

City of La Center City Council Meeting

1Q 2017 Financial Update

April 26, 2017



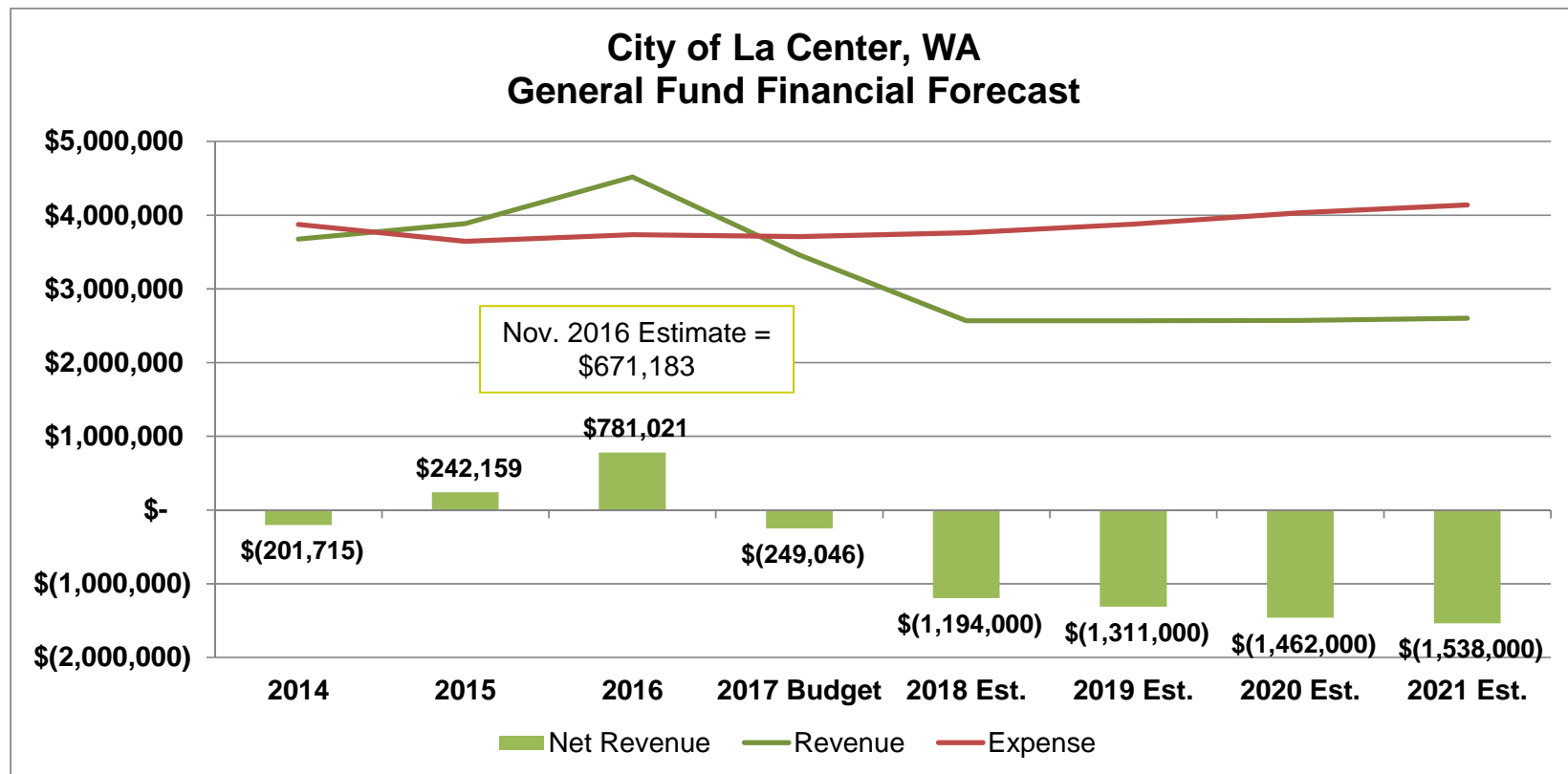


Agenda

- General Fund Forecast Update
- 2016 Year End Reserves
- 2017 1Q Update
- Options for 2018
- Discussion & Next Steps

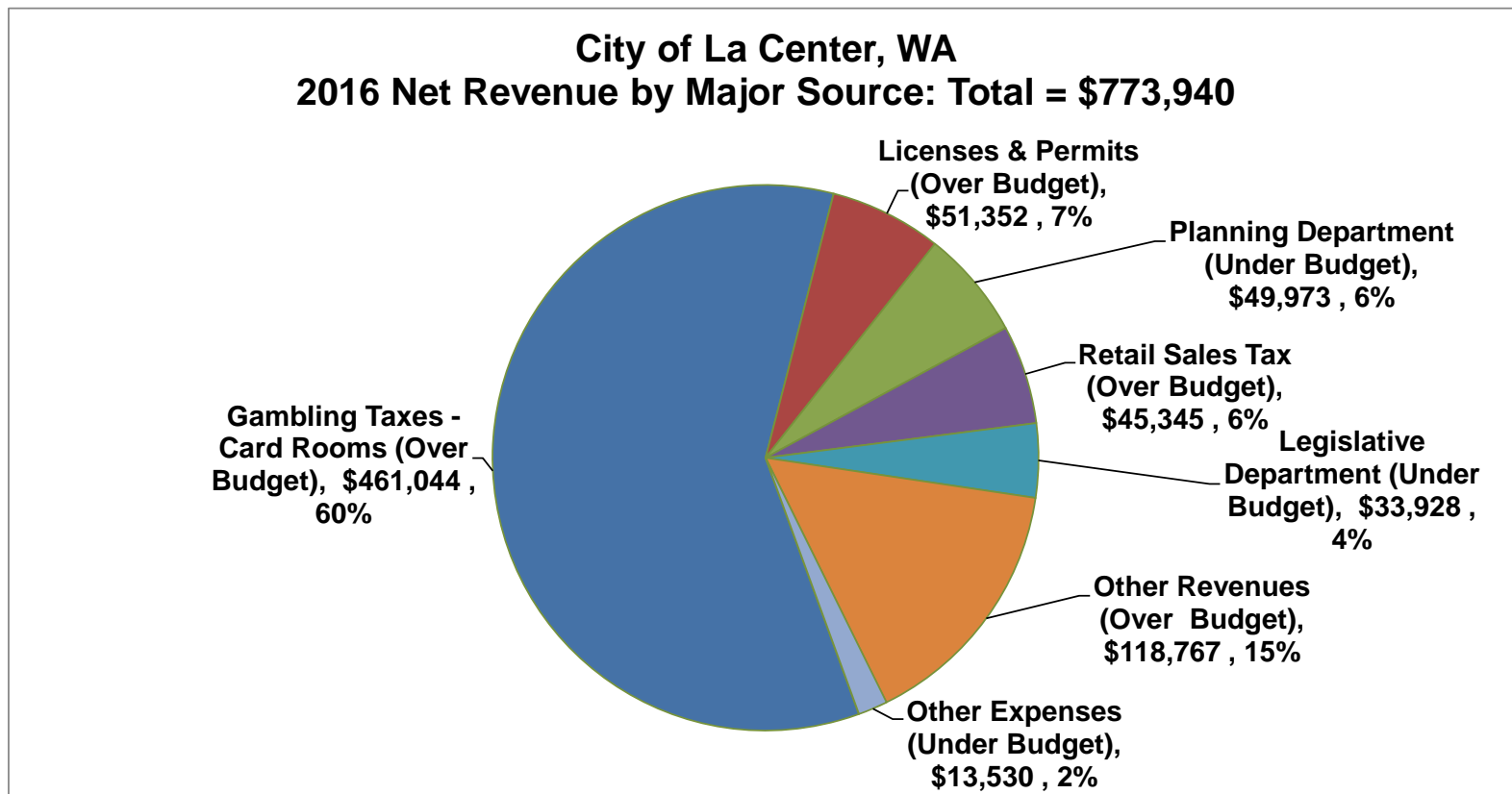
General Fund Forecast Update

■ Updated Forecast



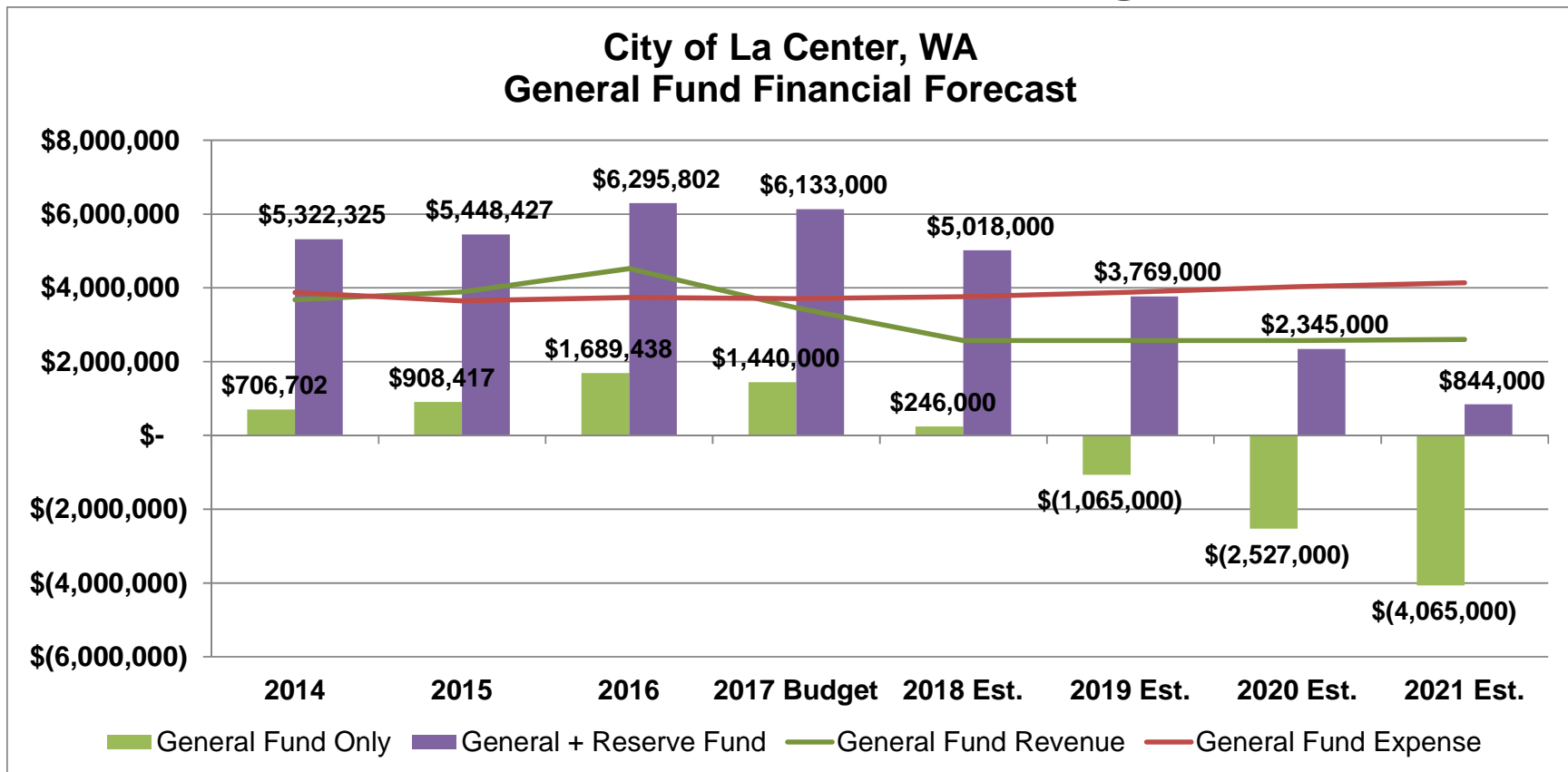
General Fund Forecast Update

■ 2016 Net Revenue by Major Source



General Fund Forecast Update

■ General & Reserve Fund: Ending Balance



2016 Year End Reserves

■ Reserve Fund vs. Policy Targets

<u>Account/Fund Name</u>	<u>Purpose</u>	<u>Reserve Level</u>	<u>End of 2015</u>	<u>End of 2016</u>	<u>Change</u>	<u>Indicator</u>	<u>Over/Under</u>
Unrestricted General Fund Operating Reserve	Pay monthly expenses and accommodate seasonal fluctuations in revenues	25% of annual expense budget	\$ 908,417	\$ 1,689,438	\$ 781,021	45%	\$ 748,746
Revenue Stabilization Reserve	Offset unanticipated and significant fluctuations in on-going revenues or unanticipated events	100% of annual expense budget	\$ 4,540,010	\$ 4,606,364	\$ 66,354	123%	\$ 843,595
Sewer Utility Debt Service Reserve	Pay sewer utility debt outstanding assuming annual \$5/ERU/mo. Rate increase from 2014 through 2019	Amount required to pay 100% of outstanding debt through 2028	\$ 5,266,259	\$ 556,864	\$ (4,709,395)	Paid off \$5M in Debt in 2016	
Sewer Utility Repair and Replacement Reserve	Pay projected sewer utility repair and replacement expenses through 2018 not funded through rates	Estimated \$100,000 per year	\$ 558,101	\$ 278,677	\$ (279,424)	Meeting Need	
Equipment Replacement Reserve	Fund on-going replacement of vehicles and major equipment	Estimate required to pay for planned vehicle replacements	\$ 286,405	\$ 349,712	\$ 63,307	Funded to 2021	
General Capital Reserve	Set aside funds to pay for the City's high priority capital projects	Amount remaining after funding other reserves	\$ 4,742,434	\$ 4,756,340	\$ 13,906		
Total:			\$ 16,301,626	\$ 12,237,395	\$ (4,064,231)		\$ 1,592,341

**Excludes Impact Fee and Sewer Operations funds (\$1,038,000 ending balance)*

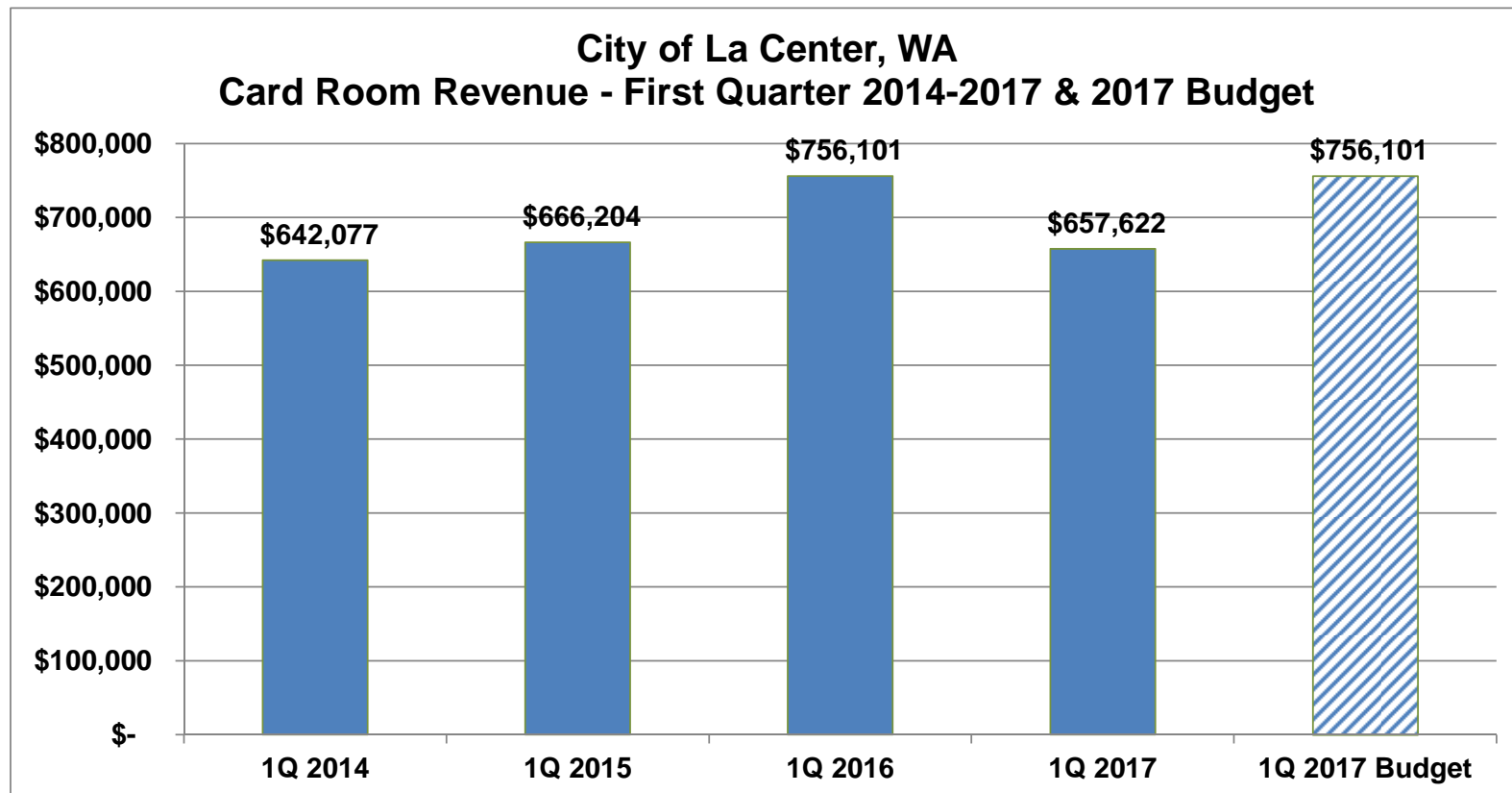
2017 1Q Update

■ General Fund Revenues

General Fund Revenue	1Q 2016	2016 Full Year	1Q % 2016 Full Year	1Q 2017	2017 Budget	1Q % 2017 Budget	% Chg: 2017 v. 2016
Property Taxes	\$ 33,682	\$ 412,033	8.2%	\$ 34,353	\$ 422,500	8.1%	2.0%
Utility Excise Taxes		\$ -			\$ 83,452		
Retail Sales Tax	\$ 64,054	\$ 432,012	14.8%	\$ 124,456	\$ 561,599	22.2%	94.3%
Local Criminal Justice Sales Tax	\$ 10,710	\$ 53,471	20.0%	\$ 11,418	\$ 59,224	19.3%	6.6%
Gambling - Pull Tabs	\$ 11,074	\$ 35,297	31.4%	\$ 5,078	\$ 10,000	50.8%	-54.1%
Gambling - Card Rooms	\$ 756,101	\$ 3,136,044	24.1%	\$ 657,622	\$ 1,927,910	34.1%	-13.0%
Total Taxes	\$ 875,621	\$ 4,068,857	21.5%	\$ 832,927	\$ 3,064,685	27.2%	-4.9%
Licenses & Permits	\$ 22,988	\$ 79,062	29.1%	\$ 19,035	\$ 78,128	24.4%	-17.2%
Intergovernmental	\$ 43,900	\$ 206,144	21.3%	\$ 42,613	\$ 185,077	23.0%	-2.9%
Charges for Goods & Svcs*	\$ 30,382	\$ 86,674	35.1%	\$ 67,296	\$ 71,269	94.4%	121.5%
Fines & Forfeitures	\$ 6,043	\$ 23,508	25.7%	\$ 5,612	\$ 28,000	20.0%	-7.1%
Misc	\$ 18,907	\$ 54,089	35.0%	\$ 7,365	\$ 32,992	22.3%	-61.0%
Total General Fund Revenue	\$ 997,841	\$ 4,518,334	22.1%	\$ 974,848	\$ 3,460,152	28.2%	-2.3%
<i>* Includes \$48,000 deposit for future land use fees for Riverside Estates</i>							\$ (22,993)

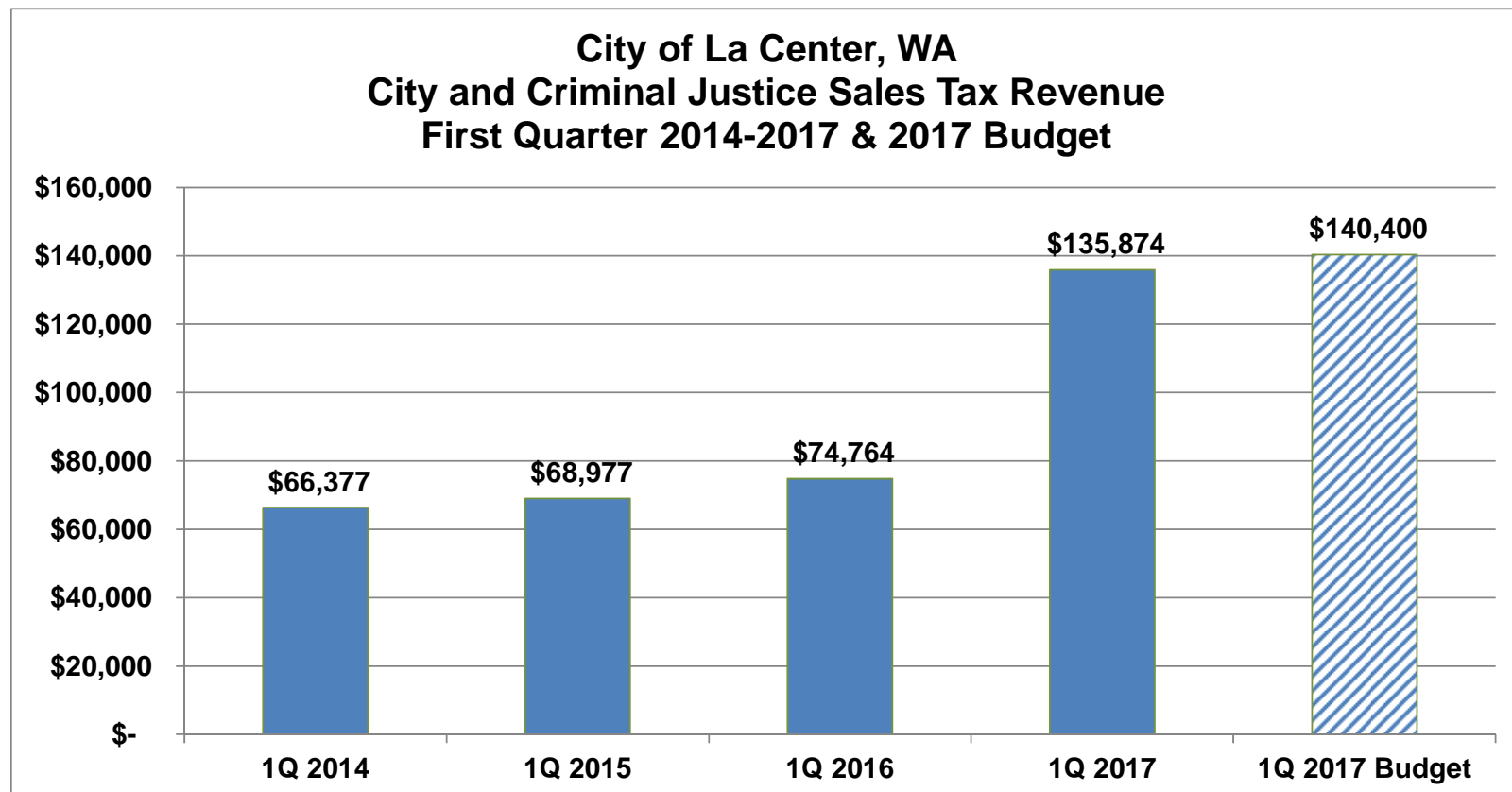
2017 1Q Update

■ Card Room Revenue



2017 1Q Update

■ Sales Tax Revenue



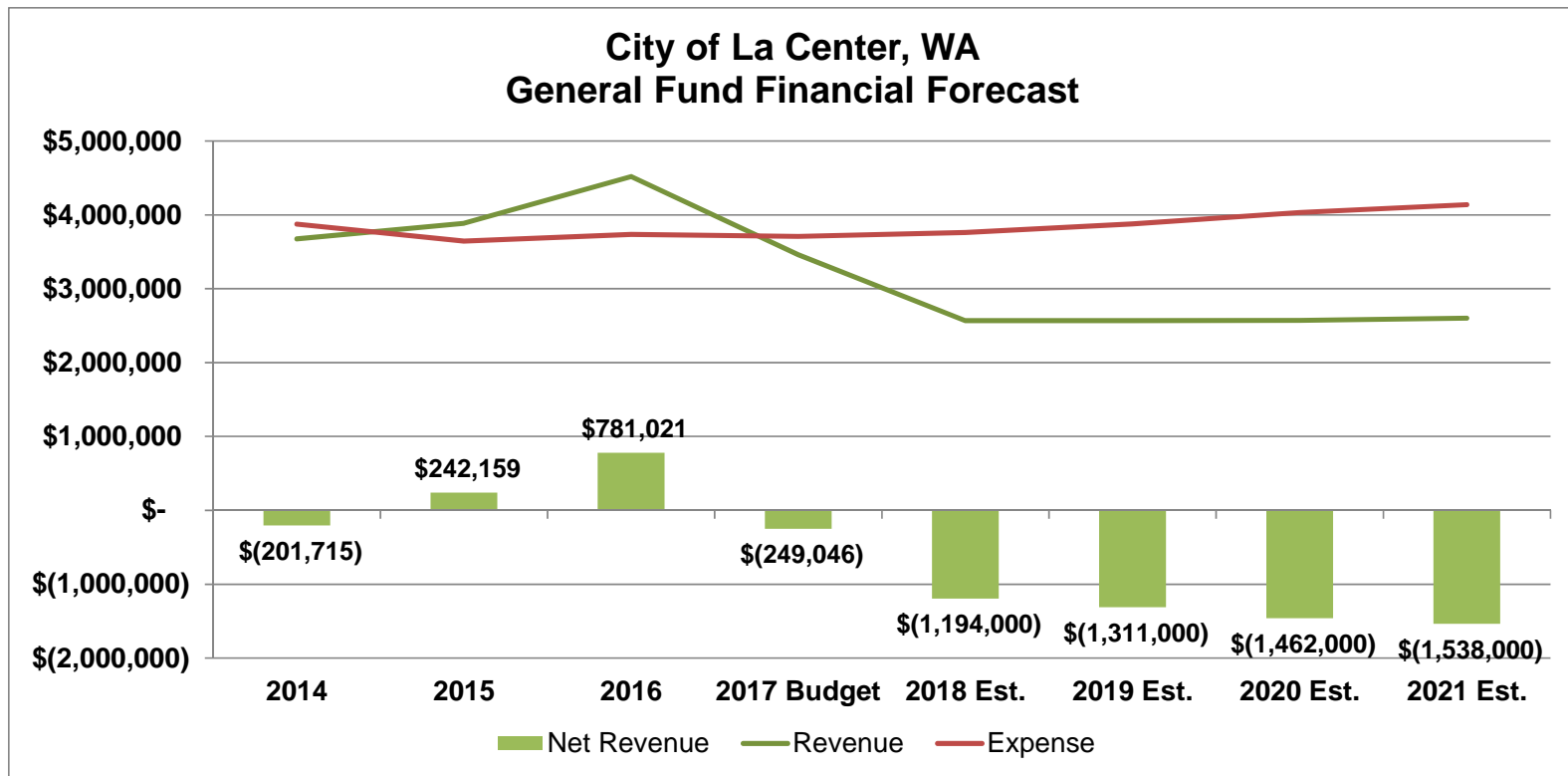
2017 1Q Update

■ General Fund Expenses & Net Revenue

General Fund Expenses	1Q 2016	2016 Full Year	1Q % 2016 Full Year	1Q 2017	2017 Budget	1Q % 2017 Budget	% Chg: 2017 v. 2016
Finance	\$ 150,585	\$ 616,335	24.4%	\$ 140,948	\$ 574,739	24.5%	-6.4%
Legislative	\$ 32,891	\$ 76,422	43.0%	\$ 31,925	\$ 74,732	42.7%	-2.9%
Police	\$ 450,392	\$ 1,616,223	27.9%	\$ 414,824	\$ 1,647,689	25.2%	-7.9%
Planning	\$ 47,700	\$ 243,001	19.6%	\$ 47,558	\$ 276,977	17.2%	-0.3%
Public Works - Admin	\$ 69,506	\$ 264,401	26.3%	\$ 65,806	\$ 282,485	23.3%	-5.3%
Public Works - Operations	\$ 76,516	\$ 365,244	20.9%	\$ 69,386	\$ 446,800	15.5%	-9.3%
Public Works - Parks Admin	\$ 10,155	\$ 37,804	26.9%	\$ 10,257	\$ 38,532	26.6%	1.0%
Public Works - Parks Operations	\$ 97,589	\$ 413,843	23.6%	\$ 86,446	\$ 367,242	23.5%	-11.4%
Transfers / others	\$ -	\$ 104,040	0.0%	\$ -	\$ -	NA	NA
Total General Fund Expense	\$ 935,334	\$ 3,737,313	25.0%	\$ 867,150	\$ 3,709,197	23.4%	-7.3%
							\$ (68,183)
General Fund Net Revenue	\$ 62,507	\$ 781,021		\$ 107,698	\$ (249,046)		\$ 45,190

Options for 2018

■ 2018 General Fund Gap = \$1,194,000





Options for 2018

2017 Budget Balancing Approach

- Retain core services in 2017 and defer excise tax implementation until the revenue picture becomes clearer (October 1, 2017)
- Defer 2017 vehicle/equipment replacement contribution – reserves adequate to 2021
- Use a portion of projected 2016 surplus to support General Fund expenses in 2017
- Monitor revenues and development activity and plan expense adjustments accordingly



Options for 2018

2017 Action Plan for 2018 Budget

- Use 2017 to:
 - Refine estimates of the future impact of the Cowlitz development plan and other new development on City revenues
 - Identify efficiencies and service level “tiers”
 - Complete junction subarea plan and identify related revenue potential
 - Explore and implement incentives for new development



Options for 2018

Key 2018 Assumptions

- Cardroom revenue: 1/3 of 2016 (\$1.1M v. \$3.1M)
- New City Utility Tax – effective 3Q 2017
- Sales Tax Revenue: At 2015-16 levels in 2018
- Development Permit: Small increase from 2017 to 2018 but 2017 estimate is low
- Property Tax: New construction increase in 2017/18 but drops back again in 2018/19
- Current staffing/service levels continue
- No use of reserves/reserve fund interest

Options for 2018

2016 v. 2018 Revenue

General Fund Revenue	2016 Actual	% 2016 Total	2018 Estimate	% 2018 Total
Property Taxes	\$ 412,033	9.1%	\$ 435,300	16.9%
Utility Excise Taxes	\$ -	0.0%	\$ 338,900	13.2%
Retail Sales Tax	\$ 432,012	9.6%	\$ 230,000	9.0%
Local Criminal Justice Sales Tax	\$ 53,471	1.2%	\$ 61,000	2.4%
Gambling - Pull Tabs	\$ 35,297	0.8%	\$ 10,000	0.4%
Gambling - Card Rooms	\$3,136,044	69.4%	\$ 1,083,500	42.2%
Total Taxes	\$4,068,857	90.1%	\$ 2,158,700	84.0%
Licenses & Permits	\$ 79,062	1.7%	\$ 91,900	3.6%
Intergovernmental	\$ 206,144	4.6%	\$ 185,100	7.2%
Charges for Goods & Services	\$ 86,674	1.9%	\$ 71,900	2.8%
Fines & Forfeitures	\$ 23,508	0.5%	\$ 28,000	1.1%
Misc.	\$ 54,089	1.2%	\$ 33,000	1.3%
Total General Fund Revenue	\$4,518,334	100.0%	\$ 2,568,600	100.0%
Dollar Change			\$(1,949,734)	
Percent Change			-43.2%	



Options for 2018

Recent Developments

- City of La Center not included in law enforcement agreement with reservation
- City of La Center not going to provide treatment of Cowlitz bio-solids
- New residential development
 - Sunrise Terrace (120 lots) and Kay's Place (37 lots) moving forward in 2017
 - Riverside Estates (lots TBD) in discussion
- Junction subarea economic and fiscal impact still being assessed



Options for 2018

Revenue Alternatives to Explore?

- Update revenue assumptions to reflect anticipated development pipeline
- Use reserves in excess of policy targets
- Use Reserve Fund interest as revenue
- Repayment of loan to sewer fund
- Sewer utility tax
- Levy lid lift – 50% voter approval required
- Transportation Benefit District
- Others



Options for 2018

Expense Alternatives to Explore?

- Across the Board reductions (not advised)
- Identify “discretionary” services and target reductions in those areas
- Request service level reduction “packages” from Senior Managers:
X% cost reduction for Y service level impact
- Explore broader intergovernmental agreements/contracts



Options for 2018

Incentives to Explore?

- Development fee waiver
- Road/utility/park infrastructure development
- Acquire land and make shovel ready
- Acquire buildings and lease/sell for targeted business development
- Seek Port of Ridgefield investment
- Reduction in Cardroom tax



Discussion and Next Steps

City Council Preferences/Guidance

- Revenue options
- Expense options
- Development incentives
- Other ideas/proposals/feedback?



Discussion and Next Steps

Cardroom Tax Reduction - Revisited

- A tax reduction in 2017 can help offset the impact of the ilani opening and transition
- Cardroom tax revenues exceeded budgeted levels by \$461,000 in 2016
- A reduction in the tax rate from 10% to 5% beginning in the 2Q would reduce City revenue by an estimated \$575,000 in 2017
- The unallocated 2016 surplus is \$532,000
- Significant amount of other taxes/fees paid



Discussion and Next Steps

Next Steps/Proposed Process

- 2Q 2017 update in July
- Further development of budget concepts/assumptions/options during 3Q 2017 with Council Workshops
- 3Q 2017 update and preliminary 2018 budget in October