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

<table>
<thead>
<tr>
<th>Data</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical Data</td>
<td>City provided 10 years (2008-17) of actual expenditures and revenues to provide an historical perspective by line item</td>
</tr>
<tr>
<td>Property Tax Revenue</td>
<td>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)</td>
</tr>
<tr>
<td>Sales Tax Revenue</td>
<td>Sales tax revenue escalated consistent with budgeted 4% in 2019-20, consistent with historical average</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>Salaries and Wages as contracted (per labor agreement - CPI), benefits 6% annually based on staff input</td>
</tr>
<tr>
<td>Inflationary Factors</td>
<td>The Seattle Consumer Price Index (forecast provided by Economic and Revenue Forecast Council through 2024)</td>
</tr>
</tbody>
</table>
### Status Quo – Operating Forecast

**Expiration of Annexation Sales Tax Credit**

- Revenues increasing by 2.5%
- Expenditures increasing by 3.7%

**2030 Operating gap: $6 million**
## Reserve Structure and Policies

<table>
<thead>
<tr>
<th>Reserve</th>
<th>Policy / Purpose</th>
<th>2019 Target/Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve</td>
<td>20% of budgeted revenues</td>
<td>$5.4 million</td>
</tr>
<tr>
<td>City Manager’s Designated Reserve</td>
<td>For economic risk and unexpected costs</td>
<td>$8.3 million</td>
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<tr>
<td>Capital Partnership Reserve</td>
<td>Partnership with other agencies on shared capital facilities</td>
<td>$7.5 million</td>
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<tr>
<td>Capital Equipment Assigned Funds</td>
<td>Purchase furnishings or equipment for new City facilities</td>
<td>$1 million</td>
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<tr>
<td>Asset Forfeiture (Drug Seizure)</td>
<td>Restricted for Police Operations</td>
<td>$270,000</td>
</tr>
<tr>
<td>Parking Reserve</td>
<td>Restricted for parking development costs</td>
<td>$138,000</td>
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</table>
**Status Quo – Reserve Analysis**

- PW Facility begins 2021, complete by 2022
- City Manager’s Designated Reserve depleted by 2025
- $14 m use of reserves including Operating Reserve
# 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

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

- Water Utility Tax/FF – 6%
- Sewer Utility Tax/FF – 6%
- Seattle City Light FF – 8%
- Gambling Tax Increase – 11%

Reassess Financial Position

Business License Fee Increase
1. Council Action – Reserve Analysis

- Ending Balance $4.7 m
- Min. Op. Reserve = $8.8 m

Partnership project complete by 2022
1. Sample Monthly Residential Utility Bill Impact

The chart shows the impact on monthly residential utility bills from 2018 to 2030. The bill increases each year, with a significant spike in 2029 reaching $7.27, followed by a further increase in 2030 to $7.43.

- Yearly Increase:
  - 2018: $125.00
  - 2019: $145.00
  - 2020: $155.00
  - 2021: $165.00
  - 2022: $175.00
  - 2023: $185.00
  - 2024: $195.00
  - 2025: $205.00
  - 2026: $215.00
  - 2027: $225.00
  - 2028: $235.00
  - 2029: $245.00
  - 2030: $255.00

Legend:
- Combined Water, Sewer, City Light - Status Quo
- Combined Water, Sewer, City Light - Utility Tax/Franchise Fee
## 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Reduction</th>
<th>Reduction from Projected Expenditures*</th>
<th>Cumulative Savings</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>2021</td>
<td>$1,417,723</td>
<td>$1,417,723</td>
<td>$1,417,723</td>
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<tr>
<td>2022</td>
<td>$260,151</td>
<td>$1,677,875</td>
<td>$3,095,598</td>
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<tr>
<td>2023</td>
<td>$380,655</td>
<td>$2,058,529</td>
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<td>2024</td>
<td>$431,862</td>
<td>$2,490,391</td>
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<td>2025</td>
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<td>2026</td>
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<td>2027</td>
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<td>2028</td>
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<td>2029</td>
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<tr>
<td>2030</td>
<td></td>
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<td>$33,410,827</td>
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</table>

*Maintained Level of Service

## Expenditure Cuts Begin

- **2021:** $1,417,723
- **2022:** $260,151
- **2023:** $380,655
- **2024:** $431,862
- **2025:** $490,653
- **2026:** $524,511
- **2027:** $560,487
- **2028:** $598,642
- **2029:** $639,090

## Operating Expenditures

- **2019:** $25,000,000
- **2020:** $27,000,000
- **2021:** $29,000,000
- **2022:** $30,000,000
- **2023:** $31,000,000
- **2024:** $32,000,000
- **2025:** $33,000,000
- **2026:** $34,000,000
- **2027:** $35,000,000
- **2028:** $36,000,000
- **2029:** $37,000,000
- **2030:** $38,000,000

## Operating Revenues

- **2019:** $45,000,000
- **2020:** $47,000,000
- **2021:** $49,000,000
- **2022:** $51,000,000
- **2023:** $53,000,000
- **2024:** $55,000,000
- **2025:** $57,000,000
- **2026:** $59,000,000
- **2027:** $61,000,000
- **2028:** $63,000,000
- **2029:** $65,000,000
- **2030:** $67,000,000

---

Note: The chart illustrates the annual expenditure reductions implemented from 2019 to 2030, showing the cumulative savings achieved over the years. The graph visually represents the trend of expenditure reductions and the maintained level of service, with projected expenditures and operating revenues.
2. Expenditure Cuts – Reserve Analysis

- Partnership project complete by 2022
- Ending Balance: $16 m
### 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

<table>
<thead>
<tr>
<th>Levy Schedule</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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</table>

#### Lid Lift Revenue:

<table>
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<tr>
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<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tbody>
<tr>
<td>Lid Lift Revenue:</td>
<td>$</td>
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<td>$2,000,000</td>
<td>$2,150,000</td>
<td>$2,300,000</td>
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<td>$5,175,000</td>
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#### Total Property Tax Rate:

<table>
<thead>
<tr>
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<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tbody>
<tr>
<td>Total Property Tax Rate:</td>
<td>$1.186</td>
<td>$1.415</td>
<td>$1.376</td>
<td>$1.336</td>
<td>$1.298</td>
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<td>$1.470</td>
<td>$1.407</td>
<td>$1.346</td>
<td>$1.288</td>
<td>$1.232</td>
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</tbody>
</table>
3. Levy Lid Lift – Operating Forecast

- Levy Lid Lift Begins
- New levy base established
3. Levy Lid Lift – Reserve Analysis

Ending Balance: $21 m

Partnership project complete by 2022
3. Median Home Value Property Tax Impacts

2018 median home value: $337,000
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

<table>
<thead>
<tr>
<th>Levy Schedule</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
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</tbody>
</table>

Lid Lift Revenue: $ - $ 800,000 $1,200,000 $1,600,000 $2,000,000 $2,400,000 $2,900,000 $2,900,000 $2,900,000 $2,900,000 $2,900,000

Total Property Tax Rate: $ 1.186 $ 1.249 $ 1.250 $ 1.248 $ 1.243 $ 1.234 $ 1.182 $ 1.132 $ 1.085 $ 1.039
4. Enhanced Services – Operating Forecast

- 2 new Police Officers, enhanced Youth Services
- New Levy Base established, B&O Tax Increase
- Utility Tax/Franchise Fee Increase
- Gambling Tax
- 2 new Police Officers Levy Lid Lift
4. Enhanced Services – Reserve Analysis

Ending Balance: $18 m

Partnership project complete by 2022
2018 Median home value: $337,000
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

<table>
<thead>
<tr>
<th>Levy Schedule</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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<td>Lid Lift Revenue:</td>
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<td>$ 1.466</td>
<td>$ 1.402</td>
<td>$ 1.342</td>
<td>$ 1.284</td>
<td>$ 1.228</td>
</tr>
</tbody>
</table>
5. C.M. Option – Operating Forecast

- 2 new Police Officers, enhanced Youth Services
- Utility Tax/Franchise Fee Increase
- Gambling Tax
- Business License Increase
- New Levy Base Established
- 2 new Police Officers Levy Lid Lift
5. C.M. Option – Reserve Analysis

Ending Balance: $21 m

Partnership project complete by 2022
5. Median Home Value Property Tax Impacts

2018 Median home value: $337,000
5. Sample Monthly Residential Utility Bill Impact

![Bar chart showing the impact of utility bills from 2018 to 2030. The chart displays the combined water, sewer, and city light bills with and without utility tax/franchise fee.]
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
Courtney Black
Project Manager
courtneyb@fcsgroup.com
Direct 425.241.9343

Contact FCS GROUP:
(425) 867-1802
www.fcsgroup.com