

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 130890, AS AMENDED

Adopting the Financial Strategic Plan, the Five-Year Planning Model, and the Balanced Scenario of the Five-Year Planning Model; and directing the City Manager to align departmental strategic plans and business plans to the Citywide Business Plan.

WHEREAS, during the past two decades, the City Council has considered but never adopted elements of a long-term financial plan including a 2007 financial indicators report, several five-year financial forecasts, and a five-year, long-term financial plan in 2008; and

WHEREAS, the City implemented several of the recommendations included in the 2008 five-year, long-term financial plan, but did not continue to review and update the report on an annual basis; and

WHEREAS, in 2010, City staff presented financial management considerations to the City Council using white papers from Moody's, Standard and Poor's, and Fitch, which outlined the need for a long-term financial plan; and

WHEREAS, the Civic Council of Greater Kansas City and the Greater Kansas City Chamber of Commerce support the City undertaking a long-term financial plan; and

WHEREAS, in June 2012, the Finance Department was tasked to develop a platform for long-term financial planning (LTFP) within 90 days, to complement the City's next budget cycle; and

WHEREAS, since that time, the Finance Department has prepared a Financial Trend Monitoring System (FTMS) and a Five-Year Strategic Fiscal Planning Model (SFPM) to achieve the following goals: understand available funding sources, identify key variables that impact revenue, quantify the opportunity costs of funding decisions, assess the likelihood that services can be sustained, assess the level at which capital investments can be made, and identify future commitments and resource demands; and

WHEREAS, the City Council adopted Resolution No. 120879 on October 11, 2012, stating the Council's intent to adopt a long-term financial plan and to review and update it on an annual basis; and

WHEREAS, the City Council approved Resolution No. 130025 on January 10, 2013, adopting the City's strategic plan of priorities and performance indicators; and

WHEREAS, the City Council held its priority setting session on May 20, 2013; and

WHEREAS, during that priority setting session, the City Council expressed interest in establishing a long-term financial plan as a means to address the City's structural budget issues; and the City Manager directed the Finance Department to align the City Council priorities to a long-term financial plan via a Citywide Business Plan; and

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 130890, AS AMENDED

WHEREAS, the City Manager and Finance Department staff presented the Submitted Citywide Business Plan to the City Council on October 24, 2013; and

WHEREAS, the Submitted Citywide Business Plan contains the City's Strategic Planning Process, the Financial Strategic Plan, and the proposed Five-Year Planning model; and

WHEREAS, the Financial Strategic Plan proposes 22 objectives in the categories of Citywide Objectives, Strategic Planning Objectives, Revenue Objectives, Expenditure Objectives, Debt Management Objectives, Legacy Costs Objectives, and Structural Balance Objectives; and

WHEREAS, the Submitted Citywide Business Plan proposes a Five-Year Planning Model that addresses several objectives in the Financial Strategic Plan;

WHEREAS, the Strategic Planning portion of the Citywide Business Plan will be revisited by the City Council in 2014; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the City Council hereby adopts the Financial Strategic Plan including the following priorities.

Citywide Objectives

1. Operationalize Council goals and objectives into a comprehensive, renewable five-year strategic plan.
2. Develop multi-year business plans for each department that meet service goals while staying consistent with financial realities.

Strategic Planning Objectives

1. Perform a financial analysis to evaluate the fiscal impact of proposed major expenditures and investments to determine a multi-year strategy for funding City priorities.
2. Link budget allocations to measured service levels.

Revenue Objectives

1. Maintain a balanced, diversified and administratively efficient revenue, not overly dependent on one sector or one tax base or external funding sources.
2. Revenues should be free from spending restrictions to allow adjustments to changing conditions. Develop appropriate renewal or replacement strategies for taxes with renewal requirements.

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 130890, AS AMENDED

3. Remain diligent in evaluation of projects that could result in substitution effects, driving tax revenue away from non-TIF areas, and thereby resulting in lower aggregate revenue.
4. To the extent practicable and equitable, fee supported services should be self-supporting.
5. Consider both horizontal and vertical tax equity—the fair distribution of tax burden—on businesses, residents and nonresidents when considering new, renewing and continuing revenue sources. Leverage tax exporting opportunities—taxes paid by non-residents using City services—to ease the overall burden on the City’s taxpayers.

Expenditure Objectives

1. Adopt a model portfolio of services and adjust the City’s expenditure ratios as needed to maintain portfolio balance.
2. Evaluate alternative staffing and deployment models for public safety that improve outcomes and contain costs.
3. Contain health care costs, including opportunities such as healthcare self-insurance, expanded incentives for participation in health management programs, and plan design.
4. Evaluate staffing ratios to ensure effective and efficient service delivery.
5. Evaluate employee compensation to ensure levels are sufficient to recruit and retain quality personnel who can provide the highest level of productivity and customer satisfaction.
6. Adopt ratios for an optimal mix of infrastructure financing methods (PAYG vs. debt financing vs. leveraged funds) that protects the City’s investment, minimizes future replacement and maintenance costs, and ensures continued service.
7. Develop an equipment and vehicle replacement plan using standard life cycle measures. Implement an annual purchasing plan integrated with a performance management/predictive maintenance program to lower maintenance and acquisition costs. Consider the use of alternative vehicle options in place of government-owned vehicles.

Debt Management Objectives

1. Future bond issues for new spending should have a new revenue source.

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 130890, AS AMENDED

2. Adopt debt issuance target ratios.

Legacy Costs Objectives

1. Ensure the actuarial soundness of the City's pension systems.
2. Address other post-employment benefits liability through either plan design changes, direct funding, or both.

Structural Balance Objectives

1. Adopt a plan to develop a structurally balanced budget by fiscal year 2018-19 based on the following factors: current expenditures equal current revenues, infrastructure condition assessment indices continue to improve toward stated goals, and long-term liabilities are addressed.
2. 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.

Section 2. That the City Council hereby adopts the Five-Year Planning Model as its approved tool to evaluate financial and operational alternatives throughout the planning and budget process.

Section 3. That the City Council hereby adopts the Balanced Scenario in the Five-Year Planning Model that addresses several objectives identified in this resolution and that includes the following assumptions:

- Earnings tax collections increase of 2.5 percent annually.
- Sales and use taxes increase 1.5 percent annually.
- Employer contributions to health insurance increase five percent annually.
- Employer contributions to pension plans fully fund the Actuarial Required Contribution (ARC) beginning in October 2013 for Police Retirement System and Civilian Retirement System plans, and May 2014 for Employee Retirement System and Firefighters Pension System plans.
- A reduction in total full-time equivalent positions of approximately 3 percent and a salary freeze in 2015-16.
- Reduction of 30 full-time equivalent positions over two years due to the expiration of the Staffing for Adequate Fire and Emergency

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 130890, AS AMENDED

Response (SAFER) grant, and as set out in the Collective Bargaining Agreement between the City and Local 42, IAFF.

- One-time savings of \$5 million this current year FY 2013-14 and \$11 million in FY 2014-15.
- Revenue enhancements and/or expenditure savings totaling \$4 million in the current year and future fiscal years.
- Issuance of \$150 million in General Obligation debt over five years supported by increased property tax revenue.

Section 4. That the City Council directs the City Manager to include the assumptions of the Financial Strategic Plan and the Five-Year Planning Model in the Submitted FY 2014-15 Budget.

Section 5. That the City Council directs the City Manager to direct the strategic and business planning of city departments and to align departmental strategic plans and business plans to the Citywide Business Plan.

Section 6. That the City Council may update and enhance the Citywide Business Plan and the Council's adopted priorities through the Council committee process.
