

**SMITHVILLE BOARD OF ALDERMEN
WORK SESSION**

March 5, 2024 6:00 p.m.

City Hall Council Chambers and Via Videoconference

1. Call to Order

Mayor Boley, present, called the meeting to order at 6:04 p.m. A quorum of the Board was present: Marv Atkins, Ronald Russell, Leeah Shipley, Dan Hartman and Dan Ulledahl. Melissa Wilson was present via Zoom.

Staff present: Cynthia Wagner, Gina Pate, Chief Lockridge, Chuck Soules, Jack Hendrix and Rick Welch. Linda Drummond was present via Zoom.

2. Discussion of 3-Month FY2024 Budget – General Fund

- Rick Welch, Finance Director gave an update on the 3-Month FY2024 Budget for the General Fund.

FY2024 budget figures include budget amendments approved by the Board:

- 23% of wage related expenses have been paid through 6 of 26 fiscal year payrolls.
- FY2024 Budget update includes five-year lookback on major General Fund revenue streams.

General Fund Review

General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Received
Revenues	\$6,266,986	\$6,473,346	\$2,330,185	37.2%

- 1st Quarter FY2024 General Fund revenue projections are projected to exceed budget due to the performance of sales tax, use tax, and interest earnings from available cash on hand.

General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Expended
Expenditures	\$7,100,790	\$7,145,855	\$1,936,790	27.3%

GF Funded Capital Project	Phase	Resolution	Contractor / Engineer	Status
Annual Wayfinding Signage Installation	Construction	Upcoming	To Be Decided	In Progress
Complete Quincy Boulevard Sidewalks	Construction	1221	Amino Brothers	In Progress
Complete Quincy Boulevard Road Reconstruction	Construction	1221	Amino Brothers	In Progress
Complete 4 th St & 4 th Terr Mailbox Improvement	Construction	1199	Menke	In Progress

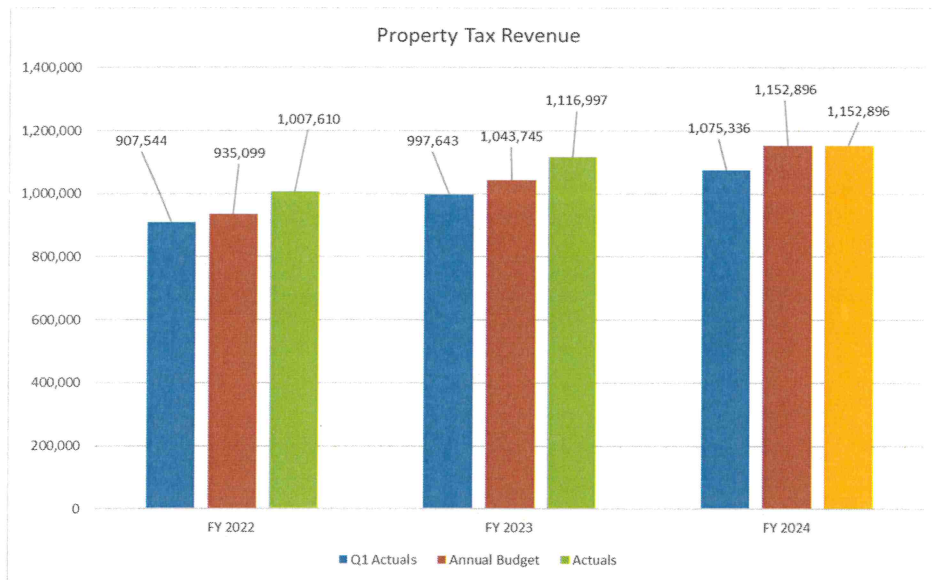
Property Tax Revenue

Property Tax revenue comprises 17% of General Fund revenues and plays a significant role in funding core City services and amenities

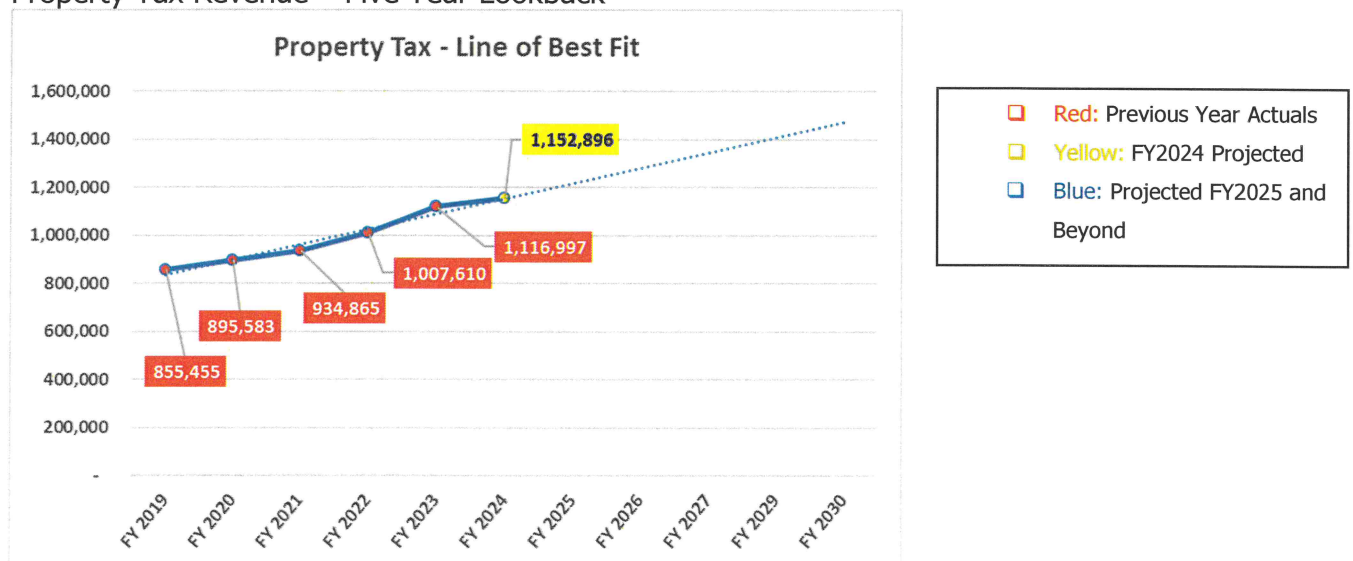
General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Received
Property Tax Revenues	\$1,152,896	\$1,152,896	\$1,075,336	93.3%

- The City received a large Property Tax disbursement from Clay County in January 2024.
- The City, on average in the past 3 years, receives 92% of annual property tax revenue by the 1st quarter of the fiscal year.
- For the last 5 years, the City has seen an average annual increase in property tax revenues of about 6.93%.

Property Tax Revenue – 3 Year Trend History



Property Tax Revenue – Five Year Lookback

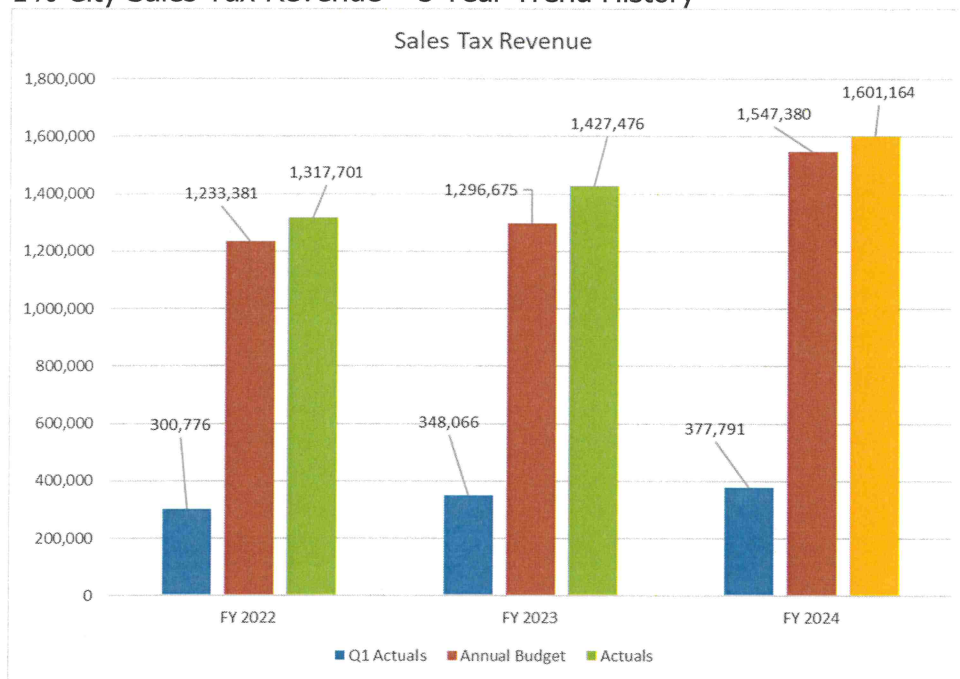


1% City Sales Tax Revenue

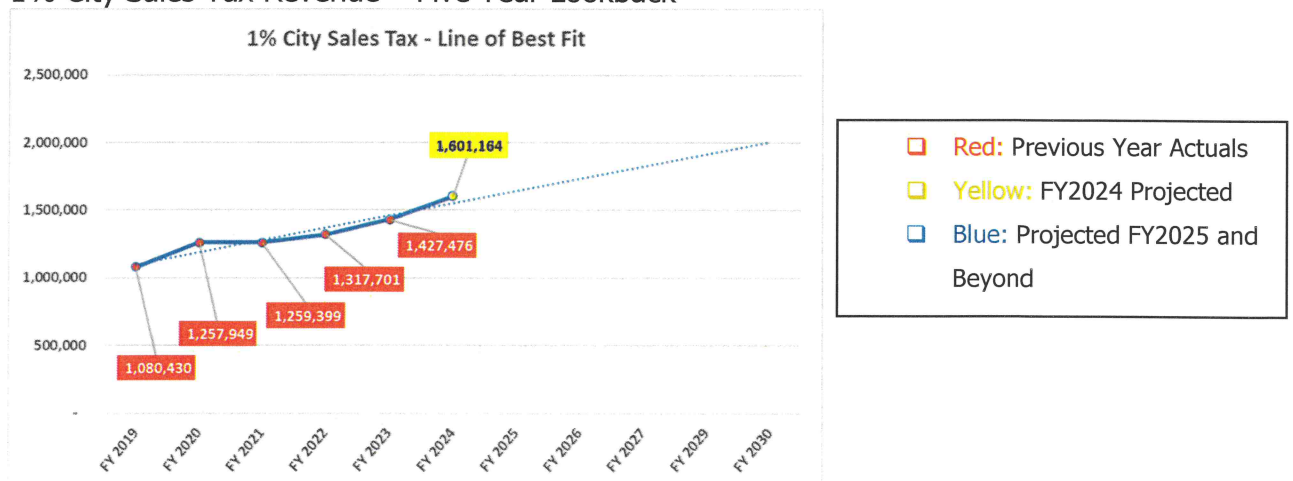
General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Received
Sales Tax Revenues	\$1,547,380	\$1,601,164	\$377,791	24.4%

- The City, on average in the past 3 years, receives 21.7% of sales tax annual revenue by the 1st quarter of the fiscal year.
- This data reflects the monthly transfer of TIF EATs from the General Fund to the Special Allocation Fund (Marketplace TIF).

1% City Sales Tax Revenue – 3 Year Trend History



1% City Sales Tax Revenue – Five Year Lookback

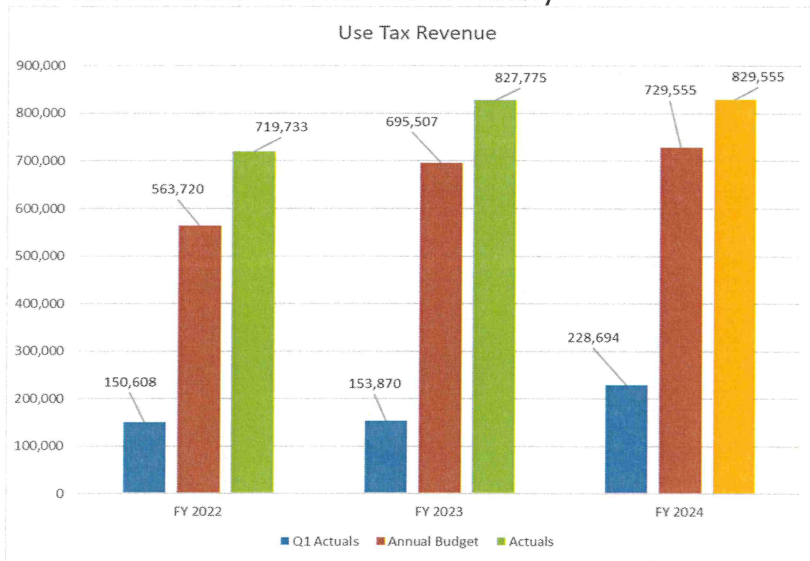


Use Tax Revenue

General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Received
Use Tax Revenues	\$729,555	\$829,555	\$228,694	31.3%

- The City, on average in the past 3 years, receives 12.6% of use tax annual revenue by the 1st quarter of the fiscal year.
- Use Tax receipts have *increased approximately 50% in Q1 2024* with the receipt of the January 2024 Distribution in February 2024.

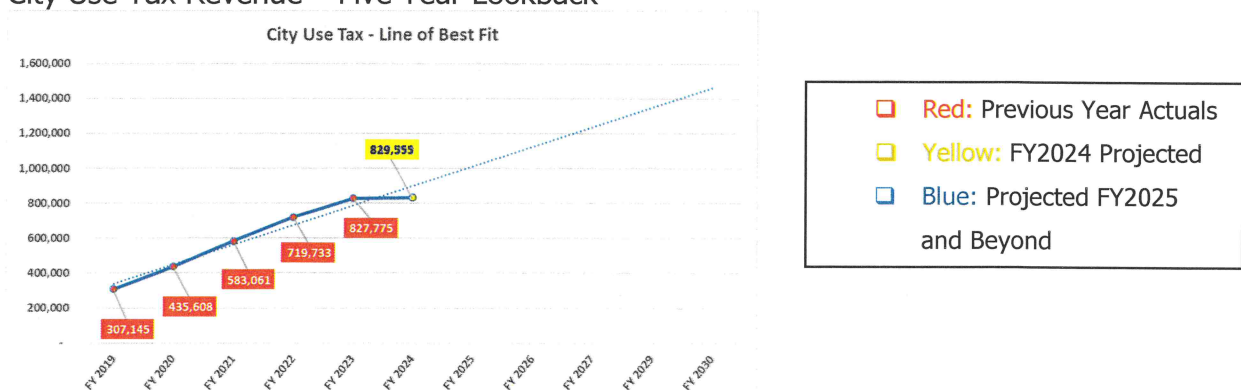
Use Tax Revenue – 3 Year Trend History



Cynthia outlined that knowing when retailers are going to submit their Use Tax is an unknown. She explained that last year well into the third quarter we were trailing behind projections. Use Tax did not seem to be coming in, but we received some big payments late in the summer. Staff feels that this may be more leveled out now but are still conservative in the projection total for the Use Tax. Staff will continue to monitor this.

Rick explained that second quarter will be a big determination on how this is going to play out.

City Use Tax Revenue – Five Year Lookback



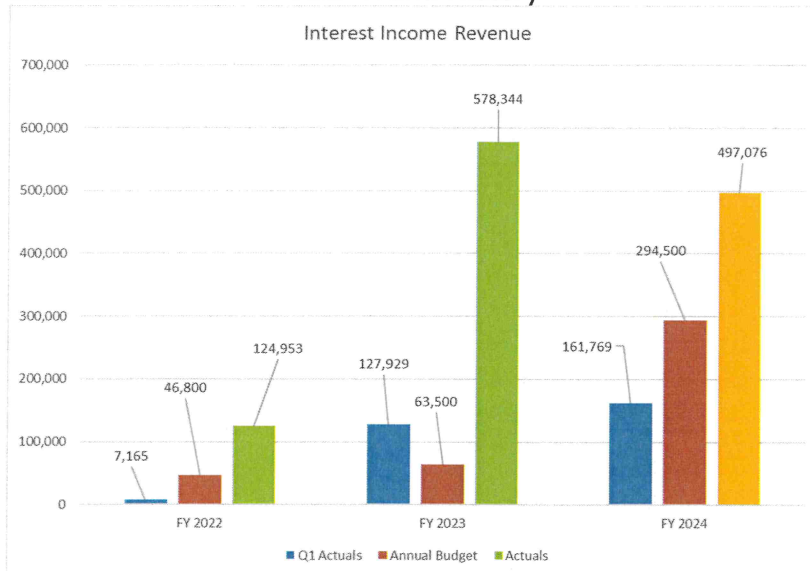
Interest Income Revenue

General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Received
Interest Income	\$294,500	\$497,076	\$161,769	54.9%

- The City has received 54.9% of the annual budgeted interest income by the 1st quarter of the fiscal year.
- Projected interest income is slightly below last year in anticipation of a decrease in interest rates during FY 2024.

Rick explained that the interest that we earn from the bank is based on the 90-day Treasury Bill. He noted that since April 2023 that has been above 5%. Rick noted that the City has eight CDs in varying amounts of around \$200,000 all averaging between 4% and 5% interest.

Interest Income – 3 Year Trend History



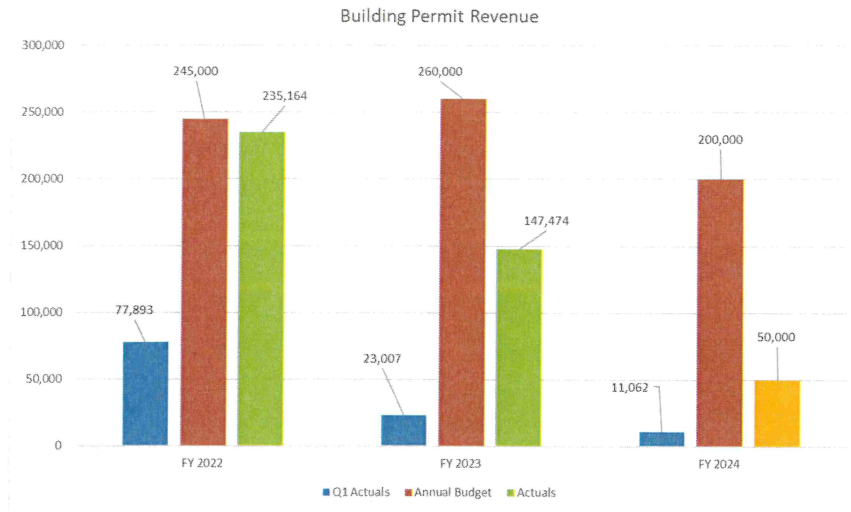
Building Permit Revenue

General Fund	FY2024 Budgeted	FY2024 Projections	FY2024 YTD	% of Budget Received
Building Permit	\$200,000	\$50,000	\$11,062	5.5%

- The City has recognized a substantial decrease in both residential and commercial permits.
- Historically, 1st quarter is a slow period for permits to be pulled for both residential and commercial.

Rick noted that we do have a couple of anticipated projects coming up, 110 Smithville and Second Creek. If those projects get started we could possibly surpass the projection amount.

Building Permit Revenue – 3 Year Trend



General Fund – Bottom Line

	Actual FY 2023	Budgeted FY 2024	Projected FY 2024
Beginning Fund Balance	\$ 3,425,221	\$ 3,951,294	\$ 3,951,294
Total Revenues	\$ 6,569,620	\$ 6,266,986	\$ 6,473,346
Total Expenses	\$ 6,043,547	\$ 7,100,790	\$ 7,173,218
Net Change in Fund Balance	\$ 526,073	\$ (833,804)	\$ (699,872)
Ending Fund Balance	\$ 3,951,294	\$ 3,117,490	\$ 3,251,422
			\$ 133,932

Mid-Year Impact – Personnel Expenditures

- During the FY 2024 Budget development, staff proposed revisiting the **retirement enhancement** mid-year to examine revenue performance. The City's current LAGERS retirement program, L-7, has a multiplier of 1.5% at a 2% employee contribution. Staff is recommending the adjustment to L-12, with a multiplier of 1.75% and remain at a 2% employee contribution.
- Management and the West Central Missouri Regional Lodge #50 of the Fraternal Order of Police (the Union) negotiated a **Collective Bargaining Agreement for the non-supervisory unit**. On February 26, 2024, the City received notice the bargaining unit members ratified the tentative agreement and is on the upcoming agenda for Board consideration.
- Total impact for FY 2024 to all funds is \$78,080.**
- Total impact for FY 2024 to the General Fund is \$66,001.**

Rick noted that LAGERS and the West Central Missouri Regional Lodge #50 agreement would have a July 1, 2024 impact. Staff feels comfortable that we can absorb all this financial impact for the remainder of FY2024 and going forward.

Proposed LAGERS Timeline

LAGERS Timeline

March 19, 2024	Advertisement of the supplemental actuarial valuation must be made available for public inspection.
May 7, 2024	Board of Aldermen consideration.
July 1, 2024	Effective Date.

Cynthia noted that in January 2023 we changed the percentage contribution of employees, following a required timeline. We receive an actuarial valuation from LAGERS and any changes we are intending to make to our retirement program have to be advertised. First it will be noted in the City Administrator's report for the March 19 meeting and posted to the City website. This outlines our intent to make a change to our retirement program. A Resolution will then come forward to the Board of Aldermen on May 7 for approval. Cynthia explained that this follows the LAGERS advertising timeline period of 45 days. Cynthia noted that by the May 7, meeting we will have a couple more months of information on revenues so staff can continue to provide updates to the Board and hope to see continued enhancements to those revenue projections. Cynthia explained that anyone who retires after the July 1 effective date would automatically retire at the higher multiplier of 1.75%. Cynthia noted that this will help in recruitment of employees. Staff strongly recommends that we move forward in this and follow this timeline.

3 Month General Fund Budget Review – Conclusion

Revenues

- *Property Tax*: Property tax is tracking to hit budget in FY2024.
- *Sales Tax*: Moderate growth through Q1, which is likely somewhat driven by consumer inflation, but also growth in the local economy.
- *Use Tax*: Excellent growth through Q1 compared to previous year but anticipate FY 2024 actual to remain relatively flat overall.
- *Interest Income*: Higher than budgeted revenue as rates remain high, anticipate a slight decline in rates in FY 2024.
- *Building Permits*: Less new residential and commercial permits resulting in lower permit revenues.

Expenditures

- *General Fund Operational Expenditures*: The City anticipates a slight increase in expenditures over original FY 2024. It is early in the year, but staff will monitor expenditures closely.

Alderman Hartman asked if staff has a report on delinquency on real estate taxes and what that impact is minimal or something we should be concerned with.

Rick explained that he did not have that information but would get information for the Board.

Alderman Hartman noted that he would like to see what that trend it for over the last 3 years.

Alderman Hartman asked if Use Tax is higher than the Sales Tax because more people are buying online.

Cynthia noted that ordering online is definitely more convenient, and it will be interesting to see where the plateau is.

Alderman Hartman said that he was not concerned with the numbers on the building permits.

Cynthia noted that the current estimate probably is very conservative.

Mayor Boley noted that over the past five years there has been times when there was more revenue from building permits than Use Tax. He said that it is nice to have a consistent revenue stream and not one that is dependent on someone building a house.

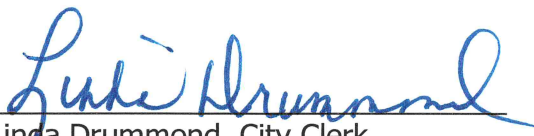
Cynthia noted that these are the City's main funding sources but there are other sources. She explained that one of the sources is franchise fees that have either remained flat or gone down slightly. Staff will be taking a closer look at the franchise fees to see exactly where we are with those.

Alderman Hartman noted that he is comfortable moving forward with LAGERS. The Board was in agreement.

3. Adjourn

Alderman Ulledahl moved to adjourn. Alderman Atkins seconded the motion.

Ayes – 6, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 6:32 p.m.


Linda Drummond, City Clerk


Damien Boley, Mayor