

CITY OF PORT ANGELES



Long Range Financial Plan

January 28, 2014

Agenda

- Review of Work Accomplished to Date
 - Financial Projections
 - ✓ General Fund
 - ✓ Economic Development Fund
 - ✓ Street Fund
 - ✓ Real Estate Excise Tax I & II Funds
 - ✓ Debt Service
 - Policy Development
 - ✓ Policies receiving General Consensus During 2013 Review
 - ✓ New and/or Additional Policies for Consideration
- Setting Program & Service Delivery Priorities
- Proposed Future Meeting Schedule
- Approaching the End
 - Questions, Comments & Requests from Council
 - Adjournment

Why Long-Range Financial Planning?

- Long-Range Financial Planning (LRFP) will assist the City in moving from:
 - A reactionary budgeting process to a strategic process that budgets for financial sustainability
 - Decisions made today can significantly affect tomorrow
 - Decisions not made today can compound problems in the future
 - A staff-driven budget process to a Council-driven budget process
 - Council adopts policy direction & staff implements the policies
- The LRFP will increase confidence in City government
 - Within the City:
 - Residents & business will have better understanding of how the City collects revenue and how its spend the money on identified priorities
 - Employees, unions and special interest groups will have better knowledge regarding the City and its financial condition
 - External to the City:
 - Bond rating agencies will have greater assurance that the City is willing and able to address current and future financial challenges
 - State and federal agencies will have better information to better understand “ability to pay” concerns and the need for funding assistance

General Fund Observations

- General Fund is in relatively good shape, currently
- Current revenue & expenditure projections indicate substantial deficit going forward **IF** there are no changes to existing program & service levels
- Need to establish appropriate policy direction for both short and long-term – revenues, expenditures, debt
- Council will need to establish short and long-term priorities and assign resources in alignment with priorities

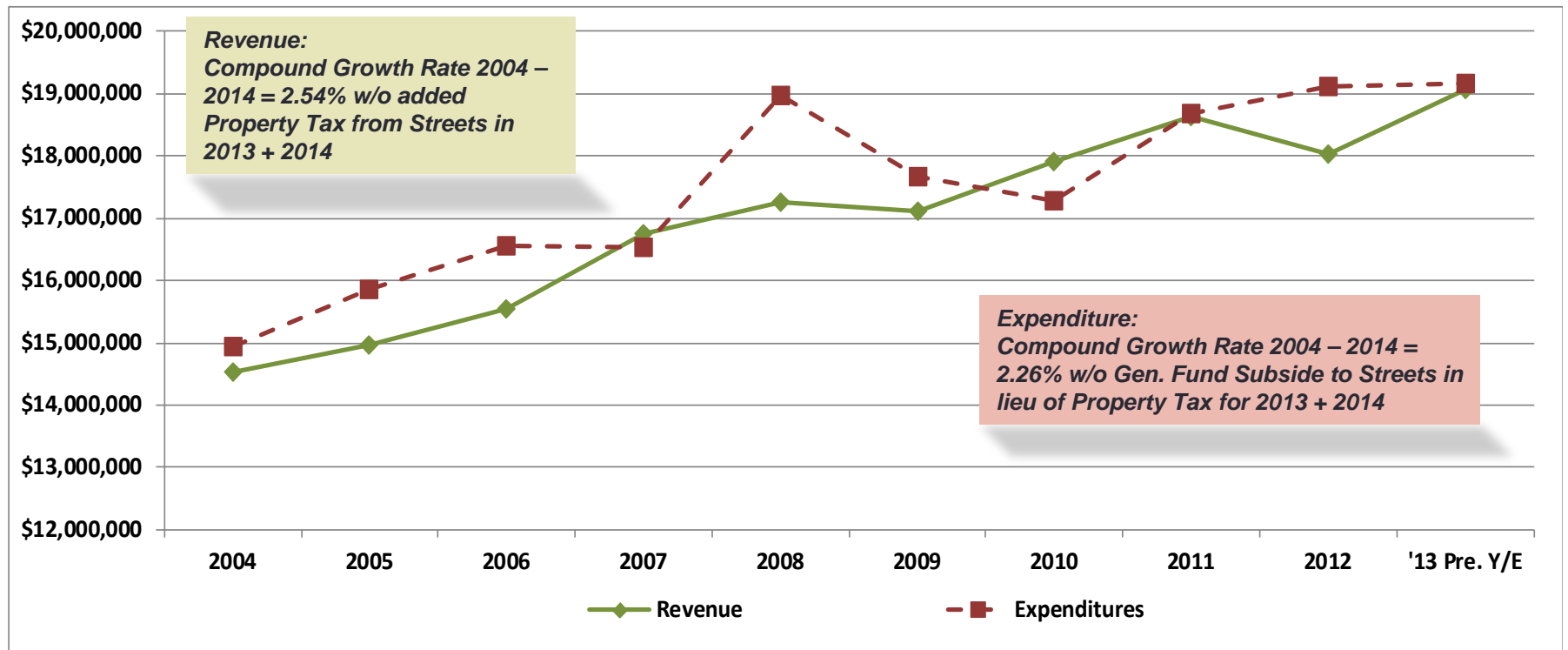
Forecast Disclaimers

- The initial forecast in this report will undergo modification based on:
 - Council adopted Long-Range Financial Plan decisions
 - Revenue & expenditure adjustments necessary to re-align funding from utilities to the General Fund and other similar matters
 - Changes adopted by the Washington State Legislature as part of the 2014 legislative session
 - Changes in the local economic environment including:
 - New business development;
 - Closure of existing businesses; and
 - Other local economic factors
- The forecast will be revised for each workshop to factor in economic data that could impact decision making by Council

General Fund Revenues & Expenditures History

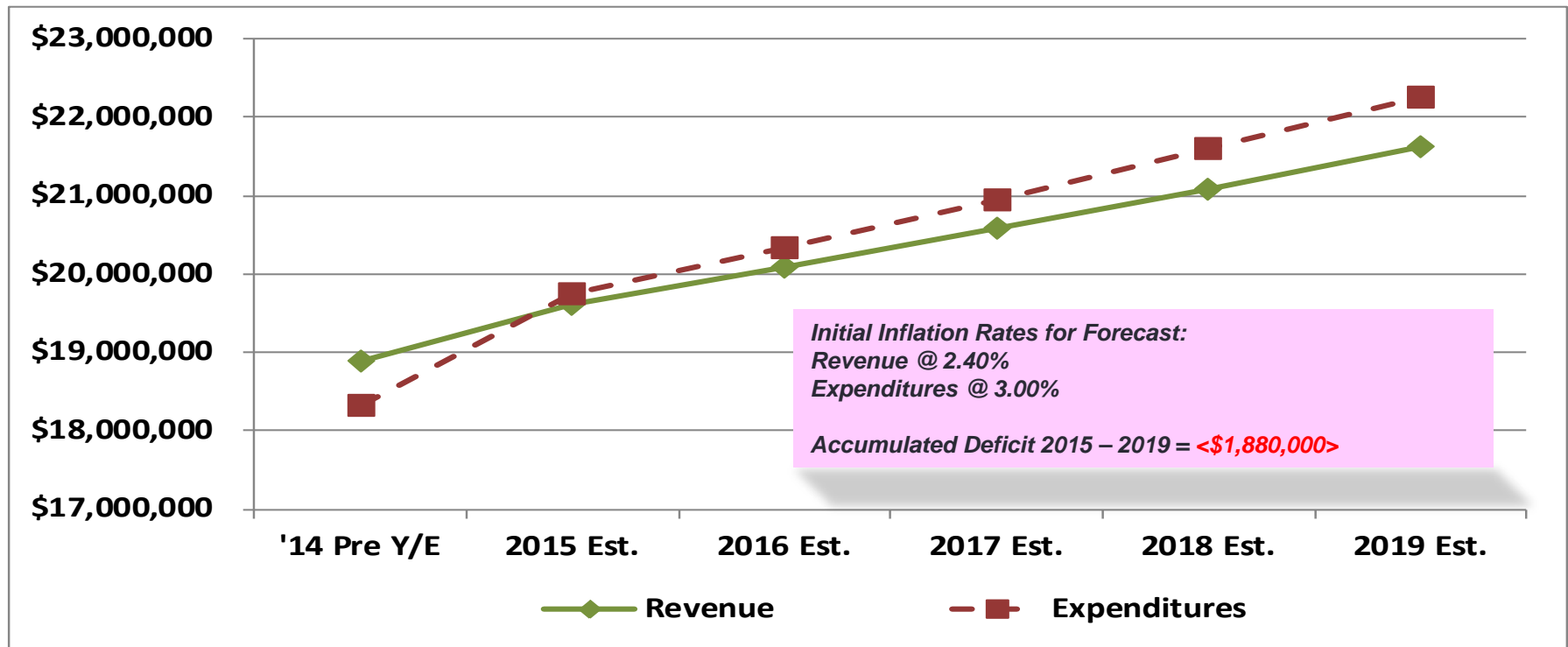
	2004	2005	2006	2007	2008	2009	2010	2011	2012	'13 Pre. Y/E
Revenue	14,539,457	14,977,241	15,536,208	16,757,925	17,260,348	17,106,995	17,919,514	18,625,853	18,025,366	19,059,810
Expenditures	14,939,858	15,859,839	16,551,079	16,530,925	18,960,348	17,660,281	17,278,695	18,685,380	19,126,833	19,161,640
Net Gen. Fund Subsidy	(400,401)	(882,598)	(1,014,871)	227,000	(1,700,000)	(553,286)	640,819	(59,527)	(1,101,467)	(101,830)

<i>Un-assigned Fund Balance</i>	3,917,941	3,909,502	3,730,202	4,949,255	4,398,023	4,273,149	4,242,794	4,421,105	3,528,995	3,570,995
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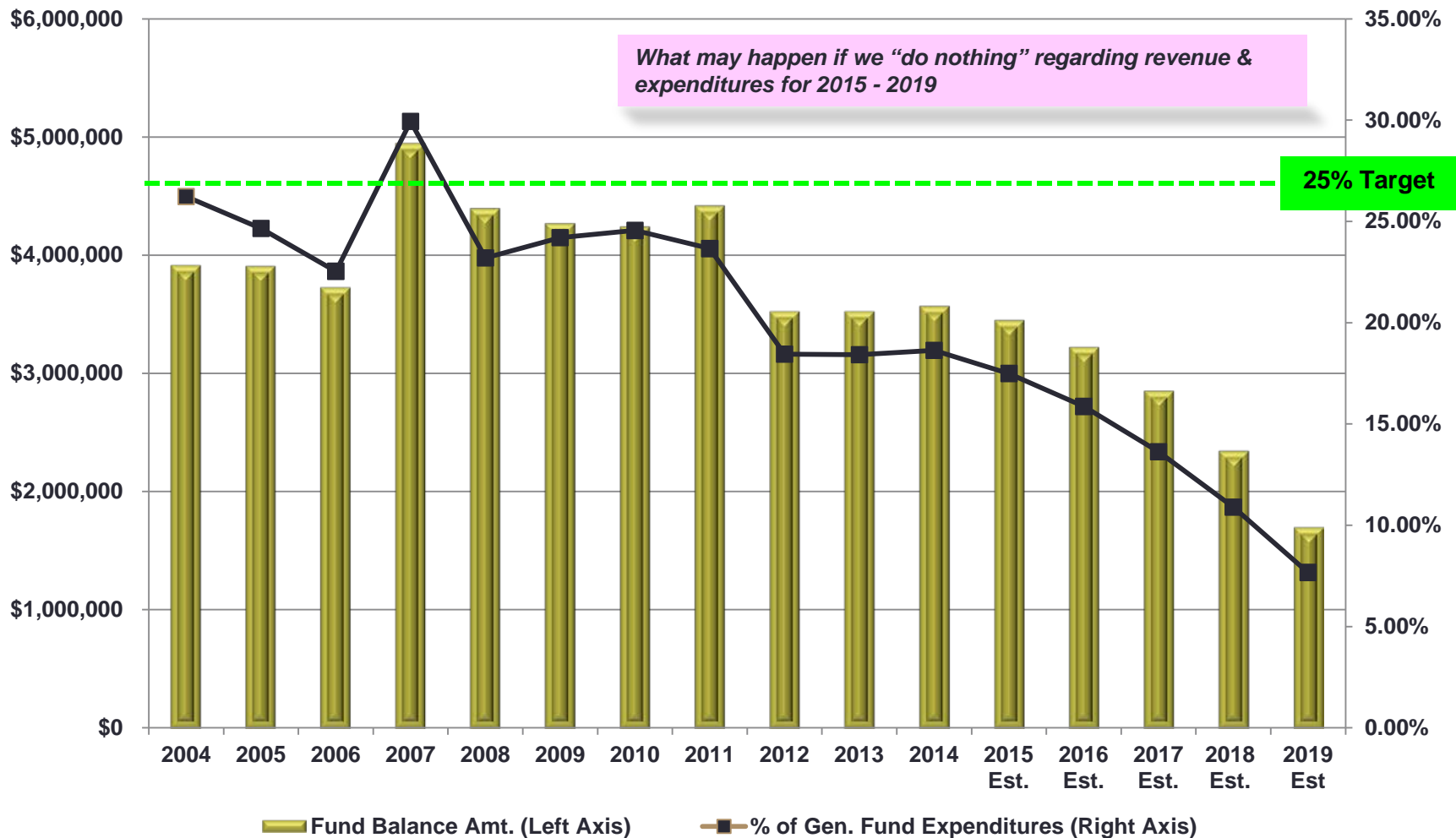


General Fund Revenues & Expenditures Forecast

	'14 Pre Y/E	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Revenue	18,884,826	19,622,000	20,095,000	20,584,000	21,089,000	21,612,000
Expenditures	18,332,439	19,740,000	20,337,000	20,954,000	21,594,000	22,257,000
Net Gen. Fund Subsidy	552,387	(118,000)	(242,000)	(370,000)	(505,000)	(645,000)
<i>Un-assigned Fund Balance</i>	3,570,995	3,452,995	3,210,995	2,840,995	2,335,995	1,690,995

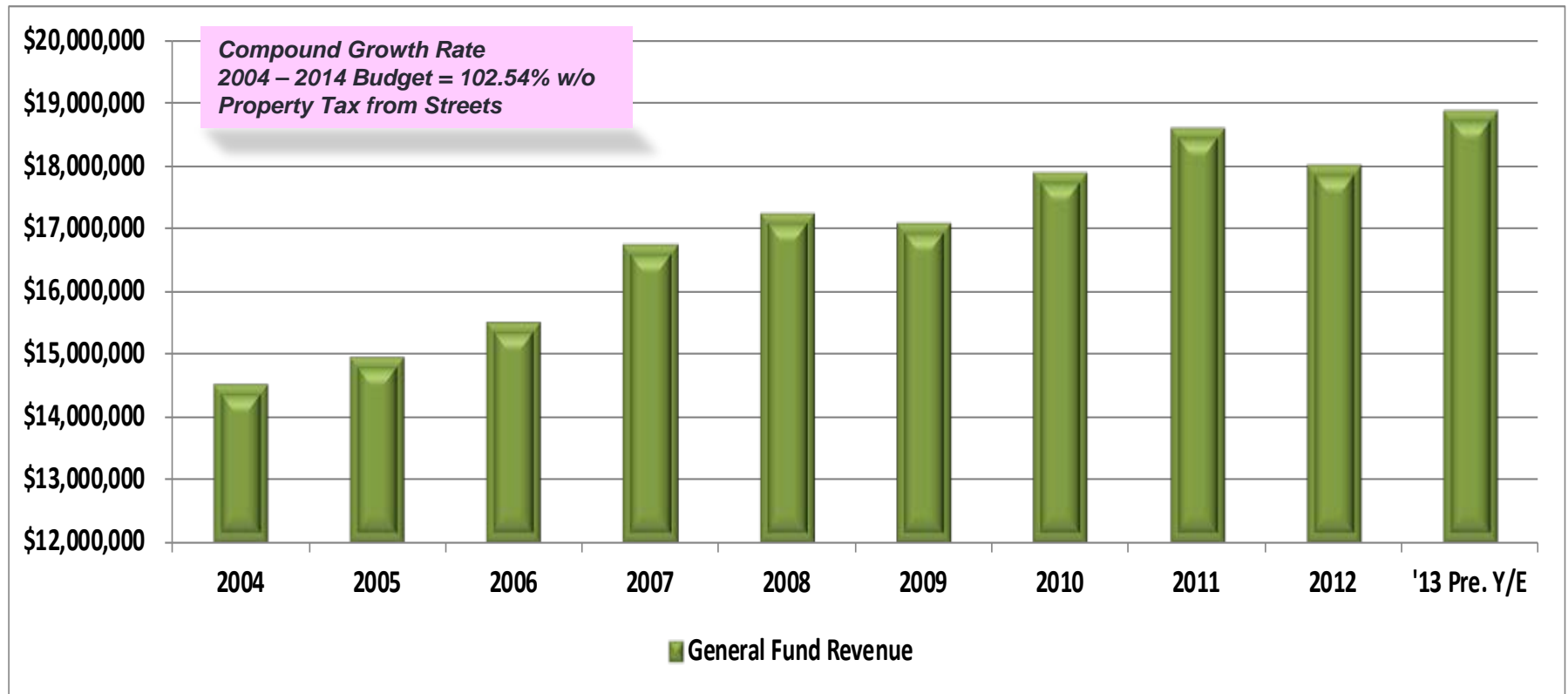


General Fund Un-Assigned Fund Balance (“Reserves”)



General Fund Revenue History

	2004	2005	2006	2007	2008	2009	2010	2011	2012	'13 Pre. Y/E
General Fund Revenue	14,539,457	14,977,241	15,536,208	16,757,925	17,260,348	17,106,995	17,919,514	18,625,853	18,025,366	18,884,826
Change from Prior Yr.-\$		437,784	558,967	1,221,717	502,423	(153,353)	812,519	706,339	(600,487)	859,460
Change from Prior Yr.-%		3.01%	3.73%	7.86%	3.00%	-0.89%	4.75%	3.94%	-3.22%	4.77%



General Fund Revenue Forecast

	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Revenue Forecast	19,163,800	19,622,000	20,095,000	20,584,000	21,089,000	21,612,000
Chg. from Prior Yr.-\$	103,990	458,200	473,000	489,000	505,000	523,000
Chg. from Prior Yr.-%	0.55%	2.39%	2.41%	2.43%	2.45%	2.48%



General Fund Revenue Sources & Percentage

Revenue	2004		2005		2006		2007		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Allocation from Utilities	2,611,137	17.96%	2,654,455	17.72%	2,750,772	17.71%	2,515,312	15.01%	2,588,567	15.00%
Property Tax	2,834,514	19.50%	2,968,648	19.82%	2,958,258	19.04%	3,317,498	19.80%	3,397,812	19.69%
Utility Tax	3,684,405	25.34%	2,655,291	17.73%	2,884,604	18.57%	3,257,780	19.44%	3,353,323	19.43%
Sales Tax	2,633,330	18.11%	2,822,760	18.85%	3,254,674	20.95%	3,357,780	20.04%	3,209,825	18.60%
All Other Revenue	2,776,071	19.09%	3,876,087	25.88%	3,687,900	23.74%	4,309,555	25.72%	4,710,821	27.29%
Total Revenue	14,539,457		14,977,241		15,536,208		16,757,925		17,260,348	

Revenue	2009		2010		2011		2012		2013 Prelim. Y/E	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Allocation from Utilities	2,776,146	16.23%	2,654,148	14.81%	2,685,055	14.42%	2,641,725	14.66%	2,927,024	15.50%
Property Tax	3,477,575	20.33%	3,553,589	19.83%	3,585,314	19.25%	3,630,678	20.14%	4,174,578	22.11%
Utility Tax	3,506,126	20.50%	3,743,657	20.89%	3,800,137	20.40%	3,781,229	20.98%	3,966,209	21.00%
Sales Tax	2,763,426	16.15%	2,877,100	16.06%	2,876,603	15.44%	2,783,743	15.44%	2,872,277	15.21%
All Other Revenue	4,583,722	26.79%	5,091,020	28.41%	5,678,744	30.49%	5,187,991	28.78%	4,944,738	26.18%
Total Revenue	17,106,995		17,919,514		18,625,853		18,025,366		18,884,826	

Property Tax for 2004 - 2012 excluded property tax diverted to the Street Fund. Average diversion to Streets during the period of 2004 - 2012 = \$473,370/year.

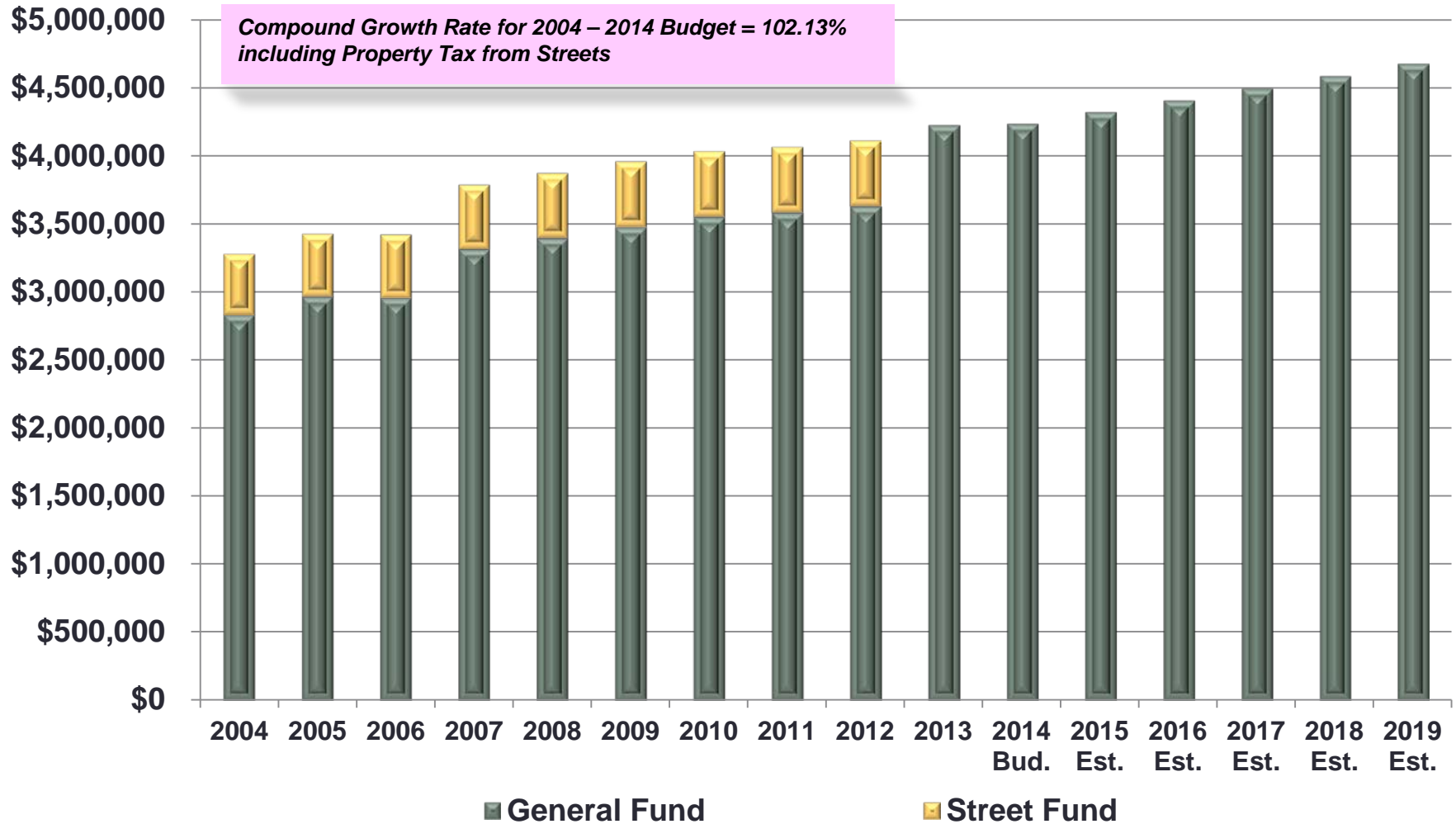
Revenue	2014 Budget		2015 Est.		2016 Est.		2017 Est.		2018 Est.		2019 Est.	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Allocation from Utilities	3,009,400	15.70%	3,039,000	15.49%	3,069,000	15.27%	3,100,000	15.06%	3,131,000	14.85%	3,162,000	14.63%
Property Tax	4,238,000	22.11%	4,323,000	22.03%	4,409,000	21.94%	4,497,000	21.85%	4,587,000	21.75%	4,679,000	21.65%
Utility Tax	4,426,100	23.10%	4,647,000	23.68%	4,879,000	24.28%	5,123,000	24.89%	5,379,000	25.51%	5,648,000	26.13%
Sales Tax	2,759,000	14.40%	2,787,000	14.20%	2,815,000	14.01%	2,843,000	13.81%	2,871,000	13.61%	2,900,000	13.42%
All Other Revenue	4,731,300	24.69%	4,826,000	24.59%	4,923,000	24.50%	5,021,000	24.39%	5,121,000	24.28%	5,223,000	24.17%
Total Revenue	19,163,800		19,622,000		20,095,000		20,584,000		21,089,000		21,612,000	

General Fund Property Tax

	2004	2005	2006	2007	2008	2009	2010	2011
Property Tax								
General Fund	2,834,514	2,968,648	2,958,258	3,317,498	3,397,812	3,477,575	3,553,589	3,585,314
Street Fund	449,214	463,480	468,117	472,796	477,524	482,299	482,299	482,299
Total Property Tax	3,283,728	3,432,128	3,426,375	3,790,294	3,875,336	3,959,874	4,035,888	4,067,613
Chg. from Prior Yr.-\$	23,325	148,400	(5,753)	363,919	85,042	84,538	76,014	31,725
Chg. from Prior Yr.-%	0.72%	4.52%	-0.17%	10.62%	2.24%	2.18%	1.92%	0.79%

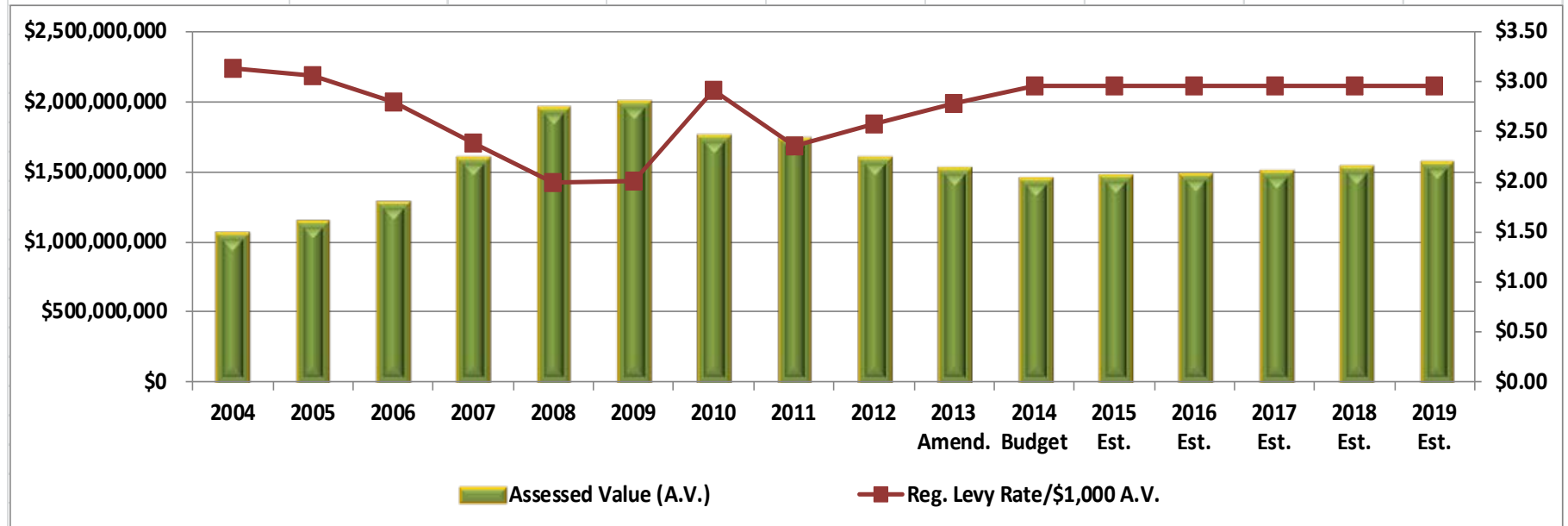
	2012	'13 Pre. Y/E	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Property Tax								
General Fund	3,630,678	4,174,578	4,238,000	4,323,000	4,409,000	4,497,000	4,587,000	4,679,000
Street Fund	482,299	0	0	0	0	0	0	0
Total Property Tax	4,112,977	4,174,578	4,238,000	4,323,000	4,409,000	4,497,000	4,587,000	4,679,000
Chg. from Prior Yr.-\$	45,364	61,601	63,422	85,000	86,000	88,000	90,000	92,000
Chg. from Prior Yr.-%	1.12%	1.50%	1.52%	2.01%	1.99%	2.00%	2.00%	2.01%

General Fund Property Tax



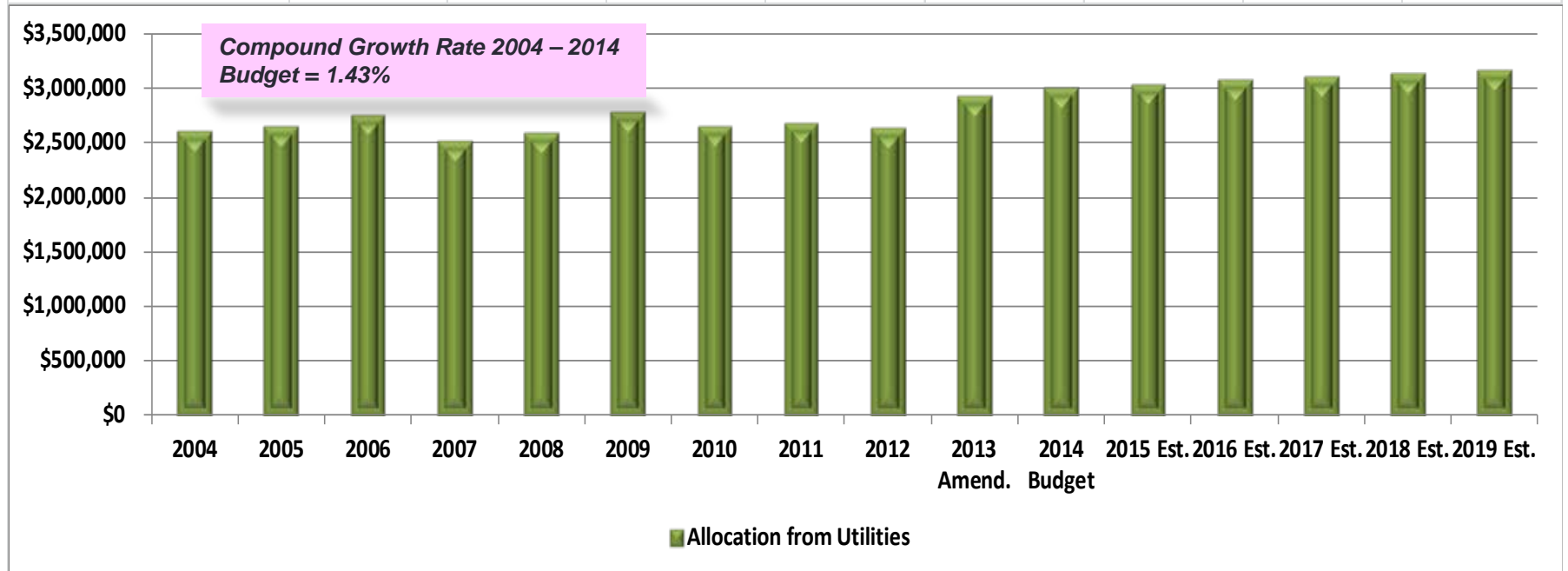
General Fund Assessed Value & Levy Rate

	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Value (A.V.)	1,064,490,502	1,148,440,522	1,281,703,518	1,595,493,428	1,952,176,500	1,994,259,574	1,757,276,293	1,735,945,788
Chg. from Prior Yr.-\$	14,462,412	83,950,020	133,262,996	313,789,910	356,683,072	42,083,074	(236,983,281)	(21,330,505)
Chg. from Prior Yr.-%	1.38%	7.89%	11.60%	24.48%	22.36%	2.16%	-11.88%	-1.21%
Reg. Levy Rate/\$1,000 A.V.	\$3.1365	\$3.0552	\$2.8051	\$2.3875	\$1.9985	\$2.0129	\$2.9183	\$2.3561
	2012	2013 Actual	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Assessed Value (A.V.)	1,595,868,974	1,519,228,137	1,451,933,471	1,466,453,000	1,484,784,000	1,507,056,000	1,533,429,000	1,564,098,000
Chg. from Prior Yr.-\$	(140,076,814)	(76,640,837)	(67,294,666)	14,519,529	18,331,000	22,272,000	26,373,000	30,669,000
Chg. from Prior Yr.-%	-8.07%	-4.80%	-4.43%	1.00%	1.25%	1.50%	1.75%	2.00%
Reg. Levy Rate/\$1,000 A.V.	\$2.5752	\$2.7815	\$2.9537	\$2.9537	\$2.9537	\$2.9537	\$2.9537	\$2.9537



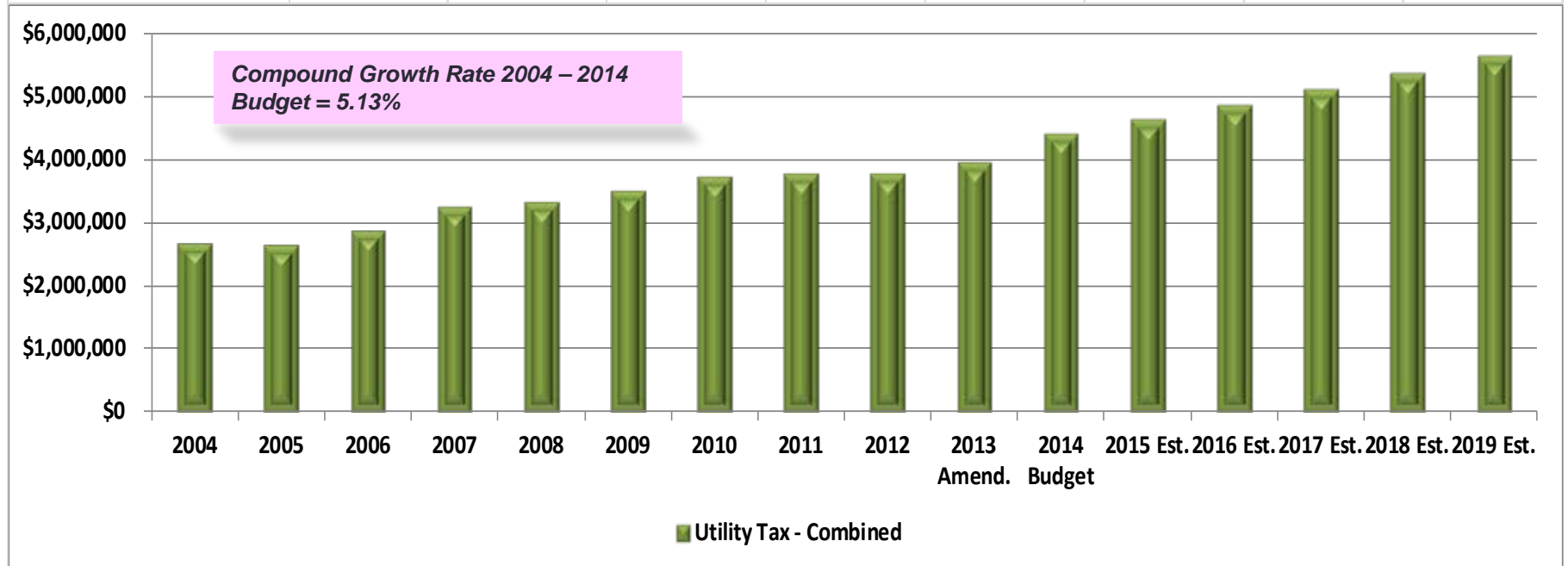
General Fund Allocation from Utilities

	2004	2005	2006	2007	2008	2009	2010	2011
Allocation from Utilities	2,611,137	2,654,455	2,750,772	2,515,312	2,588,567	2,776,146	2,654,148	2,685,055
Chg. from Prior Yr.-\$	334,916	43,318	96,317	(235,460)	73,255	187,579	(121,998)	30,907
Chg. from Prior Yr.-%	14.71%	1.66%	3.63%	-8.56%	2.91%	7.25%	-4.39%	1.16%
	2012	'13 Pre. Y/E	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Allocation from Utilities	2,641,725	2,927,024	3,009,400	3,039,000	3,069,000	3,100,000	3,131,000	3,162,000
Chg. from Prior Yr.-\$	(43,330)	285,299	82,376	29,600	30,000	31,000	31,000	31,000
Chg. from Prior Yr.-%	-1.61%	10.80%	2.81%	0.98%	0.99%	1.01%	1.00%	0.99%



General Fund Utility Excise Tax

	2004	2005	2006	2007	2008	2009	2010	2011
Utility Tax - Combined	2,684,405	2,655,291	2,884,604	3,257,780	3,353,323	3,506,126	3,743,657	3,800,137
Chg. from Prior Yr.-\$	264,017	(29,114)	229,313	373,176	95,543	152,803	237,531	56,480
Chg. from Prior Yr.-%	10.91%	-1.08%	8.64%	12.94%	2.93%	4.56%	6.77%	1.51%
	2012	2013 Pre. Y/E	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Utility Tax - Combined	3,781,229	3,966,209	4,426,100	4,647,000	4,879,000	5,123,000	5,379,000	5,648,000
Chg. from Prior Yr.-\$	(18,908)	184,980	459,891	220,900	232,000	244,000	256,000	269,000
Chg. from Prior Yr.-%	-0.50%	4.89%	11.60%	4.99%	4.99%	5.00%	5.00%	5.00%



General Fund Sales Tax

	2004	2005	2006	2007	2008	2009	2010	2011
Sales Tax								
Regular Sales Tax	2,633,330	2,822,760	3,254,674	3,336,476	3,181,450	2,736,367	2,779,435	2,832,116
EUGA Sales Tax	0	0	0	21,304	28,375	27,059	97,665	44,487
Total Sales Tax	2,633,330	2,822,760	3,254,674	3,357,780	3,209,825	2,763,426	2,877,100	2,876,603
Chg. from Prior Yr.-\$	212,942	189,430	431,914	103,106	(147,955)	(446,399)	113,674	(497)
Chg. from Prior Yr.-%	-100.00%	7.19%	15.30%	3.17%	-4.41%	-13.91%	4.11%	-0.02%
	2012	2013 Pre. Y/E	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Sales Tax								
Regular Sales Tax	2,708,666	2,763,573	2,679,000	2,706,000	2,733,000	2,760,000	2,787,000	2,815,000
EUGA Sales Tax	75,077	108,704	80,000	81,000	82,000	83,000	84,000	85,000
Total Sales Tax	2,783,743	2,872,277	2,759,000	2,787,000	2,815,000	2,843,000	2,871,000	2,900,000
Chg. from Prior Yr.-\$	(92,860)	88,534	(113,277)	28,000	28,000	28,000	28,000	29,000
Chg. from Prior Yr.-%	-3.23%	3.18%	-3.94%	1.01%	1.00%	0.99%	0.98%	1.01%



General Fund Investment Interest Earnings

Year	Investment Interest		
	Interest Earnings	\$ Change from Prior Year	% Change from Prior Year

2002	200,847	n/a	n/a
2003	161,477	(39,370)	-19.60%
2004	113,021	(48,456)	-30.01%
2005	199,046	86,025	76.11%
2006	302,399	103,353	51.92%
2007	453,928	151,529	50.11%
2008	433,642	(20,286)	-4.47%
2009	123,431	(310,211)	-71.54%
2010	134,346	10,915	8.84%
2011	179,374	45,028	33.52%
2012	74,083	(105,291)	-58.70%
2013 Amended	70,000	(4,083)	-5.51%
2013 Prelim. Y/E	91,775	17,692	25.27%
2014 Budget	70,000	(21,775)	-23.73%

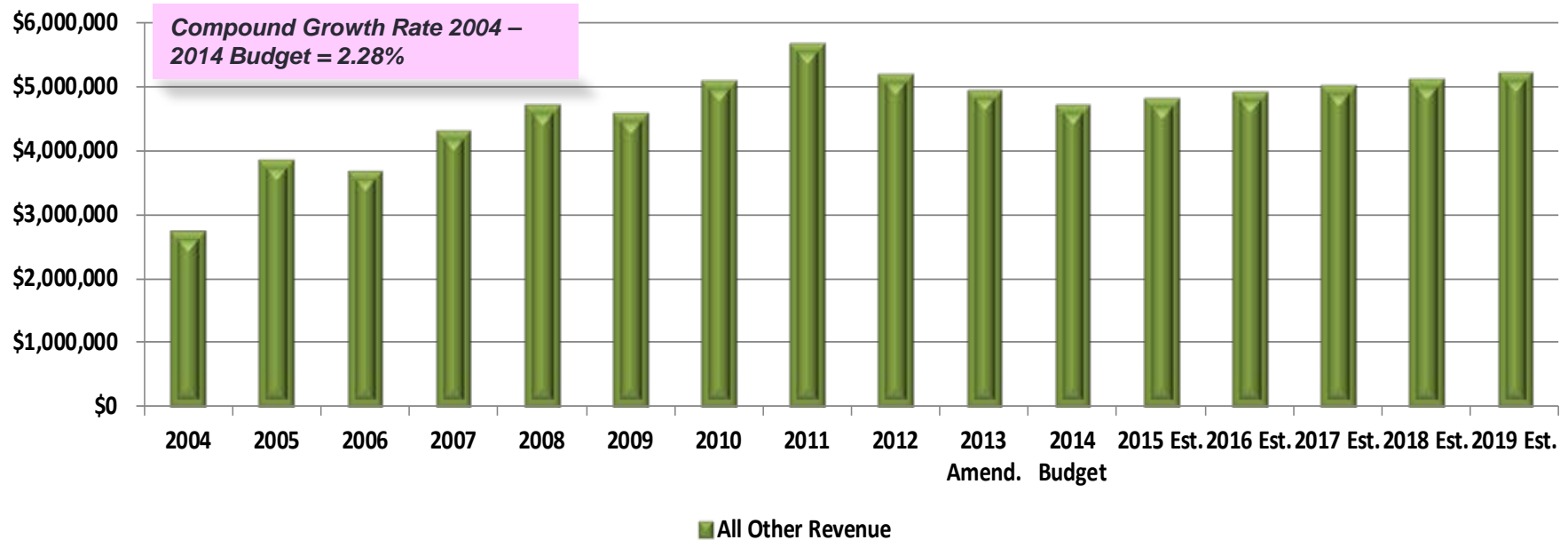
Local Government Investment Pool -- State				
Year	Jan	Apr	Jul	Oct

2002	2.07%	1.88%	1.79%	1.73%
2003	1.31%	1.24%	1.09%	1.07%
2004	1.07%	1.02%	1.15%	1.71%
2005	2.22%	2.77%	3.21%	3.76%
2006	4.23%	4.66%	5.16%	5.19%
2007	5.21%	5.23%	5.21%	4.91%
2008	4.36%	2.70%	2.28%	2.47%
2009	1.27%	0.89%	0.62%	0.41%
2010	0.28%	0.24%	0.27%	0.25%
2011	0.23%	0.17%	0.15%	0.11%
2012	0.12%	0.15%	0.17%	0.17%
2013	0.17%	0.17%	0.09%	0.09%
2014	0.11%			

General Fund

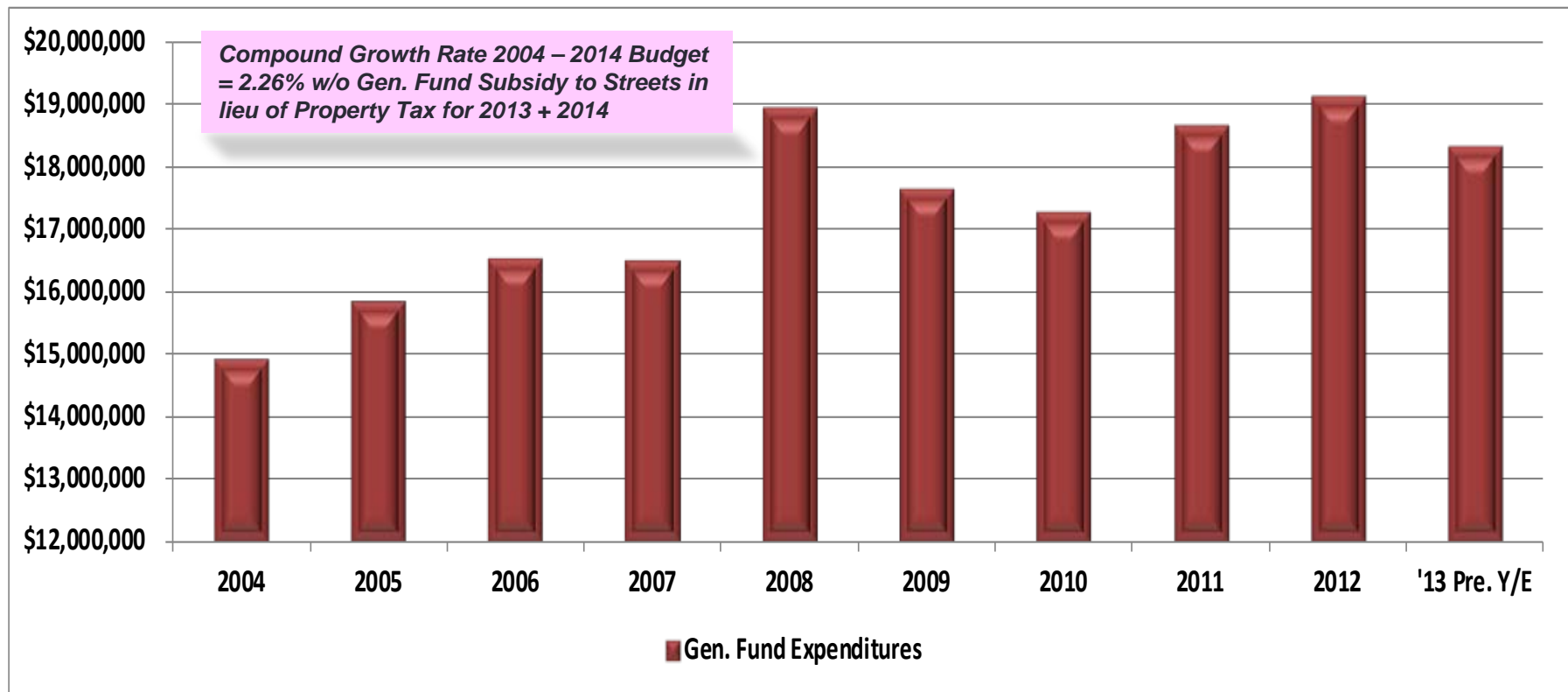
All Other Revenues

	2004	2005	2006	2007	2008	2009	2010	2011
All Other Revenue	2,776,071	3,876,087	3,687,900	4,309,555	4,710,821	4,583,722	5,091,020	5,678,744
Chg. from Prior Yr.-\$	355,683	1,100,016	(188,187)	621,655	401,266	(127,099)	507,298	587,724
Chg. from Prior Yr.-%	14.70%	39.62%	-4.86%	16.86%	9.31%	-2.70%	11.07%	11.54%
	2012	2013 Pre. Y/E	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
All Other Revenue	5,187,991	4,944,738	4,731,300	4,826,000	4,923,000	5,021,000	5,121,000	5,223,000
Chg. from Prior Yr.-\$	(490,753)	(243,253)	(213,438)	94,700	97,000	98,000	100,000	102,000
Chg. from Prior Yr.-%	-8.64%	-4.69%	-4.32%	2.00%	2.01%	1.99%	1.99%	1.99%



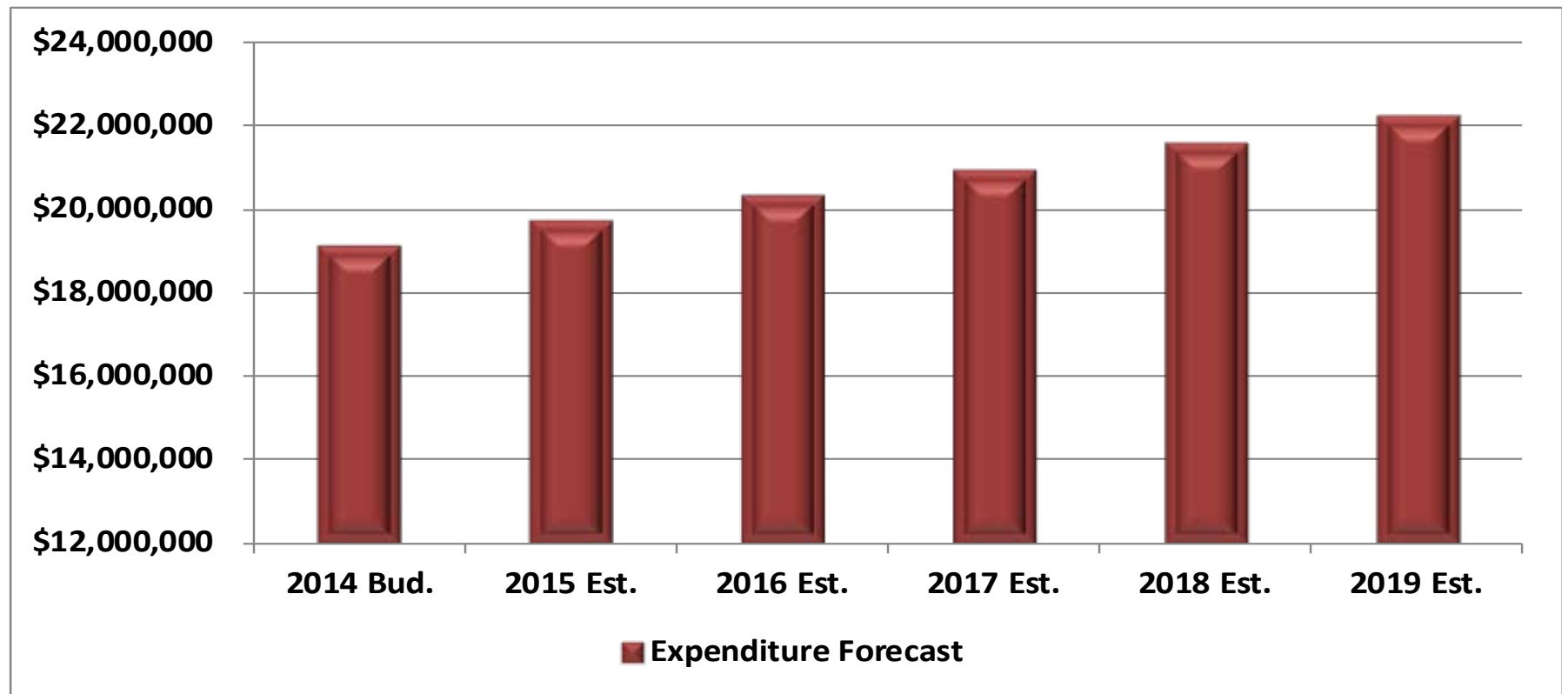
General Fund Expenditure History

	2004	2005	2006	2007	2008	2009	2010	2011	2012	'13 Pre. Y/E
Gen. Fund Expenditures	14,939,858	15,859,839	16,551,079	16,530,925	18,960,348	17,660,281	17,278,695	18,685,380	19,126,833	18,332,439
Change from Prior Yr.-\$	1,591,655	919,981	691,240	(20,154)	2,429,423	(1,300,067)	(381,586)	1,406,685	441,453	(794,394)
Change from Prior Yr.-%		6.16%	4.36%	-0.12%	14.70%	-6.86%	-2.16%	8.14%	2.36%	-4.15%



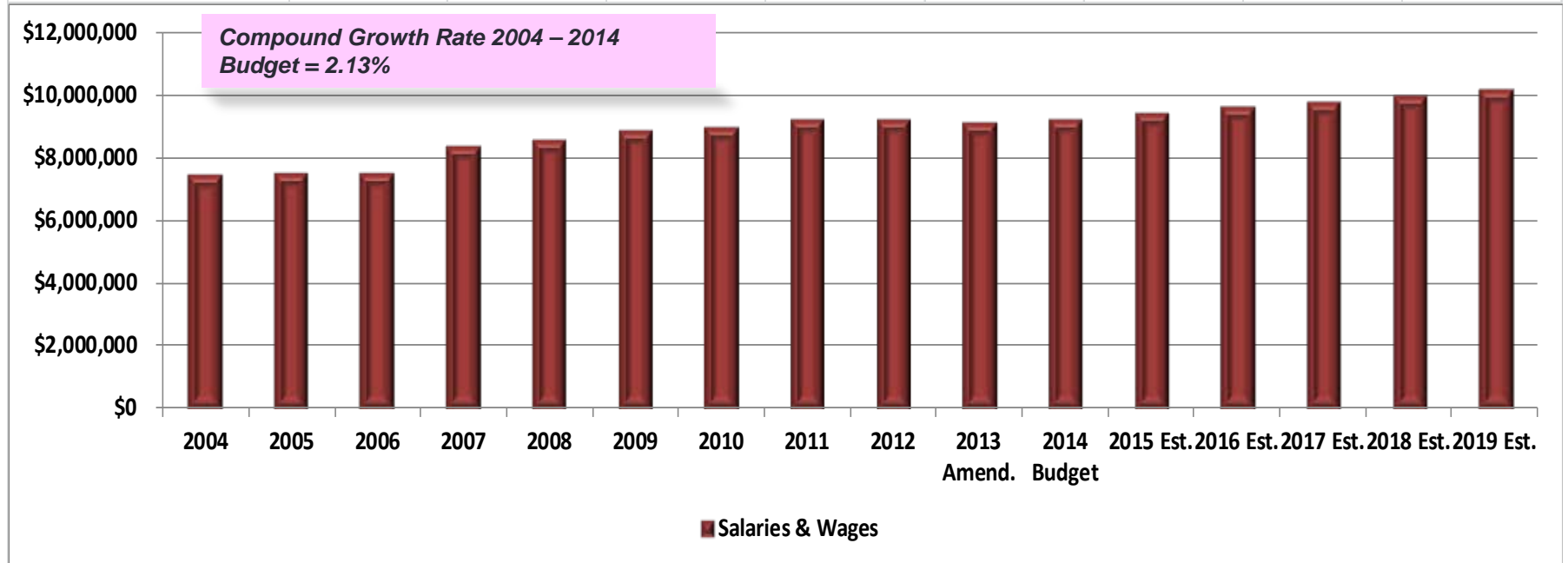
General Fund Expenditure Forecast

	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Expenditure Forecast	19,163,800	19,740,000	20,337,000	20,954,000	21,594,000	22,257,000
<i>Chg. from Prior Yr.-\$</i>	831,361	576,200	597,000	617,000	640,000	663,000
<i>Chg. from Prior Yr.-%</i>	4.53%	3.01%	3.02%	3.03%	3.05%	3.07%



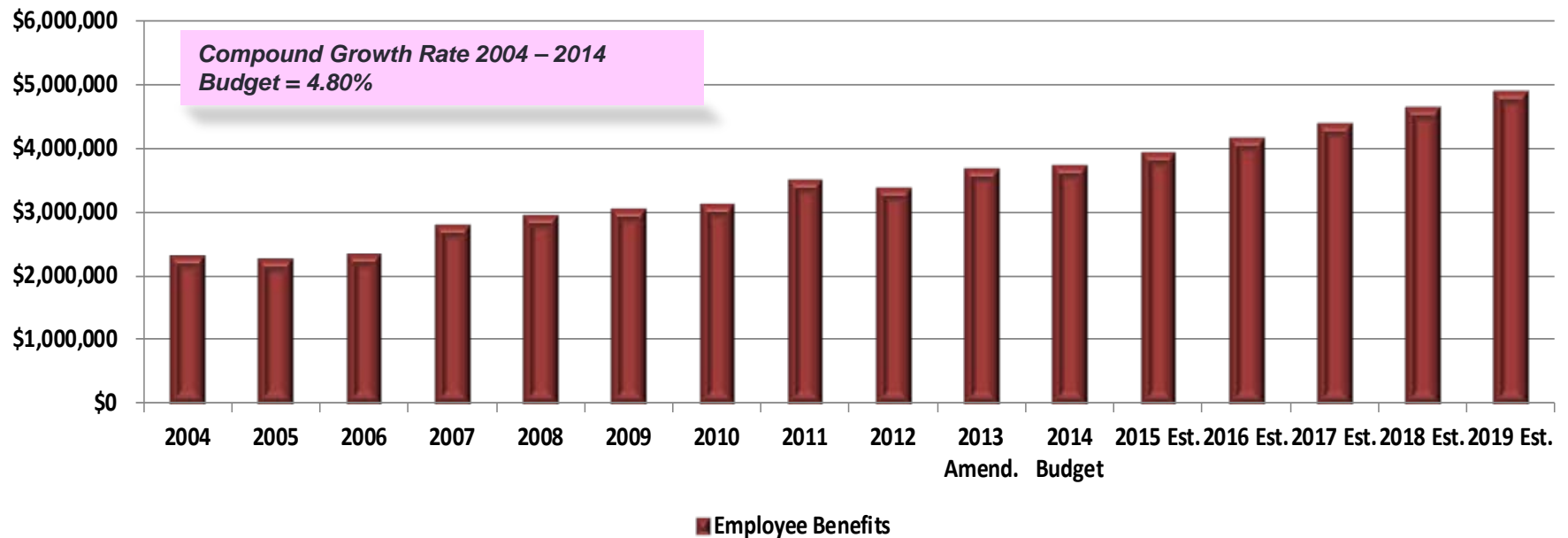
General Fund Salaries & Wages

	2004	2005	2006	2007	2008	2009	2010	2011
Salaries & Wages	7,490,588	7,555,136	7,540,653	8,375,023	8,570,624	8,885,675	8,987,382	9,225,206
Chg. from Prior Yr.-\$	5,214,367	64,548	(14,483)	834,370	195,601	315,051	101,707	237,824
Chg. from Prior Yr.-%	229.08%	0.86%	-0.19%	11.06%	2.34%	3.68%	1.14%	2.65%
	2012	'13 Pre. Y/E	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Salaries & Wages	9,231,042	9,140,978	9,249,300	9,434,000	9,623,000	9,815,000	10,011,000	10,211,000
Chg. from Prior Yr.-\$	5,835	(90,064)	108,322	184,700	189,000	192,000	196,000	200,000
Chg. from Prior Yr.-%	0.06%	-0.98%	1.19%	2.00%	2.00%	2.00%	2.00%	2.00%



General Fund Employee Benefits

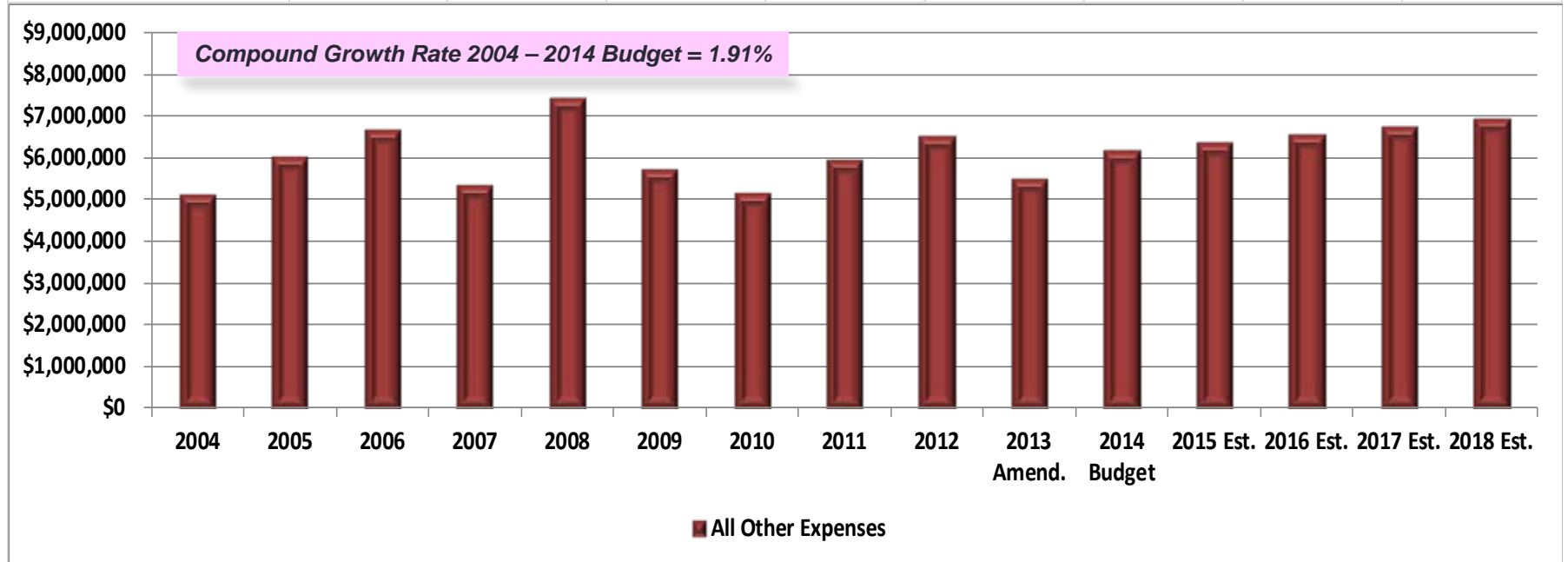
	2004	2005	2006	2007	2008	2009	2010	2011
Employee Benefits	2,342,027	2,277,407	2,351,456	2,804,339	2,976,662	3,059,220	3,144,934	3,514,732
Chg. from Prior Yr.-\$	65,806	(64,621)	74,050	452,883	172,322	82,559	85,714	369,798
Chg. from Prior Yr.-%	2.89%	-2.76%	3.25%	19.26%	6.14%	2.77%	2.80%	11.76%
	2012	'13 Pre. Y/E	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Employee Benefits	3,390,149	3,687,007	3,744,750	3,951,000	4,168,000	4,397,000	4,639,000	4,894,000
Chg. from Prior Yr.-\$	(124,583)	296,858	57,743	206,250	217,000	229,000	242,000	255,000
Chg. from Prior Yr.-%	-3.54%	8.76%	1.57%	5.51%	5.49%	5.49%	5.50%	5.50%



General Fund

All Other Expenses

	2004	2005	2006	2007	2008	2009	2010	2011
All Other Expenses	5,107,243	6,027,296	6,658,970	5,351,563	7,413,062	5,715,386	5,146,379	5,945,442
Chg. from Prior Yr.-\$	2,831,022	920,053	631,674	(1,307,407)	2,061,499	(1,697,676)	(569,007)	799,063
Chg. from Prior Yr.-%	124.37%	18.01%	10.48%	-19.63%	38.52%	-22.90%	-9.96%	15.53%
	2012	'13 Pre. Y/E	2014 Bud.	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
All Other Expenses	6,505,642	5,504,454	6,169,750	6,355,000	6,546,000	6,742,000	6,944,000	7,152,000
Chg. from Prior Yr.-\$	560,200	(1,001,188)	665,296	185,250	191,000	196,000	202,000	208,000
Chg. from Prior Yr.-%	9.42%	-15.39%	12.09%	3.00%	3.01%	2.99%	3.00%	3.00%

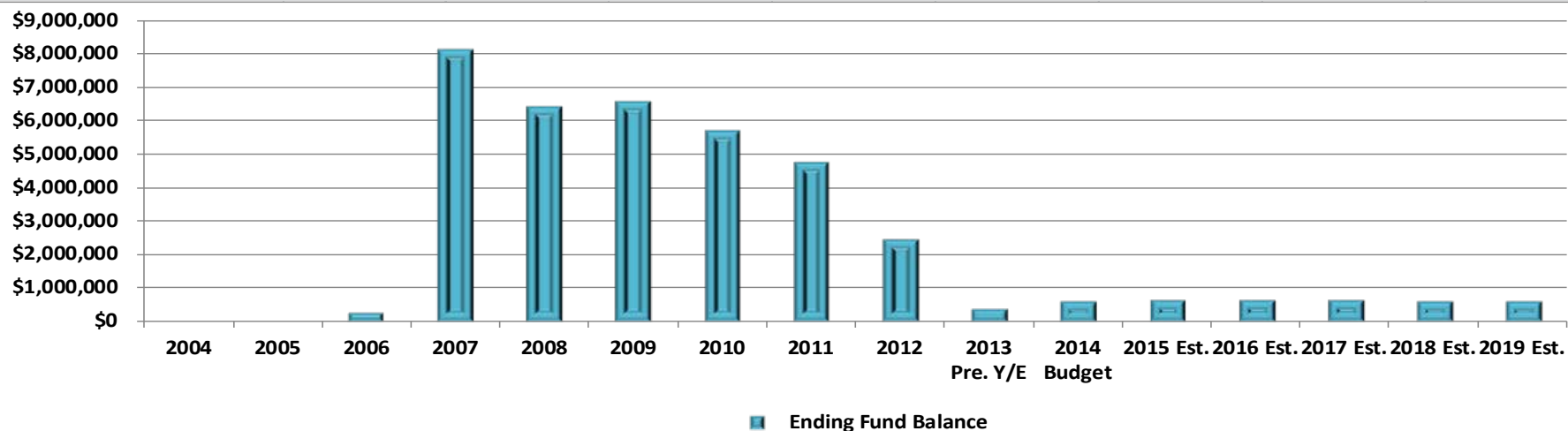


Economic Development Fund

- We have been living off the Graving Yard settlement funding but that is nearly gone – only \$618,971 projected for 2014 ending fund balance
- No identified source of on-going revenue to re-build the fund or to fund future programs/projects
- Currently classified as a “special revenue fund”
 - Without an external source of revenue, will need to be reclassified as part of the General Fund starting in 2015

Economic Development Fund

	2004	2005	2006	2007	2008	2009	2010	2011
Econ. Development Fund								
<i>Beginning Fund Balance</i>	23,872	45,269	64,934	269,541	8,092,929	6,396,002	6,551,106	5,692,864
<i>Revenues + Interest</i>	304,488	157,245	389,376	8,000,142	587,927	427,944	231,286	229,116
<i>Expenditures</i>	283,091	137,580	184,769	176,754	2,284,854	272,840	1,089,529	1,168,750
Ending Fund Balance	45,269	64,934	269,541	8,092,929	6,396,002	6,551,106	5,692,864	4,753,230
<i>Chg. from Prior Yr.-\$</i>	21,397	19,665	204,606	7,823,388	(1,696,927)	155,104	(858,243)	(939,634)
<i>Chg. from Prior Yr.-%</i>	89.63%	43.44%	315.10%	2902.49%	-20.97%	2.43%	-13.10%	-16.51%
	2012	2013 Pre. Y/E	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Econ. Development Fund								
<i>Beginning Fund Balance</i>	4,753,230	2,460,052	376,971	618,971	631,546	636,750	634,134	623,226
<i>Revenues + Interest</i>	422,505	331,944	420,500	200,000	202,000	204,020	206,060	208,121
<i>Expenditures</i>	2,715,682	2,415,025	178,500	187,425	196,796	206,636	216,968	227,816
Ending Fund Balance	2,460,052	376,971	618,971	631,546	636,750	634,134	623,226	603,531
<i>Chg. from Prior Yr.-\$</i>	(2,293,178)	(2,083,081)	242,000	12,575	5,204	(2,616)	(10,908)	(19,695)
<i>Chg. from Prior Yr.-%</i>	-48.24%	-84.68%	64.20%	2.03%	0.82%	-0.41%	-1.72%	-3.16%

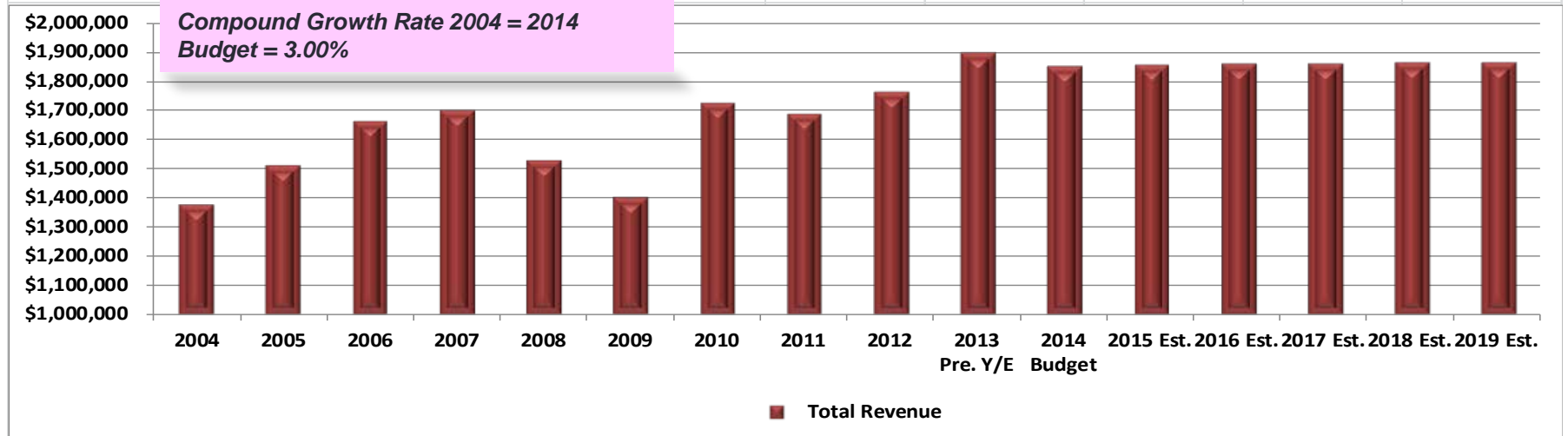


Street Fund

- Heavily dependent on funding support from the General Fund – 45.7% of 2014 budget is from the General Fund
 - 2013 LRFDP discussions indicated support for ramping down General Fund support to save \$\$ for General Fund needs in future
- Motor Vehicle Fuel Tax (MVFT) only dedicated funding source for streets – 2014 @ \$390,000 or 21.1% of budget
- Need to develop plan for street repair/renovation:
 - Schedule / timeline for repairs
 - How to fund?
- Transportation Benefit District
 - Is it a potential solution?
 - If wanted, how should it be established?
 - By Council vote – “\$20 car tab”
 - Citizen vote – potential for higher car tab rate or through additional sales tax

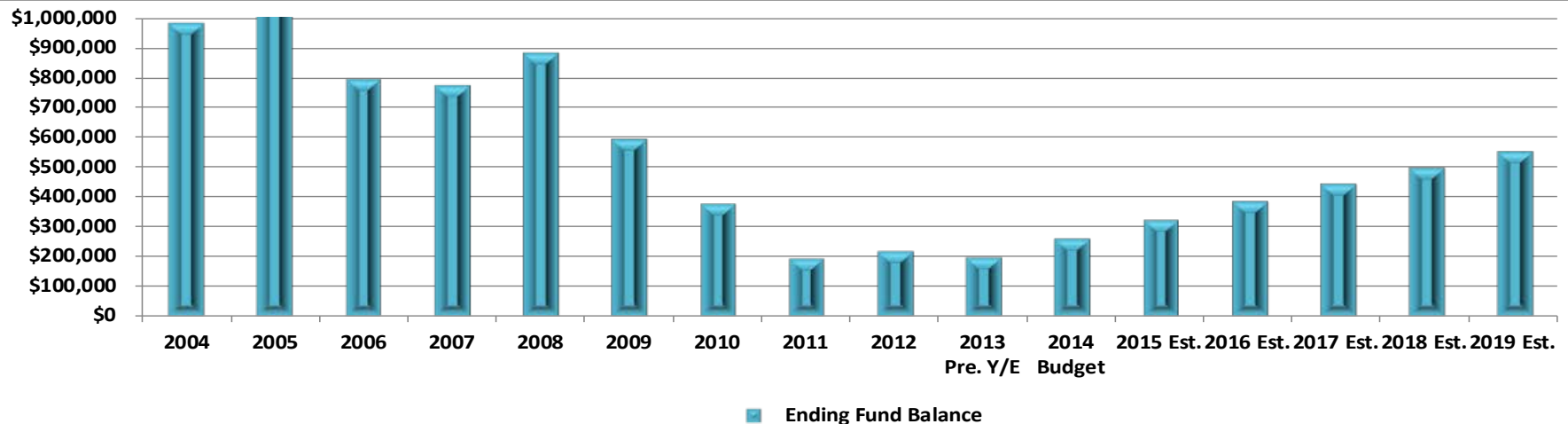
Street Fund Revenues History

	2004	2005	2006	2007	2008	2009	2010	2011
Street Fund								
<i>Gen. Fund Subsidy / Prop. Tax</i>	699,214	763,480	788,115	832,796	917,524	681,099	662,299	648,299
<i>Motor Vehicle Fuel Tax</i>	259,183	396,108	434,257	459,652	435,257	417,035	417,167	462,901
<i>Other Revenue</i>	417,874	353,245	437,283	406,212	176,106	304,521	643,750	576,222
Total Revenue	1,376,271	1,512,833	1,659,655	1,698,660	1,528,887	1,402,655	1,723,216	1,687,422
<i>Chg. from Prior Yr.-\$</i>	85,742	136,562	146,822	39,005	(169,773)	(126,232)	320,561	(35,794)
<i>Chg. from Prior Yr.-%</i>	6.64%	9.92%	9.71%	2.35%	-9.99%	-8.26%	22.85%	-2.08%
	2012	2013 Pre. Y/E	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
Street Fund								
<i>Gen. Fund Subsidy / Prop. Tax</i>	772,299	922,000	846,600	855,066	863,617	872,253	880,975	889,785
<i>Motor Vehicle Fuel Tax</i>	474,050	394,852	390,000	378,300	365,816	353,013	339,598	326,014
<i>Other Revenue</i>	515,960	578,458	615,000	621,150	627,362	633,635	639,971	646,371
Total Revenue	1,762,309	1,895,310	1,851,600	1,854,516	1,856,794	1,858,900	1,860,545	1,862,170
<i>Chg. from Prior Yr.-\$</i>	74,887	133,001	(43,710)	2,916	2,278	2,106	1,644	1,626
<i>Chg. from Prior Yr.-%</i>	4.44%	7.55%	-2.31%	0.16%	0.12%	0.11%	0.09%	0.09%

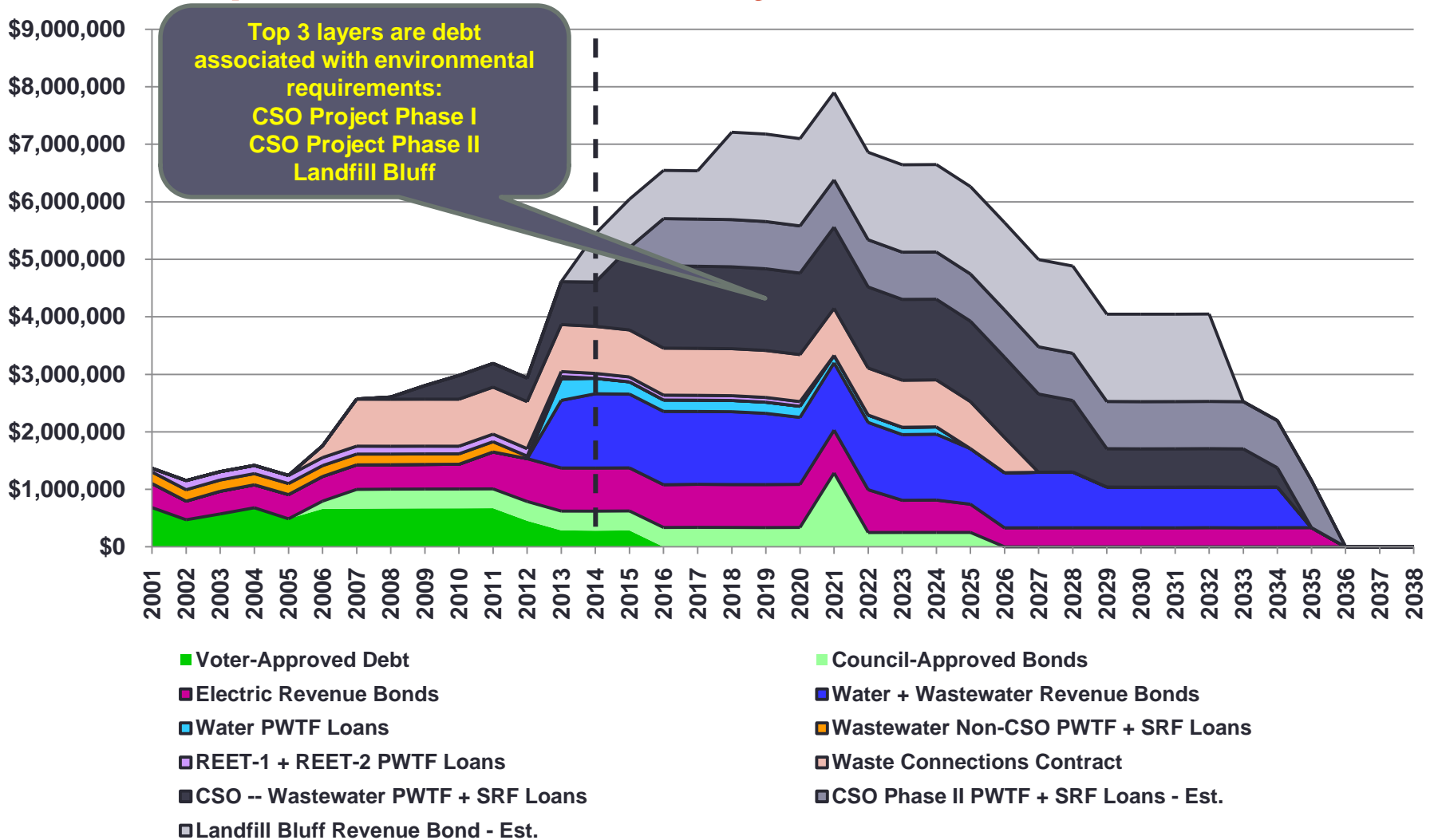


Real Estate Excise Tax I & II

	2004	2005	2006	2007	2008	2009	2010	2011
REET I + REET II								
<i>Beginning Fund Balance</i>	728,316	984,875	1,230,341	796,628	776,377	885,497	596,357	379,625
<i>Revenues + Interest</i>	519,214	586,531	755,763	569,710	267,309	264,349	239,021	212,290
<i>Expenditures</i>	262,655	341,065	1,189,476	589,961	158,189	553,489	455,753	400,136
Ending Fund Balance	984,875	1,230,341	796,628	776,377	885,497	596,357	379,625	191,779
<i>Chg. from Prior Yr.-\$</i>	256,559	245,466	(433,713)	(20,251)	109,120	(289,140)	(216,732)	(187,846)
<i>Chg. from Prior Yr.-%</i>	35.23%	24.92%	-35.25%	-2.54%	14.06%	-32.65%	-36.34%	-49.48%
	2012	2013 Pre. Y/E	2014 Budget	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.
REET I + REET II								
<i>Beginning Fund Balance</i>	191,779	220,144	196,074	262,174	325,139	384,875	442,820	498,889
<i>Revenues + Interest</i>	176,825	251,191	170,600	170,600	170,600	172,135	173,685	175,248
<i>Expenditures</i>	148,460	275,261	104,500	107,635	110,864	114,190	117,616	121,144
Ending Fund Balance	220,144	196,074	262,174	325,139	384,875	442,820	498,889	552,993
<i>Chg. from Prior Yr.-\$</i>	28,365	(24,070)	66,100	62,965	59,736	57,945	56,069	54,104
<i>Chg. from Prior Yr.-%</i>	14.79%	-10.93%	33.71%	24.02%	18.37%	15.06%	12.66%	10.84%



Total Debt Service Principal + Interest Payments



LONG-RANGE POLICIES:

- ~ CONSENSUS CHANGES AGREED TO +
- ~ POLICIES AWAITING FURTHER DIRECTION

City of Port Angeles

Long-Range Financial Plan

Consensus Decisions on Financial Policy

2013 LRFP Planning Efforts

1. The Council should consider the overall impact on the community and its ability to pay against the need to enact any tax, utility rate or fee/charge increase. (A.01)
2. The Council should not use reserves/fund balance as a funding source for on-going operations except in an emergency, short-term basis. (A.02 + B.04)
3. Council should consider implementing a “phase-out” of General Fund subsidy for the Street Fund and Medic 1 Fund. (A.06)
 - Phase-out should be over a period of not less than three (3) years nor more than five (5) years.
 - Replacement funding for the Street Fund will need to be coordinated with the creation of a Transportation District.
 - Replacement funding for Medic 1 subsidy from the General Fund shall come from an upward adjustment to applicable utility rates.

Consensus Decisions on Financial Policy

2013 LRFP Planning Efforts

4. Council should consider selling of the Niichel property and other unused City properties to allow the City to have the resources to meet the debt service obligations of the 2005 Limited Term General Obligation Bond and its \$1,000,000 balloon payment in 2021. (A.14)

5. Council should consider, prior to the issuance of any general government or utility debt, the overall impact of the City's ability to repay the debt obligation from either taxes or utility rates. (B.01)

Consensus Decisions on Financial Policy

2013 LRFP Planning Efforts

6. Council should consider a policy that significantly restricts the use of highly volatile funding sources such as the Real Estate Excise Tax (REET-1 or REET-2) for debt service or other long-term commitments. Preference should be given for one-time capital expense or short-term funding commitments for a capital project. (B.02)

7. Council should consider amending its current policy regarding the General Fund Unassigned Fund Balance (“reserves”) from the current minimum level of 10% of current budget expenditures to 25%. (B.03)

Consensus Decisions on Financial Policy 2013 LRFP Planning Efforts

8. Council should consider a policy requirement that prohibits the use of one-time revenues or other similar sources of funding for recurring operating expenses in any fund. (B.04)

9. Council should consider a policy requirement that all employees should contribute to their health insurance coverage for both the individual employee coverage as well as any family coverage that may be provided (B.07)

Consensus Decisions on Financial Policy

2013 LRFP Planning Efforts

10. Council should consider development of a policy that requires an analysis of all public works projects prior to bidding to determine the potential for segmenting the project into economically feasible segments or phases that can be targeted to encourage local contractors to bid on projects that may be more in line with their economic resources and capabilities. (B.09)

Consensus Decisions on Financial Policy

2013 LRFP Planning Efforts

11. Council should consider implementing the following recommendations regarding the funding of capital projects: (B.10)

- First priority for capital funding should be given to those projects designed to preserve and maintain existing infrastructure.
- Council should give consideration to rank ordering the following to give priority direction on capital projects:
 - ✓ Legal & statutory requirements or mandates provided realistic and affordable sources of funding are available to the City.
 - ✓ Continuation of multi-year projects provided realistic and affordable sources of funding are available to the City.
 - ✓ Capital funding should be given to those projects that leverage City funding with grants from state or federal agencies.
 - ✓ Capital funding should be given to public-private partnership projects whereby the City can leverage its contribution with private dollars to enable a more economically diverse project with the primary risk for the long-term financing is transferred to a private partner.

Consensus Decisions on Financial Policy

2013 LRFP Planning Efforts

12. Council should consider implementing the following policy recommendations for debt financing of projects:
(B.11)
- If long-term debt financing is proposed, a financial analysis shall be required prior to any approval of the project that analyzes the long-term sustainability of funding from City resources as well as the overall impact to the City's total debt obligation.
 - Any maintenance and operation (M&O) costs associated with the completed project must be identifies along with the proposed source of funding for the M&O costs prior to approval of the project.
 - Issue: Maintenance & Operation (M&O) funding for new capital projects. For example, the Waterfront Esplanade was constructed and put into service without any additional staffing for funding for Parks & Recreation to maintain

Proposed Policies Awaiting Further Direction

1. Recommendation on the 1.0% increase for property tax (A.03)
 - a. Option: Develop future budgets based on levying the 1.0% increase but with footnotes detailing potential impact if not approved

2. Recommendation on use of “banked” property tax capacity (A.04)
 - a. Option: Not to be used in normal budget development. May be considered only if a reduction in service level to core services is proposed

3. Recommendation to maintain utility excise tax rates at same level through 2017 (A.05)

4. Fees and charges for building permits should include total cost recovery of direct and indirect costs (A.07)
 - a. Option: Consider potential for reduction or credits for new jobs created and/or sales taxes derived from construction project

Proposed Policies Awaiting Further Direction

5. Fees and charges for parks and recreation should be based on a cost recovery hierarchy (A.07)
6. Utility rates should be designed to reflect the underlying nature of costs for each respective utility (A.09)
 - a. Option: Establish rates based on underlying nature of costs but develop specific criteria to allow for limited rate class adjustments designed to achieve specific goals
7. Council should consider the formation of a sales tax or car-tab greater than \$20 funding source for voter-approved Transportation Benefit District for streets (A.10)
8. Council should consider identification and implementation of a dedicated funding source for the Economic Development Fund (A.11)

Proposed Policies Awaiting Further Direction

9. Council should consider giving preference to more frequent small, incremental increases to fees, charges, utility rates and taxes rather than larger, less frequent increases (A.12)
 - a. Option: Establish policy direction for all Cost of Service Analysis to give preference for “phased-in” approach for any future rate increases including the potential delay or slow-down on planned capital expenditures.

10. Council should consider options to increase the City’s tax base including analyzing the cost of service impact of potential annexations before the City will initiate any annexation action. (A.13)
 - a. Option: Council should conduct a cost of Service Analysis (COSA) to determine the costs of providing service to a proposed area compared to the potential revenue that may be collected from an are under consideration for annexation.

Proposed Policies Awaiting Further Direction

11. Council should consider a policy requirement that commits the City to paying fair and equitable salaries and wages to its employees based upon both internal comparability and external market analysis (B.06)
 - a. Option: Establish policy direction that the City every five (5) years will perform a salary and benefit survey that will take into account both internal comparability and external market analysis for discussion and review by Council as part of the regular budget development process.
 - b. Option: Council should charge a sub-committee such as the Sustainability Committee with reviewing the current salary & benefit plan for City employees and to make recommendations to Council prior to the 2015 budget process.

12. Council should consider implementation of a policy that requires all payments made by the City for payroll or accounts payable be done through electronic funds transfer (B.08)

SETTING PROGRAM & SERVICE DELIVERY PRIORITIES

City of Port Angeles
Long-Range Financial Plan

What Do We Mean by a Program & Services Plan

- A Program & Services Plan is most easily defined as a Council-adopted methodology that establishes:
 - ✓ What programs & services the Council wants delivered to its residents;
 - ✓ Who delivers the programs & services (internally provided or contracted-out);
 - ✓ The amount and quality of programs & services that are delivered;
 - ✓ How the City pays for the programs & services to be delivered; and
 - ✓ How does the City measure the outcome or results achieved from the programs & services delivered
- The Program & Services Plan will:
 - ✓ Establish priorities for programs & services provided by the City; and
 - ✓ Ration limited resources to the priority programs & services established by the Council

First Step in Developing a Program & Services Plan

- Establish a Vision Statement for the City
 - “Snapshot” of the City of Port Angeles in XXXX (fill in the year desired)
 - Summarizes the *desired character and characteristics* of our community
 - Provides the ultimate goals for our community planning and development efforts
 - Intended to set a *direction* instead of being a *mere wish*.
 - Rather than describing the features of Port Angeles as we think they are likely to be, it expresses what we like our community to become and believe we can achieve.

Second Step in Developing a Program & Services Plan

- Establish a Mission Statement for the City to guide the development of priorities used to create the Program & Services Plan
 - ✓ What is the City's purpose?
 - ✓ Clear, concise statement -- "30 second elevator speech"
 - ✓ Example from the City of Lacey, WA:

Our mission is to enrich the quality of life in Lacey for all our citizens . . . to build an attractive, inviting, and secure community. We pledge to work in partnership with our residents to foster community pride, to develop a vibrant, diversified economy, to plan for the future, and to preserve and enhance the natural beauty of our environment.
- Recommendation: Establish a sub-committee of 2-3 Councilmembers together the City Manager (and others as appropriate) to develop a Vision and Mission statement for consideration by the Council

City of Port Angeles

Statement of Values

- We the employees of the City of Port Angeles share a dedication and commitment to providing **QUALITY CUSTOMER SERVICE** with **HONESTY, INTEGRITY, and FLEXIBILITY**.
- Working as a team, we take **PRIDE** in providing **EFFICIENT** and **EFFECTIVE** services for which we are **RESPONSIBLE** and **FISCALLY ACCOUNTABLE**.
- We value a **POSITIVE ATTITUDE, TRUST INITIATIVE** and **COMPASSION** with a high standard of **PROFESSIONALISM** and **OPEN COMMUNICATION**. We respect **DIVERSITY** and foster a **SAFE** environment.
- In **PARTNERSHIP** with the community, we are **STEWARDS** of our unique environment and **QUALITY OF LIFE**.

Defining Priorities

Questions Needing to be Answered

- Do we want to define “CORE” programs or services vs. “ANCILLARY” programs or services?
- How detailed or “into the weeds” do we want to go with priority setting?
- Do we fully fund priority #1 before we fund priority #2?
- Do we keep programs or services because we can “make money” or “not lose money” on providing a particular program or service?
- How do we balance QUALITY of service vs. QUANTITY of service?
- Is there a target segment of the community we want/need to receive enhanced programs or services?
- Will we eliminate a program or service if there is no other readily available provider?
- How should we balance program and service needs vs. capital / infrastructure needs?

Key Financial Principals

HOW:

MAKE TRADE-OFFS:

Do not initiate major new services without either (a) ensuring there is revenue to pay for the service, or (b) making trade-offs of existing services.

DO IT WELL:

If the City cannot deliver a service well, the service will not be provided at all.

CONTRACT IN / CONTRACT OUT:

Consider alternative service delivery to maximize efficiency and effectiveness.

PURSUE INNOVATIVE APPROACHES TO SERVICE DELIVERY

Continue to implement operational efficiencies and cost saving measures. Pursue partnerships and cost sharing strategies with others.

WHO:

INVEST IN EMPLOYEES:

The City will invest in employees and provide resources to maximize their productivity.

WHAT:

FOCUS PROGRAMS ON PORT ANGELES RESIDENTS & BUSINESSES:

Give priority to maintaining existing infrastructure.

MAINTAIN CAPACITY TO RESPOND TO EMERGING COMMUNITY NEEDS

PURSUE ENTREPRENEURIAL INITIATIVES

\$ \$

USE UNEXPECTED ONE-TIME REVENUES FOR ONE-TIME COSTS OR RESERVES:

One-time revenues will be strategically to fund prioritized capital projects.

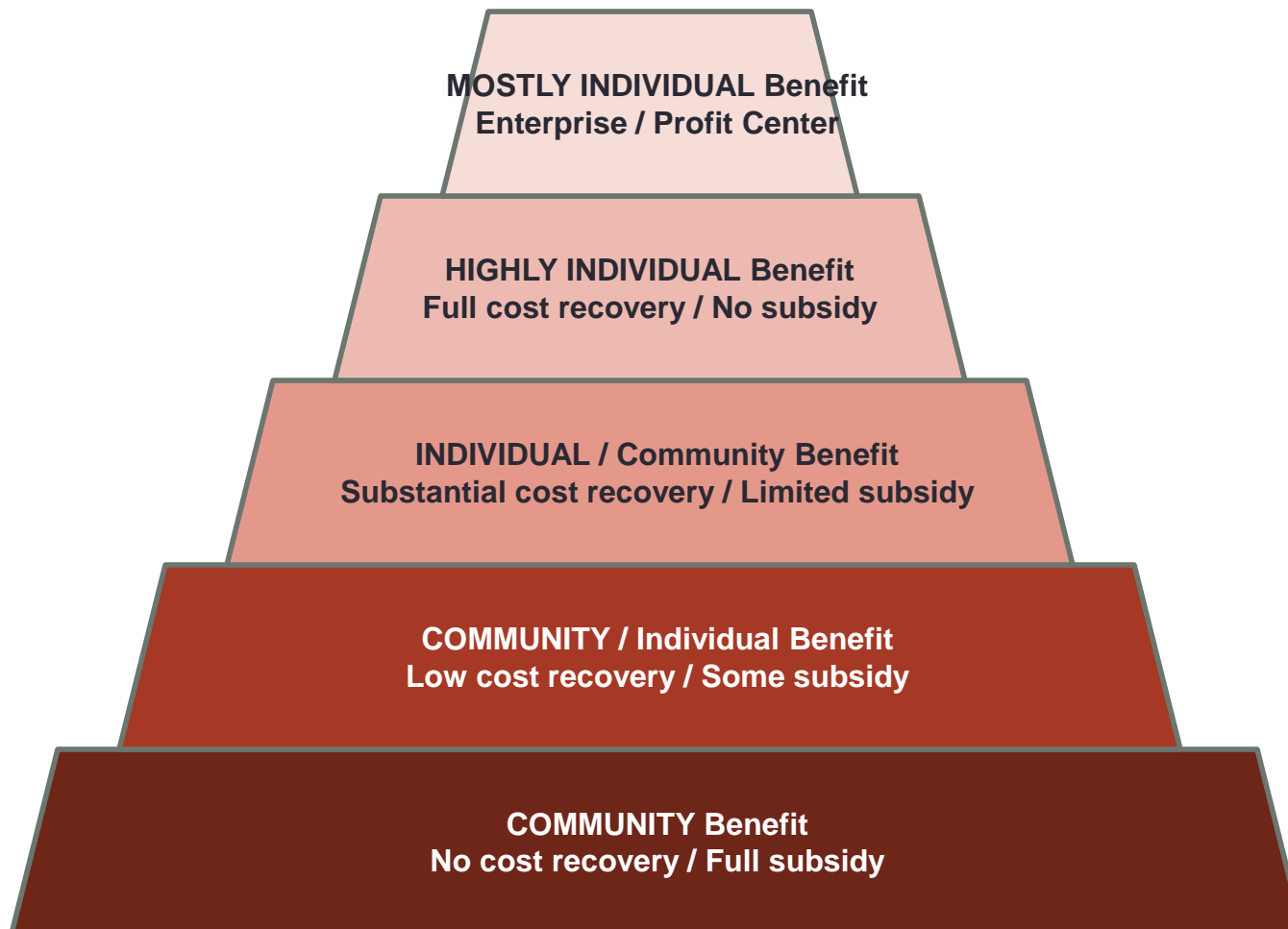
ADDRESS UNFUNDED LIABILITIES

SELECTIVELY RECOVER COSTS:

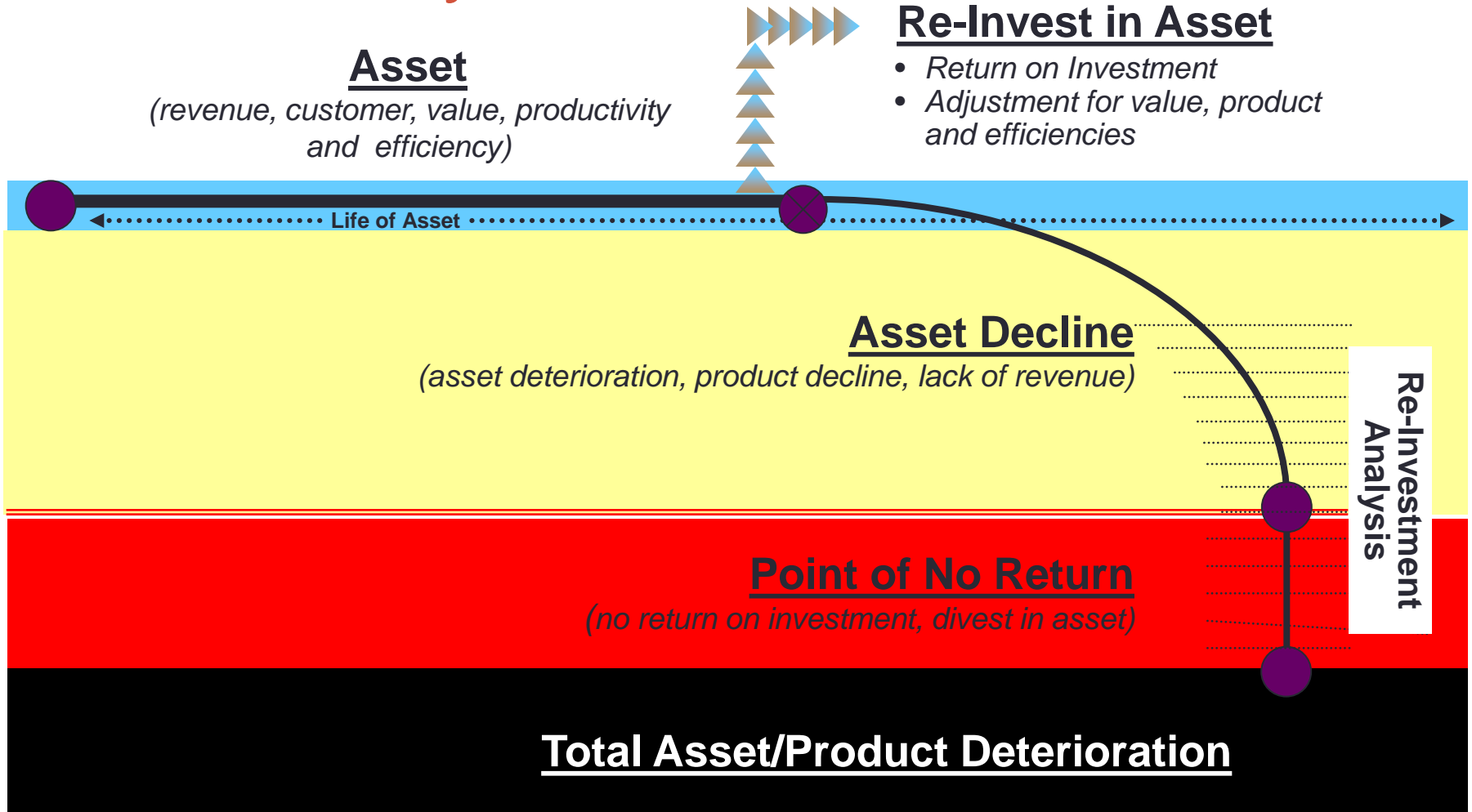
On a selective basis, have those who use a service pay the full cost.

RECOGNIZE THE CONNECTION BETWEEN THE OPERATING BUDGET AND THE CAPITAL BUDGET

Settings Fees & Rates – Cost Recovery Pyramid



City Infrastructure Asset Life Cycle Model



Proposed Future Meeting Schedule

- Tuesday, March 25th @ 5:00 PM – 7:00 PM
 - Review Proposed Mission & Vision Statements
 - Finalize Proposed Policy Recommendations
- Tuesday, April 22nd @ 5:00 PM – 7:00 PM
 - Utility Rate Setting Review
- Tuesday, April 29th @ 4:30 PM – 7:00 PM – (*Special Meeting*)
 - Finalize Mission & Vision Statements
 - Review Priority Rankings
 - Review Preliminary Resource Allocation/Rationing
- Thursday, May 22nd @ 2:30 PM – 5:00 PM – (*Special Meeting*)
 - Final Review & Discussion on Priority Rankings
 - Further Review & Discussion on Resource Allocation/Rationing
- Tuesday, June 24th @ 5:00 PM – 7:00 PM
 - Review “final” document for changes
- Tuesday, July 1st @ 6:30 PM (Regular Council Meeting)
 - 1st Public Hearing on Long-Range Financial Plan
- Tuesday, July 15 @ 6:30PM
 - 2nd Public Hearing
 - Adoption of Long-Range Financial Plan via Resolution

Approaching the End

- Questions, Comments & Requests from Council
- Adjournment