



# FINANCE & GOVERNANCE

FEBRUARY 5, 2013

# PRIORITY

**Adopt a plan to develop a structurally balanced budget by fiscal year 2015-16 to adequately fund basic City services**

# INDICATORS

- 1. Operating Fund ratio of expenditure to revenue growth**

**Additional Indicators to inform discussion:**

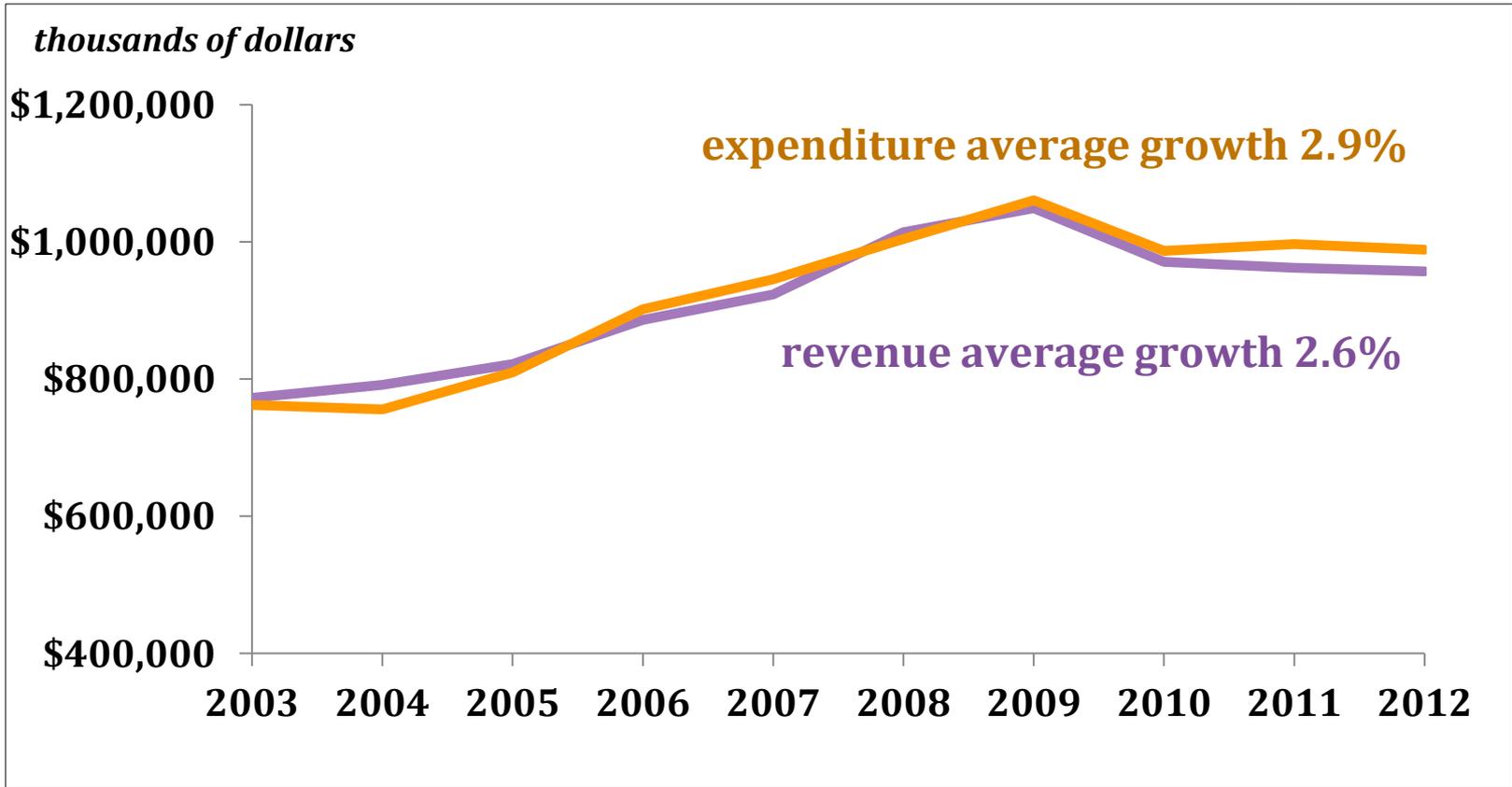
- 1. Surpluses (Deficits) – Operating Funds**
- 2. Liquidity**

## WHAT IS A STRUCTURALLY BALANCED BUDGET?

- **Current expenditures should equal current revenues**
  - **Revenue growth is equal to or greater than expenditure growth**
  - **An adequate fund balance is maintained**
  - **Capital maintenance expenditures are not deferred**
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# EXPENDITURE V. REVENUE GROWTH

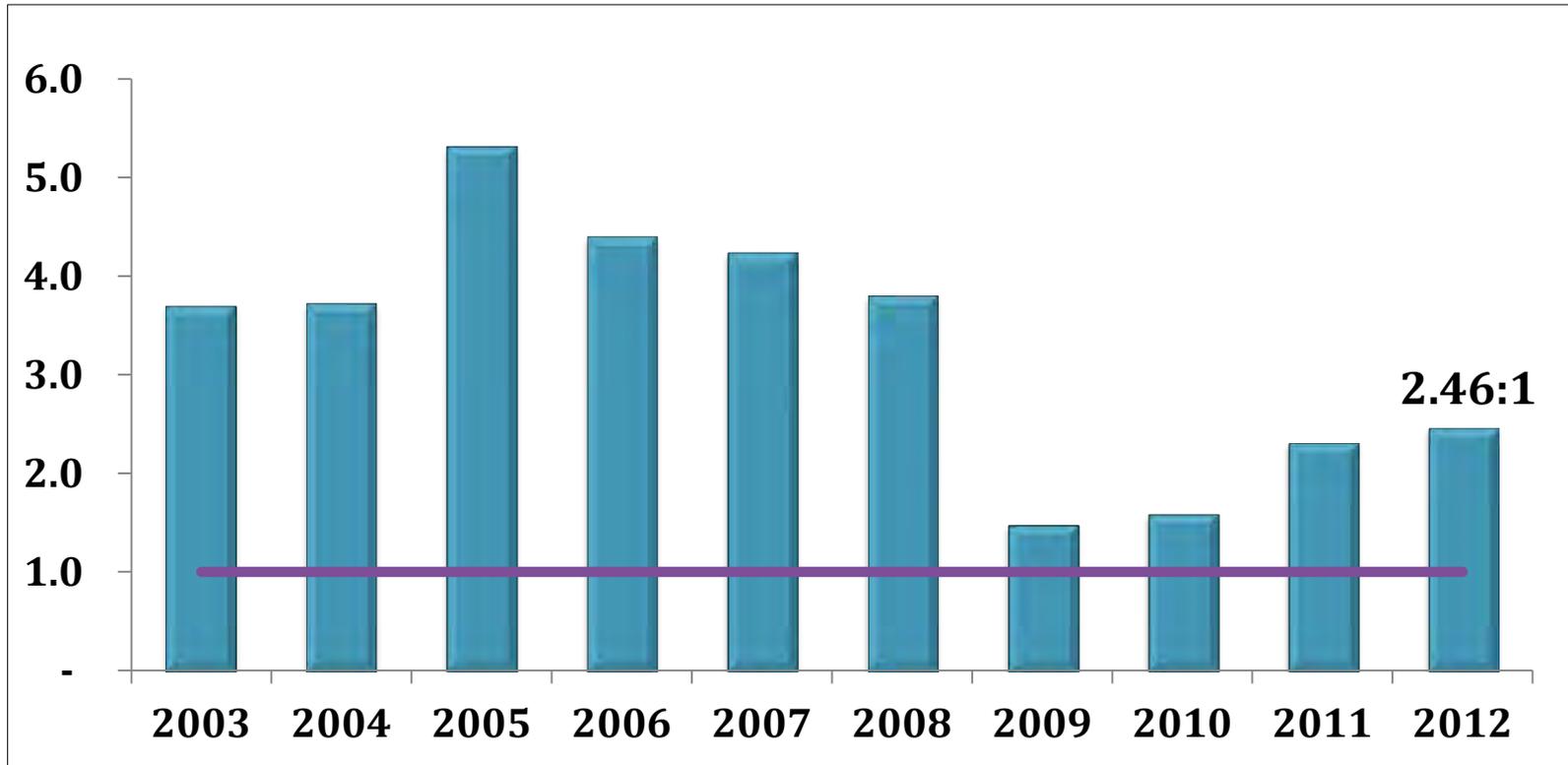
Negative Trend: 



**Note: Expenditures reflected here are below needed levels of spending in some areas (i.e. pensions, deferred maintenance)**

# LIQUIDITY: RATIO OF CASH AND SHORT TERM INVESTMENTS TO CURRENT LIABILITIES

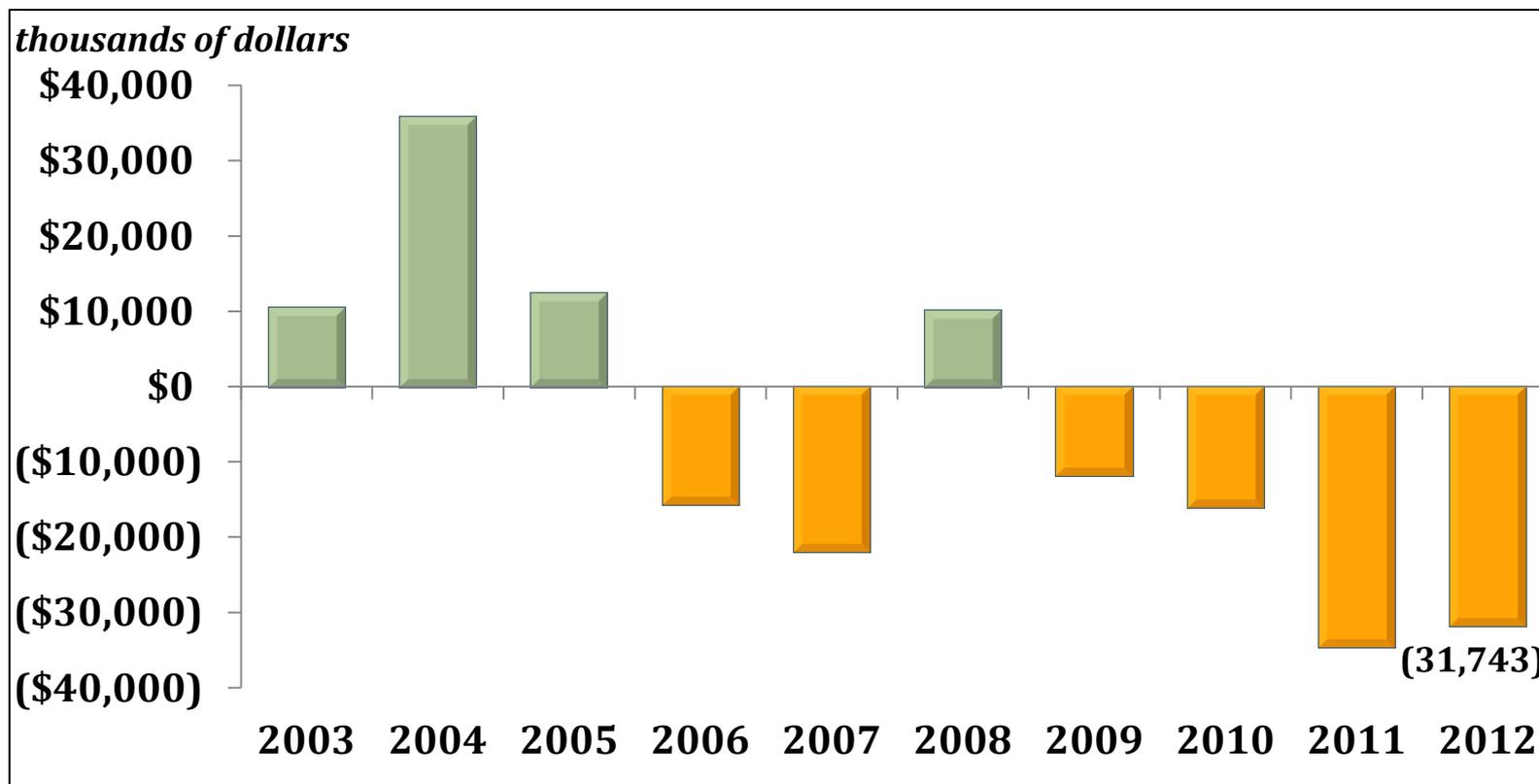
Watch  
Trend



**Liquidity measures the city's ability to pay bills in a timely manner. A ratio of 1:1 means that the City has the minimum amount of cash on hand needed to cover one year of accounts payable and other liabilities.**

# SURPLUSES OR DEFICITS IN OPERATING FUNDS

Negative Trend: 



# STEPS TOWARD ACHIEVING STRUCTURAL BALANCE

- **Long-term financial plan**
  - Financial Trend Monitoring System (FTMS)
  - Financial Planning Model (FPM)
  - Goal and strategy development
- **Annual budget**
  - Integration of long-term financial plan and strategic plan
  - Prioritization
  - Citizen engagement
  - Process improvements

# PRIORITY

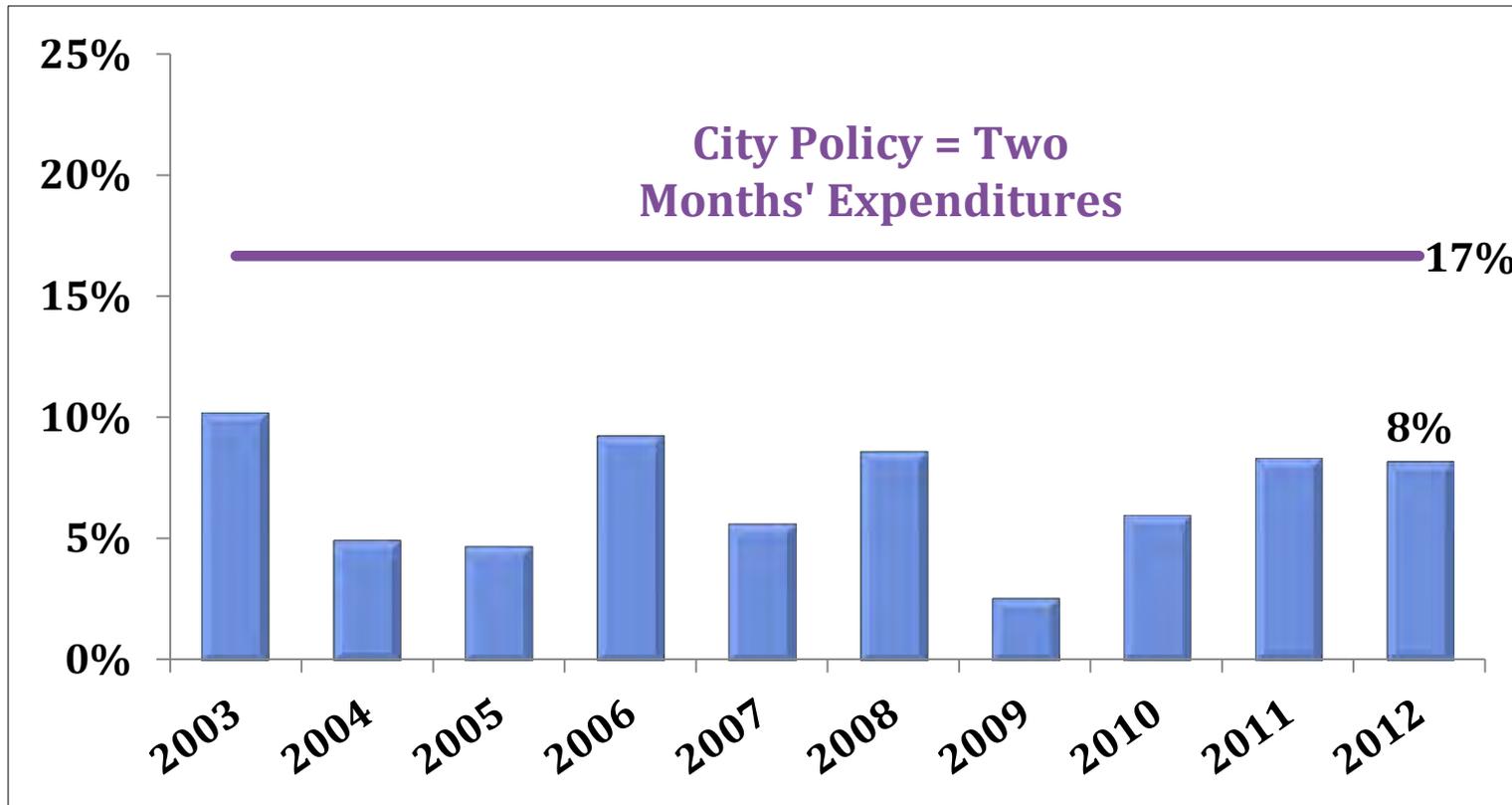
**Develop a time-specific funding plan to meet the City's adopted goal of maintaining a fund balance of at least two months' worth of expenditures**

# INDICATORS

- 1. General Fund balance**

# GENERAL FUND BALANCE AS % OF EXPENDITURES

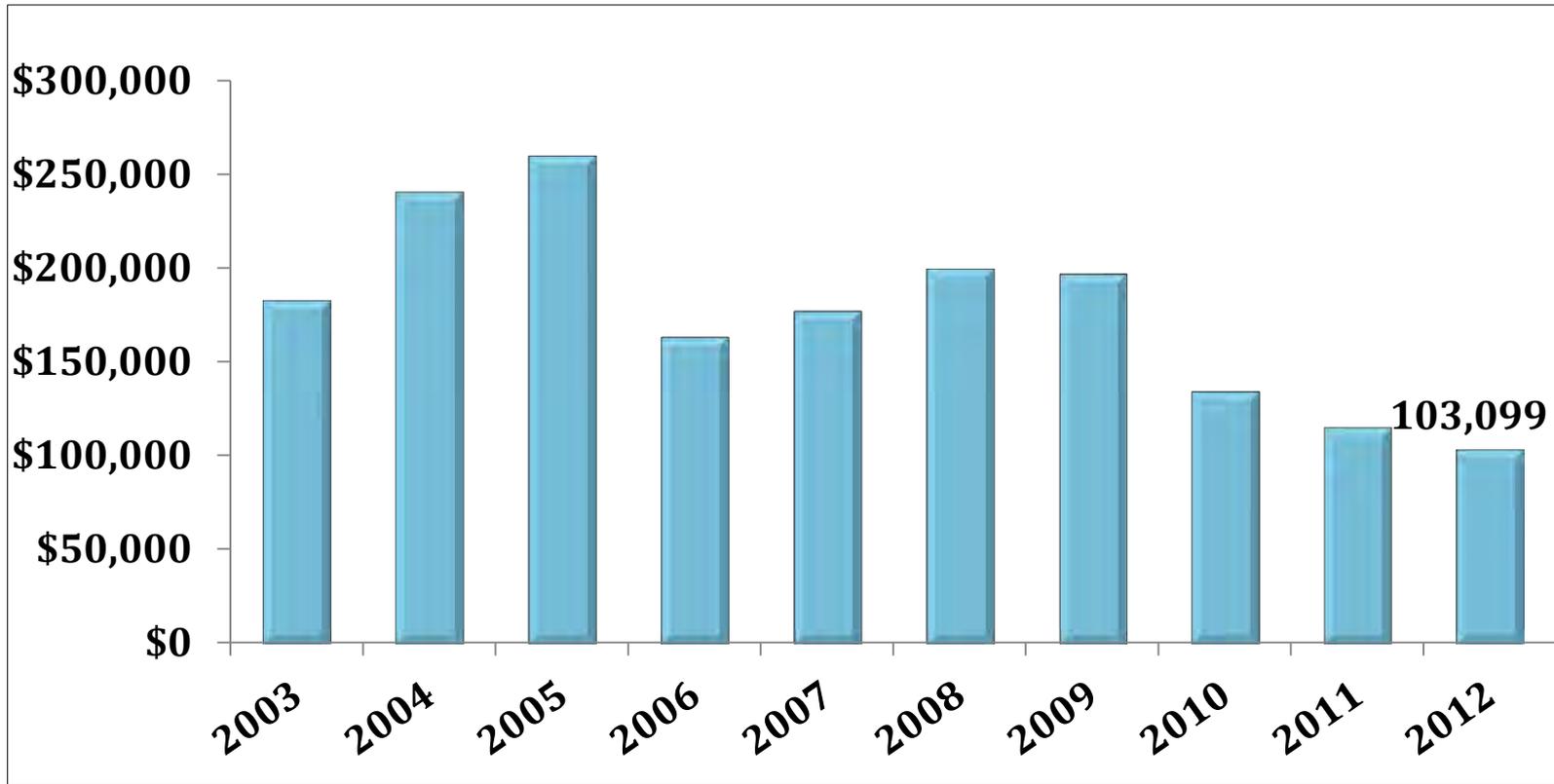
Negative  
Trend: 



**Unreserved General Fund Balance for FY12 = \$34.555 million**  
**Two months' expenditures for FY12 = \$70.628 million**

# FUND BALANCE: OTHER OPERATING FUNDS

Negative  
Trend: 



## STEPS TOWARD ACHIEVING FUND BALANCE GOAL

- **Adopted FY 2012-13 and Submitted FY 2013-14 budgets included planned \$1 million additions to General Fund Balance**
  - **Long-term financial plan – Use Financial Planning Model to determine optimal pace to reach 17% goal**
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# PRIORITY

**Ensure adequate funding for maintenance of City infrastructure**

# INDICATORS

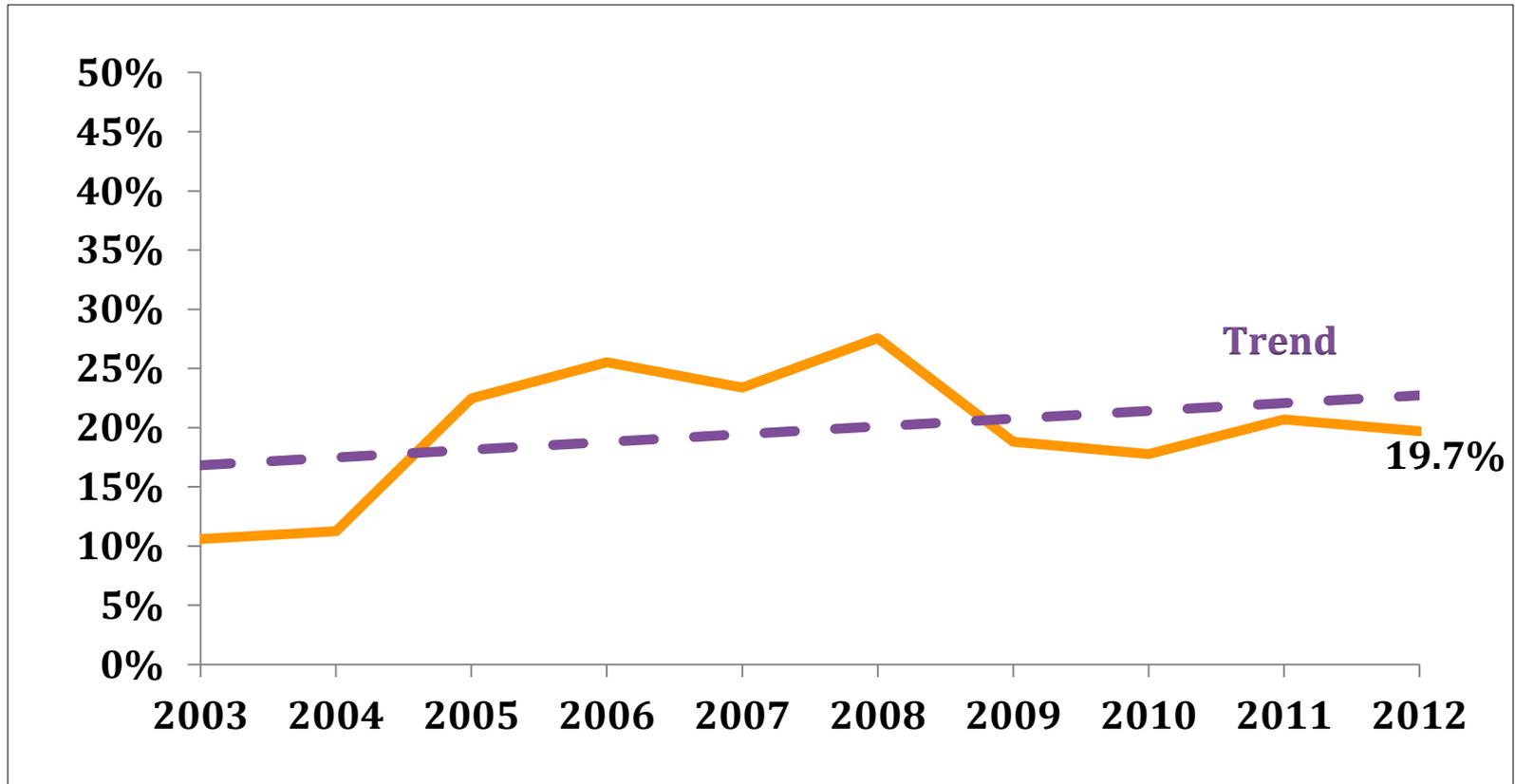
- 1. Capital expenditures as a share of General Government expenditures**

## **Additional Indicators to inform discussion:**

- 1. Pavement condition index**
- 2. Bridge condition index**
- 3. Streetlight condition index**
- 4. Citizen satisfaction with maintenance**

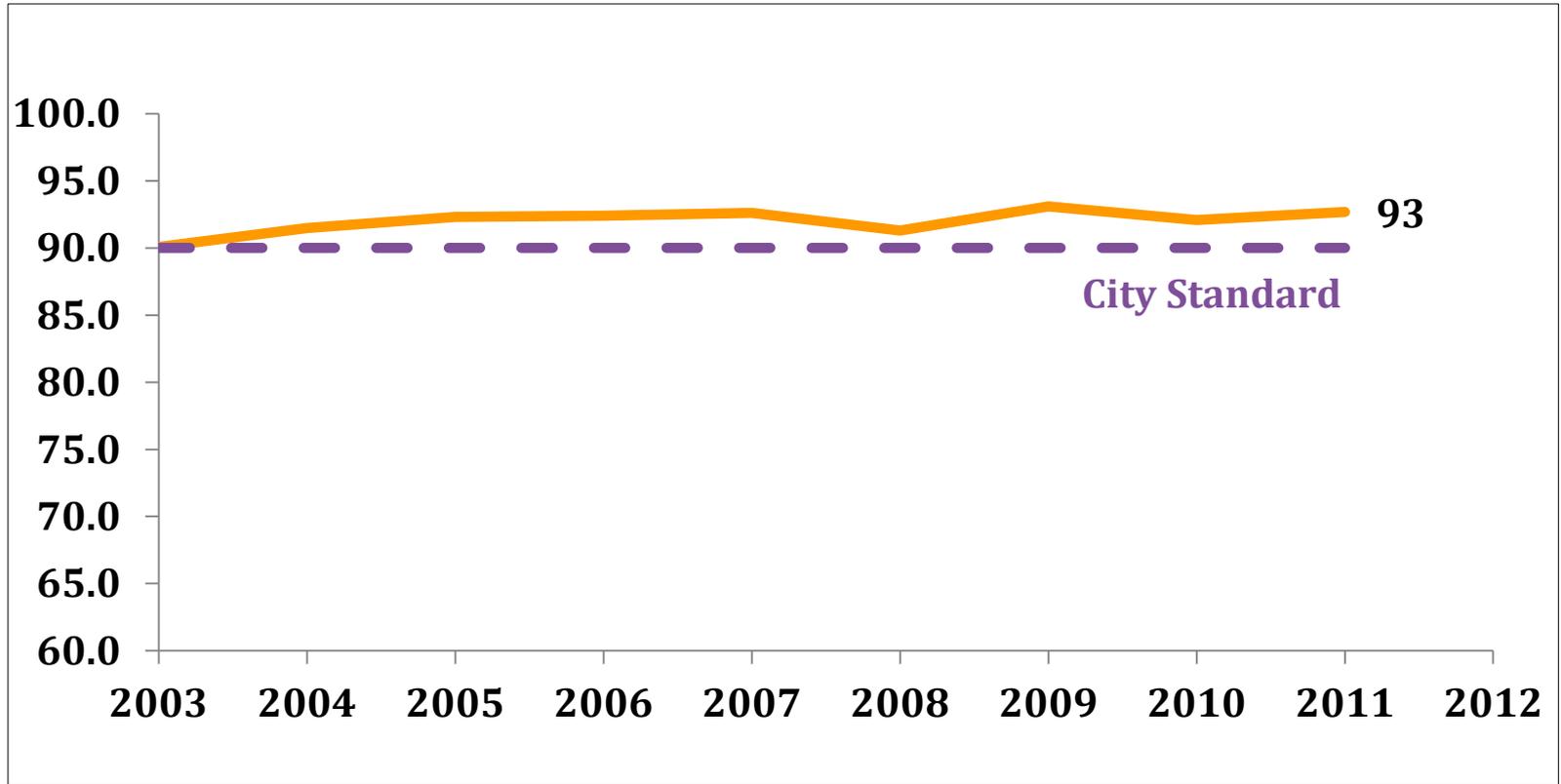
# CAPITAL EXPENDITURES AS A SHARE OF GENERAL GOVERNMENT EXPENDITURES

Watch  
Trend



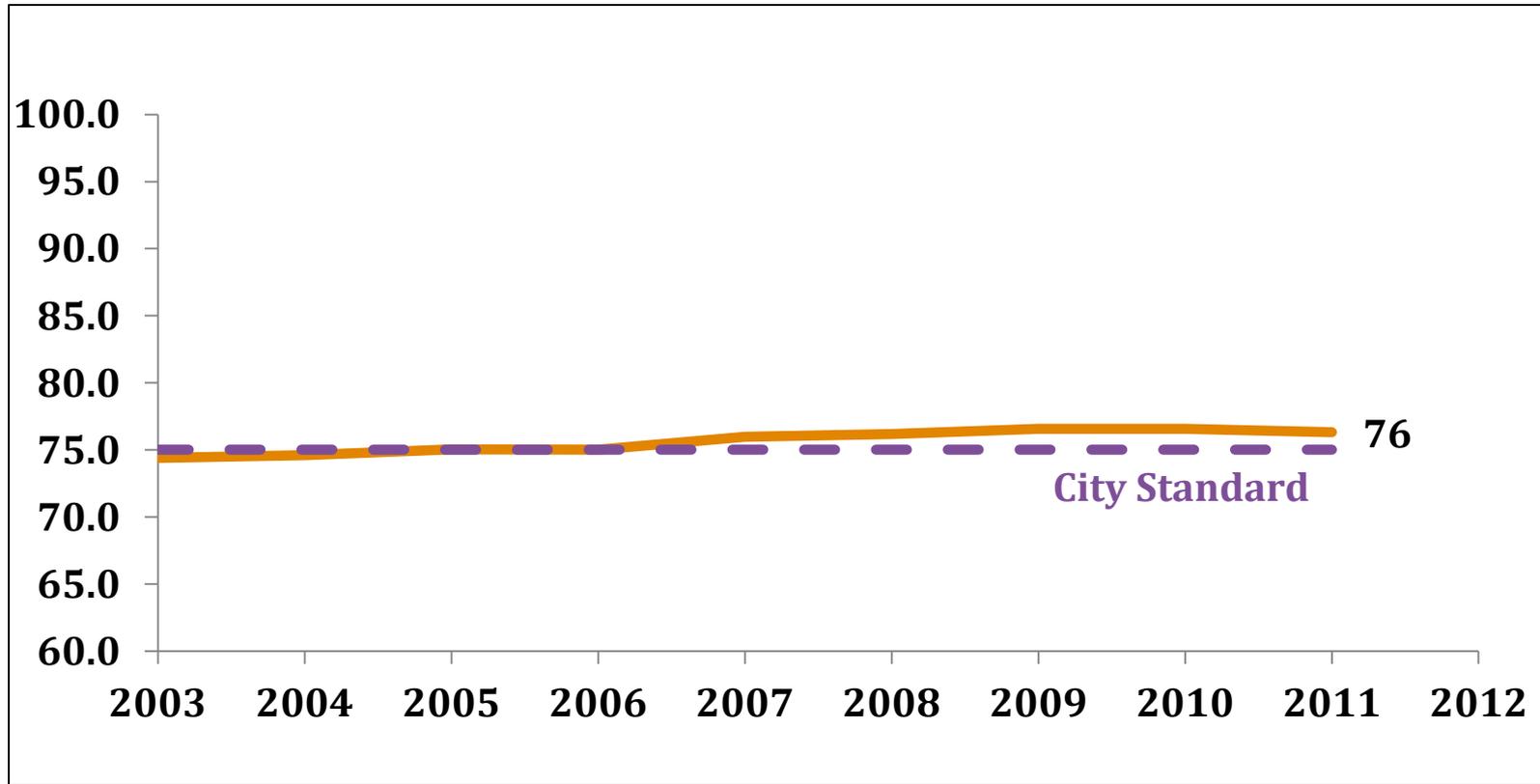
# STREETLIGHT CONDITION INDEX

Positive  
Trend: 



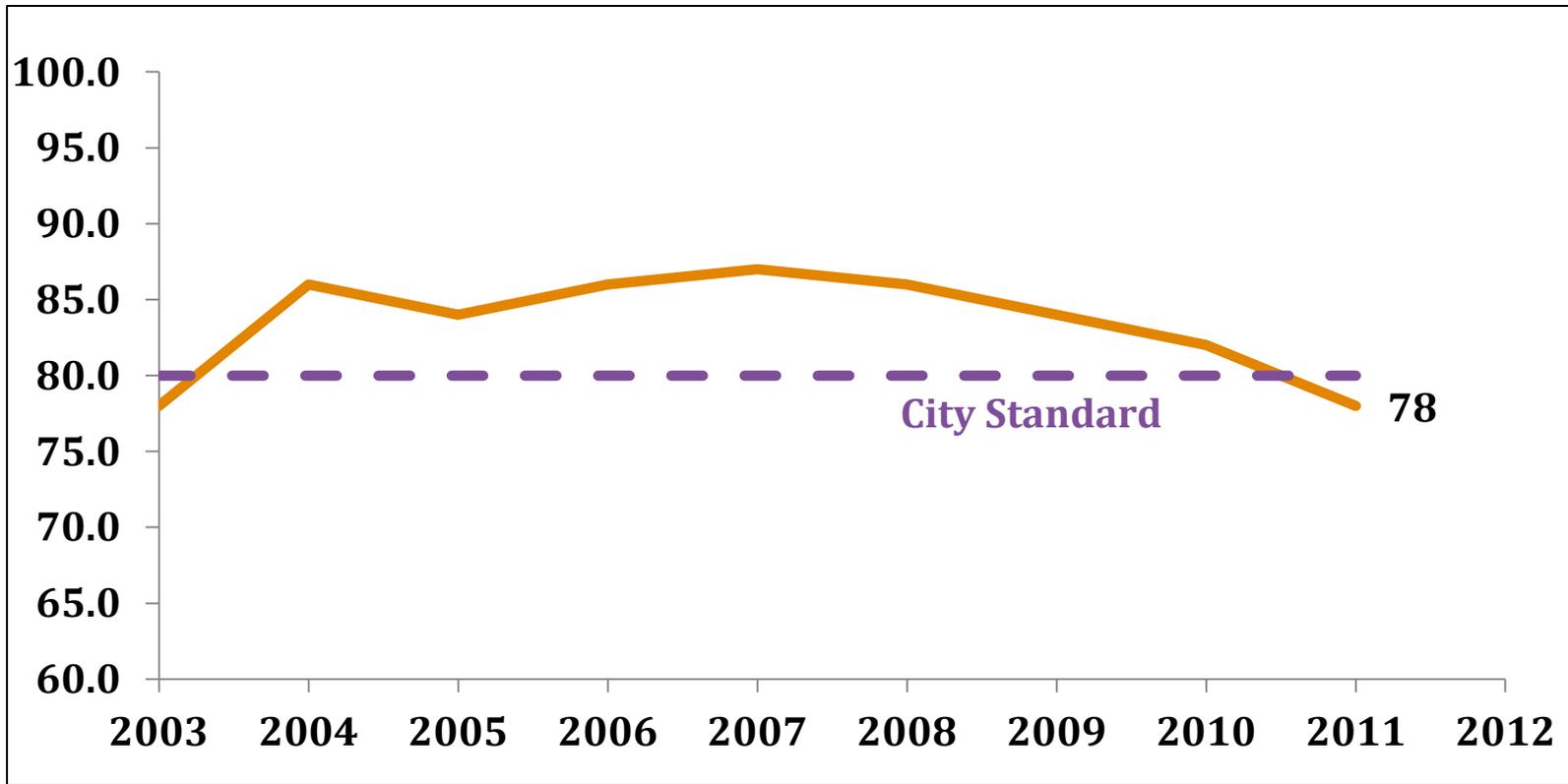
# BRIDGE CONDITION INDEX

**Watch  
Trend**



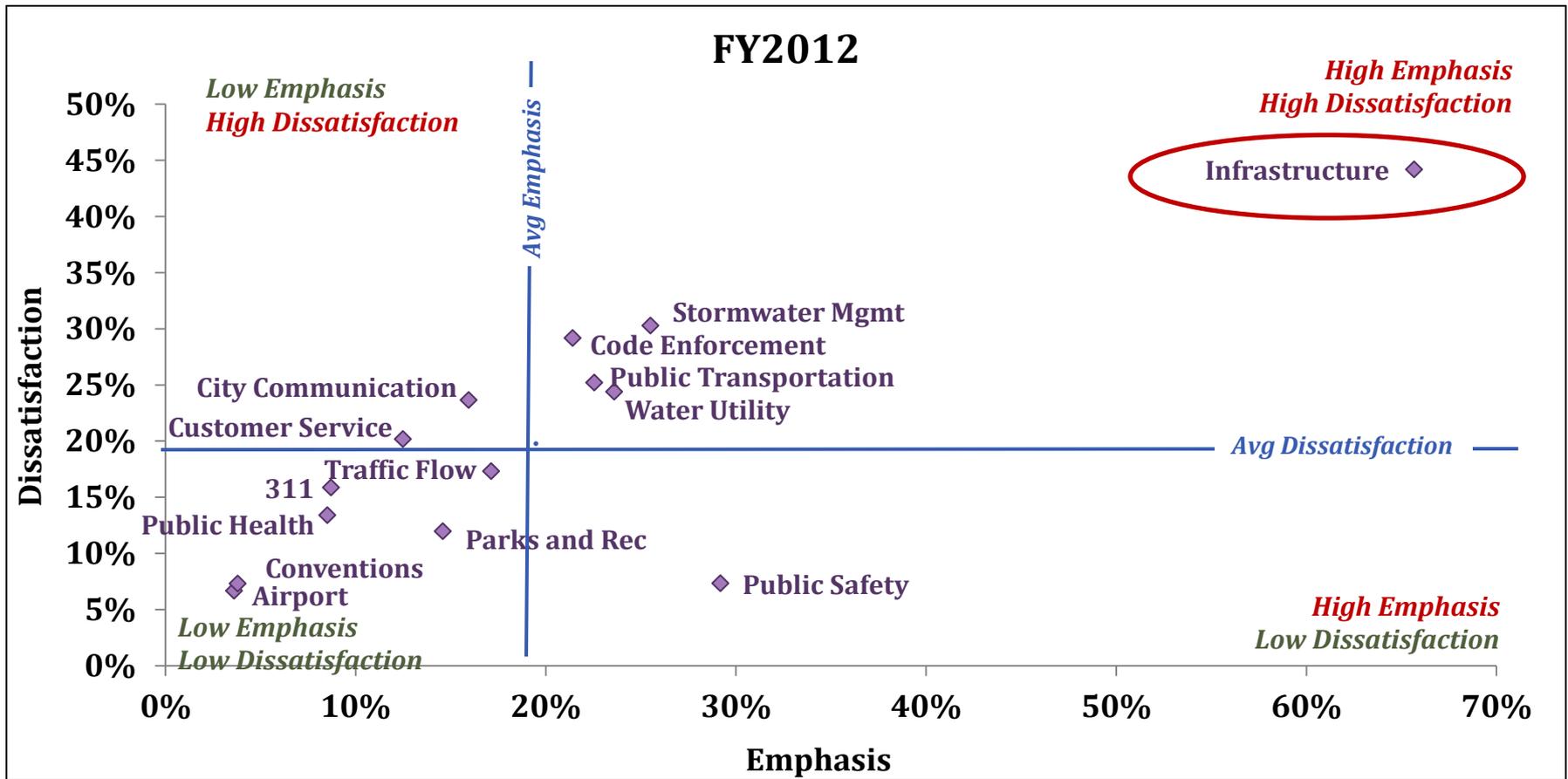
# STREET CONDITION INDEX

Negative Trend: 



**The system for measuring street condition index is currently under review by a consultant.**

# CITIZEN SURVEY: EMPHASIS ON INFRASTRUCTURE



# STEPS TOWARD ENSURING ADEQUATE FUNDING FOR INFRASTRUCTURE MAINTENANCE

- **Governmental Activities:**
  - Submitted FY 2013-14 budget dedicates 7.5% of net Earnings Taxes for street maintenance (est. \$14 million) and minimizes personnel costs charged to capital
  - City Manager recommends \$100 million in new general obligation bond authority to compliment PAYGO program
- **Business-Type Activities:**
  - Submitted FY 2013-14 budget for Water Services includes significant addition of capital spending

# PRIORITY

**Maintain the City's general obligation AA credit rating and seek to strengthen it in the future by capitalizing on the City's credit strengths and addressing its weaknesses**

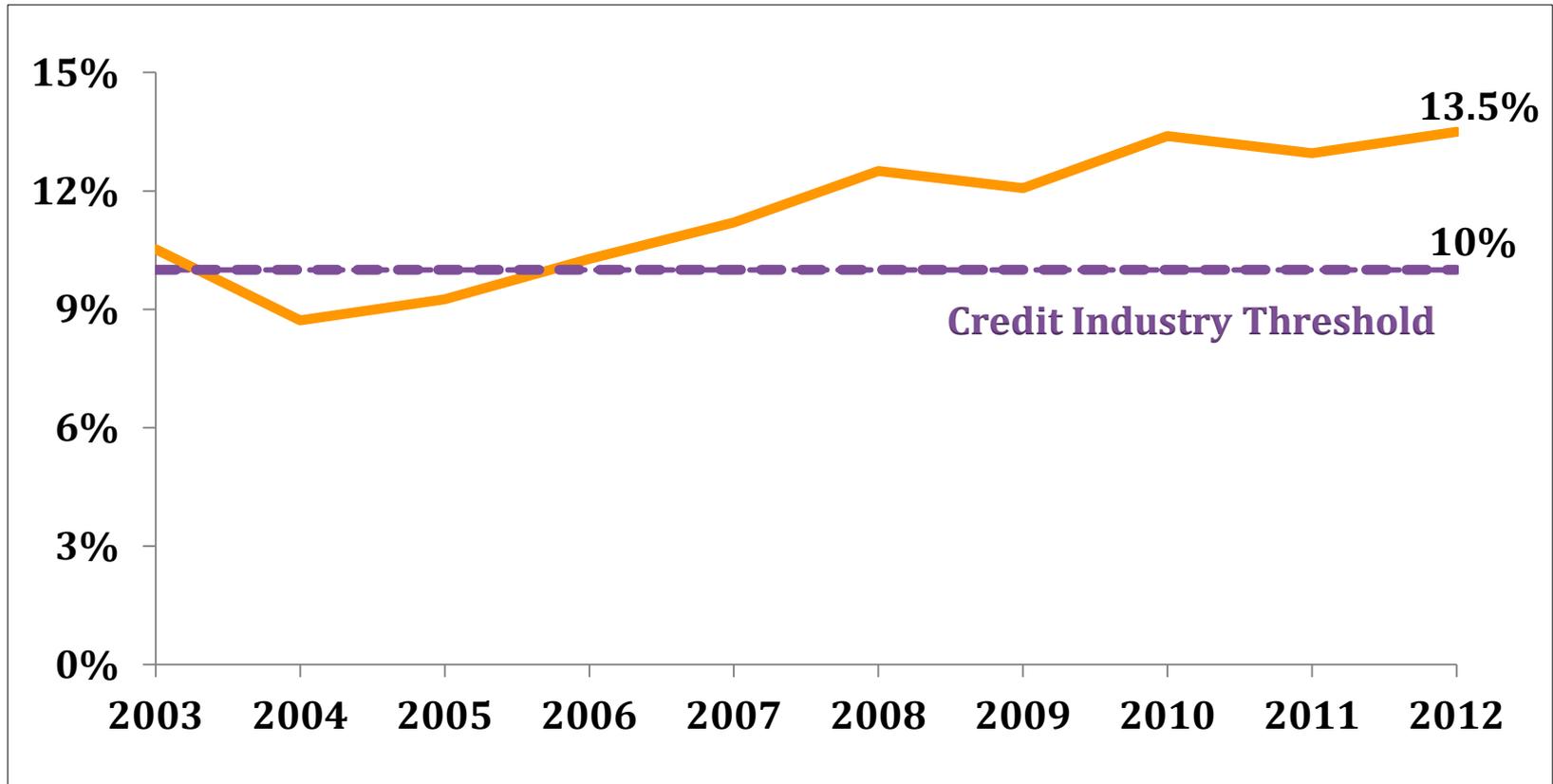
# INDICATORS

- 1. Debt service as percent of expenditures**
- 2. Credit ratings**

**Additional Indicators to inform discussion:  
1. Debt as percent of taxable property value**

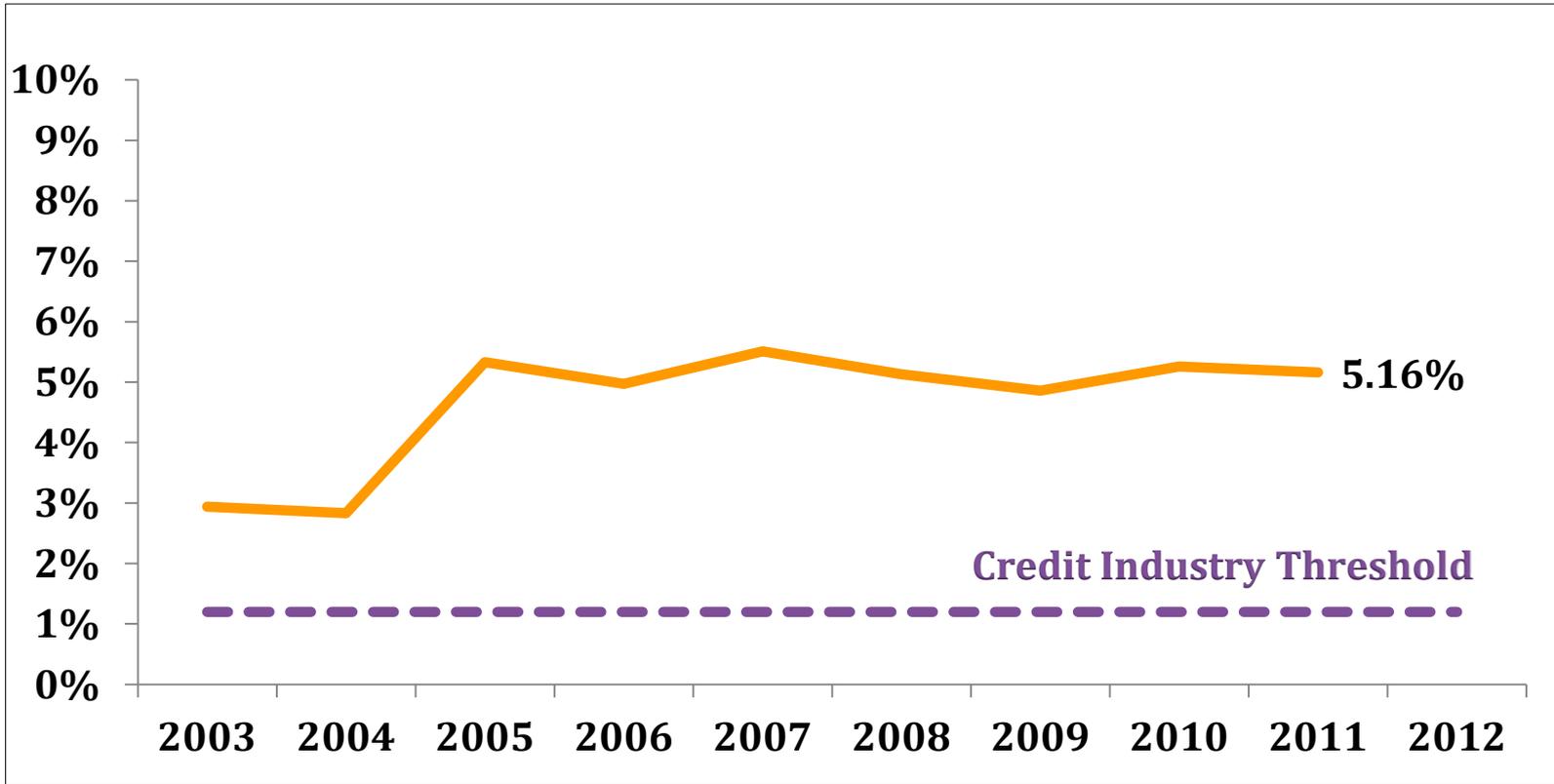
# DEBT SERVICE PAYMENTS AS A PERCENT OF EXPENDITURES

Negative  
Trend: 



# DIRECT DEBT AS PERCENT OF TAXABLE PROPERTY VALUE

Negative  
Trend: 



# CREDIT RATINGS (AS OF APRIL 30, 2012)

Type of Bonds	Moody's	Standard & Poor's	Fitch
General Obligation Bonds	Aa2	AA	AA
KCMO Special Obligation Bonds	A1	AA-	A+
Water Revenue Bonds	Aa2	AA+	Not Rated
Sewer Revenue Bonds	Aa2	AA	Not Rated
Airport Revenue Bonds (Senior Lien Bonds)	A2	A+	A
Airport Revenue Bonds (Subordinate Lien Bonds)	A3	A	A-
Airport Passenger Facility Bonds	A3	A	A

# STANDARD AND POOR'S TOP 10 LIST

## Management Characteristics Associated with Highly Rated US Public Finance Issuers

- 1. Focus on structural balance**
  - 2. Strong liquidity management**
  - 3. Regular economic and revenue updates to identify shortfalls early**
  - 4. An established rainy day/budget stabilization reserve**
  - 5. Prioritized spending plans and established contingency plans for operating budgets**
  - 6. Strong long-term and contingent liability management**
  - 7. A multiyear financial plan in place that considers the affordability of actions or plans before they are part of the annual budget**
  - 8. A formal debt management policy in place to evaluate future debt profile**
  - 9. A pay-as-you-go financing strategy as part of the operating and capital budget**
  - 10. A well-defined and coordinated economic development strategy**
- 

# NOTES FROM FEBRUARY 2012 KCMO CREDIT RATING REPORTS

- **All general obligation and annual appropriation credit ratings recently affirmed**
- **Moody's warned that "ongoing leveraging of the debt position without corresponding revenues to support debt service payments" could be cause for a downward rating change**
- **Five year earnings tax renewal continues to be cited as a concern**
  - Standard and Poor's cites a "diverse revenue profile, yet uncertainty clouds the city's earnings and profits tax"
- **Fitch outlook changed to "negative"**
  - "The Negative Rating Outlook reflects Fitch's view that if implemented the city's sizable proposed capital improvement plan (CIP) would further elevate the city's already high debt burden and claim a greater percentage of available resources."

# PRIORITY

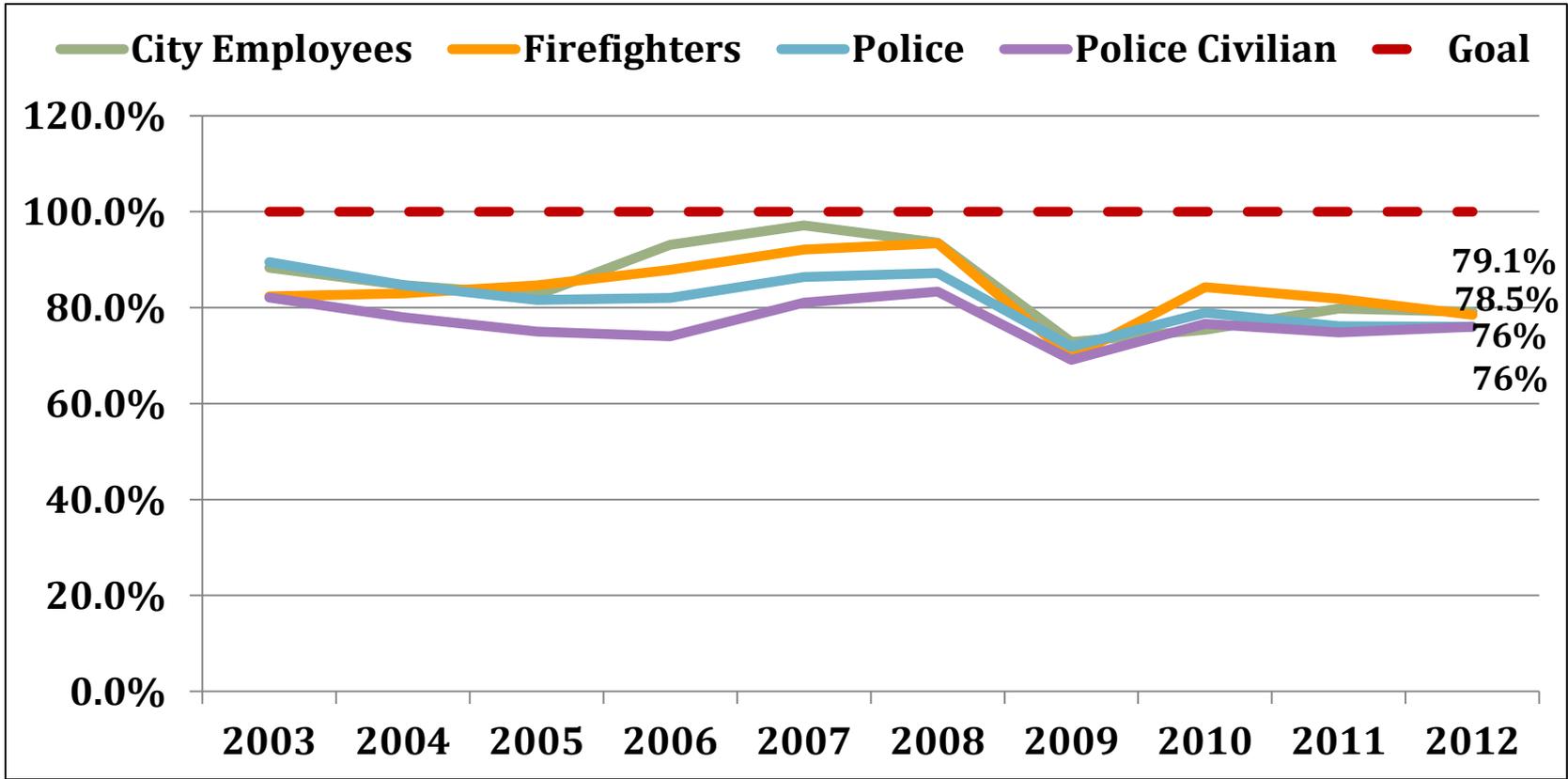
**Develop a plan to assure the actuarial soundness of the City's pension systems and to significantly reduce other post-employment benefits liability**

# INDICATORS

- 1. Pension systems funded ratio**
- 2. Amount of other post-employment benefits liability**

# PENSION SYSTEMS FUNDED RATIO

Negative Trend: 

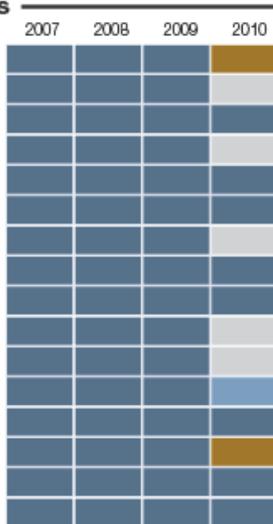


# HOW CITY PENSIONS FARED IN THE RECESSION

Between 2007 and 2009, 16 cities consistently performed well on two pension indicators: They kept a funding level of at least 80 percent and paid at least 90 percent of their annual recommended contributions (ARC). Nine cities consistently underperformed on both indicators.

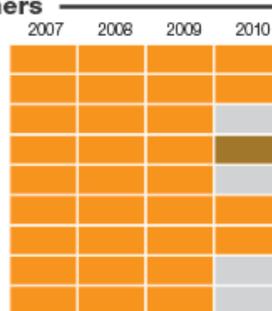
## Top performers

Albuquerque, NM  
 Baltimore, MD  
 Charlotte, NC  
 Dallas, TX  
 Denver, CO  
 Des Moines, IA  
 Los Angeles, CA  
 Milwaukee, WI  
 Salt Lake City, UT  
 San Antonio, TX  
 San Francisco, CA  
 Seattle, WA  
 Sioux Falls, SD  
 Virginia Beach, VA  
 Washington, DC  
 Wichita, KS



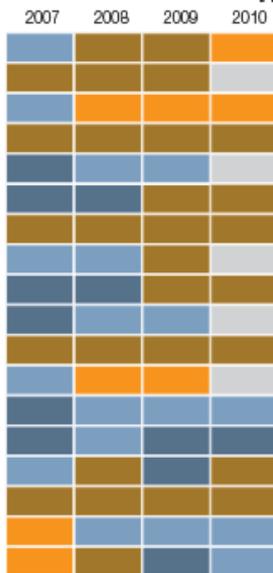
## Bottom performers

Charleston, WV  
 Chicago, IL  
 Fargo, ND  
 Jackson, MS  
 Little Rock, AR  
 New Orleans, LA  
 Omaha, NE  
 Philadelphia, PA  
 Portland, OR

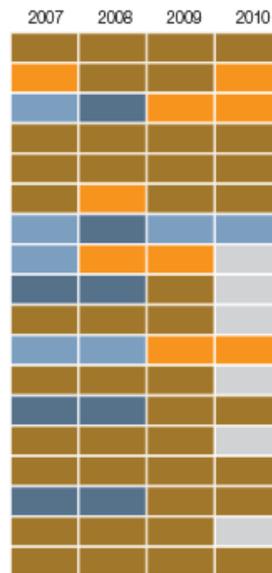


## The rest

Anchorage, AK  
 Atlanta, GA  
 Austin, TX  
 Billings, MT  
 Birmingham, AL  
 Boise, ID  
 Boston, MA  
 Bridgeport, CT  
 Burlington, VT  
 Cheyenne, WY  
 Columbia, SC  
 Columbus, OH  
 Detroit, MI  
 El Paso, TX  
 Fort Worth, TX  
 Honolulu, HI  
 Houston, TX  
 Indianapolis, IN

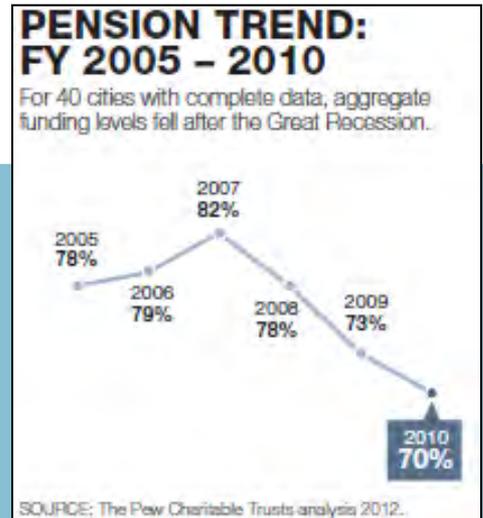


Jacksonville, FL  
 Jersey City, NJ  
 Kansas City, MO  
 Las Vegas, NV  
 Louisville, KY  
 Manchester, NH  
 Memphis, TN  
 Minneapolis, MN  
 Nashville, TN  
 New York, NY  
 Oklahoma City, OK  
 Phoenix, AZ  
 Portland, ME  
 Providence, RI  
 San Diego, CA  
 San Jose, CA  
 Tucson, AZ  
 Wilmington, DE



NOTE: Complete data were available for only 40 cities for fiscal year 2010.  
 SOURCE: The Pew Charitable Trusts analysis 2012.

From Pew Charitable Trusts Report (Jan 2013):  
 “Whether a city was fiscally disciplined made a big difference in how it fared. Cities with pension plans that kept up with their payments—consistently making the “annual recommended contribution” calculated by their actuaries—weathered the financial downturn better than their counterparts.”

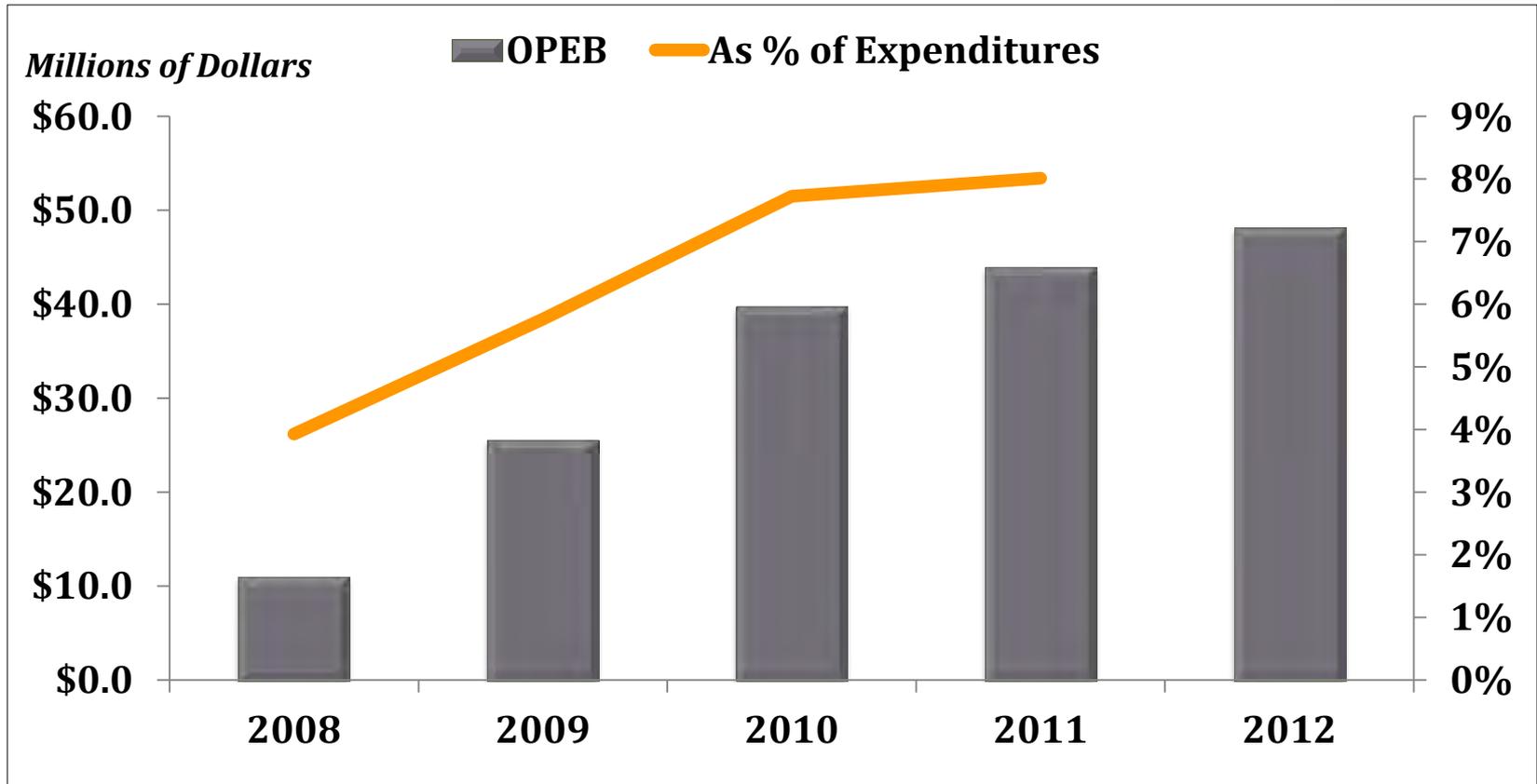


# STATUS OF PENSION REFORM EFFORTS

- **Police and Police Civilian**: The City Council has approved a settlement agreement with KCFOP and KCBOPC, which includes pension reform. The approved plan design changes will be pursued via amendments to state law.
  - **City Employees**: The City and Local Union 500, A.F.S.C.M.E. are currently at the table regarding pension reform.
  - **Firefighters**: Formal negotiations regarding pension reform for the Firefighters pension system have not commenced. The City would like to do so during the remainder of Fiscal 2012-13.
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# OTHER POST EMPLOYMENT BENEFITS LIABILITY

Negative Trend: 



**Note: Data is for Governmental Activities only**

# RETIREE HEALTH CARE FUNDING IN 61 CITIES

FISCAL YEAR 2009

■ 2 cities had funding levels of 50% or above ■ 25 cities had funding levels of 0.01% to 49%

(Dollars in millions)

	Annual recommended contribution	Percent paid	Total liability	Percent funded		Annual recommended contribution	Percent paid	Total liability	Percent funded	
Albuquerque, NM	\$14	36%	\$162	4%	→	Kansas City, MO	\$22	16%	\$209	0%
Anchorage, AK	9	96	132	7		Las Vegas, NV	24	12	201	0
Atlanta, GA	83	23	1,095	0	Little Rock, AR	1	155	8	18	
Austin, TX	109	18	1,036	0	Los Angeles, CA	266	132	5,470	55	
Baltimore, MD	179	79	2,498	4	Louisville, KY	48	54	594	40	
Bilings, MT	3	41	25	0	Manchester, NH	9	54	89	2	
Birmingham, AL	10	35	78	0	Memphis, TN	122	77	1,842	1	
Boise, ID	3	49	26	0	Milwaukee, WI	73	45	960	0	
Boston, MA	344	37	4,554	0	Minneapolis, MN	7	51	76	0	
Bridgeport, CT	51	58	862	0	Nashville, TN	174	26	1,779	0	
Burlington, VT	0.3	1	4	0	New Orleans, LA	27	0	140	0	
Charleston, WV	5	58	80	0	New York, NY	67,228	3	73,674	4	
Charlotte, NC	14	195	207	16	Oklahoma City, OK	48	39	480	2	
Cheyenne, WY	0.2	153	3	0	Omaha, NE	38	48	389	0	
Chicago, IL*	264	46	1,012	0	Philadelphia, PA	146	70	1,744	0	
Columbia, SC	15	31	162	0	Phoenix, AZ	39	112	492	25	
Columbus, OH	63	78	905	28	Portland, ME**	na	na	na	na	
Dallas, TX	48	25	516	0	Portland, OR	14	30	138	4	
Denver, CO	8	73	178	51	Providence, RI	80	49	1,498	<1	
Des Moines, IA	1	32	14	0	Salt Lake City, UT	8	31	89	0	
Detroit, MI	362	70	5,001	<1	San Antonio, TX	105	48	1,486	31	
El Paso, TX	14	20	148	0	San Diego, CA	104	47	1,358	3	
Fargo, ND	2	23	20	0	San Francisco, CA	429	28	4,378	<1	
Fort Worth, TX	110	20	1,000	<1	San Jose, CA	84	31	1,558	9	
Honolulu, HI	105	85	1,925	2	Seattle, WA	38	61	600	0	
Houston, TX	274	21	3,096	0	Siox Falls, SD	4	105	48	37	
Indianapolis, IN	17	8	140	0	Tucson, AZ	8	73	132	0	
Jackson, MS	8	12	52	0	Virginia Beach, VA	9	100	79	12	
Jacksonville, FL	11	36	137	0	Washington, DC	131	62	626	49	
Jersey City, NJ	87	27	908	0	Wichita, KS	2	79	30	0	
					Wilmington, DE	4	40	50	10	

**From Pew Charitable Trusts Report (Jan 2013):** “The [61] cities had set aside just 6 percent of \$126.2 billion in projected costs for what are known as Other Post-Employment Benefits... Only two cities had socked away at least half of the money needed to pay for future retiree health care benefits: Los Angeles and Denver.”

# PRIORITY

**Emphasize the focus on the customer across all City services; engage citizens in a meaningful dialogue about City services, processes, and priorities using strategic communication methods.**

# INDICATORS

- 1. % of citizens satisfied with customer service**
- 2. % of citizens satisfied with communication**
- 3. % of businesses satisfied with City services**
- 4. % of customers satisfied with 311 service request outcomes**

**1. Employee Survey regarding Internal Services**

# CUSTOMER-ORIENTED BUDGET PROCESS

- **Budget document redesigned with citizen in mind**
- **Line-item budget released for the first time via KC's new open data catalog**



# OPEN DATA CATALOG DEMO

<https://data.kcmo.org/admin/analytics>

**City of KANSAS CITY Mo.** Home Hello, Kate Bender Help Sign out

### Open Data Catalog Launches with Line Item Budget

City Manager Troy Schulte delivered the FY2013-14 Submitted Budget to Mayor Sly James today and launched the City's Open Data Catalog at the same time. For the first time, line item detail will be available for review. Citizens, civic leaders and City staff all have access to this data. "The budget is the fundamental policy document for our organization, and we want to be open with that information," said City Manager Troy Schulte. "I am pleased to launch our latest initiative in open government, the Open Data Catalog."

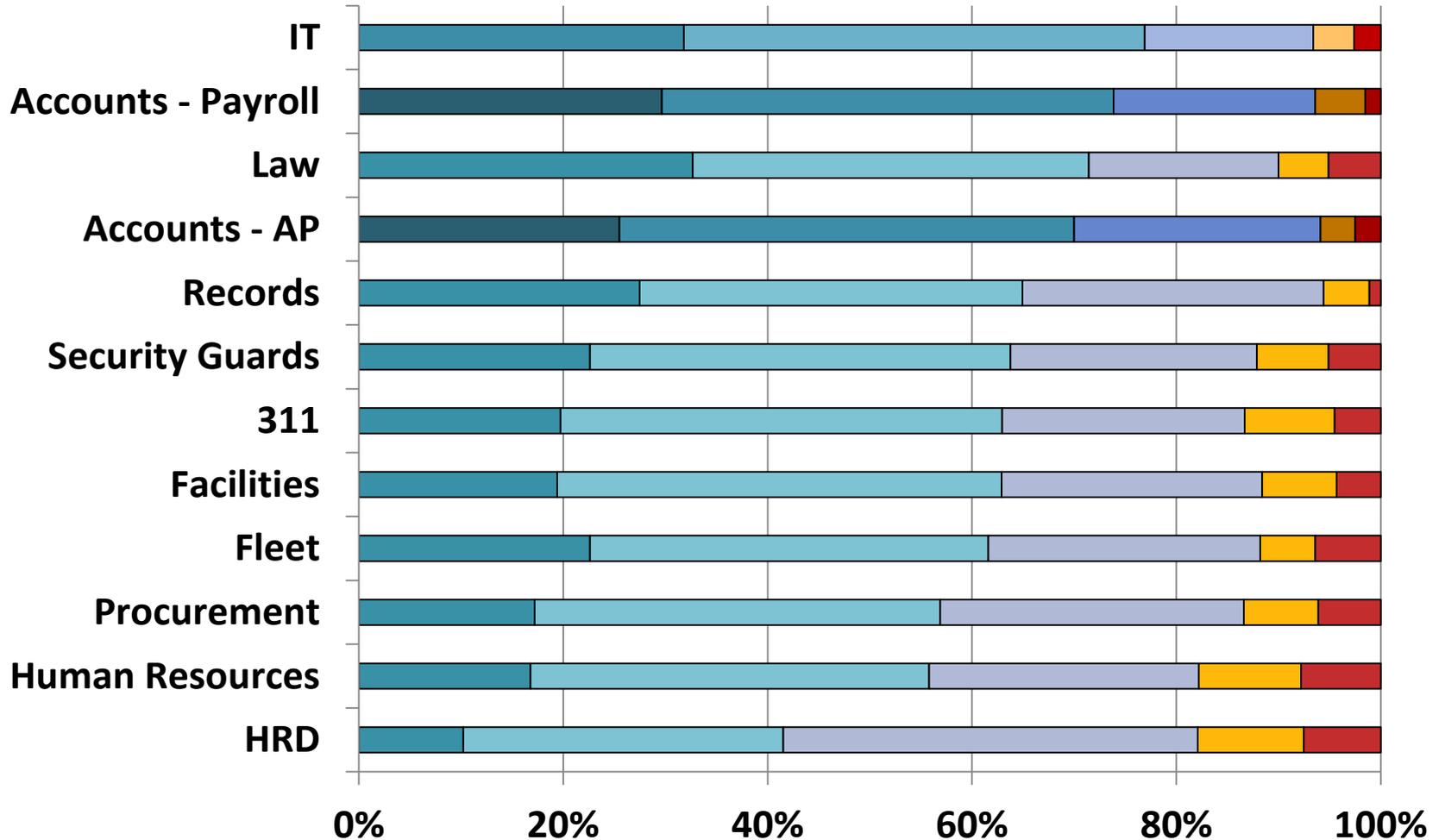
**Search & Browse Datasets and Views** Most Relevant

Name	Popularity	Type
1. <b>FY2013-14 Submitted Budget</b> Budget budget, line item	1,316 views	📄
2. <b>Submitted Budget FY2013-14 PDF</b> Budget budget	1,155 views	📄
3. <b>Budget Submittal Letter from City Manager</b> Budget	778 views	📄
4. <b>Total Expenditures, All Funds, All Departments excluding transfers out</b> Budget	166 views	📄
5. <b>Total Exp General Pie Chart,,</b> Budget	105 views	📄
6. <b>Capital Improvements, All Funds</b> Budget	75 views	📄
7. <b>Total Expenditures, General Fund</b> Budget	56 views	📄
8. <b>Total Revenue, All Funds, All Departments excluding transfers in</b> Budget	42 views	📄

# FINANCE: INTERNAL SURVEY RESULTS

## Courtesy and Professionalism of Employees

Very Satisfied Satisfied Neutral Dissatisfied Very Dissatisfied



# CUSTOMER-ORIENTED EFFORTS IN FINANCE DEPT

- **Accounts Payable:**

- Based on internal survey results and feedback from internal customers, working on additional PeopleSoft training and updates to Manual of Instruction

- **RevKC**

- Increased/improved online customer options
  - Go live scheduled for June 2013
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# Final Thoughts or Questions?

