

Budget Workshop:

- Budget Summaries
- Tax Rate
- Capital Financing/Debt Capacity

JUNE 2, 2020

Budget Completed Discussions

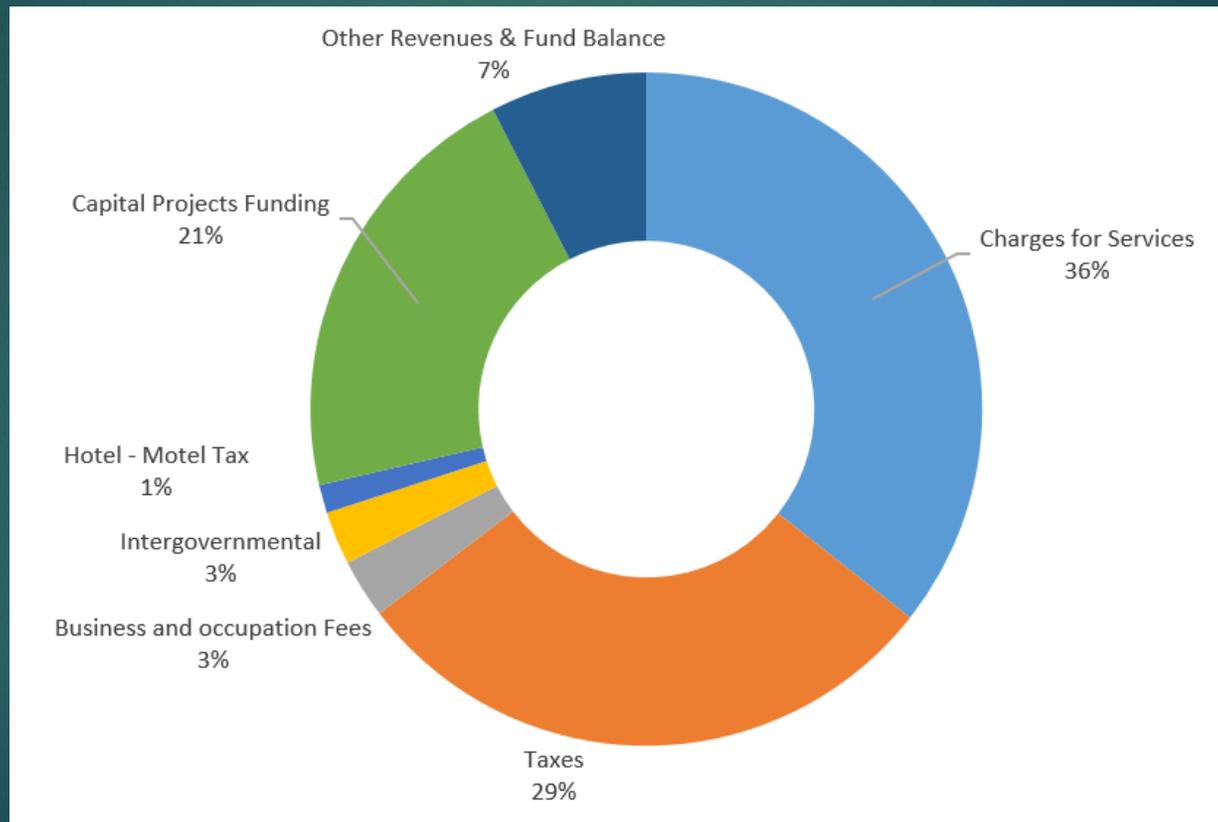
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Activity	FY 2019-2020	FY 2020-2021
April – Council Retreat	X	X
May – Budget & Audit		
Budget Key Dates and Tasks Update	X	X
Preliminary General Fund Financials Including Property Tax and Sales Tax		X
General Fund Assignments Including Rating Agency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

Budget Planned Discussions

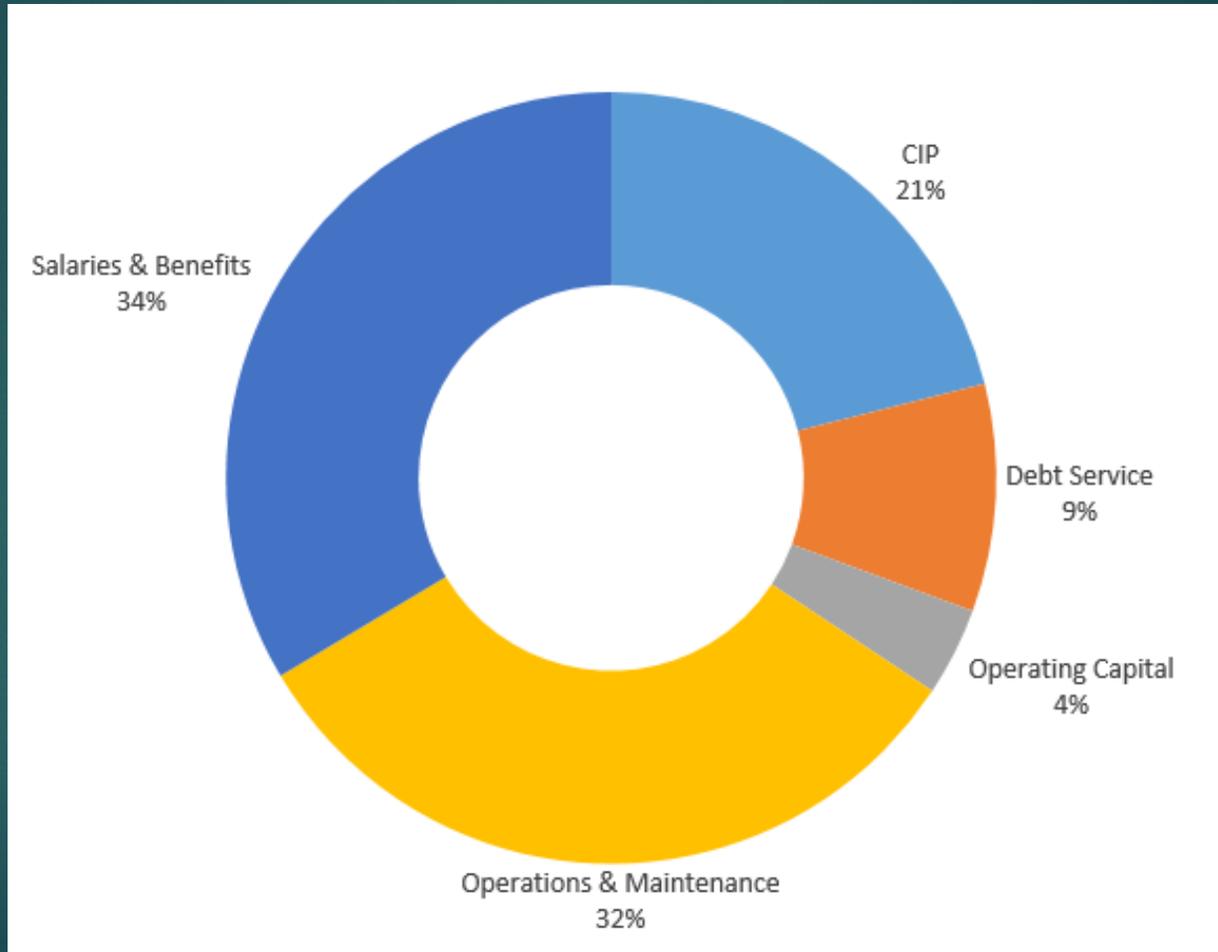
Activity	FY 2019-2020	FY 2020-2021
June		
Work Session – General Fund, Utilities Funds (Excluding Rate Model), & Convention Center Fund. Tax Supported Debt Capacity.		X
Budget & Audit – General Fund, Special Revenue Funds and Update on Key Dates. Initial Discussion of Tax Supported CIP	X	
Work Session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



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

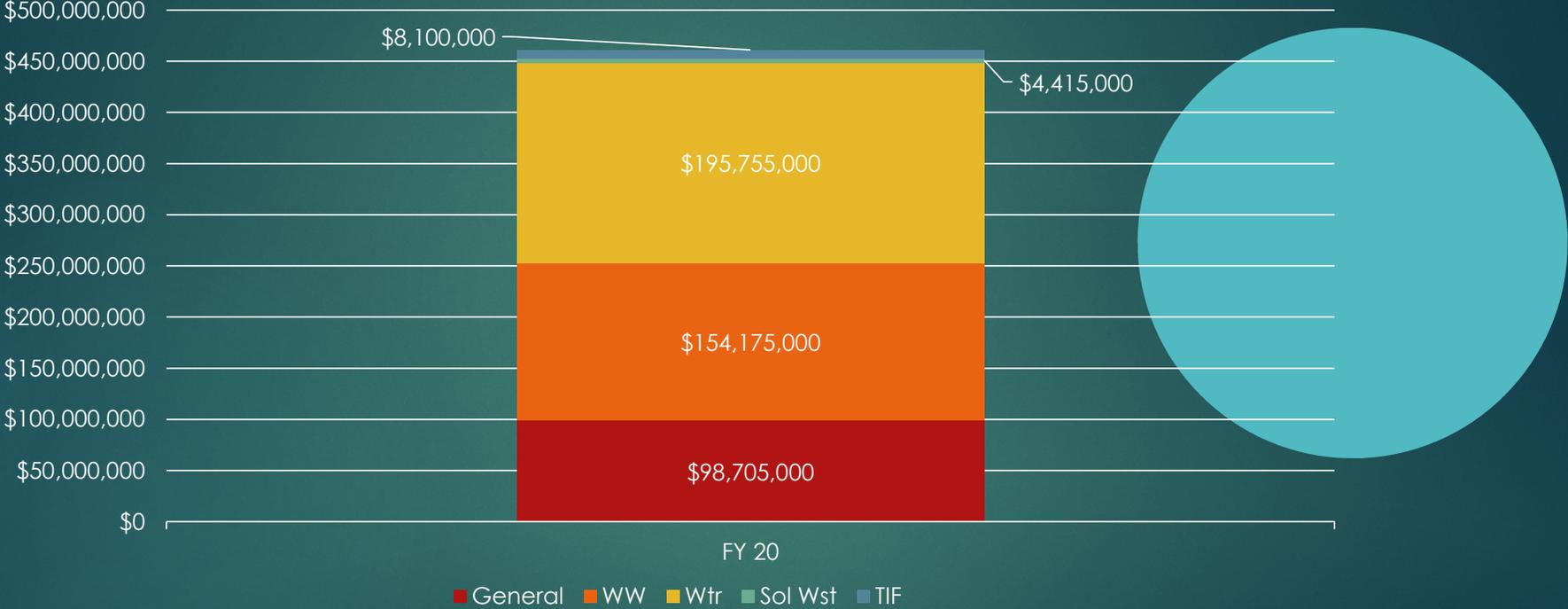
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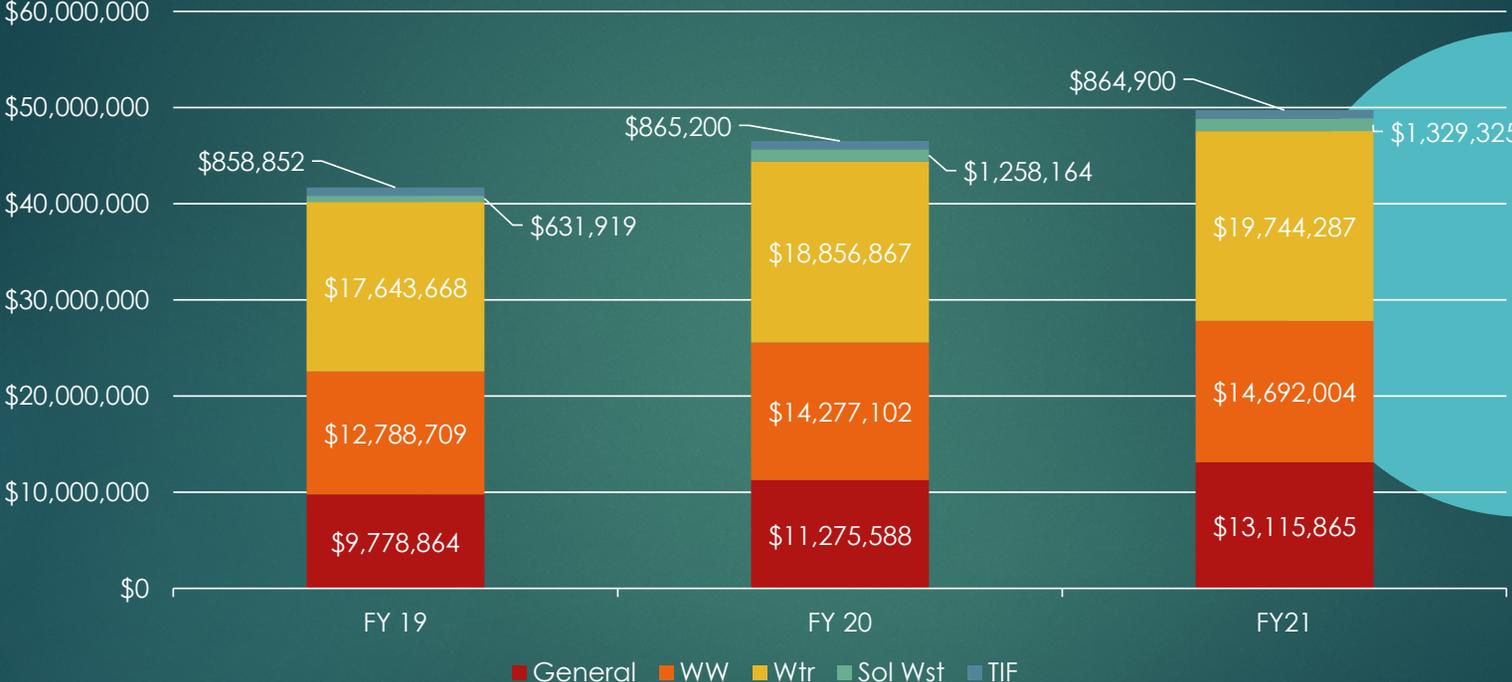
Debt Overview



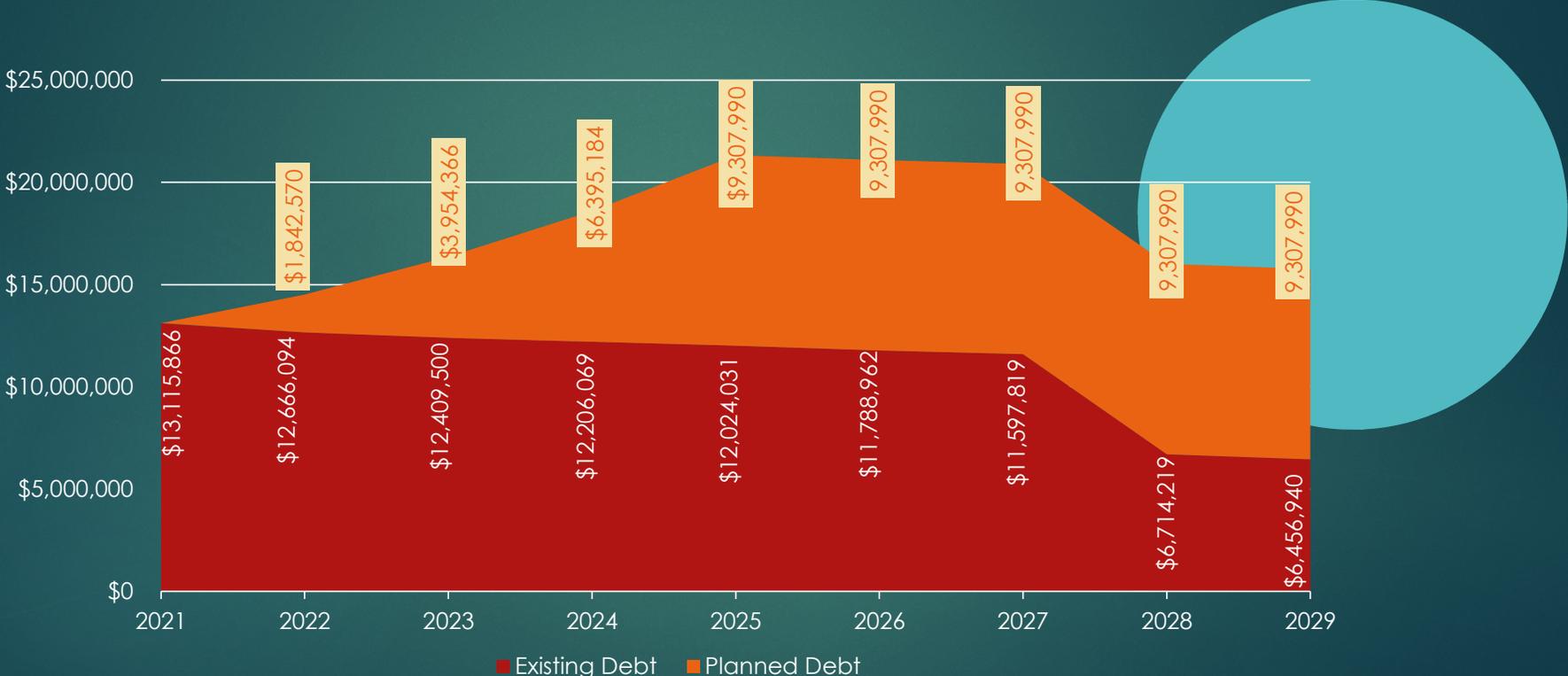
Outstanding Debt



Annual Debt Service

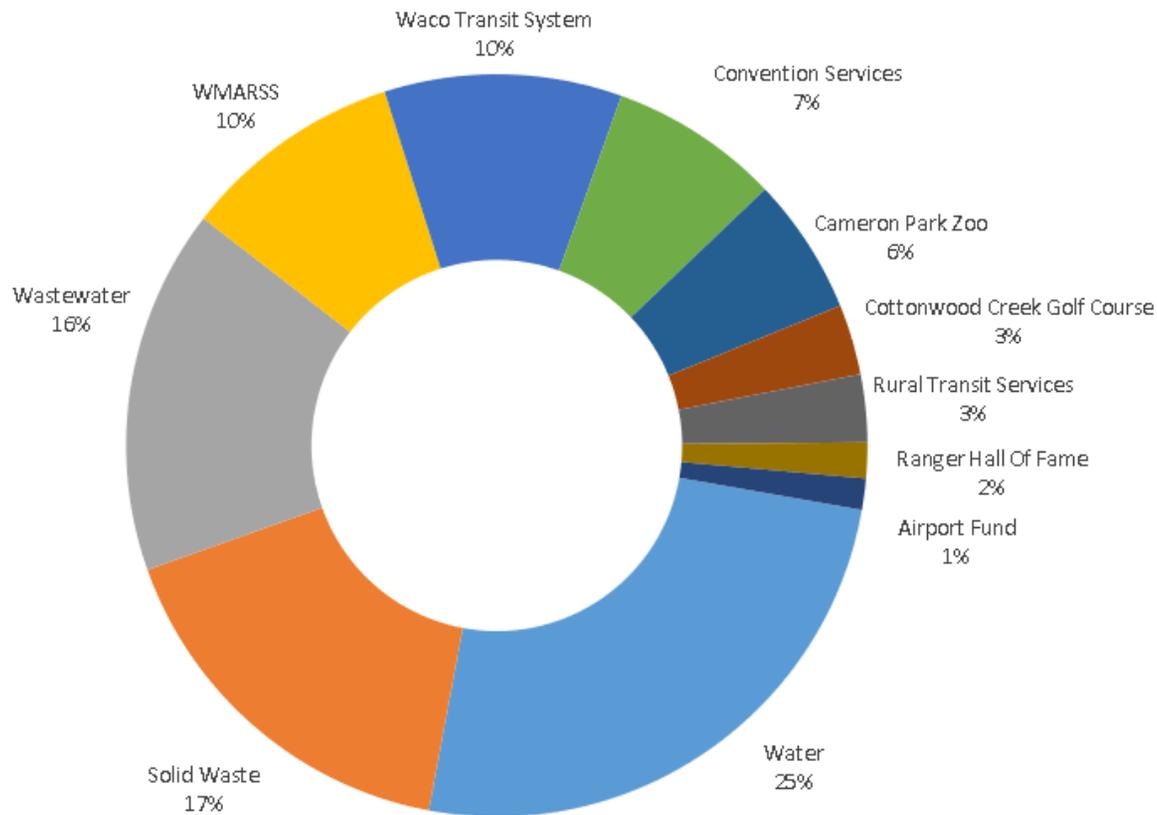


General Fund Debt Service Payments w/ Planned 2020-2024 Issuances



FY20 Budget - Enterprise Funds

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Self Sufficient Enterprise Funds:

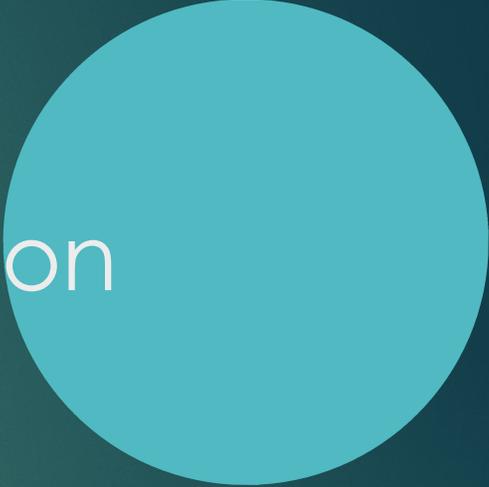
- Water
- Wastewater
- WMARSS
- Solid Waste

Enterprise Income Statements

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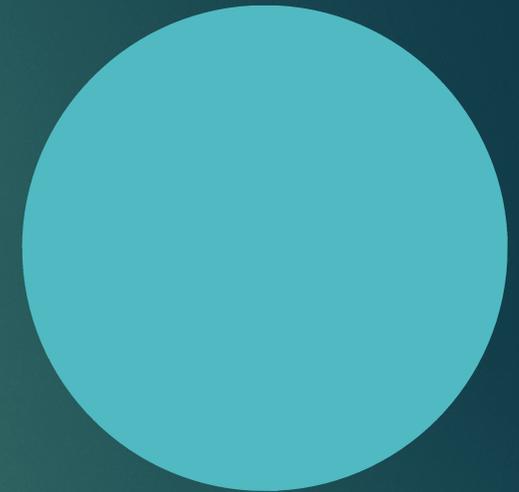


General Fund Discussion

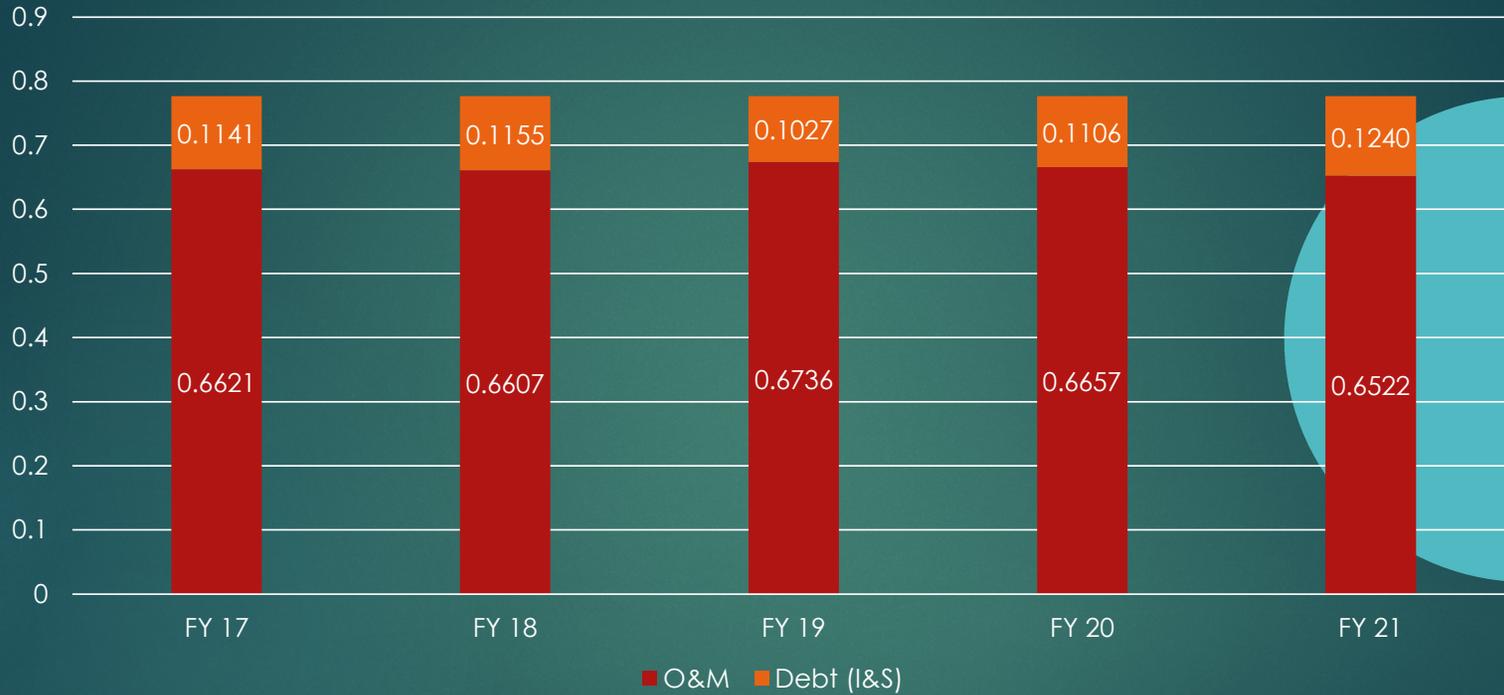


General Fund Income Statement

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Property Tax Rate



Total Tax Rate has held steady at .7762

SB2 and the O&M tax rate

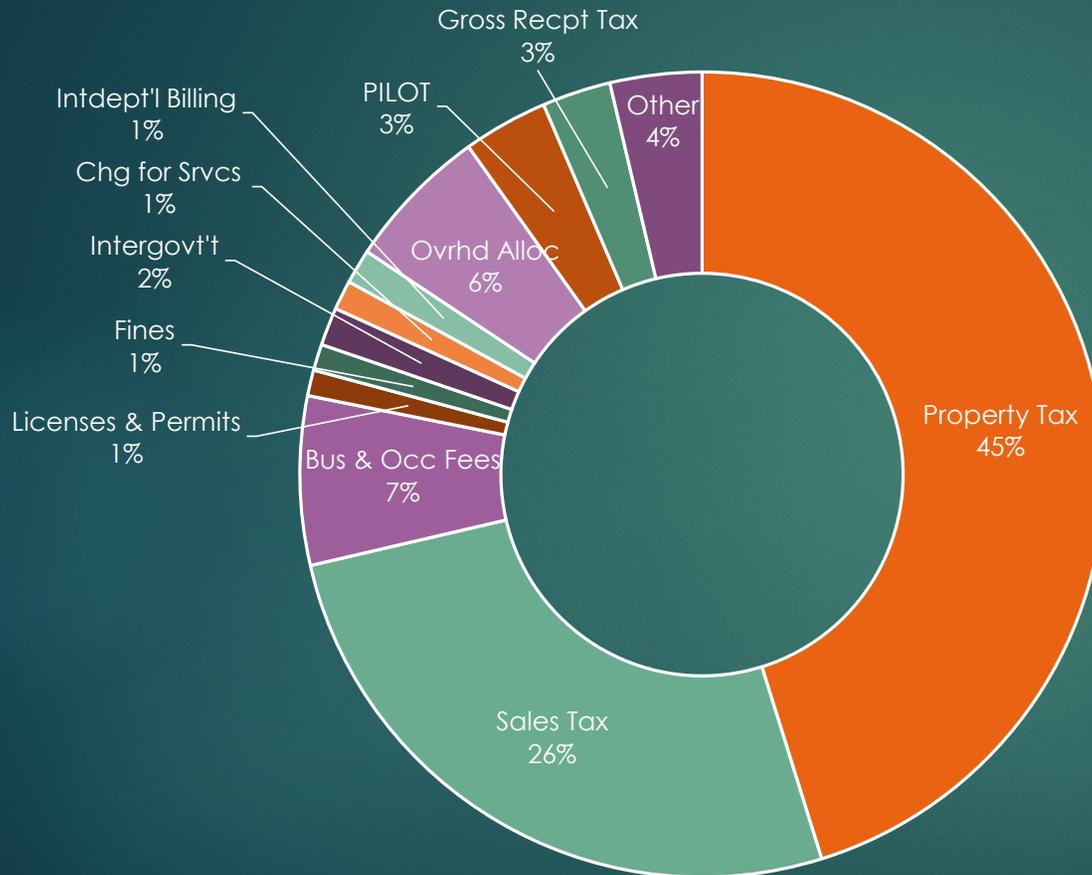
Overly simplified O&M No New Revenue rate (formerly Effective Tax Rate) example

	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

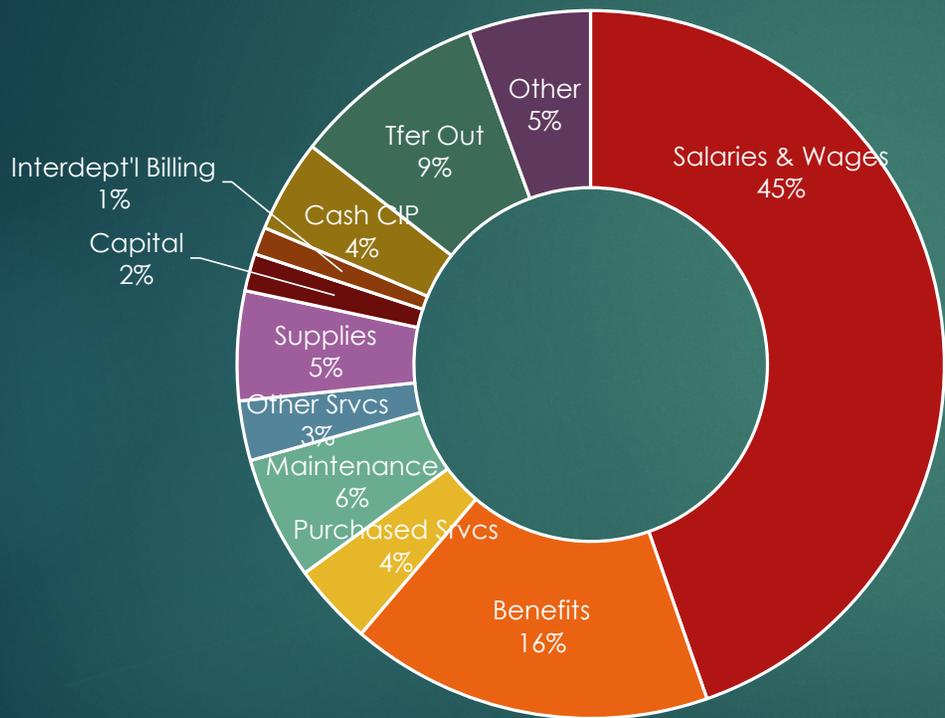
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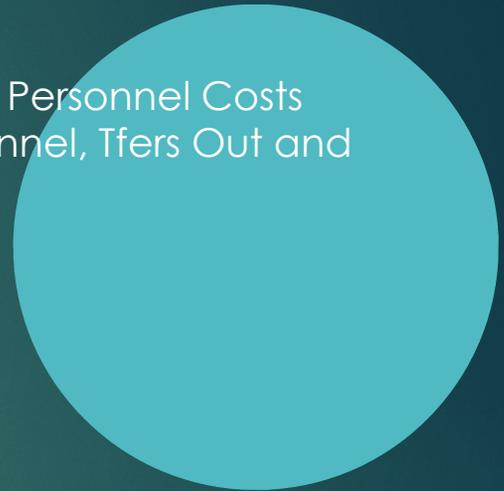
- Property and Sales Taxes comprise 71% of revenue
- Additional 13% from other municipal lines of business
 - PILOT
 - Overhead
 - Interdepartmental Billing
 - Gross Receipts Tax

FY 20 General Fund Expenditures: \$153M

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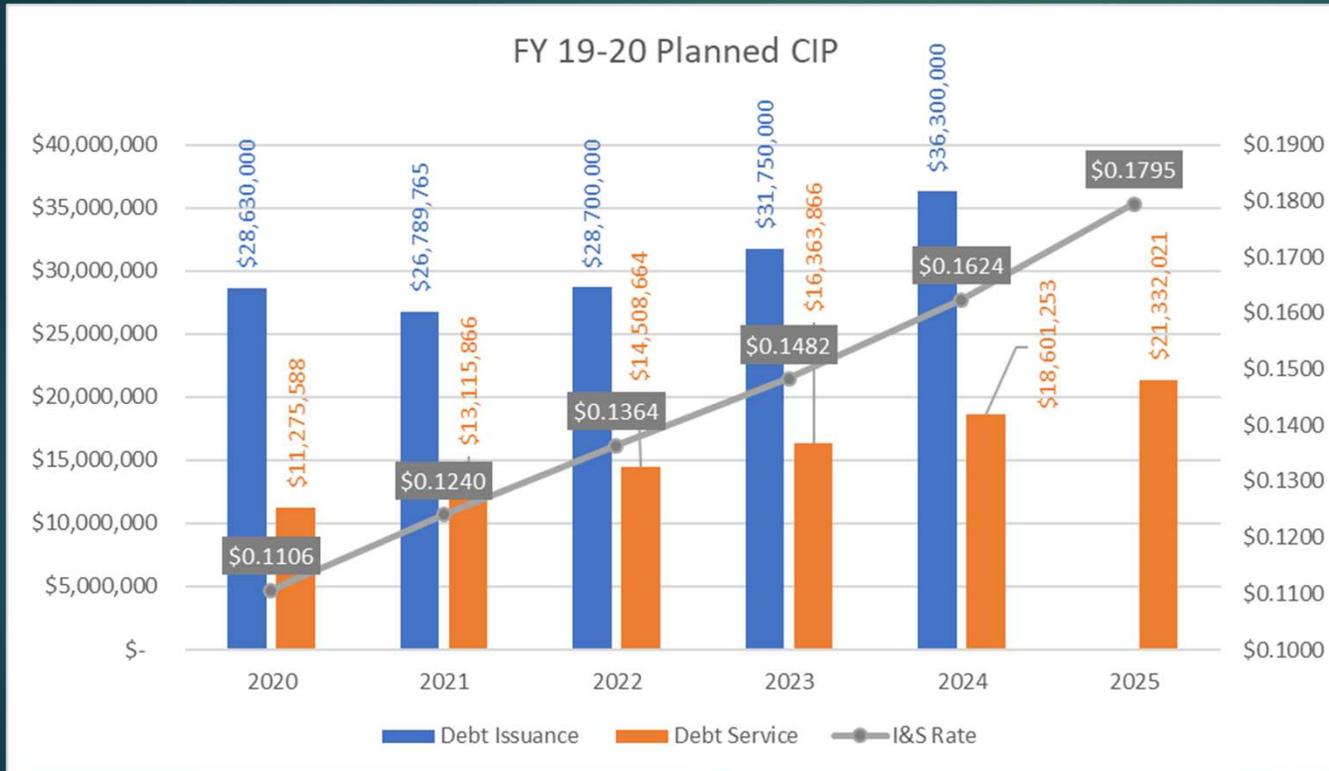
- 61% of GF in Personnel Costs
- 74% in Personnel, Tfers Out and Cash CIP



Discussion of General Fund Debt Capacity and CIP



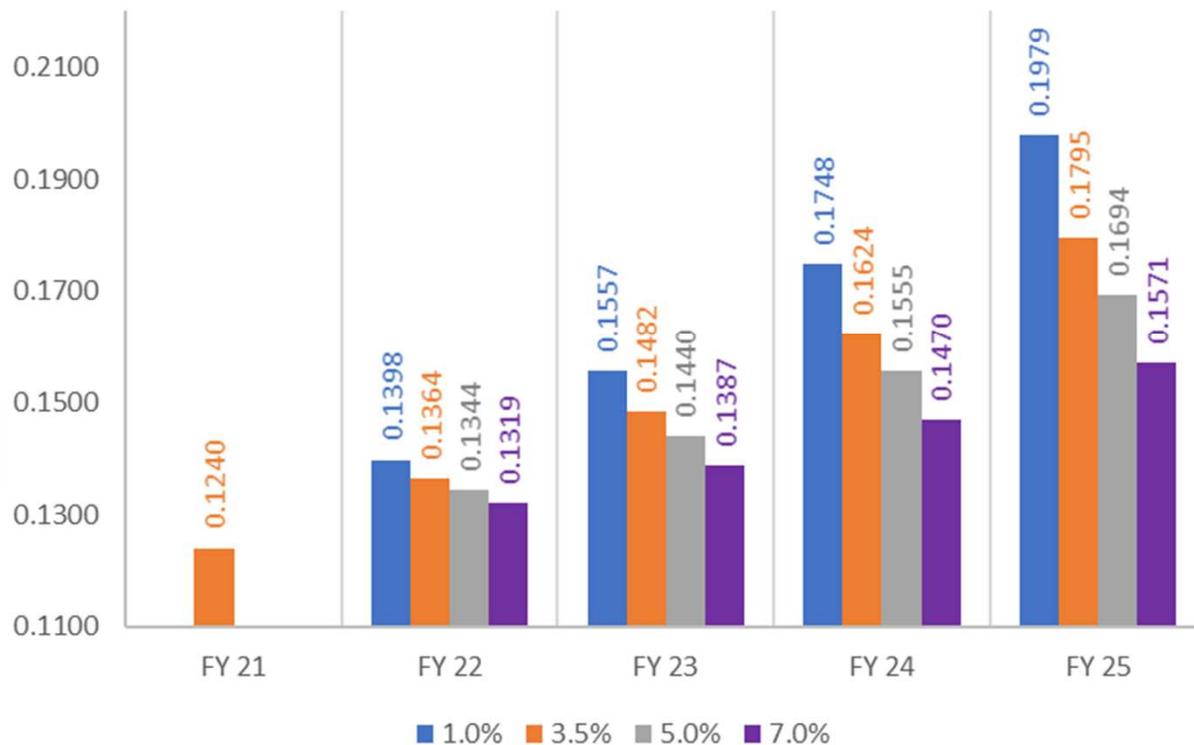
Overview of FY 19-20 Planned CIP



- ▶ 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

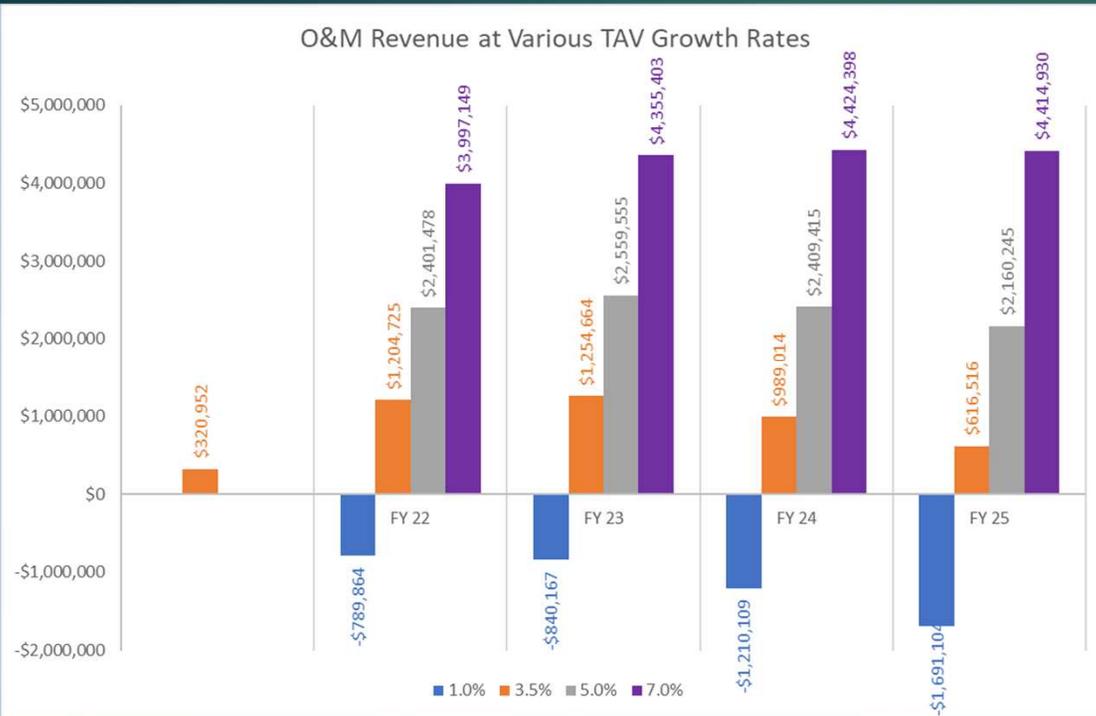
Debt Rate at Various TAV Growth Rates



- ▶ 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

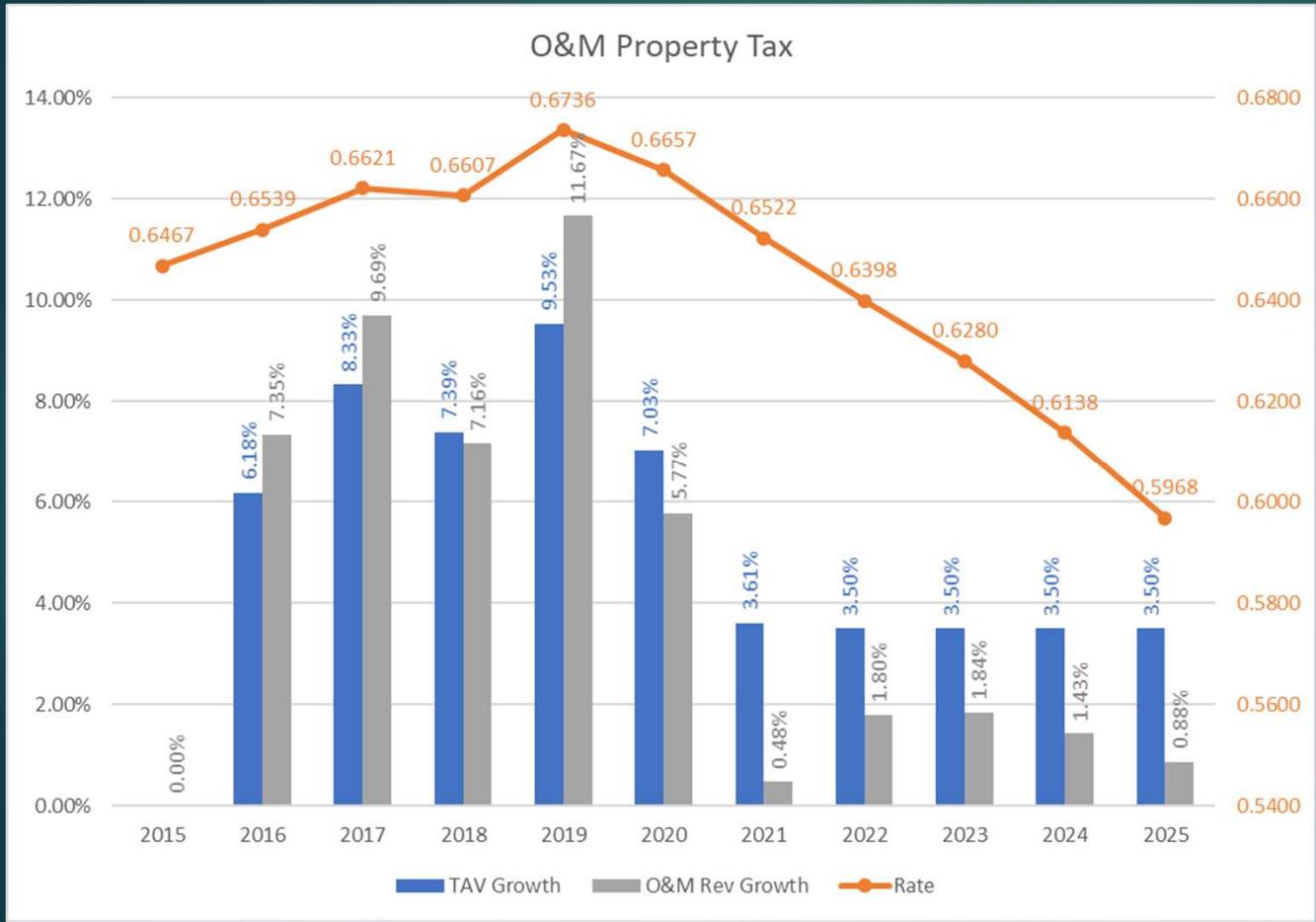
What is the effect of the planned CIP on Operations (O&M property tax revenue)?

O&M Property Tax Impact



- ▶ 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)

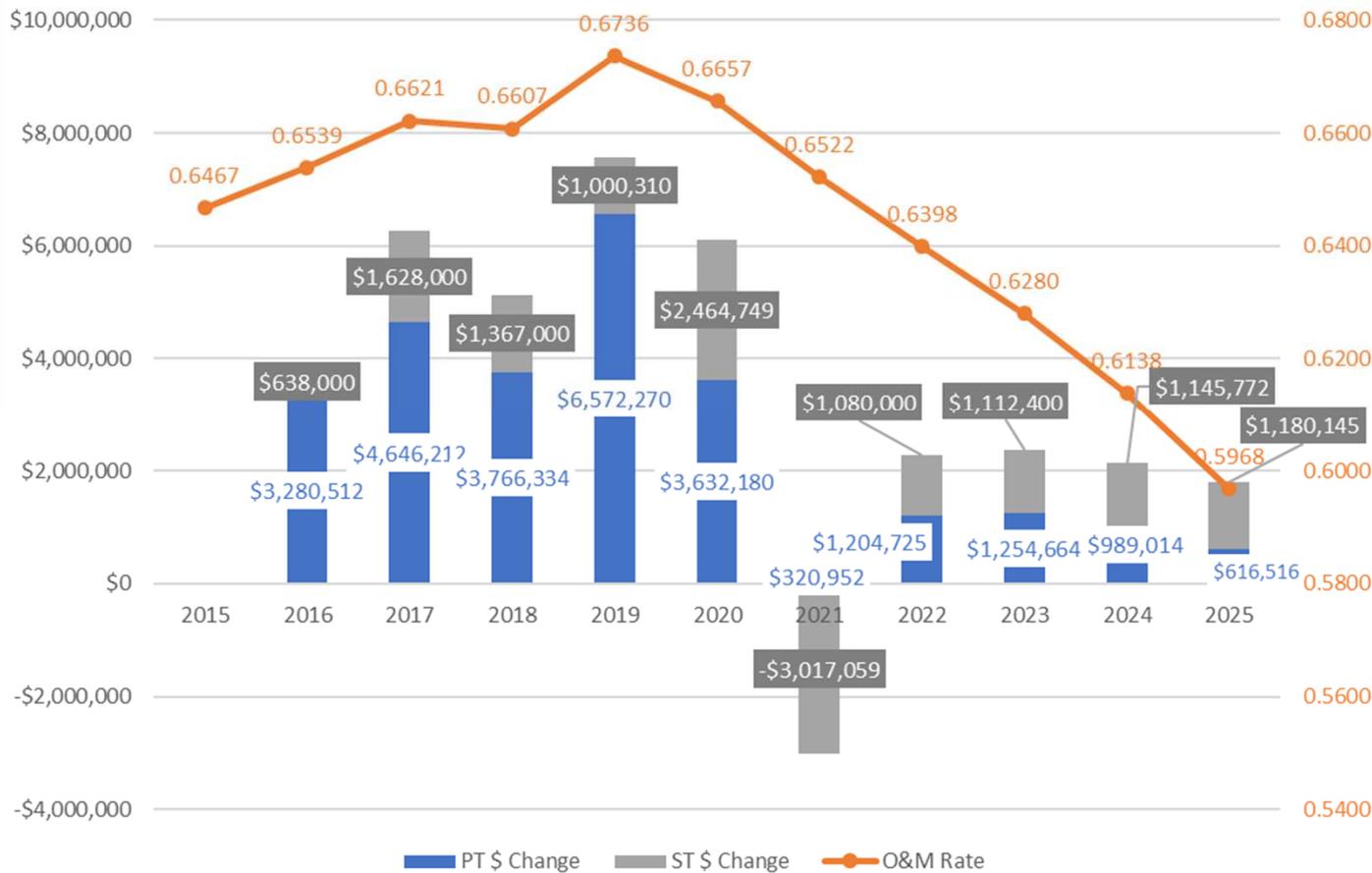
O&M Property Tax Impact cont'd



- ▶ 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

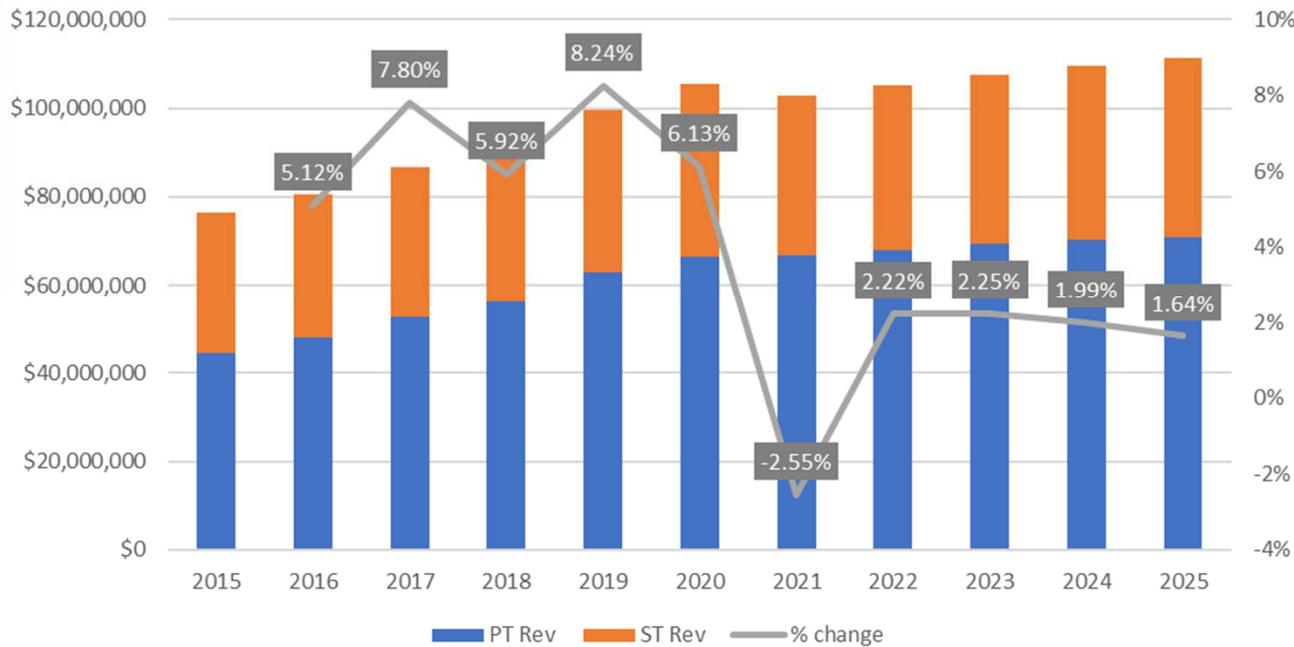
Operational PT & ST Revenue Increases w/ O&M Rate



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

O&M Impact: Annual Percent Growth

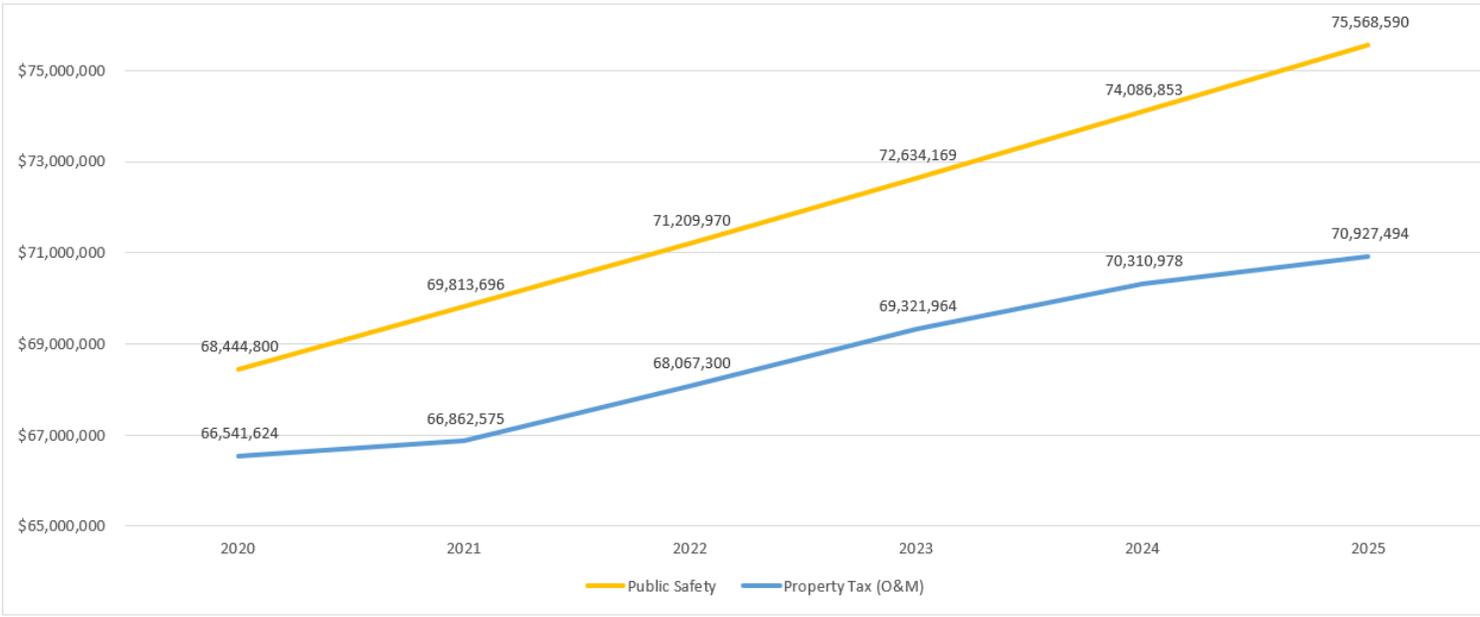
Budgeted PT & ST Revenue w/ Annual % Change: 2015-2025



- ▶ 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)

Fiscal Year	Fire	Police	Public Safety	Property Tax (O&M)
2020	26,664,064	41,780,736	68,444,800	66,541,624
2021	27,197,345	42,616,351	69,813,696	66,862,575
2022	27,741,292	43,468,678	71,209,970	68,067,300
2023	28,296,118	44,338,051	72,634,169	69,321,964
2024	28,862,040	45,224,812	74,086,853	70,310,978
2025	29,439,281	46,129,309	75,568,590	70,927,494

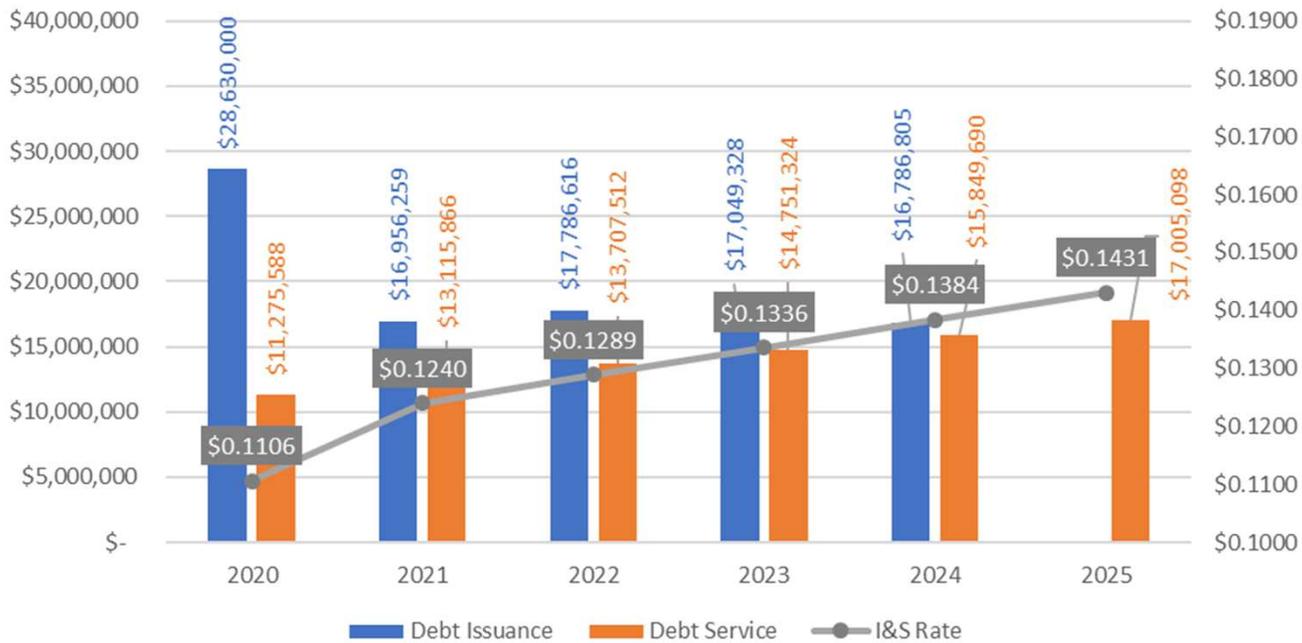


Alternate
CIP
Possibility



Alternate CIP

Alternate CIP FY 21-24



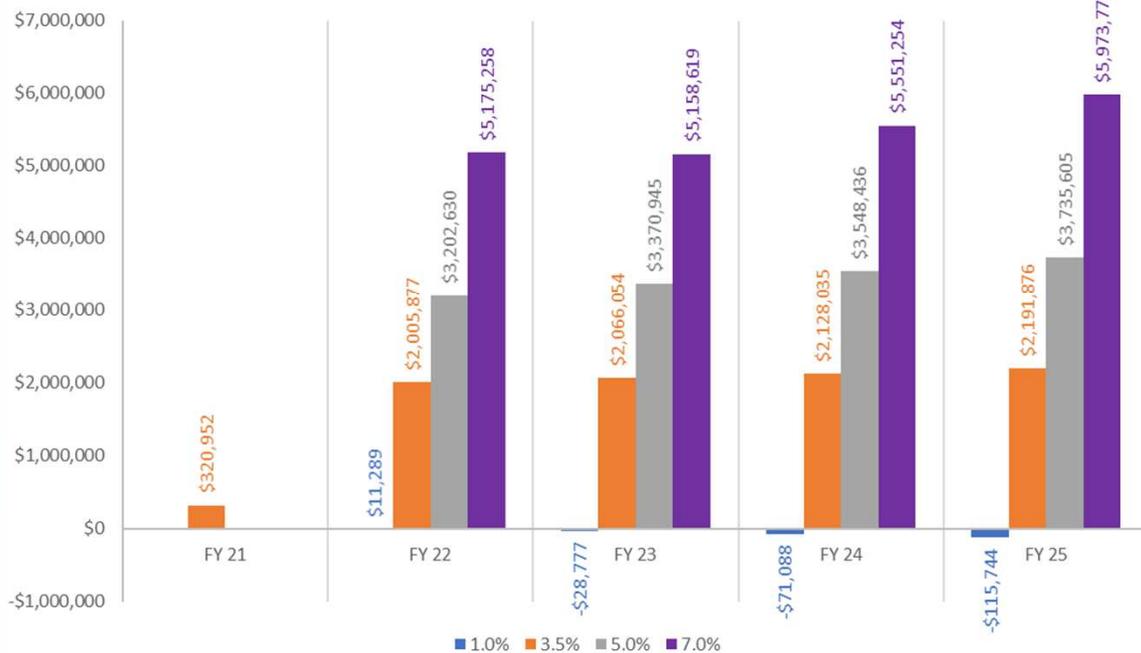
- ▶ 5 years
 - ▶ 4 years remaining
- ▶ \$97m
 - ▶ \$68.6 m remaining
- ▶ \$5.7 m increase in debt service
 - ▶ 52% increase
- ▶ 3.25 cent increase in I&S rate
 - ▶ "Shifting Pennies"
 - ▶ .65 cents/yr average
- ▶ Rate based on 3.5% growth in TAV

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

Alternate O&M Property Tax Impact

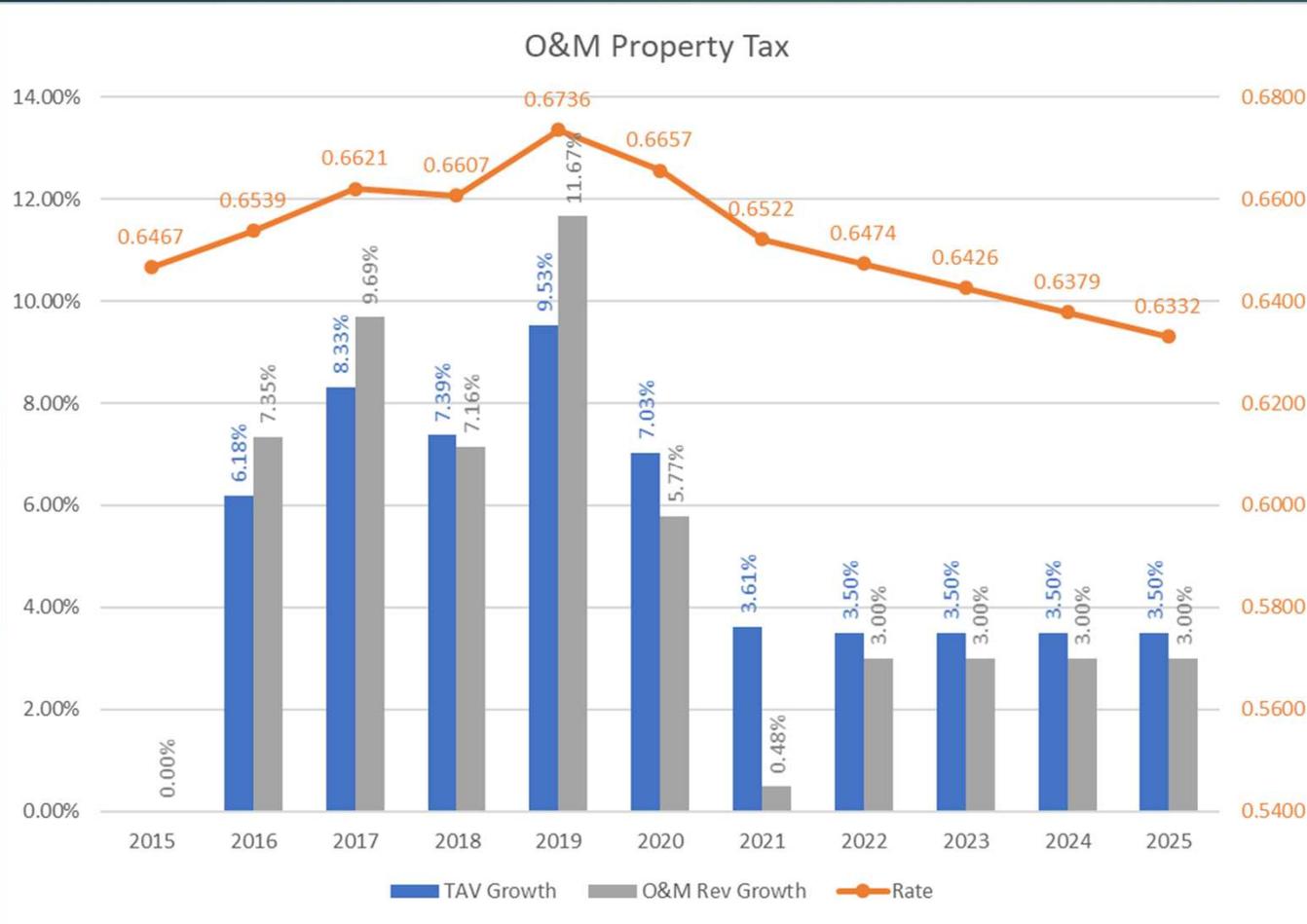
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O&M Revenue at Various TAV Growth Rates



- ▶ 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)

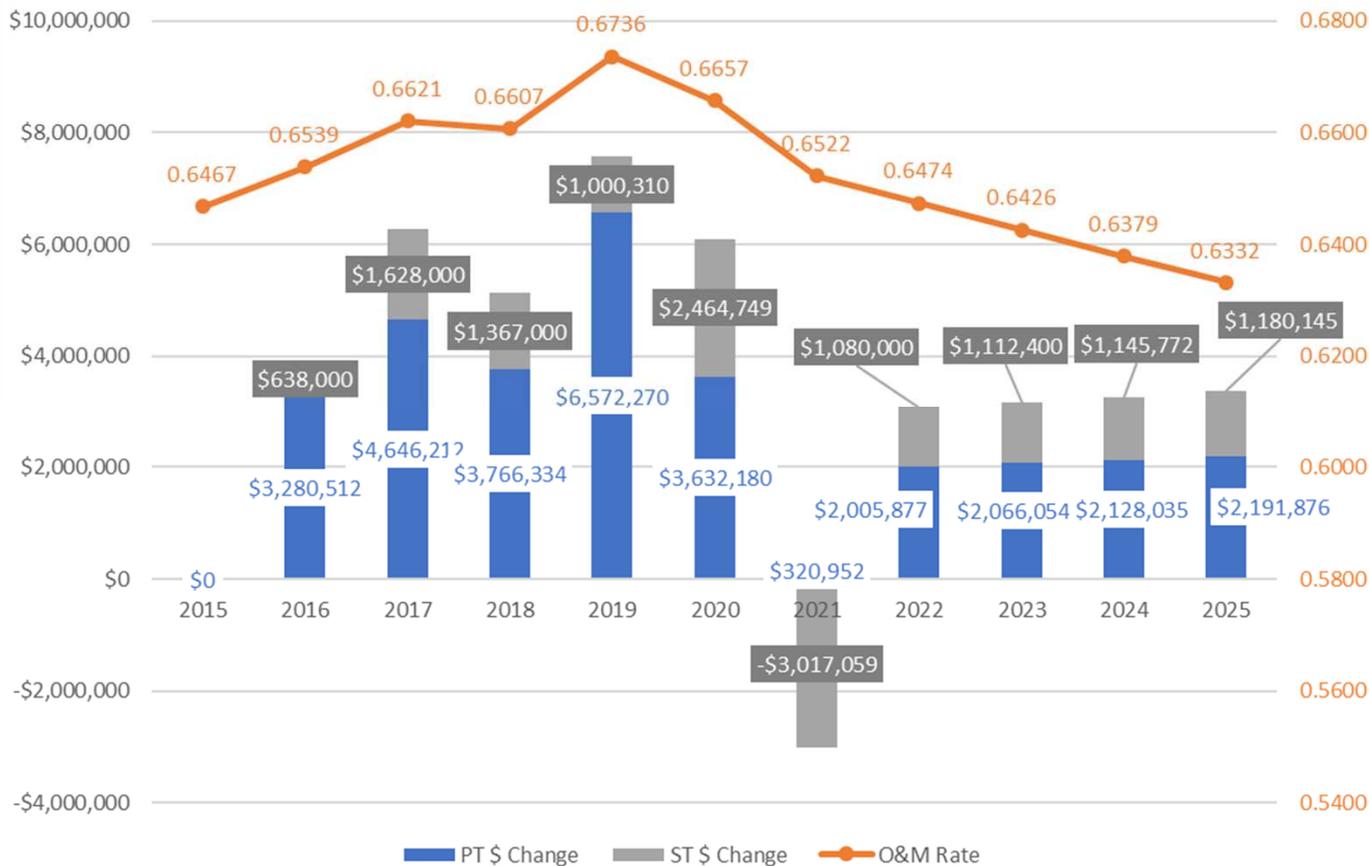
O&M Property Tax Impact: Alternate CIP



- ▶ 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**

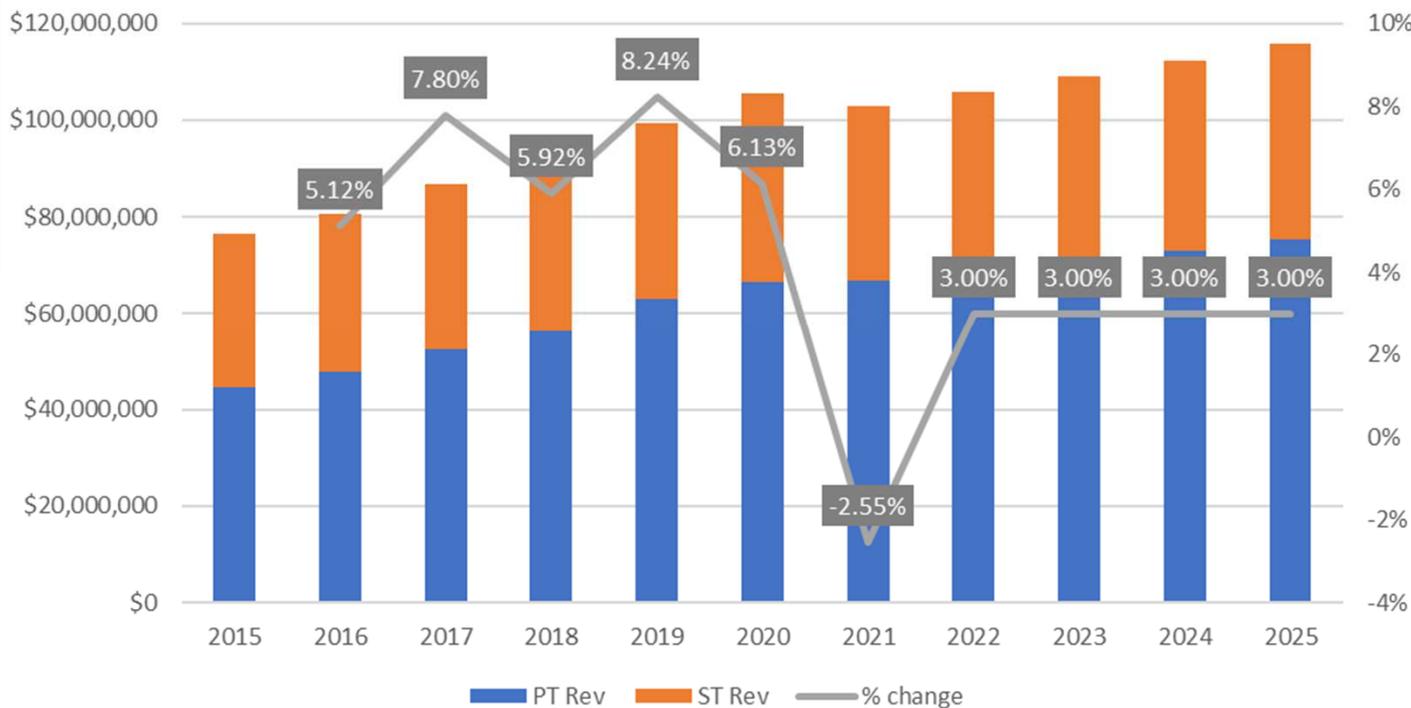
Operational PT & ST Revenue Increases w/ O&M Rate



- ▶ 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

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

CIP Debt Issuance Comparisons Assuming 3.5% TAV growth annually							
Planned CIP							
	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	Total FY21-24
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	
Optional CIP							
	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	Total FY21-24
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

