Agenda Bill

City Council Special & Regular Meetings - 03 Jun 2019

Department	Staff Contact
Finance	Eric Christensen, Finance Director (206) 439-3150

Agenda Bill Title

Continued Discussion on the General Fund Forecasts and a Potential Process for a Levy Lid Lift.

Summary

During the 2019-2020 budget process, the City engaged FCS Group to assist with developing a long-range financial model and potential plan for the City's General Fund. As part of developing the financial model and potential plan, FCS Group presented preliminary forecasts at the City Council Meeting on November 26, 2018 and additional forecasts based on City Council input at the City Council Meeting on March 25, 2019. Based on City Council input during the March meeting, staff presented another forecast at the City Council Meeting on April 1, 2019. Staff will be presenting a summary of the forecast scenarios from the March and April meetings and sharing information regarding a potential process for a levy lid lift.

Options

N/A

Advisory Board Recommendation

N/A

Administrative Recommendation

N/A

Suggested Motion

N/A

Fiscal Impact

FUND: N/A
COST OF PROPOSAL: N/A
AMOUNT BUDGETED: N/A
ADDITIONAL REQUIRED: N/A

Attachments

General Fund Financial Plan Scenarios Comparison
Burien General Fund Final Report

2019 General Fund Long Term Financial Plan
Comparison of Scenarios

#	Scenarios	Description	# of New Police Officers	New Community Center?	Enhanced Youth Services in 2019 & 2020?
1	**City Manager's Option A - Community Center**	Strategic combination of revenue options, including levy lid lift, to fund new community center and two new police officers	2	Yes - $30m bond paid over 20 years	Yes
2	**City Manager's Option B - Additional Police**	Strategic combination of revenue options, including levy lid lift, to fund four new police officers	4	No	Yes
3	**Incorporation of a Metropolitan Parks District (MPD)**	Seek voter approval to form a Metropolitan Parks District that would levy a property tax to fund parks services for the City. General Fund revenues used to fund two new police officers and build new community center	2	Yes - $30m bond paid over 20 years	Yes
4	**Public Safety Sales Tax**	Seek voter approval for the Public Safety Sales Tax (0.1%) to generate revenue toward funding four new police officers	4	No	Yes
5	**City Manager's Option C - New Community Center & Additional Police (Requested Option)**	Strategic combination of revenue options, including levy lid lift, to fund new community center and four new police officers	4	Yes - $30m bond paid over 20 years	Yes

2019 General Fund Long Term Financial Plan
Comparison of Scenarios

#	Scenarios	Timing	Revenue	Balances General Fund through 2030?	Reserve Balance
1	**City Manager's Option A - Community Center**	Vote in 2020, revenue begins in 2021	$2.5m in 2021, increase to $6.0m by 2026	Yes	In 2030, reserve balance is $22.7m
2	**City Manager's Option B - Additional Police**	Vote in 2020, revenue begins in 2021	$0.5m in 2021, increase to $4.5m by 2026	Yes	In 2030, reserve balance is $22m in 2030
3	**Incorporation of a Metropolitan Parks District (MPD)**	Vote in 2020, incorporation in 2021	$5.5m annual revenue for district. Initial levy rate of $0.75 per $1,000	Yes - Balances both General Fund & MPD	In 2030, General Fund reserve balance is $30.3m. In 2030, Parks District reserve balance is $4.9m in 2030
4	**Public Safety Sales Tax**	Vote in 2020, revenue begins in 2021	$625,000 increase in 2021	No - expenditures begin to exceed revenues beginning in 2022. The gap between revenues and expenditures is estimated at $4.5m in 2030	City Manager's Designated Reserve consumed by 2027. City would need to explore other revenue options or expenditure reductions
5	**City Manager's Option C - New Community Center & Additional Police (Requested Option)**	Vote in 2020, revenue begins in 2021	$3.25m in 2021, increase to $6.0m by 2026	No - expenditures begin to exceed revenues in 2030	In 2030, gap is covered by unassigned fund balance and the ending balance is $21.6m.

2019 General Fund Long Term Financial Plan
Comparison of Scenarios

#	Scenarios	Estimated Property Tax Impact on Median Home	Debt Capacity	Additional Operating Costs for Community Center?	Other Considerations
1	**City Manager's Option A - Community Center**	$131 in 2021. $325 in 2026	Close to a practical maximum level. Without other revenue enhancing measures taken, it would be challenging to make debt service payments if the cost for the center is greater than $30m	Not included to date	Flexibility to phase in levy lid lift
2	**City Manager's Option B - Additional Police**	$26 in 2021. $241 in 2026	Yes, no new debt for community center	N/A	Flexibility to phase in levy lid lift
3	**Incorporation of a Metropolitan Parks District (MPD)**	$285 in 2021. $300 in 2026.	Debt split with MPD at 35% and City at 65%. Debt repayment would start in 2022.	Not included to date	Requires incorporating new park district
4	**Public Safety Sales Tax**	N/A	N/A	N/A	Car sales exempt from new tax. City receives 85% of revenue
5	**City Manager's Option C - New Community Center & Additional Police (Requested Option)**	$171 in 2021. $327 in 2026	Close to a practical maximum level. Without other revenue enhancing measures taken, it would be challenging to make debt service payments if the cost for the center is greater than $30m	Not included to date	City would need to explore other revenue options or expenditure reductions to address revenue gap. Additional levy capacity is taken up through the addition of two more police officers compared to City Manager's Option A

City of Burien

General Fund Long Term Financial Plan

FINAL REPORT
MAY 2019

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May 28, 2019

Brian Wilson
City Manager
City of Burien
400 SW 152nd St., Ste. 300
Burien, WA 98166

Subject: General Fund Long Term Financial Plan

Dear Mr. Wilson,

Attached is the final report on the results of our General Fund Long Term Financial Plan. Changes to the draft report reflect the revisions discussed during the review meeting with the City on May 23, 2019.

We want to thank you, Eric Christensen, the City Council members, and the other City staff for their assistance and participation in helping us gather information and in discussing the various financial issues. If you have any questions, please feel free to contact me at (425) 867-1802 extension 241.

Yours very truly,

Matt Hobson
Project Manager

Peter Moy
Principal

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Chapter I: Introduction

During the past years the City of Burien (the City) has successfully leveraged a variety of financial tools and strategies to maintain funding levels for City services. However, the City's annexation sales tax credit will expire in mid-2020, and as a result, the City wants to explore strategies that will improve its long term financial sustainability. The City initiated an effort to develop a long-range financial plan that will help it be more financially strategic, resilient, and sustainable. To assist in this effort, it engaged FCS GROUP to help create a financial plan for the City's General Fund. As part of developing the financial model and plan, FCS GROUP's approach included the following:

- Meeting with City management to discuss the financial model elements and plan, future programs and financial needs,
- Reviewing preliminary forecast results with the City Manager and Finance Director,
- Modeling multi-year financial strategies and scenarios,
- Identifying best financial practices,
- Presenting preliminary forecasts at the City Council's November 26, 2018 meeting,
- Presenting Phase II forecasts at the City Council's March 25, 2019 meeting,
- Providing the financial forecasting model and model documentation to City staff,
- Analyzing the City's borrowing capacity,
- Presenting additional forecast scenarios based on City Council input, and
- Making presentations to City management and the City Council.

We want to acknowledge the staff assistance and support from City department managers, especially the City's Finance Director Eric Christensen, and the City's Financial Analyst Joshua White, as well as all other staff members who participated in the study.

CHAPTER II: GENERAL FUND STRUCTURE

The first step of this study is to examine the current financial position of the City's General Fund, the structure of its reserves, the major sources of revenue and expenditures, and the structural obstacles facing the General Fund that facilitated this study.

GENERAL FUND RESERVE STRUCTURE

The General Fund follows a biennium budget structure. The 2019-20 Budget assumed a 2019 General Fund Beginning Balance of $23,736,990. This represents approximately 80% of 2019 budgeted expenditures, appearing to be a healthy reserve amount. However, approximately $8.9 million is in restricted or assigned funds, as shown in **Exhibit 1.**

Exhibit 1
General Fund Restricted/Assigned Funds

General Fund Restricted/Assigned Funds		Total
Capital Partnership Reserve	$	7,500,000
Capital Equipment Reserve		1,000,000
Asset Forfeiture (Drug Seizure) Funds		270,000
Parking Reserve		138,000
Total General Fund Restricted/Assigned Funds:	**$**	**8,908,000**

These funds are either restricted in what they can be used for, or assigned for specific capital projects. Asset Forfeiture and Parking Reserve funds are restricted in the type of expenditures they can be used for, and are not shown in any of the long-term forecasts. One of the City's chief priorities is the construction of a combined Public Works and Parks, Recreation, and Cultural Services (PaRCS) maintenance facility. All scenarios include spending 100% of the Capital Partnership Reserve by 2022 on this maintenance facility. The Capital Equipment Reserve consists of funds set aside for the purchase of furnishings and equipment for new facilities, and is not included in the analysis.

The remaining General Fund balance consists of two reserves, the City's minimum operating reserve (20% of the City's annual operating revenues) and the City Manager's Designated Reserve (CMDR). The purpose of the CMDR is to provide the City with a financial reserve to account for unexpected expenditures, and to provide insurance in case of an economic downturn leading to a reduction of General Fund revenues. The City's reserves are shown in **Exhibit 2.**

Exhibit 2
General Fund Reserves

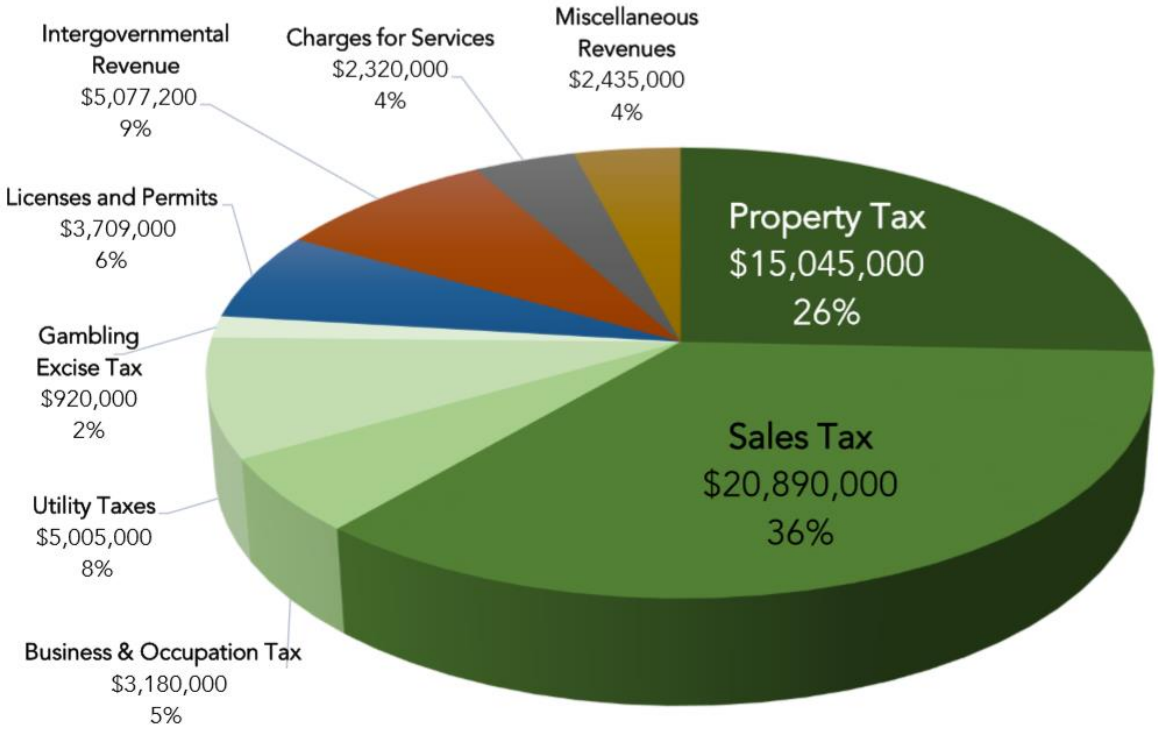
General Fund Reserves		Total
Minimum Operating Reserves	$	5,897,359
City Manager's Designated Reserve		8,931,631
Total General Fund Reserves	**$**	**14,828,990**
Total General Fund Restricted/Assigned Funds	**$**	**8,908,000**
2019 General Fund Beginning Balance	**$**	**23,736,990**

Any forecast reserves generated in excess of these reserves are unassigned funds, that can be used for a future purpose. The next step is to analyze the General Fund's revenues and expenditures.

GENERAL FUND REVENUES

The General Fund derives its revenue from a variety of sources. The majority of its revenue comes from property taxes and sales taxes. Other revenue sources include intergovernmental revenue (various grants and payments from federal, state, and other local governments), charges for services, and license and permit fees. The budgeted General Fund revenues for the 2019-20 biennium are shown in **Exhibit 3.** A more detailed analysis of revenue sources follows.

Exhibit 3
2019-20 General Fund Revenues



The City receives sales tax from three different sources. The primary one is the City's tax on retail sales, which is currently 0.85%, generating approximately $16 million in 2019-20. The City also receives sales tax collected by King County for Criminal Justice ($3.25 million) and a 0.1% sales tax annexation credit. This credit has historically provided approximately $1 million per year, and expires in June 2020.

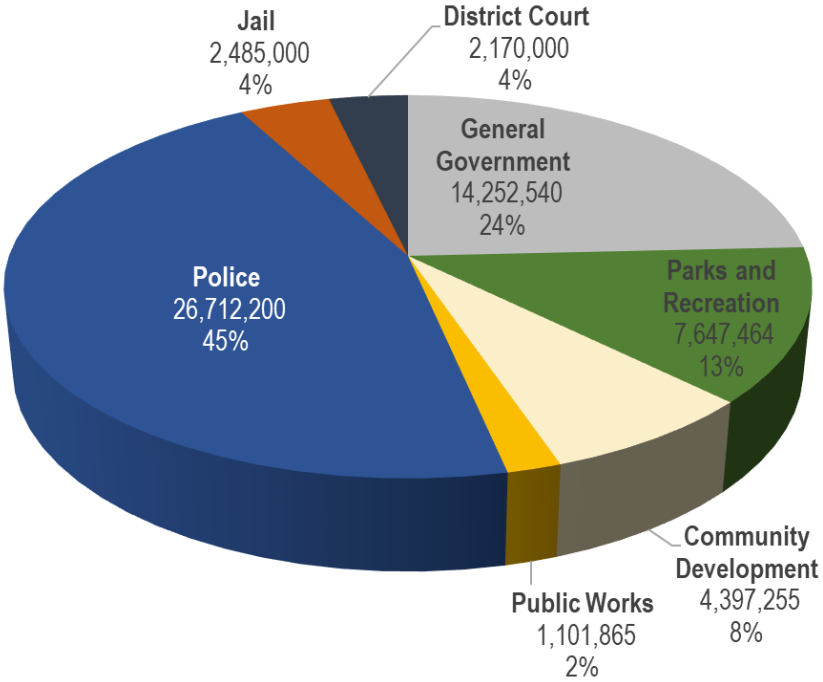
The second largest source of revenue is property taxes. Historically, the City has transferred 10% of its property tax revenue to capital projects. This transfer will cease in 2020 to assist the General Fund in closing the gap between revenues and expenditures. Per RCW 84.55.010, property tax revenue can only increase at 1% per year without a voter-approved levy lift. The City's levy rate is currently $1.23500 per $1,000 of assessed value in 2019. Due to the library and fire protection districts within the City, the maximum protected statutory levy rate the City could levy is $1.60 per $1,000 in assessed value.

Utility taxes consist of taxes on electricity, natural gas, cable, and telephone utilities, at a rate of 6% of gross revenue. The City does not currently levy any utility tax on the water or sewer districts within the City.

GENERAL FUND EXPENDITURES

The General Fund's expenditures are slightly different than a typical City, as the City contracts with the King County Sheriff's Office to provide police services. This contract comprises approximately 45 percent of all budgeted General Fund expenditures. The City has minimal control over the costs of this contract. Other major expenditures include Parks and Recreation, Community Development, and General Government support departments. Expenditures for the 2019-2020 preliminary budget are shown in **Exhibit 4.**

Exhibit 4
2019-20 General Fund Expenditures



The City's contract with King County to provide law enforcement services was projected to increase at 5% annually, based on conservative historical estimates and staff input. Most other expenditures are projected to increase at inflationary rates.

The 2019-20 reserve levels, revenues, and expenditures are the basis for the general fund long-term forecast—which is presented in Chapter III.

CHAPTER III: PHASE I FORECASTS

As described in the previous chapter, the City has a variety of revenue sources within the General Fund. However, the expiration of the sales tax annexation credit represents a long-term challenge for General Fund sustainability, by removing nearly $1 million annually in General Fund revenue. In addition, Council spending priorities require a strategic approach to ensure General Fund revenues continue to exceed expenditures while addressing the concerns of the City's residents.

To help the City understand whether the General Fund can be sustainable in the future, long term financial forecasts were developed for a ten-year forecast period (2021 to 2030). These forecasts also provided a short-term outlook for preparation of the 2019-2020 biennial budget. As part of the forecasts, several different scenarios were prepared to help the City understand the impacts that different strategies might have on the City's financial future and sustainability. Initially, three potential scenarios were prepared, representing a variety of approaches the City could undertake. The following describes each scenario:

Status Quo Scenario—the status quo scenario is a forecast of the City's General Fund without any action being taken. No Council-directed or voter-approved revenue options are included, and expenditures continue to increase at inflationary levels, without any increase in the level of service provided by the City.

Council-Directed Revenue Options—the Council-directed scenario is a forecast of the City's General Fund using only revenue options that can be implemented without voter approval. For this scenario, the Seattle City Light franchise fee was increased to 8%, and a utility tax or franchise fee of 6% was implemented on water and sewer districts operating within the City. In addition, business license fees were doubled, the City's gambling tax was increased from 8% to 11%, and the B&O tax was increased from 0.1% to 0.2%.

City Manager's Option—This scenario increases the number of police officers contracted for in the City. This strategy is designed to generate sufficient revenue to add four new police officers — two in 2020 and two in 2021. New revenues include increases to utility tax/franchise fees, gambling tax, business license fees (in 2028), and a multi-year permanent levy lid lift. After 2026, the levy lid lift would be permanent, and property tax revenues would then be increased by 1.0% annually as authorized by RCW 84.55.010. This option also includes enhanced youth service expenditures of $600,000 in 2019 and 2020, which would be supported by available unassigned financial reserves in 2019 and new revenues in 2020. No other changes are made to General Fund revenues or expenditures forecasted in the baseline scenario.

Other scenarios were tested and presented to the City Council at its November 2018 meeting. The other scenarios included implementing a multi-year permanent levy lid lift without an increase in services, a reduction in General Fund expenditures beginning in 2021 to balance the General Fund without increasing revenues, and an enhanced services option funded with a smaller levy and an increase in the B&O tax. The presentation of these scenarios to City Council is included as **Appendix B.** Following the November 2018 presentation to the City Council, Council members expressed interest in seeing additional scenarios, which are shown in Chapter V.

KEY SCENARIO AND FORECAST ASSUMPTIONS

The forecasts include several key assumptions that generally apply to all scenarios. These assumptions are described below:

General Inflation: General inflation rates are used in the financial plan to escalate many non-personnel expenditures in the City's General Fund. The general inflation rate is based on the Seattle CPI projections from the Washington State Economic Revenue Forecast Council. The forecast includes inflation rates projected through 2023. For purposes of the City's financial plan, projected inflation rates for 2024-30 are based on the 2023 projected inflation rate.

Salary and Benefits: City salary costs are projected to increase at the same rate as general inflation. Salaries for union- and non-union staff increase each year based on changes in the local consumer price index. Per staff input, benefits costs are projected to grow at a rate of 6% annually.

Assessed Property Values: The annual growth rate for assessed value of existing property is 6.20% and is based on 85% of the annualized growth rate of assessed value in the City from 2009 to 2018 as listed by the King County Assessor's Office. The annualized growth rate was reduced to 85% to provide a conservative estimate of future assessed value growth.

Annual Assessed Value as New Construction: The percentage of assessed value resulting from new construction is assumed at 1.0% of total assessed value and is based on the average share of assessed value from new construction in the City from 2009 to 2018 as provided by the King County Assessor's Office.

Property Tax Levy Rate: The beginning 2019 property tax levy rate is based on the 2018 published levy rate of $1.235 per $1,000 assessed valuation for the City of Burien by the King County Assessor's Office.

Sales Tax Revenue: Sales tax revenue is projected to increase 4.0% annually in the forecast. Since 2009, annual sales tax revenue has experienced significant volatility in response to economic conditions and local construction trends, ranging from a 16% decrease (2009) to an 18% increase (2016). Given this fluctuation, FCS GROUP and City staff developed a relatively conservative annual sales tax growth assumption of 4.0%.

Utility Tax Revenue: As part of Council-directed revenue options, the potential revenue generated from a 6% utility tax/franchise fee on water and sewer districts within the City was estimated at $1 million in 2021. The revenue impact of raising Seattle City Light's franchise fee from 6% to 8% was estimated at approximately $425,000 in 2021. The revenue from the City's existing taxes assessed on electric, gas, cable, telephone, and cellular utilities are projected to increase each year by general inflation.

Interest Earned on Investments: Annual interest is estimated at 1.35% over the forecast and is based on the City's 2019-20 preliminary budget.

Police Services Contract: The City contracts with the King County Sheriff's Office to provide police services. In the 2019-20 budget, the cost of this contract represents 45% of the City's General Fund expenditures. Based on input from City staff, the annual cost of this contract is projected to increase at 5% annually. In addition, several scenarios include an increase in the number of officers serving in Burien. Each additional officer was projected to cost $200,000 in 2020 dollars, with this cost then escalating at 5% annually.

STATUS QUO SCENARIO

The status quo scenario represents a financial future without any policy changes to services, tax rates, or new revenue sources. It provides a benchmark for the financial impact of taking no action. Based on the growth assumptions described in the prior section, General Fund revenues are projected to grow approximately 2.5% per year from 2021 to 2030 while expenditures are estimated to increase 3.7% per year over the same time period. Because expenditures are growing at a faster rate than revenues, the General Fund is projected to operate at a deficit beginning in 2021. By 2025, the City's operating reserve balance is projected to decrease below the City's stated policy minimum of 20% of operating revenues, and the City's reserves will be exhausted by 2027. Before 2025, the City will need to take some actions to reduce expenditures, increase revenues, or implement a combination of expenditure reductions and revenue increases. This scenario shows the gap between revenues and expenditures exists because the City's primary revenue sources, property and sales taxes, continue to have limited growth compared to expenditure growth, as well as the expiration of the City's sales tax annexation credit. **Exhibit 5** shows the operating forecast for revenues and expenditures from 2019 to 2030.

Exhibit 5
2019 to 2030 Status Quo General Fund Financial Forecast

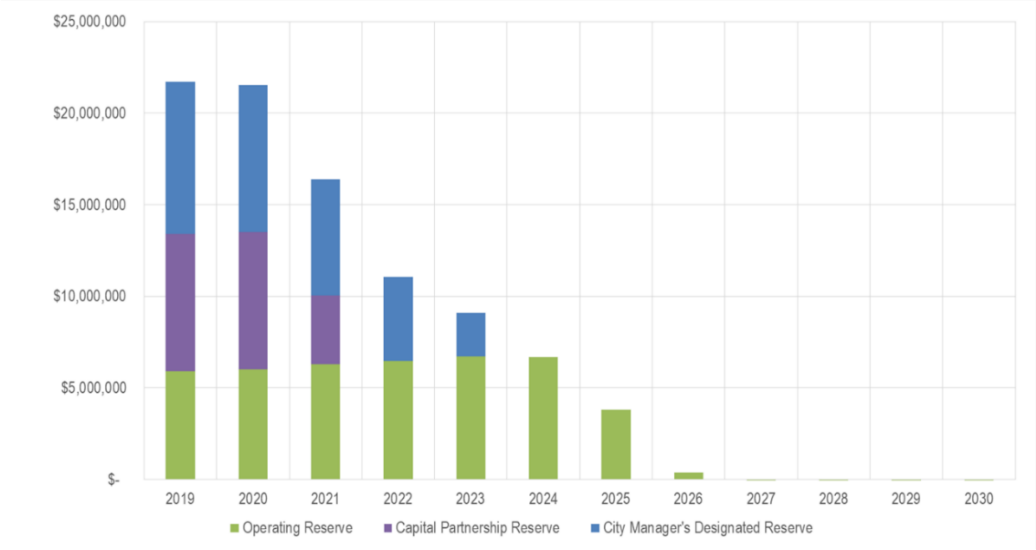
Observations about the baseline forecast are provided below:

- The expiration of the sales tax annexation credit in June 2020 eliminates approximately $1 million in revenue by 2021.
- Expenditures for the City's largest department, the Police Department, are projected to grow at a higher rate (5.0%) than overall General Fund expenditures (3.68%).
- The expenditure forecast is based on maintaining existing service levels — it does not include new positions or services.
- By 2030, the gap between revenue and expenditures is approximately $5.8 million annually.

Without any expenditure reductions, the City must rely on its reserve balance to offset the operating deficits caused by the difference between revenues and expenditures starting in 2020. A portion of available fund balance is already committed within the Capital Partnership Reserve, which will be spent by 2022 on a public works and PaRCS facility. The remaining balance will be depleted by

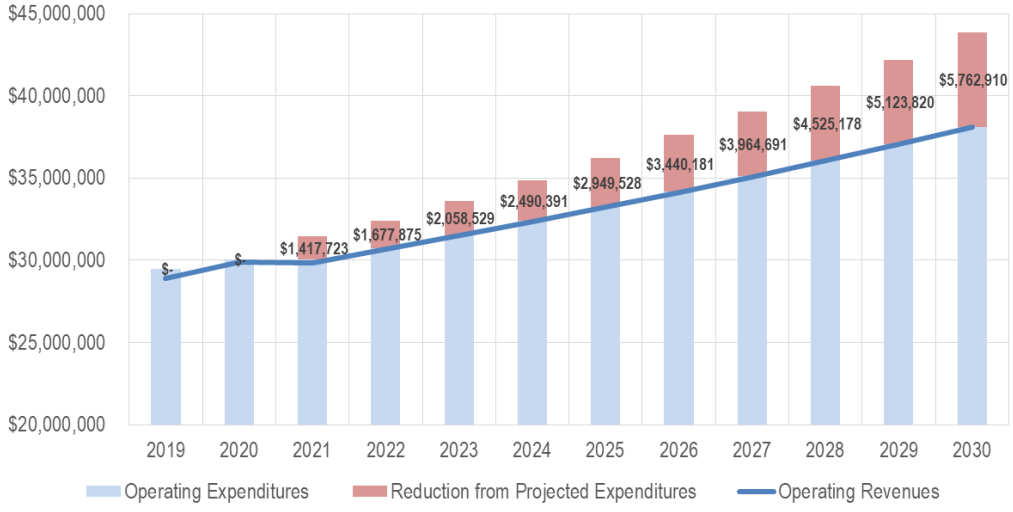
2027. **Exhibit 6** illustrates the ending balance from 2019 to 2030. A detailed financial schedule of the baseline scenario is included in **Appendix A**.

Exhibit 6
2019 to 2030 Forecast Reserve Analysis (Status Quo)



If the City wants to avoid using reserves and eliminate the annual deficits, the City will need to reduce overall expenditures and decrease the level of services by 13%. **Exhibit 7** illustrates the estimated reductions in expenditures needed from 2021 to 2030 to balance the annual deficits in the baseline scenario.

Exhibit 7
Estimated Annual Expenditure Reductions to Balance the General Fund Budget



COUNCIL-DIRECTED REVENUE OPTIONS

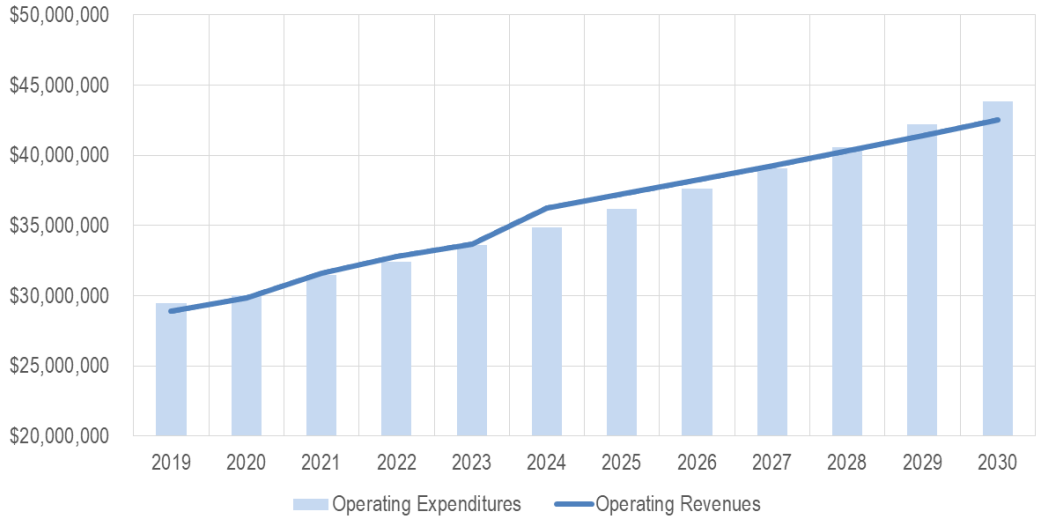
In addition to the status quo financial forecast, a second forecast was developed to model various Council-directed revenue options that the City Council could implement independently, without voter approval. These are shown in **Exhibit 8.**

Exhibit 8
Council-Directed Revenue Options

Year Implemented	Revenue Source	Increase	Est. Annual Impact
2021	Seattle City Light Franchise Fee	From 6% to 8%	$400,000
2021	Water & Sewer – Utility Tax/Franchise Fee	From 0% to 6%	$1,000,000
2022	Business License Fee Increase	From $90 to $180	$300,000
2021	Gambling—Card Room Tax Increase	From 8% to 11%	$130,000
2024	B&O Tax	From 0.1% to 0.2%	$1,500,000

Overall, this scenario is more financially sustainable than the status quo. The average annual revenue increase is 3.60% in this scenario, and the average annual expenditure increase remains at 3.68%. Under this scenario, General Fund revenues continue to exceed expenditures until 2028, providing the City with a more stable financial situation. If this scenario were to be implemented, it would likely result in a re-evaluation of the City's financial situation in 2028. However, due to revenues exceeding expenditures for the majority of the scenario's timeframe, the City has a General Fund ending balance of $29 million in 2030, and continues to maintain reserves in excess of its current levels. The operating forecast is shown in **Exhibit 9.**

Exhibit 9
Council-Directed General Fund Operating Forecast



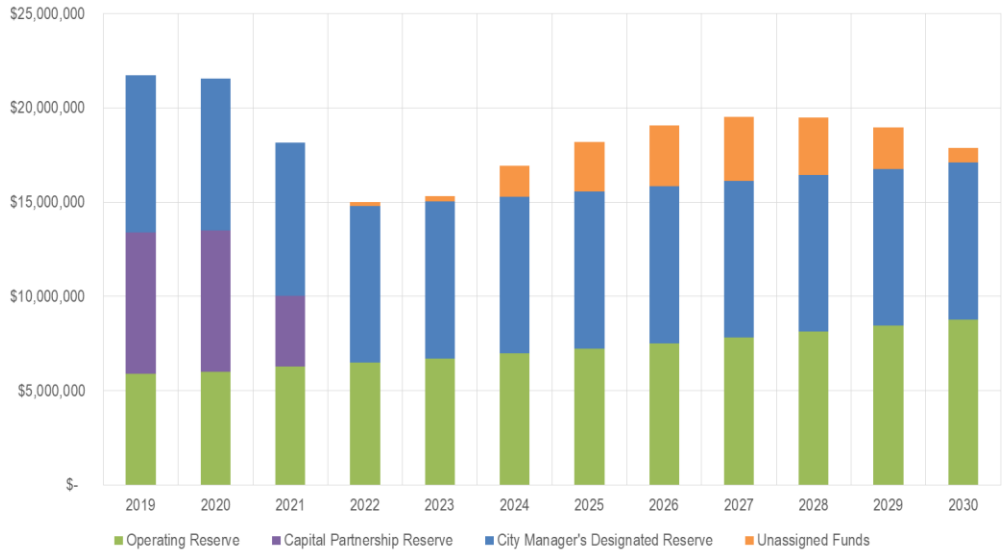
Observations about the Council-directed forecast are provided below:

- The addition and increase in utility taxes, gambling taxes and franchise fees provide approximately $1.5 million in additional revenue in 2021.

- The increase in B&O tax revenue in 2024 allows the General Fund to operate at a surplus through 2027.
- The expenditure forecast is based on maintaining existing service levels — it does not include new positions or services.
- By 2028, revenues no longer keep pace with expenditures. By 2030, the operating gap is approximately $1.1 million.
- By 2030, revenues exceed status quo revenues by $4.6 million, or an increase of 12% over the status quo scenario.

Although General Fund reserves begin to decline in 2028, they remain at healthy levels throughout the forecast period, while accumulating an unassigned fund balance. The ending balance of the General Fund is 2030 is $17.9 million. The effects of these changes on the City's reserve fund balance are shown in **Exhibit 10.**

Exhibit 10.
Forecast Reserve Analysis (Council-Directed)



The cost of increases to utility tax rates would be passed along to residents on their monthly utility bills. The median household monthly utility bill in 2021 is projected at $158. If these reserve options were approved by Council, the median household bill is projected to increase by $6.10 to $164 per month.

The estimated impacts of this scenario on a median household's monthly utility bill is shown in **Exhibit 11.**

Exhibit 11
Monthly Residential Utility Bill Impact (Council-Directed)

CITY MANAGER'S OPTION – ADD FOUR POLICE OFFICERS AND ENHANCED YOUTH SERVICES

The City Manager's Option strategically balances Council-directed revenue options and a voter-approved revenue option (multi-year levy lid lift) to provide an enhanced level of service for citizens. Specifically, it includes the addition of four new police officers (two in 2020 and two in 2021), as well as an additional $600,000 in youth services expenditures in 2019 and 2020. Youth service program improvements would be funded by available unassigned financial reserves in 2019 and new revenue sources in 2020. The program improvements would be evaluated over the two-year period to test their effectiveness and potential permanent funding. The Council-directed revenue options utilized are shown in **Exhibit 12** and the levy lid lift schedule is shown in **Exhibit 13.**

This scenario includes an increase in Seattle City Light's franchise fee, a gambling tax increase, the imposition of a water and sewer utility tax or franchise fee on utility districts operating within the City, an increase to business license fees in 2028, and a voter-approved levy lid lift. The levy lid lift begins with a $1.25 million levy increase in 2021, which gradually increases to $5.15 million by 2026.

Exhibit 12
Council-Directed Revenue Increases (City Manager's Option)

Year Implemented	Revenue Source	Increase	Est. Annual Impact
2020	Seattle City Light Franchise Fee	From 6% to 8%	$400,000
2020	Water & Sewer – Utility Tax/Franchise Fee	From 0% to 6%	$1,000,000
2020	Gambling—Card Room Tax Increase	From 8% to 11%	$130,000
2028	Business License Fee Increase	$90 to $180	$300,000

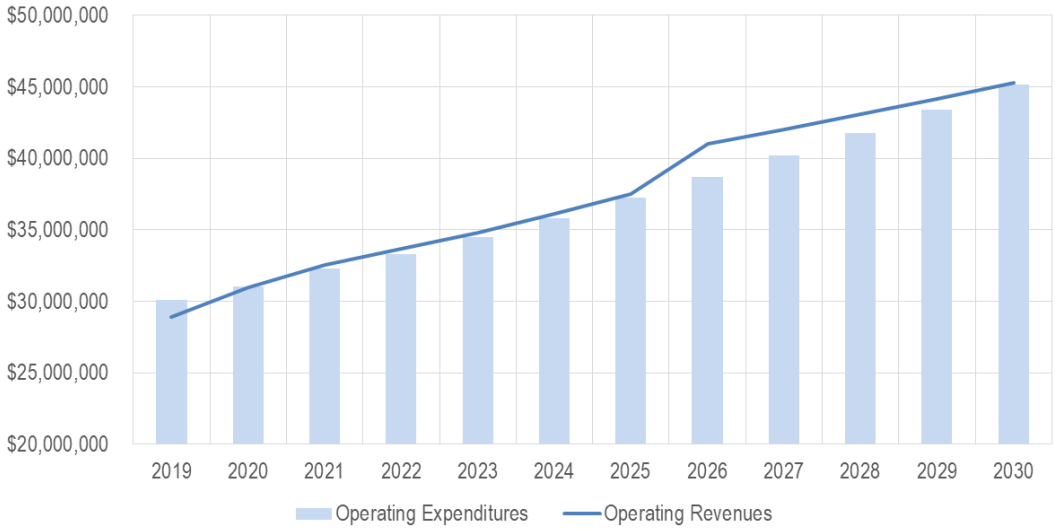
Exhibit 13
Levy Lid Lift Schedule[1]

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$ -	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
Levy Year 2	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Levy Year 3	-	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Levy Year 4	-	-	-	-	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Levy Year 5	-	-	-	-	-	450,000	450,000	450,000	450,000	450,000	450,000
Levy Year 6	-	-	-	-	-	-	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Lid Lift Revenue:	**$ -**	**$1,250,000**	**$1,500,000**	**$1,750,000**	**$2,200,000**	**$2,650,000**	**$5,150,000**	**$5,150,000**	**$5,150,000**	**$5,150,000**	**$5,150,000**
Total Property Tax Rate:	**$ 1.186**	**$ 1.311**	**$ 1.290**	**$ 1.267**	**$ 1.267**	**$ 1.263**	**$ 1.466**	**$ 1.402**	**$ 1.342**	**$ 1.284**	**$ 1.228**

This scenario ensures that revenues exceed expenditures between 2021 and 2030. The average annual increase in revenue is 4.2%, and the average annual increase in expenditures is 3.8%. It also adds 4 new police officers to the City and provides enhanced youth services spending of $600,000 in 2019-20. Of the three scenarios, the City Manager's Option provides the highest reserve at the end of the study period. However, it also represents a significantly higher tax burden than other scenarios. For a median home valued at $337,000, this scenario would increase property taxes by $276 in 2026, the final year of the levy increase. The operating forecast for the City Manager's Option is shown in **Exhibit 14.**

[1] For simplicity, levy amounts shown here do not include the annual 1% increase permitted under RCW 84.55.010. However, the 1% increase is included in the analysis, and all forecast scenarios assume a 1% annual levy increase unless otherwise stated.

Exhibit 14
City Manager's Option Operating Forecast

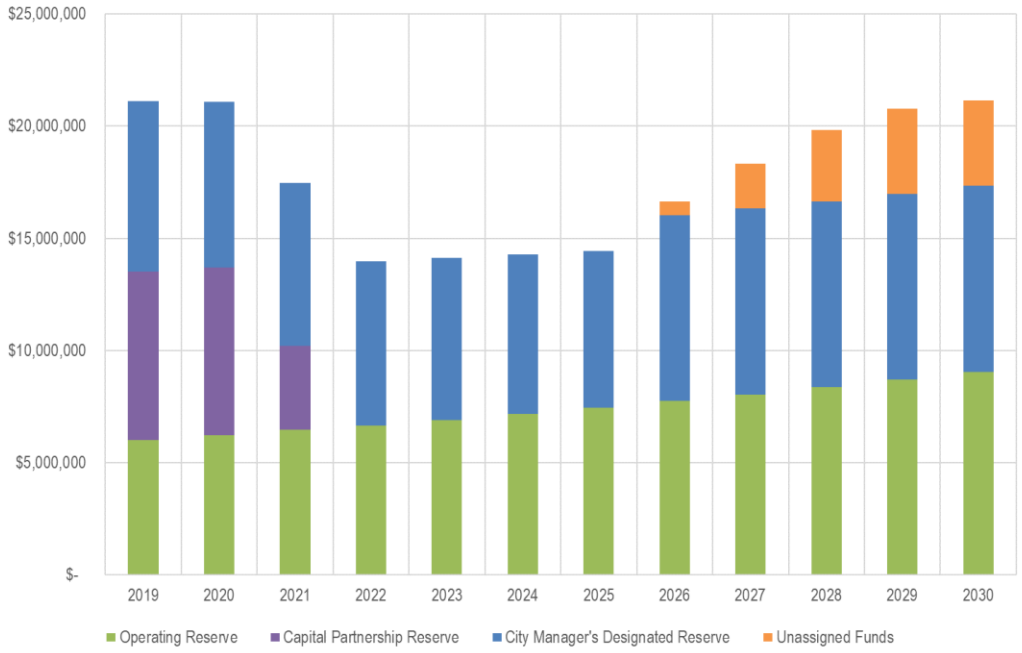


Observations about this operating forecast are provided below:

- Levy amounts are fitted to the growth in expenditures. Levy amounts in 2021-25 are based on generating revenue to meet the City's projected expenditures. The final year of the levy is large enough to provide annual surplus through the end of the study period.
- Expenditures in 2030 are estimated at $45.3 million, or about $1.3 million more than the status quo forecast.
- Revenues in 2030 are forecasted at about $45.3 million, or about $6.8 million more than the status quo forecast.
- This scenario would increase the average monthly utility bill by about $5.96 in 2020, and $7.43 per month in 2030.
- This scenario would increase the annual median single-family property tax bill within the City by $65.67 in 2021, and $286.76 in 2030.

The effect of these changes on the General Fund reserve balance is shown in **Exhibit 15.**

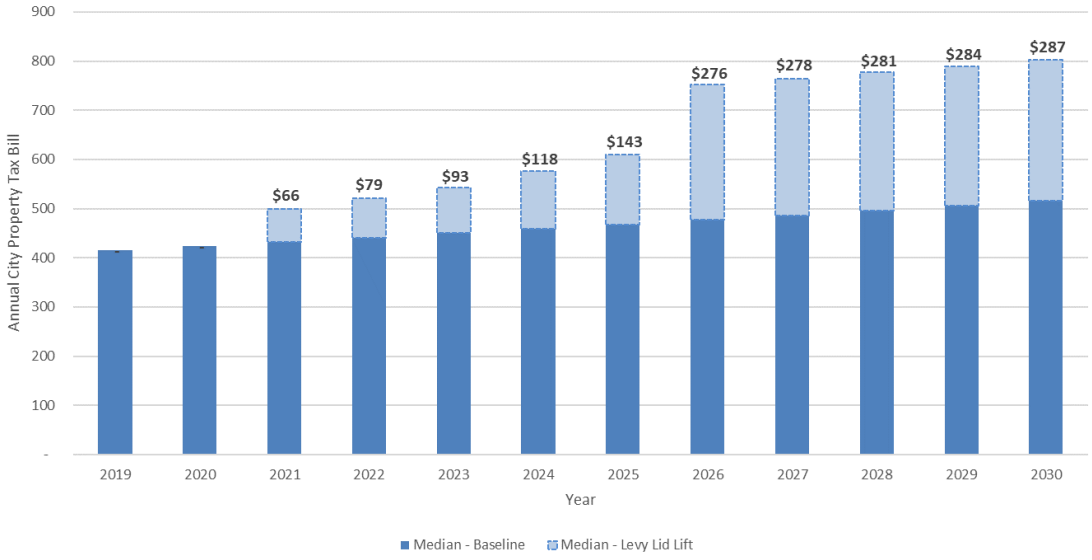
Exhibit 15
Forecast Reserve Analysis (City Manager's Option)



The reserve balance stays relatively stable throughout the first half of the forecast. Expenditures exceed revenues in 2019-20, but the effects are offset by the levy funds beginning in 2021. By the end of the study period, the City has accumulated about $3.8 million in unassigned funds, which could be used for additional projects or support other existing needs. The 2030 ending balance of the General Fund is about $21 million.

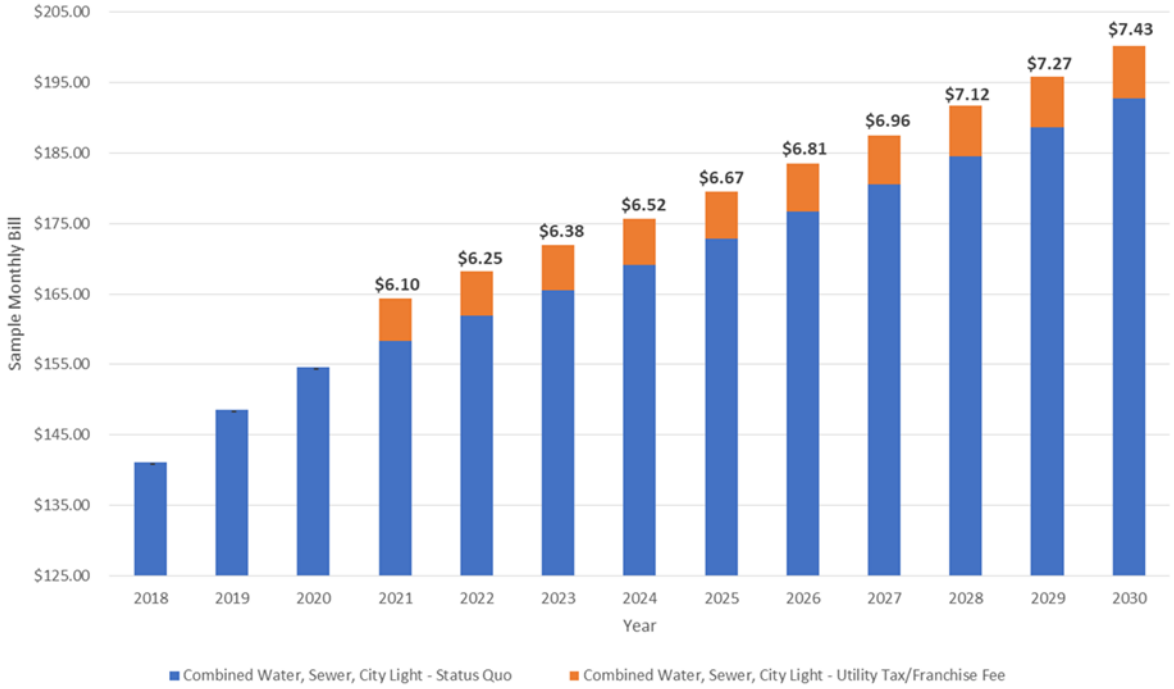
The impact of this scenario on the median household's annual property taxes is shown in **Exhibit 16.**

Exhibit 16
Impact of City Manager's Option on Median Household Property Taxes



The impact of this scenario on the median household's monthly utility bills is shown in **Exhibit 17.**

Exhibit 17
Impact of City Manager's Option on Monthly Utility Bills



SUBSEQUENT COUNCIL ACTIONS

As part of the 2019-20 budget development, the City Council acted to adopt revenue increasing measures. Specifically the Council:

- Adopted the increase in the gambling tax from 8% to 11%, effective January 1, 2019,
- Provided direction to City staff to begin negotiating with water and sewer districts for the imposition of a 6% utility tax or franchise fee, effective January 1, 2020,
- Directed City staff to notify Seattle City Light of an increase from 6% to 8% in their franchise fee, effective January 1, 2020.

By adopting these changes, the Council took preliminary actions to address the long-term gap between revenue and expenditures. However, other potential alternative scenarios were discussed at the Council meeting, and the Council directed FCS GROUP to create five additional scenarios as part of a Phase II study, which are discussed in Chapter V.

Chapter IV: Bonding Capacity

Some of the Phase II scenarios include the construction of a new community center which would be financed through municipal bonds. Washington State establishes borrowing limits for local governments, so an analysis of the City's councilmanic and voter-approved bonding capacity was included as part of the Phase II study. The legal bonding limits for the City's General Fund and a potential Metropolitan Parks District are shown in **Exhibit 18.**

Exhibit 18
Legal and Available Debt Capacity

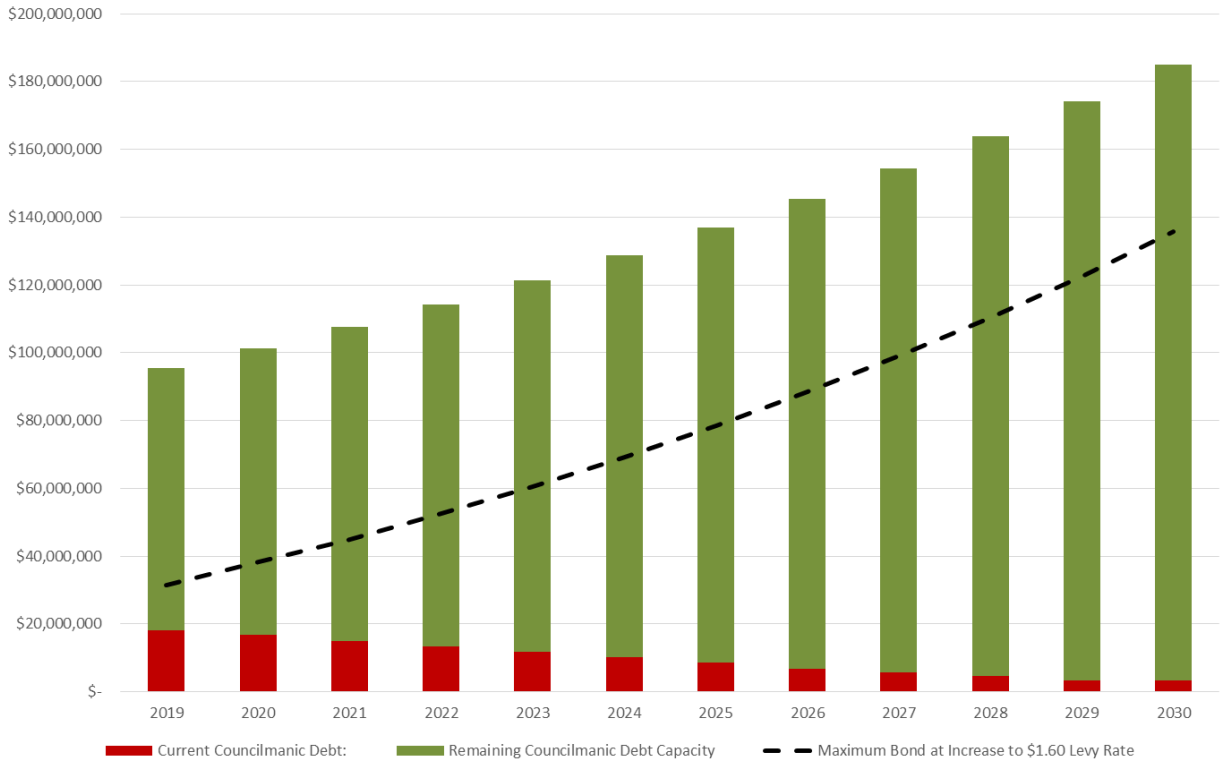
Legal Capacity	Councilmanic	Voter-Approved
City of Burien	1.5% of City's Total Assessed Value $95 million (2019)	2.5% of City's Total Assessed Value $159 million (2019)
Metropolitan Parks District	0.25% of District's Total Assessed Value $16 million (2019)	2.5% of District's Total Assessed Value $159 million (2019)
Available Capacity	**Councilmanic**	**Voter-Approved**
City of Burien	$77 million (2019)	$141 million (2019)
Metropolitan Parks District	N/A	N/A

The City's councilmanic and voter-approved debt capacity are both based on a percentage of the City's total assessed value. The legal councilmanic debt capacity is $95 million; as the City currently has about $18 million in outstanding general obligation bonds, the remaining capacity is $77 million. The City's total legal general obligation capacity is $159 million. However, this amount of debt would require an increase in the levy rate. A Metropolitan Parks District operates under similar constraints to the City; however, the legal capacity for a Parks District is only 0.25% of total assessed value. This equates to about $16 million in 2019.

The legal debt limits are constrained by statutory limits for property tax rates. The City's property tax rate was $1.235 per $1,000 of assessed value in 2018. The City's maximum protected rate is $1.60 per $1,000 of assessed value, meaning that the City has $0.365 of remaining capacity. The revenue generated by the protected capacity would support new debt of about $31.5 million in 2019, assuming 4% interest paid back over 20 years. This represents a 'practical' debt limit for the City.

It is important to note that the City's legal capacity for councilmanic and voter-approved debt is not the same as the City's financial capacity. In other words, revenue may not exist to support the City's legal capacity to take on additional debt.

Exhibit 19
Maximum Bond at Increase to $1.60 Levy Rate



If the City were to raise its levy rate to the statutory protected maximum, it would be able to issue approximately $31.5 million in General Fund debt in 2019. If the City were to borrow more than this amount, there would likely be two separate revenue enhancements requiring voter-approval; one to approve the bond, and one to increase a separate revenue source. As City staff expressed no interest in a scenario requiring multiple voter-approved revenue enhancements, the maximum bond at $1.60 represents the City's borrowing capacity in the following scenarios.

The City can also issue voter-approved general obligation bonds which are not subject to the same levy rate restrictions as councilmanic bonds. The City's borrowing capacity for voter-approved bonds is 2.5 percent of assessed value or an estimated $159 million in 2019.

CHAPTER V: PHASE II FORECASTS

Following the presentation of Phase I scenarios, City Council asked for information regarding five additional scenarios; the use of the Public Safety Sales Tax to fund additional police officers, the creation of a Metropolitan Parks District, and three modified versions of the City Manager's Option. All Phase II scenarios include the Council actions referenced in Chapter III related to revenue enhancing measures and use the same inflationary assumptions.

SCENARIO #1: IMPLEMENT A PUBLIC SAFETY SALES TAX

Changes to City Services: Funds four new police officers and enhanced youth services.

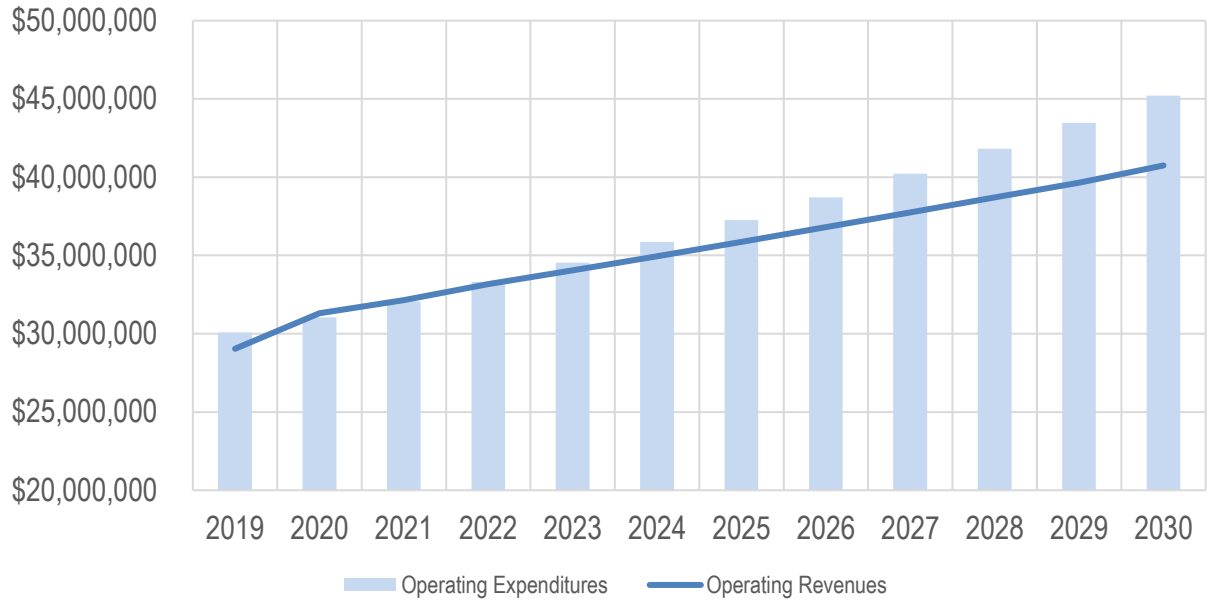
RCW 82.14.450 allows a City to impose a 0.1% sales tax with voter approval for the purpose of enhancing public safety. There are three major restrictions on this sales tax.

- At least 1/3 of the revenue generated from this tax must be used to pay for public safety improvements. In this case, revenue from the tax would be directed to hire four new police officers (two in 2020 and two in 2021).
- The City may only receive 85% of the revenue from the tax—the remaining 15% is directed to King County.
- Sales of motor vehicles are exempt from this tax. In 2017, motor vehicles sales represented approximately 28% of total taxable retail sales within the City.

When these restrictions are combined, this results in approximately $650,000 in additional annual City revenue generated by the tax in 2022[2]. The projected cost of 4 additional police officers in 2022 is $882,000. Thus, the public safety sales tax is inadequate to fund the Council's priority of four new police officers, without addressing the General Fund's long-term structural problem. The effect on the General Fund's operating forecast is shown in **Exhibit 20.**

[2] This scenario assumes voter approval at the November 2020 general election. The tax would be imposed beginning April 1, 2021—thus 2022 would be the first full year the tax was in effect.

Exhibit 20
Operating Forecast (Public Safety Sales Tax)

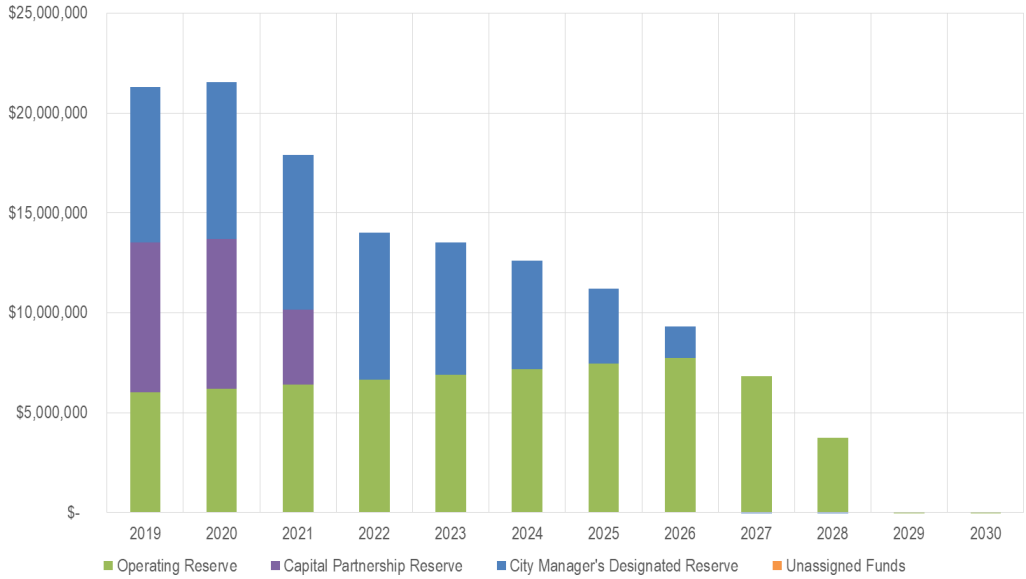


Observations about the operating forecast are provided below.

- Adds four new police officers and $600,000 in additional resources for youth services in 2019 and 2020.
- Compared to the status quo scenario, the addition of a public safety sales tax delays a General Fund deficit by two additional years; however, it makes only a marginal difference to the General Fund's long-term financial stability. The gap between revenues and expenditures is estimated at $4.5 million by 2030.
- In 2030, the tax is projected to contribute slightly less than $900,000 to the General Fund. This represents 2.2% of General Fund revenues in 2030.
- This option does not address the City's long-term financial sustainability challenge and requires voter-approval.

The impacts of the public safety sales tax on the City's fund balance are shown in **Exhibit 21.**

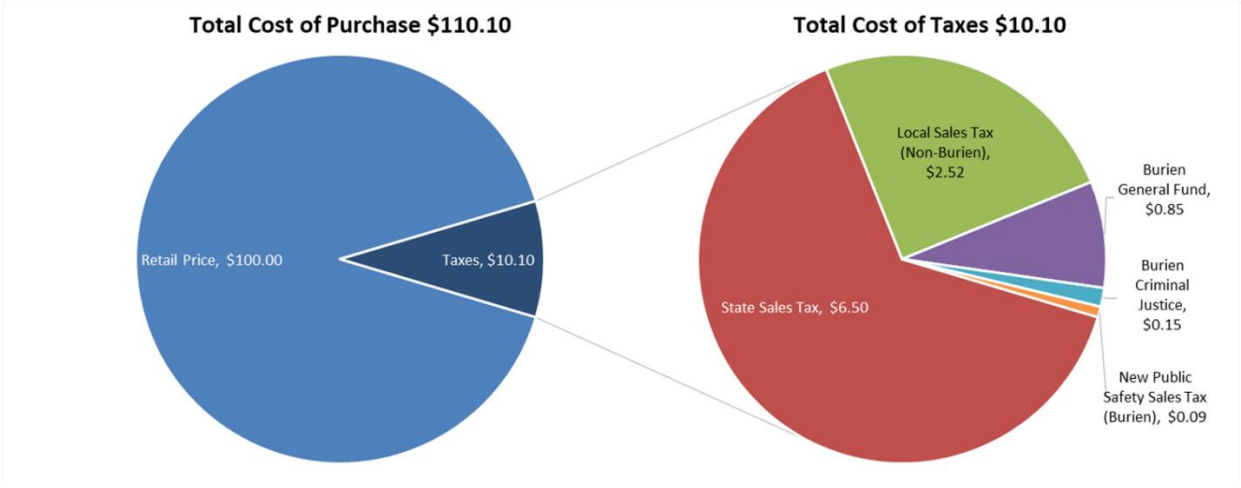
Exhibit 21
Forecast Reserve Analysis (Public Safety Sales Tax)



The General Fund balance is not exhausted until 2029 in this scenario, which is two years longer than the status quo scenario described in Chapter III. However, this is partially attributed to the revenue-enhancing actions the Council took in adopting the final 2019-20 budget in addition to the revenue generated from a public safety sales tax. The public safety sales tax generates less revenue than the cost of the additional police officers throughout the study timeframe, and is not a viable alternative for the General Fund's long-term sustainability.

The impact of this sales tax increase on the purchase of a $100 item is shown in **Exhibit 22.**

Exhibit 22
Public Safety Sales Tax Component of $100 Retail Purchase



SCENARIO #2: CREATION OF METROPOLITAN PARKS DISTRICT

Changes to City Services: Funds new community center, two new police officers, and enhanced youth services.

The second Phase II scenario is the creation of a Metropolitan Parks District (MPD). An MPD is a junior taxing district that provides a dedicated revenue stream for Parks and Recreation services, through a voter-approved levy, with a maximum levy rate of $0.75 per $1,000 of assessed value. In this scenario, the following assumptions about an MPD are used:

- The vote to incorporate an MPD would take place in November 2020, with MPD levy revenues beginning in 2021.
- The MPD's boundaries are contiguous with the city limits of Burien. Because of this contiguous boundary, the City Council also acts as the Board of Commissioners for the MPD.
- The City's Parks and Recreation expenditures will be fully funded by the MPD in the future. However, Cultural Services expenditures, which are currently part of the PaRCS Department, will continue to be paid by the General Fund.
- The initial MPD levy rate will be the legal maximum of $0.75 per $1,000 of assessed value in 2021. As with the City's general property tax rate, the levy amount can only increase by 1.0% per year. Because assessed value is projected to grow at 6.2%, the MPD levy rate would likely decline, creating excess levy capacity in the future.

The incorporation of an MPD does not impact the City's general property tax rate, allowing City revenue previously allocated to Parks and Recreation to pay for additional services. Specifically, this scenario includes the addition of two new police officers in 2020 and enhanced youth services in 2019 and 2020. In addition, the City Council has expressed interest in construction of a new community center. The debt for the new community center was calculated under the following assumptions:

- The debt will be issued as a councilmanic bond, meaning that the debt will not be subject to a public vote. However, this means that the debt must conform to the City's councilmanic debt limits described in Chapter IV.
- Debt repayment would start in 2022.
- The total cost of the new community center would be $30 million.
- The debt repayment would be over 20 years, with a 4% interest rate, and 1% issuance cost.
- Neither the City nor the MPD would have the resources to pay for the community center independently. Thus, the MPD would be responsible for 35% of the debt, and the City's General Fund would be responsible for 65% of the debt. This results in an annual debt payment of about $780,000 for the MPD, and about $1.45 million for the City's General Fund, for a total annual debt payment of about $2.23 million.
- The scenario does not include any additional operating expenditures that may be required for the new community center.

The impact of these changes to the operating forecast of the City's General Fund is shown in **Exhibit 23.** The operating forecast of the Metropolitan Parks District is shown in **Exhibit 24**, along with the levy rate generating the projected revenue.

Exhibit 23
General Fund Operating Forecast

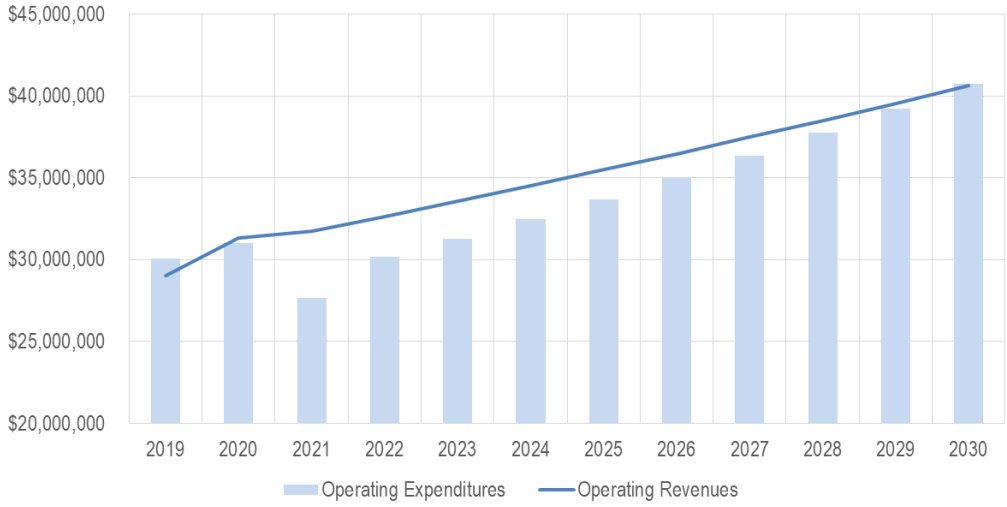
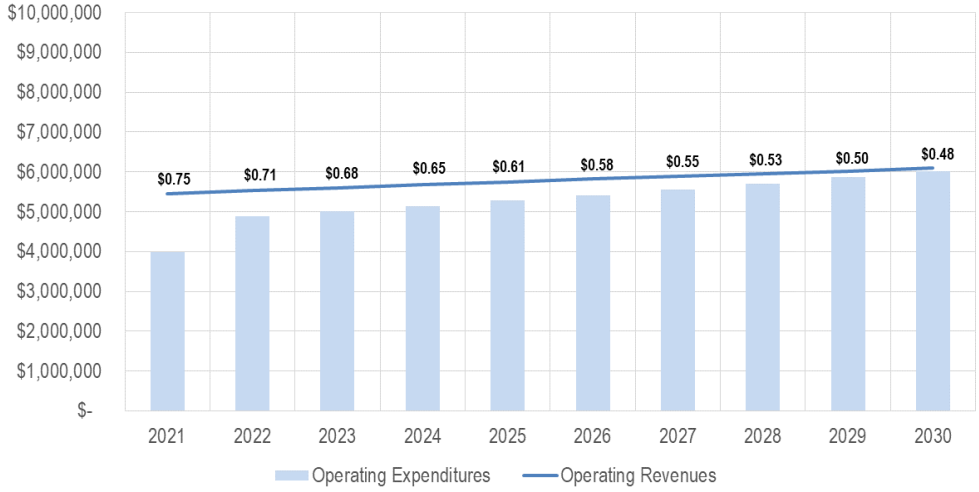


Exhibit 24
MPD Operating Forecast



Observations about the operating forecasts are below:

- The removal of Parks and Recreation expenditures from the General Fund results in revenues exceeding expenditures by $4 million in 2021. However, the addition of debt payments in 2022 and the higher growth rate of expenditures relative to revenue means the General Fund revenues and expenditures are approximately equal in 2030.
- MPD revenues exceed expenditures by approximately $1.5 million in 2021. Revenues continue to outpace expenditures through 2029 generating an additional operating reserve.
- There is significant levy capacity remaining for both the City and the MPD by 2030.

The impacts of this scenario on the reserve balance of both the City's General Fund and the MPD's General Fund are shown in **Exhibits 25** and **26.**

Exhibit 25
Forecast Reserve Analysis (City's General Fund)

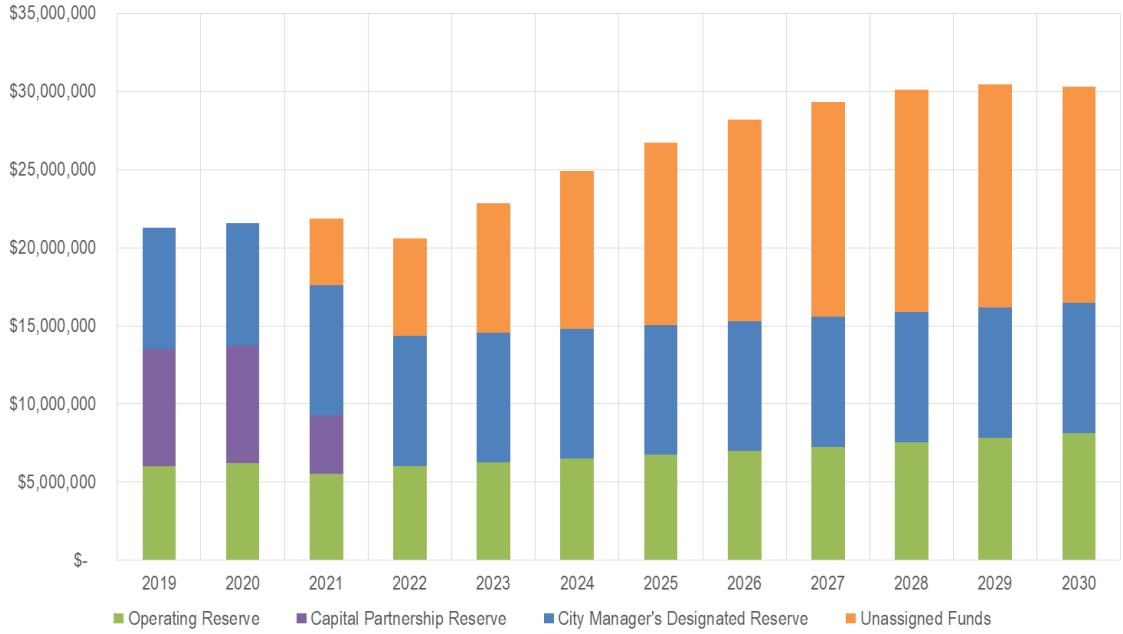
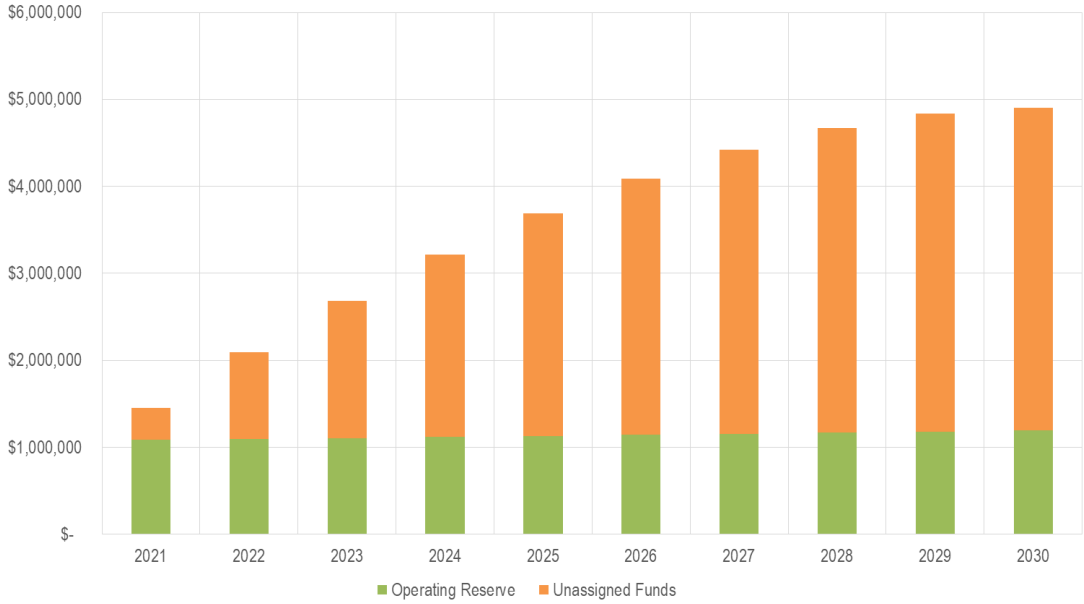


Exhibit 26
Forecast Reserve Analysis (MPD's General Fund)



Observations about the forecast reserve analysis are shown below:

- By delaying repayment of community center debt until 2022, an operating reserve for the MPD can be created; equivalent to 27% of operating revenues within the first year.
- Incorporation of the MPD allows the accumulation of unassigned funds within the General Fund, which provides the City with the operational flexibility to enhance services (e.g., additional police officers) or provide additional insurance against a future economic downturn.

- Both the City and the MPD would be financially well positioned throughout the study period. Reserve levels would allow for greater flexibility to balance expenditure and revenue levels through 2030.

The ending balance for the City's General Fund in 2030 is $30.3 million, and the ending balance of the MPD is $4.9 million. The next step is an analysis of both the City and MPD's bonding capacity within this scenario, shown in **Exhibits 27** and **28.**

Exhibit 27
City Bonding Capacity (New Community Center and MPD Incorporation)

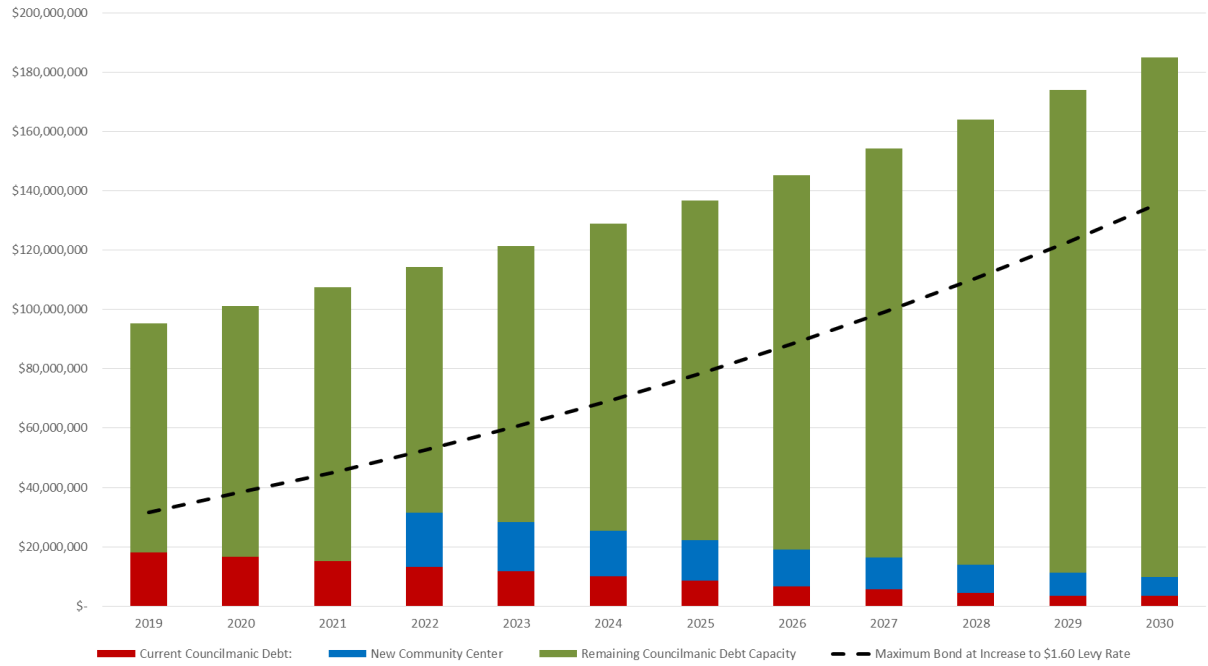
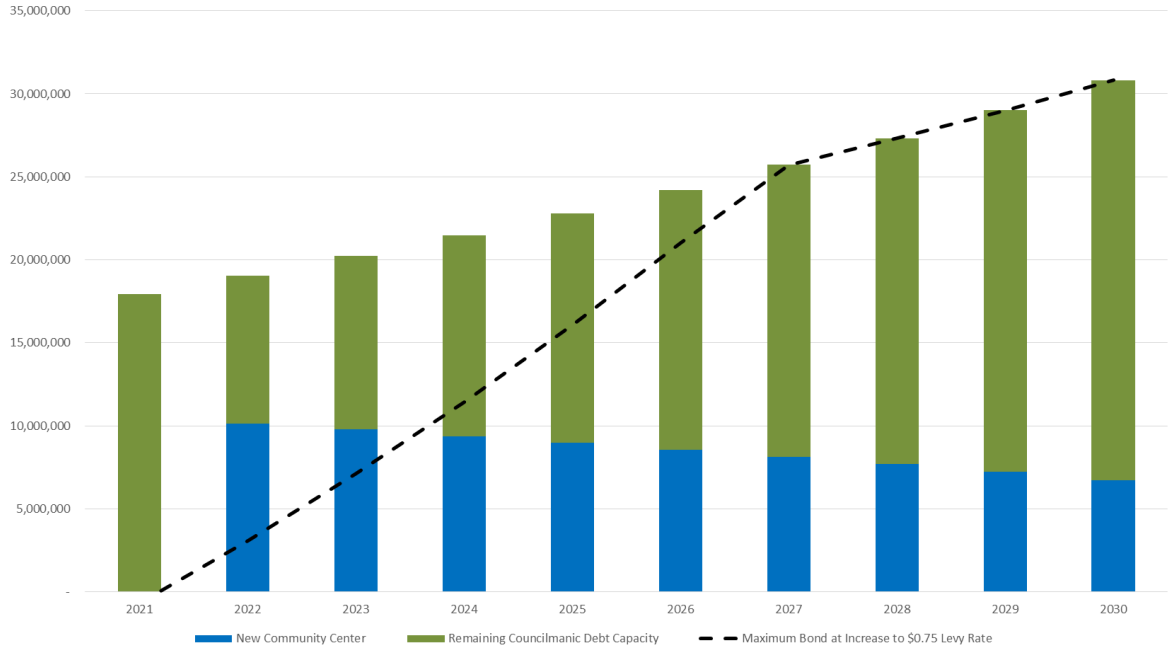


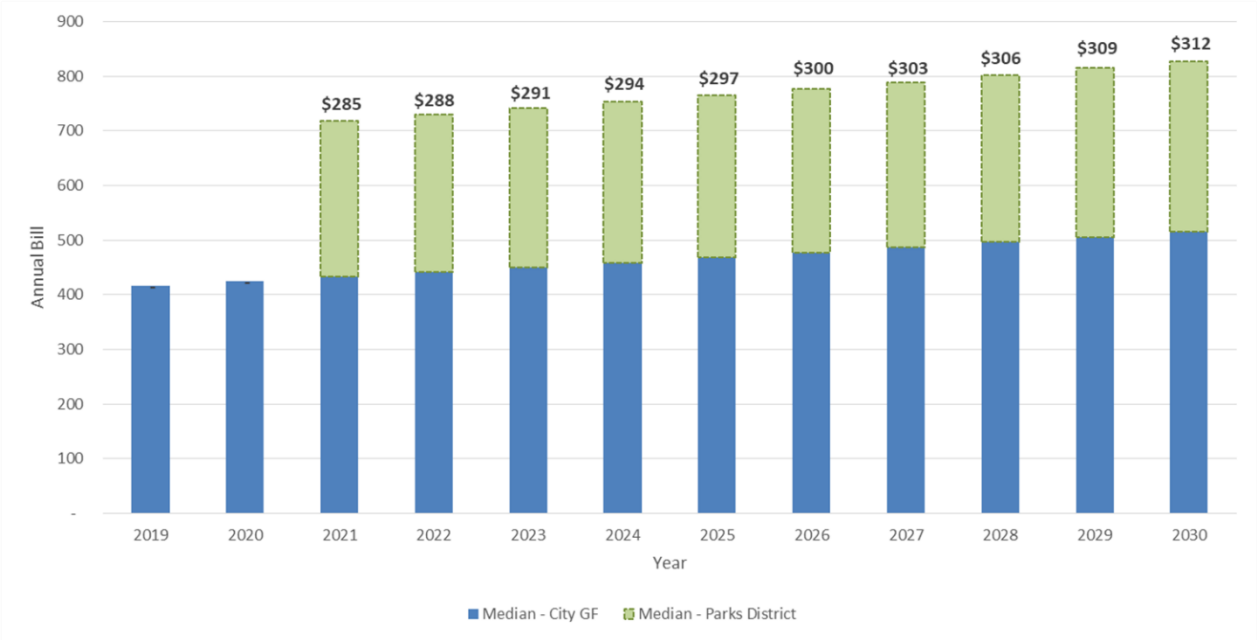
Exhibit 28
MPD Bonding Capacity (New Community Center)



Observations about the bonding capacity analysis are provided below:

- The split of community center costs (65% to the City, 35% to the MPD) allows both funds to remain beneath their statutory debt limits throughout the study period.
- The MPD bonding capacity analysis shows that the community center debt repayment cannot begin until 2022 under this scenario. The excess debt capacity is zero in 2021, so the debt repayment cannot begin until 2022.
- This option provides the City with flexibility in its options moving forward. This scenario also generates the highest amount of revenue, both in the final year of the study as well as throughout the study period. However, this also means that this scenario has the highest impact on City taxpayers, which is shown in **Exhibit 29.**

Exhibit 29
Property Tax Impact of MPD Incorporation



The incorporation of a Metropolitan Parks District results in a $285 property tax increase in 2021, and an additional $312 in annual property taxes for the median household by 2030. This represents a 60% increase over the status quo scenario.

SCENARIO #3: CITY MANAGER'S OPTION A

Changes to City Services: New community center, two new police officers, and enhanced youth services

The third, fourth, and fifth scenarios are modified versions of the City Manager's Option from Phase I. This scenario consists of the revenue enhancements adopted by the City Council combined with a levy lid lift to fund the debt service for the construction of a new community center, two new police officers, and enhanced youth services. The key differences between this scenario and the City Manager's Option from Phase I are:

- This scenario includes a $30 million bond and debt service for a new community center.

- This scenario excludes a $250,000 one-time expenditure for the City Council chamber technology upgrade project. The 2019-2020 preliminary budget appropriates funding for the upgrade project, so the additional $250,000 expenditure was removed from the forecast.
- The revenue forecast for Seattle City Light franchise fees in this scenario is based on increasing the franchise fee from 6 percent to 8 percent. The franchise fee forecast included in the Phase I forecast was based on the City's 2019-2020 preliminary budget.

The levy lid lift schedule, along with the property tax levy rate, is shown in **Exhibit 30.**

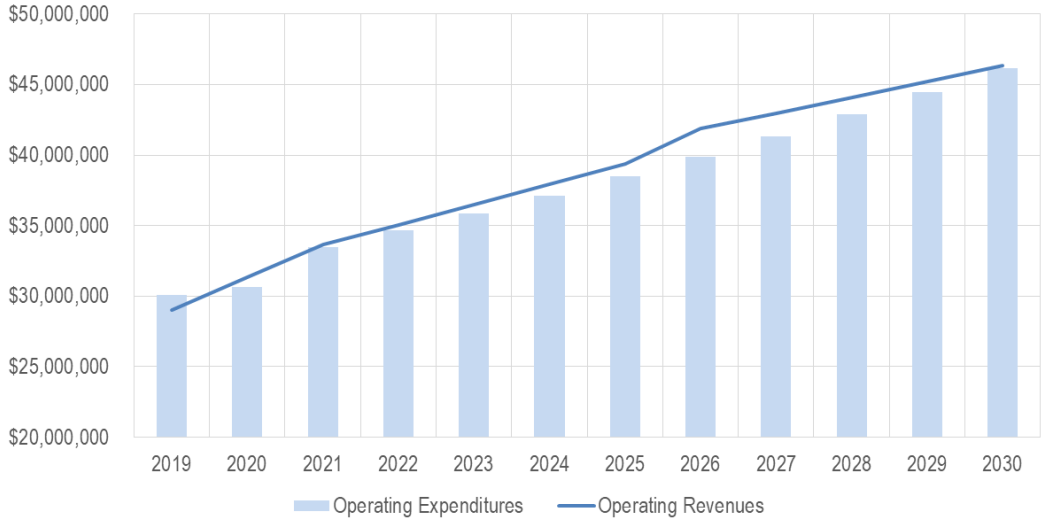
Exhibit 30
Levy Lift Schedule

Levy Schedule	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000
Levy Year 2	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 3	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 4	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 5	-	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 6	-	-	-	-	-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Lid Lift Revenue:	**$2,500,000**	**$3,000,000**	**$3,500,000**	**$4,000,000**	**$4,500,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**
Total Property Tax Rate:	**$ 1.484**	**$ 1.487**	**$ 1.485**	**$ 1.480**	**$ 1.471**	**$ 1.561**	**$ 1.493**	**$ 1.428**	**$ 1.366**	**$ 1.306**

This scenario funds a $30 million community center, utilizing the same assumptions as the MPD scenario with two differences:

- The City's General Fund is now responsible for 100% of the cost of debt repayments ($2.23 million per year).
- The repayment of debt begins in 2021, instead of 2022. The effects of these changes on the General Fund's operating forecast is shown in **Exhibit 31.**

Exhibit 31
Operating Forecast (City Manager's Option A)

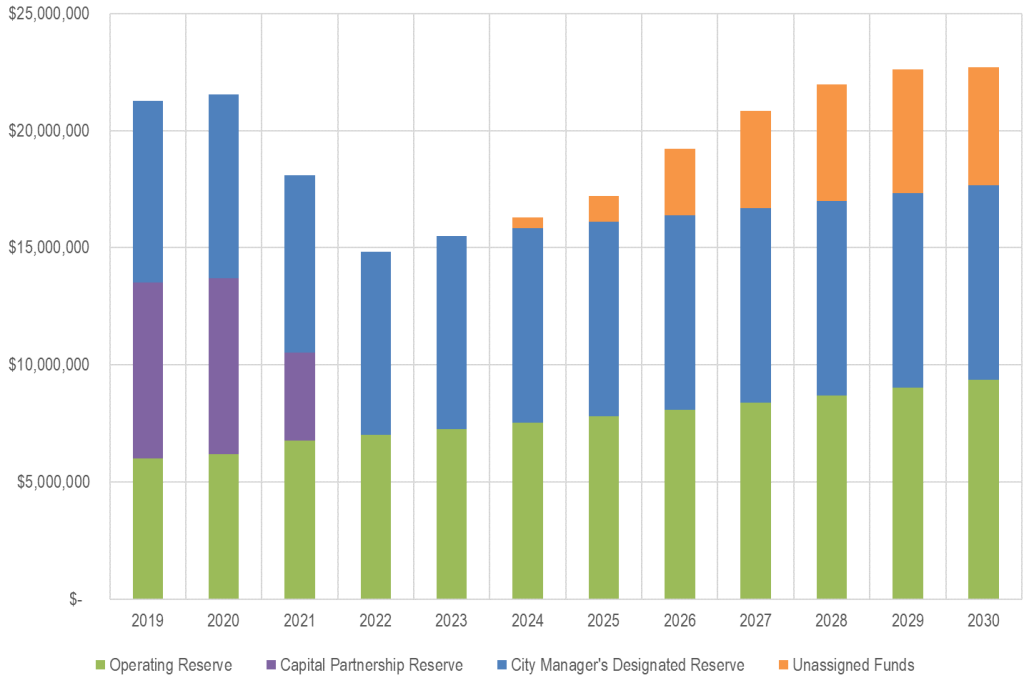


Observations about the operating forecast are described below.

- The levy lid lift is designed to match expenditures from 2021 to 2025. The final year of the lid lift is calculated to have revenues exceed expenditures through the end of the study period.
- The levy lid lift contributes about $6.0 million in 2030. RCW 84.55 allows the City to increase the revenues from the levy lid lift by up to 1% per year after the final year of the "lift" or 2026. After factoring the 1% annual increase, total revenues from the levy lid lift are estimated at $6.4 million by 2030.
- The debt service on the City's new community center is $2.23 million per year. This represents about 5% of the General Fund's total expenditures in 2030.

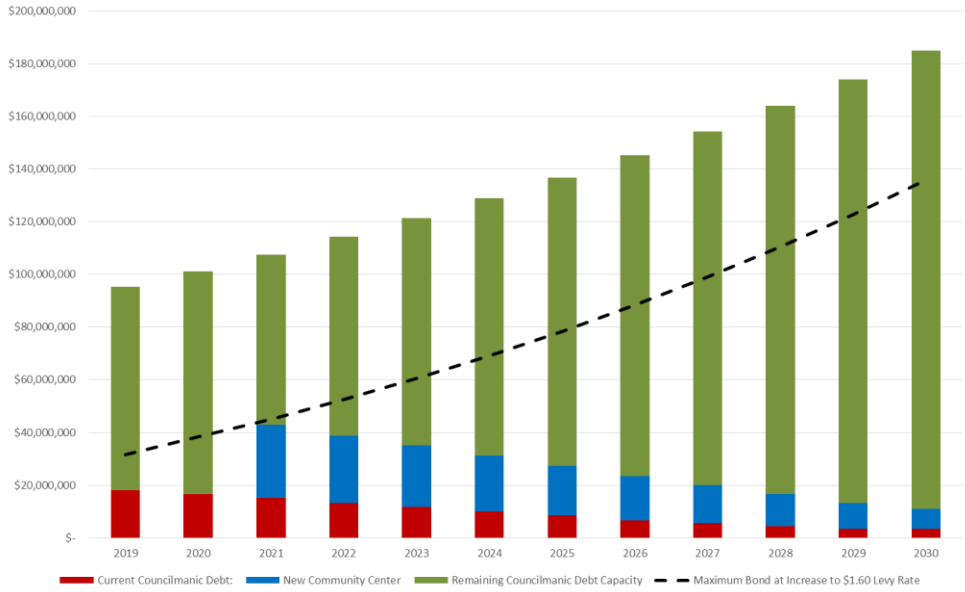
The effects of these changes on the General Fund's reserves are shown in **Exhibit 32.**

Exhibit 32
Forecast Reserve Analysis (City Manager's Option A)



By fitting the levy rate schedule to projected expenditures, the City can balance revenues and expenditures on an annual basis. As revenues exceed expenditures throughout the scenario, the General Fund is able to maintain a healthy reserve balance throughout the study period, with the amount of unassigned funds equal to approximately $5.0 million in 2030, and a total General Fund ending balance of $22.7 million. As the General Fund is responsible for the entirety of the new community center debt repayments an analysis of the City's bonding capacity is necessary, as shown in **Exhibit 33.**

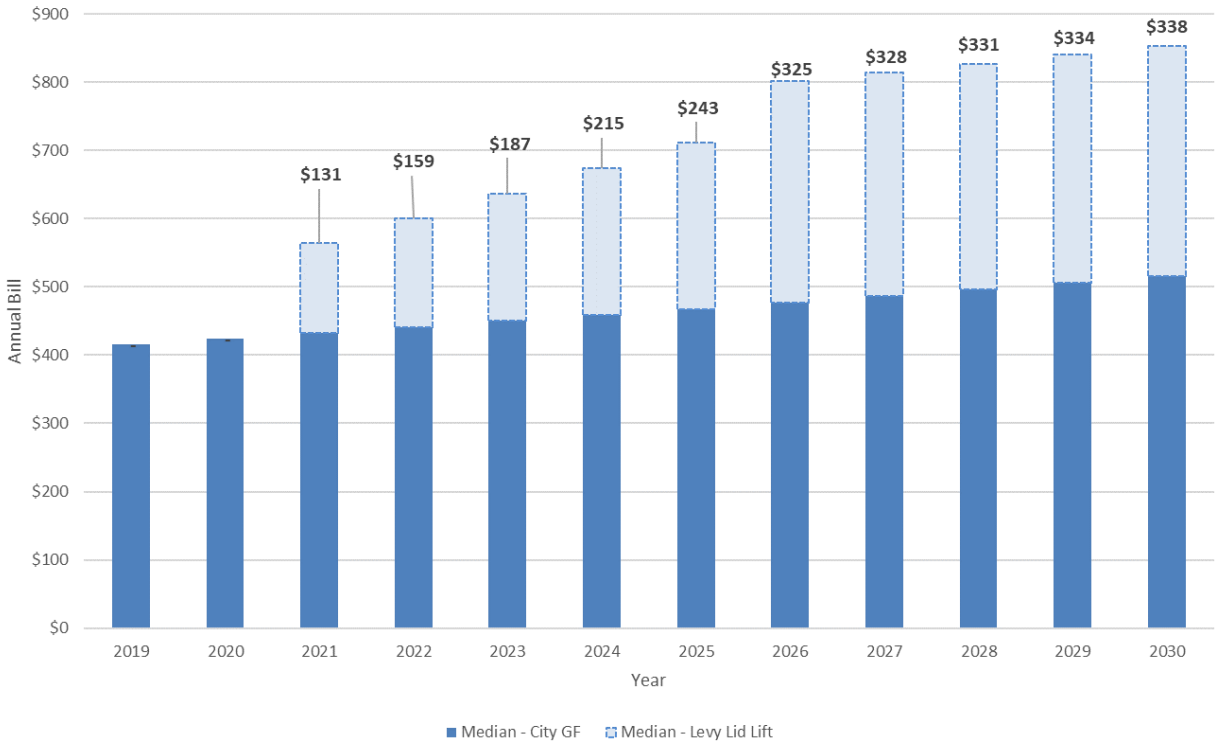
Exhibit 33
Bonding Capacity Analysis (City Manager's Option A)



As can be seen, financing the $30 million debt for the new community center through a levy lid lift increases the City's property tax levy rate close to a practical maximum level. Without other revenue enhancing measures taken, the City would face significant challenges in making the debt service payments if the cost for the center exceeded $30 million.

The impact of this scenario to the median homeowner is shown in **Exhibit 34.** Unlike the MPD scenario, a levy lid lift allows the City phase-in the property tax increase.

Exhibit 34
Levy Lid Lift Impact to Median Home



SCENARIO #4: CITY MANAGER'S OPTION B

Changes to City Services: Four new police officers and enhanced youth services.

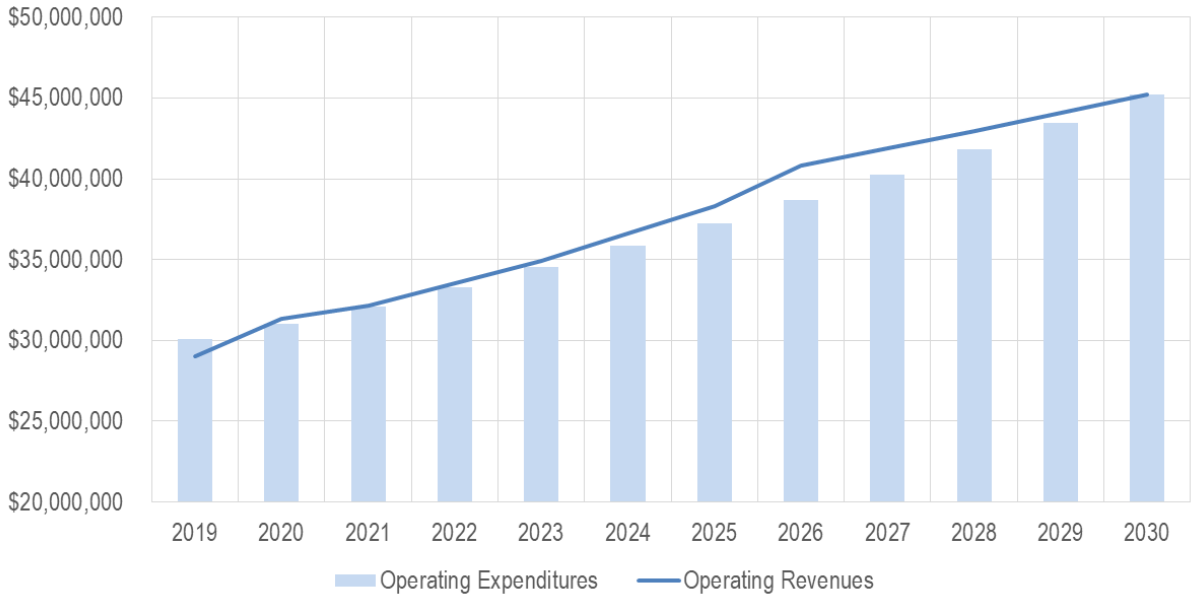
The scenario is like the previous one. The key difference is the enhanced revenue is designed to pay for four additional police officers and enhanced youth services, and does not include the new community center. The levy lid lift schedule is shown in **Exhibit 35.**

Exhibit 35
Levy Lid Lift Schedule (City Manager's Option B)

Levy Schedule	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Levy Year 2	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 3	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 4	-	-	-	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Levy Year 5	-	-	-	-	750,000	750,000	750,000	750,000	750,000	750,000
Levy Year 6	-	-	-	-	-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Lid Lift Revenue:	**$ 500,000**	**$1,000,000**	**$1,500,000**	**$2,250,000**	**$3,000,000**	**$4,500,000**	**$4,500,000**	**$4,500,000**	**$4,500,000**	**$4,500,000**
Total Property Tax Rate:	**$ 1.208**	**$ 1.224**	**$ 1.235**	**$ 1.271**	**$ 1.299**	**$ 1.398**	**$ 1.338**	**$ 1.280**	**$ 1.226**	**$ 1.173**

As can be seen, the total levy amount is $4.5 million, which is $1 million less than Scenario #3 as it is gradually phased-in. The effect of this lid lift on the General Fund's operating forecast is shown in **Exhibit 36.**

Exhibit 36
Operating Forecast (City Manager's Option B)

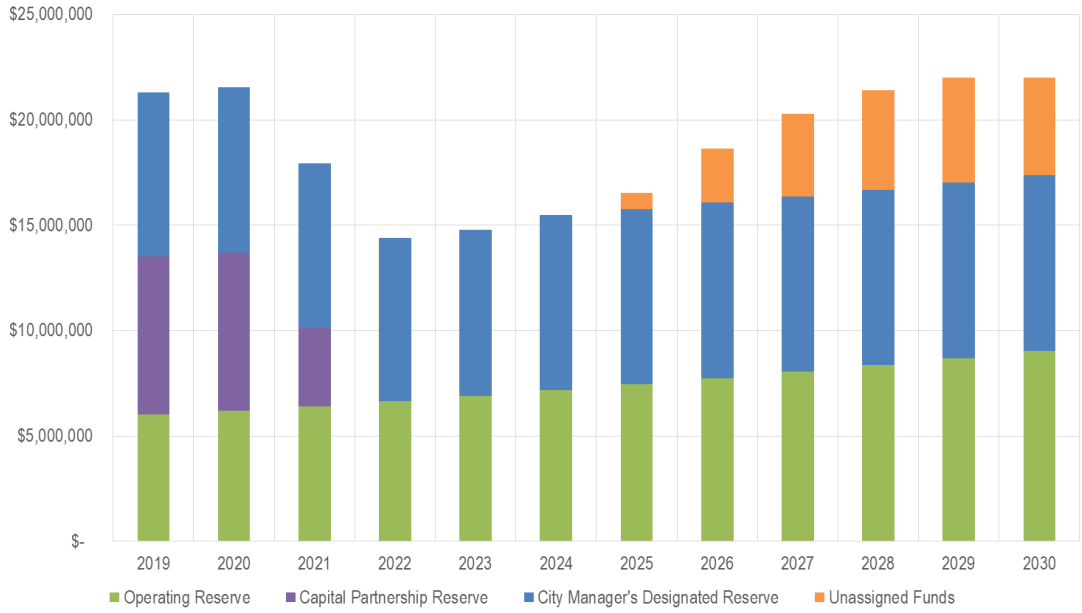


Observations about the operating forecast are described below:

- The levy lid lift contributes about $4.5 million by 2026. RCW 84.55 allows the City to increase the revenues from the levy lid lift by up to 1% per year after the final year of the "lift" or 2026. After factoring the 1% annual increase, total revenues from the levy lid lift are estimated at $4.8 million by 2030.
- The four new police officers employed in 2030 cost about $1.3 million. This represents approximately 3% of General Fund expenditures in 2030.

The effects of these changes on the General Fund's reserves are shown in **Exhibit 37.**

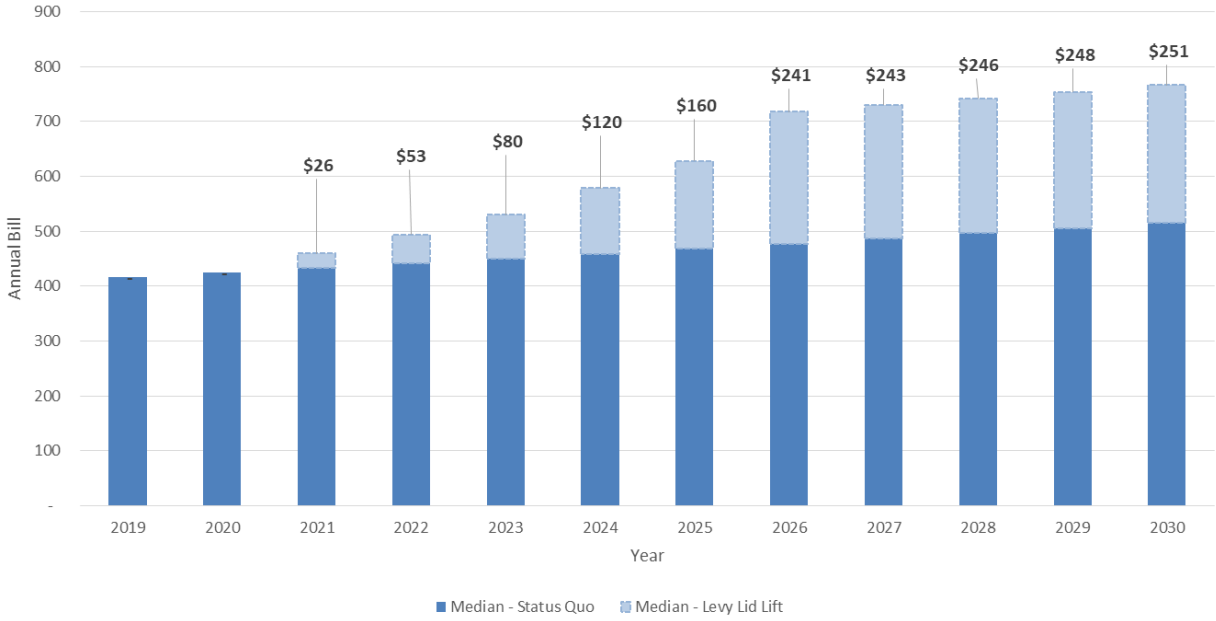
Exhibit 37
Reserve Forecast Analysis (City Manager's Option B)



As with the previous scenario, the levy lid lift is fitted to the projected expenditures, allowing the City to match revenue levels with forecasted expenditures. Unassigned funds begin to grow towards the end of the study period, reaching $22 million by 2030.

The impact of this scenario to the median homeowner is shown in **Exhibit 38**. As with the previous scenario, the levy lid lift allows the City to phase-in the property tax increase.

Exhibit 38
Levy Impact on Median House



This scenario represents an increased property tax bill of $251 in 2030 for the median household. This is a 49% increase over the status quo property tax collected by the City.

SCENARIO #5: CITY MANAGER'S OPTION C

Changes to City Services: New community center, four new police officers, and enhanced youth services.

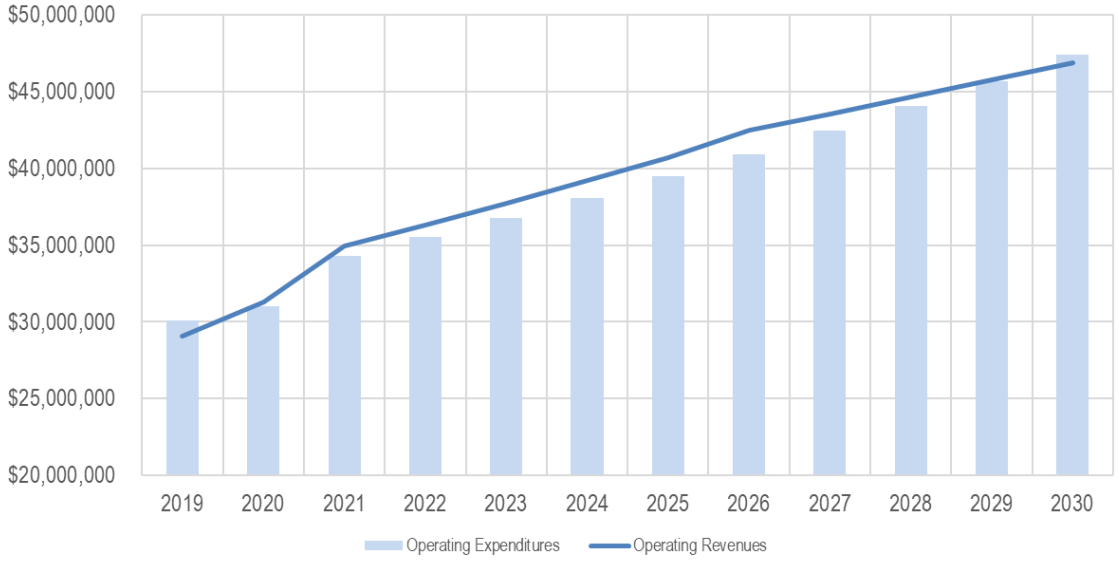
The final City Manager's Option is a combination of the previous two scenarios. This scenario includes a levy lid lift that funds a new community center, four new police officers, and enhanced youth services. The levy lid lift required to achieve this is shown in **Exhibit 39.**

Exhibit 39
Levy Lid Lift Schedule

Levy Schedule	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000
Levy Year 2	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 3	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 4	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 5	-	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 6	-	-	-	-	-	750,000	750,000	750,000	750,000	750,000
Lid Lift Revenue:	**$3,250,000**	**$3,750,000**	**$4,250,000**	**$4,750,000**	**$5,250,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**
Property Tax Rate:	**$ 1.588**	**$ 1.585**	**$ 1.579**	**$ 1.569**	**$ 1.556**	**$ 1.565**	**$ 1.497**	**$ 1.431**	**$ 1.369**	**$ 1.310**

The most significant difference between this scenario and the other City Manager's Option scenarios is the front-loading of the levy lift schedule. The four additional police officers and debt service requirements result in greater costs occurring earlier in the forecast period, necessitating higher revenues by 2021. This scenario results in a $3.25 million levy in 2021, compared to $2.5 million in Scenario 3 and $500,000 in Scenario 4. However, the final levy amount in 2026 is not as drastically different, being the same as scenario 3 and $1.5 million more than scenario 4. The effect of this lid lift on the General Fund's Operating Forecast is shown in **Exhibit 40.**

Exhibit 40
Operating Forecast (City Manager's Option C)



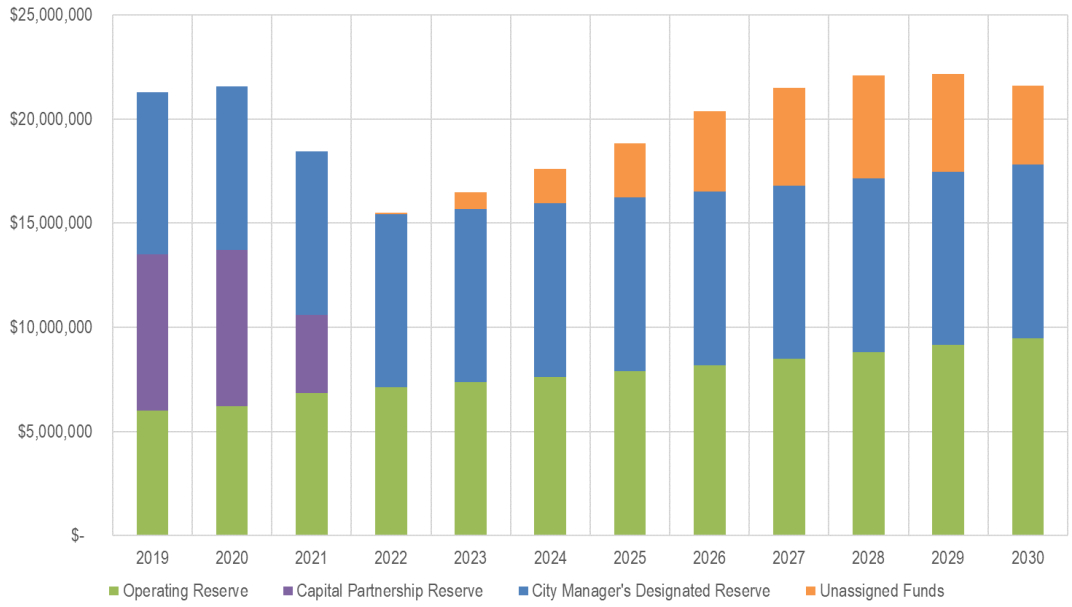
Observations about the operating forecast are provided below:

- The levy lid lift accounts for about $6.0 million in 2026. RCW 84.55 allows the City to increase the revenues from the levy lid lift by up to 1% per year after the final year of the "lift" or 2026. After factoring the 1% annual increase, total revenues from the levy lid lift are estimated at $6.5 million by 2030.

- The combination of debt service on the new community center and the additional personnel costs of the new police officers is approximately $3.5 million in 2030. This represents about 7.5% of General Fund expenditures in 2030.

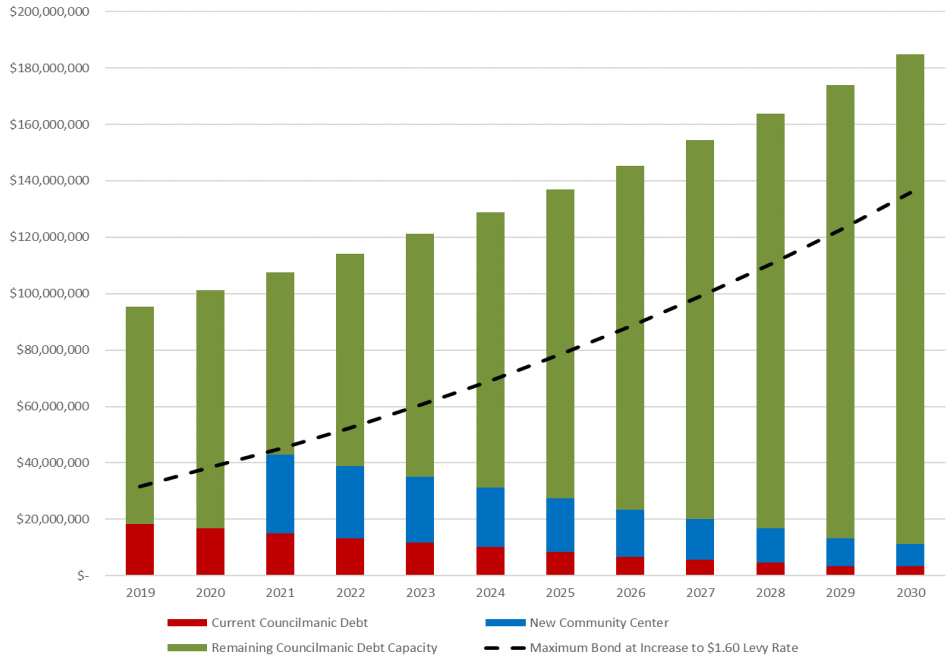
Under this scenario, revenues exceed expenditures from 2020 to 2029. By 2030, expenditures begin to exceed revenues, creating an annual revenue-expenditure gap. Reserve levels built up through 2029 mitigate the gap, and by 2030 reserve levels remain above the minimum target. The effects of this increase are shown in **Exhibit 41.**

Exhibit 41
Reserve Forecast Analysis (City Manager's Option C)



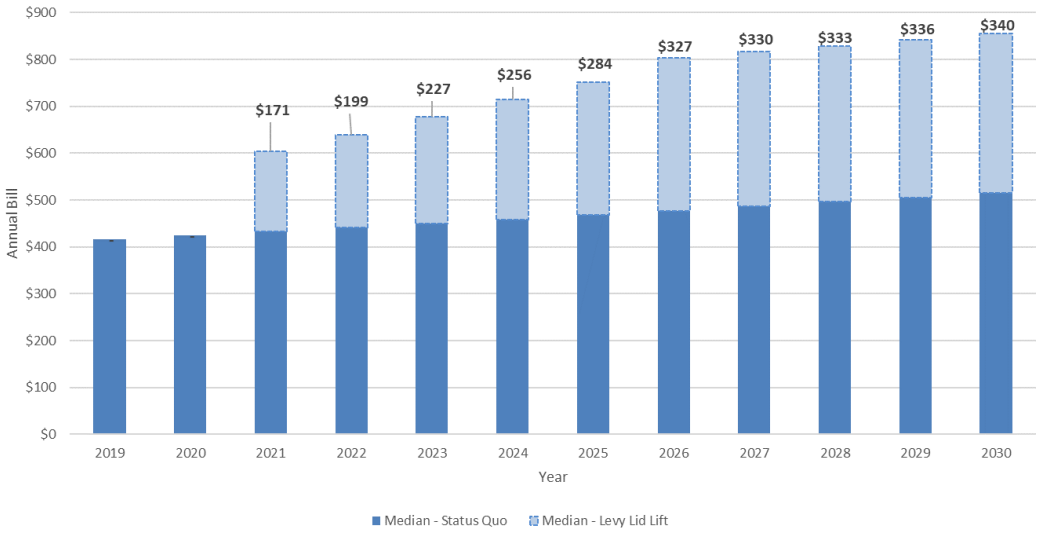
The ending General Fund balance in 2030 is about $21.6 million. The effects of this scenario on the City's bonding capacity is shown in **Exhibit 42.**

Exhibit 42
Bonding Capacity Analysis (City Manager's Option C)



Like Scenario #3, the $30 million debt for the new community center is close to a practical maximum for the General Fund. Without other revenue enhancing measures taken, the City would face significant challenges in making the debt service payments that would be required for a debt of more than $30 million. In addition, this differs from Scenario #3 in that additional levy capacity is taken up through the addition of two more police officers. The effects of this levy on the City's median home is shown in **Exhibit 43.**

Exhibit 43
Levy Impact on Median Home



This represents the highest revenue generating scenario. The median home would experience a $340 property tax increase by 2030 over the status quo levy.

Chapter VI: Summary

The City's General Fund faces a long-term structural challenge common to most municipalities in Washington state. The restriction of 1.0% growth in property tax revenue means that the growth rate of City expenditures consistently exceeds the growth rate of City revenues. Furthermore, the expiration of the City's sales tax annexation credit in mid-2020 removes about $1 million in annual revenue from the General Fund. Although the City has historically operated the General Fund with revenues slightly exceeding expenditures, which has allowed it to accumulate a healthy reserve, this will not continue unless action is taken. Thus, FCS GROUP presented three different scenarios to the City Council:

- **Status Quo** represented the City's financial picture if no changes were made, projecting that all fund reserves would be exhausted by 2027. If the Council were to reduce expenditures to the level of projected revenues, a reduction of $5.8 million from projected expenditures in 2030 would be required.
- **Council-Directed** represented a plan to increase revenues through measures the City Council could implement independently, without voter-approval. These included an increase in Seattle City Light's franchise fee, the imposition of a utility tax/franchise fee on the City's water and sewer districts, increases to gambling taxes and business license fees as well as an increase in the City's B&O tax from 0.1% to 0.2%. Several of these measures were later adopted by Council subsequent to the FCS GROUP presentation in November 2018.
- **City Manager's Option** represented a plan to increase the number of police officers within the City, while also putting the City on sustainable financial footing, through the mechanism of a levy lid lift.

Following a presentation of these scenarios the Council also expressed interest in additional scenarios, which were detailed in Chapter V. Specifically, they were:

- **Public Safety Sales Tax** represented a voter-approved increase of 0.1% in the City's sales tax to fund four additional police officers. This increase did not generate enough revenue to solve the General Fund's gap between revenue and expenditures.
- **Metropolitan Parks District** represented a plan to incorporate a Metropolitan Parks District with a separate levy of $0.75 per $1,000 of assessed value that would be contiguous with the City. This would allow General Fund revenues to be redirected elsewhere. This would also allow for debt financing of a $30 million new community center, and the hiring of two additional police officers.
- **City Manager's Option A—New Community Center** represented the same new community center and two new police officers as funded through an increase in the City's General Fund levy.
- **City Manager's Option B—Additional Police** represented a plan to hire four police officers through a levy lid lift. This scenario has the lowest levy rate increase of the City Manager's Option scenarios.
- **City Manager's Option C—New Community Center and Additional Police** represented a combination of the previous two scenarios, allowing the City to hire four new police officers

and build a new community center. This represented both the highest revenue and highest expenditure scenario. In addition, General Fund expenditures exceed General Fund revenues in 2029 and 2030 in this scenario.

Overall, the City has options to resolve the existing gap between revenues and expenditures in its General Fund. It also has additional capacity to enhance the services that City residents receive through a voter-approved increase in levy rates to fund a new community center or other Council priorities. These options are summarized in **Exhibit 44** and **45**.

Exhibit 44
Phase I Summary

Scenario	Summary	Median Household Property Tax Impact
Status Quo	• General Fund balanced through 2020 • Reserves used to cover revenue gap; General Fund reserves exhausted by 2027 • Requires expenditures $5.8 million less than forecast to balance in 2030	N/A
Council-Directed	• Uses increases to franchise fees, gambling taxes, and business license fees as well as a new utility tax to balance General Fund through 2027, expenditures exceed revenues from 2028 to 2030 • 2030 reserves exceed current reserves, despite covering 2028-30 gap • Does not require voter approval; no additional police officers or capital expenditures	N/A
City Manager's Option	• General Fund balanced through 2030 • Adds 4 additional police officers and enhanced youth services • Uses combination of Council-directed actions and levy lid lift to increase City revenue • Requires voter approval	$66 in 2021 $287 in 2030

Exhibit 45
Phase II Summary

Scenario	Summary	Median Household Property Tax Impact
Public Safety Sales Tax	• General Fund balanced through 2021 • Requires voter approval • Does not solve revenue gap ($4.5 million gap in 2030) • City maintains current community center • Adds 4 new police officers and enhanced youth services	N/A
Incorporation of a Metropolitan Parks District	• Balances both General Fund & Parks District through 2030 • Requires voter approval • Total property tax increase of approximately 5.5% at inception • New community center funded through City/District partnership and bond funding • Adds 2 new police officers and enhanced youth services	$285 in 2021 $312 in 2030
City Manager's Option A	• Balanced through 2030 • Levy lid lift requiring voter approval • Total property tax increase of approximately 6.1% by final year of lid lift • New community center funded by $30 million bond • Adds 2 new police officers and enhanced youth services	$131 in 2021 $338 in 2030
City Manager's Option B	• Balanced through 2030 • Levy lid lift requiring voter approval • Total property tax increase of approximately 4.5% by final year of levy lid lift • City maintains its current community center • Adds 4 new police officers and enhanced youth services	$26 in 2021 $251 in 2030
City Manager's Option C	• Balanced through 2029 • Levy lid lift requiring voter approval • Total property tax impact of approximately 6.2% by final year of levy lid lift • New community center funded by $30 million bond • Adds 4 new police officers and enhanced youth services	$171 in 2021 $340 in 2030

APPENDIX A – STATUS QUO FINANCIAL FORECAST

Operating Revenue Summary	Prelim. Budget 2019	Prelim. Budget 2020	Projection 2021	Projection 2022	Projection 2023	Projection 2024
Property Tax	$ 7,065,000	$ 7,980,000	$ 8,162,389	$ 8,323,215	$ 8,487,209	$ 8,654,435
Sales Tax	7,925,000	8,240,000	8,628,749	8,973,899	9,332,855	9,706,170
Sales Tax - Annexation Credit	980,000	510,000	-	-	-	-
Sales Tax - Local Crim. Justice	1,600,000	1,635,000	1,700,400	1,768,416	1,839,153	1,912,719
Business & Occupation Taxes	1,575,000	1,605,000	1,643,520	1,681,321	1,718,310	1,756,113
Utility Taxes	2,481,000	2,526,000	2,586,624	2,646,116	2,704,331	2,763,826
Gambling & Other Taxes	1,227,500	1,237,500	1,256,160	1,274,472	1,292,390	1,310,703
Licenses & Permits	71,000	71,000	72,704	74,376	76,012	77,685
Licenses	325,000	325,000	332,800	340,454	347,944	355,599
Franchise Fees	665,000	685,000	701,440	717,573	733,360	749,494
Building, Electrical, and ROW Permits	772,000	793,000	807,232	821,198	834,865	848,832
Intergovernmental Revenue	1,677,100	1,777,100	1,819,750	1,861,605	1,902,560	1,944,416
Charges for Services	1,105,000	1,115,000	1,141,760	1,168,020	1,193,717	1,219,979
Fines & Penalties	270,000	275,000	280,280	285,461	290,532	295,713
Facility Leases	300,000	300,000	307,200	314,266	321,179	328,245
Miscellaneous Revenue	270,000	270,000	276,480	282,839	289,061	295,421
Other Financing Sources	400,000	400,000	-	-	-	-
Transfers In	80,000	80,000	81,920	83,804	85,648	87,532
Grants	85,000	43,000	44,032	45,045	46,036	47,049
Total Operating Revenues	**$ 28,873,600**	**$ 29,867,600**	**$ 29,843,441**	**$ 30,662,081**	**$ 31,495,162**	**$ 32,353,929**
Check to Preliminary Budget:	*$ 28,873,600*	*$ 29,867,600*				
Percent Change from Prior Year		*3.44%*	*-0.08%*	*2.74%*	*2.72%*	*2.73%*

Operating Revenue Summary	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030
Property Tax	$ 8,824,956	$ 8,998,836	$ 9,176,143	$ 9,356,943	$ 9,541,305	$ 9,729,300
Sales Tax	10,094,416	10,498,193	10,918,121	11,354,846	11,809,039	12,281,401
Sales Tax - Annexation Credit	-	-	-	-	-	-
Sales Tax - Local Crim. Justice	1,989,227	2,068,797	2,151,548	2,237,610	2,327,115	2,420,199
Business & Occupation Taxes	1,794,747	1,834,232	1,874,585	1,915,826	1,957,974	2,001,049
Utility Taxes	2,824,630	2,886,772	2,950,281	3,015,187	3,081,522	3,149,315
Gambling & Other Taxes	1,329,418	1,348,545	1,368,093	1,388,071	1,408,489	1,429,356
Licenses & Permits	79,394	81,140	82,926	84,750	86,614	88,520
Licenses	363,422	371,418	379,589	387,940	396,474	405,197
Franchise Fees	765,983	782,834	800,056	817,658	835,646	854,030
Building, Electrical, and ROW Permits	863,106	877,694	892,604	907,841	923,413	939,329
Intergovernmental Revenue	1,987,193	2,030,912	2,075,592	2,121,255	2,167,922	2,215,617
Charges for Services	1,246,818	1,274,248	1,302,282	1,330,932	1,360,212	1,390,137
Fines & Penalties	301,009	306,421	311,952	317,605	323,383	329,287
Facility Leases	335,467	342,847	350,390	358,098	365,976	374,028
Miscellaneous Revenue	301,920	308,562	315,351	322,288	329,379	336,625
Other Financing Sources	-	-	-	-	-	-
Transfers In	89,458	91,426	93,437	95,493	97,594	99,741
Grants	48,084	49,141	50,223	51,327	52,457	53,611
Total Operating Revenues	**$ 33,239,249**	**$ 34,152,019**	**$ 35,093,172**	**$ 36,063,670**	**$ 37,064,515**	**$ 38,096,741**
Check to Preliminary Budget:						
Percent Change from Prior Year	*2.74%*	*2.75%*	*2.76%*	*2.77%*	*2.78%*	*2.78%*

Expenditures Summary	Prelim. Budget 2019	Prelim. Budget 2020	Projection 2021	Projection 2022	Projection 2023	Projection 2024
City Council	$ 260,005	$ 264,005	$ 521,054	$ 278,229	$ 285,533	$ 293,138
City Manager's Office	1,920,095	1,889,955	1,943,845	1,997,848	2,051,919	2,107,787
Finance & IT	3,686,825	4,363,130	4,481,035	4,598,468	4,715,278	4,835,596
Administrative Services	1,241,405	1,186,435	1,262,892	1,300,831	1,299,251	1,339,158
Legal	1,476,470	1,494,360	1,534,540	1,574,535	1,614,292	1,655,231
Police	13,096,100	13,616,100	14,294,276	15,006,195	15,753,539	16,538,186
Public Works	544,325	557,540	567,597	582,608	597,556	612,960
Community Development	2,539,885	1,857,370	1,919,107	1,982,053	2,046,133	2,112,850
Parks/Rec/Cultural Services	4,345,187	4,431,207	4,539,788	4,675,874	4,813,223	4,955,661
Transfers	376,500	376,500	386,185	396,119	406,309	416,761
[Extra]	-	-	-	-	-	-
Total Expenditures	**$ 29,486,797**	**$ 30,036,602**	**$ 31,450,320**	**$ 32,392,762**	**$ 33,583,033**	**$ 34,867,328**
Preliminary Budget:	*$ 29,486,797*	*$ 30,036,602*				
Percent Change from Prior Year		*1.86%*	*4.71%*	*3.00%*	*3.67%*	*3.82%*

Expenditures Summary	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030
City Council	$ 301,058	$ 309,310	$ 317,910	$ 326,876	$ 336,226	$ 345,980
City Manager's Office	2,165,527	2,225,219	2,286,948	2,350,802	2,416,872	2,485,258
Finance & IT	4,959,555	5,087,297	5,218,967	5,354,718	5,494,712	5,639,118
Administrative Services	1,380,622	1,423,718	1,468,526	1,515,128	1,563,614	1,614,075
Legal	1,697,397	1,740,835	1,785,594	1,831,726	1,879,283	1,928,322
Police	17,361,998	18,226,932	19,135,044	20,088,489	21,089,535	22,140,558
Public Works	628,839	645,210	662,094	679,511	697,482	716,029
Community Development	2,182,337	2,254,733	2,330,185	2,408,848	2,490,886	2,576,470
Parks/Rec/Cultural Services	5,103,426	5,256,767	5,415,944	5,581,236	5,752,932	5,931,340
Transfers	427,482	438,479	449,758	461,328	473,195	485,368
[Extra]	-	-	-	-	-	-
Total Expenditures	**$ 36,208,241**	**$ 37,608,500**	**$ 39,070,970**	**$ 40,598,661**	**$ 42,194,736**	**$ 43,862,518**
Preliminary Budget:						
Percent Change from Prior Year	*3.85%*	*3.87%*	*3.89%*	*3.91%*	*3.93%*	*3.95%*

Annual Cash Flow Summary	Revised Budget 2019	Projected Budget 2020	Projection 2021	Projection 2022	Projection 2023	Projection 2024
Operating Revenues	$ 28,873,600	$ 29,867,600	$ 29,843,441	$ 30,662,081	$ 31,495,162	$ 32,353,929
Plus: Interest Earnings	-	-	178,785	158,670	135,037	105,802
Less: Operating Expenditures	(29,486,797)	(30,036,602)	(31,450,320)	(32,392,762)	(33,583,033)	(34,867,328)
Annual Surplus / (Deficit)	**$ (613,197)**	**$ (169,002)**	**$ (1,428,094)**	**$ (1,572,010)**	**$ (1,952,834)**	**$ (2,407,597)**

Fund Balance Summary	Revised Budget 2019	Projected Budget 2020	Projection 2021	Projection 2022	Projection 2023	Projection 2024
Beginning Balance	**$ 14,828,990**	**$ 14,215,793**	**$ 14,046,791**	**$ 12,618,697**	**$ 11,046,687**	**$ 9,093,853**
Plus: Operating Revenues	28,873,600	29,867,600	29,843,441	30,662,081	31,495,162	32,353,929
Plus: Interest Earnings	-	-	178,785	158,670	135,037	105,802
Less: Operating Expenditures	(29,486,797)	(30,036,602)	(31,450,320)	(32,392,762)	(33,583,033)	(34,867,328)
Less: Transfer to Capital Partnership Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	**$ 14,215,793**	**$ 14,046,791**	**$ 12,618,697**	**$ 11,046,687**	**$ 9,093,853**	**$ 6,686,256**
info: Ending Balance as Percent of Expenditures	*49.23%*	*47.03%*	*42.28%*	*36.03%*	*28.87%*	*20.67%*
Year-End Carryover Target	*$ 5,897,359*	*$ 6,007,320*	*$ 6,290,064*	*$ 6,478,552*	*$ 6,716,607*	*$ 6,973,466*
Above/ (Below) Target	*$ 8,318,434*	*$ 8,039,471*	*$ 6,328,633*	*$ 4,568,134*	*$ 2,377,246*	*$ (287,209)*

Assigned Reserves	Revised Budget 2019	Projected Budget 2020	Projection 2021	Projection 2022	Projection 2023	Projection 2024
Beginning Balance	**$ 8,908,000**	**$ 8,908,000**	**$ 8,908,000**	**$ 9,028,258**	**$ 9,150,139**	**$ 9,273,666**
Plus: Transfers to/from Operating Fund	-	-	-	-	-	-
Plus: Interest Earnings	-	-	120,258	121,881	123,527	125,194
Ending Balance	**$ 8,908,000**	**$ 8,908,000**	**$ 9,028,258**	**$ 9,150,139**	**$ 9,273,666**	**$ 9,398,861**
Ending Balance as a Percent of Expenditures	30.21%	29.66%	28.71%	28.25%	27.61%	26.96%

*Includes Capital Partnership Reserve and Capital Equipment Assigned Funds

Check to Preliminary Budget - Beginning Fund Balance	$ 23,736,990	$ 23,123,793	$ 22,954,791

Total General Fund Beginning Balance	$ 23,736,990	$ 23,123,793	$ 22,954,791	$ 21,646,955	$ 20,196,826	$ 18,367,519

Annual Cash Flow Summary	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030
Operating Revenues	$ 33,239,249	$ 34,152,019	$ 35,093,172	$ 36,063,670	$ 37,064,515	$ 38,096,741
Plus: Interest Earnings	70,224	27,800	-	-	-	-
Less: Operating Expenditures	(36,208,241)	(37,608,500)	(39,070,970)	(40,598,661)	(42,194,736)	(43,862,518)
Annual Surplus / (Deficit)	**$ (2,898,768)**	**$ (3,428,681)**	**$ (3,977,798)**	**$ (4,534,991)**	**$ (5,130,221)**	**$ (5,765,777)**

Fund Balance Summary	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030
Beginning Balance	**$ 6,686,256**	**$ 3,787,488**	**$ 358,807**	**$ (3,618,991)**	**$ (8,153,982)**	**$ (13,284,203)**
Plus: Operating Revenues	33,239,249	34,152,019	35,093,172	36,063,670	37,064,515	38,096,741
Plus: Interest Earnings	70,224	27,800	-	-	-	-
Less: Operating Expenditures	(36,208,241)	(37,608,500)	(39,070,970)	(40,598,661)	(42,194,736)	(43,862,518)
Less: Transfer to Capital Partnership Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	**$ 3,787,488**	**$ 358,807**	**$ (3,618,991)**	**$ (8,153,982)**	**$ (13,284,203)**	**$ (19,049,980)**
info: Ending Balance as Percent of Expenditures	*11.39%*	*1.05%*	*-10.31%*	*-22.61%*	*-35.84%*	*-50.00%*
Year-End Carryover Target	*$ 7,241,648*	*$ 7,521,700*	*$ 7,814,194*	*$ 8,119,732*	*$ 8,438,947*	*$ 8,772,504*
Above/ (Below) Target	*$ (3,454,160)*	*$ (7,162,893)*	*$ (11,433,185)*	*$ (16,273,714)*	*$ (21,723,151)*	*$ (27,822,484)*

Assigned Reserves	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030
Beginning Balance	**$ 9,398,861**	**$ 9,525,745**	**$ 9,654,343**	**$ 9,784,677**	**$ 9,916,770**	**$ 10,050,646**
Plus: Transfers to/from Operating Fund	-	-	-	-	-	-
Plus: Interest Earnings	126,885	128,598	130,334	132,093	133,876	135,684
Ending Balance	**$ 9,525,745**	**$ 9,654,343**	**$ 9,784,677**	**$ 9,916,770**	**$ 10,050,646**	**$ 10,186,330**
Ending Balance as a Percent of Expenditures	26.31%	25.67%	25.04%	24.43%	23.82%	23.22%

*Includes Capital Partnership Reserve and Capital Equipment Assigned Funds

Check to Preliminary Budget - Beginning Fund Balance

Total General Fund Beginning Balance	$ 16,085,117	$ 13,313,234	$ 10,013,150	$ 6,165,686	$ 1,762,788	$ (3,233,557)

APPENDIX B – NOVEMBER 26, 2018 COUNCIL PRESENTATION (PHASE I)

City of Burien

2018 General Fund Financial Plan

Courtney Black
Luke Slaughterbeck
Peter Moy

November 26, 2018

FCS GROUP
Solutions-Oriented Consulting

1

Introduction / Background

FCS Group was contracted to create a financial plan for the City's General Fund:

- Historical trend analysis – 10 years
- Baseline forecast based on 2019-20 Preliminary Budget – 10 years
- Financial plan scenario alternatives to address potential revenue/expenditure gap
- Policy review for best budgeting and financial practices

Key General Fund Forecast Issues:

- Preliminary Budget: ongoing revenues are balanced with ongoing expenditures – use of reserves for one-time capital expenditures
- Sales tax annexation credit expires July 2020 ($1m annually) – revenue/expenditure gap begins 2021
- Potential future funding needs – enhanced public safety, Public Works/PaRCS Maintenance Partnership Facility funding gap, Community Center

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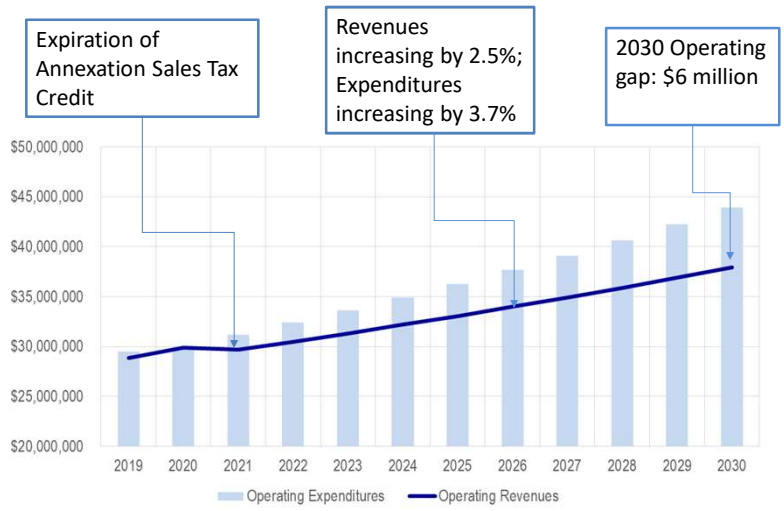
2

Study Data and Assumptions

Data	Detail
Historical Data	City provided 10 years (2008-17) of actual expenditures and revenues to provide an historical perspective by line item
Property Tax Revenue	Assessed Value and New Construction – Based on historical average, 2010-17. In 2020, 100% to General Fund (10% was dedicated to capital projects from 2012-19)
Sales Tax Revenue	Sales tax revenue escalated consistent with budgeted 4% in 2019-20, consistent with historical average
Personnel Costs	Salaries and Wages as contracted (per labor agreement - CPI), benefits 6% annually based on staff input
Inflationary Factors	The Seattle Consumer Price Index (forecast provided by Economic and Revenue Forecast Council through 2024)

3

Status Quo – Operating Forecast



4

Reserve Structure and Policies

Reserve	Policy / Purpose	2019 Target/Minimum
Operating Reserve	20% of budgeted revenues	$5.4 million
City Manager's Designated Reserve	For economic risk and unexpected costs	$8.3 million
Capital Partnership Reserve Assigned Funds	Partnership with other agencies on shared capital facilities	$7.5 million
Capital Equipment Assigned Funds	Purchase furnishings or equipment for new City facilities	$1 million
Asset Forfeiture (Drug Seizure)	Restricted for Police Operations	$270,000
Parking Reserve	Restricted for parking development costs	$138,000

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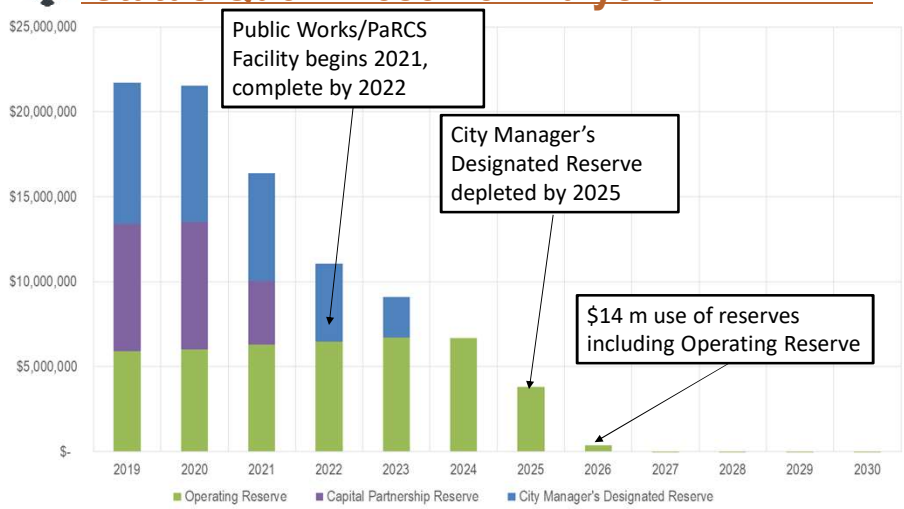
Status Quo – Reserve Analysis



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Financial Plan Options

Revenue Gap Solutions
1. Council Action Revenue Options
2. Expenditure Reductions
3. Levy Lid Lift
Enhanced Level of Service
4. Enhanced Services Funding Plan
5. City Manager's Option/Consideration

7

Council Action Revenue Options

Revenue Source:	Increase:	Est. Revenue Impact:
Seattle City Light Franchise Fee	From 6% to 8%	$400,000
Utility Tax/Franchise Fee – Water and Sewer	From 0% to 6%	$1 million
Business License Fee Increase	From $90 to $180	$300,000
Gambling – Card Room Tax Increase	From 8% to 11%	$130,000
B&O Tax	From 0.1% to 0.2%	$1.5 million
Transportation Benefit District	From $20 to $40	$780,000 (Does not affect General Fund gap)

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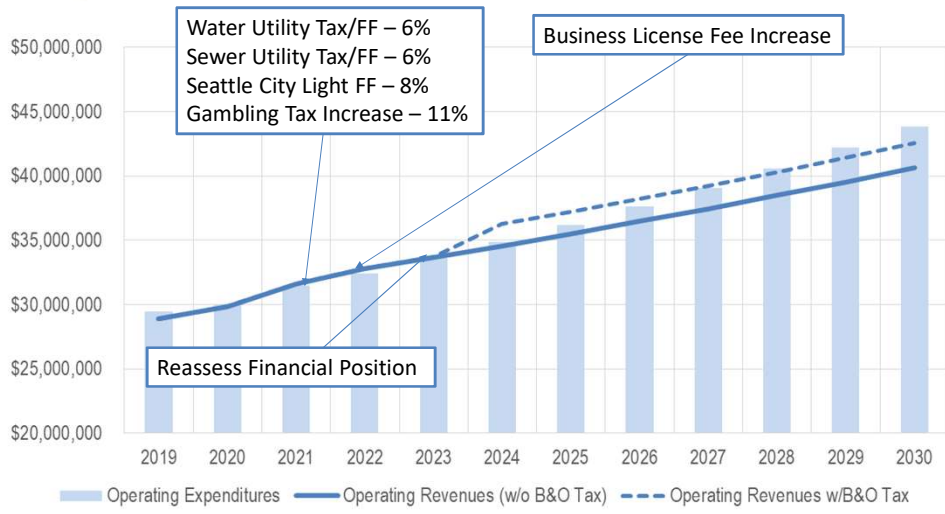
1. Council Action – Revenue Forecast



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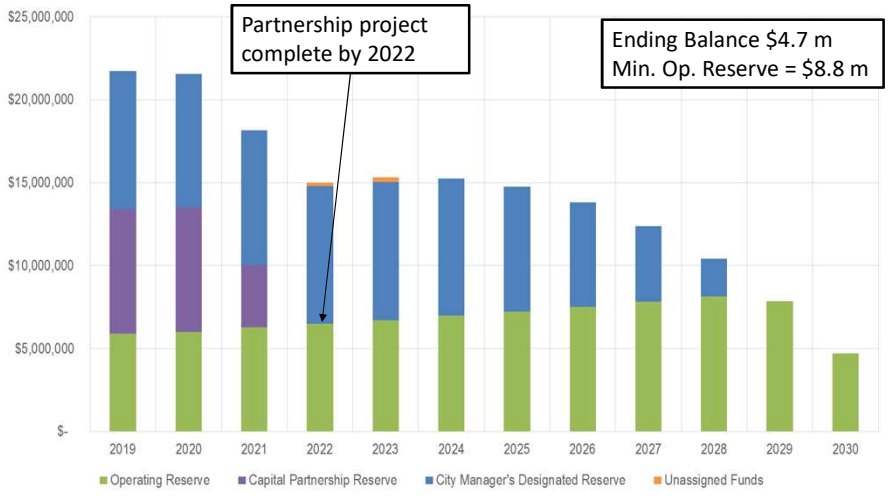
1. Council Action – Reserve Analysis



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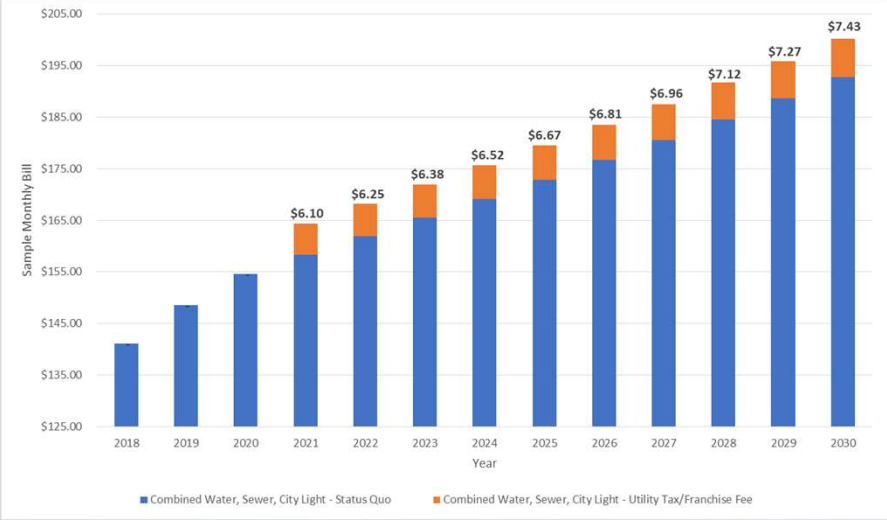
1. Sample Monthly Residential Utility Bill Impact



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2. Expenditure Cuts

Tests the amount of expenditure cuts needed to eliminate the gap

Significant reductions required beginning in 2021

Reduced level of service to Burien residents – unidentified sources of cuts

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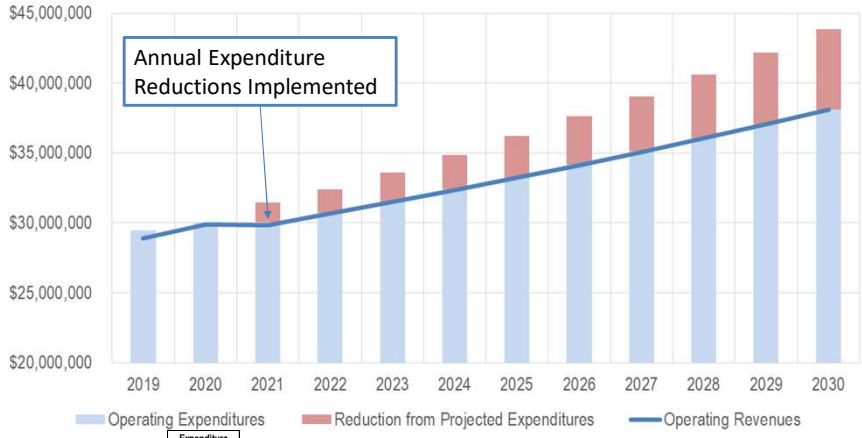
2. Expenditure Cuts – Operating Forecast



Expenditure Cuts Begin

Expenditure Reduction Summary	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Reduction	$ 1,417,723	$ 260,151	$ 380,655	$ 431,862	$ 459,137	$ 490,653	$ 524,511	$ 560,487	$ 598,642	$ 639,090
Reduction from Projected Expenditures*	1,417,723	1,677,875	2,058,529	2,490,391	2,949,528	3,440,181	3,964,691	4,525,178	5,123,820	5,762,910
Cumulative Savings	1,417,723	3,095,598	5,154,127	7,644,518	10,594,046	14,034,227	17,998,918	22,524,097	27,647,917	33,410,827

*Maintained Level of Service

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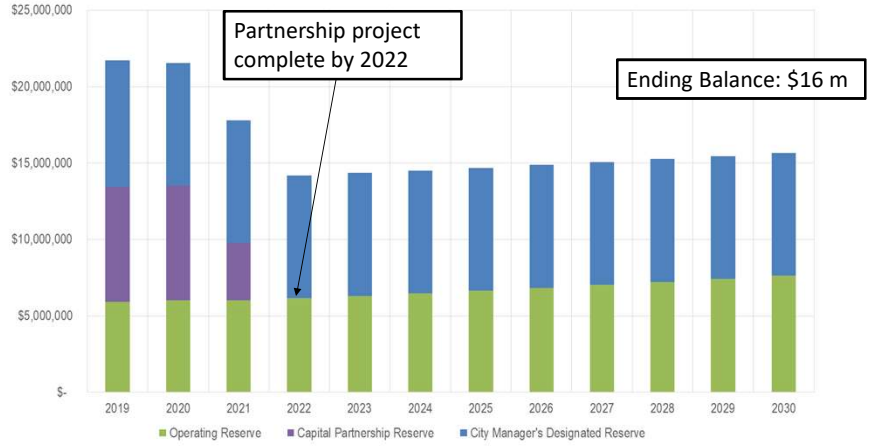
2. Expenditure Cuts – Reserve Analysis



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3. Permanent Levy Lid Lift

- Taxing jurisdictions with a rate less than their statutory maximum may ask the voters to "lift" the levy lid by increasing the rate to an amount equal to or less than their statutory maximum rate ($1.60)
- Levy Lid Lift approved in 2020, revenue increases begin in 2021
- A *Permanent, Multi-Year Lid Lift* is projected to eliminate the gap through 2030
- Assumes that no other revenue options have been implemented

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$ -	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000
Levy Year 2	-	-	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Levy Year 3	-	-	-	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Levy Year 4	-	-	-	-	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Levy Year 5	-	-	-	-	-	225,000	225,000	225,000	225,000	225,000	225,000
Levy Year 6	-	-	-	-	-	-	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Lid Lift Revenue:	**$ -**	**$ 2,000,000**	**$ 2,150,000**	**$ 2,300,000**	**$ 2,450,000**	**$ 2,675,000**	**$ 5,175,000**	**$ 5,175,000**	**$ 5,175,000**	**$ 5,175,000**	**$ 5,175,000**
Total Property Tax Rate:	**$ 1.186**	**$ 1.415**	**$ 1.376**	**$ 1.336**	**$ 1.298**	**$ 1.268**	**$ 1.470**	**$ 1.407**	**$ 1.346**	**$ 1.288**	**$ 1.232**

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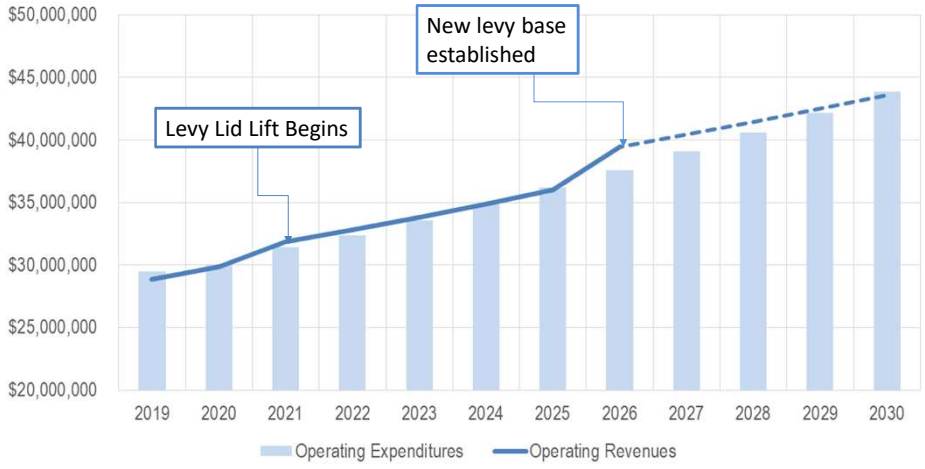
3. Levy Lid Lift – Operating Forecast



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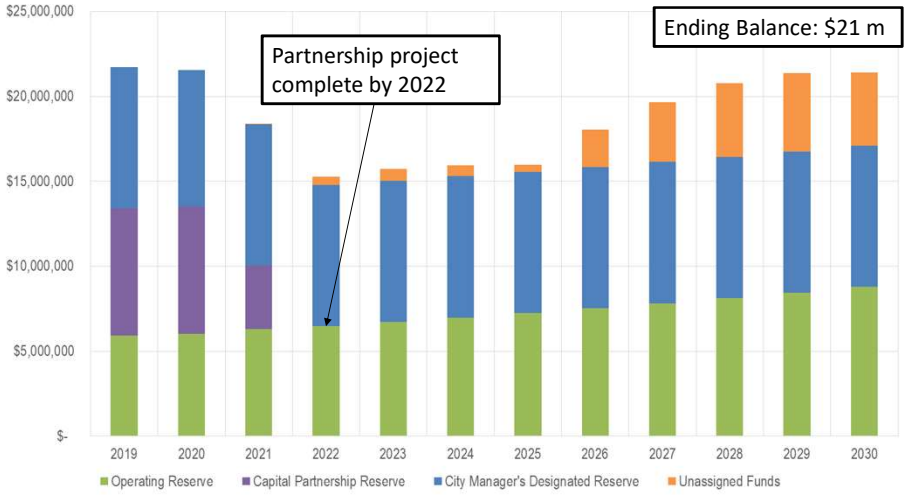
3. Levy Lid Lift – Reserve Analysis



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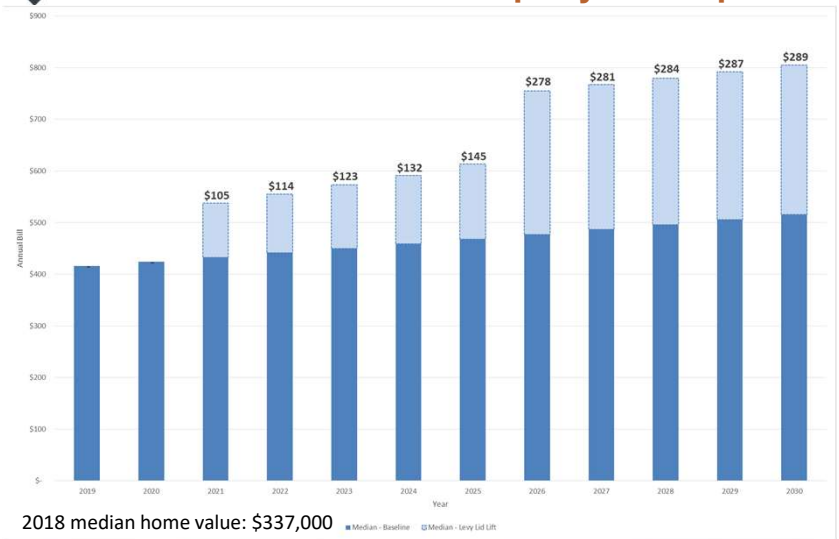
3. Median Home Value Property Tax Impacts



2018 median home value: $337,000

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4. Enhanced Services

Enhanced police services:

- 2 new officers in 2019 ($200,000 each) (funded by reserve in 2019)
- 2 new officers in 2020

Enhanced youth services:

- One time costs of $600,000 in 2019 and 2020 each (funded by reserve in 2019)

Utilizes Council action revenue options

Levy Lid Lift beginning in 2021

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$ -	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000
Levy Year 2	-	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 3	-	-	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 4	-	-	-	-	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 5	-	-	-	-	-	400,000	400,000	400,000	400,000	400,000	400,000
Levy Year 6	-	-	-	-	-	-	500,000	500,000	500,000	500,000	500,000
Lid Lift Revenue:	**$ -**	**$ 800,000**	**$ 1,200,000**	**$ 1,600,000**	**$ 2,000,000**	**$ 2,400,000**	**$ 2,900,000**	**$ 2,900,000**	**$ 2,900,000**	**$ 2,900,000**	**$ 2,900,000**
Total Property Tax Rate:	**$ 1.186**	**$ 1.249**	**$ 1.250**	**$ 1.248**	**$ 1.243**	**$ 1.234**	**$ 1.234**	**$ 1.182**	**$ 1.132**	**$ 1.085**	**$ 1.039**

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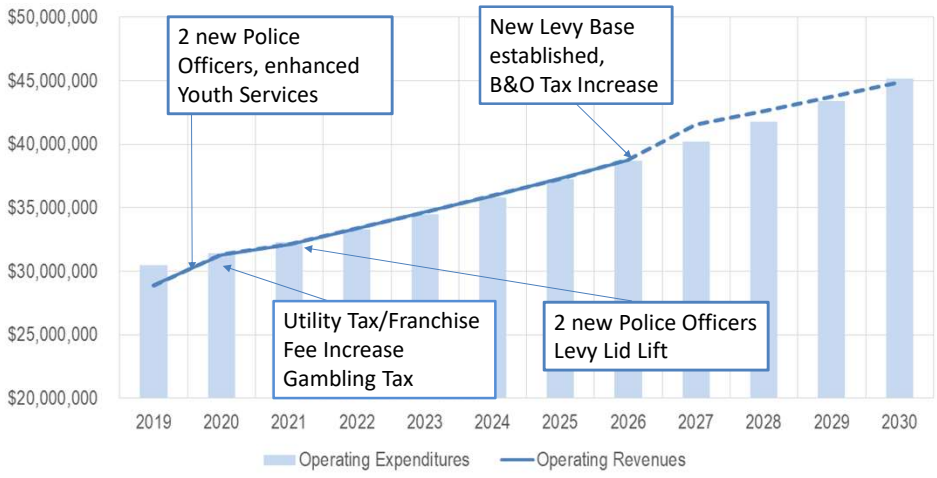
4. Enhanced Services – Operating Forecast



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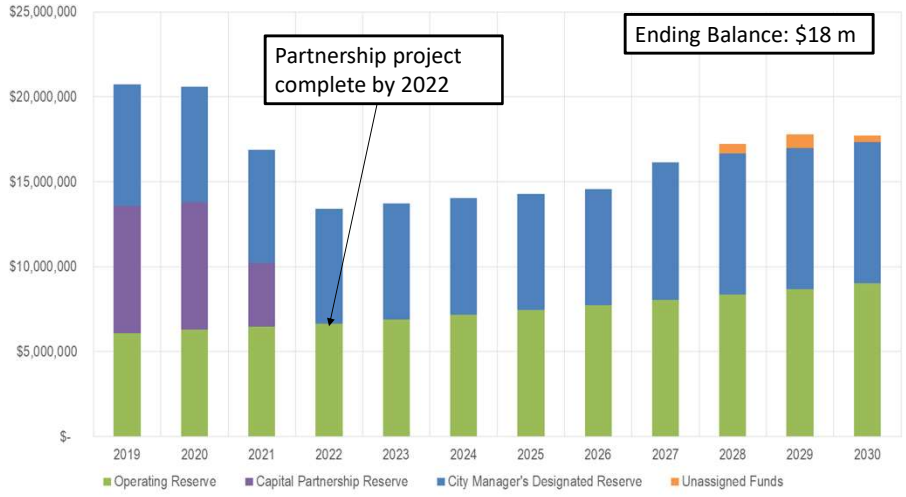
4. Enhanced Services – Reserve Analysis



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4. Median Home Value Property Tax Impacts

2018 Median home value: $337,000 ■ Median - Baseline ■ Median - Levy Lid Lift

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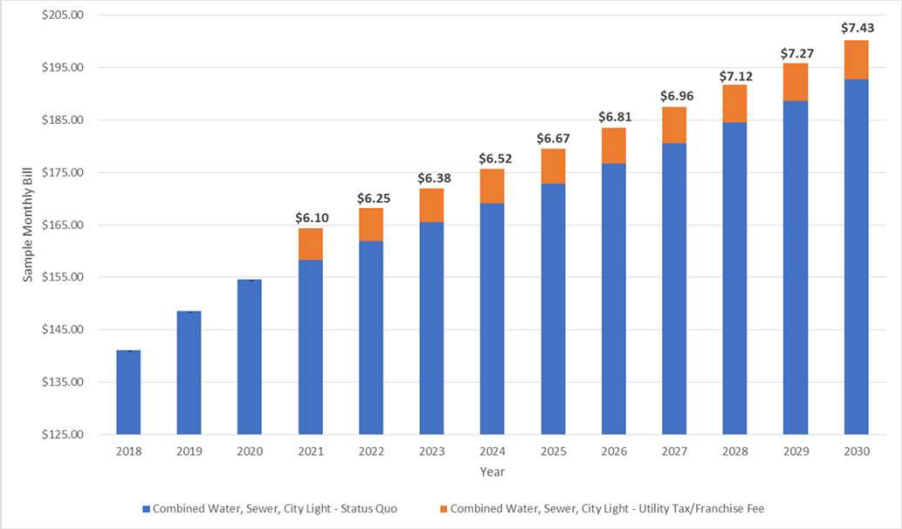
4. Sample Monthly Residential Utility Bill Impact



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5. City Manager's Option/Consideration

Enhanced police services:

- 2 new officers in 2020 ($200,000 each) (timed with revenue source)
- 2 new officers in 2021

Enhanced youth services:

- One time costs of $600,000 in 2019 and 2020 each (funded by reserve in 2019)

Utilizes Council action revenue options – no B&O tax increase included

Levy Lid Lift beginning in 2021

Levy Schedule	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$ -	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
Levy Year 2	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Levy Year 3	-	-	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Levy Year 4	-	-	-	-	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Levy Year 5	-	-	-	-	-	450,000	450,000	450,000	450,000	450,000	450,000
Levy Year 6	-	-	-	-	-	-	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Lid Lift Revenue:	**$ -**	**$1,250,000**	**$1,500,000**	**$1,750,000**	**$2,200,000**	**$2,650,000**	**$5,150,000**	**$5,150,000**	**$5,150,000**	**$5,150,000**	**$5,150,000**
Total Property Tax Rate:	**$ 1.186**	**$ 1.311**	**$ 1.290**	**$ 1.267**	**$ 1.267**	**$ 1.263**	**$ 1.466**	**$ 1.402**	**$ 1.342**	**$ 1.284**	**$ 1.228**

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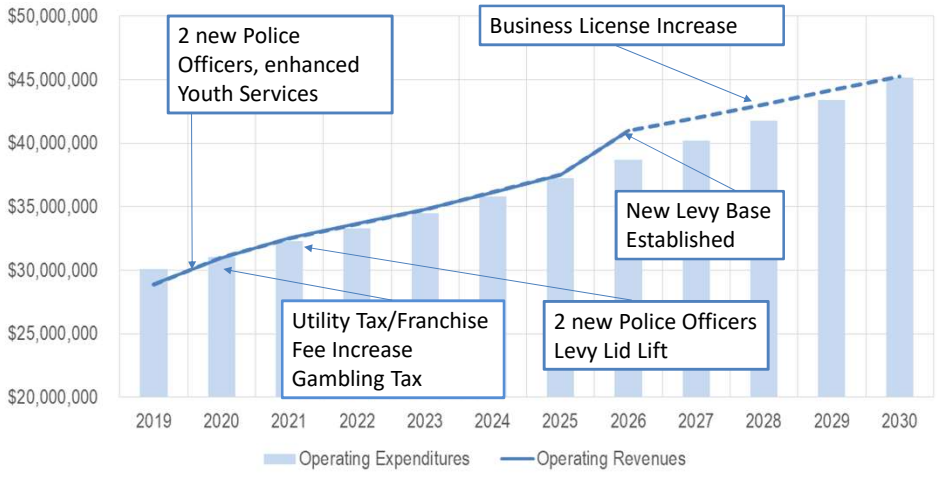
5. C.M. Option – Operating Forecast



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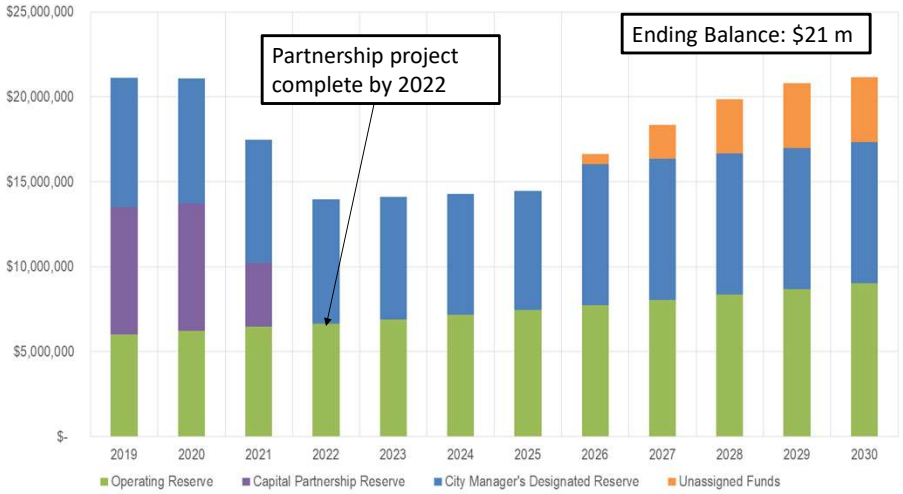
5. C.M. Option – Reserve Analysis



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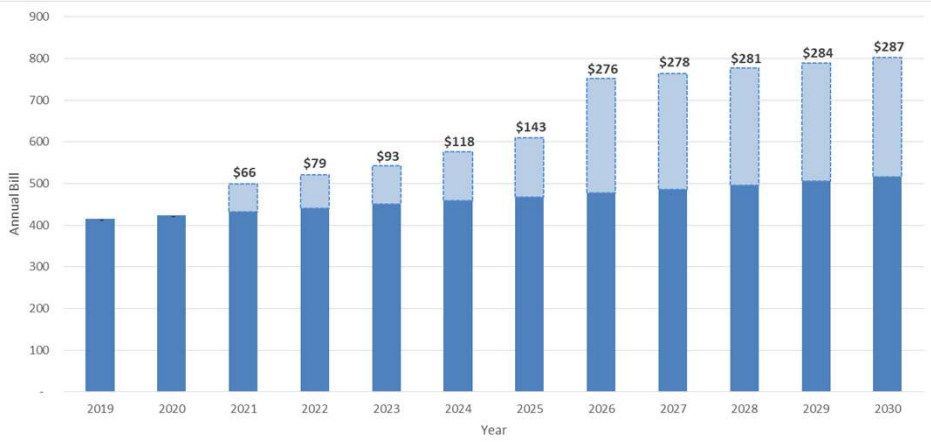
5. Median Home Value Property Tax Impacts



2018 Median home value: $337,000

Median - Baseline Median - Levy Lid Lift

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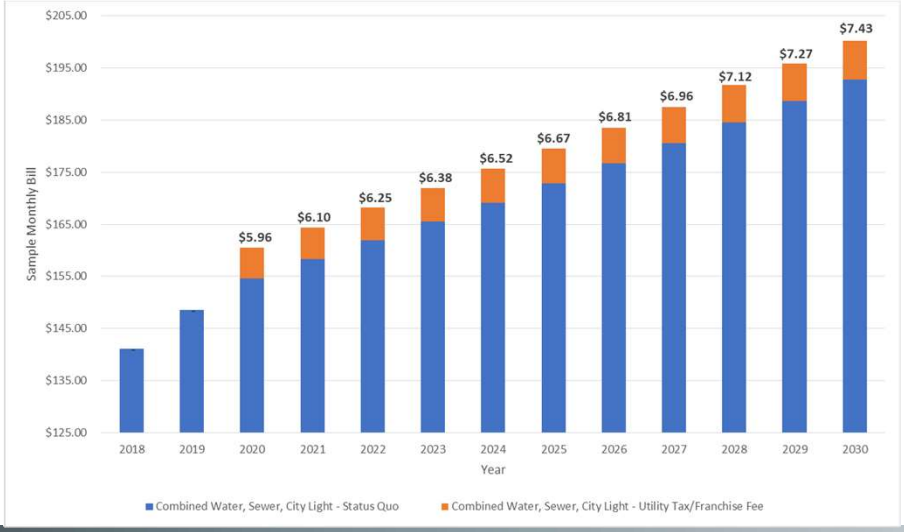
5. Sample Monthly Residential Utility Bill Impact



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Summary

Summary:

- Balanced budget 2019-20
- Status quo gap beginning 2021
- Revenue and tax options available to address gap
- Enhanced service funding requires combination of Council action revenue sources and voter approved options

- **City Manager's Option/Consideration**
  - Provides enhanced services
  - Requires use of reserves
  - Includes levy lid lift
  - No B&O Tax increase

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Next Steps

Council Guidance:

- Council directed scenario options
  - Revenue options to exclude?
  - Other options not considered?
- Other Council interests
  - Community Center: Include in analysis?
  - Public Works/PaRCS Maintenance Facility: Additional City Reserve Funding?
  - Parks District?
- Discuss City Manager's Option/Consideration

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Courtney Black
Project Manager
courtneyb@fcsgroup.com
Direct 425.241.9343

Contact FCS GROUP:
(425) 867-1802
www.fcsgroup.com

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Solutions-Oriented Consulting

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Appendix C – March 25, 2019 Council Presentation (Phase II)

City of Burien

2019 General Fund Financial Plan (Phase II)

March 25, 2019

Peter Moy, Technical Advisor
Matt Hobson, Project Manager
Luke Slaughterbeck, Financial Analyst

FCS GROUP
Solutions-Oriented Consulting

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Introduction

Where we are:

- **Engaged to perform general fund long term financial analysis**
- **Worked with staff to evaluate alternatives to address the projected gap and enhanced public safety priorities**
- **Nov 26th 2018 presented Council with findings and alternatives**
- **Received feedback on other options to evaluate and report on**

Where we're going:

- **Review Phase I findings**
- **Introduce Phase II scenarios evaluated**
- **Report on findings**
- **Summarize**
- **Gather final feedback before preparing study documentation**

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Review of Phase I Findings

Status Quo	Detail
2018 Status Quo	Revenue gap forecasted to begin in 2021 beginning at $1.6m and increasing to $6m by 2030
Revenue Scenarios	**Detail**
Council Directed Actions	Council-directed options included increasing gambling tax, increasing Seattle City Light franchise fee, implementing utility tax/franchise fees on utility districts and increased B&O taxes. Covered gap through 2024, or 2030 with additional B&O tax increase
Levy Lid Lift	Total property tax revenue increase of $5.2m total over 6 years to close gap through 2030. Resulted in approx. $275 increase in City-related property tax for median home.
City Manager's Preferred Option	Combination of council-directed and voter approved revenue options to fund additional police officers in 2020 and 2021
Action	**Detail**
Subsequent Council Actions	Adoption of gambling tax increase to 11.0%, increase to Seattle City Light franchise fee, direction to begin implementation of a utility tax/franchise fee

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Phase II Scenarios

Action	Detail
Phase II	All Phase II scenarios include revenue solutions adopted after Phase I findings were presented
Scenario	**Detail**
Public Safety Sales Tax	Seek voter approval for the Public Safety Sales Tax (0.1%) to generate revenue toward funding four new police officers
Incorporation of a Metropolitan Parks District	Seek voter approval to form a Metropolitan Parks District that would levy a property tax to fund parks services for the City. General fund revenues used to fund two new police officers and build new community center
City Manager's Preferred Option – Comm. Center	Strategic combination of revenue options to fund new community center and two new police officers
City Manager's Preferred Option – Additional Police	Strategic combination of revenue options to fund four new police officers and close the remaining general fund status quo gap

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Example Council Priorities

Council Priority:	Amount:	Addressed In:
Increased Public Safety Services	$200,000 per additional officer	2 new officers in all scenarios, 4 total officers in Public Safety Sales Tax & City Manager's Preferred Option – Police
New Community Center	$30m bond paid over 20 years	Funded in Metropolitan Parks District and City Manager's Preferred Option - Comm. Center
Enhanced Youth Services	$600,000 in 2019 and 2020	Funded in all Scenarios.

5

Study Data and Assumptions

Data	Detail
Historical Data	City provided 10 years (2008-17) of actual expenditures and revenues to provide an historical perspective by line item
Property Tax Revenue	Assessed Value and New Construction – Based on historical average, 2010-17. In 2020, 100% to General Fund (10% was dedicated to capital projects from 2012-19)
Sales Tax Revenue	Sales tax revenue escalated consistent with budgeted 4% in 2019-20, consistent with historical average
Personnel Costs	Salaries and Wages as contracted (per labor agreement - CPI), benefits 6% annually based on staff input
Inflationary Factors	The Seattle Consumer Price Index (forecast provided by Economic and Revenue Forecast Council through 2024)

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Bonding Capacity Overview

Legal Capacity	Councilmanic	Voter-Approved
City of Burien	1.5% of City's total assessed value ($95m in 2019)	2.5% of City's total assessed value ($159m in 2019)
Metropolitan Parks District	0.25% of District's total assessed value ($16m in 2019)	2.5% of District's total assessed value ($159m in 2019)
Available Capacity	**Councilmanic**	**Voter-Approved**
City of Burien	$77m in 2019*	$141m in 2019
Metropolitan Parks District	N/A	N/A

*Does not indicate revenue exists to support this amount of debt

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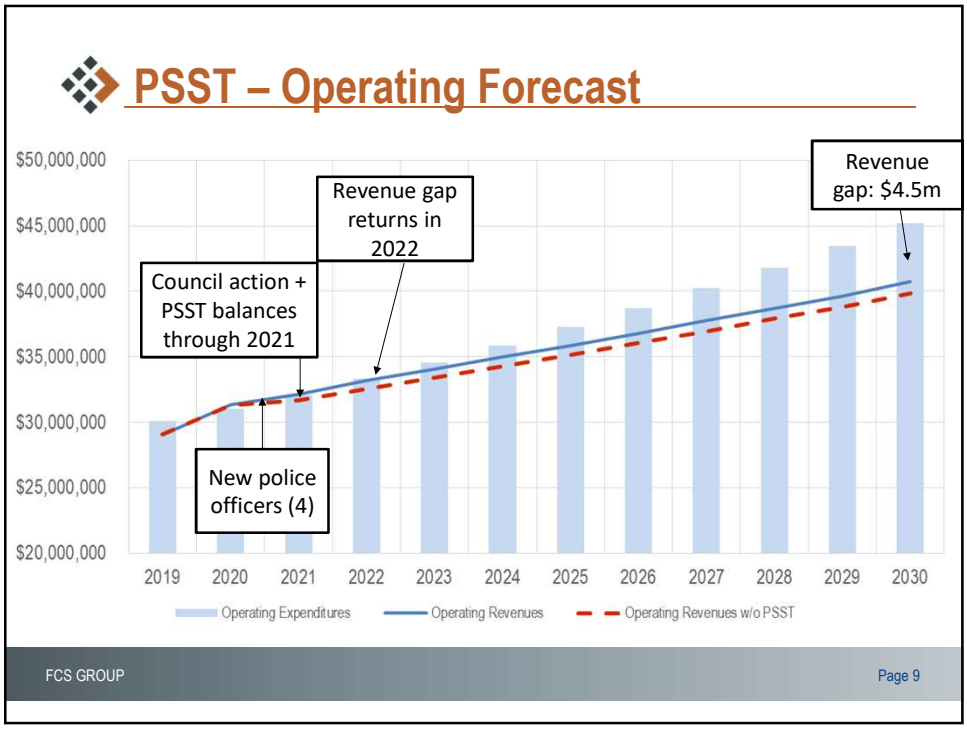
Public Safety Sales Tax (PSST)

Action	Timing	Revenue
Sales Tax Increase of 0.1%	Vote in 2020, revenue increase in 2021.	Approx. $625,000 (2021) Exempts automotive retail sales (RCW 82.14.450). City receives 85% of revenue, 15% to King County (RCW 82.14.450).

8


PSST – Operating Forecast
$50,000,000
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Revenue gap: $4.5m
Revenue gap returns in 2022
Council action + PSST balances through 2021
New police officers (4)
Operating Expenditures
Operating Revenues
Operating Revenues w/o PSST
FCS GROUP
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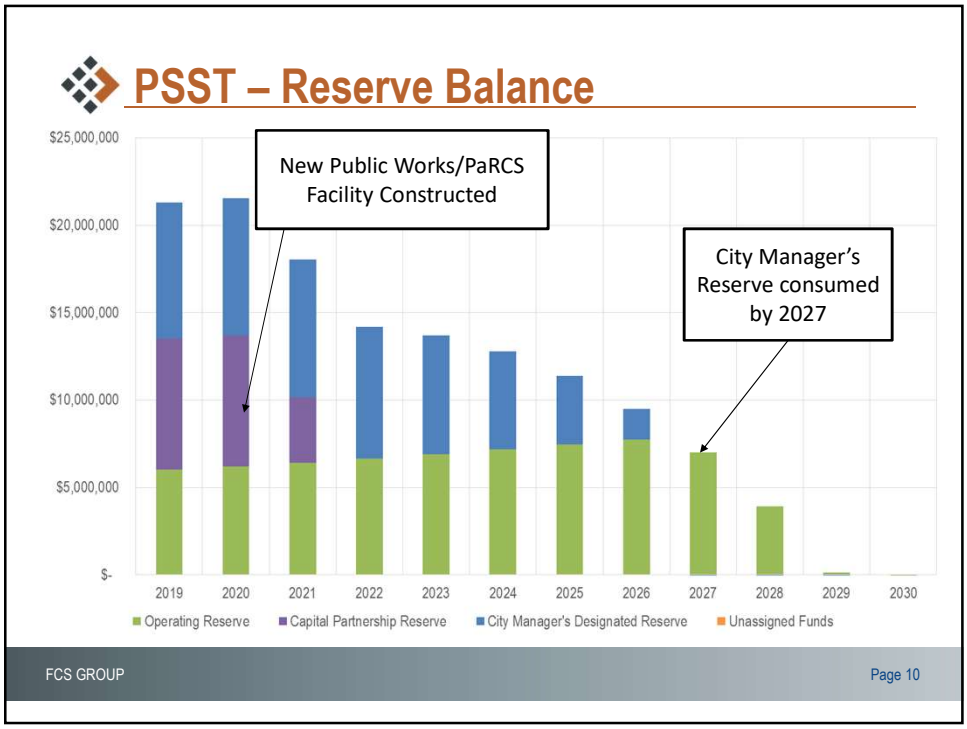
PSST – Reserve Balance
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
New Public Works/PaRCS Facility Constructed
City Manager's Reserve consumed by 2027
Operating Reserve
Capital Partnership Reserve
City Manager's Designated Reserve
Unassigned Funds
FCS GROUP
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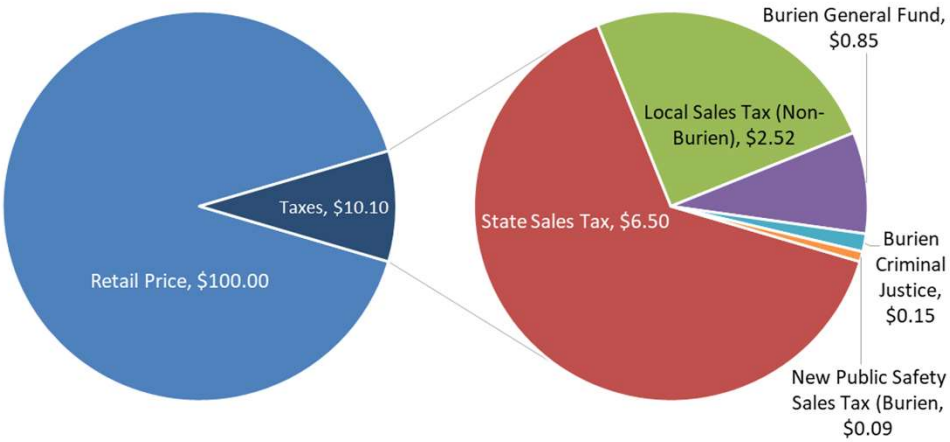
PSST – Breakdown of $100 Purchase

Total Cost of Purchase: $110.10

Total Cost of Taxes: $10.10



11

Metropolitan Parks District (MPD)

Action	Timing	Revenue / Cost
Metropolitan Parks District (MPD)	Vote in 2020, incorporation in 2021	$5.5m annual revenue Initial levy rate of $0.75 per $1,000
New Community Center	Debt payments begin in 2022	$30m bond MPD bonding capacity limits require partnership with the City to fully fund the Community Center (35% to MPD, 65% to City councilmanic bond)

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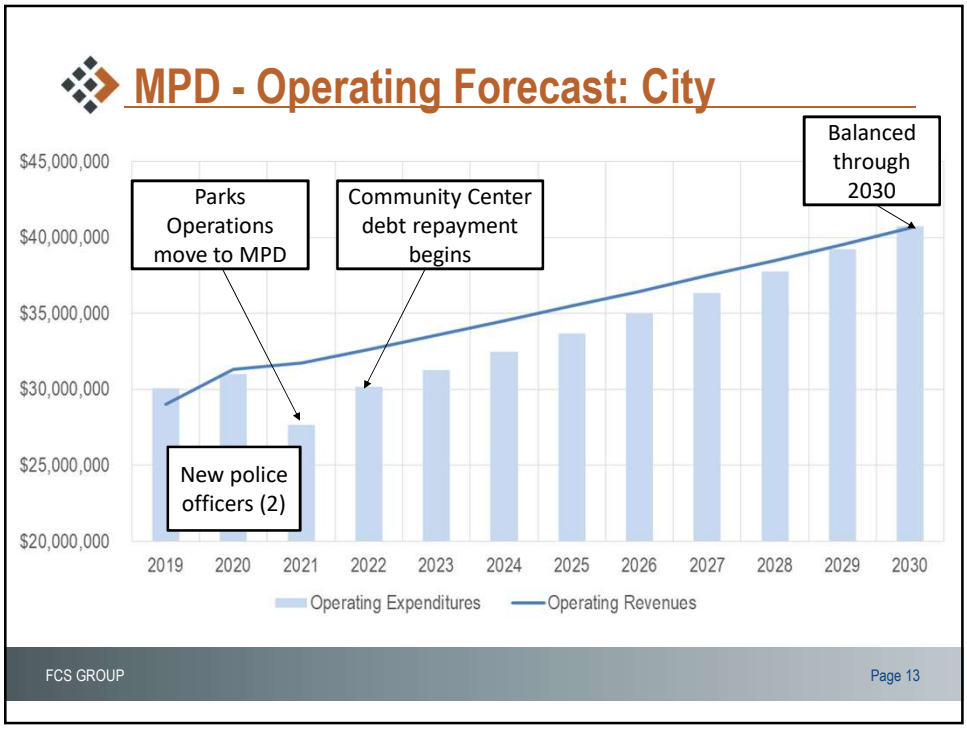
MPD - Operating Forecast: City
Balanced through 2030
Parks Operations move to MPD
Community Center debt repayment begins
New police officers (2)
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Operating Expenditures
Operating Revenues
FCS GROUP
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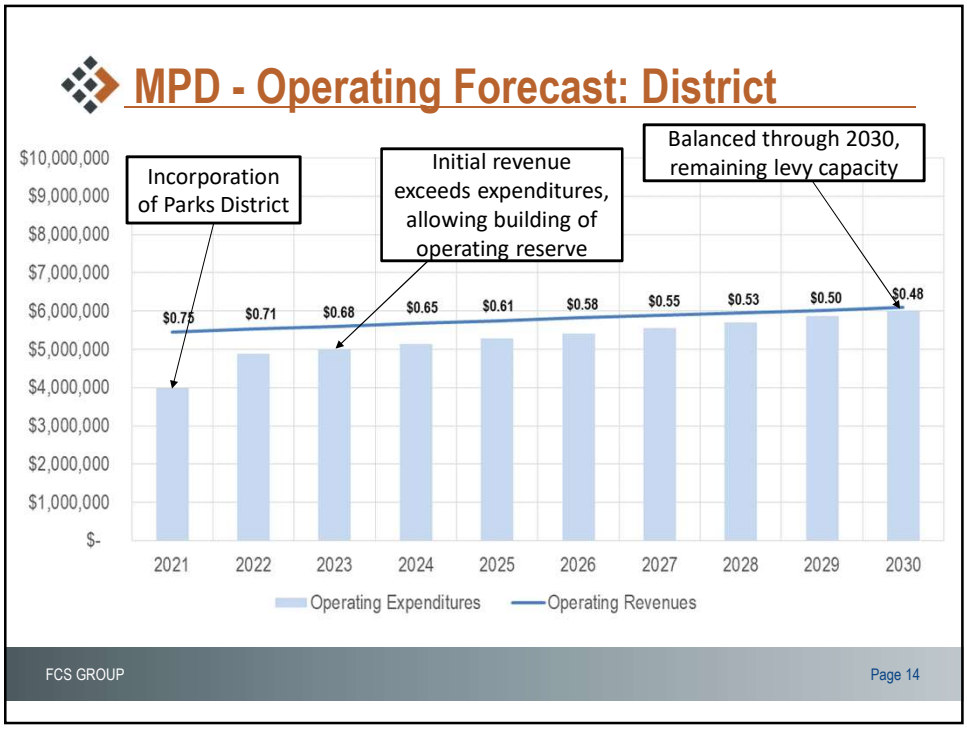
MPD - Operating Forecast: District
Incorporation of Parks District
Initial revenue exceeds expenditures, allowing building of operating reserve
Balanced through 2030, remaining levy capacity
$10,000,000
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
$0.75
$0.71
$0.68
$0.65
$0.61
$0.58
$0.55
$0.53
$0.50
$0.48
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Operating Expenditures
Operating Revenues
FCS GROUP
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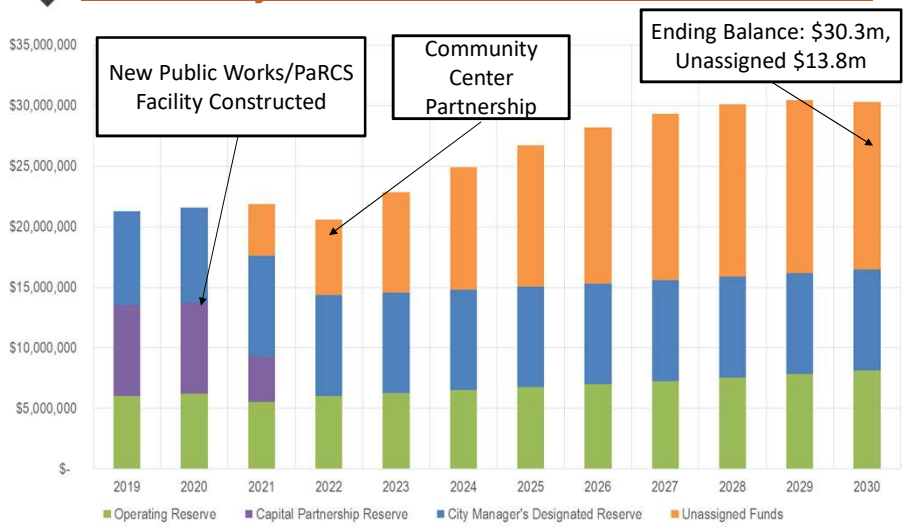
MPD – City General Fund Reserve Balance



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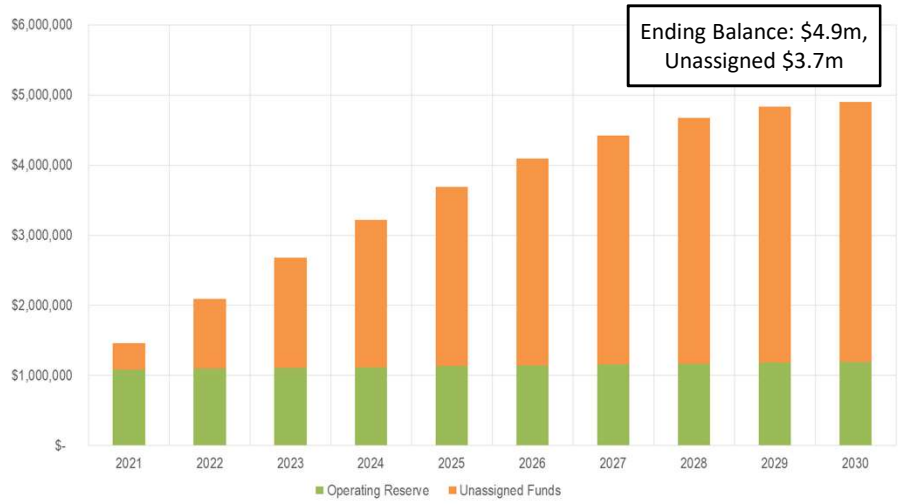
MPD – District General Fund Reserve Balance



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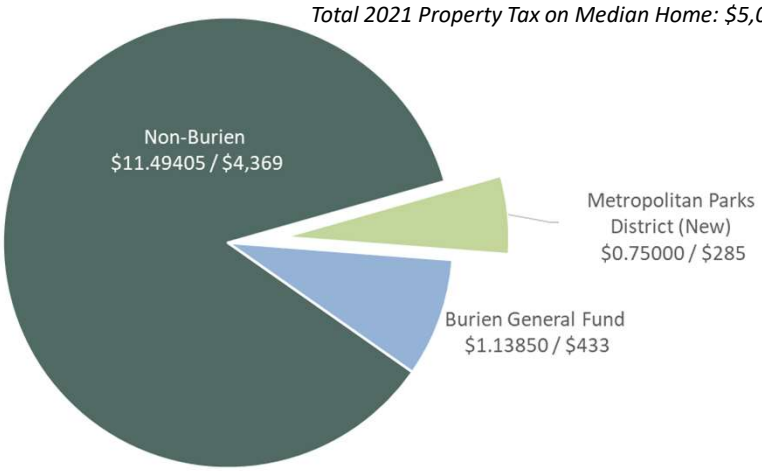
2021 Property Tax Impact of Median Home ($380,000)

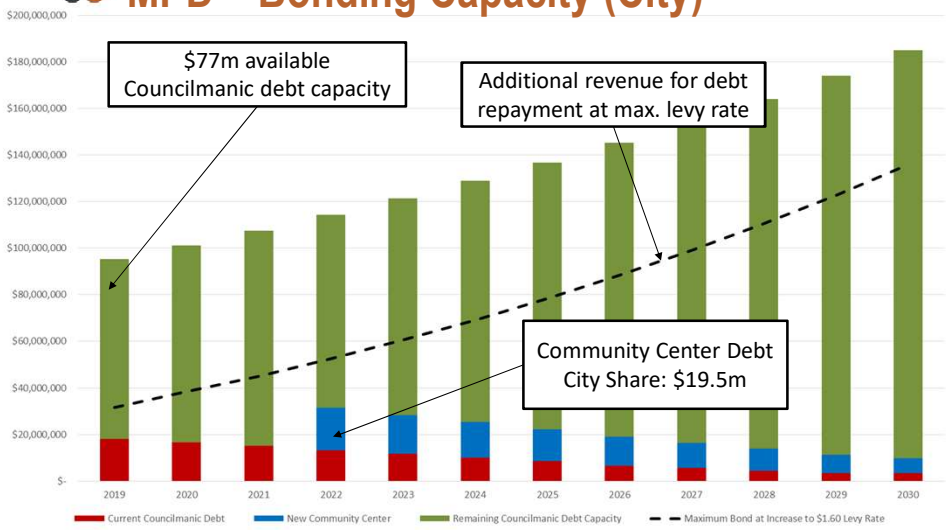
Total 2021 Property Tax on Median Home: $5,087



Levy represents a 5.5% total property tax increase

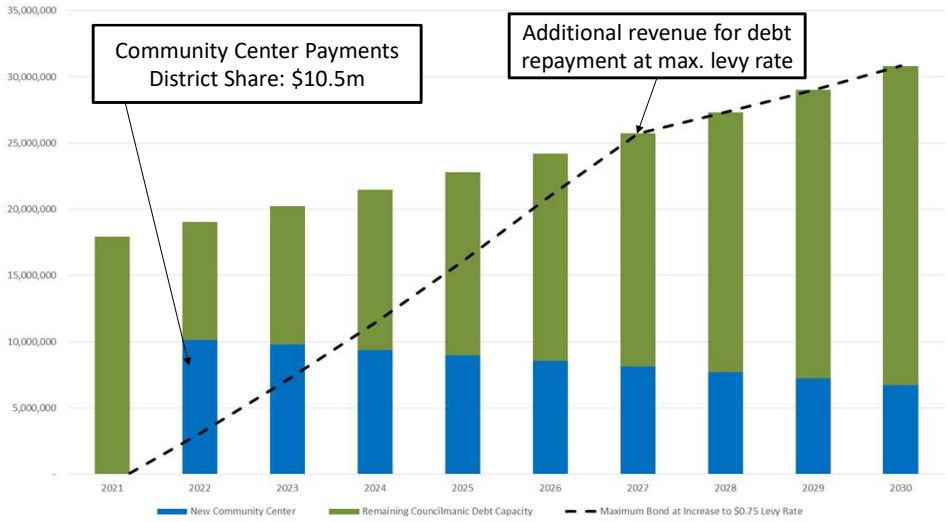
17

MPD – Bonding Capacity (City)



18

MPD – Bonding Capacity (MPD)



19

Community Center – Levy Lid Lift

Action	Timing	Revenue / Cost
Levy Lid Lift	Vote in 2020, revenue begins in 2021	$2.5m in 2021, increase to $6.0m by 2026
New Community Center	Bond Payments begin in 2021	$30m bond

Levy Schedule	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000
Levy Year 2	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 3	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 4	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 5	-	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 6	-	-	-	-	-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Lid Lift Revenue:	**$2,500,000**	**$3,000,000**	**$3,500,000**	**$4,000,000**	**$4,500,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**
Total Property Tax Rate:	**$ 1.484**	**$ 1.487**	**$ 1.485**	**$ 1.480**	**$ 1.471**	**$ 1.561**	**$ 1.493**	**$ 1.428**	**$ 1.366**	**$ 1.306**

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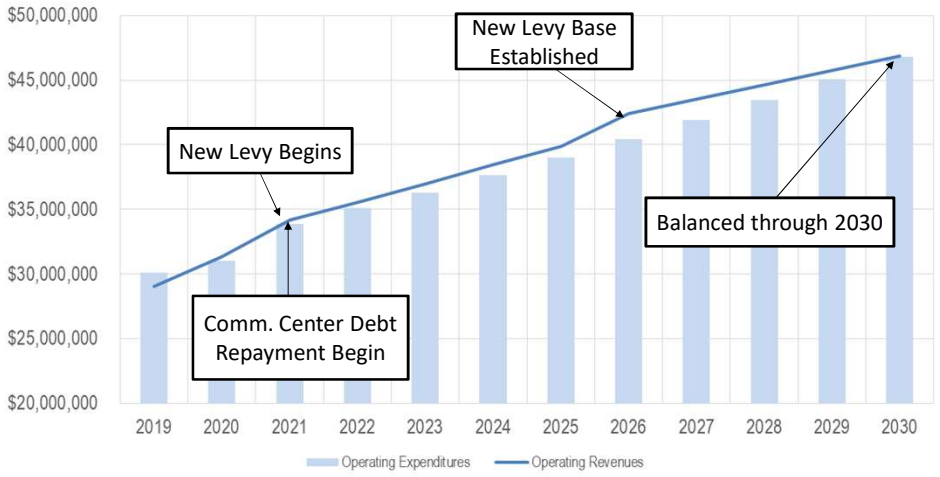
Comm. Center – Operating Forecast



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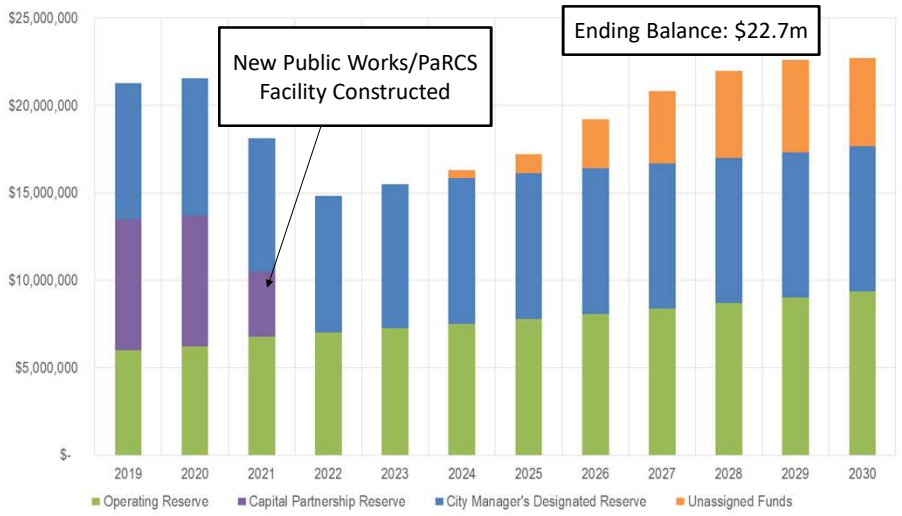
Comm. Center – Reserve Balance



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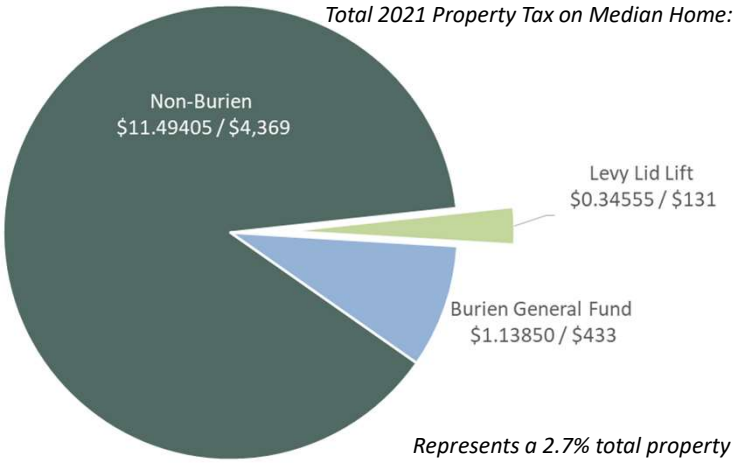
22

2021 Property Tax Impact of Median Home ($380,000)

Total 2021 Property Tax on Median Home: $4,933



Represents a 2.7% total property tax increase in 2021. By 2026 levy increases to: $0.63199 or $325 increase on a median home.

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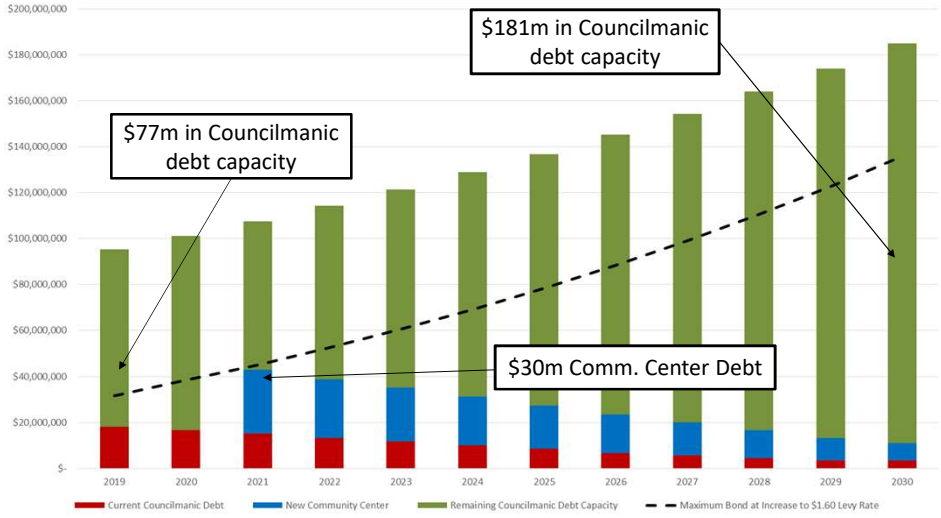
Comm. Center – Councilmanic Bonding Capacity



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New Police Officers – Levy Lid Lift

Action	Timing	Revenue
Levy Lid Lift	Vote in 2020, revenue begins in 2021	$0.5m in 2021, increase to $4.5m by 2026
New Police Officers	4 new police officers (2020-21)	Approx. $200,000 annually per officer

Levy Schedule	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Levy Year 2	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 3	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 4	-	-	-	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Levy Year 5	-	-	-	-	750,000	750,000	750,000	750,000	750,000	750,000
Levy Year 6	-	-	-	-	-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Lid Lift Revenue:	**$ 500,000**	**$1,000,000**	**$1,500,000**	**$2,250,000**	**$3,000,000**	**$4,500,000**	**$4,500,000**	**$4,500,000**	**$4,500,000**	**$4,500,000**
Total Property Tax Rate:	**$ 1.208**	**$ 1.224**	**$ 1.235**	**$ 1.271**	**$ 1.299**	**$ 1.398**	**$ 1.338**	**$ 1.280**	**$ 1.226**	**$ 1.173**

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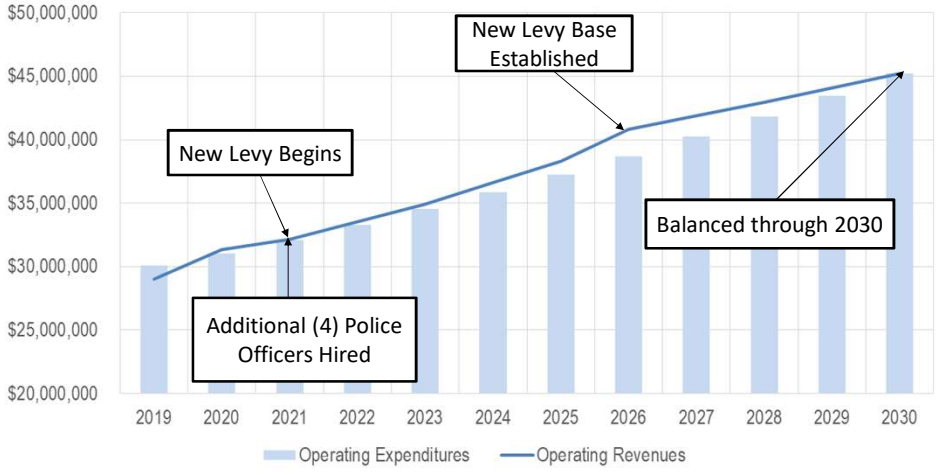
Police – Operating Forecast



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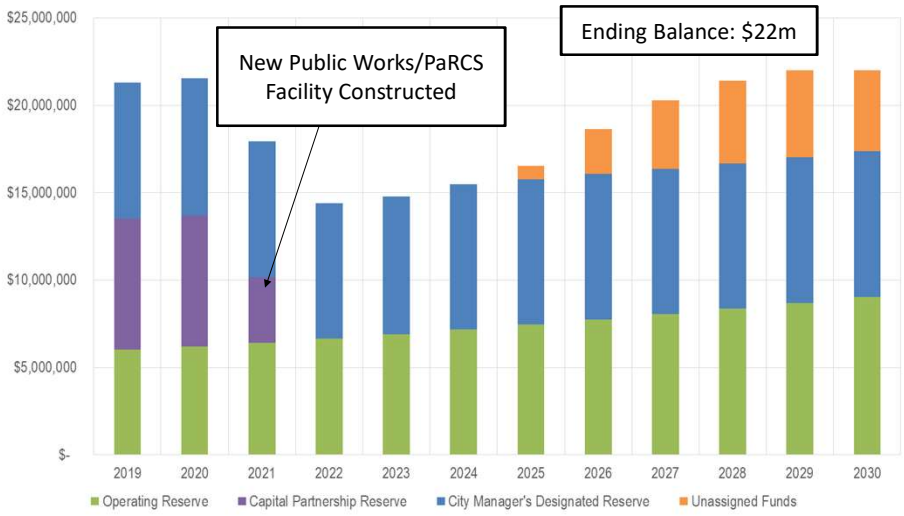
Police – Reserve Balance



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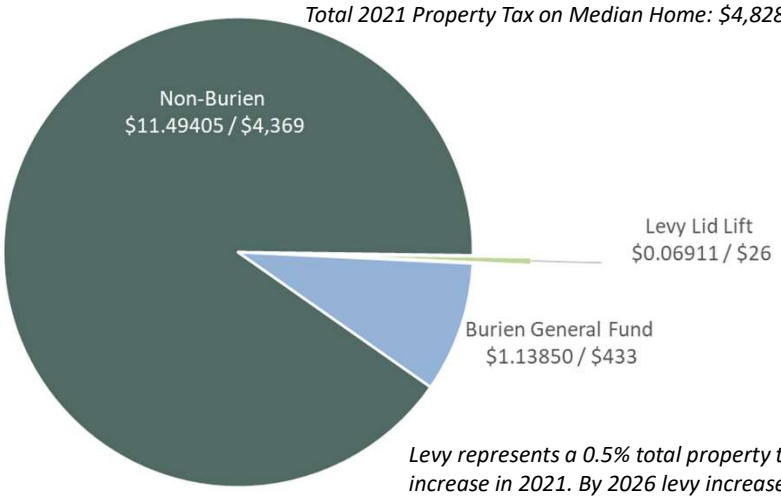
2021 Property Tax Impact of Median Home ($380,000)

Total 2021 Property Tax on Median Home: $4,828



Levy represents a 0.5% total property tax increase in 2021. By 2026 levy increases to $0.46888 or $241 increase on a median home.

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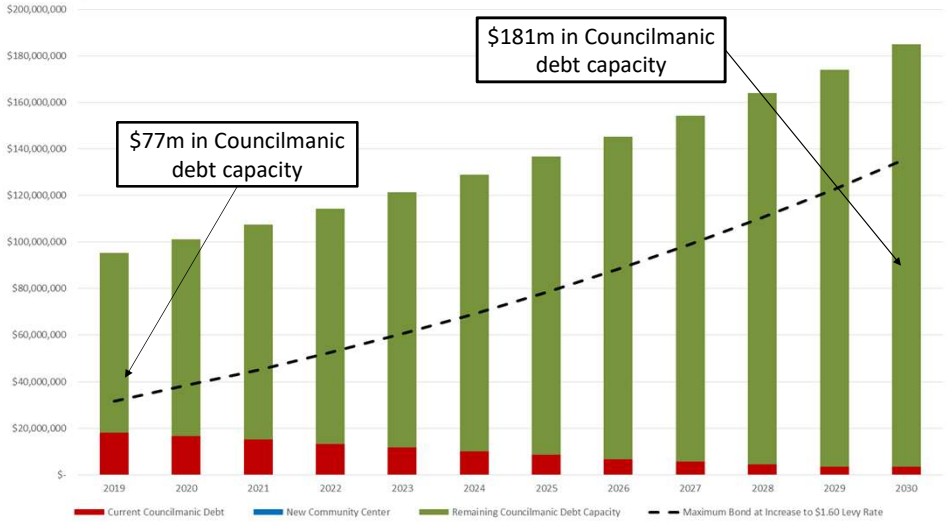
Police – Councilmanic Bonding Capacity



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Summary

Scenario	Summary
Public Safety Sales Tax	• General Fund balanced through 2021. • Requires voter approval. • Does not solve revenue gap ($4.5m gap in 2030). • City maintains current community center.
Formation of a Metropolitan Parks District	• Balances both General Fund & Parks District through 2030. • Requires voter approval. • Property tax increase of approx. 5.5% at inception. • New Community Center funded through City/District partnership and bond-funding.
Community Center – Levy Lid Lift	• Balanced through 2030. • Lid lift requiring voter approval. • Property tax increase of approx. 6.1% by final year of lid lift. • New Community Center funded by $30m bond.
Additional Police – Levy Lid Lift	• 2 additional police officers hired (4 total). • Balanced through 2030. • Lid lift requiring voter approval. • Property tax increase of approx. 4.5% by final year of lid lift. • City maintains its current community center.

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Questions?

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Solutions-Oriented Consulting

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City of Burien

2019 General Fund Financial Plan (Phase II)

April 1, 2019

FCS GROUP
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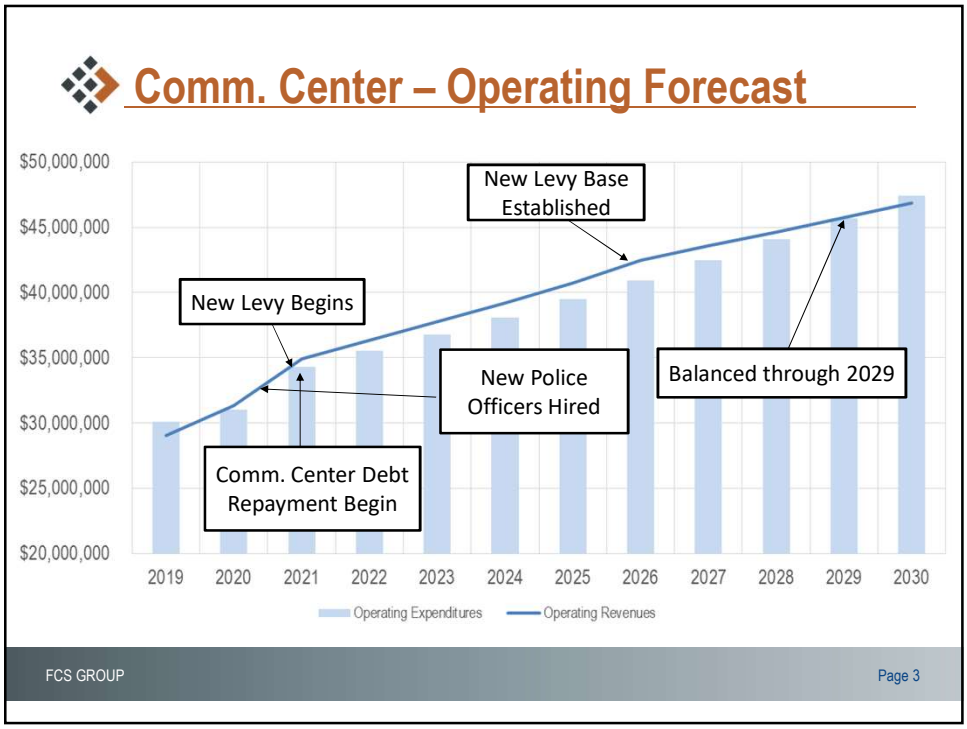
1

Levy Lid Lift – Comm. Center & 4 New Officers

Action	Timing	Revenue / Cost
Levy Lid Lift	Vote in 2020, revenue begins in 2021	$3.25m in 2021, increase to $6.0m by 2026
New Community Center	Bond Payments begin in 2021	$30m bond
New Police Officers	2 New Officers in 2020, 2 in 2021	$200,000 per officer (2020 dollars)

Levy Schedule	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Levy Year 1	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000	$3,250,000
Levy Year 2	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 3	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 4	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 5	-	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000
Levy Year 6	-	-	-	-	-	750,000	750,000	750,000	750,000	750,000
Lid Lift Revenue:	**$3,250,000**	**$3,750,000**	**$4,250,000**	**$4,750,000**	**$5,250,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**	**$6,000,000**
Property Tax Rate:	**$ 1.588**	**$ 1.585**	**$ 1.579**	**$ 1.569**	**$ 1.556**	**$ 1.565**	**$ 1.497**	**$ 1.431**	**$ 1.369**	**$ 1.310**

2


Comm. Center – Operating Forecast
$50,000,000
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
New Levy Base Established
New Levy Begins
New Police Officers Hired
Balanced through 2029
Comm. Center Debt Repayment Begin
Operating Expenditures
Operating Revenues
FCS GROUP
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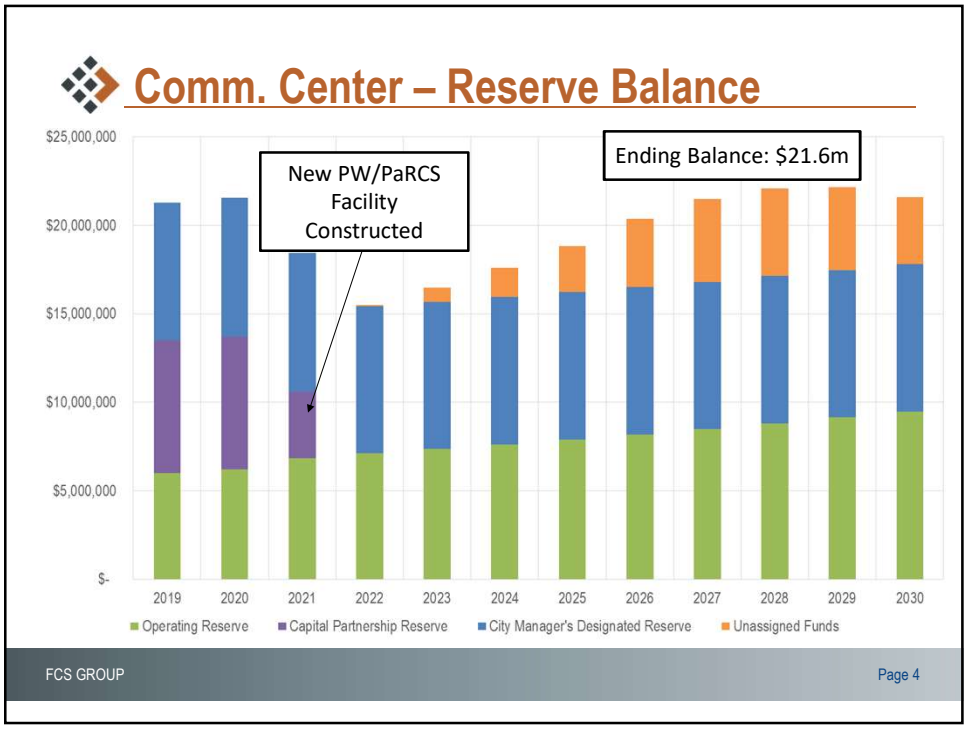
Comm. Center – Reserve Balance
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
New PW/PaRCS Facility Constructed
Ending Balance: $21.6m
Operating Reserve
Capital Partnership Reserve
City Manager's Designated Reserve
Unassigned Funds
FCS GROUP
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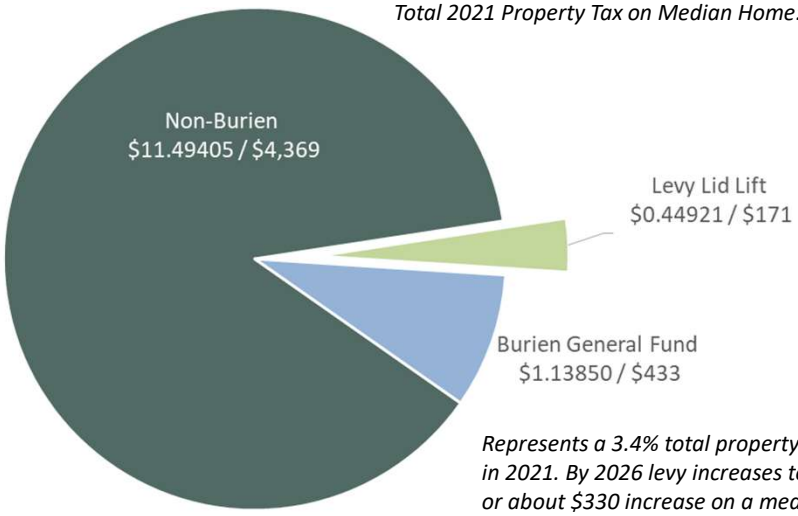
4

2021 Property Tax Impact of Median Home ($380,000)

Total 2021 Property Tax on Median Home: $4,973



Represents a 3.4% total property tax increase in 2021. By 2026 levy increases to: $0.63590 or about $330 increase on a median home.

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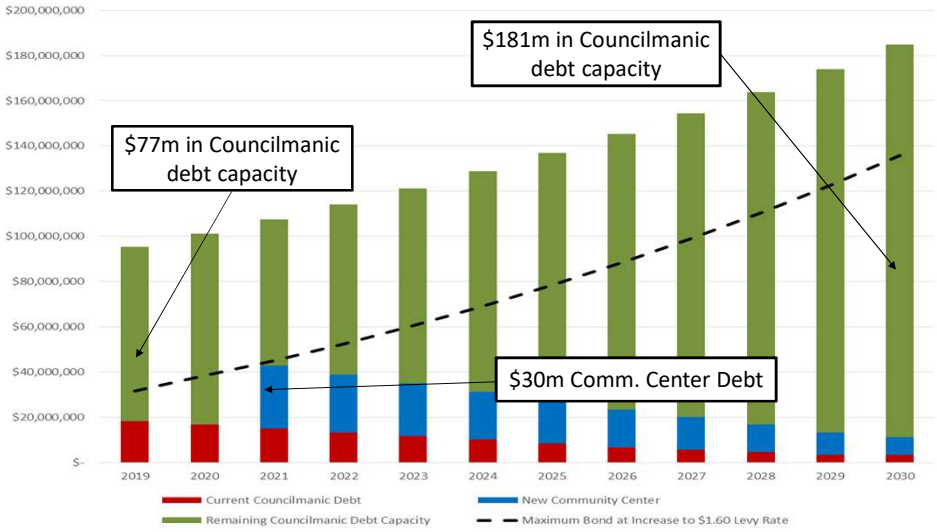
Comm. Center – Councilmanic Bonding Capacity



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Summary

- Includes new community center as well as 4 new police officers.
- Scenario is balanced through 2029, $550k revenue-expenditure gap in 2030.
  - 2030 gap projected to be covered by unassigned fund balance
  - City can explore other revenue options to address gap
- Projected levy rate of $1.59 in 2021 approaches maximum protected rate ($1.60).
  - Additional unprotected capacity: $0.19324 (2018 levy rates)

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Questions?

8

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Summary of Scenarios

Scenario	Balances General Fund through 2030?	Estimated Property Tax Impact on Median Home	Other Considerations
City Manager's Preferred Option – 4 Additional Police	Yes	$26 in 2021 $241 in 2026	Flexibility to phase in levy lid lift
City Manager's Preferred Option – Community Center and 2 Additional Police	Yes	$131 in 2021 $325 in 2026	Flexibility to phase in levy lid lift
Center Manager's Preferred Option – Community Center and 4 Additional Police	No	$171 in 2021 $330 in 2026	Approaches City's maximum protected levy rate
Metropolitan Parks District – Community Center and 2 Additional Police	Yes	$285 in 2021	Requires incorporating new park district
Public Safety Sales Tax – 4 Additional Police	No	N/A	Car sales exempt from new tax

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