

City of Burien



2018 General Fund Financial Plan

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Introduction / Background

FCS Group was contracted to create a financial plan for the City's General Fund:

- Historical trend analysis – 10 years
- Baseline forecast based on 2019-20 Preliminary Budget – 10 years
- Financial plan scenario alternatives to address potential revenue/expenditure gap
- Policy review for best budgeting and financial practices

Key General Fund Forecast Issues:

- Preliminary Budget: ongoing revenues are balanced with ongoing expenditures – use of reserves for one-time capital expenditures
- Sales tax annexation credit expires July 2020 (\$1m annually) – revenue/expenditure gap begins 2021
- Potential future funding needs – enhanced public safety, Public Works/PaRCS Maintenance Partnership Facility funding gap, Community Center

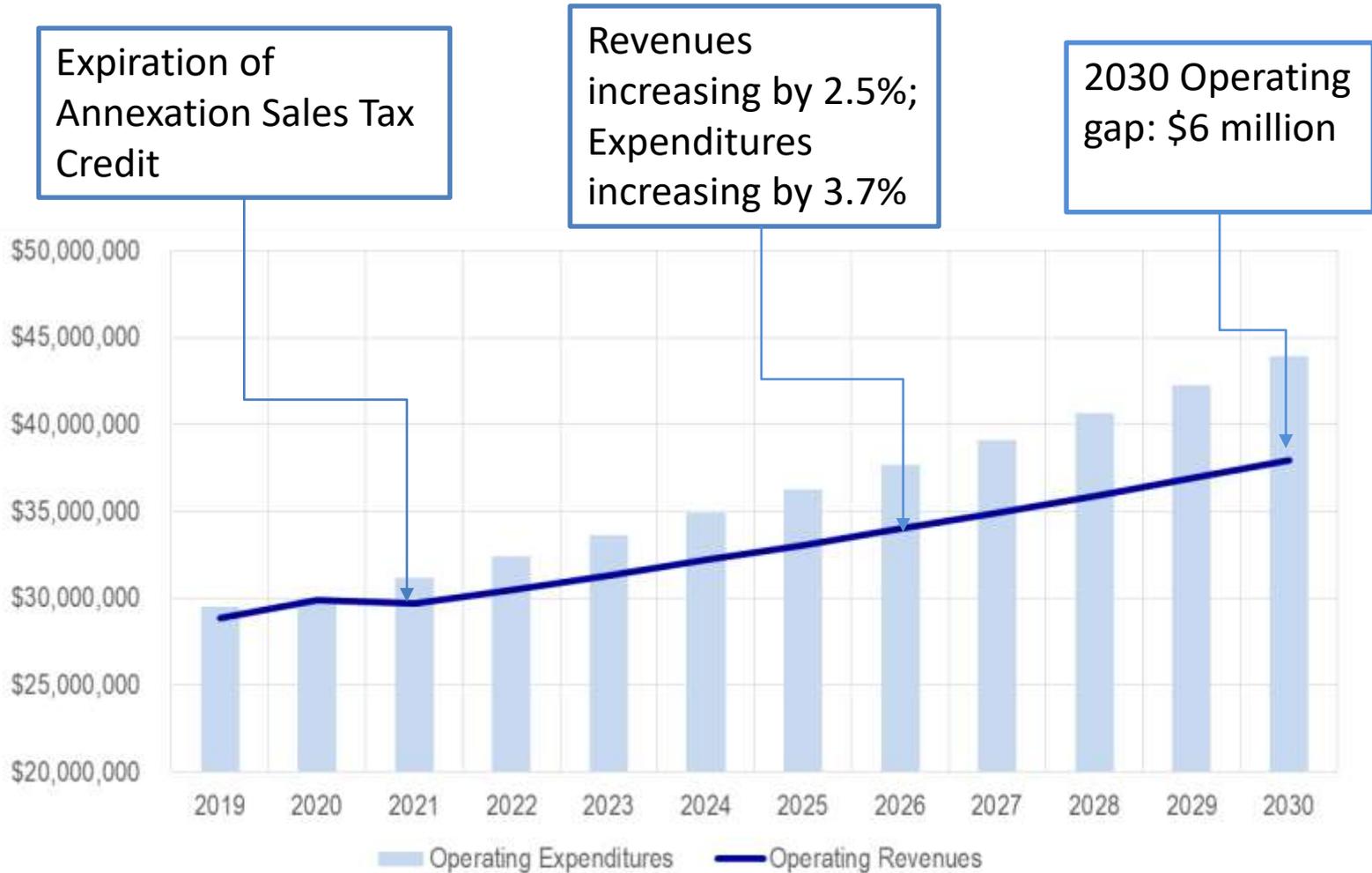


Study Data and Assumptions

Data	Detail
Historical Data	City provided 10 years (2008-17) of actual expenditures and revenues to provide an historical perspective by line item
Property Tax Revenue	Assessed Value and New Construction – Based on historical average, 2010-17. In 2020, 100% to General Fund (10% was dedicated to capital projects from 2012-19)
Sales Tax Revenue	Sales tax revenue escalated consistent with budgeted 4% in 2019-20, consistent with historical average
Personnel Costs	Salaries and Wages as contracted (per labor agreement - CPI), benefits 6% annually based on staff input
Inflationary Factors	The Seattle Consumer Price Index (forecast provided by Economic and Revenue Forecast Council through 2024)



Status Quo – Operating Forecast



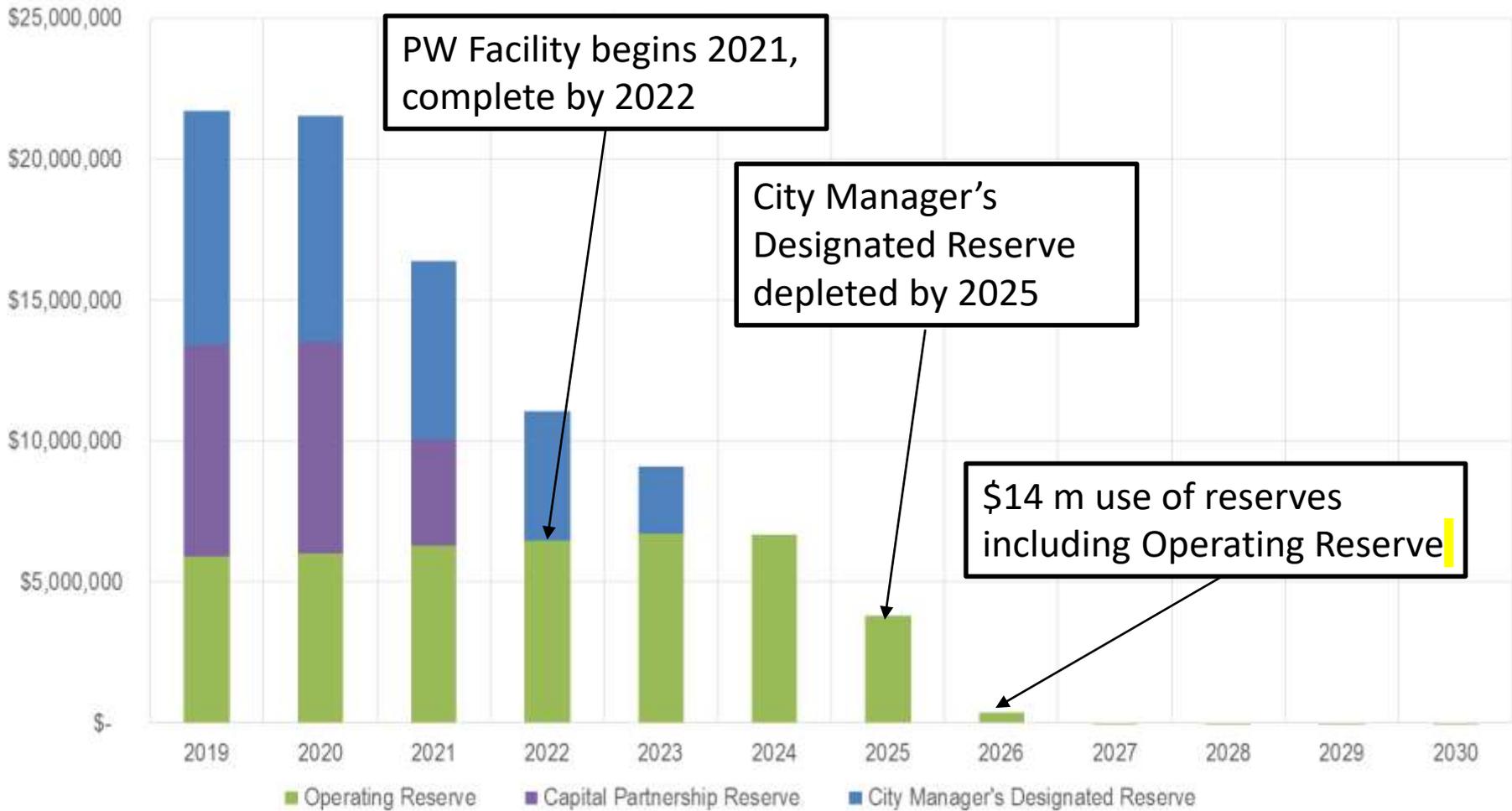


Reserve Structure and Policies

Reserve	Policy / Purpose	2019 Target/Minimum
Operating Reserve	20% of budgeted revenues	\$5.4 million
City Manager's Designated Reserve	For economic risk and unexpected costs	\$8.3 million
Capital Partnership Reserve Assigned Funds	Partnership with other agencies on shared capital facilities	\$7.5 million
Capital Equipment Assigned Funds	Purchase furnishings or equipment for new City facilities	\$1 million
Asset Forfeiture (Drug Seizure)	Restricted for Police Operations	\$270,000
Parking Reserve	Restricted for parking development costs	\$138,000



Status Quo – Reserve Analysis





Financial Plan Options

Revenue Gap Solutions

1. Council Action Revenue Options

2. Expenditure Reductions

3. Levy Lid Lift

Enhanced Level of Service

4. Enhanced Services Funding Plan

5. City Manager's Option/Consideration

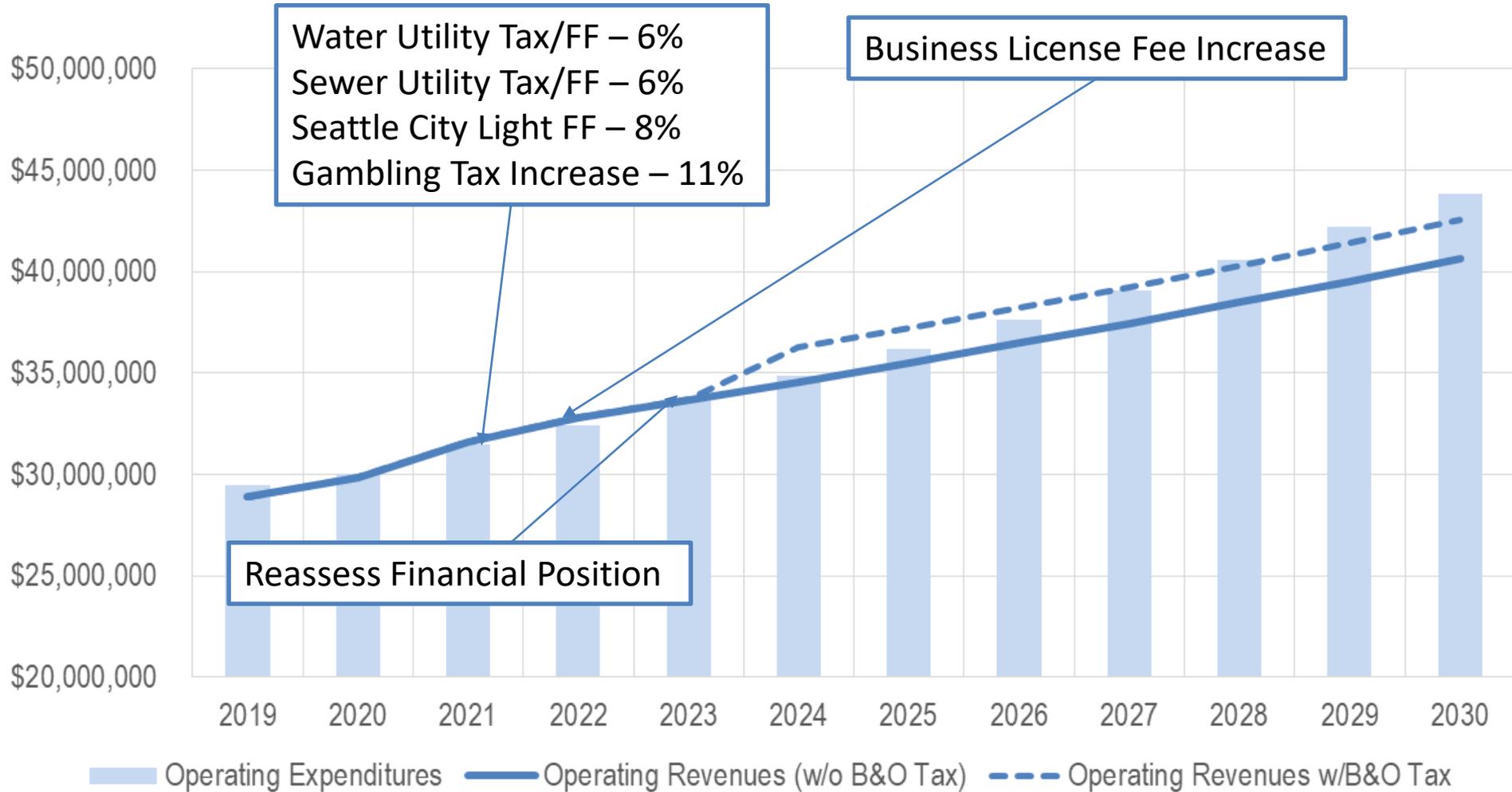


Council Action Revenue Options

Revenue Source:	Increase:	Est. Revenue Impact:
Seattle City Light Franchise Fee	From 6% to 8%	\$400,000
Utility Tax/Franchise Fee – Water and Sewer	From 0% to 6%	\$1 million
Business License Fee Increase	From \$90 to \$180	\$300,000
Gambling – Card Room Tax Increase	From 8% to 11%	\$130,000
B&O Tax	From 0.1% to 0.2%	\$1.5 million
Transportation Benefit District	From \$20 to \$40	\$780,000 (Does not affect General Fund gap)

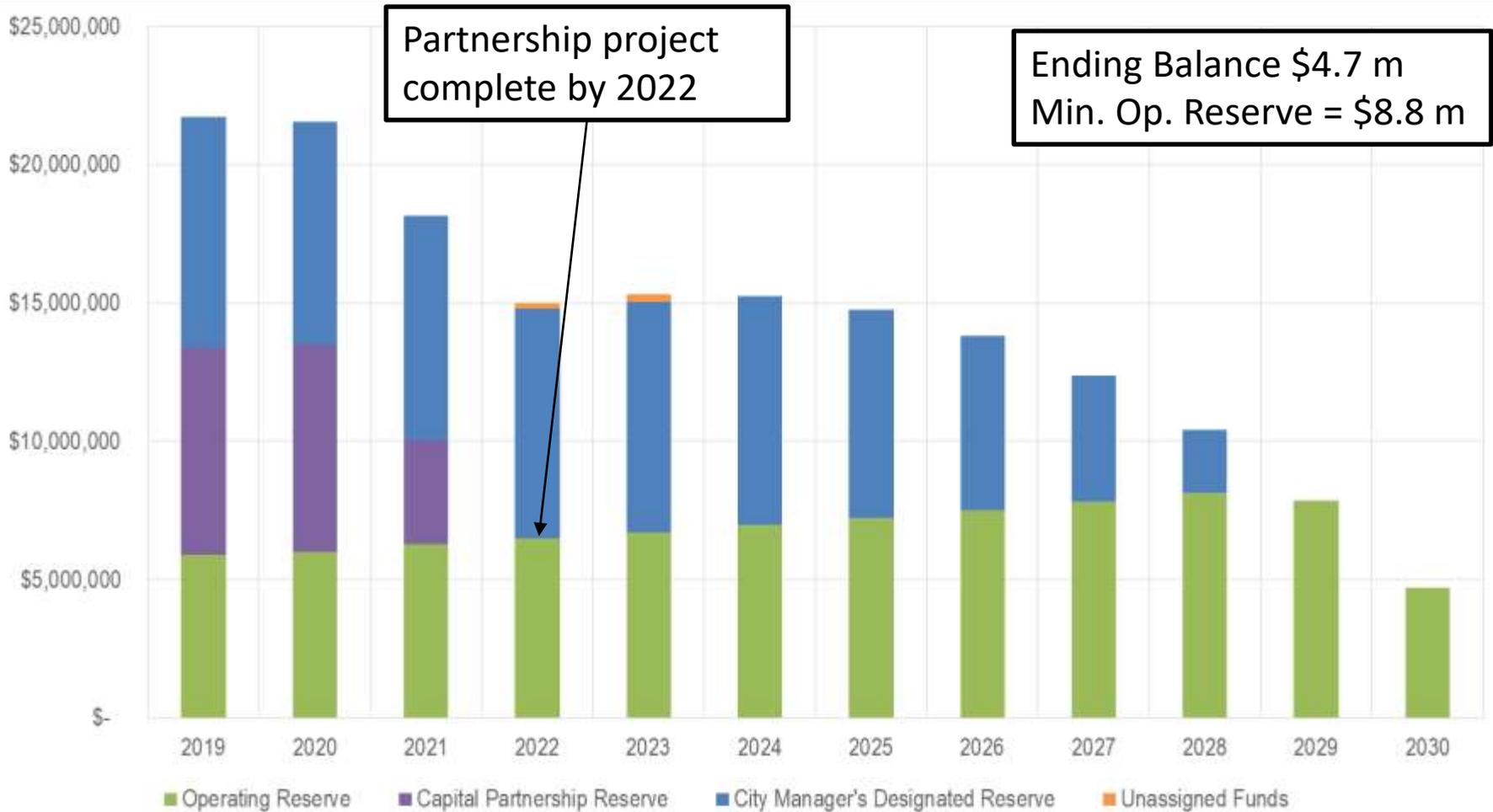


1. Council Action – Revenue Forecast



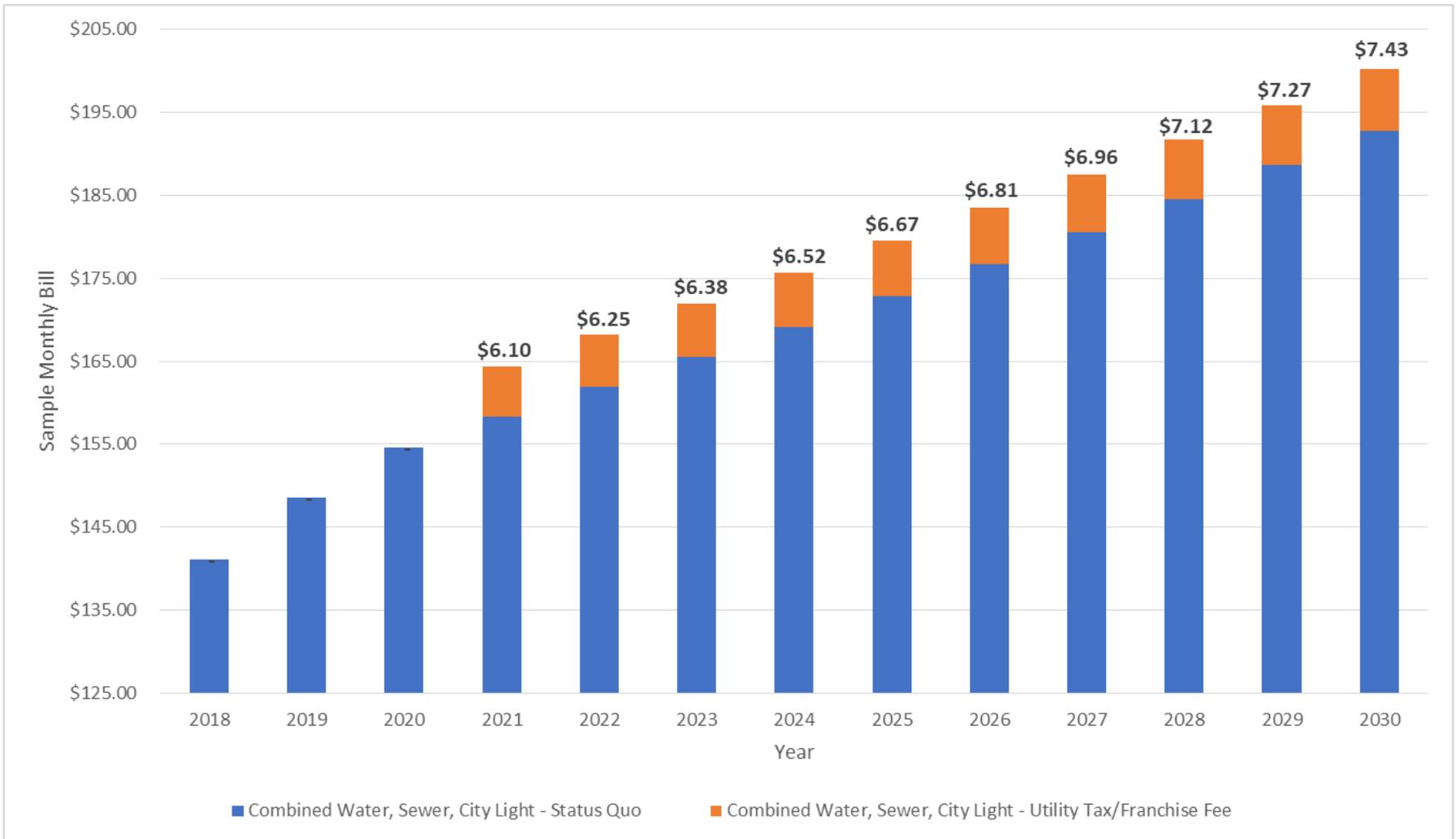


1. Council Action – Reserve Analysis





1. Sample Monthly Residential Utility Bill Impact





2. Expenditure Cuts

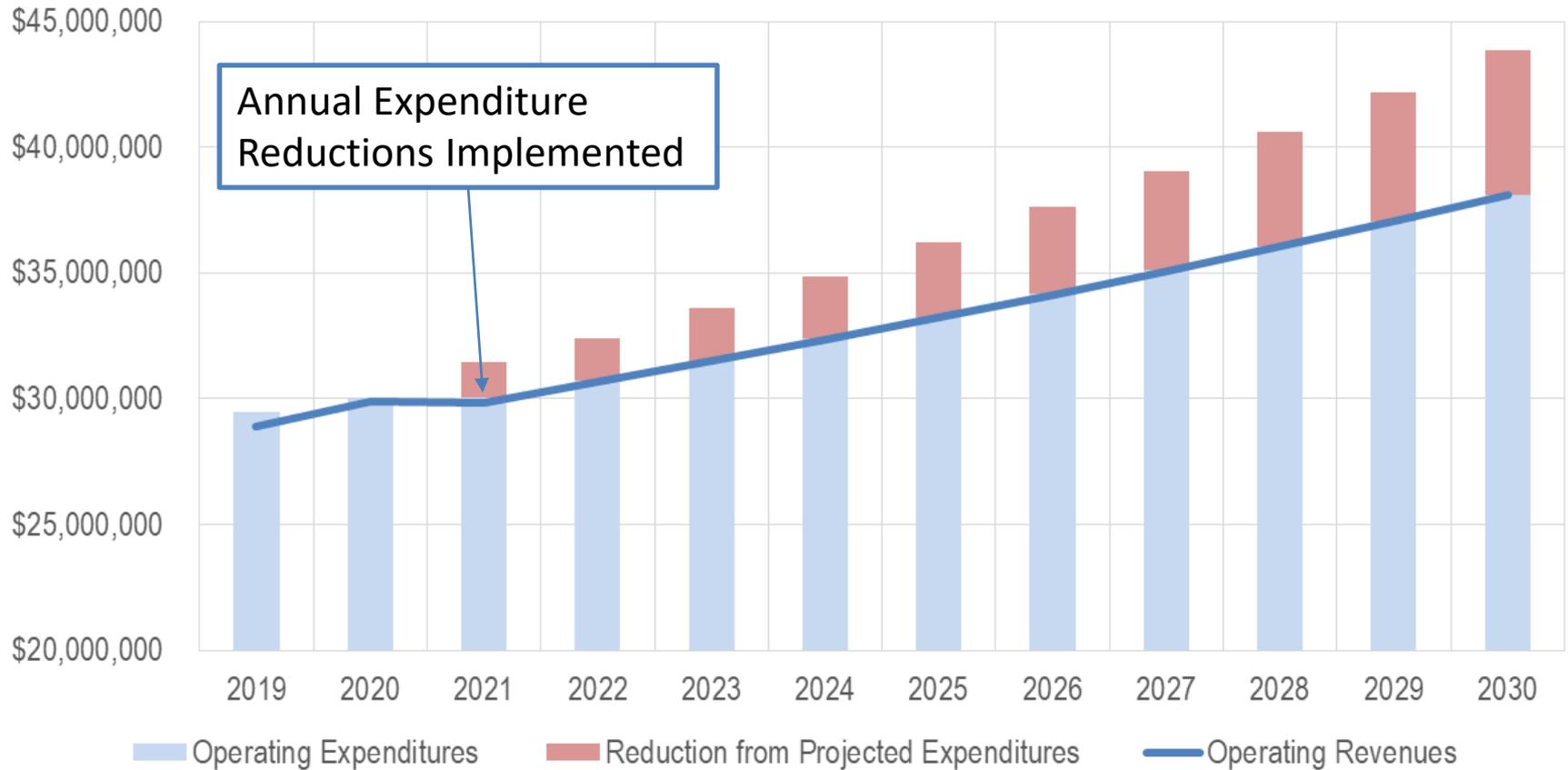
Tests the amount of expenditure cuts needed to eliminate the gap

Significant reductions required beginning in 2021

Reduced level of service to Burien residents – unidentified sources of cuts



2. Expenditure Cuts – Operating Forecast

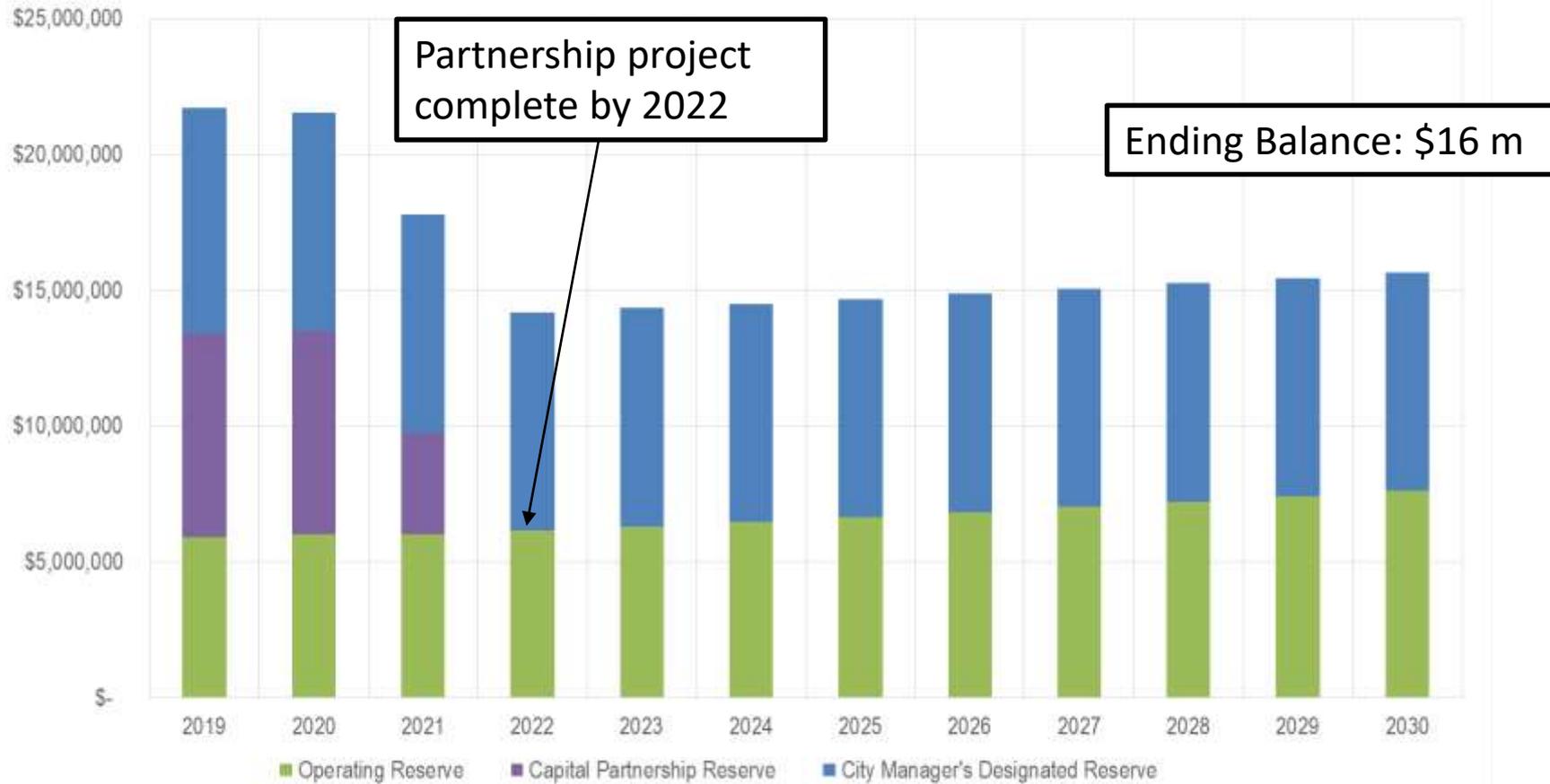


Expenditure Reduction Summary	Expenditure Cuts Begin									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Reduction	\$ 1,417,723	\$ 260,151	\$ 380,655	\$ 431,862	\$ 459,137	\$ 490,653	\$ 524,511	\$ 560,487	\$ 598,642	\$ 639,090
Reduction from Projected Expenditures*	1,417,723	1,677,875	2,058,529	2,490,391	2,949,528	3,440,181	3,964,691	4,525,178	5,123,820	5,762,910
Cumulative Savings	1,417,723	3,095,598	5,154,127	7,644,518	10,594,046	14,034,227	17,998,918	22,524,097	27,647,917	33,410,827

*Maintained Level of Service



2. Expenditure Cuts – Reserve Analysis





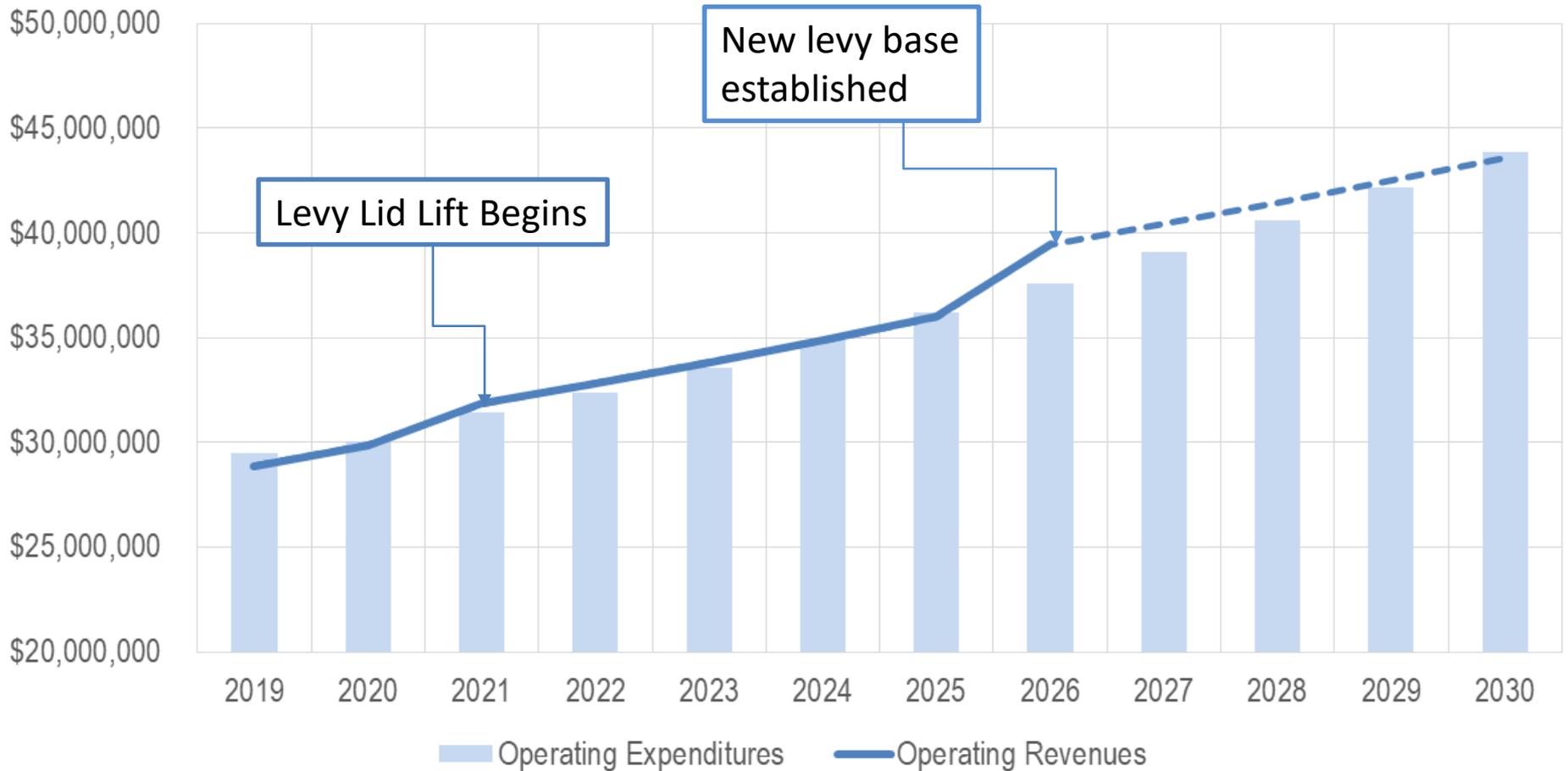
3. Permanent Levy Lid Lift

- ◆ Taxing jurisdictions with a rate less than their statutory maximum may ask the voters to “lift” the levy lid by increasing the rate to an amount equal to or less than their statutory maximum rate (\$1.60)
- ◆ Levy Lid Lift approved in 2020, revenue increases begin in 2021
- ◆ A Permanent, Multi-Year Lid Lift is projected to eliminate the gap through 2030
- ◆ Assumes that no other revenue options have been implemented

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Levy Year 2	-	-	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Levy Year 3	-	-	-	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Levy Year 4	-	-	-	-	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Levy Year 5	-	-	-	-	-	225,000	225,000	225,000	225,000	225,000	225,000
Levy Year 6	-	-	-	-	-	-	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Lid Lift Revenue:	\$ -	\$ 2,000,000	\$ 2,150,000	\$ 2,300,000	\$ 2,450,000	\$ 2,675,000	\$ 5,175,000				
Total Property Tax Rate:	\$ 1.186	\$ 1.415	\$ 1.376	\$ 1.336	\$ 1.298	\$ 1.268	\$ 1.470	\$ 1.407	\$ 1.346	\$ 1.288	\$ 1.232



3. Levy Lid Lift – Operating Forecast





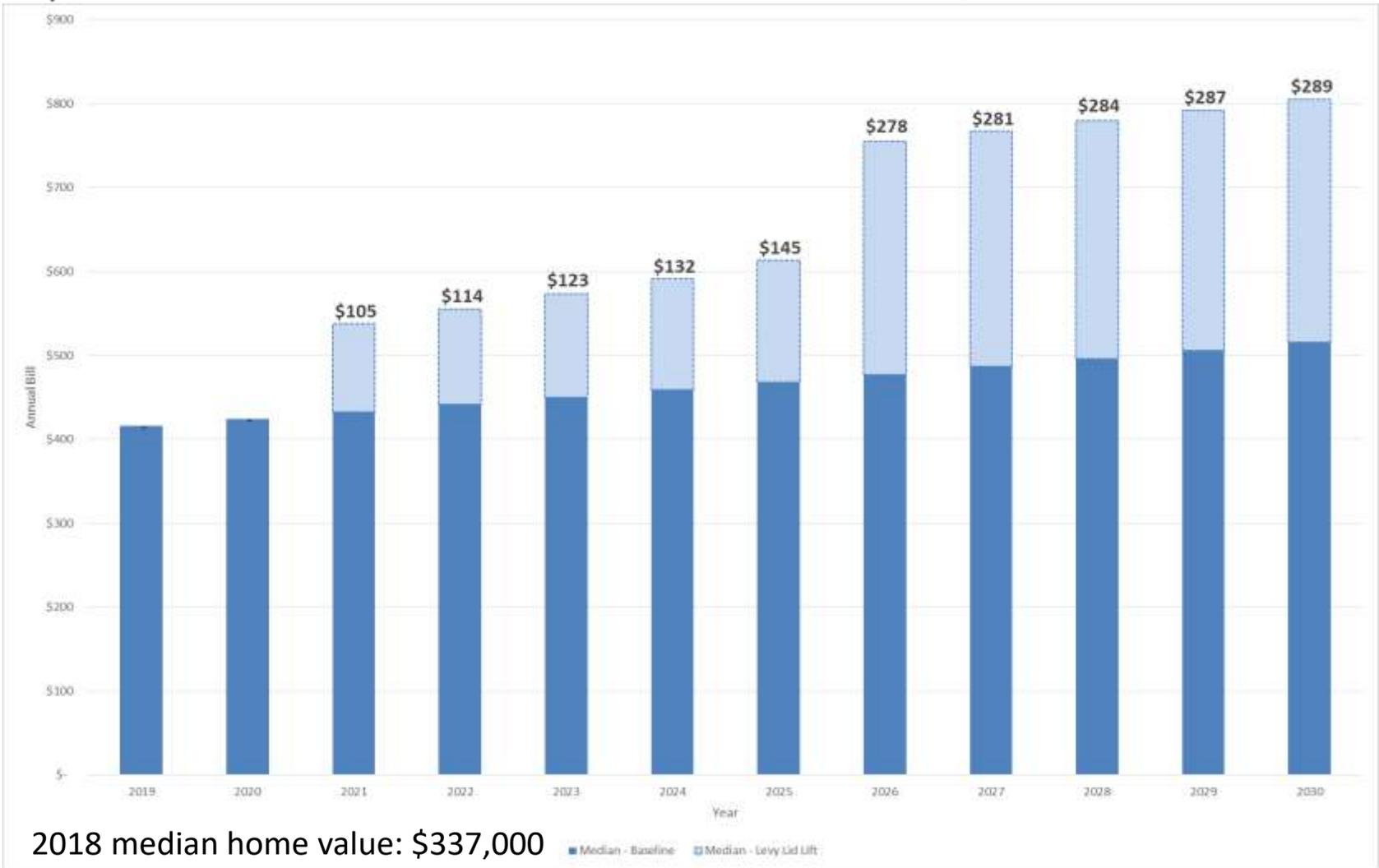
3. Levy Lid Lift – Reserve Analysis

\$25,000,000





3. Median Home Value Property Tax Impacts





4. Enhanced Services

Enhanced police services:

- 2 new officers in 2019 (\$200,000 each) (funded by reserve in 2019)
- 2 new officers in 2020

Enhanced youth services:

- One time costs of \$600,000 in 2019 and 2020 each (funded by reserve in 2019)

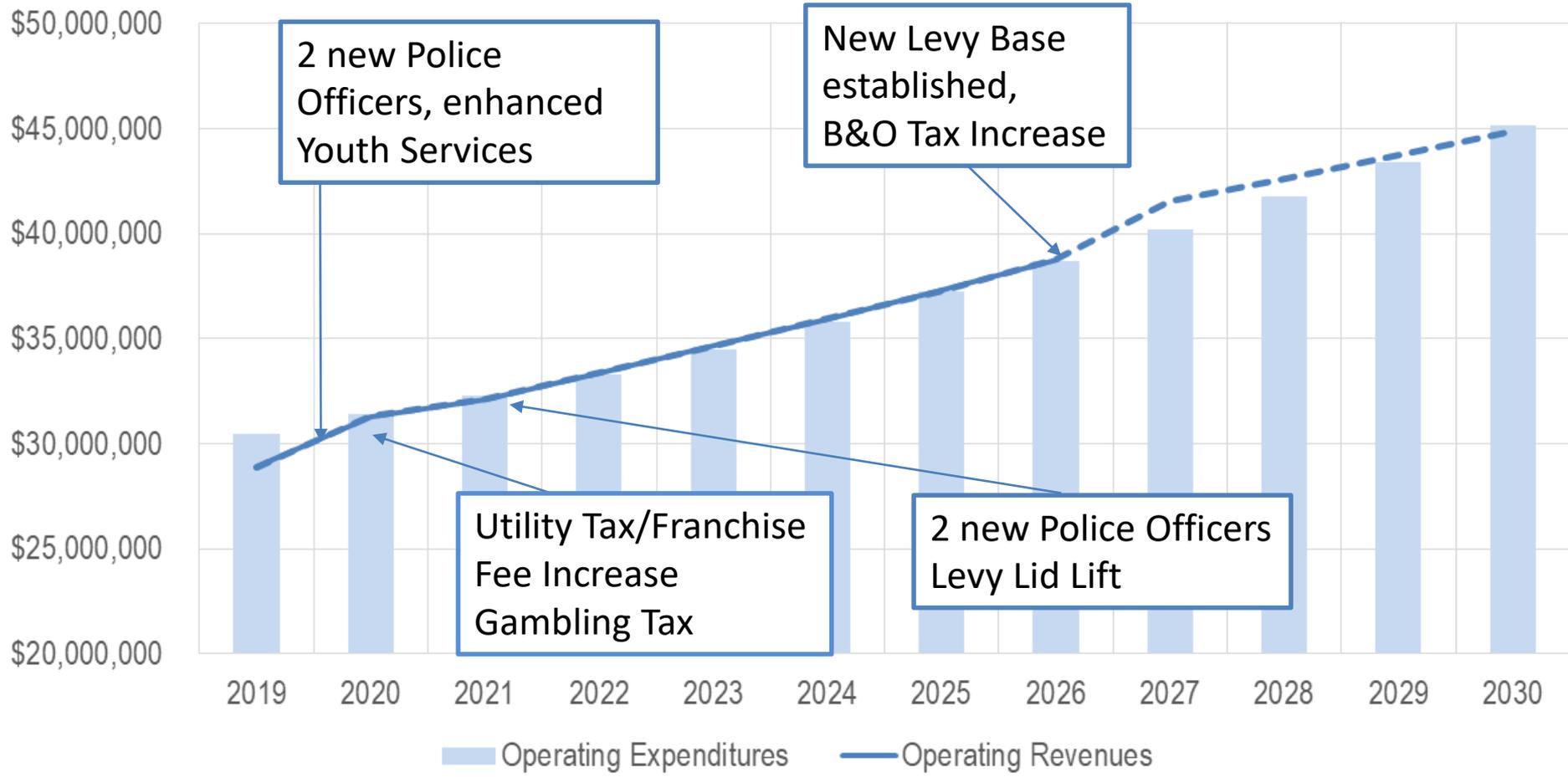
Utilizes Council action revenue options

Levy Lid Lift beginning in 2021

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	\$ -	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Levy Year 2	-	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 3	-	-	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 4	-	-	-	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 5	-	-	-	-	-	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 6	-	-	-	-	-	-	500,000	500,000	500,000	500,000	500,000
Lid Lift Revenue:	\$ -	\$ 800,000	\$ 1,200,000	\$ 1,600,000	\$ 2,000,000	\$ 2,400,000	\$ 2,900,000				
Total Property Tax Rate:	\$ 1.186	\$ 1.249	\$ 1.250	\$ 1.248	\$ 1.243	\$ 1.234	\$ 1.234	\$ 1.182	\$ 1.132	\$ 1.085	\$ 1.039



4. Enhanced Services – Operating Forecast



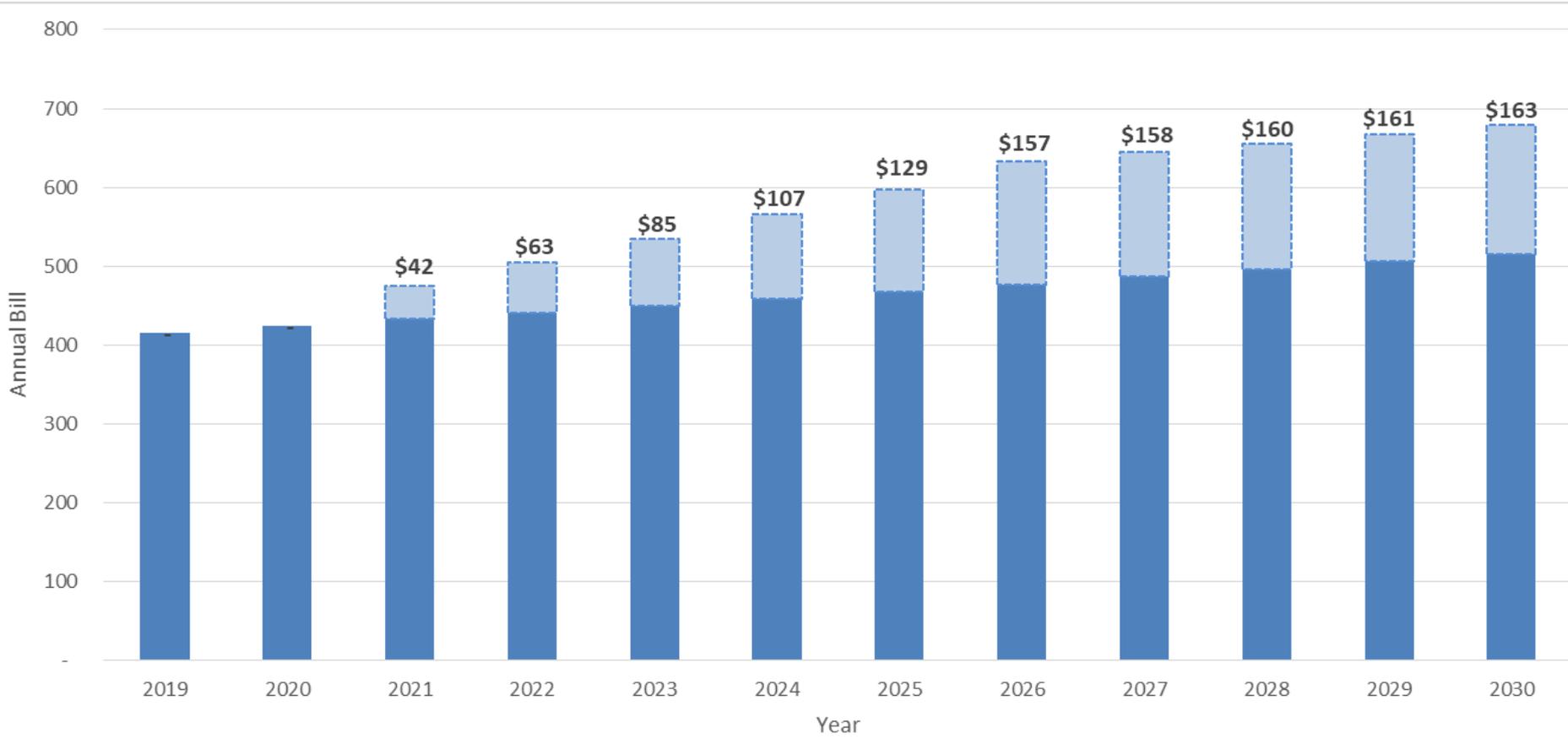


4. Enhanced Services – Reserve Analysis





4. Median Home Value Property Tax Impacts

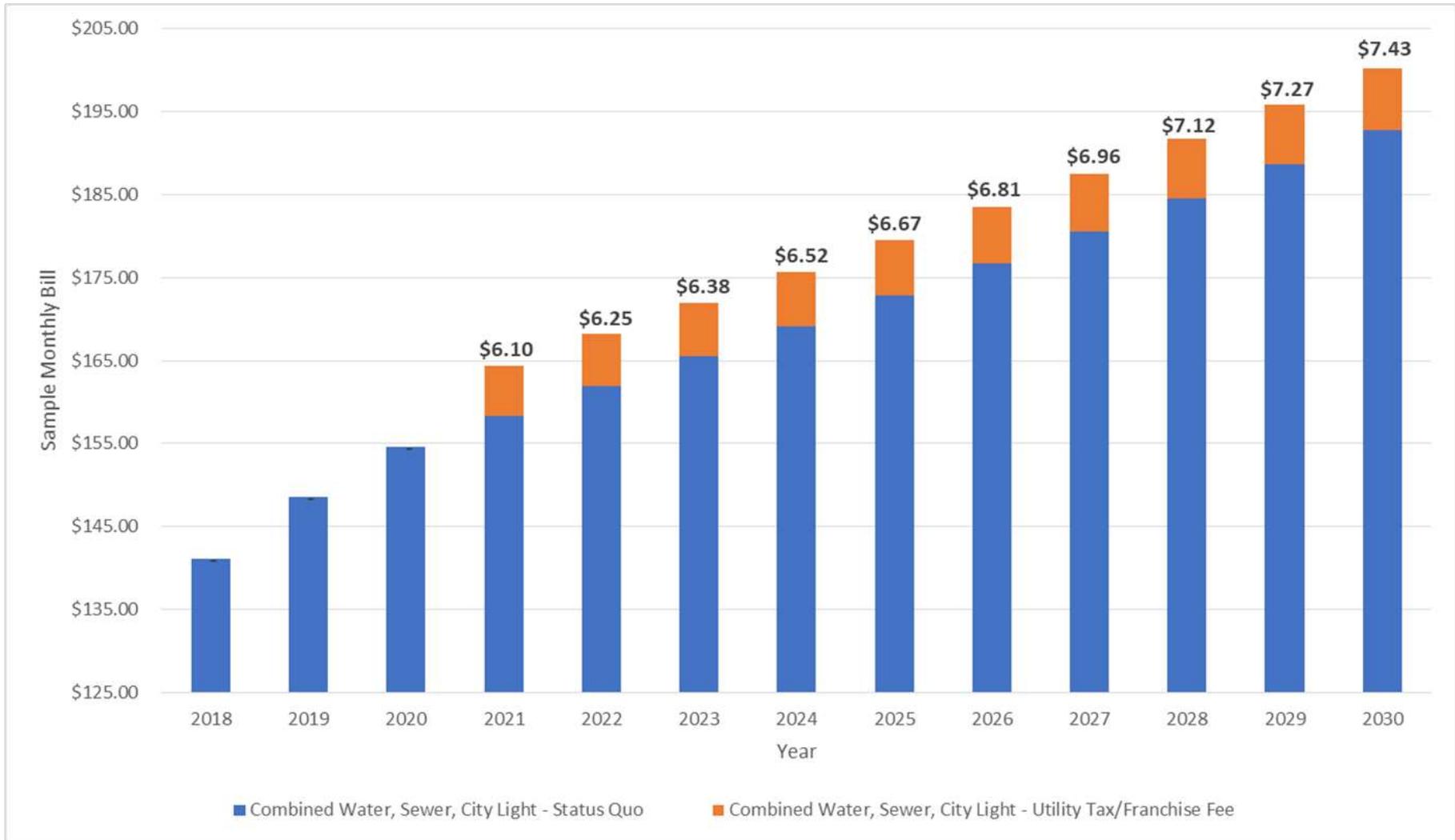


2018 Median home value: \$337,000

■ Median - Baseline ■ Median - Levy Lid Lift



4. Sample Monthly Residential Utility Bill Impact





5. City Manager's Option/Consideration

Enhanced police services:

- 2 new officers in 2020 (\$200,000 each) (timed with revenue source)
- 2 new officers in 2021

Enhanced youth services:

- One time costs of \$600,000 in 2019 and 2020 each (funded by reserve in 2019)

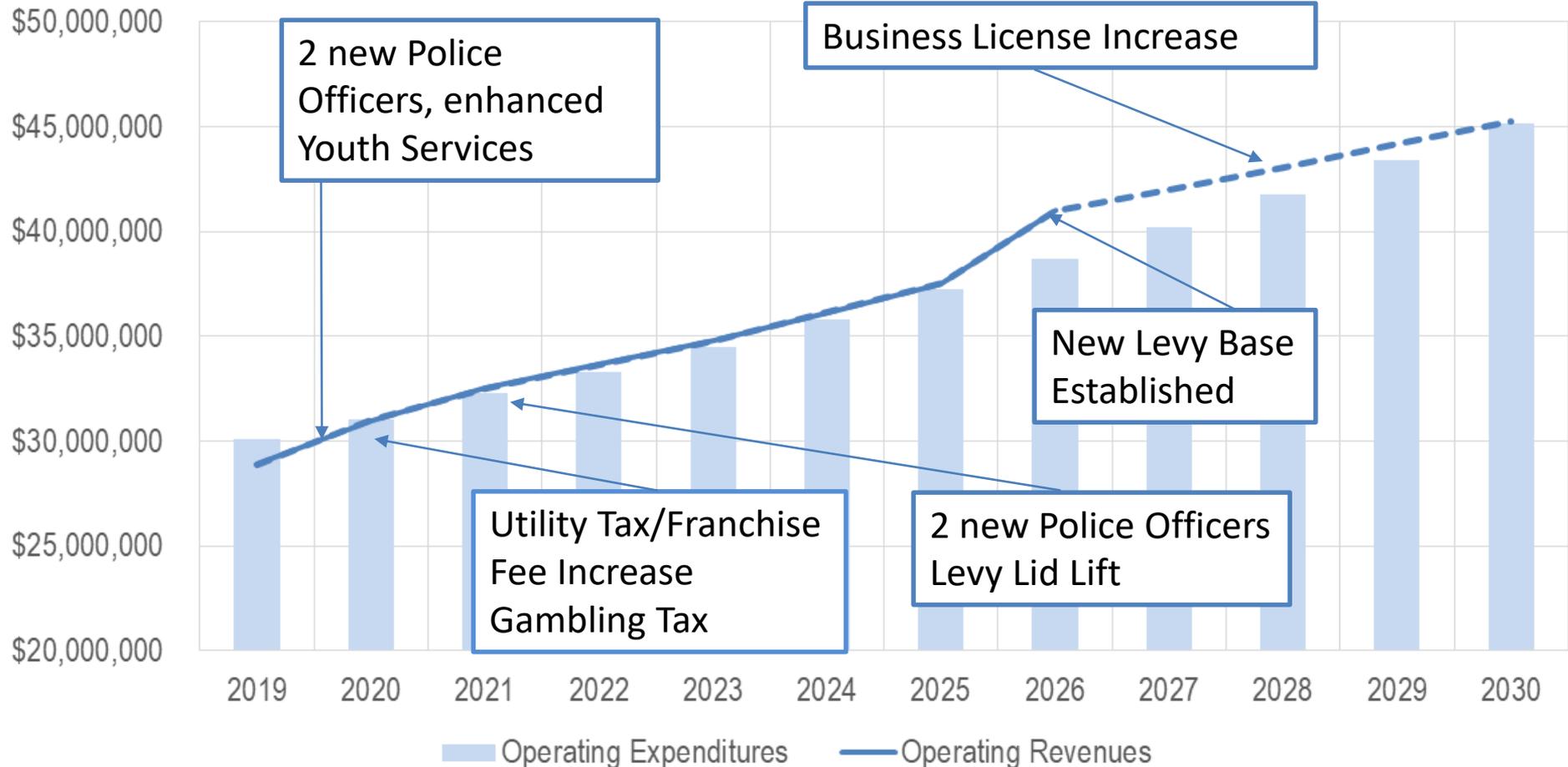
Utilizes Council action revenue options – no B&O tax increase included

Levy Lid Lift beginning in 2021

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	\$ -	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
Levy Year 2	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Levy Year 3	-	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Levy Year 4	-	-	-	-	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Levy Year 5	-	-	-	-	-	450,000	450,000	450,000	450,000	450,000	450,000
Levy Year 6	-	-	-	-	-	-	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Lid Lift Revenue:	\$ -	\$ 1,250,000	\$ 1,500,000	\$ 1,750,000	\$ 2,200,000	\$ 2,650,000	\$ 5,150,000	\$ 5,150,000	\$ 5,150,000	\$ 5,150,000	\$ 5,150,000
Total Property Tax Rate:	\$ 1.186	\$ 1.311	\$ 1.290	\$ 1.267	\$ 1.267	\$ 1.263	\$ 1.466	\$ 1.402	\$ 1.342	\$ 1.284	\$ 1.228

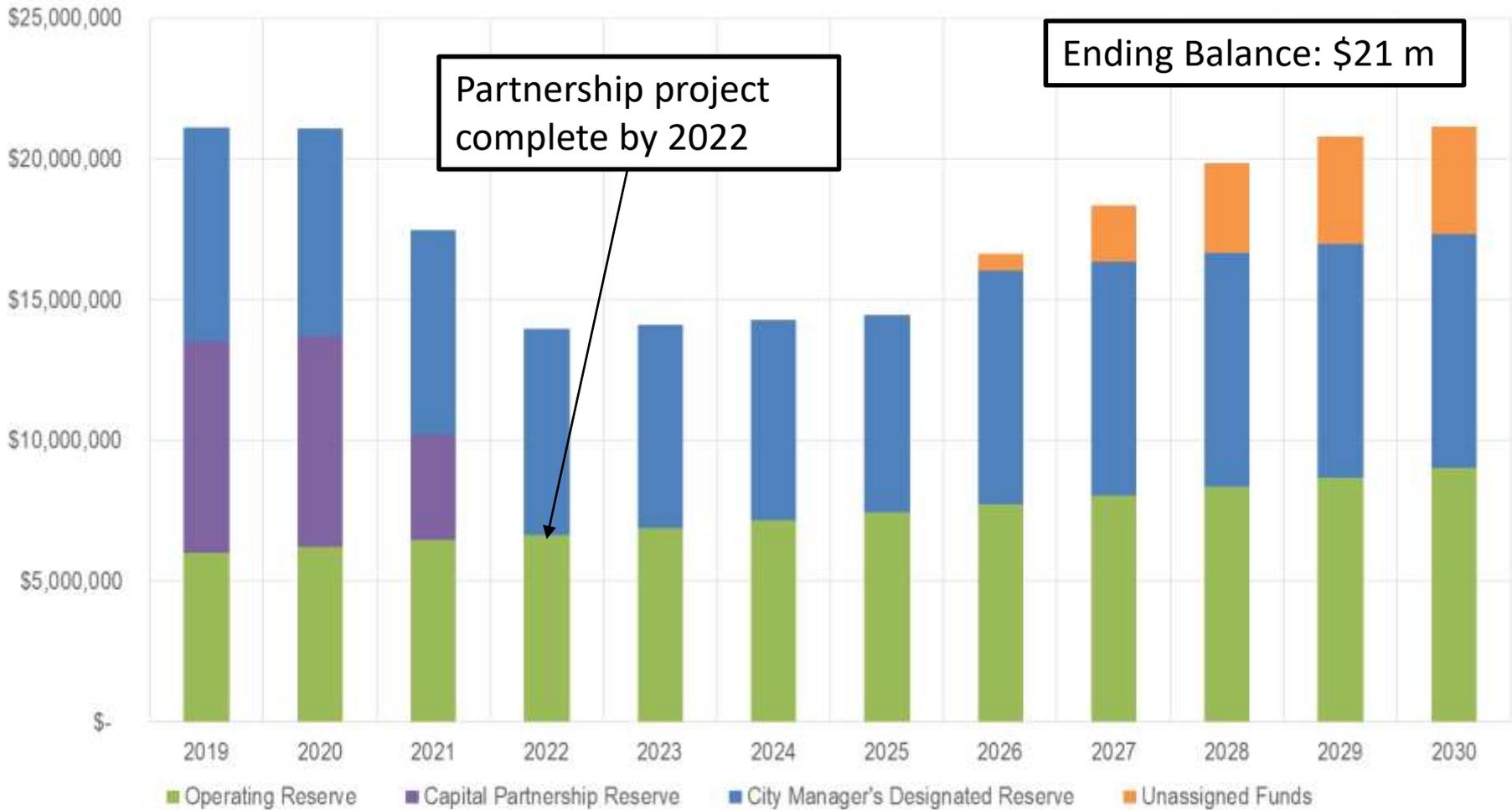


5. C.M. Option – Operating Forecast



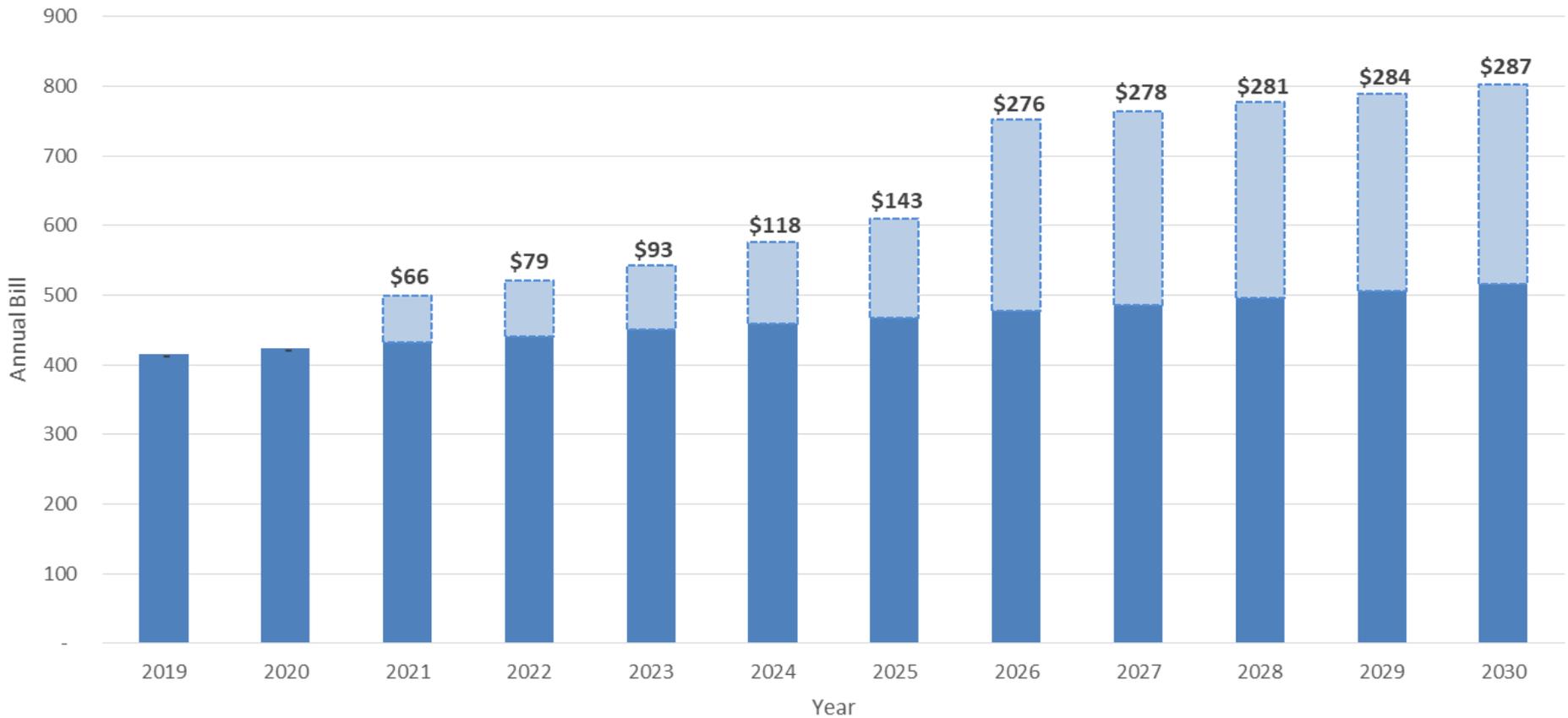


5. C.M. Option – Reserve Analysis





5. Median Home Value Property Tax Impacts

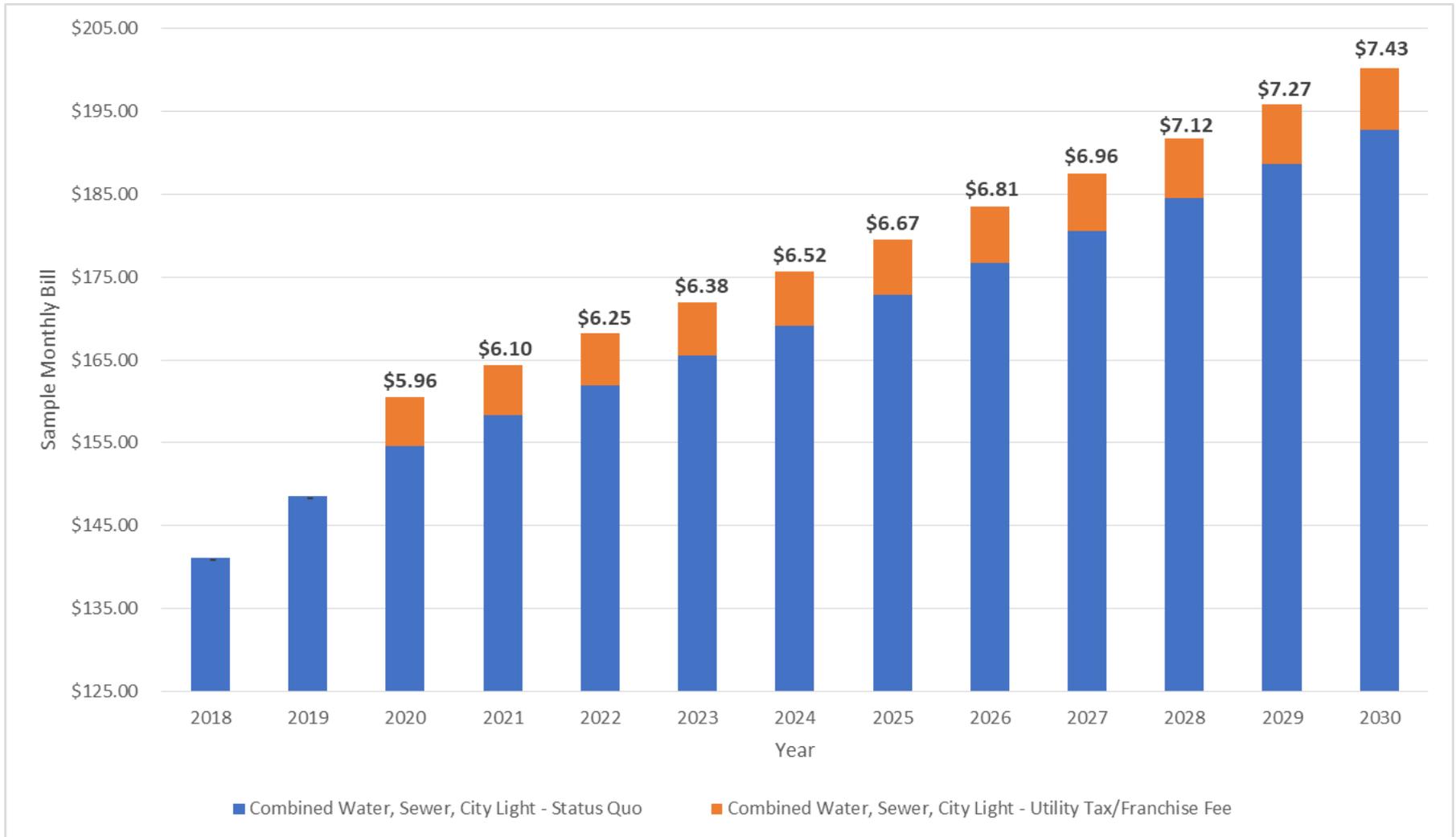


2018 Median home value: \$337,000

■ Median - Baseline ■ Median - Levy Lid Lift



5. Sample Monthly Residential Utility Bill Impact





Summary

Summary:

- Balanced budget 2019-20
- Status quo gap beginning 2021
- Revenue and tax options available to address gap
- Enhanced service funding requires combination of Council action revenue sources and voter approved options
- ◆ **City Manager's Option/Consideration**
 - Provides enhanced services
 - Requires use of reserves
 - Includes levy lid lift
 - No B&O Tax increase



Next Steps

Council Guidance:

- Council directed scenario options
 - Revenue options to exclude?
 - Other options not considered?
- Other Council interests
 - Community Center: Include in analysis?
 - Public Works/PaRCS Maintenance Facility: Additional City Reserve Funding?
 - Parks District?
- Discuss City Manager's Option/Consideration

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