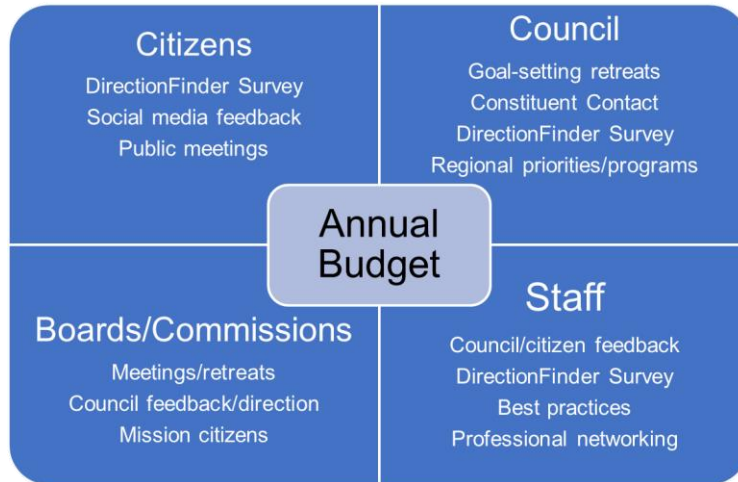


City of Mission 2024 Budget FAQs August 2023

Q: How and when does the City of Mission’s budget get created and adopted?

A: The Mayor, City Council, staff, and the citizens of Mission are all important participants in the creation and execution of the City’s budget. Input comes from many sources:



State law dictates the schedule for adoption of City budgets, including the required public hearings. Budget development begins in the first quarter of each year, and all cities must certify their budgets to the County Clerk by October 1. Key dates for additional public input on Mission’s 2024 Budget include:

- August 16 – 6 pm, Mission City Hall – Community Budget Dialogue
- September 6 – 6 pm, Mission City Hall – Revenue Neutral/Budget Public Hearing and Budget Adoption

Q: How big is the City of Mission’s budget?

A: The City’s total budget is made up of nearly twenty individual funds, totaling an estimated \$30.6 million for 2024. Annual budget discussions are typically focused in two areas. First, on the City’s General Fund – the operating fund supporting basic functions such as Police, Public Works, Community Development, and Parks + Recreation. And second, on funds tied to capital infrastructure investments such as streets, stormwater, park and recreation improvements, and public buildings and facilities. Many of these funds other than the General Fund have limited or special-purpose revenue streams.

Q: How does the City Council decide how to spend money?

A: In addition to funding basic services like Police and Public Works, the City Council has established five key performance areas which reflect the top priorities and objectives for budget and service delivery identified from Mission residents through the most recent DirectionFinder survey. Outcome statements were developed for each area to allow budget and policy recommendations to be connected to each key performance area annually. The performance areas and current (2023) investment in each is highlighted below:

- **Infrastructure:** Mission’s infrastructure is invested in to strategically maintain and ensure a safe and connected community for all. **[Total 2023 Investment: \$13.1 million]**
- **Parks + Recreation:** Maintaining welcoming, inclusive, clean and safe destinations and programs to improve the community’s quality of life and activities. **[Total 2023 Investment: \$2.3 million]**
- **Municipal Operations:** Delivery of responsive and relevant services through the continual evaluation of resident, business, Council and organizational priorities which allocate limited or finite resources (\$ and time). **[Total 2023 Investment: \$1.01 million (exclusive of salary/benefit expenses)]**
- **Sustainability:** Mission is a leader in sustainability which has created a resilient and adaptable City by reducing our carbon footprint in both City operations and across our community. **[Total 2023 Investment: \$637,950]**
- **Economic Development:** A diversified and robust civic and business community with a thriving downtown – a City where all you desire on a weekly basis is only a walk or a bike ride away (15-minute City). **[Total 2023 Investment: \$227,950]**

Q: What is the biggest revenue stream in the City’s budget?

A: Sales and use taxes make up the largest share of revenues in the City’s budget. Sales tax is collected on the purchase of taxable goods and services. Mission has a 1% sales tax to support general operations, a 3/8-cent sales tax dedicated for street maintenance (which can only be used for streets) and a 3/8-cent sales tax dedicated for parks and recreation which can only be used for parks and recreation). The City also receives a portion of selected county sales tax revenues. The current sales tax rate in Mission is generally 9.725%, allocated as follows:

State of Kansas	6.500%*
Johnson County	1.475%
City of Mission	
General	1.000%
Streets	0.375%
Parks & Rec	0.375%
Total	9.725%

*Beginning in January 2023, the State sales tax on grocery purchases began a phased roll back, eventually to be reduced to 0.0% by January 2025.

Q: Why are sales taxes so important to the City’s budget?

A: Dedicated retailers’ sales taxes are a common way to pay for community investments. Many who use Mission’s services, infrastructure (*i.e.*, streets), and amenities do not live in our community. Funding programs, services, and improvements with a sales tax helps relieve Mission residents and businesses from paying 100% of the costs. For every sales tax dollar collected in Mission, about **\$0.38** comes from people outside of our community.

Q: How much, on average, are property values increasing in Mission for 2024?

A: Mission’s overall assessed valuation is expected to increase by approximately \$13.9 million (7%) for the 2024 Budget, with one mill anticipated to generate approximately \$213,000 in the 2024 Budget.

<u>2022 Final Assessed Valuation</u>	<u>2023 Projected Assessed Valuation</u>	<u>Change (\$)</u>
\$199,769,960	\$213,632,383	\$13,862,423 (7%)

Q: Does that mean everyone will see an increase of 7% in their home’s appraised value?

A: No. Each property in the City is appraised separately. Information provided by the County Appraiser in March 2023 estimates changes to single-family residential properties in Mission as follows for 2024:

# of Properties	% Increase for 2024	% of total properties
128	0% or decrease	4%
282	0-3%	9%
492	3-5%	17%
864	5-8%	29%
595	8-10%	20%
563	10-20%	19%
46	>20%	2%

Q: What is the average home value in Mission?

A: The average appraised value of a single-family home in Mission for 2024 is \$310,305. This is an increase of 6.83% over the current year's average of \$291,055.

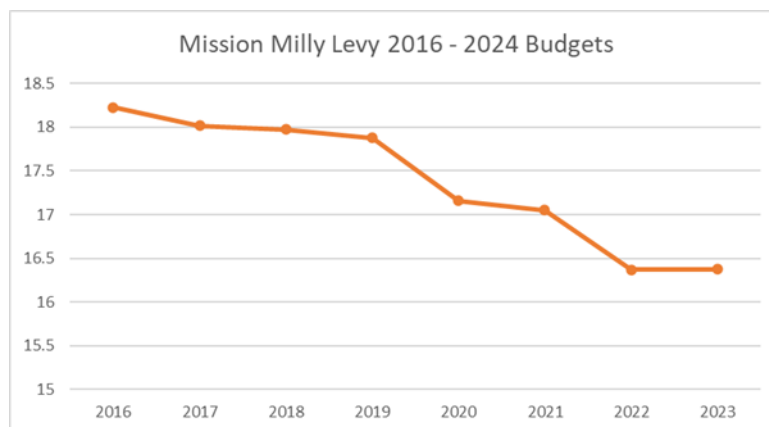
Q: What is a Revenue Neutral Rate (RNR)?

A: The Revenue Neutral Rate calculates the mill levy required to generate **exactly the same** amount of property tax as in the prior year's budget. Mission's estimated RNR for the 2024 budget is 15.313 mills vs. the current mill levy of 16.374. Revenue neutral means that a government levies and collects property tax revenues equal to what they collected in the previous year, providing no allowance for CPI growth, increasing labor or commodity costs, or for growth attributable to new construction. **A revenue neutral philosophy requires that a government provide this year's services at last year's prices.**

Q: I got my notice from the County showing Mission is proposing to raise the property tax mill levy. Why is this necessary when I've heard some neighboring cities are lowering theirs?

A: Each City has unique characteristics which impact both revenues and expenses. The Governing Body must always be sensitive to the impact of increased valuations on taxpayers, but the cost of providing city services and addressing resident/business priorities is not static. Having the opportunity to capture growth in assessed valuation is an important part of being able to deliver the services residents expect, especially as other revenue streams fluctuate.

Mission's mill levy has actually decreased by 1.645 mills (from 18.019 to 16.374 mills) since 2016 as the result of fluctuating values within TIF Districts, changes in reporting in the State budget forms, and changes in final assessed valuations. The graph below illustrates the changes in Mission's total mill levy since 2016.



In order to continue to deliver the quality of services residents expect and value and to address high priorities like streets, including our ability to successfully execute on the 10-year Residential Street Plan, Mission needs to address some structural imbalances in the General Fund balance.

Q: What is the dark-store theory and how has it impacted Mission's budget?

A: Another issue impacting property taxes for the last several years has been the potential impact of the "Dark Store Theory." In recent years, there has been a national trend of big box retailers contesting their property taxes, arguing that their stores should be valued as if they are empty (hence the "dark store" label). In 2022, the Kansas Supreme Court issued a decision in the pending Johnson County case, and essentially put the valuation determination in the hands of the Board of Tax Appeals (BOTA). Earlier this year, Mission learned the Johnson County Appraiser had reached settlements with impacted property owners in Mission in connection with BOTA cases, and refunds have been finalized with Hy-Vee and Target, resulting in the return of approximately \$150,000 originally estimated to be included 2023 revenues.

Q: What else is putting pressure on the City's budget?

A: There are a number of factors which are putting increased pressure on the City's budget including:

- Continuing revenue impacts from the COVID-19 pandemic, particularly with Powell Community Center revenues.
- Competition from public/private sector continues to present challenges in recruiting and retaining employees. Personnel costs are 62% of General Fund Budget expenditures (benchmark target is 60%-65%), and **personnel cost increases alone exceed total annual increases in revenues for 2024.**
- Escalating construction costs for projects.
- Priority to maintain a General Fund fund balance (reserves) of 25% of annual General Fund revenues. This is critical to maintaining our AA+ bond rating and to being able to respond to unexpected emergencies (like increasing extreme weather events).
- Commitment to make consistent progress on residential street maintenance. Most of our residential streets have experienced deferred maintenance and now require costly full-depth reconstruction.

Q: How do I calculate the portion of my property tax bill that goes to the City of Mission?

A: Review your Notice of Value or go to the [Johnson County website database](#) and search Land Records for your address. Then multiply the total valuation by 11.5% for residential property or 25% for commercial or industrial property. Multiply that number by the proposed Mission mill levy of \$18.50 per \$1,000 of assessed valuation.

For example, for the average home in Mission with a total valuation of \$310,305, the calculation would be: $(\$310,305 \times .115 \times 18.5) / 1,000 = \660.17 in property taxes paid to the City of Mission.

Please remember, this is the Mission portion of your tax bill. It does not include taxes for the State of Kansas, Johnson County Government, Johnson County Community College, Consolidated Fire District #2, libraries, school districts and other taxing entities.

On average, Mission's portion of your property tax bill represents around 14-15% of the total property tax paid by each residential property. When you consider the stormwater utility fee and the solid waste utility fee, the percentage of your annual taxes paid to Mission is between 20-23%.

Q: If Mission's mill levy is increased from 16.374 mills to 18.500 mills how much more could I expect to be paying in taxes in 2024?

A: The average Mission homeowner could expect to pay between \$5 -11 more each month with the proposed increased to 18.500 mills. Examples for different home values are illustrated below:

<u>Appraised Home Value</u>	<u>Current Mission Property Tax</u>	<u>Increase with 18.5 mills</u>
\$250,000	\$ 470.75/yr	\$5.09/mo - \$61.13/yr
\$350,000	\$ 659.05/yr	\$7.13/mo - \$85.58/yr
\$450,000	\$ 847.35/yr	\$9.17/mo - \$110.03/yr
\$550,000	\$1,035.66/yr	\$11.21/mo - \$134.47/yr
\$650,000	\$1,223.97/yr	\$13.24/mo - \$158.91/yr
\$750,000	\$1,412.26/yr	\$15.28/mo - \$183.37/yr

\$850,000

\$1,600.56/yr

\$17.32/mo - \$207.82/yr

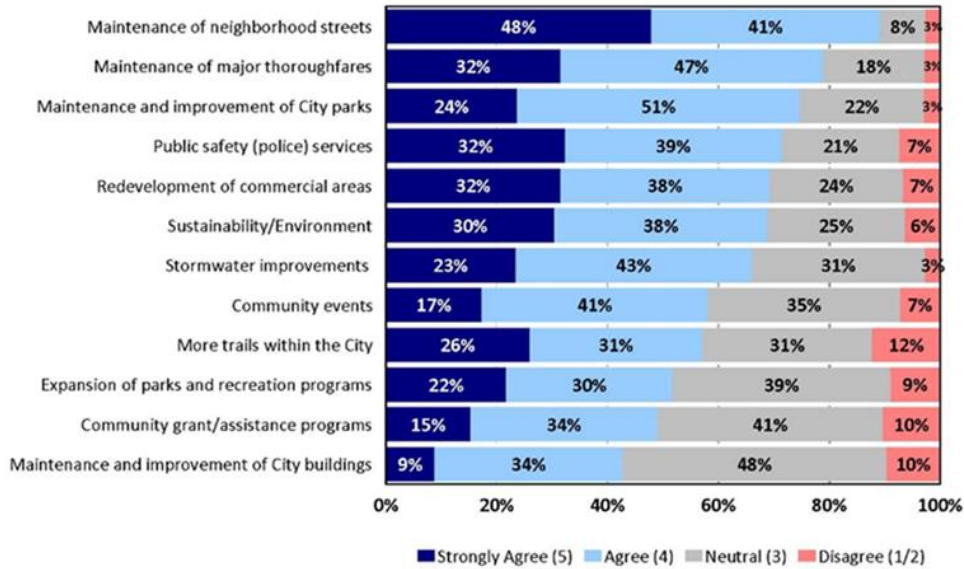
Q: Why 18.500 mills? And why not split the increase over two years?

A: Based in information collected during the most-recent DirectionFinder survey, Mission residents expressed a willingness to support increased City investment in several key areas including:

2021 City of Mission Community Survey: Findings Report

Q19. Agreement with Statements of Support for Increased City Investment in Current and Future Unmet Needs

by percentage of respondents who rated the item as a 1 to 5 on a 5-point scale (excluding "don't know")



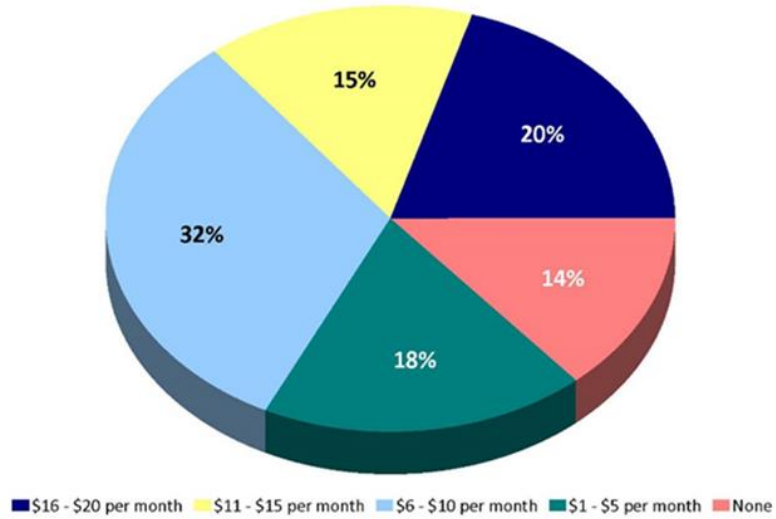
ETC Institute (2021)

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The Survey also asked residents the increased amount they would be willing to support in order to accomplish the priorities. That information is reflected in the chart below, with 67% of the respondents indicating a willingness to spend \$6 or more per month to make the improvements.

Q21. Maximum Amount Respondent Households Would be Willing to Invest to Make Improvements

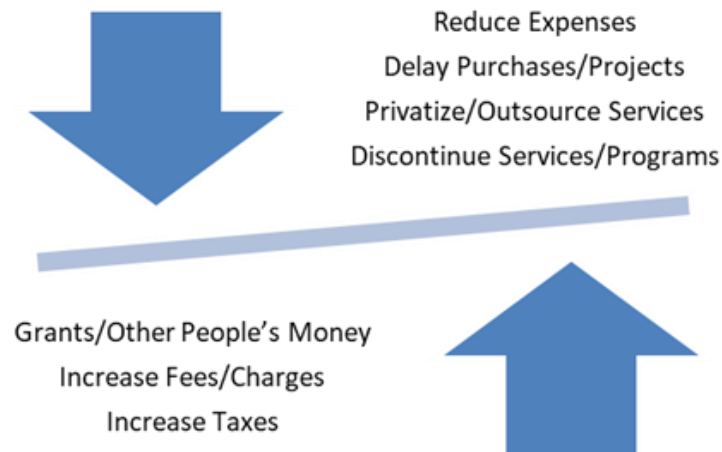
by percentage of respondents (excluding "not provided")



Increasing the mill levy from 16.374 to 18.500 does not solve all the budget pressures and considerations for 2024, but it does help the City to position itself more appropriately for the future. The estimated monthly impact of the increase in one year aligns with the survey data and allows the Council and staff to plan on a multi-year horizon.

Q: If you want to me to pay more, what is the City doing to help address the budget issues?

A: Every year staff evaluates options and alternatives to bring the budget into balance while meeting citizen priorities. That can include any of the following:

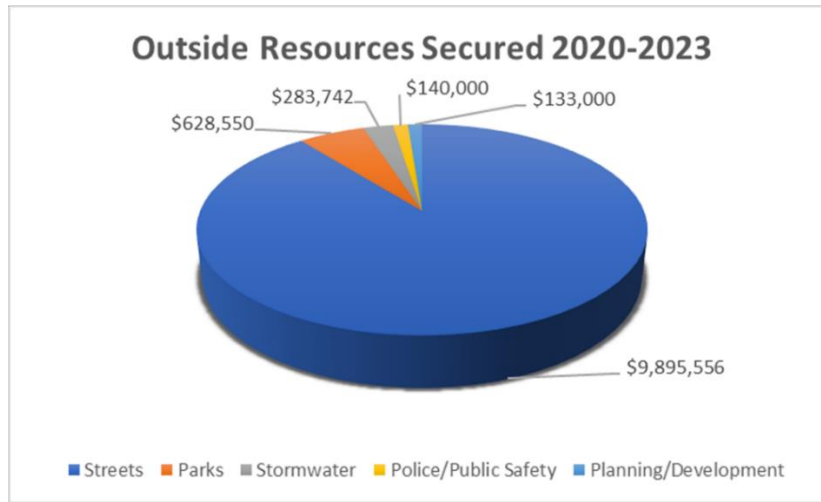


Careful and consistent management of Department Budgets resulted in savings of over \$500,000 in 2022 despite the following: 20% increase in health insurance costs, rising costs of goods and services, increasing pressures on employee recruitment and retention, and supply chain/scarcity issues resulting in higher costs for day-to-day operations and large capital projects.

Q: What success has Mission had in getting money from other sources?

A: The Council and staff understand that one of the most effective and efficient ways to stretch the resources we are entrusted with is to use them to leverage other people's money. **In the last three years alone, the City has secured over \$11 million dollars in Federal, State and County funds, and we continue to pursue additional funding opportunities wherever available.** We expecting to bring in an additional \$4-5 million

from outside sources over the next 2-3 years primarily for street and stormwater infrastructure projects.



Q: What can the City do to help minimize the impact on property owners who might already feel burdened by property taxes and fees?

A: Since 2004, Mission has offered a property tax and franchise fee rebate program for residents who meet certain income guidelines. The average rebate provided in 2022 was \$632. The Council is discussing modifications to the program to potentially help minimize the impact of any mill levy increase on Mission’s residents who are most in need. Additionally, there are no increases proposed to the solid waste utility fee (for trash, recycling, yard waste and bulky item collection) or the stormwater utility fee (\$336 annually for all single-family homes) in the 2024 Budget.

Q: Do we need to raise taxes because the Gateway project is in foreclosure and the developer hasn’t paid their taxes?

A: No. The need to consider a mill levy increase in the 2024 budget to fund general operations and streets is based on several factors including: continued recovery from the pandemic, unanticipated sales and property tax refunds, slowed growth in revenue streams like sales tax or franchise fees, and increased project costs and other inflationary impacts. Most of the taxes and fees due from the Gateway (\$600,000 annually) are for a stormwater special assessment which is deposited in the Stormwater Utility Fund, not the General Fund, and can **only** be used for stormwater projects. While there is some impact on the General Fund by non-payment of taxes, the greatest impact is in the City’s stormwater utility fund. The Council is not considering an increase in the annual stormwater utility fee to compensate for these delinquent payments.

Q: How much money in incentives has the City paid to the Gateway developer that will never be recovered?

A: No incentives have been paid to the developer. The Redevelopment Agreement committed funds generated by the project, and since there is no project, no funds have been expended. The City Council terminated the most recent Redevelopment Agreement in July 2023.

Q: Why doesn't the City just use eminent domain to take over the property and turn it into a park or something else?

A: The City may only use eminent domain to acquire property for a public purpose, such as a park. In the eminent domain process, a property is appraised, and the City would be required to pay that appraised value, the "fair market value" for the property. The City cannot "take" the property for free. Nor can the City acquire the property through eminent domain and then use or sell the property for a non-public use (like, for example, to another developer). As a benchmark, the property is currently appraised by Johnson County at approximately \$11.5 million dollars. In addition to funds required for acquisition, the City would then have to fund any improvements to the site. The City does not believe that most residents would support spending \$11.5+ million on park acquisition for a single site, nor can the City afford to do so with current revenues.