

City of Prairie Village
Preliminary
General Fund Revenue Assumptions

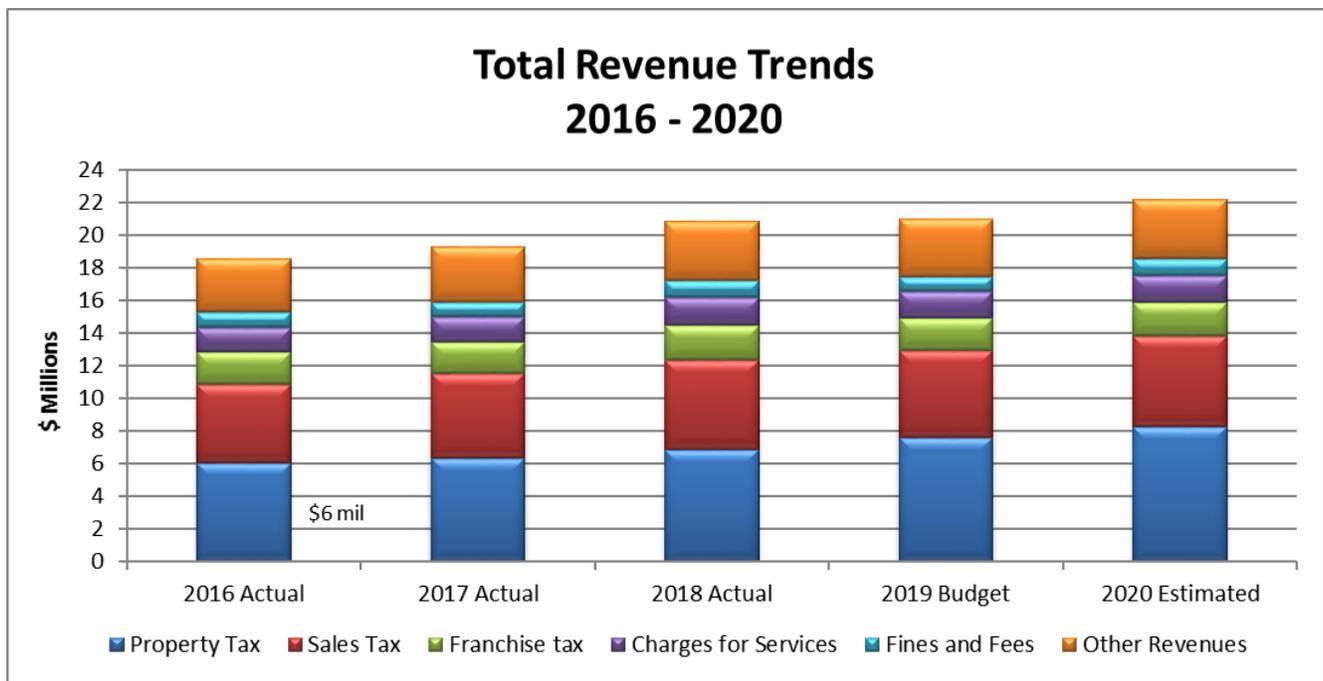
Relating to Budget Year 2020



PRELIMINARY GENERAL FUND REVENUE ASSUMPTIONS

The chart, below, reflects total sources of revenue from 2016 to 2020. The top five sources of revenue in 2018 are broken out below and accounted for 82% of the total revenue received by the City in 2018. The chart below assumes a Mill Levy of 19.314 for 2020.

• Property Tax	33%	Use Tax	6%
• Sales Tax	26%	Motor Vehicle Tax	3%
• Franchise Fees	10%	Licenses & Permits	4%
• Charges for Services	8%	Recreational	2%
• Fines and Fees	<u>5%</u>	Liquor Tax	1%
		Interest & Miscellaneous	<u>2%</u>
Total	82%		18%



TAX LID LEGISLATION OVERVIEW

The tax lid law took effect on January 1, 2017 and was part of the 2018 and 2019 budget process. The tax lid will also be a factor in the 2020 budget process.

Under the tax lid provisions, increases in property tax dollars levied beyond the rate of inflation requires voter approval. The inflation measure utilized is a five-year rolling average, and cannot be less than zero. The CPI Adjustment used in 2019 was 1.4%.

An election is not required when an exemption applies. Listed below are some of the exemptions that are of most interest to Prairie Village:

- Construction of new structures, improvements, remodeling or renovation of existing structures, or improvements on real property, exclusive of ordinary maintenance or repair;
- Increased personal property valuation;
 - The distinguishing factor between **personal property** and real estate is that **personal property** is movable; that is, the asset is not fixed permanently to one location as with real **property**, such as land or buildings. Examples of **personal property include** vehicles, furniture, boats, and collectibles.
- Real property located within added jurisdictional territory;
- Real property that has changed in use;
- Certain bond and interest payments;
- Certain special assessments;
- Expenditures used exclusively for increased law enforcement, fire protection or emergency medical services above the rate of inflation. Such expenditures could not be utilized for the construction or remodeling of buildings;
- Principal and interest on state infrastructure loans, bonds, temporary notes, no-fund warrants, and certain payments made to public building commissions and lease payments

DARK STORE THEORY OVERVIEW

The Dark Store methodology would change the valuation process for property tax purposes on commercial properties. Commercial properties, under the Dark Store Theory would be valued as if they were empty, versus being assessed on their worth to the current user. Assessments would be based on the stores worth to a (hypothetical) user in the open market.

The financial impact Countywide could be as much as \$130 million in tax revenue according to Paul Welcome, the County Assessor. Since the Dark Store Theory is currently in litigation that could take years, it has been suggested that we set aside funds to cover the potential “refund” of property taxes that could be associated with this litigation.

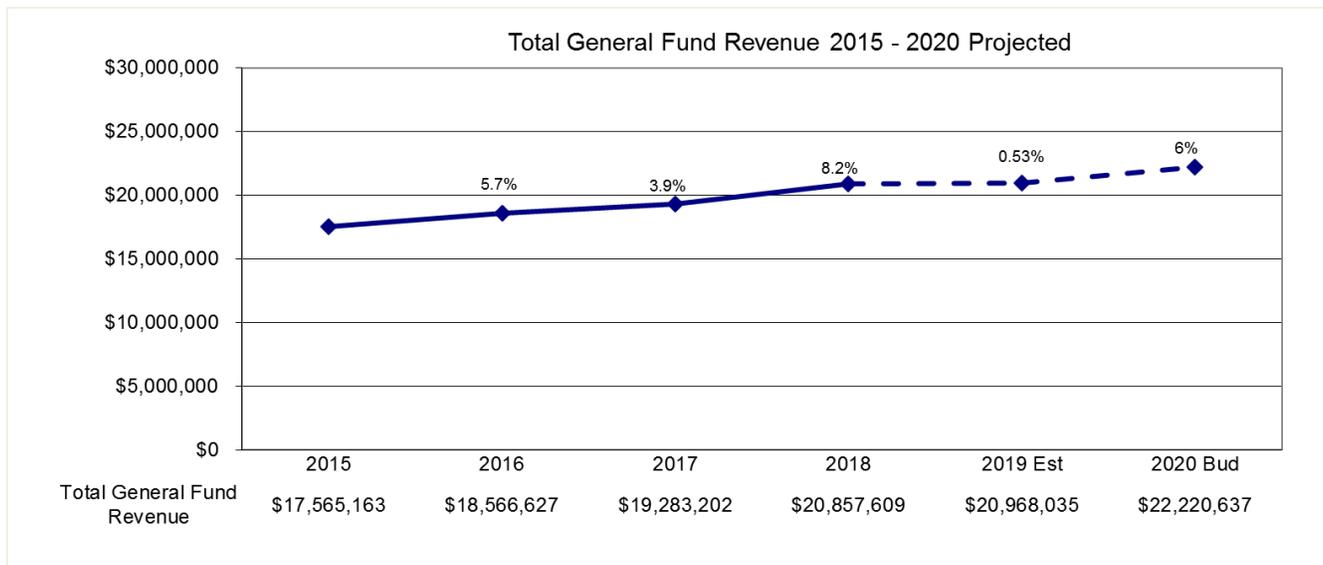
TOTAL PRLIMINARY GENERAL FUND REVENUE

Preliminary revenue projections for 2020 are based on a combination of factors including analysis of historical revenue receipts and anticipated changes in the local economy.

Total revenues received in 2018 were 8.2% greater than what was received in 2017, and were at 103.2% of budget. 2018 revenues included a 12.4% increase in assessed values. The 2019 revenues include a 9.9% increase in assessed values. The 2019 estimated revenue is the budgeted revenue number.

The 2020 numbers are preliminary. The Motor Vehicle Tax and Gas Tax estimates have not been received, so the 2019 budget number is being used. We are also using the 2019 mill levy rate of 19.314 for the estimates. As we continue to monitor revenues, projections may change.

Based on these trends and the current economy, we are forecasting growth of 6% over the 2019 budget and a 6.5% growth over 2018 actuals in 2020.



Note: Transfers not included

The preliminary overall increase over the 2019 budget is \$1,247,602. The increase in Property tax accounts for approximately 50% (\$618,150) of the difference.

PROPERTY TAX

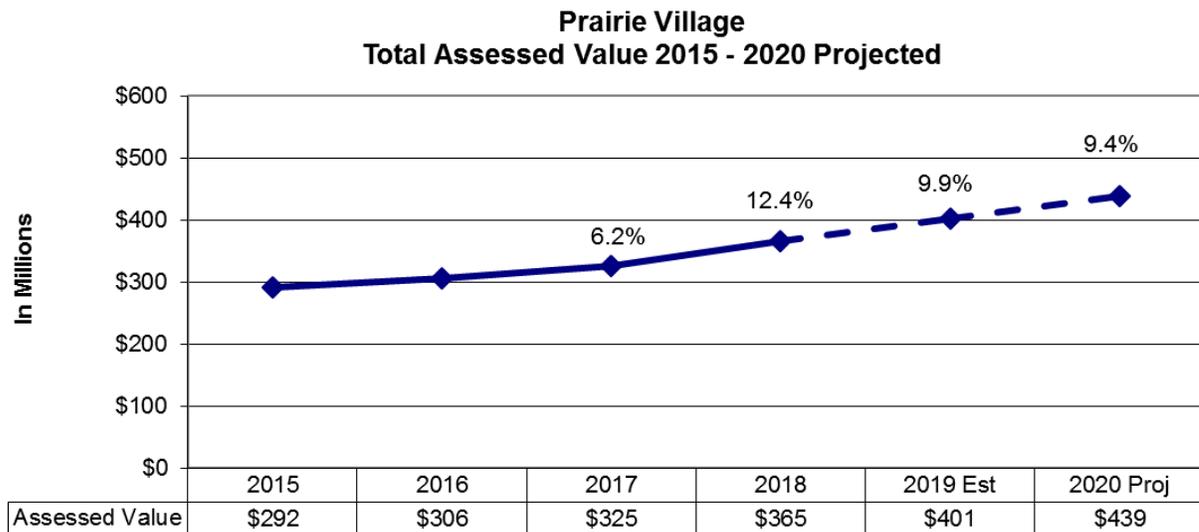
Property taxes are the major revenue source at 33% of the 2018 total actual revenues.

The last mill levy rate increase (0.662) was in the 2012 budget for the hiring of two additional police officers.

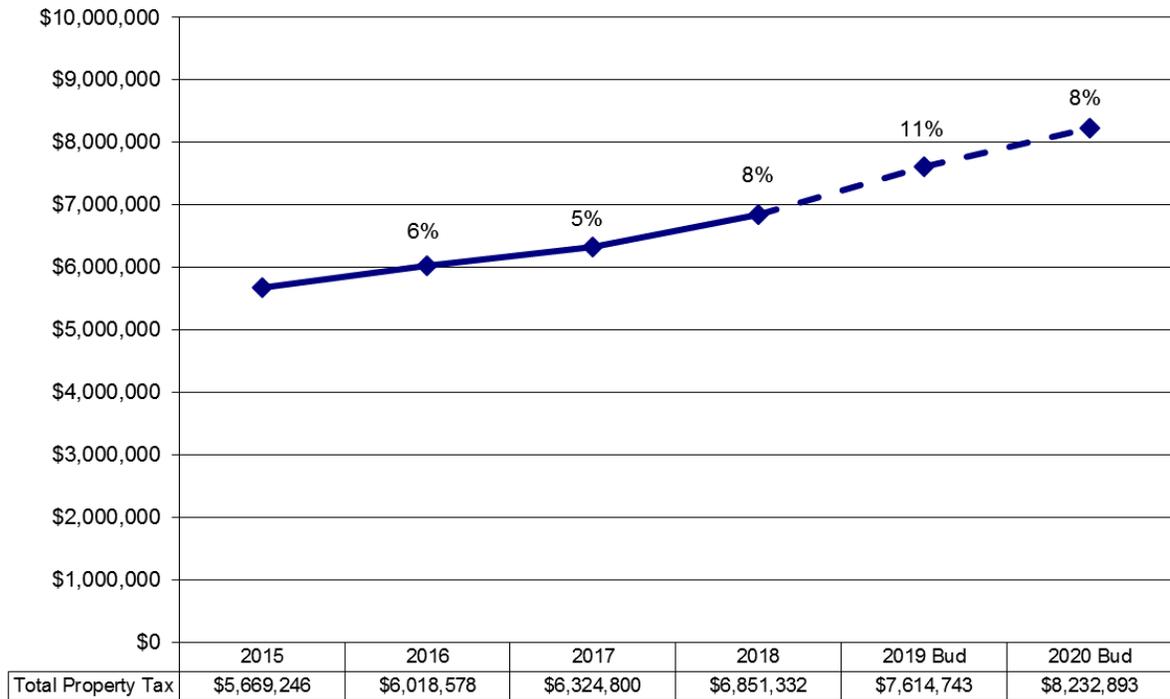
For the purpose of the projecting revenues, we are using the 2019 mill levy rate of 19.314. Staff still needs to work on the state budget sheets to determine tax lid implications and exemptions. Based on the reappraisal data provided by the county, we are forecasting the total assessed value to have a 9.4% increase in 2020.

The average sales price in Prairie Village increased 2.21% from 2017 to 2018 while the mean appraised value rose 10.53% (from \$302,521 to \$334,382).

The graph below and on page 5 show the total assessed value and General Fund property tax.



**Property Tax
2015 - 2020 Projected**



General Fund Mill Levy Rate	18.300	17.796	19.471	19.311	19.314	19.314
Debt Service Mill Levy Rate	<u>1.193</u>	<u>1.704</u>				
Total Mill Levy	19.493	19.500				

1 mill is approximately \$439,247 and equates to \$38.45 annually for the average Prairie Village homeowner.

SALES TAX

Sales tax is the second major revenue source at 26% of 2018 total actual revenues.

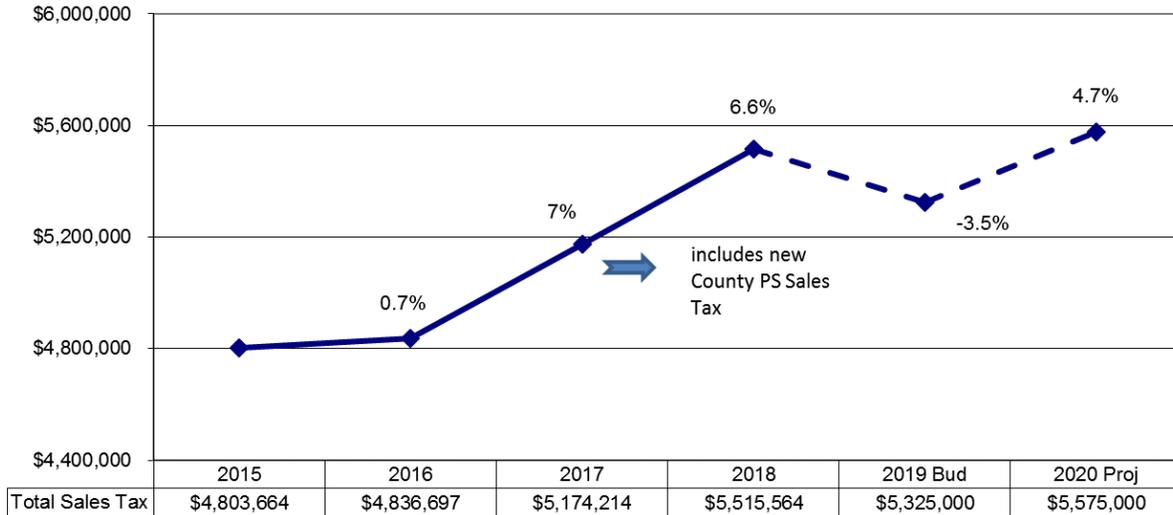
Total sales tax received in 2018 was 6.6% greater than the 2017 receipts and included the new County Public Safety Sales Tax that was effective in 2017.

We are forecasting an increase in the growth rate of 4.8% for 2020, but 1.2% growth over 2018 actuals.

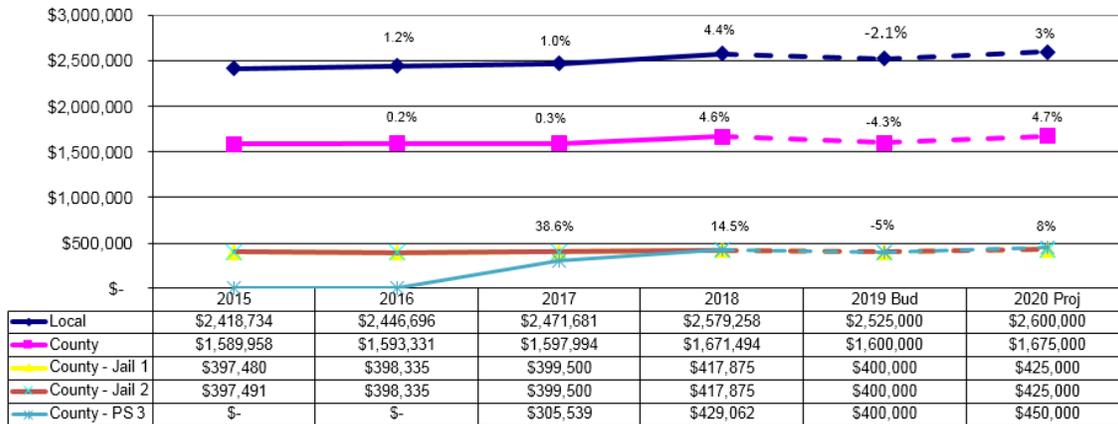
Preliminary General Fund Revenue Assumptions as of March 11, 2019

Sales tax is composed of the City's local sales tax and the share of the County sales tax. The graphs, below, show total sales tax and the breakdown of sales tax revenue by type. The mix of business types in the Village Shops and Corinth has an affect the local sales tax revenue.

**Total Sales Tax
2015 - 2020 Projected**



**Sales Tax by Type
2015 - 2020 Projected**



Sales Tax Rate as of 4-1-2017:
 6.500% State as of 7.1.2015
 1.000% City
 1.350% County
 0.125% Research Triangle *
 8.975% Total

Note: An additional 1% tax is charged at Corinth Square and the Prairie Village Shops related to the CIDs approved in 2010.

* The City does not receive revenue from the Research Triangle tax

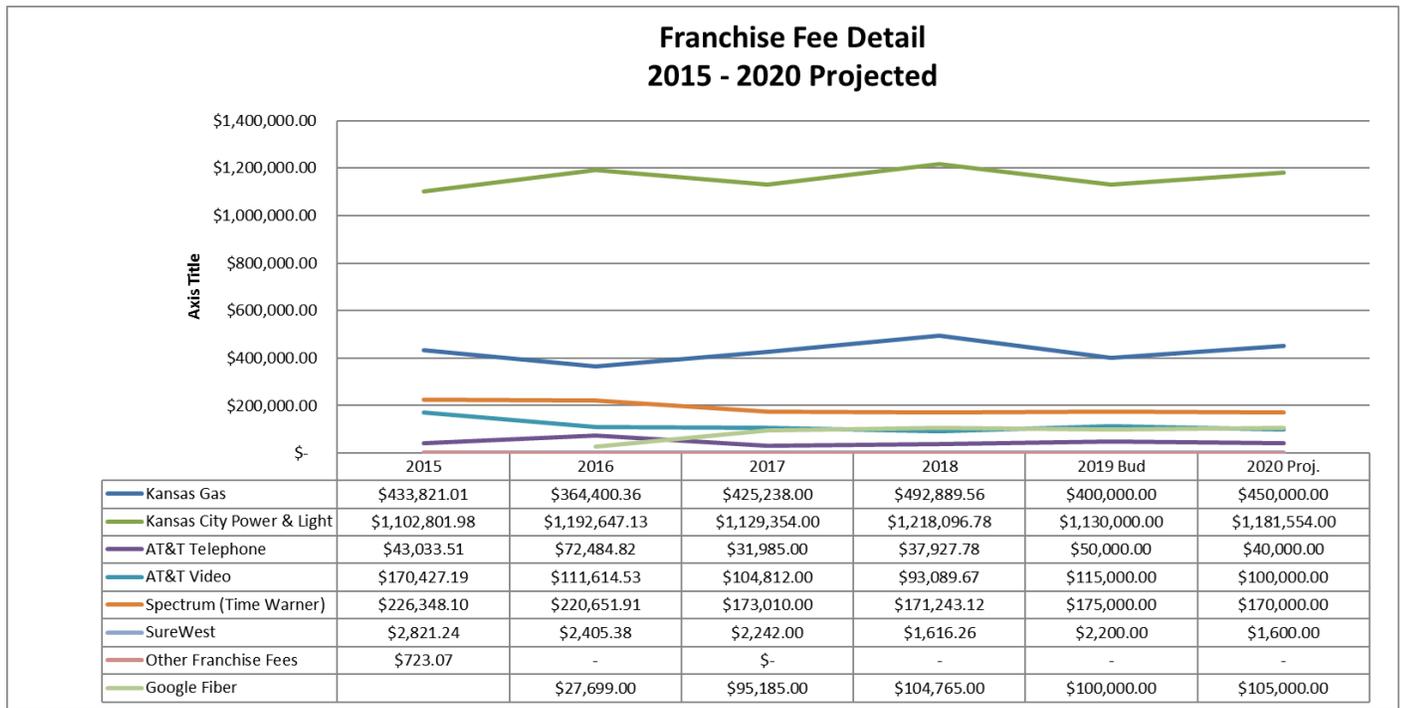
FRANCHISE FEES

Franchise fees are the third major revenue source and account for 10% of total revenue.

The City charges franchise fees on the major utilities within the City. These utilities are listed on the chart below. The fee is 5% of gross receipts as defined and permitted by state statues.

In January 2019 we learned that KCPL was reducing franchise fees due to the “credit” they were required to give customers due to the merger with Westar. Cities were also told that they can expect a 2.5% to 3% reduction in KCPL franchise fees going forward. KCPL accounted for 57.5% of total franchise fees in 2018.

We are forecasting an increase of 3.9% for 2020 over the 2019 budget. But, the preliminary 2020 number is a 3.4% decline in growth over 2018 actuals. Google Fiber was a new franchise fee in 2016 and continues to have an impact on our Spectrum (Time Warner Cable) franchise fee revenue.



DEBT OBLIGATIONS

The outstanding principal at 12/31/2018 was \$15,950,000, and the 2019 debt payment is \$1,369,045. Our total debt per capita (\$ per citizen) is \$799.56. The median debt per capita in the Kansas City Metropolitan area is \$1,203.89.

The 2020 debt payment will be \$1,710,475.

Debt Obligations						
		Date of Indebtedness	Amount of Issue	Principal Outstanding 12/31/2018	Projected FY 2019 Debt Payment	Final Maturity
General Obligation Bonds						
2009A	Refunding & Improvement Bonds	11/19/2009	\$10,085,000	\$225,000	\$231,750	9/1/2019
2011A	Refunding & Improvement Bonds	10/19/2011	4,555,000	2,170,000	595,258	9/1/2021
2016A	Meadowbrook TIF Project	5/17/2016	11,300,000	11,300,000	48,688	3/1/2036
2016C	Street Light	10/31/2016	3,101,000	2,255,000	493,350	9/1/2023
Total Indebtedness			29,041,000	15,950,000	1,369,045	
Revenue Obligations						
2016B (TIF) ¹	Meadowbrook TIF Project	5/17/2016	8,135,000	8,135,000	81,350	3/1/2036

¹ The Series 2016B Bonds are special, limited obligations of the City payable solely out of incremental tax revenues pursuant to the Bond Trust Indenture dated as of March 1, 2016, relating to the Series 2016B Bonds. The City is under no obligation to levy any form of taxation or make any appropriation for the payment of Series 2016B Bonds.

Assuming no more debt is issued, in 2024 only Series 2016A (Meadowbrook TIF) will be outstanding.

