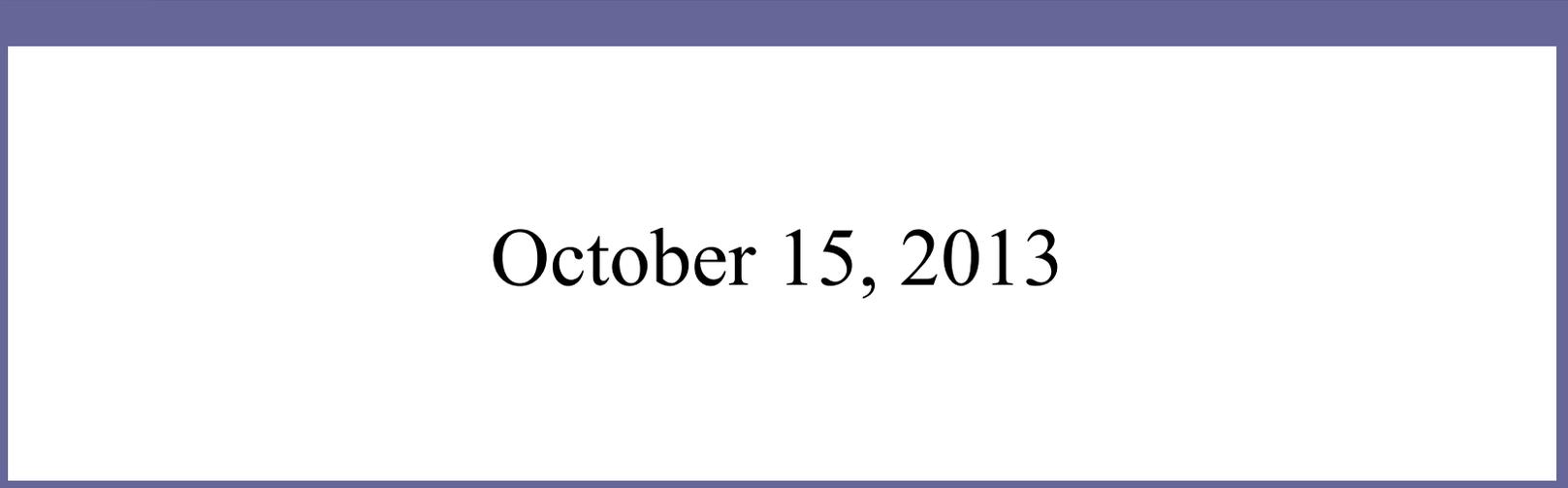




# **2013/14 Mid-Biennium Budget Adjustment**



October 15, 2013

# Purpose

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## General...

- Incorporate items previously approved by Council
- Reflect changing operating trends and conditions
- Changes and enhancements to current services
- Accounting change

# General/Street Fund Revenue Adjustments

Revenue Adjustments	Year 2013		Year 2014	
	1-Time	Ongoing	1-Time	Ongoing
Property Tax	\$ -	\$ 55,000	\$ -	\$ 55,000
Sales Tax	-	500,000	-	615,000
Criminal Justice Sales Tax	-	175,000	-	194,000
Liquor Excise Tax	-	26,000	-	107,000
Liquor Profits	-	158,000	-	152,000
Criminal Justice High Crime	-	131,000	-	125,000
Franchise Fees	-	60,000	-	60,000
Building Permits	-	300,000	-	250,000
Plan Check Fees	-	450,000	-	150,000
Court Fines & Forfeitures	-	70,000	-	-
Animal Licenses	-	30,000	-	-
Fuel Tax	-	(10,000)	-	(10,000)
Police Grants/Contributions	206,465	-	-	-
Public Works Streets Grant	7,500	-	-	-
<b>Total Revenue Adjustments</b>	<b>\$ 213,965</b>	<b>\$ 1,945,000</b>	<b>\$ -</b>	<b>\$ 1,698,000</b>

# General/Street Fund Expenditure Adjustments

Expenditure Adjustments	Year 2013		Year 2014	
	1-Time	Ongoing	1-Time	Ongoing
Healthcare Insurance Premiums	\$ -	\$ -	\$ -	\$ 175,000
Community & Economic Development	-	3,000	82,000	19,500
Human Resources	-	-	-	30,195
Information Technology (Court/Prosecution)	7,412	-	-	35,170
Finance	-	(1,500)	-	(3,000)
Municipal Court	-	-	-	257
Police	257,042	-	-	70,650
Parks, Recreation & Cultural Services	-	-	15,000	-
Public Works	86,700	-	80,000	50,000
<b>Total Expenditure Adjustments</b>	<b>\$ 351,154</b>	<b>\$ 1,500</b>	<b>\$ 177,000</b>	<b>\$ 377,772</b>

# General/Street Fund Summary

Adjustment Summary	Year 2013	Year 2014	Total Biennium
Operating Revenues	\$ 1,945,000	\$ 1,698,000	\$ 3,643,000
Operating Expenditures	\$ 1,500	\$ 377,772	\$ 379,272
<b>Net Operating Income</b>	<b>\$ 1,943,500</b>	<b>\$ 1,320,228</b>	<b>\$ 3,263,728</b>
Other Sources	\$ 213,965	\$ -	\$ 213,965
Other Uses	\$ 351,154	\$ 177,000	\$ 528,154
<b>Net Other Uses</b>	<b>\$ (137,189)</b>	<b>\$ (177,000)</b>	<b>\$ (314,189)</b>
<b>Net Ending Fund Balance Increase</b>	<b>\$ 1,806,311</b>	<b>\$ 1,143,228</b>	<b>\$ 2,949,539</b>

# General & Street Fund - Ending Fund Balance

Ending Fund Balance	Year 2013	Year 2014
Current Adopted	\$ 8,728,547	\$ 4,411,670
Net Increase per Mid-Bien Adjustments	\$ 1,806,311	\$ 2,949,539
<b>Proposed Revised Ending Fund Balance</b>	<b>\$ 10,534,858</b>	<b>\$ 7,361,209</b>

# General/Street Fund – Operating Expenditure Adjustments

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## City Wide

- Increase \$175K in 2014 for healthcare premium, 16% increase from 2013

## Community & Economic Development

- Increase \$3K in 2013 & 4.5K in 2014 to fulfill 2% liquor requirement
- Increase \$15K in 2014 for senior planner from .084 FTE to 1.0 FTE

## Finance

- Eliminate \$1.5K in 2013 & \$3K in 2014 for state contract fees

## Human Resources

- Increase \$30K for net increase of 0.50 FTE by adding 0.75 FTE technician offset by 0.50 FTE reduction in admin assistant position (new request)

# General/Street Fund – Operating Expenditure Adjustments

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## Information Technology

- \$35K for public defender case management system m&o (new request)

## Police

- Add \$65K in 2014 for 1.0 FTE Admin Assistant (new request)
- Add \$1K in 2014 to establish replacement reserves on grant funded assets
- Add \$5K in 2014 for m&o on 4 additional secondary vehicles (new request)

## Public Works

- Increase \$35K in 2014 for King County traffic maintenance contract (new request)

# General/Street Fund – 1-Time Expenditure Adjustments

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## Community & Economic Development

- Add \$60K in 2014 for temporary help in planning division and \$22K in 2014 for temporary help in building division, funded by increased building permits and fees (new request)

## Information Technology

- Add \$7.4K in 2013 to cover balance needed for public defender case management system capital (new request)

## Police

- Increase \$220K for grants/contribution projects funded in 2013
- Add \$37K in 2013 to purchase capital equipment on 4 additional secondary vehicles (new request)
- Replace 5 marked cars fully funded by accumulated replacement reserves (new request)

# General/Street Fund – 1-Time Expenditure Adjustments

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## Parks

- Add \$15K in 2014 for Park Pals Rain Shelter (pending new request)

## Public Works

- Add \$79K in 2013 for video detection system (new request)
- Add \$80K in 2014 to replace reflectorized raised pavement marker
- Add \$7.5K in 2013 for grant funded project

# Special Revenue Funds Adjustments

## Utility Tax Fund

- Increase revenues by \$133K in each year of 2013 and 2014
  - Reduce electricity by \$17K per year
  - Reduce gas by \$150K per year
  - Increase solid waste by \$50K per year
  - Increase phone by \$250K per year
- Proposed revised revenue projection:
  - 2013 – Total revenue of \$12.52M, a decrease of \$170K or 1.3% from 2012
  - 2014 – Total revenue of \$12.52M, no change from 2013
- Transfer \$810K currently to Debt Service Fund to prefund 2013 FWCC refunding bond consistent with Council Policy.
- Transfer \$110K of annual debt service savings as result of bond refund to FWCC capital reserves in accordance with bond ordinance

# Special Revenue Funds Adjustments

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## Solid Waste & Recycling

- Increase grant expenditures by \$7.6K in 2013 and \$27K in 20104 funded by grant revenue

## Special Studies/Contracts

- Adjustments are for 2013, funded by Comcast funds
- \$8K for council chamber audio replacement and \$8K to establish full replacement reserves (new request, replaces program previously authorized by Council)
- \$30.5K for Hylebos conference room audio improvements and \$30.5K to establish full replacement reserves (new request, replaces program previously authorized by Council)
- \$145K for public defender case management system (portion funded by Comcast funds)

# Special Revenue Funds Adjustments

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## Federal Way Community Center

- Add \$3.5K in 2013 to replace pool heat exchanger funded by capital reserves (new request)
- Add \$4.5K in 2013 to replace pool diving board
- Increase capital reserves balance by roughly \$110K annually from debt service savings due to bond refunding

## Traffic Safety

- Add \$227K in 2013 for School Zone Enhancements
- Increase traffic infractions revenue by \$1.0M in 2013 to align with current trend
- Add \$625K in revenues and \$625K in expenditures in 2013 and 2014 to record ATS invoice as expenditures rather than offset to revenue (accounting change)

# Special Revenue Funds Adjustments

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## Community Development Block Grant

- Decrease expenditures and revenues by \$49K in 2013 to align with actual grant allocation

# Capital Project Funds

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- Majority of adjustments are for grant funded projects and other programs Council previously approved
  
- Highlight – Downtown Redevelopment CIP
  - Add \$488K in 2013 and \$975K in 2014 in revenues and expenditures related to LIFT Sales tax

# Enterprise Funds

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## Surface Water Management

- Increase revenue and expenditures by \$2.2K in 2013 and 2014 for Steel Lake Management District
- Increase revenue and expenditures by \$106K in 2013 and \$170K in 2014 for grant funded projects
- Add \$247K expenditures in 2014 for NPDES permits fees to meet permit requirements

# Internal Service Funds

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The proposed budget adjustments impacting the internal service funds are discussed in the operating funds section.

# Limits on Regular Property Tax Levies

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- City's tax levy (the total amount of property tax authorized to collect) is limited by statute
- In 1973 legislature capped property tax growth to 6% in response to Citizen's concerns that property tax was rising too fast
- In November 1997, voters approved Referendum 47 which limited levy increases to the lesser of 6% or inflation
- In November 2001, voters approved Initiative 747 which further limited levy increases to the lesser of 1% or inflation

Slower revenue growth as a result of past citizen initiatives.

# How the 1% Limit Works - Scenarios

1)	1% ↑ AV/\$1,000	X	0% tax rate	=	1% ↑ tax levy
2)	0% AV/\$1,000	X	1% ↑ tax rate	=	1% ↑ tax levy
3)	0.6% ↑ AV/\$1,000	X	0.4% ↑ tax rate	=	1% ↑ tax levy
4)	5% ↑ AV/\$1,000	X	- 4% ↓ tax rate	=	1% ↑ tax levy
5)	-2% ↓ AV/\$1,000	X	3% ↑ tax rate	=	1% ↑ tax levy

**In any case, the City's tax levy cannot exceed 1% + new construction**  
(assuming inflation is > 1%)

# 1% Limit & Impact to Homeowners

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- 1% limit applies to overall property tax revenue City collects
- 1% limit does not apply to the amount of property tax a homeowner pays as it really depends on the change in a home's assessed valuation

# 2014 Proposed Property Tax

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- Tax Rate = \$1.400 per \$1,000 AV
  - Decrease of \$0.02 from 2013 rate of \$1.42
- Total assessed value = \$7.33B
  - Increase of \$190M or 2.7% compared to 2013 AV of \$7.14B

# Where Your Property Tax Dollar Goes

(based on 2013 since 2014 data not available)

<b>Taxing District</b>	<b>Per \$1,000 AV</b>	<b>% of Total</b>
City	\$ 1.4223	8.81%
State	\$ 2.5672	15.91%
County	\$ 1.5405	9.55%
Port	\$ 0.2332	1.45%
EMS	\$ 0.3000	1.86%
Ferry	\$ 0.0038	0.02%
Flood	\$ 0.1321	0.82%
School	\$ 7.5498	46.78%
Fire	\$ 1.8223	11.29%
Library	\$ 0.5674	3.52%
<b>Total</b>	<b>\$ 16.1387</b>	<b>100.0%</b>

# Where Your Property Tax Dollar Goes

(based on 2013 since 2014 data not available)





# Planning for 2015/16 Budget

# Needed Steps to Sustainability

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- Maintain high quality service levels
- Preserve jobs
- Fund ongoing expenditures with ongoing revenues
- Control costs
- Maintain reserve accounts

## Assumptions for 2015/2016 – REVENUE

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- Redirect utility tax overlay funding of \$600K per year
- 1% property tax growth limit as authorized by state statute
- 2% sales tax growth
- State shared revenues remain intact with 2015 based on State's projections and no growth in 2016

## Assumptions for 2015/2016 – EXPENDITURE

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- Maintain staffing levels
- No cost of living adjustments
- Pension based on State's projected rates
- 12% healthcare increase
- Incorporate previously one-time funded programs that are ongoing in nature as ongoing funded

# Preliminary 2015/16 Operating Gap

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2015 = \$2.3M or 5.4% of operating expenditures

2016 = \$2.6M or 6.0% of operating expenditures

# 2015/2016 Ending Fund Balance

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Best practices as identified by the national finance organization suggests cities maintain a balance equivalent to 2 month of operating expenditures which is roughly \$7.1M or 16.7%

2015 estimated balance = \$4.8M or 11.3% (\$2.3M short of target)

2016 estimated balance = \$2.2M or 5.1% (\$5.0M short of target)

# 2015/16 Budget Plan Summary

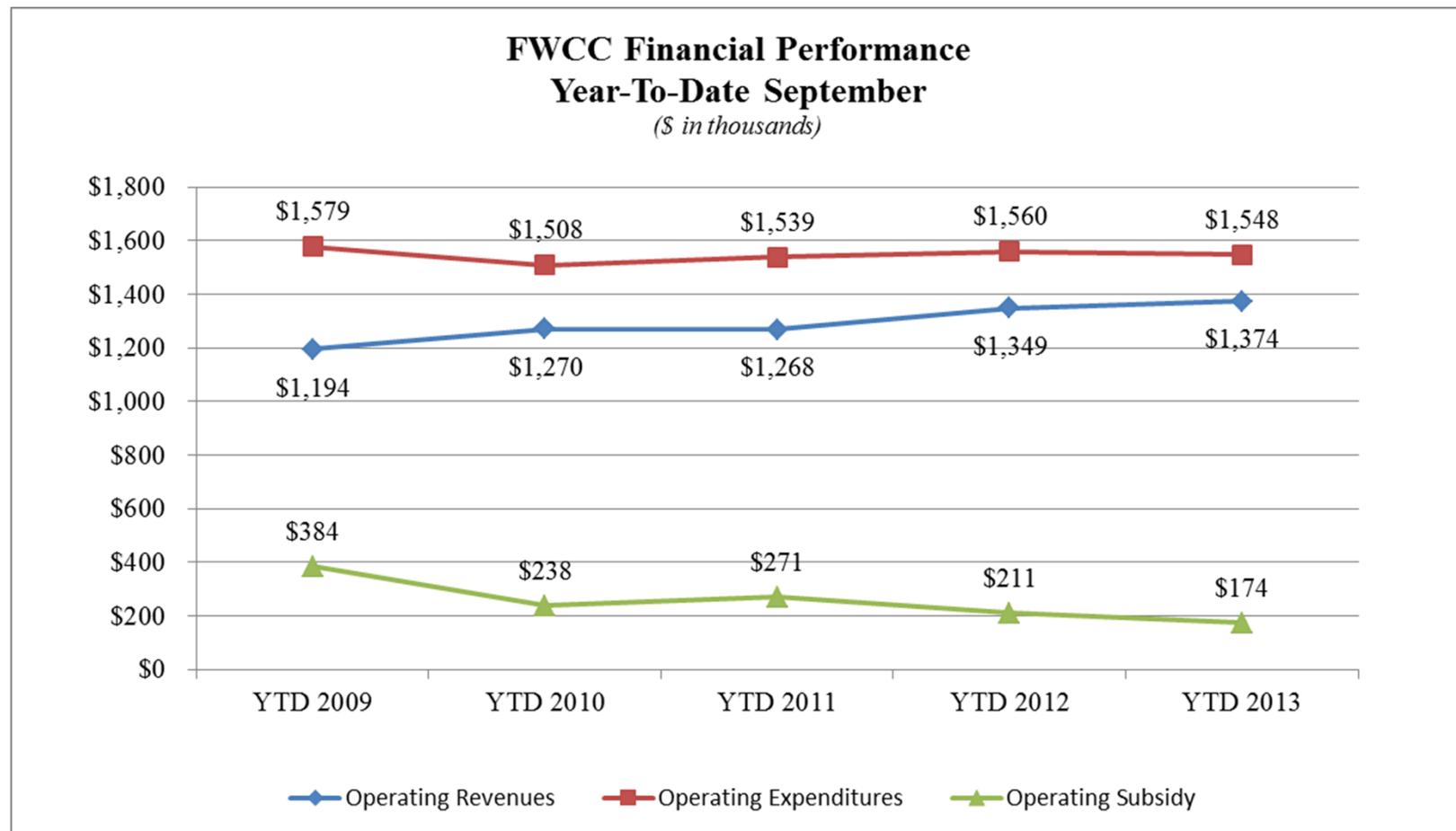
	Year 2015	Year 2016
Operating Revenues	\$ 40,236,000	\$ 40,641,000
Operating Expenditures	(42,549,000)	(43,229,000)
<b>Operating Income / (Gap)</b>	<b>\$ (2,313,000)</b>	<b>\$ (2,588,000)</b>
Gap as % of Operating Exp	5.4%	6.0%
Other Sources	220,000	220,000
Other Uses	(344,000)	(241,000)
Beginning Fund Balance	\$ 7,261,000	\$ 4,824,000
Ending Fund Balance	\$ 4,824,000	\$ 2,215,000
Recommended Ending Fund Balance	\$ 7,092,000	\$ 7,205,000
Current Projected Ending Fund Balance	\$ 4,824,000	\$ 2,215,000
<b>Excess / (Shortfall)</b>	<b>\$ (2,268,000)</b>	<b>\$ (4,990,000)</b>

# FWCC Financial Performance

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- Year 2008 = Budget \$528K / Actual \$528 plus required additional \$65K interfund loan from General Fund, only \$1K in ending fund balance for capital reserves
- Year 2009 = Budget \$554K / Actual \$563K plus paid back \$65K interfund loan, with \$240K in ending fund balance for capital reserves.
- Year 2010 = Budget \$582K / Actual \$443K, with \$781K in ending fund balance for capital reserves.
- Year 2011 = Budget \$590K / Actual \$503K, with \$968K in ending fund balance for capital reserves.
- Year 2012 = Budget \$619K / Actual \$425K, with \$1.2M in ending fund balance for capital reserves.

# FWCC Financial Performance



# Budget Meetings

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## **October 29<sup>th</sup> & 30<sup>th</sup> Special Meeting @ 6:00pm**

- Public Hearing Continued
- Council Study Session on Mid-Biennium Adjustments

*(October 30<sup>th</sup> only if needed)*

## **November 19<sup>th</sup> Regular Meeting @ 7:00pm**

- Public Hearing Continued
- Introduction Ordinance
  - 2013/14 Mid-Biennium Budget Adjustment
  - 2014 Property Tax Levy
- ~~2014 Resolution/Fee Schedule~~

# Budget Meetings

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## **December 3<sup>rd</sup> Regular Meeting @ 7:00pm**

- Public Hearing Continued
- Enactment Ordinance
  - 2013/14 Mid-Biennium Budget Adjustment
  - 2014 Property Tax Levy
  - 2014 Fee Resolution/Schedule

# Information Available

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- <http://www.cityoffederalway.com/DocumentCenter/View/4553>
- Contact Mayor' Office (253) 835-2402
- Contact Finance Department (253) 835-2520

# End of Presentation

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Questions?