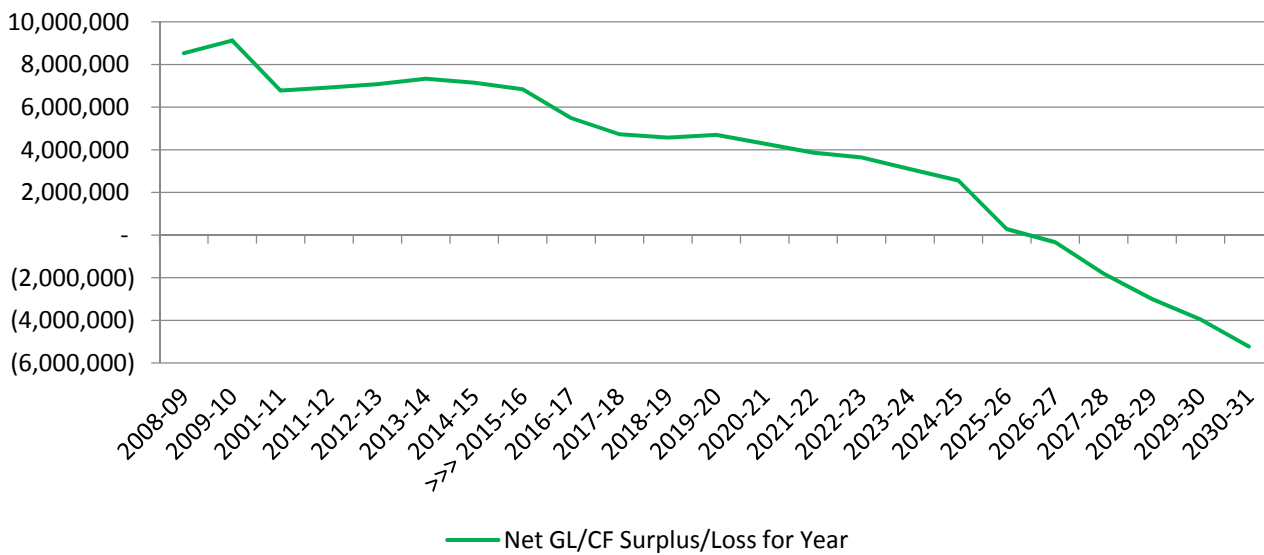


Capital Fund Capital Purchases



One way of looking at it is the City has the annual funds available to conduct its business – deliver City services – but it lacks the additional capital needed to fund Capital purchases – the equipment to provide City services and road maintenance. If Revenues do not go up, City services will have to come down. In later years, the loss even exceeds the Capital purchases budgeted.

End of Year Gen'l and Capital Imprv Funds Balance

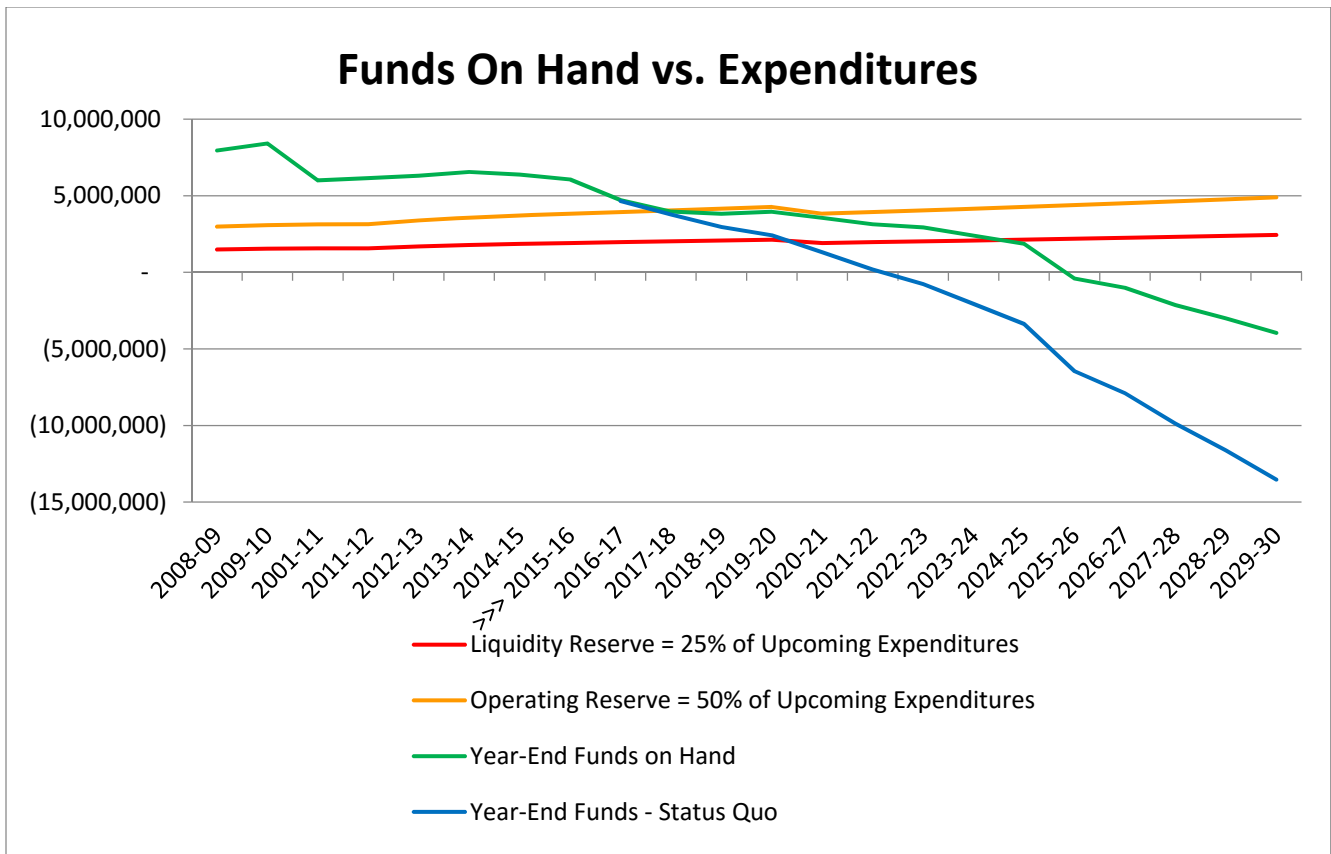


The net result is that without significant changes, the City's available funds dwindle. The City is insolvent in less than 11 years. And remember, these graphs present the more favorable financial outcomes expected if the Shriner's site is developed for retail and both the April propositions proposed by the City are passed.

Real Estate Tax Note (A)

One area of continuing confusion for many is the impact of property development on net City real estate tax revenues. Under MO state law, improvement or development of property benefits the City only in the year the development comes “online”. In the immediately following year all taxpayers (citizens, business, etc.) receive the benefit of a tax rate downward adjustment – rebating the benefit of the new taxes back to the taxpayers by reducing their taxes. The City ends up benefiting only in the first year, and then effectively is back in its original position with no new net real estate tax revenue in future years.

Somewhat related is the confusion over the effect on City real estate tax revenues from increasing property tax appraisals. Increasing appraisals do raise the total value of appraised property subject to taxation. But again, under MO state law, the City is limited as to how much of such an increase actually flows through into increased City real estate tax revenues. Growth of the City’s real estate tax revenues is capped at the lesser of the growth in assessed values, CPI or 5%. So if property tax appraisals were to grow by say 7% in a year, and CPI was anything greater than 5% then the tax assessment rates would be adjusted downward to limit the City’s real estate revenue growth to 5%. (And if the CPI was less than 5% – say 3% – then the tax assessment rate adjustment would limit the City’s real estate revenue growth to 3%.)



This graph is intended to illustrate the projected future cash reserves position of the City. From a Financial governance viewpoint, it is most desirable to have, at a minimum, a 25% cash reserve (the Red line on the graph) of estimated future expenditures, and best practice to have a 50% cash reserve (the Yellow line) of estimated future expenditures. Future projections are always uncertain and subject to change, but the Ways & Means Committee has attempted to make realistic estimates of the growth of each Revenue and Expense of the City, based on past and current actual results.

The Green line reflects the past and projected combined cash balance of the City's Operating and Capital Funds. The irregular shape reflects, principally, fluctuations in capital expenditures in years where significant equipment outlays have been or will be required to replace, generally, fire and police vehicles. The following major assumptions are included in the projections for the Green line:

- No material reduction in City services
- LECC remains vacant, Shriners site is developed to generate both property taxes (one time in FY2018-19) and retail sales taxes (beginning in FY2018-19)
- The City's two propositions on the April ballot (continued tax on out-of-state vehicle purchases and authorized collection of a use tax on other out-of-state purchases) both pass.

The Blue line reflects:

- No material reduction in City services
- LECC and Shriners sites both remain vacant and non-revenue producing
- The City's two propositions on the April ballot fail.

Conclusion:

The conclusion to be drawn from the "Funds on Hand vs. Expenditures" graph is that the approval of the two ballot issues, together with developing the Shriners' site, will allow the City to extend and maintain, based on current assumptions and modeling (the Green Line), the desired 50% level of reserves until about 2021 (from the current 2018 timeframe). The Blue Line reflects the estimated reserve level without the approval of the two ballot issues or any revenues from the LECC & Shriners' sites. This reflects a diminishing reserve level such that no later than in 2022 or 2023 the city would have to exact other measures to meet projected operating expense levels (which could include increased real estate taxes and deep budget/services cuts). The Ways & Means Committee recommends that the residents approve the two proposals on the ballot so as to bolster the City's revenue and financial position for the near term, understanding that additional measures in the future will likely be required in order to maintain desired reserve levels, or in the worst case, a breakeven scenario.