

Navigating Revenue: Insights, and Strategies for Future Growth

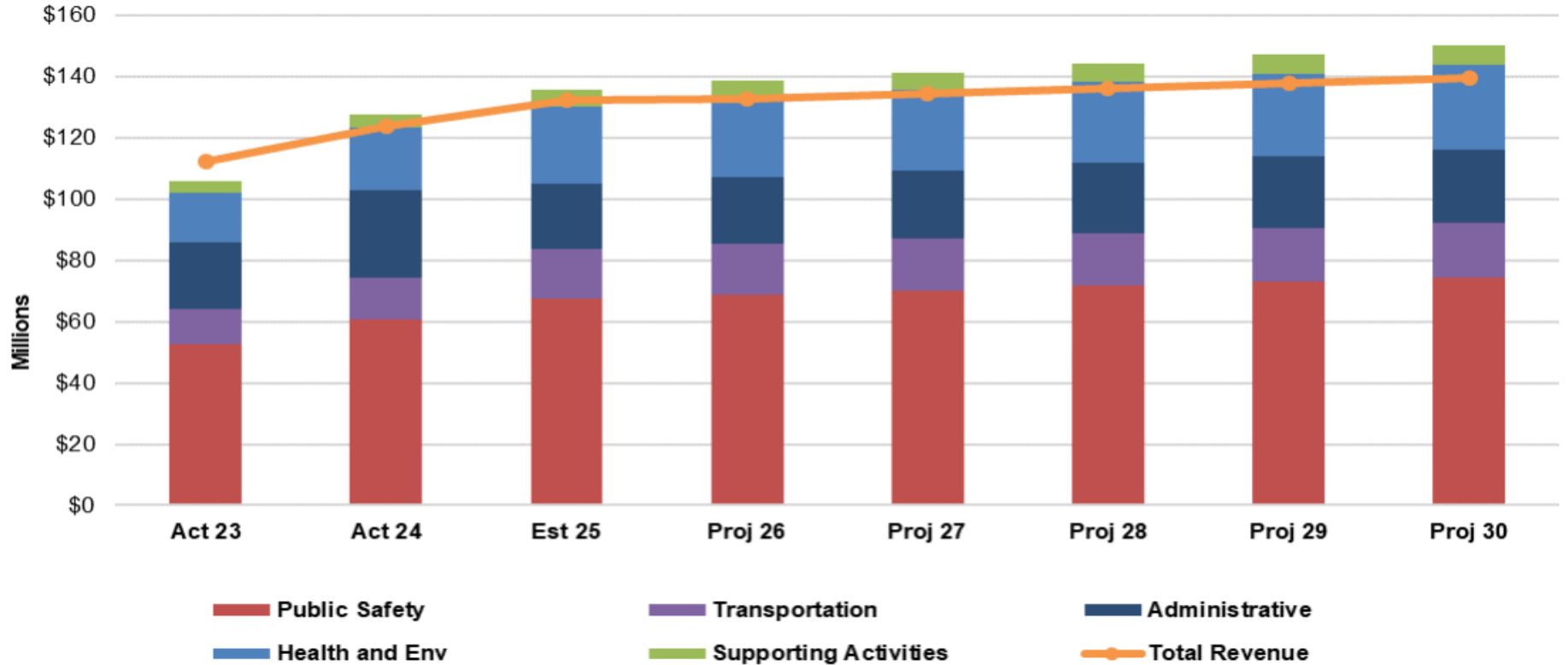
February 24th, 2025

Discussion Points

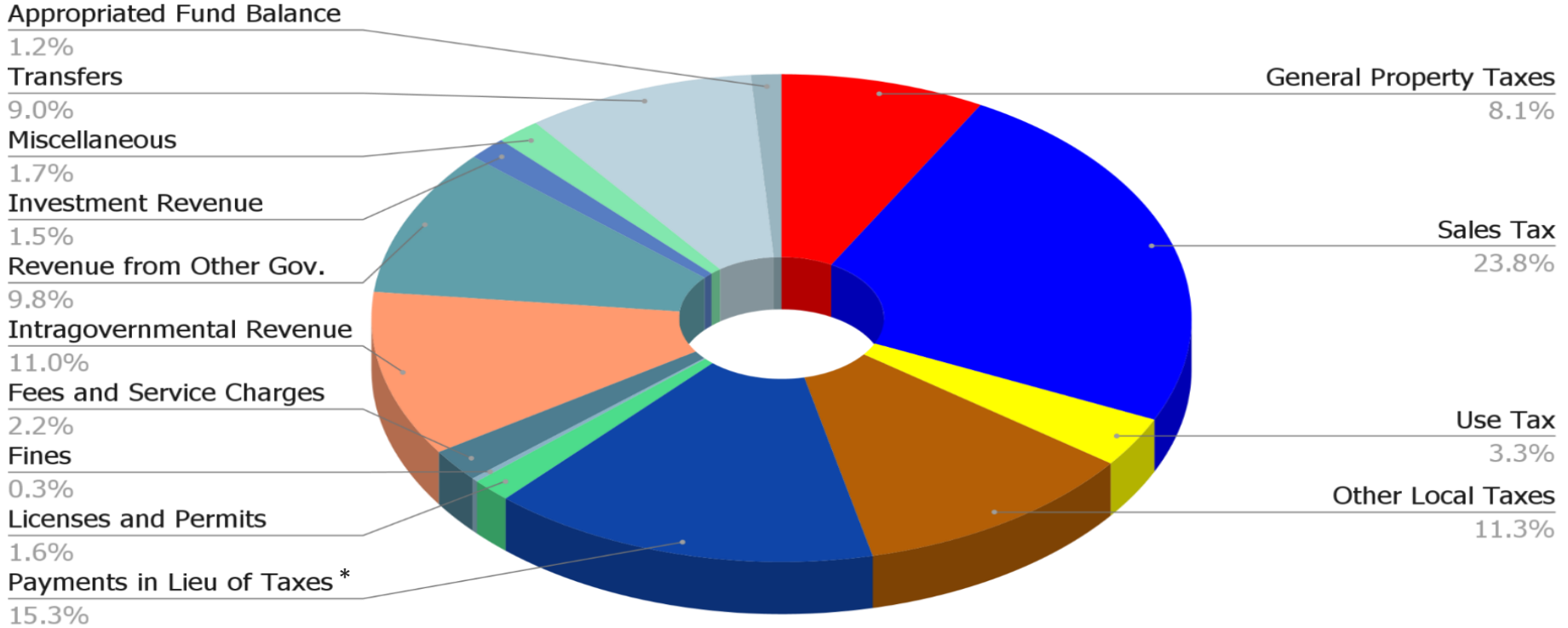
- ❑ Current Revenue Outlook
- ❑ Tax Philosophy: Progressive vs. Regressive taxes
- ❑ Sales and Property Tax
- ❑ Other Revenue Category Trends
- ❑ Potential Future Revenue Sources
- ❑ Emerging Issues

Current Revenue Outlook

General Fund Revenue vs Expenditure Projection

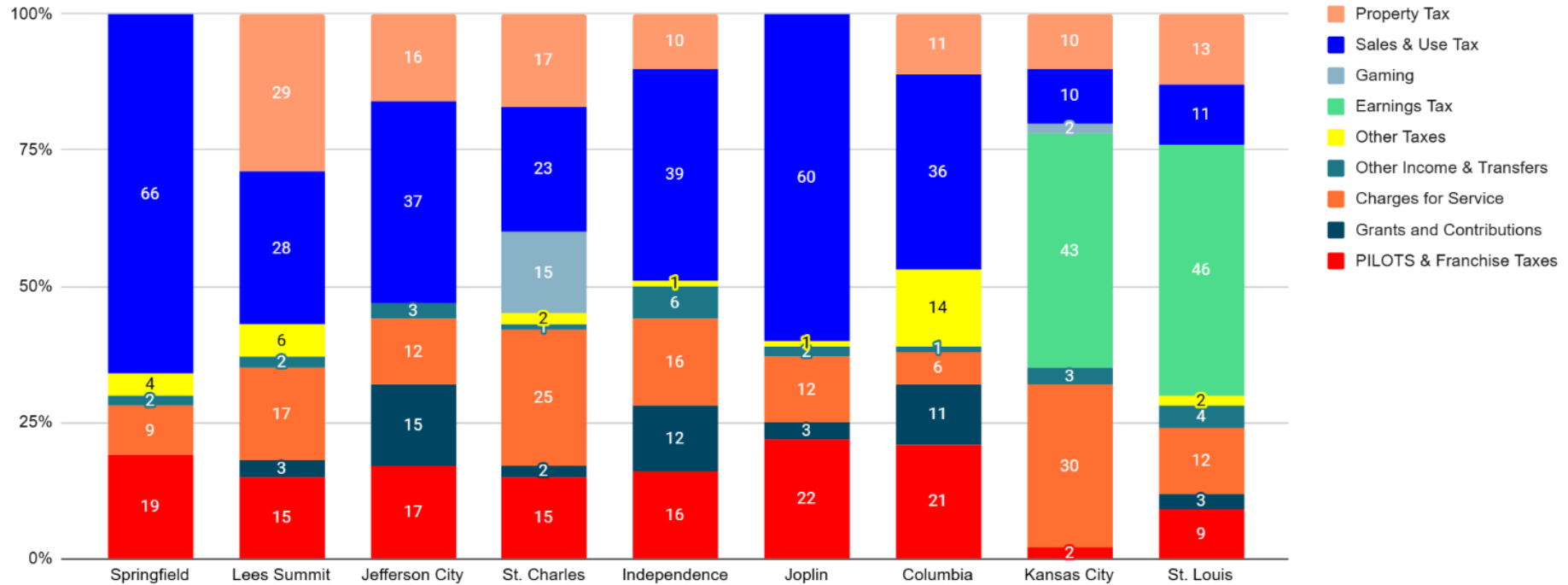


General Fund Revenue



*Actual PILOT Revenue: 2024 - \$17.8m, 2023 - \$16.8m, 2022 - \$16.8m

MO Cities General Fund Revenue Breakdown



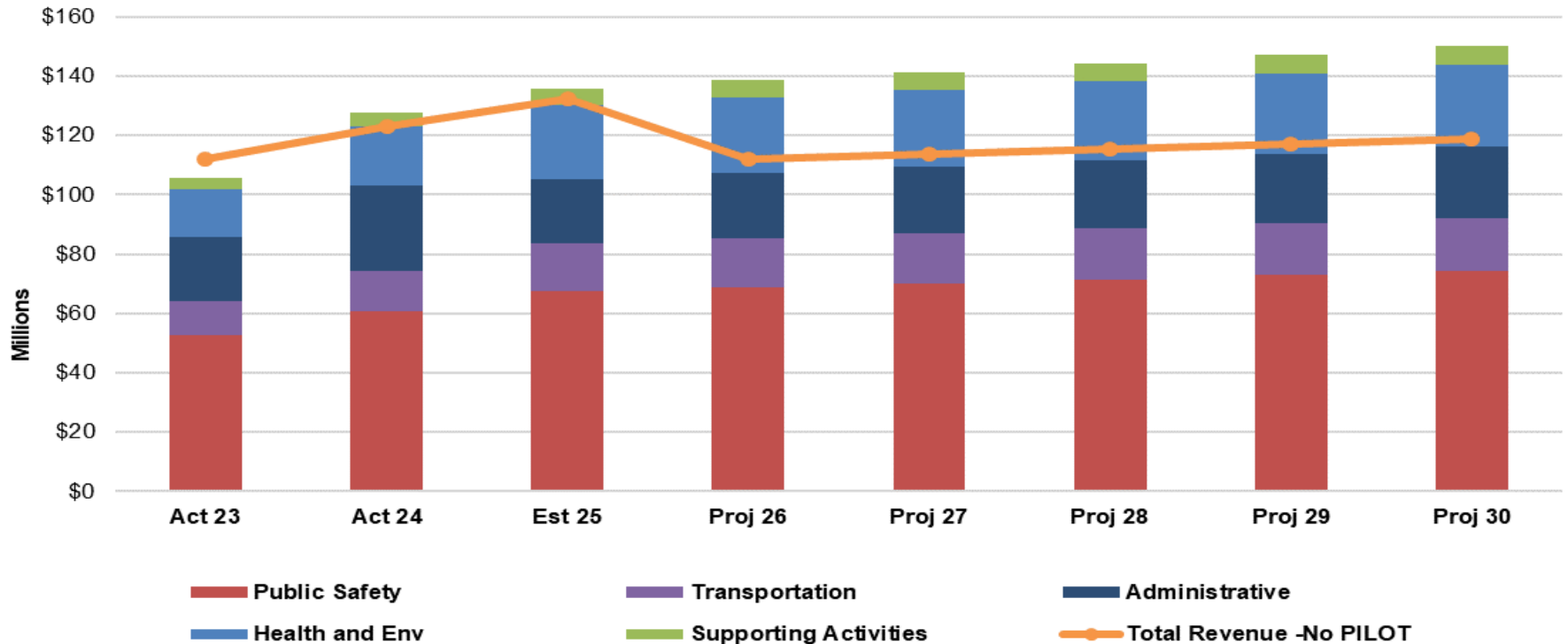
Payments in Lieu of Taxes (PILOT)

- ❑ Payments in Lieu of Taxes (PILOT) are payments that help local governments offset losses in tax revenue due to the tax exempt nature of owned real property within its boundaries.
- ❑ PILOT payments make up 10.3% of all Governmental revenue and is the third largest revenue source for Governmental activities.

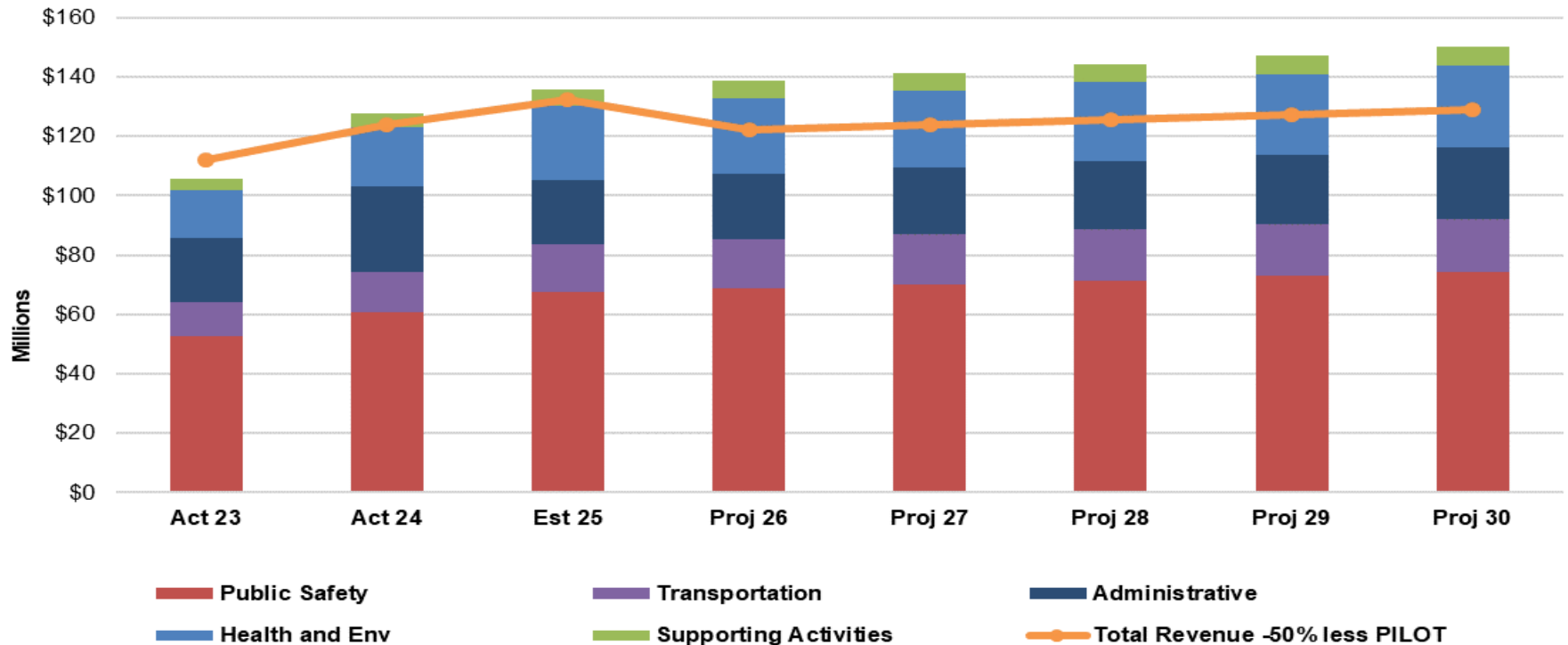
How Cities Calculate PILOT

- ❑ City of Columbia uses a gross receipts tax rate of 7.5268%, and a property tax rate of $(\text{the estimated assessed value}/100) \times 6.7462$
- ❑ Springfield, MO uses a rate of 3% of the gross operating revenue for electric, and 4% for water and gas.
- ❑ Independence, MO imposes a 9.08% fee on gross receipts, and a property tax rate assessed at the rate of a privately owned utility.
- ❑ Gainesville, FL imposes a 10% utility tax that is levied on the sale of services to the customers, as well as a General Fund Transfer (GFT) that varies from year to year.

Impact of no PILOT



Impact of 50% less PILOT



Tax Philosophy

Progressive vs. Regressive taxes

Progressive Tax

A progressive tax is a tax system where the tax rate increases as an individual's income increases. Higher-income earners pay a larger percentage of their income in taxes compared to lower-income earners. Progressive taxes are designed to distribute the tax burden more equitably, based on individuals' ability to pay.

- ❑ Property tax
- ❑ Estate Tax
- ❑ Federal Income Tax

Regressive Tax

A regressive tax is a type of tax that takes a larger percentage of income from lower-income individuals compared to higher-income individuals. Essentially, it disproportionately impacts those with less money because the tax amount represents a larger share of their income.

- ❑ Sales Tax
- ❑ Excise Tax
- ❑ Payroll Tax

Sales Tax Pros & Cons

Pros

- ❑ **Simplicity**: relatively straightforward for taxpayers to understand compared to property tax.
- ❑ **Consumption-Based**: Those who spend more end up paying more in sales tax.
- ❑ **Equality**: Sales Tax is applied equally to all consumers, so it applies to residents as well as visitors. Reducing the tax burden on residents. It is estimated that around 30% off all sales tax is paid by non-resident taxpayers.

Cons

- ❑ **Burden on Lower-Income Individuals**: Lower-income individuals pay a higher percentage of their income to sales tax than higher-income individuals.
- ❑ **Volatile Revenue Source**: Sales tax fluctuates with economic conditions, which can cause revenue constraints during an economic downturn.
- ❑ **Encourages Tax Avoidance**: Consumers may shop in lower-tax jurisdictions to avoid sales tax.

Property Tax Pros & Cons

Pros

- ❑ **Stable Revenue Source:** Property values don't fluctuate as much as sales tax, making it more predictable for governments.
- ❑ **Fairness:** Since property taxes is based on the value of property higher income individuals often pay more than lower income individuals.
- ❑ **Hard to Evade:** As compared to sales tax, since property taxes is based on real and personal property, whereas consumer can shop in different jurisdictions to avoid sales tax.

Cons

- ❑ **Complex:** Due to the nature of assessing/valuing property and determining taxes on the property, property tax can be less straightforward to taxpayers as opposed to sales tax.
- ❑ **Burden on Fixed-Income Property Owners:** Property owners on a fixed-income may struggle with rising property taxes. Also could discourage lower-income individuals from pursuing homeownership.
- ❑ **Tax Burden Solely on Residents:** Unlike sales tax property tax is only paid by residents.

Sales and Property Taxes

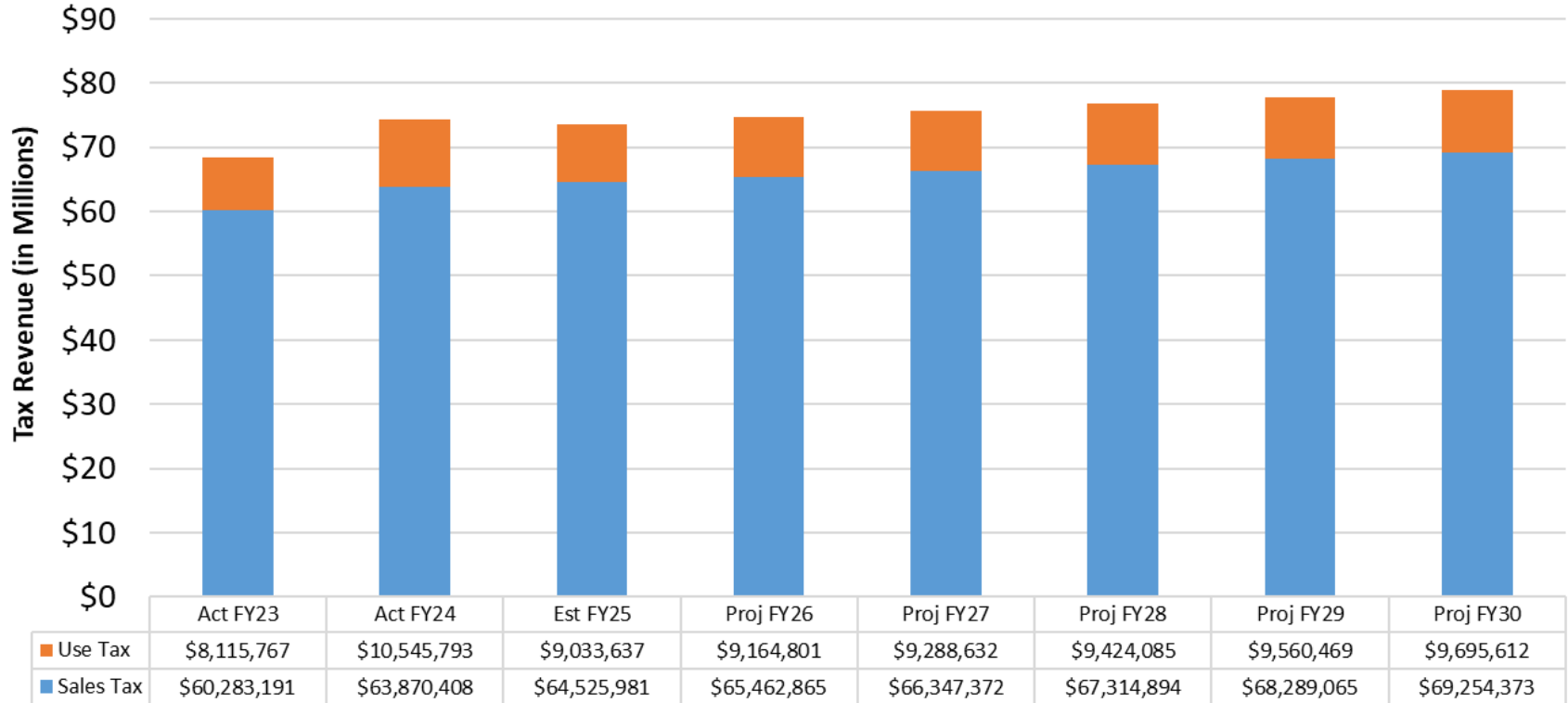
FY25 Estimated Sales and Use Tax by Funds

<u>Fund</u>	<u>Tax Rate</u>	<u>Sales Tax</u>	<u>Use Tax</u>
General Fund	98% of 1%	31,617,731	4,426,482
Public Improvement Fund	2% of 1%	645,260	90,336
Capital Improvement Sales Tax	¼%	8,065,748	1,129,205
Park Sales Tax	¼%	8,065,748	1,129,205
Transportation Sales Tax	½%	16,131,495	2,258,409
Total	2%	\$64,525,981	\$9,033,637

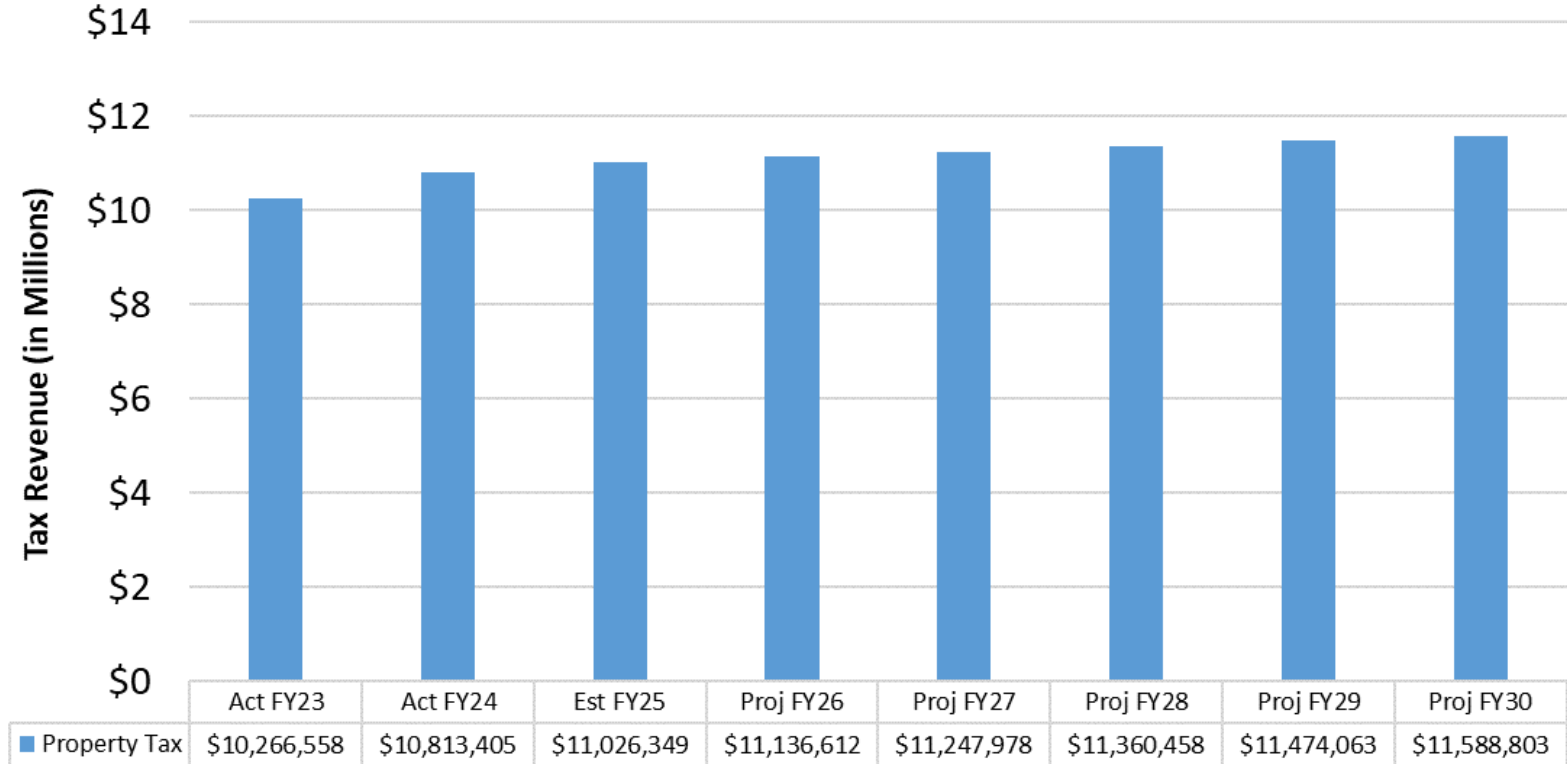
Sales Tax Rate of Most Populated Cities In Missouri

City	Tax	City Portion
St Joseph	9.700%	3.875%
St Louis	9.679%	5.450%
Kansas City	8.850%	3.250%
Lee Summit	8.475%	2.750%
Independence	8.350%	2.625%
Springfield	8.100%	2.125%
<u>Columbia</u>	<u>7.980%</u>	<u>2.000%</u>
St Charles	7.960%	2.000%
O'Fallon	7.950%	2.000%
St Peters	7.950%	2.000%

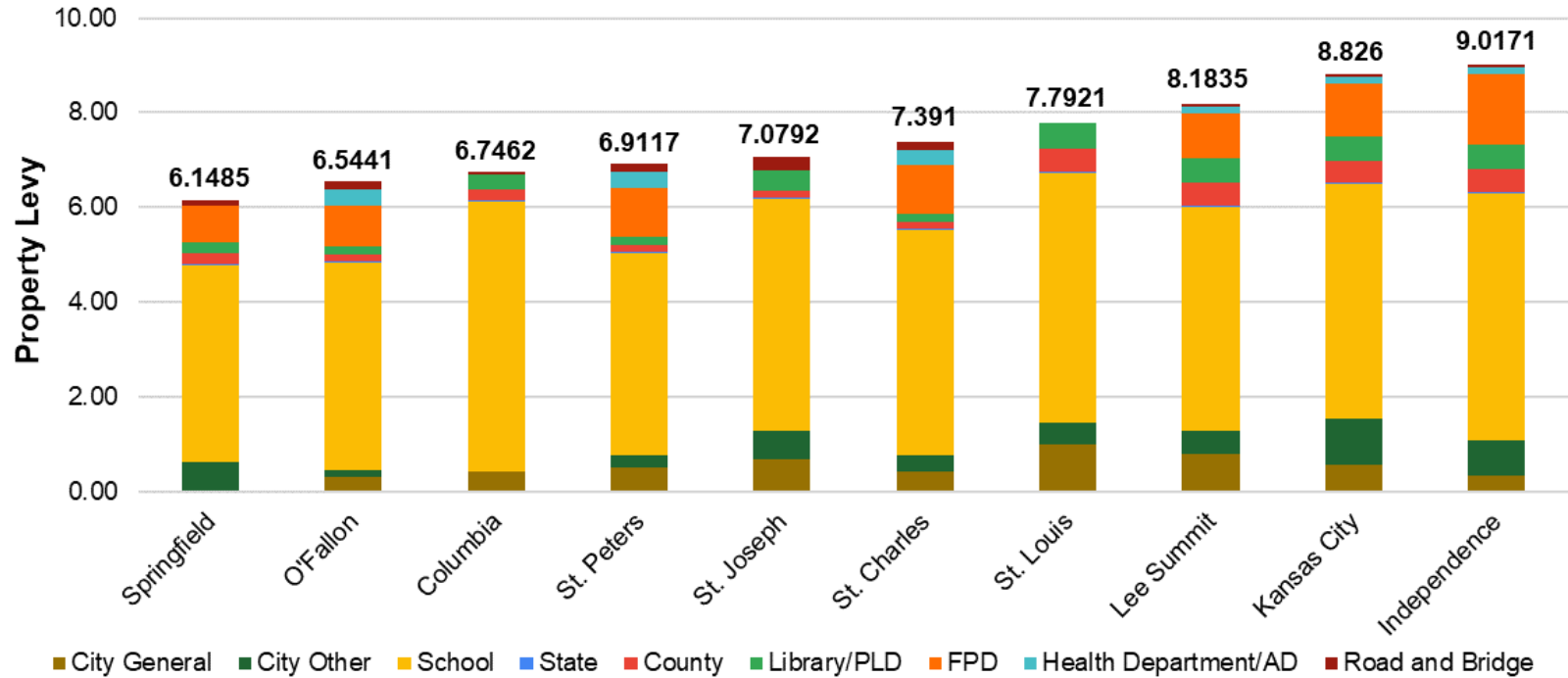
Sales and Use Tax Forecast



Property Tax Forecast



Missouri Property Tax Rate Comparison



Boone County Property Tax Rate

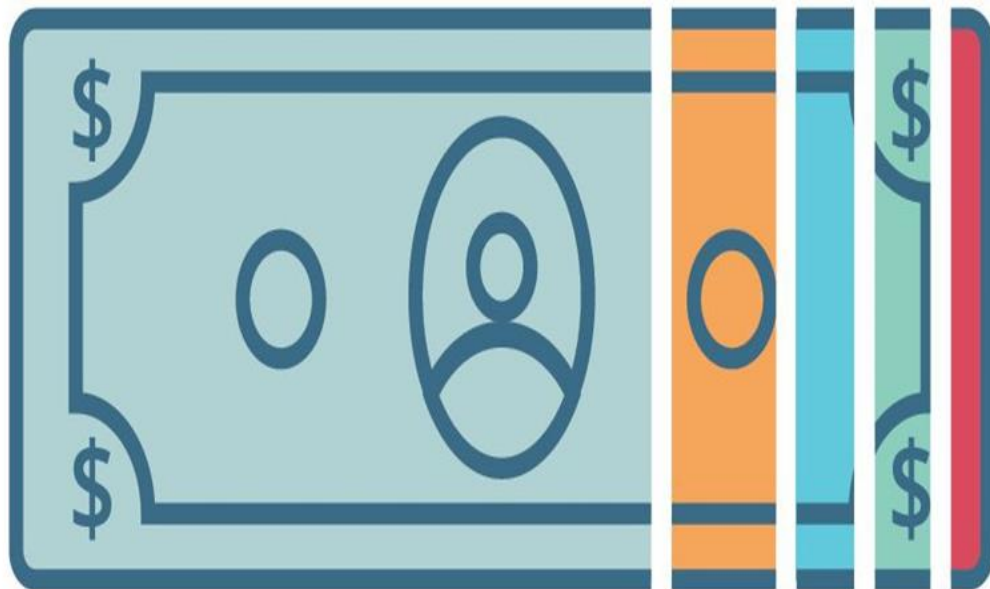
 **84.8%**
COLUMBIA PUBLIC
SCHOOLS

 **4.5%**
DANIEL BOONE
REGIONAL LIBRARY

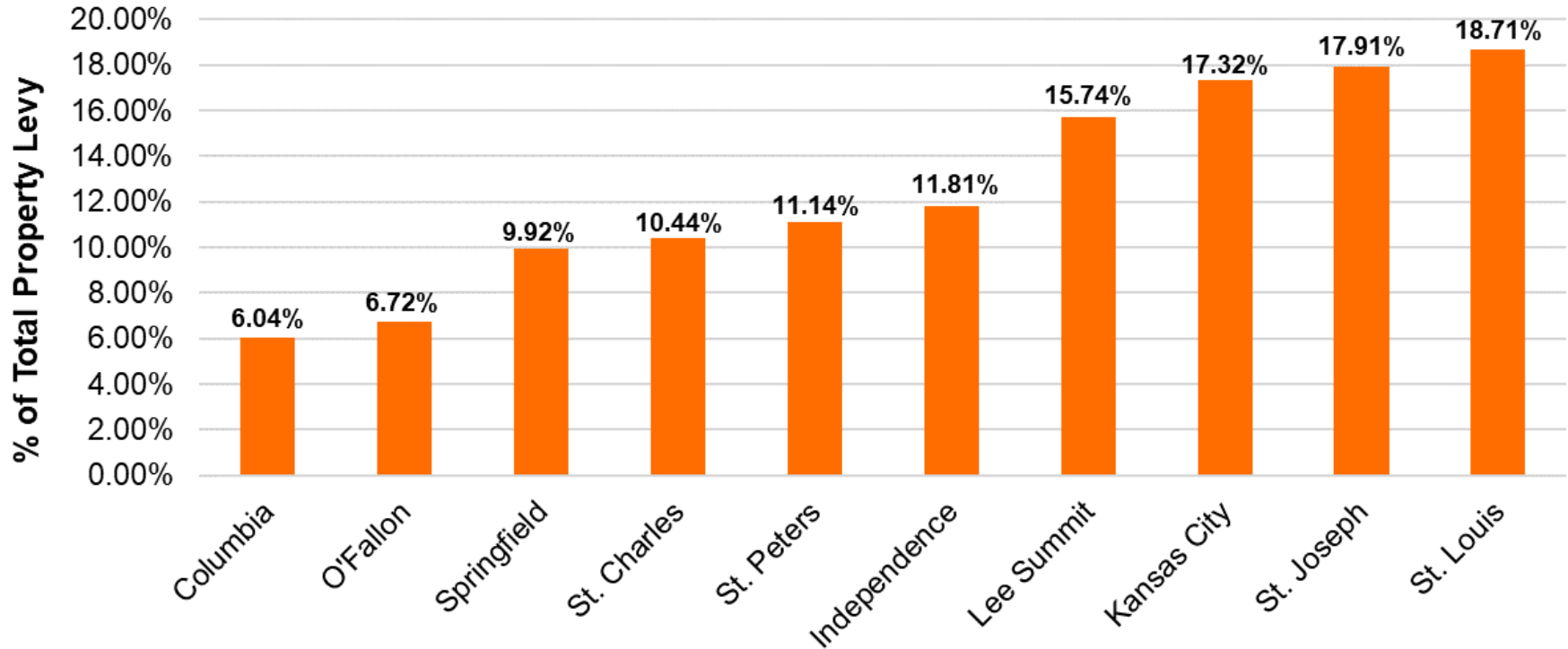
 **0.4%**
STATE OF MISSOURI

 **6%**
CITY OF COLUMBIA

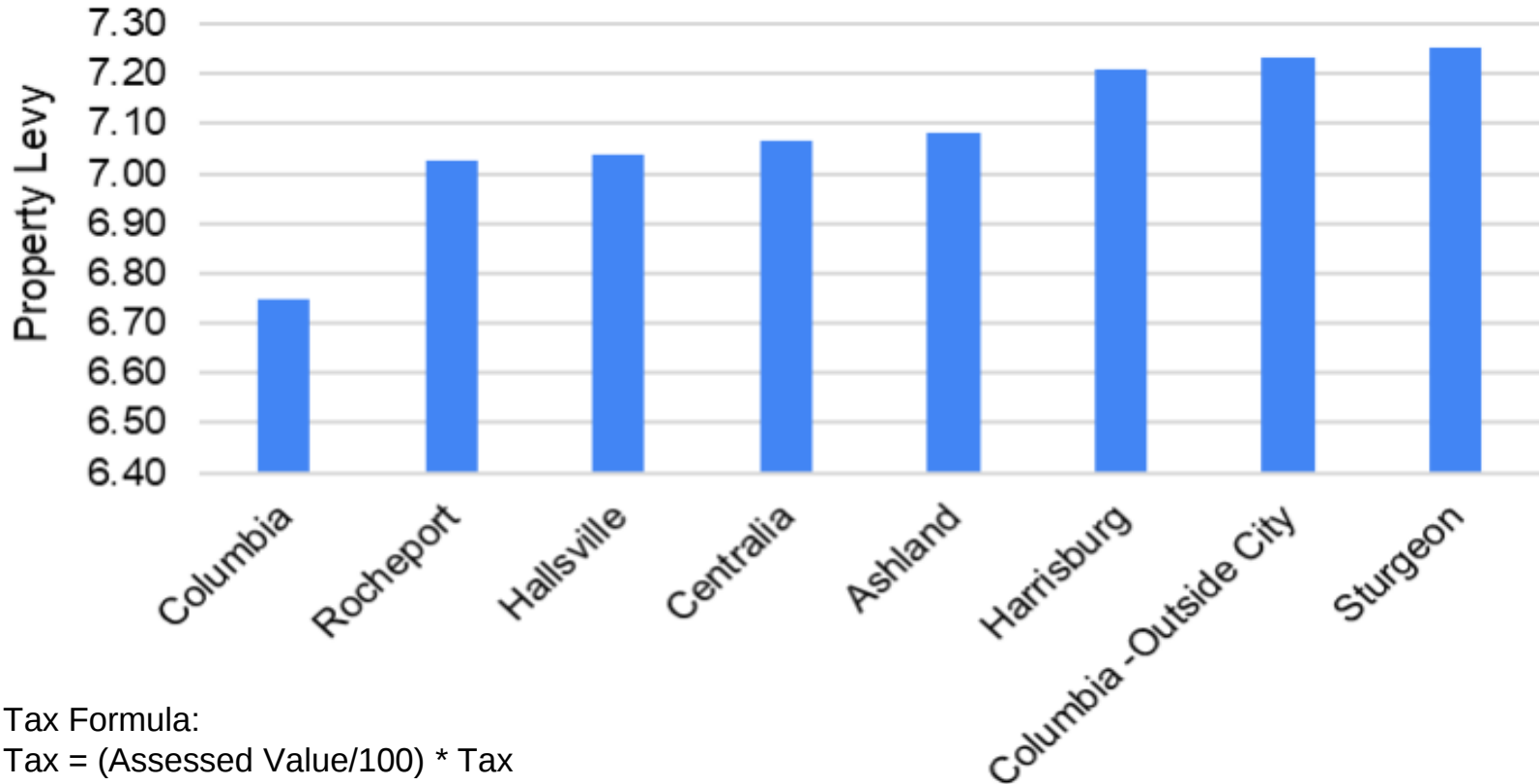
 **4.2%**
BOONE COUNTY



Percentage of City Portion per Dollar



Comparison within Boone county - Property Tax



Property Tax Formula:
Property Tax = (Assessed Value/100) * Tax
Rate

Property Tax Comparison

Columbia City Limits

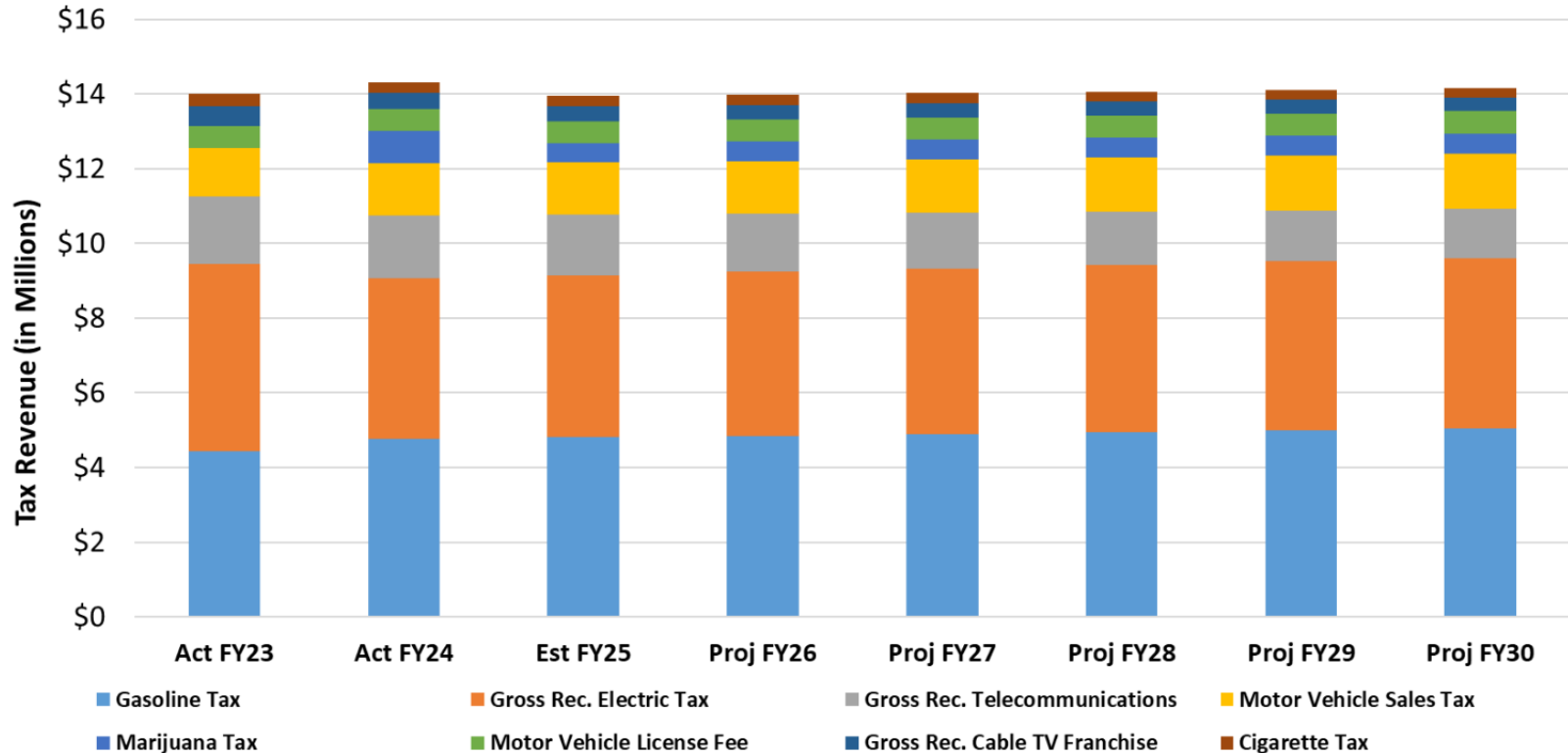
<u>Entity</u>	<u>Levy Rate</u>
State	0.0300
Boone County	0.2334
CPS	5.7195
Columbia	0.4075
Library	0.3058
Common Road	0.0500
Total Tax	6.7462

Outside CITY Limits

<u>Entity</u>	<u>Levy Rate</u>
State	0.0300
Boone County	0.2334
CPS	5.7195
Boone FPD	0.8926
Library	0.3058
Common Road	0.0500
Total Tax	7.2313

Other Revenue Category Trends

Other Local Taxes Forecast



Other Local Taxes Forecast

Type	Act 23	Act. 24	Est FY25	Proj FY26	Proj FY27	Proj FY28	Proj FY29	Proj FY30
Cigarette Tax	345,178	297,622	288,112	278,906	269,994	261,366	253,015	244,930
Gross Rec. Telecommunications	1,792,434	1,685,571	1,616,483	1,550,226	1,486,686	1,425,750	1,367,311	1,311,268
Gross Rec. Union Electric	3,518,887	2,691,008	2,717,918	2,745,097	2,772,548	2,800,273	2,828,276	2,856,559
Gross Rec. Boone Electric	1,497,135	1,606,048	1,622,109	1,638,330	1,654,713	1,671,260	1,687,973	1,704,853
Gross Rec. Cable TV Franchise	536,640	430,997	417,573	404,567	391,967	379,758	367,930	356,470
Gasoline Tax	4,436,183	4,756,121	4,803,682	4,851,719	4,900,236	4,949,239	4,998,731	5,048,718
Motor Vehicle Sales Tax	1,315,313	1,394,493	1,408,438	1,422,523	1,436,748	1,451,115	1,465,627	1,480,283
Motor Vehicle License Fee	568,800	568,733	574,421	580,165	585,967	591,826	597,745	603,722
Marijuana Tax	-	883,311	509,817	514,915	520,064	525,265	530,518	535,823
Total	14,010,569	14,313,905	13,958,553	13,986,448	14,018,922	14,055,853	14,097,125	14,142,626

Potential Revenue Sources

Additional Sales Tax

- ❑ Capital Improvement Sales Tax
 - ❑ Additional .25% available, \$7,750,000
- ❑ Parks Sales Tax
 - ❑ Additional .25% available, \$7,750,000
- ❑ Public Safety Department Sales Tax - State Legislation needed
 - ❑ Up to 1%, \$31,000,000
 - ❑ Provide revenues for the operations and capital improvements of public safety departments, including police and fire departments. (pension programs included)

Additional Sales Tax Cont.

- ❑ Economic Development Sales Tax
 - ❑ Up to .5%, \$16,000,000
 - ❑ Funding economic development. “Economic development” shall mean funding any economic development project approved by the voters.
 - ❑ Budgeted activities are considered approved projects
- ❑ Capital Improvements for Public Safety Sales Tax
 - ❑ Up to 1%, \$31,000,000
 - ❑ Capital improvements for public safety, and for financing such capital improvements for public safety.

Additional Property and Other Tax

- ❑ As of 12/31/2023 the City has 0.23 cent of additional property tax capacity
 - ❑ Estimated \$6 million in revenue
- ❑ Public Safety Property Tax
 - ❑ 0.30 cent per assessed valuation proposed, estimated \$8 million in new revenue
- ❑ Additional tax on tobacco products
 - ❑ \$297,622 (increase cigarette tax from 10 cents to 20 cents per pack)
 - ❑ \$25,000 (add 10 cents tax per mL of nicotine e-cigarette)

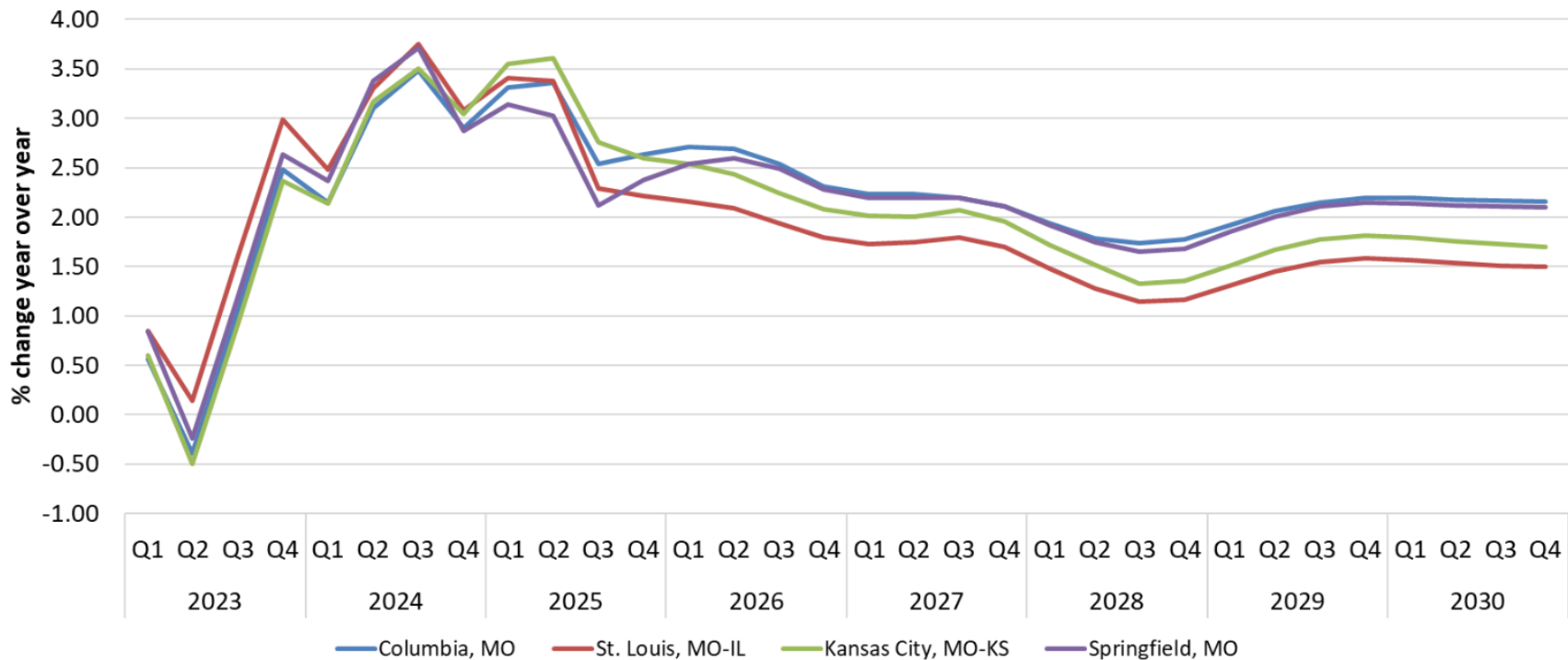
Emerging Issues

Fiscal Note HB:432

- ❑ House Bill 432 seeks to eliminate local food-related sales and use tax for retail sales.
- ❑ If HB 432 passes then there would be a loss of at least \$10.5 million in yearly revenue from 2026 onwards.

Categories	Proj. FY 25	Proj. FY 26	Proj. FY 27	Proj. FY 28	Proj. FY 29	Proj. FY 30	Proj. FY 31
Sales Tax	\$65,147,816	\$66,450,773	\$67,779,788	\$69,135,384	\$70,518,092	\$71,928,453	\$73,367,022
Food-related Sales Tax	\$10,097,912	\$10,299,870	\$10,505,867	\$10,715,984	\$10,930,304	\$11,148,910	\$11,371,888
Use Tax	\$10,756,709	\$10,971,843	\$11,191,280	\$11,415,105	\$11,643,408	\$11,876,276	\$12,113,801
Food-related Use Tax	\$247,404	\$252,352	\$257,399	\$262,547	\$267,798	\$273,154	\$278,617
Food-related Sales and Use Tax	\$10,345,316	\$10,552,222	\$10,763,267	\$10,978,532	\$11,198,103	\$11,422,065	\$11,650,506

Current Trends: Changes in Retail Sales



Budget Priorities

Narrow the current scope to 3 main objectives

Current priorities

- ❑ Public Safety
- ❑ Organizational Excellence
- ❑ Infrastructure
- ❑ Technology
- ❑ Social Services
- ❑ Housing