

# BUDGET TIMELINE DISCUSSION

March 8, 2016  
City Council Regular Meeting

# Interim City Mgr. & Mayor Request

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1. Draft Timeline for 2017-2018 Budget
2. Budget actions taken in Jan/Feb of 2016
3. Utility Tax Projection Update/Status

# #1 2017-2018 Budget Calendar

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- Macro Budget Workshop – typically June
- ❑ July-Aug: Staff budget preparation
- ❑ Sept: Filing of Prelim. Budget by City Mgr.
- ❑ Oct: City Council budget workshops providing further direction on preliminary budget proposal.
- ❑ Nov: Property Tax public hearing and 2017 levy rate determination to be made by City Council
- ❑ Nov/Dec: Final adoption of 2017-2018 Biennial Budget.



## #2

# 2016 Budget Actions

- The Interim City Manager has taken action to work with City Council to re-visit the Mission, Vision and Goals of the Council to inform the budget priorities for the upcoming period.
- As these goals are being finalized, Departments have independently continued to take actions to monitor and under spend their department budgets for 2016.  
NOTE: Some of these under runs are a result of position vacancies that are not immediately filled.
- NOTE: The 2015 Budget period has yet to be closed. This will form the latest baseline for the 2016 year end estimate and 2017-2018 beginning fund balances.

# #3

# Utility Tax Update

## UTILITY TAX IS NO LONGER IN PLACE:

Original Budget = \$5.4 M

2015-2016 collections = \$2.4 M

Amount of Under run = \$3.0 Million thru 2016

- With \$2.7 Million Utility Tax in 2016; the budgeted ending fund balance (EFB) for the general fund = \$ 9.1 Million, which is \$1.1 Million above the 3 month strategic operating reserve of \$8.8 M
  - Source: (Page 47 of 2015-2016 adopted budget document)
  - If all else is = to the budget plan then, EFB = \$6.1 Million at end of 2016 (17% reserve vs. the target of 25%)

# #3

# Utility Tax Update

## What about 2017-2018?

The Long Term forecast was considered previously by the former Council Budget Working Group in the package of measures that balanced the 2015-2016 Budget with a reserve above the 25% amount.

1. What is Council's definition of a balanced budget?
2. What would you like to direct the Interim City Manager to do to balance the 2017-2018 Budget? How does the Council wish to prioritize funding services?

General Options: Increase Revenues, Decrease Expenses, use/build reserves for a one-time fix.

# REMINDER: 2015-2016 Budget Balancing Measures

**\$900K**

Proposed Fee Increases

**\$5.4 million - Utility Tax**

**(\$910K) - Expenditure Reductions which included layoffs and other cuts**



# General Fund Revenue Drivers

<b>GENERAL FUND REVENUE</b>	<b>2016 Budget</b>	<b>% of Total GF</b>
Property Tax	\$ 13.0	36%
Sales Tax	11.7	32%
Utility Tax	2.7	8%
<u>All other Revenues</u>	<u>8.8</u>	<u>24%</u>
<b>TOTAL REVENUE</b>	<b>\$ 36.2</b>	<b>100%</b>

Property Tax Growth, regular levy limited to 1% or increase in Implicit Price Deflator (IPD).

-The increase in assessed valuation and new construction are key elements that influence which State limit gets put into place.

Sales Tax Growth (projected at 3% over 2015) is related to consumption, tourism, and general economic swings



# General Fund Major Expenses

(\$'s rounded to millions)

CONTRACTED PUBLIC SAFETY COST ARE 55% OF THE GENERAL FUND IN 2016 AND ARE EXPECTED TO GROW MORE THAN 1%

<b>2012 THRU 2015 HISTORICAL COSTS OF PUBLIC SAFETY</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015 Estimate</b>	<b>2016 Budget</b>
Fire Services/KentRFA*	\$ 7.3	\$ 8.0	\$ 9.1	\$ 9.3	\$ 10.0
KCSO – Police Services	<u>8.3</u>	<u>8.6</u>	<u>8.8</u>	<u>8.9</u>	<u>9.4</u>
Subtotal	15.6	16.6	17.9	18.2	19.4
% Increase by Year		6.4%	7.8%	1.7%	6.6%

\*2014 is the first year of interlocal (ILA) with Kent RFA

4 Year Average % Increase in Contracted Public Safety = 5.6%

# Looking Forward

## What is beyond 2016?

1. Total City Budget - Capital Infrastructure needs are not included in the operating forecast
2. Total City Budget – Operational impact of new capital improvement(s) are not included in forecast
  - ❑ Increased cost of maintenance
3. Legislative outlook
  - ❑ Likely to be decreased State grant funding, state shared revenues, with increasing regulation/compliance requirements and increasing state pension obligations
  - ❑ Medical cost increases – implementation of the Federal Health Care Law, what it will mean to competition for talent and cost implications to employers and employees.
4. Current AFSCME Labor contract ends 2016.

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Thank you!

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