

Ten Year Financial Sustainability Project

Council of Neighborhoods Presentation

May 7, 2014



Overview

- Project History
- Project Process
- Problem / Challenges
- Subcommittee Expectations
- Economic Development, Revenue and Expenditure Strategies & Targets
- Model Demonstration

10-Year Financial Sustainability Project

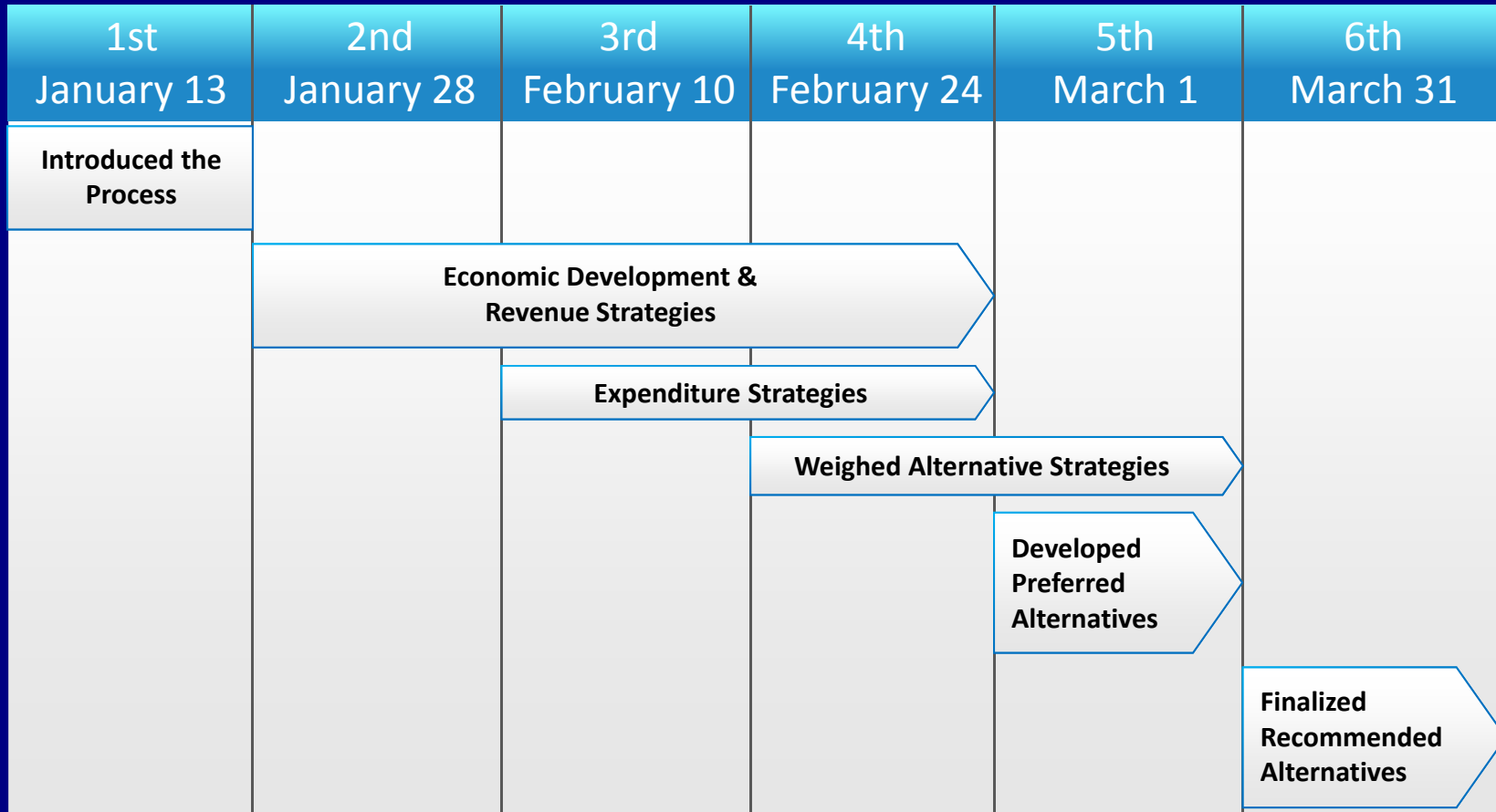
- 2012 – Council concern
 - Potential for future budget gaps
- 2013-15 Council Goal #1
 - Strengthen Shoreline’s economic base
- Action Step 3
 - Develop a 10-Year Financial Sustainability Plan (10 YFSP)

History

- Consistency with Prior Community Processes
 - Comprehensive Housing Strategy (Jan 08)
 - Vision 2029 (2009)
 - Community Priorities/Long-Range Financial Planning (2009)
 - Investing in Our Future (2009) 2012-17
 - Economic Development Strategic Plan (2012)
 - DirectionFinder™ (Citizen) Survey (2012)
 - Comprehensive Plan (2012)
 - 2013-15 City Council Goals & Workplan (2013)

2014

Subcommittee Process

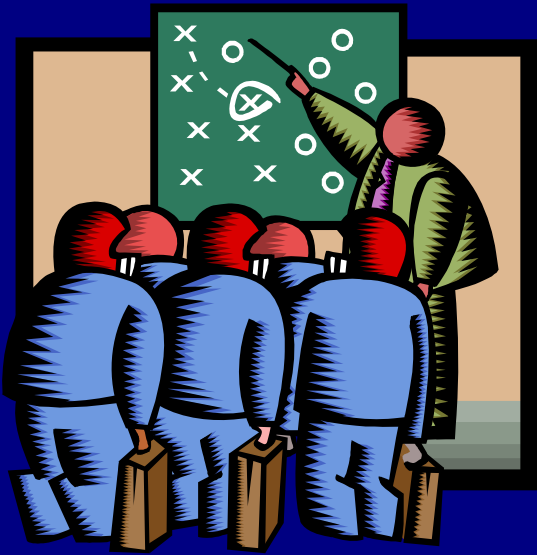


Problem / Challenges

- Revenue growth constrained
- Causes expenditures to grow faster than revenues
- Residents support current service levels
- Development opportunities limited



Subcommittee Expectations



- Develop preferred alternative strategies
- Use strategies in annual budget process
- Close potential gaps before they occur
- Keep the budget balanced
- Maintain required reserves

Strategies and Targets

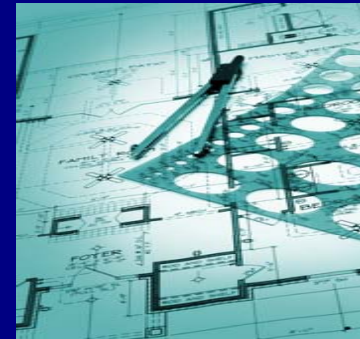
Economic Development

Analysis:

- SFR growth capacity = 392 homes total
- Redevelopment

Targets:

- Multi-Family Residential
- Retail Commercial



Revenues

Not Recommended

- Increased Utility Taxes / Franchise Fees
- Increased Gambling Tax
- Revenue-generating Business License Fee

Further Consideration

- Increased Fees
- Long-term strategies for Property, Sales, & Gas Taxes
- Transportation Benefit District fee increase
- Property Tax Levy Lid Lift renewal
- Business & Occupation Tax

Revenue Targets

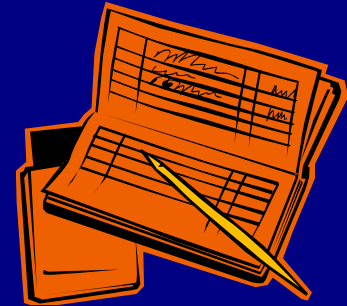
- Increase Investment Returns by 1%
- Increase Fees
- Explore B&O Tax
- Explore Levy Lid Lift renewal



Expenditures

Analysis:

- Salaries and Benefits 36%
- Public Safety 36%
- Services and Charges 15%
- Transfers to Other Funds 5%
- All Other 8%



Expenditure Targets

- Reduce overall expenditure growth rate by 0.2% each year
- Replace \$290,000 General Fund subsidy for street maintenance

Subcommittee Recommendations

- 1) Achieve 160 additional units MFR + 7,500 sq ft of retail redevelopment annually (2019)
- 2) Reduce expenditure growth by 0.2% per year (2015)
- 3) Increase investment returns by 1% per year (2015)
- 4) Implement higher cost recovery (fees) (2016)
- 5) Identify new source for \$290K street subsidy (2014)
- 6) Discuss new B&O Tax with business community (2016)
- 7) Discuss levy lid lift renewal with citizens if needed (2016 or later)

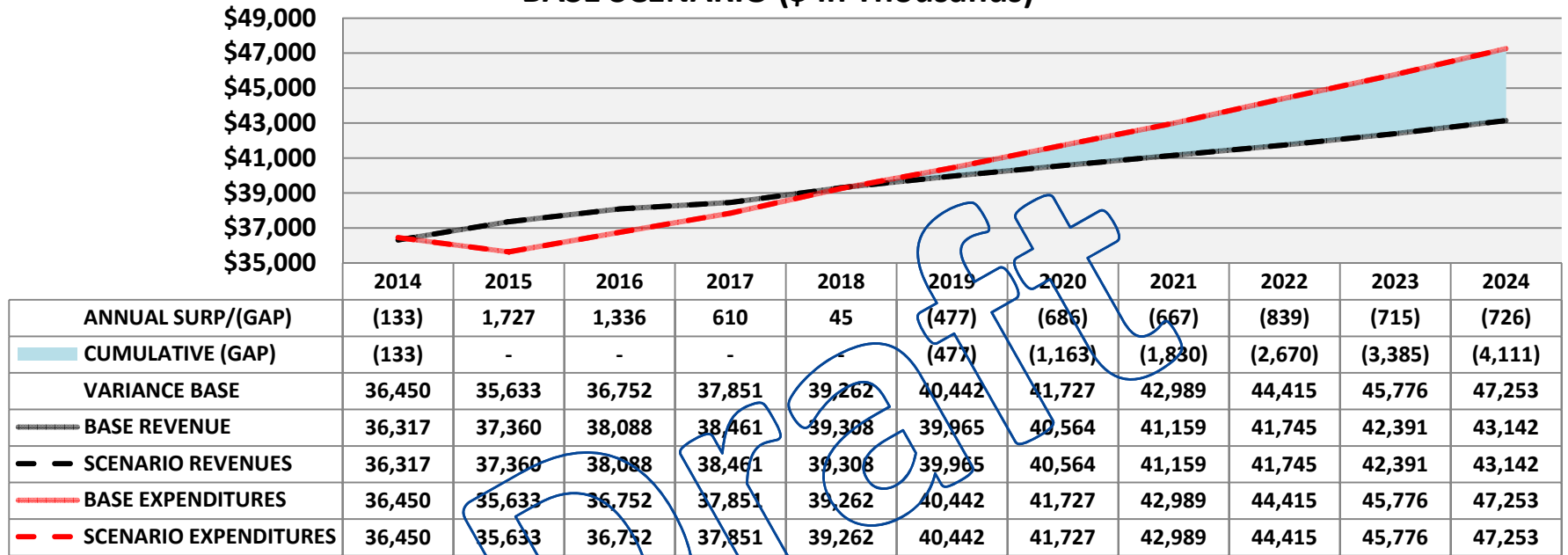
Modeling the Options

- Base Scenario
 - Calculated potential gaps using financial modeling
- Alternatives
 - Effects of various options
 - Start with Base Scenario

Base Scenario

- Begins with baseline forecast (from Budget Book)
- Assumptions
 - Revenues at 101% of Budget
 - Expenditures at 98% of Budget
 - Assumptions Based on Past History

BASE SCENARIO (\$ in Thousands)



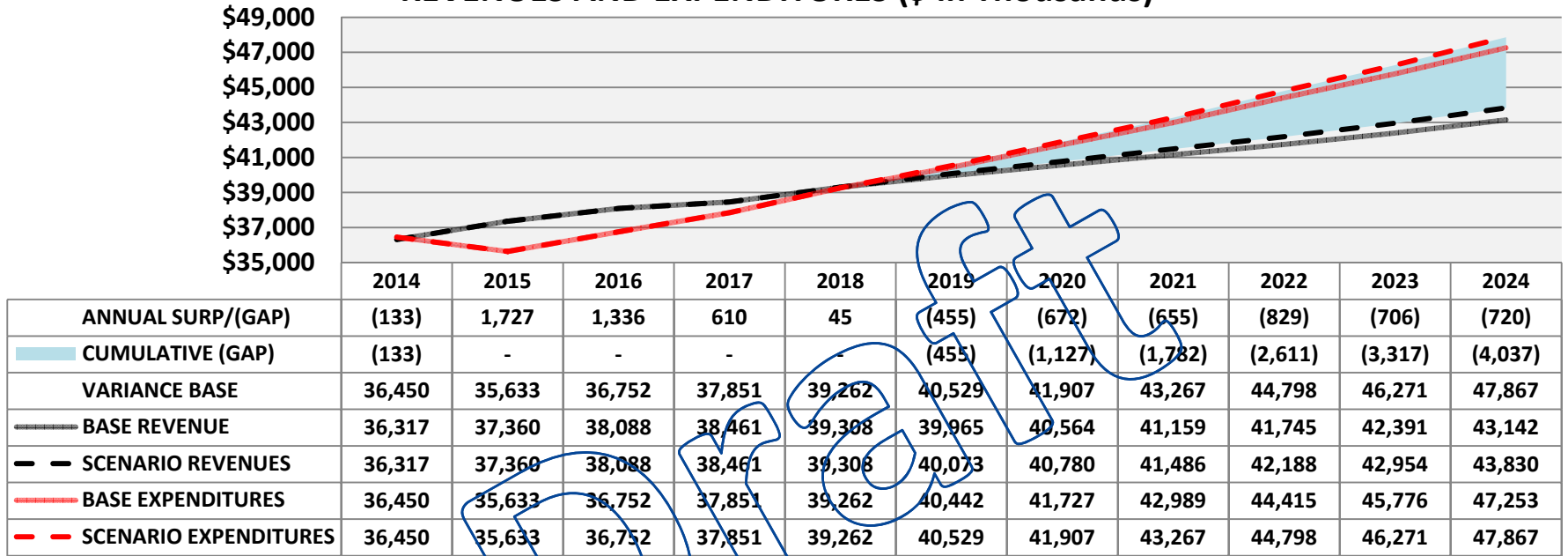
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Model Demonstration



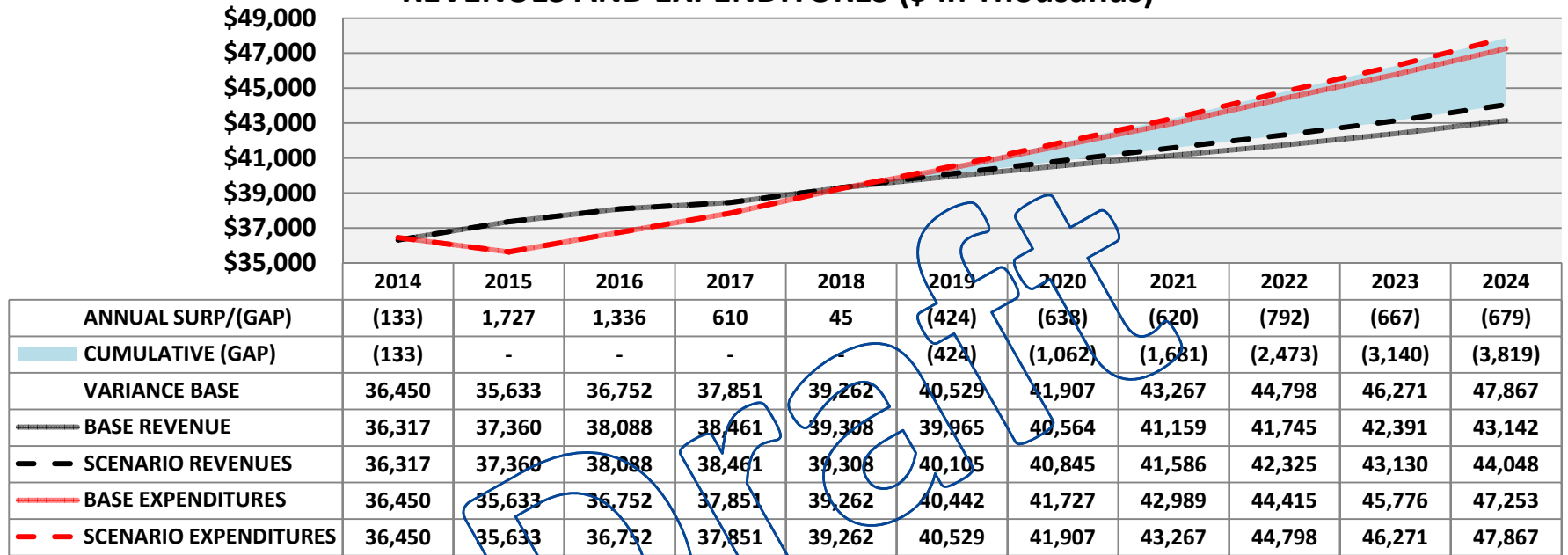
REVENUES AND EXPENDITURES (\$ in Thousands)



Assumptions:

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2. Economic Development (additional 160 multi-family residential units).

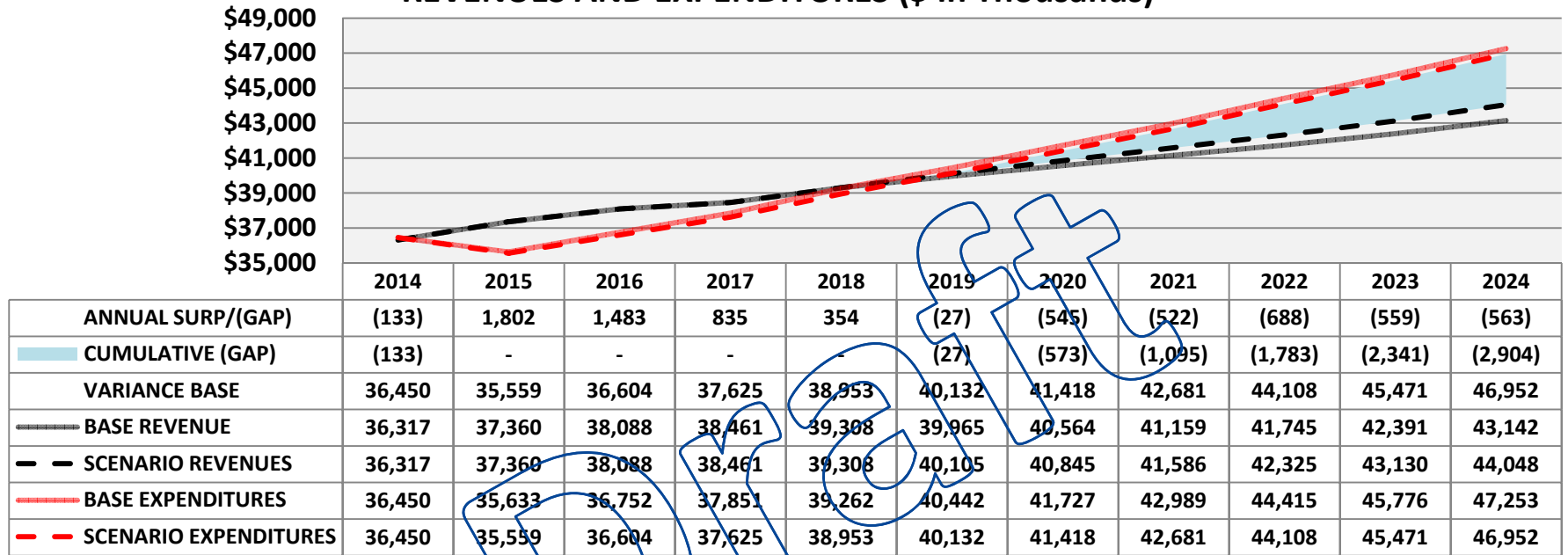
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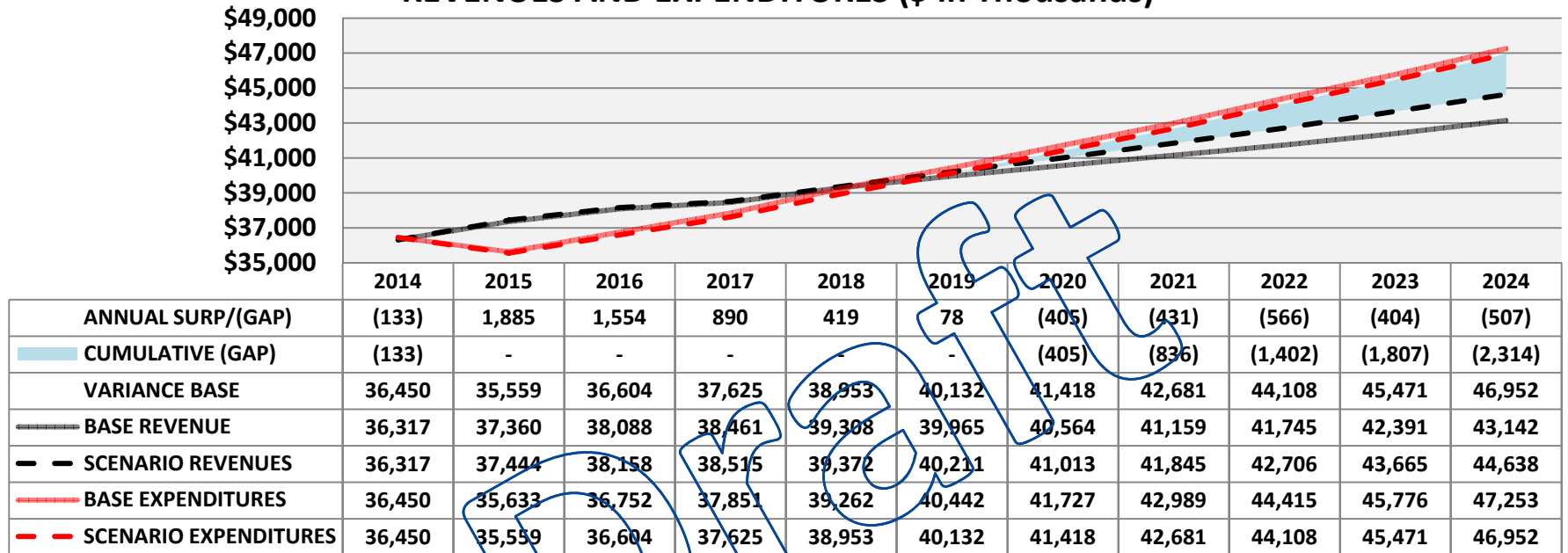
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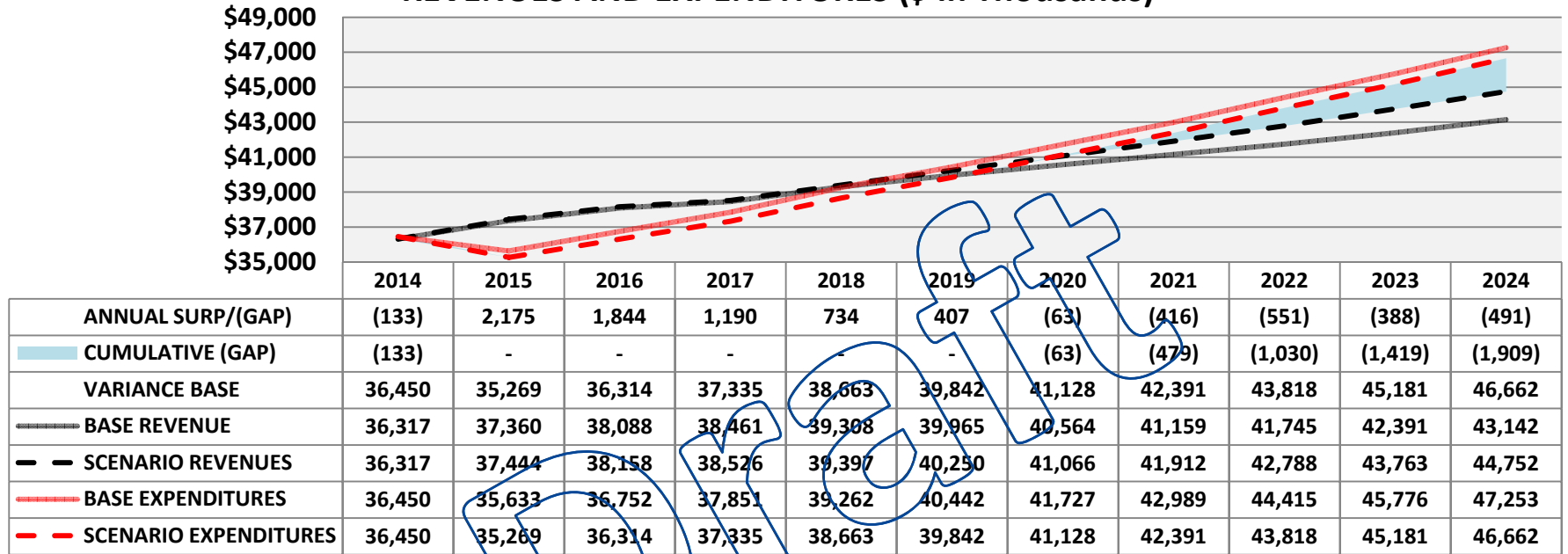
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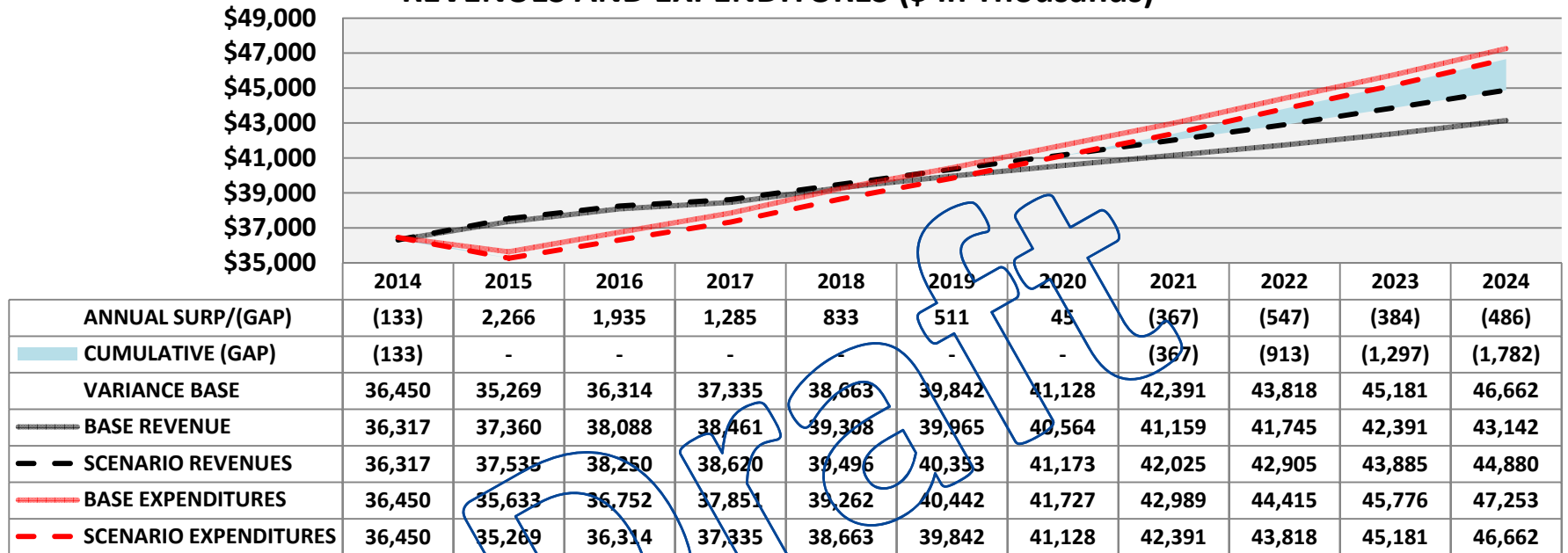
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4. Increase investment returns by 100 basis points (1%) per year.
5. Replace the \$290,000 transfer from the General Fund to the Roads Capital Fund with a dedicated source of funding.

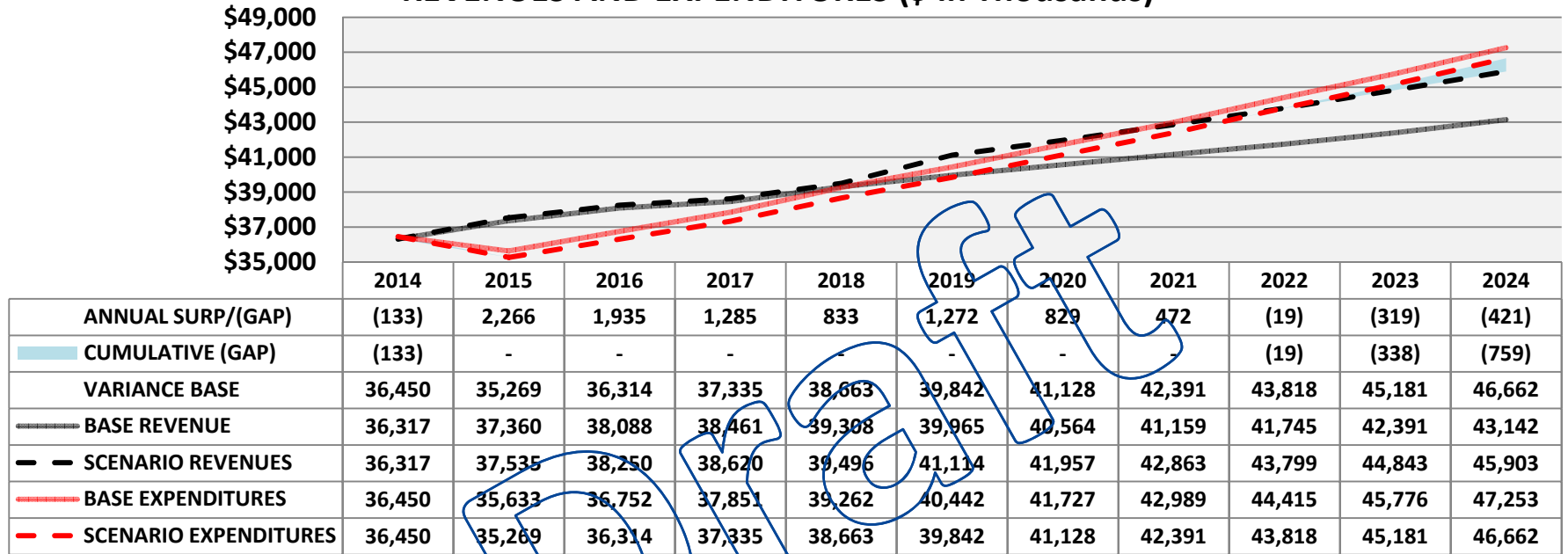
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5. Replace the \$290,000 transfer from the General Fund to the Roads Capital Fund with a dedicated source of funding.
6. Perform a study that will evaluate higher cost recovery percentages for the appropriate combination of fee based programs.

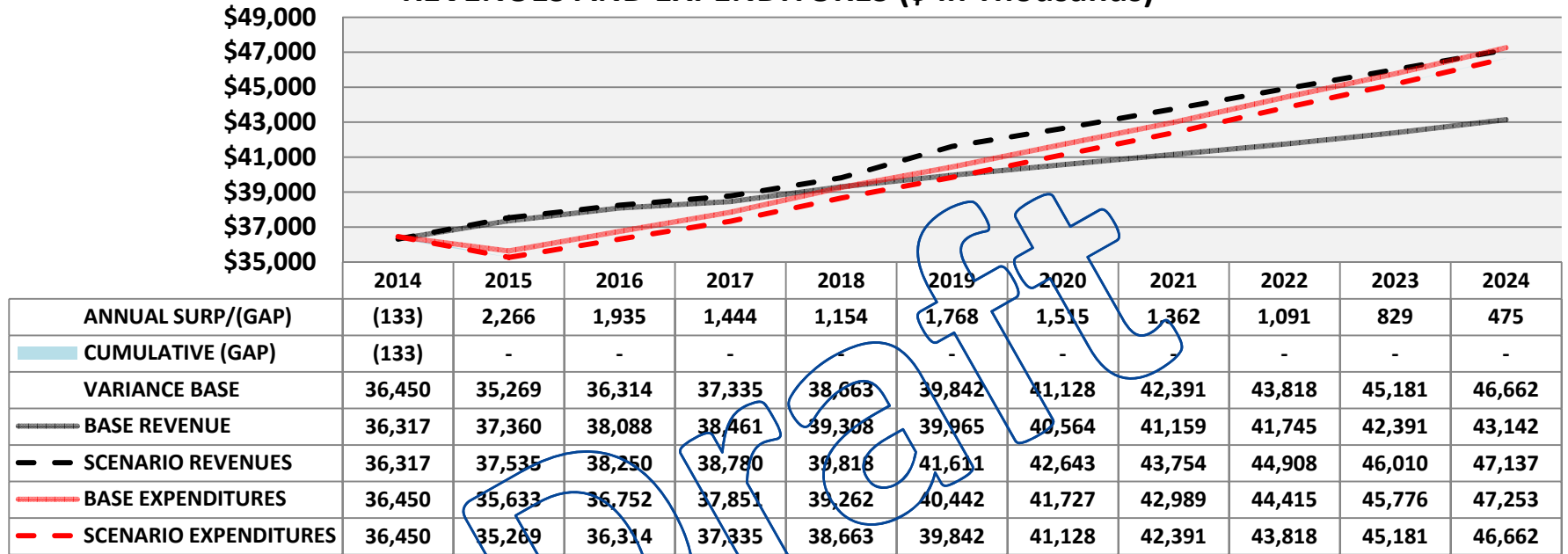
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6. Perform a study that will evaluate higher cost recovery percentages for the appropriate combination of fee based programs.
7. In 2016 or later, engage the business community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax.

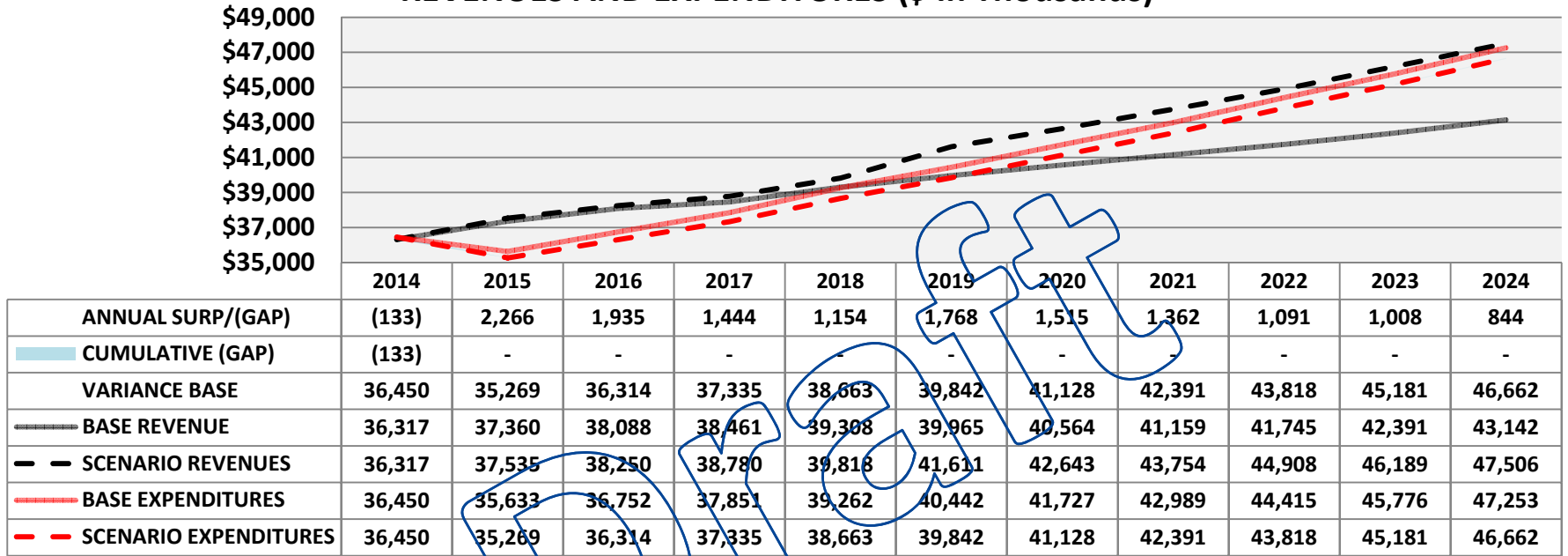
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7. In 2016 or later, engage the business community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax.
8. Monitor the City's progress in relation to the Financial Sustainability Model. In 2016 or later, engage Shoreline residents in a discussion regarding possibly renewing the property tax levy lid lift for 2017 through 2022.

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7. In 2016 or later, engage the business community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax.
8. Monitor the City's progress in relation to the Financial Sustainability Model. In 2016 or later, engage Shoreline residents in a discussion regarding possibly renewing the property tax levy lid lift for 2017 through 2022. In 2022 or later, reengage to possibly renew the property tax levy lid lift for 2023 through 2028.

Questions

Is there an option you would like to see modeled that has not been discussed tonight?



Comments / Feedback

10 YFSP Open House

May 14, 2014 6:30 – 8:30 p.m.

City Hall Council Chambers

