

April 29, 2014

News Release

*For Immediate Release*

### **City Council budget workshops continue**

The Springfield City Council continues a series of budget workshops at noon today, which will include the distribution of the Fiscal Year 2015 Proposed Annual Budget. (The fiscal year runs July 1, 2014 – June 30, 2015.)

Two more Council workshops are scheduled for noon on May 6 and 13. Additional workshops will be scheduled if needed.

The proposed FY2015 budget addresses needs in four categories:

- a. Additional funding required by changes in law or contract requirements.
- b. Needs that are unique to a specific industry and can be fully offset by an increase in fees.
- c. Needs that protect the City's financial stability.
- d. Needs that departments are able to fund by reallocating money within their budgets.

Today's workshop focuses on needs that protect the City's financial stability. Risk Manager Doug Stone will present findings from a comprehensive review of the City's risk management program. This review showed serious gaps in insurance coverage. Many departments, such as police, fire and public works, carry currently carry no liability insurance, leaving them open to great risk.

In FY2015, City Manager Greg Burriss will propose that the City expand insurance coverage to include general liability, public officials' liability, law enforcement liability and cyber insurance. The fund would become the City's Self-Insurance Fund and would cost \$3.7 million to fund city-wide, although the entire sum is not new cost. The plan calls for consolidation of other City insurance policies already in place.

The proposed \$311 million budget is put forth by the City Manager with extensive input from City staff. The workshops allow City Council time to discuss and consider the budget in detail and put forth any suggested changes. Council must approve a final budget before the new fiscal year begins on July 1.

The proposed budget is summarized in the City Manager's budget message to Council members at the beginning of the document.

#### Revenue Outlook for FY2015:

The City's FY2015 overall revenue in the General Fund is projected to increase 3.1% over the FY2014 budget. Sales tax is projected to increase 3% over FY2014 estimated revenue. Sales tax

and use tax comprise 58% of the total revenue for the General Fund, so the increase in sales tax is a key driver.

“Although sales tax revenue declined in the first quarter of the calendar year 2014, we feel a major reason for the decline was the harsh winter we experienced throughout our region. I believe the Springfield economy is strong, as evidenced by the recent spur in development and the improvement in the unemployment rate,” Burris said.

#### Expenditures for FY2015:

While revenue has stabilized, the City is just now returning to levels from 2008, Burris said. There are many needs that are still unable to be funded. For FY2015, there is over \$12 million of needs not addressed in the proposed budget.

Salaries and benefits comprise 81% of the General Fund budget. This presents a two-fold challenge while managing the budget. First, the City is funding a semi-fixed cost with sales tax, a volatile revenue source. Second, with 81% of the budget devoted to salaries and benefits, it is difficult to fund new priorities or programs.

Again, the proposed FY2015 budget addresses needs in four categories:

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- d. Needs that departments are able to fund by reallocating money within their budgets.

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