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MAR 05 2019

MISSOURI
ATTORNEY GENERAL

OFFICE OF MISSOURI STATE AUDITOR

March 5, 2019

The Honorable Eric Schmitt
Attorney General
Supreme Court Building
Jefferson City, MO 65101

Dear Attorney General Schmitt:

Our office received initiative petition 20-042 on February 13, 2019. Pursuant to §116.175, RSMo, we are forwarding the following fiscal note summary for your review and approval as to legal content and form:

> Individual St. Louis County municipalities expect decreased revenues to exceed savings with a total unknown impact. The overall savings for the new metropolitan city is unknown but estimated to be as much as $1 billion annually by 2032. State revenue is estimated to increase between $2.5 million to $7 million annually by 2032.

A copy of the fiscal note for the initiative petition is also attached. Thank you for your immediate attention to this matter. Your office should return the approved fiscal note summary to our office within 10 days, pursuant to §116.175.4, RSMo. If you have any questions or comments, please contact me at (573) 751-4213.

Sincerely,

Susan Beeler

Susan J. Beeler, CPA, CIA
Assistant Director of Audits

Enclosures

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (20-042)

Subject

Initiative petition from Christopher Pieper regarding a proposed constitutional amendment to Article VI. (Received February 13, 2019)

Date

March 5, 2019

Description

This proposal would amend Article VI of the Missouri Constitution.

The amendment is to be voted on in November 2020.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office,** the **Department of Agriculture,** the **Department of Economic Development,** the **Department of Elementary and Secondary Education,** the **Department of Higher Education,** the **Department of Health and Senior Services,** the **Department of Insurance, Financial Institutions and Professional Registration,** the **Department of Mental Health,** the **Department of Natural Resources,** the **Department of Corrections,** the **Department of Labor and Industrial Relations,** the **Department of Revenue,** the **Department of Public Safety,** the **Department of Social Services,** the **Governor's office,** the **Missouri House of Representatives,** the **Department of Conservation,** the **Department of Transportation,** the **Office of Administration,** the **Office of State Courts Administrator,** the **Missouri Senate,** the **Secretary of State's office,** the **Office of the State Public Defender,** the **State Treasurer's office, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Greene County, Jackson County, Jasper County, St. Charles County, St. Louis County, Taney County,** the **City of Cape Girardeau,** the **City of Columbia,** the **City of Jefferson,** the **City of Joplin,** the **City of Kansas City,** the **City of Kirksville,** the **City of Mexico,** the **City of Raymore,** the **City of St. Joseph,** the **City of St. Louis,** the **City of Springfield,** the **City of Union,** the **City of Wentzville,** the **City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, Metropolitan Community College, University of Missouri, St. Louis Community College, Harris-Stowe State University, State Tax Commission, The Metropolitan Police Department - City of St. Louis, St. Louis County Board of Elections, Board of Election Commissioners City of St. Louis, Metropolitan Zoological Park and Museum District, Missouri Municipal League, Municipal League of Metro St. Louis,** the **City of Affton,** the **City of Ballwin,** the **City of**

Bellefontaine Neighbors, the **City of Berkeley,** the **City of Brentwood,** the **City of Bridgeton,** the **City of Chesterfield,** the **City of Clayton,** the **City of Crestwood,** the **City of Creve Coeur,** the **City of Des Peres,** the **City of Eureka,** the **City of Ferguson,** the **City of Florissant,** the **City of Hazelwood,** the **City of Jennings,** the **City of Kirkwood,** the **City of Manchester,** the **City of Maryland Heights,** the **City of Overland,** the **City of Pacific,** the **City of Richmond Heights,** the **City of St. Ann,** the **City of Town and Country,** the **City of University City,** the **City of Webster Groves,** and the **City of Wildwood.**

Matthew A. Jacober, Partner with Lathrop Gage LLP provided information to the State Auditor's office.

Christopher R. Pieper on behalf of Unite STL provided information as a proponent of the proposal to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, their office can absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, their office may request additional appropriations.

Officials from the **Department of Agriculture** indicated no fiscal impact on their department.

Officials from the **Department of Economic Development** indicated they anticipate no impact as a result of the initiative petition.

Officials from the **Department of Elementary and Secondary Education** indicated this legislation does not impact their department.

Officials from the **Department of Higher Education** indicated they report no fiscal impact.

Officials from the **Department of Health and Senior Services** indicated this initiative petition has no impact to their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no fiscal impact.

Officials from the **Department of Labor and Industrial Relations** indicated this initiative petition does not appear to have a fiscal impact on their department.

Officials from the **Department of Revenue** indicated there is no impact to their department regarding this initiative petition. Their department is deferring to the Office of Administration - Budget and Planning for all the technical issues.

Officials from the **Department of Public Safety - Office of the Director** indicated they see no fiscal impact due to this legislation.

Officials from the **Department of Social Services** indicated they do not anticipate a fiscal impact as a result of this petition.

Officials from the **Governor's office** indicated there should be no added costs or savings to their office.

Officials from the **Missouri House of Representatives** indicated no fiscal impact to their office.

Officials from the **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Department of Transportation** indicated they defer to the Department of Revenue for a fiscal impact.

Officials from the **Office of Administration** indicated this proposal amends Article VI of the Missouri Constitution by repealing Sections 30(a), 30(b), 31, 32(a), 32(b), 32(c), and 33 and adopting a new Section 30 which would merge St. Louis City and St. Louis County into one Metropolitan City.

Article VI, Section 30.4(3)(b)
This section would allow the metropolitan city to levy a tax, license, fee, or special assessment solely within the St. Louis Municipal Corporation. Budget and Planning (B&P) notes that if a sales tax is levied, General Revenue could be increased through the 1% Department of Revenue collection fee.

Article VI, Section 30.5(2)(a)
This section clarifies that any taxing structure and tax rate in effect immediately prior to the effective date of this section (January 1, 2021) shall remain in effect until modified by the metropolitan city. In addition, all taxes, fees, and special assessments levied or imposed by St. Louis County or a municipality shall continue as a tax, fee, or special assessment. Therefore, B&P estimates that this provision will not impact state or local revenues.

Article VI, Section 30.5(3)
This section would allow the metropolitan city to levy a tax, license, fee, or special assessment solely within the territory of a municipal district upon voter approval. B&P notes that if a sales tax is levied, General Revenue could be increased through the 1% Department of Revenue collection fee.

Article VI, Section 30.5(7)(b)
This section states that the rate of property tax levied for general county purposes within St. Louis County shall be reduced to yield revenues no greater than half of the amount generated during the prior fiscal year. B&P notes that it is unclear whether this reduction would occur once or every year until the property tax in St. Louis County was abolished. B&P further notes that it is unclear in what tax year the reduction would begin. Section 30 would be enacted January 1, 2021; however, Section 30.5(7)(a) references November 15, 2022 and Section 30.5(7)(c) references January 1, 2023. Therefore, B&P cannot determine whether the property tax reduction would begin January 1, 2021, January 1, 2022, or January 1, 2023. B&P notes that abolishing the property tax for St. Louis County could have a significant negative impact on the revenues available for the newly created metropolitan city.

Section 30.5(7)(b) would only impact the property tax rate and not the assessed valuations of property; therefore, B&P estimates that the Blind Pension Trust Fund (which receives $0.03 per $100 of assessed valuation) will not be impacted.

Article VI, Section 30.5(8)(b)
This section would apply the lowered property tax rate (Section 30.5(7)(b)) of St. Louis County to all property located within St. Louis City. B&P notes that the property tax reduction language in Section 30.5(7)(b) is unclear as to how many reductions should occur. If the property tax rate under Section 30.5(7)(b) is to be decreased until no such property tax exists, then the property tax rate under this section will also decrease until no such tax is levied. B&P notes that this could have a significant negative impact on the revenues available for the newly created metropolitan city. B&P further notes that it is unclear in what tax year the new property tax would begin. Section 30 would be enacted January 1, 2021; however, Section 30.5(8)(a) references January 1, 2024. Therefore, B&P cannot determine whether the property tax reduction would begin January 1, 2021, January 1, 2024, or at the same time as the rate reduction in Section 30.5(7)(b).

Section 30.5(8)(b) would only impact the property tax rate and not the assessed valuations of property; therefore, B&P estimates that the Blind Pension Trust Fund (which receives $0.03 per $100 of assessed valuation) will not be impacted.

Article VI, Section 30.6(2)
Beginning January 1, 2023 Section 30.6(2)(a) allows the metropolitan city to levy a property tax to support the newly created fire protection district.

Beginning January 1, 2024 Section 30.6(2)(b) requires the metropolitan city to lower the rates of other taxes, licenses, and fees levied within the fire protection district to offset the amount of revenue generated from the property tax created in Section 30.6(2)(a). B&P notes that if sales taxes are reduced as part of this adjustment, General Revenue could be reduced through the 1% Department of Revenue collection fee.

This section would allow the metropolitan city to levy an additional tax for the fire protection district. B&P notes that it is unclear as to what additional tax may be levied and whether additional refers only to an extra property tax levy or the use of other types of taxes. B&P notes that depending on the definition of "additional" the metropolitan city could levy a sales tax for the fire protection district. If the metropolitan district chooses to levy a sales tax, B&P notes that General Revenue could be increased through the 1% Department of Revenue collection fee.

Article VI, Section 30.7(2)(a)
This section states that during the transition period, the metropolitan city shall not submit any questions to voters regarding reauthorizations of any tax initially levied prior to January 1, 2021. B&P notes that this section could impact any sales taxes that require reauthorization during the transition period. If such taxes were to expire, this would reduce local revenues. This could reduce General Revenue by $0 to an unknown minimal amount if this provision results in the loss of funds through the Department of Revenue collection fee.

This section also states that upon the failure to submit the reauthorization of any tax on earnings and payroll, the earnings tax shall be reduced in the manner set out in in law and the payroll tax shall be reduced by $1/20^{th}$ of one percent (or 0.05%) annually until such tax is eliminated. Section 92.125, RSMo, states that the earnings tax shall be reduced by 0.1% annually until the tax is eliminated. B&P notes that the St. Louis City earnings and payroll tax is up for reauthorization in April 2021. Therefore, B&P estimates that the St. Louis City earnings and payroll tax would begin phasing out January 1, 2022 and would be completely eliminated beginning January 1, 2031. B&P notes that nothing prohibits the metropolitan city from authorizing a new earnings and payroll tax after the transition period.

Using data published by St. Louis City[1], B&P determined that the average earnings tax collections from 2013-2017 was $169,061,000 and the average payroll tax collections was $37,977,800. Therefore, B&P estimates that this proposal will reduce metropolitan city revenues by $207.0M ($169,061,000 + $37,977,800) once fully implemented in tax year 2031. The following two tables show the impact to metropolitan city revenues as the earnings and payroll taxes are phased out.

[1] https://www.stlouis-mo.gov/government/departments/comptroller/documents/current-comprehensive-annual-financial-report.cfm, FY17 CAFR – Table 9

Table 1: Impact from Earnings Tax Phase-Out by Tax Year

Tax Year	Tax Rate	Metropolitan City Impact
2021	1.0%	$0
2022	0.9%	($16,906,100)
2023	0.8%	($33,812,200)
2024	0.7%	($50,718,300)
2025	0.6%	($67,624,400)
2026	0.5%	($84,530,500)
2027	0.4%	($101,436,600)
2028	0.3%	($118,342,700)
2029	0.2%	($135,248,800)
2030	0.1%	($152,154,900)
2031	0.0%	($169,061,000)

Table 2: Impact from Payroll Tax Phase-Out by Tax Year

Tax Year	Tax Rate	Metropolitan City Impact
2021	0.50%	$0
2022	0.45%	($3,797,780)
2023	0.40%	($7,595,560)
2024	0.35%	($11,393,340)
2025	0.30%	($15,191,120)
2026	0.25%	($18,988,900)
2027	0.20%	($22,786,680)
2028	0.15%	($26,584,460)
2029	0.10%	($30,382,240)
2030	0.05%	($34,180,020)
2031	0.00%	($37,977,800)

Further, B&P notes that some taxpayers claim the amount of earnings tax paid to St. Louis City in their itemized deductions. Based on information provided by the Department of Revenue, B&P determined that 29% of Missouri taxpayers itemize their deductions. However, B&P notes that with the federal tax changes fewer taxpayers are likely to file itemized deductions, which may lower the actual amount of General Revenue received. B&P notes that currently the top rate of Missouri income tax is scheduled to decrease from 5.4% to 5.1% over a number of years depending on General Revenue growth. Therefore, B&P will show the range of impact from this section on General Revenue with a top tax rate of 5.4% and a top tax rate of 5.1%. Table 3 shows the revenue impact to the metropolitan city and General Revenue from the phase-out of the earnings tax.

Table 3: General Revenue Impact from Earnings/Payroll Tax Phase-Out

Tax Year	Metropolitan City Impact (Earnings Tax)	State Fiscal Year	GR Impact (top tax rate 5.4%)	GR Impact (top tax rate 5.1%)
2022	($16,906,100)	2022	$0	$0
2023	($33,812,200)	2023	$265,000	$250,000
2024	($50,718,300)	2024	$529,000	$500,000
2025	($67,624,400)	2025	$794,000	$750,000
2026	($84,530,500)	2026	$1,059,000	$1,000,000
2027	($101,436,600)	2027	$1,324,000	$1,250,000
2028	($118,342,700)	2028	$1,588,000	$1,500,000
2029	($135,248,800)	2029	$1,853,000	$1,750,000
2030	($152,154,900)	2030	$2,118,000	$2,000,000
2031	($169,061,000)	2031	$2,383,000	$2,250,000
2032	($169,061,000)	2032	$2,647,000	$2,500,000

B&P estimates that this provision may increase General Revenue by $250,000 to $265,000 in state FY 2023. Once fully implemented in state FY 2032, this provision may increase General Revenue by $2.5M to $2.6M. B&P notes that the delay in the estimated state impact reflects the lag between a tax year and the annual tax return filing period.

Article VI, Section 30.9
This section states that all special districts shall continue unaffected after January 1, 2021; however, the General Assembly has the ability to consolidate any special districts that have been made duplicative by the merger of St. Louis City and St. Louis County. B&P notes that this could include special taxing districts. The consolidation of special taxing districts could impact local revenues if each district to be consolidated levies a different tax rate. In addition, General Revenue could be impacted by $0 to unknown minimal amount if the amount collected through the Department of Revenue collection fee were to change after consolidation.

Article VI, Section 30.11(2)(b)
This section requires the metropolitan city to provide a refundable tax credit in the amount equal to the amount of earnings taxes paid by a metropolitan city employee who became subject to the city's earning tax as a result of this proposal. Such employee shall not be a resident of St. Louis City. B&P is unable to determine the amount of refundable credits that may have to be paid by the metropolitan city as a result of this section. B&P notes that this section will not directly impact General Revenue, as qualifying employees would not have been subject to the earnings tax without this proposal becoming effective.

This should not impact their office.

Officials from the **Office of State Courts Administrator** indicated the initiative petition proposes a constitutional amendment to Article VI to modify the current provisions of the Missouri Constitution relating to the consolidation of St. Louis City and St. Louis County.

A resulting conciliation would have impacts as set forth below.

The combining of two circuit courts into one court has never been estimated since the creation of JIS (Justice Information System) and Show-Me Courts. There are many unknown and potential unforeseen circumstances. There are issues related to data conversion, system configuration, application limitations, application interfaces and procedure modification that would need to be considered. This will result in a cost range of at least a minimum of $100,000 to unknown.

These costs will be incurred for the conversion of program based reporting, complete set up of the database, consolidation planning, analysis and combination of court forms, reconciliation of accounts, analysis of court specific developed interfaces, conversion of JIS (Justice Information System), Show-Me Courts and many other unforeseen items.

There will be other potential unknown costs however these will not be known until they begin the conversion process.

Officials from the **Missouri Senate** indicated they anticipate no fiscal impact.

Officials from the **Secretary of State's office** indicated unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be $7.8 million based on the cost of the 2016 Presidential Preference Primary.

Their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over $5.8 million was spent to publish the full text of the measures for the August and November elections. They estimate $65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

Their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated no fiscal impact to their office.

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition.

Officials from **St. Louis County** indicated:

Honorable Nicole Galloway
State Auditor
Harry S. Truman State Office Building, Room 880
Jefferson City, MO 65101
(573) 751 – 4213 / fiscalnote@auditor.mo.gov

Local Government Agency: St. Louis County Government (MO)

Date: February 22, 2019

FISCAL NOTE RESPONSE: Proposed Constitutional Amendment to Article VI (2020-042) / Initiative Petition 2020-042

Prepared by the Office of the County Executive, St. Louis County

Contact: Jim Benoist – Direct (314) 615-7092 -or- MBenoist@stlouisco.com

FISCAL NOTE RESPONSE: Proposed Constitutional Amendment to Article VI (2020-042) / Initiative Petition 2020-042

Initiative petition 2020-042 would create a new class of government in the State of Missouri, a Metropolitan City, that would encompass the current boundaries of the City of St. Louis and St. Louis County. The new Metropolitan City would replace the current governments of the City of St. Louis and St. Louis County.

As St. Louis County government would be consolidated into the new class of government, initiative petition 2020-042 creates no direct obligation or requirement that would result in a fiscal impact.

However, based upon St. Louis County's knowledge of initiative petition 2020-042, we find financial projections associated with the proposal – in particular, projections pertaining to overall local government savings – to be reasonable and prudent. While detailed financial analysis would be dependent upon future decisions to be made by the new Metropolitan City government, we believe a fair and valid presumption is that economies of scale would be realized through the consolidation of municipal service providers and other municipal government functions.

Officials from the **City of Kansas City** indicated this amendment will have no fiscal impact on their city.

Officials from the **City of St. Louis** indicated:

NICOLE GALLOWAY
MISSOURI STATE AUDITOR
State Capitol Room 121
Jefferson City, MO 65101

Initiative Petition: **20-042**

Date: **2/22/2019**
Local Government: **City of St. Louis**

Short Description: **Proposes the merger of the City of St. Louis with St. Louis County and its municipalities.**

Fiscal Impact: **Whereas the City of St. Louis currently operates as a city not within a county, the proposed initiative petition seeks an amendment to the state constitution that would make the City of St. Louis part of a much larger municipal government encompassing St. Louis county and all its municipalities.**

The proposal provides the opportunity for operational savings through significant economies of scale but also eliminates over a ten year period existing major revenue sources in the earnings and payroll tax. A discussion of potential expenditure and revenue considerations of the proposal are discussed below.

Expenditures
Under its current city not within a county status, the City of St. Louis maintains a variety of offices and functions that are typically reserved for county governments. These include court functions, sheriff's office, correctional facilities, assessor, recorder of deeds, board of elections, medical examiner, collector of revenue, license collector and treasurer's offices. The total operating costs of these typical "county" functions totaled nearly $121M in the past fiscal year (FY18). Meanwhile, revenues either generated by these offices or allocated to offset their operating costs for the same period totaled nearly $35M. This left a net annual operating cost of county functions at over $86M . (see attached)
While a large portion of these costs are certain to continue regardless of the City's "county" status, the merger into a larger municipal unit of St. Louis County would provide an opportunity to identify potential redundancies and realize economies of scale between the City of St. Louis and St. Louis County operations with the potential for a significant amount of cost savings. Additional economies of scale will also be found within combinations of the more traditional municipal department operations (e.g. Police, Parks, Streets, etc.)
The City's existing expenditures related to the Fire Department are to be relegated to a Fire Protection district encompassing the existing boundaries of the City. The funding of this district is to be provided by a property tax levy subject to voter approval. If said levy is approved then other "taxes licenses and fees levied" are to be reduced so as to make this substantially revenue neutral.

Revenues - Earnings & Payroll Tax Elimination
The proposed amendment would preclude the City of St. Louis from seeking continued authorization of the 1% Earnings tax. Typically the next authorization vote would be scheduled in 2021, thus the elimination of the Earnings tax at the rate of 10% per year would begin under this proposal beginning in 2022. It also provides for elimination of the 0.5% City Payroll tax along the same schedule. Combined these two sources of revenue less commissions totaled $211.7M in general revenue in FY18. The loss of revenue would increase in increments over

the next ten years by over $21M per year until the entire amount of revenue is eliminated by 2031. Aside from any benefits from any operational savings described above, revenues from other sources would be necessary to make up this difference. (This does not take into account any additional expenditures related to accelerated payments on previous City debt which while not specified in the amendment has been reported as part of the merger plan.)

Revenues - TIF Considerations

In addition to the revenue amounts discussed above, in FY18 a total of $6.5M in Earnings and Payroll taxes were allocated specifically to TIF and other development agreements. Typically these obligations are to be paid solely from a portion of the economic activity taxes generated by the respective project. The proposed amendment leaves open the issue of how these obligations are to be addressed in light of the proposed changes in tax structure.

Prepared By:

Paul W. Payne
City of St. Louis Budget Director
(314) 622-3514

COST OF COUNTY FUNCTIONS IN CITY OF ST. LOUIS

EXPENDITURES

Fund			FY2018
Fund		**Circuit Clerk and Court En Banc**	
1010	311	Circuit Court (General)	9,642,162
1217/1220	311	Civil Courts/Carnahan Bldg Debt	1,649,100
1010	320	Juvenile Detention	15,936,261
1217/1220	320	Juvenile Detention Debt	1,556,500
1010	321	Circuit Drug Court	398,599
			29,182,622
		Other Judicial/Correctional Offices	
1010	312	Circuit Attorney	7,001,939
1116	312	Child Support Unit	1,544,505
1116	312	Contingency/Training/Tax Unit	252,096
1120	312	Enhanced Prosecution	201,914
1010	315	Sheriff	8,788,859
1010	632/633	Corrections (MSI & Justice Center)	37,498,915
1217/1220	633	Corrections Lease Debt	10,719,700
			66,007,928
		County Offices & Functions	
1115	180	Assessor	4,285,166
1010	330	Tax Equalization Board	6,572
1010	333	Recorder of Deeds	2,842,168
1010	334	Board of Election Commissioners	2,304,283
1010	335	Medical Examiner	2,063,355
1010	340	Treasurer (a "county" office but w/city role ?)	746,108
			12,247,652
		County Fee Offices (Pro-Rated to City)	
		Collector of Revenue	4,728,000
		License Collector	1,240,000
			5,968,000
		Total Expenditures	**113,406,202**

COST ALLOCATIONS (Budget)

City Wide Accounts	$199,617
Comptroller City Wide Accounts	340,224
Facilities Management	3,308,261
Information Services	1,966,273
Comptroller's Office	726,196
Equipment Services	132,002
Other	1,018,825
Total Cost Allocations	7,691,398
(Excl Depreciation & Court Admin Included Above)	
	121,097,600

COST OF COUNTY FUNCTIONS IN CITY OF ST. LOUIS

			FY2018
		REVENUES	
Fund	**Circuit Clerk and Court En Banc**		
1010	310	Circuit Clerk	332,059
1010	311	Circuit Court (General)	42,846
1116		Courthouse Restoration	1,144,993
1010	320	Juvenile Detention	1,959,797
1116		Children Services Fund	353,626
			3,833,321
	Other Judicial Offices		
1010	312	Circuit Attorney	130,603
1116	*312*	Child Support Unit	1,549,397
1116	*312*	Contingency/Training/Tax Unit	263,704
1120	*312*	Pub Sfty Trust - Enhanced Pros.	434,423
1010	*315*	Sheriff	884,564
1010	632/633	Corrections (MSI & CJC incl inmate reimb.)	6,959,015
			10,221,706
	County Offices & Functions		
1115	180	Assessor	2,896,575
1010	333	Recorder of Deeds	2,708,768
1010	334	Board of Election Commissioners	723
1010	335	Medical Examiner	8,847
			5,614,913
	Miscellaneous		
		Property Tax (County Purposes)	14,364,772
		Gasoline Tax (County Portion)	630,000
			14,994,772
		Total Revenues	**34,664,712**
		NET COST OF COUNTY FUNCTIONS	**$86,432,888**

Sources: City of St. Louis Budget Division; general ledger and Comptroller's Annual Reports - cash basis and 2018 Cost Allocation report

Officials from **Wellsville-Middletown R-1 School District** indicated they see no specific fiscal impact of this petition on their school district.

Officials from **State Technical College of Missouri** indicated there is no fiscal impact on their college.

Officials from **Harris-Stowe State University** indicated Harris-Stowe State University traces its origin back to 1857 when it was founded by the St. Louis Public Schools as a normal school and thus became the first public teacher education institution west of the Mississippi River and the 12th such institution in the United States. The earliest predecessor of Harris-Stowe State University was a normal school established for white students only by the Public School System of the city of St. Louis. This school was later named Harris Teachers College in honor of William Torrey Harris who had been a Superintendent of Instruction in the St. Louis Public Schools and also a United States Commissioner of Education.

The College began offering in-service education for St. Louis white teachers as early as 1906. In 1920, Harris Teachers College became a four-year undergraduate institution authorized to grant a Bachelor of Arts in Education Degree.

A second predecessor institution was Stowe Teachers College, which began in 1890 as a normal school for future black teachers of elementary schools in the city of St. Louis. This normal school was also founded by the St. Louis Public School System and was an extension of Sumner High School. In 1924, the Sumner Normal School became a four-year institution with authority to grant the baccalaureate degree. In 1929, its name was changed to Stowe Teachers College, in honor of the abolitionist and novelist Harriet Beecher Stowe. These two teacher education institutions were merged by the Board of Education of the St. Louis Public Schools in 1954 as the first of several steps to integrate the public schools of St. Louis. The merged institution retained the name Harris Teachers College.

Later, in response to the many requests from alumni of Stowe Teachers College and members of the greater St. Louis community, the Board of Education agreed to restore to the College's name the word "Stowe" and to drop the word "Teachers." In 1979, the General Assembly of the State of Missouri enacted Senate Bill 703 under which Harris-Stowe College became the newest member of the State system of public higher education. The institution's name was again changed by the addition of the word "State" and became officially known as Harris-Stowe State College. In addition to the name change, the College's baccalaureate degree was changed to Bachelor of Science in Education. In compliance with the new state standards and teacher certification requirements, the College's Teacher Education curriculum was modified and three separate Teacher Education majors were approved: Early Childhood Education, Elementary School Education and Middle School/High School Education.

In 1981, the College received state approval for a new degree program — the Bachelor of Science in Urban Education. This program is the only one of its kind at the undergraduate level in the United States and is designed to prepare non-teaching urban education specialists who will be effective in solving the many urban-related problems facing today's urban schools. In 1993, the State Governor signed into law Senate Bill 153, which authorized the College to expand its mission in order to address unmet needs of metropolitan St. Louis in various applied professional disciplines. In response to that authority, Harris-Stowe developed two new baccalaureate degree programs:

1. Business Administration, with professional options in Accounting, Management Information Systems, General Business and Marketing;

2. Secondary Teacher Education, with subject-matter options in Biology, English, Mathematics and Social Studies.

Finally, on August 25, 2005, by mandate of the State of Missouri, Harris-Stowe State College obtained university status. Today the University hosts collaborative graduate degree programs with Maryville University, the University of Missouri-St. Louis and Webster University. The University continues to expand, adding new campuses and buildings as part of its 21st-century initiative to offer opportunities for both undergraduate and graduate students seeking a variety of degrees.

Thus, from its beginnings as two normal schools in the mid and late 19th century to its present status as a state institution of public higher education, Harris-Stowe State University and its predecessor institutions have always been in the forefront of teacher education. Now, with its mission expanded to include other professional disciplines, the University will provide greatly needed additional opportunities to metropolitan St. Louisians in other important fields of endeavor. The University will continue its quest for excellence in all of its offerings and strive even more to meet the complex and demanding challenge of preparing students for effective roles in this region's various professions.

Because of this history and the historic nature of the proposed merger of the City and County of St. Louis, Harris-Stowe State University fiscal impact will be enhanced. Since the various school districts will not be a part of this merger, their recruiting in the City of St. Louis and St. Louis County school districts will continue uninterrupted. It may even increase since the city and the county will see itself as one region rather than separate entities which is similar to their history.

Officials from the **State Tax Commission** indicated the petition provides the current property tax structure, including levies and distribution, will remain in effect after passage and until such time as the governing authority modifies the provisions. The State Tax Commission has reviewed petition 20-042 and determined no fiscal impact.

Officials from **St. Louis County Board of Elections** indicated they believe under this petition that they would need to purchase new voting equipment and software to cover the city's portion of registered voters. This is an estimated cost of $1-3 million. They estimate that if new equipment for the County's voters would cost roughly $10 million, and the City would add about 30% more voters to the population, the total cost for this new equipment would be anywhere from $1-3 million depending on vendors and bids. This estimate is based on the fact that the St. Louis County Board of Elections would be the new jurisdiction for City voters.

Officials from **Metropolitan Zoological Park and Museum District** indicated based on the information provided, they do not believe the proposed legislation will financially impact the Zoo Museum District.

Officials from the **Municipal League of Metro St. Louis** indicated:

MUNICIPAL LEAGUE
OF METRO ST. LOUIS

LINKING LOCAL COMMUNITIES
STRENGTHENING LOCAL
GOVERNMENT

February 22, 2019
Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, Missouri 65101

RE: Fiscal Note - Petition approval request from Christopher Pieper regarding a proposed constitutional amendment

The Municipal League of Metro St. Louis represent 85 municipalities including St. Louis City and County. The petition as submitted would negatively impact every municipality. The municipalities, which would become municipal district, would no longer be political subdivision of the state but instead a political subdivision of the new Metro St. Louis. The petition gives the new Metro City complete authority over the municipal districts, taxes, services, and zoning. The petition limits the municipal district sources of revenue to property and utility taxes and requires the municipal districts to increase these taxes to cover the loss in sales tax revenue.

The petition will negatively impact all municipalities in St. Louis County by the taking of local sales tax and all revenues associated municipal operations such as courts, police, business licensing and regulations which by current statutes are remitted to cities in St Louis County. There will also be an uncalculatable loss in real property assessed valuation due to the reduction in level of services; the areas in St. Louis County with the highest assessed valuations are serviced by municipalities at the local level; if this petition is approved, the new Metro St. Louis will receive the services at the current level of St. Louis City and unincorporated St. Louis County which have some of the lowest property values.

While the petition also takes away the authority of the cities and responsibilities associated the costs for courts, police, business regulation including zoning, permits and general economic development, the net result will be a substantial deficit for the remaining municipal operations which will require either dissolution or substantial increases in real estate or utility taxes.

While some reduction in service levels and expenses would occur, the cities would be requirement to increase property taxes, gross receipts utility taxes, park & recreation fees and trash service fees to cover the cost of operation that were previously covered by general revenue funds generated by sales tax.

Pat Kelly
Executive Director

1034 S. Brentwood Blvd., Suite 410 • Richmond Heights, MO 63117
Phone: (314) 726-4747 • Fax: (314) 726-1520 • www.stlmuni.org • staff@stlmuni.org

Officials from the **City of Ballwin** indicated it is estimated that this measure would reduce the revenues for their city by $13,528,000. It is estimated to reduce expenses by $11,842,000. These figures are based on their 2019 budget. Because the reduction of revenues is greater than the reduction of costs, services beyond those outlined in the petition would have to be cut or new revenue sources would need to be added.

Under initiative petition 20-042, they anticipate a reduction in revenues of $13,528,000:

Sales taxes $9,626,000
Other intergovernmental taxes $1,917,000
Licenses and permits $1,070,200
Court fines $600,000
Police and communications $219,000
False alarm fines $6,800
Grants $36,000
Miscellaneous $53,000

They anticipate a reduction in costs of $11,842,000:

Police $6,514,000
Public Works personnel $1,561,000
operating expenses $1,954,000
Administration court $170,000
other personnel $924,000
operating expenses $719,000

Without additional revenue sources, remaining public works operations would be cut ($1,180,000) and additional administrative staff.

Officials from the **City of Bellefontaine Neighbors** indicated their annual budget is $4,895,911.00. It is estimated if the proposed merger were to happen their city would lose 73.9% of this amount, or $3,618,078.23. They indicated the proposal as submitted by Better Together will strip their City of St. Louis County sales tax revenue, all revenue associated with their police, courts, business licensing, any permits associated with zoning, leaves no money for Capital Improvements, leaves them with unfunded mandates which will lead to the dissolving of their city as a whole.

Officials from the **City of Berkeley** indicated the proposed amendments to Article VI are projected to decrease the revenue budget for their city by approximately $2,750,000. The effect on the personnel would be a reduction in the current staff of about 70%, which is about 74 jobs. The residents of the city will be impacted directly through the increase in taxes related to the Fire Department becoming part of a district and creating a new tax burden on the community. Funding for local programs for youth and seniors will have to be reduced.

Officials from the **City of Chesterfield** indicated per fiscal note request 20-042, their city, estimates implementing this petition would result in a deficit of $19,039,279 when compared with their city's 2019 budget as passed with a $904,374 surplus. This net decrease of an estimated $19,943,653 results primarily from sales taxes no longer being remitted to the city, offset in part, by the reductions of service cost in the courts, police, and street maintenance. In order to provide the services after the constitutional amendment, the deficit would necessarily be made up by a substantial dedicated real estate and personal property tax and/or a substantial increase in gross receipts taxes on utilities.

Combined Statement of Budgeted Revenues, Expenditures and Changes in Fund Balance - All Funds	2019 BUDGET	Petition Modificaton Estimate	Post Petition
REVENUES:			
Property Taxes	$ 460,500	$ (460,500)	$ -
Utility Taxes	6,582,000		$ 6,582,000
Sales Tax	22,609,307	(22,609,307)	$ -
Intergovernmental Taxes	4,390,850	(4,390,850)	$ -
Licenses and Permits	1,586,470	(1,586,470)	$ -
Charges for Services	2,044,261		$ 2,044,261
Court Receipts	692,556	(692,556)	$ -
Other Revenues	907,748		$ 907,748
TOTAL REVENUE	39,273,692	(29,739,683)	9,534,009
EXPENDITURES			
Executive & Legislative	73,525		73,525
Deptartment of Administration			-
City Admin/Econ Dev/Cust Svc	556,419		556,419
Finance and Courts	870,945	(208,193)	662,752
Information Technology	819,863		819,863
Central Services	2,700,019		2,700,019
Police Department	11,082,635	(11,082,635)	-
Director of Public Services			-
Planning and Development	782,786		782,786
Public Works	8,652,539	(3,005,202)	5,647,337
(Garbage Collection)		4,500,000	4,500,000
Parks	8,793,499		8,793,499
Designated Funds Distributions	-		-
Capital Items for All Departments	$4,037,088		4,037,088
TOTAL EXPENDITURES	38,369,318	(9,796,030)	28,573,288
Change in Fund Balance	904,374	(19,943,653)	(19,039,279)

Officials from the **City of Crestwood** provided the following information:

CRESTWOOD

One Detjen Drive
Crestwood, MO 63126
(314) 729-4780

OFFICE OF THE CITY ADMINISTRATOR

February 21, 2019

Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, Missouri 65101

RE: Fiscal Note Regarding Constitutional Amendment to Article VI (2020-039)
City of Crestwood, Missouri

Auditor Galloway:

The State Auditor's Office is required to submit a Fiscal Note and Fiscal Note Summary under Section 116.332 RSMO on all initiative petitions. Please accept the following suggestions for inclusion in the fiscal note as to how this proposal will impact local government in the St. Louis Region. The below example is for the City of Crestwood.

Background

The proposal as presented strips all municipalities from control over sales tax revenues and budgeting. Any revenues associated with courts, police, business licensing and regulations, and roads are subject to the review and approval of a separate government entity. While the proposal also removes from "Municipal Districts" responsibility and costs for courts, police, business regulation including zoning and permits, the savings from these changes are not enough to make up for the expected loss of revenue due to losing control over sales taxes.

In Crestwood's case, the net result of changes proposed in the Constitutional Amendment is a deficit for the surviving Crestwood Municipal District of nearly $3.5 million per year. The Crestwood Municipal District would have no funds for capital improvements, such as maintaining our Government Center or Community Center. Crestwood also operates a Municipal Fire Department, and there would be no funds available for replacing our fire truck and other costly fire department equipment.

The dissolution of the Crestwood Municipal District would mean, among other things, that fire services would cease to be provided to residents of the former Crestwood Municipal District by the Municipal District, and therefore would need to be resumed by

One Detjen Drive
Crestwood, MO 63126
(314) 729-4780

some other entity - presumably, a neighboring Fire District. It should be noted that the property taxes for those neighboring districts are higher than that of the City of Crestwood/Crestwood Municipal District. Therefore, the dissolution of the City of Crestwood would likely result in a property tax increase to our residents.

As opposed to dissolution, the Crestwood Municipal District would have to resort to substantial increases to property owners in the surviving Crestwood Municipal District. There are three options: 1) increasing the real estate and personal property tax; 2) increasing the gross receipts taxes on utilities (the costs of which are borne by that utility's customers), or 3) an increase in fees charged by the city for parks and recreation and fire inspections.

Adjusted 2019 Crestwood Budget showing the impact of the Better Together proposal:

Chart 1. Crestwood 2019 Budget and Showing Impact of Better Together Proposal.

2019 Budget	General Fund	Park Fund	Capital Fund	Sewer Lateral Fund
Revenues	9,535,667	1,828,695	1,445,690	139,600
Expenses	9,444,238	1,812,475	1,423,682	135,000
Transfers In (Out)	-	-	-	-
Surplus (Deficit)	91,429	16,220	22,008	4,600

Better Together Proposal	General Fund	Park Fund	Capital Fund	Sewer Lateral Fund
Revenues	3,980,531	654,350	19,000	139,600
Expenses	5,613,664	1,812,475	681,500	135,000
Transfers In (Out)	-	-	-	-
Surplus (Deficit)	(1,633,133)	(1,158,125)	(662,500)	4,600

Footnotes:

1. The "General Fund" comprises the bulk of Crestwood operations, traditionally including police, fire, planning and zoning, public works administration, facilities maintenance staffing, municipal court and administrative services.
2. The above chart is a restatement of what the Crestwood 2019 Annual Budget would look like assuming the Better Together proposal was in effect on January 1, 2019.
3. The only revenue in the Capital Fund would be interest income on the current balance of that fund. The Better Together proposal would require deficit spending in the Capital Fund until that fund's balance were exhausted, thereby eliminating any interest income and effectively terminating this fund.

Even if the Crestwood Municipal District were to increase its authorized property and utility taxes to their statutory maximums, the district could NOT cover the operational deficit created by the Better Together proposal. Below is a chart identifying available additional revenue sources:

CRESTWOOD

One Detjen Drive
Crestwood, MO 63126
(314) 729-4780

OFFICE OF THE CITY ADMINISTRATOR

Chart 2. Additional Revenues Available by Increasing Taxes.

Revenue Source Available	Statutory Maximum	Added Revenue Potential
Real Estate Taxes	1.00	1,156,563
Personal Property Tax	1.00	44,655
Utility Tax Increases	10%	1,018,117

All additional revenue sources generate an estimated $2.2 million per year. As shown in Chart 1 above, Crestwood is facing a deficit of $3.4 million per year. Thus, the Crestwood Municipal District would be left with a $1.2 million deficit. With no other revenue sources available, Crestwood would have to reduce services, by either:

1) Reducing its Parks and Recreation operations (total annual expenditures $1.8 million).
2) Cease all Fire Department operations (total annual expenditures $3.2 million).

Sincerely,

Kris Simpson
City Administrator

Officials from the **City of Des Peres** provided the following information:

February 15, 2019

Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, Missouri 65101

RE: Fiscal Note Regarding Constitutional Amendment to Article VI (2020-042)
City of Des Peres, Missouri

Dear Mrs. Galloway:

Please accept and consider the contents of this letter in drafting your fiscal note for initiative petition #2020-042 required under Section 116.332, RSMO on all initiative petitions. Specific example is given for the impact on the City of Des Peres.

SUMMARY:

The proposal as presented strips all existing municipalities in St Louis County of substantial revenues including sales tax and any revenues associated with courts, police, business licensing and regulations and roads which by current statutes are remitted to cities in St Louis County. While the proposal also strips from cities (now called Municipal Districts) all responsibility and associated costs for courts, police, business regulation including zoning, permits and general economic development, the net result will be a substantial deficit for the remaining municipal district that will require either dissolution or substantial increases in real estate or utility taxes.

In the case of Des Peres, the net result of changes proposed in the Constitutional Amendment is a deficit for the surviving Des Peres Municipal District of nearly $6,000,000 per year with no funds allocated for capital equipment or projects which we expect would need to average $1,000,000 per year for parks, recreation and fire purposes and maintenance of public facilities. (Des Peres currently allocates $2.5 million per year from the capital improvement sales tax for capital equipment and projects with over 50% allocated to streets)

While some reduction in service levels and expenses would likely be appropriate, the end result would be requirement to substantially increase local taxes on the property owners in the surviving Des Peres Municipal District focused on only three options: (1) a substantial real estate and personal property tax); (2) a substantial increase in gross receipts taxes on utilities (passed thru to the underlying customers); or (3) an increase in fees charged by the city the area of trash services and parks & recreation fees.

For purposes of this analysis, we have adjusted the current 2019 Des Peres Budget to show the fiscal impact of Better Together Proposal if it were in place for this year.

2019 Budget	**General Fund**	**Park Fund**	**Operating Budget**	**Capital Budgets**
Revenues	11,833,825	6,269,400	18,103,2225	3,227,055
Expenses	(11,680,947)	(5,133,616)	(16,814,096)	(4,448,055)
Transfers In (Out)	29,000	(1,214,500)	(1,185,500)	1,213,000
Surplus (Deficit)	182,467	(78,816)	101,751	(8,000)
Post Better Together	**General Fund**	**Park Fund**	**Operating Budget**	**Capital Budgets**
Revenues	3,160,447	3,232,400	6,392,847	473,305
Expenses	(6,014,343)	(5,133,616)	(11,147,918)	(2,400,900)
Transfers In (Out)	0	(1,207,000)	(1,207,000)	1,234,500
Surplus (Deficit)	(2,853,896)	(3,108,175)	(5,962,000)	(729,095)

Footnotes:

1. The “General Fund” is a compilation of budgets for the General Fund, Fire Fund and Public Safety Fund
2. This analysis is a restatement of our current budget assuming the Better Together proposal was in effect on January 1, 2019. For purposed of the analysis, the ‘General Fund” also includes revenues and expenses from the Fire Fund and Public Safety Fund since revenues from both of those funds are largely transferred into the General Fund.
3. For purposes of this analysis, transfers out of the Park Fund to the Debt Service Fund ($1,050,000) are not included in the analysis since all outstanding debt for The Lodge will be fully retired in early 2020.
4. The major transfer in 2019 in the Park fund is to our Capital Improvement Fund to finance a large scale capital project to refurbish one of our major parks.
5. Capital Budgets: the city has funded an average of $2.5 million in capital projects per year utilizing a 0.5% capital improvement sales tax. No funds will be available as a dedicated income to the capital fund post Better Together.

The Des Peres Municipal District could cover the operational deficit created by the Better Together petition IF the city were to take all of its authorized taxes for real estate, personal property and gross receipts to their statutory maximums:

Revenue Source Available	Statutory Maximum	Added Revenue Potential
Real Estate Tax	$ 1.00	4,148,734
Personal Property Tax	$ 1.00	451,157
Gross Receipts Tax on Utilities	10.0%	1,563,488
Sanitation Fee	Actual Cost of Service	887,625

Major assumptions used in this analysis are attached hereto as Exhibit “A” along with associated excel spreadsheets using our 2019 budget as our baseline.

If you have any questions regarding our analysis please feel free to contact at 314-835-6110 or by e-mail at dharms@desperesmo.org and I will respond as quickly as possible.

Sincerely,

Douglas J. Harms
City Administrator
City of Des Peres, Missouri

EXHIBIT A
DES PERES, MISSOURI

MAJOR ASSUMPTIONS IN THE ANALYSIS:

REVENUES:

Sales Taxes – currently the city receives the proceeds from a 1.25% general sales tax (shared in St Louis County) that will flow to the new Metropolitan City under the proposal. In addition, the city has imposed a 0.25% Fire Sales Tax, a 0.5% Parks Sales Tax and a 0.5% Capital Sales Tax (shared in St Louis County)

Under the proposal as detailed in the proposed constitutional amendment, all sales and use taxes will go to the new Metropolitan City and no longer to current municipalities. The proposal provides that those taxes remain in place in the areas of the municipal districts and the Metro City shall remit to the municipal district those sales tax revenues necessary to meet outstanding obligations of any kind (which we assume to mean pensions and bonds tied to the revenue source) and may remit any remaining balance to the municipal district as necessary for providing municipal services within the district. Since the pass-thru of sales and use tax is discretionary and associated with a finding of "necessity" by the new Metropolitan City, these projections assume that no pass thru for dedicated sales taxes for municipal services except the Fire Sales Tax since the Metro City is not responsible for any fire services.

Intergovernmental Revenues – are assumed under the proposal to be redirected by the state to the Metro City since the Des Peres Municipal District is not a city under state law. Further, most of the shared revenues from the state are related to transportation – a function defined as a service reserved to the Metro City and not the municipal districts.

Licenses – all business license fees including merchants and liquor licenses are under the proposal the sole jurisdiction and are to be levied by the Metro City and not the municipal districts.

Permits – the proposal provides that all "public works" is reserved to the Metro City and not a function of the municipal district. While that term is not defined in the proposal, the prevailing document for interpretation is the current St Louis County Charter which provides for a Department of Public Works with responsibility for all "permits" which are assumed to include all building and related permits. That revenue, along with the responsibility for those services, would appear to be assigned to the Metro City and not the municipal district

Municipal Court - all municipal court functions are assigned by the proposal to the Metro City and one would then assume that all fines, costs and forfeitures would also flow to the Metro City.

Contracts - Des Peres has a contract with a Community Improvement District to provide additional police protection to West County Center. That contract and related revenue would no longer be collected since municipal districts are not allowed to provide police services.

EXPENSES

The proposal assigns as the sole responsibility of the Metropolitan City certain functions currently provided by the City of Des Peres including police, courts, business licensing and regulation, transportation, public works and economic development. Therefore, it is assumed that 100% of those costs for the city contained in its current budget for both operating and capital purposes will no longer be necessary and the Des Peres Municipal District budget reduced accordingly.

Expenses relating to Fire and EMS services, Parks & Recreation and Solid Waste Collection are retained as municipal district services and the costs associated with each such service are carried forward to the adjusted municipal district budget. In this analysis, the budget for Public Safety is assumed to be split evenly between the Police function and the Fire-EMS function. We believe that assumption not to be true since Des Peres enjoys some economies by having a combined Department of Public Safety with all employees cross trained and utilized in both functions, rather than separate police and fire agencies and expect that the cost of a stand alone Fire-Ems department to be greater than half cost of our current combined department. expect that the cost to operate a stand- alone Fire Department in lieu of our combined Public Safety Department.

I would assume that an additional $750,000 could be reduced from our operations budget due to a 50% in the reduction of administrative costs including general administrative and finance functions supporting operating departments resulting from the service levels to be provided by the successor Des Peres Municipal District.

Pensions – Des Peres Municipal Pension Plan is a 401 Defined Contribution Plan and there are no unfunded pension liability associated therewith to be carried over to the new municipal district. Current obligations are embedded in departmental operations budgets.

Debt Service – for purposes of this analysis, Des Peres current obligations for Debt Service ($1,455,000) in 2019 has been deleted from the analysis since all outstanding debt will be retired in 2020 before the effective date of the proposed reorganization.

Capital Improvements – the City of Des Peres currently receives $2.5 million from the capital improvement sales tax none of which is dedicated to repayment of outstanding general Obligation Bonds or Certificates of Participation. It is assumed that the proceeds from the capital improvement sales tax would not be remitted to the municipal district by Metro City. The adjusted 2019 budget deletes all projects or equipment relating to functions which are transferred to the metropolitan city (the largest of which is transportation and streets) and includes only equipment relating to fire-ems, parks & recreation and maintenance of public buildings being retained by the municipal district.

Officials from the **City of Eureka** indicated they have reviewed the petition regarding Constitutional Amendment to Article VI (2020-042) and determined the estimated costs this measure would have on their city.

The proposal as presented will strip all sales tax revenue not associated with debt from their city. During the FYE (fiscal year end) 2019, their city would lose approximately $2,525,000 of general sales tax, not associated with debt, under the initiative plan. Sales tax revenues fund Administration, Code Enforcement, Economic Development, Police, Court and Public Works. Under the proposed initiative, the Metropolitan City will assume all departments except for Administration. It is budgeted that the Administration Department will expend approximately $1,100,000 on payroll and operating expenses during FYE 2019, which would be funded by real property, personal property and gross tax receipts under the initiative plan. Their city estimated real property, personal property and gross receipt tax receipts are $2,317,000 for FYE 2019. Under the plan, it is unclear if this surplus will be retained by their city for future operating and capital expenses. In the event that there is a deficit, the District could be required to increase local taxes on personal property, real property and gross receipt taxes.

Their city currently receives approximately $1,200,000 from Capital Improvement Sales Tax, of which $685,700 is committed to paying off debt for Water System Enhancements and the Timbers Recreation Center. The remainder is used to fund capital expenditures such as vehicles, equipment, storm water management, Parks Department projects and Water and Sewer Department projects. The loss of this revenue will impact the water and sewer systems and the Park Department as noted below.

Their city operates a water and sewer system. The revenues and expenditures are recorded in two Enterprise Funds. It is projected that the water and sewer system Enterprise Funds will have to be subsidized by the General Fund in FYE 2021. Under the initiative petition, it is unclear how their city could subsidize the shortfall, if at all. The Capital Improvement Sales Tax funds capital improvements and major repairs to infrastructure of the water and sewer systems. The loss of the Capital Improvement Sales Tax not associated with debt would prohibit capital improvement projects and major repairs to the water and sewer systems. It is possible that the water and sewer systems would have to be sold, creating a loss of service or significant rate increases to the residents of their city.

The Parks Department will require a transfer beginning in FYE 2020 from the Capital Sales Tax fund to fund capital projects in the amount of $500,000. This transfer is considered in perpetuity. With the loss of this sales tax, the Parks Department would not be able to maintain or upgrade capital items. This would likely result in a loss of service or increased fees to the residents of their city or the Park Department being absorbed by the Metropolitan City.

There are other costs that are not easily measured. Under the plan, the Metropolitan City would assume all of the assets of their city. This will eliminate most to their city's balance sheet creating an unstable financial position. This could result in an elimination or withdraw of bond rating and higher borrowing costs. Since it is unclear how outstanding obligations are to be handled, the sources of revenues described in the Official Statement will change, and management of their city's finances and economic development described in the Official Statement will change, making their city vulnerable to investor litigation.

This initiative would eliminate any control their city would have over economic development. Costs associated with the loss of economic development cannot be identified at this time.

Officials from the **City of Ferguson** indicated the city recognizes under state statute it is the responsibility of the MSAO (Missouri State Auditor's office) to provide a fiscal note and summary to the attorney general. That said the ambiguity and lack of specificity incorporated into the proposed constitutional amended preclude the assembly or computation of ANY reasonable response. The lack of specificity as to directed, special use sales taxes (e.g., fire, parks and storm water, capital improvement and economic development) makes any analysis impossible; unequivocally, plain and simply.

As an example the amendment specifies only three sources of revenue available to the municipal district: property taxes, franchise taxes and licenses and fees. Absent from that list is sales taxes. The city specifically has a sales tax that barely supports its extensive parks and recreation system. Loss of that tax would result in the loss of its parks system.

Officials from the **City of Florissant** indicated:

They attached an Op-Ed that they wrote that was published in the St. Louis Post-Dispatch editorial section on Thursday February 7 which will give a good idea of their objection to the success of the petition. They would also like to direct attention to an Op-Ed that was published in the Post-Dispatch on February 13, 2019 by St. Louis County Councilman and former St. Louis County Police Chief Tim Fitch which concludes that the City of Saint Louis and their region would be far better off if St. Louis would resolve their $1.6 billion dollar debt by declaring bankruptcy like Detroit did not long ago rather than pull the St. Louis County down in their hole with them. Detroit is reportedly experiencing a renaissance since declaring bankruptcy.

If this petition with its devastating proposal is successful it could result in a statewide vote to strip Florissant and all municipalities in St. Louis County of their sovereignty by taking away what makes them a city including their Police Department and Public Works Department leaving them with only their Parks Department. This proposal would also strip them of their major sources of revenue but leave them with all of their debt and pension obligations that their city and residents would still have to pay.

This concept is predicted to fail miserably in St. Louis and St. Louis County so if it were to pass in the rest of the state by more votes than it fails where it affects people then the result would be a hostile takeover of our home by outsiders and would amount to taxation without representation.

An alternate petition is being sponsored by the Municipal League of Metro St. Louis which would create a Board of Freeholders to be created to mandate public hearings to obtain open input from only the residents of St. Louis and St. Louis County in order to contemplate changes in the governance of our Metropolitan Area. The Board of Freeholders would then decide what to place before the voters affected and would not ask the entire state to weigh in.

These matters were discussed at length at the Missouri Municipal League Legislative Conference and everyone in attendance felt that the Better Together proposal was an affront to democracy. Immediately after the conclusion of the conference the Missouri Mayors United for Progress unanimously passed a resolution opposing the Better Together statewide vote and endorsed the Municipal League of Metro St. Louis initiative to collect the necessary signatures to create a Board of Electors (Freeholders) to openly discuss potential changes to governance structures in St. Louis County and City.

Many feel that the extremely wealthy people who fund this and other hostile efforts to mold governance to their whims, especially when done outside the open public hearing format, are a threat to our State and to the Republic of the United States!

MAYOR THOMAS P. SCHNEIDER COMMENTS ON BETTER TOGETHER SIGNATURE PETITION THREAT THAT WOULD TERMINATE 233 YEARS OF FLORISSANT SOVEREIGNTY. February 1, 2019

Florissant is the oldest and largest city in St. Louis County and only St. Genevieve, St. Louis and St. Charles are older in the entire Louisiana Purchase Territory. Founded by the Spanish Governor of the Louisiana Territory in 1786 Florissant is older than St. Louis County, older than State of Missouri, and even a few years older than the Constitution of the United States. We have been a sovereign community under three countries, Spain, France or the United States for 233 years. We appreciate our long history as a sovereign city and wish it to continue for another 233 years.

We would like to continue to be protected by Police who we know and trust. The award winning Florissant Police Department is one of the best law enforcement agencies anywhere and was one of the first to receive the gold standard in public safety, the CALEA certification from The Commission on Accreditation for Law Enforcement Agencies. Other agencies including the County and City Police Departments have always had the highest respect and have tried to emulate our department. The Florissant Police department is our most valuable asset and is highly appreciated by our residents and is also one of reasons why many investors continue to locate and develop their business in Florissant.

We would prefer to maintain our streets, bridges, sidewalks and other infrastructure rather than surrender it to the Better Together Mega Metro. Florissant has a very proactive Public Works Department which has been validated by our voters with additional revenue to continue proven programs to maintain and systematically rebuild our streets and sidewalks. We are way ahead of the curve compared to the rest of the nation in that we have been systematically replacing our bridges and culverts for more than 40 years ever since I served under Mayor Eagan as City Engineer 1976-1978.

We want to participate in a conversation on how to be a part of a more competitive Metropolitan area but neither myself as Mayor or our City Council Members were asked by Better Together for our opinions nor were we consulted by the County Executive or the St. Louis Mayor despite the fact that we are acquainted and have been in the same room at the same time many times.

We find it contradictory and puzzling that one day the editorial page of the Post-Dispatch laments the dysfunction of St. Louis City or County or their chief executives or their law enforcement agencies one day and the next day's editorial page proclaims that everyone should happily embrace the idea of a Statewide vote to create a one size fits all mega government controlled by the remotest of leaders.

We think any regional decisions on governance change should be made by the citizens that would be affected. We would be reluctant to entertain the idea of voting to compromise the sovereignty or the method of governing of Rolla, Poplar Bluff, Independence, Springfield, and Hannibal et al. It is hoped that the information in the 160 page Better Together report and other reports such as the 25 page report prepared by UMSL's Terry Jones in 2014 entitled "TOWARD REGIONALISM: THE ST. LOUIS APROACH" and other relevant material such as the written position of SLACMA (St. Louis Area Police Chiefs Association) will be useful to the forthcoming Board of Freeholders.

We support and will participate in the initiative of the Municipal League of Metro St. Louis to collect the necessary signatures to enable a Board of Freeholders (also called Board of Electors) to be formed who will be mandated to hold open public meetings and hearings so that the will of the citizens can be heard in open dialogue and testimony. Open to the public discussions have been a bed rock traditional in our Republic called the United States of America for about as long as Florissant has been a sovereign city.

Officials from the **City of Hazelwood** indicated their city applied the assertions of the proposal to their FY2019 Budget. Based on that analysis they determined that:

Revenue Lost: $19,152,000
Costs Eliminated: $14,600,000

Net Loss to the City: $4,552,000

These figures would be on an annual basis.

The analysis that they performed to determine their response is in the following financial information. All of the figures presented were taken from the City of Hazelwood Budget for the FYE ended June 30, 2019.

City of Hazelwood

Revenues lost to Municipal City		Costs turned over to Metropolitan City		
General Fund				
1% Sales Tax A	1,948,430	Police	8,483,044	
1% Sales Tax B	1,800,386			
Park and Stormwater	1,698,218	City Manager	623,361	
Use Tax	1,532,249	City Manager	(137,363)	Keep
Fire Sales Tax	847,277	Benefits	(41,209)	Keep
1/4% Local Sales Tax	701,059	Other Expense (est)	(31,000)	Keep
1/2% Public Safety Sales Tax	1,200,000			
Hotel/Motel Tax	226,649	Information Systems		
		1 employee	61,399	
Cigarette Tax	71,679	Benefits	18,420	
Gasoline Tax	693,418			
Road & Bridge Refund	492,422	Public Works Admin	1,313,270	
Vehicle Fee Increases	112,726			
Misc Intergovernmental	231,726			
State Grants	85,450	Streets	995,735	
Other Grants	110,886			
		Finance		
Building	384,942	2 Employees	106,579	
Occupancy	185,723	Benefits	31,974	
Land Disturbance Permit	5,500			
Nuisance Properties/Vacant	45,000	City Clerk		
Manufacturers	1,270,683	ACC	49,420	
Service	1,162,925	Benefits	14,826	
Merchants	609,317			
Liquor	11,500			
Coin Device	2,740	Legal	436,864	
Franchises	239,305	City Attorney	(185,000)	Keep
		Labor Attorney	(18,000)	Keep
Court Fines	542,458	Prosecutor	25,000	
Fines-Training	15,103			
Penalties (Lic. & Prop)	9,972	Court	214,740	
Investment (one half budget)	26,000			
Miscellaneous, Other	114,031			
Court Card Fees	3,200			
P-Card Fees	1,300		11,962,060	
ePayables Rebate	3,300			
Guaranty Assessment	130,000			
	16,515,574			
Economic Development	1,653,276		1,653,276	
	(142,358)	Less Debt Service	(142,358)	Keep
Capital Improvement	1,676,874		1,676,874	
	(551,194)	Less Debt Service	(551,194)	Keep
Revenues	19,152,172		14,598,658	

Revenues Lose	(19,152,172)
Expenditures removed	14,598,658
Net	(4,553,515)

Officials from the **City of Kirkwood** indicated:

WHERE COMMUNITY AND SPIRIT MEET

February 25, 2019

Honorable Nicole Galloway
State Auditor
State Capital Building
Jefferson City, Mo 65101

RE: Fiscal Note regarding Constitutional amendment (20-042) City of Kirkwood, Missouri

Dear Ms. Galloway:

I understand that the State Auditor's Office is required to submit a Fiscal Note and Fiscal Note Summary under section 116.332 RSMO on all initiative petitions. Please accept the following suggestions for inclusion in the fiscal note as to how this proposal will impact local government in the St. Louis region. Specific example is for the City of Kirkwood.

SUMMARY:

The proposal as presented strips all existing municipalities in St. Louis Count of substantial revenues including sales taxes and any revenues associated with courts, police, business licenses, and regulations and roads which by current statutes are remitted to cities in St. Louis County . While the proposal also strips from cities (now called Municipal Districts) all responsibility and associated costs for court, police, business regulation including zoning, permits and general economic development, the net result will be a substantial deficit for the remaining municipal district that may require service reductions and/or substantial increases in real state or utility taxes.

In the case of Kirkwood, the net result of the changes proposed in the Constitutional Amendment is a deficit for the surviving Kirkwood Municipal District of nearly $2,144,551 per year with no funds allocated for capital equipment or projects. (Kirkwood currently allocates $4.7 million per year from the capital improvement sales taxes for capital equipment and projects) Post Better Together we will not have the funding for crucial capital equipment. For example in our fire department we have scheduled replacements of ambulances and fire rescue pumpers. Post Better Together leaves us with the responsibility of fire rescue and emergency response with no funding for any of the equipment needed for this operation.

While some reduction in service levels and expenses would be appropriate, the end result would be requirement to substantially increase local taxes on the property owner's in the surviving Kirkwood Municipal District focused on three options: 1) a substantial real estate and personal property tax; 2) a substantial increase in gross receipts taxes on utilities (passed thru to the underlying customer); an increase in the fees charged by the Kirkwood Municipal District for parks & recreation fees.

2019/2020 Budget	**General Fund**	**Capital Improvement**	**Parks/Stormwater Capital**	**Park Fund**
Revenues	23,182,471	6,299,750	2,644,822	2,024,532
Expenses	24,994,874	5,687,796	2,010,687	1,673,874
Transfers IN (Out)	2,055,489	1,966,845	(1,030,000)	621,120
Surplus/(Deficit)	243,086	2,578,799	(395,865)	971,778
Post Better Together	**General Fund**	**Capital Improvement**	**Parks/Stormwater Capital**	**Park Fund**
Revenues	13,094,960	-	1,318,307	1,474,532
Expenses	15,040,169	-	1,318,307	1,673,874
Transfers IN (Out)	-	-	-	71,120
Surplus/(Deficit)	(1,945,209)	-	-	(199,342)

1. Expenses in pre Better Together 2019/2020 General Fund are estimated at 95% of budgeted amount.

2. Parks/Stormwater monies(post Better Together) are for debt service

3. Kirkwood's capital improvement and parks/stormwater capital improvement sales taxes will no longer be available post Better Together.

4. Park Fund would lose a transfer from the Parks/Stormwater Fund (post Better Together) in the amount of $550,000

The Kirkwood Municipal District to cover our proposed post Better Together deficit would need a substantial increase in real estate taxes and/or utility gross receipts taxes.

If you have any questions regarding the City of Kirkwood's analysis please call me at 314-822-5833 or e-mail me at adamsjr@kirkwoodmo.org.

Sincerely,

John Adams

John Adams
Director of Finance
City of Kirkwood
139 S. Kirkwood Rd
Kirkwood, MO 63122

Officials from the **City of Manchester** indicated:

MANCHESTER

Combined Statement of Budgeted Revenues, Expenditures and Changes in Fund Balance - All Funds		**2019 Budget**		**Petition Modification Estimate**		**Post Petition**
REVENUES:						
Property Taxes	$	2,632,132	$	(307,000)	$	2,325,132
Sales Taxes	$	14,070,000	$	(8,900,000)	$	5,170,000
Utility Taxes	$	1,635,000			$	1,635,000
Intergovernmental Taxes	$	2,387,000	$	(2,387,000)	$	-
Licenses and Permits	$	471,950	$	(471,950)	$	-
Charges for Servcies	$	433,924			$	433,924
Court Receipts	$	230,000	$	(230,000)	$	-
Other Revenues	$	339,800			$	339,800
TOTAL REVENUE	$	22,199,806	$	(12,295,950)	$	9,903,856
EXPENDITURES:						
Boards & Commissions	$	63,625			$	63,625
City Administration	$	619,964			$	619,964
Finance	$	622,656			$	622,656
Information Technology	$	282,050			$	282,050
Police Department	$	3,986,275	$	(3,986,275)	$	-
Parks					$	-
Parks & Rec	$	954,187			$	954,187
Aquatics	$	347,600			$	347,600
Arts	$	28,515			$	28,515
Public Works	$	2,731,245	$	(1,931,245)	$	800,000
(Garbage Collection)			$	932,800	$	932,800
Planning & Zoning	$	319,032	$	(119,032)	$	200,000
Legal/Courts	$	254,155	$	(254,155)	$	-
Capital Items for All Departments	$	9,245,074			$	9,245,074
Debt Service	$	913,833			$	913,833
Tax Increment Financing	$	6,894,660			$	6,894,660
TOTAL EXPENDITURES	$	27,262,871	$	(5,357,907)	$	21,904,964
Change in Fund Balance	$	(5,063,065)	$	(6,938,043)	$	(12,001,108)

Officials from the **City of Maryland Heights** indicated:

City of
MARYLAND HEIGHTS
11911 Dorsett Road · Maryland Heights, MO · 63043
t: (314) 291-6550 · f: (314) 291-7457
www.marylandheights.com

February 22, 2019

Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, Missouri 65101

RE: Fiscal note regarding Constitutional Amendment to Article VI (2020-042)
City of Maryland Heights, Missouri

Dear Mrs. Galloway:

It is my understanding the Missouri State Auditor's Office is required to submit a fiscal Note and fiscal note summary under Section 116.332, RsMO on all initiative petitions. Please consider the following response for inclusion.

SUMMARY OF IMPACT

The proposed constitutional amendment strips all existing municipalities in St. Louis County of substantial revenues including gaming taxes and sales taxes and all revenues associated with courts, business licenses and various shared taxes and grants. The proposal also eliminates all authority and responsibility and related costs for infrastructure (roads, bridges, sidewalks, streetlights) maintenance, police services, court, business regulation including zoning, building permits and economic development. Presumably the City (to be renamed Municipal District) would continue to provide Parks and Recreation services and Trash Hauling but be limited to funding these services with property taxes (the City currently levies none) and utility gross receipts taxes. Further, the City would continue to be responsible for debt incurred prior to the effective date and any enterprise activities.

The impact on Maryland Heights would be a reduction in annual revenues to the General Fund of about $19.6 million (from $24.7 million to $5.1 million). Expenditures would be reduced by $20.8 million. The Park Fund would experience a reduction of $3.7 million in sales tax revenues with no reduction in expenditures in order to maintain the current level of services. The City currently uses 30% of Gaming taxes to fund capital improvements; the proposal would eliminate the funding of $3 million annually. Other services funded by specific taxes (tourism, sewer lateral repair, streetlights) would be eliminated totaling $1.2 million annually.

BOTTOM LINE

Total current annual revenues (all funds) would be reduced by over $27.5 million. Annual expenditures would be reduced $22 million not including capital improvements.

In order to continue to provide the current level of services related to trash collection and parks the City would have an annual shortfall of $1.8 million.

Further, the City would no longer provide services that will be shifted to the new entity for police, infrastructure maintenance, capital improvements, planning and zoning, economic development, code enforcement, sewer lateral repair, streetlights and tourism.

Sincerely,

James S. Krischke
City Administrator

Officials from the **City of Overland** indicated:

CITY OF OVERLAND
9119 Lackland Road, Overland Mo 63114

February 21, 2019

Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, Missouri 65101

RE: Fiscal Note Regarding Constitutional Amendment to Article VI (2020-042)
City of Overland, Missouri

Dear Mrs. Galloway:

Please accept and consider the contents of this letter in drafting your fiscal note for initiative petition #2020-042 required under Section 116.332, RSMO on all initiative petitions. Specific example is given for the impact on the City of Overland.

SUMMARY:

The proposal as presented strips all existing municipalities in St Louis County of substantial revenues including sales tax and any revenues associated with courts, police, business licensing and regulations and roads which by current statutes are remitted to cities in St Louis County. While the proposal also strips from cities (now called Municipal Districts) all responsibility and associated costs for courts, police, business regulation including zoning, permits and general economic development, the net result will be a substantial deficit for the remaining municipal district that will require either dissolution or substantial increases in real estate or utility taxes.

In the case of the City of Overland, the net result of changes proposed in the Constitutional Amendment is a ***deficit*** for the surviving Overland Municipal District of approximately \$362,767.00, across all funds, per year with no funds allocated for capital equipment or projects. We would anticipate the need to average \$330,000.00 per year for parks, recreation and maintenance of public facilities. Overland currently allocates approximately \$950,000.00 per year from the capital improvement sales tax for capital equipment and projects with over 50% allocated to streets.

While some reduction in service levels and expenses would likely be appropriate, the end result would require a significant increase in local taxes on the property owners or an increase in fees for the user of our parks and recreation facilities. Potential areas of increase would be limited to only three options: (1) a substantial real estate and personal property tax); (2) a substantial increase in gross receipts taxes on utilities (passed thru to the underlying customers); or (3) an increase in fees charged by the city related to parks & recreation fees.

For purposes of this analysis, we have adjusted the current FY 18/19 Overland Budget to show the fiscal impact of Better Together Proposal if it were in place for this year.

FY 18/19 Budget

Current	General Fund	Park Fund	Cap. Imp. Fund	Total
Revenues	$8,566,045.00	$1,000,100.00	$950,100.00	$10,516,245.00
Expenses	$8,517,933.00	$990,390.00	$794,700.00	$10,303,023.00
Surplus (Deficit)	**$48,112.00**	**$9,710.00**	**$155,400.00**	**$213,222.00**

After BT	General Fund	Park Fund	Cap. Imp. Fund	Total
Revenues	$2,580,475.00	$0.00	$0.00	$2,580,475.00
Expenses	$1,627,617.00	$979,625.00	$336,000.00	$2,943,242.00
Surplus (Deficit)	**$952,858.00**	**($979,625.00)**	**($336,000.00)**	**($362,767.00)**

Footnotes:

1. This analysis is a restatement of our current FY 18/19 Budgets assuming the Better Together proposal was in effect on July 1, 2018.
2. The General Fund is used to account for all general operating expenses for all departments except for the Parks and Recreation Department, Community Center, Summer Youth Program and building maintenance at 2500 Ashby Road.
3. The Park Fund is used to account for all expenses related to the Parks and Recreation Department, Community Center, Summer Youth Program and building maintenance at 2500 Ashby Road.
4. Post Better Together, all expenses related to Parks and Recreation Department, Community Center, Summer Youth Program and building maintenance at 2500 Ashby Road would have to be paid for out of the General Fund as revenue from the Parks Sales Tax would go to the Metro City not the Overland Municipal District.
5. Capital Budgets: the city has funded an average of $950,000.00 in capital projects per year utilizing a 0.5% capital improvement sales tax. No funds will be available as a dedicated income to the capital fund post Better Together.

Major assumptions used in this analysis are attached hereto as Exhibit "A" along with associated excel spreadsheets using our FY 18/19 budget as our baseline.

If you have any questions regarding this analysis, please feel free to contact me at (314) 227-2911 or by e-mail at jmcconachie@overlandmo.org.

Sincerely,

Jason McConachie
City Administrator
City of Overland, Missouri

CITY OF OVERLAND

9119 Lackland Road, Overland Mo 63114

EXHIBIT A

MAJOR ASSUMPTIONS IN THE ANALYSIS:

REVENUES:

Sales Taxes – Currently the city receives revenue from a 1.25% general sales tax (shared in St Louis County), a 0.5% Parks Sales Tax and a 0.5% Capital Sales Tax (shared in St Louis County).

Under the proposed constitutional amendment, all sales and use taxes will go to the new Metropolitan City and no longer to current municipalities. The proposal provides that those taxes remain in place in the areas of the municipal districts and the Metro City shall remit to the municipal district those sales tax revenues necessary to meet outstanding obligations of any kind (which we assume to mean pensions and bonds tied to the revenue source) and may remit any remaining balance to the municipal district as necessary for providing municipal services within the district. Since the pass-thru of sales and use tax is discretionary and associated with a finding of "necessity" by the new Metropolitan City, these projections assume that no pass thru for dedicated sales taxes for municipal services.

Utility Taxes – Assumes no decrease or rate cap in Utility Tax Rates in future years. The concept of a reduction or a rate cap routinely seems to be a topic of discussion by the Missouri General Assembly. Any reduction or rate cap below our current rates would result in a reduction in revenue for the Municipal District.

Intergovernmental Revenues – are assumed under the proposal to be redirected by the state to the Metro City since the Overland Municipal District is not a city under state law. Further, most of the shared revenues from the state are related to transportation – a function defined as a service reserved to the Metro City and not the municipal districts.

Licenses – all business license fees including merchants and liquor licenses are under the proposal the sole jurisdiction and are to be levied by the Metro City and not the municipal districts.

Permits – the proposal provides that all "public works" is reserved to the Metro City and not a function of the municipal district. While that term is not defined in the proposal, the prevailing document for interpretation is the current St Louis County Charter which provides for a Department of Public Works with responsibility for all "permits" which are assumed to include all building and related permits. That revenue, along with the responsibility for those services, would appear to be assigned to the Metro City and not the municipal district

Municipal Court - all municipal court functions are assigned by the proposal to the Metro City and one would then assume that all fines, costs and forfeitures would also flow to the Metro City.

EXPENSES:

The proposal assigns as the sole responsibility of the Metropolitan City certain functions currently provided by the City of Overland including police, courts, business licensing and regulation, transportation, public works and economic development. Therefore, it is assumed that 100% of those costs for the city contained in its current budget for both operating and capital purposes will no longer be necessary and the Overland Municipal District budget reduced accordingly.

Expenses relating to Administration, Finance, MIS and Parks & Recreation and pension obligations are retained as municipal district services and the costs associated with each such service are carried forward to the adjusted municipal district budget. One can assume that additional reductions related to Administration, Finance, MIS and Parks & Recreation may occur in the future, however given that the proposal does not address a multitude of operational issues of the new metro city, those assumptions have not been incorporated into this analysis.

Pensions – The City of Overland maintains both a non-uniform and uniform (Police) pension plans. The Non-Uniform Pension Plan is funded through General Fund revenues of the City at a cost of approximately $500,000.00 per year. The Uniform Pension Plan is funded through a dedicated property tax at a cost of approximately $650,000.00 per year.

While the proposal addresses the issue of a dedicated property tax for pension obligations, it does not address the issue of the use of General Fund Revenues for such pension obligations. The analysis assumes no reimbursement of the Overland Metro District for pension obligations that have historically been paid for out of the General Fund.

Capital Improvements – the City Overland currently receives approximately $950,000.00 from the capital improvement sales tax. It is assumed that the proceeds from the capital improvement sales tax would not be remitted to the municipal district by Metro City. The adjusted FY 18/19 Budget deletes all projects or equipment relating to functions which are transferred to the metropolitan city (the largest of which is transportation and streets) and includes only equipment relating to street lights, parks & recreation and maintenance of public buildings being retained by the municipal district.

Parks Sales Tax – The City currently receives approximately $1,000,000.00 from the Parks Sales Tax. It is assumed that the proceeds from the Parks Sales Tax would not be remitted to the municipal district by Metro City. The adjusted FY 18/19 Budget transfers all expenses currently accounted for the in the Park Fund to the General Fund. Those expenses include costs associated with the operation of the Parks Department, Community Center, and maintenance of 2500 Ashby Road. Expenses related to the Summer Youth Program that are previously accounted for in the Park Fund would be eliminated.

REVENUES

General Fund			
Description	**FY 18/19 Budget**	**After BT**	**Difference**
Taxes			
Total Sale Taxes - General	$3,350,000.00	$0.00	($3,350,000.00)
Total Property Taxes - General	$160,000.00	$160,000.00	$0.00
Taxes - Total	**$3,510,000.00**	**$160,000.00**	**($3,350,000.00)**
Intergovernmental			
Total Motor Vehicle Taxes - General	$200,000.00	$0.00	($200,000.00)
Total Gasoline Tax - General	$425,000.00	$0.00	($425,000.00)
Total Cigarette Tax - General	$62,000.00	$0.00	($62,000.00)
Total Road & Bridge Tax - General	$213,000.00	$0.00	($213,000.00)
Intergovernmental - Total	**$900,000.00**	**$0.00**	**($900,000.00)**
Franchise Fees			
Total Utilities Tax - General	$2,053,255.00	$2,053,255.00	$0.00
Total Cable Tax - General	$155,000.00	$155,000.00	$0.00
Franchise Fees - Total	**$2,208,255.00**	**$2,208,255.00**	**$0.00**
Licenses			
Total Merchant Licenses- General	$442,000.00	$0.00	($442,000.00)
Total Manufacturers Licenses - General	$575,000.00	$0.00	($575,000.00)
Total Restaurant Licenses - General	$17,000.00	$0.00	($17,000.00)
Total Warehouses Licenses - General	$99,000.00	$0.00	($99,000.00)
Total Liquor Licenses - General	$24,000.00	$0.00	($24,000.00)
Total Miscellaneous Licenses - General	$66,570.00	$0.00	($66,570.00)
	$1,223,570.00	**$0.00**	**($1,223,570.00)**
Permits			
Total License Public Works - General	$8,000.00	$0.00	($8,000.00)
Total Permits Public Works - General	$165,000.00	$0.00	($165,000.00)
Total Misc Public Works - General	$17,000.00	$0.00	($17,000.00)
Permits - Total	$190,000.00	$0.00	($190,000.00)
Other Income			
Total Community Center - General	$127,245.00	$127,245.00	$0.00
Total Municipal Court - General	$209,987.00	$0.00	($209,987.00)
Total Grants - General	$43,585.00	$0.00	($43,585.00)
Total Property Lease - General	$37,000.00	$0.00	($37,000.00)
Total Right of way Usage - General	$25,000.00	$0.00	($25,000.00)
Total Parks & Rec - General	$38,714.00	$34,000.00	($4,714.00)
Total Miscellaneous - General	$50,689.00	$48,975.00	($1,714.00)
Total Investment Income - General	$2,000.00	$2,000.00	$0.00
Other Income - Total	$534,220.00	$212,220.00	($322,000.00)
General Fund - Total	**$8,566,045.00**	**$2,580,475.00**	**($5,985,570.00)**

Capital Improvement Fund			
Total Capital Improvement Fund	$950,100.00	$0.00	($950,000.00)
Park Fund (Park Sales Tax)			
Total Park Fund	$1,000,100.00	$0.00	($1,000,100.00)
Beautification Fund (Billboard Tax)			
Total Beautification Fund	$19,800.00	$0.00	($19,800.00)
Sewer Lateral Fund			
Total Sewer Lateral Fund	$165,000.00	$0.00	($165,000.00)
Asset Forfeiture Fund			
Total Asset Forfeiture Fund	$35,020.00	$0.00	($35,020.00)
D.A.R.E. Fund			
Total D.A.R.E. Fund	$8,000.00	$0.00	($8,000.00)
D.W.I. Fund			
Total D.W.I. Fund	$6,010.00	$0.00	($6,010.00)
Inmate Security Fund			
Total Inmate Security Fund	$6,000.00	$0.00	($6,000.00)
All City Funds - Grand Total	**$10,756,075.00**	**$2,580,475.00**	**($8,175,500.00)**

CITY OF OVERLAND - EXPENSES

General Fund

Description	FY 18/19 Budget	After BT	Difference
General Fund - Administration	$1,009,088.00	$994,588.00	($14,500.00)
General Fund - MIS	$240,423.00	$240,423.00	$0.00
General Fund - Legal	$107,003.00	$0.00	($106,903.00)
General Fund - Public Works	$536,882.00	$67,028.00	($469,854.00)
General Fund - P&Z	$6,500.00	$0.00	($6,500.00)
General Fund - BOAdj	$7,350.00	$0.00	($7,350.00)
General Fund - Streets	$1,324,231.00	$135,093.00	($1,189,138.00)
General Fund - Health	$67,590.00	$9,596.00	($57,994.00)
General Fund - Building Maint.	$290,882.00	$59,114.00	($231,768.00)
General Fund - Police	$4,653,351.00	$89,840.00	($4,563,511.00)
General Fund - Emerg. Prep.	$2,000.00	$0.00	($2,000.00)
General Fund - Muni Court	$272,633.00	$31,935.00	($240,698.00)
General Fund - Total	**$8,517,933.00**	**$1,627,617.00**	**($6,890,216.00)**

Capital Improvement Fund

Description	FY 18/19 Budget	After BT	Difference
Cap. Imp. Fund - Admin	$150,000.00	$150,000.00	$0.00
Cap. Imp. Fund - MIS	$15,000.00	$15,000.00	$0.00
Cap. Imp. Fund - Comm. Center	$66,500.00	$66,500.00	$0.00
Cap. Imp. Fund - Comm. Develop.	$0.00	$0.00	$0.00
Cap. Imp. Fund - Street Department	$383,700.00	$0.00	($383,700.00)
Cap. Imp. Fund - Parkls and Rec	$67,000.00	$67,000.00	$0.00
Cap. Imp. Fund - Health and Rabies	$0.00	$0.00	$0.00
Cap. Imp. Fund - Building Maint.	$37,500.00	$37,500.00	$0.00
Cap. Imp. Fund - Police Department	$75,000.00	$0.00	($75,000.00)
Cap. Imp. Fund - Muni Court	$0.00	$0.00	$0.00
Capital Improvement Fund - Total	**$794,700.00**	**$336,000.00**	**($458,700.00)**

Park Fund

Park Fund - Community Center	$469,101.00	$469,101.00	$0.00
Park Fund - Summer Youth Program	$10,765.00	$0.00	($10,765.00)
Park Fund - Parks Department	$510,524.00	$510,524.00	$0.00
Park Fund - Total	**$990,390.00**	**$979,625.00**	**($10,765.00)**

TOTAL CITY EXPENSES	**$10,303,023.00**	**$2,943,242.00**	**($7,359,681.00)**

Officials from the **City of Pacific** indicated their city is located only partially within St. Louis County; roughly 10 percent of their total incorporated area is within St. Louis County. For cities like theirs, the language of the proposed constitutional amendment provides that the St. Louis County portion of Pacific would be "detached" and "annexed" into the new Metropolitan City upon the amendment's passage, and further that their city would receive an annual payment "equal to" the revenues generated by this territory had the detachment and annexation by the Metro City not occurred.

This language appears to make the proposal "revenue neutral" to their city, meaning the revenue lost from the deannexation would be returned in an annual payment by the new Metro City. How these revenues would be calculated, however, is not clear.

Their city realizes numerous sources of revenues from the part of its territory located within St. Louis County. Annual sales tax and property tax receipts from this territory range from $350,000 to $400,000. They also receive gross receipts taxes, business license and other license taxes, water and sanitary sewer service revenue, and other permits and fees revenue. They do not have time to analyze these revenues in depth in the time they were allotted for their response. If you do not count utility revenues, which their city almost certainly would continue to receive in its capacity as utility provider to those customers located within St. Louis County, it would appear that their annual tax, licenses, permits and fees revenues from their portion within St. Louis County are in the $500,000 range.

They understand that the language of the proposal may be interpreted to be "revenue neutral" to their city. However, given that it is unclear how these revenues would be calculated, and further that revenues in any one year are subject to fluctuation due to any number of factors, their city believes that the Better Together initiative would result in a net loss to their city in an amount at least equal to the current net revenue (not including utility revenues) or approximately $500,000 annually.

Officials from the **City of Richmond Heights** indicated:

City of RICHMOND HEIGHTS

1330 S. Big Bend Blvd.
Richmond Heights, MO 63117-2294

www.richmondheights.org

February 22, 2019

Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, Missouri 65101

RE: Fiscal Note for Initiative Petition 20-042 proposing to amend Article VI

Dear Ms. Galloway,

It is my understanding the State Auditor's Office is required to submit a Fiscal Note and Fiscal Note Summary under Section 116.322, RSMO on any and all initiative petitions.

Please accept the following for inclusion in the fiscal note for the local government impact of the proposed Constitutional Amendment to Article VI proposed by Better Together, Initiative Petition 20-042.

SUMMARY

The proposal seems to sweep all local sales tax revenues, use taxes, local Road & Bridge sales taxes, business and merchant license fees, and any revenues associated with municipal policing and court fines from all municipalities within St. Louis County, except perhaps the Fire & EMS quarter-cent sales tax and Parks & Stormwater half-cent sales tax. The proposal also removes the power for municipalities in St. Louis County to provide policing, zoning, property maintenance inspections/regulations, permitting, and courts services. It allows for Fire, EMS, parks and recreation, and solid waste removal services to be provided by Municipal Districts, but very little funding to provide such without significant increase in property and real estate taxes.

For the City of Richmond Heights, the net result proposed in the Constitutional Amendment is a deficit of over $5.5 million per year with no revenues for solid waste removal, or capital projects such as road and bridge repairs. Currently, Richmond Heights allocates over $1 million annually for road and bridge maintenance and $1 million annually for solid waste/trash removal.

While the Amendment would allow the discontinuation of some services, the end result would be the dissolution of many municipal services or the need for a substantial increase to property owners in the Municipal District of Richmond Heights through real estate and personal property taxes; and significant fees for solid waste/trash removal and parks and recreation services and maintenance. Currently, residents pay no fees for solid waste/trash removal service.

FISCAL IMPACT

Please see Estimated 2019 Budget without and with Article VI Better Together Proposal impact:

2019 BUDGET	General Fund	Parks and Rec Fund	Operating Budgets	Capital Budget
Revenues	$13,304,627	$4,626,140	$17,930,767	$2,775,139
Expenses	$13,432,406	$3,757,470	$17,189,876	$1,162,886
Transfers In (Out)	$329,839	($866,071)	($536,232)	($1,354,278)
Surplus (Deficit)	$202,060	$2,599	$204,659	$257,975
Post Better Together				
Revenues	$5,194,404	$3,863,520	$9,057,924	$0
Expenses	$7,032,781	$3,942,958	$10,975,739	$1,403,663
Transfers In (Out)	$63,792	($872,214)	($808,422)	($1,386,213)
Surplus (Deficit)	($1,774,585)	($951,652)	($2,726,237)	($2,789,876)

("General Fund" General Fund and Fire & EMS Services Fund combined.)

Other Assumptions used in this analysis are:

REVENUES
No local sales tax or use tax revenues other than the Fire & EMS quarter-cent sales tax and the Parks and Stormwater half-cent sales tax, no road and bridge tax revenues, no cigarette tax revenues. This does assume all local property tax revenues and utility tax revenues remain with the "municipal district".

EXPENSES
No police, public works, or inspections operations and no police capital purchases

Please contact me at (314) 645-4595 or by email at ahamilton@richmondheights.org should you have any questions regarding the above information.

Sincerely,

Amy Hamilton

Amy Hamilton, ICMA-CM
City Manager

Officials from the **City of University City** indicated:

City of University City
6801 Delmar Boulevard, University City, Missouri 63130, Phone: (314) 505-8544, Fax: (314) 863-0921

February 22, 2019

Honorable Nicole Galloway
State Auditor
State Capital Building
Jefferson City, Missouri 65101

RE: Fiscal Note Regarding Constitutional Amendment to Article VI (2020-042)
City of University City, Missouri

Dear Ms. Galloway:

It's my understanding; the State Auditor's Office is required to submit a Fiscal note and Fiscal Note Summary under Section 116.332, RSMO on all initiative petitions. Please accept the following suggestions for inclusion in the fiscal note as to how this proposal will impact local government in the St. Louis Region. The below example is for the City of University City.

Summary

The proposal as presented strips all municipalities in St. Louis County of sales tax revenues, and any revenues associated with courts, police, business licensing and regulations, and roads. While the proposal also removes from "Municipal Districts" responsibility and costs for courts, police, business regulations including zoning and permits, the end result will be a substantial deficit for the remaining municipal district that will require either dissolution or substantial increases in real estate or utility taxes.

In the case of University City, the net result of changes proposed in the Constitutional Amendment is a deficit for the surviving University City Municipal District of nearly $4.8 million per year. The University City Municipal District would have no funds for capital improvements, such as maintaining our City Hall, Community Center, and capital equipment or projects. University City also operates a Municipal Fire Department, and there would be no funds available for replacing our fire trucks and other costly fire department equipment.

While some reduction in service levels and expense would likely be appropriate, the end result would be requirement to substantially increase local taxes on the property owners in the surviving University City Municipal District. There are three options: (1) increase the real estate and property tax; (2) increase the gross receipts tax on utilities, which are passed thru to the underlying customers; or (3) an increase in fees charged by the City for trash services, parks and recreation fees, and fire inspections.

Adjusted 2019 University City Budget showing the impact of the Better Together proposal:

	General Fund	Capital Improvement	Park & Stormwater	Public Safety	Sewer Lateral	Economic Development Sales tax	Loop Business District
2019 Budget							
Revenues	22,802,800	2,402,000	1,301,000	1,700,000	576,000	703,400	75,000
Expenses	(23,744,300)	(3,197,800)	(1,413,400)	(1,799,300)	(576,000)	(494,400)	(142,300)
Transfers In(Out)	1,058,000	(400,000)	-	(300,000)	-	(133,000)	75,000
Surplus (Deficit)	116,500	(1,195,800)	(112,400)	(399,300)	-	76,000	7,700
Post Better Together							
Revenues	11,753,300	2,000	1,000	-	500	1,000	75,000
Expenses	(10,773,600)	(1,549,800)	(1,413,400)	(1,666,300)	-	(494,400)	(142,300)
Transfers In(Out)	225,000	-	-	-	-	-	75,000
Surplus (Deficit)	1,204,700	(1,547,800)	(1,412,400)	(1,666,300)	500	(493,400)	7,700

	Parkview Garden Special District	Grant	Internal Service Fund	Solid Waste	Public Parking Garage	Golf Course
2019 Budget						
Revenues	95,300	1,077,700	1,559,900	3,122,500	161,200	725,000
Expenses	(94,800)	(1,077,700)	(1,534,000)	(3,263,600)	(158,500)	(715,800)
Transfers In(Out)	-	-	-	(75,000)	-	(150,000)
Surplus (Deficit)	500	-	25,900	(216,100)	2,700	(140,800)
Post Better Together						
Revenues	95,300	-	1,557,900	3,122,500	161,200	725,000
Expenses	(94,800)	(525,000)	(1,534,000)	(3,263,600)	(158,500)	(715,800)
Transfers In(Out)	-	-	-	(75,000)	-	(150,000)
Surplus (Deficit)	500	(525,000)	23,900	(216,100)	2,700	(140,800)

Footnotes:

1. The "General Fund" comprises the bulk of University City's operations, traditionally including police, fire, planning and development, public works, parks and recreation, facilities maintenance, municipal court, and administration services.
2. The above chart is an assumption restatement of what the University City 2019 Annual Budget would look like assuming the Better Together proposal was in effect on July 1, 2019.
3. The only revenue in the Capital Improvement, Park & Stormwater, and Economic Development Sales Tax Fund would be interest income on the current balance of that fund. The Better Together proposal would require deficit spending in the Capital Improvement Fund, Park & Stormwater Fund, and Economic Development Fund until their fund balance is exhausted, thereby eliminating any interest income and effectively terminating the fund.

The University City Municipal District could help offset the operational deficit created by the Better Together petition IF the City were to take all of its authorized taxes for real estate, personal property and gross receipts to their statutory maximums:

Revenue Source Available	Statutory Maximum		Added Revenue Potential
Real Estate Tax	$	1.00	1,431,954
Personal Property Tax	$	1.00	137,440
Gross Receipts Tax on Utilities		10.00%	718,811

Major assumptions used in this analysis were used from the City's 2019 budget as a baseline.

If you have further questions, please feel free to contact me at 314-505-8542 or by email at kcole@ucitymo.org.

Sincerely,

Keith Cole

Keith Cole
Acting Director of Finance
City of University City, Missouri

Officials from the **City of Webster Groves** indicated:

WEBSTER GROVES™

February 18, 2019

Honorable Nicole Galloway
State Auditor
State Capitol Building
Jefferson City, MO 65101

Re: Fiscal Note Regarding Initiative Petition 20-042 Proposing to Amend Article VI
City of Webster Groves, MO

Dear Ms. Galloway:

This letter is in response to an email you sent to me requesting that I review the above-named petition and determine the estimated cost or savings that this measure will have on my City government entity. Attached to this letter, I am providing a spreadsheet that identifies this information for the City of Webster Groves, and have also provided a summary of major assumptions made in my analysis.

The spreadsheet covers all City governmental funds. The first column to the left identifies the City's revenue sources and uses. In the second column from the left, actual numbers from the City's 2018 Comprehensive Annual Financial Report demonstrate how we are operating currently. The third column from the left is titled "Changes to Muni District". This column illustrates how both revenues and expenditures will dramatically change as a result of the proposed changes to the Muni District if the Better Together petition is approved. It demonstrates a significant drop in the City's fund balance by over $5 million dollars. Finally, the fourth column from the left shows the mathematical difference of the Better Together Impact on both Revenues and Expenditures.

The City of Webster Groves is an affluent residential community in St. Louis County and was recently named one of the safest cities in Missouri. The City had fund balance reserves totaling $21,182,159 as of June 30, 2018. Plans to draw down on these reserves to invest in a few large City projects while maintaining a healthy fund balance is a long-term goal. Available reserves can then be drawn down upon during economic hardships. However, it the Better Together Plan, it appears that they will take almost all of our reserves. If that happens, the City will, for the first time, have a demonstrable problem where it has an operating deficit in all funds but two. Money will have to be raised through property taxes in order to get us in an operationally positive position. Even though we currently have enough revenues and reserves to cover our expenditures, the Better Together Plan will financially devastate our City and our residents.

Please feel free to contact me regarding this submittal at jadalij@webstergroves.org or 314-963-5323.

Sincerely,

Joan Jadali

Joan Jadali
Assistant City Manager,
Director of Finance and Administration

City of Webster Groves, All Governmental Funds

	From 2018 CAFR	Muni District Estimated Exp.	Better Together Impact
REVENUES			
Property taxes	4,865,773	3,248,410	-1,617,363
Sales taxes	7,890,005	0	-7,890,005
Utility taxes	3,689,050	3,689,050	0
Intergovernmental	2,475,741	910,088	-1,565,653
Licenses, fees, and permits	1,534,932	0	-1,534,932
Fines and forfeitures	676,677	0	-676,677
Charges for services	2,575,787	2,555,086	-20,701
Sewer lateral fees	404,359	404,359	0
Investment income	199,988	0	-199,988
Other	558,506	236,380	-322,126
Total Revenues	24,870,818	11,043,373	-13,827,445
EXPENDITURES			
Current:			
General government	3,530,495	3,300,488	-230,007
Public safety	9,082,773	4,553,705	-4,529,068
Public works	2,699,043	975,580	-1,723,463
Parks and recreation	2,936,210	2,839,803	-96,407
Planning and development	774,776	194,165	-580,611
Capital outlay	3,853,042	2,680,354	-1,172,688
Debt service:			
Principal retirement	1,094,000	1,094,000	0
Interest and other costs	476,660	476,660	0
Total Expenditures	24,446,999	16,114,755	-8,332,244
REVENUES OVER (UNDER) EXPENDITURES	423,819	-5,071,382	
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	68,400	0	
NET CHANGE IN FUND BALANCES	492,219	-5,071,382	
FUND BALANCE, JULY 1	20,689,940	0	
FUND BALANCE, JUNE 30	21,182,159	-5,071,382	

CITY OF WEBSTER GROVES, MO

MAJOR ASSUMPTIONS IN THIS ANALYSIS:

Sales Taxes-Currently the City receives the proceeds from a 1.25% general sales tax (shared with St. Louis County) that will flow to the new Metropolitan City under the proposal. In addition, the city has imposed a 0.25% Fire Sales Tax, a 0.5% Parks and Stormwater Sales Tax, a .5% Capital Sales Tax (shared with St. Louis County), and a .5% Public Safety Tax (shared with St. Louis County). These combined sales taxes of $7,890,005 comprise about 32% of the City's annual budget.

While it makes sense to remove from the Municipal District and pass through to the Metropolitan City those sales taxes that we would no longer need, based on the fact that we would not be providing certain services, there are certain taxes that we are passing through that we should be able to just retain. The claim is that the Metro City shall remit to the municipal district those sales tax revenues necessary to meet outstanding obligations of any kind. Instead, we should get all of the Fire Sales Tax and all of the Parks and Stormwater Tax to fund the services that we are allowed to keep.

Intergovernmental Revenue-Most of these are assumed under the proposal to be redirected by the state to the Metro City since most of this revenue is from sales taxes. However, grants are considered to still be held here as the proposal stated that each Municipal District would still be treated as a political subdivision and therefore could receive federal grants, etc.

Licenses, Fees and Permits-All business licenses, building permits, etc, are to be levied by the Metro City and not the Municipal District.

Fines and Forfeitures-All municipal court functions are assigned by the proposal to the Metro City and it is thus assumed that all fines, costs and forfeitures would also flow to the Metro City.

Investment Income-It is assumed that the Metro City will take over the City's reserve money in all funds except for the Police and Fire Pension Fund and the General Obligation Debt Service Fund since these are specific to Municipal District requirements. The interest earned on these two funds would be minimal to non-existent.

Expenses-The proposal assigned as the sole responsibility of the Metropolitan City certain functions currently provided by the City of Webster Groves including police, courts, business licensing and regulation, public works, and economic development. Therefore, it was assumed that 100% of the police and courts would become the responsibility of the Metropolitan City. However, in some areas the sanitary sewer lateral program wasn't discussed and that still needs to be managed by the Municipal District, as well as building maintenance issues. Therefore, money was retained in the Public Works line to account for this. The Planning and Development department estimated expenses was also decreased significantly, but not completely. This is a result of the fact that the proposal stated that there would still need to be local meetings for certain zoning items.

Pensions-Webster Groves provides two defined benefit plans to its employees through Missouri Local Government Employee Retirement Systems (LAGERS). The non-uniformed plan is partially funded from the general fund and the remainder comes from the Police and Fire Pension (through an amended agreement). The uniformed plan is funded completely through the Police and Fire Pension Fund, where money comes from a specific property tax levy.

Debt Service-Currently the City of Webster Groves has General Obligation debt paid for by a special property tax that will mature in 2024.

Capital Improvements-The City of Webster Groves currently receives $1,567,000 from the capital improvement sales tax fund. This money is currently used to pay for on-going capital projects that are a part of our 5-year Capital Improvement Program. It is assumed that the proceeds from the capital improvement sales tax would not be remitted to the Municipal District by the Metro City. This is a huge problem because the City needs these funds to purchase equipment for the Fire Department and Parks and Recreation Department.

Fund Balances-Finally, it is assumed that the Metropolitan City will absorb all of our reserves that we have available that is not used for debt issues or personnel issues (such as pension liabilities). The City had a combined fund balance at June 30, 2018 of $21,182,159. It is assumed that almost all of this will be absorbed by the City, and then the City has to figure out, once again, how to make Revenues and Expenditures for a particular year be in line to avoid a deficit.

Matthew A. Jacober, Partner with Lathrop Gage LLP provided the following information:

LATHROP GAGE

RECEIVED

FEB 19 2019

STATE AUDITORS OFFICE

MATTHEW A. JACOBER
PARTNER
DIRECT: 314.613.2845

MAIN: 314.613.2800
FAX: 314.613.2801
MJACOBER@LATHROPGAGE.COM
LATHROPGAGE.COM

7701 FORSYTH BOULEVARD, SUITE 500
CLAYTON, MO 63105

February 19, 2019

State Auditor Nicole Galloway
State Capitol, Room 121
Jefferson City, MO 65101

RE: Fiscal concerns regarding Initiative Petition 2020-042 ("petition")

Dear Auditor Galloway:

This firm has been retained to represent the interests of the Police Retirement System of St. Louis ("retirement system") regarding the above referenced ballot initiative and the proposed merger of the City and County of St. Louis. In this letter, we will begin to outline our significant concerns with the petition, however, we believe an in-person meeting to review these issues will be best for all involved. The most recent petition was filed on February 11, 2019. Pursuant to the authority set out in section 116.175, RSMo, the retirement system is timely expressing its statement of fiscal impact in accordance with section 23.140, RSMo. If the proposed consolidation initiative is approved by voters, the retirement system is concerned with the cost of the proposed legislation, and the significant direct fiscal impact it has on the City of St. Louis (or the St. Louis Municipal Corporation) to provide the required future employer contributions to the retirement system. We urge your office to consider the fiscal impact on local government entities who will become not only a taxing sub-district of the Metro City but also a separate taxing district – and exactly how this revision will affect their ability to meet current statutory obligations. The proposed constitutional amendment is voluminous and has far reaching impact. It deserves a comprehensive fiscal review.

Sections 86.200-86.366, RSMo controls the retirement system. Since October 1, 1957 this system has helped to ensure the financial security of Police Officers and their dependents. The board of trustees of the retirement system certifies every year the cost of one-half of the expenses for the next year and the cost of benefits as determined by section 86.337, RSMo. This information is submitted to the city and shall be appropriated and delivered to the retirement system every year. Section 86.350 provides:

> The payment of the cost of providing all benefits granted under the provisions of sections 86.200 to 86.366, as determined pursuant to section 86.337, and the payment of fifty percent of all expenses described in subsection 2 of section 86.343 incurred in connection with the administration and operation of the retirement system are hereby made obligations of the cities.

This obligation is in the tens of millions of dollars annually and has been paid faithfully by the city, allowing our client to meet its obligations and provide a dignified retirement to its vested members. The initiative petition directs the new Metropolitan City will provide general services, including public safety. At some point after the transition period, the Metropolitan City will form a new police force. The petition is silent as to how exactly a new police force will be formed. The current initiative petition provides a framework of future services, indicates existing obligations will remain obligations of the original municipality, describes numerous taxing responsibilities of these municipal districts but provides no substance as to how or if these "existing obligations" will be paid. The petition's silence on the "how" or "if" is deafening – in particular to a pension system whose charge is to provide for Police Officers and their families in retirement. As you are no doubt aware, while serving, Police Officers are vastly more susceptible to loss of life and suffering debilitating injuries than the general population.

The initiative petition repeals six sections of the Missouri Constitution including Article VI, section 32(c). We highlight section 32(c) because it mandates any amendment or revision under the current constitutional structure not impair retirement benefits to which one is entitled prior to the amendment. The recent revisions of the current initiative petition add language suggesting (but not directly stating) any person with "any vested, non-forfeitable, and contractual right or privilege to retire or retirement or pension benefits..." will retain those rights unimpaired until all benefits have been paid. *See* Initiative Petition 11. (4)(a).

The initiative petition has a significant direct fiscal impact upon the St. Louis City municipality, after it becomes the St. Louis Municipal Corporation following transition. This impact factors into how the entity will honor its pension obligations for the Police Officers and their families who depend on them (and accept the risks attendant with their careers, at least in part based on this security). The initiative petition is, again, silent as to how the St. Louis Municipal Corporation will meet these obligations. Failure to address this issue casts doubt on the fiscal soundness of the proposed consolidation. Further, failure to address funding for pension obligations amounts to a "just trust us" position. Active duty officers, retirees and their dependents should not be placed in such jeopardy. The initiative's proponents have not engaged in dialogue with interested parties about how issues like this will be worked out. To fulfill their fiduciary obligations to their members our clients must move these important questions - not addressed at all in the petition - to the forefront of this debate.

Two examples illustrate the significant fiscal impact the proposed St. Louis Municipal Corporation will face.

First, the initiative petition mandates municipal districts and the St. Louis Municipal Corporation continue as a taxing sub-district of the metropolitan city and as a separate taxing district. *See* Initiative Petition 4. (3)(a) and (5)(3) and (4)(a). This might mean businesses and citizens might be taxed by the metro city and the St. Louis Municipal Corporation simultaneously. Until it is better understood what items will be taxed and by who, it is impossible to determine whether the St. Louis Municipal Corporation can meet its now existing obligations, such as the ongoing annual obligation to our client. Second, how taxes will be imposed and what taxes will be levied is unknown. However, it is known the initiative petition, over time eliminates the earnings tax and appears to preclude an opportunity for a vote on the issue. This will significantly and directly impact the ability of the St. Louis Municipal Corporation's ability to make payments like the annual obligation to the retirement system. *See* Initiative Petition 7. (2)(a). This may explain the additional language in the second petition:

> Notwithstanding any provision of law or this constitution and notwithstanding any reduction of such levies, the St. Louis Municipal Corporation shall satisfy any outstanding financing obligations from available revenues, and the metropolitan city shall distribute to the St. Louis Municipal Corporation, from revenues generated within the territory of the St. Louis Municipal Corporation, such revenues

as may be required for the satisfaction of any such outstanding financing obligation. *See* Second Initiative Petition 7. (2)(a).

Better Together explained this addition was to provide greater specificity regarding the responsibility of the St. Louis Municipal Corporation to meet its existing obligation from the revenue generated in its territory. Arguably this was already required under the general provisions related to satisfaction of outstanding obligations. However, the Petition's language concerning funding appears to propose funding and take it away simultaneously. In a separate section the largest revenue generator in the territory is removed, without an explanation of how this revenue source would be replaced. Stating obligations must be satisfied appears to be window dressing when a deeper look reveals–there is no method outlined to actually satisfy the obligations.

In conclusion, the retirement system asks the auditor to see the petition for what it demonstrates – a lot of the "right words", but no "right actions" to explain any payment method to satisfy the significant outstanding obligations owed on an annual basis to our client as fiduciary to its members and their dependents. We have demonstrated "significant direct fiscal impact upon a political subdivision of the state" and the petitioners should have to demonstrate how those concerns will be addressed before being given the right to present this ballot initiative to the people of Missouri. Thank you for the opportunity to comment.

Very truly yours,

LATHROP GAGE LLP

By: ______________________
Matthew A. Jacober

MAJ/crs

30781146v.1

THE POLICE RETIREMENT SYSTEM
OF ST. LOUIS

2020 MARKET STREET
SAINT LOUIS, MISSOURI 63103
Toll Free 1-800-850-4407
(314) 241-0800 Fax (314) 241-4009

20-Year Contribution History to The Police Retirement System of St. Louis by City of St. Louis

Plan's FY Beginning:	City's Fiscal Year	Contribution Requirement	Paid by City	
10/1/1998	2000	0.00	0.00	
10/1/1999	2001	0.00	0.00	
10/1/2000	2002	0.00	0.00	
10/1/2001	2003	0.00	0.00	
10/1/2002	2004	9,575,892.00	4,115,600.00	
10/1/2003	2005	11,034,908.00	4,046,613.00	
10/1/2004	2006	14,939,678.00	8,093,266.00	
10/1/2005	2007	17,280,800.00	8,093,226.00	
10/1/2006	2008	15,909,820.00	6,702,849.00	
			35,586,639.00	*Contribution Settlement-See Attached
10/1/2007	2009	10,384,025.00	10,384,025.00	
10/1/2008	2010	14,318,031.00	14,318,031.00	
10/1/2009	2011	17,476,138.00	17,476,138.00	
10/1/2010	2012	20,036,918.00	20,036,918.00	
10/1/2011	2013	28,473,995.00	28,473,995.00	
10/1/2012	2014	32,629,036.00	32,629,036.00	
10/1/2013	2015	32,324,823.00	32,324,823.00	
10/1/2014	2016	30,600,069.00	30,600,069.00	
10/1/2015	2017	30,778,664.00	30,778,664.00	
10/1/2016	2018	33,826,528.00	33,826,528.00	
10/1/2017	2019	33,104,561.00	33,104,561.00	
10/1/2018	2020	35,970,630.00		
TOTAL		$388,664,516.00	$350,590,981.00	

February 20, 2019

***Contribution Settlement in City's Fiscal Year 2008**

The Police Retirement System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police Retirement System for the City's 2004, 2005, 2006 and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Retirement System. During fiscal year 2008, Pension Funding Leasehold Revenue Bonds Series 2007 and Pension Funding Series 2008A were issued funding the Police's System in the amounts of $29,587 and $6,000, respectively (in thousands).

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February 21, 2019

VIA U.S. MAIL
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State Auditor Nicole Galloway
State Capitol, Room 121
301 W. High Street
Jefferson City, MO 65101

Re: Follow up Information Concerning the Police Retirement System of St. Louis (PRS) and Fiscal concerns regarding Initiative Petition 2020-042 ("petition")

Dear Auditor Galloway:

We appreciated the opportunity to meet with Susan Beeler of your staff and to discuss our client's concerns regarding the fiscal impact of the petition. In the meeting, we indicated that demographic and actuarial information concerning PRS might better illustrate the negative fiscal impact of the initiative.

PRS Demographics.

Before discussing present and future financial impacts of a successful initiative, we provide the following statistics concerning PRS. As of October 1, 2018, PRS served the following:

Participant	Number	Description
Active	1,138	Currently employed police officers
DROP	123	Former officers who have a deferred vested pension eligible to collect when they turn age 55
Retired and Disabled	1,433	PRS pays benefits to retired officers and officers who became disabled while employed.
Surviving Spouses and Children	475	PRS pays benefits to both surviving spouses and their children
Total Participants	3,169	
Total Receiving Benefits	1,908	Number of Retired, disabled and surviving spouses and children receiving benefits.
Number of Actives supporting those receiving benefits	.66	According to the actuaries in 2000 .83 actives supported in-activities – retirees and all other beneficiaries – Retired, disabled, surviving spouses and children

As you can see, over the last 9 years, the number of active duty police officers contributing 7.5% of their pay has decreased as the number of beneficiaries has increased. This means the investment returns, which suffered during the 2007-2013 period. and the City of St. Louis' obligations pursuant to MO. REV. STAT. §§ 86.200-86.364 bear over 94.4% of PRS actuarial funding obligations.

PRS Future Funding Obligations.

PRS' independent actuaries determine annually the unfunded Entry Age Normal (EAN) actuarial liability and the Present Value of Future Benefits. Both are measures of current value of benefits PRS will owe to members and their beneficiaries. The EAN is used for financial statements but the Present Value of Future Benefits presents a more complete picture for purposes of your evaluation of the fiscal impact of the initiative. The Present Value of future Benefits is the amount of money needed today to fully fund all PRS benefits both earned as of the valuation date and those expected to be earned in the future by the current plan participants, under the current plan provisions if all of the actuarial assumptions (morbidity, mortality, investment returns, economy etc.) are met. PRS' actuaries determine this number for Active, DROP and Currently retired, disabled and surviving spouse and children beneficiaries. If the initiative passes, it is possible that obligations to active participants may be assumed by another plan (the initiative is silent on that point). As the chart below illustrates, even if active participants are not included, the Present Value of Future Benefits to those currently receiving benefits and with deferred vested pension benefits exceeds **$800,000,000.** Porting active participants to another plan does not significantly change PRS obligations to beneficiaries.

Present Value of Future Benefits - 10/1/18

Benefit Category	**10/1/18 PV of FB**	
Active	$306,011,501.00	
DROP and Re Entered	$193,779,042.00	
Retired, Disabled, Surviving Spouse and Children	$622,510,814.00	
Total not including active	**$816,289,856.00**	
Total including Active		$1,122,301,357.00

Fiscal Impact of the Initiative on Present and Future PRS Obligations.

We believe that the petition creates an unfunded liability as to PRS obligations to current and future beneficiaries. As we read the initiative, there is no post passage revenue stream adequate to satisfy PRS funding obligations and voters need to be aware of this. We expect other plans similarly situated will have the same problems. At present, police officer participants in the plan pay 7.5% of payroll into the plan. This amounts to about $5.3 MM annually and the city pays the actuarially-determined amount necessary to fund the plan's obligations to present and future beneficiaries. We provided the payment amounts for the last 10 years which average approximately $33 MM per year. According to the most recent PRS independent actuarial report, over the next 20 years, assuming investment returns of 7.5% and no significant downturn in the economy the range of payments from the City of St. Louis or its successor will likely range from $32.4 MM to $36.2MM per year.

Results for the year ended September 30, 2017 provide a tool for illustrating this point. The chart below shows PRS funding, expenses and benefits paid and how those results would differ if there were no employee contributions (actives are in another plan) and if the City of St. Louis or its successor did not pay the amount required by Chapter 86. There are not sufficient funds to pay benefits, without eroding fund balances. Without city funding there will not be sufficient funds, over time, to pay the benefits owed.

Additions to PRS	**Value as of 9/30/17**	**Assuming passage and no funding of employer obligations**	**Comments**
Payments from members	$5,129,154.00	$-	Assumes no future payments from EEs
Employer Contributions	$33,104,561.00	$-	Assumes no ER contribution
Interest and Dividends	$8,631,971.00	$8,631,971.00	Not adjusted for changes in rates
Investment Returns	$45,322,802.00	$45,322,802.00	Not adjusted for investment performance
Total Additions	$92,188,488.00	$53,954,773.00	
Deductions from PRS			
Investment Expenses	$2,865,515.00	$2,865,515.00	Assumes same expenses
Benefit Payments	$63,603,561.00	$63,603,561.00	Assumes no increase in payments
Refunds of Employee Contributions	$4,972,550.00	$4,972,550.00	Refunds arise if employees are vested in their contributions and resign prior to retirement
Administrative Expense	$1,165,930.00	$1,165,930.00	Expense is less than 2% of earnings
Total Deductions	$72,607,556.00	$72,607,556.00	
Gain or Shortfall	$19,580,932.00	$(18,652,783.00)	Without additions from the employer and employees the funding gap increases.

As illustrated above, investment returns and interest and dividends are not sufficient to pay pension obligations. As written, the initiative creates what amounts to an unfunded mandate.

The Initiative Does not Provide Funding for Obligations.

The initiative petition makes clear that the St. Louis Municipal Corporation is responsible for funding Obligations such as those benefits PRS owes to members. However, the initiative provides no funding for any of these obligations after the effective date. During the period after the effective date of 1/1/21 and the date that general services such as law enforcement are to be undertaken by the Metropolitan City, the municipal districts and St. Louis Corporation continue to provide these services. They continue as taxing districts, but can only tax utilities and property and can only tax these for the provision of services – not the payment of obligations such as those owed by PRS. Further, in Section 7, the earnings tax will end effective 1/1/21 and cannot be reinstated. According to the City Collector of Revenue the earnings tax provides 33% of the City of St. Louis general revenue. https://www.stlouis-mo.gov/collector/earnings-tax-home.cfm.

Conclusion.

As information from the 2018 Actuarial Report makes clear, the initiative's proposal for creating a new form of government while saddling all prior governments with financial obligations and providing no meaningful revenue stream creates an untenable fiscal problem and jeopardizes benefits owed under Police Retirement System of St. Louis.

Very truly yours,

Lathrop Gage LLP

By: ______________________
Matthew A. Jacober

MAJ/abs
Enclosure

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RECEIVED
FEB 26 2019
STATE AUDITOR'S OFFICE

February 22, 2019

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State Auditor Nicole Galloway
State Capitol, Room 121
301 W. High Street
Jefferson City, MO 65101

Re: **Follow up Information Concerning the Police Retirement System of St. Louis (PRS) and Fiscal concerns regarding Initiative Petition 2020-042 ("petition") – Correction, p. 2, final par., line 5.**

Dear Auditor Galloway, Susan and Kim:

After we finalized our letter of 2-21-19 we noted a typo on page 2 in the final paragraph. At line 5 of that paragraph we stated that police officer participants pay 7.5% of payroll into the plan. That percentage was incorrect. Police officer participants pay 7% of payroll into the plan. However, the dollar value quoted, $5.3MM is correct.

Very truly yours,

Lathrop Gage LLP

By: ______________________________
Matthew A. Jacober

MAJ/abs
Enclosure

Christopher R. Pieper on behalf of Unite STL provided the following information as a proponent of this initiative petition.

Proposed Statement of Fiscal Impact for Initiative Petition for a constitutional amendment related to Article VI, (2020-042)

Submitted by:

Christopher R. Pieper, Mo. Bar No. #57564
414 E. Broadway, Suite 100
Columbia, MO 65201
Telephone No.: (573) 355-5045
E-mail: cpieper@bbdlc.com

on behalf of Unite STL, Proponent of the Proposed Measure

Initiative Petition 2020-042
Proponent's Proposed Statement of Fiscal Impact

The following information is submitted on behalf of the proponent of the proposed measure as a proposed statement of fiscal impact for the Initiative Petition 2020-042 (hereinafter "the measure"), pursuant to Section 116.175.1, RSMo.

The fiscal note and fiscal summary should reflect that the measure will result in savings for local governments of up to $55 million annually in 2023 and up to $1 billion annually by 2032. The fiscal note and fiscal summary should reflect that the measure will result in $4.9 billion in savings to local governments from 2023 to 2032.

The fiscal note and fiscal summary should reflect that the measure will result in increased state revenues of up to $636,695 in 2023, increasing to up to $6.95 million annually in 2032 and each year thereafter. The fiscal note and fiscal summary should reflect that the measure would generate up to $40 million in new state revenue from 2022 to 2032.

I. The Measure

If enacted, the measure would reorganize local governments in St. Louis County (hereinafter "the County") and the City of St. Louis (hereinafter "the City") to reduce fragmentation and achieve greater efficiency and cost-effectiveness. To accomplish this purpose, the measure combines the County and the City in a newly-created, Metropolitan City of St. Louis (hereinafter the "Metro City"), with the powers of both a charter city and a charter county. Art. VI, Section 30.2. The entire territory of the Metro City is designated a "general services district" in which the Metro City is empowered to provide "general district services." Art. VI, Section 30.2(9).[1] Current Municipalities (including the City, until after the transition period) continue as "Municipal Districts," which are political subdivisions empowered to provide "municipal district services" and required to satisfy outstanding obligations of the municipality. Art. VI, Section 30.3.[2]

A. Finances

General district services and outstanding obligations of the Metro City would be financed by revenues generated throughout the Metro City, while municipal district

[1] Examples of "general district services" include the licensing and regulation of businesses, occupations, professions, activities, or things; public health, public safety, and general welfare; police, law enforcement, and municipal court; transportation, infrastructure, and public works; and economic development. *See* Art. VI, Section 30.1(1)(c).
[2] Examples of municipal district services include fire protection, parks and recreation, proprietary and enterprise functions, facilities, and administration of the Municipal District. *See* Art. VI, Section 30.1(1)(g).

services and outstanding obligations of a Municipal District would be financed by revenues generated within the Municipal District or otherwise secured by the Municipal District. Art. VI, Section 30.5(1)(a).[3]

The measure initially continues existing levels of services, and taxes, licenses, fees, or special assessments levied by the County, the City, or Municipalities with respect to the territory to which such applied prior to the effective date. Art. VI, Section 30.5(2)(a). The Metro City is required to distribute revenues generated from such taxes, licenses, fees, and special assessments levied solely within a Municipal District to that Municipal District for use in satisfying outstanding obligations and for the services the Municipal District provides. Art. VI, Section 30.5(2)(a). In particular, the measure requires the Metro City to distribute to Municipal Districts:

(1) All revenues generated from taxes, licenses, fees, or special assessments levied solely within the Municipal District required for the satisfaction of any outstanding obligation. Art. VI, Section 30.5(2)(b)(i).

(2) Revenues generated from property taxes levied solely within the Municipal District. Art. VI, Section 30.5(2)(b)(ii).

(3) Revenues generated from any sales or use tax levied solely within the Municipal District necessary to provide municipal district services or to provide a general district service until such service is provided by the Metro City. Art. VI, Section 30.5(2)(b)(iii).

(4) Revenues that would have otherwise been received by the Municipality from the state or federal government, including gaming revenues and county pool sales taxes, required to satisfy outstanding obligations or necessary to provide municipal district services, or provide a general district service until such service is provided by the Metro City. Art. VI, Section 30.5(5)(c).

Revenues collected within a Municipal District over and above the foregoing would be retained by the Metro City and used for providing general district services such as police. *See* Art. VI, Sections 30.2(9), 30.5(1)(a). Until such time as the Metro City provides a general district service, the Municipal District would continue to receive distributions of revenue necessary to continue providing such service. *See* Art. VI, Sections 30.5(2)(b); 30.5(5)(c).

90 days prior to each fiscal year, a Municipal District would submit to the Metro City an estimate of outstanding obligations, the expenditures necessary for services provided by the Municipal District, and the revenues required for such purposes. Art. VI,

[3] Outstanding obligations include, but are not limited to, contracts; financing obligations, such as bonds, notes, capital leases and similar obligations; and other long-term obligations such as pensions. *See* Art. VI, Section 30.1(1)(b).

Section 30.5(4)(e). The Metro City is required to distribute funds to the Municipal District for such purposes and in such amounts for the ensuing fiscal year. *Id.*

If a Municipal District wanted to increase the level of services, it could levy an additional property tax, levy a utility tax, charge fees for service, and issue financing obligations for such purposes. Art. VI, Section 30.5(4). The Municipal District would administer the revenues generated thereby pursuant to an annual budget adopted in the manner provided for the current Municipality. Art. VI, Section 30.5(4)(d).

The measure provides a two-year transition period from the effective date on January 1, 2021, through the end of the transition period on January 1, 2023. Art. VI, Section 30.1(1)(l). The budget for the Metro City and Municipal Districts for each year of the transition period would be the combined annual budgets for the County, the City, and Municipalities for the twelve month-period beginning January 1, 2019, along with any supplemental appropriations and any appropriations for the satisfaction of outstanding financing obligations. Art. VI, Section 30.5(6)(a). The first budget for the Metro City post-transition period would be adopted on or after January 1, 2023. Art. VI, Section 30.5(7)(c).

B. Tax Relief

Beginning in 2022, the one-percent earnings tax imposed by the City would be reduced annually by one-tenth of one percent until eliminated in the manner provided in current law, Section 92.015, RSMo, due to the failure to reauthorize the tax in 2021. Art. VI, Section 30.7(2)(a). Each reduction would result in approximately $18.3 million in tax relief each year. Also beginning in 2022, the one-half of one percent payroll expense tax imposed by the City would be reduced annually by one-twentieth of one percent until eliminated. *Id.* Both taxes would be fully phased-out over a period of ten years.[4]

In 2023, the general revenue property tax levied in the former County would be reduced to yield no greater than half the revenue generated by the levy during the prior year. Art. VI, Section 30.5(7)(b). Based on the Auditor's 2017 report of tax rates, the County's general revenue property tax levy for each class of property would generate approximately $47.1 million.[5] An adjustment to generate half the amount of revenue is estimated to result in tax relief of approximately $23.6 million annually.

In 2024, the general revenue county purposes property tax levy in the former City would be replaced with the lowered general revenue property tax levied in the former

[4] *See Better Together Policy Recommendations: Analysis of New State Tax Revenue*, submitted herewith and hereby incorporated by reference herein. Available at https://static1.squarespace.com/static/59790f03a5790abd8c698c9c/t/5c6d500324a694e2f1da31ca/1550667780395/Better+Together+Policy+State+Revenue+Compiled+with+Analysis.pdf.

[5] *See id.*

County. Art. VI, Section 30.5(8)(b). Based on the Auditor's 2017 report of tax rates, the City's county purposes levy would generate approximately $14.1 million.[6] Replacing this levy with the newly-lowered County levy is estimated to result in tax relief of approximately $8.1 million annually.[7]

C. St. Louis Municipal Corporation and St. Louis Fire Protection District

On January 1, 2023, the Municipal District within the former City would continue as the St. Louis Municipal Corporation, primarily to satisfy outstanding obligations of the City. Art. VI, Section 30.4.

Also, on January 1, 2023, the St. Louis Fire Protection District would be created within the boundaries of the former City. Art. VI, Section 30.6. During 2023, the fire protection district is funded out of revenues generated from within the former territory of the City. Art. VI, Section 30.6(2)(a). In 2024, the fire protection district would be authorized to levy a property tax and, upon such levy, the Metro City would be required to correspondingly reduce the rates of taxes, licenses, and fees within the former City to ensure that the fire protection district levy is revenue neutral. Art. VI, Section 30.4(2)(b).

II. Local Government Positive Fiscal Impact

A. Local Government Savings

The measure would result in a significant savings to local governments. Specific areas targeted for savings, such as general administration, are analyzed in a series of studies published by Better Together over the past five years and in the recently-released City-County Task Force Report and Recommendations.[8] Better Together has also analyzed revenue, expenditures, and savings from its policy recommendations as reflected in the proposed measure.[9]

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[6] *See id.*

[7] *See id.*

[8] *See Better Together: Report and Recommendations of City-County Governance Task Force*, available at https://static1.squarespace.com/static/59790f03a5790abd8c698c9c/t/5c68551e4785d32318b184c5/1550341501871/Task+Force+Report+Final.pdf.

[9] *See Better Together Policy Recommendations: Analysis of Local Government Savings*, submitted herewith and hereby incorporated by reference herein. Available at https://static1.squarespace.com/static/59790f03a5790abd8c698c9c/t/5c6d4f06085229dcf73eeb73/1550667526841/Analysis+of+Local+Government+Savings.pdf; *see also St. Louis Metro City – Pro Forma Budget*, submitted herewith and hereby incorporated by reference herein. Available at https://static1.squarespace.com/static/59790f03a5790abd8c698c9c/t/5c6d5041eb393157f0303840/1550667841801/STL+Metro+City+-+Pro+Forma+Budget.pdf. The supplemental data cited therein reflecting revenues and expenditures of the City, County, and Municipalities has been previously submitted to the State Auditor's Office and is hereby incorporated by reference herein.

As discussed more fully in Better Together's analysis, savings to local governments result from both reduced expenditures and the availability of surplus revenue over expenditures. The measure creates a structure for reducing expenditures on a system-wide, rather than jurisdiction-by-jurisdiction basis, which would enable modest expenditure reductions of 3% annually, offset by 2% inflation in expenditures, for net annual expenditure reductions of 1%. In addition, the structure results in annual surpluses of revenue, which enables accelerated debt repayment that would in turn achieve additional savings from reduced interest and financing costs. Initial savings for local governments from the measure are estimated at $55 million annually in 2023.[10] By 2032, annual savings for local governments are estimated at $1 billion annually. From 2023 to 2032, the measure is estimated to result in up to $3.2 billion in expenditure reductions and surplus revenues of $1.7 billion, for total savings to local governments of $4.9 billion over the ten-year period.

B. <u>Local Government Costs</u>

Local governments will not incur any new costs as a result of the proposed measure. Local governments would continue to provide the same functions and services currently provided separately by 90 different local governments. However, the proposed measure would reallocate these functions and services *among* local governments. Therefore, any cost incurred by the Metro City in assuming a function or service would result in savings to the local government from which the function or service was assumed.[11]

Current local governments may claim a "cost" to their particular local government because, following enactment of the measure, their particular local government may not continue to receive all of the revenues it receives today. However, the measure requires that a Municipal District receive all revenues required to satisfy outstanding obligations

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[10] Several aspects of the measure support the reasonableness of the $55 million estimated savings to local governments by 2023 by requiring specific consolidations to occur during the transition period. For example, effective January 1, 2022, all county offices of the City are required to be fully consolidated into the corresponding offices of the Metro City. *See* Art. VI, Section 30.2(8). In addition, all municipal courts within the Metro City are to be fully consolidated by January 1, 2023. *See* Art. VI, Section 30.2(11)(a). The reasonableness of the $55 million estimated savings to local governments by 2023 is supported by fiscal note responses to a previously proposed constitutional amendment consolidating the City of St. Louis with St. Louis County, which estimated net savings of approximately $60.6 million annually from the consolidation of county functions. *See* Fiscal Note, SJR 3 (2015), L.R. No. 0525-01, *available at* http://www.moga.mo.gov/OverSight/Over20151//fispdf/0525-01N.ORG.pdf

[11] The Missouri Supreme Court has recognized that a new activity or service is not established when a governmental entity is simply required to continue an existing activity or service, *see Breitenfeld v. School Dist. of Clayton*, 399 S.W.3d 816, 826 (Mo. banc 2013); *see also State ex rel. City of Desloge v. St. Francois Cty.*, 245 S.W.3d 855, 861 (Mo. App. E.D. 2007) (requiring showing that County was "forced to hire additional employees or pay higher salaries to existing employees in order to carry out its duties" in order to establish a "new service or activity required of the County" as opposed to being "part of the County's existing duties."), nor when a measure merely reallocates obligations or revenues among various political subdivisions. *Berry v. State*, 908 S.W.2d 682, 685 (Mo. banc 1995); *see also Cty. of Jefferson v. Quiktrip Corp.*, 912 S.W.2d 487, 491 (Mo. banc 1995) (holding that reallocation of local revenue does not shift tax burden to local government and the act of distributing tax revenue is "part of the normal operations of any county" and therefore only a *de minimis* administrative activity not in violation of Hancock).

and necessary to provide municipal district services and a general district service until such service is assumed by the Metro City. *See* Art. VI, Section 30.5(2)(b). Moreover, all existing taxes, licenses, and fees are initially continued in order to ensure the same overall amount of revenue to local governments. *See* Art. VI, Section 30.5(2)(a). Thus, no local government would lose any revenues necessary to perform the functions they remain authorized to perform, although a portion of the revenue a particular local government previously received would be reallocated to another local government—the Metro City—for services now provided by that local government—the Metro City. Indeed, the difference between the amount of revenue currently received by a particular local government and the amount of revenue actually required to satisfy outstanding obligations and necessary to provide services represents potential overall savings to local governments from the more efficient allocation of service provision and supporting revenues.

With respect to elections, no cost to local governments should be reflected in the fiscal note and fiscal summary. The proposed measure requires the Missouri General Assembly to enact legislation to provide for an election authority for the Metro City. Art. VI, Section 30.7(1)(a). Until such time, the current Board of Election Commissioners in the City and County are required to cooperate in the conduct of elections within the Metro City. *Id.* Therefore, any costs related to the conduct of elections should be reflected in connection with legislation to create such election authority, as opposed to in the fiscal note and fiscal summary for the measure.

III. State Government Positive Fiscal Impact

A. Increased State Revenues

The measure will have a significant positive impact on state revenues resulting from the required reduction, and ultimate elimination, of the earnings tax and payroll expense tax and the required reduction of property taxes. As such taxes are reduced, the amount of deductions that can be claimed by individual taxpayers against Missouri income and the expenses claimed by businesses for the payment of such taxes will also be reduced. Both will generate new state revenues.

Better Together has performed a detailed analysis of the additional state revenue generated by reductions in Missouri income tax from 2023 through 2032 as a result of the local tax reductions required under the measure.[12] Based on this analysis, the fiscal note and fiscal summary should reflect that the measure will result in increased state revenues of up to $636,695 in 2023, increasing up to $6.95 million annually in 2032 and each year thereafter. The fiscal note and fiscal summary should reflect that the measure would generate up to $40 million in new state revenue from 2022 to 2032.

[12] *See Better Together Policy Recommendations: Analysis of New State Tax Revenue.*

B. State Costs

The proposed measure would neither establish a new program or state agency, nor duplicate an existing program or state agency. Any one-time implementation costs can be assumed within existing resources. Moreover, new state revenues generated by the proposed measure would more than offset any one-time implementation costs.

IV. Other Political Subdivisions

The proposed measure will be cost neutral to other political subdivisions. School districts, fire protection districts, and other special districts are not reorganized pursuant to the amendment. *See* Art. VI, Sections 30.1(1)(i); 30.9(1)(a); 30.10(1)(1).[13] Accordingly, the fiscal note and fiscal summary should not reflect any costs or savings to any other political subdivisions.

V. Small Business

The proposed measure would provide a significant positive fiscal impact for small business by eliminating bureaucracy and unnecessary regulatory complexity, by streamlining government operations affecting small businesses, and by reducing earnings, payroll expense, and property taxes.

VI. Proposed Fiscal Note Summary

This proposal is estimated to generate savings to local governments of up to $55 million annually by 2023 and up to $1 billion annually by 2032. Reduced earnings, payroll, and property taxes are estimated to increase state revenues by up to $40 million through 2032.

[13] "Special districts" are defined to include "any political subdivision, municipal corporation, body corporate and politic, authority, metropolitan district, taxing district, taxing subdistrict, public corporation, or quasi-public corporation created pursuant to this constitution, law, charter, ordinance, or resolution, other than the county of St. Louis or a municipality, located wholly or partially within the territory in the city of St. Louis or the county of St. Louis immediately prior to the effective date of this section." Art. VI, Section 30.1(1)(i).

Better Together Policy Recommendation
Analysis of New State Tax Revenue

Better Together's policy recommendation is estimated to result in increased state revenues of up to $636,695 in 2023, increasing to up to $6.95 million in new state revenue annually in 2032 and each year thereafter. Over the ten-year period from 2022 to 2032, the Better Together policy recommendation would generate up to $40 million in new state revenue.

Beginning in 2022, the one-percent earnings tax will be reduced annually by one-tenth of one percent until eliminated in the manner provided in current law, Section 92.015, RSMo., due to the failure to reauthorize the tax in 2021. Beginning in 2022, the one-half of one percent payroll expense tax imposed by the City will be reduced annually by one-twentieth of one percent until eliminated. In 2023, the general revenue property tax levied in the former County is to be reduced to yield no greater than half the revenue generated by the levy during the prior year. In 2024, the general revenue county purposes property tax levy in the former City is replaced with the lowered general revenue property tax levied in the former County.

As the earnings tax, payroll tax, and property taxes decrease, the taxable income of individuals and corporations increase. The state tax revenue base thereby increases resulting in new state tax revenue.

The following is a description of the methodology used in analyzing the additional state tax revenue resulting from Better Together's policy recommendation. The following also includes a description of other estimates of additional state revenue from the reduction of the earnings tax and payroll expense tax to support the reasonableness of this analysis and its conclusions.

I. Earnings Tax Analysis

Pursuant to the City of St. Louis FY 2018 CAFR, the earnings tax revenue base was $3,787,500,000 for business and $14,558,200,000 for individuals.[1] This equates to a split of the earnings tax revenue base of approximately 20.65% business and 79.35% individual. The split between business and individual is relevant to state tax impact due to the method by which the payment of the tax may be utilized by taxpayers. In particular, an individual must itemize deductions and take such tax payment as a deduction to have an impact. However, a business uses the payment of tax as an expense, which reduces income and is either reported by the entity (corporation) or is passed to its owners (partnership/LLC). Thus, the analysis segregates the business and individual allocation between the earnings tax revenue base.

A. Individuals subject to Earnings Tax

Based on the City of St. Louis 2018 CAFR, the total earnings tax revenue base is $18,345,700,000. The individual portion of the earnings tax revenue base is approximately

[1] City of St. Louis, 2018 Comprehensive Annual Financial Report, Pg. 210, *available at* https://www.stlouis-mo.gov/government/departments/comptroller/documents/upload/CityofStLouisMO_CAFR-FY18.PDF.

79.35% of such base or approximately $14,558,200,000. Based on this information, 2018 aggregate individual earnings tax is $145,582,000.

The earnings tax paid by individuals impacts state tax revenue when such individuals itemize deductions and claim a deduction for such tax payment. An individual that itemizes deductions thereby reduces his/her taxable income. Based on the 2008 Fiscal Note prepared by the State Auditor's Office related to a ballot measure to phase-out the earnings tax if not reauthorized by voters, approximately 28.06% of Missouri individual tax filers itemized deductions.[2] Thus, the analysis assumes that only 28.06% of the earnings tax paid by individuals has an impact on the state tax revenue. Data is not available to show a different deduction rate, such as any change in deduction rates due to recent changes to federal tax laws.

The analysis uses the statutory individual income tax rate and reflects a decrease in the rate based on current Missouri statutes. The calculations in Section I.A. of the analysis reflect the foregoing, along with the assumption that the earnings tax revenue base is constant.

B. Businesses subject to Earnings Tax

Based on the St. Louis City FY2018 CAFR, the total earnings tax revenue base is $18,345,700,000. The business portion of the earnings tax revenue base is approximately 20.65% of such base or approximately $3,787,500,000. Based on such information, 2018 aggregate business earnings tax is $37,875,000.

Payment of the earnings tax is a business expense which will reduce the income of the business. Such reduced income is then taxed on either a corporate income tax return for a corporation or an individual income tax return if the business does not pay income tax but instead passes the income to its owners, such as a partnership. To analyze the tax impact, the tax effect must be segregated between corporation income tax and individual income tax. The corporate income tax rate is different than the individual income tax rate. Thus, the impact on state revenue depends in part on whether a corporation or an individual is reporting the income.

Per the Missouri Department of Revenue Financial and Statistical Report FYE June 30, 2017, 3,002,736 individual returns were filed and 146,282 corporate returns were filed.[3] Thus, 95.35% of income tax returns were individual returns and 4.65% were corporate returns. Such percentages can be applied to the business portion of the earnings tax to determine an approximate amount reported by individuals and corporations respectively.

The analysis in Section I.B. applies these percentages to the earnings tax applicable to the business portion of the earnings tax revenue base. Section I.B.1. analyzes the impact using the foregoing percentages and the applicable individual income tax rate. The individual taxpayer will

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[2] *See* Fiscal Note (09-62), Office of the Missouri State Auditor, *available at* https://app.auditor.mo.gov/Repository/Notes/09-62.pdf. This is consistent with the 29% deduction rate assumed by the Office of Administration Division of Budget and Planning (OA-B&P) in its response to a prior initiative petition seeking to enact the Better Together policy recommendation (IP 2020-039).

[3] Missouri Department of Revenue Financial and Statistical Report FYE June 30, 2017, Pg. 18, Income Tax Summary of Activities, *available at* https://dor.mo.gov/cafr/documents/financialstatreport17.pdf.

be reporting the net business income, which has already been reduced by the earnings tax paid by the business. Therefore, unlike the analysis in Section I.A. above, the analysis does not include factoring in the deduction rate. Instead, the analysis looks at what happens to state tax revenue as the income of a business increases due to the reduced earnings tax expense. The difference in the expense amount from the original 2018 data is taxed at the individual income tax rate.

The analysis in Section I.B.2 addresses the business portion of the earnings tax, which can be attributable to corporations based on the corporate return rate above. The analysis looks at what happens to state tax revenue as the income of a corporation increases due to the reduced earnings tax expense. The difference in the expense amount from the original 2018 data is taxed at the corporate income tax rate.

II. Payroll Expense Tax Analysis

The payroll expense tax is applicable to businesses with payroll expenses. Such taxes are paid by the business and reduce business income. Similar to the analysis in I.B. above, the business income is either reported by a corporation or an individual owner of the business. The analysis is similar to I.B. above and is apportioned between individual reporting and corporation reporting. The individual reporting again does not factor in the deduction since the tax reduces the business income and is not an itemized deduction. The reduction in the payroll expense tax results in increased income of individuals and corporations, which in return results in new state tax revenue.

III. Property Tax Analysis

The Better Together policy recommendations include a reduction in the County general revenue property tax in 2023 followed by application of the lower County general revenue property tax in place of the higher City county purposes property tax in 2024.

A. County Property Tax Analysis

The assessed values for each class of property in the County are individually reported in the St. Louis County 2017 CAFR.[4] The Missouri Auditor's Office 2017 Property Tax Rates ("2017 Rates Report") sets forth the permitted rates for the County general revenue property tax for each class of property.[5] The assessed values and rates were utilized to determine such portion of the property tax currently. Per the policy recommendation, the general revenue levy of the County will be reduced to generate approximately 50% of the revenue for the prior year. For purposes of the analysis, 50% of the rates reported in the 2017 Rates Report has been utilized.

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[4] St. Louis County Comprehensive Annual Financial Report for the Year Ended December 31, 2017, Pg. 180, *available at* https://www.stlouisco.com/Portals/8/2017%20CAFR.pdf

[5] Office of Missouri State Auditor Nicole Galloway, CPA, 2017 Property Tax Rates, Appendix VIII, Pg. 116, *available at* https://app.auditor.mo.gov/Repository/Press/2017143113567.pdf?_ga=2.196564524.1676225323.1550249944-1961047601.1502219957

To determine the impact on state revenue of this property tax reduction, the reductions must be apportioned between individual taxpayers and businesses. Available information does not fully apportion property tax payments in the County, although the County 2017 CAFR does report the principal property taxpayers, which are businesses and which account for 5.8% of the assessed value.[6] This percentage is utilized to allocate property taxes 94.2% for individuals and at least 5.8% for businesses.

The allocation between business and individual is relevant to state tax impact due to the method by which the payment of tax may be utilized by taxpayers. As discussed above in section I.A., an individual must itemize deductions and take such tax payment as a deduction to have an impact. However, a business uses the payment of tax as an expense, which reduces income and is either reported by the entity (corporation) or is passed to its owners (partnership/LLC). Thus, the analysis segregates the business and individual allocation of the property tax.

Based on the St. Louis County 2017 CAFR and Auditor's 2017 Rates Report, the applicable general revenue property tax generated approximately $47,124,464. For purposes of this analysis and based on the information set forth below, this property tax is allocated 94.2% to individuals, such that individual taxpayers paid $44,391,245 of the total general revenue property tax. Such individual amount will be subject to itemized deductions for reporting and the methodology applies the deduction percentage as stated in Section I.A. above. The 5.8% of the general revenue property tax apportioned to businesses is allocated between corporations and individuals similar to the analysis in Section I.B. above based on the percentage of returns filed.

The analysis uses the statutory individual income tax rate and corporate tax rates similar to the analysis in Sections I and II above. The assessed value of property was constant in the analysis.

B. City Property Tax Analysis

St. Louis City levies property tax on all classes of property at a single tax rate. The assessed value of City property subject to the property tax for county purposes and the rate of such tax is reported in the Auditor's 2017 Rates Report.[7] In 2024, the county purposes property tax in the former City would be replaced with the County general revenue property tax as reduced per the recommendation, resulting in a reduced rate applicable to all classes of property.

Similar to the analysis for the reduction of the County general revenue property tax in Section III.A., the county purpose property tax in the City must be apportioned between individuals and businesses. The principal taxpayers of the property tax reported in the St. Louis City 2018 CAFR are all businesses and account for 11.99% of the assessed value.[8] This percentage is used to allocate the county purposes property tax between individuals 88.01% and businesses 11.99%. The analysis utilizes a similar approach as in Section III.A. above to allocate and calculate the current apportionment to determine future state tax revenue impact.

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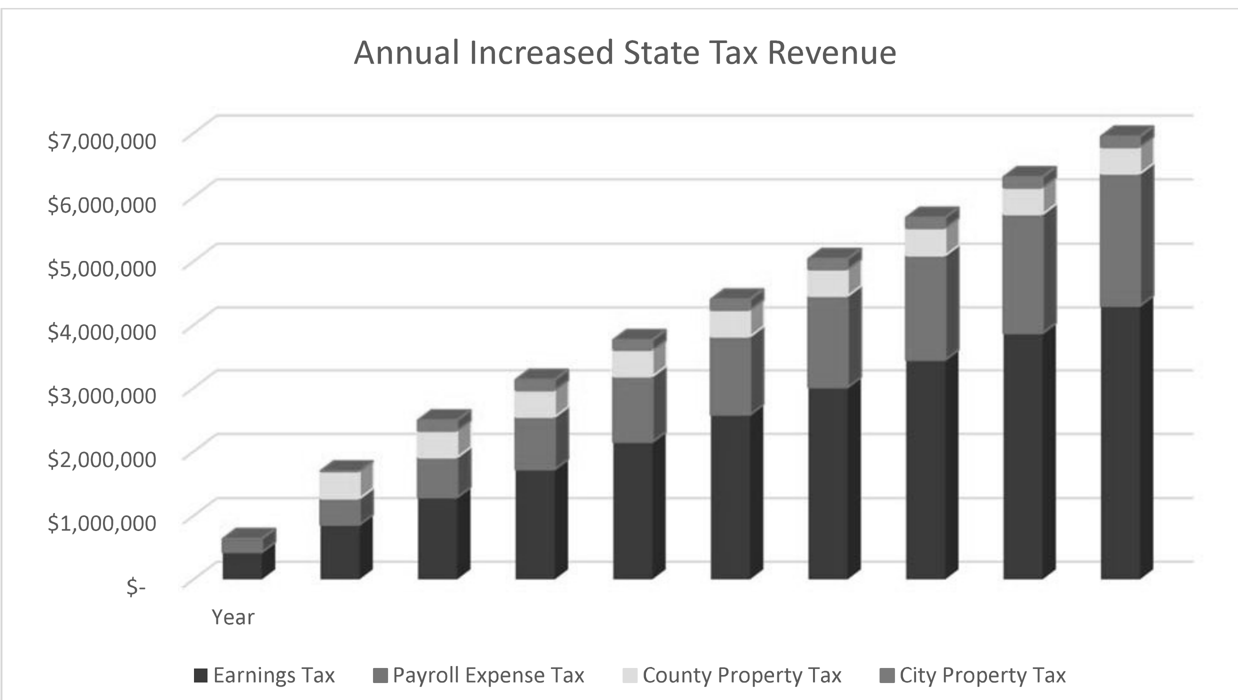
[6] St. Louis County 2017 CAFR, Pg. 182.
[7] Auditor's 2017 Rate Report, Appendix VII, Pg. 108.
[8] St. Louis City 2018 CAFR, Table 7, Pg. 208.

Under the policy recommendation, in 2024, when the County property tax would replace the City's county purposes property tax, the classes of property will become relevant. The City 2018 CAFR reports classifications of property and the assessed values thereof.[9] These values are used to apply the reduced County property tax rates provided in the analysis in Section III.A. above to the relevant class of property (with manufacturer's machinery tools and equipment added to personal property classification). The analysis does not factor in tax-exempt property, since sufficient information is not provided in the CAFR to allocate such amount to the classes of property.

IV. New State Revenues

Based on the foregoing analysis and as reflected in the enclosed materials, the phase-out of the earnings tax and payroll expense tax and the reduction in property tax would result in new state revenues beginning in 2023 and increasing each year until 2032. The tables below summarize the new state revenue each year resulting from the policy recommendation.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Additional State Tax Revenue	$636,695	$1,690,146	$2,491,446	$3,128,142	$3,764,837	$4,401,533	$5,038,228	$5,674,923	$6,311,619	$6,948,314



[9] St. Louis City 2018 CAFR, Table 5, Pg. 206.

V. Additional Information

A. Prior Fiscal Notes on Earnings Tax Measures

The above estimate of new state revenue is consistent with prior estimates of new state revenue from the phase-out of the earnings tax over a period of ten years. This additional information is provided merely for comparison, with differences between the present analysis noted below.

For example, Senate Substitute for Senate Bill 575 (2016) would have phased-out the City of St. Louis earnings tax by one-tenth of one percent each year for ten years.[10] Relying on an estimated $160 million annually in earnings tax revenue and a six percent income tax rate, the Oversight Division assumed an increase in state revenue of up to $1.92 million in the first full tax year and up to $9.6 million annually once the tax is fully eliminated.

Unlike the present analysis, this estimate does not apportion the taxes paid between individuals and businesses and does not apply a deduction factor. Therefore, this estimate likely overstates the additional state revenues that would be generated by the earnings tax phase-out. The payroll expense tax was not phased-out as part of the proposal analyzed by the fiscal note, and therefore the fiscal note does not reflect additional state revenue from the phase-out of the payroll expense tax as provided in the Better Together policy recommendation.

The State Auditor's Office similarly reflected a positive impact to state revenues as a result of the ten year phase-out of the earnings tax.[11] The State Auditor's fiscal note for an initiative petition related to the earnings tax in St. Louis and Kansas City adopted in November 2010 noted that in 2008, the City of St. Louis collected $174.9 million annually in earnings tax and the City of Kansas City collected $202.5 million annually, for a total of $377.4 million in annual earnings taxes paid. The Missouri Department of Revenue reported that $105.9 million in deductions were claimed for earnings taxes in St. Louis and Kansas City in tax year 2008. Assuming a 4.5-percent effective individual income tax rate, the Office of Administration estimated a $4.8 million annual increase in state revenues when fully implemented, and a $500,000 increase in state revenues in the first year of the phase-out. Accordingly, the fiscal summary issued by the Auditor and presented to the voters indicated that if the earnings tax was fully-phased out, "[r]educed earnings tax deductions could increase state revenues by $4.8 million."

Unlike the present analysis, this estimate does not apportion the taxes paid between individuals and businesses and therefore likely understates the additional state revenues that would be generated by the earnings tax phase-out. The payroll expense tax was not phased-out as part of the proposal analyzed by the fiscal note, and therefore the fiscal note does not reflect the additional state revenue from the phase-out of the payroll expense tax provided in the Better Together policy recommendation.

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[10] *See* Fiscal Note for Senate Committee Substitute for Senate Bill 575 (2016), *available at* http://www.moga.mo.gov/OverSight/Over20161//fispdf/5045-05N.ORG.pdf

[11] *See* Fiscal Note (09-62), Office of the Missouri State Auditor, *available at* https://app.auditor.mo.gov/Repository/Notes/09-62.pdf.

B. OA-B&P Response to 2020-039

In its fiscal note response to a prior initiative petition seeking to enact the Better Together policy recommendations (IP 2020-039), the Office of Administration Division of Budget and Planning (OA-B&P) estimated that the Better Together policy recommendations could increase state revenues by $3.2 million once fully implemented. However, OA-B&P assumed that the phase-out of the earnings tax and payroll expense tax would occur over a period of twenty years, rather than over a period of ten years as provided in the language of the policy recommendations. Specifically, the language of the policy recommendation requires the one percent earnings tax to phase out by one-tenth-of-one percent annually for ten years pursuant to existing law, *see* Section 92.015, RSMo., and the one half-percent payroll expense to phase out by one-twentieth of one percent annually over ten years.[12] Based on its assumption that the phase-out was over a 20-year period rather than a 10-year period, OA-B&P reflected an annual increase in state revenues over a period of 20 years from 2022 through 2042, rather than over a 10-year period from 2022 through 2032.

In addition to the longer phase-out period assumed, the OA-B&P fiscal note response also understated the positive impact to state revenue by failing to account for the distinction between individual and business taxpayers, both of whom pay the earnings tax. As discussed above, during FY 2018, the earnings tax revenue base was $3,787,500,000 for businesses and $14,558,200,000 for individuals, which equates to an apportionment of approximately 20.65% business and 79.35% individual. This apportionment affects state tax revenues as individuals who pay the tax report the payment as an itemized deduction on their tax returns. However, a business that pays the tax treats the tax as an expense, which affects the net income of the business. Accordingly, applying a deduction rate to the entire earnings tax, as the OA-B&P fiscal note response does, fails to recognize that a portion of the tax is not required to be itemized in order to impact the income of taxpayers and thereby impact state revenues. The methodology discussed above and reflected in the supporting materials recognizes the apportionment between individuals and businesses in determining state revenue impact by applying a deduction rate to the tax paid by individuals, while not applying a deduction rate to the tax apportioned to businesses.

There are a number of additional distinctions between the present analysis and the OA-B&P response. First, unlike the OA-B&P analysis, the present analysis uses statutory rates of tax recognizing that a portion of the businesses paying the tax are corporations based on the Department of Revenue's apportionment between individual and corporate tax returns. Second, the OA-B&P response does not distinguish between the positive state revenue impact from the earnings tax and payroll expense tax, which further understates the estimated new state revenues. Unlike the earnings tax, which is largely assessed against individual earnings, the payroll expense tax is assessed based on the payroll expenses of businesses. As such, the payroll expense tax is a business cost that would reduce the income of the business and is not a separate itemizable deduction of an individual. Accordingly, no deduction rate should be applied to the payroll

[12] *See* Article VI, Section 30.7(2)(a) ("Upon the failure to submit any question to voters with respect to the continued levy or imposition of any tax on earnings, such tax shall be reduced in *the manner provided by law*, and any tax on payroll expense levied or imposed by a municipality prior to the effective date of this section shall be reduced by one-twentieth of one percent annually until such tax is eliminated.") (emphasis added).

expense tax reduction, and, by doing so, the OA-B&P fiscal note response understates the positive state revenue impact of the Better Together policy proposal.

Finally, the OA-B&P response understates the additional state revenue generated by the Better Together policy recommendation because it does not address the required property tax reductions and the additional state revenues such reductions would generate.

St. Louis City Earnings Tax and Payroll Expense Tax
Analysis of Increased State Tax Revenue
from Reduction and Elimination of Earnings Tax

I. EARNINGS TAX ANALYSIS	2018	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenue Base--Earnings subject to Tax [1]	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000	$ 18,345,700,000
Earnings Tax Rate	1.00%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.10%	0.00%
Earnings Tax	$ 183,457,000	$ 165,111,300	$ 146,765,600	$ 128,419,900	$ 110,074,200	$ 91,728,500	$ 73,382,800	$ 55,037,100	$ 36,691,400	$ 18,345,700	$ -
A. Individual Earnings Subject to Earnings Tax											
Individual Earnings Percentage of Tax Revenue Base [2]	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%
Individual Revenue Base	$ 14,558,200,000										
Individual Earnings Tax	$ 145,582,000	$ 131,023,800	$ 116,465,600	$ 101,907,400	$ 87,349,200	$ 72,791,000	$ 58,232,800	$ 43,674,600	$ 29,116,400	$ 14,558,200	$ -
Deduction Rate (per 2008 info) [3]	28.06%										
Deductions of Individual Earnings Tax	$ 40,850,309	$ 36,765,278	$ 32,680,247	$ 28,595,216	$ 24,510,186	$ 20,425,155	$ 16,340,124	$ 12,255,093	$ 8,170,062	$ 4,085,031	$ -
Increased Individual State Income over 2018 (Decrease in Deductions)		$ 4,085,031	$ 8,170,062	$ 12,255,093	$ 16,340,124	$ 20,425,155	$ 24,510,186	$ 28,595,216	$ 32,680,247	$ 36,765,278	$ 40,850,309
Statutory Individual Income Tax Rate [4]	5.900%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Individual Earnings[7]		$ 224,677	$ 449,353	$ 674,030	$ 898,707	$ 1,123,384	$ 1,348,060	$ 1,572,737	$ 1,797,414	$ 2,022,090	$ 2,246,767
B. Business Earnings Subject to Earnings Tax											
Business Earnings Percentage of Tax Revenue Base [2]	20.65%										
Business Revenue Base	$ 3,787,500,000										
Business Earnings Tax	$ 37,875,000	$ 34,087,500	$ 30,300,000	$ 26,512,500	$ 22,725,000	$ 18,937,500	$ 15,150,000	$ 11,362,500	$ 7,575,000	$ 3,787,500	$ -
1. Business Earnings Reported by Individuals											
Individual Percent per 2017 Tax Returns Filed in MO [5]	95.35%										
Business Earnings Tax Reported by Individuals	$ 36,113,291	$ 32,501,962	$ 28,890,633	$ 25,279,304	$ 21,667,975	$ 18,056,645	$ 14,445,316	$ 10,833,987	$ 7,222,658	$ 3,611,329	$ -
Increase to Individual Income (Decrease in Earnings Tax Expense, Increased Business Income)		$ 3,611,329	$ 7,222,658	$ 10,833,987	$ 14,445,316	$ 18,056,645	$ 21,667,975	$ 25,279,304	$ 28,890,633	$ 32,501,962	$ 36,113,291
Statutory Individual Income Tax Rate [4]	5.900%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Business Earnings at Individual Rates[7]		$ 198,623	$ 397,246	$ 595,869	$ 794,492	$ 993,116	$ 1,191,739	$ 1,390,362	$ 1,588,985	$ 1,787,608	$ 1,986,231
2. Business Earnings Reported by Corporations											
Corporate Percent per 2017 Tax Returns Filed in MO [5]	4.65%										
Business Earnings Tax Reported by Corporations	$ 1,761,709	$ 1,585,538	$ 1,409,367	$ 1,233,196	$ 1,057,025	$ 880,855	$ 704,684	$ 528,513	$ 352,342	$ 176,171	$ -
Increase to Corporate Income (Decrease in Earnings Tax Expense, Increased Corporate Income)		$ 176,171	$ 352,342	$ 528,513	$ 704,684	$ 880,855	$ 1,057,025	$ 1,233,196	$ 1,409,367	$ 1,585,538	$ 1,761,709
Statutory Corporate Income Tax Rate [6]	6.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional State Tax Revenue - Business Earnings at Corporate Rates[7]		$ 7,047	$ 14,094	$ 21,141	$ 28,187	$ 35,234	$ 42,281	$ 49,328	$ 56,375	$ 63,422	$ 70,468
Total Additional Annual State Tax Revenue - Earnings Tax[7]		**$ 430,347**	**$ 860,693**	**$ 1,291,040**	**$ 1,721,387**	**$ 2,151,733**	**$ 2,582,080**	**$ 3,012,426**	**$ 3,442,773**	**$ 3,873,120**	**$ 4,303,466**

Assumptions:

1. Earnings Tax Revenue Base as reported in St. Louis City FY 2018 CAFR, Table 9 of Statistical Section. Such amounts are constant throughout the term and are not adjusted to reflect inflation.
2. Percentage of Earnings Tax Revenue reported by individuals or business based on FY 2018 Revenue Base as reported at St. Louis City FY 2018 CAFR, Table 9 of Statistical Section.
3. Deductions are based on the same proportion of deductions to the earnings tax per the State Auditor November 2010 Note.
4. 2018 Individual Income Tax Rate is the adjusted rate per RSMo. §§143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
5. Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
6. 2018 Corporate Tax Rate is per RSMo. §143.071.2 and 2020 and thereafter is based on §143.071.3.
7. State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.

St. Louis City Earnings Tax and Payroll Expense Tax
Analysis of Increased State Tax Revenue
from Reduction and Elimination of Payroll Expense Tax

II. PAYROLL EXPENSE TAX ANALYSIS

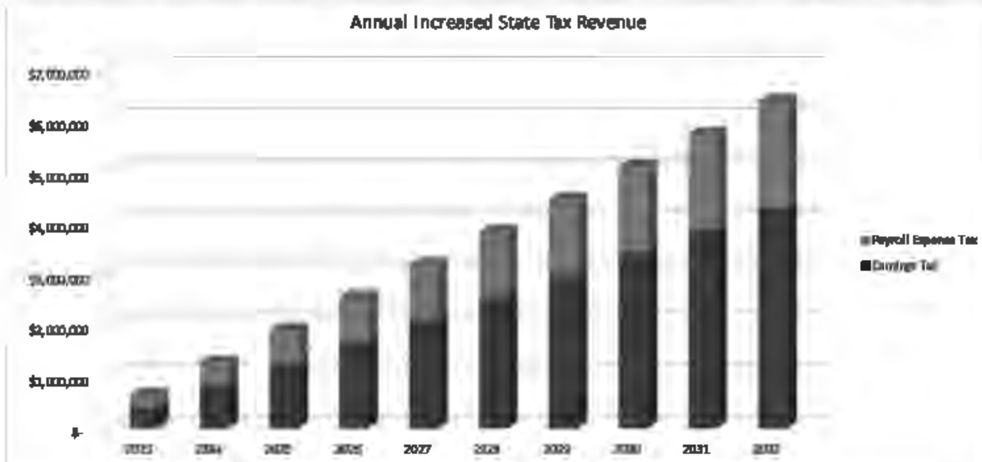
	2018	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Payroll Expense subject to Tax [1]	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000	$ 7,600,000,000
Payroll Expense Tax Rate	0.50%	0.4500%	0.40%	0.35%	0.30%	0.25%	0.20%	0.15%	0.10%	0.05%	0.00%
Payroll Expense Tax	$ 38,000,000	$ 34,200,000	$ 30,400,000	$ 26,600,000	$ 22,800,000	$ 19,000,000	$ 15,200,000	$ 11,400,000	$ 7,600,000	$ 3,800,000	$ -
A. Business Income (Reduced by Payroll Expense Tax) Reported by Individuals											
Individual Percent per 2017 Tax Returns Filed in MO [5]	95.35%										
Payroll Expense Tax as Reduction to Business Income reported by Individuals	$ 36,232,477	$ 32,609,229	$ 28,985,981	$ 25,362,734	$ 21,739,486	$ 18,116,238	$ 14,492,991	$ 10,869,743	$ 7,246,495	$ 3,623,248	$ -
Increased Business Income subject to Individual Rates		$ 3,623,248	$ 7,246,495	$ 10,869,743	$ 14,492,991	$ 18,116,238	$ 21,739,486	$ 25,362,734	$ 28,985,981	$ 32,609,229	$ 36,232,477
Statutory Individual Income Tax Rate [4]	5.900%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Payroll Expense Tax at Individual Rates[7]		$ 199,279	$ 398,557	$ 597,836	$ 797,114	$ 996,393	$ 1,195,672	$ 1,394,950	$ 1,594,229	$ 1,793,508	$ 1,992,786
B. Business Income (Reduced by Payroll Expnese Tax) Reported by Corporations											
Corporate Percent per 2017 Tax Returns Filed in MO [5]	4.65%										
Payroll Expense Tax as Reduction to Business Income reported by Corporations	$ 1,767,523	$ 1,590,771	$ 1,414,019	$ 1,237,266	$ 1,060,514	$ 883,762	$ 707,009	$ 530,257	$ 353,505	$ 176,752	$ -
Increased Business Income subject to Corporate Rates		$ 176,752	$ 353,505	$ 530,257	$ 707,009	$ 883,762	$ 1,060,514	$ 1,237,266	$ 1,414,019	$ 1,590,771	$ 1,767,523
Statutory Corporate Inocme Tax Rate [5]	6.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional State Tax Revenue - Payroll Expense Tax at Corporate Rates[7]		$ 7,070	$ 14,140	$ 21,210	$ 28,280	$ 35,350	$ 42,421	$ 49,491	$ 56,561	$ 63,631	$ 70,701
Additional Annual State Tax Revenue – Payroll Expense Tax[7]		**$ 206,349**	**$ 412,697**	**$ 619,046**	**$ 825,395**	**$ 1,031,744**	**$ 1,238,092**	**$ 1,444,441**	**$ 1,650,790**	**$ 1,857,138**	**$ 2,063,487**

Assumptions:

1. Earnings Tax Revenue Base as reported in St. Louis City FY 2018 CAFR, Table 9 of Statistical Section. Such amounts are constant throughout the term and are not adjusted to reflect inflation.
2. Percentage of Earnings Tax Revenue reported by individuals or business based on FY 2018 Revenue Base as reported at St. Louis City FY 2018 CAFR, Table 9 of Statistical Section.
3. Deductions are based on the same proportion of deductions to the earnings tax per the State Auditor November 2010 Note.
4. 2018 Individual Income Tax Rate is the adjusted rate per RSMo. § §143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
5. Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
6. 2018 Corporate Tax Rate is per RSMo. §143.071.2 and 2020 and thereafter is based on §143.071.3.
7. State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.

St. Louis City Earnings Tax and Payroll Expense Tax
Summary of Analysis of Increased State Tax Revenue
With One Year Lag for Recognition

	Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
I.	Earnings Tax - Additional State Revenue	$ 430,347	$ 860,693	$ 1,291,040	$ 1,721,387	$ 2,151,733	$ 2,582,080	$ 3,012,426	$ 3,442,773	$ 3,873,120	$ 4,303,466
II.	Payroll Expense Tax -- Additional State Revenue	$ 206,349	$ 412,697	$ 619,046	$ 825,395	$ 1,031,744	$ 1,238,092	$ 1,444,441	$ 1,650,790	$ 1,857,138	$ 2,063,487
Total	Additional State Tax Revenue (from prior year tax reporting)	$ 636,695	$ 1,273,391	$ 1,910,086	$ 2,546,781	$ 3,183,477	$ 3,820,172	$ 4,456,867	$ 5,093,563	$ 5,730,258	$ 6,366,954



St. Louis City and County Property Tax
Analysis of Increased State Tax Revenue
from Reduction of Property Tax

III.A. ST. LOUIS COUNTY TAX ANALYSIS

	2017-2018													
	Assessed Value Subject to Tax[1]	Rate[2]	Tax	New Rate[3]	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Personal Property	$ 3,087,099,360	0.209%	$ 6,452,038	0.1045%	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019	$ 3,226,019
Residential Real Estate	$ 14,563,102,590	0.195%	$ 28,398,050	0.0975%	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025	$ 14,199,025
Commercial Real Estate	$ 6,194,038,230	0.198%	$ 12,264,196	0.0990%	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098	$ 6,132,098
Agricultural Real Estate	$ 6,484,570	0.157%	$ 10,181	0.0785%	$ 5,090	$ 5,090	$ 5,090	$ 5,090	$ 5,090	$ 5,090	$ 5,090	$ 5,090	$ 5,090	$ 5,090
Total Property Tax			$ 47,124,464		$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232	$ 23,562,232
A. Individual Property Tax														
Individual Percentage of Property Tax[4]			94.2%		94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%
Individual Property Tax			$ 44,391,245		$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623	$ 22,195,623
Deduction Rate (per 2008 info[5])			28.06%											
Deductions of Individual Property Tax			$ 12,456,183		$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092
Increased Individual State Income over 2018 (Decrease in Deductions)					$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092	$ 6,228,092
Statutory Individual Income Tax Rate[6]			6.000%		5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Individual Property Tax[7]					$ 342,545	$ 342,545	$ 342,545	$ 342,545	$ 342,545	$ 342,545	$ 342,545	$ 342,545	$ 342,545	$ 342,545
B. Business Property Tax														
Business Property Tax Percentage[4]			5.8%											
Business Property Tax			$ 2,733,219		$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609	$ 1,366,609
1. Business Property Tax Reported by Individuals														
Individual Percent per 2017 Tax Returns Filed in MO[8]			95.35%											
Business Property Tax Reported by Individuals			$ 2,606,087		$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043
Increase to Individual Income (Decrease in Property Tax Expense, Increased Business Income)					$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043	$ 1,303,043
Statutory Individual Income Tax Rate[6]			6.00%		5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Business Property Tax at Individual Rates[7]					$ 71,667	$ 71,667	$ 71,667	$ 71,667	$ 71,667	$ 71,667	$ 71,667	$ 71,667	$ 71,667	$ 71,667
2. Business Property Tax Reported by Corporations														
Corporate Percent per 2017 Tax Returns Filed in MO[8]			4.65%											
Business Property Tax Reported by Corporations			$ 127,132		$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566
Increase to Corporate Income (Decrease in Property Tax Expense, Increased Corporate Income)					$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566	$ 63,566
Statutory Corporate Income Tax Rate[9]			6.25%		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional State Tax Revenue - Business Property Tax at Corporate Rates[7]					$ 2,543	$ 2,543	$ 2,543	$ 2,543	$ 2,543	$ 2,543	$ 2,543	$ 2,543	$ 2,543	$ 2,543
Total Additional Annual State Tax Revenue - Property T[7]					$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755

Assumptions:

1. Assessed Values per 2017 St. Louis County CAFR, pg 180.
2. St. Louis County 2017 Property Tax Rates General Revenue, Rate Ceilings Appendix VIII Pg 116 of Missouri Auditor 2017 Property Tax Rates.
3. Rate to be effective in 2023 based on a 50% reduction in tax rates.
4. Principal Property Tax Payers are businesses and account for 5.8% of the assessed value per 2017 St. Louis County CAFR, pg. 182. Such percentage is used to segregate the taxes between types of tax payers.
5. Deductions are based on the same proportion of deductions per the State Auditor November 2010 Note.
6. 2017 Individual Income Tax Rate is the adjusted rate per RSMo§§143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
7. State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.
8. Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
9. 2018 Corporate Tax Rate is per RSMo§143.071.2 and 2020 and thereafter is based on §143.071.3.

Note per STLouis County CAFR – approximately 5.8% of the assessed value are businesses - p182

St. Louis City and County Property Tax
Analysis of Increased State Tax Revenue
from Reduction of Property Tax

III.B. ST. LOUIS CITY TAX ANALYSIS

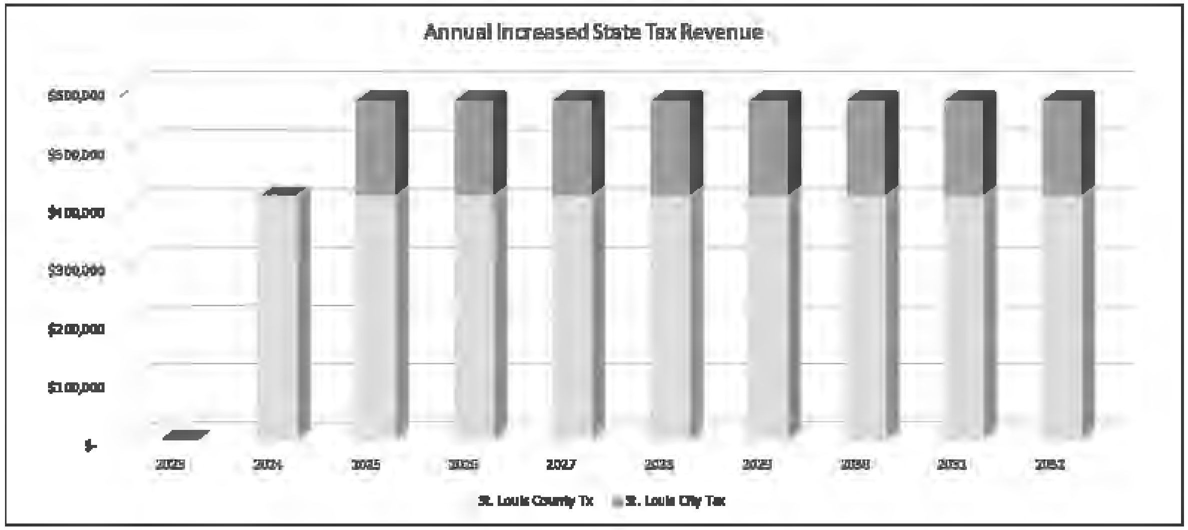
	2017-2018														
	Assessed Value Subject to Tax[2]	Rate[1]	Tax	Assessed Value Subject to Tax[2]	Rate per County 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Property Assessed Value per Auditor Report	$ 4,115,126,888	0.3429%	$ 14,110,770												
Personal Property and Manufacutrer's machinery, tools & equipment				$ 989,674,000	0.1045%	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33	$ 1,034,209.33
Residential Real Estate				$ 2,243,128,000	0.0975%	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80	$ 2,187,049.80
Commercial Real Estate				$ 2,724,759,000	0.0990%	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41	$ 2,697,511.41
Agricultural Real Estate				$ -	0.0785%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Property Tax			$ 14,110,770			$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771	$ 5,918,771
A. Individual Property Tax															
Individual Percentage of Property Tax[3]			88.01%			88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%
Individual Property Tax			$ 12,418,889			$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110	$ 5,209,110
Deduction Rate (per 2008 info[4])			28.06%												
Deductions of Individual Property Tax			$ 3,484,740			$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676	$ 1,461,676
Increased Individual State Income over 2018 (Decrease in Deductions)			$ -			$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064	$ 2,023,064
Statutory Individual Income Tax Rate[5]			6.000%			5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Individual Property Tax[7]			$ -			$ 111,269	$ 111,269	$ 111,269	$ 111,269	$ 111,269	$ 111,269	$ 111,269	$ 111,269	$ 111,269	$ 111,269
B. Business Property Tax															
Business Property Tax Percentage[3]			11.99%			11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%
Business Property Tax			$ 1,691,881			$ 709,661	$ 709,661	$ 709,661	$ 709,661	$ 709,661	$ 709,661	$ 709,661	$ 709,661	$ 709,661	$ 709,661
1. Business Property Tax Reported by Individuals															
Individual Percent per 2017 Tax Returns Filed in MO[6]			95.35%												
Business Property Tax Reported by Individuals			$ 1,613,186			$ 676,652	$ 676,652	$ 676,652	$ 676,652	$ 676,652	$ 676,652	$ 676,652	$ 676,652	$ 676,652	$ 676,652
Increase to Individual Income (Decrease in Property Tax Expense, Increased Business Income)			$ -			$ 936,534	$ 936,534	$ 936,534	$ 936,534	$ 936,534	$ 936,534	$ 936,534	$ 936,534	$ 936,534	$ 936,534
Statutory Individual Income Tax Rate[5]			6.00%			5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Business Property Tax at Individual Rates[7]			$ -			$ 51,509	$ 51,509	$ 51,509	$ 51,509	$ 51,509	$ 51,509	$ 51,509	$ 51,509	$ 51,509	$ 51,509
2. Business Property Tax Reported by Corporations															
Corporate Percent per 2017 Tax Raturns Filed in MO[6]			4.65%												
Business Property Tax Reported by Corporations			$ 78,696			$ 33,009	$ 33,009	$ 33,009	$ 33,009	$ 33,009	$ 33,009	$ 33,009	$ 33,009	$ 33,009	$ 33,009
Increase to Corporate Income (Decrease in Property Tax Expense, Increased Corporate Income)			$ -			$ 45,687	$ 45,687	$ 45,687	$ 45,687	$ 45,687	$ 45,687	$ 45,687	$ 45,687	$ 45,687	$ 45,687
Statutory Corporate Income Tax Rate[8]			6.25%			4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional State Tax Revenue - Business Property Tax at Corporate Rates[7]			$ -			$ 1,827	$ 1,827	$ 1,827	$ 1,827	$ 1,827	$ 1,827	$ 1,827	$ 1,827	$ 1,827	$ 1,827
Total Additional Annual State Tax Revenue - Property Tax[7]						$ 164,605	$ 164,605	$ 164,605	$ 164,605	$ 164,605	$ 164,605	$ 164,605	$ 164,605	$ 164,605	$ 164,605

Assumptions:

1. St. Louis City 2017 Property Tax Rates and Assessed Values General Revenue, Rate Ceilings Appendix VII Pg 108 of Missouri Auditor 2017 Property Tax Rates.
2. Assessed values of property categories per 2018 St. Louis City CAFR pg. 206.
3. Principal Property Tax Payers are businesses and account for 11.99% of the assessed value per 2018 St. Louis City CAFR pg 208.
4. Deductions are based on the same proportion of deductions per the State Auditor November 2010 Note.
5. 2017 Individual Income Tax Rate is the adjusted rate per RSMo§§143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
6. Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
7. State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.
8. 2018 Corporate Tax Rate is per RSMo§143.071.2 and 2020 and thereafter is based on §143.071.3.

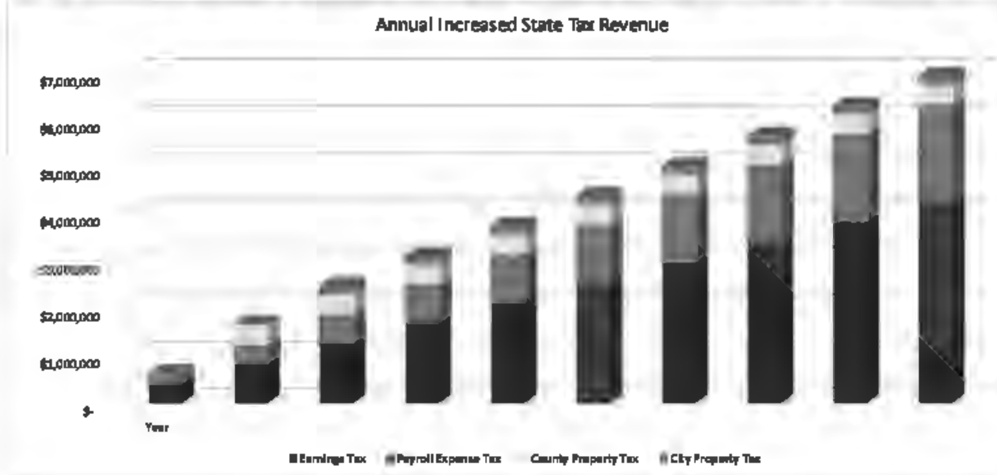
St. Louis City and County Property Tax
Summary of Analysis of Increased State Tax Revenue
With One Year Lag for Recognition

Year		2023		2024		2025		2026		2027		2028		2029		2030		2031		2032
I. St. Louis County Property Tax – Additional State Revenue	$	-	$	416,755	$	416,755	$	416,755	$	416,755	$	416,755	$	416,755	$	416,755	$	416,755	$	416,755
II. St. Louis City Property Tax – Additional State Revenue	$	-	$	-	$	164,605	$	164,605	$	164,605	$	164,605	$	164,605	$	164,605	$	164,605	$	164,605
Total Additional State Tax Revenue	$	-	$	416,755	$	581,360	$	581,360	$	581,360	$	581,360	$	581,360	$	581,360	$	581,360	$	581,360



Summary of Analysis of Increased State Tax Revenue
Earnings Tax, Payroll Expense Tax & Property Tax
With One Year Lag for Recognition

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
I. Earnings Tax - Additional State Revenue	$ 430,347	$ 860,693	$ 1,291,040	$ 1,721,387	$ 2,151,733	$ 2,582,080	$ 3,012,426	$ 3,442,773	$ 3,873,120	$ 4,303,466	$ 23,668,065
II. Payroll Expense Tax -- Additional State Revenue	$ 206,349	$ 412,697	$ 619,046	$ 825,395	$ 1,031,744	$ 1,238,092	$ 1,444,441	$ 1,650,790	$ 1,857,138	$ 2,063,487	$ 11,849,179
III.A. St. Louis County Property Tax -- Additional State Revenue	$ -	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 416,755	$ 3,750,796
III.B. St. Louis City Property Tax -- Additional State Revenue	$ -	$ -	$ 164,605	$ 164,606	$ 164,605	$ 164,605	$ 164,606	$ 164,605	$ 164,605	$ 164,605	$ 1,316,843
Total Additional State Tax Revenue	$ 636,695	$ 1,690,146	$ 2,491,446	$ 3,128,142	$ 3,764,837	$ 4,401,533	$ 5,038,228	$ 5,674,923	$ 6,311,619	$ 6,948,314	$ 40,085,883



Summary of Analysis of Increased State Tax Revenue
Earnings Tax, Payroll Expense Tax & Property Tax
Historical Data Computation

ST. Louis City 2018 CAFR Earnings Tax
Earnings Tax Revenue Base

	Business	Individual	Total	Individual Percent	Business Percent
2018	$ 3,787,500	$ 14,558,200	$ 18,345,700	79.35%	20.65%

Earnings Tax Revenue Base as reported in St. Louis City FY 2018 CAFR, Table 9 of Statistical Section. Such amounts are constant throughout the term and are not adjusted to reflect inflation.

MO Department of Revenue 2017 Number of Tax Returns

	Number of Returns	Percentage of Total Returns
Individual	3,002,736	95.35%
Corporation	146,482	4.65%
	3,149,218	

Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.

Better Together Policy Recommendations
Analysis of Local Government Savings

Executive Summary

Better Together's policy recommendation will result in significant savings in local government spending in the St. Louis region, beginning with savings of up to $55 million annually in 2023 and increasing to savings of up to $1 billion annually by 2032.

The enclosed analysis demonstrates savings to local governments over the ten-year period post-reorganization (2023 through 2032). The components of this savings include reductions in expenditures and surplus revenues over expenditures. During that period, the Metro City would reduce expenditures by up to $3.2 billion versus the current trend of expenditures over the same time period. In addition, over the same period, the Metro City would generate surplus revenues of $1.7 billion. This would result in a total savings to local governments over the ten-year period of up to $4.9 billion.

The following is a summary of the methodology used in analyzing savings to local governments pursuant to Better Together's policy recommendation.

Key Takeaways

- The Metro City, St. Louis Municipal Corporation, and Municipal Districts will have excess revenues over expenditures following reorganization, even with the phase-out of the earnings tax, payroll expense tax, and reduction in property taxes.

- During the first-year post-reorganization (2023) savings are estimated at up to $55 million based on the conservative assumptions set forth in the accompanying fiscal analysis.

- Because services within the former City of St. Louis will be provided by the Metro City, the St. Louis Municipal Corporation will have the revenue capacity to accelerate the satisfaction of outstanding obligations and debt, including through a refinancing or accelerated debt payments, which would result in additional savings in interest and carrying costs.

- The approximately $351 million in expenditures estimated for Municipal Districts is projected to decrease over time as outstanding obligations are satisfied. As with the St. Louis Municipal Corporation, this is expected to result in additional savings to local governments through the reduction in interest and carrying costs. It will also make additional sales and use tax revenue available to the Metro City to support the provision of general district services.

- The Metro City is estimated to have sales tax revenues in excess of $1 billion by 2025.

- As outstanding obligations are satisfied and continued efficiencies and economies of scale are realized, including through attrition of employees, the consolidation of services, and the implementation of state-of-the-art technology, revenues to the Metro City are expected to exceed expenditures by up to $342 million by 2032.

Savings

Based on modest 1% annual expenditure reduction above inflation, the Metro City will realize an initial reduction in expenditures and surplus of $55 million in 2023. The Metro City will achieve these savings despite additional expenditures necessary to ensure compliance with state law regarding appropriation to a 3% emergency fund and to fund the initial year operating costs of the St. Louis Fire Protection District. The St. Louis Fire Protection District is projected to increase expenditures by $21 million over the status quo. Revenues are available to cover these additional expenditures, while still leaving the Metro City with revenues in excess of expenditures and savings of up to $55 million.

Savings for local governments will reach as much as $250 million annually in 2026, and up to $1 billion annually by 2032. Even with Municipal Districts continuing to spend approximately $350 million annually and fire protection districts continuing to spend $300 million annually, Better Together's policy recommendation would capture much of the estimated overspend in government services compared to peer regions identified in Better Together's prior research—between $750 million and $1 billion annually.[1]

The enclosed analysis demonstrates savings to local governments over the ten-year period post-reorganization (2023 through 2032). The components of this savings to local governments include both reductions in expenditures and surplus revenues over expenditures. During that period, the Metro City would reduce expenditure by up to $3.2 billion, versus the current trend of expenditures over the same time period. In addition, over the same period, the Metro City would generate surplus revenues of $1.7 billion. This would result in a total savings to local governments over the ten-year period of up to $4.9 billion.

Better Together's regional spending comparison report showed that residents of the St. Louis region spend $1,912.84 per capita to deliver services.[2] To provide context, Better Together compared this cost to the budgets of metropolitan peers Louisville (KY) and Indianapolis (IN). Both Louisville and Indianapolis were at one time fragmented but have since consolidated their city and county governments. This research revealed that the per capita cost to fund municipal services in Indianapolis-Marion County was $1,208.11 and $1,094.76 in Louisville-Jefferson County.

By 2032, the Metro City will expend $2,170,858,488 annually on the provision of services in the region, a per capita cost of $1,657.16. This represents a per capita annual savings of $255.68. In 2032, a family of four would save $1,022.72 compared to status quo spending.

Solvency: Revenues Over Expenditures

In the status quo, expenditures are increasing by at least 2% annually due to inflation. The St. Louis Metro City will achieve modest cost savings of 3% annually through the consolidation of services, attrition, and implementation of technology - outpacing inflation to generate a net reduction in local government expenditures of at least 1% annually. This modest annual savings

[1] *See* Report and Recommendations of the City-County Governance Task Force.
[2] *See id.*

leads to increased revenues in excess of expenditures, which can be used to accelerate the servicing and retirement of debt and similar financing obligations.

Status Quo Revenues

As detailed in the enclosed materials, local governments in the City and County collected approximately $2.4 billion in revenues in 2017. Due to the current fragmented government structure, this revenue is divided among the following local governments:

- City of St. Louis: $790 million
- St. Louis County: $700 million
- Municipalities: $730 million
- Fire Protection Districts: $200 million

Better Together's 2017 regional spending comparison showed $2.5 billion in combined spending among the 90 local governments providing municipal services to the St. Louis region, as well as the 23 fire protection districts.[3]

Transition Revenues

Under Better Together's policy recommendation, during each year of the Transition Period (January 1, 2021 through December 31, 2022), revenues from current taxes, licenses, and fees of the City of St. Louis, St. Louis County, and the 88 municipalities would be distributed by the Metro City to the Municipal Districts as required for satisfaction of outstanding obligations and for providing services. Estimated distributions are based on the 2017 Comprehensive Annual Financial Reports (CAFRs) for the Municipalities and the 2017 actual expenditures of the City and County and rely on the following assumptions:

- 2% increase in property tax per standard adjustment/new construction;
- $100 million in additional sales tax revenue to reflect a full year of revenues generated by Prop P in the City and County and an annual 1% growth in sales tax;
- A 20% reduction in Court Fines & Fees due to consolidation of municipal courts;
- The initial one-tenth of one-percent phase-out of the earnings tax and the initial one-twentieth of one-percent phase-out of the payroll expense tax beginning in 2022.

Post-Reorganization Revenues

Post-reorganization (January 1, 2023 and thereafter), revenues from taxes, licenses, and fees of the former City of St. Louis, St. Louis County, and 88 municipalities would be distributed to the Municipal Districts and the St. Louis Municipal Corporation as required for the satisfaction of outstanding obligations and as necessary for services provided by Municipal Districts. In addition, all revenues from property taxes levied solely within the territory of a Municipal District will be distributed to the Municipal District. Municipal districts will also be authorized to levy property taxes or special assessments, levy and collect utility gross receipts taxes, make charges for services, and receive investment income.

[3] *See* Report and Recommendation of the City-County Governance Task Force.

St. Louis Metro City Revenues - Assumptions

- 2% annual increase in property tax per standard adjustment/new construction;
- 1% annual growth in sales tax revenues;
- One-tenth of one percent annual phase-out of earnings tax and one-twentieth of one-percent annual phase out of payroll expense tax;
- One-time 50% reduction of revenue generated by county property tax levied in the former County (approximately $24 million reduction in property taxes);
- Beginning in 2024, replacing the county purposes property tax levy in former City with the lowered general revenue levy within former County (approximately $10 million reduction in property taxes);
- Continued reduction in Court Fines & Fees, with amounts generated in excess of costs distributed to school districts.

Distributions to Municipal Districts - Assumptions

- 2% annual increase in property tax per standard adjustment/new construction;
- Declining sales tax distributions over time as outstanding obligations are satisfied and only sales tax revenues necessary for providing municipal district services are distributed as general district services are assumed by the Metro City.
    - Sales tax revenues necessary for Municipal Districts to provide municipal district services are estimated at approximately $63 million annually.

Distributions to St. Louis Municipal Corporation – Assumptions

- 2% annual increase in property tax per standard adjustment/new construction;
- Declining sales tax revenues distributed to the Municipal Corporation as obligations are satisfied over time;
- One-tenth of one percent annual phase-out of earnings tax and one-twentieth of one-percent annual phase-out of payroll expense tax.

Metro City Expenditures

To demonstrate expenditures and savings, Better Together developed a pro forma budget for the Metro City. Assumptions represent a conservative allocation of greater than or equal to the anticipated cost. Subsequent year budgets assume annual savings of 3%, offset by inflation at a rate of 2%. The specific areas of the Metro City budget targeted for savings would be determined by elected officials of the Metro City during the annual budget process.

Municipal District Expenditures

Municipal Districts will continue to provide municipal services such as parks and recreation, fire protection (for Municipal Districts operating a fire department), trash removal, maintenance of facilities related to municipal district services, and general administration. Municipal Districts may also continue to provide a general district services until such service is provided by the Metro City within the Municipal District. Expenditures reflect the newly-limited authority of Municipal Districts.

- Over time, it is anticipated that Municipal Districts operating a municipal fire department may discontinue doing so and instead contract with neighboring departments or become part of neighboring fire protection districts.

- Expenditures for general administration are likely to decrease over time given the newly-limited authority of Municipal Districts. For example, as reported in Better Together's General Administration Study, Municipal Governance and Management (January 2016), approximately $6 million was expended in 2015 on salaries for city managers, administrators, and clerks throughout the 88 municipalities.[4]

Expenditure Comparison

Based on a comparison of status quo expenditures and expenditures during the first-year post-reorganization, an estimated savings as much as $55 million would be realized during 2023.

- The expenditure comparison also reflects an $21 million increase in fire protection district expenditures to reflect the creation of the St. Louis Fire Protection District. This estimate is 33% more than the City of St. Louis Fire Department's expenditure, which is necessary to account for the district's operation as an independent political subdivision, requiring administrative services such as human resources, legal, accounting, facilities management, etc. The district's operations will be funded out of a dedicated property tax levy and fee revenues, but until such time as voters approve a property tax levy for the district, the Metro City will distribute revenues collected from within the former City to support the district.

- The expenditure comparison also reflects a distribution of $47.3 million to the Metro City's emergency fund as required by state law.

Municipal Corporation Debt Service

- There will be a greater capacity to accelerate the satisfaction of outstanding obligations, particularly within the former City, due to the provision of general district services on a regional basis. This greater capacity is expected to reduce debt-related expenditures over time.
- The $952 million in total outstanding debt is based on the City's FY19 Annual Operating Plan.

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[4] *See* Report and Recommendations of City-County Governance Task Force.

Expenditures	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Status Quo [1]	$ 2,417,654,646	$ 2,466,007,739	$ 2,515,327,894	$ 2,565,634,452	$ 2,616,947,141	$ 2,669,286,083	$ 2,722,671,805	$ 2,777,125,241	$ 2,832,667,746	$ 2,889,321,101	$ 26,472,643,847
Post-Reorganization (Required) [2]	$ 2,434,558,456	$ 2,418,073,766	$ 2,402,212,305	$ 2,386,914,852	$ 2,372,134,026	$ 2,357,831,940	$ 2,343,978,332	$ 2,207,171,781	$ 2,183,403,135	$ 2,170,858,488	$ 23,277,137,081
Expenditure Reductions	$ (16,903,810)	$ 47,933,973	$ 113,115,589	$ 178,719,600	$ 244,813,115	$ 311,454,143	$ 378,693,473	$ 569,953,460	$ 649,264,611	$ 718,462,613	$ 3,195,506,766
Surplus	$ 72,272,284	$ 85,073,920	$ 97,842,010	$ 110,581,040	$ 146,079,313	$ 135,989,955	$ 148,668,910	$ 284,904,939	$ 308,444,633	$ 342,279,302	$ 1,732,136,306
Savings	**$ 55,368,474**	**$ 133,007,893**	**$ 210,957,599**	**$ 289,300,640**	**$ 390,892,428**	**$ 447,444,098**	**$ 527,362,383**	**$ 854,858,399**	**$ 957,709,244**	**$ 1,060,741,915**	**$ 4,927,643,072**
3% Mandatory Appropriation to Emergency Fund of STL Metro City	$47,278,230	$ 49,272,522	$ 50,968,160	$ 52,424,711	$ 53,689,973	$ 54,802,318	$ 55,792,563	$ 56,494,756	$ 57,176,745	$ 57,841,205	

		Status Quo	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
REVENUES												
Municipal Governance												
	Total	$2,226,074,088	$2,321,663,940	$2,316,018,827	$2,310,585,615	$2,305,367,555	$2,323,151,753	$2,295,590,172	$2,291,037,632	$2,286,713,809	$2,282,622,242	$2,299,941,228
Fire Protection Districts												
	Total	$204,430,024	$232,445,030	$236,401,381	$240,436,860	$244,553,048	$248,751,559	$253,034,041	$257,402,173	$261,857,667	$266,402,271	$271,037,767
	TOTAL REVENUES	$2,430,504,112	$2,554,108,970	$2,552,420,208	$2,551,022,475	$2,549,920,603	$2,571,903,312	$2,548,624,213	$2,548,439,805	$2,548,571,476	$2,549,024,513	$2,570,978,995
EXPENDITURES												
Municipal Governance												
	Total	$2,202,409,303	$1,696,134,295	$1,679,172,952	$1,662,381,223	$1,645,757,410	$1,629,299,836	$1,613,006,838	$1,596,876,769	$1,580,908,002	$1,565,098,922	$1,549,447,933
Municipal Districts												
	Total	$0	$351,806,088	$348,288,027	$344,805,147	$341,357,095	$337,943,524	$334,564,089	$331,218,448	$327,906,264	$324,627,201	$321,380,929
Municipal Corporation (Required)												
	Total	$0	$134,446,000	$134,446,000	$134,446,000	$134,446,000	$134,446,000	$134,446,000	$134,446,000	$10,878,000	$0	$0
Fire Protection Districts												
	Total	$215,245,343	$299,450,303	$305,439,309	$311,548,095	$317,779,057	$324,134,638	$330,617,331	$337,229,678	$343,974,271	$350,853,757	$357,870,832
	TOTAL EXPENDITURES	$2,417,654,646	$2,481,836,686	$2,467,346,288	$2,453,180,465	$2,439,339,563	$2,425,823,999	$2,412,634,258	$2,399,770,895	$2,263,666,537	$2,240,579,880	$2,228,699,693
REVENUES OVER (UNDER) EXPENDITURES		**$ 12,849,466**	**$ 72,272,284**	**$ 85,073,920**	**$ 97,842,010**	**$ 110,581,040**	**$ 146,079,313**	**$ 135,989,955**	**$ 148,668,910**	**$ 284,904,939**	**$ 308,444,633**	**$ 342,279,302**
EXPENDITURES												
Municipal Governance												
	Total	$2,202,409,303	$1,696,134,295	$1,679,172,952	$1,662,381,223	$1,645,757,410	$1,629,299,836	$1,613,006,838	$1,596,876,769	$1,580,908,002	$1,565,098,922	$1,549,447,933
Municipal Districts												
	Total	$0	$351,806,088	$348,288,027	$344,805,147	$341,357,095	$337,943,524	$334,564,089	$331,218,448	$327,906,264	$324,627,201	$321,380,929
Municipal Corporation (Accelerated)												
	Total	$0	$201,280,545	$194,653,590	$169,767,608	$145,271,389	$143,910,132	$97,116,736	$0	$0	$0	$0
Fire Protection Districts												
	Total	$215,245,343	$299,450,303	$305,439,309	$311,548,095	$317,779,057	$324,134,638	$330,617,331	$337,229,678	$343,974,271	$350,853,757	$357,870,832
	TOTAL EXPENDITURES	$2,417,654,646	$2,548,671,231	$2,527,553,878	$2,488,502,073	$2,450,164,952	$2,435,288,131	$2,375,304,994	$2,265,324,895	$2,252,788,537	$2,240,579,880	$2,228,699,693
REVENUES OVER (UNDER) EXPENDITURES		**$ 12,849,466**	**$ 5,437,739**	**$ 24,866,330**	**$ 62,520,402**	**$ 99,755,651**	**$ 136,615,181**	**$ 173,319,219**	**$ 283,114,910**	**$ 295,782,939**	**$ 308,444,633**	**$ 342,279,302**

Revenue Source [3]	Total	City of St. Louis	Saint Louis County	Municipalities	Fire Protection Districts
Property Tax	$256,344,992	$70,536,000	$108,866,020	$76,942,972	$179,169,465
Sales Tax	$851,752,586	$189,075,000	$342,616,521	$320,061,065	$0
Utility Gross Receipts	$207,458,395	$71,364,000	$30,225,330	$105,869,065	$0
Court Fines & Fees	$23,889,368	$2,340,000	$1,732,940	$19,816,428	$0
Licenses, Fees, Permits	$146,804,335	$30,559,000	$68,351,895	$47,893,440	$2,698,062
Charges for Services	$143,297,057	$47,860,000	$47,993,146	$47,443,911	$19,788,740
Intergovernmental	$204,208,918	$97,511,000	$36,335,618	$70,362,300	$0
Investment Income	$19,539,793	$71,000	$4,638,030	$14,830,763	$987,362
Earnings	$173,774,000	$173,774,000	$0	$0	$0
Payroll	$37,973,000	$37,973,000	$0	$0	$0
Other	$161,031,644	$65,934,000 [4]	$64,951,381	$30,146,263	$1,786,395
Total	**$2,226,074,088**	**$786,997,000**	**$705,710,881**	**$733,366,207**	**$204,430,024**

	Function		Total	City of St. Louis	Saint Louis County	Municipalities	Fire Protection Districts
Economic Development & Infrastructure	Economic Development Partnership		$4,877,020	$0	$4,877,020	$0	$0
	Planning		$8,956,972	$1,272,000	$1,515,206	$6,169,766	$0
	Transportation, Public Works, Streets, and Facilities		$460,716,795	$93,755,000	$120,794,210	$246,167,585	$0
Health & Well Being	Children's Service Fund		$54,365,603	$0	$54,365,603	$0	$0
	Human Services		$54,604,908	$50,214,000	$4,390,908	$0	$0
	Public Administrator		$1,113,799	$358,000	$755,799	$0	$0
	Public Health		$70,878,426	$22,412,000	$48,466,426	$0	$0
Public Safety	Emergency Communications		$15,329,033	$0	$15,329,033	$0	$0
	Judicial Administration (Circuit Courts)		$36,752,701	$10,681,000	$26,071,701	$0	$0
	Justice Services (Jails)		$87,454,855	$63,474,000	$23,980,855	$0	$0
	Municipal Court		$13,077,150	$2,272,000	$1,686,624	$9,118,526	$0
	Police		$472,372,891	$165,586,000	$109,351,873	$197,435,018	$0
	Prosecuting Attorney		$19,048,608	$9,681,000	$9,367,608	$0	$0
	Code Enforcement		$25,546,515	$16,360,000	$9,186,515	$0	$0
	Fire Protection		$118,681,584	$63,312,000	$0	$55,369,584	$215,245,343
	Other		$47,429,000	$47,429,000 [5]	$0	$0	$0
Recreation & Culture	Parks & Recreation		$112,684,888	$16,269,000	$28,411,598	$68,004,290	$0
General Government	Administration		$132,394,410	$18,018,000	$16,947,506	$97,428,904	$0
	Assessor		$15,523,062	$4,285,000	$11,238,062	$0	$0
	Council		$4,544,195	$2,941,000	$1,603,195	$0	$0
	Legal		$14,824,030	$11,745,000	$3,079,030	$0	$0
	Executive		$3,632,589	$2,236,000	$1,396,589	$0	$0
	Board of Elections		$7,702,804	$2,685,000	$5,017,804	$0	$0
	Information Technology		$12,172,317	$5,479,000	$6,693,317	$0	$0
	Miscellaneous Expenditures	Non-Departmental	$24,587,954	$5,901,000	$1,604,117	$17,082,837	$0
		Emergency Fund	$0	$0	$0	$0	$0
		Debt Service & Other Obligations	$175,194,723	$89,772,000 [6]	$7,727,998	$77,694,725	$0
		Mass Transit & Transportation	$186,668,569	$40,519,000	$146,149,569	$0	$0
		Special District Obligations	$10,911,466	$0	$10,911,466	$0	$0
		Convention & Recreation	$10,362,436	$0	$10,362,436	$0	$0
		Total	$2,202,409,303	$746,656,000	$681,282,068	$774,471,235	$215,245,343
					$2,417,654,646		

Transition Government: St. Louis Metro City + Municipal Districts

Revenue Source	2021	2022	Fire Protection Districts
Property Tax [7]	$272,035,356	$277,476,063	$190,136,070
Sales Tax [8]	$967,461,541	$977,136,156	$0
Utility Gross Receipts	$207,458,395	$207,458,395	$0
Court Fines & Fees [9]	$19,111,494	$15,289,195	$0
Licenses, Fees, Permits	$146,804,335	$146,804,335	$2,698,062
Charges for Services	$143,297,057	$143,297,057	$19,788,740
Intergovernmental	$204,208,918	$204,208,918	$0
Investment Income	$19,539,793	$19,539,793	$987,362
Earnings [10]	$173,774,000	$156,396,600	$0
Payroll [11]	$37,973,000	$34,175,700	$0
Other	$161,031,644	$161,031,644	$1,786,395
Total	**$2,352,695,533**	**$2,342,813,857**	**$215,396,629**

Revenues to the St. Louis Metro City

Revenue Source	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax [12]	$283,025,584	$288,686,096	$294,459,818	$300,349,014	$306,355,994	$312,483,114	$318,732,776	$325,107,432	$331,609,581	$338,241,772
Sales Tax [13]	$986,907,518	$996,776,593	$1,006,744,359	$1,016,811,803	$1,026,979,921	$1,037,249,720	$1,047,622,217	$1,058,098,439	$1,068,679,424	$1,079,366,218
Utility Gross Receipts	$207,458,395	$207,458,395	$207,458,395	$207,458,395	$207,458,395	$207,458,395	$207,458,395	$207,458,395	$207,458,395	$207,458,395
Court Fines & Fees [14]	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000
Licenses, Fees, Permits	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335
Charges for Services [15]	$133,930,153	$133,930,153	$133,930,153	$133,930,153	$133,930,153	$133,930,153	$133,930,153	$133,930,153	$133,930,153	$133,930,153
Intergovernmental	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918
Investment Income	$19,539,793	$19,539,793	$19,539,793	$19,539,793	$19,539,793	$19,539,793	$19,539,793	$19,539,793	$19,539,793	$19,539,793
Earnings [16]	$139,019,200	$121,641,800	$104,264,400	$86,887,000	$69,509,600	$52,132,200	$34,754,800	$17,377,400	$0	$0
Payroll [17]	$30,378,400	$26,581,100	$22,783,800	$18,986,500	$37,973,000	$11,391,900	$7,594,600	$3,797,300	$0	$0
Other	$161,031,644	$161,031,644	$161,031,644	$161,031,644	$161,031,644	$161,031,644	$161,031,644	$161,031,644	$161,031,644	$161,031,644
Total	$2,321,663,940	$2,316,018,827	$2,310,585,615	$2,305,367,555	$2,323,151,753	$2,295,590,172	$2,291,037,632	$2,286,713,809	$2,282,622,242	$2,299,941,228

Revenues of the St. Louis Metro City for General and Municipal Services and St. Louis Metro City Obligations

Revenue Source	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax	$190,461,689	$194,270,923	$198,156,341	$202,119,468	$206,161,857	$210,285,095	$214,490,796	$218,780,612	$223,156,225	$227,619,349
Sales Tax	$701,436,071	$764,103,236	$816,739,093	$861,327,668	$899,460,683	$932,415,593	$961,218,052	$980,334,691	$998,692,050	$1,016,377,582
Utility Gross Receipts	$101,589,330	$101,589,330	$101,589,330	$101,589,330	$101,589,330	$101,589,330	$101,589,330	$101,589,330	$101,589,330	$101,589,330
Court Fines & Fees	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000	$9,360,000
Licenses, Fees, Permits	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335	$146,804,335
Charges for Services	$86,486,242	$86,486,242	$86,486,242	$86,486,242	$86,486,242	$86,486,242	$86,486,242	$86,486,242	$86,486,242	$86,486,242
Intergovernmental	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918	$204,208,918
Investment Income	$4,709,030	$4,709,030	$4,709,030	$4,709,030	$4,709,030	$4,709,030	$4,709,030	$4,709,030	$4,709,030	$4,709,030
Other	$130,885,381	$130,885,381	$130,885,381	$130,885,381	$130,885,381	$130,885,381	$130,885,381	$130,885,381	$130,885,381	$130,885,381
Total	$1,575,940,996	$1,642,417,394	$1,698,938,670	$1,747,490,372	$1,789,665,776	$1,826,743,924	$1,859,752,085	$1,883,158,539	$1,905,891,511	$1,928,040,167

Distributions to Municipal Districts for Municipal Services and Municipal District Obligations

Revenue Source	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax	$84,951,258	$86,650,283	$88,383,289	$90,150,955	$91,953,974	$93,793,053	$95,668,914	$97,582,293	$99,533,938	$101,524,617
Sales Tax [18]	$242,509,447	$194,007,558	$155,206,046	$124,164,837	$99,331,869	$79,465,496	$63,572,396	$57,215,157	$51,493,641	$46,344,277
Utility Gross Receipts	$105,869,065	$105,869,065	$105,869,065	$105,869,065	$105,869,065	$105,869,065	$105,869,065	$105,869,065	$105,869,065	$105,869,065
Charges for Services [19]	$47,443,911	$47,443,911	$47,443,911	$47,443,911	$47,443,911	$47,443,911	$47,443,911	$47,443,911	$47,443,911	$47,443,911
Investment Income	$14,830,763	$14,830,763	$14,830,763	$14,830,763	$14,830,763	$14,830,763	$14,830,763	$14,830,763	$14,830,763	$14,830,763
Other	$30,146,263	$30,146,263	$30,146,263	$30,146,263	$30,146,263	$30,146,263	$30,146,263	$30,146,263	$30,146,263	$30,146,263
Total	$525,752,730	$478,949,867	$441,881,362	$412,607,819	$389,577,872	$371,550,579	$357,533,342	$353,089,481	$349,319,613	$346,160,928

Distributions to Municipal Corporation for Municipal Corporation Obligations

Revenue Source	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax	$7,612,637	$7,764,890	$7,920,188	$8,078,591	$8,240,163	$8,404,966	$8,573,066	$8,744,527	$8,919,418	$9,097,806
Sales Tax [20]	$42,962,000	$38,665,800	$34,799,220	$31,319,298	$28,187,368	$25,368,631	$22,831,768	$20,548,591	$18,493,732	$16,644,359
Earnings	$139,019,200	$121,641,800	$104,264,400	$86,887,000	$69,509,600	$52,132,200	$34,754,800	$17,377,400	$0	$0
Payroll	$30,378,400	$26,581,100	$22,783,800	$18,986,500	$37,973,000	$11,391,900	$7,594,600	$3,797,300	$0	$0
Total	$219,972,237	$194,653,590	$169,767,608	$145,271,389	$143,910,132	$97,297,698	$73,754,234	$50,467,818	$27,413,150	$25,742,165

Fire Protection Districts

Revenue Source	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax	$197,817,567	$201,773,918	$205,809,397	$209,925,585	$214,124,096	$218,406,578	$222,774,710	$227,230,204	$231,774,808	$236,410,304
Licenses, Fees, Permits	$2,698,062	$2,698,062	$2,698,062	$2,698,062	$2,698,062	$2,698,062	$2,698,062	$2,698,062	$2,698,062	$2,698,062
Charges for Services [21]	$29,155,644	$29,155,644	$29,155,644	$29,155,644	$29,155,644	$29,155,644	$29,155,644	$29,155,644	$29,155,644	$29,155,644
Investment Income	$987,362	$987,362	$987,362	$987,362	$987,362	$987,362	$987,362	$987,362	$987,362	$987,362
Other	$1,786,395	$1,786,395	$1,786,395	$1,786,395	$1,786,395	$1,786,395	$1,786,395	$1,786,395	$1,786,395	$1,786,395
	$232,445,030	$236,401,381	$240,436,860	$244,553,048	$248,751,559	$253,034,041	$257,402,173	$261,857,667	$266,402,271	$271,037,767

	Function		St. Louis Metro City
Economic Development & Infrastructure	Economic Development Partnership		$4,877,020
	Planning		$8,956,972
	Transportation, Public Works, Streets, and Facilities		$424,491,047
Health & Well Being	Children's Service Fund		$54,365,603
	Human Services		$54,604,908
	Public Administrator		$1,113,799
	Public Health		$70,878,426
Public Safety	Emergency Communications		$15,329,033
	Judicial Administration (Circuit Courts)		$36,752,701
	Justice Services (Jails)		$87,454,855
	Municipal Court		$9,088,000 [22]
	Police		$472,372,891
	Prosecuting Attorney		$19,048,608
	Code Enforcement		$25,546,515
	Fire Protection		$0
	Other		$2,755,000
Recreation & Culture	Parks & Recreation		$44,680,598
General Government	Administration		$34,965,506
	Assessor		$15,523,062
	Council		$4,544,195
	Legal		$14,824,030
	Executive		$3,632,589
	Board of Elections		$7,702,804
	Information Technology		$12,172,317
	Miscellaneous	Non-Departmental	$7,505,117
		Emergency Fund	$47,278,230
		Debt Service & Other Obligations	$7,727,998
		Mass Transit & Transportation	$186,668,569
		Special District Obligations	$10,911,466
		Convention & Recreation	$10,362,436
		Total	**$1,696,134,295**

	Function	Municipal Districts
Infrastructure	Capital Outlay & Facilities	$36,225,748
Public Safety	Municipal District: Fire Departments	$55,369,584
Recreation & Culture	Parks & Recreation	$68,004,290
	Administration	$97,428,904
General Administration	Non-Departmental	$17,082,837
	Debt Service & Other Obligations	$77,694,725
	Total	**$351,806,088**

			Status Quo				First-Year Post-Reorganization			
		Function	City of St. Louis	Saint Louis County	Municipalities	Fire Protection Districts	St. Louis Metro City	Municipal Corporation	Municipal Districts	Fire Protection Districts
		Economic Development Partnership	$0	$4,877,020	$0	$0	$4,877,020	$0	$0	$0
Economic Development & Infrastructure		Planning	$1,272,000	$1,515,206	$6,169,766	$0	$8,956,972	$0	$0	$0
		Transportation, Public Works, Streets, and Facilities	$93,755,000	$120,794,210	$246,167,585	$0	$424,491,047	$0	$36,225,748	$0
		Children's Service Fund	$0	$54,365,603	$0	$0	$54,365,603	$0	$0	$0
Health & Well Being		Human Services	$50,214,000	$4,390,908	$0	$0	$54,604,908	$0	$0	$0
		Public Administrator	$358,000	$755,799	$0	$0	$1,113,799	$0	$0	$0
		Public Health	$22,412,000	$48,466,426	$0	$0	$70,878,426	$0	$0	$0
		Emergency Communications	$0	$15,329,033	$0	$0	$15,329,033	$0	$0	$0
		Judicial Administration (Circuit Courts)	$10,681,000	$26,071,701	$0	$0	$36,752,701	$0	$0	$0
		Justice Services (Jails)	$63,474,000	$23,980,855	$0	$0	$87,454,855	$0	$0	$0
		Municipal Court	$2,272,000	$1,686,624	$9,118,526	$0	$9,088,000	$0	$0	$0
Public Safety		Police	$165,586,000	$109,351,873	$197,435,018	$0	$472,372,891	$0	$0	$0
		Prosecuting Attorney	$9,681,000	$9,367,608	$0	$0	$19,048,608	$0	$0	$0
		Code Enforcement	$16,360,000	$9,186,515	$0	$0	$25,546,515	$0	$0	$0
		Fire Protection	$63,312,000	$0	$55,369,584	$215,245,343	$0	$0	$55,369,584	$299,450,303 [2
		Other	$47,429,000	$0	$0	$0	$2,755,000	$0	$0	$0
Recreation & Culture		Parks & Recreation	$16,269,000	$28,411,598	$68,004,290	$0	$44,680,598	$0	$68,004,290	$0
		Administration	$18,018,000	$16,947,506	$97,428,904	$0	$34,965,506	$0	$97,428,904	$0
		Assessor	$4,285,000	$11,238,062	$0	$0	$15,523,062	$0	$0	$0
		Council	$2,941,000	$1,603,195	$0	$0	$4,544,195	$0	$0	$0
		Legal	$11,745,000	$3,079,030	$0	$0	$14,824,030	$0	$0	$0
		Executive	$2,236,000	$1,396,589	$0	$0	$3,632,589	$0	$0	$0
		Board of Elections	$2,685,000	$5,017,804	$0	$0	$7,702,804	$0	$0	$0
General Government		Information Technology	$5,479,000	$6,693,317	$0	$0	$12,172,317	$0	$0	$0
		Non-Departmental	$5,901,000	$1,604,117	$17,082,837	$0	$7,505,117	$0	$17,082,837	$0
		Emergency Fund	$0	$0	$0	$0	$47,278,230	$0	$0	$0
	Miscellaneous	Debt Service & Other Obligations	$89,772,000	$7,727,998	$77,694,725	$0	$7,727,998	$134,446,000 [24]	$77,694,725	$0
		Mass Transit & Transportation	$40,519,000	$146,149,569	$0	$0	$186,668,569	$0	$0	$0
		Special District Obligations	$0	$10,911,466	$0	$0	$10,911,466	$0	$0	$0
		Convention & Recreation	$0	$10,362,436	$0	$0	$10,362,436	$0	$0	$0
		Total	$746,656,000	$681,282,068	$774,471,235	$215,245,343	$1,696,134,295	$134,446,000	$351,806,088	$299,450,303
				2,417,654,646				**$2,481,836,686**		

Municipal Corporation Debt Service & Other Obligations

Payment Schedule	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Total Outstanding Debt [25]	$ (952,000,000)	$ (817,554,000)	$ (683,108,000)	$ (548,662,000)	$ (414,216,000)	$ (279,770,000)	$ (145,324,000)	$ (10,878,000)
Required Debt Payment	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 10,878,000
	$ (817,554,000)	**$ (683,108,000)**	**$ (548,662,000)**	**$ (414,216,000)**	**$ (279,770,000)**	**$ (145,324,000)**	**$ (10,878,000)**	**$ -**
Total Outstanding Debt	$ (952,000,000)	$ (750,719,455)	$ (556,065,865)	$ (386,298,257)	$ (241,026,868)	$ (97,116,736)	$ -	$ -
Required Debt Payment	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 134,446,000	$ 134,446,000	$97,116,736	$ -	$ -
Accelerated Debt Payment [2	$ 66,834,545	$ 60,207,590	$ 35,321,608	$ 10,825,389	$ 9,464,132	$ -	$ -	$ -
	$ (750,719,455)	**$ (556,065,865)**	**$ (386,298,257)**	**$ (241,026,868)**	**$ (97,116,736)**	**$ -**	**$ -**	**$ -**

[1] Reflects 2% Annual Inflation

[2] Assumes Metro City will achieve annual savings of 3%, outpacing 2% inflation and resulting in a 1% decrease in annual spending.

[3] City: FY18 Cash Basis Governmental Funds
County: FY17 Cash Basis Governmental Funds
Municipalities: 16-17 CAFRs

[4] Includes "Other" & "Miscellaenous"

[5] Includes:
Other: $2,755
PS Pensions: $44,674

[6] Includes:
Debt Service: $67,354
Capital Other: $22,418

[7] 2% increase in property tax per standard adjustment/new construction

[8] $89.9 additional sales tax revenue to reflect a full year of revenues generated by Prop P in the City and County and an annual 1% growth in sales tax

[9] 20% reduction in Court Fines & Fees due to consolidation of municipal courts

[10] One-tenth of one-percent phase-out of the earnings tax beginning in 2022

[11] One-twentieth of one-percent phase-out of the payroll expense tax beginning in 2022.

[12] 2% increase in property tax per standard adjustment/new construction

[13] Annual 1% growth

[14] City Municipal Court Revenues multiplied by 4.

$2,340,000 x 4 = $9,360,000

[15] Deducts $9,366,904 to reflect EMS fees of City of St. Louis Fire Department being received by newly created St. Louis FPD

[16] One-tenth of one-percent phase-out of the earnings tax beginning in 2022

[17] One-twentieth of one-percent phase-out of the payroll expense tax beginning in 2022.

[18] See Supplemental Sales Tax Revenue. Dedicated sales taxes for Parks/Stormwater, Fire, Debt Service, Capital Improvements continue to be received by Municipal Districts until obligations they secure are retired or municipal district services to which they relate are no longer provided by the Municipal District.

[19] Municipal Districts will have the authority to assess a charge for service for the provision of services of parks and recreation, community programs, fire services, and other municipal services provided by the Municipal District.

[20] See Supplemental Sales Tax Revenue. Dedicated sales taxes for Parks/Stormwater, Fire, Debt Service, Capital Improvements continue to be received by Municipal Districts until obligations they secure are retired or municipal district services to which they relate are no longer provided by the Municipal District.

City of St. Louis: $42,962,000 based on FY18 Cash Basis

[21] $9,366,904 increase to reflect EMS fees of City of St. Louis Fire Department being received by newly created St. Louis FPD

[22] Municipal Court consolidation occurs in 2022. Cost projection based on City expenditure x 4.

$2,272,000 x 4 = $9,088,000

[23] Reflects Status Quo $215M expenditure with added $84,204,960M expenditure of new STL FPD

STL FPD expenditure derived from STL Fire Department $63M expenditure + 33%

[24] Includes:
City Debt Service: $67,354
City Capital Other: $22,418
City PS Pensions: $44,674

[25] City of St. Louis Annual Operating Plan FY19, p.A-5

Total Outstanding Debt: $1.7Billion
44% Revenue Bonds

56% of $1.7B = $952M

[26] Distributions to Municipal Corporation for Municipal Corporation Obligations less the required debt payment.

BLITZ
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February 27, 2019

VIA EMAIL

State Auditor Nicole Galloway
State Capitol, Room 121
Jefferson City, MO 65101

RE: Initiative Petition 2020-042
Supplemental Submission by Proponent Unite STL

Dear Auditor Galloway:

We are providing this supplemental information regarding the positive fiscal impact of Initiative Petition 2020-042 (hereinafter "the proposed measure") to the Police Retirement System of St. Louis (hereinafter "PRS"), its members and beneficiaries.

As described in greater detail in our initial submission, the proposed measure ensures that all outstanding obligations as of the effective date of the amendment remain with the taxpayers incurring the obligation, but also requires that the Metro City distribute to the Municipal Districts or the St. Louis Municipal Corporation all revenues necessary to satisfy any such obligations. While this submission specifically addresses outstanding obligations of the City of St. Louis with respect to PRS, this structure applies equally to all outstanding obligations incurred prior to the effective date of the proposed measure.

As indicated in the fiscal analysis provided with initial submission, more revenue will be available to satisfying outstanding obligations of PRS than would otherwise be available today. Today, the City's annual payment to PRS required by Section 86.350, RSMo is made solely from City revenues. However, City revenues are currently devoted to providing various services which, under the proposal, would instead be provided by the Metro City. This means that services currently funded solely by City taxpayers would instead be funded by revenues generated throughout the Metro City, allowing a greater proportion of the revenue generated within the City to be directed toward outstanding obligations of the City, including the required annual PRS payment.

The proposal would also benefit PRS by making the proportion of the required PRS payment attributable to benefits for employees transferred to the Metro City the obligation of the Metro City. This ongoing obligation would be funded not from revenues generated solely within the former City, as would be the case today, but would instead be funded by revenues generated throughout the Metro City, providing a new and significantly larger revenue source than what is available to PRS today from City revenues alone.

The proposed measure provides the following structure to ensure that the required PRS payment is made by the St. Louis Municipal Corporation with respect to benefits accrued prior to the effective date and by the Metro City with respect to benefits earned by PRS members through their employment with the Metro City.

- The proposed measure continues all outstanding obligations of the City, including "any obligation related to employee benefits, including without limitation, pension, retirement, disability, death, medical, life insurance, and similar benefits for employees, eligible dependents, and beneficiaries," first with the St. Louis Municipal District, *see* Section 30.3(1)(b), and then with the St. Louis Municipal Corporation, *see* Section 30.4(1)(b). Included within the foregoing is the City's obligation under Section 86.350, RSMo to make the annual payment to PRS.

- Under the proposed measure, the St. Louis Municipal Corporation "shall continue to be held responsible for any such outstanding obligation to the same extent as the municipal district within the territory" of the former City, *see* Section 30.4(1)(b), just as its predecessor the St. Louis Municipal District "shall continue to be held responsible for any such outstanding obligation to the same extent as the municipality immediately prior to the effective date of this section." Section 30.3(1)(b). These provisions ensure the St. Louis Municipal Corporation remains obligated to make the City's required payment under Section 86.350, RSMo with respect to benefits accrued prior to the effective date.

- Under the proposed measure, the Metro City is required to distribute funds to the St. Louis Municipal Corporation in the manner and for the purpose provided for a Municipal District; one such purpose is for the satisfaction of any outstanding obligations incurred by the City prior to the effective date. *See* Section 30.4(b); 30.5(2)(a)-(b)(i). The Metro City is required to make this distribution from funds generated within the territory of the St. Louis Municipal Corporation, regardless of the source from which such funds are derived. *See* Section 30.4(b); 30.5(2)(a)-(b)(i). These provisions ensure that while outstanding obligations related to PRS remain the responsibility of the St. Louis Municipal District and, after the transition period, the St. Louis Municipal Corporation, the Metro City is obligated to distribute the revenues generated in the former City required to satisfy any such obligation, including for the St. Louis Municipal Corporation's portion of the PRS payment.

- The proposed measure protects all pension benefits vested as of the effective date and requires all such benefits to be paid:

> Nothing herein shall deprive any person of any vested, non-forfeitable, and contractual right or privilege to retire or to retirement or pension benefits, including, without limitation, disability and death benefits, if any, earned prior to the effective date of this section. All vested, non-forfeitable, and contractual rights, protections, and privileges of employees, eligible dependents, and beneficiaries in any retirement fund or pension system related to the county of St. Louis or a municipality[1] as of the effective date of this section shall continue unimpaired until all benefits due such employees, eligible dependents, and beneficiaries have been paid.

See Section 30.11(4)(a). This protection is enforced through the mandatory duty of the Metro City to distribute all revenues generated within the St. Louis Municipal Corporation required to satisfy any outstanding obligation, which includes obligations related to pension benefits. *See* Sections 30.3(1)(b), 30.4(1)(b); 30.5(2)(a)-(b)(i).

- In addition to protecting pension rights vested prior to the effective date, the proposal also protects the rights of current employee members—vested and non-vested—by providing that upon transfer to the Metro City, all employee members remain in PRS and continue to earn service credit in PRS during their employment with the Metro City:

> Employee members of a retirement fund or pension system who are transferred to the metropolitan city . . . pursuant to this section shall remain members of and continue to earn service credit toward the benefits of such retirement fund or pension system, including, without limitation, disability and death benefits, during their employment with the metropolitan city.

Section 30.11(4)(b). This provision ensures that PRS employee members who are vested remain vested after their transfer, and PRS employee members who are not yet vested keep their service credit and continue earning service credit through their employment with the Metro City. Protections for current employee members are further reinforced by the provision automatically transferring employees to the Metro City upon the Metro City's assumption of a general district service (e.g. policing) within the territory of the former employer, by requiring that the employees transfer "with seniority, rank, compensation, and accrued benefits intact. . ." Section 30.11(2)(a).

- One of the most significant benefits of the proposed measure to PRS is the requirement for the Metro City contribute to PRS that portion of the statutorily-mandated annual payment attributable to benefits earned by transferred employees through their employment with the Metro City.

> The metropolitan city . . . shall contribute proportionately to any such retirement fund or pension system for each such employee member with respect to their employment with the metropolitan city . . . as required by law or ordinance, but any

[1] The City of St. Louis is defined as a "municipality" under the proposal. *See* Section 30.1(1)(h).

> contribution or portion thereof attributed to benefits accrued prior to the transfer of such employee to the metropolitan city . . . shall remain an outstanding obligation satisfied solely from funds generated within the territory in which such obligation was incurred.

See Section 30.11(4)(b). By requiring the Metro City to assume this portion of the annual PRS payment, a new revenue source would become available by as early as 2021 to support PRS on a going forward basis—revenues generated throughout the Metro City. This new revenue source will be available long after the earnings tax and payroll expense tax has finally phased-out in 2032. In addition to revenues generated throughout the Metro City to fund the portion of the PRS payment attributed to employment with the Metro City, revenues generated within the former City would continue to be distributed to the St. Louis Municipal Corporation for the portion of the PRS payment attributable to benefits accrued prior to the effective date.

- Under the proposed measure, the St. Louis Municipal Corporation will also continue as a taxing subdistrict of the Metro City in which the Metro City may levy or impose a tax license, fee, or special assessment to ensure the satisfaction of any outstanding obligation (including pension obligations) incurred by the City prior to the effective date. *See* Sections 30.4(3)(a)-(b); 30.5(3)(ii). Such tax, license, fee, or special assessment would be in addition to taxes, licenses, and fees levied solely within the territory of the former City today, and would provide an additional resource to support the portion of the PRS payment attributed to benefits accrued prior to the effective date.

- Finally, the proposed measure reserves the Missouri General Assembly's authority with respect to pension and retirement systems created by state law such as PRS. *See* Section 30.11(4)(d). In addition, the proposed measure makes clear that the General Assembly may regulate the Metro City to the same extent as any other charter city or charter county. *See* Section 30.11(8). Accordingly, the General Assembly would continue with the authority it has to today to legislate with regard to the obligation of the Metro City to distribute to the St. Louis Municipal Corporation the revenues required for its portion of the PRS payment and the obligation of the Metro City with respect to the PRS payment for benefits earned by employees transferred to the Metro City but who remain members of PRS during such employment.

We hope that you find this additional information helpful in understanding the benefits of the proposal to PRS, its members, and its beneficiaries. Please do not hesitate to contact me if you have any questions or if there is any additional information we can provide.

Sincerely,

Chris Pieper

The State Auditor's office did not receive a response from **Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Jackson County, Jasper County, St. Charles County, Taney County,** the **City of Cape Girardeau,** the **City of Columbia,** the **City of Jefferson,** the **City of Joplin,** the **City of Kirksville,** the **City of Mexico,** the **City of Raymore,** the **City of St. Joseph,** the **City of Springfield,** the **City of Union,** the **City of Wentzville,** the **City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Metropolitan Community College, University of Missouri, St. Louis Community College, The Metropolitan Police Department - City of St. Louis, Board of Election Commissioners, Missouri Municipal League,** the **City of Affton,** the **City of Brentwood,** the **City of Bridgeton,** the **City of Clayton,** the **City of Creve Coeur,** the **City of Jennings,** the **City of St. Ann,** the **City of Town and Country,** and the **City of Wildwood.**

Fiscal Note Summary

Individual St. Louis County municipalities expect decreased revenues to exceed savings with a total unknown impact. The overall savings for the new metropolitan city is unknown but estimated to be as much as $1 billion annually by 2032. State revenue is estimated to increase between $2.5 million to $7 million annually by 2032.