

City of Longview

General Fund Financial Review 2013-2014 Budget Parameters

City Council Workshop
May 5, 2012

- ### Agenda
- Budget Calendar
 - 2000-10 General Fund Comparison
 - Revenues by Source
 - Expenditures by Function
 - 2012 General Fund Review (1st Qtr)
 - 2013 – 2017 General Fund Forecast
 - Budget Model
 - General Fund Programs Overview
 - Other Funds Review
 - Economic Development Fund
 - Criminal Justice Assistance Fund
 - 2013-2014 Budget Parameters

Budget Calendar

- ### Key Budget Dates for Council
- **Saturday, May 5th**
 - Council Workshop – 2012 General Fund Review; establish 2013-14 budget parameters
 - **Thursday, June 7th**
 - Council Workshop – Review Capital Improvement projects
 - **Tuesday, July 17th**
 - Lodging Tax Advisory Committee meeting
 - **Thursday, August 9th**
 - Regular Council Meeting – 2012 Mid-year review and outside agency presentations
 - **Saturday, September 15th**
 - Council Workshop – Review 2013-14 baseline budgets; program enhancements; performance measures; outside agency requests and finalize CIP's.

- ### Key Budget Dates for Council
- **Thursday, September 20th**
 - Council Workshop – 2013 Utility rate review and utility capital projects presentation
 - **Thursday, September 27th**
 - Regular Council Meeting – Set public hearing, 2013 revenue sources and property tax levy
 - **Thursday, October 11th**
 - Regular Council Meeting – 2013 Utility rate resolutions and utility tax ordinance presented for adoption
 - **Thursday, October 25th**
 - Regular Council Meeting – Public hearing on 2013 revenue sources; set public hearing on 2013-14 biennial budget and capital improvement plan for November 29 and December 13, 2012

- ### Key Budget Dates for Council
- **Thursday, November 8th**
 - Regular Council Meeting – Adopt ordinance setting 2013 ad valorem tax rate and property tax levy
 - **Thursday, November 29th**
 - Special Council Meeting – 1st of two public hearings on 2013-14 biennial budget and capital projects plan
 - **Monday, December 6th**
 - 2013-14 preliminary budget and capital improvement plan distributed to Council, media and public
 - **Thursday, December 13th**
 - Regular Council meeting – 2nd public hearing on 2013-14 biennial budget and capital improvement plan; adopt 2013-14 budget ordinance and 2013-17 capital improvement resolution

2000-2010 A decade of change

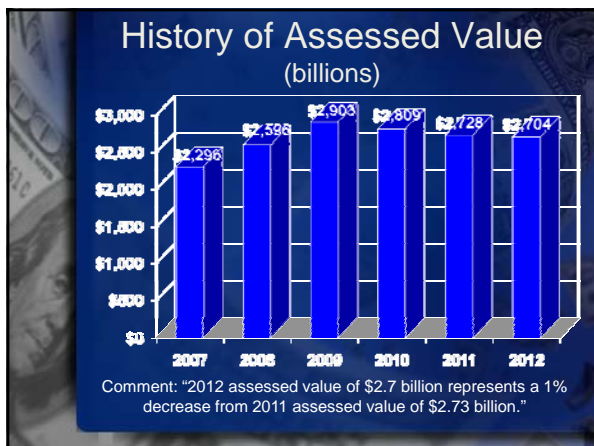
General Fund Revenue in 000's

2000			2010		
Source:	\$	%	Source:	\$	%
Taxes	\$17,875	76%	Taxes	\$23,739	78%
Licenses /Permits	732	3%	Licenses /Permits	861	3%
Intergov'tl	2,338	10%	Intergov'tl	1,590	5%
Chgs for Services	1,569	7%	Chgs for Services	2,959	10%
Fines	513	2%	Fines	652	2%
Miscellaneous	385	2%	Misc	513	2%
Total	\$23,412	100%	Total	\$30,314	100%

General Fund Expenditures in 000's

2000			2010		
Function:	\$	%	Function:	\$	%
General Govt	\$3,721	16%	General Govt	\$5,406	18%
Public Safety	10,818	48%	Public Safety	15,205	52%
Transportation	2,257	10%	Transportation	2,494	9%
Community Development	554	3%	Community Development	907	3%
Culture & Recreation	4,298	19%	Culture & Recreation	4,518	16%
Capital, Debt Service & Transfers	956	4%	Capital, Debt Service & Transfers	493	2%
Total	\$22,604	100%	Total	\$29,023	100%

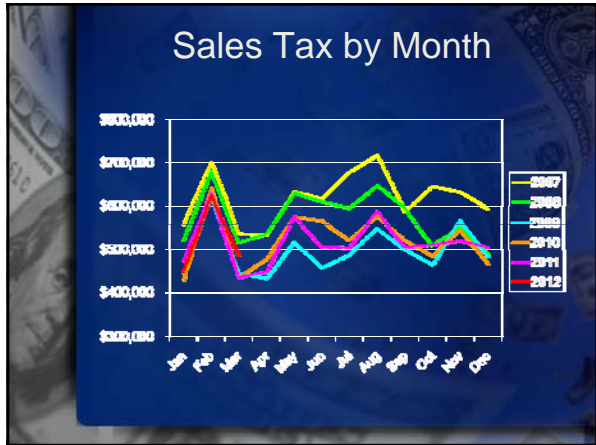
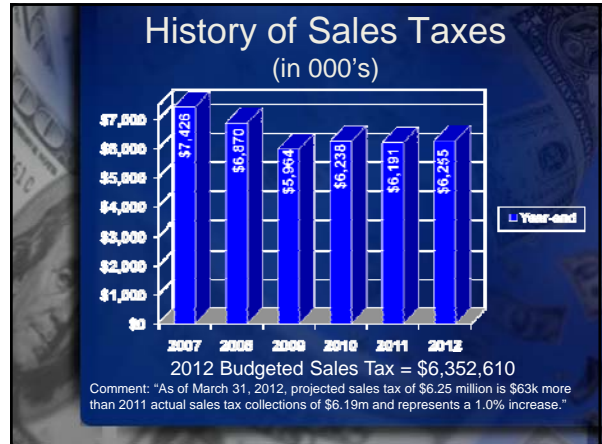
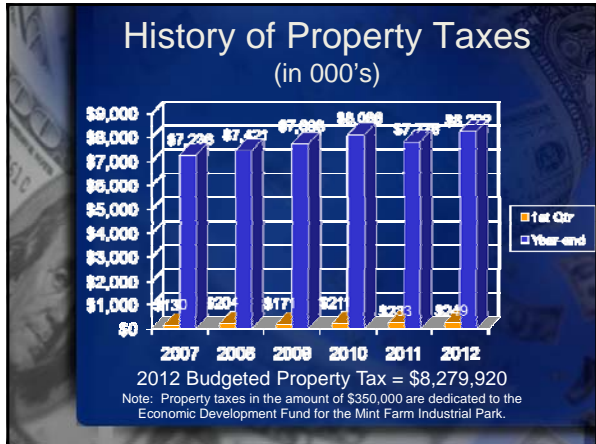
2012 General Fund Review 1st Quarter



Assessed Value/Levy Rate

Year	Assessed Value	Levy rate
2007	\$2,296,278,710	\$3.13
2008	\$2,596,241,283	\$2.88
2009	\$2,902,511,391	\$2.72
2010	\$2,809,338,951	\$2.89
2011	\$2,728,499,411	\$3.03
2012	\$2,703,686,847	\$3.11

Comment: "The maximum levy rate for the City is \$3.60. The City reached the maximum levy rate in years 2004 - 2006."

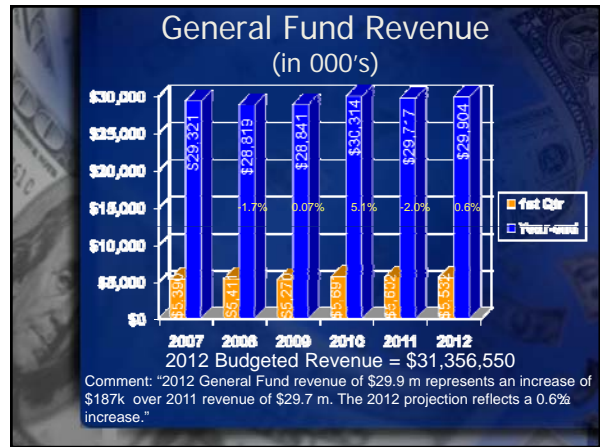
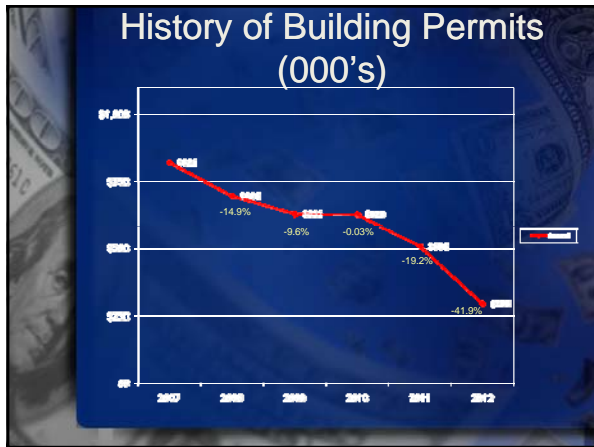
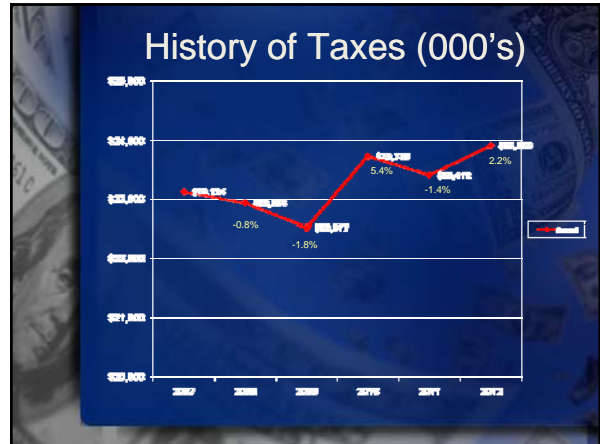
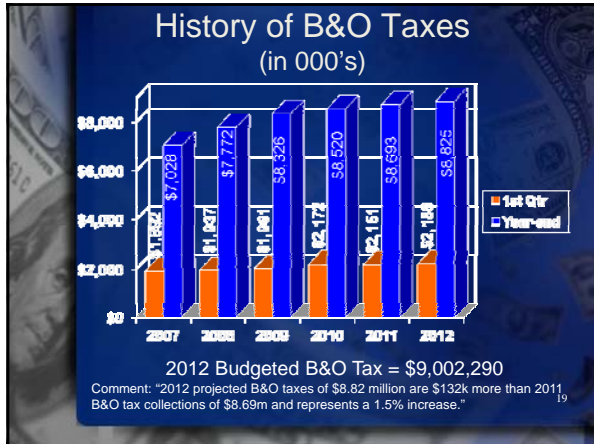


Sales Tax by Month

Month	2007	2008	2009	2010	2011	2012
Jan	558,450	520,880	444,430	428,476	472,790	446,054
Feb	701,920	678,340	620,120	640,286	627,723	621,822
Mar	536,450	515,350	443,730	434,852	433,733	486,362
Apr	533,650	535,360	432,105	477,404	447,288	460,097
May	631,750	629,350	516,249	574,608	576,135	556,401
Jun	615,520	608,600	456,792	566,324	505,708	505,403
Jul	678,250	593,290	487,942	521,349	502,848	515,100
Aug	716,940	646,480	548,899	576,930	586,151	589,088
Sep	585,940	593,490	499,631	522,162	503,925	501,793
Oct	644,780	508,340	464,199	483,934	510,337	525,581
Nov	630,840	551,200	566,894	546,357	519,697	556,619
Dec	591,530	489,720	483,054	465,220	505,044	490,298



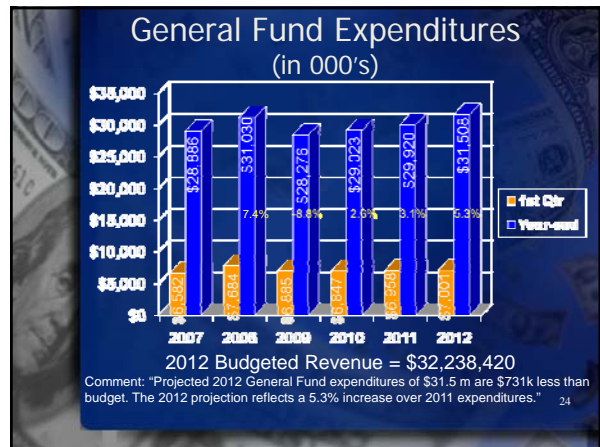
- ### 2011 Sales Tax Receipts (Top 5)
- Columbia Ford
 - Wal-Mart
 - Bud Clary Chevrolet
 - Fred Meyer
 - Home Depot
- Comment: "In 2011 the top five retailers accounted for 23% of all retail sales tax revenue. City business license records indicate Longview has approximately 900 retailers. Revenue from major construction projects totaled \$236,480 in 2011."
 Q1 2012 sales tax receipts up 6.4% for top five retailers.



2012 General Fund Revenue

Revenue:	Amended Budget	Projected
Taxes	\$24,567,750	\$23,923,185
Licenses & Permits	929,020	532,569
Intergovernmental	1,974,450	1,704,144
Charges for Services	3,071,930	3,008,835
Fines & Forfeits	679,690	595,570
Miscellaneous	133,710	139,431
Total Revenue	\$31,356,550	\$29,903,734

Comment: "Projected 2012 revenues are \$1.45m less than budgeted and represents 95.4% of budget. Shortfall is due to a troubled economy resulting in reduced sales taxes and less permit revenue. We are also experiencing less gambling tax revenue, and a reduction in state-shared liquor revenues."



2012 General Fund Expenditures

Object:	Amended Budget	Projected
Salaries/Benefits	\$21,928,010	\$21,875,331
Supplies/Services	8,677,900	8,114,040
Capital Outlay	84,920	84,920
Debt Service/Transfers	1,547,590	1,433,493
Total Expenses	\$32,238,420	\$31,507,784

Comment: "Projected 2012 expenditures represent 97.7% of budgeted expenditures. The \$731k difference between budget and projected represents a savings in healthcare benefits, contractual services, intergovernmental contracts and debt service."

2012 General Fund Summary

2012 General Fund Overview

	2011 Actual	2012 Budget	2012 Projected
Beg Fund Balance	\$5,726,238	\$4,508,090	\$5,455,291
Revenue	29,648,987	31,068,650	30,003,354
+ SAFER Grant	+ 0	+ 287,900	+ 287,900
- Liquor Taxes	- 0	- 0	- 152,920
- Gambling Taxes	- 0	- 0	- 234,600
Total Revenue	29,648,987	31,356,550	29,903,734
Expenditures	29,919,934	31,950,520	31,179,884
+ KLRAA Airport	+ 0	+ 0	+ 40,000
+ SAFER Grant	+ 0	+ 287,900	+ 287,900
Total Expenditures	29,919,934	32,238,420	31,507,784
Beg Cash Required	(20,897)	(881,870)	(1,604,050)
End Fund Balance	\$5,455,291	\$3,626,220	\$3,851,241
% of End Fund Bal	18.2%	11.2%	12.2%

2012 General Fund Budget

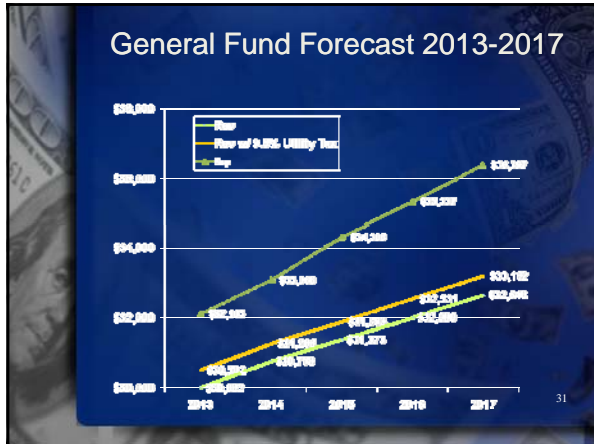
As of March 31, 2012, the 2012 General Fund balance is projected to result in Budget Prioritization - Stage 2 whereby, expenditures exceed revenues and projected ending fund balance is greater than 12%.

At this stage the budget provides for all core services and discretionary programs as approved by Council.

2013-17 General Fund Outlook

2013-17 Forecast Assumptions

- Assumes existing service levels.
- Assumes 2.0% - 2.5% annual revenue increases.
- Assumes 3.0% annual expenditure increases.
- 2013 – Assumes 7% utility tax.
- 2013 - Provides for General Fund funding of four (4) paramedic/firefighters from SAFER grant (6 months).
- 2014 - Provides for General Fund funding of four (4) paramedic/firefighters from SAFER grant (12 months).
- 2015 - Provides for transfer of three (3) officers from COPS grant into General Fund.



2013-14 General Fund Overview

	2012 Projected	2013 Projected	2014 Projected
Beg Fund Balance	\$5,455,291	\$3,851,241	\$1,750,032
Revenue	30,003,354	30,501,809	30,601,845
+ SAFER Grant	+ 287,900	+ 0	+ 0
- Liquor Taxes	- 152,920	- 0	+ 155,980
- Gambling Taxes	- 234,600	- 0	- 0
- Utility Tax Decrease	- 0	- 500,000	- 0
Total Revenue	29,903,734	30,001,809	30,757,825
Expenditures	31,179,884	32,103,018	33,066,108
+ KLRAA Airport	+ 40,000	+ 0	+ 0
+ SAFER/COPS Grant	+ 287,900	+ 0	+ 0
Total Expenditures	31,507,784	32,103,018	33,066,108
Beg Cash Required	(1,594,050)	(2,101,209)	(2,308,283)
End Fund Balance	\$3,851,241	\$1,750,032	(\$58,251)
% of End Fund Bal	12.2%	5.5%	(1.7%)

Budget Model

Four Stages of Budget Prioritization

Stage 1

Revenues are greater than expenditures, and ending fund balance is projected to be greater than 12%.

(In this scenario, surplus revenues are distributed to appropriate reserve funds and new programs may be considered that are in line with the Council's strategic initiatives).

Four Stages of Budget Prioritization

Stage 2

Expenditures exceed revenues and ending fund balance is projected to be greater than 12%.

(This scenario is a basic status quo budget where all core services and non-mandated programs are maintained through existing revenues and the use of reserves).

Four Stages of Budget Prioritization

Stage 3

Expenditures exceed revenues and projected ending fund balance is greater than 8% but less than 12%.

(The adopted budget provides for all core services with reductions in non-mandated programs as approved by Council. At this stage Council considers revenue enhancement proposals such as bond levies, tax increases and new revenues).

Four Stages of Budget Prioritization

Stage 4

Expenditures exceed revenues and projected ending fund balance is less than 8%.

(Further reductions in non-mandated programs are necessary. Possible core service reductions may be called for. Council will consider revenue enhancement proposals such as bond levies, tax increases and new revenues).

Service and Program Levels

1. Legally mandated programs or services
2. Core or vital programs and services critical to maintaining minimal operation
3. "Non-mandated" programs and services not fully funded or required by law

Guiding Principles for Application of Budget Model (adopted 2005 Council Retreat w/ budget model)

- Efficiency
- Revenue enhancement
- Allocation of expenditures to appropriate fund
- Full cost recovery
- Reduction of services
- Sustain or enhance communications
- Leading by example
- Willingness to accept additional risk
- Preservation of services/positions
- No subsidized events
- New programs not considered until after evaluation of reduced/eliminated programs

2011-12 Balanced Budget Approach

City Manager's application of Budget Model Principles as a recommended approach for a balanced budget

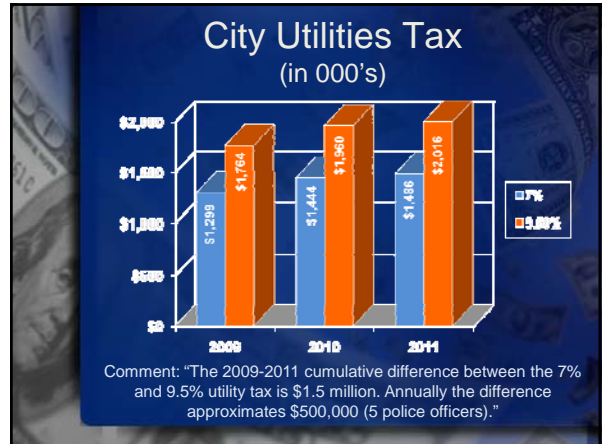
- 1st Priority-reduction of transfers to reserves
- 2nd Priority-full cost recovery
- 3rd Priority-reallocation of expenditures to appropriate fund
- 4th Priority-service level reductions
- 5th Priority-new revenues

2013-2014 Budget Parameters

2013-14 Suggested Parameters

- Maintain Stage 2 of Budget Model with minimum fund balance of 12%
- Provide for realistic/conservative revenue estimates
- Provide for inflationary increases in expenditures
- Appropriate salary COLA's and benefit roll-up
- Expenditure Impacts – SAFER & COPS Grant
- Utility Tax (7% vs. 9.5%)
- Other Revenue Options
 - Levy LID Lift
 - EMS Levy
 - Transportation Benefit District
- Airport Authority
- Other Program Priorities????

Utility Tax
(7% vs. 9.5%)



Other Revenue Options

Levy Lid Lift Alternatives

Multi-Year Levy Assessed Value	2010 \$2,903 b	2011 \$2,961 b	2012 \$3,020 b	2013 \$3,081 b	2014 \$3,143 b	2015 \$3,205 b
\$0.25/\$1,000	\$725,805	\$740,321	\$755,128	\$770,230	\$785,635	\$801,347
\$0.50/\$1,000	\$1,451,610	\$1,480,642	\$1,510,255	\$1,540,460	\$1,571,270	\$1,602,695
\$0.75/\$1,000	\$2,177,415	\$2,220,964	\$2,265,383	\$2,310,691	\$2,356,904	\$2,404,042

2009 Levy Rate = \$2.7233
 Maximum Levy Rate = \$3.6000
 Levy Lid Lift Available: \$3,600 - \$2.7233 = \$0.8767
 Based on the City's 2009 assessed value with 2% annual increase in A.V.
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- ### Levy Lid Lift
- Can be authorized for any purpose.
 - Must have excess levy tax capacity
 - (i.e. property tax rate must be less than \$3.60)
 - Purpose can be stated in the ballot title.
 - Stating purpose may improve chances for voter approval
 - Levy Lid lift can be for any amount of time.
 - For debt service maximum term is nine years
 - Setting a specific time period may make the ballot measure more attractive to voters.
 - If lid lift is permanent, ballot title must state such.
 - If the lift is not permanent, at the end of the time period the base for future levies reverts to what the dollar amount of the levy would have been if no lift had ever been authorized.
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- ### Levy Lid Lift (cont.)
- The levy can be "bumped up" each year for up to six years.
 - The levy can be increased for each of those six years by some amount stated in the title.
 - The lift can be a dollar amount, a percentage increase amount tied to an index such as CPI, or percentage amounts just arbitrarily set. Amounts need not be the same each year. However, the ballot title is limited to 75 words.
 - There may be no supplanting in expenditures in the multi-year levy lid lift.
 - Requires only a simple majority.
 - The election date for multi-year levy lid lifts must be the August primary or the November general election.
 - It pays to plan ahead....
 - The County Auditor must receive the City's Ordinance/Resolution authorizing a levy lid lift 52 days before a special election and 84 days before the primary or general election.
 - May 11th: last day to file an Ordinance/Resolution for a special election held in conjunction with August 7th Primary.
 - August 7th: last day to file an Ordinance/Resolution for the November 6th General Election.
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Emergency Medical Services Levy

- EMS Levy
 - Allows 50 cents per \$1,000 of assessed value
 - Can be for 6 years, 10 years, or permanent
 - Requires 60% voter approval
 - Does not affect other tax limitations, such as the City's General Fund property tax rate or the District's current levy
 - Can be used by Longview, Cowlitz 2, or an EMS district

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Transportation Benefit District

Potential Funding Sources	
Levy Lid Lift – General Fund Voter Approved	City-wide A.V. = \$2,703,686,847 Current Levy Rate = \$3.1141 per \$1000 Available Levy Capacity = \$0.4859 Available Funding = \$1.3 Million One Year or Multi-Year Lift Funding variable due to changes in A.V. Leaves no capacity for other needs
M & O Levy – General Fund Voter Approved	No limit to levy One Year only Levy Rate at \$0.20/\$1000 = \$541,000
County-wide Fuel Tax Voter Approved	Up to \$3.75 cents per gallon Dept. of Revenue fee = 1% No votes have been successful

Transportation Benefit District

Potential Funding Sources	
General Obligation Bond Council Approved	Limited to 1.5% of City-wide A.V. (\$40.5 Million) Available bond capacity = \$38.4 Million Example Bond: \$11.25 Million 20 Year term at 4% \$0.31 Levy Rate
General Obligation Bond Voter Approved	Limited to 2.5% of City-wide A.V. (\$67.6 Million) Available bond capacity = \$65.5 Million
Street Utility Council Approved	State Supreme Court declared unconstitutional Up to \$2/mo/employee Up to \$2/mo/household

Transportation Benefit District

Potential Funding Sources	
Street Maintenance Utility – Proposed to replace Street Utility Council Approved	Legislation proposed last 3 sessions Supported by AWC and various cities SMU Advisory Committee required Fees based on city-determined user classifications and impacts Can't be used to expand road network Ordinance subject to referendum
Federal STP - U	Regional selection of projects Program focus is network expansion and improvement Pavement rehab projects not likely to be selected
Local Improvement District Petition or Council Approved	Not likely to meet requirement of increased property value

Transportation Benefit District

Potential Funding Sources	
Transportation Benefit District	Council Approves District Council serves as District Board
TBD Funding Options	
Vehicle License Renewal Fee Council Approved	Up to \$20/veh./year (some exemptions) Fee increase subject to voter approval As of Oct. 2011 – 27,945 vehicles eligible for TBD fee \$20 fee = \$559,000 1% Dept of Licensing fee
Vehicle License Renewal Fee Voter Approved	Up to \$100/veh./year (some exemptions) Fee increase subject to voter approval As of Oct. 2011 – 27,945 vehicles eligible for TBD fee \$100 fee = \$2,795,000 1% Dept of Licensing fee
Development Fees Council Approved	TBD projects must mitigate impacts of development; no preservation Residential buildings exempt Must credit SEPA mitigation fee against TBD fee

Transportation Benefit District

Potential Funding Sources	
Transportation Benefit District	TBD Funding Options (Cont.)
Sales and Use Tax Voter Approved	Up to 0.2% TBD rate at 0.2% = \$1.24 million Expires in 10 years; voters may renew
M & O Property Tax Levy Voter Approved	One-year
General Obligation Bond Council Approved	Limited to 1.5% of District A.V. (\$40.5 Million for city-wide) Available bond capacity = \$38.4 Million Example Bond: \$11.25 Million 20 Year term at 4% \$0.31 Levy Rate
General Obligation Bond Voter Approved	Limited to 5.0% of District A.V. (\$135.2 Million for city-wide) Available bond capacity = \$133.1 Million
Revenue Bonds Board Approved	Limited by TBD revenue to pay debt Revenue may require voter approval

Transportation Benefit District

Potential Funding Sources	TBD Funding Options (Cont.)
Local Improvement District Petition or Council Approved	Not likely to meet requirement of increased property value
Vehicle Tolls Council Approved	Must be approved by legislature for tolls on state routes All tolls must be approved by state transportation commission

Transportation Benefit District (TBD)

- Formed by Council
- Subject to citizen referendum
- Advisory vote can be held in advance of formation
- Requires transportation plan
- Requires annual reporting
- Current TBDs use vehicle license fee or sales tax
 - Vehicle license fee – 14 TBDs; 13 at \$20; 1 at \$10
 - Sales Tax – 7 TBDs; all at 0.2% rate
- Vehicles exempt from license fee
 - > 6,000 lbs curb weight
 - Off-road; farm; snowmobiles; mopeds, truck campers
 - Private use single axle trailer < 2,000 lbs curb weight

Economic Development & Criminal Justice Fund Overview

Economic Development Fund Outlook (2011-2014)

	2011	2012	2013	2014
Beginning Fund Balance	\$663,144	\$261,717	\$165,296	(\$166,034)
Revenue:				
Property tax	\$393,539	\$397,474	\$401,449	\$405,464
Sales tax	73,497	74,232	74,974	75,724
B&O tax	9,099	9,190	9,282	9,375
Interest earnings/Misc fund revenue	72,505	13,626	12,980	13,239
LID Bond Sale	0	258,000	0	0
Total Revenues:	\$548,640	\$752,522	\$498,685	\$503,802
Expenditures:				
LTGO bond payment	\$503,233	\$499,023	\$499,463	\$499,565
PWTF loan payment	192,826	190,686	188,543	186,400
Economic development	183,608	158,734	141,509	144,339
Transfer-out – CDBG Fund	49,660	0	0	0
Other fund expenses	20,740	500	500	500
Total Expenditures:	\$950,067	\$848,943	\$830,015	\$830,804
Ending Fund Balance	\$261,717	\$165,296	(\$166,034)	(\$493,036)

Criminal Justice Assistance Fund

	3/31/2012	2013
Beginning Fund Balance:	\$352,206	\$320,764
High Crime	\$62,000	\$83,000
Special Programs	23,000	30,000
DUI Cities	5,300	7,000
COPS Grant	115,000	260,000
School Police Officers	78,000	140,000
Secure Our Schools Grant	214,000	0
WASPC Registered Sex Offender	31,000	52,000
WASPC Auto Theft/Traffic Safety	25,000	5,000
Interest earnings/Misc fund revenue	12,218	50,325
Total Revenues:	\$665,516	\$627,325
Expenditures:		
Highland's Satellite Office	\$7,458	\$29,000
COPS Grant	115,000	260,000
School Officers	180,000	280,000
WASPC Registered Sex Offender Grant	31,000	52,000
WASPC Auto Theft Grant/Traffic Safety	25,000	5,000
Secure Our Schools Grant	214,000	0
Other fund expenses (ESS & Investigation)	24,500	67,000
Total Expenditures:	\$596,958	\$693,000
Ending Fund Balance:	\$320,764	\$255,089

General Fund Review

The end.

Criminal Justice Assistance Fund

Program: Community Policing	2011: \$97,440 2012: \$101,930
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The satellite office located in the Highlands Neighborhood is also part of the city's community policing efforts. The satellite office expenses are split between the Criminal Justice Assistance (CJA) fund and the Police Department in the General Fund. A Community Service Officer (CSO) is assigned to the satellite office. The satellite office CSO is responsible for crime prevention, coordinating Block Watch and other community groups, and managing volunteer office staff and the Alley Gators volunteer patrol program. The Highlands Community Services Sergeant supervises the satellite office and works with the community on problem-solving and crime reduction/revitalization in the Highlands neighborhood.

Strategic Initiative:

- Address the crime problem

Criminal Justice Assistance Fund

Program: School Officer Program	2011: \$223,860 2012: \$232,220
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The School Resource Officer Program is a community partnership between the Longview School District and the City of Longview Police department. The program is designed to assist in maintaining a safe, orderly, educational atmosphere to enhance excellence in education. Officers investigate all crimes occurring on school property and provide consistency in handling all types of incidents on school grounds. SRO's are primarily assigned to Mark Morris and R.A. Long High School, Cascade and Monticello Middle School and share responsibilities at Mt. Solo Middle School.

Strategic Initiative:

- Address the crime problem