Council Meeting Date: February 24, 2014 **Agenda Item:** 8(c)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Ten Year Financial Sustainability Update
DEPARTMENT:	Administrative Services
PRESENTED BY:	Bob Hartwig, Administrative Services Director
ACTION:	____ Ordinance ____ Resolution ____ Motion _X__ Discussion ____ Public Hearing

PROBLEM/ISSUE STATEMENT:
Council Goal No.1, Strengthen Shoreline's Economic Base, includes an action step to develop a 10-year Financial Sustainability Plan to achieve sufficient fiscal capacity to fund and maintain priority public services, facilities, and infrastructure. Throughout 2012, staff worked to develop a financial model that could be used to help monitor and project the City's operating budget, including long-term forecasts. As part of this process staff evaluated current municipal services, the related costs of those services, and revenue generated from those services. Staff also started identifying potential economic development, revenue, and expenditure strategies that could be considered to provide long-term financial capacity to fund priority public service.

In January of this year, a subcommittee of the City Council (Mayor Winstead, Deputy Mayor Eggen and Councilmember Salomon) was convened to evaluate potential strategies and to develop a preferred alternative for Council's consideration. Over the past several weeks the 10-year Financial Sustainability Subcommittee had three meetings. The Subcommittee is about to begin working on a preferred alternative that will be considered by the City Council in April. This report provides the City Council with an update on the progress of the Subcommittee meetings. We are also seeking City Council input to the Subcommittee prior to working on a preferred alternative. As, this is a discussion item only, no formal action is expected at tonight's meeting.

RESOURCE/FINANCIAL IMPACT:
Ultimately, a preferred alternative for the 10-year Financial Sustainability Plan is expected to assist the City in its annual budgeting process. The intent is to close any potential budget gaps that might occur in future years. The main financial impact is intended to keep the City's budget balanced in future years and maintain reserves in accordance with the City's adopted financial policies.

RECOMMENDATION

The City Council should discuss the progress of the Subcommittee's work to date and provide input for the Subcommittee's use as it discusses preferred alternatives.

Approved By: City Manager ***DT*** City Attorney ***IS***

BACKGROUND

In 2012, the City engaged in an internal discussion about the ongoing financial sustainability of City operations. During that time the Administrative Services Department developed an extensive financial model to forecast future revenues, expenditures, and fund balances. This model identified the possibility that, based on projection assumptions, the City could have annual operational expenditures in excess of revenues in future years (2019 and later). This is a result of future revenue growth being less than the projected increases in costs to provide services to the community. One of the primary factors is that after 2016, property taxes, which represent 28.5% of the City's operating revenues, would be limited to 1% annual increases plus any new taxes related to new construction.

The City has a long history of responsible fiscal management and accountability. The current and prior City Councils have repeatedly shown a strong inclination towards fiduciary responsibility. City Council Goal No. 1 (Strengthen Shoreline's Economic Base) includes as an action item, "Develop a 10-year Financial Sustainability Plan (10 YFSP) to achieve sufficient fiscal capacity to fund and maintain priority public services, facilities, and infrastructure." In January of this year, a subcommittee of the City Council (Mayor Winstead, Deputy Mayor Eggen and Councilmember Salomon) was convened to evaluate potential strategies and to develop a preferred alternative for Council's consideration. This work will serve as the basis for the 10 YFSP.

DISCUSSION

The Subcommittee held three meetings prior to this evening. The fourth meeting is scheduled for earlier this evening. As a result of the schedule, this staff report only includes the results of the first three meetings. Please note that the City Council and public have previously been provided access to the staff reports and attachments associated with the Subcommittee meetings. Thus, those documents are not duplicated as part of this staff report.

First Subcommittee Meeting – January 13, 2014

The first meeting of the Subcommittee was focused on determining if there was agreement on the potential problem that was to be solved through the 10 YFSP process. We discussed that the "deliverable" for this project is ultimately a "preferred alternative" that will be recommended to the City Council. We anticipate that the Subcommittee will complete its work on March 31st and that the City Council will begin evaluating the preferred alternative in April, along with a public process component.

Also at this meeting, the Subcommittee was provided with a list of approximately 125 City services identified by Shoreline's employees as part of the 10 YFSP process. These services were categorized as either Core or Quality of Life services by the City's Leadership Team. Staff is planning to review these services with the Subcommittee in more detail at the February 24th Subcommittee meeting.

After this introductory information the Subcommittee received a presentation regarding the financial model and assumptions used, the baseline information used to develop the baseline forecast, and the "Base Scenario". The Base Scenario essentially takes the budget forecast and adjusts revenues to 101% of forecast and expenditures to 98% of forecast. This is done to account for the City's historical budget experience. Given the conservative nature of the City's financial planning, actual revenue collections have exceeded projections and expenditures have been less than those projected on an annual basis. A brief presentation of the model and how it works was also introduced at this meeting.

The Subcommittee determined that the baseline assumptions for the forecast model are reasonable (Attachment A). It also determined that this is the right approach to developing a strategy that could be used to provide long-term financial sustainability and the required financial resources needed to provide priority services to the Shoreline community.

Second Subcommittee Meeting – January 28, 2014

This meeting focused primarily on economic development and revenue-generating strategies that might be applied to address any potential future budget gaps. The economic development discussion quantified the level of development that would be necessary in order to close any hypothetical future budget gaps. Assumptions were again reviewed and historical averages were provided. The City currently realizes a net average of seven (7) new single family homes, 160 units of multi-family housing (apartments, condominiums, townhomes, duplexes, etc), 11,868 square feet of retail development, and 13,833 square feet of taxable non-retail commercial development each year. These assumptions have been used in developing the Base Scenario.

Analysis shows that it would take a very large amount of development to close projected budget gaps through new construction alone. These amounts of development were also compared with the level of development that would be necessary to achieve a 2% growth in assessed valuation (AV), which was an analysis requested by Councilmember Hall (see Table 1 below).

Table 1: Construction Needed for 2% Annual Growth

	Residential		**Commercial**	
	Single-Family	**Multi-Family**	**Commercial (Non-Retail)**	**Retail**
Total Assessed Valuation	$6,040,386,470	$6,040,386,470	$6,040,386,470	$6,040,386,470
X2% A V Growth	0.02	0.02	0.02	0.02
Amount of New Construction Needed	**$120,807,729**	**$120,807,729**	**$120,807,729**	**$120,807,729**
/ A V per Housing Unit	300,000	144,833		
/ A V per SF of Commercial Construction			170	125
Number of Residential Units/SF of Commercial Construction Needed Annually	**403**	**834**	**710,634**	**966,462**

The question for the Subcommittee was to determine the level of economic activity above that built into the Base Scenario that they would feel comfortable using for financial planning purposes. Ultimately the Subcommittee asked staff to come back with a model that would show 160 additional units of multi-family housing (over and above the 160 unit historical average), combined with an additional 7,500 square feet per year in retail development annually. Given historical trends in multi-family housing development and retail development, the Subcommittee felt that although this increased level of annual development may be a stretch to achieve, they felt that it wouldn't necessarily be an unrealistic level of development in the next 10 years. The effect that this would have on the potential budget gaps projected in the Base Scenario is shown in Attachment B to this staff report.

The revenue discussion analyzed what additional revenue sources might be available to the City, either statutorily or through policy choice. These included:

- Renewal of Proposition 1 (property tax levy lid lift) in 2017 at $1.48/$1,000 AV, for 6 years
- Renewal of Proposition 1 in 2019 at $1.48/$1,000 AV, for 6 years
- Formation of a Public Facilities District (sales tax increase)
- Increase in utility tax rates and/or franchise fees
- Increase in the gambling tax rate
- Increase in cost recovery policy (higher fees for services provided – i.e., street lights, recreation programs)
- Implementation of a business & occupation (B&O) tax
- Implementation of a revenue generating business license fee
- Increase in Transportation Benefit District (TBD) fee or implementation of a TBD sales tax

In addition, long term adjustments were also discussed. These included:

- State legislation to fix the structural problems relating to property tax growth limitations
- State legislation allowing cities to keep 100% of the 1% local sales tax
- State legislation increasing the local portion of gas tax

The Subcommittee asked staff to model Proposition 1 (2017 and 2019 renewal options), cost recovery potential using adult recreation programs as an example, B&O tax, and TBD fee options for the 3rd Subcommittee meeting. The utility tax/franchise fee option was removed from further consideration by the Subcommittee.

A six year renewal of Proposition 1 would generate approximately $158,000 in increased revenue in 2017, increasing to $1,013,000 annually in 2022. This scenario assumes annual levy increases equivalent to the projected level of inflation as measured by the consumer price index. It expires and requires another public vote for each six year extension. A majority vote is required and the revenue may be used for any purpose. Contingent on voter approval, the impact would be immediate. Strategies renewing Proposition 1 in 2017 and 2019 are shown as Attachments C and D to this staff report respectively. If Proposition 1 is renewed in 2017, given that it would be six year levy, it could potentially be renewed again within the 10 year timeframe of the plan (year 2023). While this re-renewal has not been included in the model, it could be included if the Council or the Subcommittee provides direction to do so.

The City can explore the possibility of recovering a greater portion of expenditures incurred in various areas. Staff presented examples of what these strategies might look like. One example related to recovering a portion of street lighting costs as a utility rate as part of our water or sewer operations once those utilities services are provided by Shoreline. The City currently pays for 100% of the cost of street lights (over $400,000 per year). This cost pays for the electricity and maintenance of 2,946 lights in Shoreline that illuminate the right-of-way. For each 10% of the cost recovered, the City would generate an extra $40,000 per year.

Note that the City is currently working with Seattle City Light to reconcile their streetlight inventory with the billing statements sent to the City so that we have an accurate accounting of SCL's billings for this service. In addition, before making any final recommendations in this area, staff would recommend a study examining all City fees. That study could then recommend cost recoveries in instances that make the most sense from a city-wide perspective. A strategy recovering $400,000 in costs per year is shown as Attachment E.

Subject to referendum, the City Council can pass an ordinance implementing a Business & Occupation (B&O) Tax. This is a tax on gross business receipts. The maximum rate is 0.2%. Based on sales tax data available to the City, staff estimates that a 0.1% B&O Tax would generate approximately $714,000 per year.

B&O Taxes can be set based on the class of business (retail, wholesale, etc.) and can be used for any governmental purpose. Approximately 14% of Washington's cities (34) impose this tax. A strategy recovering increasing revenues through the assessment of B&O taxes is shown as Attachment F. Attachment F assumes a 0.1% assessment on all business classes. If Council were interested in pursuing this strategy, additional research and policy analysis would need to be completed to have a more precise revenue forecast. The TBD fee option is discussed further in the next section below.

Third Subcommittee Meeting – February 10, 2014

At this meeting, the Subcommittee began looking at various expenditure strategies. These included achieving a 0.5% annual savings from salary and benefit adjustments, a 0.5% savings in public safety (police) costs, a 1.0% savings in services and charges, and a 1.0% savings in all other expenditures. In the latter two cases these savings percentages are higher because these costs are a much lower percentage of the overall budget. A 0.5% savings in these two areas wouldn't have been very noticeable. Any of these potential savings would be over and above the 2% expenditure savings already used in the Base Scenario.

It appeared at the end of the meeting that the consensus may be to bring back an option showing a total reduction in the rate expenses are increasing. The specific types of expenses would be identified at a later date. A strategy decreasing the rate of increase in overall operating expenditures by 0.2% is shown as Attachment G. In order to achieve this level of savings, it may require the reduction/elimination of a specific service, it could result in actual expenditures being less than those projected as a result of lower inflation or slower growth in costs, or it could result in policy changes.

The operating funds currently transfer about $290,000 to the capital funds each year for transportation improvements. This transfer (an expenditure of funds) could be eliminated if the Transportation Benefit District (TBD) fee was increased another $20 per year. This would generate about $800,000 per year to the capital funds for transportation related projects. The only effect this would have on the operating funds is the potential to reduce the annual transfer of $290,000 to the Roads Capital Fund for curb, gutter, and sidewalk maintenance, and transportation planning.

Given that it appears that King County will be asking voters to consider forming a county-wide TBD that will include both a $60 vehicle license fee (VLF) and a 0.1% sales tax increase, an increase in the Shoreline VLF fee may be unlikely if the measure were to pass. Even if that were the case, if voters were to approve the King County measure, it is estimated that Shoreline would be allocated approximately $1.4 million annually. This would provide the same opportunity to reduce the $290,000 annual operating budget allocation for transportation related projects with $1.1 million remaining for other purposes such as increasing the annual allocation for road maintenance, sidewalks, or other priority transportation projects. A strategy of reducing the operating budget contribution for implementing this additional fee is shown as Attachment H.

The final attachment included with this staff report, Attachment I, provides three options for overlaying strategies so that Council can see the cumulative effect of some of the strategies on future potential budget gaps.

Future Subcommittee Meetings
In addition to tonight's 4th Subcommittee meeting and first City Council update, two more Subcommittee meetings are planned in March, with an additional Council update on March 17th. The 5th Subcommittee meeting (March 1st or 3rd) will finalize a recommended preferred alternative. The next Council update (March 17th) will present the preferred alternative and seek Council feedback. The 6th Subcommittee meeting (March 31st) will finalize any revisions to the preferred alternative based on Council feedback.

The final recommendation will be considered by the City Council in April, with Council acceptance of a preferred alternative either in late April or early May. Staff is continuing to explore the most effective public outreach process to get comments on the preferred alternative recommendations.

ATTACHMENTS

Attachment A – Baseline Assumptions
Attachment B – Economic Development
Attachment C – Proposition 1 Renewal in 2017
Attachment D – Proposition 1 Renewal in 2019
Attachment E – Cost Recovery
Attachment F – Business & Occupation Tax (2017)
Attachment G – Expenditures Annual Growth Rate (AGR) 0.2% Lower

Attachment H – Reduction of Operating Budget Allocation for Transportation Projects
Attachment I – Possible Overlaying Strategies (Strategies 1-3)

10-Year Financial Sustainability Plan
Baseline Assumptions Used in Forecast
February 24, 2014

REVENUE ASSUMPTIONS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Property Tax AGR	3.6%	3.1%	1.6%	1.6%	1.5%	1.2%	1.4%	1.4%	1.4%	1.4%
Sales Tax AGR	4.1%	3.8%	3.8%	3.6%	3.2%	3.1%	2.9%	2.8%	3.4%	3.1%
Utility Taxes AGR	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Franchise Fee and Contract Payments AGR	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Development Permits and Fees AGR	-11.8%	-0.3%	1.6%	-0.7%	-0.6%	-1.8%	-2.1%	-1.4%	-0.8%	-0.7%
Liquor Excise Tax & Liquor Board Profits AGR	-1.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%
Recreation Fees AGR	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
MV Fuel Tax AGR	-1.0%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%	-2.8%

OTHER GROWTH ASSUMPTIONS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Population AGR	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Population (King Co.) AGR	1.1%	0.9%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
Inflation AGR	2.54%	2.44%	2.44%	2.40%	2.39%	2.38%	2.36%	2.35%	2.35%	2.36%
King County Building Permit Trend AGR	11.9%	-1.0%	1.4%	-1.6%	-1.5%	-3.2%	-3.7%	-2.7%	-1.9%	-1.9%
Regular Levy Assessed Value AGR	8.6%	5.3%	3.8%	3.5%	3.7%	3.7%	3.9%	3.7%	3.9%	3.9%
Projected Change in Assessed Valuation AGR	7.9%	4.7%	3.2%	2.9%	3.3%	3.3%	3.5%	3.3%	3.4%	3.5%
New Construction AGR	75.0%	1.5%	-0.7%	-7.8%	-10.8%	-8.7%	-2.9%	5.6%	6.9%	1.9%
Property Tax Allowable Levy AGR	3.6%	3.1%	1.6%	1.6%	1.5%	1.2%	1.4%	1.4%	1.4%	1.4%
Gas Tax (Per Capita) AGR	-1.3%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
King County Taxable Retail Sales AGR	5.9%	5.2%	5.0%	4.4%	4.6%	4.2%	4.2%	4.3%	4.3%	4.4%
Local Sales & Use Tax (Puget Sound Region) AGR	6.2%	5.8%	5.6%	5.2%	4.5%	4.3%	4.2%	4.3%	4.3%	4.4%
Local Sales & Use Tax (King County Region) AGR	6.1%	5.8%	5.6%	5.2%	4.5%	4.2%	4.2%	4.3%	4.3%	4.4%
Local Sales & Use Tax (Shoreline) AGR	4.6%	4.4%	4.2%	3.9%	3.4%	3.2%	3.2%	3.2%	3.3%	3.3%

10-Year Financial Sustainability Plan
Baseline Assumptions Used in Forecast
February 24, 2014

EXPENDITURE ASSUMPTIONS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Inflation	2.54%	2.44%	2.44%	2.40%	2.39%	2.38%	2.36%	2.35%	2.35%	2.36%
COLA (% of Inflation)	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
COLA (Projected)	2.29%	2.20%	2.20%	2.16%	2.15%	2.14%	2.13%	2.12%	2.11%	2.13%
Step Increases (% of Employees Receiving)	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	20.0%	20.0%	20.0%	20.0%
Step Increases (Average % Increase)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Salaries & Wages AGR	2.4%	3.1%	3.1%	3.1%	3.1%	3.1%	2.9%	2.9%	2.9%	2.9%
Health Benefits AGR	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
PERS Contribution Rate	10.4%	10.4%	10.4%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%
PERS AGR	17.1%	3.2%	3.2%	14.9%	3.1%	3.1%	2.9%	2.9%	2.9%	2.9%
Utilities AGR	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%	2.4%
Police Contract AGR	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Jail Contracts AGR	-6.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.7%
District Court & Public Defense AGR	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%	2.4%
Services & Charges AGR	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%	2.4%
All Other Expenditures AGR	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

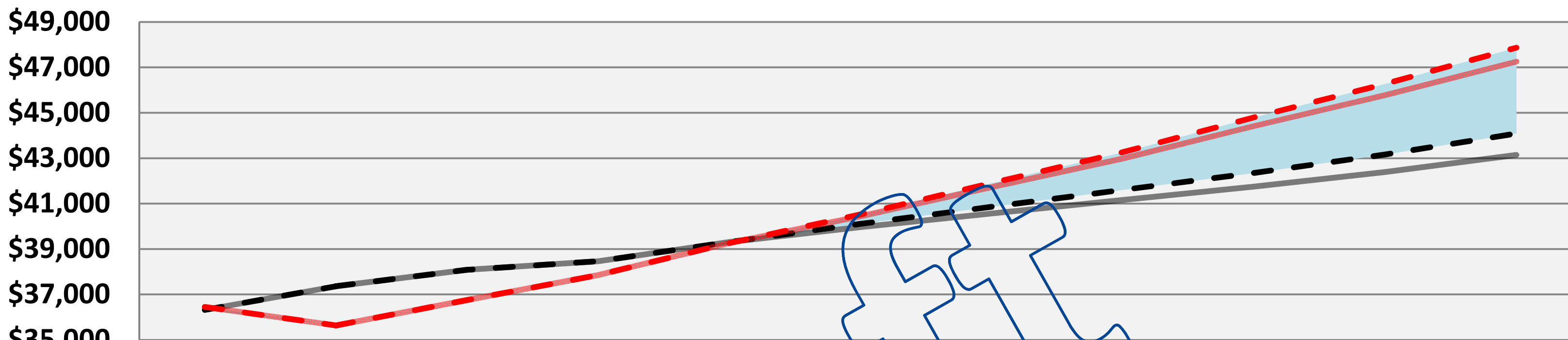
TRANSFERS TO OTHER FUNDS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt Service	612,451	612,451	612,451	612,451	612,451	612,451	612,451	612,451	612,451	612,451
General Capital	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Facilities Major Maint.	74,032	74,032	74,032	74,032	74,032	74,032	74,032	74,032	74,032	74,032
Roads Capital - Gambling Tax Equivalent	136,528	136,528	136,528	136,528	136,528	136,528	136,528	136,528	136,528	136,528
Roads Capital - Sidewalk & Street Overlay	152,517	152,517	152,517	152,517	152,517	152,517	152,517	152,517	152,517	152,517
Unemployment Fund	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Total	1,123,028	1,123,028	1,123,028	1,123,028	1,123,028	1,123,028	1,123,028	1,123,028	1,123,028	1,123,028

Note: *AGR: Annual Growth Rate*

Attachment B

ECONOMIC DEVELOPMENT



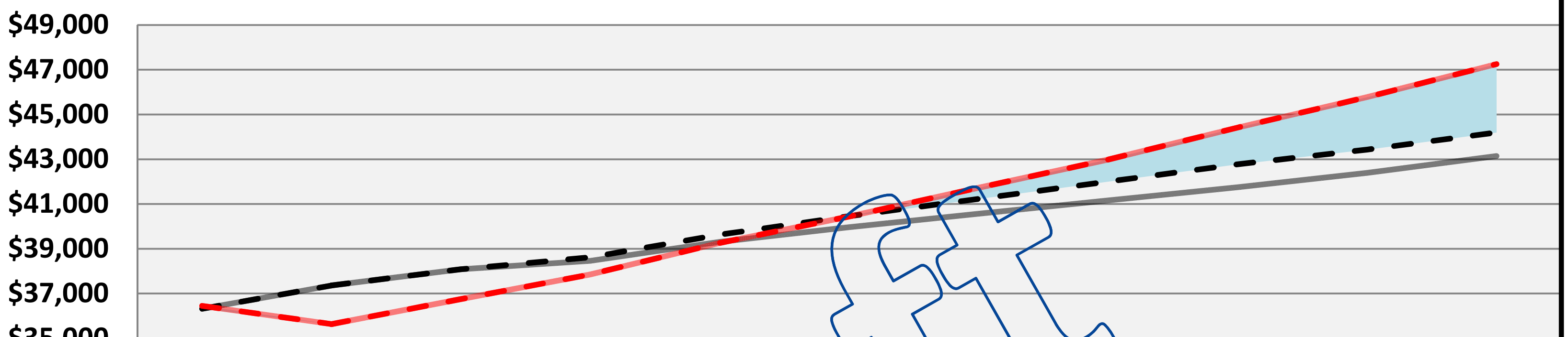
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,728	1,336	611	46	(417)	(632)	(613)	(785)	(660)	(671)
CUMULATIVE (GAP)	(133)	-	-	-	-	(417)	(1,049)	(1,663)	(2,448)	(3,108)	(3,778)
VARIANCE BASE	36,450	35,633	36,752	37,851	39,262	40,529	41,907	43,267	44,798	46,270	47,866
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,462	39,309	40,112	40,858	41,605	42,351	43,163	44,088
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,529	41,907	43,267	44,798	46,270	47,866

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Economic Development (additional 160 multi-family residential units and 7,500 sq. ft. of retail growth per year).

Attachment C

PROPOSITION 1 RENEWAL IN 2017



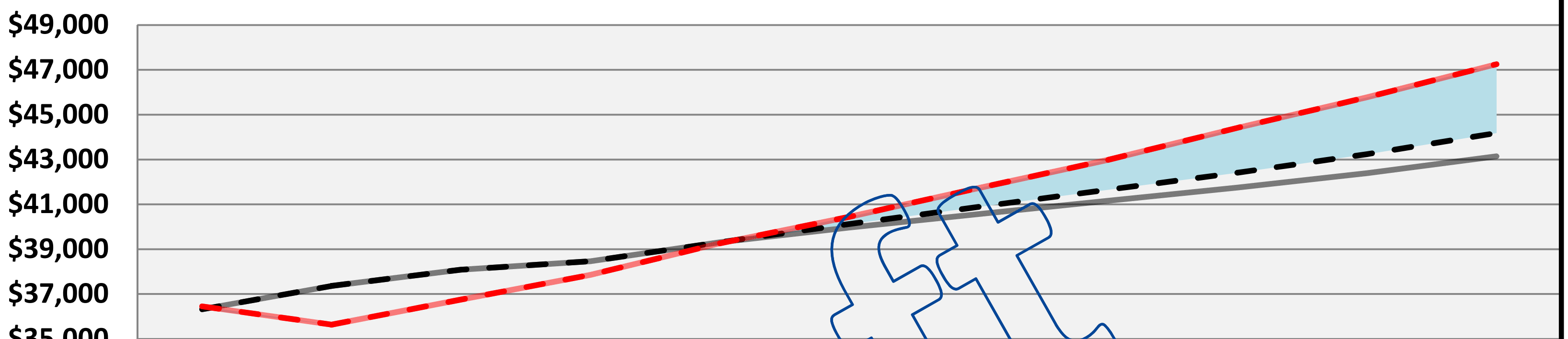
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,728	1,336	770	368	13	(500)	(489)	(655)	(701)	(711)
CUMULATIVE (GAP)	(133)	-	-	-	-	-	(500)	(989)	(1,644)	(2,344)	(3,056)
VARIANCE BASE	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,621	39,630	40,454	41,228	42,001	42,772	43,431	44,198
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Property tax levy lid lift in 2017 that includes an annual escalator based upon the change in the June-to-June CPI-U for years 2017 through 2022.

Attachment D

PROPOSITION 1 RENEWAL IN 2019



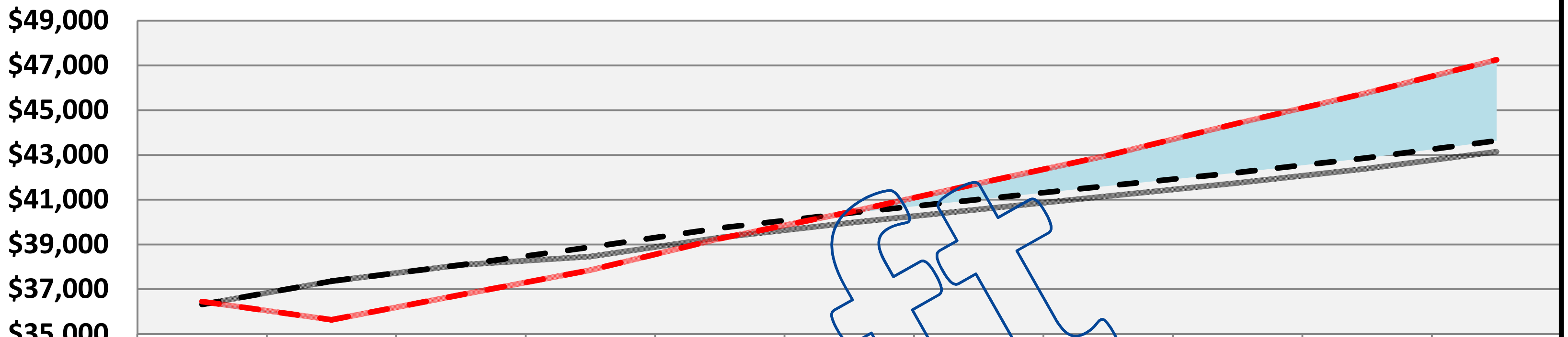
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,728	1,336	611	46	(318)	(522)	(498)	(665)	(534)	(536)
CUMULATIVE (GAP)	(133)	-	-	-	-	(318)	(840)	(1,338)	(2,002)	(2,536)	(3,072)
VARIANCE BASE	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,462	39,309	40,124	40,888	41,651	42,413	43,239	44,181
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Property tax levy lid lift in 2019 that sets the levy rate at $1.48 and includes an annual escalator based upon the change in the June-to-June CPI-U for years 2019 through 2024.

COST RECOVERY

Attachment E



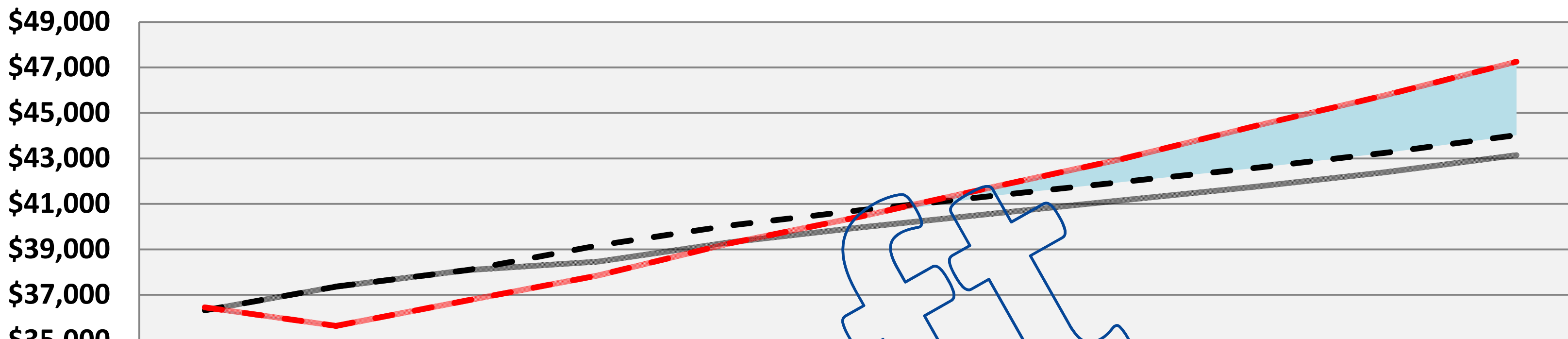
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,728	1,336	1,025	471	(41)	(675)	(657)	(828)	(704)	(715)
CUMULATIVE (GAP)	(133)	-	-	-	-	(41)	(717)	(1,373)	(2,201)	(2,906)	(3,620)
VARIANCE BASE	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,876	39,733	40,401	41,011	41,616	42,214	42,870	43,633
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Cost recovery of fees totaling $415,000 starting in 2017.

Attachment F

BUSINESS & OCCUPATION TAX (2017)



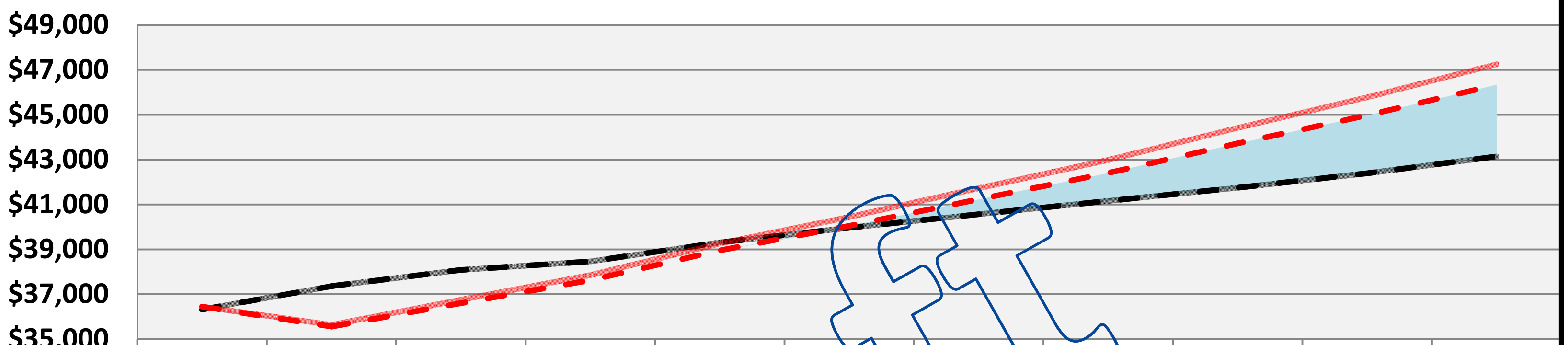
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,728	1,336	1,325	785	285	(378)	(645)	(818)	(688)	(700)
CUMULATIVE (GAP)	(133)	-	-	-	-	-	(378)	(1,023)	(1,841)	(2,529)	(3,229)
VARIANCE BASE	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	39,176	40,047	40,727	41,349	41,966	42,574	43,247	44,024
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Business & Occupation tax implemented in 2017.

Attachment G

EXPENDITURES ANNUAL GROWTH RATE (AGR) 0.2% Lower



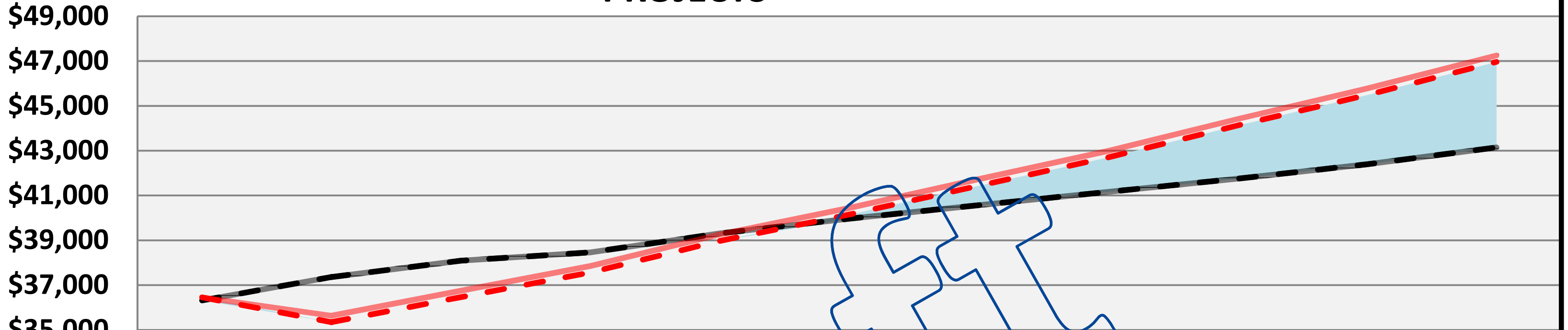
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,802	1,484	836	355	(79)	(593)	(570)	(735)	(607)	(610)
CUMULATIVE (GAP)	(133)	-	-	-	-	(79)	(672)	(1,242)	(1,977)	(2,583)	(3,194)
VARIANCE BASE	36,450	35,559	36,604	37,625	38,953	40,045	41,238	42,403	43,725	44,977	46,338
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,559	36,604	37,625	38,953	40,045	41,238	42,403	43,725	44,977	46,338

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Expenditures grow at a rate 0.2% lower than the Base projection.

REDUCTION OF OPERATING BUDGET ALLOCATION FOR TRANSPORTATION PROJECTS

Attachment H



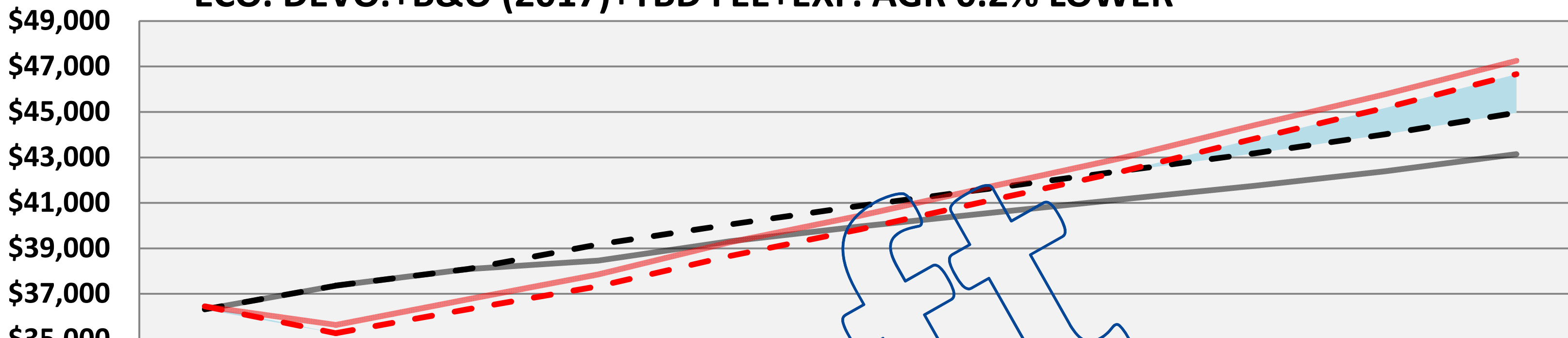
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	2,018	1,626	901	336	(186)	(686)	(667)	(839)	(715)	(726)
CUMULATIVE (GAP)	(133)	-	-	-	-	(186)	(871)	(1,538)	(2,377)	(3,093)	(3,818)
VARIANCE BASE	36,450	35,343	36,462	37,561	38,972	40,152	41,437	42,699	44,125	45,486	46,963
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,343	36,462	37,561	38,972	40,152	41,437	42,699	44,125	45,486	46,963

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Expansion of the $20 Transportation Benefit District (TBD) fee.

Attachment I

POSSIBLE OVERLAYING STRATEGIES #1
ECO. DEVO.+B&O (2017)+TBD FEE+EXP. AGR 0.2% LOWER



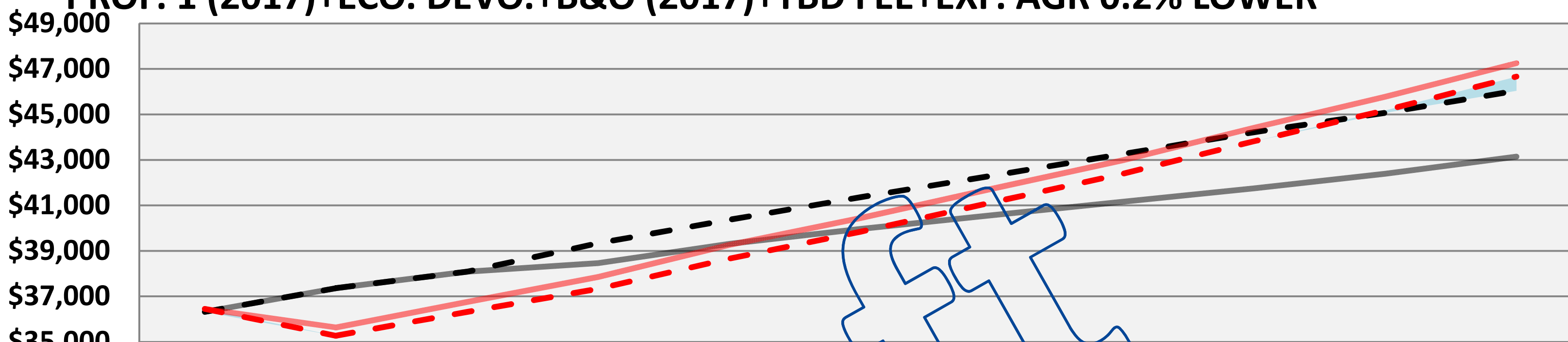
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	2,092	1,774	1,840	1,384	1,030	513	19	(641)	(524)	(530)
CUMULATIVE (GAP)	(133)	-	-	-	-	-	-	-	(641)	(1,165)	(1,694)
VARIANCE BASE	36,450	35,269	36,314	37,335	38,663	39,842	41,128	42,391	43,818	45,181	46,662
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	39,176	40,047	40,873	41,641	42,410	43,177	44,016	44,967
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,269	36,314	37,335	38,663	39,842	41,128	42,391	43,818	45,181	46,662

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Economic Development (additional 160 multi-family residential units and 7,500 sq. ft. of retail growth per year).
3. Business & Occupation tax implemented in 2017.
4. Expansion of the $20 Transportation Benefit District (TBD) fee.
5. Expenditures grow at a rate 0.2% lower than the Base projection.

Attachment I

POSSIBLE OVERLAYING STRATEGIES #2
PROP. 1 (2017)+ECO. DEVO.+B&O (2017)+TBD FEE+EXP. AGR 0.2% LOWER



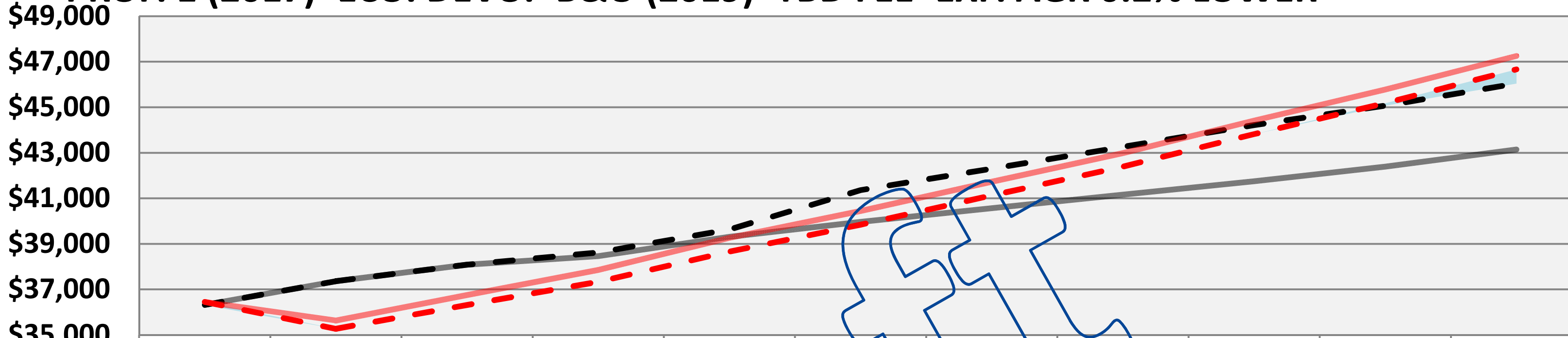
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	2,092	1,774	2,000	1,705	1,520	1,178	866	395	(110)	(511)
CUMULATIVE (GAP)	(133)	-	-	-	-	-	-	-	-	(110)	(621)
VARIANCE BASE	36,450	35,269	36,314	37,335	38,663	39,842	41,128	42,391	43,818	45,181	46,662
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	39,335	40,368	41,362	42,306	43,257	44,213	45,071	46,040
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,269	36,314	37,335	38,663	39,842	41,128	42,391	43,818	45,181	46,662

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Property tax levy lid lift in 2017 that includes an annual escalator based upon the change in the June-to-June CPI-U for years 2017 through 2022.
3. Economic Development (additional 160 multi-family residential units and 7,500 sq. ft. of retail growth per year).
4. Business & Occupation tax implemented in 2017.
5. Expansion of the $20 Transportation Benefit District (TBD) fee.
6. Expenditures grow at a rate 0.2% lower than the Base projection.

Attachment I

POSSIBLE OVERLAYING STRATEGIES #3
PROP. 1 (2017)+ECO. DEVO.+B&O (2019)+TBD FEE+EXP. AGR 0.2% LOWER



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	2,092	1,774	1,286	967	1,520	1,178	866	395	(110)	(511)
CUMULATIVE (GAP)	(133)	-	-	-	-	-	-	-	-	(110)	(621)
VARIANCE BASE	36,450	35,269	36,314	37,335	38,663	39,842	41,128	42,391	43,818	45,181	46,662
BASE REVENUE	36,317	37,361	38,088	38,462	39,309	39,966	40,566	41,161	41,748	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,088	38,621	39,630	41,362	42,306	43,257	44,213	45,071	46,040
BASE EXPENDITURES	36,450	35,633	36,752	37,851	39,262	40,442	41,727	42,989	44,415	45,776	47,253
SCENARIO EXPENDITURES	36,450	35,269	36,314	37,335	38,663	39,842	41,128	42,391	43,818	45,181	46,662

Assumptions:

1. Base revenues projected at 101%. Base expenditures projected at 98%.
2. Property tax levy lid lift in 2017 that includes an annual escalator based upon the change in the June-to-June CPI-U for years 2017 through 2022.
3. Economic Development (additional 160 multi-family residential units and 7,500 sq. ft. of retail growth per year).
4. Business & Occupation tax implemented in 2019.
5. Expansion of the $20 Transportation Benefit District (TBD) fee.
6. Expenditures grow at a rate 0.2% lower than the Base projection.