

# Budget Workshop:

Budget Summaries  
Tax Rate  
Capital Financing/Debt Capacity

JUNE 2, 2020

# Budget Completed Discussions

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Activity	FY 2019-2020	FY 2020-2021
April – Council Retreat	X	X
May – Budget & Audit		
Budget Key Dates and Tasks Update	X	X
Preliminary General Fund Financials Including Property Tax and Sales Tax		X
General Fund Assignments Including Rating Agency Reserves		X
Health Insurance Update	X	X
Outside Agencies	X	

# Budget Planned Discussions

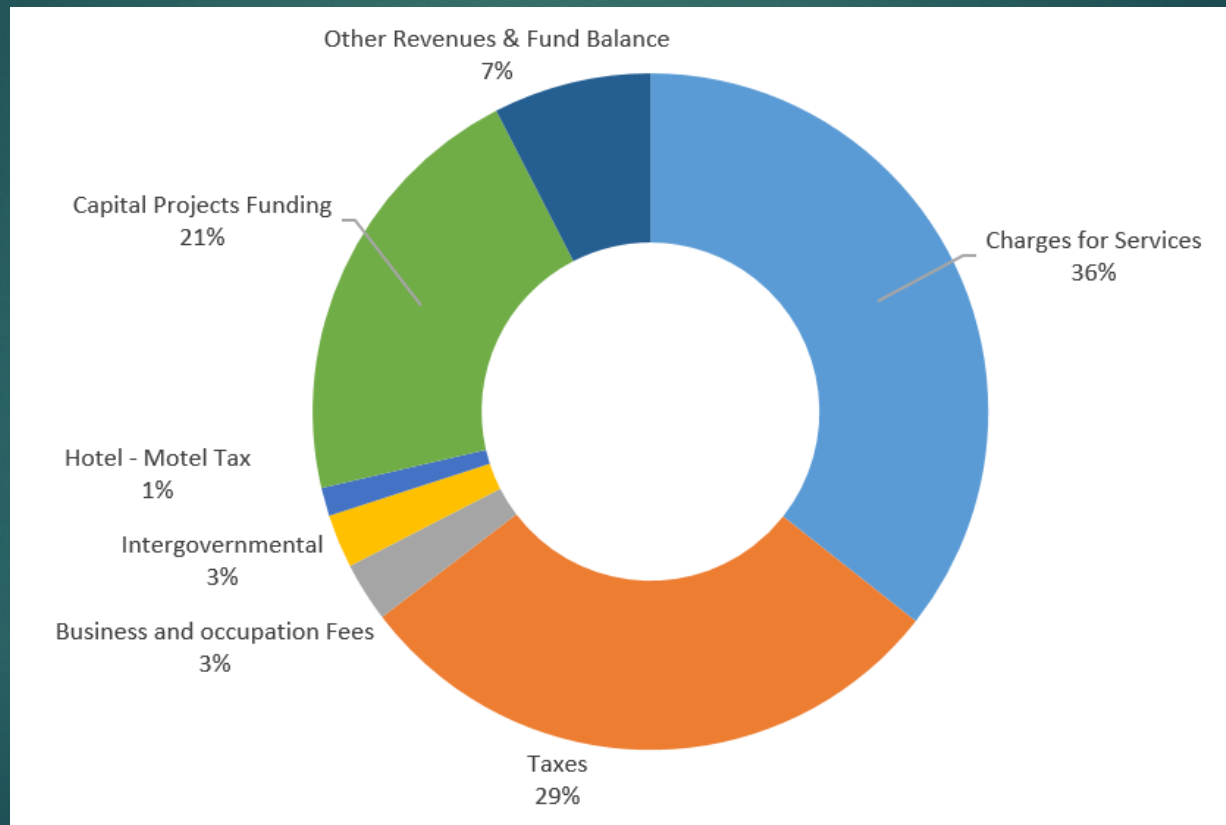
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Activity	FY 2019-2020	FY 2020-2021
June		
Work Session – General Fund, Utilities Funds (Excluding Rate Model), & Convention Center Fund. Tax Supported Debt Capacity.		X
Budget & Audit – General Fund, Special Revenue Funds and Update on Key Dates. Initial Discussion of Tax Supported CIP	X	
Work Session – Budget Update Including Special Revenue Funds and Update on Key Dates.		X
Budget & Audit - Utilities Funds With Rate Models & Other Enterprise Funds. Initial Discussion of Tax Supported CIP. Fee schedule. Outside Agencies.		X
July		
Budget & Audit - Utilities Funds With Rate Models & Other Enterprise Funds	X	
Budget & Audit – Budget Update		X



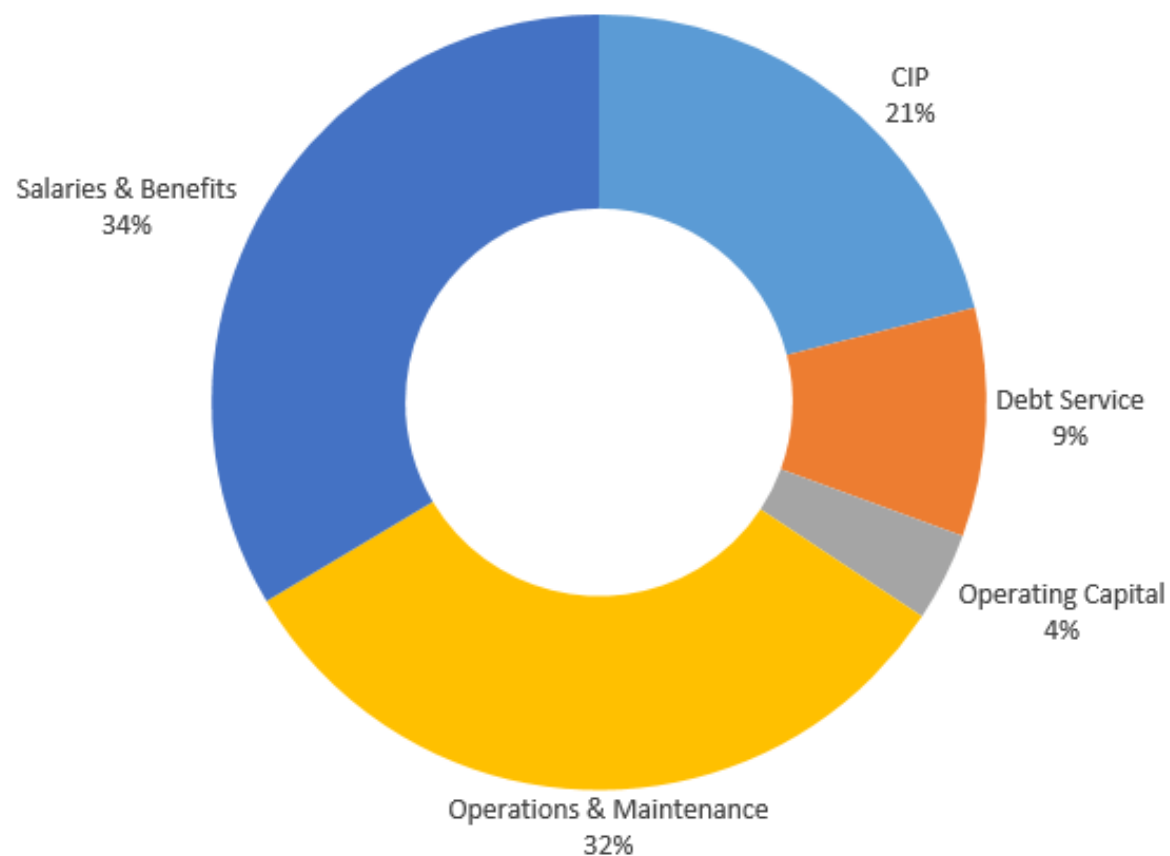
# FY20 Budget (\$361M) City-Wide Sources of Funding

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# FY20 Budget (\$361M) City-Wide Expenses

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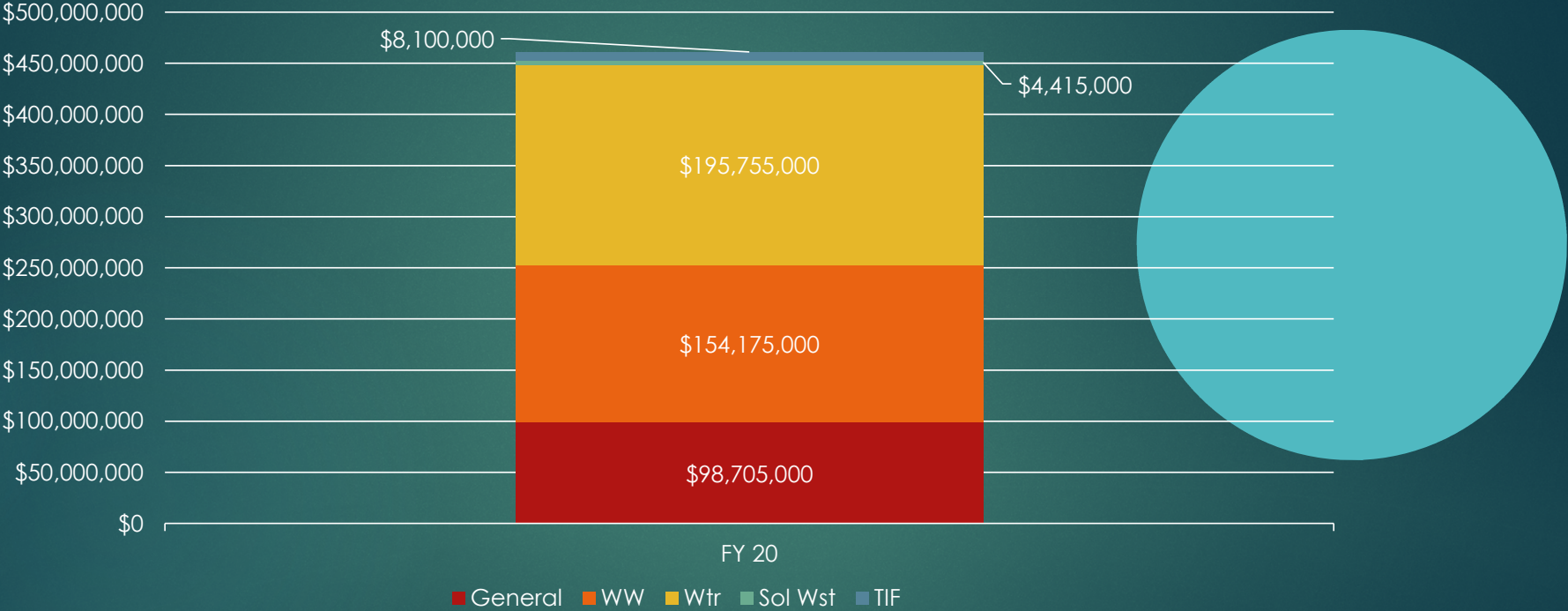


# Debt Overview



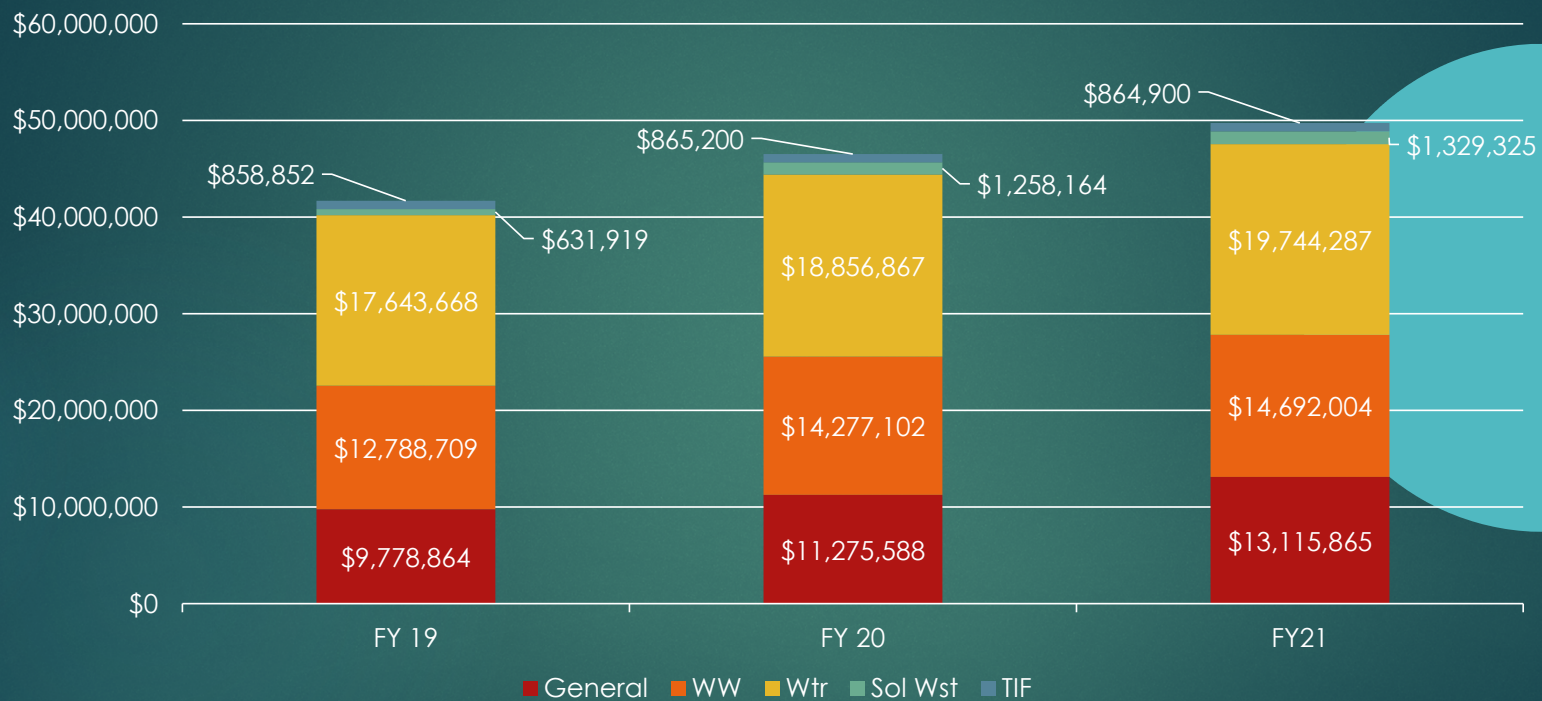


# Outstanding Debt



# Annual Debt Service

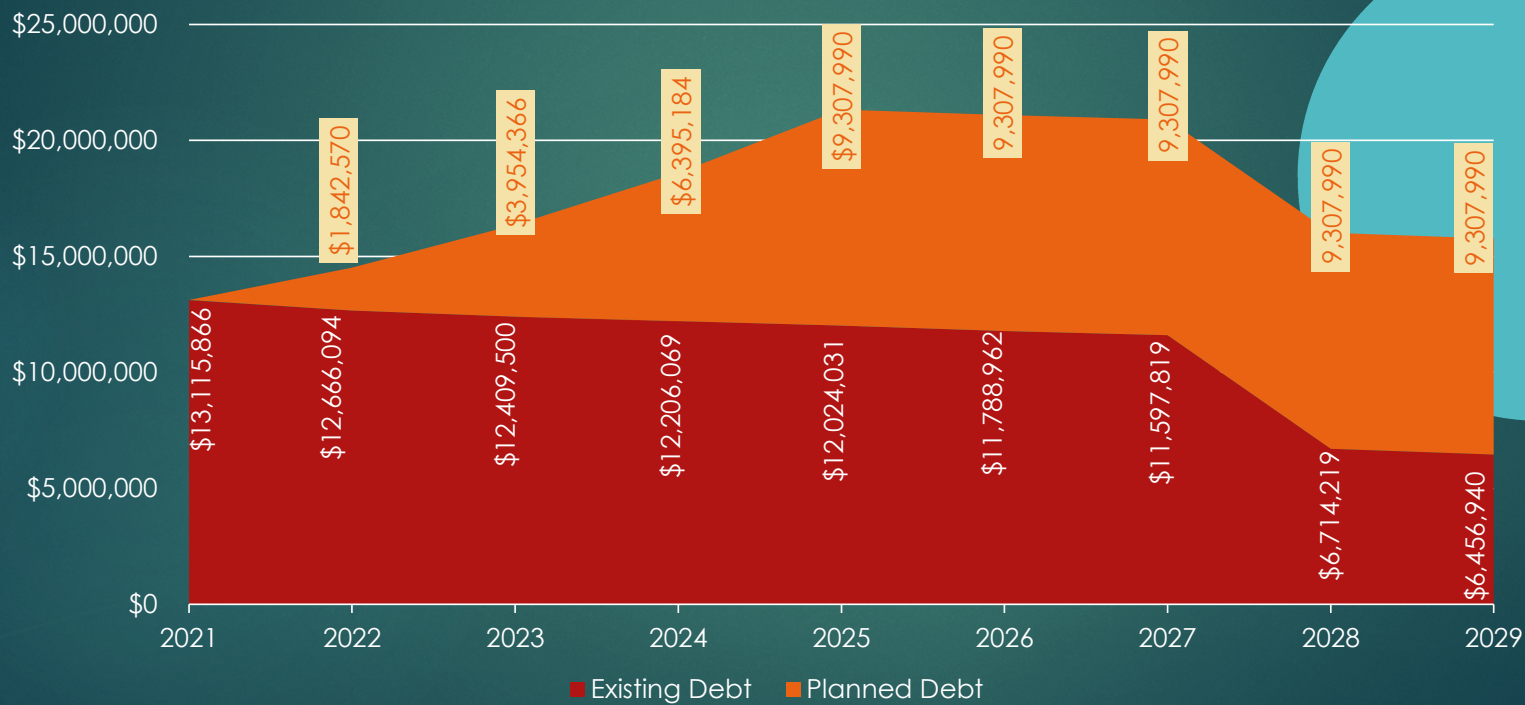
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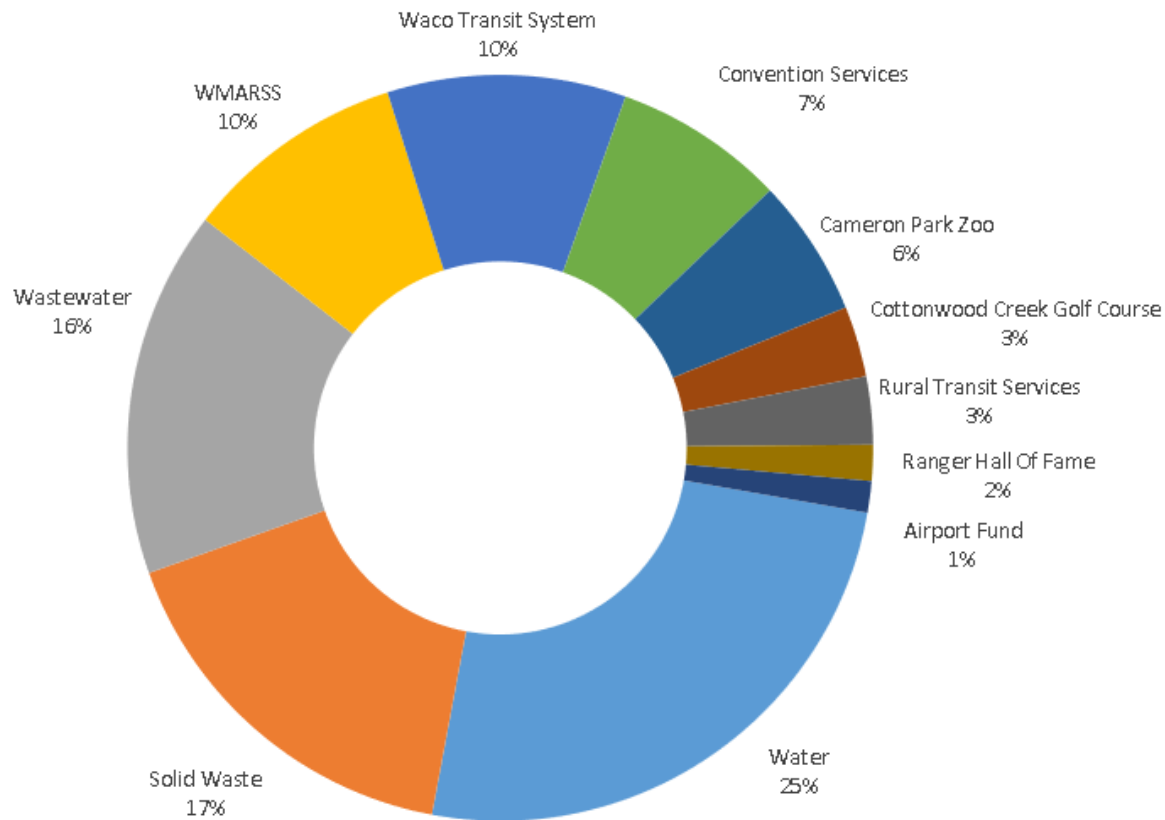
# General Fund Debt Service Payments w/ Planned 2020-2024 Issuances

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# FY20 Budget - Enterprise Funds

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## Self Sufficient Enterprise Funds:

- Water
- Wastewater
- WMARSS
- Solid Waste



# Enterprise Income Statements

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# General Fund Discussion



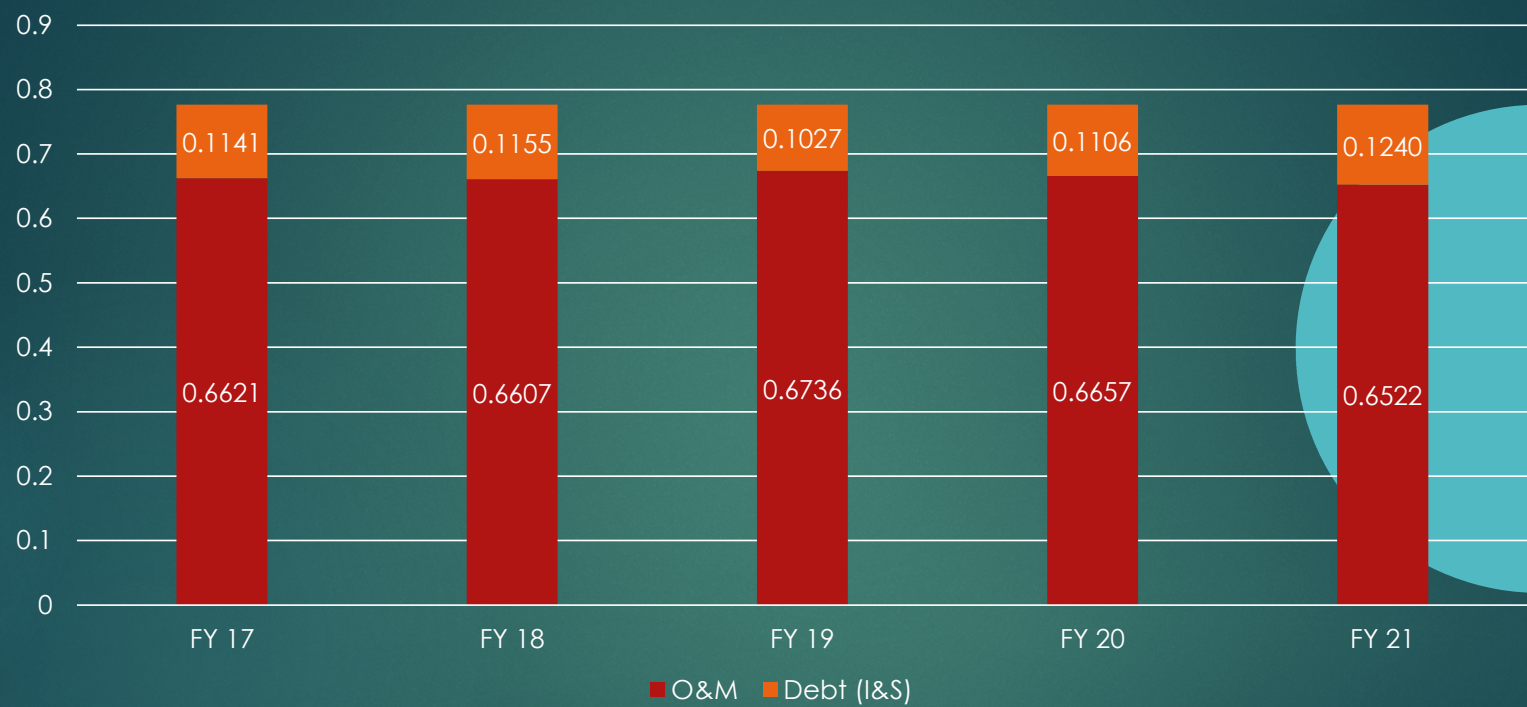


# General Fund Income Statement

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# Property Tax Rate



Total Tax Rate has held steady at .7762



# SB2 and the O&M tax rate

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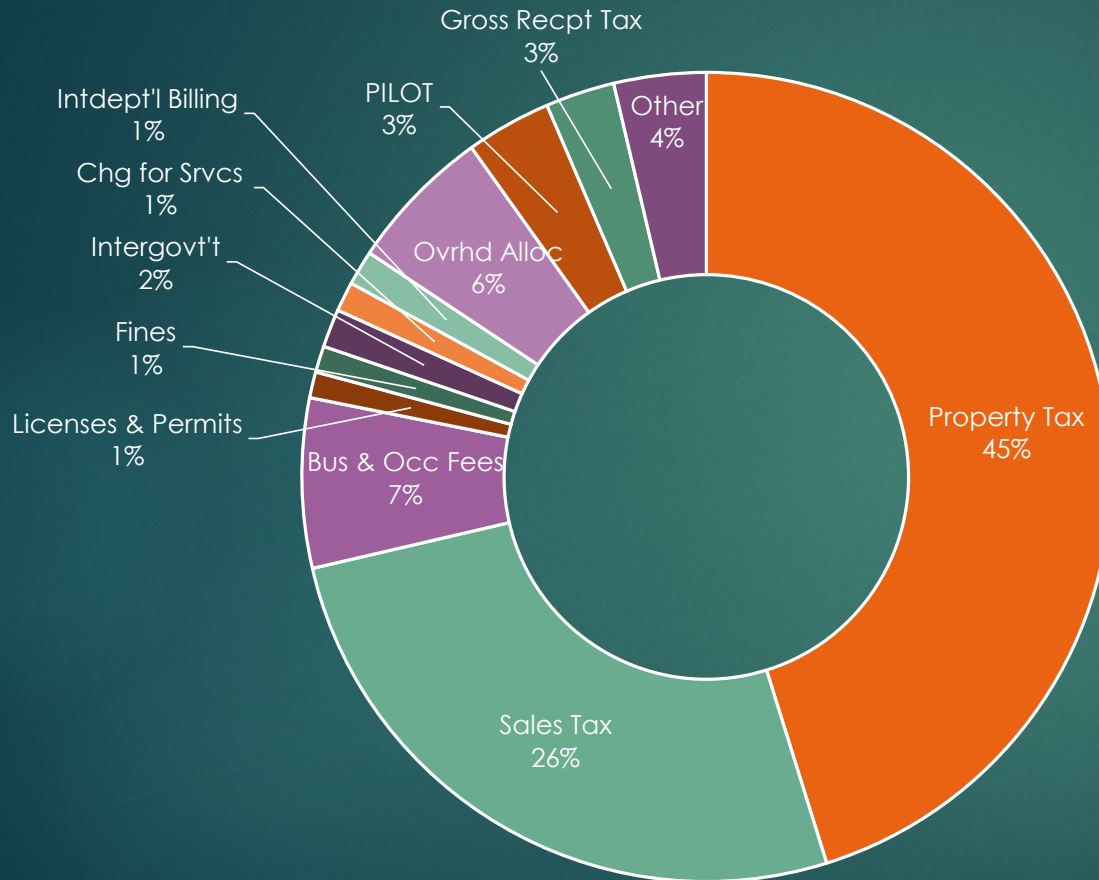
## Overly simplified O&M No New Revenue rate (formerly Effective Tax Rate) example

	FY 20	FY 21
Gross TAV	\$10,753,743,700	\$11,284,639,062.00
less New Value		-\$161,201,903.00
Less TIF	-\$553,337,502	-\$715,681,569.00
Net TAV	\$10,200,406,198	\$10,407,755,590
Adopted Rate	0.665656	
Gross Revenue	\$67,899,616	
Coll Rate	0.98	
O&M Revenue	\$66,541,624	
O&M No New Rev Rate		0.652394
O&M NNR Revenue		\$67,899,616
Cap (3.5%) Rate		0.675228
Cap Revenue		\$70,276,102.44
8% Emer Order		0.704586
8% Emer Order		\$73,331,585
Rate w/ Current CIP		0.652198
Rev w/o New Value		\$ 67,879,135
Rev w/ New Value		\$68,930,490
Coll Rate		97.00%
O&M Revenue		\$66,862,575.22

- ▶ Debt rate added to O&M "No New Revenue" (NNR) rate to yield NNR rate.
- ▶ O&M (NNR): 0.652394
- ▶ City could adopt an O&M NNR rate which increases revenue up to 3.5%
  - ▶ Rate= 0.675228
  - ▶ Revenue= +2.4M
- ▶ Due to Governor's emergency order, the O&M NNR rate could be increased up to 8%
  - ▶ Rate= 0.704586
  - ▶ Council chooses rate by Resolution
- ▶ Unused Increment Rate can be banked
  - ▶ 3-year rolling sum of the difference between the adopted tax rate and voter-approval rate.
  - ▶ Includes 8% under emergency order
- ▶ FY 21 Preliminary Rate= 0.652198
  - ▶ Essential NNR rate
  - ▶ % increase= 0.5%

# FY 20 General Fund Revenues: \$149M

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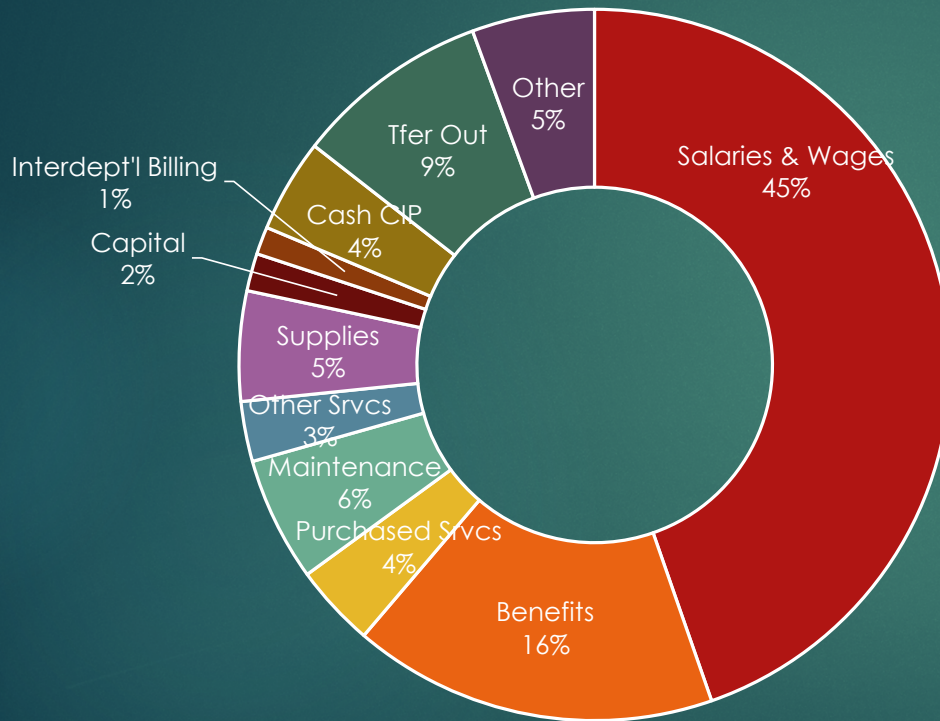


- Property and Sales Taxes comprise 71% of revenue
- Additional 13% from other municipal lines of business
  - PILOT
  - Overhead
  - Interdepartmental Billing
  - Gross Receipts Tax



# FY 20 General Fund Expenditures:\$153M

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- 61% of GF in Personnel Costs
- 74% in Personnel, Tfers Out and Cash CIP

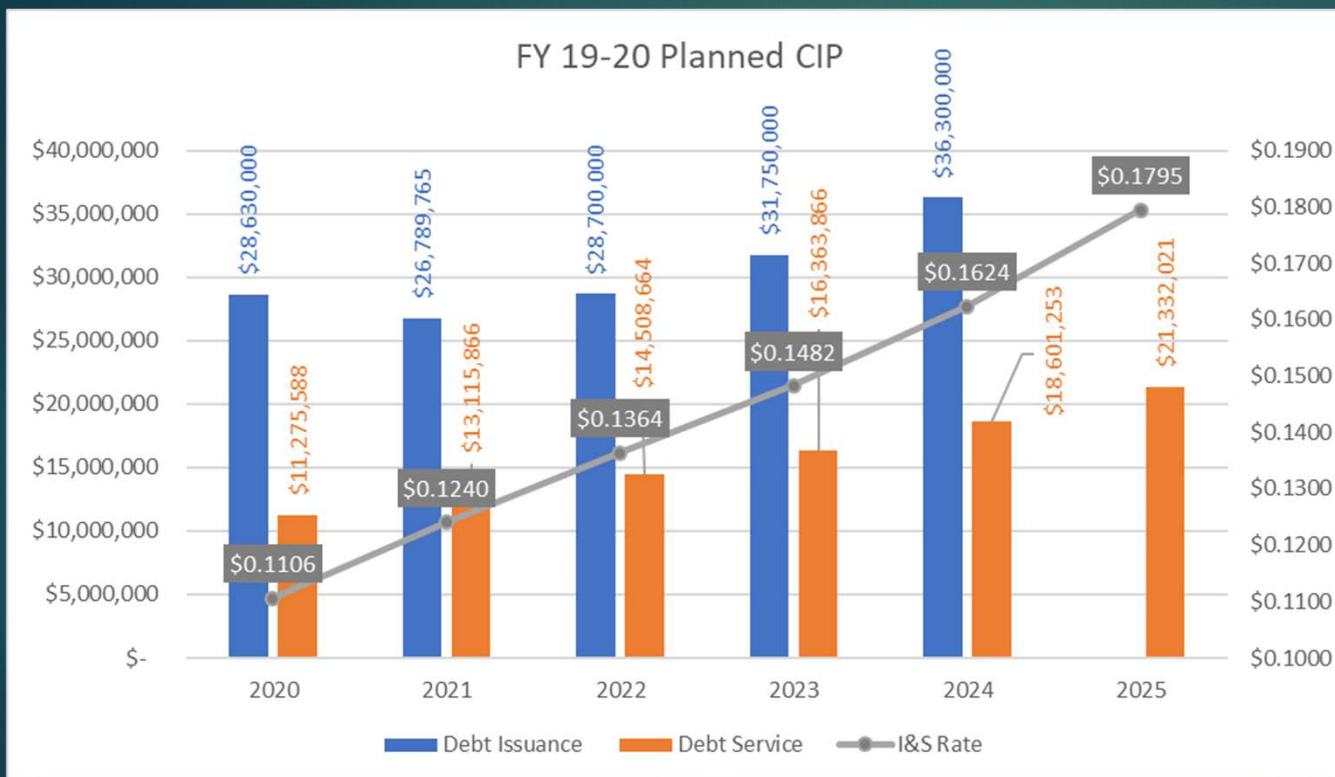
# Discussion of General Fund Debt Capacity and CIP





# Overview of FY 19-20 Planned CIP

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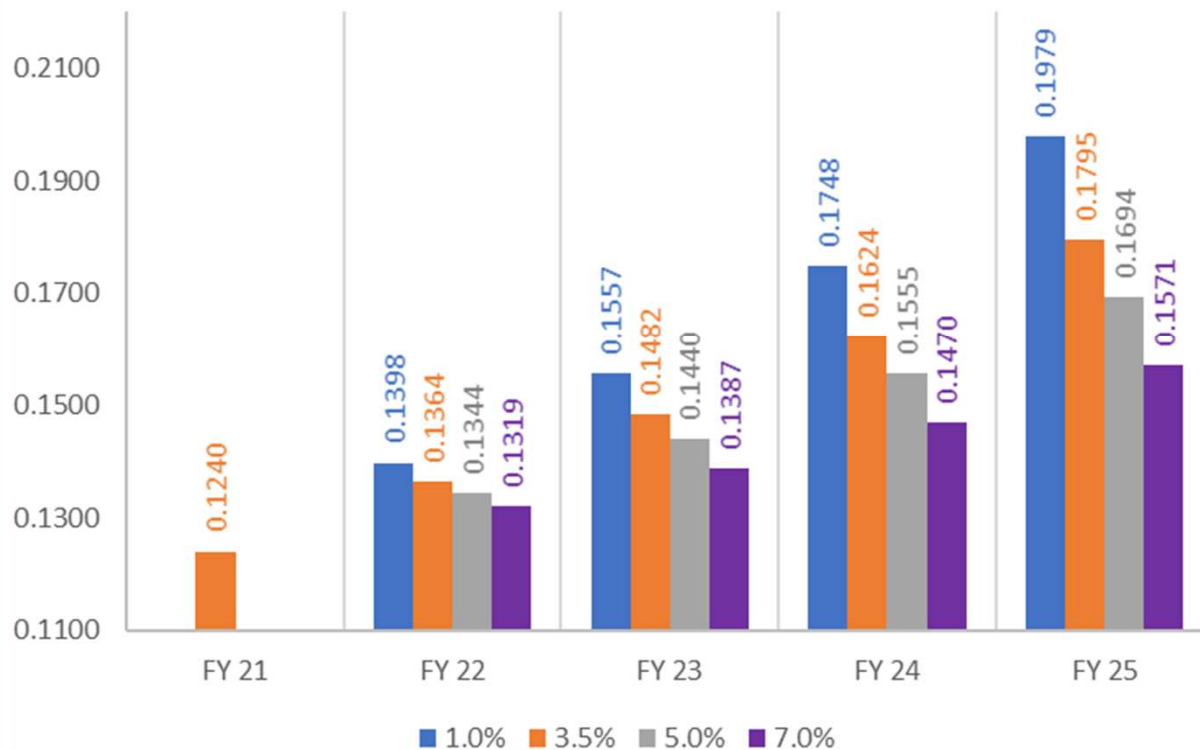


- ▶ 5 years
- ▶ \$152m
  - ▶ \$123m remaining
- ▶ \$10.3m increase in debt service
  - ▶ 93% increase
- ▶ 6.89 cent increase in I&S rate
  - ▶ "Shifting Pennies"
  - ▶ 1.378 cents/yr average
- ▶ Rate based on 3.5% growth in TAV

# Impact of Values on I&S Rate

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Debt Rate at Various TAV Growth Rates



- ▶ Growth above 3.5% (model)
  - ▶ 7% growth
    - ▶ FY 22: 0.45 cent rate reduction
    - ▶ FY 25: 2.24 cents rate reduction
- ▶ Growth below 3.5% (model)
  - ▶ 1% growth
    - ▶ FY 22: 0.34 cents increase
    - ▶ FY 25: 1.84 cent increase

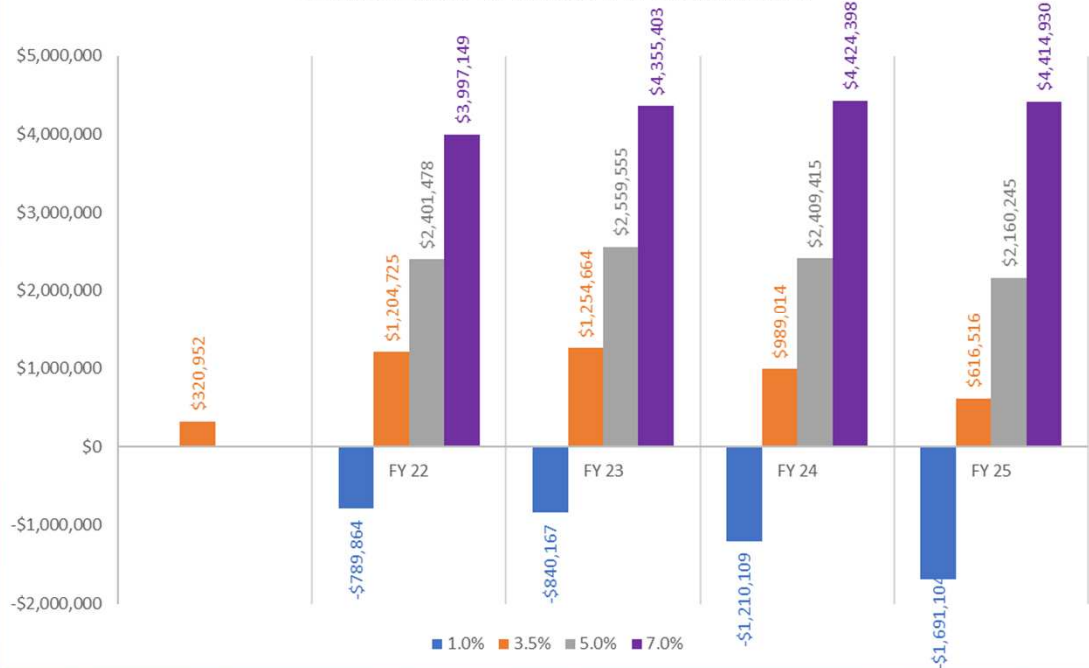


What is the effect of the planned  
CIP on Operations (O&M property  
tax revenue)?

# O&M Property Tax Impact

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O&M Revenue at Various TAV Growth Rates

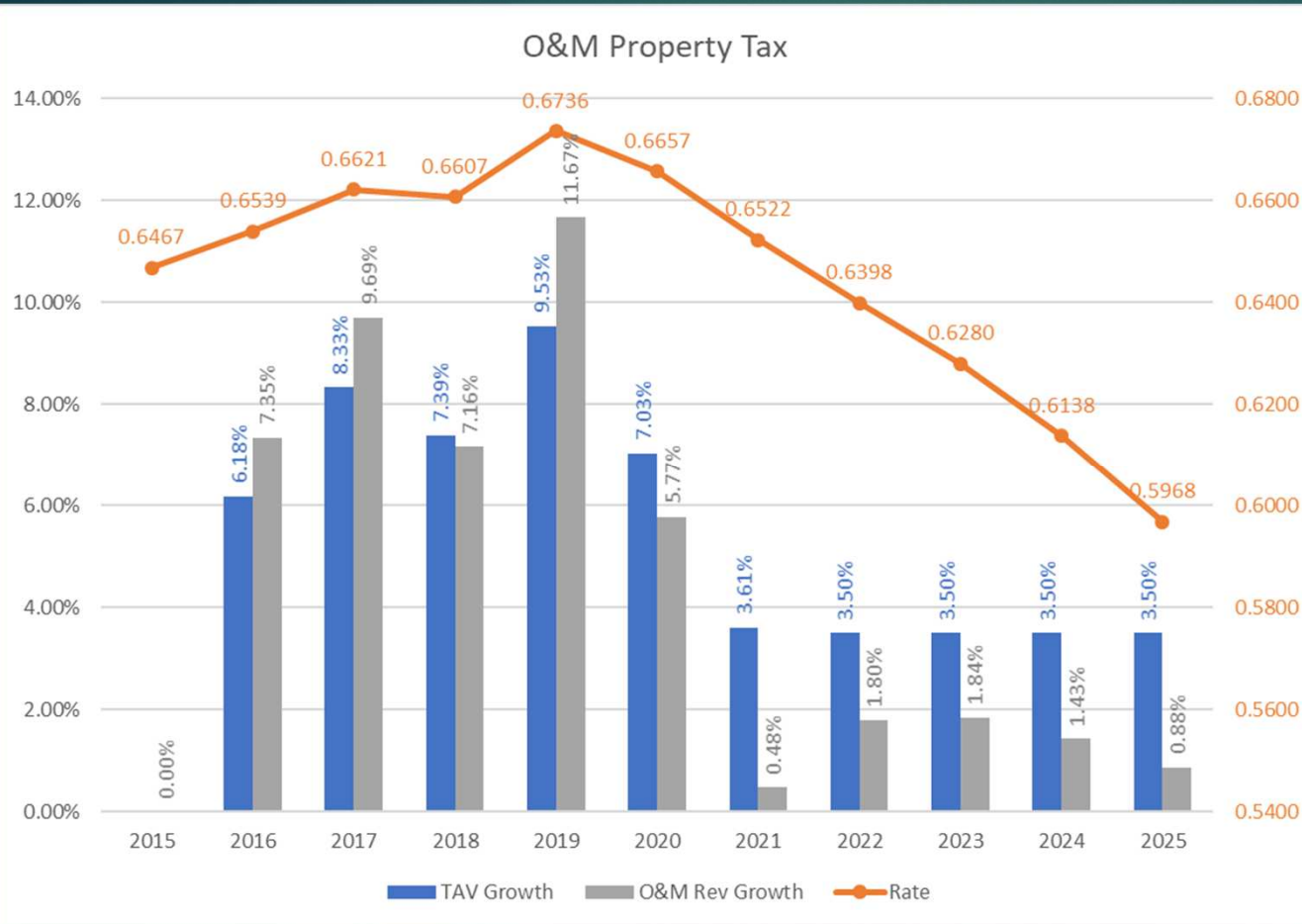


- ▶ TAV growth at 3.5% yields declining O&M revenue over time as debt rate rises
- ▶ TAV growth below 3.5%
  - ▶ Requires subsidy from operations to cover debt service
  - ▶ Example: 1% growth (blue)



# O&M Property Tax Impact cont'd

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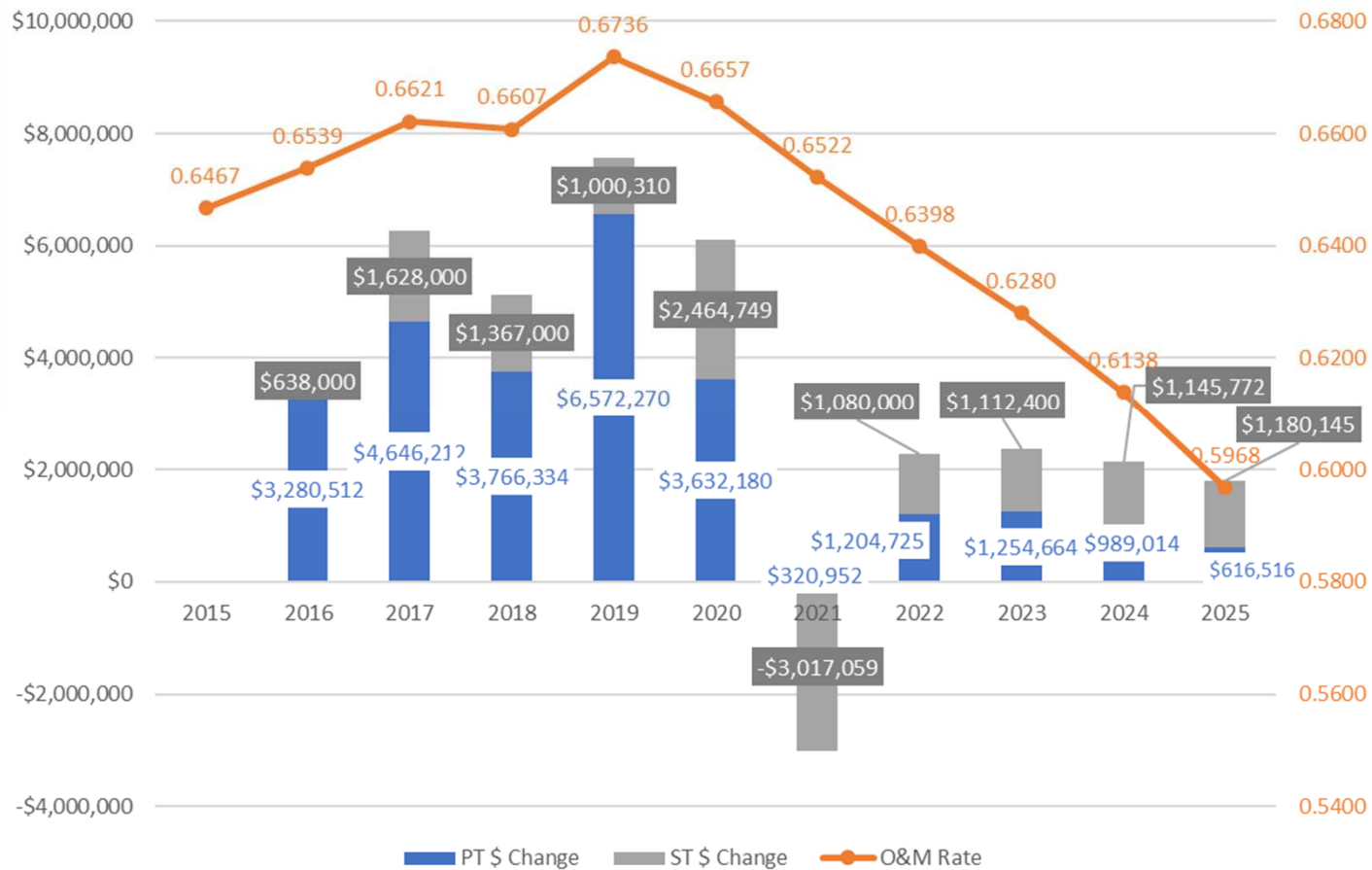


- ▶ If total tax rate (\$0.776232) maintained, O&M rate declines
  - ▶ Shifting pennies
- ▶ Strong TAV growth and rising O&M rate FYs 2015-2019 created strong PTR growth
- ▶ Declining TAV and declining O&M (coupled with collection rate reduction) has dramatic impact on FY 21 O&M PTR
  - ▶ 0.48%
- ▶ Using forecast rate of 3.5% in model shows a slight increase in 2022 (collection rate is increased) then declining thereafter

# O&M Impact with Sales Tax

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Operational PT & ST Revenue Increases w/ O&M Rate



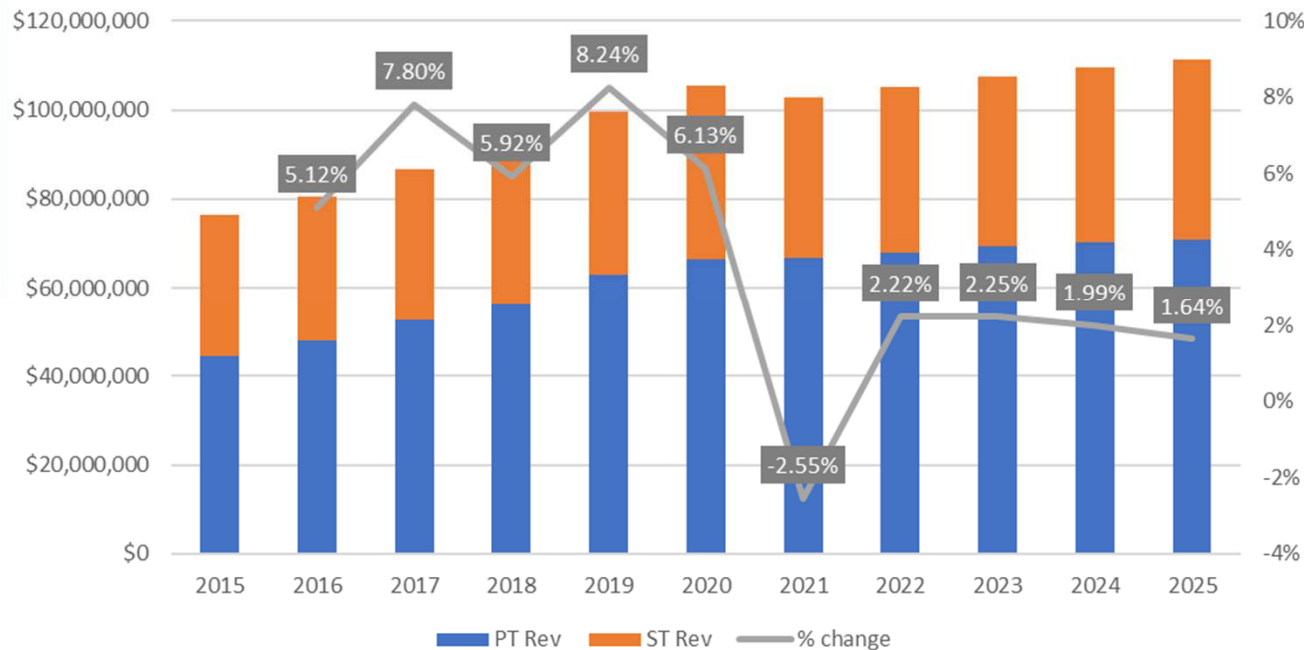
- ▶ FY16-20
  - ▶ Avg. Annual PTR Growth= \$4.3m
- ▶ FY 21-25
  - ▶ Avg. Annual PTR Growth=\$877k



# O&M Impact: Annual Percent Growth

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Budgeted PT & ST Revenue w/ Annual % Change: 2015-2025



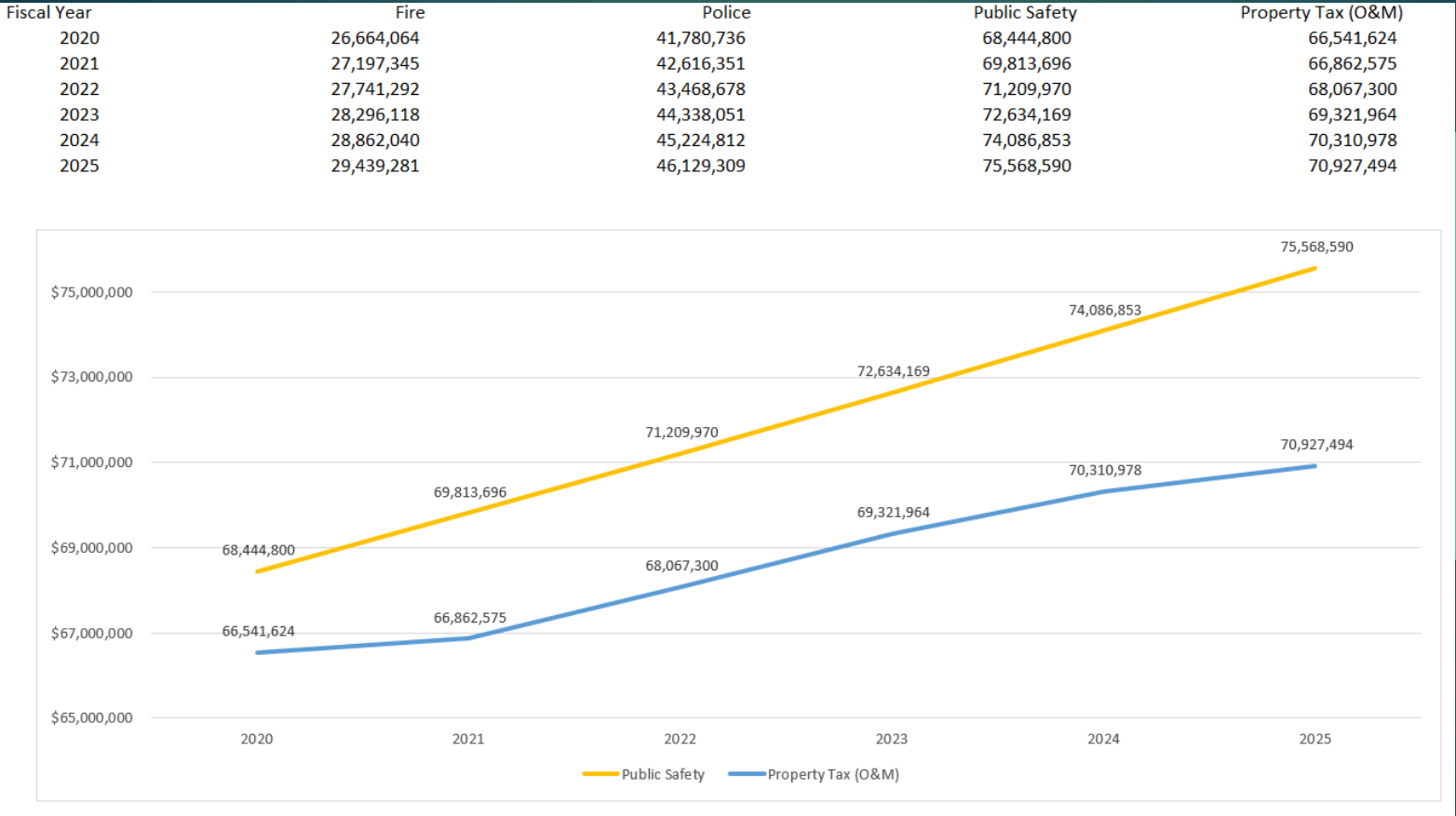
## FY 16-20

- ▶ PTR & STR growth: \$29 million
- ▶ 6.6% annual average

## FY 21-25

- ▶ PTR & STR growth: \$8.6 million
  - ▶ \$4.4M in PTR
- ▶ 1.1% on average (declining)

# O&M revenue vs FD & PD (Public Safety)



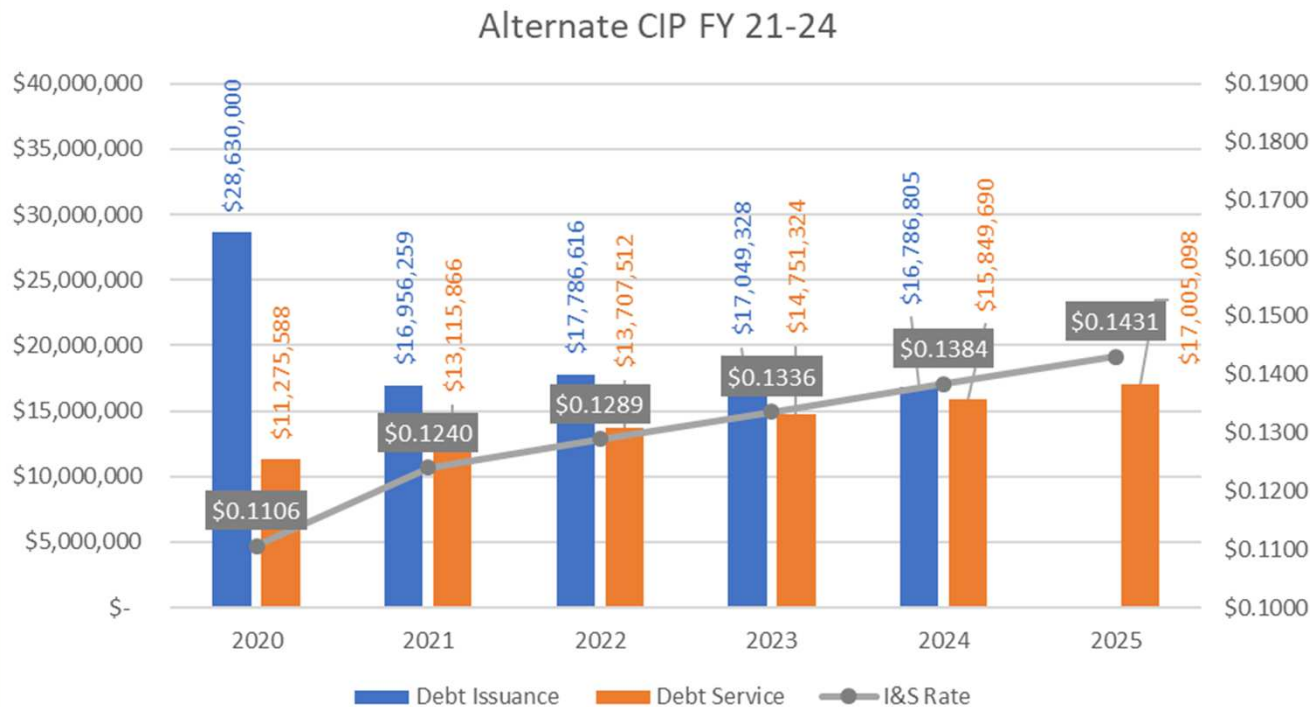


Alternate  
CIP  
Possibility



# Alternate CIP

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- ▶ 5 years
  - ▶ 4 years remaining
- ▶ \$97m
  - ▶ \$68.6 m remaining
- ▶ \$5.7 m increase in debt service
  - ▶ 52% increase
- ▶ 3.25 cent increase in I&S rate
  - ▶ "Shifting Pennies"
  - ▶ .65 cents/yr average
- ▶ Rate based on 3.5% growth in TAV

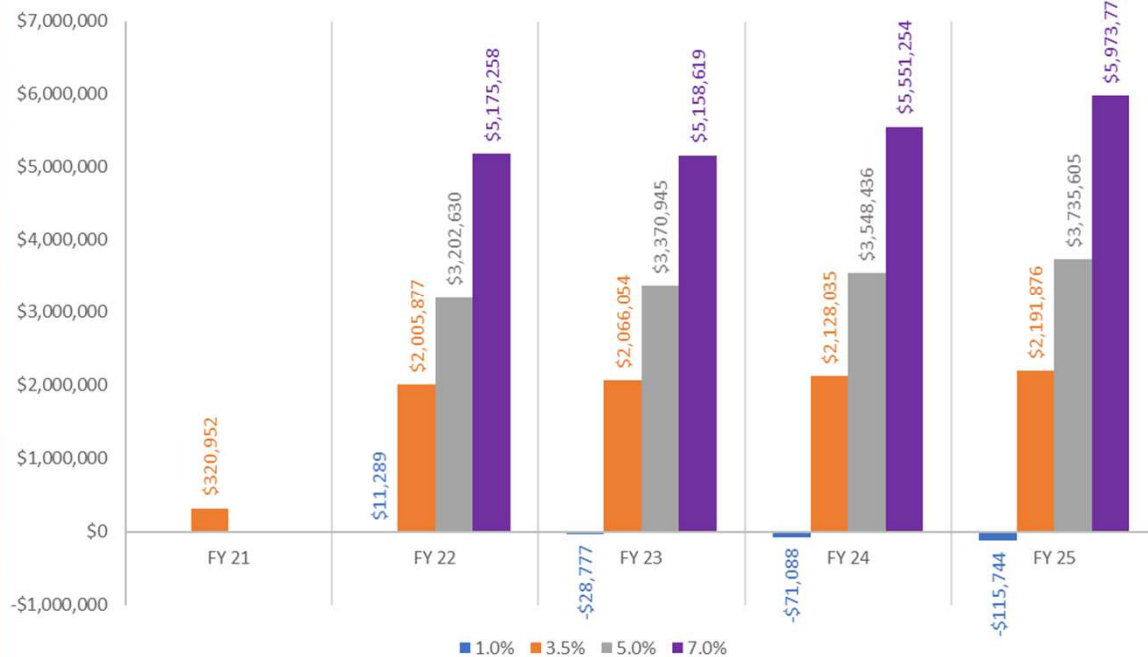


What is the effect of the **alternate**  
CIP on Operations (O&M property  
tax revenue)?

# Alternate O&M Property Tax Impact

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O&M Revenue at Various TAV Growth Rates

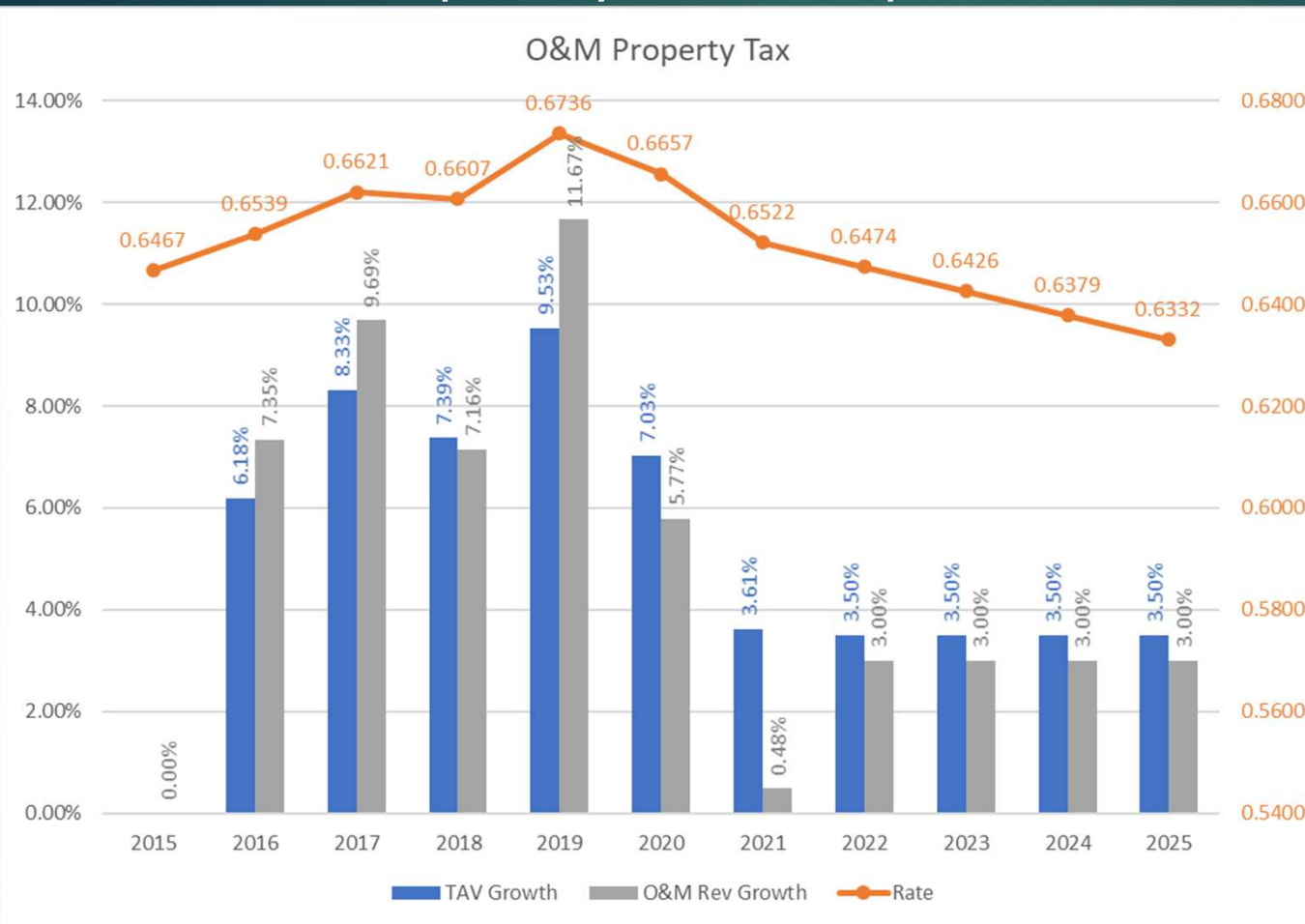


- ▶ TAV growth at 3.5% yields increasing O&M revenue over time as debt rate rises
- ▶ TAV growth below 3.5%
  - ▶ Substantial reduction in O&M impact
  - ▶ Example: 1% growth (blue)



# O&M Property Tax Impact: Alternate CIP

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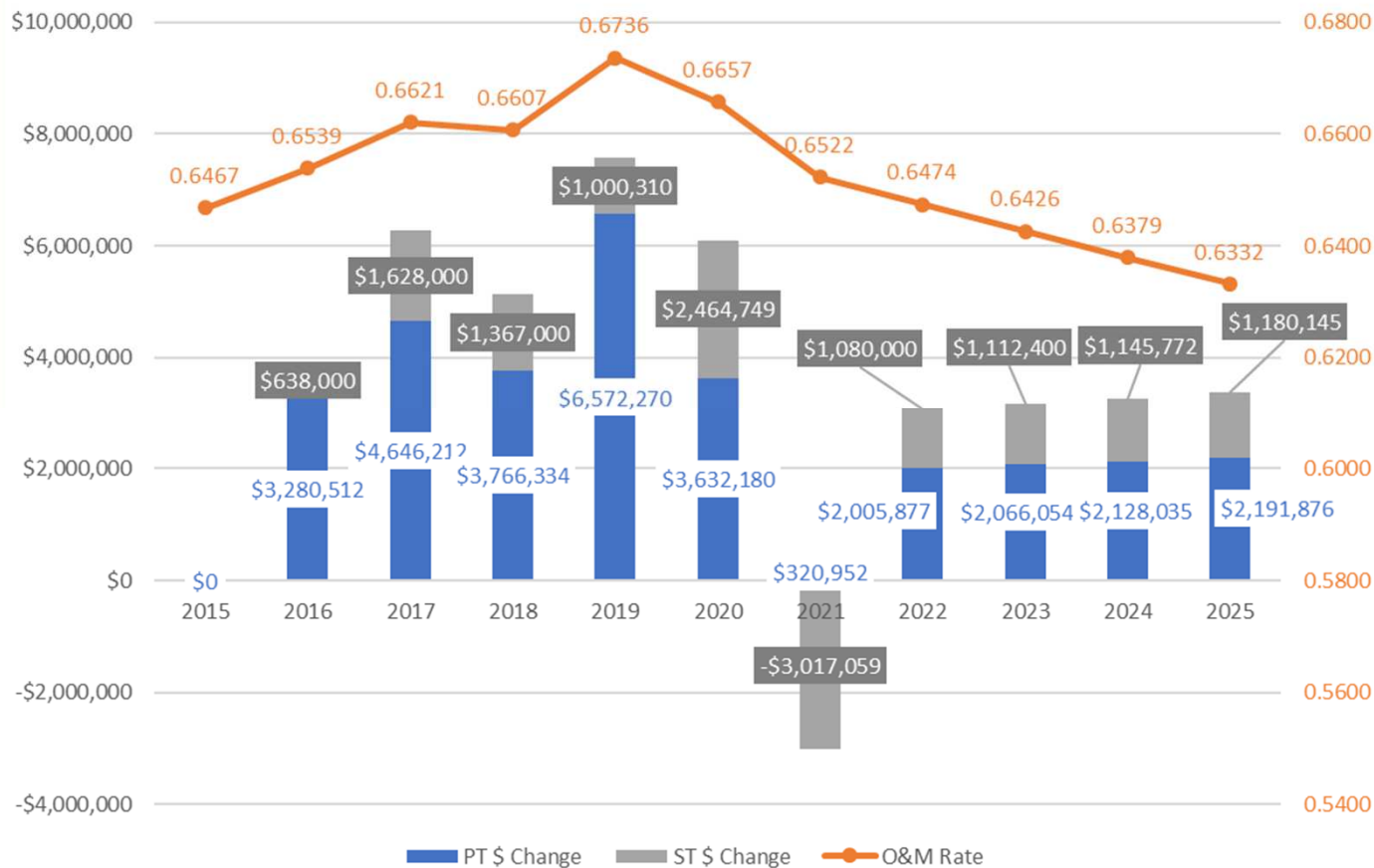


- ▶ If total tax rate (\$0.776232) maintained, O&M rate declines
  - ▶ Shifting pennies at lesser scale
- ▶ Using forecast growth rate of 3.5% (model), creates steady growth of O&M revenue (3% annual increase)

# O&M Revenues: **Alternate CIP**

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Operational PT & ST Revenue Increases w/ O&M Rate



## FY16-20

- ▶ Avg. Annual PTR Growth= \$4.3m

## FY 21-25

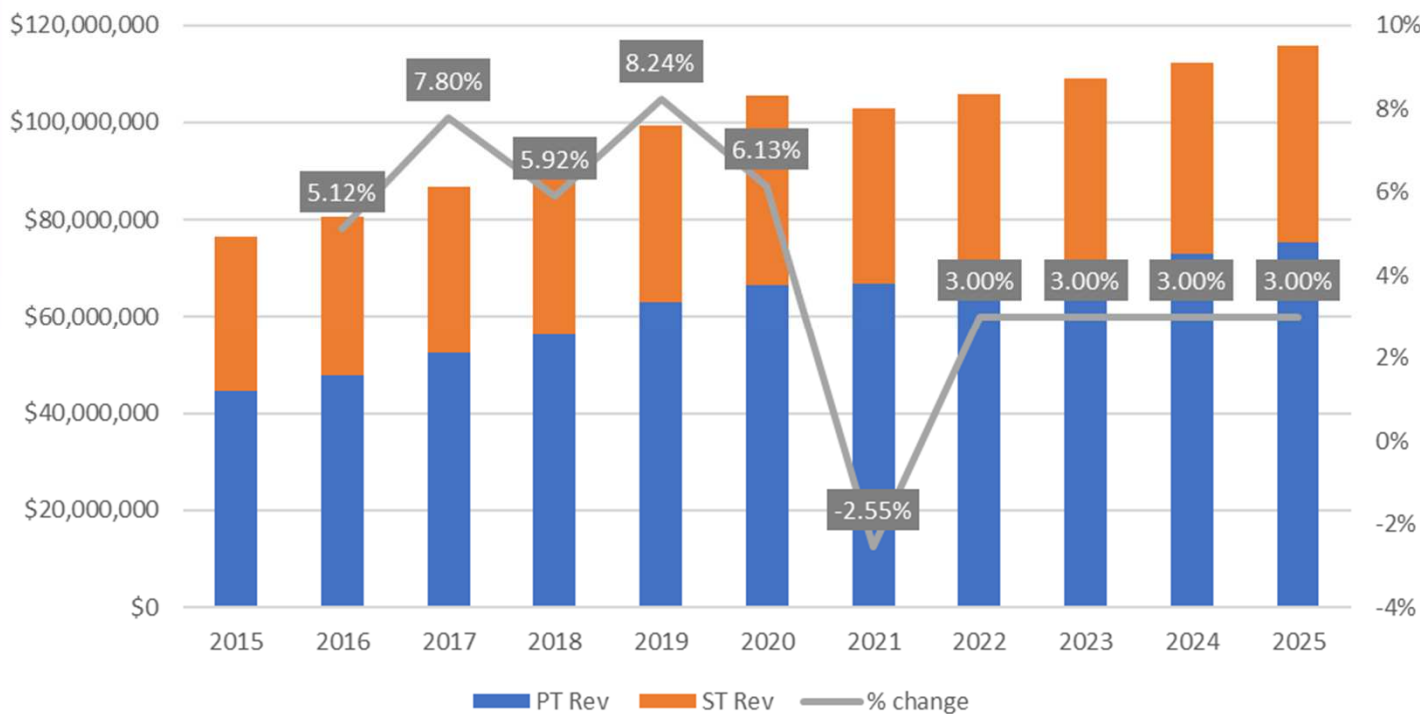
- ▶ Avg. Annual PTR Growth= \$1.7m
- ▶ Avg. Annual PTR Growth=\$877k under current CIP



# O&M Impact: Annual Percent Growth- Alternate CIP

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Budgeted PT & ST Revenue w/ Annual % Change: 2015-2025



- ▶ FY 16-20
  - ▶ PTR & STR growth: \$29 million
    - ▶ \$21M in PTR
  - ▶ 6.6% annual average
- ▶ FY 21-25
  - ▶ PTR & STR growth: \$12.9 million
    - ▶ \$8.7 million in PTR
  - ▶ 1.9% on average
  - ▶ Constant 3% FY22-25

# Summary Comparison

<b>CIP Debt Issuance Comparisons Assuming 3.5% TAV growth annually</b>							
<b>Planned CIP</b>							
	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>Total FY21-24</b>
Debt Issuance	\$28,630,000	\$26,789,765	\$28,700,000	\$31,750,000	\$36,300,000		\$123,539,765
Debt Rate	\$0.1106	\$0.1240	\$0.1364	\$0.1482	\$0.1624	\$0.1795	
O&M Rate	\$0.6657	\$0.6522	\$0.6398	\$0.6280	\$0.6138	\$0.5968	
O&M Revenue	\$66,541,624	\$66,862,575	\$68,067,300	\$69,321,964	\$70,310,978	\$70,927,494	
<b>Optional CIP</b>							
	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>Total FY21-24</b>
Debt Issuance	\$28,630,000	\$16,956,259	\$17,786,616	\$17,049,328	\$16,786,805		\$68,579,008
Debt Rate	\$0.1106	\$0.1240	\$0.1289	\$0.1336	\$0.1384	\$0.1431	
O&M Rate	\$0.6657	\$0.6522	\$0.6474	\$0.6426	\$0.6379	\$0.6332	
O&M Revenue	\$66,541,624	\$66,862,575	\$68,868,452	\$70,934,506	\$73,062,541	\$75,254,417	

- ▶ Maintains an active CIP
  - ▶ Annual revisions based on TAV, STR, etc.
- ▶ Reduces possibility of operations subsidizing debt
- ▶ Preserves operational revenue stream



# Next Steps

- ▶ CIP
  - ▶ Develop recommended project list based on annual capacity
- ▶ General Fund
  - ▶ Finalize expenditure revisions
  - ▶ Update sales tax forecast
- ▶ Enterprise Funds
  - ▶ Finalize expenditure & revenue projections
  - ▶ Complete rate analysis for self-supported enterprise funds

