



BUCKLEY CITY COUNCIL SPECIAL STUDY SESSION AGENDA

Tuesday, April 16, 2024, 6:00 P.M.

Multi-Purpose Center, 811 Main Street

Or Via Zoom:

<https://us02web.zoom.us/j/82990819660?pwd=WVdKY0U3UlkwS1JybWxtWnh5M3NQdz09>

Call-in Number: 253-215-8782

Meeting ID: 829 9081 9660

Webinar Passcode: 637567

A. CALL TO ORDER

B. DISCUSSION ITEMS

a. 6-Year Forecast and Budget Planning for 2025-2026

C. CITY COUNCIL COMMENTS

D. ADJORNMENT



Memo

To: Mayor and City Council
From: Courtney Brunell, City Administrator and Sandi Hines, Finance Director
Date: April 16, 2024
Subject: Six Year Financial Forecast (2025-2030)

The City's first biennial budget development process for 2025-2026 is approaching and a 6-year financial forecast is being presented ahead of time to inform the Council's discussion on priorities and to inform future direction to staff. A long-term financial forecast is critical to the planning of the upcoming biennial budget and beyond. The 2024 budget development included a deficit that was temporarily balanced using one-time funds (i.e. ARPA funds). The temporary fix was made knowing that more permanent solutions would need to be explored to fix the anticipated deficit for 2025 and future years.

A 6-year forecast for 2025-2030 has been developed and is attached as the Baseline Forecast. The Baseline Forecast was developed from the 2024 adopted budget with revenue and expenditure growth assumptions for future years based on historical trends, current information, and future expectations regarding development. The starting General Fund fund balance going into the biennium based on the 2024 budgeted ending fund balance is \$771,612. As outlined in the Baseline Forecast, the projected deficit for 2025-2026 is \$636,000. At this time, we are optimistic we will be able to balance the budget using one-time funds. During the April 2nd study session staff shared best practices for ending fund balance levels with the City Council and per MRSC guidelines the City should aim to maintain approximately 16.5% - 16.7% of total operating costs or ~ \$1,200,000 as a General Fund fund balance. Using the existing General Fund fund balance to balance the 2025-2026 biennium will reduce the fund balance significantly below best practices.

The deficit for 2025-2026 has been reduced since the Council saw the forecast during the 2024 budget development when the 2025-2026 deficit was \$1,068,000. A series of actions taken by the Council and staff during 2023 and 2024 have improved the City's financial position for the upcoming biennium. In 2023-2024 the City took the following cost saving measures:

- Council approved a 1/10th of 1% sales tax for the Transportation Benefit District Fund (TBD Fund 103) that will help fund Street Operations (Fund 101) and avoid a General Fund subsidy of Street operations.
- Refrained from backfilling vacancies.
- Decreased staffing levels in Development Services and Parks Maintenance.
- Received additional grant awards to support Parks, Recreation, & Community Services
- Increased revenue for Ground Emergency Medical Transportation (GEMT) in the EMS fund, allowing personnel costs to be reallocated to accurately reflect Fire & EMS calls for service and staff time.
- Completed an indirect cost allocation plan (ICAP) and applied the plan to the 2024 budget.
- Completed a cost recovery analysis for Development Services.

- Restructured the Development Services Department billing to receive permit costs upfront and completed all back-billing of 3rd party contracted services.
- Completed a cost recovery analysis for special events and updated special event permit costs.
- Approved a 1% COLA for non-reps in 2024.
- Added a part-time Admin Assistant dedicated to passport services and started offering photo services to increase revenue and allow existing staff to focus on their primary duties.
- Increased business licensing fees.

Other cost savings: Staff turnover, resulting in decreased personnel costs while recruiting/filling vacancies.

Although the deficit position for 2025-2026 has improved, the deficit continues to grow exponentially in future years as revenue growth cannot keep pace with expected expenditure growth.

The following table is the toolbox of ongoing and one-time resource options the City Council saw during the 2024 budget development process. The toolbox has been updated to remove actions already taken by Council (i.e. increase Business License fees and cost recovery for development services). Each option states whether it requires voter approval, an estimated revenue amount, and whether it is included in the Baseline Forecast. These options will be discussed in more detail at the study session.

Revenue Source	Description	Voter Approval?	Estimated Revenue	Included in Baseline Forecast?
ONGOING OPTIONS				
Sales Tax	Public Safety Sales Tax up to .1%. Restricted use for public safety & criminal justice which in 2024 accounted for 45.2% of General Fund expenditures.	Yes	\$150,000	No
Property Tax Levy Lid Lift	Buckley's highest lawful levy limit is \$3.2666/\$1,000 AV and our current rate is \$1.1903/\$1,000 AV. A levy increase of more than 1% requires voter approval.	Yes	\$112,000 per \$0.10 rate increase rate (based on 2024 AV)	No
B&O Tax	Funds are not restricted and could be used for any general gov't purpose. Rates can vary by type of business class. Maximum rate without voter approval is 0.2%.	No	\$500,000	No
Vehicle License Fee	Restricted to the Transportation Benefit District (TBD) and street capital improvements. 2024 budgeted revenue is \$107,000.	N/A	No General Fund revenue generated	No
ONE-TIME OPTIONS				
Remaining ARPA Funds	Use additional ARPA funds for recovery in the General Fund.	No	Reconciliation of balance in process	No
Reserves	Cumulative Reserve Fund	No	\$5 million current fund balance	No

The 2024 budget development process included many discussions regarding property tax levy lid lifts for the regular levy as well as the EMS levy. The Council recently approved placing the EMS levy lid lift on the ballot for the August 2024 general election. If approved by the voters, the multi-year levy lid lift would reset the City's EMS levy rate back

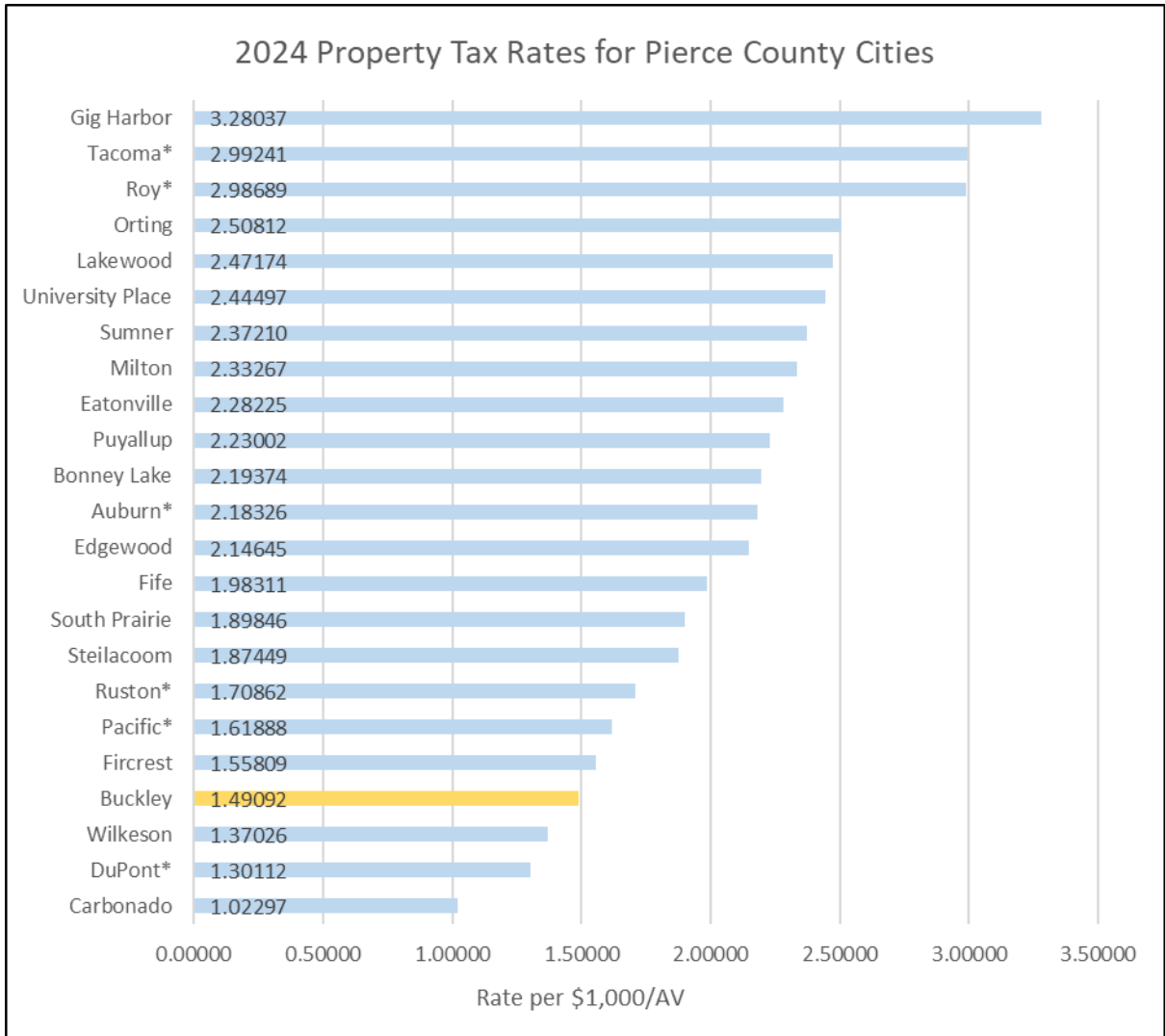
to its originally approved \$0.50/\$1,000 AV rate and generate an additional estimated \$267,000 in 2025 (estimate only – depends on actual assessed value for 2025). This additional revenue will allow the existing Fire/EMS personnel (i.e. Fire Chief, Assistant Fire Chief and Firefighter) to be reallocated to a 20/80 split between the General Fund and EMS funds respectively. This shift is more accurate to the call volume the department receives and better reflects what functions are performed by staff. This cost saving reallocation is built into the 2025-2030 Forecast included with this memo.

In terms of a levy lid lift for the City’s regular property tax levy, that is an option in the toolbox for Council to consider in future years – possibly 2026 for the 2027 budget year. The table below and the graph on the following page show the current 2024 tax rates for all cities in Pierce County. Compared to the 2023 table, the City of Buckley has fallen one position closer to the bottom of the list.

City	Regular Levy	EMS Levy	Fire Prot. District Levy	Park District Levy	Total
Gig Harbor	0.69897	0.50000	1.50000	0.58140	3.28037
Tacoma*	1.74241	0.50000	0.00000	0.75000	2.99241
Roy*	0.98689	0.50000	1.50000	0.00000	2.98689
Orting	1.07546	0.43266	1.00000	0.00000	2.50812
Lakewood	0.71134	0.43992	1.32048	0.00000	2.47174
University Place	0.68458	0.43992	1.32048	0.00000	2.44497
Sumner	0.92127	0.36423	1.08660	0.00000	2.37210
Milton	0.88184	0.36423	1.08660	0.00000	2.33267
Eatonville	1.78225	0.50000	0.00000	0.00000	2.28225
Puyallup	0.99642	0.50000	0.73359	0.00000	2.23002
Bonney Lake	0.74291	0.36423	1.08660	0.00000	2.19374
Auburn*	1.39696	0.00000	0.78630	0.00000	2.18326
Edgewood	0.69562	0.36423	1.08660	0.00000	2.14645
Fife	0.87973	0.28666	0.81672	0.00000	1.98311
South Prairie	1.60576	0.29271	0.00000	0.00000	1.89846
Steilacoom	1.43747	0.43702	0.00000	0.00000	1.87449
Ruston*	1.70862	0.00000	0.00000	0.00000	1.70862
Pacific*	0.83258	0.00000	0.78630	0.00000	1.61888
Fircrest	1.17082	0.38727	0.00000	0.00000	1.55809
Buckley	1.19033	0.30059	0.00000	0.00000	1.49092
Wilkeson	1.09279	0.27747	0.00000	0.00000	1.37026
DuPont*	0.80112	0.50000	0.00000	0.00000	1.30112
Carbonado	0.65555	0.36742	0.00000	0.00000	1.02297

* Cities that assess a B&O tax

	Average Rate	2.09791
	Median Rate	2.18326
	Buckley's Max Legal Limit	3.76660
High	Gig Harbor	3.28037
Low	Carbonado	1.02297
	Buckley	1.49092

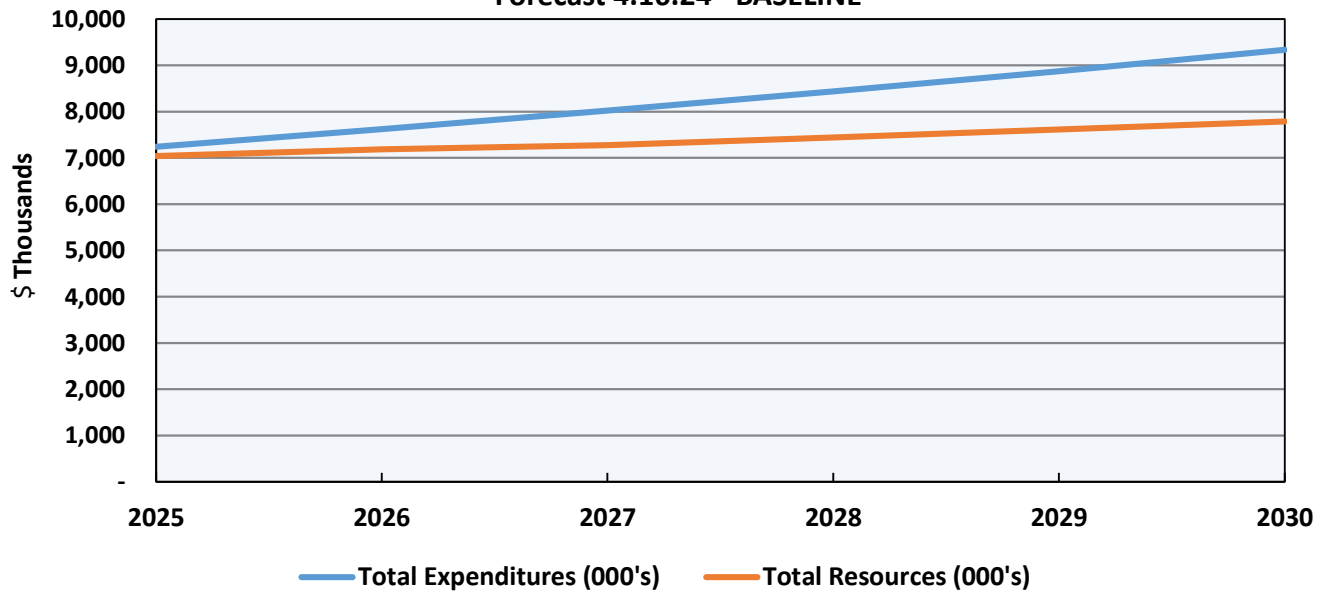


Council Discussion and Next Steps

The April 16th study session will be the first of many discussions with the Council regarding the development of the 2025-2026 biennial budget. Based on discussions and any guidance provided by the Council at the study session, staff will continue to research cost-saving measures, additional revenue opportunities, and refine the forecast based on actual data received during the year. Staff will bring a revised forecast based on the Council’s guidance and any new data received during early summer.

2025-2030 GENERAL FUND FORECAST

Forecast 4.16.24 - BASELINE



	2025	2026	2027	2028	2029	2030
Total Expenditures (000's)	7,243	7,621	8,023	8,435	8,870	9,335
Total Resources (000's)	7,043	7,185	7,271	7,439	7,610	7,788
Surplus/(Deficit) (000's)	(200)	(436)	(752)	(996)	(1,261)	(1,548)

Baseline Assumptions

- * EMS levy lid lift passes and Fire/EMS personnel are reallocated to a 20/80 split
- * Park Maintenance vacancy not filled and move towards more contracted maintenance service
- * General Fund impact of 2 new Firefighter positions is about \$52,000/year (not included in deficit above)
 - > Full cost for 2 new Firefighters is \$251,781 to be split between GF/EMS; neither fund can fully support its share
- * No increased growth for Sales Tax revenue

One-time Funds

- * One additional Police Officer funded by the Criminal Justice Fund (Fund 109)
- * ARPA reconciliation for YE 2023 in process to determine remaining amount available to help with the deficit