

Preliminary Projections FY 2010-11 KCMO Budget

Finance and Audit Committee
August 5, 2009

Review of FY 2009-10 Budget

- Good News First

- Ending General Fund Balance at 7.7%
- Additional one-time telephone settlement should secure reserves above 8%.

- Areas of Concern

REVENUES

- Earnings tax now in decline on a month to month basis, but still meeting budget projections
- Cool summer affecting electrical utility revenues
- Significant decline in sales taxes, and use taxes.
- Quarterly revenue projection has begun with close of July.

EXPENDITURES

- Most departments holding within budget.
- Potential underperformance of current economic development debt
- Prior year TIF liability
- Potential \$4 million operations shortfall due to underfunded health insurance and implementation of Local 42 collective bargaining agreement
 - Managed hiring freeze should mitigate most of this issue over the course of the year

Looking Ahead to FY 2010-11

- Magnitude of budget reductions in FY 2009-10 will not be needed again.
- General Fund Supported Revenues
 - Essentially flat revenue growth.
 - No significant growth, but no further significant declines anticipated.
 - Reflective of a sluggish local economy for at least another year.

Looking Ahead to FY 2010-11

- **Additional Expenditures**

- Council commitments

- Additional \$5 million for capital maintenance
- Expanded private mowing program

- Unresolved Current Year Issues

- Apartment rebate program (\$1.5 million)
- Police budget reductions (\$12-\$15 million)
- Permanent funding of G.O. debt levy gap of \$8 million.
- Use of capital maintenance funds to support basic operations (\$4 million)

- New requirements

- Additional General Fund support for KC Live debt (\$3+ million)
- Funding of primary and general elections in 2010 (\$0.8 million)
- Bartle Hall debt service support (TBD)
- Additional employee pension obligations (TBD)

Looking Ahead to FY 2010-2011

● **Summary**

- Projected static revenues in the funds supported by the General Fund.
- Additional preliminary expenditures of \$25 to \$35 million
 - Above does not include wage increases for any city employees.
- Good News: Magnitude of reductions needed not as severe as FY 2009-10.
- Bad News: Fewer options available to balance budget.