



January 9, 2022

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

Dear Mayor and Council Members:

SUBJECT: An ordinance calling an election to authorize an increase to its general sales tax in the City of Warrensburg, Missouri.

BACKGROUND

During budget development over the last several years, there has been significant discussion regarding the increasing pressures on the general fund. While the city has seen reasonable growth in its general fund revenues, general fund expenditures necessary to meet the service expectations of the community have outpaced those revenues. The city has a healthy fund balance but using fund balance for operational expenses is not sustainable. Budgetary restraints have led to difficult discussions regarding the reduction and discontinuation of services and programs for the community such as proactive crimes division, fire prevention programming, and infrastructure maintenance.

City Council directed staff to explore additional revenue streams for the city as part of the 2023 strategic plan discussion for the community.

ISSUES

With expenditures budgeted at \$11.9 million in 2023, the general fund includes police, fire, public works (excluding wastewater), community development and support services departments. (Support services include the city manager's office, city clerk, finance, human resources, municipal court, and information technology.) Police and fire operations make up nearly 50% of general fund expenditures with public works at 17% and community development at 8%. The remainder of general fund is allocated to the several departments comprising support services.

Another perspective to review general fund expenditures is how expenditures are categorized. Nearly 70% of the current general fund is allocated to personnel expenses (i.e. salary, health and retirement benefits, workers compensation insurance). While the remaining 30% is distributed among services (i.e. liability insurance, online building permitting software), utilities, equipment (i.e. tasers, fire hose), supplies (i.e. sand and salt) and capital (i.e. infrastructure, building repairs), community agreements, and continuing education and training for employees.

Although personnel expenses account for 70% of the general fund, the city still struggles to maintain wage parity making it difficult to recruit and retain key positions throughout all city departments, but especially in police, fire, and public works. The city operates (and has for several years) at or below minimum staffing standards in these departments. This is a credit to the work ethic and ingenuity of our employees. However, minimum staffing levels compounded

with vacancy rates lead to an increase in mandatory overtime resulting in employee burn out, on-duty injuries, and ultimately, more turnover.

Trying to balance the personnel needs with operating needs has led to deferred maintenance on community infrastructure, over-extended equipment life, and delayed projects to improve the quality of life in Warrensburg. In 2023, approximately \$500,000 of general fund reserves is budgeted for one-time expenses such as a backhoe replacement and community visioning process; however, this is not advisable for continuing operational expenses nor is it sustainable for one-time purchases year-over-year.

FISCAL IMPACT

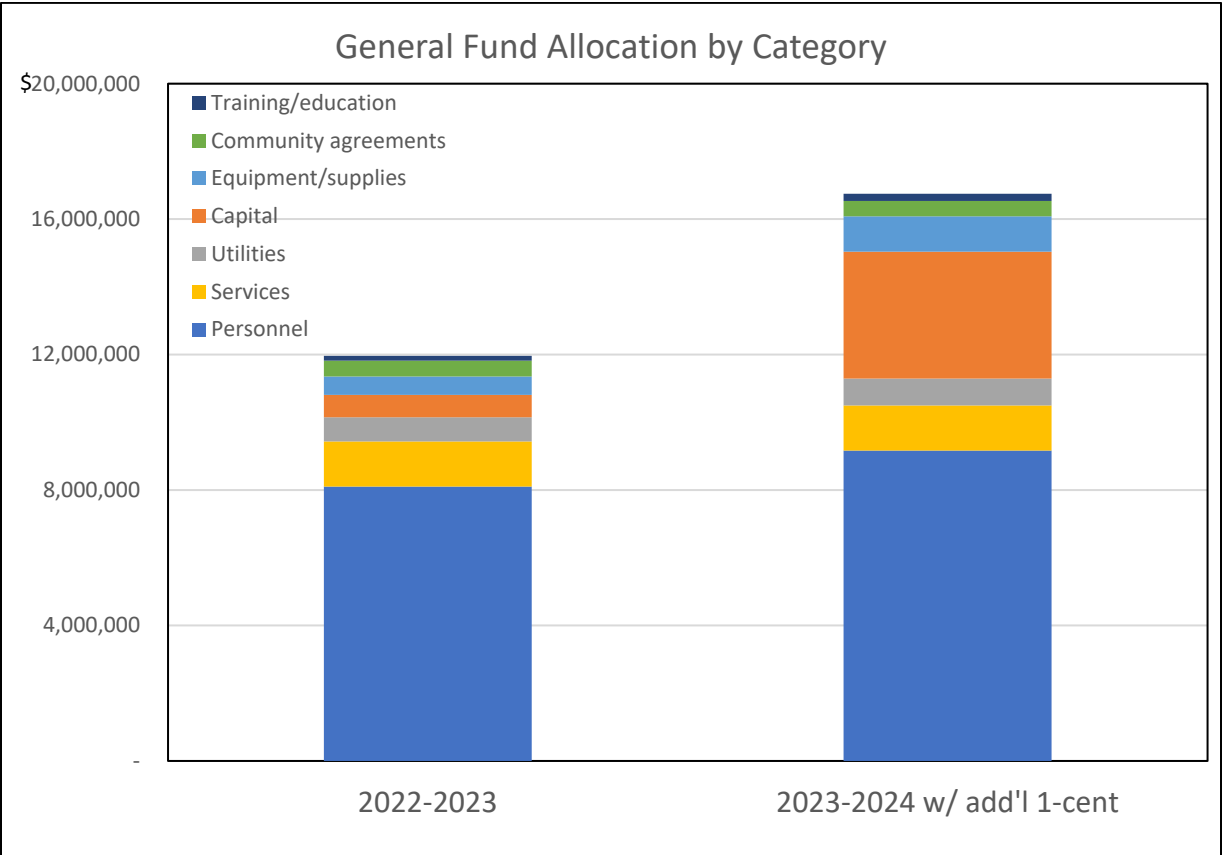
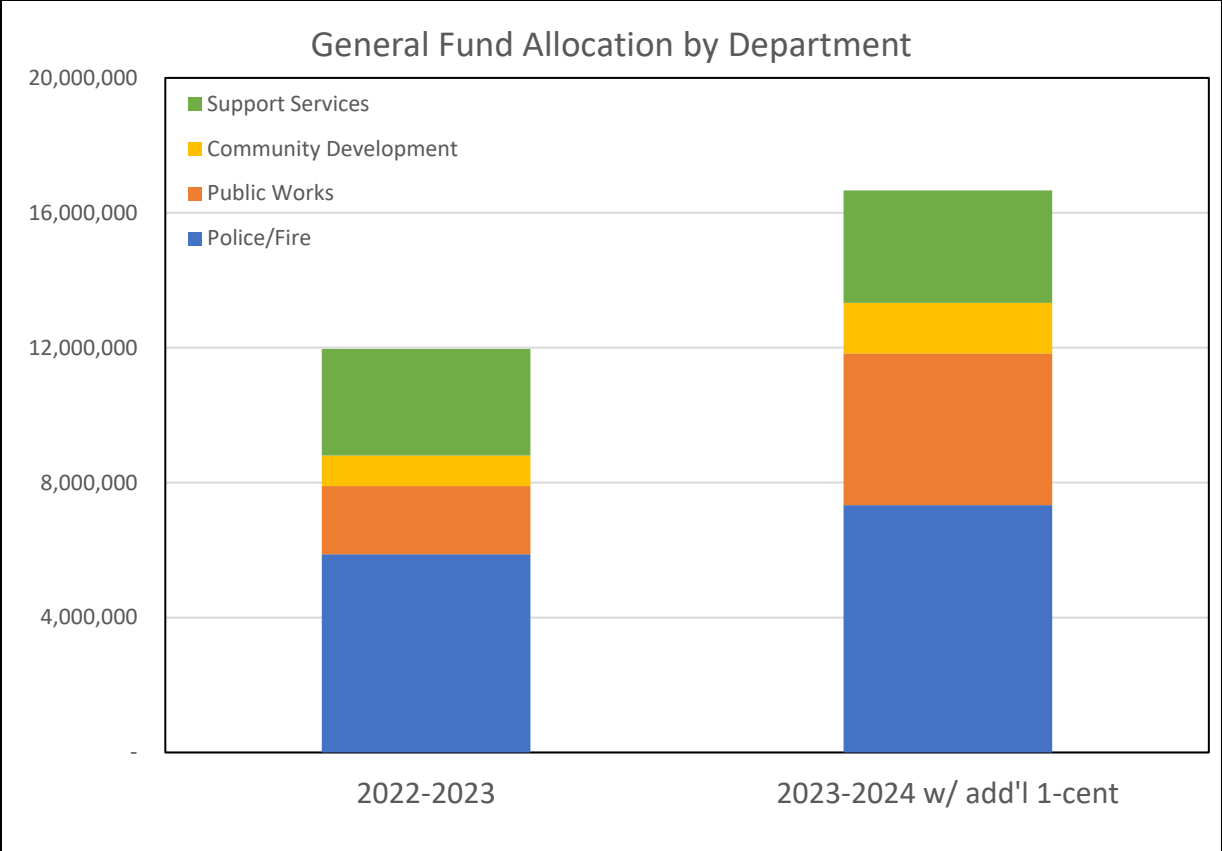
Missouri State statutes allow for a general sales tax not to exceed 2%. The general sales tax for the City of Warrensburg is currently 1% and generated \$4.5 million in fiscal year 2022. The general sales/use tax is approximately 40% of general fund revenues. Staff has explored the impact of increasing the general sales tax by 1 percent—or 1 cent per dollar—on city operations and the community.

This proposed ordinance will place the following question on the April 4, 2023 ballot:

Shall the City Council of the City of Warrensburg, Missouri be authorized to increase its general sales tax by one percent for the purpose of providing funds for the City, with one-half (1/2) of such taxes collected to be used for public safety in the City and one-half (1/2) of such taxes collected to be used for general purposes of the City including but not limited to additional staffing, increased compensation and benefits for employees, and infrastructure and capital improvements for the City?

An additional 1-cent general sales tax is expected to generate \$4.7 million for the general fund bringing the total to \$16.1 million. The charts below demonstrate the impact this additional revenue will have on city operations. Police, fire, and public works will see the largest increase to their operating budgets. This additional sales tax will provide for market adjustments for all city employees and additional personnel in police, fire, and public works. The addition of a communications specialist and human resources specialist is also being discussed for support services. The additional \$4.7 million added to the general fund would reduce the allocation of personnel expenses from 70% to 55% of general fund annually and increase allocation for capital projects from 5.5% to 22.5% annually.

The increase in capital projects is approximately \$3 million annually. It is proposed to use these additional funds primarily for equipment, street, sidewalk and stormwater infrastructure improvements. The increase in equipment and supplies is estimated to be \$500,000 annually. It is proposed to use these additional funds for upgrades to snow and ice removal equipment in addition to police vehicle and fire apparatus replacements.



In addition to the impact the additional 1-cent sales tax will have on the city budget, staff explored how it will impact household budgets. The table below is information from the Bureau of Labor Statistics 2021 Consumer Expenditure Survey released in September 2022. The median household income in Warrensburg is \$52,335 according to the 2020 U.S. Census. For a family of four with an income between \$50,000 and \$69,999, the impact of the additional 1-cent sales tax is estimated to be \$10.95 monthly. For a single female or male making \$30,000-39,999 the monthly impact is estimated at \$6.50 and \$5.30 respectively. (This is the starting salary for Warrensburg police officers and firefighters.) The estimated impact on a retired individual on a fixed income is a little more than \$5 per month.

Monthly sales taxable expenditures by household type & income*	Family of 4 \$50,000-69,999	Single Female \$30,000-39,999	Single Male \$30,000-39,999	Single 65+ \$30,000-39,999
Food	\$ 729.67	\$ 385.08	\$ 358.00	\$ 333.33
Apparel	\$ 160.33	\$ 98.42	\$ 38.92	\$ 56.42
Entertainment	\$ 158.50	\$ 111.42	\$ 116.83	\$ 119.50
Personal care	\$ 46.33	\$ 54.83	\$ 15.33	\$ 33.00
Total	\$ 1,094.83	\$ 649.75	\$ 529.08	\$ 542.25
Estimated impact of additional 1-cent on households				
monthly	\$ 10.95	\$ 6.50	\$ 5.29	\$ 5.42
annually	\$ 131.38	\$ 77.97	\$ 63.49	\$ 65.07

*Bureau of Labor Statistics, 2021 Consumer Expenditure Survey, released September 2022

The additional 1-cent sales tax will raise the overall sales tax in Warrensburg to 9.975% and 10.475% in the Hawthorne Transportation Development District (TDD). The additional 1/2% sales tax in the Hawthorne TDD will expire in 2025. This ranks the City of Warrensburg sales tax rate at 277th among all taxing jurisdictions in the state.

STRATEGIC PLAN:

Focus III: Growth and development

RECOMMENDATION:

Adopt ordinance.

Sincerely,

Danielle Dulin
City Manager

Attachments: Ordinance

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