

2008 Budget & Long-Range Forecast Update

September 17, 2007

Presented by Debbie Tarry, Finance Director



Presentation Overview

- Review Proposed 2008 Budget Calendar
- Status of Preliminary 2008 Budget
 - Purpose of this update
 - What has changed since March?
 - What's impacting the City's Budget?
- Long-Term Financial Projections
2008-2013
 - What are the trends?
 - Next Steps
- Summary



2008 Budget Calendar

Long-Range Forecast Update

April Council Retreat

Budget Development Update

September 17

Transmittal of Proposed 2008 Budget

October 15

Department Budget Review

October 22

Public Hearing & Department Reviews

November 5

**Public Hearing on Revenue Sources &
2008 Property Tax Levy**

November 19

Adoption of 2008 Property Tax Levy

November 26

2008 Budget Adoption

November 26



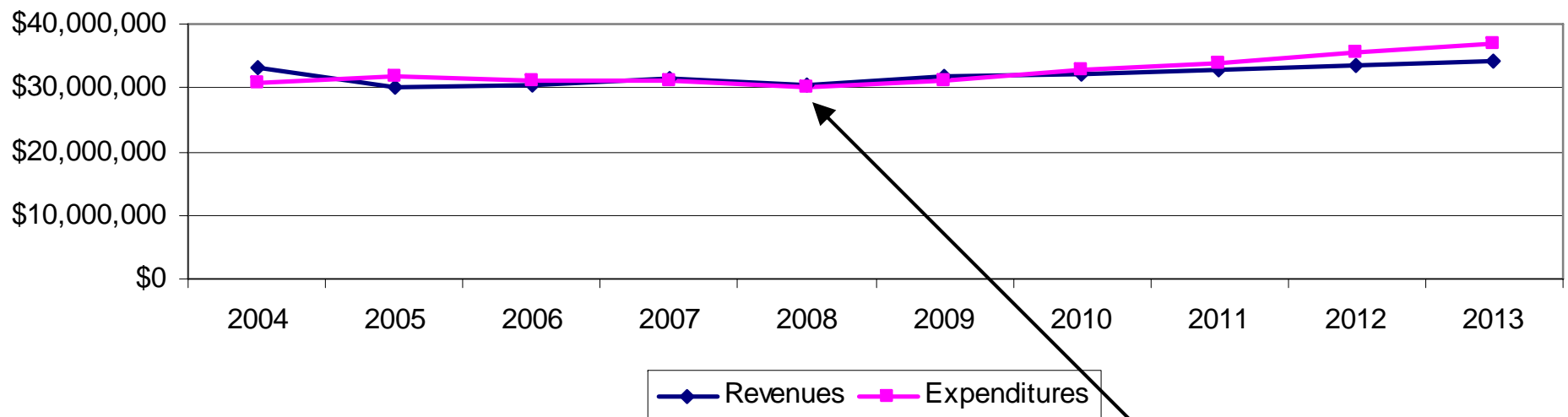
Financial Policies That Guide Budget Decisions

- **On-Going Expenditures Balanced With On-Going Revenues**
- **Use of Reserves Limited to One-Time Expenditures, Unanticipated Emergencies, and Short-Term Economic Downturns**
- **Continue to Fund the Implementation of Council Goals**
- **Maintain Current Level of City Services**
- **Conservative Revenue Projections**



Operating Budget Status Update

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

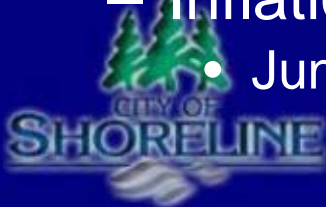


**2008 Preliminary Operating Budget
currently has a \$155,000 budget gap prior
to any changes to levels of service that
may be included in the City Manager's
Proposed 2008 budget.**



What has Changed Since March?

- Gambling Tax Activity Continues to Decline
 - Punchboards & Pull-Tabs
 - Projected to be \$30,000 under 2007 budget
- Utility Tax
 - Natural gas rate reduction
 - Cost of gas down
 - Average residential bill decrease of 13%
 - Telephone (land lines and wireless) continues to grow
 - Cable Utility tax increase effective 7/1/07
 - SCL Contract payment on distribution revenues effective 4/1/08
- Inflation approximately 0.5% higher
 - June Consumer Price Index Seattle-Tacoma – 3.5%



What has Changed Since March?

- State retirement contribution rate increase established by the State Legislature (PERS)
 - 30.3% increase from 2007 to 2008
- Health Benefits
 - Approximate 4.8% increase from 2007 to 2008
 - Lower than expected
- Jail
 - Activity level stabilizing
 - Budget increases reflect cost increases
- Human Service
 - Senior Center (\$18,000/yr) for 2007 & 2008
 - Utility assistance program to offset SCL contract payment increase (\$25,000/yr)



What has Changed Since March?

– Election Costs

- Significant increase due to King County election process improvements
- \$80,000 more than original projections

– Street Lights

- Significant increase due to the City assuming responsibility for all street lights \$91,000/yr

– YMCA – Contribution for future services

\$80,000



Outside Factors Impacting the City's Budget?

- **Limited Revenue Growth**

- Property Tax limited to 1% plus new construction
- Sales Tax growth lower than inflation
- Gambling Tax declined and is remaining flat
- Fine Revenue drop to \$0 to offset District Court costs

- **Expenditure Growth**

- Inflation
- Increases in utility rates
- Changes in Retirement Contribution Rates
- Maintenance improvements of infrastructure



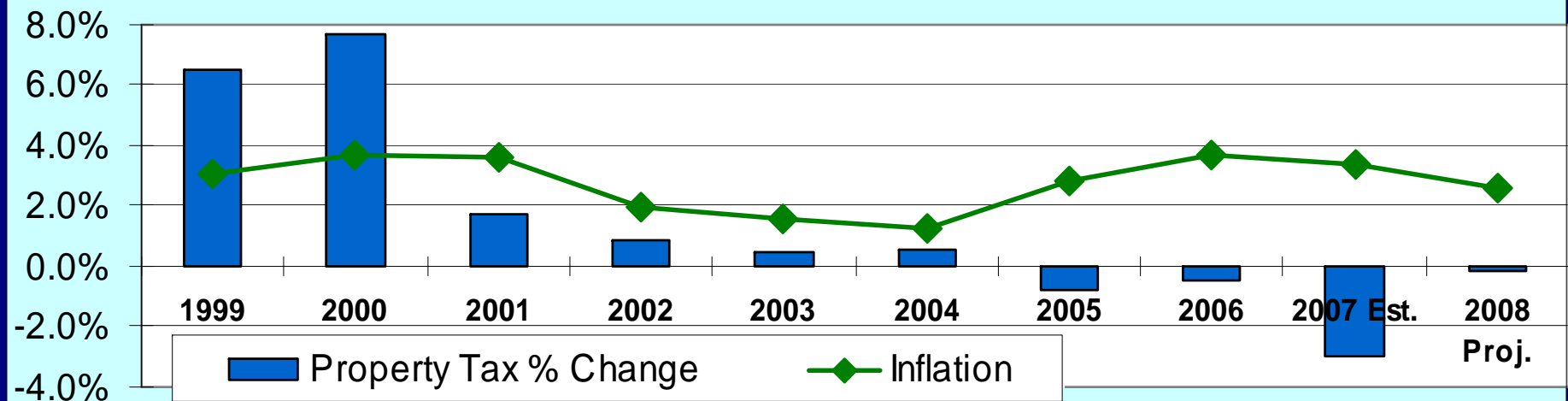
2008 Revenue Projections

- Overall General Fund Operating Revenues Projected to Increase by 6%
 - Property Tax Revenue Increase by 2%
 - Budgeted Sales Tax Revenue Increase by 4%
 - Utility Taxes, Contract Payments and Franchise Fee Revenue will increase by 14%
 - Cable, SCL 3% contract payment
 - Gambling Tax
 - Overall Increase of 6%
 - Assumes 10% card room tax rate for full year at flat activity levels
 - Decrease in punchboards & pull-tab related revenue
 - State Shared Revenues - Flat
 - Recreation Program Revenues Increase by 5.5%
 - Primarily field rental revenue
 - Investment Interest
 - Reviewing interest rates – assume \$9 million investment level



Property Tax Levy Growth Rate

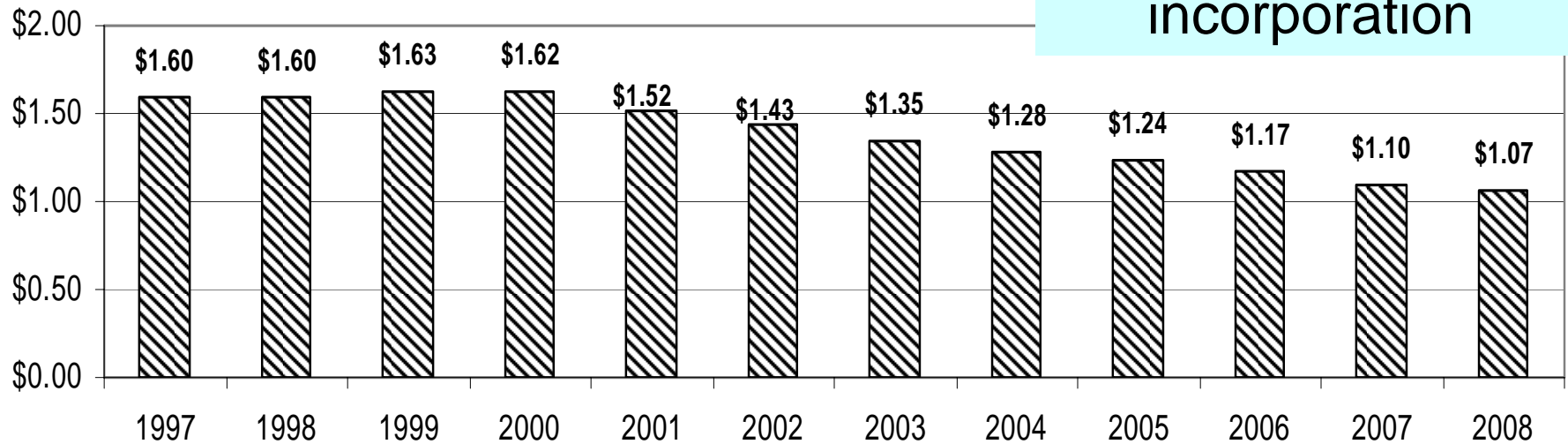
**City Property Tax Growth Rate 1999-2008
(Constant Dollars)**



Property Tax Rate History & Forecast

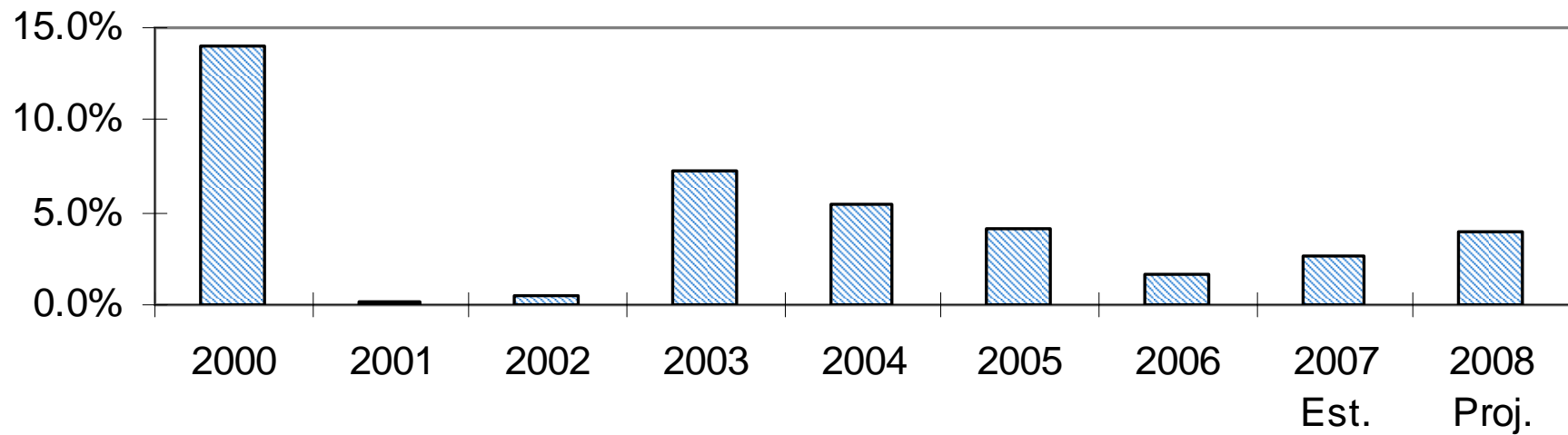
The City's Property
Tax Rate has
dropped by over
33% since
incorporation

Property Tax Rate
Per \$1,000 Valuation
1997-2008



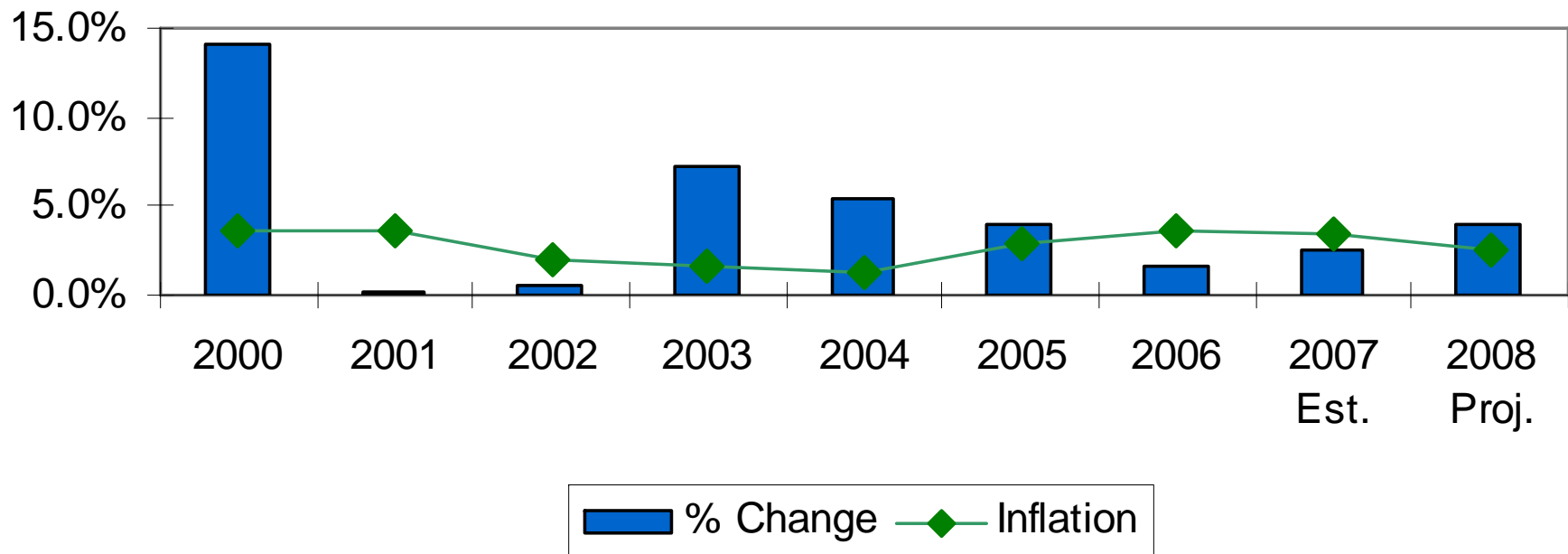
Sales Tax Trends

**Annual Sales Tax Growth
2000 - 2008
(Actual Dollars)**



Sales Tax Trends

Sales Tax Growth Compared to Inflation 2000 - 2008

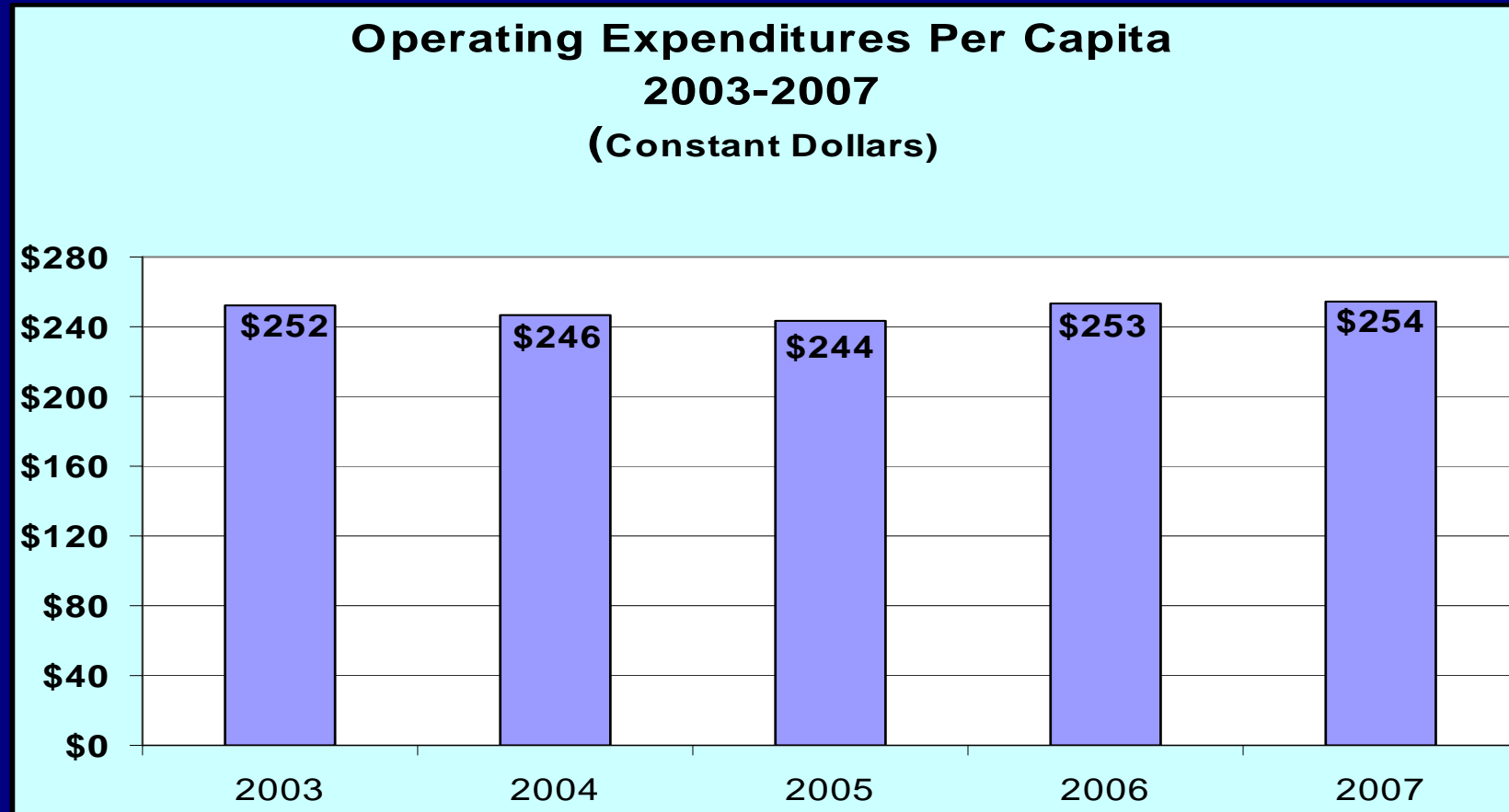


2008 Expenditure Projections

- General Fund Expenditures increase by 6%
 - Excludes one-time operating transfers and 2006 carryovers
 - Personnel Costs Increase by 5%
 - Anticipated Salary & Benefit Changes
 - Anticipates a market adjustment of 3.15%
 - PERS is the largest benefit change
 - Still to determine any salary survey impacts
 - Police Contract Increase - 6.5%
 - Street Crime Officer
 - Primarily driven by salary, benefit & motor pool cost increases
 - Jail Costs Increase - 6.3%
 - 2008 Budget vs 2007 Budget Cost Driven
 - Continue to monitor
 - Capital Funding Policies
 - \$830,000 CIP funding primarily for long-term facility repair/replacement and road surface management
 - City Hall Lease Savings



Operating Budget Expenditures Per Capita



2008 Supplemental Requests

On-Going

- On-Call Geotechnical Services**
- Specialized Recreation Assistant (.5 FTE)**

One-Time

- Digital Aerial Photography and Mapping**
- Southeast Shoreline Sub-Area Plan**
- Financial Software Upgrade**
- Kruckeberg Garden Operational Funding**
- Parks Maintenance Storage Building**



City Street Fund

- **City Street Fund**
 - 47% of resources from Gas Tax & Right-of-Way fees
 - Gas Tax Projected to Increase by 2%
 - General Fund Supports 62% of City Street Expenditures (\$1 million)



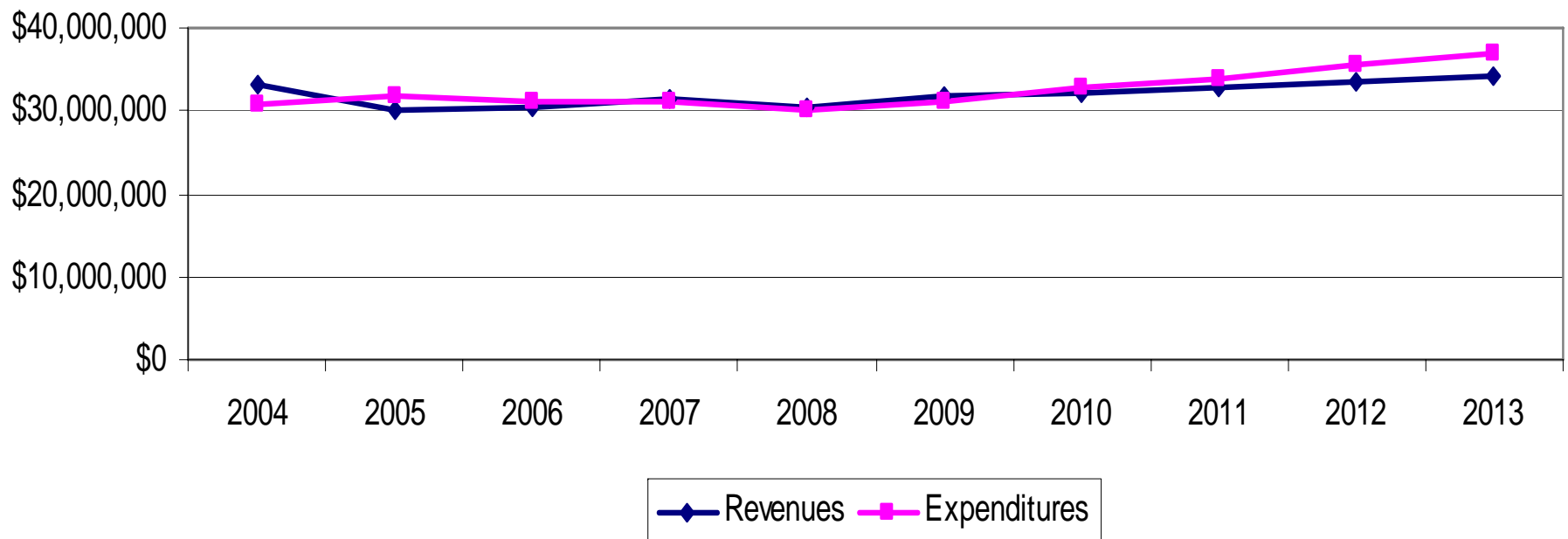
Outstanding Items

- **Natural Gas Utility Tax Revenue**
 - 13% Rate Decrease Approval
- **Street Light Billing**
- **Telephone Utility Tax**



Long-Term Forecast Based on Current Assumptions

City Operating Budget Forecast
10 Year Operating Budget Comparison



Summary

- *City is in Good Financial Position*
- *2008 Proposed Budget will Meet Council Financial Policies and Goals*
- *Balanced Budget Will be Presented on October 15*
- *Current Assumptions Indicate Long-Term Expenditures Growing Faster than Revenues*
- *Intend to balance 2008 and 2009 budget within current authorized revenues*
 - *Future budgets will require additional revenue sources and/or service level reductions*

