

Revenue Sources for the 2013-2014 Budget

Public Hearing
September 18, 2012

2012 Financial Status

- Year-to-date revenues are in line with expectations:
 - Sales tax through August is up 9.4% (versus budgeted increase over 2011 actual of 7.9%)
 - Sales tax revenue from the new neighborhoods are still significantly less than earlier estimates based on King County data
 - Declining telecommunications utility tax revenues have been offset in part by taxes on gas and electric due to cooler than average weather
 - Business license revenues (including the per FTE fee) are slightly exceeding budget expectations
 - Development-related revenues have been improving for the past few months
 - Fines and forfeits are below budget

2012 Financial Status

- Year-to-date expenditures are below budget expectations due to:
 - Vacant positions, including about 25 FTEs approved for annexation that have not yet been filled and are under review as part of the budget process
 - Contract jail costs well below budgeted levels due to alternate sentencing and use of lower cost facilities
 - Fire overtime running below budget
 - One notable exception is fuel costs, which are exceeding expectations

Current Projections

- In March, the on-going General Fund forecast projected a 2013-14 budget gap of \$7.65 million (\$3.14 million in 2013 and \$4.51 million in 2014)
- General Fund revenue projections have been updated to reflect current economic conditions
- Taking into account the revised revenues, the updated projected shortfall is approximately \$5.3 million, about 3.4% of the General Fund biennial budget

Current Projections

- Projection still assumes that all positions budgeted in 2012 being filled in 2013-2014
- Reflect the following assumptions:
 - Funding a sinking fund for public safety and IT equipment
 - Planned reserve replenishment of one-percent of the General Fund budget
 - Increase in benefits costs of 7% plus adding another \$500,000 per year to the rate stabilization reserve
- Each department has identified reductions or new revenues equivalent to 2% and 5% of the basic budget

Key Revenue Assumptions

- **Reserves** - No use of general purpose reserves in 2013-2014
- **Property Tax** - 1% optional increase each year and 1% annual growth in new construction property tax
- **Sales Tax**
 - No increase in sales tax revenues in 2013
 - A 3% increase in sales tax revenues in 2014
- **Utility Tax** - 2-4% annual growth, reflecting current rate projections
- **Business License** - 2012 projected revenues plus 1% annual growth
- **Development-related revenues** - Based on current activity levels, which are noticeably higher than 2011, and do not assume Park Place or Totem Lake redevelopment in 2013-2014
- **Interest earnings** - Adjusted to reflect the continuing decline in interest earnings rates

Key Revenue Assumptions

- Preliminary budget will reflect the voted property tax levies on the November 5 General Election ballot:
 - Proposition 1: Levy for City Street Maintenance and Pedestrian Safety (\$0.204 per \$1,000 of assessed valuation)
 - Proposition 2: Levy for City Parks Maintenance, Restoration, and Enhancement (\$0.16 per \$1,000 of assessed valuation)
- Service packages have been submitted for use of Streets and Parks levy funds, reflecting a combination of operating program enhancements and increased capital investments
- Preliminary budget will reflect conditional approval of those service packages, pending outcome of the vote

Budget Challenges

- Closing the projected budget gap
- Incorporating outcomes of Street and Parks funding ballot measures
- Addressing economic uncertainties
- Implementing policies related to sinking fund reserves for on-going replacement of public safety equipment and information technology infrastructure and general purpose reserve replenishment

Upcoming Dates in the Budget Process

October 16	2013-2014 Preliminary Budget provided to the City Council
October 25	Special Budget Study Session (3-9 pm)
October 30	Finance Committee budget update
November 7	Additional budget study session and public hearing
November 13	Additional budget study session (if needed)
November 20	Public hearing on the Preliminary 2013-14 Budget and preliminary 2013 property tax levy
December 11	Adoption of 2013-18 CIP, 2013-2014 Budget, and final 2013 property tax levy

Questions?