
General Fund Update FY2016 & FY2017 Budget

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General Fund Update

Council Budget Workshop

April 8, 2015



Overview

- Numbers are estimates and many will change.
- Options are presented.
- These are **not** recommendations.
- This is a work in progress. There will be changes.
- Purpose of today's meeting: Get Council feedback to...
 - Help refine acceptable range of options,
 - Identify other options or ideas,
 - Inform development of recommendations.

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FY2016 Summary

- **Objective: Provide a structurally balanced budget for FY 2016 and beyond that reflects the policy priorities of the Council.**
- **Challenge: Close an estimated General Fund gap of \$21.7 million, or 3.7%.**
- The \$21.7m gap is **net** of all revenue changes and expense requirements. Includes:
 - Loss of Business Privilege License Tax (BPLT),
 - Expected Real Estate Tax Growth before new revaluation estimate,
 - Growth in various other revenues, including sales tax,
 - Expenditure requirements, excluding pay.

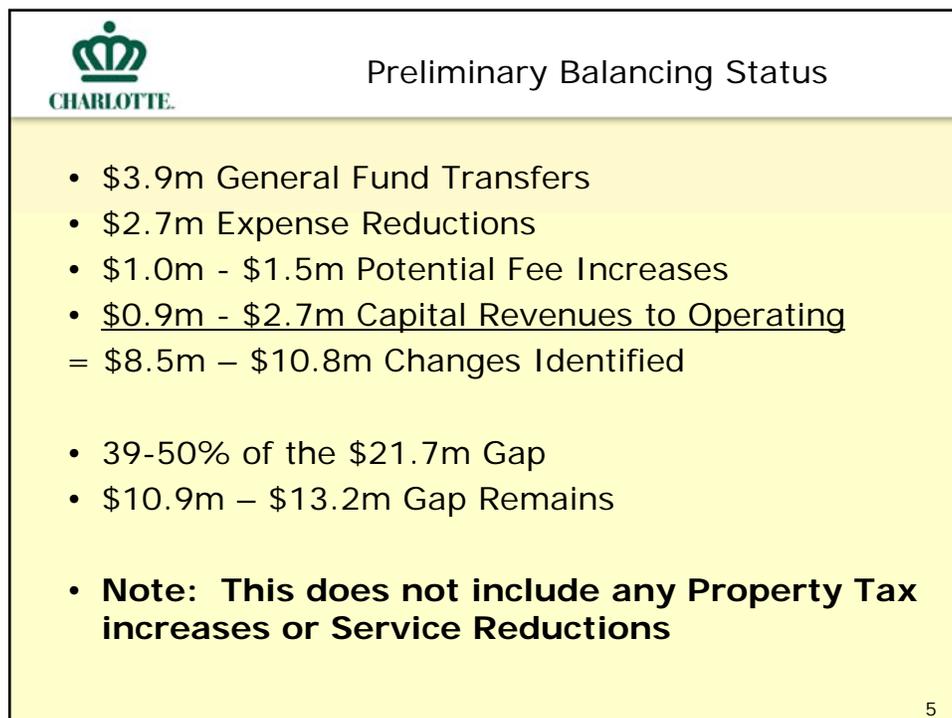
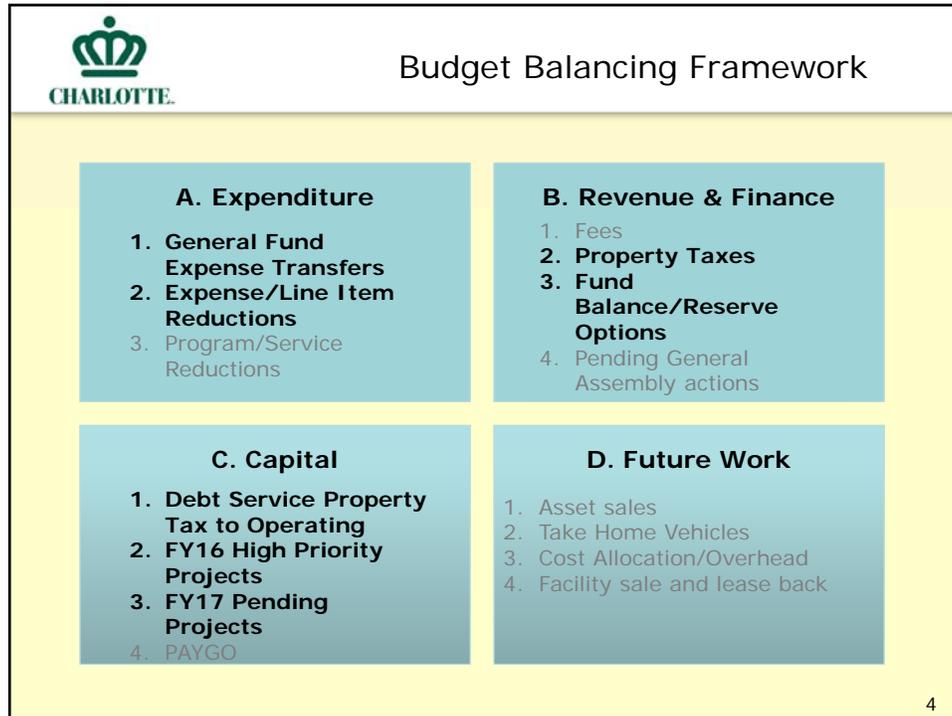
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FY2016 Budget Development Goals

- **Structurally Balanced Budget**
 - No short-term fixes
 - No use of one-time funds for on-going expenses
 - No accounting tricks
- **Range of Options for Mayor and Council**
 - Options will comply with Council budget principles and priorities
 - Options will be well researched, quantified, strategic and sustainable
 - Options will be best practice oriented and creative
 - Options will respect City employees

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Work in Progress

- Refine fee options
- Confirm expenditure reductions
- Update revenue estimates
- **Develop service & program reduction options**
- Revisions & research based on Council feedback

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Budget Balancing Framework

<p style="text-align: center; margin: 0;">A. Expenditure</p> <ol style="list-style-type: none"> 1. General Fund Expense Transfers 2. Expense/Line Item Reductions 3. Program/Service Reductions 	<p style="text-align: center; margin: 0;">B. Revenue & Finance</p> <ol style="list-style-type: none"> 1. Fees 2. Property Taxes 3. Fund Balance/Reserve Options 4. Pending General Assembly actions
<p style="text-align: center; margin: 0;">C. Capital</p> <ol style="list-style-type: none"> 1. Debt Service Property Tax to Operating 2. FY16 High Priority Projects 3. FY17 Pending Projects 4. PAYGO 	<p style="text-align: center; margin: 0;">D. Future Work</p> <ol style="list-style-type: none"> 1. Asset sales 2. Take Home Vehicles 3. Cost Allocation/Overhead 4. Facility Sale & Lease Back

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Expenditure – General Fund Expense Transfer

\$3.9m General Fund Expense Transfer

- Up to \$1.9m from General Fund for Arts Facilities Capital Maintenance to Tourism Funds. This will reduce future capacity in capital for arts facilities, but uses limited purpose revenues appropriately.
- Up to \$2.0m in General Fund equipment financing by self-financing from Debt Service Fund. This has no material impact on Debt Service fund and is better method to finance.

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Expenditure – Expenses/Line Item Reductions

\$2.7 million preliminary estimate of Expenses/Line Items Reductions – validating & resetting the base

- Frozen positions from 2009 eliminated
 - Office and other supplies
 - Telecommunications
 - Travel and training
 - Contractual services
 - Printing and publishing
- Once confirmed, will provide more details by department.
 - Impacts on services will be minimal.

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Expenditures - Financial Partners

Categories of Financial Partners:

- General Fund Discretionary
- PAYGO/Federal Share
- 100% PAYGO Funding
- Out of School Time Partners (Federal & PAYGO funds)
- General Fund Dedicated Revenue (Municipal Services Districts; Food & Beverage Tax; Occupancy Tax)
- 100% Federal Funding

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Expenditure – Financial Partners

- \$4.8m Total General Fund Discretionary and PAYGO contributions, excluding federal funds, at FY15 funding level
 - Each 1% reduction = approximately \$48,436
- Potential Options:
 - Hold contributions to FY 2015 levels
 - Reduce General Fund & PAYGO contributions by 4% = savings of \$193,742
 - Selectively reduce or eliminate funding
- FY16 savings from Partners not receiving/requesting FY16 funds = \$198,699 savings

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Budget Balancing Framework

A. Expenditure

- ~~1. General Fund Expense~~
- ~~Transfers~~
- ~~2. Expense/Line Item~~
- ~~Reductions~~
3. Program/Service Reductions

B. Revenue & Finance

1. Fees
2. Property Taxes
3. Fund Balance/Reserve Options
4. Pending General Assembly actions

C. Capital

1. Debt Service Property Tax to Operating
2. FY16 High Priority Projects
3. FY17 Pending Projects
4. PAYGO

D. Future Work

1. Asset sales
2. Take Home Vehicles
3. Cost Allocation/Overhead
4. Facility Sale & Lease Back

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Revenue & Finance Option – Existing Fees

\$1.0m - \$1.5m Preliminary estimate of fee increases

Goal: 100% cost recovery or sound rationale for subsidy by General Fund taxes.

Land Development examples:

Description	Cost	Current Fee	Subsidy	Additional Revenue Amount
Single Family – 10 Acres, 40 Lots*	\$23,276	\$18,890	18.8%	\$220,000
Commercial Subdivision – 23 Acres, 80 Trees*	\$31,185	\$23,820	23.6%	\$75,000
Engineering - Commercial Plan Review – 8 Acres	\$2,040	\$1,485	27.2%	\$115,000
Rezoning Petition – Major**	\$13,574	\$5,090	62.5%	\$300,000

* Includes Planning, Engineering, and Transportation Departments
 ** Includes Planning, Engineering, Transportation, Clerk, and Fire Departments

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Revenue & Finance Option – New Fees

New Proposed Fees total to \$695,000 (Fire Inspection fee accounts for 83%)

Goal: Identify areas where services are provided to specific individuals or entities and cost can be calculated, with primary focus on services to businesses.

Example: Annual State Mandated Fire Inspection Fee for Commercial Properties

- \$580,000 General Fund Cost
- \$35 - \$270 Estimated Fee based on square footage
- 100% Recovery

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Revenue & Finance Option – Property Tax

Property Taxes – assessment of alternatives:

0.10 cents = approximately \$890,000

.10¢	.20¢	.30¢	.40¢
\$0.9m	\$1.8m	\$2.7m	\$3.6m

Revenue neutral tax rate – Revaluation
0.41 cents = \$3.6 million

Revenue neutral tax rate – Business Privilege License Tax
2.03 cents = \$18.1 million

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Revenue & Finance Option – Property Tax

\$1.51 Annual impact on the tax bill at median home value for each 0.1 cent increase.

HOMEOWNER IMPACTS	Tax Rate Increase	Revenue Generated	Annual Impact 25th Percentile \$103,500 Home Value	Annual Impact Median \$151,300 Home Value	Annual Impact 75th Percentile \$241,200 Home Value
0.1 Cent Increment	0.1	\$ 890,000	\$ 1.04	\$ 1.51	\$ 2.41
Revenue Neutral - Reval (0.41 Cents)	0.41	\$3,649,000	\$4.24	\$6.20	\$9.89
Revenue Neutral - BPLT (2.03 Cents)	2.03	\$18,067,000	\$21.01	\$30.71	\$48.96
Revaluation + BPLT (2.44 Cents)	2.44	\$21,716,000	\$25.25	\$36.92	\$58.85

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Revenue & Finance – Fund Balance/Reserve Options

General Fund Reserve / Fund Balance

- Current Council Policy:
 - Equals 16%, or \$92.7 million
 - 60 day reserve (approximately)
- Each 1% Reduction of General Fund Reserve
 - \$159,000 on-going reduction, escalating annually based on General Fund growth
 - \$5.8 million one time reduction

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Revenue & Finance – Fund Balance/Reserve Options

General Fund Reserve considerations:

- Immediate impact would be one-time funds for capital and minimal impact on on-going operating
- The range of reserves is estimated to be between 30 days and 90 days; detailed research not done
- Local Government Commission minimum recommendation is 8% (30 days)
- Bond rating agencies have no hard number
- Critical factors are risk assessment, sound fiscal policies, and consistent management to those policies

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Revenue & Finance – General Assembly Pending Options

- Sales Tax Proposals (SB369 and SB608)
- Property Tax Exemption for Builders Inventory (HB168/SB321)
- Legislation will frequently change prior to consideration in Committee and in floor debate
- Estimates from the State necessary to assess and confirm impacts
- City is limited in making independent estimates
- Likelihood of adoption is not known at this time

Sales Tax 101 briefing is available for Council

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Capital – Status Update

- Current Debt Capacity is \$78.0m, up from \$55.0m
 - Includes \$23.0m additional capacity from current refundings
- FY16 High Priority Projects (CIP presentation to follow)
- FY17 Pending (CIP presentation to follow)

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General Community Investment Plan Undesignated Resources

Funding Source	Amount	Uses/Restrictions
General Capital Debt Capacity (debt) Updated	\$78.0M \$55.0M	<ul style="list-style-type: none"> • General Obligation Bonds or Certificates of Participation (e.g., transportation, neighborhood investments, housing diversity, and facilities) • Full use of the additional \$78.0M debt capacity would increase total obligated debt capacity for the four bond referenda (2014-2020) by 9.6%, from \$816.4M to \$894.4M
General Capital Reserves (Cash)	\$5.9M*	<ul style="list-style-type: none"> • High flexibility • One-time uses only (e.g., facilities, major facility maintenance, and special studies)
General Capital Project Balances	\$12.6M	<ul style="list-style-type: none"> • \$10.9M from prior transportation bonds; must be used on transportation projects • \$1.1M from Facilities Certificates of Participation; can be reallocated to other investments where the asset is the security (facilities or vehicles) • \$0.6M from Pay-As-You-Go cash; can be used for any one-time capital needs
Total Funding Source	\$96.5M \$73.5M	

* Includes \$3.7 million in newly identified Capital Reserves, \$0.8 million in Pay-As-You-Go fund balance, and \$1.4 million from FY2014 Capital Reserves that remain unspent, for a total available of \$5.9 million

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Capital - Amendments

Potential Adjustments and Additions – 3 Categories

For Consideration in FY2016

- Category 1: High Priority Potential Needs In FY2016
 - Continue Existing Commitments
 - Critical Facility Needs
 - Existing Transportation Bond Projects
 - Critical Technology Needs

Consideration Deferred to FY2017 – **No Changes Recommended Now**

- Category 2: Potential ADJUSTMENTS to Approved CIP
 - Additional Funding for Projects Currently in 2016-2020 Bond Program
 - Move Funding for Current Projects to Earlier Bond
- Category 3: Potential ADDITIONS to Approved CIP
 - Technology Needs
 - Expand Existing Facilities
 - Infill Fire Stations

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Capital – Transfers to General Fund

- Transfer from Debt Service Fund Capacity to General Fund
 - 0.10 cents transfer = \$0.9m to General Fund Revenue
 - 0.20 cents transfer = \$1.8m to General Fund Revenue
 - 0.30 cents transfer = \$2.7m to General Fund Revenue

- Each .10 cent transfer reduces capital debt capacity by \$10.3m

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Future Work

- Ideas that need some time
 - Asset Sales
 - Take Home Vehicles
 - Cost Allocation/Overhead
 - Facility Sale & Lease Back

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Preliminary Balancing Status

- \$3.9m General Fund Transfers
- \$2.7m Expense Reductions
- \$1.0m - \$1.5m Potential Fee Increases
- \$0.9m - \$2.7m Capital Revenues to Operating
- = \$8.5m – \$10.8m Changes Identified

- 39-50% of the \$21.7m Gap
- \$10.9m – \$13.2m Gap Remains

- **Note: This does not include any Property Tax increases or Service Reductions**

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Work in Progress

- Revisions & research based on Council feedback
- Refine fee options
- Confirm expenditure reductions
- Update revenue estimates

- Develop service & program reduction options

- **These are alternatives, not recommendations**

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Next Steps

- Additional Workshop April 15 or April 17
- May 4 - Manager's Recommended Budget Presentation
- May 11 - Public Hearing
- May 13 - Budget Adjustments
- May 27 - Budget Straw Votes
- June 8 - Budget Adoption

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