

LAKE FOREST PARK – Financial Planning Overview

Study Session – June 26, 2008

Discussion on Financial Strategic Plan

Desired Outcome:

- Shared understanding of City's financial picture

Reserves

- Operating Reserves
- Council Contingency Reserve
- Unallocated Reserves

Economic Changes

Financial Projections

- Examples of Options for 2009-2010 and beyond

Budget Process and Discussion

Current City Financial Reserves

- Operating Reserves for cash flow in General, Street, Surface Water & Sewer Funds \$1,267,000
(based on reserve policies of 12% - 30%)
- Council Contingency Fund (for emergencies),
\$600,000
- Unallocated Reserves (Bond Fund
ending balance) \$1,400,000
\$3,267,000

Outside Impacts on Financial Plan

The financial plan allows us to see how the decisions made today will impact our financial trends for the future. It is constantly impacted by:

- Economic conditions (**inflation**, sales tax, **gas prices**, **construction/housing**, **interest rates**, etc.)
- State legislation (state-shared revenues, tax policies, state mandates, etc.)
- New Statewide initiatives
- County changes that impact the **courts**, police, and other services (**human services**, etc.).

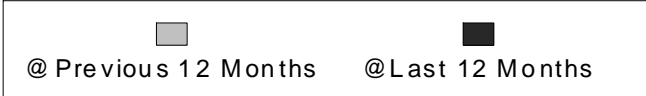
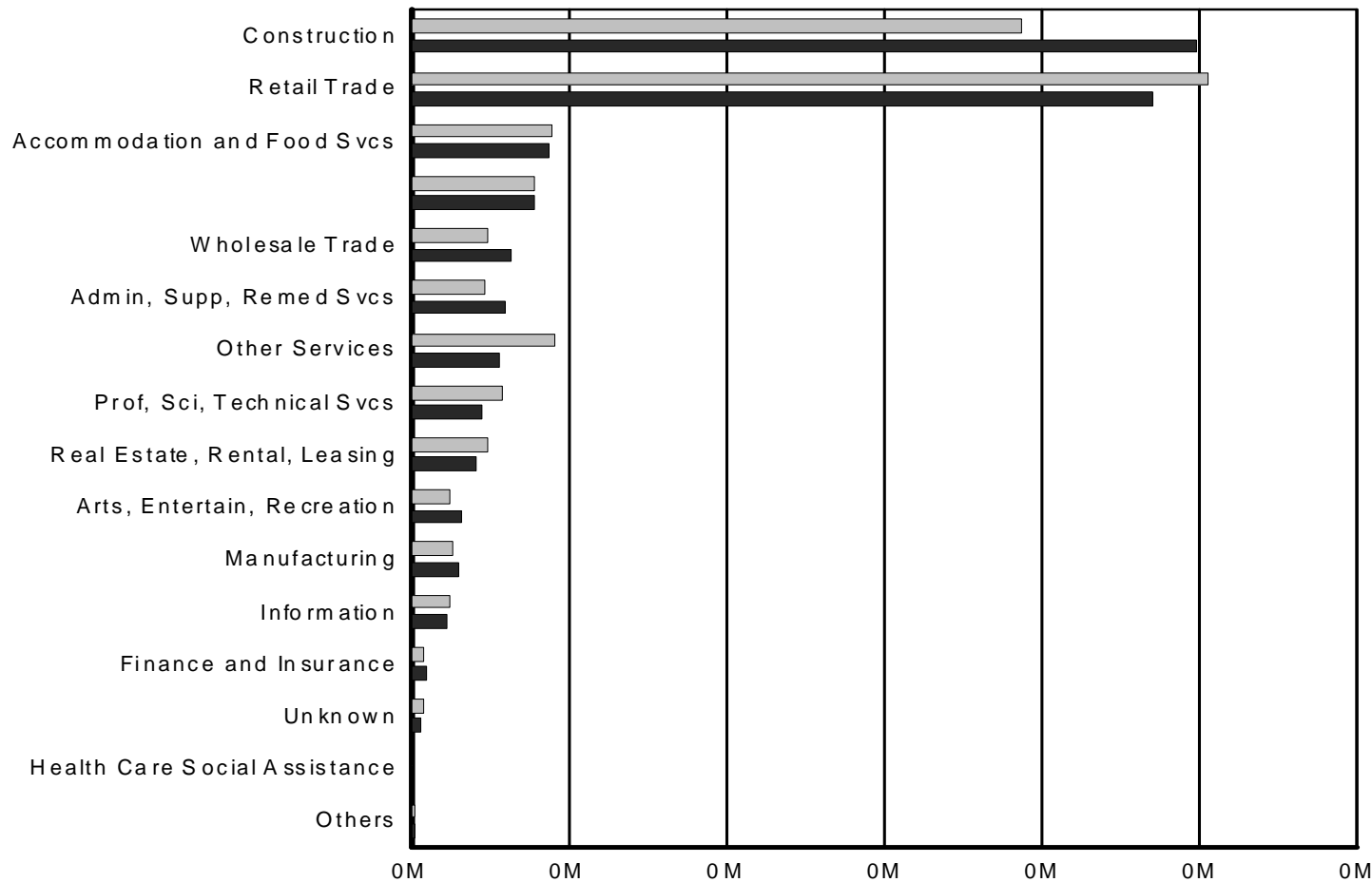
Changing Economic Conditions

Since last October/November we have experienced the following changes from the prior year's activity:

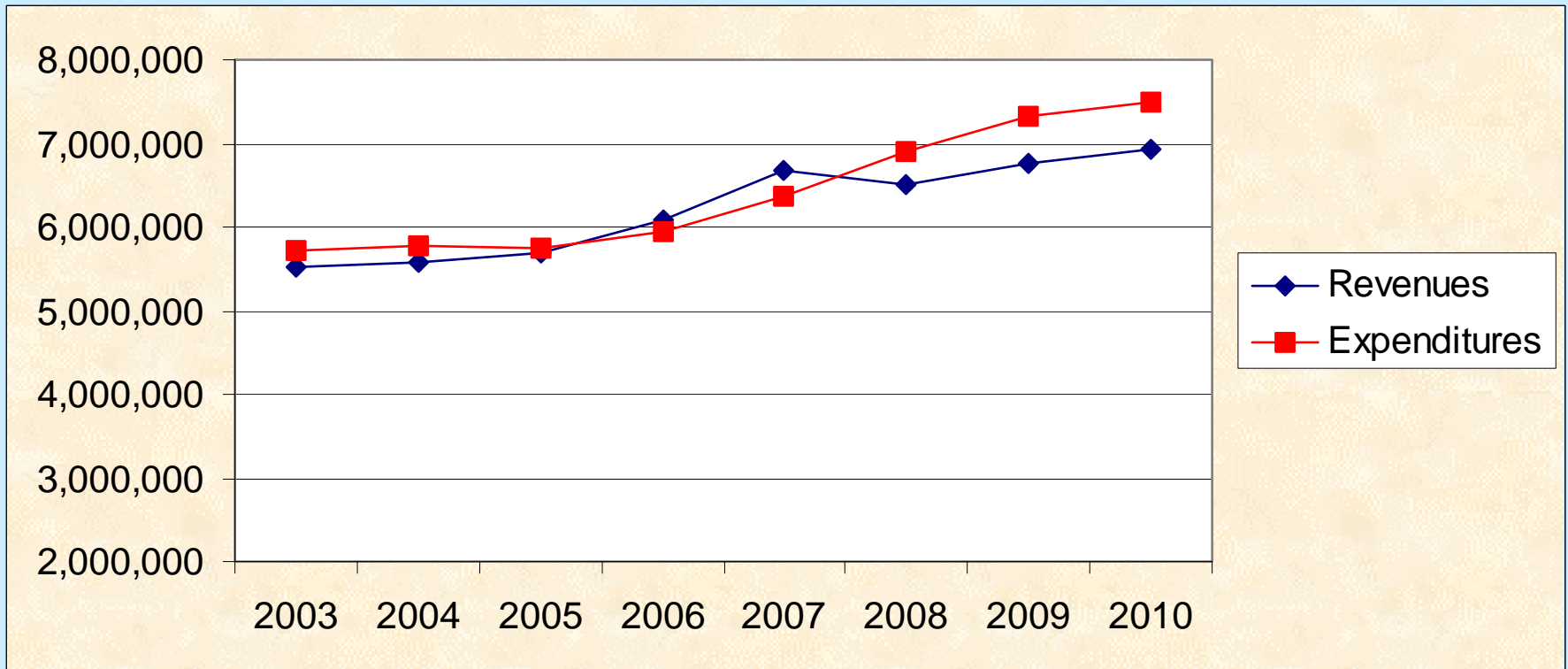
- Decrease in home sales (38%)
- Decrease in land use & construction permits (26%)
- Decrease in retail sales (12% - 20%)
- Decrease in passport revenue (29%)
- Decrease in investment earnings (44%)
- Increase in inflation

Note: Financial plan includes activity through May. We will have a more accurate picture as we move through the year and after departments project their 2008 expenditures and make their 2009-2010 requests.

Previous 12 and Last 12 Months by Category



General Fund Revenues minus Expenditures (2003-2010)



Note: Expenditures are projected to exceed revenues in 2008. We are reviewing options for closing the projected gap for the upcoming 2009-2010 budget process.

General Fund Financial Plan – Through May 2008

	Actual 2005	Actual 2006	Actual 2007	Projected 2008	Forecast 2009	Forecast 2010	5-Year Average
Revenues	5,695,669	6,081,287	6,676,317	6,492,511	6,680,504	6,851,650	
Annual Increase:		385,618	595,030	(183,806)	187,993	171,146	231,196
			Weak revenues		(SST, utility & sales tax)		
Expenditures	5,737,294	5,952,311	6,354,570	6,899,695	7,319,537	7,484,208	
Annual Increase:		215,017	402,259	545,125	419,842	164,671	349,383
Revenues - Expenses (Operating Balance)	(41,625)	128,976	321,747	(407,184)	(639,033)	(632,558)	
Amount above or (below) the 12% Operating Reserve	454,752	622,696	899,217	437,751	(346,291)	(686,103)	

Note: The current major drivers for 2008 are the weakening revenue picture and built-in growth in salaries and benefits. With the changing economy forecasts for 2009-2010 are still big unknowns. We will monitor the changes monthly.

General Fund Annual Revenue

	% of Total	Actual 2007	Projected 2008	\$ Change	% Change	Forecast 2009	Forecast 2010	Forecast
Property Tax	41%	2,686,796	2,706,683	19,887	0.74%	2,747,283	2,788,492	1% + new growth
Sales and Use Tax	11%	604,884	677,640	72,756	12.03%	697,970	718,909	Slower growth
Streamlined Sales Tax	4%	0	61,969	61,969		247,875	277,800	75% of DOR est.
Countywide Sales Tax	5%	313,592	320,142	6,550	2.09%	332,948	346,266	Slower growth
Business Tax	4%	199,243	233,649	34,407	17.27%	238,322	243,089	Slower growth
Utility Tax	10%	615,957	632,047	16,089	2.61%	663,649	696,832	
Seattle City Light	3%	215,232	191,183	(24,049)	(11.17%)	189,271	187,378	
Cable TV Franchise	3%	163,189	171,349	8,159	5.00%	179,916	188,912	Consistent growth
Construction Permits	2%	193,668	140,110	(53,559)	(27.65%)	138,709	137,321	Smaller decrease
Land Use Permits	0%	105,588	28,728	(76,860)	(72.79%)	28,153	27,590	Smaller decrease
Liquor Excise Tax	1%	58,179	60,019	1,840	3.16%	60,619	61,225	
Liquor Board Profits	1%	93,416	90,412	(3,004)	(3.22%)	92,220	94,064	
Police Coalition	0%	149,976	53,782	(96,194)	(64.14%)	0	0	Own Fund
Passports	3%	248,158	175,610	(72,547)	(29.23%)	175,610	175,610	Flat
Municipal Court	6%	321,518	349,627	28,109	8.74%	367,108	385,464	Smaller increase
Asset Seizures	0%	7,480	25,000	17,520	234.25%	5,000	5,000	
Investment Interest	1%	79,094	44,000	(35,094)	(44.37%)	44,000	44,000	Flat
Transfers-In	4%	365,280	302,302	(62,978)	(17.24%)	261,856	263,310	Lower interest
All Other	2%	255,068	228,260	(26,808)	(10.51%)	135,428	135,330	
Total:	100%	6,676,317	6,492,511	(183,806)		6,605,937	6,776,592	

General Fund Annual Expenditures

	2008 % of Total	Salaries and Benefits ↓	Annual Change 5-Year Average	Salaries and Benefits ↓	Annual Percent Change 5-Year Average
Salaries	50.14%		\$ 204,151		6.31%
Benefits	15.88%	66.02%	85,792	\$ 289,943	8.88%
Supplies	2.95%		13,242		8.53%
Services	8.86%		14,194		2.39%
Contracted Services	14.14%		36,398		4.62%
Funding Organizations	1.52%		2,641		3.82%
Capital	0.13%		(2,914)		(20.62%)
Transfers	6.38%		(4,121)		1.58%
Total:	100.00%		\$ 349,383		5.48%

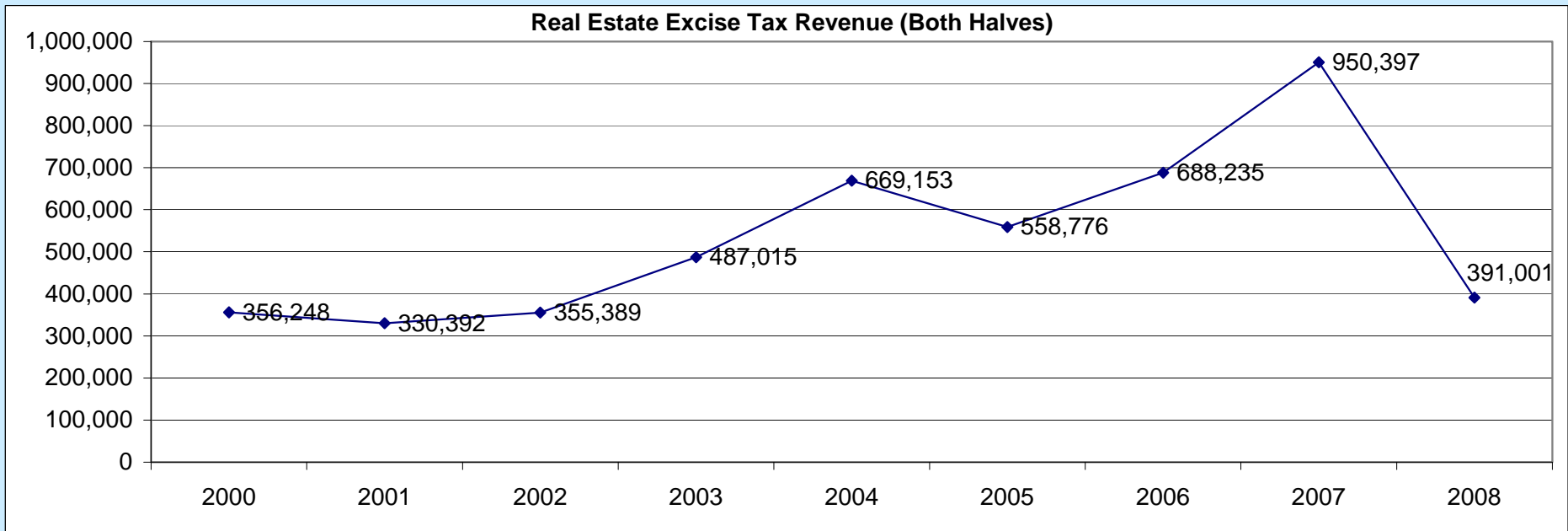
Note: Salary increases include step increases, position changes, and annual cost-of-living increases. Benefit changes include annual increases, position changes, and addition or subtraction of dependent coverage.

Street Fund Financial Plan

Description	2008					
	2007 Budget	2007 Actual	Amended Budget	2008 Projected	2009 Forecast	2010 Forecast
STREET FUND (101)						
BEGINNING BALANCE	85,302	81,601	78,825	111,334	60,870	66,851
Revenue	397,262	428,918	400,525	362,571	355,010	374,110
Transfers-In	60,000	60,000	60,000	60,000	180,000	180,000
RESOURCES	542,564	570,519	539,350	533,906	595,880	620,962
Department Expenditures	335,661	331,108	346,851	327,839	378,757	393,266
Transfers-Out	128,077	128,077	135,537	145,197	150,272	151,338
EXPENDITURES	463,738	459,185	482,388	473,036	529,029	544,604
ENDING FUND BALANCE	78,825	111,334	56,962	60,870	66,851	76,357
12% Operating Reserve:	55,649	55,102	57,887	56,764	63,483	65,353

Note: Major revenue source is gas tax which is flat or falling. Gas tax revenue cannot keep pace with expenditure inflation. Shortfall requires an increasing subsidy (additional \$120,000) from the General Fund in 2009-2010. City is working on implementing additional franchise fees to help reduce the subsidy.

Real Estate Excise Tax (Historical and 2008 Trendline)



Real Estate Excise Tax

(REET Uses)

	2008					
	2007	2007	Amended	2008	2009	2010
	Budget	Actual	Budget	Trendline	Forecast	Forecast
Capital Improvement Fund						
REET I Revenue	275,000	472,199	280,500	195,501	300,000	303,000
Transfer to Long-Term Bond Fund	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Transfer to PWTF Repayment Fund	(100,000)	(100,000)	(100,000)	(100,000)	(50,000)	(50,000)
	(300,000)	(300,000)	(300,000)	(300,000)	(250,000)	(250,000)
Extra REET I Available for Projects:	(25,000)	172,199	(19,500)	(104,499)	50,000	53,000
Transportation Capital Fund						
REET II Revenue	274,996	472,199	280,500	195,501	300,000	306,000
Roadway Overlays	(200,000)	(191,857)	(210,000)	(220,000)	(231,000)	(237,930)
Transportation Engineering	0	0	(14,544)	31,718	(25,275)	(113,302)
	(200,000)	(191,857)	(224,544)	(188,282)	(256,275)	(351,232)
Extra REET I Available for Projects:	74,996	280,341	55,956	7,219	43,725	(45,232)

Note: The 2009-2010 revenue forecast has not been adjusted downwards. If the housing market does not turn around there will be less REET available for capital projects.

Prelim. Ideas/Options for Balancing General Fund

<u>Revenue Enhancements</u>	<u>Estimated Increases</u>	
Increase User Fees	\$ 20,000	review and increase City user fees
Utility Tax: Solid Waste/Sewer/Surface Water	25,000-175,000	tax could be set at various rates
Transportation Benefit District (\$20 per vehicle)	200,000	(\$20 per vehicle with Council vote up to \$100 per vehicle with public vote)
Property tax levy lid lift (\$0.10 rate increase)	214,629	(\$0 to \$730,000 in revenue, requires public vote)
Traffic Safety Cameras	?	
Towne Centre Redevelopment	?	
Overweight Truck Ticketing	?	
<u>Service Reductions</u>	<u>Estimated Savings</u>	
Hold positions vacant/adjust service levels	75,000	
Other Service Reductions	?	Would need to prioritize reductions
<u>One-Time Adjustments</u>		
Adjust Reserves (10% instead of 12%)	140,000	
Use of City Reserves	?	Use reserves to bridge gap

Note: The final plan will likely include a combination of revenue enhancements, service reductions, one-time fixes, and the use of reserves, if necessary, to transition to needed changes.

2009-2010 Budget Process

- Finance Committee Meeting – June 19th
- Discussion with Council – June 26th
- Budget Committee Meeting – July
- 10% Reduction Exercise – Due July 11th
- Budget Instructions distributed – July 8th
- Department Budgets due to Finance – August 22nd
- Mayor's Proposed Budget to Council – October 23rd
- Council Budget Process/Budget Adoption – Nov./Dec.

Discussion

- Additional Information Provided
 - *Financial Workshop Information – 2003 Budget*
 - *Sustainable Budget Policy Process – 2006 Budget*
 - *Property Tax Levy Lid Lifts*
 - *Transportation Benefit Districts*
- Input on potential revenue enhancements
- Alternative financial/economic scenarios
- Additional information desired?