



# 2010 Preliminary Budget Town Meeting

Presented by:

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# Why are we here today?

- To provide local citizens (taxpayers) basic information on the budget process
- To get your input and ideas on balancing the 2010 budget
  - What level of revenues do we anticipate?
  - What expenses can we reduce or eliminate?
  - What services (if any) should we add?
- To outline the next steps the City will take during the next 4 months to develop the 2010 budget

# Why have budgets?

- Budgets are legally required (RCW 35A.33)
- The City prepares budgets for multiple funds





- The City of Port Angeles is a municipal corporation
  - Multiple independent companies accounted for in different funds
  - Working within one corporate structure

● ● ● | What's this about Funds?





# City Accounting - Funds

- Funds are largely driven by revenue and/or use restrictions.

Example:  
Lodging Tax

- One fund cannot “benefit” from another unless specifically permitted by state law.

# Fund Types

## Fund Types

### Governmental

General

Special Revenue

Lodging Tax

Street

PenCom

Rec. Activities

Debt Service

Capital Projects

8<sup>th</sup> Street Bridges

Permanent

Esther Webster Trust

### Proprietary

Enterprise

Electric

Water

Wastewater

Solid Waste

Medic 1

Internal Services

Equipment Svcs.

Information Tech.

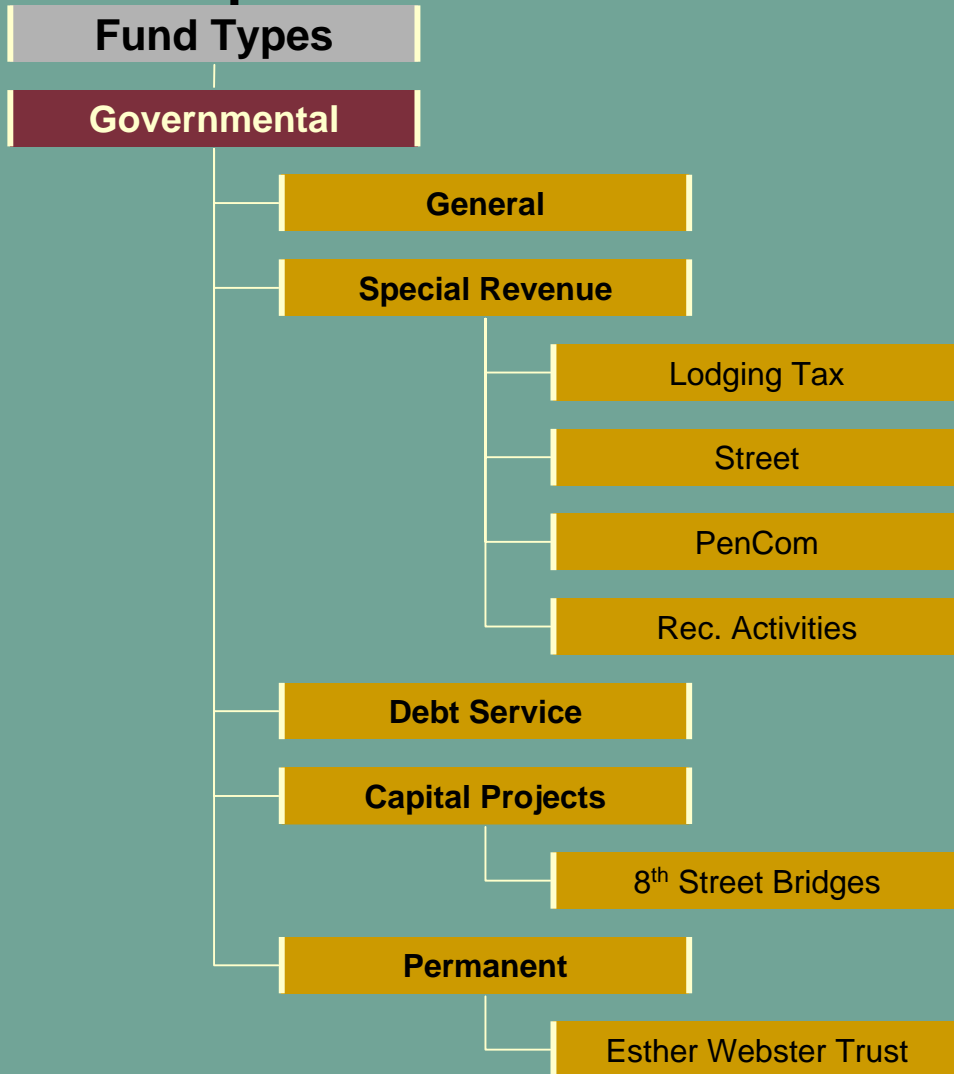
Self Insurance

### Fiduciary

Firemen's Pension

We cannot co-mingle funds!

# Governmental Funds



## REVENUE SOURCES

- Taxes
- Charges for services
- Sale of merchandise
- Licenses/Permits
- Fines & Forfeitures
- Intergovernmental
- Interest income
- Rental Fees
- Assessments
- Grants/Loans/Bonds
- Contributions/Donations
- Judgments & Settlements

# Proprietary Funds

## Fund Types

### Proprietary

#### Enterprise

Electric

Water

Wastewater

Solid Waste

Medic 1

#### Internal Services

Equipment Svcs.

Information Tech.

Self Insurance

## REVENUE SOURCES

- Utility charges
- Connection to system
- Charges for services
- Sale of merchandise
- Interfund charges
- Interest income
- Assessments
- Grants/Loans/Bonds
- Employee contributions



# Fiduciary Funds

**Fund Types**

**Fiduciary**

**Firemen's Pension**

## **REVENUE TYPES**

- Fire Insurance Premiums
- Interest Income

### **Fiduciary Fund types:**

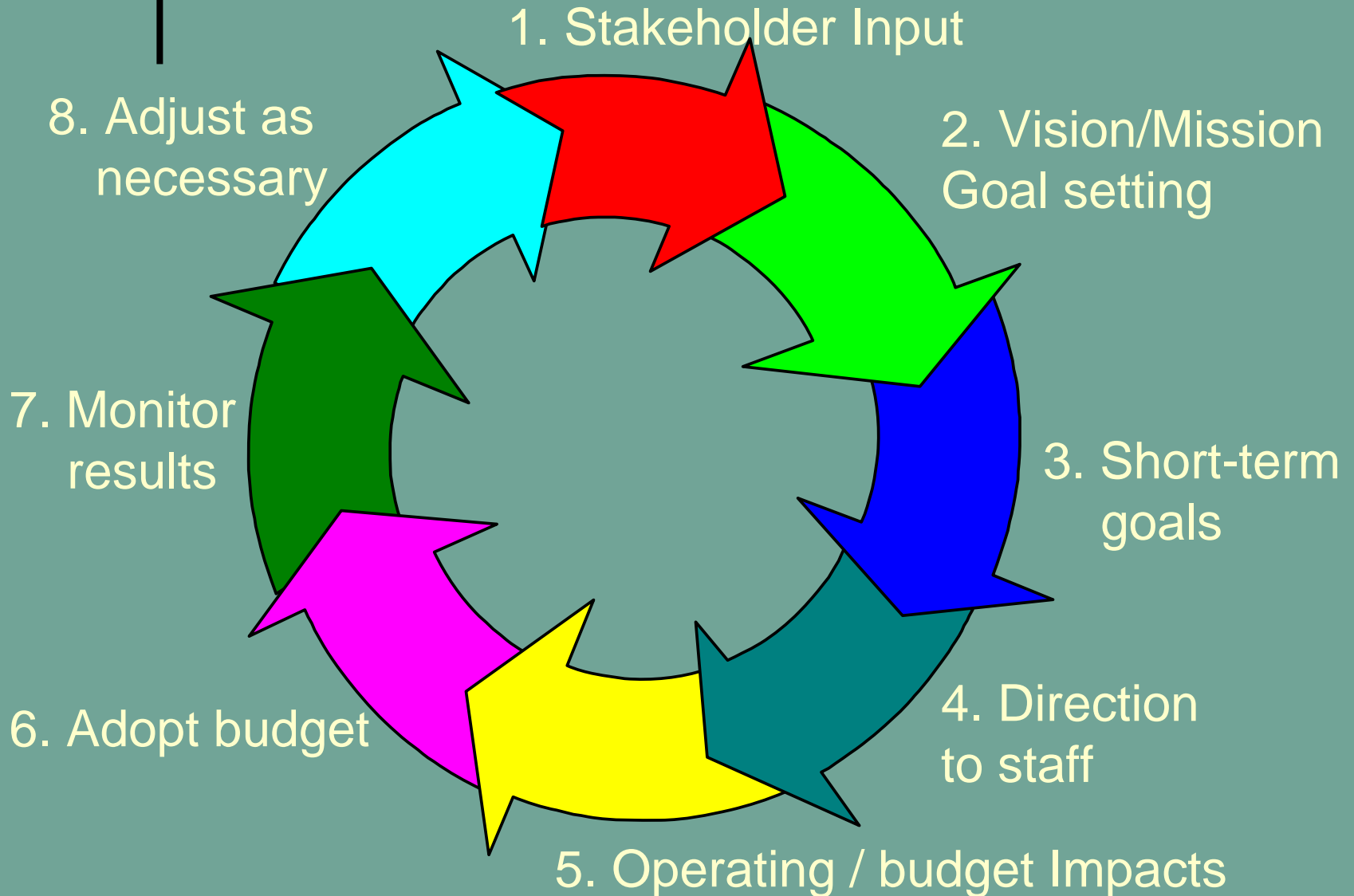
- Pension Trust Funds
- Investment Trust Funds
- Private Purpose Trust Funds
  - Agency Funds

A good budget process aligns requirements with the overall plan for service to the community



AND ties everything to the available resources

# Budget Process





GMA

Capital Facility  
Plan

Fire  
Master Plan

Transportation  
Plan

Park Plan

Land Use Plan

Budget

Economic  
Development Plan

Water Comp. Plan

Police  
Master  
Plan

Sewer  
Comp. Plan

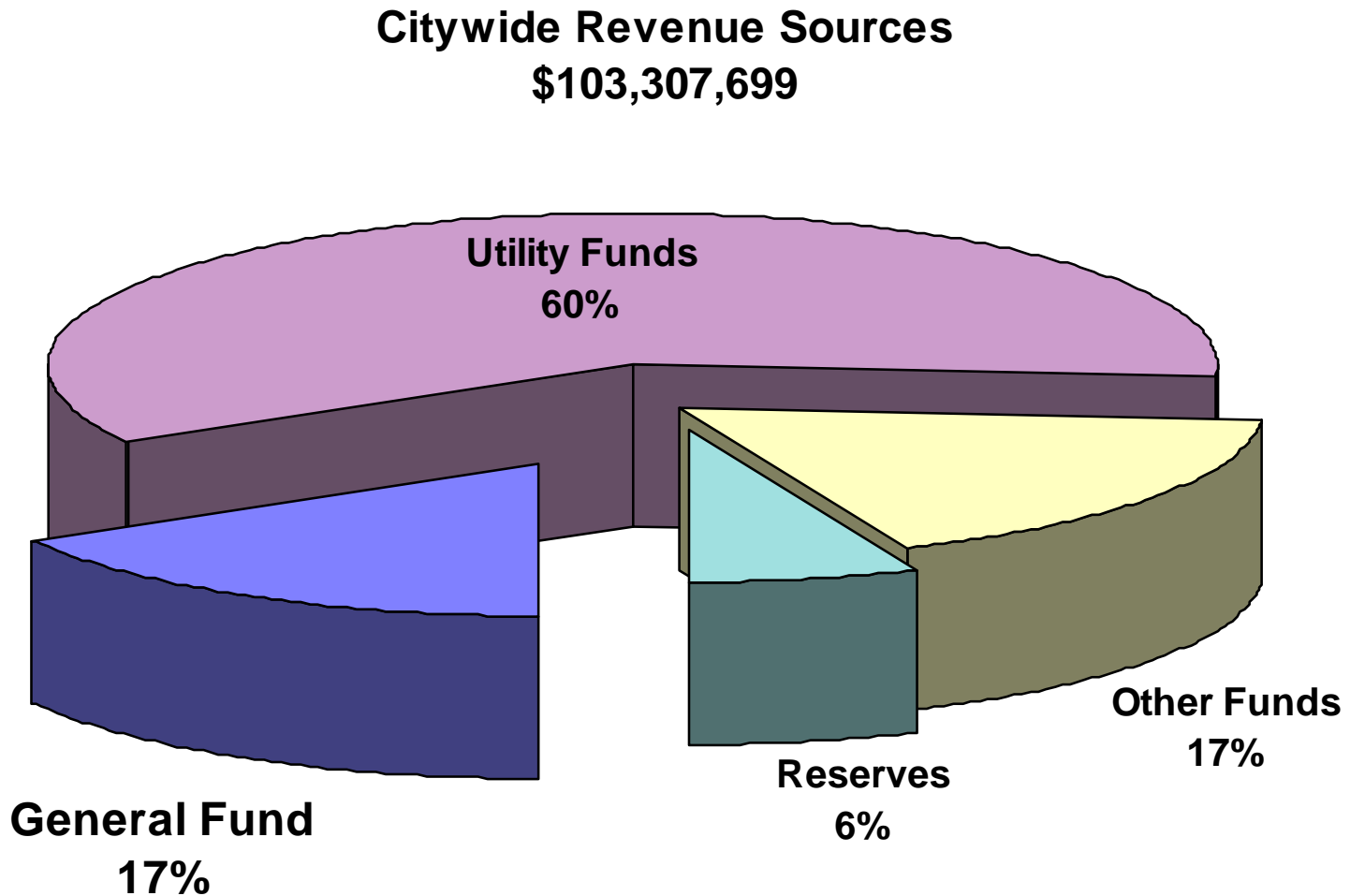
Storm Drainage  
Comp. Plan



# Policies that Guide Budget

- Financial Management Policy
  - Debt policies
  - Capital Improvement policies
  - Revenue policies
  - Budget policies
  - Investment policies
  - Accounting and Reporting policies

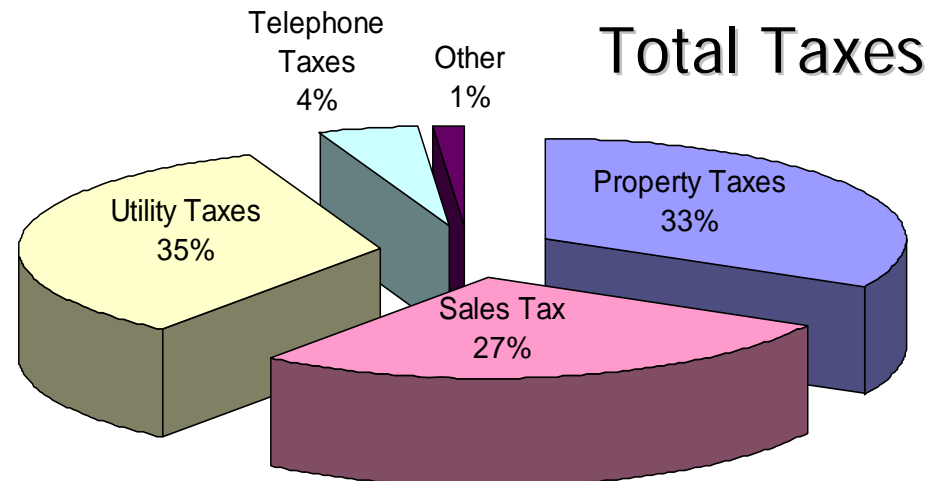
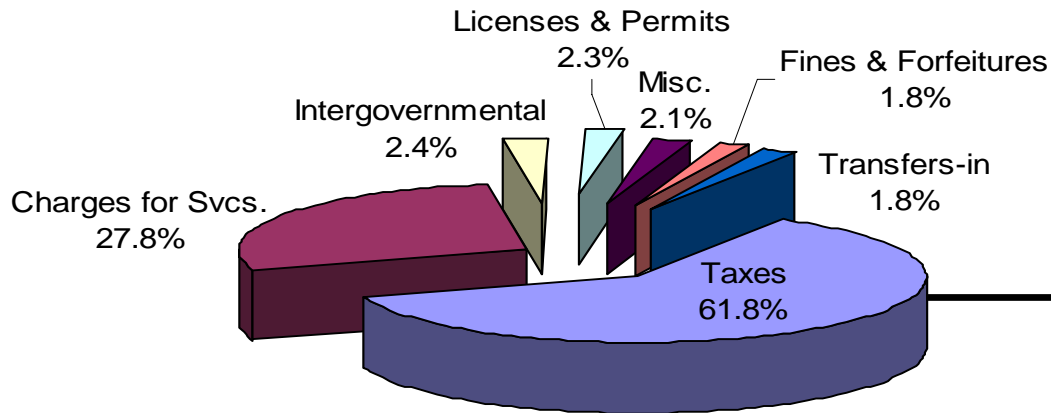
# Citywide Revenue Sources



# GF Revenue Sources

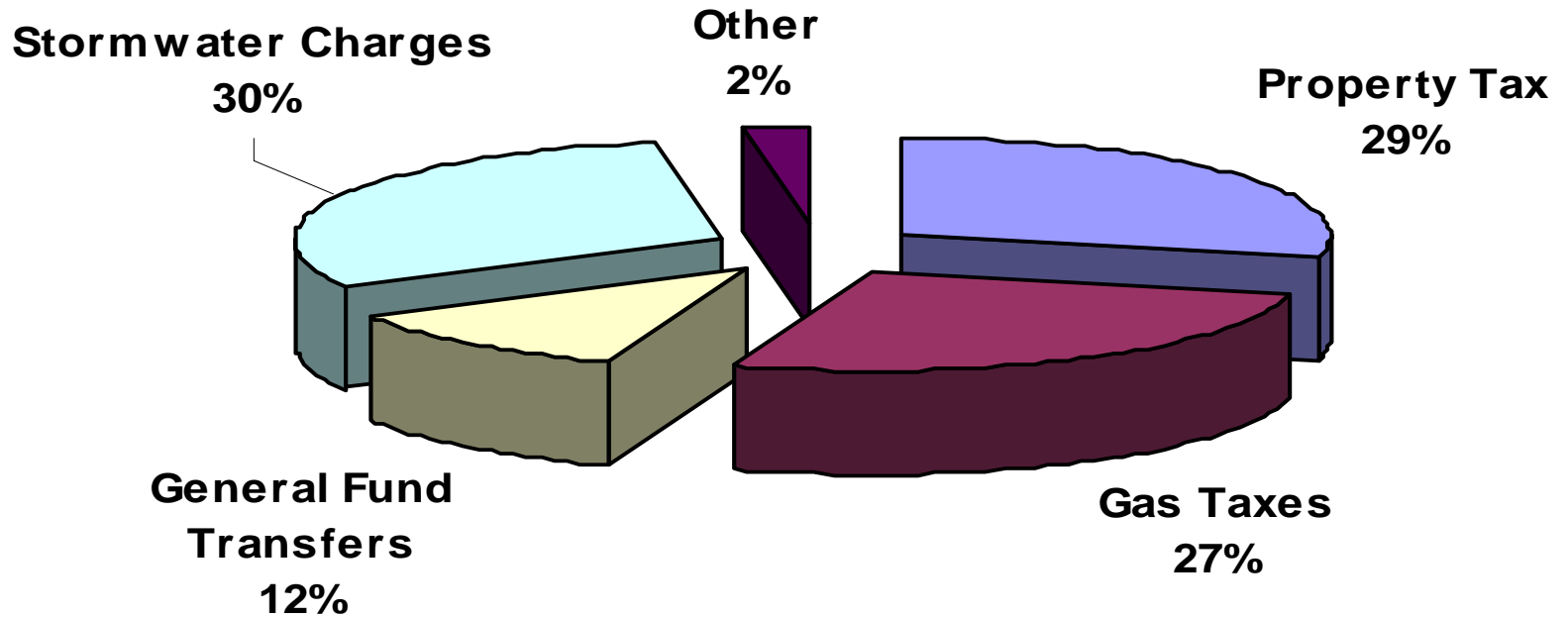
GF Revenue

\$17,223,297



# Street Fund Revenue Sources

## Street Fund Revenue \$1,684,008

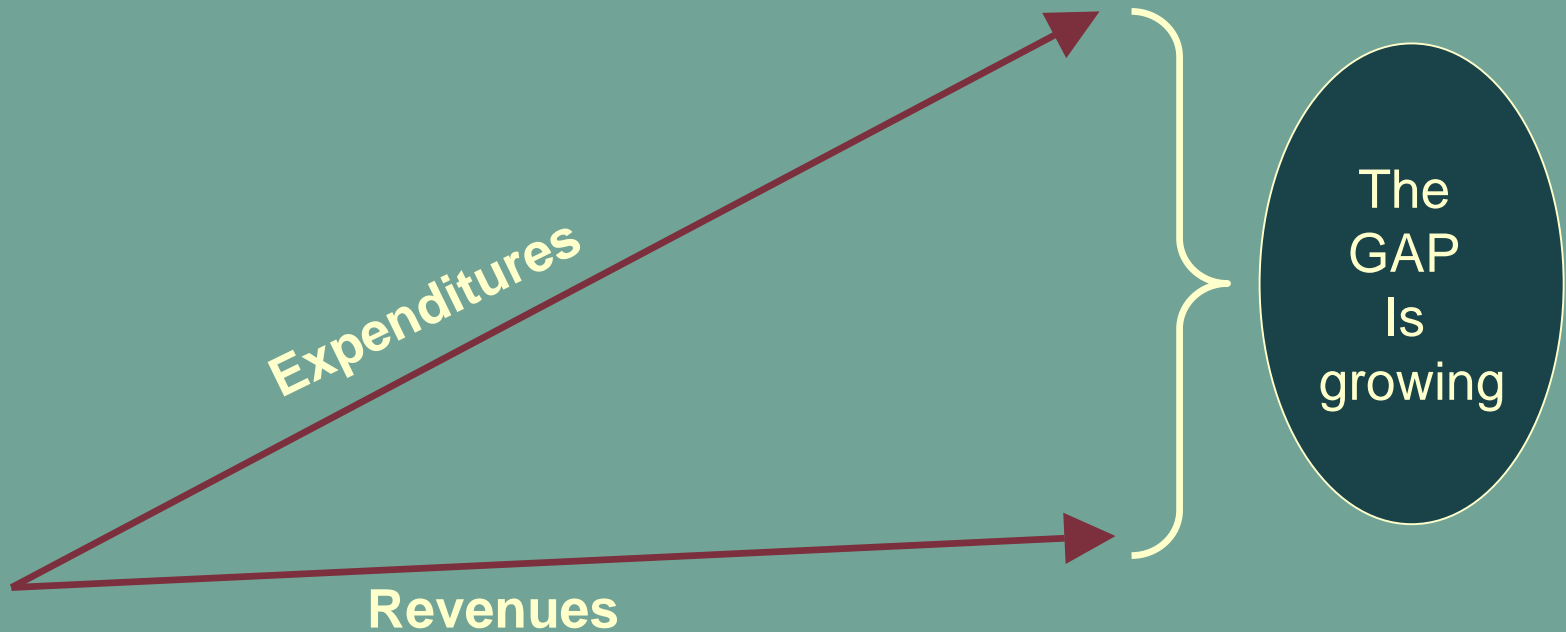


# Balancing the Budget

- Why is it a challenge to balance the budget?
  - Expenditures are growing much faster than revenues



# Balancing the Budget



**This didn't happen overnight. . . the gap has been growing for years**



# Main Issues Affecting Revenues

1. Voters Initiatives
2. New services, charges, and Federal/State mandates
3. Increased level of Street maintenance and improvements
4. Economy

In addition, taxpayers expectations and demands continue to rise, along with a resistance to taxes and fees



# 1. Voters Initiatives

## ○ I-695

- Eliminated MVET revenue of \$390K annually (in today's \$)
- Eliminated \$35K for criminal justice

## ○ I-747

- Limited property tax increases to 1% or IPD, whichever is less



Overall  
\$1 M  
loss in  
revenue

**I-1033 is on the horizon**

This could have a tremendous  
impact on City revenues and  
services



## ○ **What is Initiative 1033?**

- Limits growth in all General Fund revenues
- Total revenue growth will be limited by inflation (IPD) and the population index
- Any revenue collected above the cap would be used to reduce property taxes

I-1033 would directly impact the funding for core City services, such as police, fire and parks



## ○ Why are we concerned with I-1033?

- Establishing 2009 as baseline would be a challenge, since this is the lowest revenue level in several years
- Replenishing reserves will be impossible even when economy rebounds since potential growth would be so limited
- Would slow economic recovery
- Impacts all basic City services

**At this time, there are more questions than answers**





## 2. New Services, Charges & Mandates

- City absorbing services previously provided by County, including:
  - Prosecution
  - Jail Costs
  - Election Costs
  - Voters Registration
- New Mandates:
  - NPDES
  - CSO



Overall  
\$2 M  
increase  
in new  
costs



# 3. Increased Street Maintenance

- The General Fund is responsible for supporting the Street Fund
- In 2009, the General Fund supported Street as follows:

● Operations:	\$199K
● Projects:	\$575K
● Property Tax support:	<u>\$483K</u>
● <b>TOTAL</b>	<b>\$1.26M</b>

# 4. Economy

- Local Economy has been negatively impacted by recession
  - Unemployment increased
  - Consumer confidence is down, therefore spending is down
  - Businesses are closing
  - House prices are down
  - Real Estate market is down

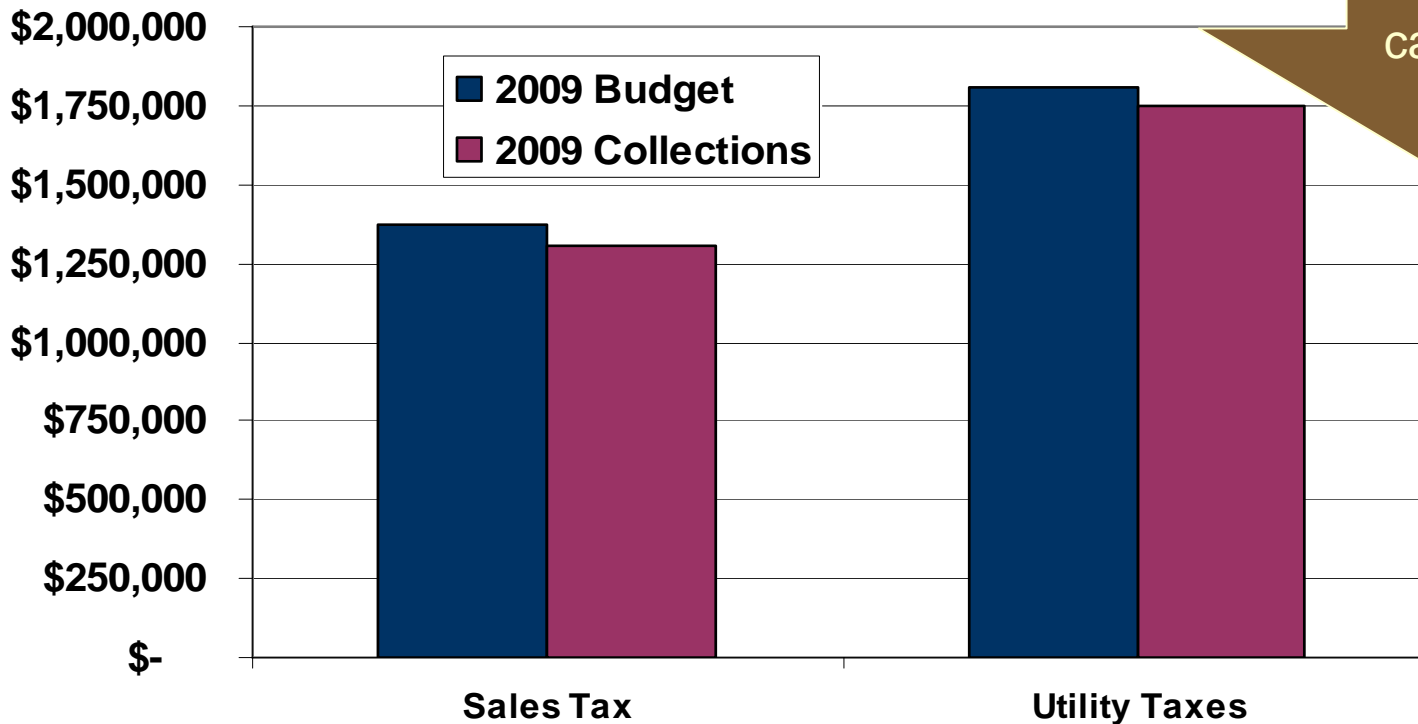


# 4. Economy

- Tax Revenue Collections are below budget so far in 2009

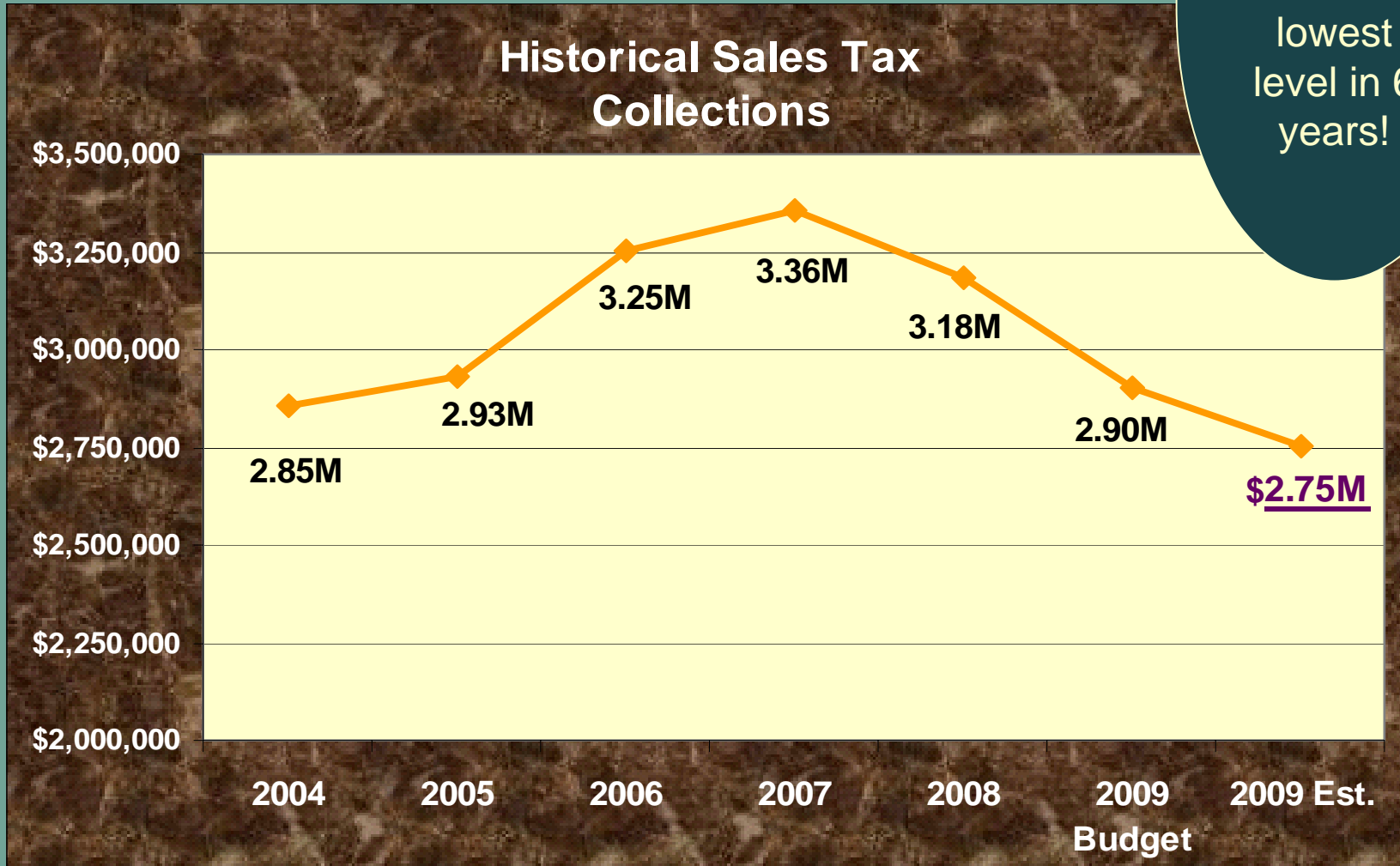
We anticipate lowering our 2009 revenue estimates by \$300K in these 2 categories

Tax Collections through June 2009 - Budget vs. Actual



# Sales Tax

Sales Tax collections are at the lowest level in 6 years!





# Sales Tax

## ○ Sales Tax Collections

- Revenue is down 17% from 2008
- Challenges related to sales tax:
  - Closure and furlough of businesses
  - Consumer confidence is down
  - High unemployment
  - Economy is still in a recession

**We expect this trend to continue into 2010**



# Utility Tax

## ○ **Utility Tax Collections**

- Revenue is down from 2008
- No growth in customer base – only opportunity for growth is rate increases
- Closure and furlough of businesses continues to negatively affect revenue
- The weather has a major impact on utility tax levels



# Property Tax

- **How much can the City levy in property taxes?**
  - The levy can only increase a maximum of 1% annually, or inflation (IPD), whichever is less



# Property Tax

- **What would a 1% increase mean to the City?**
  - A 1% increase in the property tax levy is approximately \$40K
  - \$40K is equivalent to:
    - .50 FTE police officer
    - Code Compliance program
    - Parks beautification program and neighborhood improvement



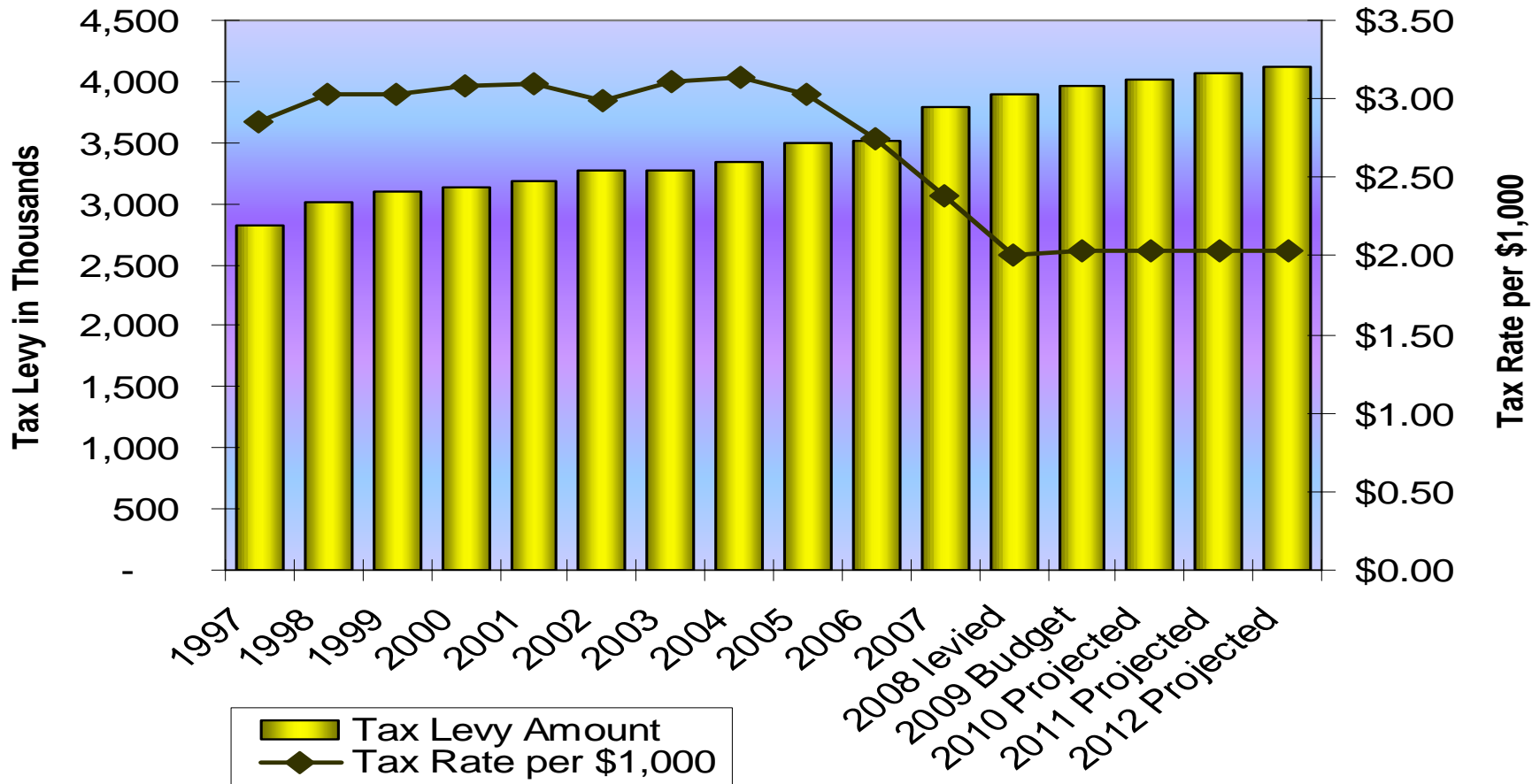
# Property Tax

- How does a 1% increase affect the average homeowner in Port Angeles?

For the owner of a \$250K home,  
this equates to **\$2.50** in  
additional property taxes per year

# Property Tax Rate History

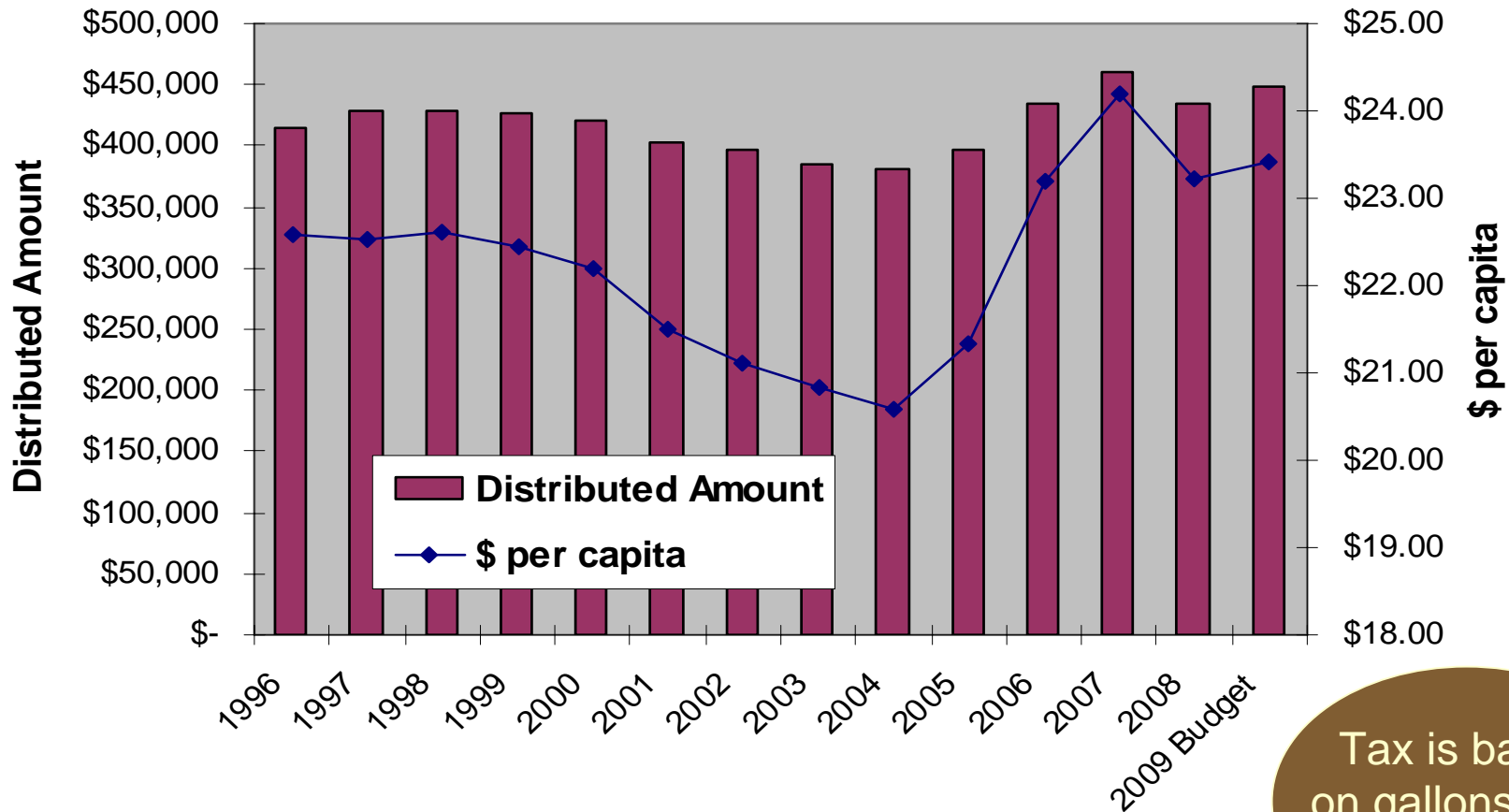
## Property Tax - Regular Levy



# Gas Tax

In 1992, Gas Taxes supported 42% of Street operations. . .  
In 2009, just over 26%

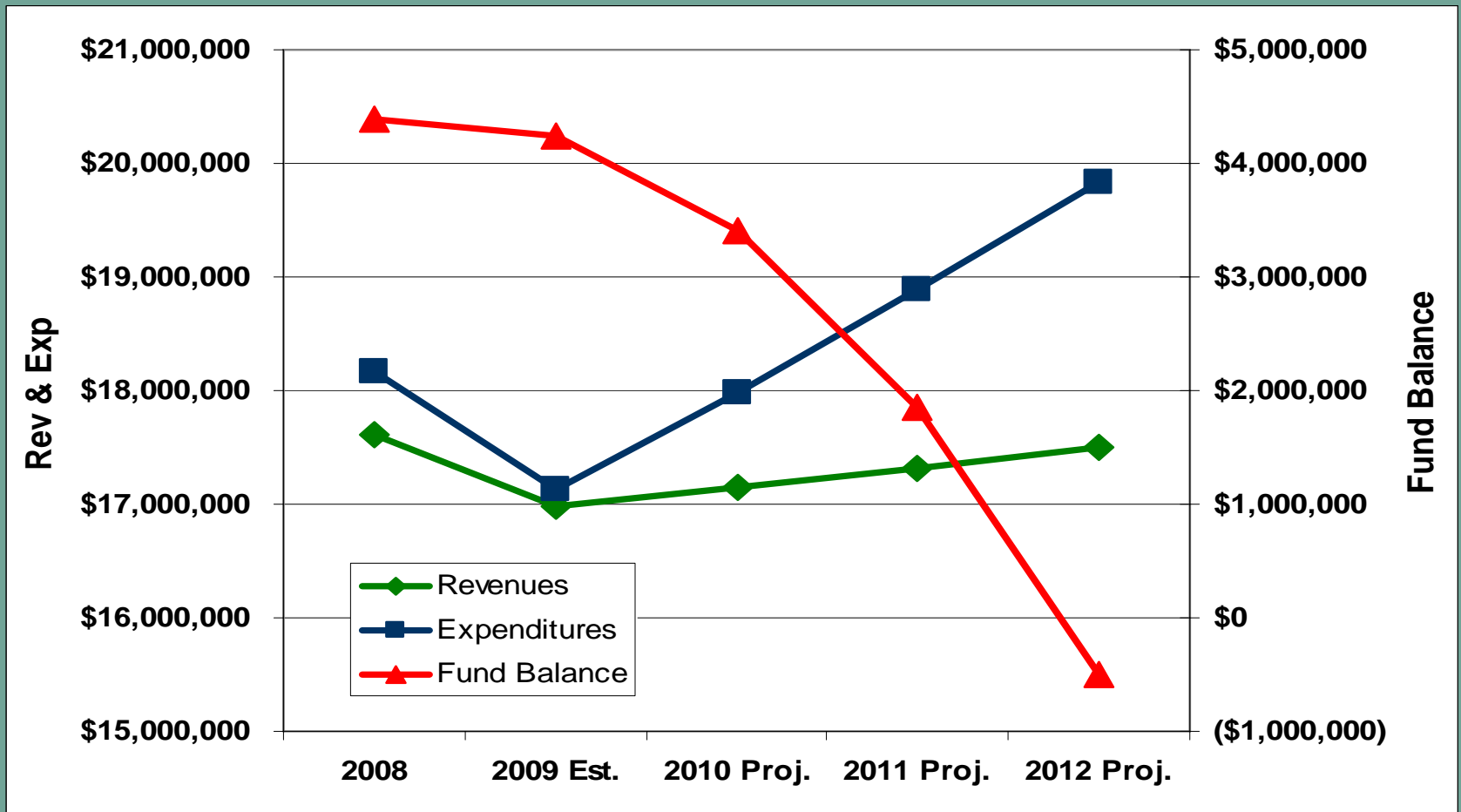
### Gas Tax Revenue Summary



Tax is based on gallons sold, NOT price

# Balancing the GF Budget

If we use reserves to balance GF budget, we will run out of money in 2012





# Today's Focus

- Are there any questions about City finances or the budget process?
- How can we enhance revenues or look for new sources?
- Can we reduce or eliminate any services or programs?
- Are there any new programs we wish to add?



# Budget Calendar

- Aug. 6 Town Meeting on 2010 budget
- Aug-Sept. Internal budget reviews with departments
- October Finance Committee to meet 3-4 times
- Oct. 20 3<sup>rd</sup> Quarter 2009 budget presentation
- Nov. 2 Preliminary 2010 budget filed with Clerk and on website
- Nov. 3 Public Hearing on revenue sources and property taxes
- Nov. 17 Continue public hearing on revenue sources  
First public hearing on proposed 2010 budget
- Dec. 2 Second public hearing on proposed budget  
Adopt Final 2010 budget



Questions  
or  
Comments?