

Long-Term Financial Forecast

Community Priorities/Long-
Range Financial Planning
Committee

May 1, 2008

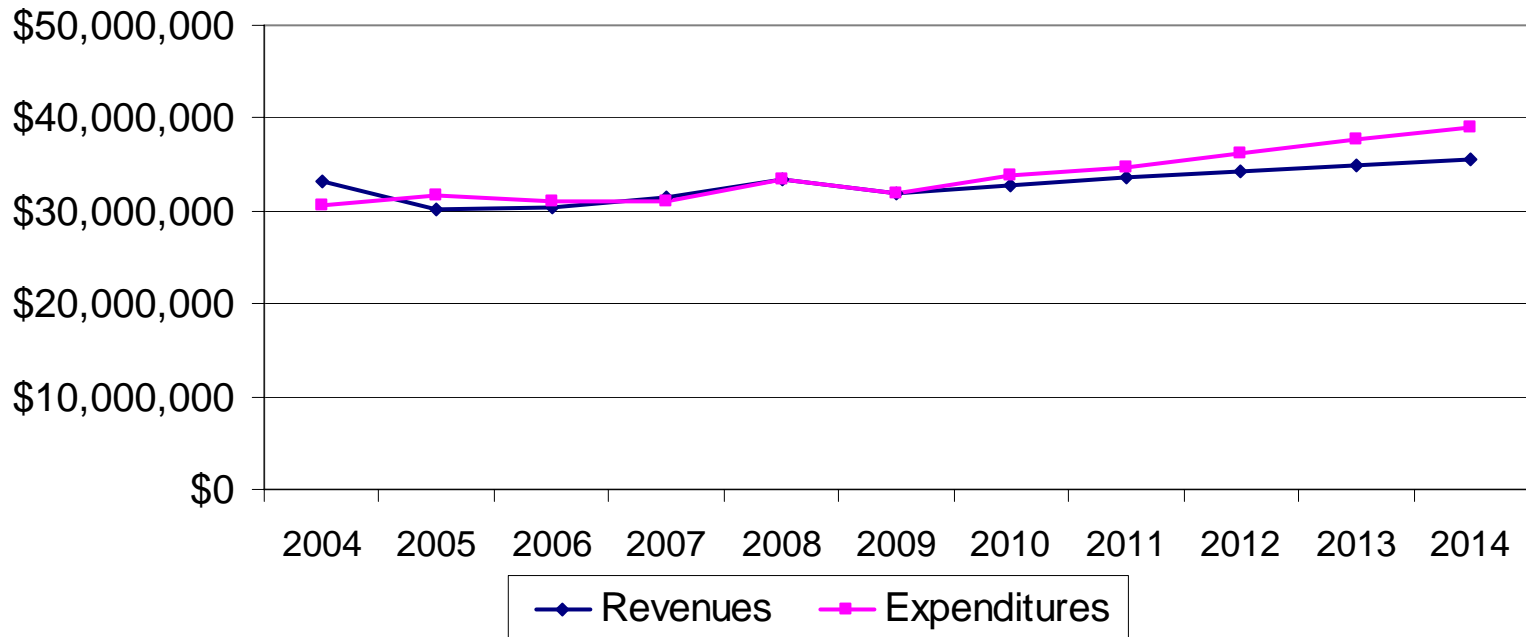
General Assumption

2009-2014 Long-Range Forecast

- Status-Quo – Base Line
 - Maintains Current Level of Service
 - Accounts for anticipated revenue and expenditure changes
 - No “new” stuff
 - No service eliminations
- This Committee will help recommend changes to the Base Line

Operating Budget Forecast Baseline – Status Quo

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



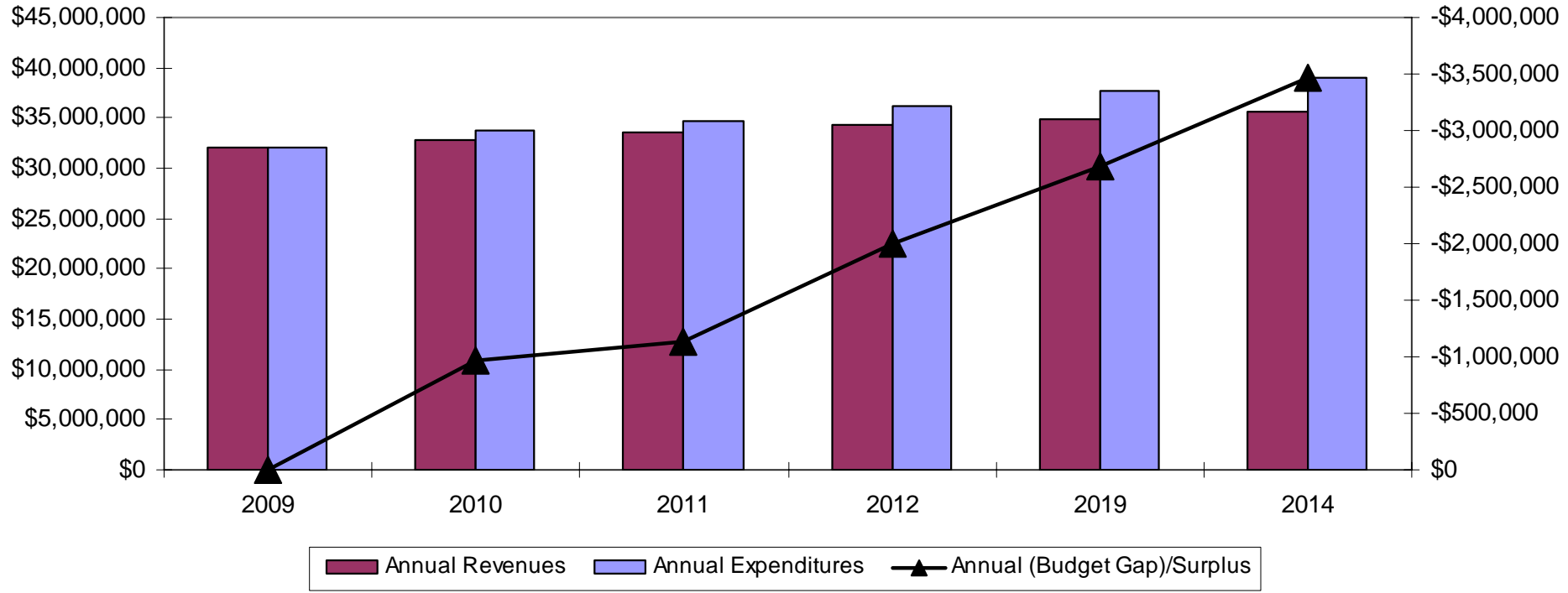
Things City Has Done To-Date to Keep Revenues/Expenditures in Alignment

- 2003 – Modified Employee Health Benefit Policy
 - Average Annual Savings = \$200,000
- Joint City Agreement for Jail Alternatives
 - Difference for 2008 = \$293,000
- Taken Some Services In-House
 - Street Sweeping in 2007 (Better Service/Lower Cost) = \$58,000 annually
- Change How we Deliver/Purchase Services
 - Canine Unit = \$100,000 annually
 - Telephone System = \$100,000 annually
- Baseline Budget Cuts
 - 2005 = \$167,000 and 2007 = \$262,000
- Revenue Enhancements – 2007 through 2009
 - Cable Utility Tax Increase from 1% to 5%
 - Seattle City Light Electricity Contract Payment

Expenditure Assumption

Operating Fund Projections

	2009- 2010		100%	Others	99%	
	Base Projections					
	2009	2010	2011	2012	2013	2014
Annual Revenues	31,969,506	32,797,058	33,535,354	34,277,079	34,960,170	35,618,016
Annual Expenditures	31,969,506	33,759,051	34,663,006	36,271,361	37,644,597	39,082,596
Annual (Budget Gap)/Surplus	(0)	(961,993)	(1,127,652)	(1,994,282)	(2,684,428)	(3,464,580)

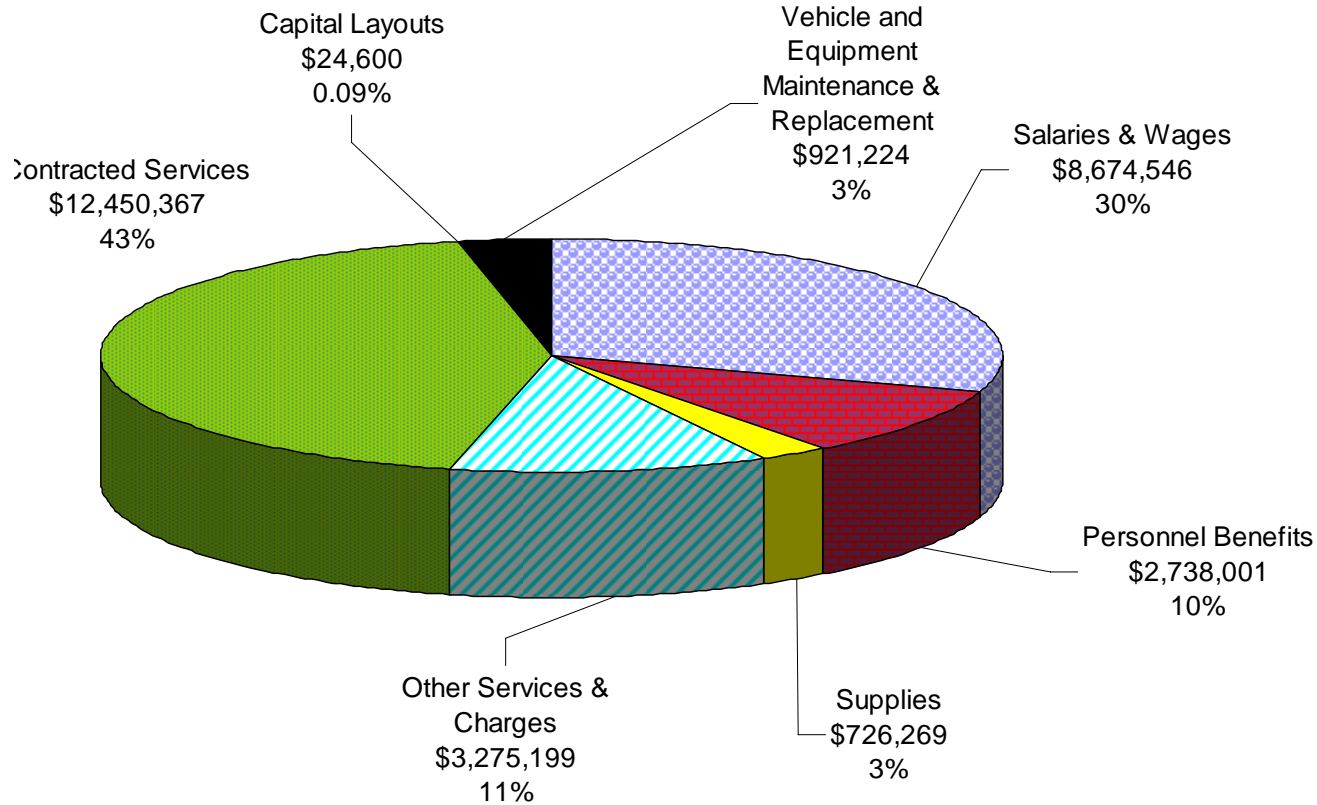


Base-Line Financial Forecast

- Long-Term Structural Imbalance – Why?
 - Revenue Growth Averages 2.5% Annually
 - Property Tax Limited to 1% Plus New Construction
 - Sales Tax Growth Steady, Slightly Ahead of Inflation
 - Gambling Tax Activity Level Flat – No Growth
 - 20% Reduction In Card Room Tax since 2005
 - 50% Reduction in Pull-Tab Activity
 - Closure of bingo facility
 - Utility Taxes & Franchise Fees
 - Inflationary Growth
 - Limited State Shared Revenue Growth
 - King County Forecast for Decline In Building Permit Activity
 - Investment Interest Declining through 2010 - Interest Rate Trends

Service Program Budget by Object

Expenditure category comparison



Base-Line Financial Forecast

- Long-Term Structural Imbalance - Why?
 - Expenditure Growth Averages 4.6%
 - Salaries & Benefits – Average Annual Growth 4.23%
 - Intergovernmental Expenditure Growth Averages 4.7% Annually
 - Services & Charges Expenditure Growth Averages 4.1% Annually

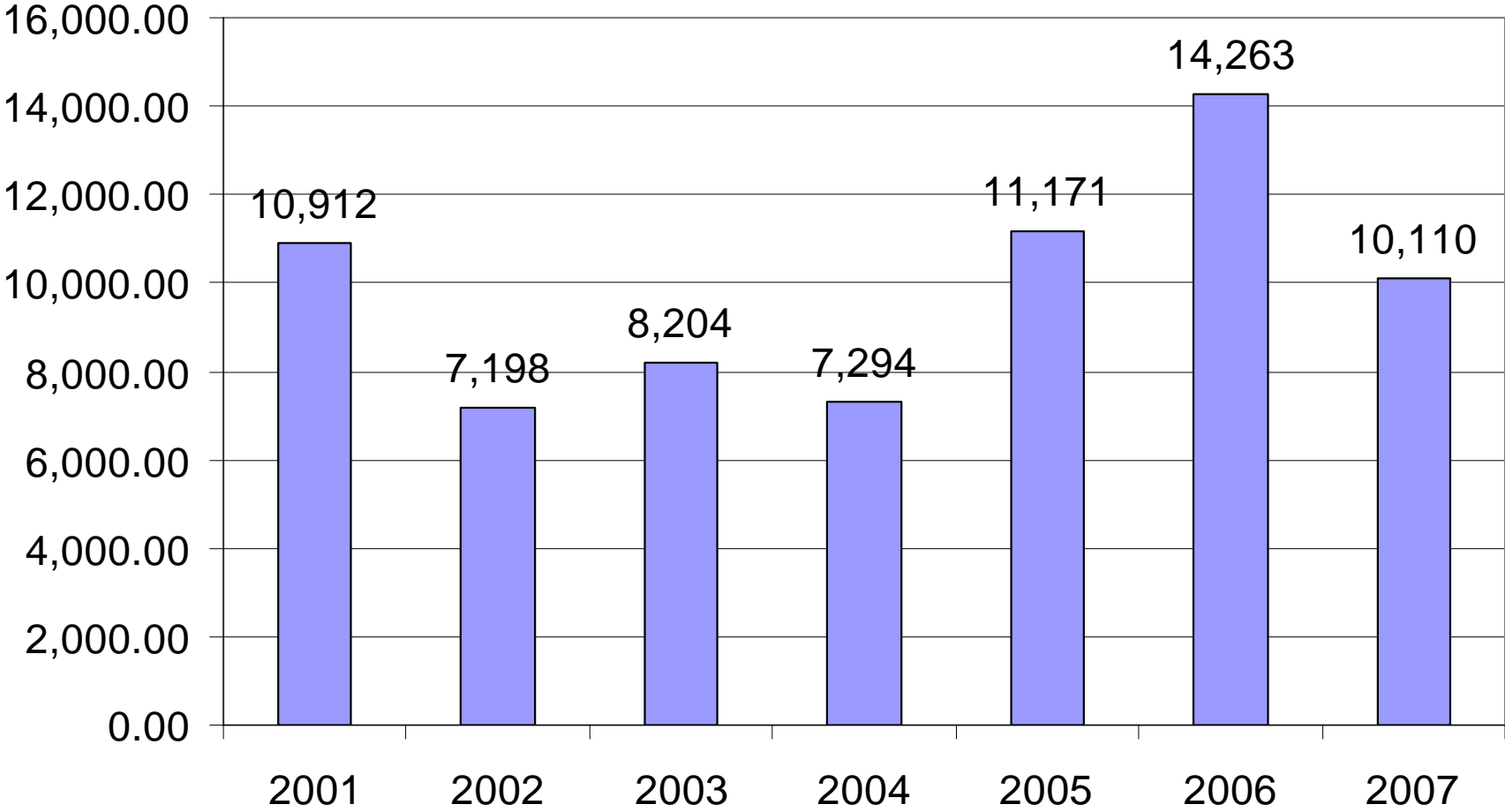
Base-Line Financial Forecast - Salaries & Benefits

- Overall Personnel Cost Growth Averages 4.2% Annually
 - Represents 40% of Operating Expenditures
 - PERS Employer Contribution Rates to Increase from 3.69% in July 2006 to 9.1% in July 2009
 - Health Benefit Increases Average 7.5% Annually
 - Salary Growth Averages 4.2% Annually

Base-Line Financial Forecast - Intergovernmental Contracted Services

- Intergovernmental Contracted Services Expenditure Growth Averages 4.7% Annually
 - Intergovernmental Expenditures Represent 37% of Operating Budget
 - Primarily Police and Jail Contracts
 - Police Average Annual Increase 5% with no change in service level
 - This may be optimistic if we see inflation start to spike
 - Jail Average Annual Increase 5.4% with no increased activity level

Annual Jail Bed Days

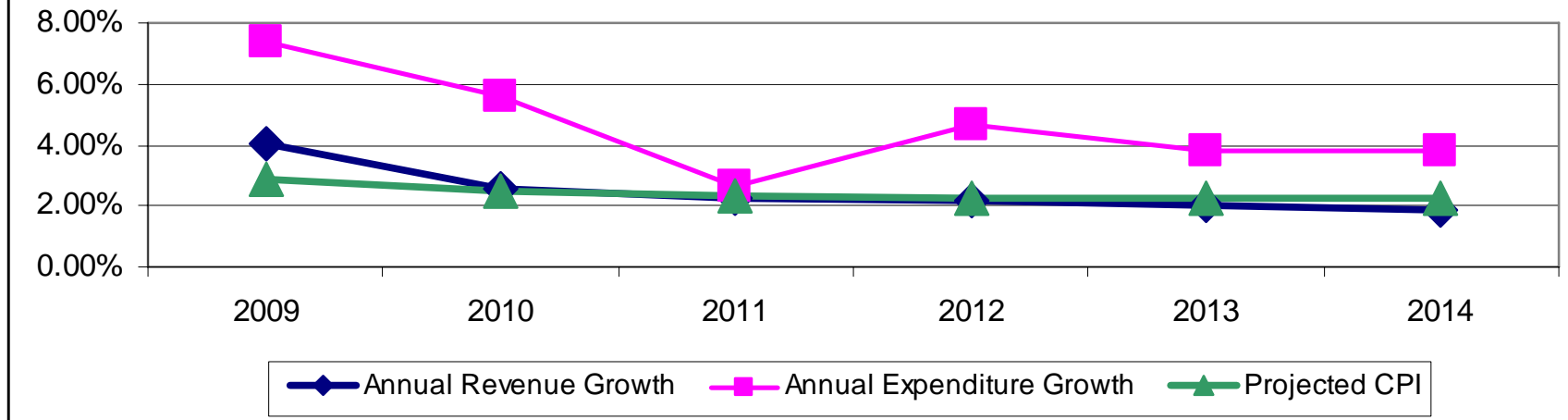


Base-Line Financial Forecast - Services & Charges

- Services & Charges Expenditure Growth Averages 4.1% Annually
 - Services & Charges Expenditures Represent 20% of Operating Budget
 - Includes following:
 - Utilities (Electricity, Water, Natural Gas, Street Lights, Telephone)
 - Street Lights Increase by 50% others Inflation
 - Human Service Contributions – Inflationary Increases
 - Maintenance services –Inflationary Increases and completed capital project needs
 - Liability & Property Insurance
 - City Hall Lease and/or Debt Service (New Facility in 2009)
 - Initially will be more than current building rent costs
 - REET contribution towards increased costs (\$775,000 annually)
 - Travel, Training & Dues – Flat
 - Other Services & Charges (i.e., printing, postage)

Projected Annual Change

**Baseline Forecast Annual Growth Rates
2009-2014**



	2009	2010	2011	2012	2013	2014	Average
Annual Revenue Growth	4.06%	2.59%	2.25%	2.21%	1.99%	1.88%	2.50%
Annual Expenditure Growth	7.38%	5.60%	2.68%	4.64%	3.79%	3.82%	4.65%
Projected CPI	2.88%	2.50%	2.31%	2.25%	2.29%	2.28%	2.42%

Council Action in 2007

Short-Term Strategy (2008-2009)

Effective July 1, 2007

- Base Budget Reductions (\$78,000/yr)
- Increase Cable Utility Tax from 1% to 6% (\$500,000/yr)

Effective April 1, 2008

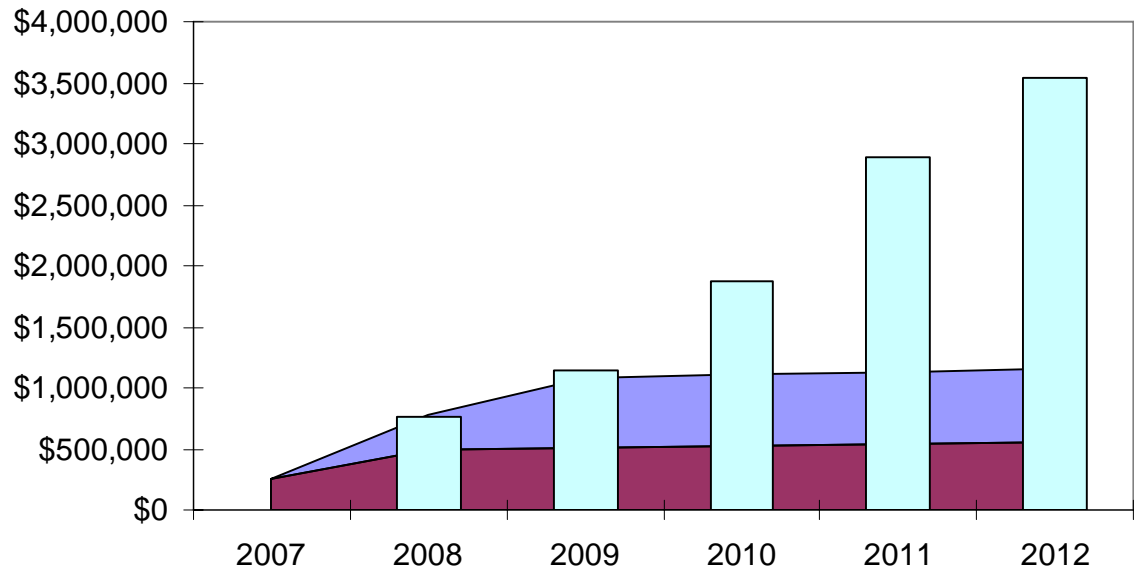
- 3% Contract Payment from Seattle City Light on Distribution Portion of Electric Revenues (\$225,000/yr)

Effective January 1, 2009

- Additional 3% Contract Payment for a total of 6% from Seattle City Light (\$225,000/yr)

Short-Term Strategy to Close Budget Gaps

- Operating Budget Changes - \$125,000
- Increase Cable Utility Tax from 1% to 6%
- Assess Contract Payment on Electric Distribution Revenues



■ SCL Distribution Contract Fee - 2008 @ 50%
■ Cable Utility Tax - Effective July 1, 2007
■ Projected Budget Gap

Long-Term Strategy

- Form a Community Advisory Committee
 - NW Public Affairs will assist with facilitation
- Review:
 - Long-Range City Vision
 - What do we want our community to look and feel like?
 - City Services
 - Are we efficient, are they the right services, should service levels decrease and/or increase?
 - Is there value to the taxpayer?
 - Long Range Funding of City Government Services
 - Levels of service, scope of services, additional investment
 - Develop a Recommendation to the City Council
 - Phase I – January-July 2008

Long-Term Projected Budget Gap Summary

Year	Projected Budget Gap
2010	\$1 Million
2011	\$1.1 Million
2012	\$2 Million
2013	\$2.7 Million
2014	\$3.5 Million