

The background of the slide features a collage of US dollar bills. A large, detailed image of a \$100 bill with Benjamin Franklin's portrait is prominent in the lower-left corner. Other bills, including \$20 and \$50 denominations, are scattered across the frame, some appearing to float or fall against a dark blue gradient background.

City of Longview

General Fund Financial Review 2017-2018 Budget Parameters

City Council Workshop
May 5, 2016

Agenda

- Budget Calendar
- 2015 General Fund Year-end Review
- 2016 General Fund Update (1st Qtr)
- 2017 – 2021 General Fund Forecast
- Exec Session: Labor contract negotiations
- 2017-2018 Budget Parameters
 - Enhance streets and roads repair & maintenance services
 - Sustain existing service levels
 - Incorporate labor contract parameters - (tbd)
 - General Fund support for enhanced economic development activities (tbd)
 - ADA self-assessment transition plan
 - West Longview annexation (tbd)

Agenda

- 2017-2018 Budget Parameters (cont.)
 - Restore reserve contributions
 - Fire equipment depreciation
 - Building depreciation
 - Capital projects
 - Employee benefits reserve
- General Fund Programs Overview
- Other Funds Review
 - Economic Development Fund
 - Capital Projects Fund
- Other Budget Considerations
 - Longview Police Station Renovation
 - Police Training Facility (Gun Range)
 - Fire Station #83 Site Plan
 - Library Modernization
 - Salary Survey Implementation

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Budget Calendar

Key Budget Dates

- Thursday, May 5th
 - Council Workshop – 2015 and Q1 2016 General Fund Review; establish 2017-18 budget parameters; review programs, initiatives, performance measures; labor-contract parameters; Transportation Benefit District?
- Tuesday, May 17th
 - Budget kick-off meeting for department heads and staff
- Thursday, June 2nd
 - Distribute outside agency requests for funding packets
- Thursday, June 9th
 - Department heads return completed baseline budgets

Key Budget Dates

- Thursday, June 30th
 - Department heads submit program budgets, performance measures, program enhancement and capital improvement project requests
- Thursday, June 30th
 - Outside agency funding requests due
- Thursday, July 7th
 - Finance completes first run of revenue and expenditure budget
- Tuesday, July 19th
 - Lodging Tax Advisory Committee meeting

Key Budget Dates for Council

- Thursday, August 11th
 - Regular Council Meeting – 2016 Mid-year review and outside agency presentations
- Thursday, August 11th
 - Preliminary revenue and expenditure budgets submitted to City Manager
- Monday, August 15th – Thursday, August 18th
 - City Manager reviews preliminary budget
- Thursday, August 25th
 - Council Workshop – 2017-2018 Utility rate review and utility capital projects presentation (following Council meeting)
- Monday, August 22nd – Thursday, August 25th
 - City Manager meets with department heads to review baseline budgets, program enhancement requests and capital improvement projects (CIP)

Key Budget Dates for Council

- Thursday, September 1st
 - City Manager distributes proposed preliminary budget to City Council- Proposed preliminary budget filed with City Clerk
- Thursday, September 8th
 - Regular Council Meeting – 2017-2018 Utility rate resolutions presented for adoption
- Saturday, September 17th
 - Council Workshop – Review 2017–2018 Outside agency requests, baseline budgets, programs, program enhancements and capital improvement projects(CIP)
- Monday, September 19th – Thursday, September 29th
 - Finance Director and City Manager finalize review of revenue and expenditure budgets, enhancement requests and capital improvement projects (CIP) and decide what can be incorporated into the 2017-2018 budget and 2017-2021 capital improvement plan.

Key Budget Dates for Council

- Monday, October 3rd – Thursday, October 13th
 - Finance Director prepares recommended budget with revisions as per Council directive
- Thursday, October 13th
 - Regular Council Meeting – Set public hearing, 2017 revenue sources and property tax levy
- Thursday, October 20th
 - Council Workshop – (if necessary)
- Monday, October 31st
 - City Manager files preliminary budget and budget message with City Council sixty days before the ensuing fiscal year as per RCW 35.33.055 and RCW 35A.33.052

Key Budget Dates for Council

- Thursday, November 3rd
 - First public hearing notice published on proposed budget and CIP (1 week)
- Thursday, November 3rd
 - Special Council Meeting – Public hearing on 2017 revenue sources and property tax levy. Council sets public hearing on 2017-2018 biennial budget and 2017-2021 CIP for December 8, and December 22, 2016
- Thursday, November 10th
 - Second public hearing notice published on proposed budget and CIP (1 week)
- Thursday, November 17th
 - Special Council Meeting – Council adopts 2017 property tax levy

Key Budget Dates for Council

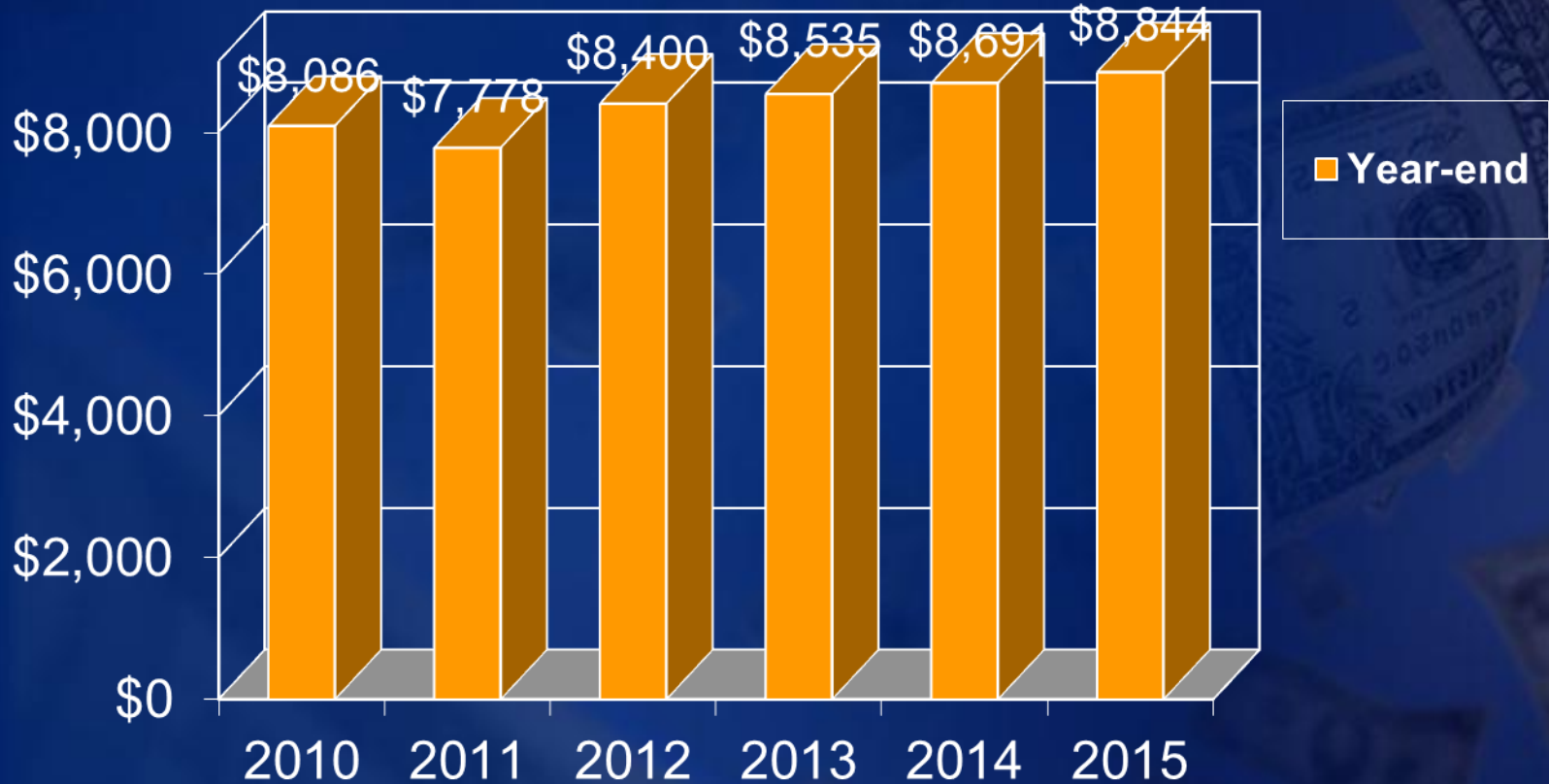
- Thursday, December 1st
 - 2017-2018 preliminary budget document and 2017-2021 CIP distributed to Council, media and public
- Thursday, December 8th
 - Regular Council Meeting – 1st of two public hearings on 2017-18 biennial budget and 2017-2021 capital projects plan(CIP)
- Thursday, December 15th
 - Regular Council meeting – 2nd public hearing on 2017-2018 biennial budget and 2017-2021 capital improvement plan(CIP); adopt 2017-2018 budget ordinance and 2017-2021 capital improvement plan resolution
- Monday, December 26th
 - Notify outside agencies of funding approval

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2015 General Fund Review

History of Property Taxes

(in 000's)

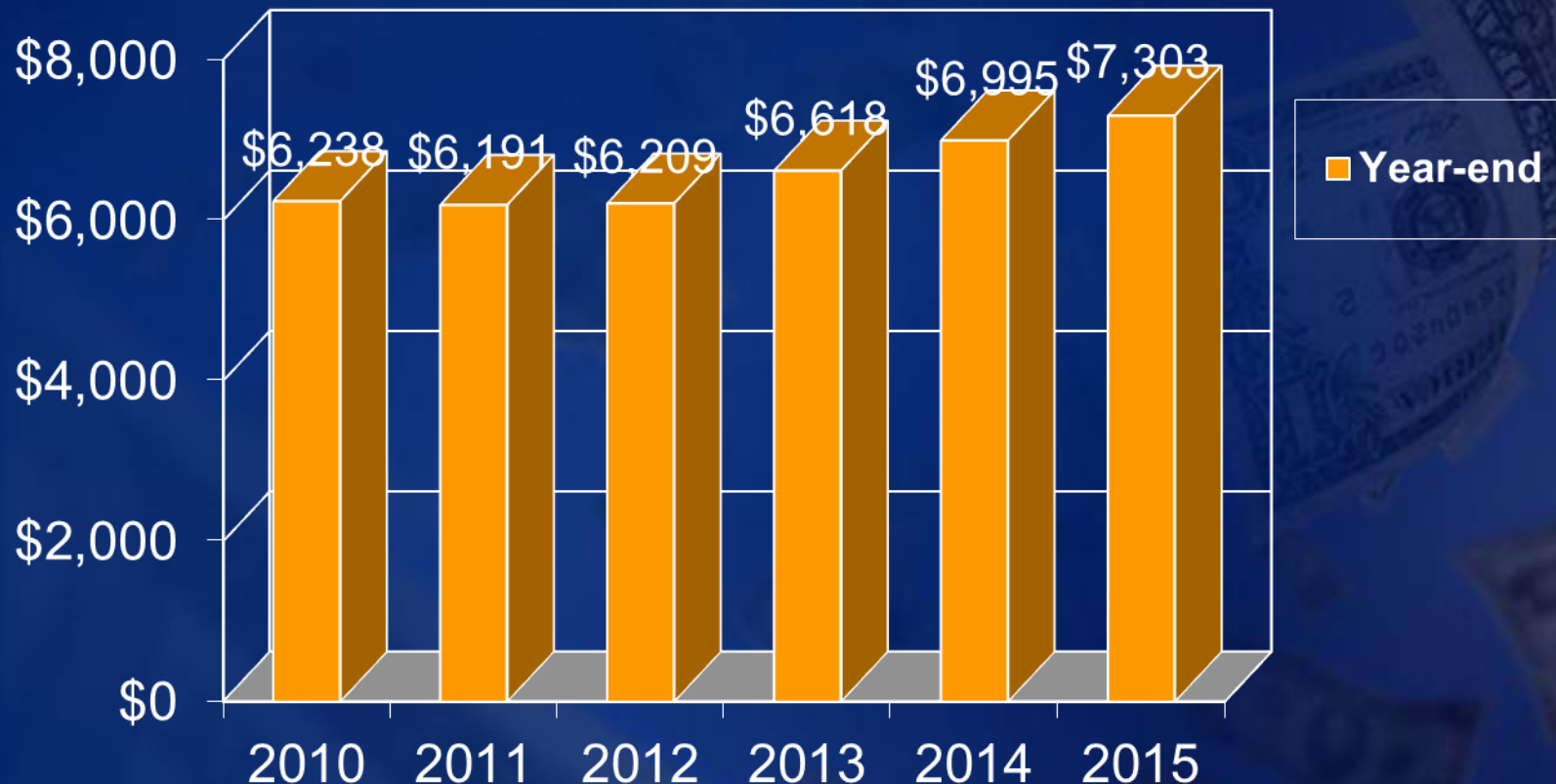


2015 Budgeted Property Tax = \$8,807,740

Comment: "2015 property taxes in the amount of \$8.84 million are up 1.8% over 2014." Property taxes in the amount of \$517,000 were allocated to the Economic Development Fund for the Mint Farm Industrial Park.

History of Sales Taxes

(in 000's)



2015 Budgeted Sales Tax = \$7,136,000

Comment: "Year-end 2015 sales tax revenues in the amount of \$7.3 million are \$307k more than 2014 actual sales tax collections of \$6.995m and represents a 4.4% increase."

Sales Tax Increase 2014 - 2015

Home Improvement +10.6%



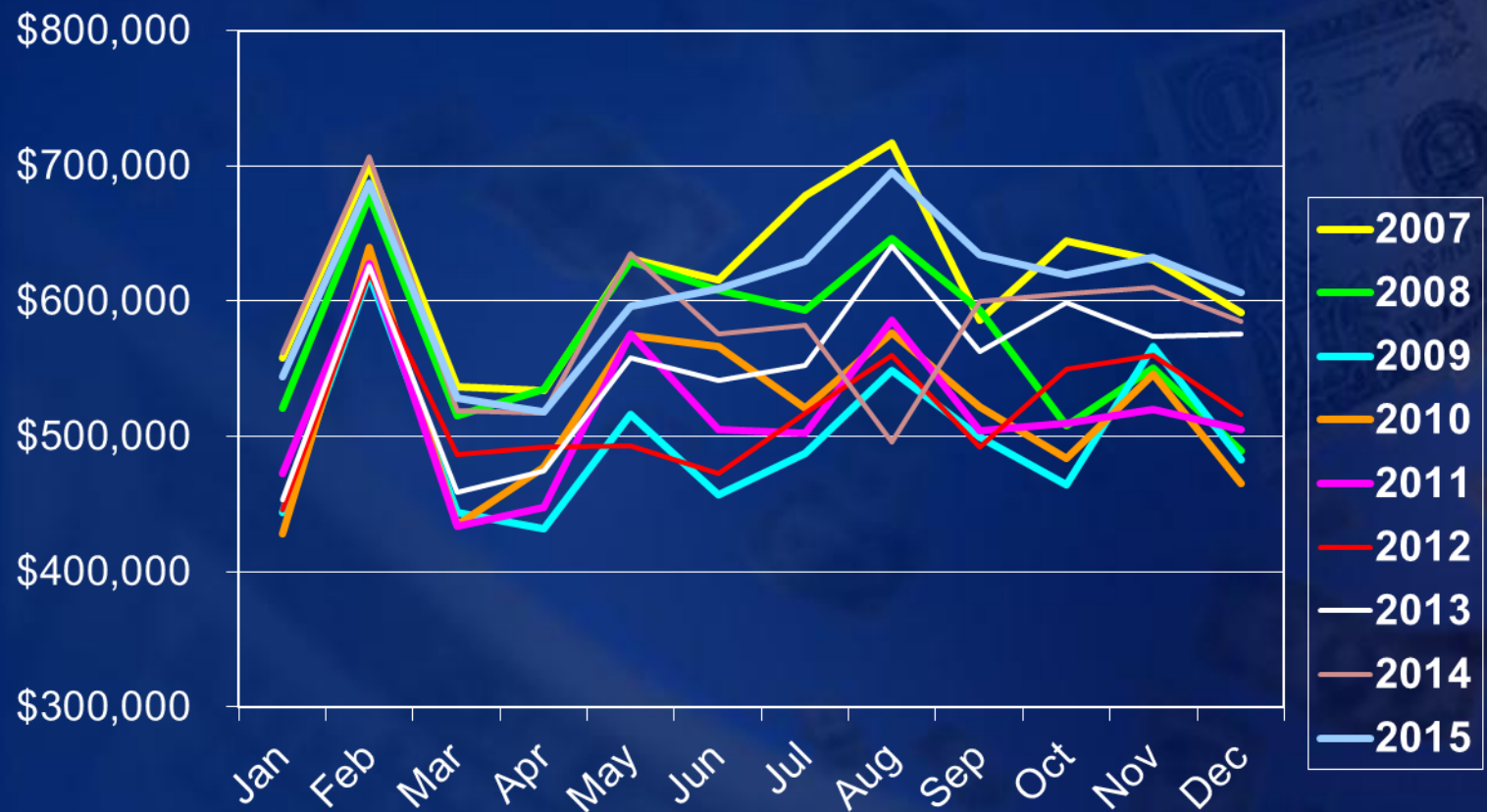
Auto +14.6%



Triangle Mall Retailers +14.3%
Top 10 Retailers +11.1%



Sales Tax by Month

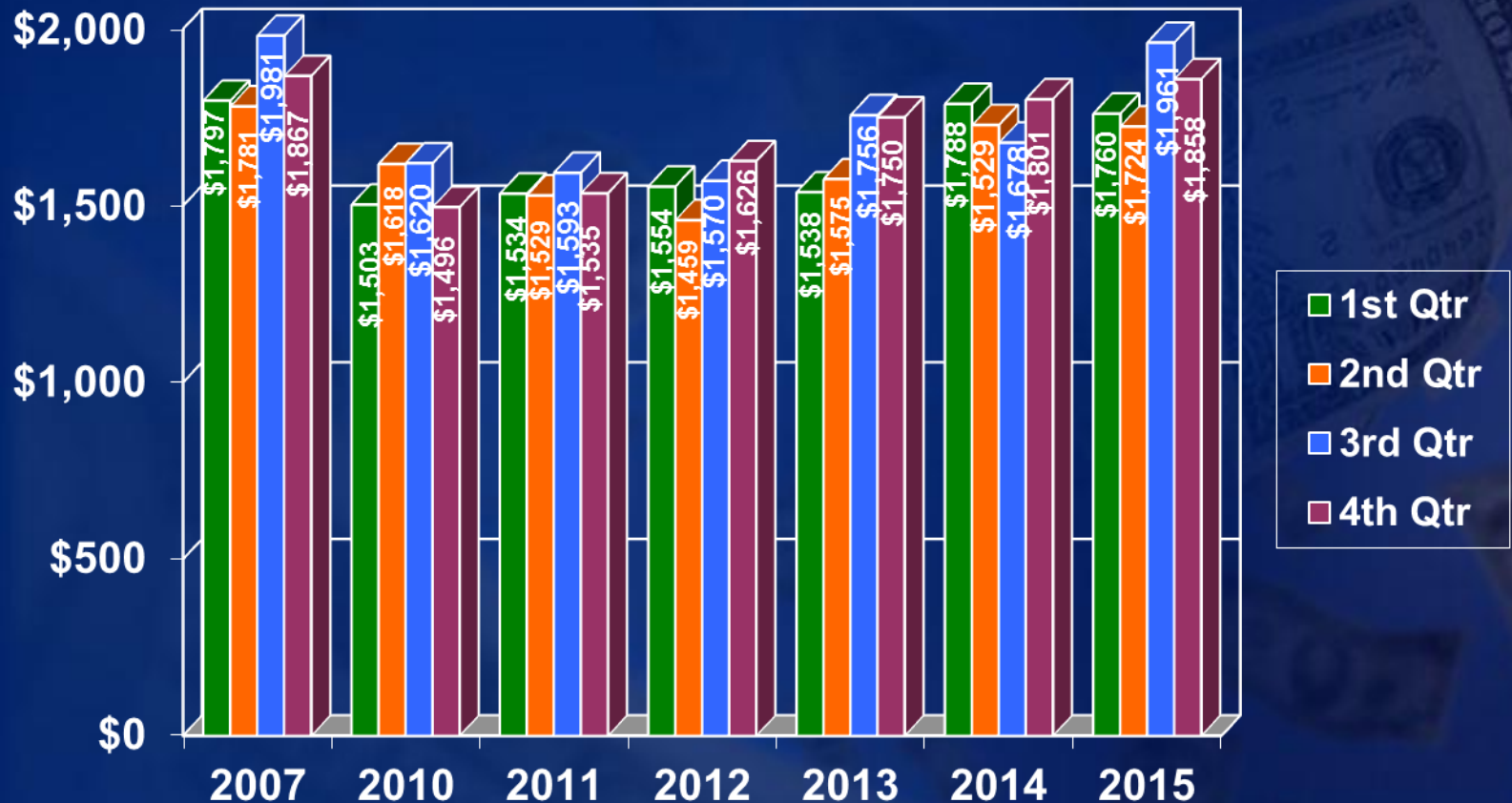


Sales Tax by Month

Month	2010	2011	2012	2013	2014	2015
Jan	428,476	472,790	446,054	453,532	562,031	543,804
Feb	640,286	627,723	621,822	625,786	706,948	687,553
Mar	434,852	433,733	486,362	458,392	519,407	528,803
Apr	477,404	447,288	492,500	474,629	517,115	518,223
May	574,608	576,135	493,618	558,589	635,030	596,590
Jun	566,324	505,708	473,047	541,400	575,466	609,032
Jul	521,349	502,848	517,017	552,920	582,107	630,067
Aug	576,930	586,151	560,329	640,452	495,891	695,989
Sep	522,162	503,925	492,304	563,095	600,099	634,720
Oct	483,934	510,337	550,014	599,094	605,592	619,411
Nov	546,357	519,697	560,244	574,383	610,303	632,212
Dec	465,220	505,044	516,118	576,216	585,053	606,097

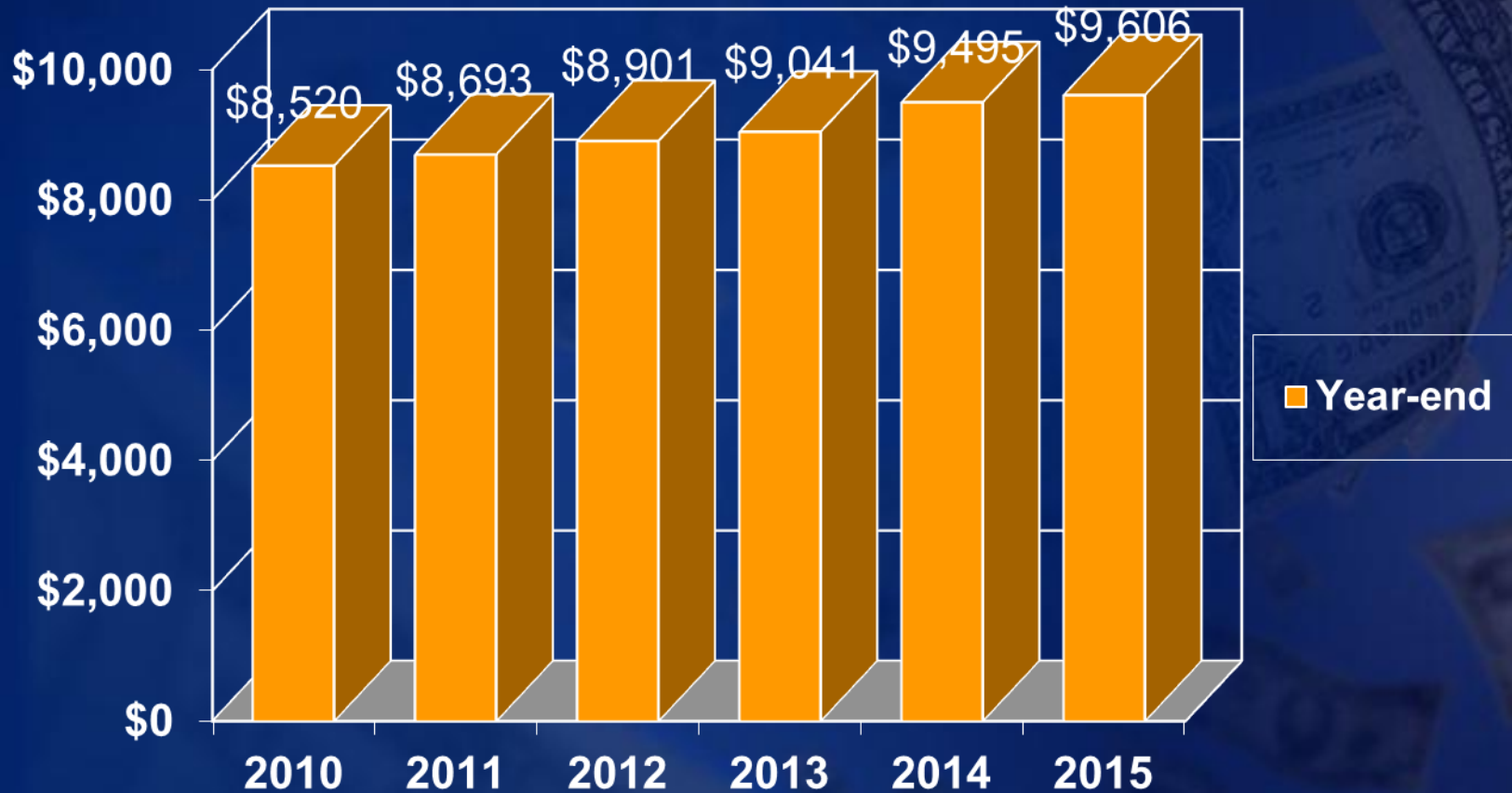
Sales Taxes by Quarter

(in 000's)



Comment: "After eight years, 2015 quarterly sales tax revenues are approaching 2007 levels."

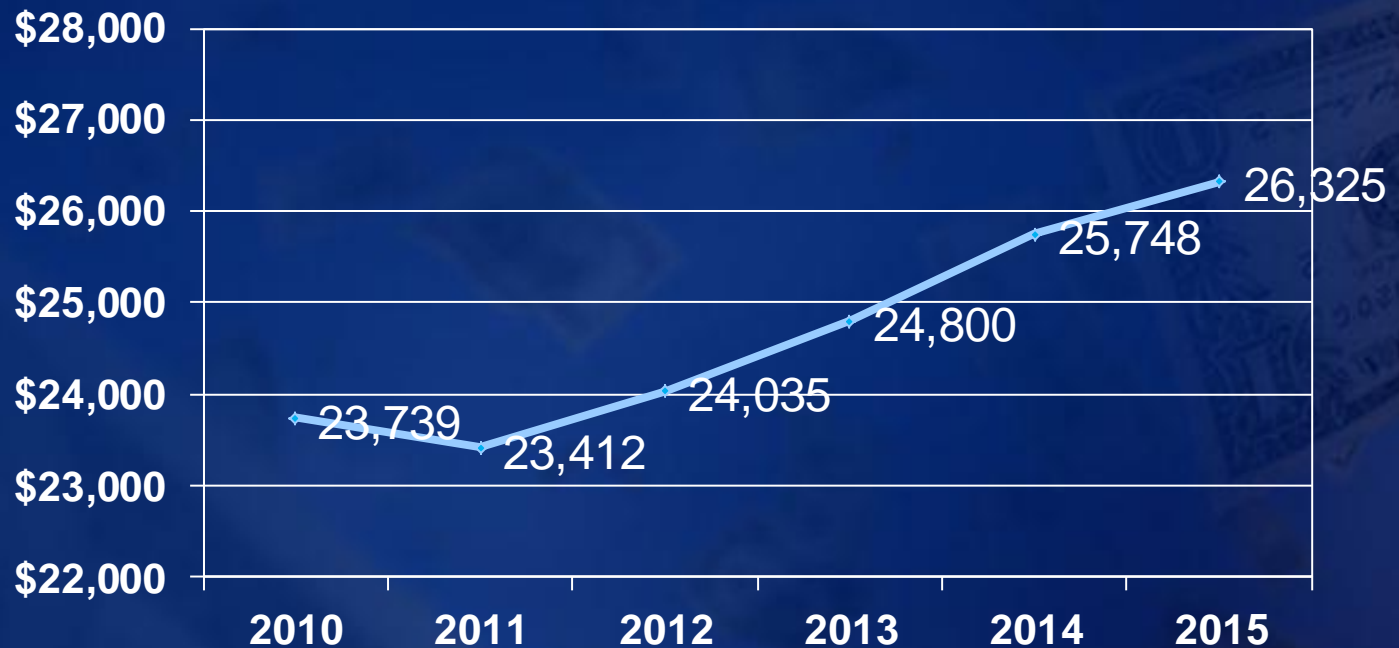
History of B&O Taxes (in 000's)



2015 Budgeted B&O Tax = \$9,625,420

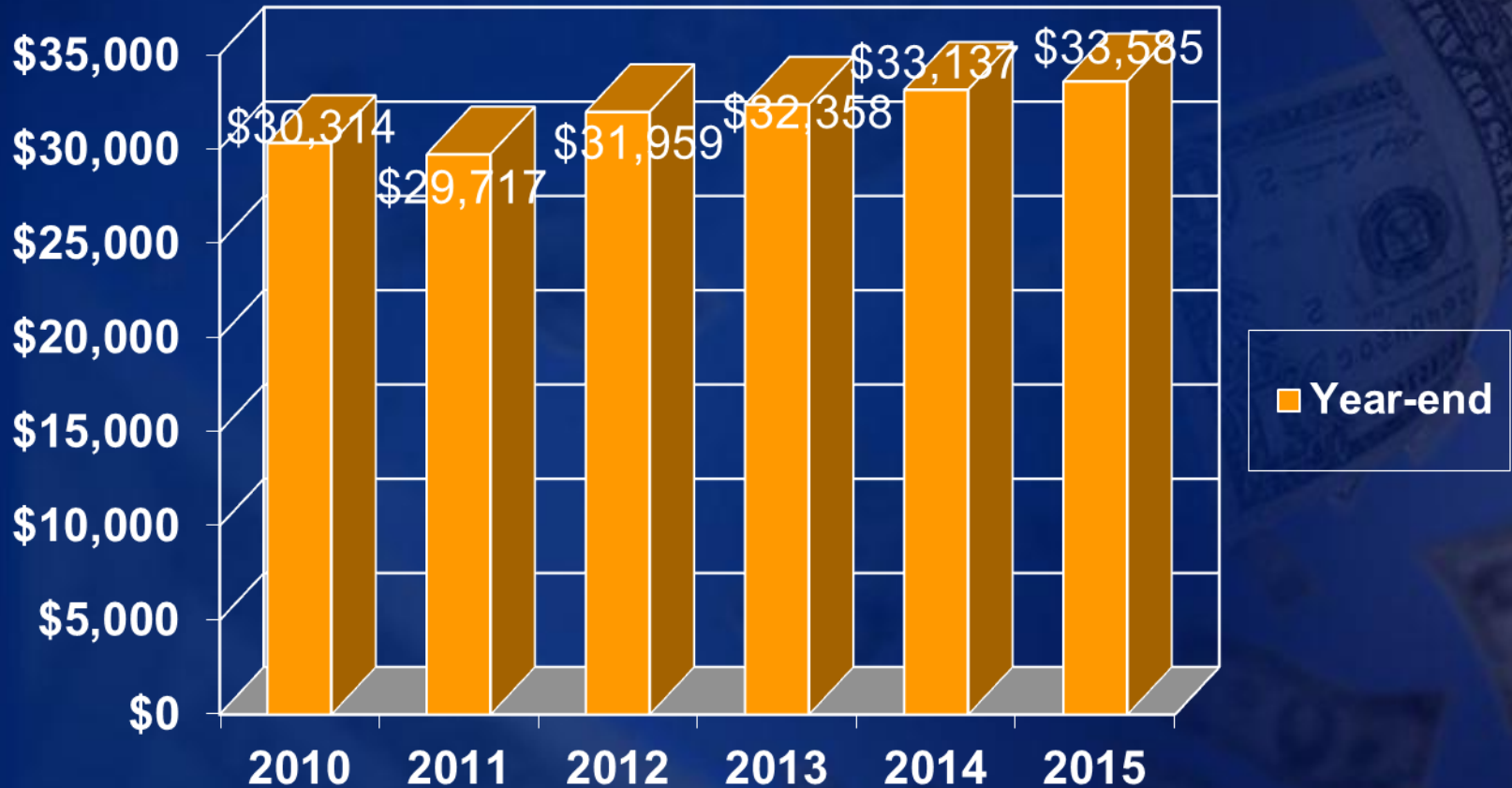
Comment: "2015 B&O taxes in the amount of \$9.61 million are \$111k more than 2014 B&O tax collections of \$9.50m and represents a 1.2% increase." ¹⁹

History of Taxes (000's)



Comment: "2015 total taxes in the amount of \$26.3 million are up 2.2% over 2014 taxes."

General Fund Revenue (in 000's)



2015 Budgeted Revenue = \$33,277,990

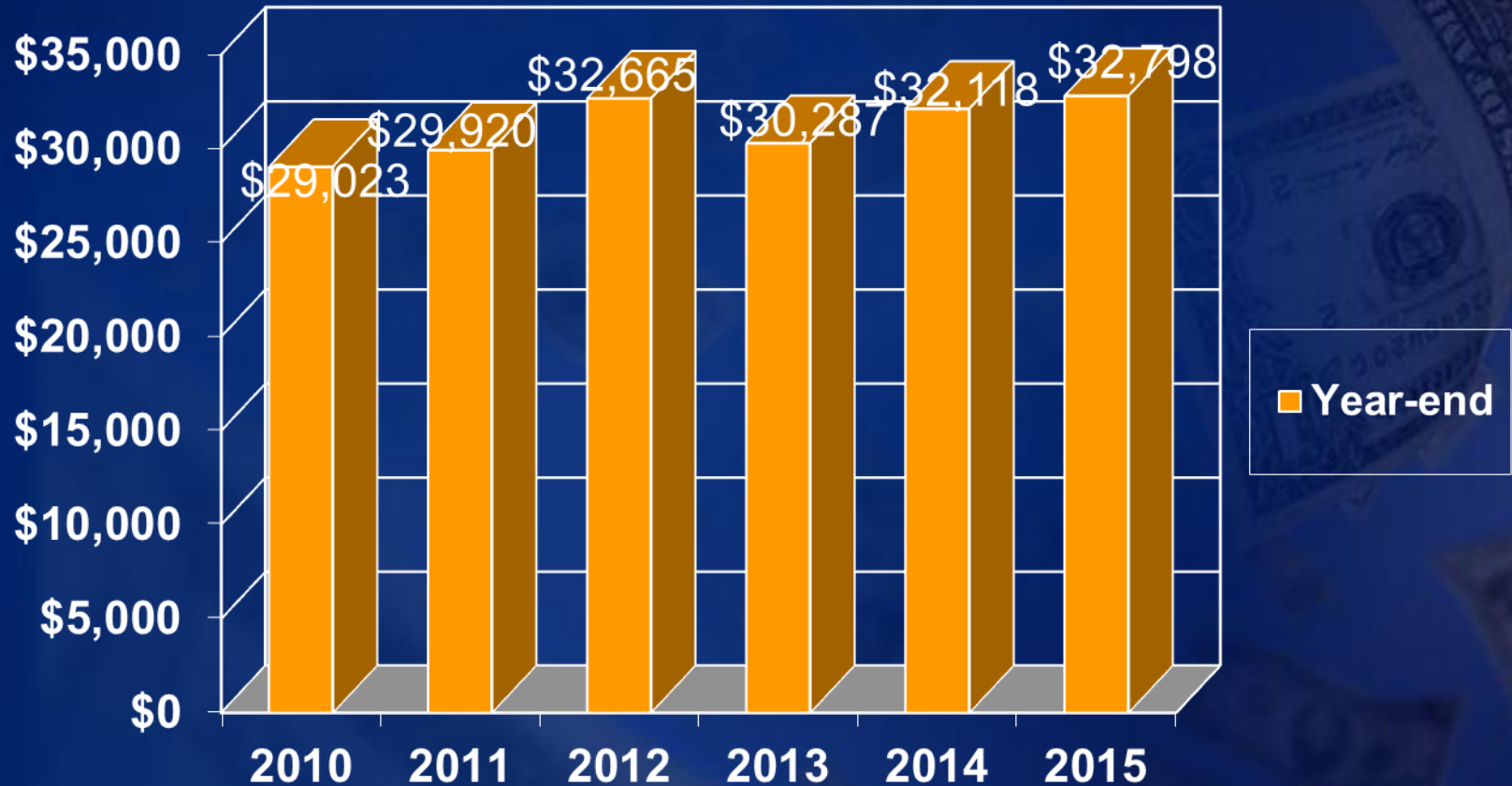
Comment: "2015 General Fund revenue in the amount of \$33.6m represents a \$448k increase over 2014 revenue of \$33.1m. 2015 revenues reflect an increase of 1.4% above 2014. "

2015 General Fund Revenue

Revenue:	Budget	Actual
Taxes	\$26,240,610	\$26,325,005
Licenses & Permits	759,050	777,951
Intergovernmental	1,457,700	1,814,718
Charges for Services	3,806,950	3,632,684
Fines & Forfeits	650,750	608,408
Misc/Transfers	<u>362,930</u>	<u>426,366</u>
Total Revenue	\$33,277,990	\$33,585,132

Comment: "2015 revenues are \$307k more than budgeted. Actual revenue exceeded budgeted revenue by 0.9%. The greatest budget-to-actual variance was in intergovernmental revenues where grants, motor vehicle fuel and liquor excise taxes all exceeded budget estimates."₂₂

General Fund Expenditures (in 000's)



2015 Budgeted Expenditures = \$34,394,080

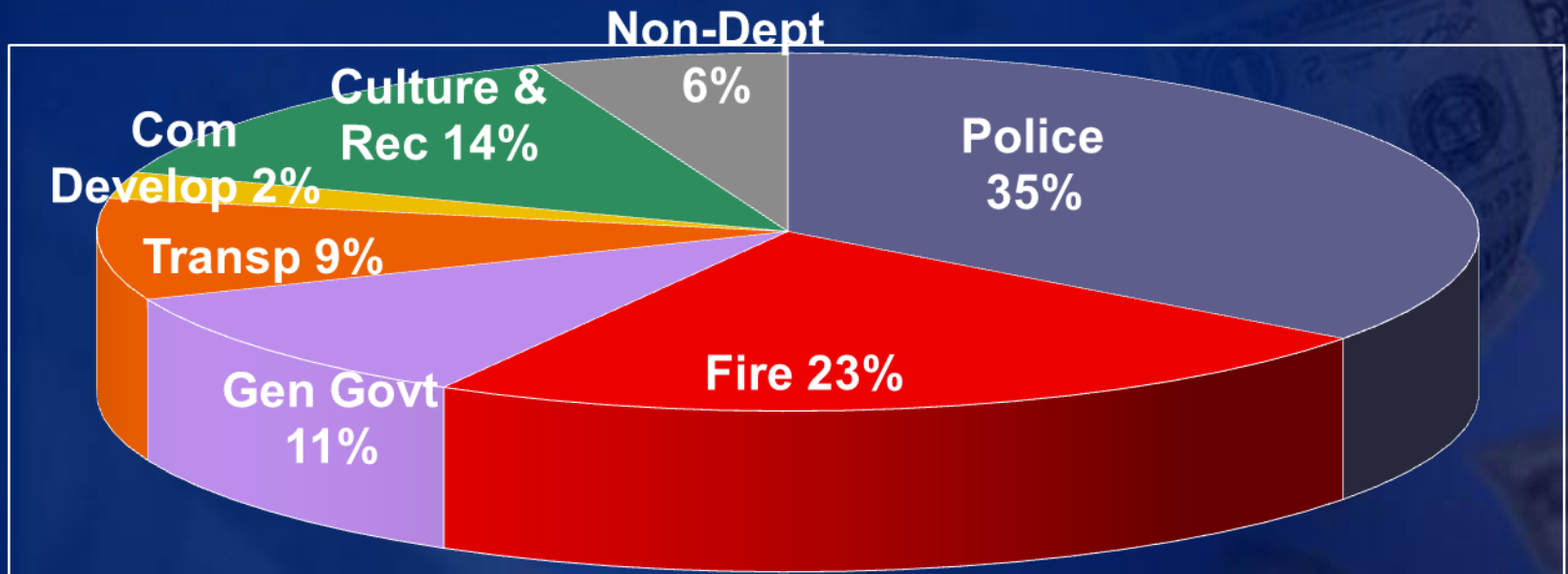
Comment: "2015 General Fund expenditures of \$32.8m are \$1.6m less than budget. 2015 expenditures are up \$679k or 2.1% over 2014."

2015 General Fund Expenditures

Object:	Budget	Actual
Salaries/Benefits	\$23,241,980	\$22,636,204
Supplies/Services	9,572,030	8,510,734
Capital Outlay	82,120	124,318
Debt Service/Transfers	<u>1,497,950</u>	<u>1,526,310</u>
Total Expenses	\$34,394,080	\$32,797,566

Comment: "2015 expenditures represent 95.4% of budgeted expenditures. The \$1.5m variance between 2015 budgeted and actual expenditures represents a budget savings of \$606k in salaries and healthcare benefits, \$71k in supplies, \$621k in contractual services, travel, motor pool rent, and utilities and \$370k in intergovernmental contracts, ."


2015 General Fund Expenditures



2015 General Fund Actual Expenditures =
\$32,797,566

2015 General Fund Overview

	2015 Budget	2015 Actual
Beg Fund Balance	\$7,800	\$8,637
Revenue	<u>\$33,278</u>	<u>\$33,585</u>
Total Revenue	\$33,278	\$33,585
Expenditures	<u>\$34,394</u>	<u>\$32,798</u>
Total Expenditures	\$34,394	\$32,798
Beg Cash Required	<u>(\$1,116)</u>	<u>\$787</u>
End Fund Balance	\$6,684	\$9,424
% of End Fund Bal	19.4%	28.7%

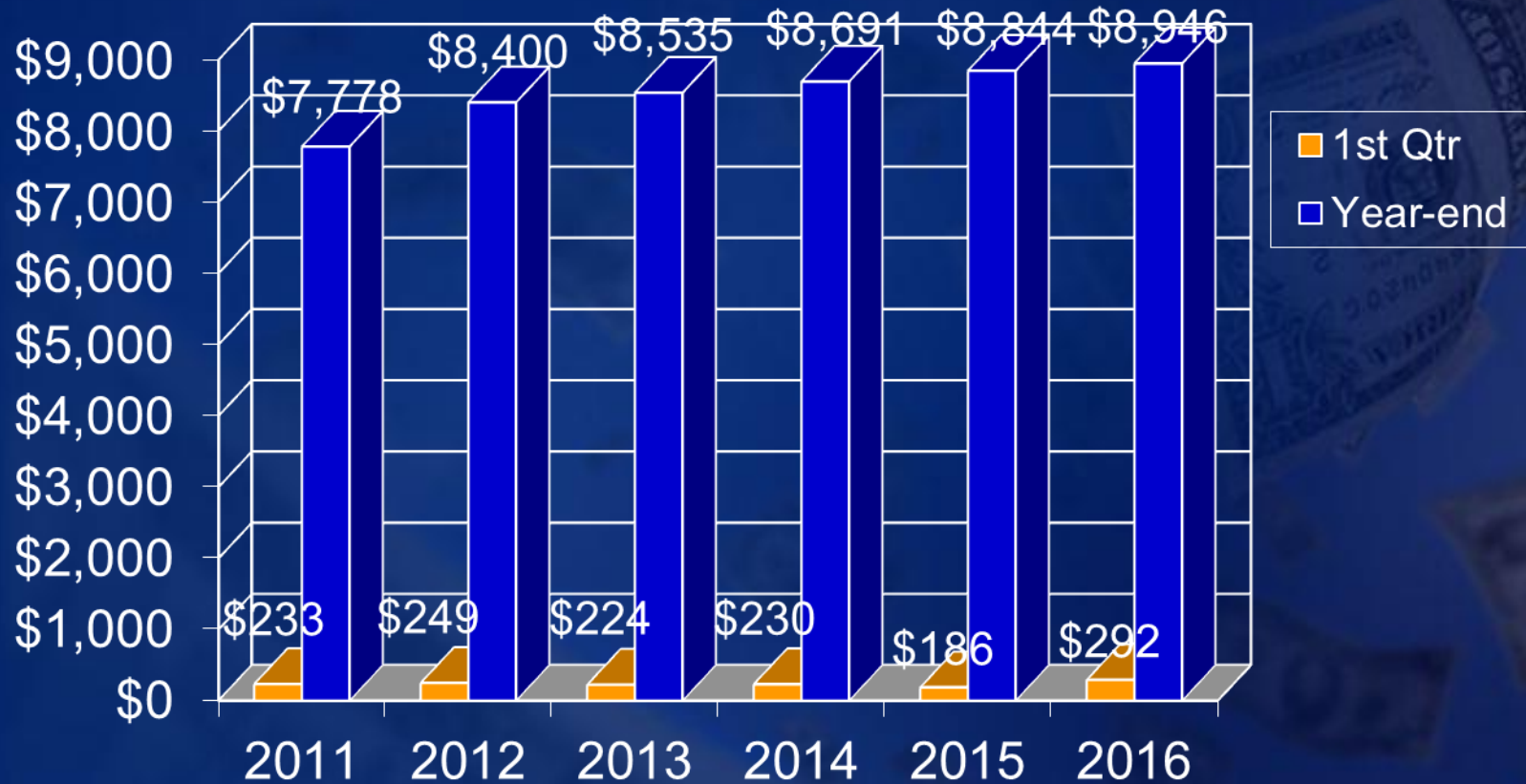


Note: Budgetary Fund Balance – Excludes \$2.5 m in taxes receivable.

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General Fund Review 2016 Q 1

History of Property Taxes (in 000's)

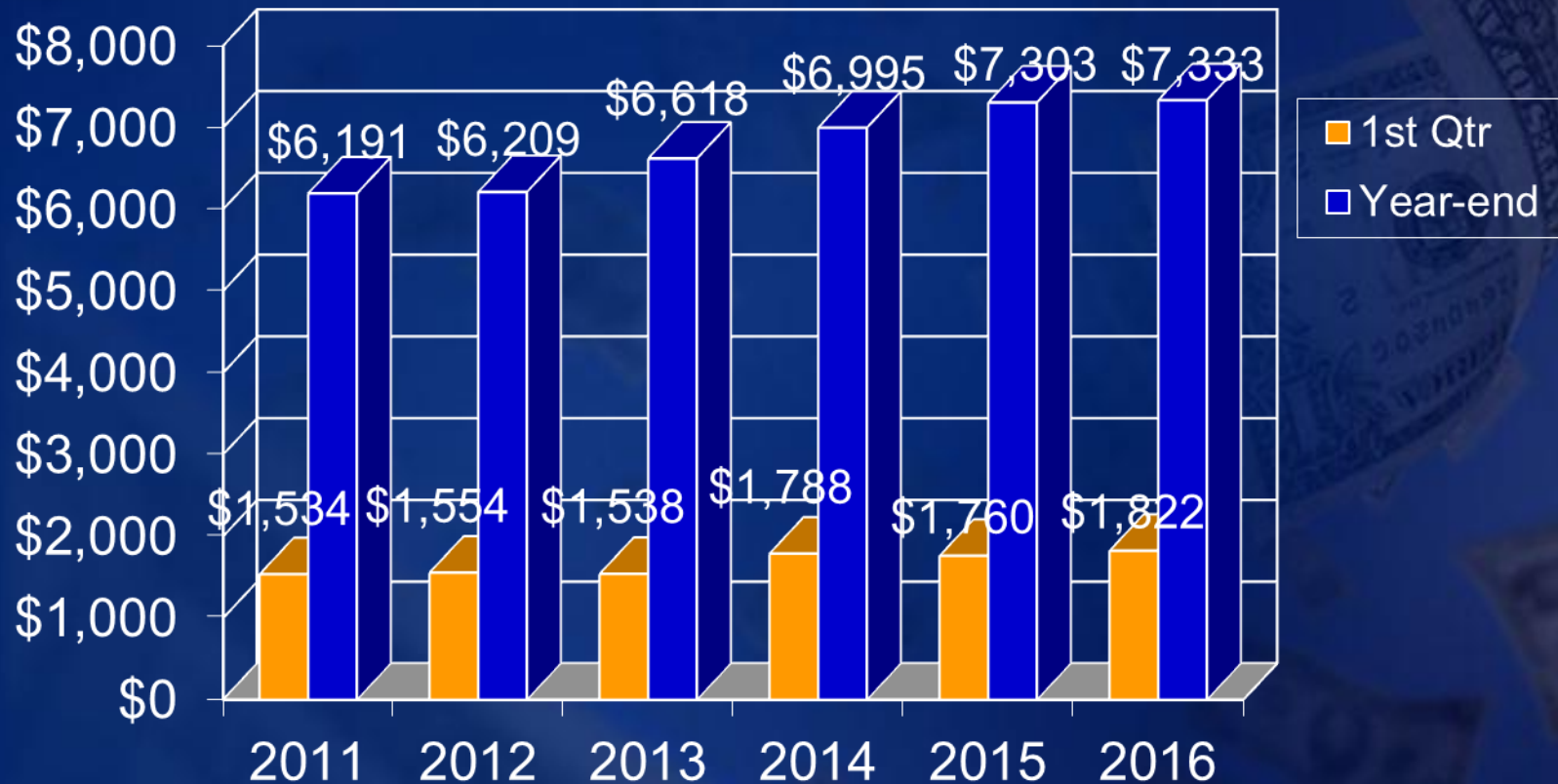


2016 Budgeted Property Tax = \$8,978,320

Note: Property taxes in the amount of \$500,000 are dedicated to the Economic Development Fund for the Mint Farm Industrial Park.

History of Sales Taxes

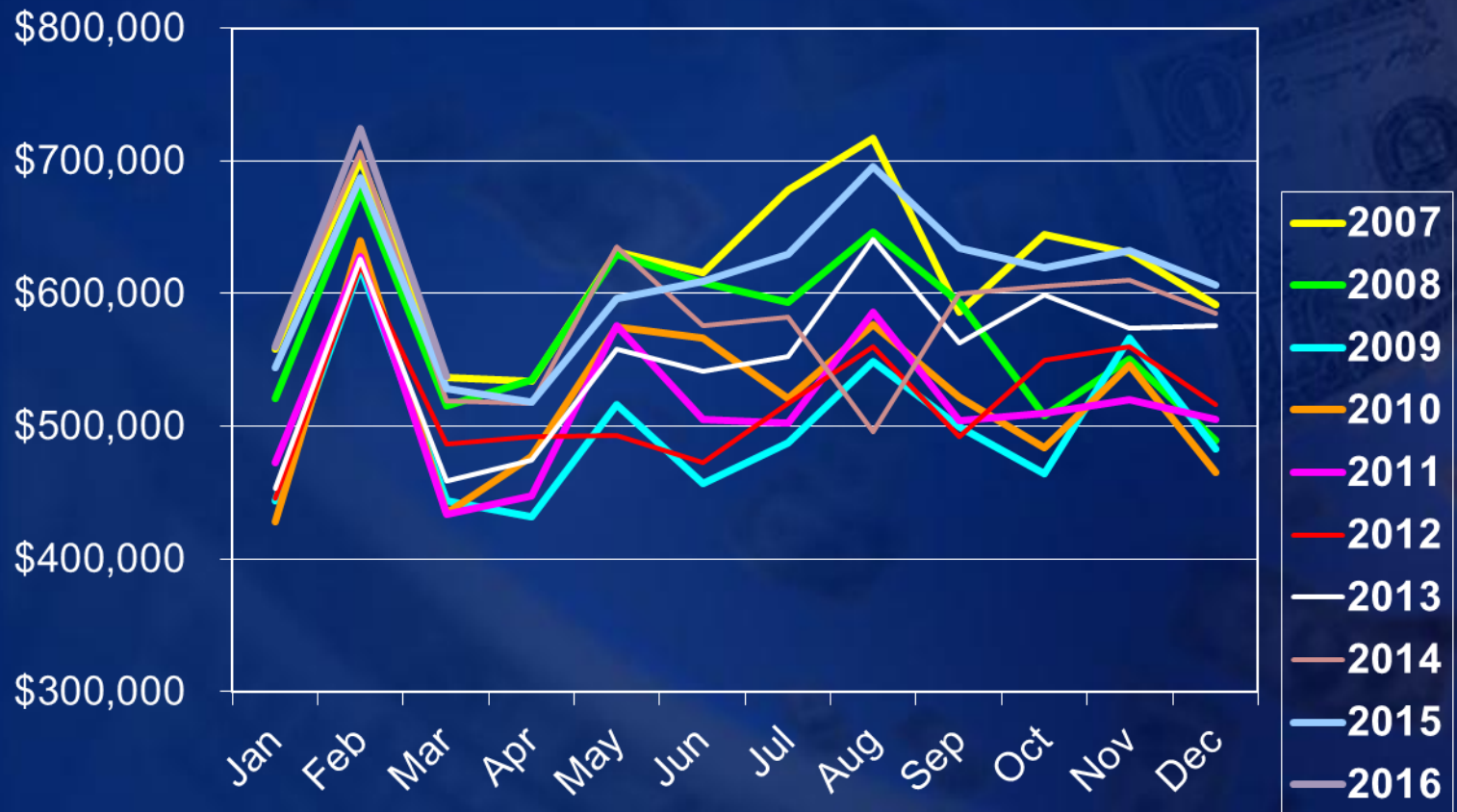
(in 000's)



2016 Budgeted Sales Tax = \$7,278,720

Comment: "As of March 31, 2016, projected 2016 sales tax of \$7.33 million is \$30k more than 2015 actual sales tax collections of \$7.30m and represents a 0.4% increase."

Sales Tax by Month

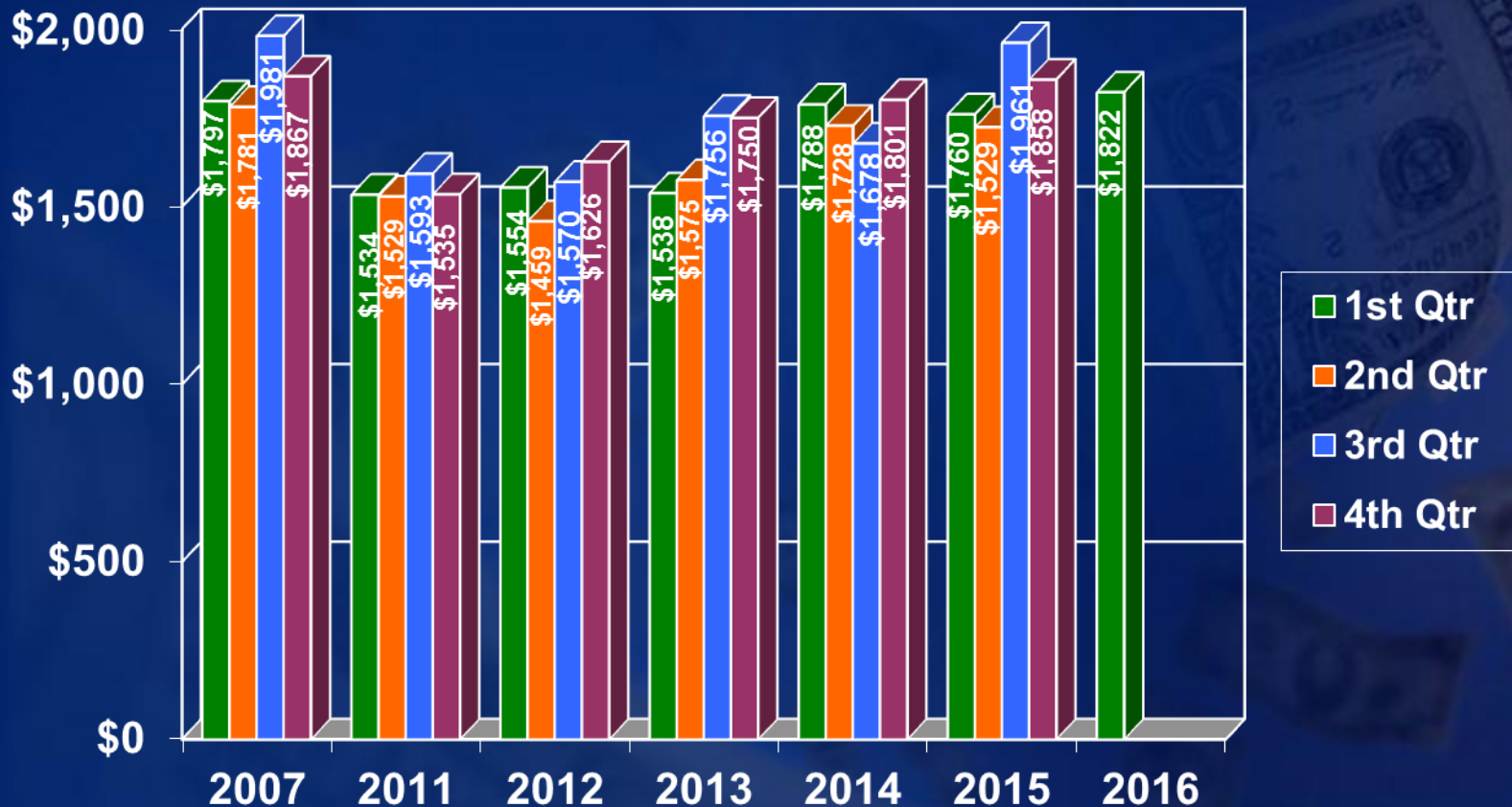


Sales Tax by Month

Month	2007	2012	2013	2014	2015	2016
Jan	558,450	446,054	453,532	562,031	543,804	559,871
Feb	701,920	621,822	625,786	706,948	687,553	724,562
Mar	536,450	486,362	458,392	519,407	528,803	537,399
Apr	533,650	492,500	474,629	517,115	518,223	
May	631,750	493,618	558,589	635,030	596,590	
Jun	615,520	473,047	541,400	575,466	609,032	
Jul	678,250	517,017	552,920	582,107	630,067	
Aug	716,940	560,329	640,452	495,891	695,989	
Sep	585,940	492,304	563,095	600,099	634,720	
Oct	644,780	550,014	599,094	605,592	619,411	
Nov	630,840	560,244	574,383	610,303	632,212	
Dec	591,530	516,118	576,216	585,053	606,097	

Sales Taxes by Quarter

(in 000's)



Comment: "After nine years, 2016 quarterly sales tax revenues have returned to 2007 peak levels."

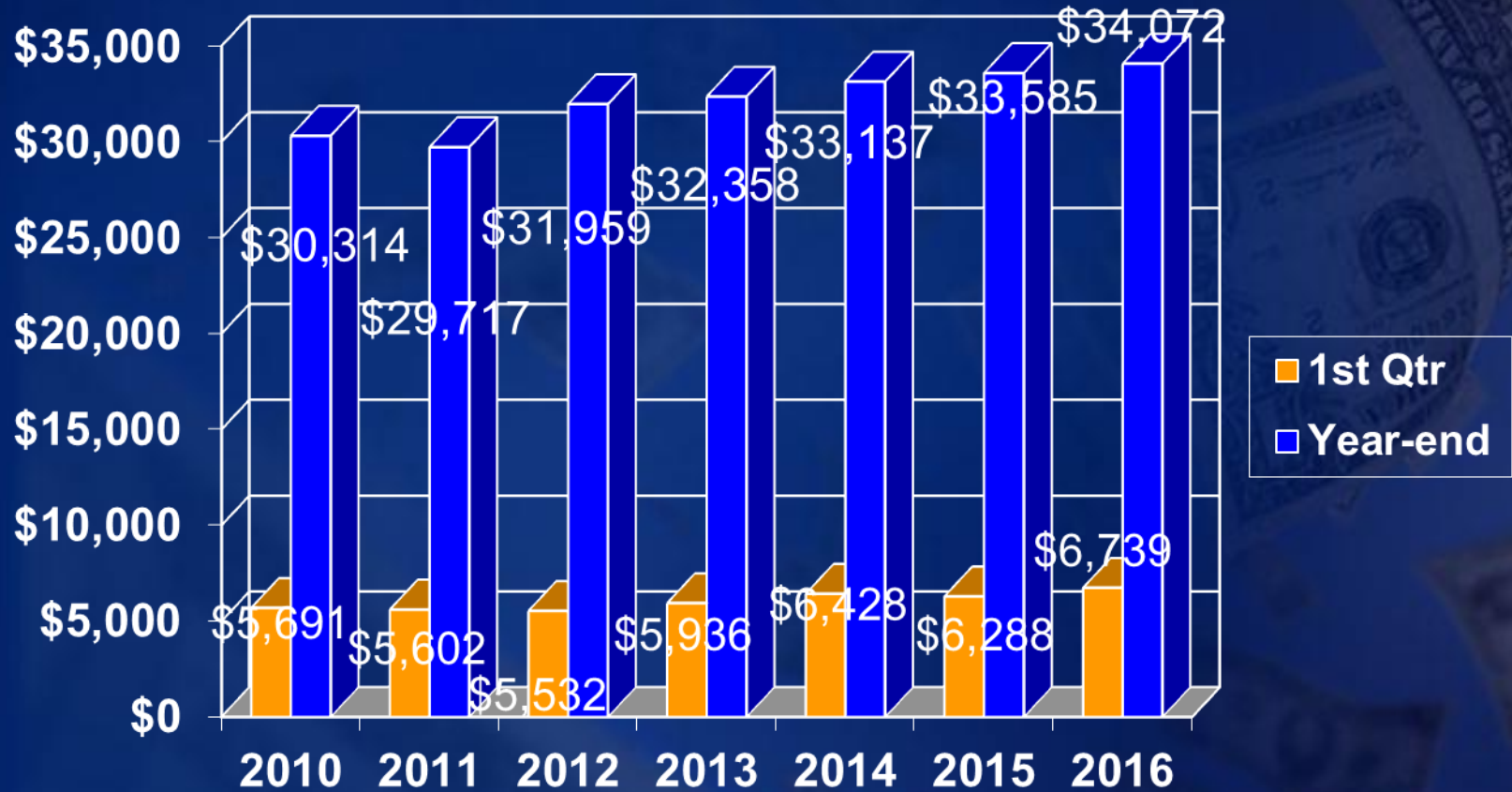
History of B&O Taxes (in 000's)



2016 Budgeted B&O Tax = \$9,831,900

Comment: "2016 projected B&O taxes of \$9.77 million are \$164k more than 2015 B&O taxes in the amount of \$9.6m and represent a 1.7% increase."

General Fund Revenue (in 000's)



2016 Budgeted Revenue = \$33,990,830

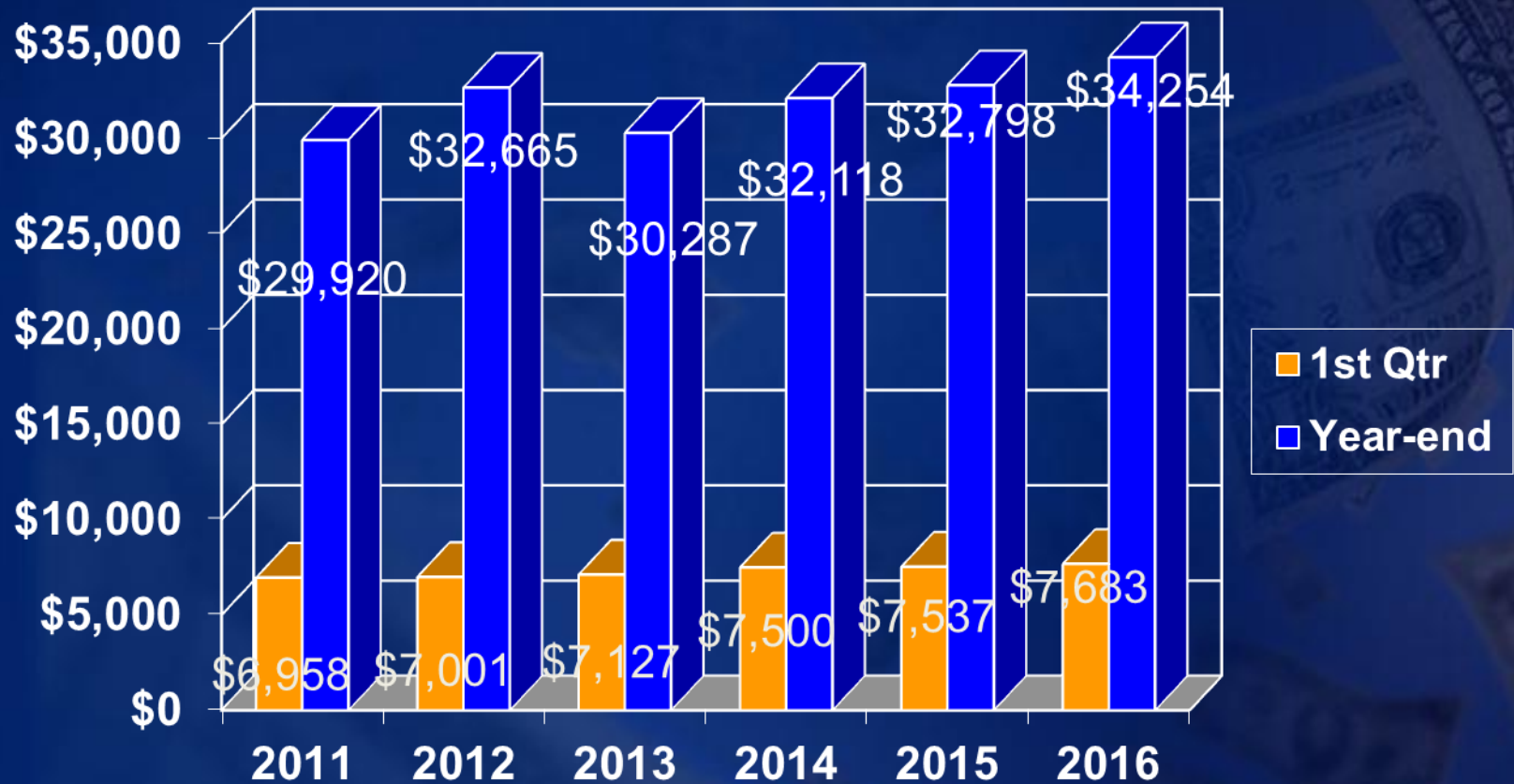
Comment: "2016 projected General Fund revenue of \$34.1m represents a an increase of \$487k or 1.5% over 2015 revenue of \$33.6m.."

2016 General Fund Revenue

Revenue:	Budget	Projected
Taxes	\$26,774,350	\$26,617,686
Licenses & Permits	794,850	881,253
Intergovernmental	1,484,150	1,757,003
Charges for Services	3,900,680	3,768,053
Fines & Forfeits	655,800	580,660
Misc./Transfers	<u>381,000</u>	<u>\$467,265</u>
Total Revenue	\$33,990,830	\$34,071,920

Comment: "2016 revenues are projected to be \$81k more than budgeted. This is primarily the result of projected rise in permit and intergovernmental revenues."

General Fund Expenditures (in 000's)



2016 Budgeted Expenditures = \$35,610,240

Comment: "Projected 2016 General Fund expenditures of \$34.2 m are \$1.35m less than budget."

2016 General Fund Expenditures

Object:	Budget	Projected
Salaries/Benefits	\$24,210,330	\$23,594,446
Supplies/Services	9,926,970	9,143,066
Capital Outlay	82,120	125,561
Debt Service/Transfers	<u>1,390,820</u>	<u>1,391,279</u>
Total Expenses	\$35,610,240	\$34,254,352

Comment: "Projected 2016 expenditures represent 96% of budgeted expenditures. The \$1.35m difference between budgeted and projected expenditures represents underspending in salaries, benefits, supplies, contractual services, fuel, utilities and intergovernmental contracts."

2016 General Fund Overview

	2016 Budget	2016 Projected
Beg Fund Balance	\$6,684	\$9,424
Revenue	<u>\$33,991</u>	<u>\$34,072</u>
Total Revenue	\$33,991	\$34,072
Expenditures	<u>\$35,610</u>	<u>\$34,254</u>
Total Expenditures	\$35,610	\$34,254
Beg Cash Required	<u>(\$1,619)</u>	<u>(\$182)</u>
End Fund Balance	\$5,065	\$9,242
% of End Fund Bal	14.2%	26.2%



Note: Budgetary Fund Balance – Excludes \$2.5m in taxes receivable

2016 General Fund Budget

Looking ahead, the 2016 year-end General Fund balance is projected to be in Budget Prioritization - Stage 2 whereby, expenditures exceed revenues and ending fund balance is greater than 12%.

In this scenario Council provides for a basic status quo budget where all core services and non-mandated programs are maintained through existing revenues and the use of reserves.

The background of the slide features a collage of US dollar bills. On the left, a portion of a \$100 bill with Benjamin Franklin's face is visible. On the right, there are images of \$1 and \$2 bills. The entire background is overlaid with a semi-transparent dark blue rectangle.

2017-21 General Fund Outlook

2017-2021 Forecast Assumptions

- Assumes the following annual revenue increases.
 - 2017 ~ 2.00%
 - 2018 ~ 2.25%
 - 2019 ~ 2.50%
 - 2020 ~ 2.75%
 - 2021 ~ 3.00%
- Assumes the following annual expenditure increases.
 - 2017 ~ 3.25%
 - 2018 ~ 3.50%
 - 2019 ~ 3.50%
 - 2020 ~ 3.75%
 - 2021 ~ 4.00%

General Fund Forecast 2017 - 2021



2017-2021 General Fund Forecast

(000's)	2017	2018	2019	2020	2021
Beg Fund Balance	\$9,242	\$8,627	\$7,557	\$6,094	\$4,212
Revenues	\$34,753	\$35,535	\$36,424	\$37,425	\$38,548
Expenditures	<u>\$35,368</u>	<u>\$36,605</u>	<u>\$37,887</u>	<u>\$39,307</u>	<u>\$40,880</u>
End Fund Balance	\$8,627	\$7,557	\$6,094	\$4,212	\$1,880
Beg Cash Required	(\$615)	(\$1,070)	(\$1,463)	(\$1,882)	(\$2,332)
End Fund Bal %	24.4%	20.6%	16.1%	10.7%	4.6%

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2017-2018 Budget Parameters

2017-18 Suggested Parameters

- Enhance streets and roads repair and maintenance services
- Sustain existing service levels
- Incorporate labor contract parameters – (tbd)
- General Fund support for enhanced economic development activities (if necessary)
- ADA self-assessment transition plan
- West Longview annexation (tbd)
- Restore reserve contributions
 - Fire equipment depreciation
 - Building Depreciation
 - Capital Projects
 - Employee Benefits Reserve
- Other Budget Considerations????

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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

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Economic Development Fund

Economic Development Fund

	2015	2016	2017	2018
Revenue:				
Property tax	\$516,821	\$521,990	\$527,210	\$532,482
Sales tax	22,741	24,000	24,480	24,970
B&O tax	17,244	15,000	15,300	15,606
Interest earnings/Misc fund revenue	52,280	26,300	26,826	27,363
LID #351 – Weber Avenue	<u>124,227</u>	<u>36,765</u>	<u>36,765</u>	<u>36,765</u>
Total Revenues:	\$733,313	\$624,055	\$630,581	\$637,186
Expenditures:				
LTGO bond payment	\$499,140	\$338,630	\$339,900	\$336,100
PWTF loan payment	166,829	182,130	179,980	70,690
Economic development	<u>66,660</u>	<u>232,613</u>	<u>239,591</u>	<u>246,779</u>
Total Expenditures:	\$732,629	\$753,373	\$759,471	\$653,569
Ending Fund Balance	\$591,645	\$462,327	\$333,437	\$317,054

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Capital Projects Fund

Real Estate Excise Tax

(thousands)



Real Estate Excise Taxes

Comment: "Real estate excise tax revenue has more than doubled from 2010 to present. 2016 budgeted real estate excise tax totals \$175,000 ."

2016 Capital Projects Fund

2016 Capital Projects:	
Neighborhood Park Grants	25,000
Police Station Remodel Design	100,000
Library Remodel/Modernization Design	50,000
Fire Station #83 Site Plan	25,000
Parks Maintenance Boiler Replacement	20,000
Capital Projects Fund Share – Sidewalk Repairs	<u>15,000</u>
Total 2016 Capital Projects....	\$235,000

2016 Capital Projects Fund

	2016
Beginning Fund Balance	\$740,884
Revenue:	
Real Estate Excise Tax	\$250,000
Motor Vehicle Fuel Tax	3,900
Miscellaneous/Contributions	<u>500</u>
Total Revenues:	\$254,400
Expenditures:	
2016 Capital Projects	\$235,000
Prior Years Capital Project Commitments	<u>427,185*</u>
Total Expenditures:	<u>\$662,185</u>
Ending Fund Balance	\$333,099

* Excludes MV Golf Cart Storage Facility