

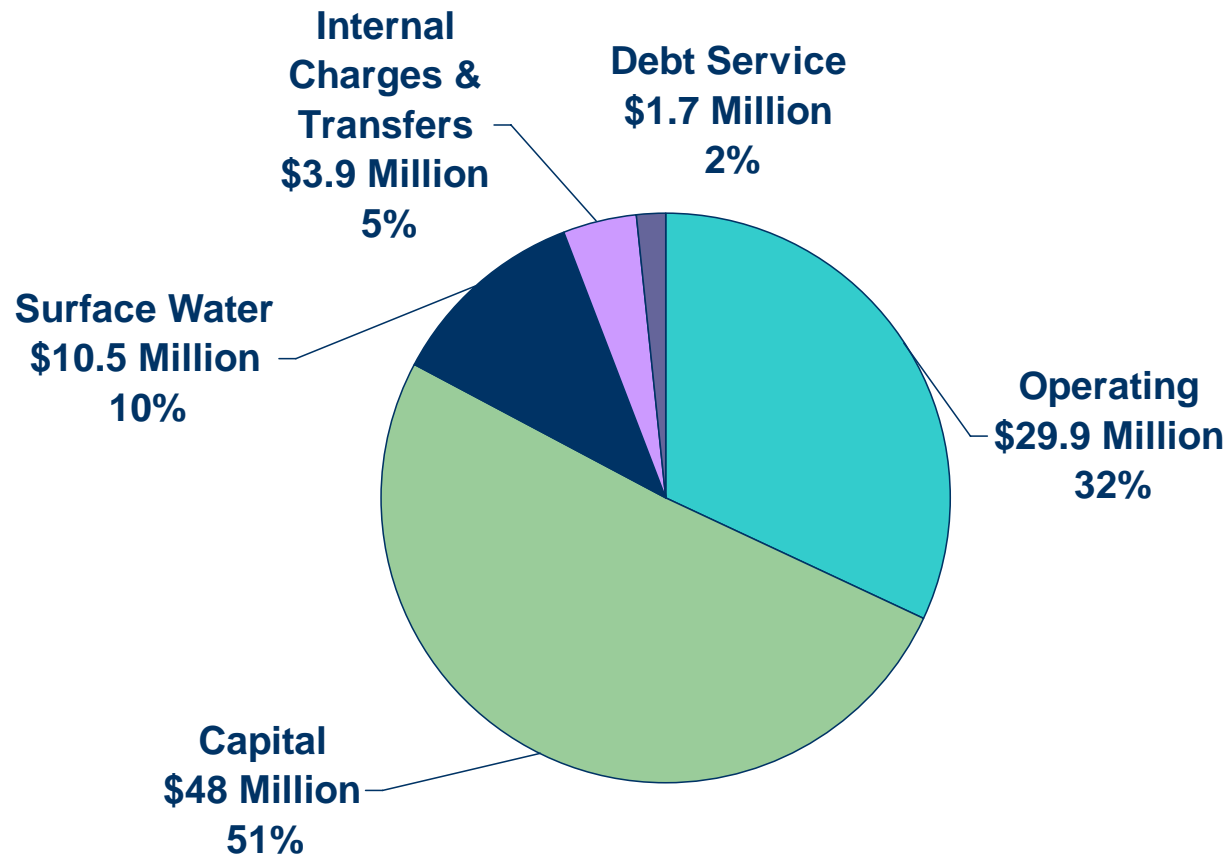
City Budget and Finances

Meeting 4

May 1, 2008

Debbie Tarry

City 2008 Budget - \$94 Million



Budget Categories

- Debt Service – Repayment of the 2006 General Obligation Bonds
 - Approved by voters for Acquisition of Open Space, Park Improvements, Trail Corridors
 - 25 acres of open space, \$5.75 million park improvements, \$2.5 million for trail/pathway improvements
 - \$18.8 Million of Bonds paid back over 15 years
 - Repaid through property tax assessment
 - 2008 levy rate is \$0.25/\$1,000 or \$84/yr for average homeowner

Internal Charges & Transfers

- Charges

- Primarily vehicle and major maintenance, gasoline & replacement charges
 - Already accounted for in the operating budget, but to meet accounting requirements show up in both the operating budget and “internal service fund”

- Transfers

- Monies moved from one fund to another for specific purpose
 - Capital (i.e. – A portion of operating allocated for capital)
 - Operating subsidy (i.e., - City Street Maintenance Program)
 - Overhead Charges (i.e., - Charges to Surface Water Utility for a portion of City Administration, Finance & Facilities)

Surface Water Utility

- Cost to manage, maintain, and operate the City's surface water (drainage) infrastructure
 - Includes capital costs
 - Fully funded by surface water fees
- Utility fee assessed to every property parcel
 - Single Family residential - \$124/yr
 - Other properties based on % of impervious surface

Capital Budget

- Major capital projects
 - Cost in excess of \$10,000
 - New physical construction
 - (i.e., Parks, Buildings, Sidewalks, Roads)
 - Reconstruction to systematically replace an existing system
 - (i.e., Pavement Management Program, Sidewalk repair)
 - Replacement of a major component of an existing facility
 - Acquisition of land or structures
- Legally restricted revenues
 - Real Estate Excise Tax, Fuel Tax, Grants

Operating Budget

- Everything Else
- The service programs previously reviewed
 - Except: Surface Water
- Tax Supported
 - Property, Sales, Utility and Gambling
- Fees
 - Recreation, Building & Development

How Do the Operating & Capital Budgets Overlap

Operating Budget

- Allocate approximately \$1.4 annually of operating revenues to help fund capital projects.
- Fund maintenance and operation costs of completed projects.

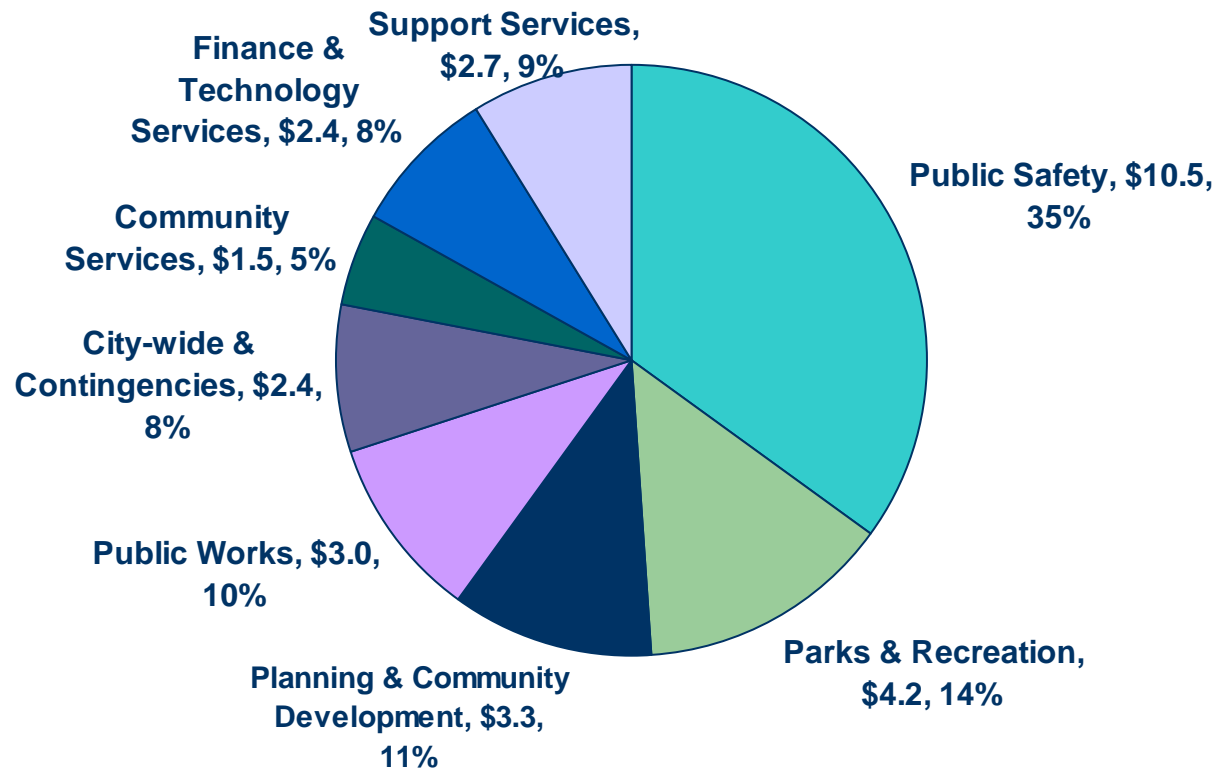


Capital Budget

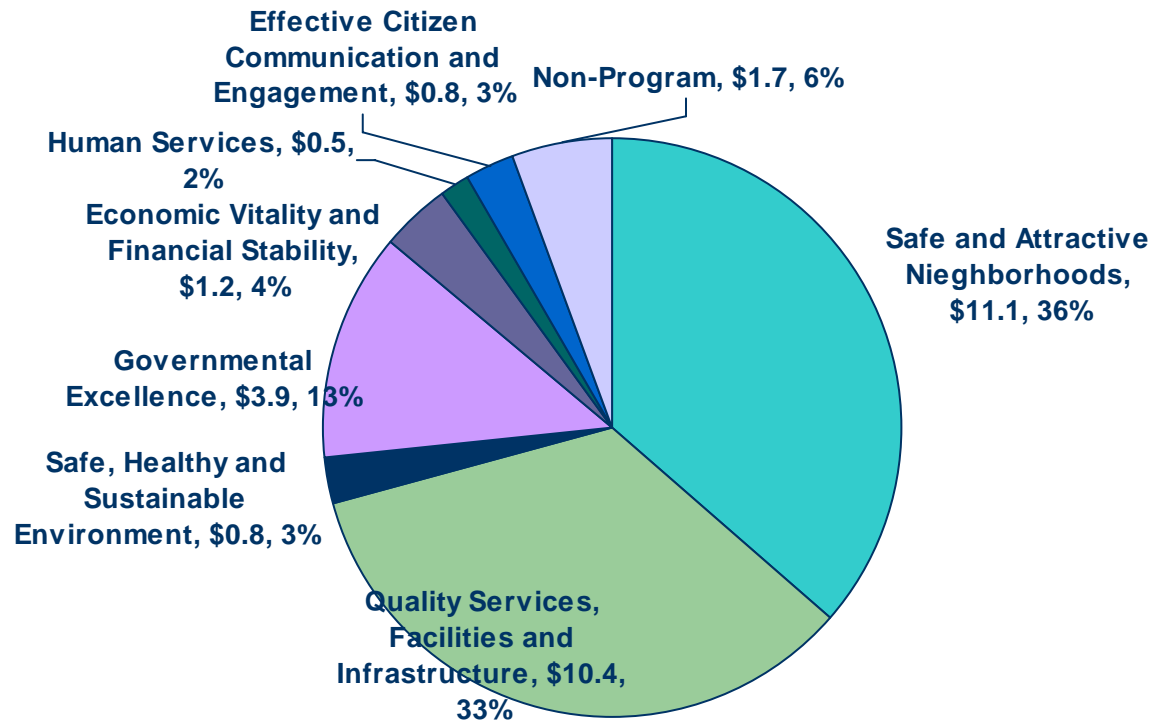
- Provide facilities and infrastructure used to provide day-to-day operating services.
- Provide public facilities to improve the quality of life in the community.

Operating Budget Expenditures

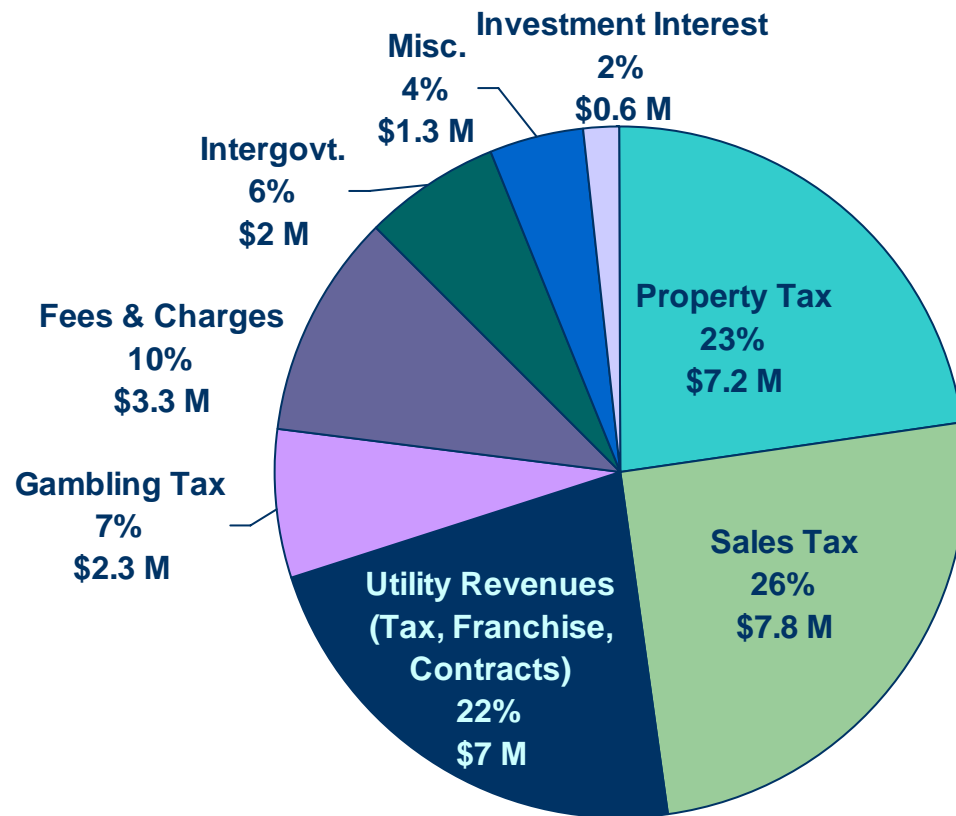
\$29.9 Million (In Millions)



Operating Budget by Strategic Objective



Operating Budget Resources



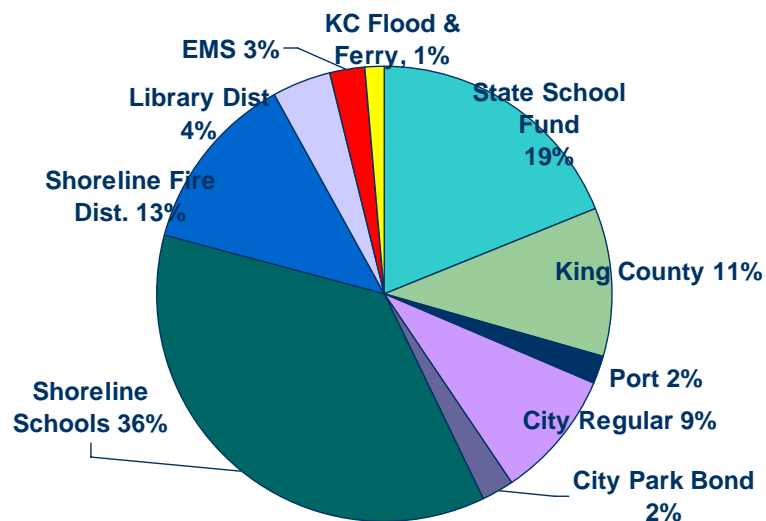
Property Tax

Property Tax Levy

- Who Levies Property Taxes for Shoreline Property Owners?
 - City of Shoreline
 - Shoreline School District
 - King County
 - Port of Seattle
 - Shoreline Fire District
 - King County Library District
 - Emergency Medical Services District
- Voted and Non-Voted Levies
 - Example: 2006 Parks Bond Levy

2008 Property Tax Collection by Agency

Total Rate = \$11.31 per \$1,000 AV



Jurisdiction	Rate
Shoreline School District	\$ 4.13
State School Fund	2.13
Shoreline Fire District	1.44
King County	1.21
City – Regular Levy	1.02
City – Park Bond Levy	.25
King County Library Dist	.45
Emergency Medical Svc	.30
Port District	.22
King County Flood & Ferry	.16
Total	\$11.31

Property Tax Terminology

- Assessed Value (AV)
 - The estimated value placed upon property by the County Assessor
- Property Tax Levy
 - Total assessment levied by a government body
- Property Tax Levy Rate
 - Amount of tax stated per \$1,000 of assessed value of taxable property. The tax rate is the result of dividing the tax levied by the assessed value of the taxing district.
 - City statutory limit is \$1.60/\$1,000 AV
 - 2008 City Levy Rate = \$1.02

City of Shoreline 2008 Property Tax

- Assessed Value: \$7.223 Billion
- Property Tax Levy:
 - Non-Voted Levy - \$7,355,600
 - Voted Bonds Levy - \$1,800,000
- Levy Rate:
 - Non-Voted Levy Rate - \$1.02/\$1,000 AV
 - Voted Levy Rate - \$0.25/\$1,000 AV
- Average AV of Residential Home = \$363,800

What is the 1% Limit?

- Initiative 747
 - Passed in 2001
 - Limits the amount that a taxing jurisdiction can increase its regular property tax levy without voter approval
 - Lesser of 1% or the Implicit Price Deflator (IPD)
 - Plus New Construction
 - For 2008 the City of Shoreline's non-voted (regular) property tax levy is limited to \$7,243,433 plus new construction
 - 2007 Levy (\$7,171,716) X 1.01 = \$7,243,433 plus new construction
 - 2008 New Construction Levy Allowance = \$97,676

Establishing the 2008 Regular Property Tax Levy

Regular Levy	\$7,243,433
+ New Construction	\$97,676
+ Miscellaneous Adjustment	<u>\$14, 491</u>
= Total Levy	\$ 7,355,600

$$\text{Levy Rate} = \text{Levy}/(\text{Assessed Value}/\$1,000)$$

2008 Assessed Value	\$7,223,477,590
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2008 Regular Property Tax Levy Rate	\$1.02
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What a property owner pays to City of Shoreline

Assessed Value of Property /\$1,000 X Levy Rate

Example:

Assessed Value = \$363,800

Levy Rate = \$1.02

Property Tax Paid = AV/\$1,000 X 1.02

Property Tax Paid = \$371

Principals

- Overall Regular Levy Limited to 1% Increase from Previous Year
 - Plus New Construction
- If Overall City Assessed Valuation Grows More Than 1% - Levy Rate Goes Down
- If Overall City Assessed Valuation Grows Less Than 1% - Levy Rate Goes Up

Example 1

- City Levy limited to 1% increase for 2009 = \$7,355,600
- City AV Increases by 4%
- Home Value Increases by 4%

			Annual Property Tax Paid to the City		
Year	Home Value	City's Levy Rate			
2008	\$ 363,800	\$ 1.02	\$		371.08
2009	\$ 378,352	\$ 0.99	\$		374.16
Inc./(Dec.)	4%	-3%			1%

Example 2

- City Levy limited to 1% increase for 2009 = \$7,355,600
- City Assessed Value Increases by 4%
- Home Value Increases by 8%

				Annual Property Tax Paid to the City	
Year	Home Value	City's Levy Rate			
2008	\$ 363,800	\$	1.02	\$	371.08
2009	\$ 392,904	\$	0.99	\$	388.55
Inc./(Dec.)	8%		-3%		5%

Example 3

- City Levy limited to 1% increase for 2009 = \$7,355,600
- City Assessed Value Increases by 4%
- Home Value Increases by 1%

Year		Home Value	City's Levy Rate		Annual Property Tax Paid to the City	
2008	\$	363,800	\$	1.02	\$	371.08
2009	\$	367,438	\$	0.99	\$	363.37
Inc./(Dec.)		1%	-3%		-2%	

Example 4

- City Levy limited to 1% increase for 2009 = \$7,355,600
- City Assessed Value Remains Unchanged
- Home Value Decreases by 5%

Year		Home Value	City's Levy Rate		Annual Property Tax Paid to the City	
2008	\$	363,800	\$	1.02	\$	371.08
2009	\$	345,610	\$	1.03	\$	355.45
Inc./(Dec.)		-5%	1%		-4%	

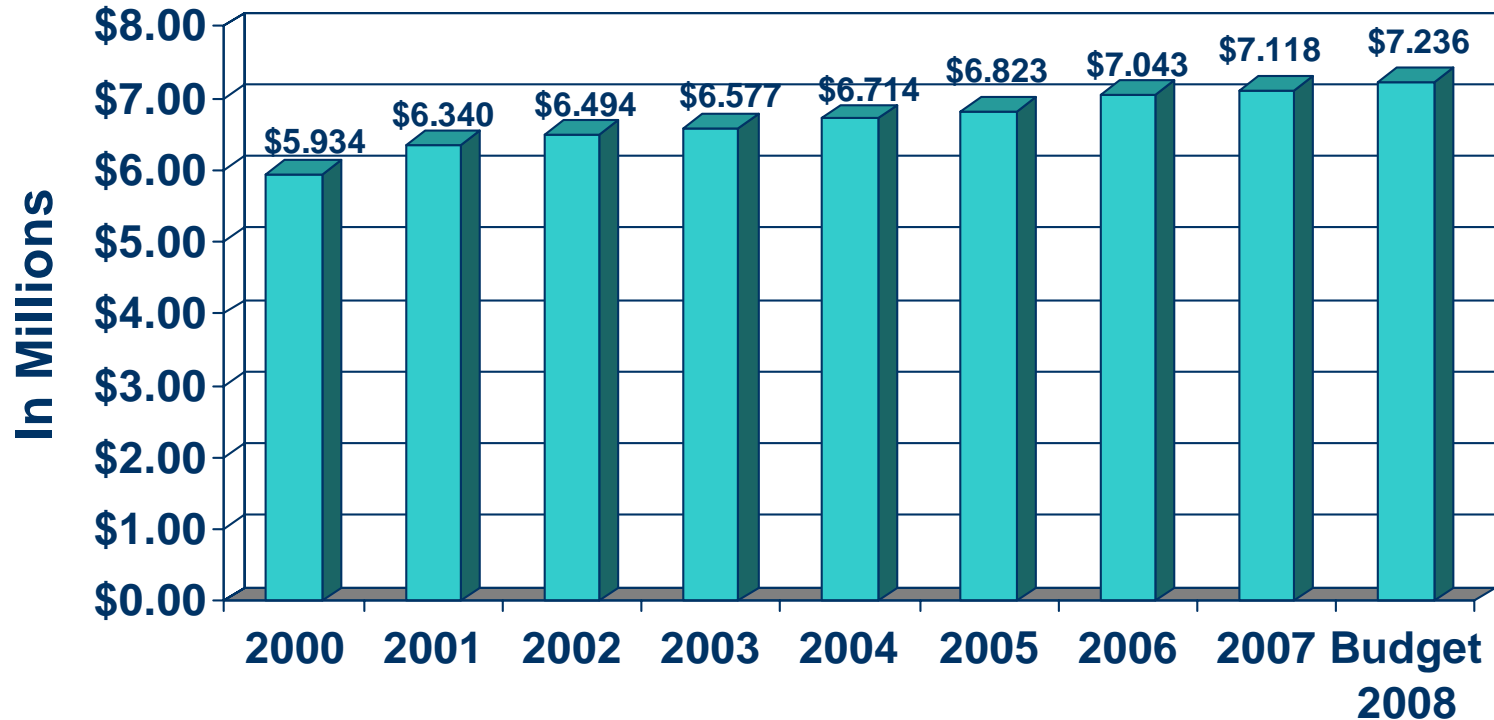
Why Else Does Property Tax Change?

- Approval of voted levies
 - Examples:
 - 2006 Park's Bond
 - 2008 Levy Rate of \$0.25/\$1,000 so \$363,800 home pays \$91
 - Voters approve increase in regular levy
 - Fire District raises levy rate to maximum of \$1.50

Year		Home Value		Fire District Levy Rate		Annual Property Tax Paid to the Fire District	
2008	\$	363,800	\$	1.40	\$	509.32	
2009	\$	378,352	\$	1.50	\$	567.53	

Inc./(Dec.)	4%	7%	11%
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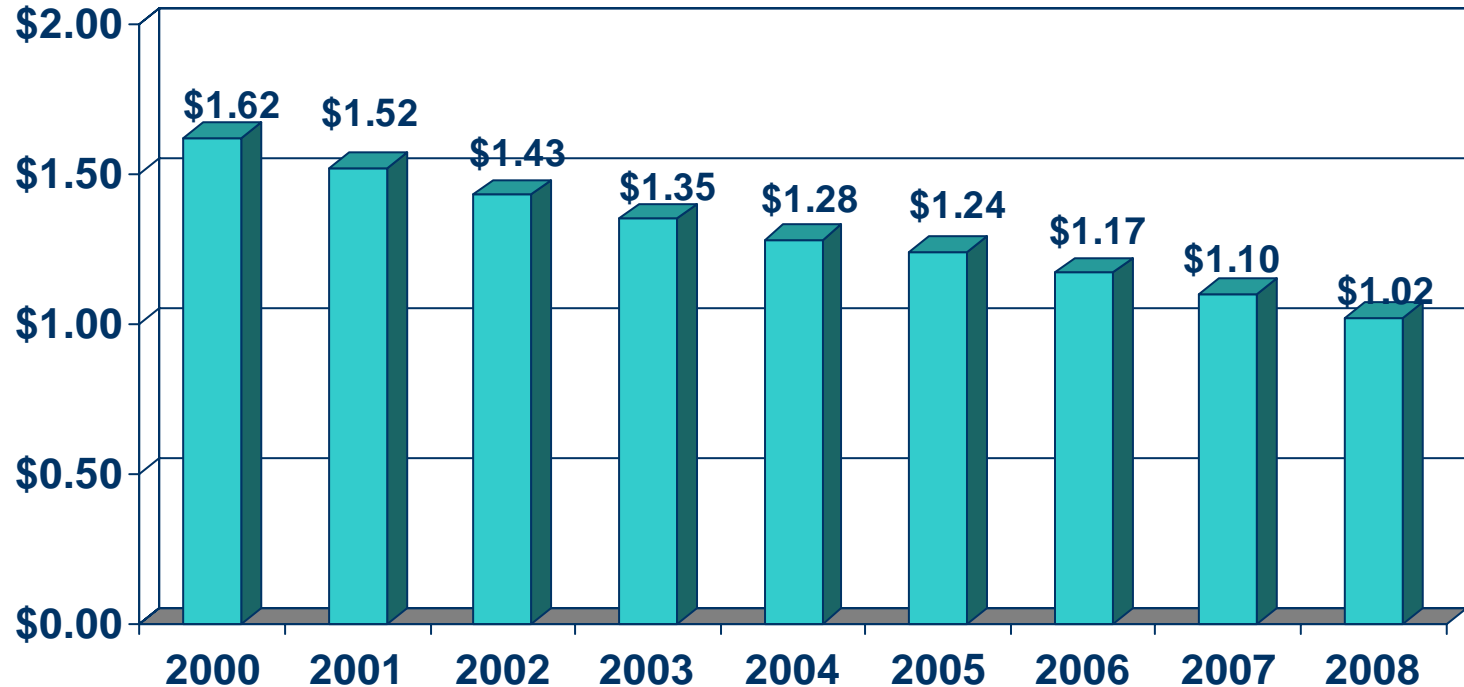
Property Tax in Actual Dollars In Millions



Property Tax Revenue (Constant Dollars)



Regular City Property Tax Levy Rates 2000-2008



Maximum Levy Rate is \$1.60 per \$1,000 AV

Comparison to other King County Cities

City	Property Tax Rate	Average Residence Value	Tax
Sammamish	\$ 10.86	\$ 522,700	\$ 5,677
Lake Forest Park	11.38	400,000	4,552
Kirkland	8.99	494,900	4,449
Unincorporated King County	11.98	352,400	4,222
Bellevue	7.74	536,800	4,155
Shoreline	12.03	336,100	4,043
Seattle	9.28	428,800	3,979
Redmond	8.81	413,300	3,641
Burien	11.59	302,500	3,506
Renton	10.94	293,400	3,210
Kent	11.85	267,500	3,170
Federal Way	11.38	267,200	3,041
Auburn	12.24	230,300	2,819
SeaTac	11.19	231,400	2,589

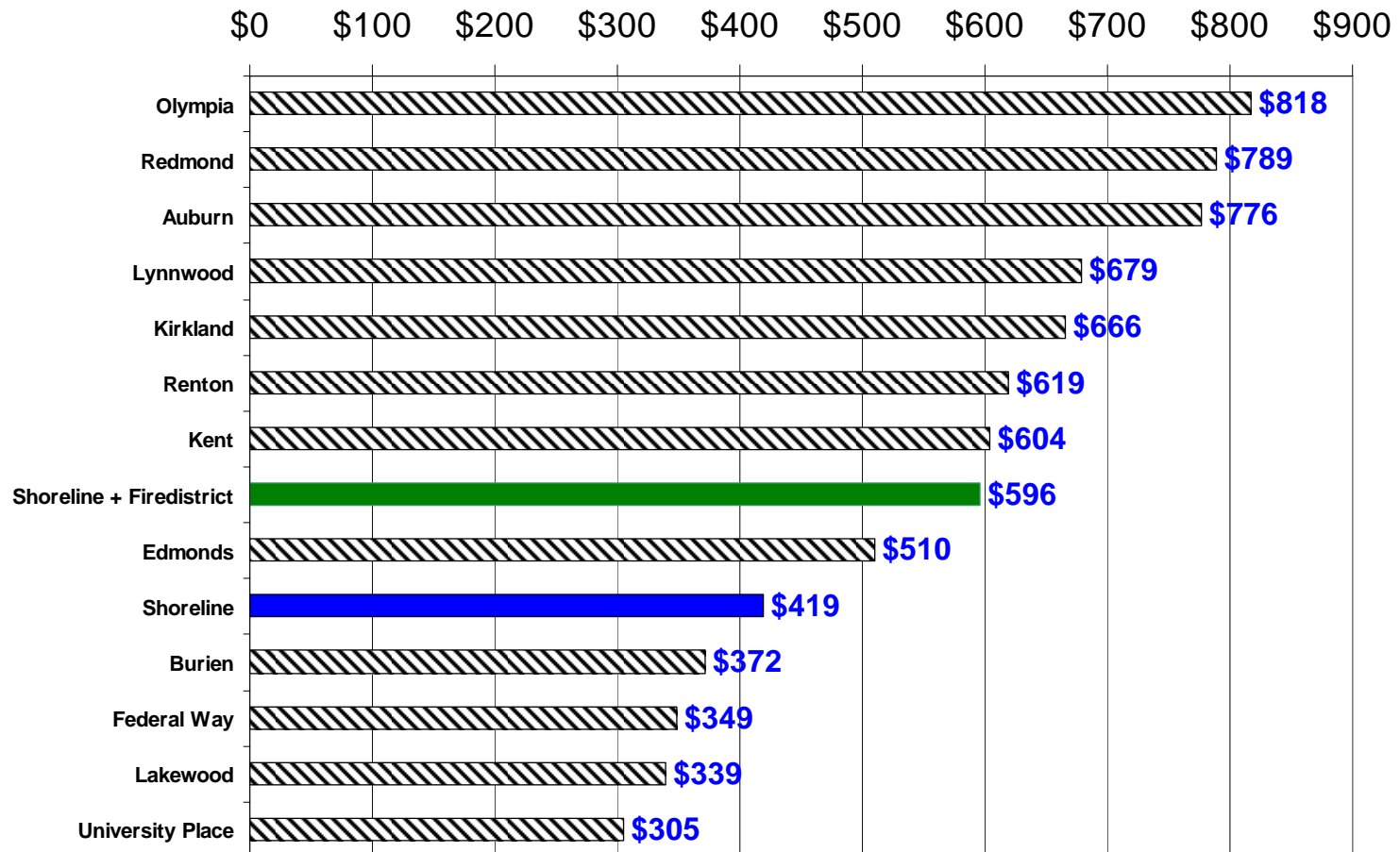
City, Fire & Library Comparison

City	Regular City Property Tax Rate	Fire District and/or Library District Tax	Combined	Average Residence Value	Tax
Sammamish	2.24	0.39	2.63	522,700	1,373.24
Burien	1.39	1.89	3.28	302,500	993.07
Lake Forest Park	1.26	1.21	2.47	400,000	986.99
Shoreline	1.02	1.69	2.71	336,100	910.29
Seattle	1.70	0.39	2.09	428,800	894.98
Federal Way	1.04	1.89	2.93	267,200	782.86
Kirkland	1.15	0.39	1.54	494,900	762.48
Redmond	1.45	0.39	1.84	413,300	759.42
Renton	2.57	-	2.57	293,400	754.19
Kent	2.31	0.39	2.70	267,500	723.25
Bellevue	0.92	0.39	1.31	536,800	704.51
Auburn	1.48	1.39	2.87	230,300	662.08
SeaTac	2.45	0.39	2.84	231,400	656.83

Tax Comparison to Other Cities

Per Capita Comparison

(Property Sales, B&O, Utility and Gambling Taxes, Franchise and Utility Contract Payments)



Are there Options to the 1% Cap?

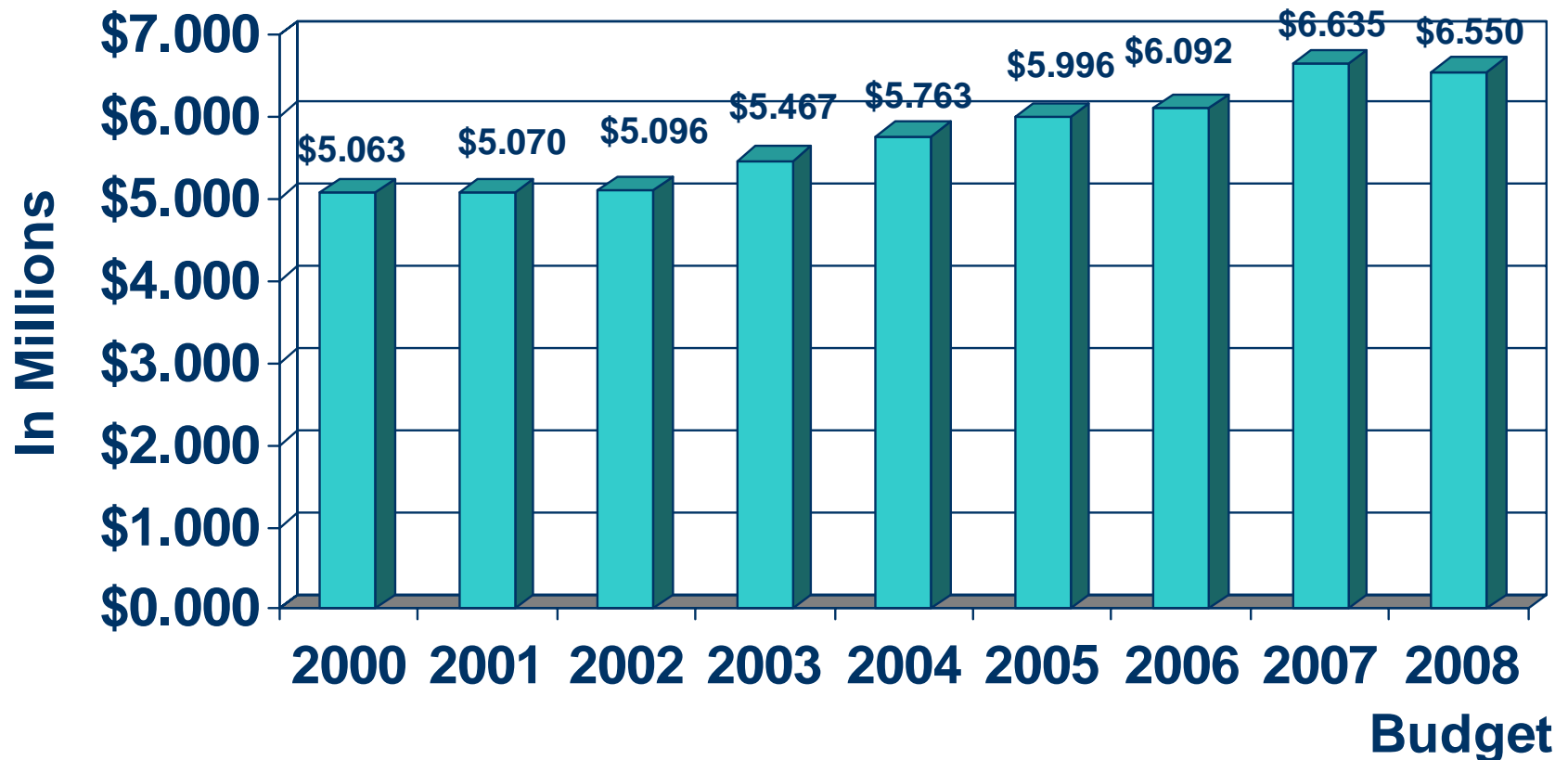
- Levy Lid Lift
 - Requires a vote of the people
 - >50% passage requirement
 - Each 10 cents equals approximately \$722,000
 - Each 1 cent equals \$72,000
 - Impact of 10 cent increase to average homeowner is \$36
 - Current unused capacity (difference between \$1.02 and \$1.60) is \$4.2 Million

Sales Tax

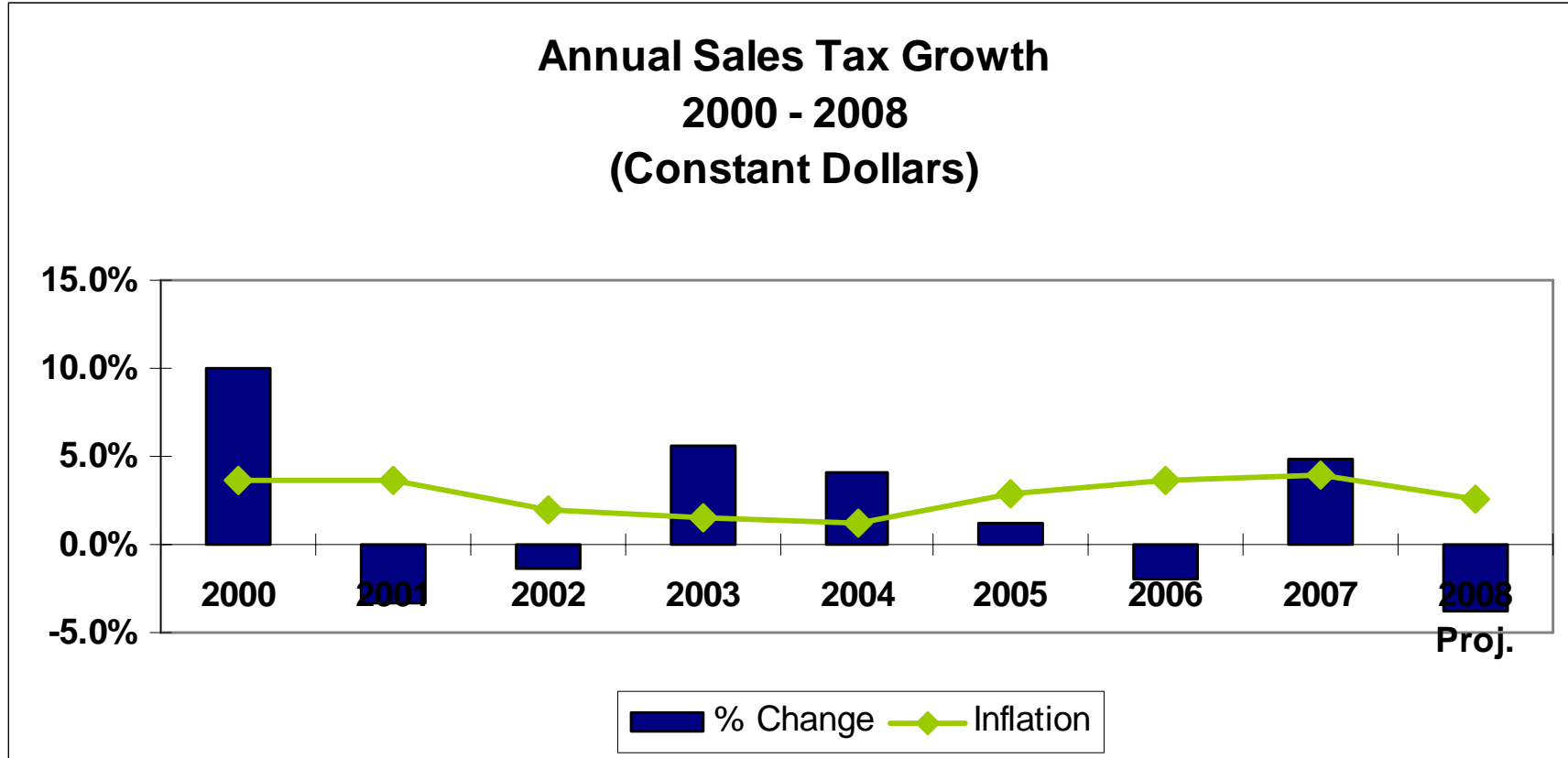
Sales Tax - Every \$10 spent the City receives 85 cents

Jurisdiction	Rate
State of Washington	6.50%
City of Shoreline	0.85%
King County	0.15%
Metro Transit	0.90%
King County – Chemical Dependency/Mental Health	0.10%
Regional Transit Authority	0.40%
Criminal Justice	0.10%
Total Sales Tax Rate	9.00%

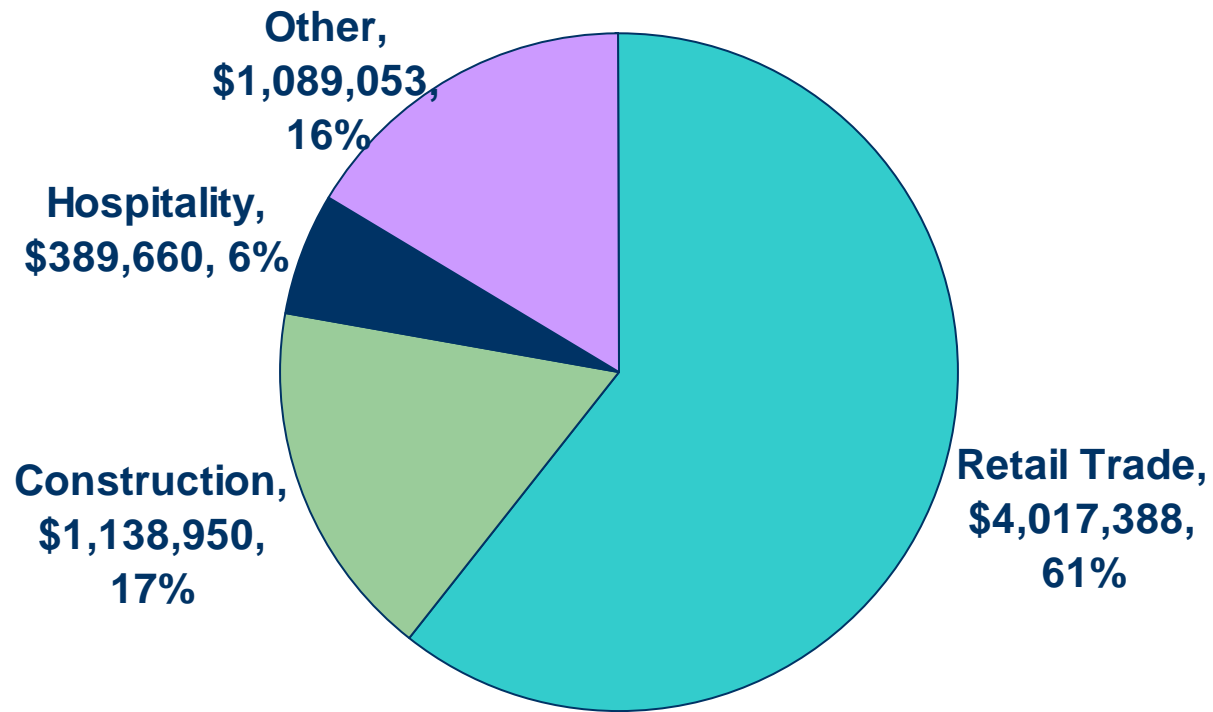
Sales Tax Collections 2000 – 2008 (In Millions)



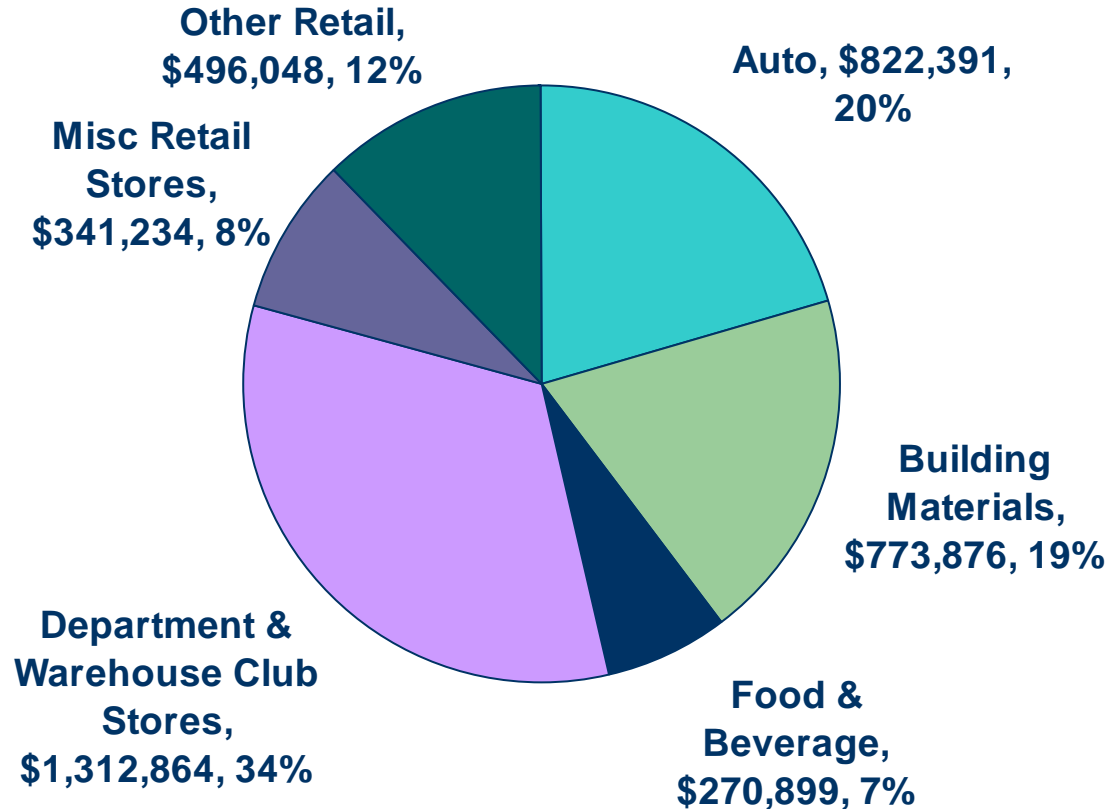
Sales Tax Collection Growth 2000-2008 in Constant Dollars



2008 Sales Tax by Category



2008 Retail Trade Sales Tax by Category



Criminal Justice Sales Tax

- Collected throughout the County
 - 10% off the top to the County
 - 90% remainder distributed on per capita basis to County and Cities
 - 2008 Budget: \$1,293,050

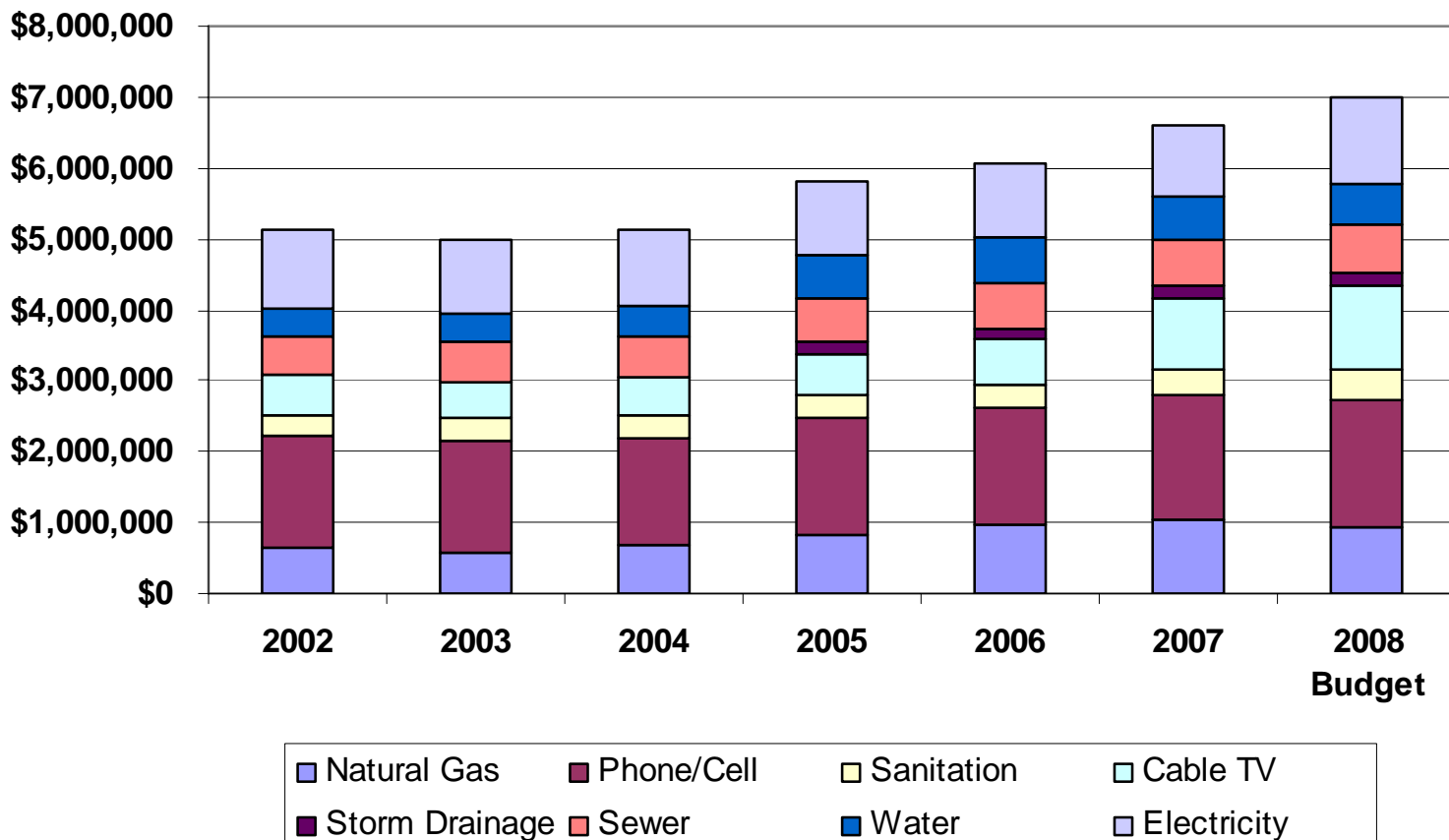
Other Revenue



Utility Tax, Franchise Fees, & Utility Contract Payments

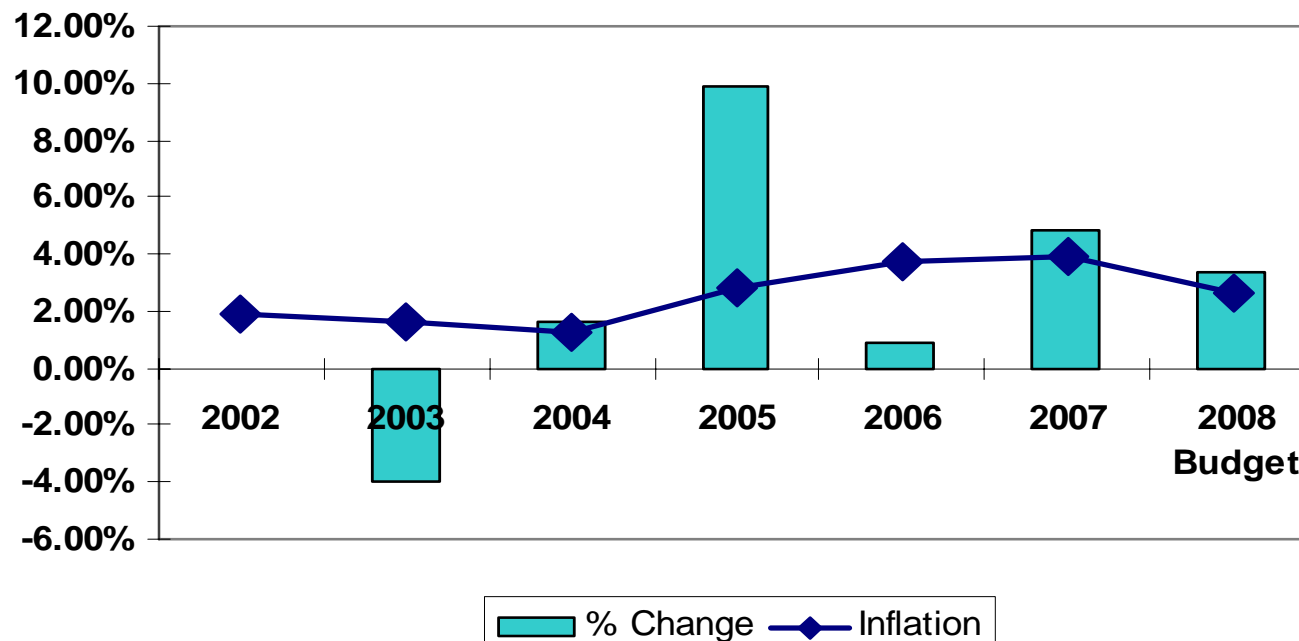
Utility	Tax Rate	Franchise Rate	Contract Agreement
Natural Gas	6.0%		
Telephone/Cell	6.0%		
Garbage	6.0%		
Cable Television	6.0%	5.0%	
Surface Water/Storm Drainage	6.0%		
Water			6.0%
Sewer			6.0%
Electricity			4.5%

Utility Tax, Franchise Fee & Utility Contract Payment Revenues

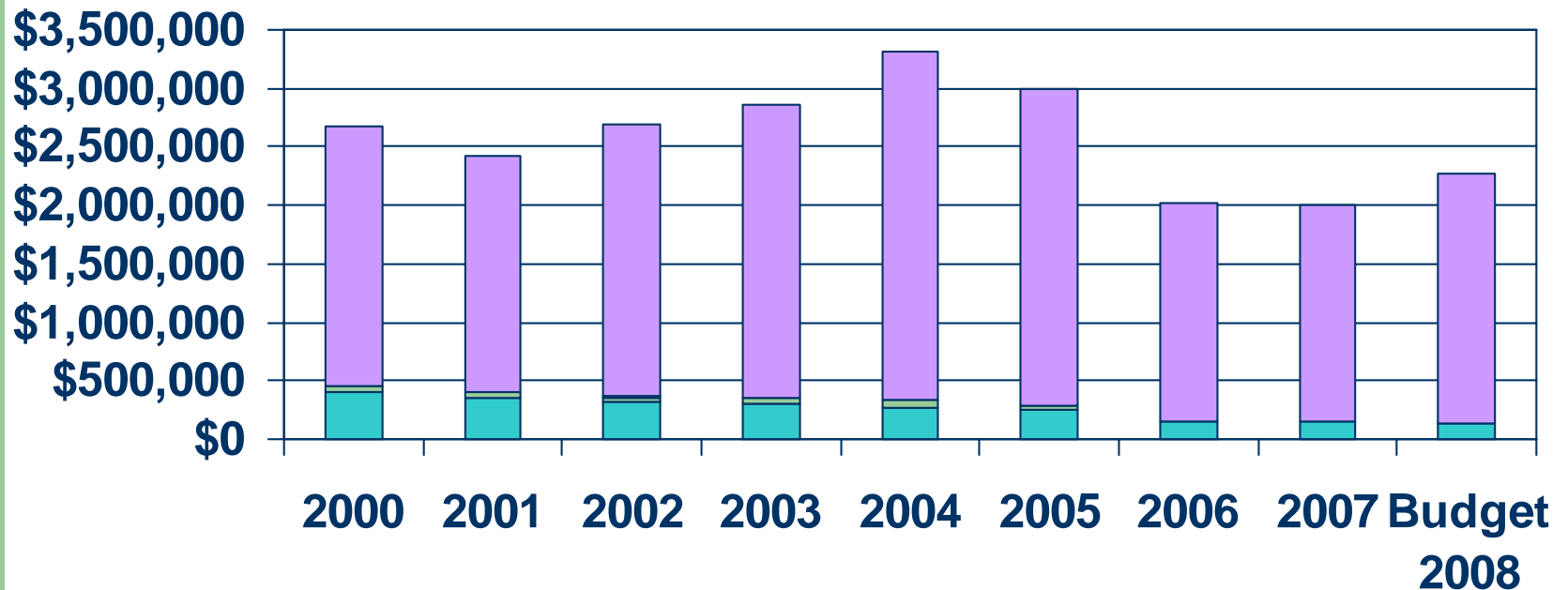


Utility Revenue Growth Adjusted for Inflation

**Annual Utility Revenue Growth Compared to Inflation
(In Constant Dollars)**



Gambling Tax

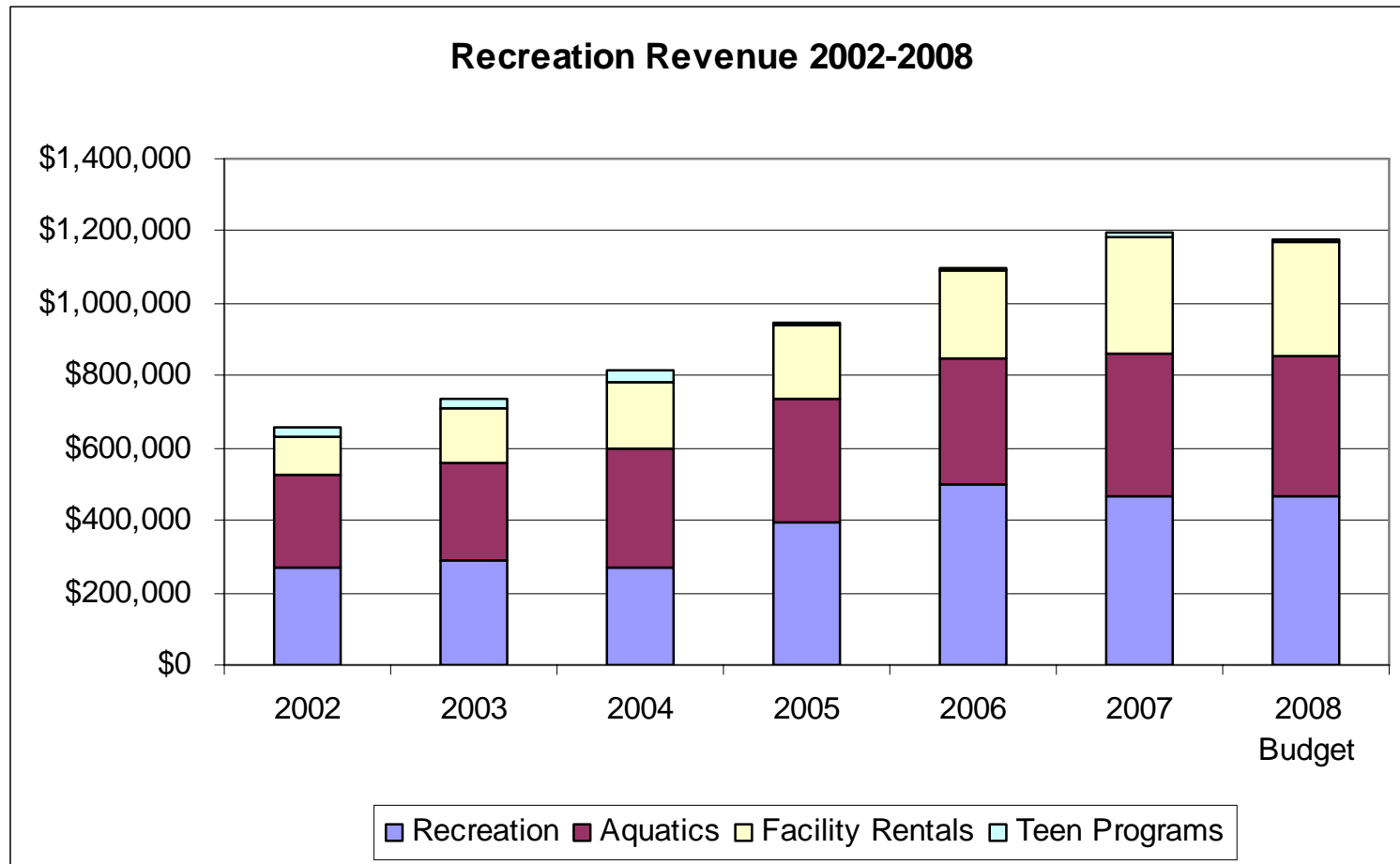


■ Pull Tabs ■ Bingo ■ Amusement Games ■ Card Games

Gambling Tax Information

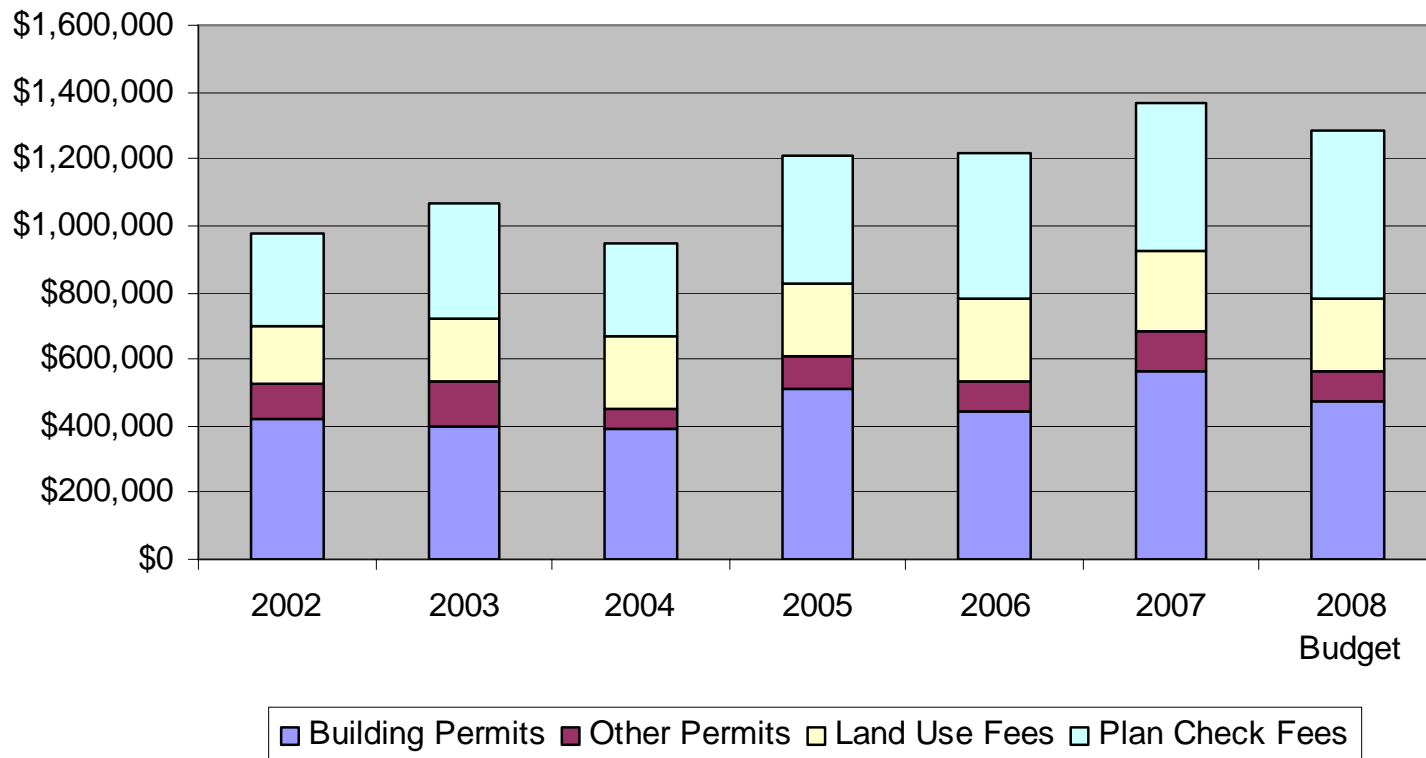
- Card Room Tax Rate = 10%
 - Gross Revenue less Win Payouts
- City Council Policy
 - Keep amount equal to 7% tax rate in operating budget
 - Remaining is allocated to capital budget
 - In 2008 equals \$637,500
- Primary Casino Impacts
 - Tribal Casino Competition
 - December 2005 Smoking Ban in Public Spaces

Recreation Revenues



Development Services Revenues

Development Revenue 2002-2008



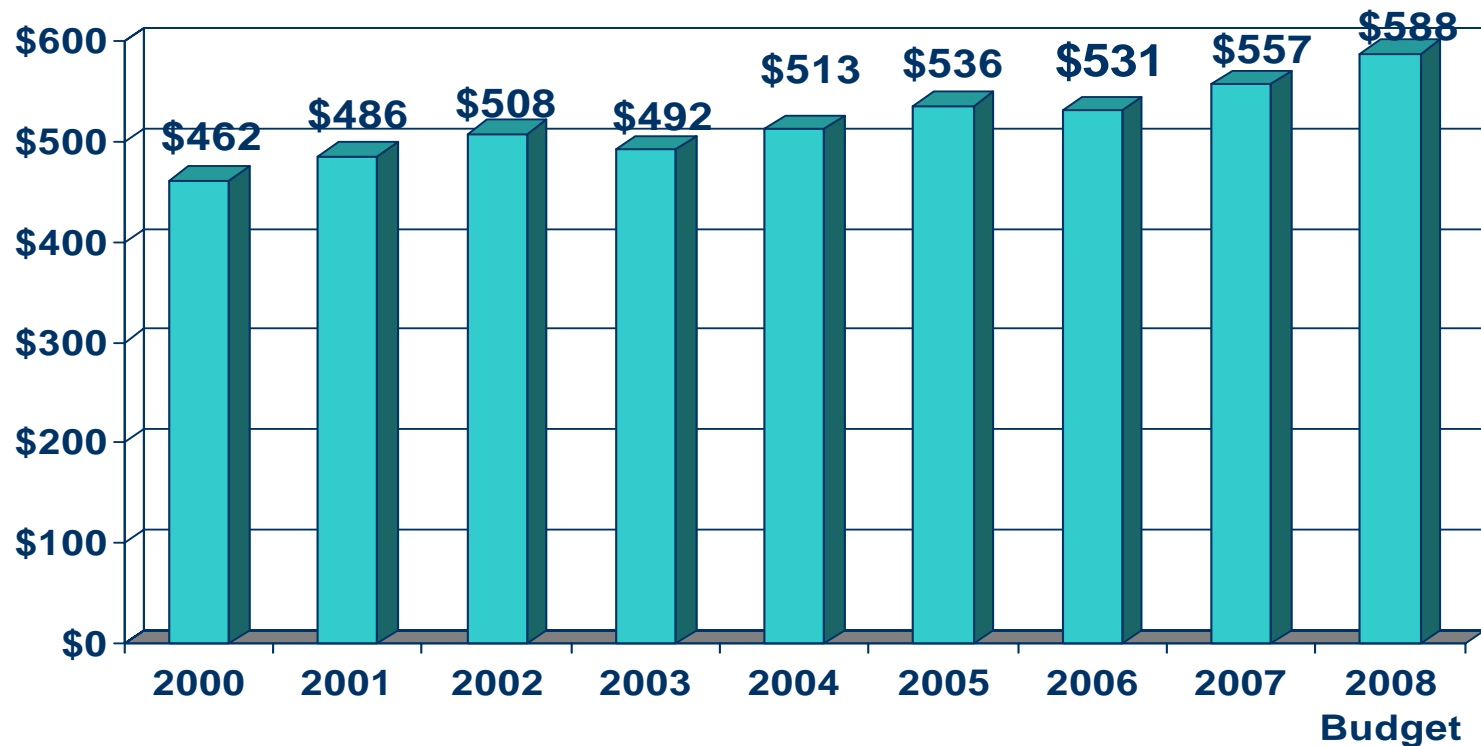
Other Revenues

- Intergovernmental
 - State Revenues
 - Liquor Excise Tax, Liquor Profits (\$639,000 in 2008)
 - Motor Vehicle Excise Tax (\$106,000 in 2008)
 - Fuel Tax (\$747,341 in 2008)
 - Grants
 - Emergency Management, Environmental, Planning
- Investment Interest

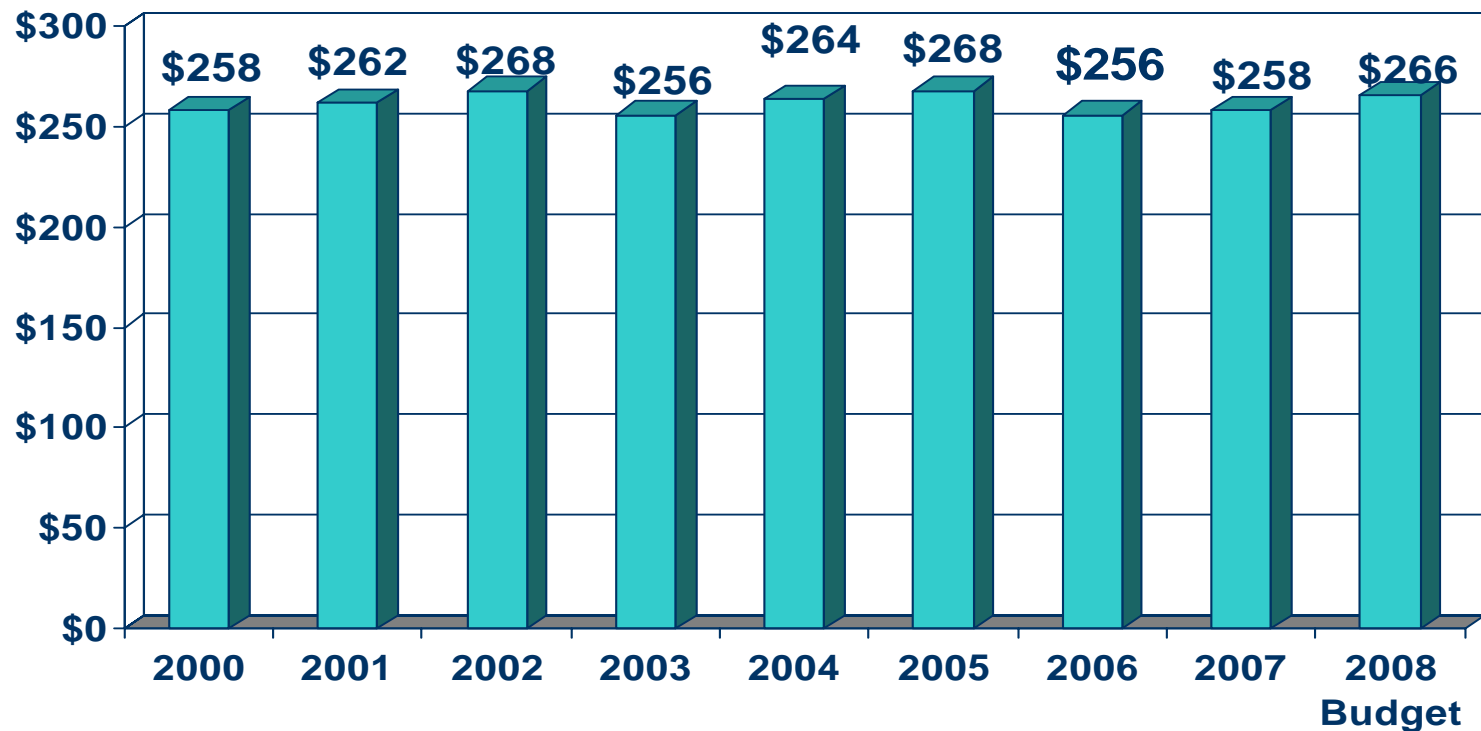
Operating Budget Summary



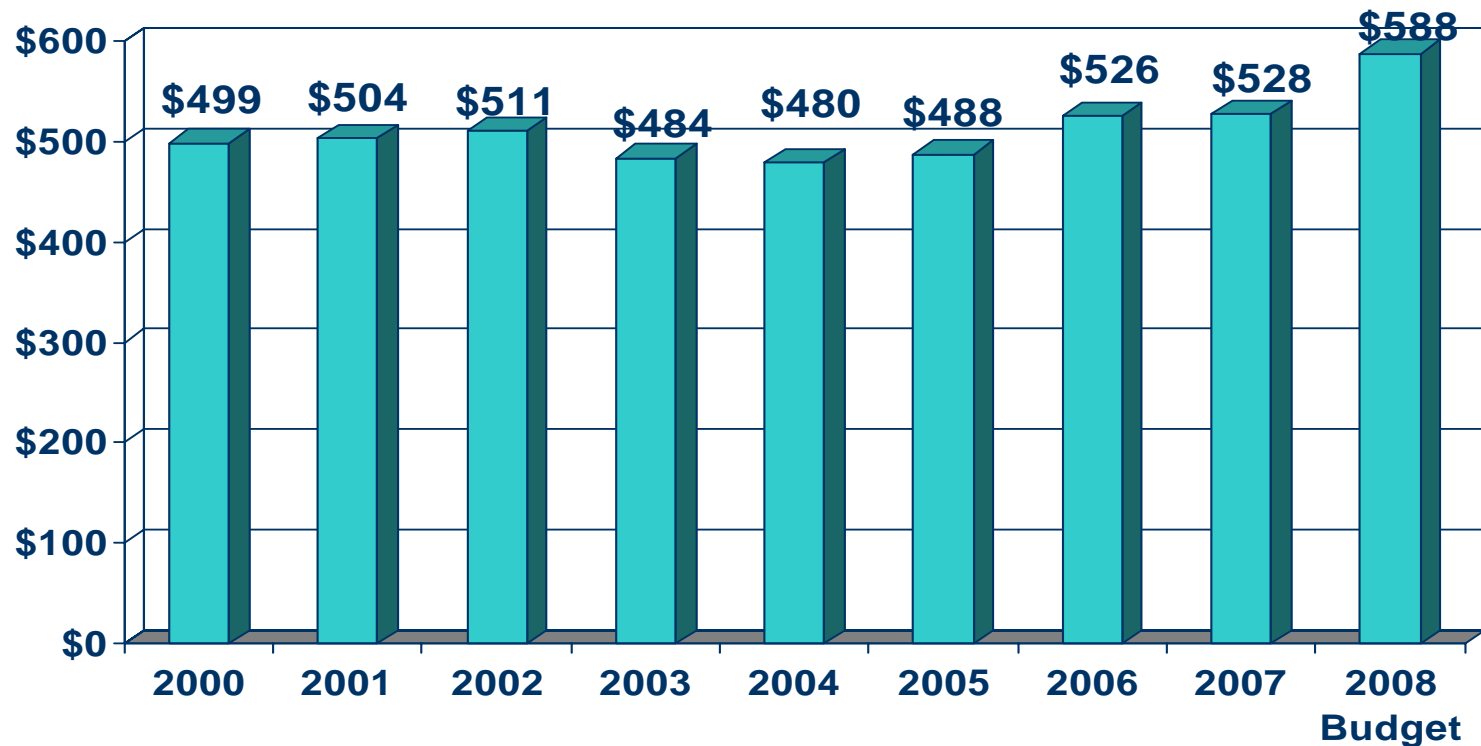
Operating Revenue Per Capita (In Actual \$)



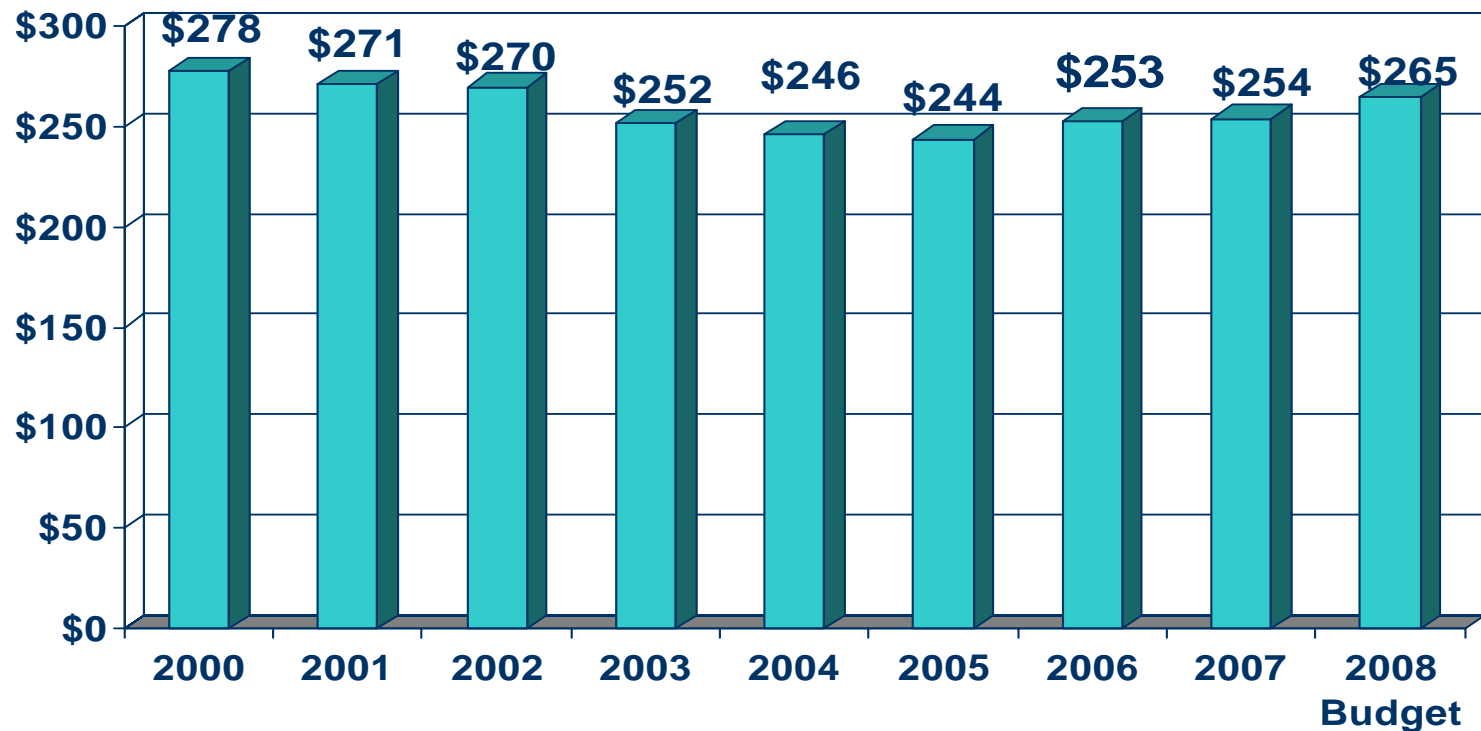
Operating Revenue Per Capita (In Constant \$ - Adjusted for Inflation)



Operating Expenditures Per Capita (In Actual \$)



Operating Expenditures Per Capita (In Constant \$)

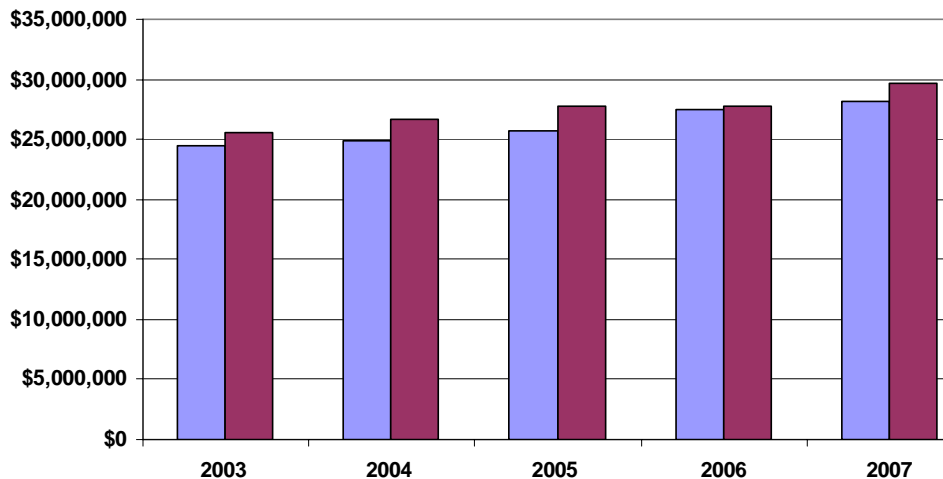


General Fund Budget vs Actual

Shoreline consistently practices conservative budgeting

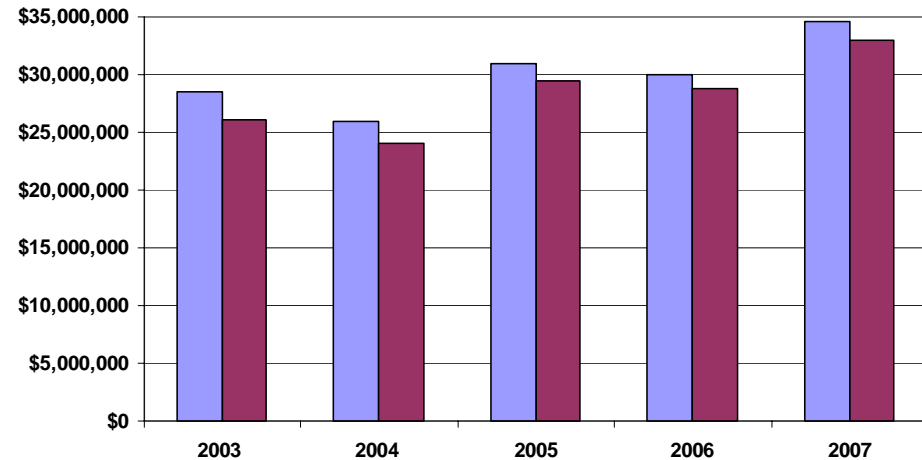
Revenues

Budgeted Revenues Actual Revenues



Expenditures

Budgeted Expenditures Actual Expenditures



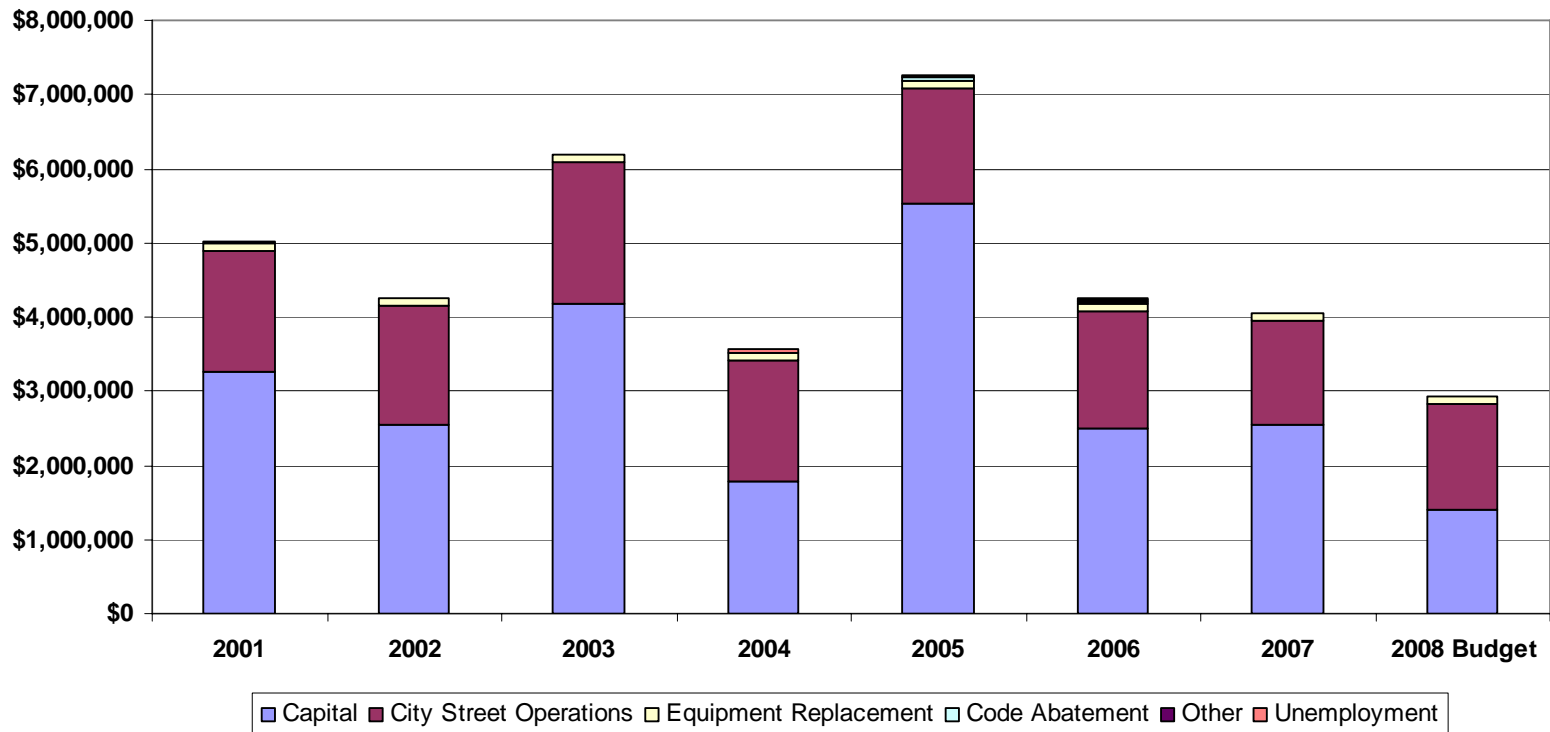
Budget & Financial Policies

Budget and Financial Policies

- Financial Planning
 - Six-Year Operating Budget Forecast
 - Reviewed and updated 3 times a year with City Council
 - Six-Year Capital Improvement Plan
 - Updated and adopted annually by City Council
- Budgeting
 - Conservative revenue estimates
 - Use of resources greater than budget estimates used for one-time expenditures
 - On-going expenditures have to be balanced with on-going revenue sources
 - Commit to what can be maintained over the long-term
 - One-time revenues can't be used to balance on-going expenditures
 - Expenditures support the Strategic Plan and Council Goals

General Fund Transfers

Since 2001 the City has contributed \$23.7 million of general purpose revenues for capital purposes and \$12.7 million for street operations



Budget and Financial Policies

- Operating Reserve Targets
 - Adopted Policy:
 - Revenue Stabilization Fund – 30% of annual economically sensitive operating revenues - \$6.2 Million
 - Cash Flow Reserve – \$3 Million
 - Budget Contingency – 2% of budgeted operating revenues - \$0.55 Million
 - Insurance Deductible Reserve - \$0.25 Million
 - Provides for cash flow, unforeseen needs, adverse revenue trends
- GASB 45 Post-Employment Benefits
 - Minimized exposure with benefits purchased through the Association of Washington Cities
 - City does not have an obligation to provide benefits to retirees
 - City contracts with King County for police services
- Established Compensation Policy
 - Median of comparable cities
 - Eases compensation forecasting
 - Modified health benefit policy in 2003 to manage cost increases
 - Established contingency to cushion the anticipated increases in PERS (retirement) contributions
 - Currently no bargaining contracts to negotiate

Long-Range Forecast

Operating Budget Forecast Baseline – Status Quo

**City Operating Budget Forecast
10 Year Operating Budget Comparison**

