

*Proposed Changes to
2009 Preliminary
Budget*

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How did we get here?

- The budget has become more and more difficult to balance, but it didn't happen overnight. . .it has been growing for years.

WHAT HAPPENED??

How did we get here? (cont.)

Revenue Limitations:

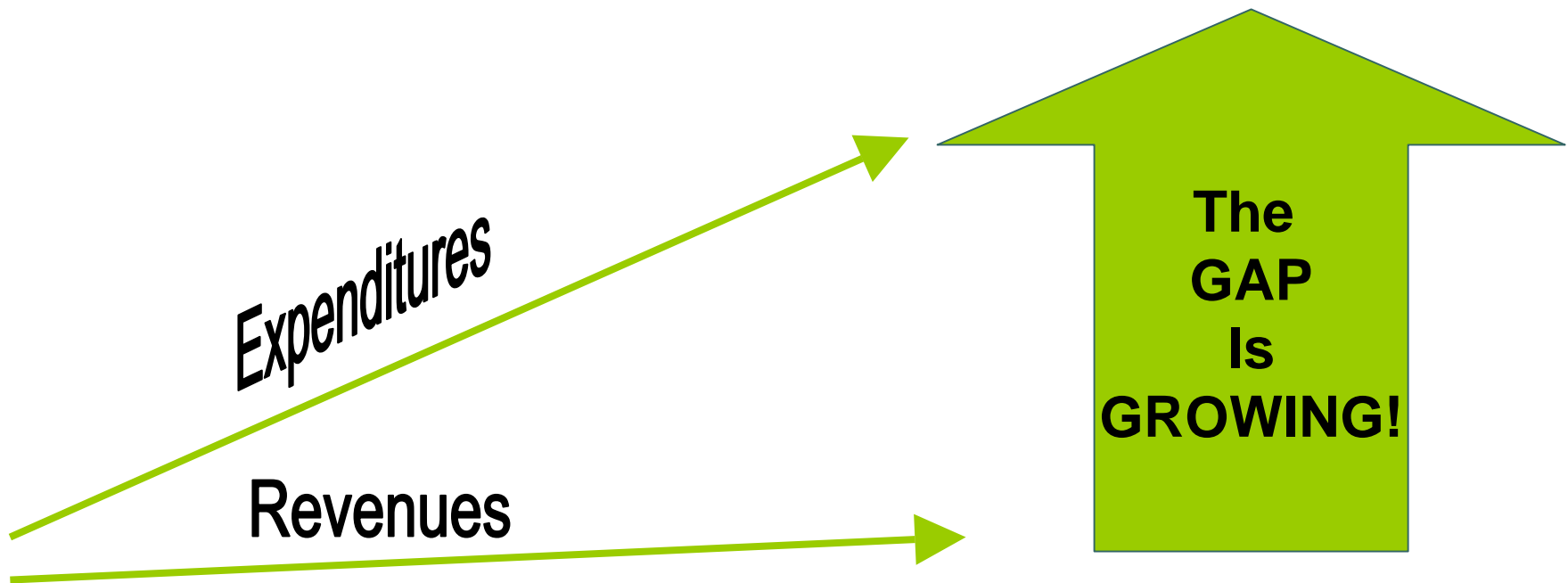
- Closure of Rayonier Mill in 1997
 - City lost major revenue source - \$800K
- Voter's Initiatives
 - Motor Vehicle Excise Tax - \$350K
 - Property Tax limitations - \$200K

How did we get here? (cont.)

Increasing Costs – approx. \$1M

- City absorbed additional services
 - Jail
 - Prosecution
 - Voter registration
 - Election Costs
- GASB financial reporting requirements
- Inflation

How did we get here? (cont.)



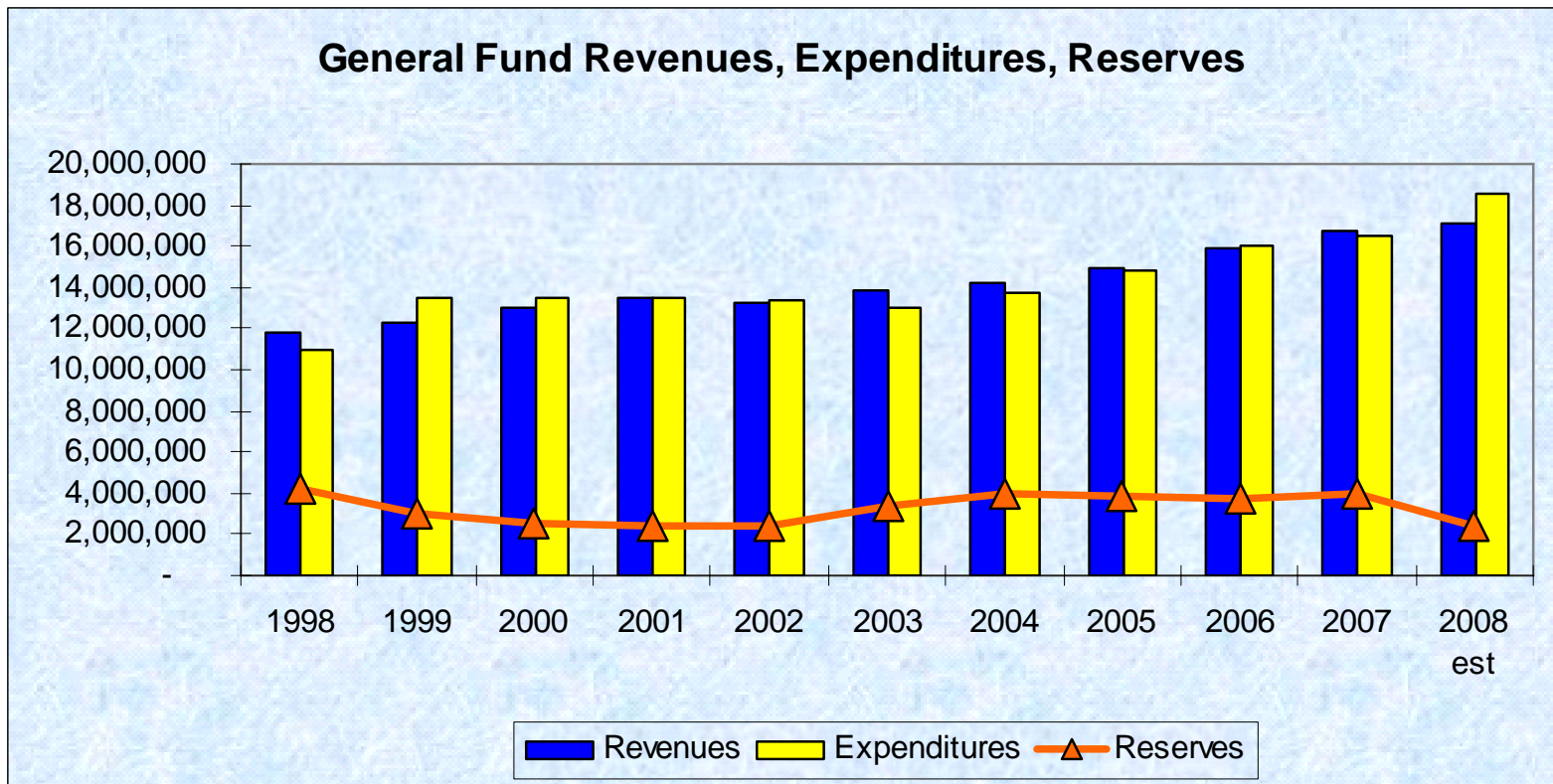
Revenue growth **CANNOT** keep up with the growth in Expenditures!

How did we get here? (cont.)

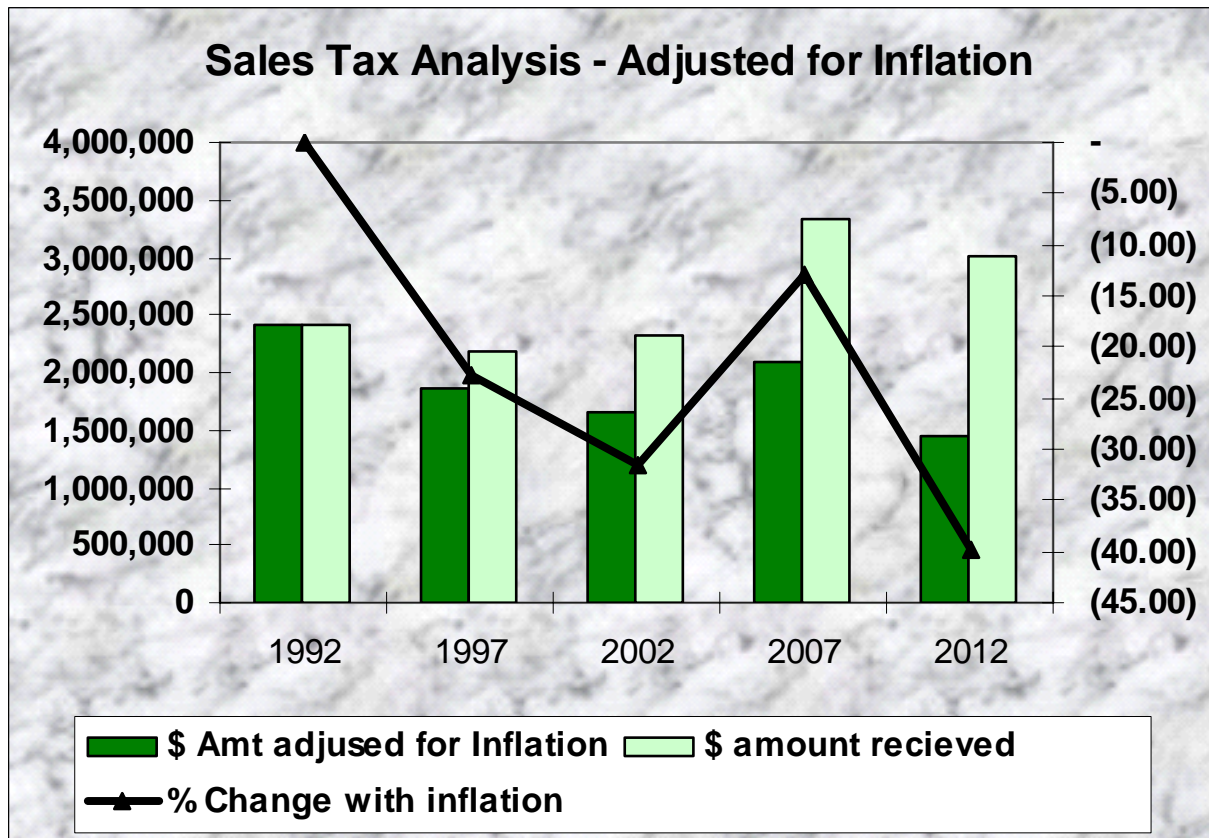
- No major service cuts were made in previous budgets because:
 - City was frugal and pro-active with money
 - Only did the bare minimum in street repairs – \$150K for projects vs. \$500K – 700K in previous years
 - Did more work with fewer resources
 - Cut back on discretionary items such as travel/training, and office supplies
 - Focused on Economic Development programs

These issues are FINALLY catching up!

2008 Shortfall



Sales Tax - 1992-2012

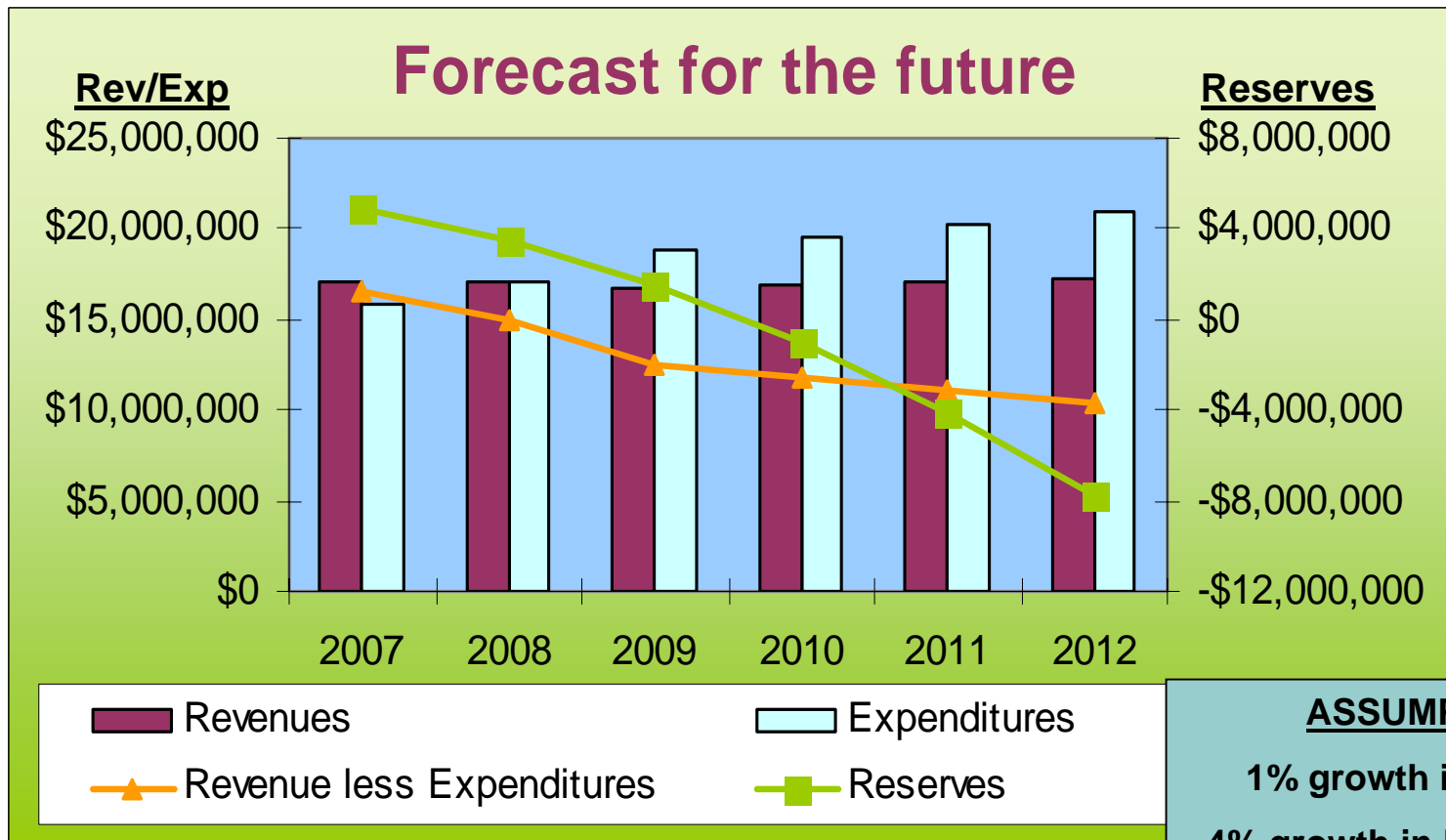


40%
reduction
in
spending
power
by
2012

2009 Budget Process



2009-2012 Projections



ASSUMPTIONS

- 1% growth in Revenue
- 4% growth in Expenditures
- \$500K for capital projects

2009-2012 Projections

- **If we don't make difficult decisions now, in 2009-2010 we will be below the minimum level of reserves. . .**



. . . and by the year 2010-2011 the City will have **NO reserves left.**

2009 Preliminary Budget

\$1.6M gap



What did staff do?

- Created a list of essential and mandated services
- Created a list of “nice to have” and “wants”
- Evaluated ALL programs
- Created a proposal of possible service cuts and revenue enhancements to present to Council committees



What did staff do? (cont.)

- Staff held meetings with:
 - Finance Committee
 - Parks Oversight Committee
- ...to review the proposed preliminary budget and potential cuts



Some suggestions from Staff:

- Staff reduction due to reorganization in Finance and CM (\$60K)
 - Reduced travel/training and supplies (\$16K)
 - Decrease vehicle replacement program (\$288K)
 - Reduce support by 50% to:
 - United Way (\$62.5K)
 - Art Feiro Marine Life Center (\$22.5K)
 - Fine Arts Center (\$27.5K)
 - Humane Society (\$26K)
- ...**And ELIMINATE support of those services in 2010**

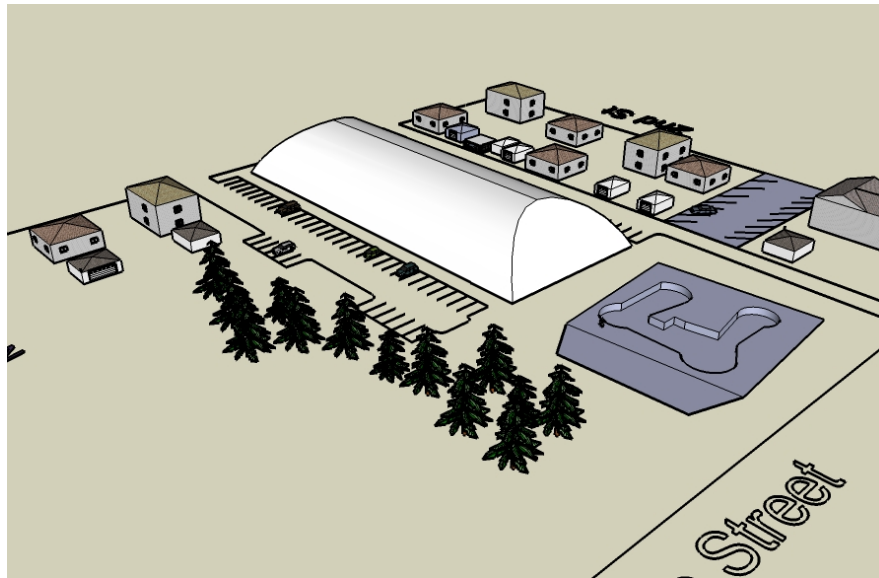
Suggestions from Staff (cont.):

- Transfer stormwater functions from street to stormwater utility (\$235K)
- Cut support to economic development (\$60K)
- Cut back on beautification program (\$20K)
- Eliminate low-use neighborhood parks (\$25K)
- Cut ballfield maintenance (\$20K)
- Change City Hall operating hours to 9am–4 pm (utility savings)
- Eliminate pool operations (\$400K)
- Other reductions (\$186K)

TOTAL REDUCTIONS = approx. \$1.5M

Special Request from Staff:

“QUIT accepting new facilities!”



Suggestions from Staff (cont.):

- Use of reserves for:
 - IT projects (\$750K)
 - 2008-2009
 - Street projects (\$350K)



Possible Revenue Enhancements:

- Increase Medic I rates for cost of living (\$30K)
- Increase cemetery fees (\$23K)
- Increase user fees for recreational programs (\$25K)
- Increase parking fines (\$35K)
- Increase water/wastewater utility tax rates from 8% to 10% (\$170K)
- Levy tax on long-term parking (\$8K)
- Impose false alarm fees (\$3K)

TOTAL REVENUES = \$294K

Revenue Enhancements (cont.):

Other revenue options for consideration include:

- Transportation Benefit District for street programs only (\$340K)
- Property Tax levy lid lift – requires voter approval and valid up to 6 years only (\$2 - 2.5M)
- Increase tax on cell phones (currently 6%)

Supplemental Requests

- Requests recommended by the Finance Committee and included in proposed 09 budget:
 - Meter reading equipment
 - Fire Dept. security fence
 - Cemetery burial maps
 - .25 FTE Gateway caretaker
 - Peabody Street construction
 - Street Comprehensive Plan
 - IT software requests

TOTAL impact on General Fund = \$200K

Street Programs for 2009

- Peabody paving (\$740K) – partially funded by grants
- Street chip-sealing & other projects (\$650K)



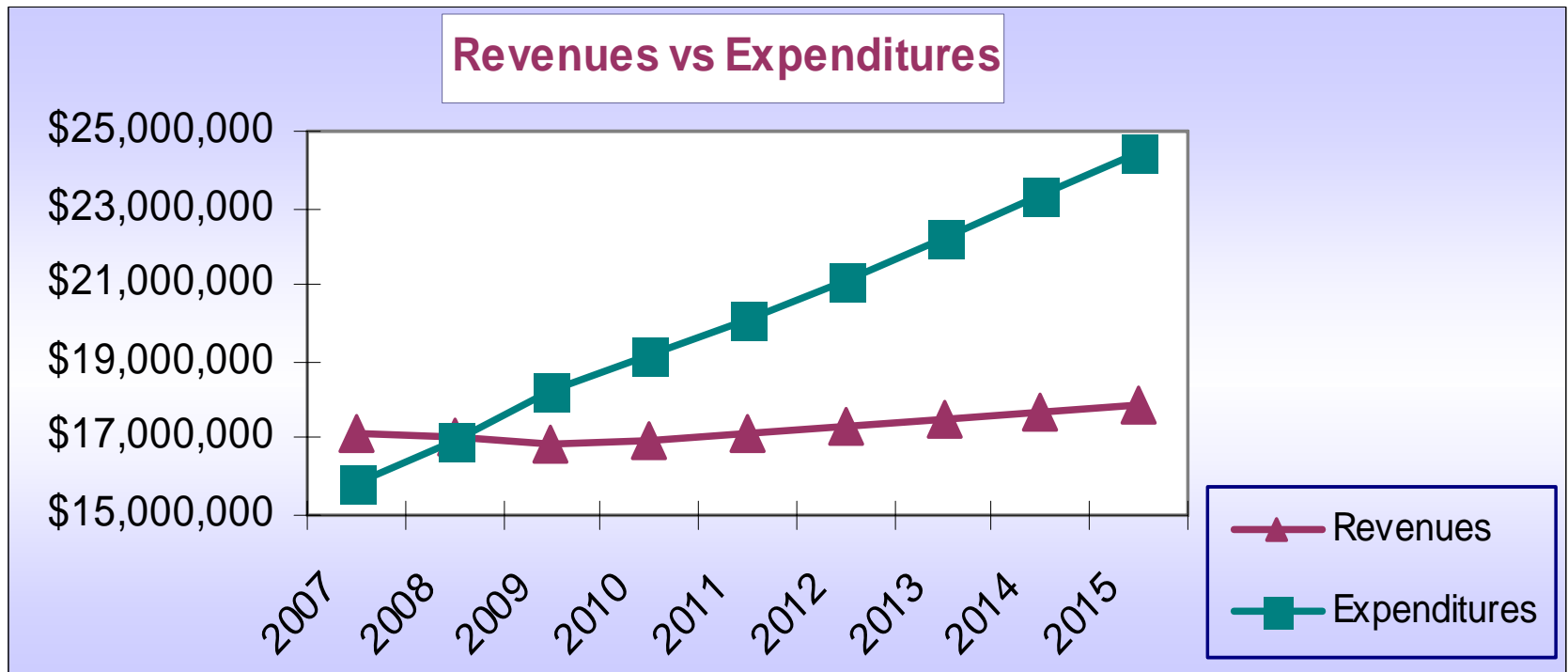
Where are we now?

By implementing the proposed changes, mainly:

- Closure of Pool on December 31, 2008
- Use of reserves for:
 - IT projects
 - Equipment replacement
 - Street projects

... We are able to **BALANCE** the 2009 GF & Street Budget at **\$20.2M**

Don't Forget about 2010 & 2011

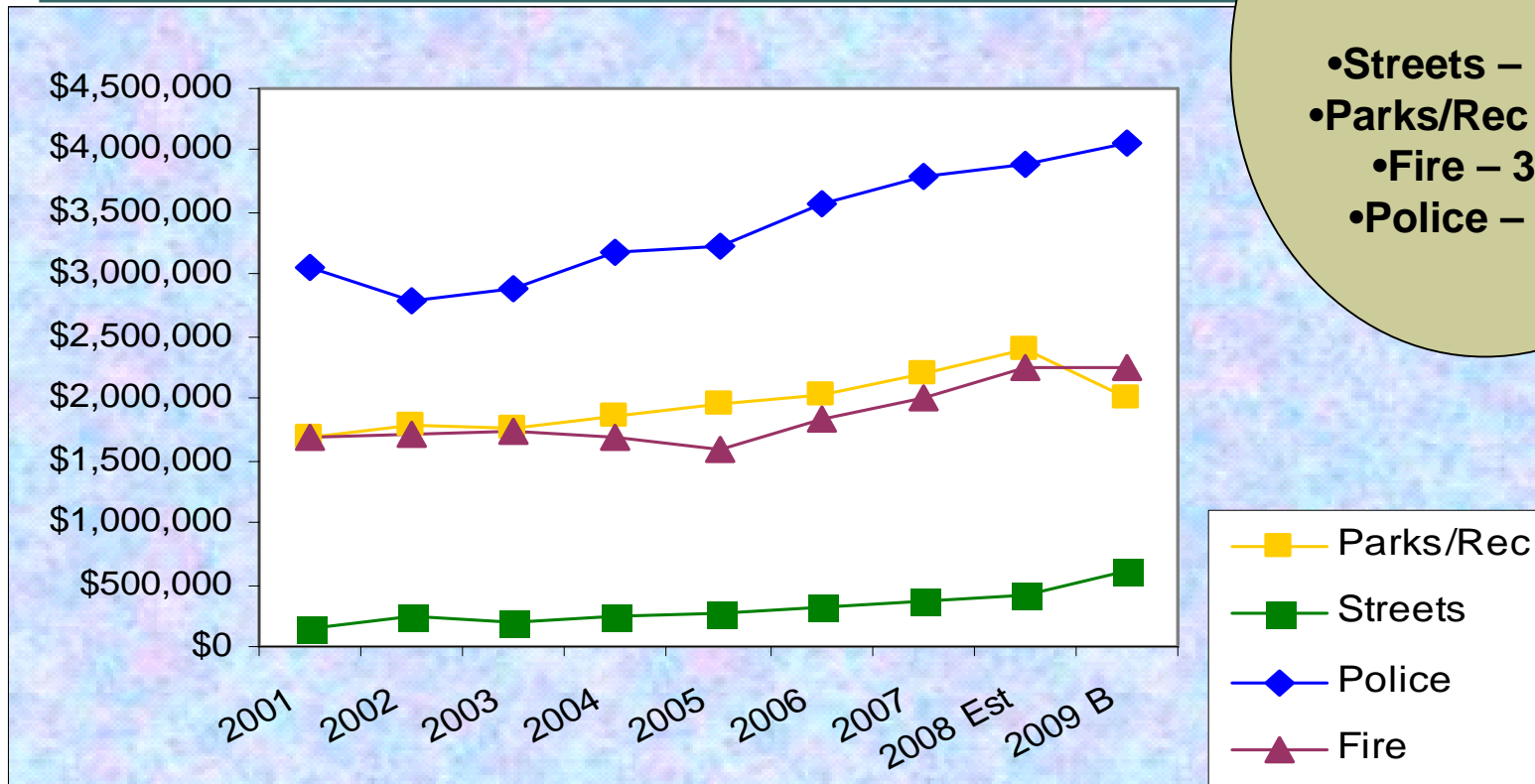


Your decisions TODAY will impact the Budget in future years

General Fund Support to City services

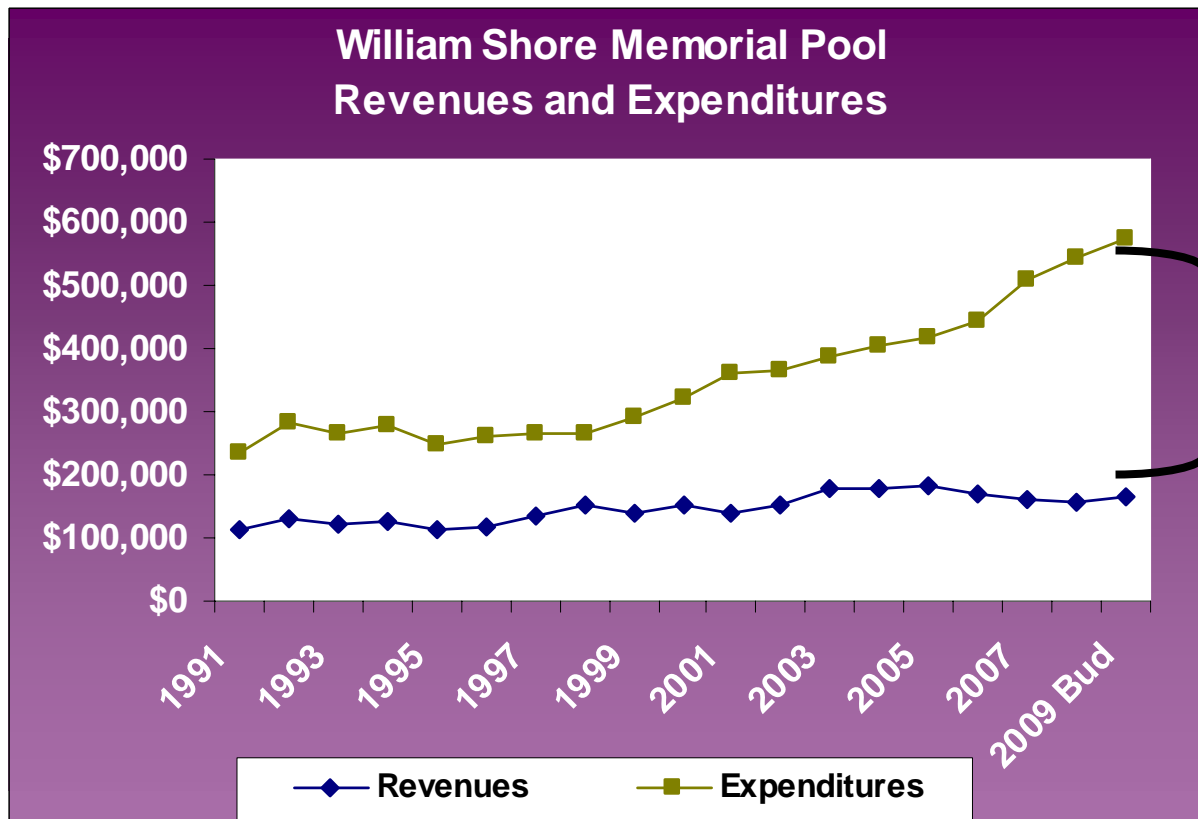
Increase in GF support (2001-2008):

- Streets – 179%
- Parks/Rec – 43%
- Fire – 32%
- Police – 29%



Does NOT include major capital projects, such as Civic Field (est. \$2M)

Let's look at Pool



General Fund support has increased nearly **230%** from 1991-2008... to **\$390K** in 2008!

Pool

- City staff met with officials from:
 - YMCA
 - Port Angeles School District
 - Clallam County

. . . to negotiate transfer of pool.

NO Takers!

Pool Revenues

- Swim Club – \$25/hr practice, \$40/hr swim meets
- School Teams – \$25/hr practice, \$25/hr swim meets
- Coast Guard – pays discounted early-bird rate

Fees cover only 25% of cost of pool operations.

To recover full costs, rates would need to be raised 4-5 times current levels, plus 10-15% annually. For example:

\$2.50 current youth rate would be RAISED to \$10.00 minimum, most likely resulting in REDUCED participation

Pool Maintenance

- **Pool facility is nearly 50 years old**
 - Major renovation and modernization is **REQUIRED**

**Will
Cost
MILLIONS!**



Community Services supported by City

- These are **Non-Mandated** programs
 - Pool (\$400K City support)
 - Senior Center (\$120K)
 - Cemetery (\$20K)
 - Recreational Programs (\$230K)
 - Special Events
 - Sports Programs
 - Youth/Family Programs
 - Park Facilities/Ballfields (\$1.4M)
 - Library/Senior Center bonds (\$281K)

Community Services supported by City (cont.)

- These are **Non-Mandated** programs
 - Fine Arts Center (\$55K)
 - Art Feiro Marine Life Center (\$45K)
 - OPNET (\$80K)
 - United Way (\$125K)
 - Clallam Business Incubator (\$100K)
 - Economic Development Council (\$20K)
 - PADA Main Street Program (\$20K)
 - Peninsula College Center of Excellence (\$10K)

Community Services supported by City (cont.)

**TOTAL Support of
Community Services = \$2.9 M**

Other Needs

- 2007 CIP projects “on hold”
- Funding for general government, IT & transportation capital projects identified in CFP = **\$85.5M through 2014**

What's next?

- Staff needs policy consensus decision by City Council to approve the adjustments to the 2009 budget



Public Hearing Process on 2009 Budget

- **November 4** – Revenues
- **November 18** – Revenues & Exp.
- **December 2** – Final public hearing and adoption of budget