



# Budget Policy FY2020



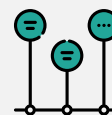
# Agenda



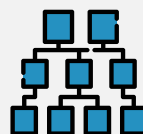
## **City Manager Introduction**



## **Budget Process & Timeline**



## **Economic Indicators**



## **Strategic Initiatives**



## **Key Forecast Assumptions**



## **Policy Considerations & Budget Implications**

# Budget Process & Timeline

# Budget Development



Set strategic initiatives for the coming year



Formulate policy statement to guide city manager during budget preparation



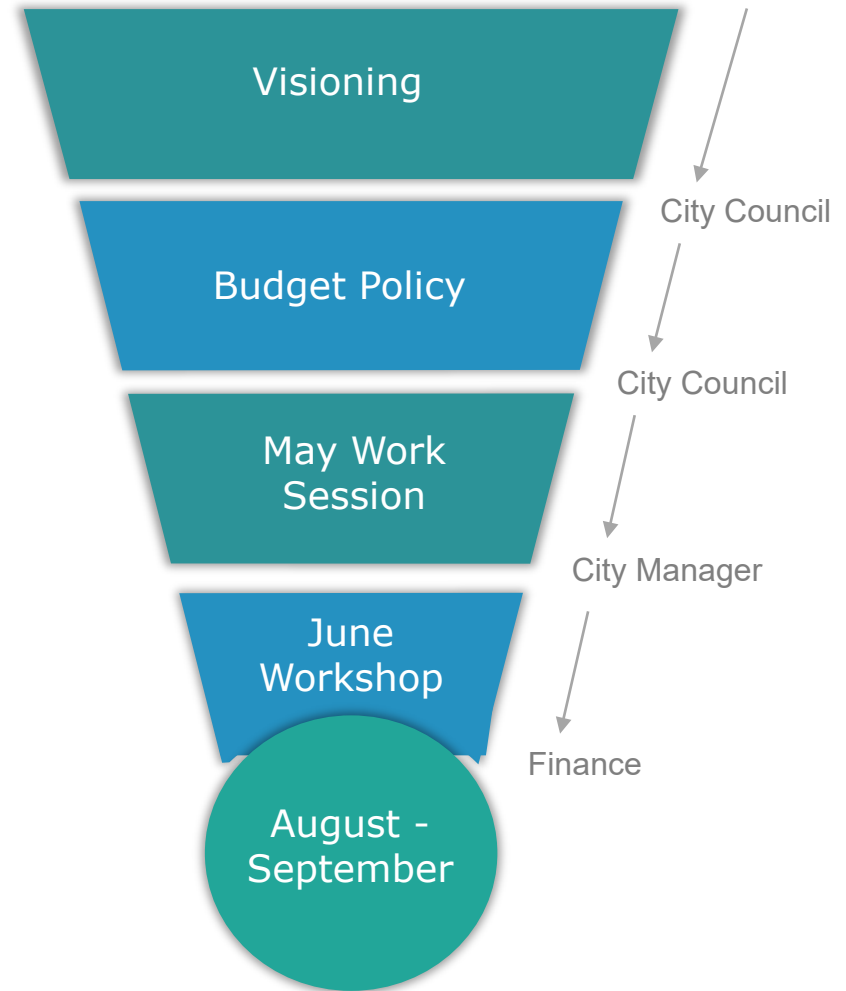
Deliver budget capacity and trends



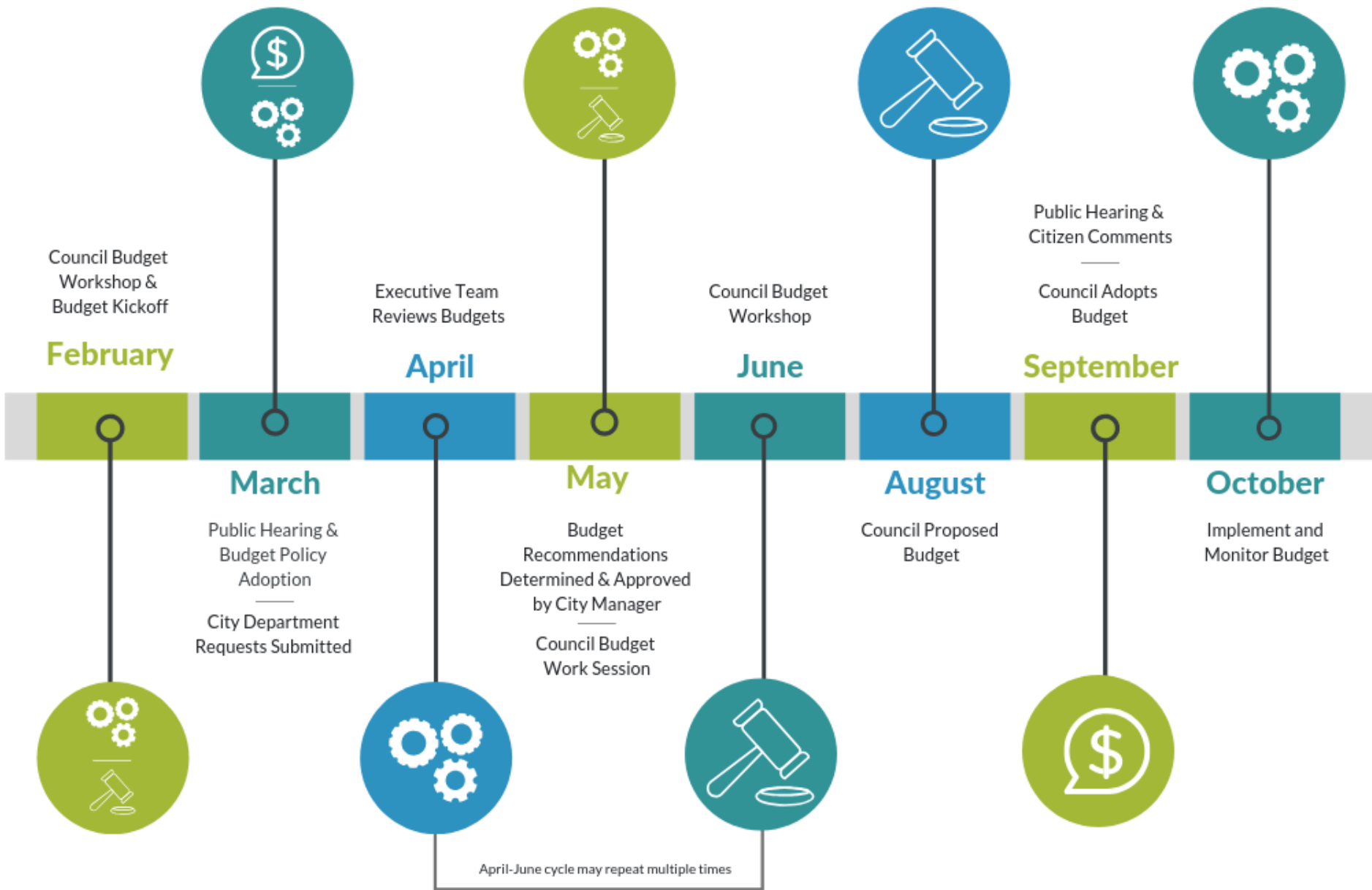
Deliver budgeted programs, revenues, and expenditure philosophy



Deliver proposed budget of all general budget items by fund type



**Once City Council formulates a budget policy the City Manager works with staff to develop the budget document**



Conducted by City Staff



Conducted by City Council



Includes Public Hearing

# Budget Timeline



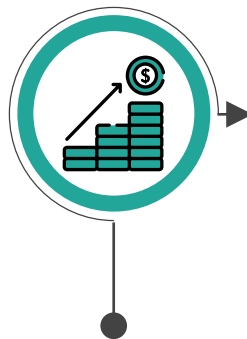
# Economic Indicators



**Unemployment**  
December 2018



**Wages**  
year-over-year



**Hourly Rate**  
Private Sector



**Home Prices**  
year-over-year



**CPI**  
December 2018

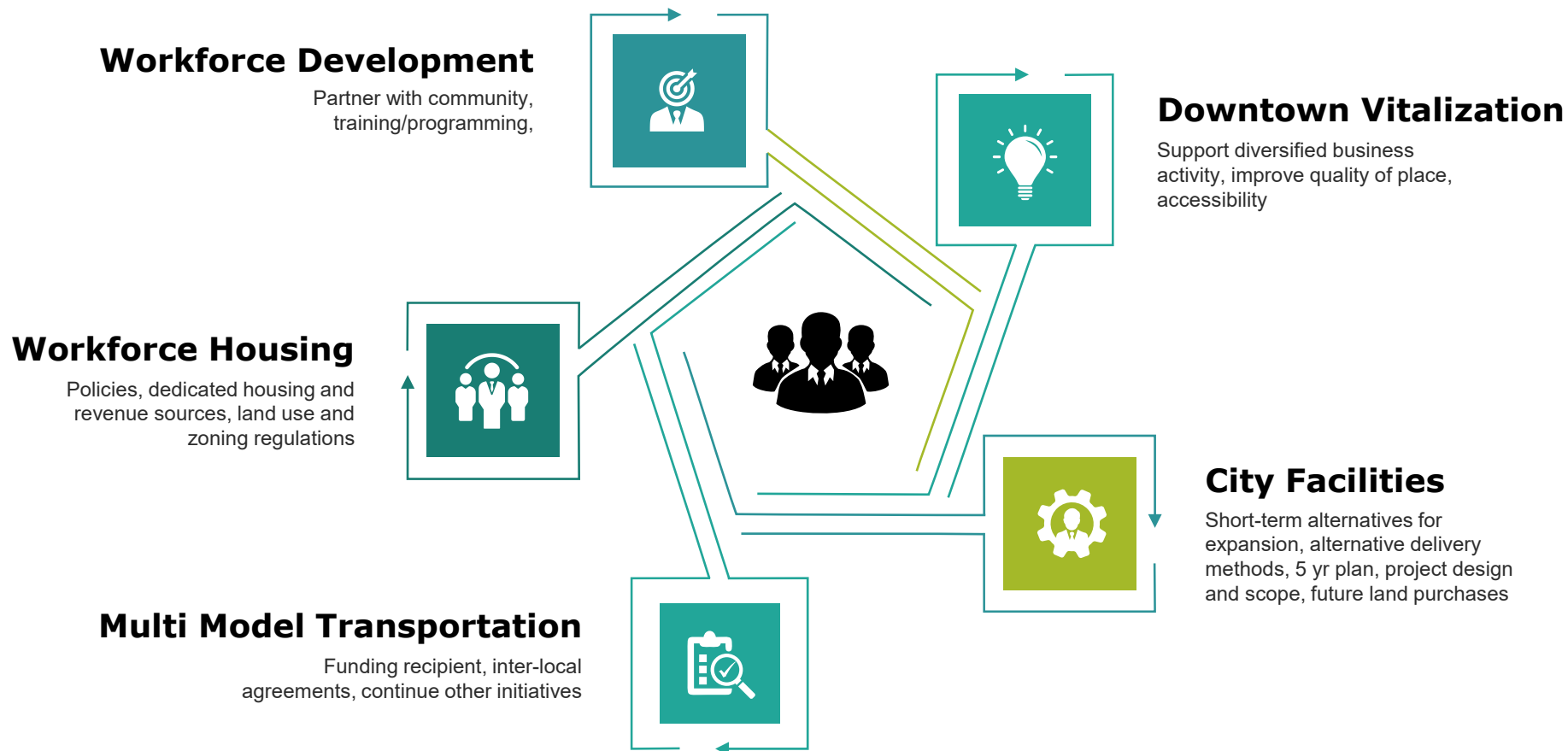
<b>Federal</b>	3.7%	↑ 3.1%	\$27.24		↑ 2.2%
<b>State</b>	3.7%	↑ 0.8%	\$26.05	↑ 2.2%	
<b>Regional</b>	2.8%	↑ 1.5%	\$29.47	↑ 4.3%	



As more community members hold jobs at higher wages, an increasing proportion of their wages are used for housing as home prices continue to increase.



# 2019 Strategic Initiatives





# **Key Forecast Assumptions**

# General Fund Revenue

## Forecast Assumptions



**Analyze trends over multiple years**



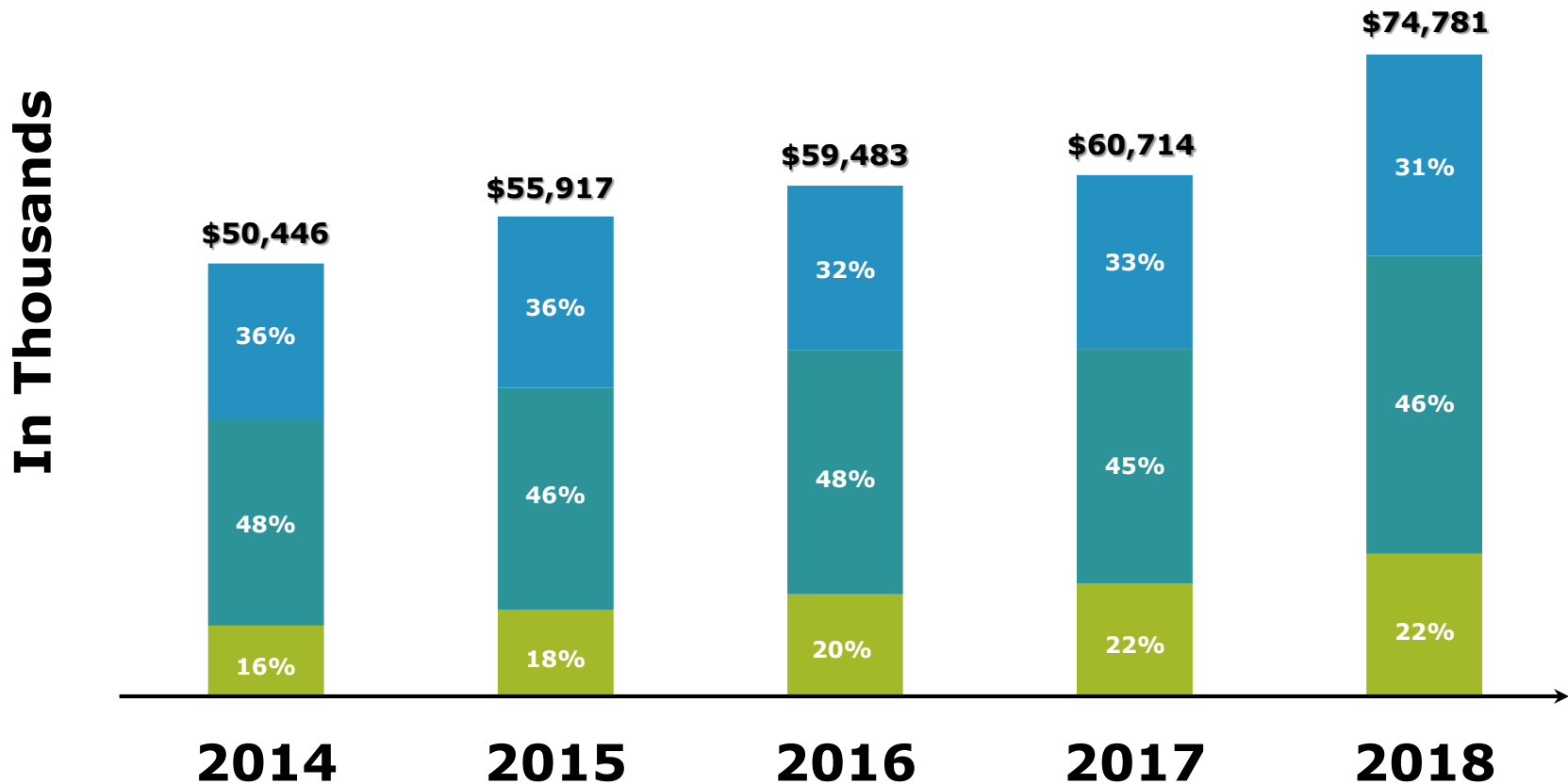
**Utilize conservative forecasting**



**Amend budget during fiscal year if revenues deviate from budget**

# General Fund Revenue

➤ Property Tax ➤ Sales Tax ➤ Other Fees



\* FY 2018 was the first year for Best Buy Call Center sales tax collection of \$7M

# General Fund Revenue

## Property Tax



Double digit % growth in appraised valued for the past 4 years with a combination of new construction and increased in existing values



Large portion of high growth areas have an economic development or tax increment incentive



Forecast model in progress to provide more detailed information

# General Fund Revenue

Operating capacity generated by bond revenue



Capacity for FY2020 \$1.5M



\$1M – Fire Squad added in FY19 budget to staff new fire station upon completion



Remaining \$500K reserved for bond project expenses or bond debt defeasance

# General Fund Revenue

## Sales Tax



**51%**

Base sales tax collections have experienced a 1% average growth over the last 12 months

**26%**

Outlet Malls showing favorable trend:

- Total collections have exceeded pre Oct 2016 levels
- Positive growth since Sept 2017
- 7% average growth over last 12 months

**23%**

Best Buy Call Center exceeding forecast:

- Collection for the first 2 months of the fiscal year exceeded prior year by \$900K or 70%
- FY18 collections retained totaled \$1.8M

# Initiatives in Process

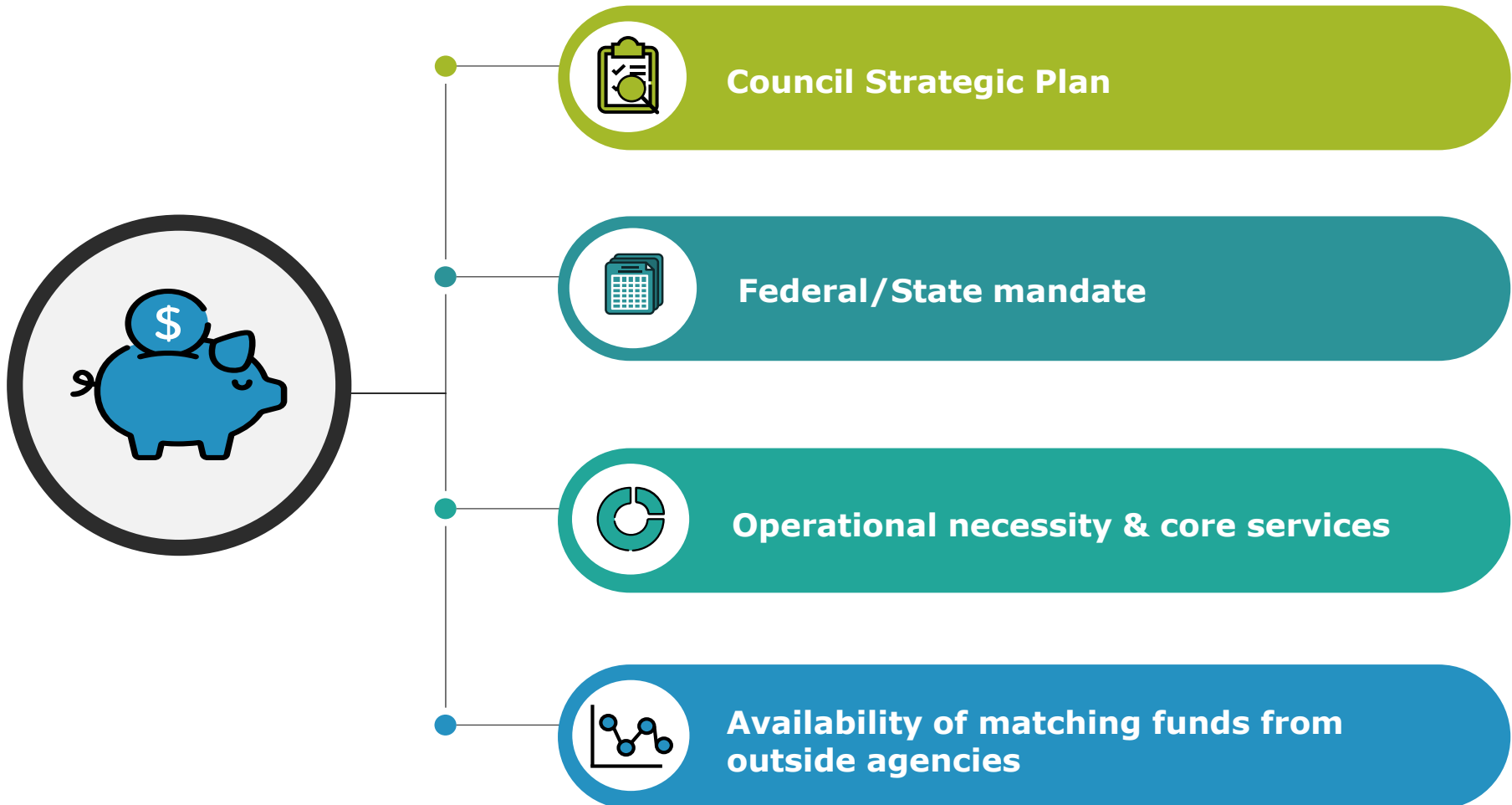
Policies impacting revenue and fund allocation





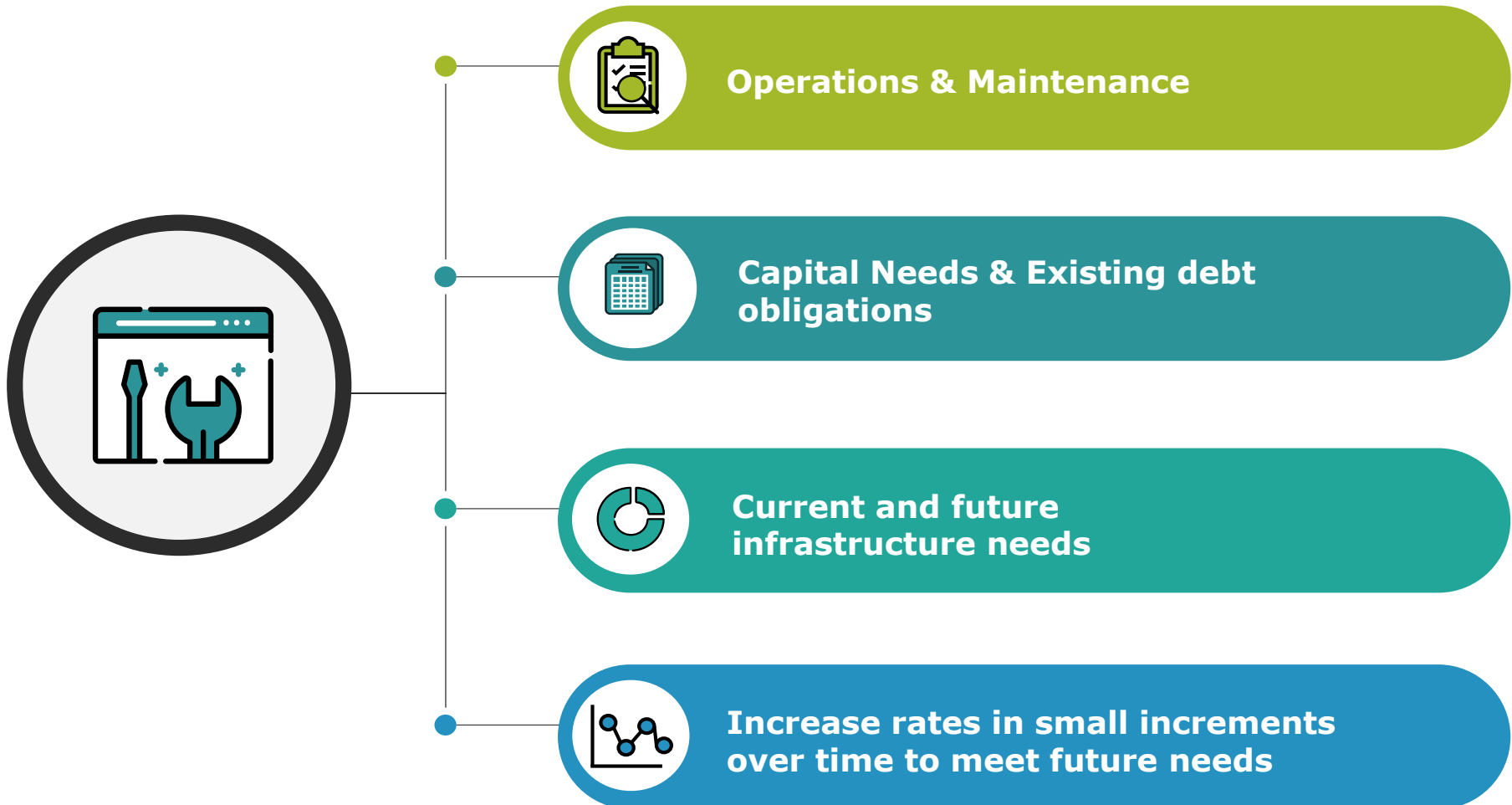
# General Fund Budget Requests

Prioritization of department requests for additional resources



# Enterprise Fund Revenue

Model rates over a multi-year period to determine required adjustments



# Other Forecasting Assumptions



**Hotel occupancy remains stable while room rates are lagging**



**Stormwater rate study complete. Proposed rates to be delivered during budget process**



**Electric & Water/Wastewater franchise fees to return to 7%**



# **Policy Considerations Budget Implications**

# Policy Considerations



## Strategic Initiatives

- Funding goals
- Revenue sources



## Increase Live Outcomes

- Gathering data
- Determining needs
- Address core services



## Fund Balance

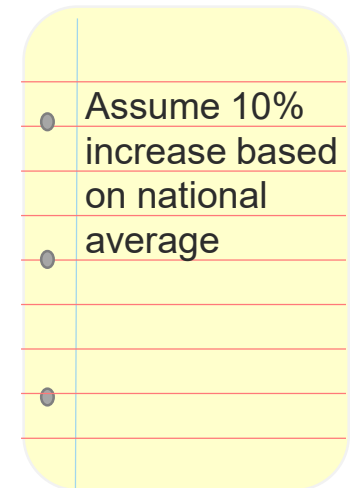
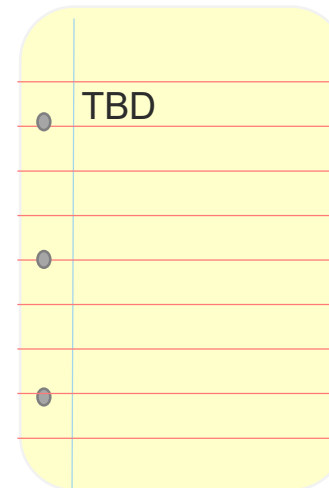
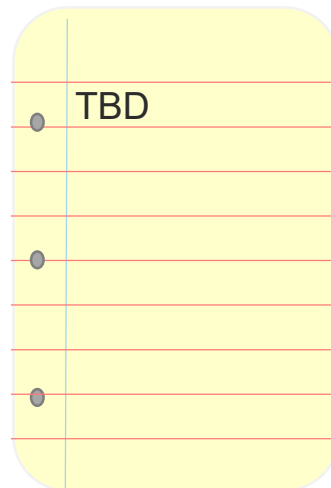
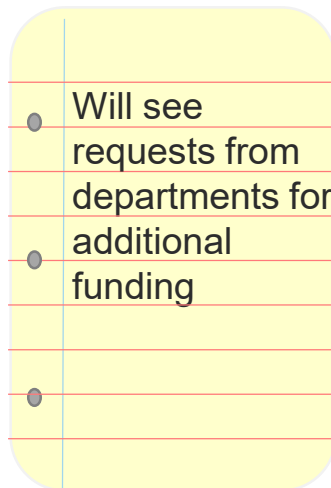
- Maintain minimum fund balance of 25%



## HB/SB 2 Rollback Rate

- If implemented in prior FY the impact could have been \$1M in reduced revenue

# Policy Considerations



# Policy Considerations



## Transit Operations

- Funding goals
- Revenue sources
- 
- 



## Staffing needs

- Determine through department budget request for additional resources
- 
- 



## Parking Management

- Funding goals
- Revenue sources
- 
- 



## CIP Capacity

- City Facility Projects
- Cape's Dam Infrastructure needs
-



# Council Decisions



## Over 65 Property Tax Freeze

- Tax bills will never increase, Tax freeze is permanent,
- Currently offer over 65 exemptions



## Economic Development Reserve

- Suspend \$200K funding reserve???



## Other Considerations

- Council to provide

# Historical Residential Rates

	2015	2016	2017	2018	2019
Average Home Value	129,156	140,250	153,724	168,757	183,510
Property Tax	684.79	743.61	815.04	1,036.00	1,126.57
Electric Utility* Residential kWh	111.48	111.48	111.48	111.48	111.48
Water	267.00	280.32	294.36	309.12	324.48
Wastewater	614.88	621.12	633.6	646.2	659.40
Drainage	89.16	99.84	109.80	126.24	145.20
Resource Recovery	233.76	269.28	283.32	292.20	301.92
Community Enhancement Fee		12.00	12.00	12.00	18.00
<b>Total Annual Cost</b>	<b>2,001.07</b>	<b>2,137.65</b>	<b>2,259.60</b>	<b>2,533.24</b>	<b>2,687.05</b>

\*Does not include the cost of power or energy charge that fluctuates monthly based on market prices

# Thank You



**Bert Lumbreras**

*City Manager*



**Stephanie Reyes**

*Chief of Staff*



**Heather Hurlbert**

*Director of Finance*



**Melissa Neel**

*Assistance Director of Finance*

# Homestead Exemption + Over 65 Freeze

- Current programs in place

	Exemption Amount	Number of Participants	Exempt Property Value	Total Tax Reduction
Over 65	\$25,000	1,680	\$40,409,000	\$248,071
Disabled	\$25,000	100	\$3,880,000	\$23,800
100% Disabled Vet	100%	88	\$18,699,000	\$114,800
Total		1,769	\$62,988,000	\$386,671

- Homestead Exemption
  - 4052 taxpayers currently have exemption from another entity
    - Impact of 5K exemption- \$128,000 in reduced tax revenue
    - Impact of 10K exemption- \$256,000 in reduced tax revenue
    - Impact of 15K exemption- \$384,000 in reduced tax revenue

# Homestead Exemption + Over 65 Freeze

## Over 65 Freeze

- Tax amount paid is frozen

  - No increase if tax rate is increased, even if voter approved

  - No increase if appraised value increases

  - Taxes would decrease if value or tax rate decrease generates a lower tax bill

  - Tax payers must apply for the freeze

  - Tax amount paid would increase if improvements are made on the residence

- Once adopted it cannot be reversed – state law

- Estimated **\$313M (6% of total assessed value)** in property owned by citizens who currently have the over 65 exemption

- Appraisal district/tax collector advises to allow a year to properly implement

  - If adopted, recommend implementing for tax year 2020