



City Of
BOONVILLE

City of Boonville

City Council Work Session Agenda

January 6, 2025

6:00 PM

City Council Chambers

525 E. Spring Street

Boonville MO 65233

I. Work Session Topics

- A.** Budget Work Session #1- General budget items, discussion of obligations, goals and long term plans for City

NOTICE: The City of Boonville will comply with the Americans with Disabilities Act (ADA). Individuals who require an accommodation due to disability to attend this meeting should contact our office at (660) 882-2332 or Relay Missouri, 1-800-735-2966 TTY at least 48 hours in advance.

Date: January 6, 2025

To: Mayor and Council

From:

Re: Budget Work Session #1- General budget items, discussion of obligations, goals and long term plans for City



Date: December 27, 2024
To: City Council and Mayor
From: Kate Fjell, City Administrator
Re: January 6, 2024, Budget Work Session #1

We will kick off the budget work sessions tonight discussing several big picture items that impact all funds across the board. We also need to discuss some of the obligations, goals and long term plans for the City which will guide all the budget work sessions. I am also sending along the City's funds – sources and uses as a reference.

This is the first of many work sessions we will have to discuss the budget. In the coming weeks, we will discuss funds in detail with a vote on the complete budget occurring on March 17th. Here is my outline of work sessions for the next several meetings:

January 21: Tourism, Sanitation, Economic Development, Airport

February 3: Parks, Police, Fire, General Admin, Animal Control, Debt Service (General fund)

February 18: Streets, Water, Sewer

March 3: Capital Projects, Gaming, Parks and Stormwater/ First Reading on FY 25-26 Budget

March 17: 2nd Reading on FY 25-26 Budget, 1st and 2nd reading on FY 24-25 Budget Amendment

1. **Insurance- General, Liability**

Our general and liability insurance increased this year approximately by \$40,000. These increases are reflective of general trends on a nation-wide level and are not a reflection of claim history at the City. We continue to have very good claim history, with below average claims for the past several years. In addition to national trends, some of the increase is attributable to increasing the valuation of our properties.

2. **Work Comp**

All of our employees deserve some major kudos as they have continued to practice safe practices. The City will again see a reduction in our experience mod, which is one of the key drivers of the premium. We will not actually get our premium until later in 2025, as our renewal is due April 1. For budget planning, we will budget for the same premium cost as this year's cost.

3. **Utilities**

I will budget for an increase in the utilities. Ameren has filed for a 15.77% rate increase. While I don't know that Ameren will be approved for that amount, it is likely that some increase will be forthcoming.

4. **Telephone, Internet, and Cell Service-** We continue to see savings as we transition to Socket in our existing services. There has been an increase in internet cost as we have expanded our network coverage in the City to accommodate security cameras in the City.

5. **Maintenance Agreements-** All the maintenance agreements have a COLA built into the agreement, so the costs will continue to increase.

6. **Health insurance**

Health Insurance rates remain relatively stable this year. The employees have a moderate increase in their insurance costs this year, while the City's contribution remains the same. I have elected to keep our contributions stable to help us absorb the increased retirement costs due to the higher modifier.

7. **Fuel**

Fuel costs are always a moving target; however I typically budget some moderate increases each year to absorb the shocks to the system.

8. **Lagers**

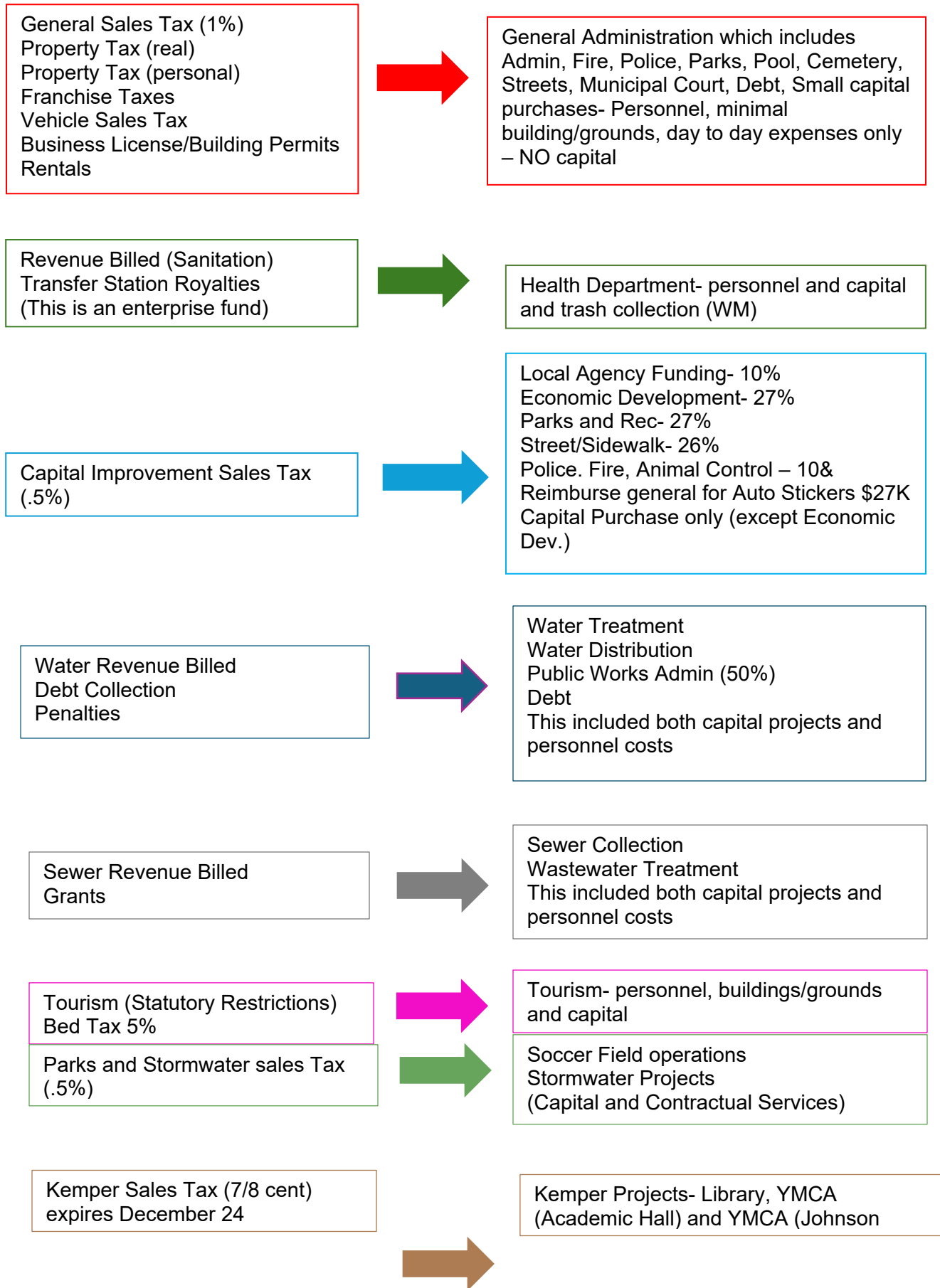
Lagers has not yet reported what the new rate will be for this year, however I anticipate it being somewhere around 15%. It will be slightly higher this year as we will increase our staff this year with the hiring of Jim and the additional firefighters.

9. **COLA/Salary Increases**

The CPI for 2024 is 2.7% and it is my goal to look at 3.5% -6.5% increases, considering COLA, merit and seniority. This would be like the increase last year.

External Revenue Sources – Primary

Uses (departments/capital)



Now below, are some sources (revenues) which have multiple uses (expenses).

1. **Gaming Funds-** Gaming can be used to supplement any department, and in practice it has. At the height of the gaming revenue, the funds assisted water, sewer and health with capital projects, however around 2007, the gaming funds began to decline. To offset these declines, we started stripping out water, sewer, and sanitation capital projects since these are enterprise funds and should be self-supporting.

Today, the gaming funds primarily purchase ALL the capital purchases (police cars, computers, lawn mowers) for the administration departments (red box above). Additionally, \$680,000 is transferred to the administration revenues to support the recurring expenses of the City. Gaming funds also support the various debts of the City, including water, general fund, soccer fields). Finally, the gaming funds will support any MP&I (Major projects and initiatives) undertaken by the City. Gaming funds are also set aside to assist the City in its ADA efforts and distributed to neighboring government agencies.

2. **Use Tax-** Use tax is collected on goods which are purchased outside Boonville (internet sales and out of state car, boat, ATV, etc sales). The use tax currently is distributed to three places: general fund, CIP, and Parks and Stormwater. Monies going to CIP fund assist with our economic development work as well as capital projects at police, fire, animal control, streets, parks and rec, and local agency funding.

The Use tax will primarily be used for the roundabout construction and Kemper in this fiscal year.

Discussion on city obligations, goals and long-term plans

Before we begin to dive into the details of budgeting, I think it is worth us having a higher-level discussion about the obligations, goals and long-term plans of Council which do (or could) have significant impact on our budgeting for FY 25-26. During our discussion, staff will need some clear direction before they begin their budgeting.

Obligations

The City has several capital obligations that will tie up our capital funds for the next several years. There are several funding sources for these projects which I will detail below. Some of these projects have some funding gaps which will have to be filled through gaming, grants, and specific sales tax revenues.

1. Kemper: We have talked extensively about Kemper for the past several years. The temporary sales tax expires on December 31st and the proceeds will need to be supplemented with other cash sources to fund these projects. Outstanding projects include:
 - a. Clean-up Abatement of A and D Barracks (Resolution on Council Agenda tonight)
Cost: \$1.2M
Sources: Kemper Sales tax, \$200,000 in EI ERA funding
Timing: February 2025 (FY24-25 and 25-26 Funds)
 - b. JFH Remodeling (underway)
Cost: \$1,007,000
Source: Kemper Sales Tax
Timing: Now (FY 24-25 Funds)
 - c. Academic Hall
Cost: \$6.4M
Sources: Kemper Sales Tax, CDBG Funding (500K), Gaming, other?
Timing: 2026
2. Main Street Roundabout: The City was awarded the Cost Share grant with MoDOT, and it is planned for this project to be let in fall/early winter of 2025. At the time of letting, the City will need to deposit 50% for the project into an account. The City's obligation is \$1.2M for this project. The source for this funding will be primarily gaming as well as CIP sales tax revenue. We are pursuing a CDBG grant for this project as well, we would be eligible for up to \$500,000 so that would help offset our obligation.
3. Water and Sewer Lines: We have asked Mecor to finish up the engineering design on the new water and sewer lines that Council committed to in FY 25-26. The total cost of this project is about \$1,650,000. Funds from FY 24-25 will be rolled over, which equals about 800K. The remaining 850K will be from FY 25-26 and reserve funds
4. MoDOT sidewalk project: We received the TAP funds and the funds from FY 24-25 will be rolled over for this project

5. Other projects with no set date: Hail Ridge parking lot, Hail Ridge club house, additional parking lot at Kemper, airport terminal, curb/gutter and rebuilding of streets, water intake upgrades, upgrades at WTP plan

Goals and Long term plans

Property Tax

Throughout the year, several Council members have asked or inquired about increasing utility rates and rolling back property taxes. If that is a direction Council would like to move towards, there needs to be serious discussion now about what this could mean for the City.

First, a discussion on property tax. The City receives about \$850-900K per year in property taxes. The general fund supports nearly all of the day-to-day operations of the City, with the exception of sewer, water and health. All this money goes into our general fund.

So, if Council wants to roll back property tax, how do we eliminate or save \$975K from the general fund?

The general fund is already supported by gaming funds, \$680,000 which is a direct subsidy for the general fund and gaming pays for all the debt service in the general fund (approx. \$775K). It is not advisable to further depend on gaming funds for additional general fund support.

We could consider taking the pool department or a portion of parks and recs out of the general fund and funding them out of the parks and stormwater fund. The Parks and Stormwater sales tax brings in about \$875,000 of that \$330,000 is obligated for debt service and \$120,000 is budgeted for soccer park operations, meaning that available funding is only \$425,000. However, some of those funds should be used for stormwater projects, so it could be possible to fund pool operations (310K) out of parks and stormwater and reserve 115K for stormwater projects. This would help close some of the gap but would limit any bigger parks or stormwater capital projects. This brings the funding gap to \$665,000.

I think realistically to close that gap we would need to look at eliminating COLA and merit raises. The general fund does not have any capital in it, so the costs here get harder to cut. If you eliminated any raises, it would be possible to save about \$175,000 (assumption of an average 5% increase). The net may not be that whole amount, because it assumes that other revenues in the general fund increase by the same amount. But for the sake of discussion, let's assume that will net you 100K, bringing your deficit to \$585,000. I do NOT recommend this cost saving measure for a multitude of reasons, a) we have excellent staff and to not give any merit or COLA raises, in my opinion, is a slap in their faces, b) I don't see this as a long term solution, so it begins a recurring funding question for future fiscal years, c) staff are not immune to higher living costs any more then then the citizens, so they also have to pay gas, utilities, health insurance, etc. and d) in the past couple years, Council has been committed to bringing up the wages at the City and it would seem like a step backward to quit supporting this initiative.

The Administration fund would save about 40,000 because there would be no payments to the County for tax collection services. This brings the deficit to \$545,000.

Not rehiring vacant positions could save the City some money. There are some vacancies that are anticipated to come up through retirement this year, there is a possibility of saving some money, (this assumes that all the potential people retiring do retire). While there are some savings to be gained, it is hard to quantify since it requires increased revenue growth from sales tax revenue. Again, I would not recommend this idea, as generally we are a lean city and do quite a bit with few people. Cutting us even shorter would be difficult. To emphasize this point,

our full-time staff number has not grown since the 1990's. We have essentially had 70 FT employees +/- 5 people for over 30 years.

In looking at the General fund budget, these are probably the "big" line items, so finding the remaining cuts would be small items here and there. A couple examples would be eliminating the hiring of police trainees, cutting back on conferences and meetings, eliminating the non-operating fund budget, etc.

Water and Sewer User Rates

Like the conversation about rolling back property taxes, there have been discussions about keeping water and sewer rates static. If that is a direction that Council chooses to move in, that we would need to determine how to save and/or cut the water and sewer budget to accommodate this.

As a reminder, the challenge of water and sewer is that these are considered enterprise and should be self-supporting. It is incumbent on us to also build reserves to help us address large and costly capital projects (i.e. the new water/sewer lines to be built this year). We must continue to be prepared for increasing regulations from DNR regarding water treatment and wastewater treatment, this could come from government standards, expectations from the integrated management plan or renewed permit requirements. The City cannot exclude ourselves from these mandates. These mandates come with significant capital and professional services costs.

Additionally, the number of users has not significantly grown in 20 years- our total number of customers is 3300, which means that 3300 customers have had to continue to bear the increasing cost of producing water and treating waste. The best solution to moderating rates is customer growth, which we should begin to see trickle upwards as A and D Barracks, the Corn Cob pipe factory, Boone Point, and Fox Hollow continue to come to fruition.

Cutting \$150,000 from water and sewer respectively requires a freeze on wages. It is worth noting that freezing rates in the general fund or water and sewer would result in a City wide wage freeze, it does not seem fair to impact only one department. It probably goes without saying that I do not recommend this path, for all the same reasons I have already enumerated.

Additionally, we would have to limit additional capital projects beyond the planned water and sewer projects.

As we consider rate increases, we work very hard to keep them minimal- enough to ensure that we can fund our people, our projects and save for rainy day. The City is not insulated from rising costs of goods and materials any more than the citizens, you only need to look at the project bids to see this. It remains to be seen if project costs will hold steady, decline or go up – an outcome that the City really has no ability to impact.

Council must give staff some direction on property tax and on utility rates as you can see it would have significant ramifications on the proposed budget we will discuss in the coming weeks.