



Director of Finance Report

June 22, 2020

Honorable Mayor and
Members of the City Council
City of Warrensburg, Missouri

Dear Mayor and Council Members:

Introduction

The purpose of this memo is to begin the discussions for Fiscal Year 2021 Budget. The following will outline trends of revenue for Fiscal Year 2020 followed by the projected year-end Fiscal Year 2020 revenue projections and the Fiscal Year 2021 revenue projections for the primary governmental funds for the City. Those funds include General Fund, Capital Improvement Transportation, Capital Improvement Half Cent Sales Tax, and the General Obligation Bond Fund.

Discussion

Let us begin with what everyone basically already knows, in that we are in an uncertain time dealing with the COVID-19 pandemic. I do not know that any one of us has every experienced this situation in our lives. I personally, do not care to deal with it again soon. But that is not what we are here to discuss.

This evening we need to discuss the revenue collected for Fiscal Year 2020 and what more we expect to collect to complete the year with a balanced budget. Revenue collected for Fiscal Year 2020 has been meeting budget projections and exceeding revenue collection in Fiscal Year 2019. However, I believe that is going to change in the coming months.

General Fund

The first fund to discuss is General Fund. General Fund, as you know, is the basic operating fund for the City. Most all services are administered through General Fund. Revenue in General Fund includes property taxes, sales taxes, franchise fees, grants, licenses, fines, permits and numerous other items. Sales tax generates about forty percent (40%) of the total revenue collected in General Fund. There is some indication that sales tax will start decline. However, the City has currently not seen that take place through June receipts. The Fuel and Motor Vehicle taxes have decreased the last couple of months by nearly twenty percent (20%). I am anticipating a similar decrease in sales tax revenue.

The Use Tax revenue has been surprisingly more the last three months. Maybe it should not be such a surprise. If patrons are purchasing on-line what was purchased in the brick and mortar stores, then there should be an increase in the Use Tax. Use Tax will not make up the entire difference in Sales Tax because not all on-line sales are taxable.

Sales Tax numbers are developed looking at the ten-year actual collection average. The average is then reduced each quarter throughout Fiscal Year 2021. First quarter Fiscal Year 2021, October through December is projected twenty percent (20%) lower, then fifteen percent (15%) second quarter, ten percent (10%) third quarter and five percent (5%) fourth quarter. Overall Fiscal Year 2021 sales tax projections decrease. By using the phased in approach

there is conservative estimates in the projection and a little optimism that the economy will improve in the next fifteen months. Additionally, upon receipt of the July sales tax, these numbers may be revised either up or down.

So, based on the data collected and some general projections, here is the projected revenue collections anticipated for year-end 2020 and the proposed Fiscal Year 2021 revenue.

General Fund	2020 Current Budget	2020 Projected Budget	2021 Proposed Budget
Property Taxes	\$ 854,500	\$ 856,000	\$ 855,500
Sales Taxes	4,674,000	4,385,000	3,648,000
Franchise Fees	2,653,000	2,552,000	2,507,000
Lodging Tax	288,000	195,000	215,000
Grants	244,000	85,200	105,700
Licenses & Permits	226,990	194,990	194,990
Fines	332,100	332,100	332,100
Misc Services	338,000	275,200	336,500
IntraGovernment Transfers	842,520	841,670	842,520
Asset Sales/Interest/Donations	177,420	160,140	122,470
Total General Fund Revenue	\$ 10,630,530	\$ 9,877,300	\$ 9,159,780

The chart on the following page shows the percentage breakdown of the types of revenue collected in General Fund. It reflects forty percent (40%) for sales tax and twenty-eight percent (28%) franchise fees.

Capital Improvement Transportation

Next, is the Capital Improvement Transportation Fund. This fund collects the Gasoline Tax, Motor Vehicle Sales Tax, and Motor Vehicle Fees. There is also some interest earning and possible grant revenue through MODOT. As mentioned, there has already been a decline in Gas Tax and Motor Vehicle Tax and Fees of nearly twenty percent (20%). Revenue received in June was down over twenty-five percent (25%) in Fuel, nearly forty percent (40%) in Vehicle Sales Tax and nearly twenty-nine percent (29%) in Vehicle Fees.

This fund provides for much of the street, storm and sidewalk improvements.

So, based on the data collected and some general projections, here is the projected revenue collections anticipated for year-end 2020 and the proposed Fiscal Year 2021 revenue.

Capital Improvement Transportation	2020 Current Budget	2020 Projected Budget	2021 Proposed Budget
Sales Tax	\$ 760,000	\$ 620,000	\$ 565,000
Grants	-	-	-
Fees/Interest/Transfers	100,000	83,700	78,500
Total Capital Improvement Transportation Revenue	\$ 860,000	\$ 703,700	\$ 643,500

Capital Improvement Half Cent Sales Tax

Next, is the Capital Improvement Half Cent Sales Tax Fund. This fund collects half-cent sales tax and is used primarily to pay debt for infrastructure improvements. There is also little interest earning and possible grant revenue opportunity. Like General Fund, the sales tax projections were completed using the quarterly phased reduction on the ten-year average.

The half cent sales tax is scheduled to sunset in 2025, however, debt payments are through 2029. There is a need for further discussion about this in the future.

Like the other funds presented, based on the data collected and some general projections, here is the projected revenue collections anticipated for year-end 2020 and the proposed Fiscal Year 2021 revenue.

Capital Improvement Half Cent Sale Tax Fund	2020 Current Budget	2020 Projected Budget	2021 Proposed Budget
Sales Tax	\$ 1,849,000	\$ 1,769,000	\$ 1,488,000
Grants	-	-	-
Fees/Interest/Transfers	17,000	6,022	3,500
Total Capital Improvement Half Cent Sales Tax Revenue	\$ 1,866,000	\$ 1,775,022	\$ 1,491,500

General Obligation Bonds Fund

The last fund to discuss this evening is the General Obligation Bond Fund. The fund was established upon the approved vote to collect a property tax debt levy on real estate and issue bonds to provide for equipment and infrastructure improvements. Property taxes is collected as in General Fund. Fiscal Year 2021 revenue does not include a reassessment of property taxes, so there is a small increase in the projected budgets for year-end 2020 and Fiscal Year 2021. The tax levy was first collected in Fiscal Year 2017-2018. Projected revenues are based on the collections and the assessed values provided by the County each year. The sole purpose of this fund is to collect the property tax, record any bond issuances and pay the annual debt service.

The following table shows the projected revenue collections anticipated for year-end 2020 and the proposed Fiscal Year 2021 revenue.

General Obligation Bond Fund	2020 Current Budget	2020 Projected Budget	2021 Proposed Budget
Property Taxes	\$ 1,075,000	\$ 1,093,300	\$ 1,114,300
Intragovernmental/Interest	-	-	-
Bond/Lease Proceeds	6,000	8,200	3,300
General Obligation Bond Fund Revenue	\$ 1,081,000	\$ 1,101,500	\$ 1,117,600

Conclusion

This memo provides the projected revenue for the primary governmental funds for the City as we begin budget development for Fiscal Year 2021. I mentioned that these numbers may be revised up or down based on July receipts in anticipation of reduction in sales tax collections.