

### **Introduction:**

The Five-Year Financial Plan is a forecasting tool that assists City leaders in developing strategies to achieve the City's goals. The objectives of the financial plan are to:

1. **Assess** the implications today's decisions have on future financial viability
2. **Develop** strategies to achieve goals and objectives
3. **Analyze** revenue and expenditure trends
4. **Plan** for programs and services that may be offered or eliminated
5. **Grow** the City's strategic decision-making to achieve financial stability and increase bond ratings



Financial forecasts are derived from quantitative trend estimates, including those dependent on economic conditions, as well as qualitative estimates utilizing the experience and knowledge of the City's professional staff. Variables affecting the financial forecast can change quickly, such as capital project timing and financial aid, therefore City staff continuously assess the City's budget and financial health outside of developing this annual forecast.

## 2024 Working Day Recap

During the 2024 working day session, the following recommendations were made. The actual actions approved by the City Commission are noted for each recommendation.

### Considerations

The City, like local businesses, is seeing the impact of rising commodity prices and the tight labor market. The sales tax, which targets specific operational areas, has increased at a slower pace than inflation, but has increased enough to continue addressing those specific areas. Growth in property tax has allowed the City to minimally increase operational budgets in an effort to match our community's development. Utility revenues will need gradual rate increases to keep up with increasing costs and to fund critical improvements to our aging infrastructure. Rates must increase to fund debt service needed to replace our fifty-year-old wastewater treatment plant.

Robust growth and conservative operations have put the City's reserves in a healthy position to mitigate uncontrollable factors such as the prospect of a recession, extreme weather, and rising costs of health insurance, utilities and other uncontrollable factors.

During the 2021 legislative session, the tax lid was removed and the legislature enacted Senate Bill 13. This legislation established a notice and public hearing requirement if the proposed budget will exceed the property tax levy's revenue neutral rate (RNR). The RNR is the mill rate that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation.

Based upon our projections of revenues and expenditures, using historical data and other known factors, the 2024 financial plan was prepared with the following assumptions, considerations and recommendations. Staff will continue to review the City's financial position each year and make recommendations in the Five-Year Financial Plan for your consideration.

### Assumptions

- Sales tax revenue, 2% growth for years 2024-2028
- Assessed valuation is projected to remain consistent from 2024 to 2028
- Gaming revenue from the Kansas Crossing Casino continues at \$370,000 annually for years 2024-2028
- Utility rate increases of 3% annually for years 2024-2028

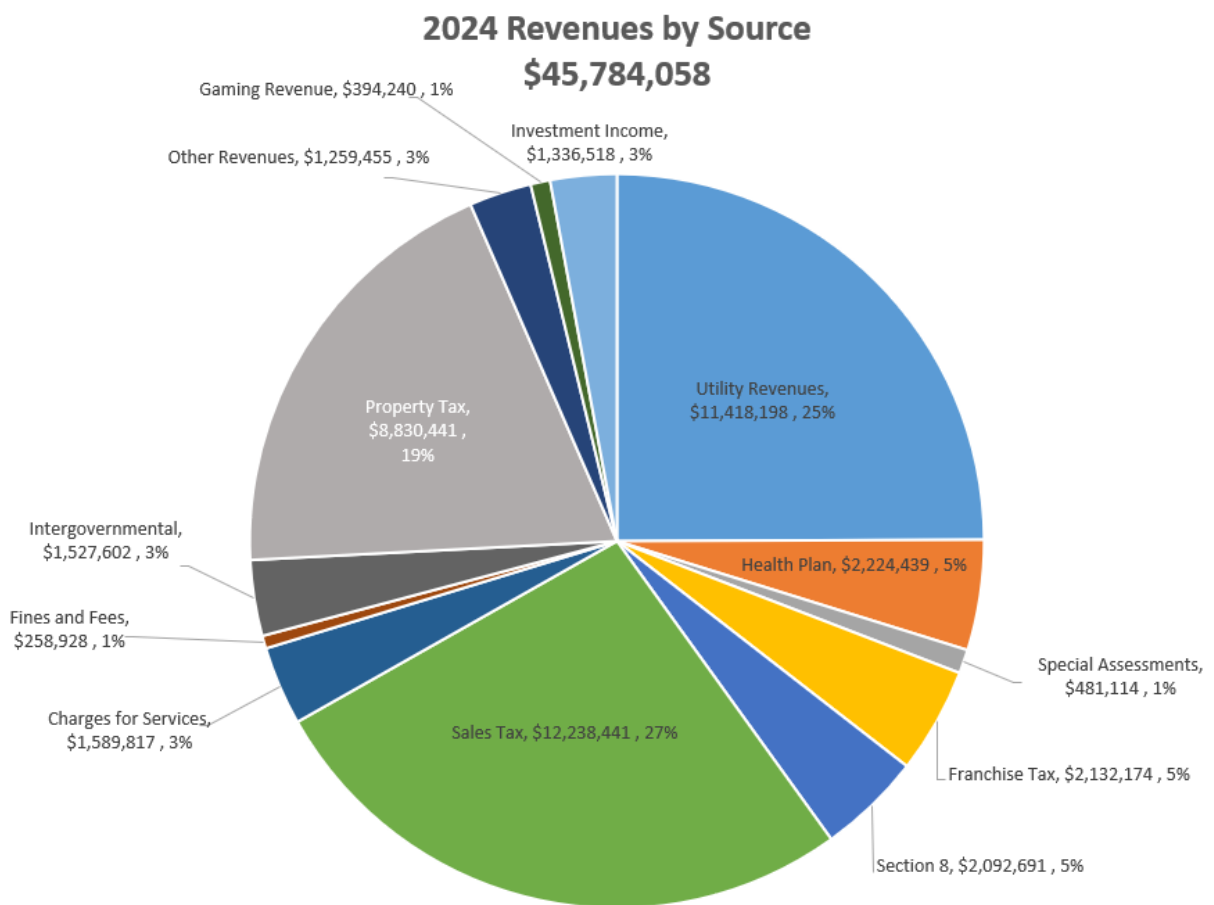
- All other revenues project flat to minimal growth
- Retirement costs will continue to rise in years 2024-2028 with a 0.34% KPERS and 1.51% KPF increases annually
- Worker's compensation insurance will continue to increase at a rate of 3% annually
- Contractual and commodities expenses are projected to increase 3.0% annually for years 2024-2028

### **Recommendations in the 2024 Plan**

- 3% COLA in 2025
- Additional 2% merit increase in years 2025 and 2027
- Minimal changes to the Debt Service Fund mill rate for years 2024-2028
- Increase utility rates by 3% annually for years 2024-2028
- No change to mill rate for 2024-2028

## Revenues

The City of Pittsburg receives revenue from a variety of sources; however, 71% of the City's total revenues come from its three primary sources: sales tax, utility, and property tax revenue. When compared to 2023 total revenues, 2024 revenues increased by \$2,881,169, or 6.7%. The following pie chart shows the City's 2024 revenues by source and the percentage of total revenues each source represents.



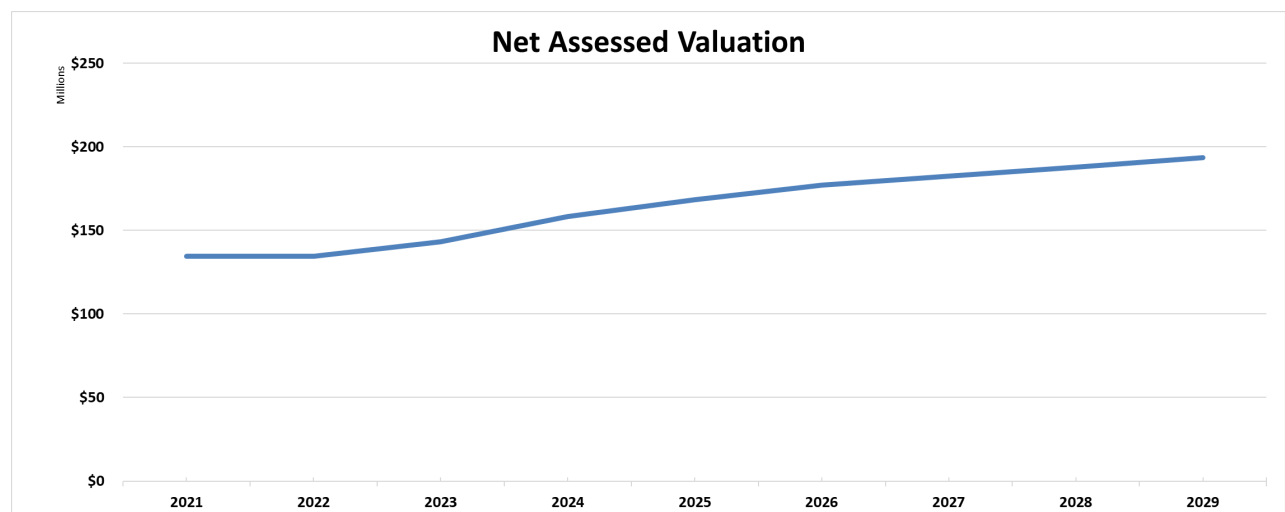
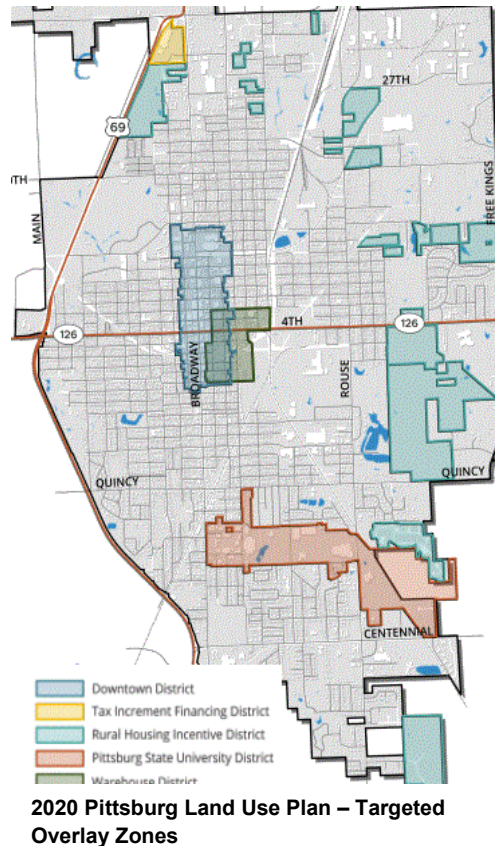
## Property Tax

Property tax is an ad valorem tax, meaning it is based on the value of real estate or personal property owned by an individual or company. There are two components for calculating property taxes: property valuations and the mill levy. The City determines the level of service for the upcoming year and sets the property tax rate at an amount, which

will pay for those services.

Pittsburg's net assessed valuation has increased an average of 7.8% over the last three years. Property tax abatement programs such as the Neighborhood Revitalization Program and Rural Housing Incentive Districts, used to incentivize growth in our community, offset the increase in valuation.

For 2026, net assessed valuation increased by \$10,720,856 or 7%. With the addition of new commercial developments and expiration of property tax incentives, the total net assessed valuation increase is projected at 3% from 2027-2029. The graph below shows the projected trend in net assessed valuation. Main contributors to the increase seen in 2024 are the FedEx facility valuation and the retirement of the TIF district.



For the 2024 year, one mill in the City of Pittsburg generated \$158,240. Historically the City has collected approximately 95% of the taxes levied. The table below shows the General Fund mill rate and actual tax dollars generated for the last five years and 2024 estimates.

Valued for	Net Valuation	General Fund Mill Rate	Tax Dollars Collected
<b>2018</b>	<b>128,182,295</b>	<b>36.961</b>	<b>4,505,260</b>
<b>2019</b>	<b>130,553,454</b>	<b>36.984</b>	<b>4,623,134</b>
<b>2020</b>	<b>135,225,048</b>	<b>36.967</b>	<b>4,707,235</b>
<b>2021</b>	<b>134,528,473</b>	<b>37.403</b>	<b>4,815,820</b>
<b>2022</b>	<b>134,352,548</b>	<b>37.520</b>	<b>4,882,570</b>
<b>2023</b>	<b>143,228,619</b>	<b>36.982</b>	<b>5,116,328</b>
<b>2024</b>	<b>158,239,553</b>	<b>36.977</b>	<b>5,627,980</b>
<b>2025</b>	<b>166,492,930</b>	<b>36.951</b>	<b>5,844,476</b>
<b>2026</b>	<b>177,213,786</b>	<b>36.951</b>	<b>6,788,019</b>

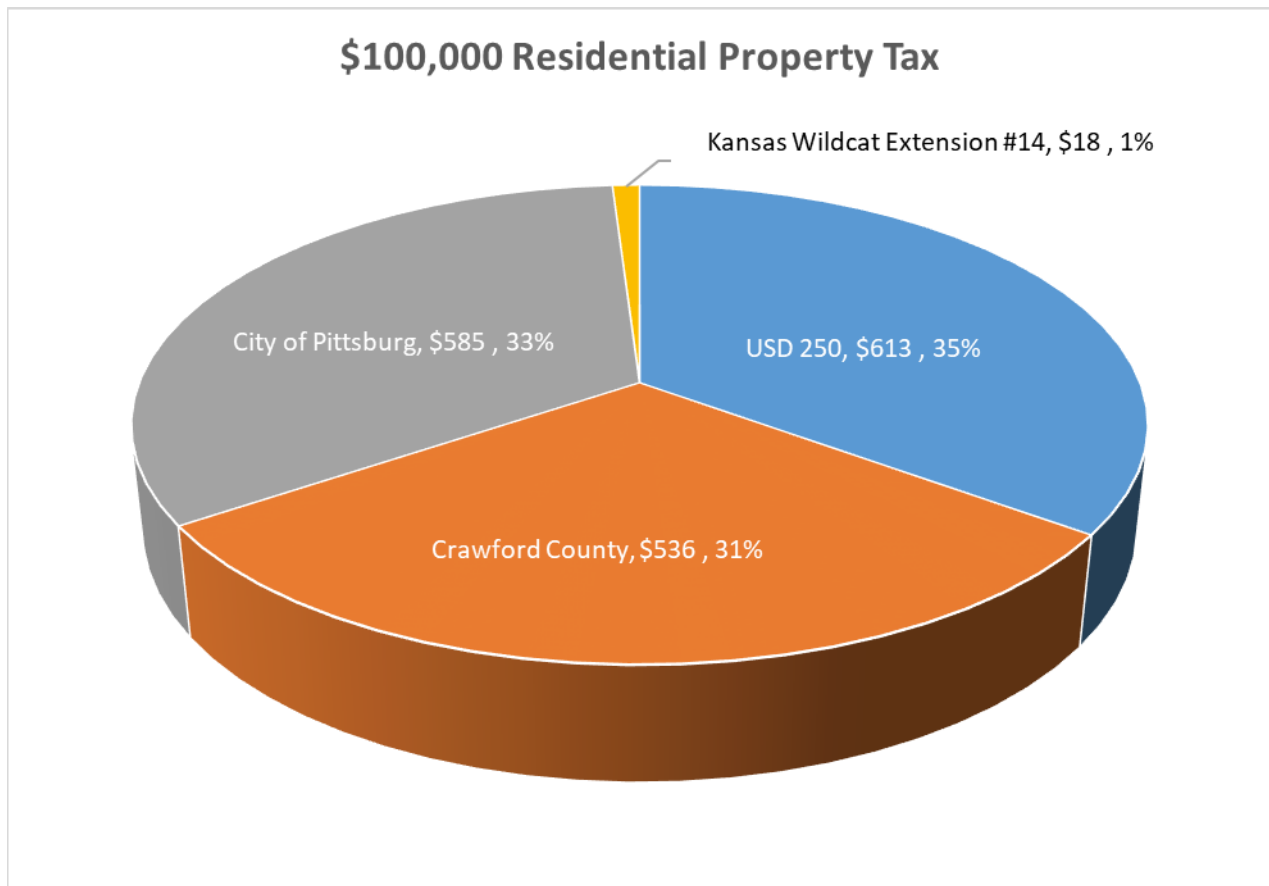
The City receives only one third of the total property taxes paid by residents. The State of Kansas, Crawford County, Unified School District #250 and the Kansas Wildcat Extension #14 also assess taxes on property.

The following table shows the various property tax jurisdictions within Pittsburg and their respective mill rates. The 2026 Submitted Budget keeps the City's mill rate the same.

Entity	Mill Rate
<b>USD 250</b>	<b>53.333</b>
<b>City of Pittsburg</b>	<b>50.854</b>
<b>Crawford County</b>	<b>46.596</b>
<b>Kansas Wildcat Extension #14</b>	<b>1.554</b>
<b>TOTAL</b>	<b>152.337</b>

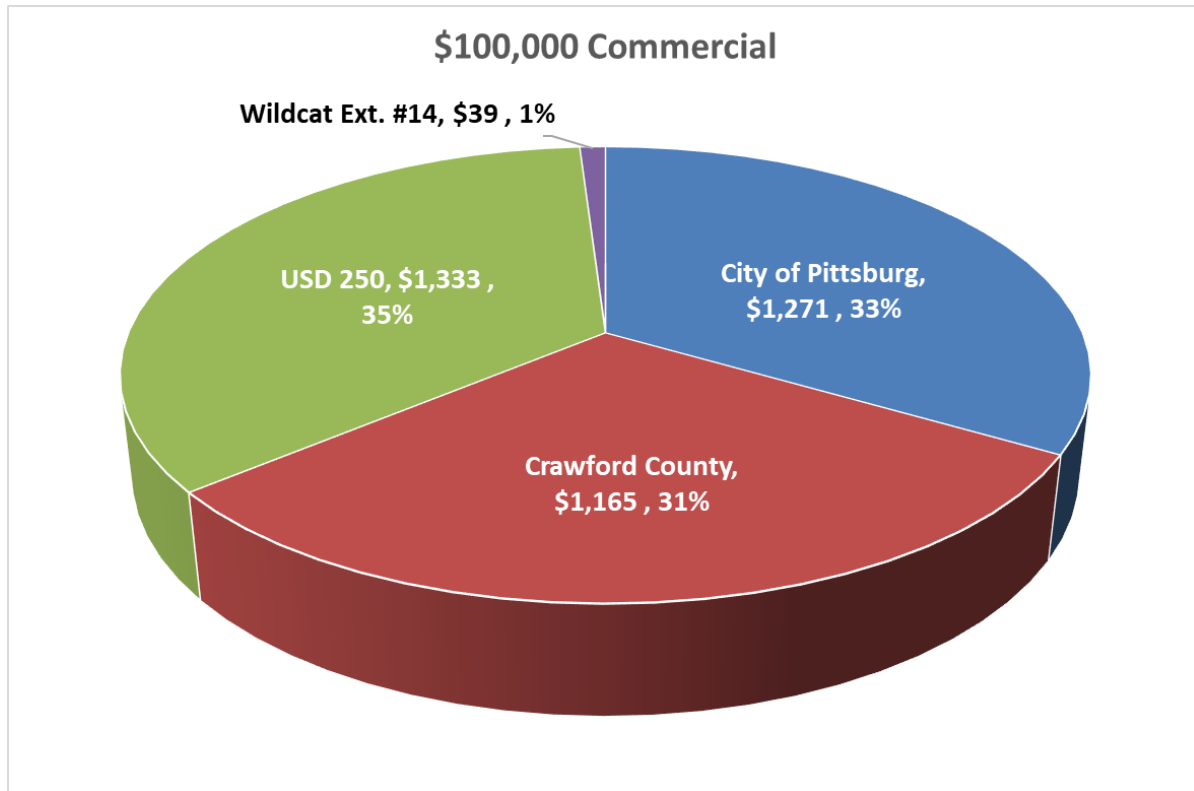
The State has removed its share of property tax for 2026. A decrease of 1.5 mills.

The pie chart shows the various property tax jurisdictions within Pittsburg and their projected 2026 cost on a residential property with an appraised value of \$100,000.

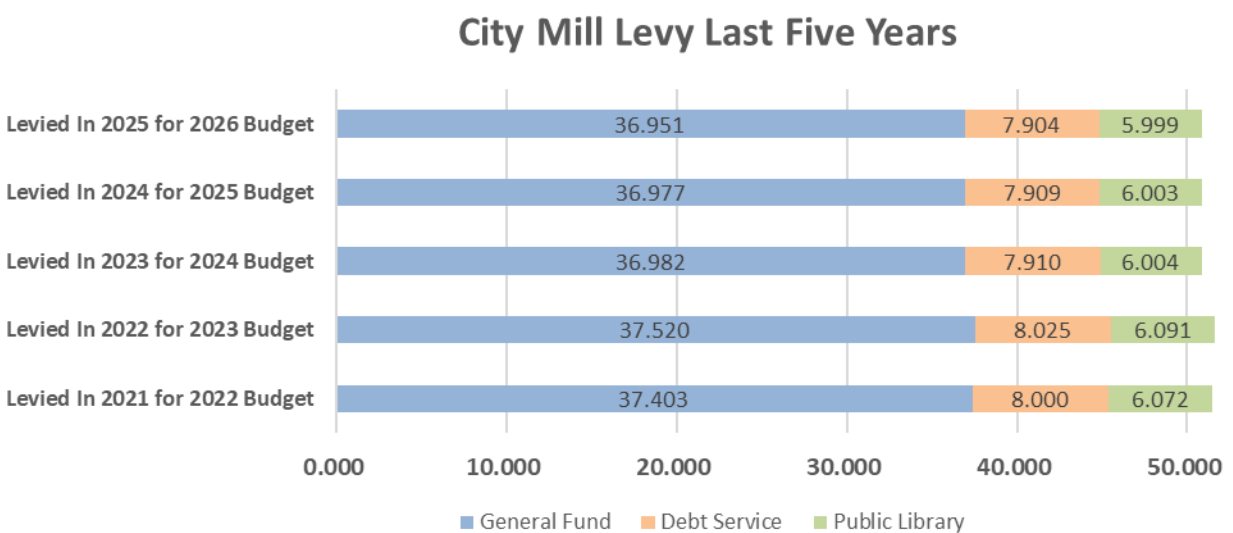


The growth in assessed value for existing residential property will increase the city's share of property taxes on a \$100,000 residential property by about \$20 per year, or about \$1.70 per month. For a \$100,000 commercial property, the increase will be \$43 per year, or about \$3.60 per month.

The pie chart below shows the various property tax jurisdictions within Pittsburg and their approximate 2026 cost on a commercial property with appraised value of \$100,000.



The following graph shows the breakdown of the City property taxes levied for the last five years.



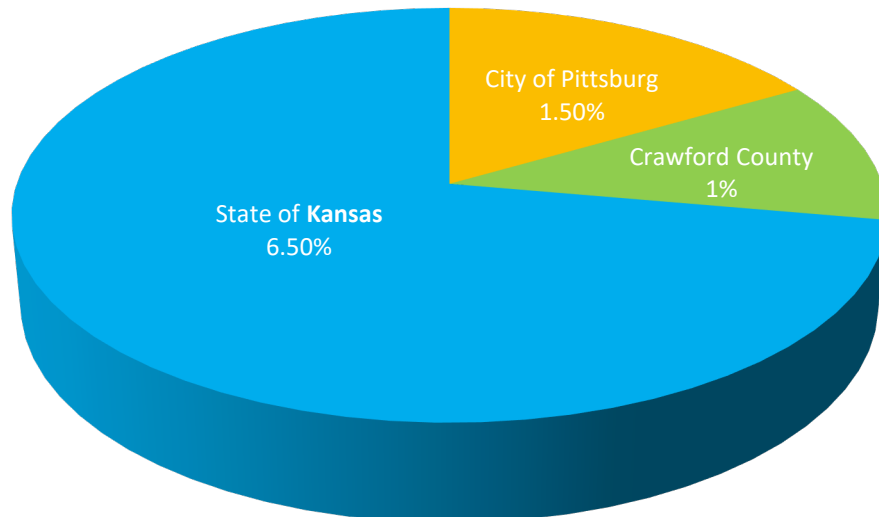


## Sales Tax

Sales taxes are a source of revenue paid to a government entity for the sales of certain goods and services. For most sales in Kansas, the law requires the seller to collect the tax from the consumer at the point of sale. Generally, sales tax is collected one month, then the sales tax collected is remitted to the State the following month and then the State remits the appropriate share of the tax to the appropriate governmental entity in the third month.

The following pie chart shows the total sales tax rate within the Pittsburg city limits (excluding the Northgate Community Improvement District and Town Center District).

### Overall Sales Tax Rate - 9.00%



Sales taxes are the leading source of revenue for the City of Pittsburg. However, all the city sales taxes are earmarked for specific uses. The portion of the Crawford County sales tax received by the City is unrestricted and is used to support the General Fund operations. Staff are projecting the city will receive approximately \$3.6 million of the Crawford County sales tax in 2026.

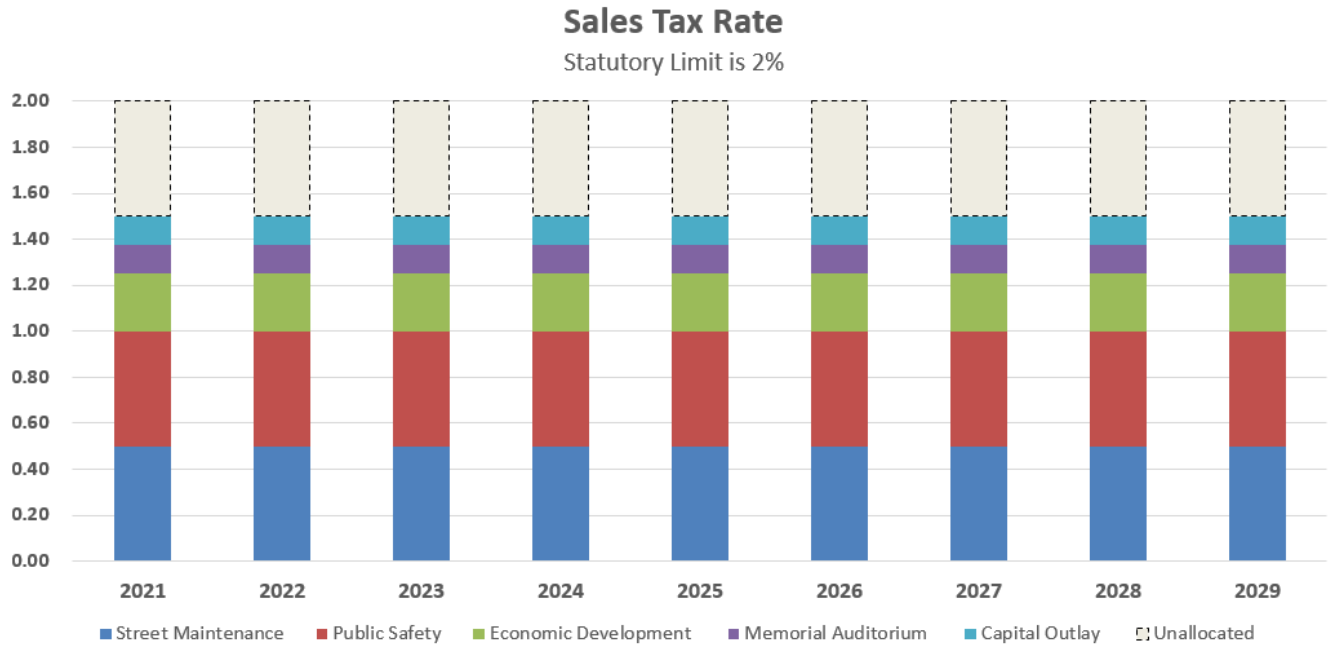
Of the five programs funded by dedicated sales taxes in Pittsburg, two have renewal or end dates. The tax for street maintenance will expire December 31, 2031. The half-cent sales tax to enhance public safety was renewed by voters for a second time in 2023 and will expire December 31, 2033.

The quarter-cent for economic development and the eighth cent for the Memorial Auditorium and capital outlay have no expiration dates.

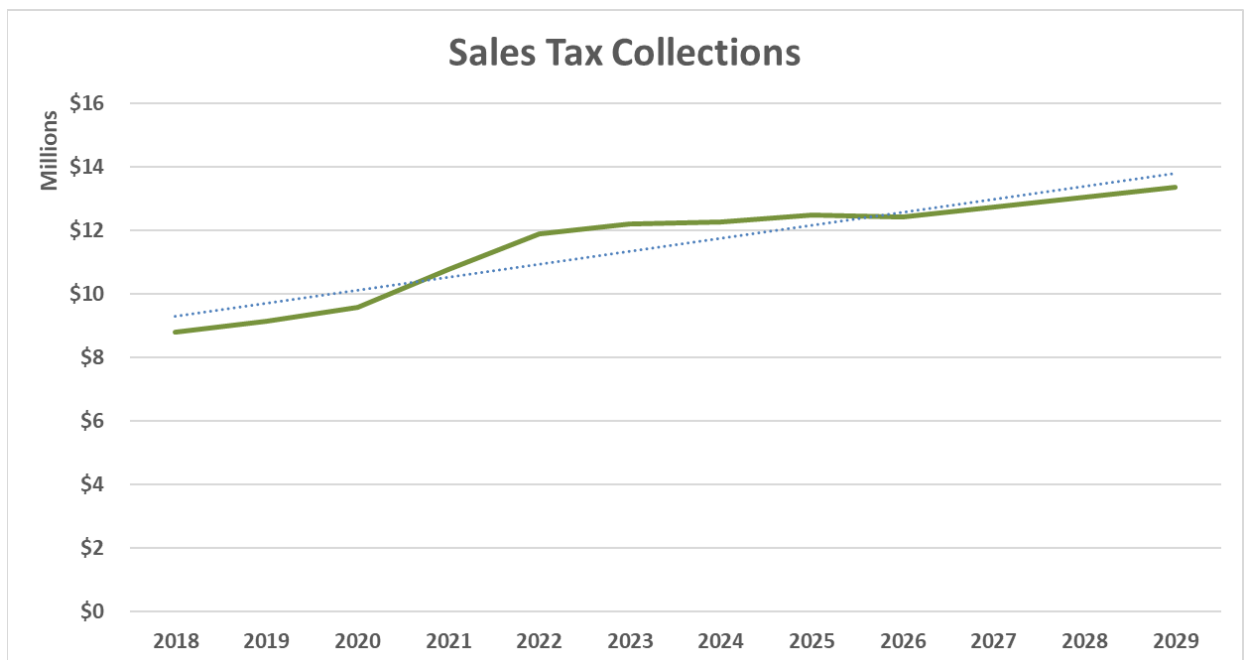
The State of Kansas statutory limit on sales tax rates is two percent for municipalities. The City's portion of the sales tax rate is currently one and a half percent.

Pittsburg Sales Tax Earmarks		
<u>Purpose</u>	<u>Rate</u>	<u>End Date</u>
Public Safety	.50	12-31-2033
Street Maintenance	.50	3-31-2031
Economic Development	.25	Ongoing
Capital Outlay	.125	Ongoing
Memorial Auditorium	.125	Ongoing
Total	1.50	

Sales tax collections have steadied resulting in an expected growth of 2.5% in sales tax revenue when compared to 2025. The estimate for 2027 through 2029 is 2.5% growth annually.



The graph below shows actual and projected sales tax revenue collections for the City through 2029. The dotted line is the trend line.

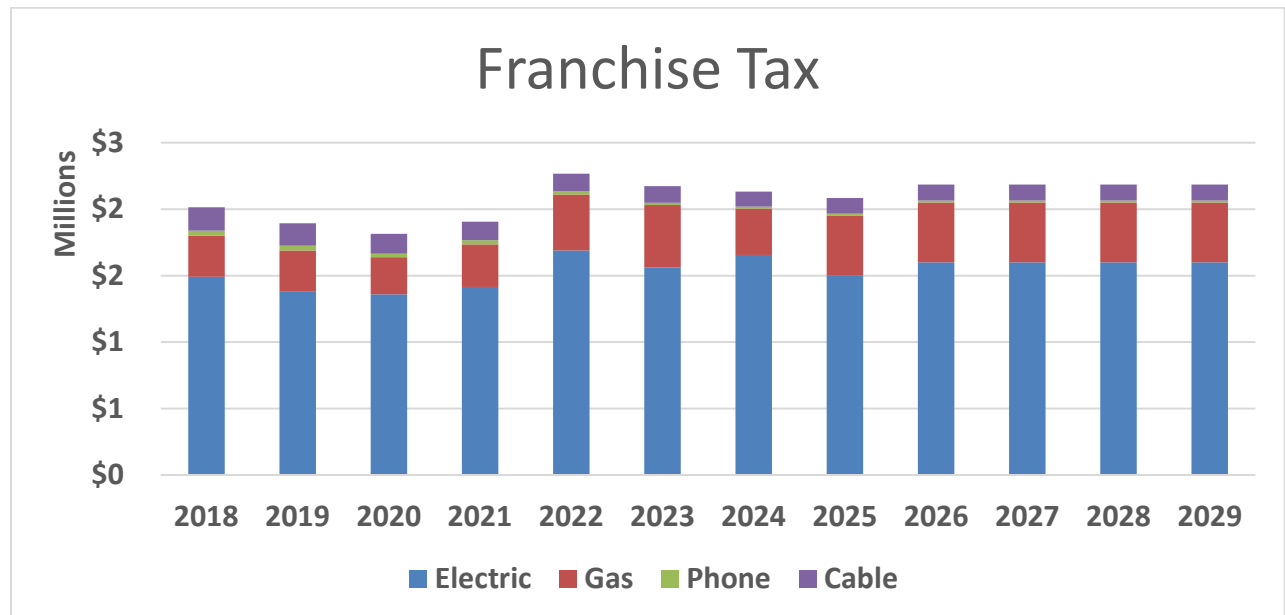


## Franchise Taxes

Franchise taxes are the General Fund's third largest revenue source; and the third largest unrestricted revenue source. Franchise taxes for the City include:

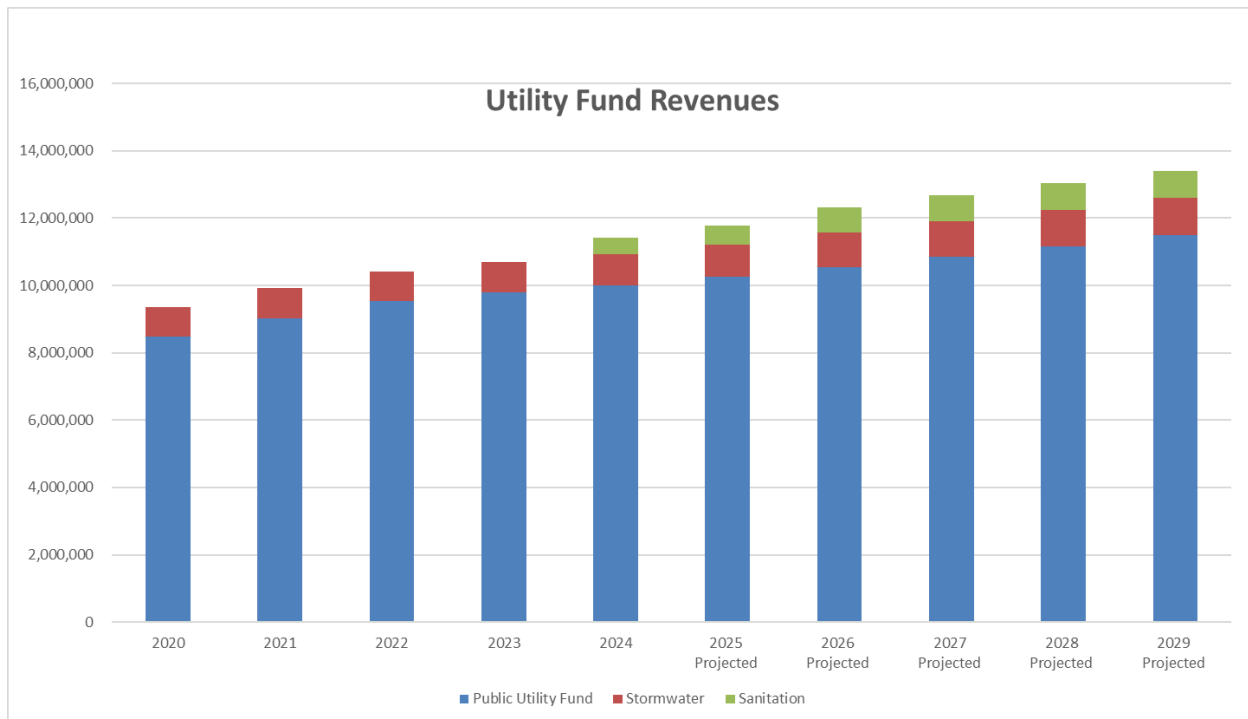
- Electric
- Natural Gas
- Cable
- Telephone

Franchise taxes are not consistent; their unpredictability is based on annual climatic conditions and the commodities market. The electric franchise taxes comprised 78% of the total franchise taxes collected in 2024 and are specifically driven by the climate and stockholder demands. Cable franchise taxes have been declining for several years and cell phones have reduced the dependence on landline telephones, so that portion of franchise tax continues to decline. The addition of a data center at the Airport Industrial Park is anticipated to increase franchise tax revenue in 2026, and the revenue is projected to remain flat after that.



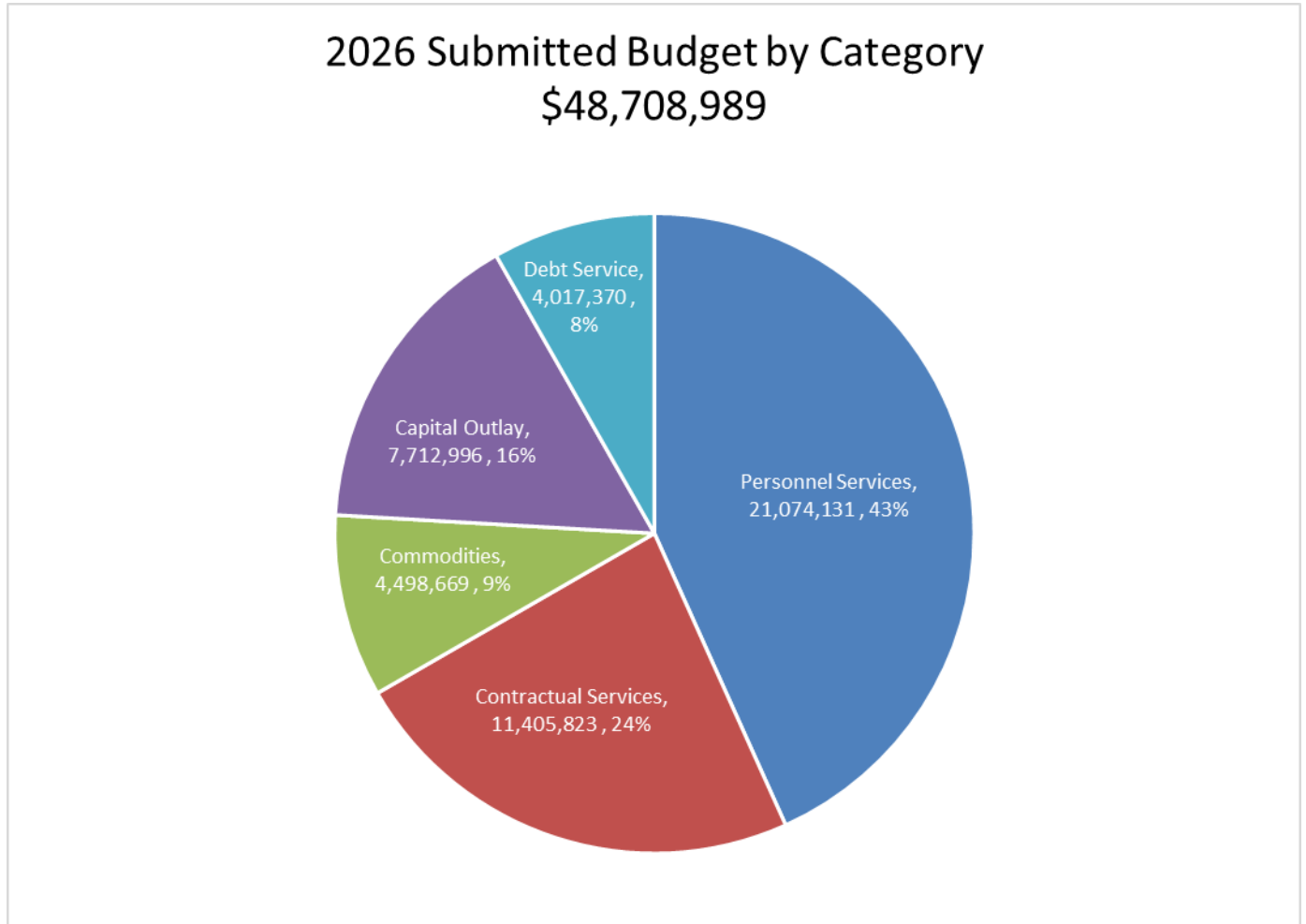
## Public Utilities

The primary revenue source for public utility activities is user fees. In the case of water and wastewater, the levels of usage are volatile and based on climatic conditions, as well as consumer types. If the season is mild and wet, water use is lower than during high heat and drought conditions. Utility rates were increased by 3% for 2025. Staff recommends a 3% increase in utility rates in 2026 to address inflation experienced in recent years. A 3% per year increase is projected for water, sewer and stormwater from 2027-2029 to cover anticipated operating cost increases and to maintain fund balances.



## EXPENDITURES

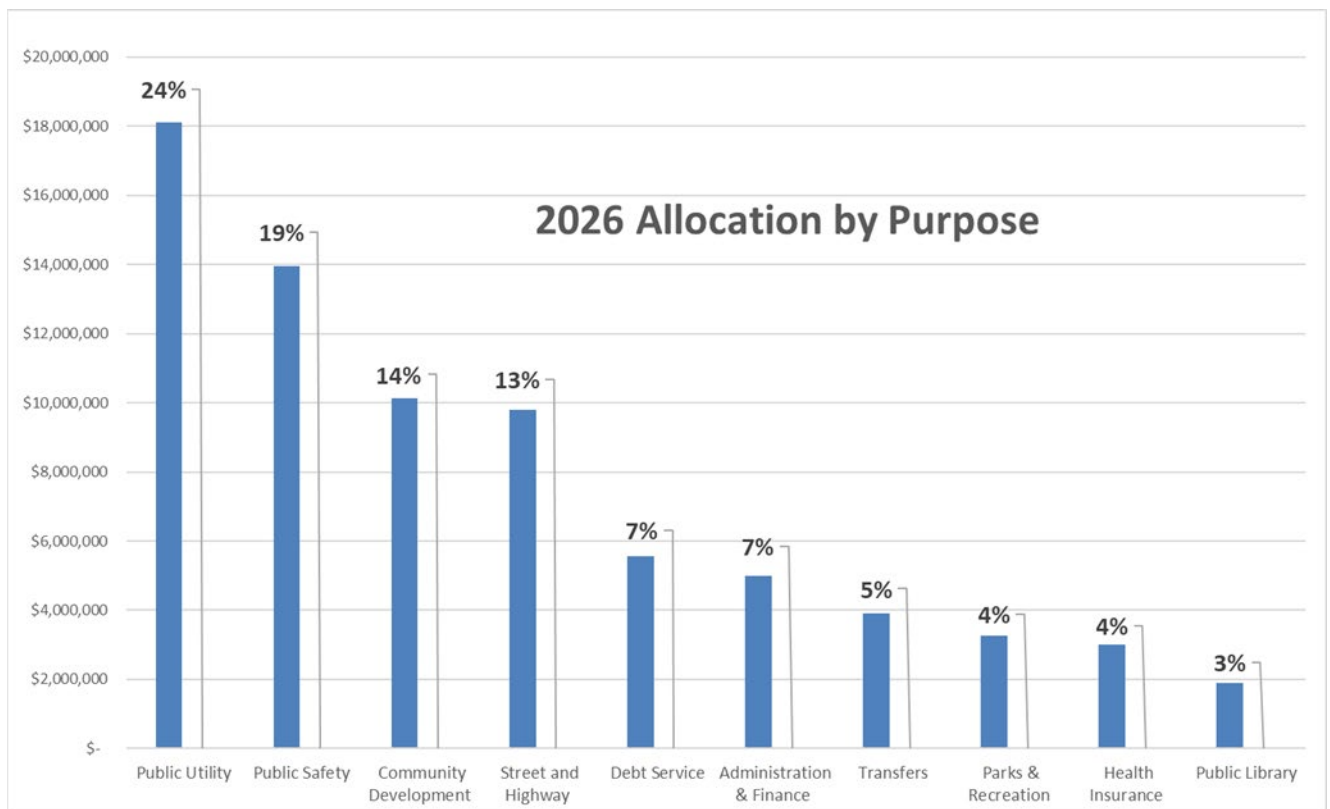
The City directs its financial focus to program-based initiatives and is budgeting expenditures accordingly in order to accomplish goals. The following chart shows the expenditures by category for the 2026 submitted budget excluding inter-fund transfers.



As is the case with most municipalities, personnel expenditures represent the majority of the City's expenditures. The City's benefit costs include health insurance, pensions, social security, worker's compensation insurance, Medicare, and unemployment insurance. For 2026 the city has budgeted 306.8 full-time equivalent employees (FTE) budgeted, with 255 positions having full-time status. Contractual services include property and liability insurance, group health claims expense, software license agreements, utility costs, professional services, and lease payments for certain equipment.

Commodities are operating materials needed to perform City services such as equipment maintenance, gasoline and oil, chemicals, concrete, rock, computer and network materials, uniforms, janitorial supplies and office supplies.

Another useful way to view the City's expenditures is by purpose. The 2026 expenditures by purpose are shown below. Major expenditures such as capital outlay and debt service are included within each program.



## **DEBT SERVICE**

Effective financial management involves analyzing several funding mechanisms to determine which option is the most beneficial to the City. In some cases, issuing debt is the best available option. The City of Pittsburg traditionally issues debt for infrastructure improvements, which have a long useful life and are unable to be paid from the operating budget. The revenues for making the debt payments are derived from the following sources based upon the nature of the improvement and the type of debt that has been issued:

- Property Taxes
- Charges for Services
- Sales Taxes
- Special Assessments
- Transfers

The City's bond rating was upgraded from A+ to AA- by Standard and Poor's in 2015 and was confirmed in 2025. The upgraded bond rating was due to the City's enhanced financial management practices coupled with stable budgetary performance and projected stability in future years.

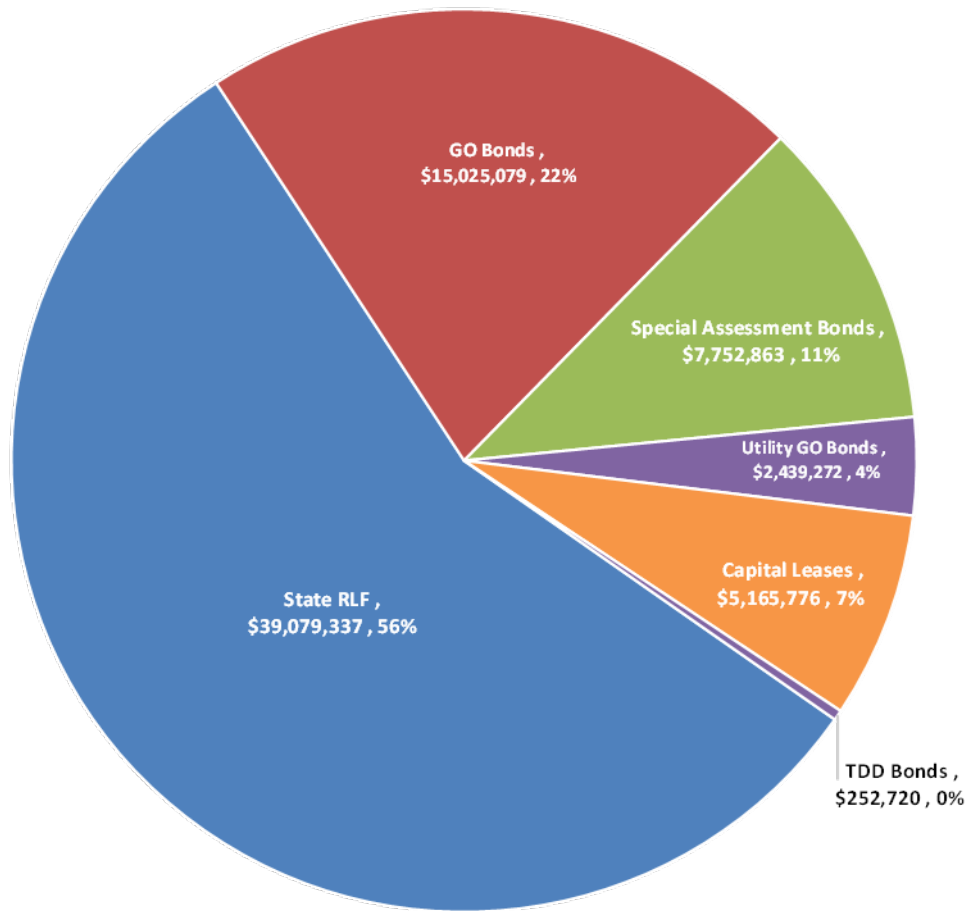
The City's current goal for general obligation bonded debt is to keep the debt service mill levy rate between 7 and 10 mills annually. This levy is used to fund general obligation debt payments. For 2026 the mill rate is programmed the same as 2025 at 7.904 for debt.

### **Types of Debt**

The City of Pittsburg uses several types of debt to pay for capital improvements and expensive equipment. The total amount of outstanding debt including principal and interest is forecasted at \$69,677,422. The amount includes a State Revolving Loan fund to pay for a new wastewater treatment plant, which will be paid for through sewer charges. The graph on the following page shows the type of debt and the category percentage of the City's total debt.



### Pittsburg 2025 Outstanding Debt \$69,715,048



Effective debt management requires monitoring debt levels to ensure the soundness of the City's financial position and continued credit worthiness.

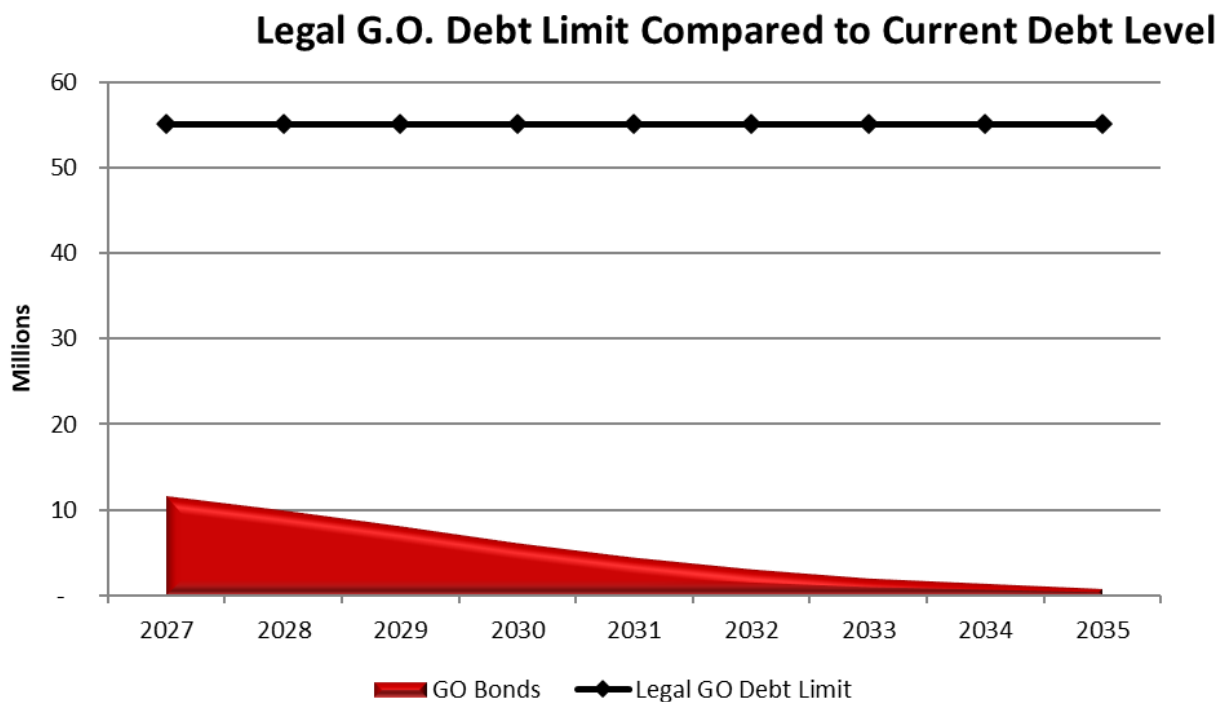
### For Fiscal Year 2025

City's property tax supported G.O. debt as a percentage of net assessed valuation	7.2%
City's property tax supported G.O. debt per capita	\$591
Mill Rate	7.904 mills

There are two main types of municipal bonds: general obligation bonds and revenue bonds. A general obligation bond (GO) is a municipal bond backed by the full credit and

taxing power of the City. When GO bonds are issued, the City pledges to use all available resources, including general funds and taxes, to repay the bondholders.

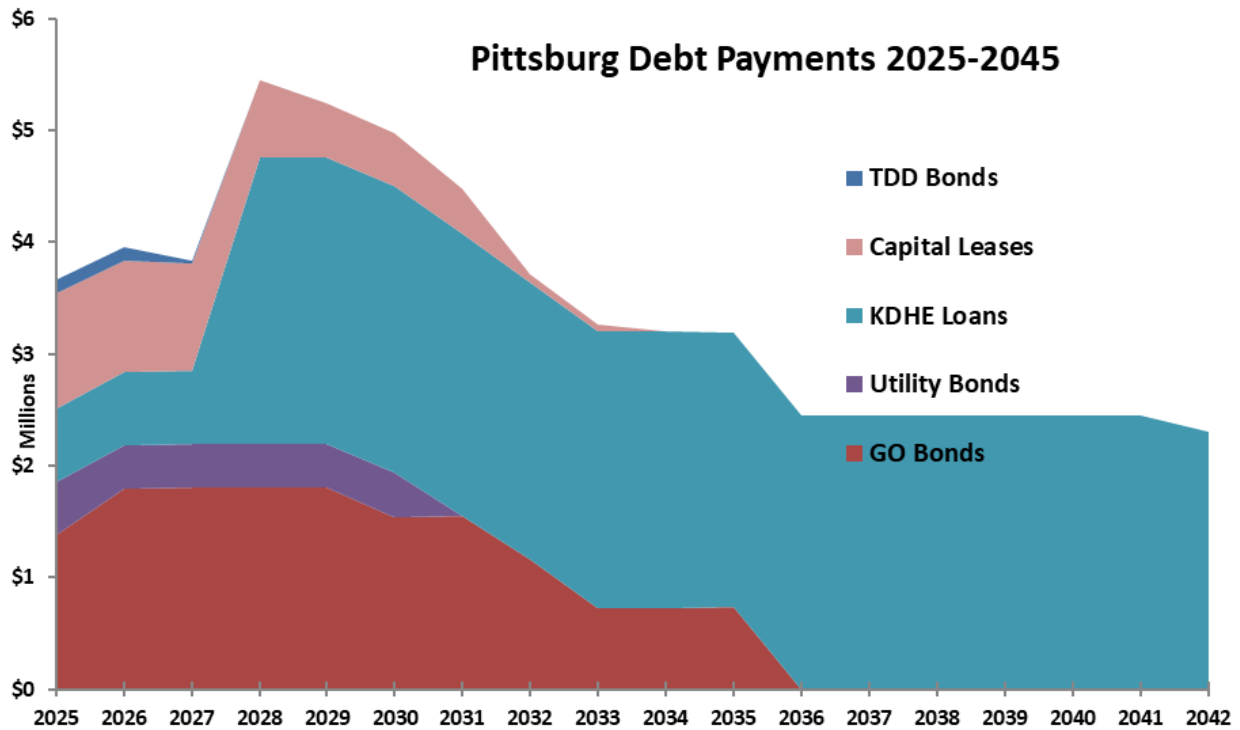
General obligation bonds are used to finance public projects that do not make money such as streets and parks. Revenue bonds, rather, are used to finance projects with a built-in revenue stream, such as the City's utilities. Revenue bonds are backed by specific sources of revenue. With GO bonds, the City can, and is expected to, use all means necessary to repay bondholders.



Kansas statutes require general obligation debt to be less than 30% of assessed valuation. The current legal debt limit is \$55 million. The graph above shows the difference between the City's current total outstanding G.O. debt (principal only) of \$12,846,000 million compared to what is allowed according to State statutes. The red indicates the City's level of G.O. debt as compared to the black line which indicates the legal limits (30% of assessed valuation including motor vehicle).

## Cumulative Debt

The following graph depicts the City's total annual debt payments by type and the year the bonds are scheduled to retire. The graph excludes the special assessment bonds being repaid by the Kansas Crossing Casino.



### ANNUAL DEBT SERVICE REQUIREMENTS AS OF 2025

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	3,371,851	711,390	4,083,241
2026	3,540,848	845,745	4,386,593
2027	3,526,214	730,220	4,256,434
2028	4,025,623	1,860,088	5,885,711
2029	3,944,552	1,727,109	5,671,661
2030	3,788,254	1,618,721	5,406,976
2031	3,395,458	1,506,872	4,902,330
2032	2,738,726	1,402,226	4,140,951
2033	2,410,675	1,288,057	3,698,731

## RESERVES

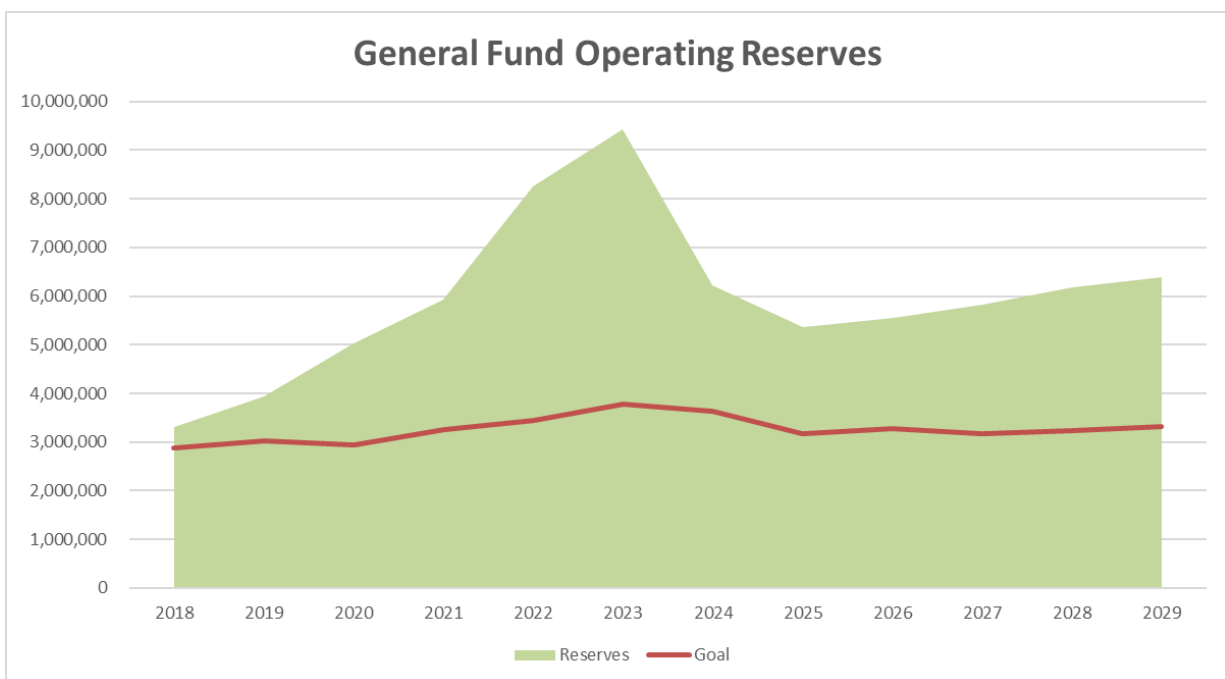
Reserves are the cornerstone of financial stability and flexibility, providing options to respond to unforeseen risks. The Government Finance Officers Association (GFOA) recommends minimum reserve levels at 16% of revenues or two months of expenditures. The City's goal is two months of expenditures.

Several risk factors to consider are:

- Revenue volatility
- Infrastructure condition
- Extreme events such as weather and pandemics

Since the great recession, the City has realized growth in community investment with property valuations and sales tax collections increasing each year. At the close of 2024, fund reserve levels for the General Fund and Utility Fund met the City's goal of at least 16% of expenditures.

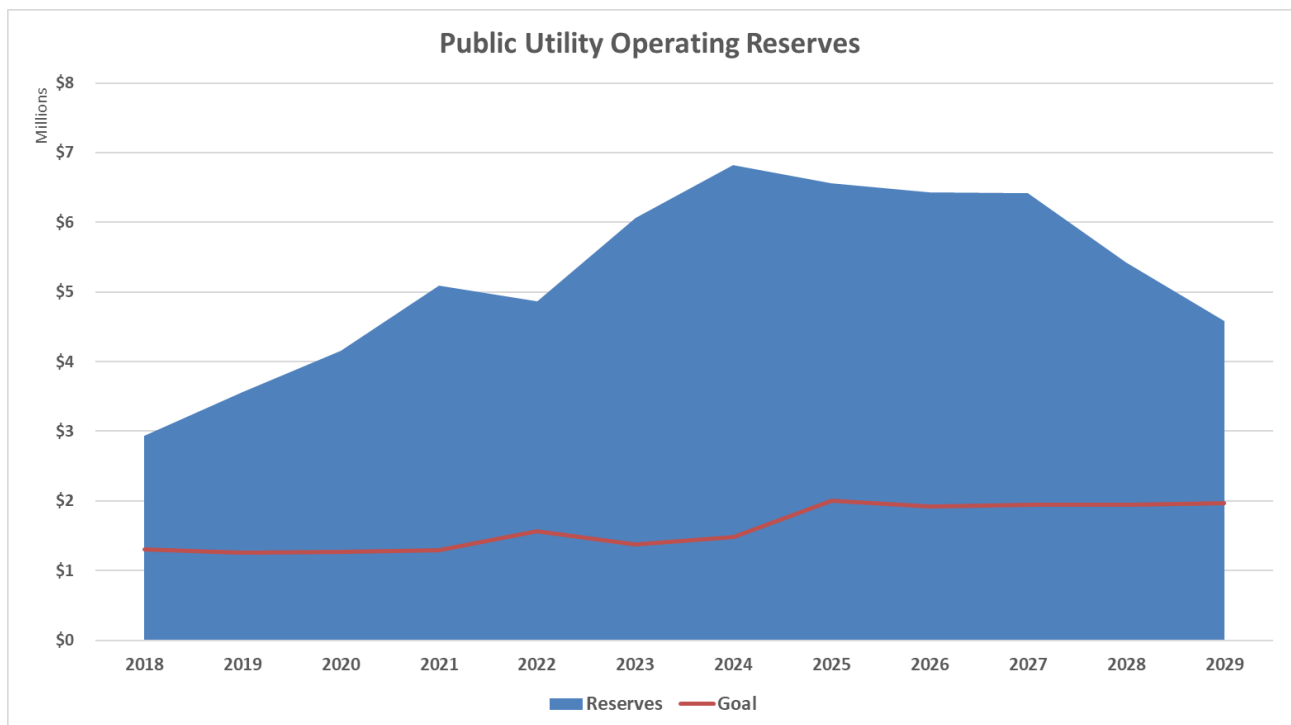
Reserves are continually evaluated when determining department budgets and approving expenditures throughout the year. The following graph shows the projected operating reserves of the General Fund compared to the reserve goal of 16% of expenditures.



After strongly growing General Fund reserves over five years, the City chose to participate in funding the Gorilla Rising project to rehabilitate the Besse Hotel and relocate the PSU Kelce Business School downtown by contributing \$3.8M of these reserves. Growing reserves over five years placed the City in a position to mitigate operational effects, take advantage of economic development opportunities, and support the City's workforce through wage or staffing increases. Reserves are projected to grow from 2026-2029.

## Public Utility Operating Reserves

The following graph shows projected operating reserves for the public utility fund compared to the reserve goal of 16% of expenditures.



The increase from 2018 to 2025 was to build capacity to pay the costs of the new Wastewater Treatment Plant. Permanent financing for this new plant will be through the Kansas Division of Health and Environment loan program. Staff are projecting the public utility fund will meet the 16% of expenditures reserve goal for years 2025-2029.

## **SUMMARY AND RECOMMENDATION**

Not unlike our local businesses, the City is feeling the impact of rising commodity prices and the tight labor market. Revenue sources for the General Fund, such as sales tax, are keeping pace and allowing the City to minimally grow operations to match our community's growth. Utility revenues will need ongoing rate increases to keep up with similar demands and to fund critical improvements to our infrastructure.

Effective financial management has put the City's reserves in a healthy position to mitigate uncontrollable factors such as the prospect of a recession, extreme weather, and rising costs of health insurance, utilities and more.

Based upon our projections of revenues and expenditures, using historical data and other known factors, this financial plan was prepared with the following assumptions, considerations and recommendations. Some additional information regarding 2026 has become available since the forecast was originally presented to the City Commission in May, and some 2026 projections have been updated. Staff will continue to review the City's financial position each year and make recommendations in the Five-Year Financial Plan for your consideration.

### **Assumptions**

- Sales tax revenue projected at 2.5% growth for years 2025-2029
- Assessed valuation is projected to grow 7% in 2026 (with half due to new construction) and then consistent with the cost of living 2027 to 2029
- All other revenues project minimal growth reflecting historical patterns or levels necessary to meet inflationary increases
- Minimal change is projected in retirement costs
- Worker's compensation insurance will increase at a rate of 2% annually in 2026 and 3% for years 2027-2029
- Contractual and commodities expenses are projected to increase 2% in 2026 and 3% annually for years 2027-2029

## Recommendations

- 3% COLA in 2026 through 2029
- Additional 1% merit increase in years 2027 and 2029
- Debt Service Fund mill rate constant for years 2026-2029
- Increase utility rates by 3% in 2026
- No change to mill rate for 2026-2029