City of Renton
Budget Advisory Group - Meeting 3
Thursday, July 31, 2014, 5:00-7:00 pm
7th Floor Conferencing Center, Renton City Hall

AGENDA

1. **Follow up & Continuation from Meeting 2**
   - What are the drivers of revenue and expenditures?
   - What are the assumptions for future projections?

2. **Committee Deliberation**
   - Is the city striking the right balance between cost containment/efficiency efforts and providing quality services?
   - Are we missing important trends or opportunities?
   - Are we heading in the right direction?

   Any other food for thought?

3. **Next Step**
   - Debrief process
   - Draft report
   - Next meeting?

Fiscal Sustainability

Budget Advisory Committee

July 31, 2014

Operating Reality

(w/o considering impact from capital)

Summary ($ in Million)	2010 Actual	2011 Actual	2012 Actual	2013 Estimate	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Beginning Fund Balance	**$ 12.0**	**$ 11.1**	**$ 10.7**	**$ 15.6**	**$ 12.8**	**$ 13.3**	**$ 12.9**	**$ 9.7**	**$ 4.3**
Operating Revenue	$ 94.7	$ 97.2	$ 101.8	$ 101.1	$ 106.0	$ 108.5	$ 110.4	$ 112.8	$ 114.2
Base Operating Expenditure	(94.7)	(96.7)	(99.6)	(100.8)	(105.9)	(109.5)	(113.7)	(118.2)	(122.5)
Operating Surplus (Deficit)	**$ 0.0**	**$ 0.6**	**$ 2.2**	**$ 0.3**	**$ 0.1**	**$ (1.0)**	**$ (3.3)**	**$ (5.5)**	**$ (8.3)**
1X Sources *	$ 8.3	$ 13.2	$ 6.7	$ 2.9	$ 1.6	$ 1.0	$ 1.0	$ 0.4	$ 0.4
1X Uses	(9.3)	(14.4)	(4.4)	(6.0)	(5.9)	(0.3)	(0.9)	(0.3)	(0.3)
Net Resources - Uses	**$ (0.9)**	**$ (0.7)**	**$ 4.5**	**$ (2.8)**	**$ (4.2)**	**$ (0.4)**	**$ (3.2)**	**$ (5.4)**	**$ (8.2)**
Ending Fund Balance	$ 11.1	$ 10.7	$ 15.6	$ 12.8	$ 13.3	$ 12.9	$ 9.7	$ 4.3	$ (3.9)

Projected 2018 gap is partially due to the elimination of annexation sales tax credit.

Drivers & Assumptions

Key Revenue Assumptions:	**% of Tot**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Sales Tax Growth *	21%	-4.3%	3.5%	5.2%	4.3%	4.7%	3.7%	3.8%	3.8%	0.2%
Property Tax	33%	2.7%	2.7%	3.5%	-3.0%	5.8%	2.0%	2.0%	2.0%	2.0%
All Other Operating Revenue	46%	-2.9%	1.2%	2.6%	-0.6%	2.2%	1.0%	0.4%	0.8%	0.6%
Total Operating Revenue Growth		-3.0%	2.7%	4.7%	-0.6%	4.8%	2.4%	1.7%	2.2%	1.3%

Key Expenditure Assumptions:	**% of Tot**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Wage & Payroll Tax	48%	0.0%	1.0%	2.5%	0.6%	2.1%	4.2%	2.5%	2.5%	2.5%
Pension & Retiree Medical **	5%	38.5%	1.0%	3.3%	-7.7%	10.0%	24.2%	10.0%	10.0%	10.0%
Current Employee Medical ***	9%	9.6%	-1.2%	4.7%	-13.6%	32.1%	7.4%	8.5%	8.5%	8.5%
All other operating Expense	38%	-5.3%	1.7%	1.2%	2.5%	0.8%	1.5%	1.5%	1.6%	1.6%
Operating Expense Growth		-2.6%	2.1%	3.0%	1.2%	5.1%	3.4%	3.8%	4.0%	3.6%

* 2013 Sales Tax growth is 9.7% over 2012, of which 1% is attributable to audit of prior year activities and 4.4% is from one-time construction with only 4.3% of the growth that is considered sustainable.

** 2010 change is due to Legislature adopted rates as recommended by the state actuary and pension committee. 2015 increase is due to change of actuarial assumption of mortality rates/life expectancy.

*** 2013 medical cost reduction is due to a negotiated one-time contribution reduction and rebase of city contribution during 2013.

Resource Options

Source	Estimated Amount	Approval Process	Permitted Use
1. Utility Tax: Above Current Rate	1% ~ $2.5M/yr	Council can raise tax on city operated utilities (~25% of the total); other utilities require voter approval.	General purpose
2. Voted Property Tax Lid Lift	From $3.15 to $3.325 (or 17.5¢ 5.6% increase) ~$2M/yr	Simple majority voter approval.	General purpose
3. Voted Property Tax, excess levy	20¢ ~ $2.3M/yr Not subject to $3.325 limit. The duration is only as needed to retire the bonds.	60% approval, 40% turnout	Capital purpose
4. Transportation Benefit District	$20/vehicle ~ $1.4 million/yr (KC proposed TBD may generate $2.4M/yr)	Council action	Transportation purpose
5. Fire Benefit Charge (City or RFA)	FBC at 40% of current operating expense will generate around $6.5M/yr	Voted every 6 years.	Fire purpose
8. Business Licenses	Currently at $2.9M a year including the 25% increase in 2013	Council action	General purpose (85% dedicated for capital)
9. B&O Tax	A 0.1% tax is anticipated to generate $3 to $6 million	Council action	General purpose
10. User Fee	BLS transport & MVC Fee combined around $500k a year	Council action	Fire operations

Past Revenue/Fee Adjustments

- Business License Fee increase $600k
- City internal utility tax increase $425k
- Impact Mitigation Fees adjustment
  - Council adopted updated fees in 2012
  - Implementation over a 3-year ramp-up period starting 2014
- All these revenue sources are designated or restricted for capital purposes

Questions:

- Is the city striking the right balance between cost containment/efficiency efforts and providing quality services?
- Are we missing important trends or opportunities?
- Are we heading in the right direction?