

2007 Budget & Long-Range Forecast Update

September 18, 2006

Presented by

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2007 Budget Calendar

Long-Range Forecast Update

April Council Retreat

Budget Development Update

September 18

Transmittal of Proposed 2007 Budget

October 16

Budget Review Workshops

October 23

November 6, 13, 20

Public Hearings

October 23

November 13

Adoption of 2007 Property Tax Levy

November 27

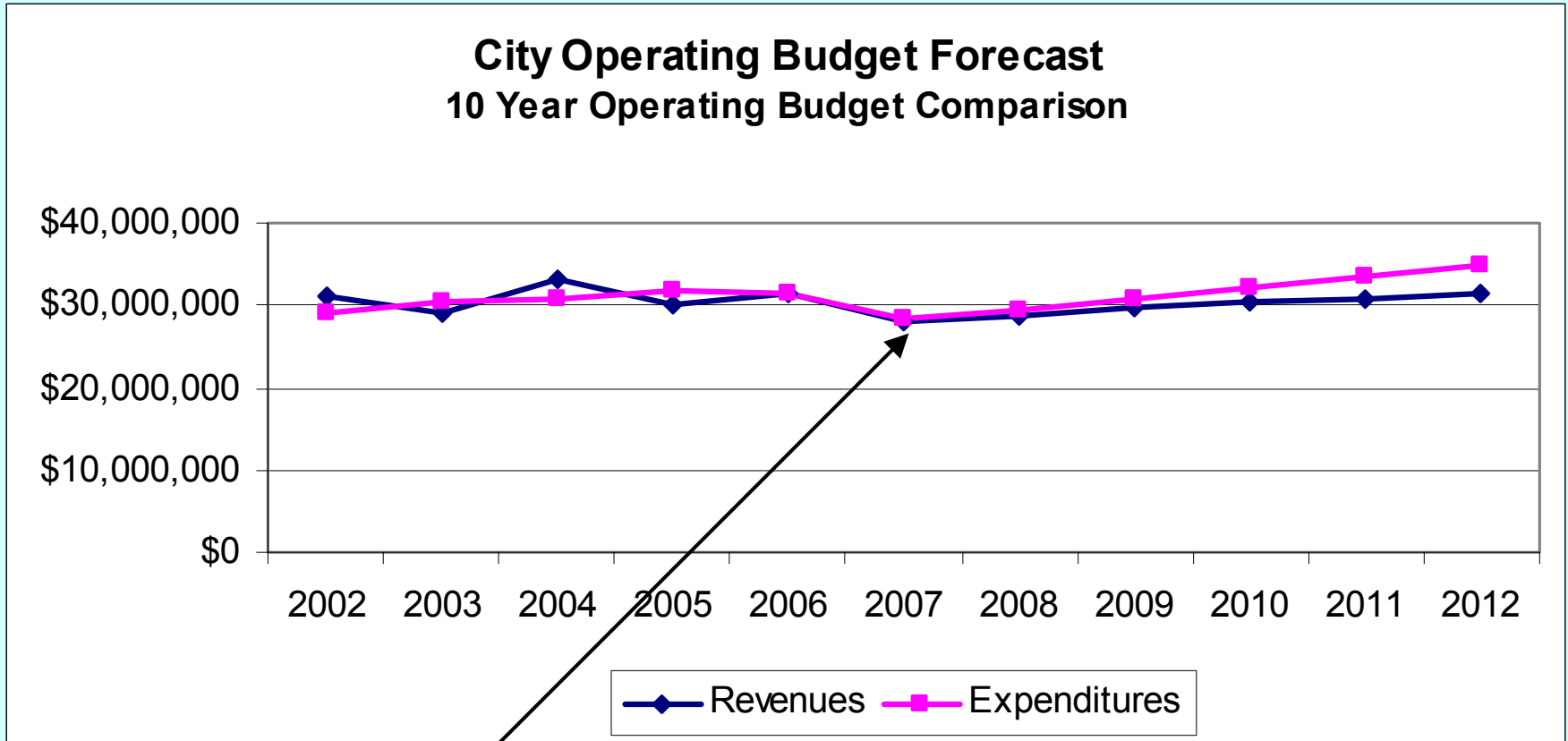
Budget Adoption

November 27

Financial Policies That Guide Budget Decisions

- **On-going expenditures balanced with on-going revenues**
- **Maintain general fund reserves equal to 10% of operating 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



2007 Preliminary Operating Budget currently has a \$280,000 budget gap prior to any changes to levels of service that may be included in the City Manager's Proposed 2007 budget.

What has Changed Since April?

April - Projected 2007 Operating Budget Gap of Approximately \$60,000

- Gambling tax activity significantly weaker (\$451,000)
- Utility contract payments stable
- Utility tax
- June Consumer Price Index Seattle-Tacoma – 4.2%
- Jail activity has stabilized, but at higher usage rates
- State retirement contribution rate increase established by the State Legislature – 98.5% increase from 2006 to 2007
- Health benefits - approximate 8.8% increase from 2006 to 2007
- Human Service funding slight increase to account for anticipated reduction in CDBG grants

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 declining
 - Fine Revenue drop to 0 to offset District Court costs
- **Expenditure Growth**
 - Inflation
 - Jail Usage
 - Increases in utility rates
 - Changes in Retirement Contribution Rates



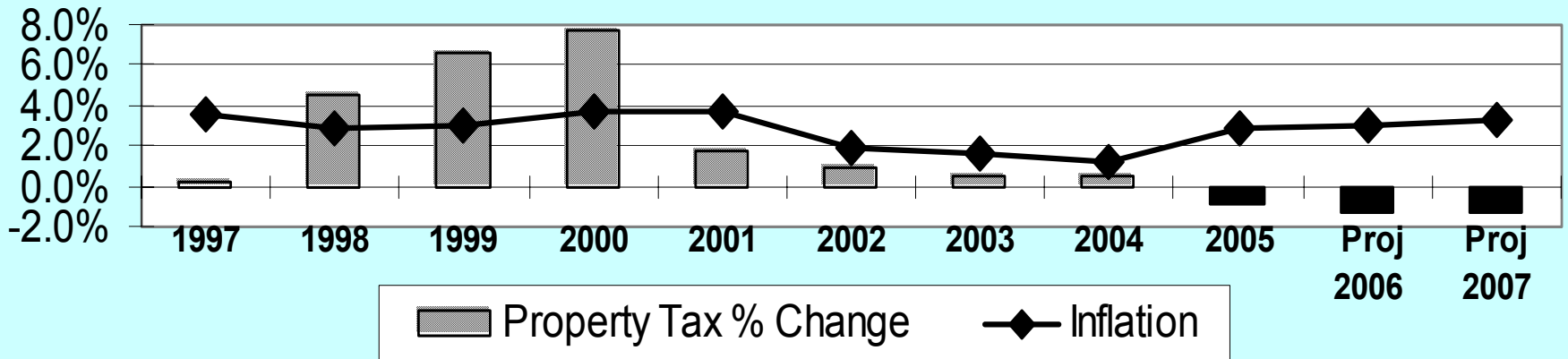
2007 Revenue Projections

General fund operating revenues projected to increase by 1.7%

- Property tax revenue increase by 1.9%**
- Budgeted sales tax revenue increase by 8%**
- Utility taxes, contract payments and franchise fee revenue will increase by 8.4%**
- Gambling tax decrease by 21.4%**
- State shared revenues - flat**
- Recreation program revenues increase by 14.8%**
- Investment interest projected to increase**

Property Tax Levy Growth Rate

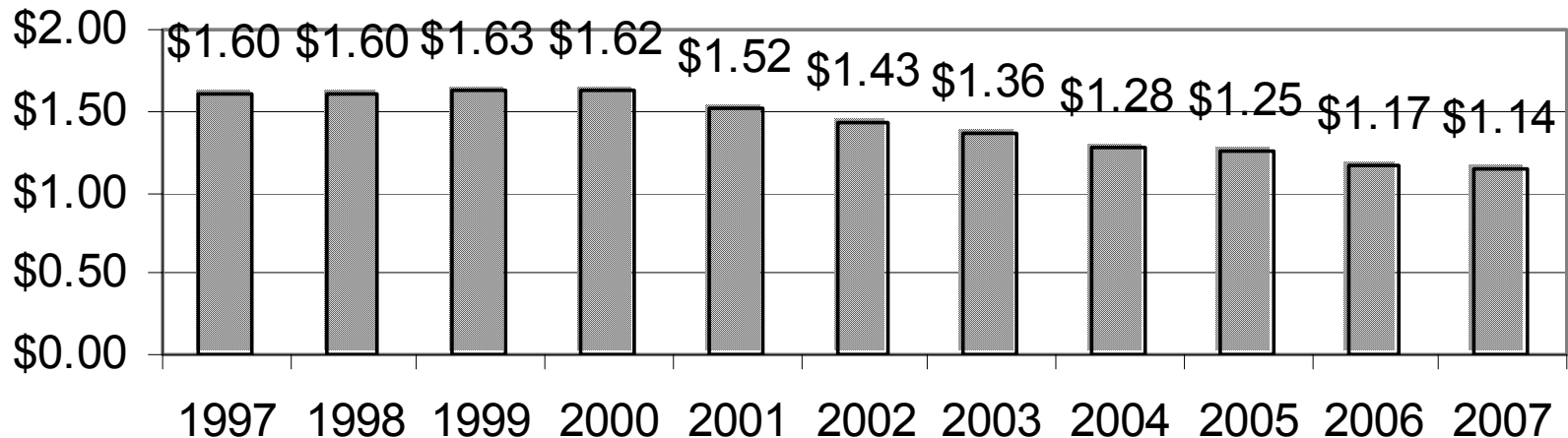
City Property Tax Growth Rate 1997-2007
(Constant Dollars)



Property Tax Rate History & Forecast

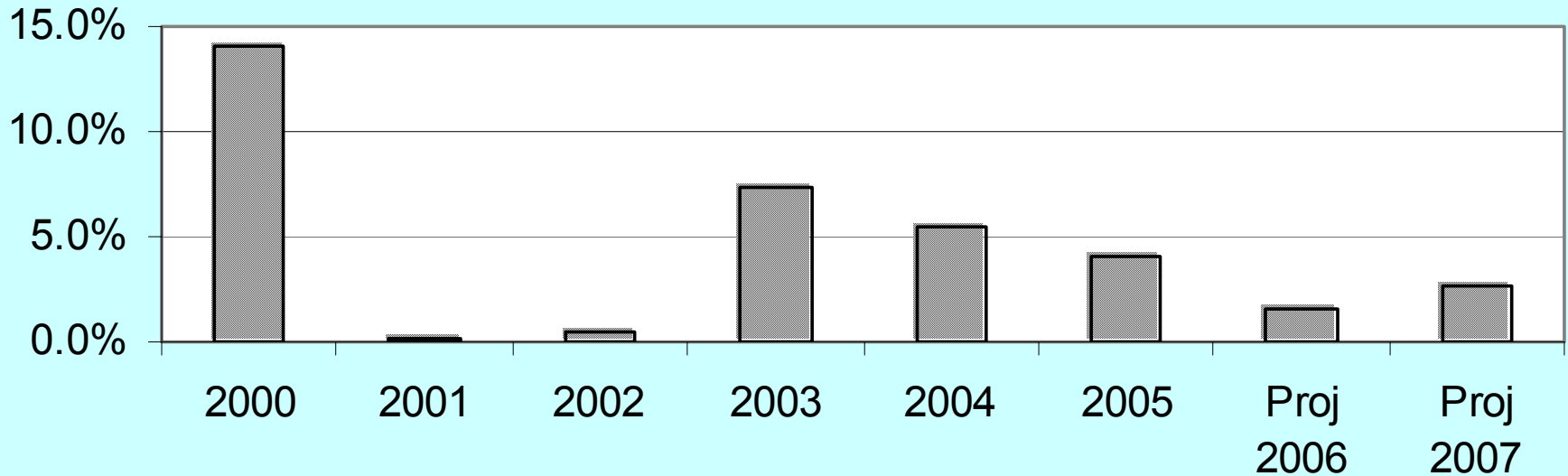
**Property Tax Rate
Per \$1,000 Valuation
1997-2007**

The City's property
tax rate has
dropped by 29%
since incorporation



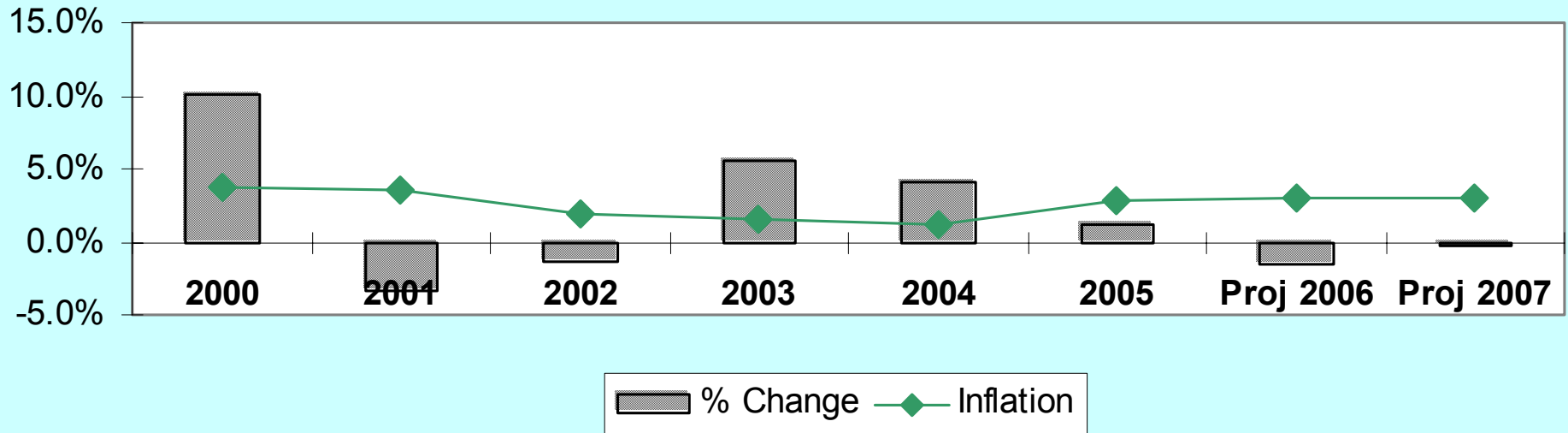
Sales Tax Trends

**Annual Sales Tax Growth
2000-2007
(Real Dollars)**



Sales Tax Trends

**Annual Sales Tax Growth
2000-2007
(Constant Dollars)**



2007 Expenditure Projections

General fund expenditures increase by 1.3%

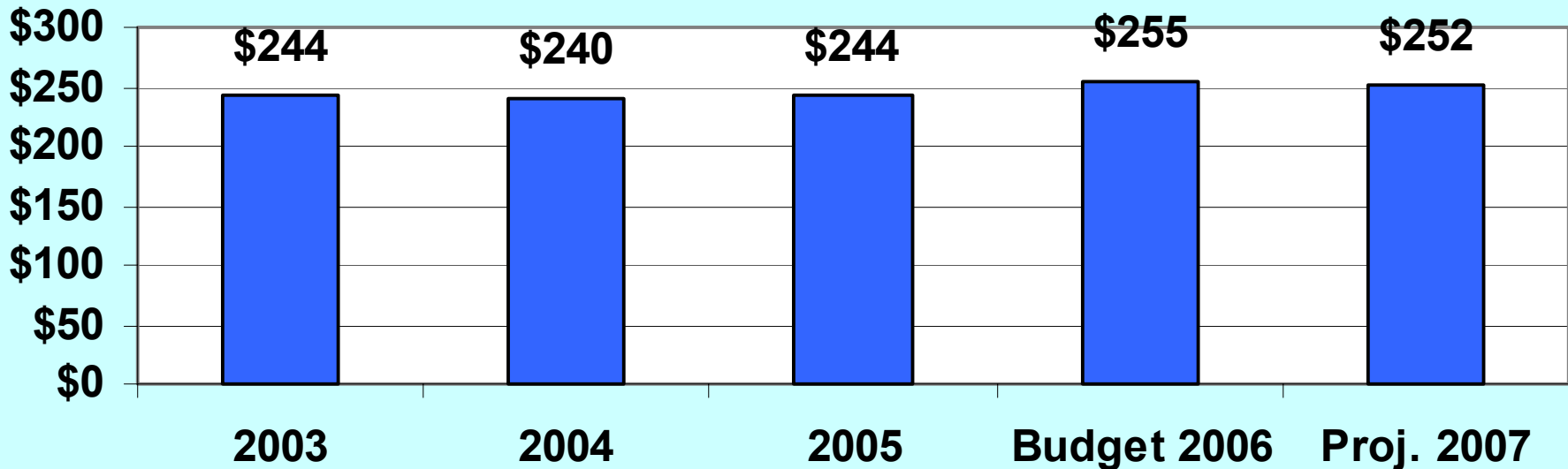
- Personnel costs increase by 7%
- Police contract increases by 5.6%
- Jail costs increase By 46%

2007 Budget vs 2006 Budget

- Capital funding policies remain unchanged

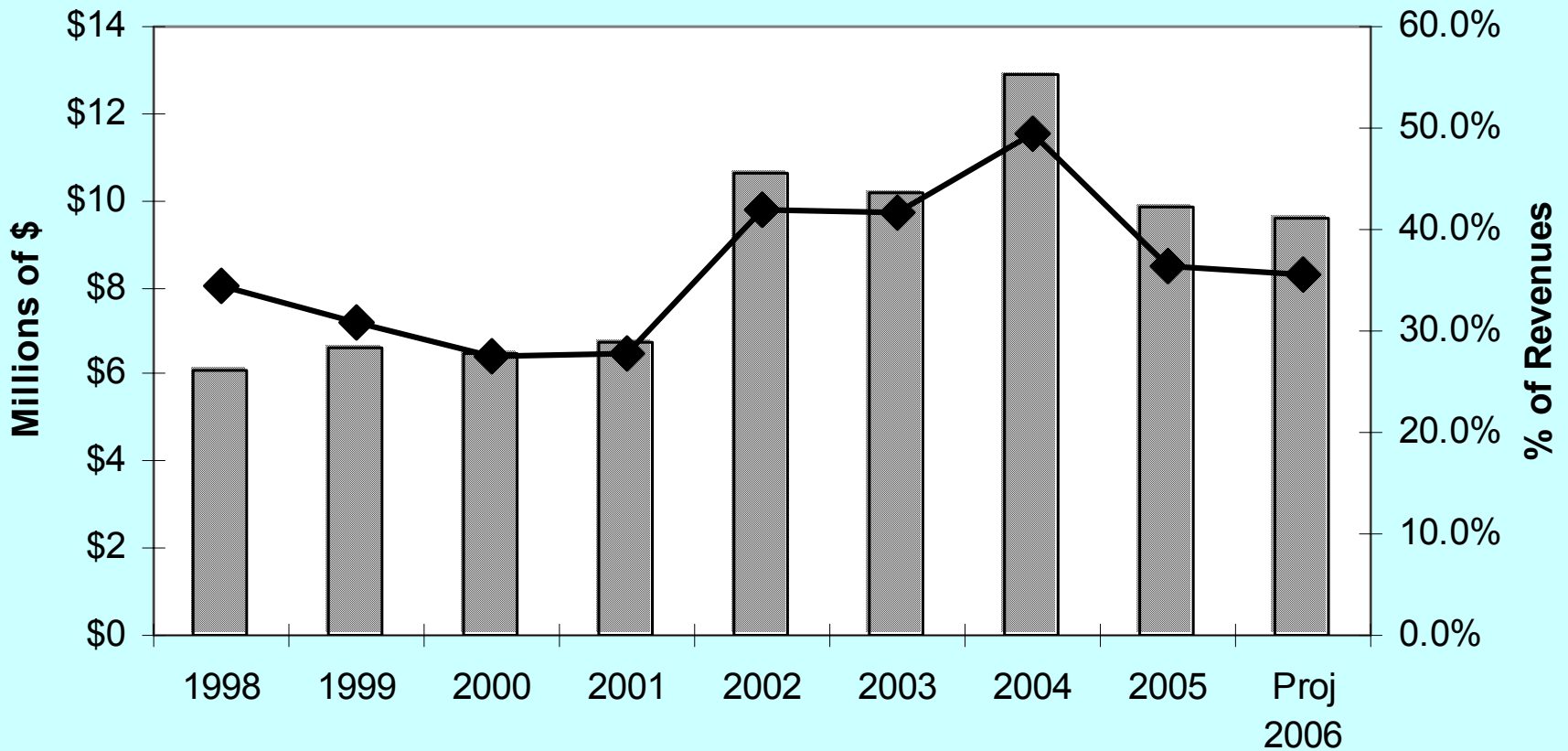
Operating Budget Expenditures Per Capita

Operating Expenditures Per Capita
2003-2007
(Constant Dollars)



General Reserves

General Fund Reserves

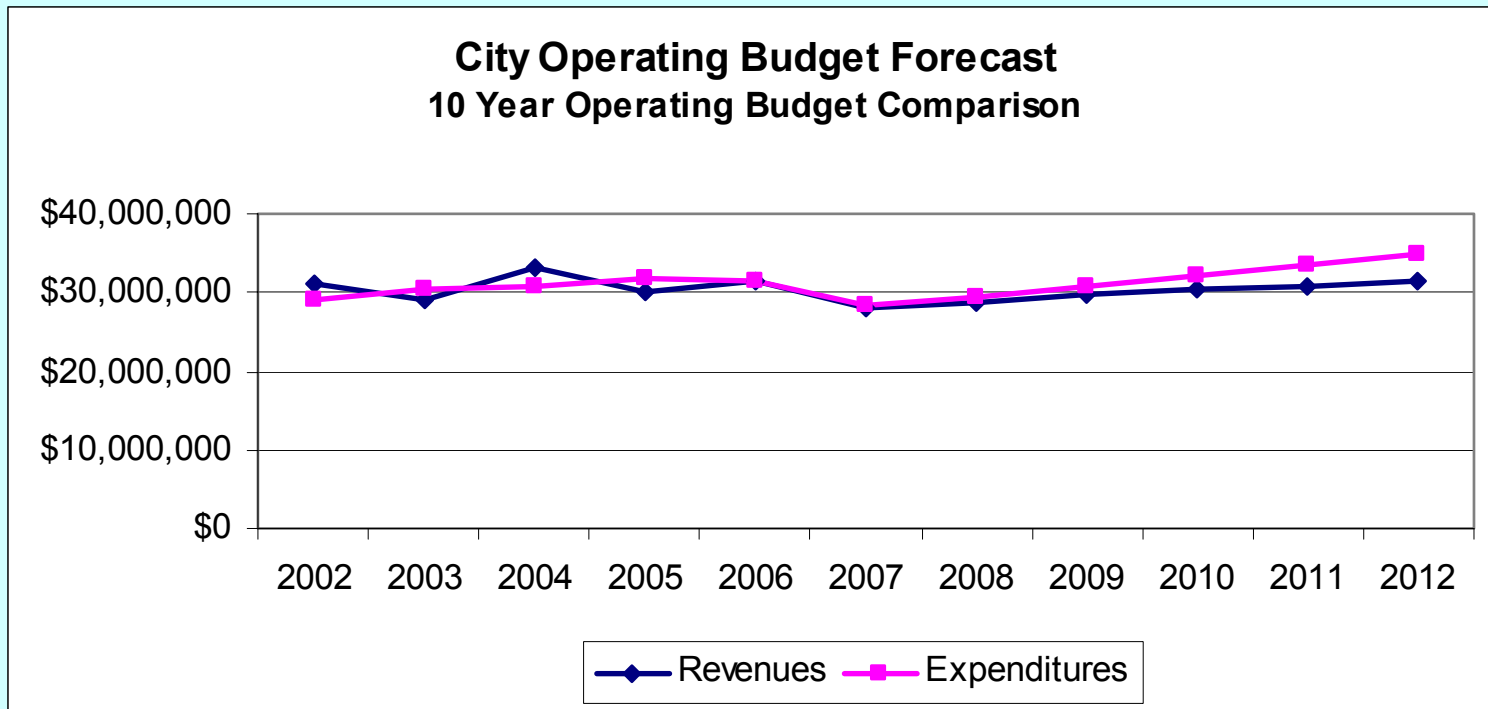


Why Long-Term Forecasts

- ***National Advisory Council on State and Local Budgeting considers financial forecasts a “Best Practice”***
- ***Provides an opportunity to plan for short and long-term economic changes***
- ***Evaluates today’s decisions in terms of long-term financial impact***
- ***Make assumptions based on what is known at a given time***
- ***Changes occur***

Long-Term Forecast Based on Current Assumptions

Expenditure Assumption	Operating Fund Projections		Others			
	2007	100%	99%			
	Base Projections					
	2007	2008	2009	2010	2011	2012
Annual Revenues	28,083,490	28,624,222	29,679,859	30,260,258	30,857,065	31,506,311
Annual Expenditures	28,364,765	29,409,002	30,857,100	32,072,656	33,646,205	34,989,902
Annual (Budget Gap)/Surplus	(281,275)	(784,780)	(1,177,241)	(1,812,398)	(2,789,140)	(3,483,591)



Summary

- **City is in good financial position**
- **Reserves exceed required levels**
- **2007 Proposed Budget will meet council financial policies and goals**
- **Balanced budget will be presented on October 16**
- **Current assumptions indicate that long-term expenditures are growing faster than revenues**
- **2007 Budget will not require new general fund revenue sources – future budgets will**