



FRANK WHITE, JR.
Jackson County Executive

DATE: September 30, 2024
SUBJECT: Ordinance #5882 2024 Jackson County Tax Levy

Dear Chairman Lauer and Members of the Jackson County Legislature,

County Administration would like to provide the Legislature with some important information regarding Ordinance #5882 which is currently pending before the Legislature. Ordinance #5882 sets the Jackson County government tax levies for 2024, but any action to voluntarily lower the tax levies in 2024 will also impact the 2025 levies and the 2025 budget. Ordinance #5882 as presented by County finance staff already lowers the County property tax rate to \$0.5056 from \$0.5088, which was necessary to balance the 2024 budget. This reduction is attributable to additional growth in general purpose sales tax collections of which 70% must be applied to property tax relief. Since 2022, the County has cut its property tax levy 17.3%, from \$0.6110 to the proposed \$0.5056.

For each penny of voluntary property tax reduction, the funds supported by the county property tax (General, Health, Parks, and Road and Bridge) will lose \$1.6 million of funding. By state law, any voluntary tax rollbacks can only be corrected in even number calendar years. Therefore, a voluntary tax roll-back in 2024 cannot be recaptured until 2026 making the total financial impact \$3.2 million for every penny that the levy rate is voluntarily reduced.

While the County's current General Fund reserve position is strong, those reserves must be protected to ensure that the County protects its credit rating and to meet unexpected funding issues that may arise. To maintain its solid credit rating of AA (Standard and Poor) or Aa1 (Moody's), the County's financial advisor, Columbia Capital, recommends a minimum of 30% of annual General Fund expenditures be held in reserves. That minimum reserve requirement is \$44.5 million for 2024. As General Fund expenditures increase over time, this annual reserve funding requirement also increases. The County's credit rating is important to protect, as a strong credit rating provides the lowest cost of capital if the County were to do another bond sale in the future for stadiums or to fix aging County facilities. A declining reserve level from year-to-year is a strong indicator to the financial markets that there is risk of future default. A lower credit rating results in higher interest costs and even the inability to issue bonds to meet important county needs. Recently, Platte County announced that they were voluntarily lowering their County property tax rate in future years, however it should be noted that Platte County has a near junk status credit rating.



In addition to the reserves needed to maintain its credit position, the County must maintain reserves sufficient to meet other funding requirements that arise. The County currently has a \$10 million legal judgment against it for improper use of force by a Jackson County Sheriff's deputy. While that judgement is under appeal, there is no guarantee of the success of that appeal and the County could face the payment of all or a very large percentage of that judgement. In addition, a County-owned building built in 1908 on the University Health-Lakewood campus must be partially demolished due to mold and water damage issues. The estimated cost of that demolition is more than \$3 million, with reserves being the only real source of funding to address that problem. There has also been some discussion of using existing County reserves to supplement the remaining ARPA funds. Any use of reserve funds for these and other purposes further reduces the amount available for other needs and reduces the amount of funds above minimum reserve levels.

Should the Legislature commit to a voluntary reduction of the property tax levy for 2024 and 2025, County administration is committed to immediately reducing operating costs to minimize the negative impact to our reserves. We would immediately recommend a hiring freeze across the organization and a reduction or elimination of planned wage increases in 2025. We would also curtail all non-essential expenditures such as professional development training and travel. Once the size of any reduction is known, it may be necessary to implement reductions in force or layoffs for positions or programs supported by property tax revenue.

Lastly, we would strongly encourage the Legislature to leave the property levy rate of \$0.5056 as presented in Ordinance #5882. State statute requires that the levies must be set prior to October 1 every year. The proposed rate for 2024 is a 17.3% reduction from the 2022 rate and a further reduction from what was planned when the 2024 budget was adopted. This combined levy rate of \$0.5056 for the General, Health, Park, and Road and Bridge Funds is approximately 7% of the total property tax bill that is paid by residents. The \$0.5056 tax rate will allow the County to meet all current and planned funding commitments in 2024 and 2025 while providing the reserves necessary to protect our credit position and address critical funding issues when they arise.

Respectfully submitted,



Frank White Jr.
Jackson County Executive



Troy M. Schulte
Jackson County Administrator