

# Fiscal Sustainability

Council Retreat – July 13, 2018

# Special Recognition to:

- ▶ Michelle Ferguson, Senior Financial Analyst
- ▶ Shane Sorenson, Senior Financial Analyst
- ▶ Barbara Lopez, Deputy Finance Director

# Agenda

Council Retreat  
July 13, 2018

- ▶ **How We Got Here**
- ▶ **Actions Taken to Date**
- ▶ **2020 Target Impact**
- ▶ **High Level Assumptions**
- ▶ **2019–2020 Budget Assumptions**
- ▶ **2019–2033 Forecast**
- ▶ **B&O Increase**
- ▶ **B&O Hypothetical Impacts**

# How Did We Get Here?

Council Retreat  
July 13, 2018

- ▶ 2009 SST Mitigation \$5.0m (ends October 2019)
- ▶ 2010 Annexation Sales Tax Credit \$4.7m (ends June 2020)
- ▶ 2010–2018 Structural Imbalance \$2.0m average GF gap  
\$11.7m impact
  
- ▶ Significant change since Spring Retreat
  - 2018 Prop A

# Actions Taken to Date

Council Retreat  
July 13, 2018

- ▶ Started talking about fiscal cliff early
- ▶ Conservative budgeting approach
- ▶ Refunding existing debt to reduce rates
- ▶ Restructured debt payments
- ▶ Building fund balances/updating policies
- ▶ Levied full allowable property tax

# 2019-2020 Budget Assumptions

Council Retreat  
July 13, 2018

2019 increases based on 2018 budget, unless otherwise noted

<b>Revenue Type</b>	<b>2019</b>	<b>2020</b>	
<b>Property Tax</b>	1% plus new construction	1% plus new construction	
<b>Sales Tax</b>	2.00%	2.00%	
<b>Utility Tax</b>	3.00%	0.75%	
<b>B&amp;O Tax</b>	flat - \$12m*		
<b>Real Estate Excise Tax</b>	flat - conservative estimated average \$3.4m		
<b>Licenses &amp; Permits</b>	CPI	CPI	
<b>Expenditure Type</b>	<b>2019</b>	<b>2020</b>	
<b>Salaries &amp; Benefits</b>			
Salary COLA	3% / 2.1%	3% / 3%	KPOA contract expires in 2018 AFSCME/Teamsters contract expires in 2019
Health Plans	20%	10%	
Retirement	Based on DRS		
<b>Supplies</b>	2%	2%	
<b>Services</b>	2% in general or by contract	2% in general or by contract	

\*Includes square footage tax increase approved in 2017 (~\$3m)



# 2020 Target Impact

Council Retreat  
July 13, 2018

Mayor/Admin (not City Clerk)	(240,000)
Finance	(120,000)
HR	(120,000)
IT	(144,000)
Law-Civil	(50,000)
Parks, Rec & Comm Svc	(1,090,000)
Non-Dept (Streets)	(200,000)
	<hr/>
	(1,964,000)
Mgmt Benefits	(136,000)
	<hr/>
Expense Reductions	(2,100,000)
	<hr/>
<b>Revenues</b>	
	<hr/>
Additional Revenues	5,620,000
	<hr/>
<b>Total Impact</b>	<b>7,720,000</b>

# High Level Assumptions

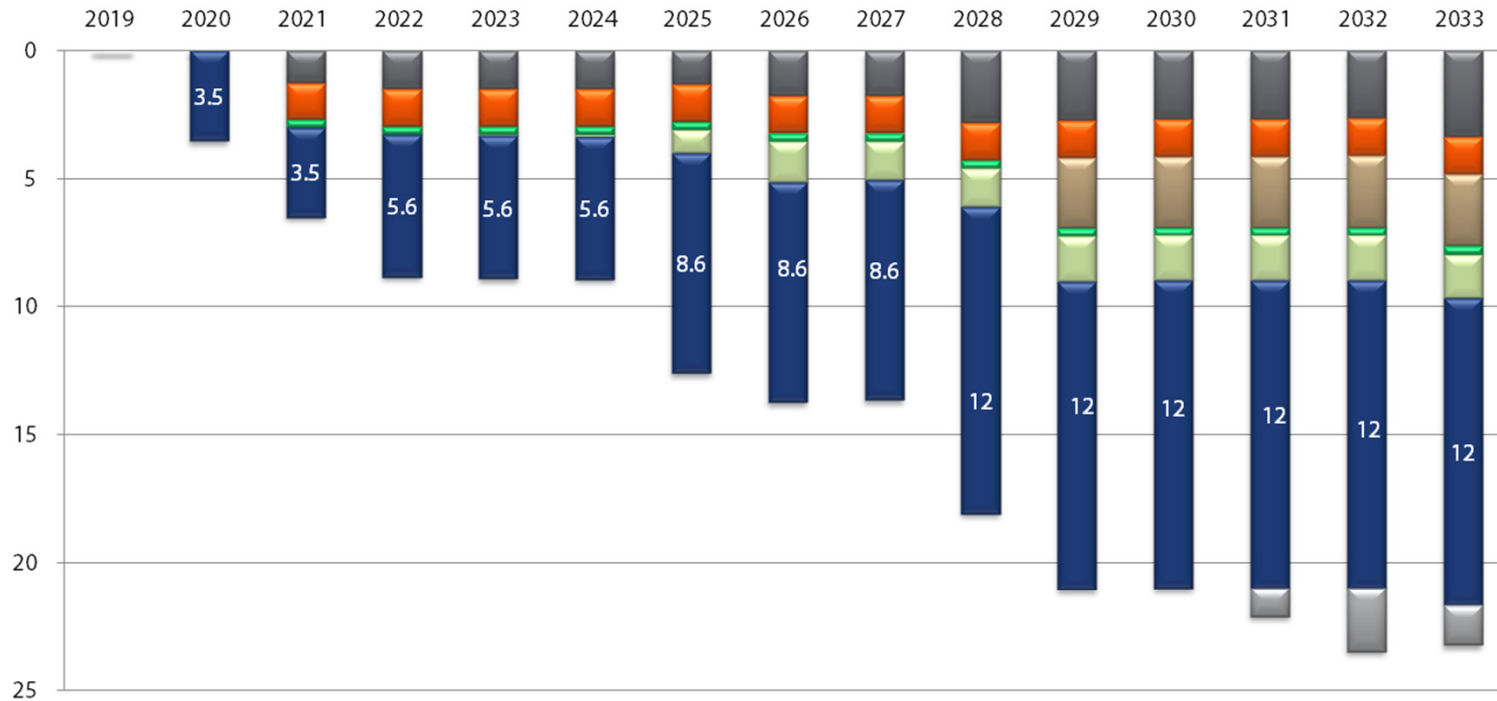
- ▶ Sales Tax (less \$2.5m) to GF beginning in 2021
- ▶ 2% Internal Utility Tax beginning in 2021
- ▶ Move eligible costs to Criminal Justice Fund beginning in 2021
- ▶ Reduce Street Fund subsidy beginning in 2023
- ▶ Eliminate 4% Internal Utility Tax to CRF in 2028
- ▶ Phase in \$12m in new B&O revenues beginning in 2020
- ▶ 3 additional officers per year through 2029 (reaches 190 total)
- ▶ No other new positions or expenditures
- ▶ Consistent revenue growth



# Impact of High Level Assumptions

Council Retreat  
July 13, 2018

\$ in Millions



- Sales Tax Shift from CRF
- 2% Internal Utility Tax Shift from CRF
- 4% Utility Tax Shift from CRF
- Move Eligible Expenses to CJF
- Street Fund Subsidy Reduction
- New B&O Revenues
- Position Reduction



# Handout #1

## 2019–2033 Forecast

Council Retreat  
July 13, 2018

- ▶ Includes the following:
  - \$12 million in new revenues
  - No SST Revenues
  - Department Expenditure Reductions
  - 3 police positions per year through 2029
  - Consistent Revenue Growth
  - No new positions or other expenditures

# B&O Hypothetical Impacts

Council Retreat  
July 13, 2018

## See Handout #2