

DRAFT PRELIMINARY 2015-2016 BUDGET

October 9, 2014
City Council
Budget Workshop

2015-2016 Budget Calendar

- ✓ June 23: Macro Budget Workshop
- ✓ July-Aug: Staff budget preparation
- ✓ July-Sept: Council directed Budget Working Group meetings on long-term funding
- ✓ Oct 1: City Manager files DRAFT budget
- Oct 9:
 1. Working Group makes recommendation to full City Council at City Council budget workshop
 2. Review DRAFT operating and capital budgets and provide any additions/reductions direction.
 - Staff prepares agenda bills/ordinances for Oct/Nov

2015-2016 Budget Calendar

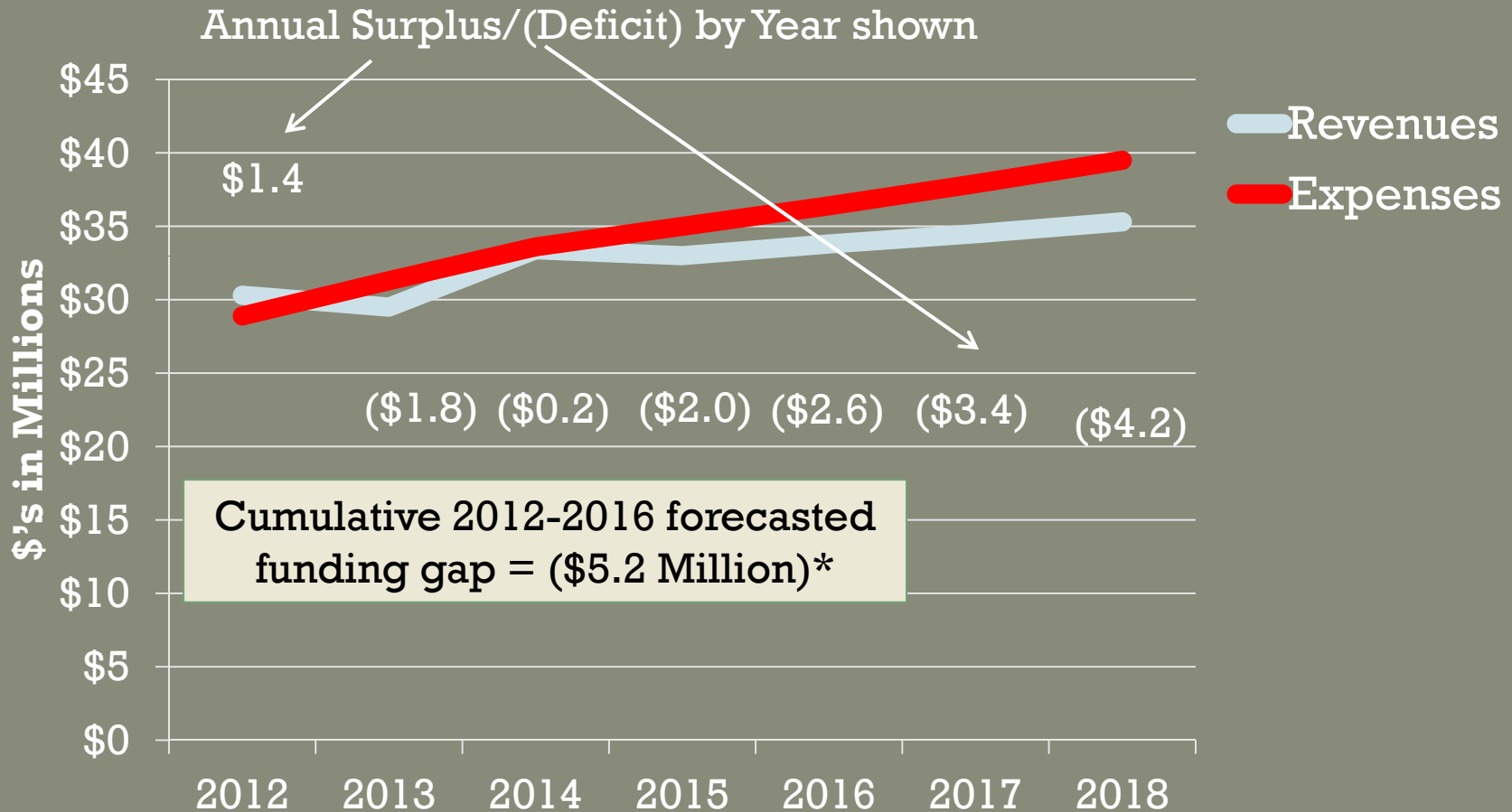
- ❑ Oct 14/28: Draft Agenda Bills/Ordinances if any requested changes.
- ❑ Nov 1: sixty-day notice due if imposing new taxes with Jan. 1 implementation date.
- ❑ Nov 11: Property Tax public hearing and 2015 levy rate determination to be made by City Council
- ❑ Nov 11/25 or Dec: Final adoption of 2015 Property Tax Levy Amount, 2015-2016 Biennial Budget, 2015-2020 CIP.

General Fund Forecast (2014-2018)

Major Assumptions:

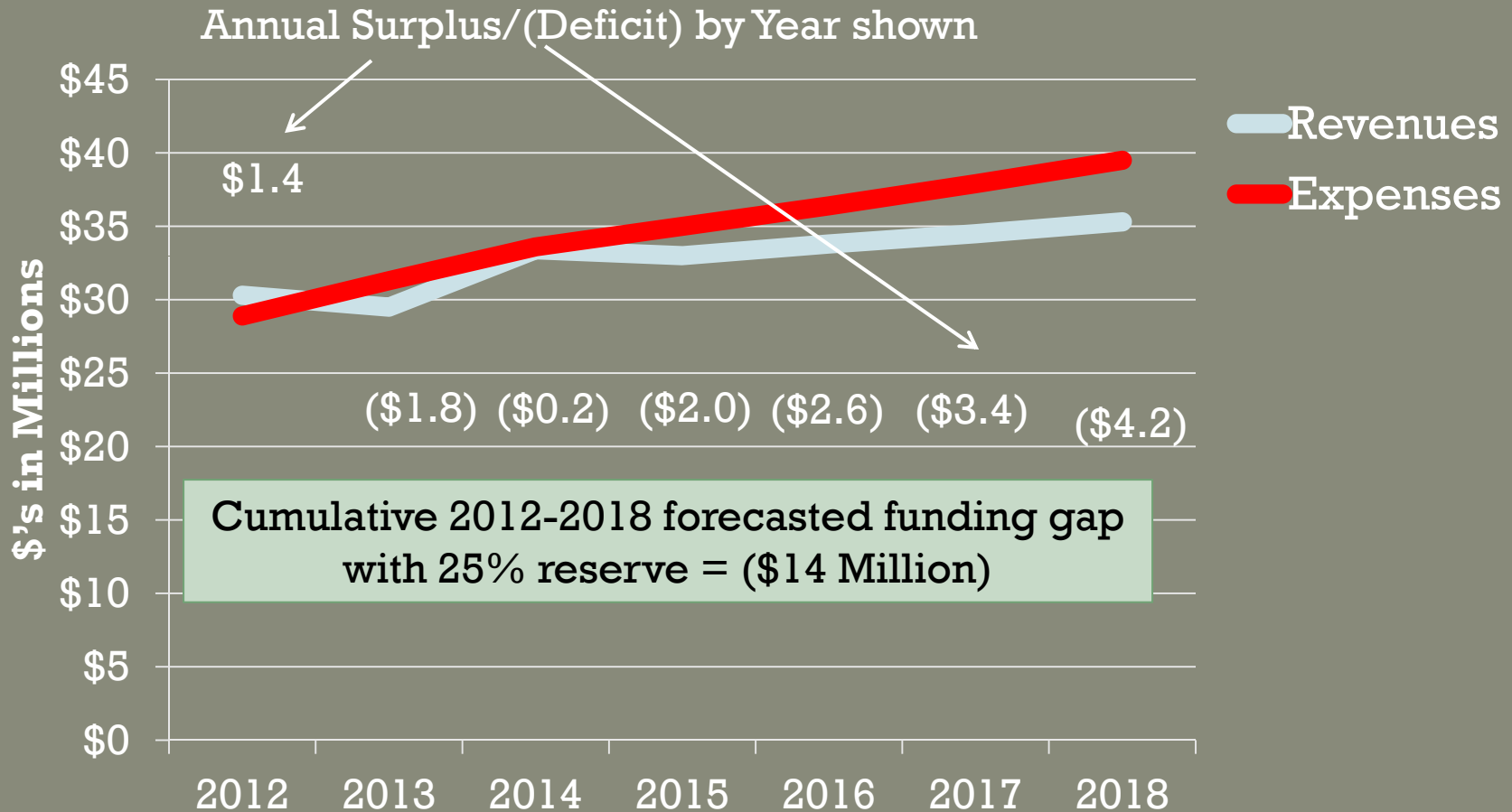
1. Property Tax remains at \$3.10/\$1000 AV cap.
 - If assume total Assessed Valuation increases at 2% per year, this cap will be in place until 2018
2. No new taxes, continue current Fee structure
3. All other revenue types increase at 2%
4. Non-Personnel expenses increase at 2%
5. Estimate 4.5% composite increase on Personnel expenses (salary and benefit factors combined)
6. Estimate 4.5% increase in public safety contracts
7. Transfer into the general fund \$920K per year related to construction sales tax.

5 Year Forecast – General Fund (2014-2018) at Macro Budget



*Excludes growth in Reserve, with 25% reserve = (\$5.5 M)

5 Year Forecast – General Fund (2014-2018) at Macro Budget



The Structural Challenge

1. Balancing Issues:

- ❖ Structural imbalance – revenue growth restrictions (1% cap on property tax) cannot continue to cover even minimal inflationary growth in expenses (2-3% historically).
- ❖ Public Safety Costs are the largest portion of the General Fund, and annual historical growth in this cost area is significantly and repeatedly over 3% per year.

General Fund Revenue Structure

Joint Recommendation from Working Group & City Manager for 2015-2016 Budget:

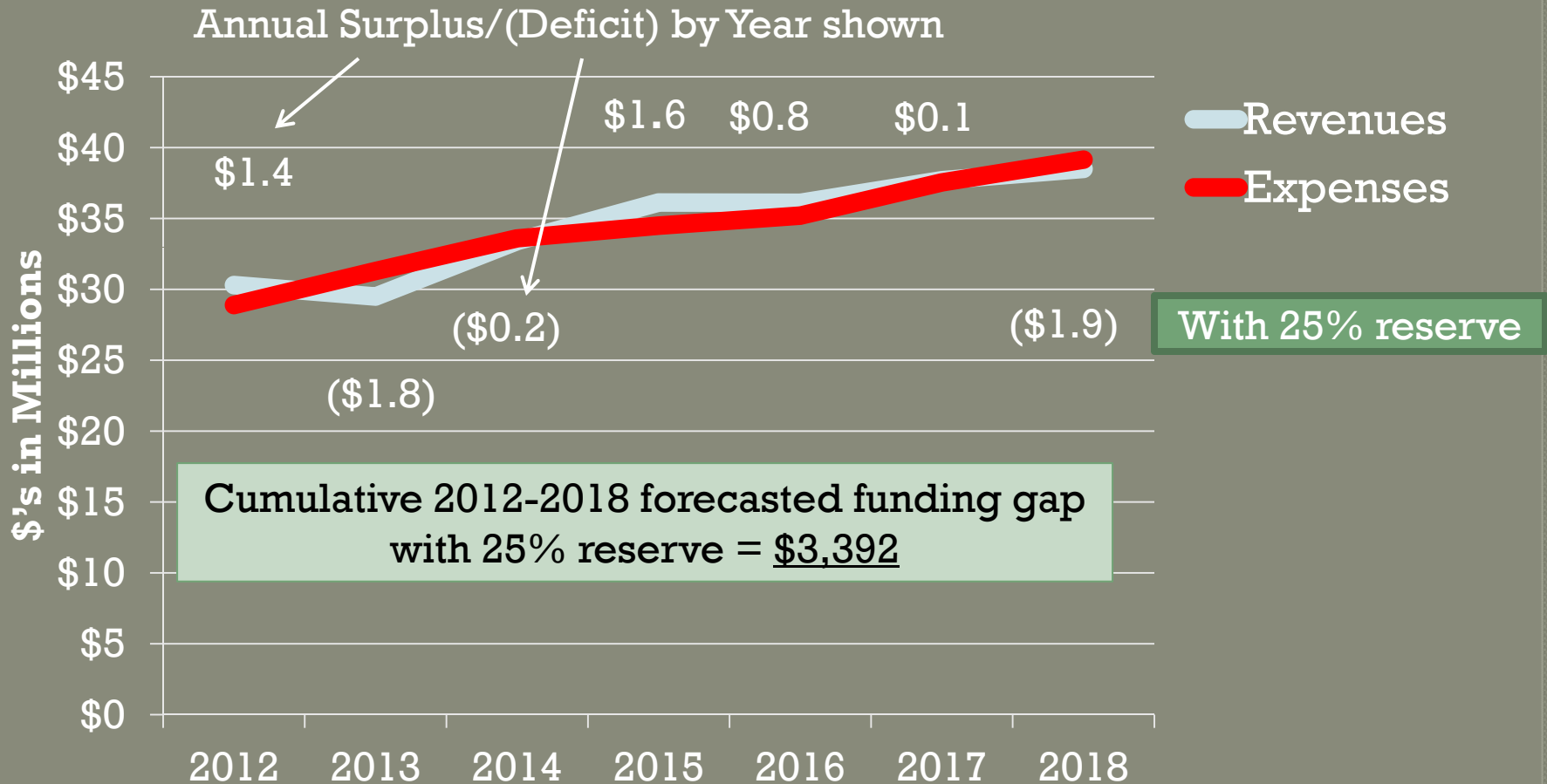
1. Add a 6% Utility Tax at \$2.7 M per year
2. Increase Cost of Services Fee's to 50% of market with inflation clause = CPI-W
3. Utilize \$920,000 of construction sales taxes to sustain 2015-2016 operations
4. Continue to levy a property tax rate at the \$3.10/\$1000 assessed value amount.

General Fund Expense Structure

Joint Recommendation from Working Group & City Manager for the 2015-2016 Budget:

1. Decision cards totaling \$604,724 over the biennium.
2. Expense Reductions totaling (\$1,240,679) over the biennium.
3. City personnel: 2.49% COLA and continuation of medical coverage for Non-Represented positions. AFSCME represented positions were covered by separate agreement that City Council authorized in September.
This is an extension of 2013-2014 terms, no new terms are being added.
4. Public Safety Costs:
Fire Service ILA with Kent RFA increases at 7% in 2015 and 3.4% in 2016 (assumes 2% CPI)
Police Services with KSCO increases at 3.7% in 2015 and 3% in 2016
5. Increase the \$473k of human services funding in 2014 to \$510k in 2015 and \$525k in 2016 (set at 1.5% of the General Fund)
6. Maintain 25% strategic reserve balance for 2016 = \$8.8 M

5 Year Forecast – General Fund (2014-2018) with Draft Budget



Further Details on Major Components of General Fund

- ◉ Utility Tax
- ◉ Cost of service fees increase
- ◉ Decision Cards
- ◉ Reductions

2016 Ending Balances – ALL FUNDS

(\$'s Rounded to Millions)

FUND	2016 BUDGET
001 General	\$10.2
102 Street	7.9
103 Contingency Reserve	0.8
105 Port ILA	1.3
106 Transit Planning	0.1
107 Hotel/Motel	6.0
108 Building Management	2.4
110 Facility Repair/Repl.	0.0
111 Des Moines Creek ILA	0.4
206 2009 LTFO Refunding	0.0
301 Capital Improvements	1.0
306 Municipal Facilities CIP	0.0
307 Transportation CIP	1.0
308 Light Rail Stn Areas CIP	0.1
403 SWM Utility	7.8
501 Equipment Rental	0.1
TOTAL	\$39.2

Operating Reserve Restriction*

Funds to close due to GASB 54 and other Financial reporting requirements:

FUND #103, #105, #110, #406, # 303.

*Target is 25% of General Fund Budgeted Expenditures or \$8.8 M
 NOTE: General Fund Request is a 2.5% increase in 2015 and 2% in 2016

Department Presentations

- ◉ Department Roadmap
- ◉ Align & Improve Memo
- ◉ Decision Cards
- ◉ Questions on the 2015-2016 request?