



CITY COUNCIL STUDY SESSION AGENDA

July 23, 2012

7:00 pm

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. ROLL CALL
4. DISCUSSION ITEMS Page
 - a. Financial Forecast. 3.
 - b. Economic Development. 31.
5. ADJOURNMENT

COUNCILMEMBERS

Brian Bennett, Mayor	Rose Clark, Deputy Mayor	Jack Block, Jr.
Bob Edgar	Lucy Krakowiak	Joan McGilton
		Gerald F. Robison

CITY OF BURIEN
MEMORANDUM



DATE: July 19, 2012
TO: Honorable Mayor and Councilmembers
FROM: Kim Krause, Finance Director
THRU: Mike Martin, City Manager
SUBJECT: 2013-18 Financial Forecast

Please find attached the 2013 through 2018 Financial Forecast and PowerPoint Presentation. This forecast will be discussed at your July 23, 2012 Study Session. It includes all of the City's operating funds. This forecast is not a recommended budget but merely planning tool for future decision-making. The estimates included in this forecast are conservative: the revenues tend to be understated and the expenditures tend to be overstated.

Please feel free to contact Mike or me if you would like to discuss prior to Monday evening. I can be reached at 206-439-3150.

City of Burien
General Fund
2013 through 2018 Financial Forecast
July 23, 2012
(Dollars in Thousands)

The General Fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required by State law or Council policy to be accounted for in another fund.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
General	Beginning Fund Balance	\$ 3,418	\$ 3,900	\$ 3,815	\$ 3,504	\$ 2,755	\$ 1,754	\$ 603	\$ (648)
	Revenue								
	Property tax	\$ 5,813	\$ 5,979	\$ 5,702	\$ 5,695	\$ 5,816	\$ 5,939	\$ 6,065	\$ 6,193
	Sales tax*	5,875	5,971	6,016	6,075	6,257	6,508	6,800	7,106
	Business & Occupation tax	487	563	563	563	583	606	630	655
	Utility tax	2,903	2,946	3,146	3,217	3,330	3,463	3,619	3,781
	Gambling tax	636	575	575	575	575	575	575	575
	Intergovernmental	2,167	1,740	1,916	2,049	2,110	2,195	2,283	2,374
	Licenses, permits & franchise	1,273	1,243	1,215	1,221	1,258	1,308	1,373	1,442
	Fees for service	1,004	1,078	1,072	1,072	1,104	1,137	1,171	1,207
	Fine & Forfeitures	366	410	200	200	204	208	212	216
	Miscellaneous	31	63	10	10	10	10	11	11
	Revenue Total	\$ 20,555	\$ 20,568	\$ 20,415	\$ 20,677	\$ 21,247	\$ 21,949	\$ 22,739	\$ 23,561
	Transfers in from Street and SWM funds (GIS)	\$ 155	\$ 159	\$ 160	\$ 164	\$ 168	\$ 172	\$ 177	\$ 181
	Expense								
	Salaries	\$ 3,844	\$ 3,724	\$ 3,725	\$ 3,824	\$ 3,977	\$ 4,136	\$ 4,301	\$ 4,474
	Benefits	1,320	1,348	1,301	1,367	1,476	1,594	1,722	1,860
Supplies	179	168	172	177	181	185	190	195	
Services	4,184	4,084	3,985	4,085	4,187	4,292	4,399	4,509	
Equipment	90	15	50	51	53	54	55	57	
Intergovernmental	69	87	89	91	94	96	98	101	
Jail & district court services	1,026	941	965	989	1,013	1,039	1,065	1,091	
Police contract	9,346	10,088	10,203	10,612	11,036	11,477	11,937	12,414	
Expense Total	\$ 20,058	\$ 20,455	\$ 20,491	\$ 21,195	\$ 22,017	\$ 22,874	\$ 23,767	\$ 24,700	
Transfers out to Debt Service and Equipment Replacement	\$ 170	\$ 357	\$ 395	\$ 395	\$ 399	\$ 399	\$ 399	\$ 403	
Ending Fund Balance	\$ 3,900	\$ 3,815	\$ 3,504	\$ 2,755	\$ 1,754	\$ 603	\$ (648)	\$ (2,008)	
Required 10% ending fund balance	\$ 2,056	\$ 2,057	\$ 2,042	\$ 2,068	\$ 2,125	\$ 2,195	\$ 2,274	\$ 2,356	
Discretionary available / (deficit) fund balance	\$ 1,845	\$ 1,758	\$ 1,463	\$ 688	\$ (370)	\$ (1,592)	\$ (2,921)	\$ (4,364)	

*Includes .1% additional annexation sales tax credit from the State

City of Burien
Street Fund
2013 through 2018 Financial Forecast
July 23, 2012
(Dollars in Thousands)

The Street Fund is required by State law to account for dedicated state-shared Motor Vehicle Fuel Tax that must be expended for street related cost. Monies in the fund are used for street maintenance and transportation capital projects.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
Street	Beginning Fund Balance	\$ 452	\$ 150	\$ 119	\$ (341)	\$ (834)	\$ (1,347)	\$ (1,867)	\$ (2,387)
	Revenue								
	Diverted Road Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Parking Tax	27	-	50	50	51	53	54	55
	Solid Waste Utility Tax	-	-	-	-	-	-	-	-
	Business license fees	286	290	290	290	299	311	323	336
	Solid Waste Franchise Fees	207	216	219	222	225	229	232	236
	Motor vehicle fuel tax	993	1,075	1,015	1,035	1,066	1,109	1,159	1,211
	Seattle City Light	-	-	-	-	-	-	-	-
	Miscellaneous	3	-	-	-	-	-	-	-
	TBD license fee	257	302	301	301	301	301	301	301
	Revenue Total	\$ 1,773	\$ 1,883	\$ 1,875	\$ 1,898	\$ 1,942	\$ 2,001	\$ 2,068	\$ 2,138
	Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Expense								
	Salaries	\$ 413	\$ 415	\$ 433	\$ 451	\$ 474	\$ 497	\$ 517	\$ 538
	Benefits	155	142	155	165	178	192	208	224
	Supplies	46	59	60	62	64	65	67	68
Services	581	592	607	622	638	653	670	687	
Intergovernmental	255	325	333	341	350	359	368	377	
Expense Total	\$ 1,450	\$ 1,533	\$ 1,588	\$ 1,641	\$ 1,703	\$ 1,767	\$ 1,829	\$ 1,894	
Transfers to ER&R, Debt Service and General Fund	\$ 625	\$ 381	\$ 746	\$ 749	\$ 752	\$ 754	\$ 759	\$ 762	
Ending Fund Balance	\$ 150	\$ 119	\$ (341)	\$ (834)	\$ (1,347)	\$ (1,867)	\$ (2,387)	\$ (2,905)	
Required 5% ending fund balance	\$ 89	\$ 94	\$ 94	\$ 95	\$ 97	\$ 100	\$ 103	\$ 107	
Discretionary available / (deficit) fund balance	\$ 61	\$ 25	\$ (435)	\$ (929)	\$ (1,444)	\$ (1,967)	\$ (2,490)	\$ (3,012)	

City of Burien
 Surface Water Management Fund
 2013 through 2018 Financial Forecast
 July 23, 2012
 (Dollars in Thousands)

The Surface Water Management Fund accounts for maintenance and capital improvements to the City's storm and surface water drainage system. Revenues come from fees collected from residential and commercial property owners.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
SWM	Beginning balance	\$ 179	\$ 258	\$ 253	\$ 228	\$ 215	\$ 227	\$ 239	\$ 232
	Revenue								
	Fees for service	\$ 2,443	\$ 2,482	\$ 2,507	\$ 2,532	\$ 2,608	\$ 2,686	\$ 2,767	\$ 2,850
	Miscellaneous	106	4	4	4	4	4	4	5
	Revenue Total	\$ 2,549	\$ 2,486	\$ 2,511	\$ 2,536	\$ 2,612	\$ 2,691	\$ 2,771	\$ 2,854
	Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Expense								
	Salaries	\$ 512	\$ 571	\$ 591	\$ 617	\$ 648	\$ 680	\$ 707	\$ 736
	Benefits	180	209	212	225	243	262	283	306
	Supplies	44	42	43	44	45	46	48	49
	Services	334	444	455	466	478	490	502	515
	Intergovernmental	373	395	405	415	425	436	447	458
	Expense Total	\$ 1,443	\$ 1,661	\$ 1,706	\$ 1,768	\$ 1,840	\$ 1,915	\$ 1,988	\$ 2,064
	Transfers to SWM CIP, ER&R and General Fund	\$ 1,027	\$ 830	\$ 830	\$ 782	\$ 760	\$ 763	\$ 791	\$ 794
Ending Fund Balance	\$ 258	\$ 253	\$ 228	\$ 215	\$ 227	\$ 239	\$ 232	\$ 229	
Required 5% ending fund balance	\$ 127	\$ 124	\$ 126	\$ 127	\$ 131	\$ 135	\$ 139	\$ 143	
Discretionary available / (deficit) fund balance	\$ 131	\$ 129	\$ 103	\$ 88	\$ 96	\$ 105	\$ 94	\$ 86	

City of Burien
Capital Projects Reserve Fund
2013 through 2018 Financial Forecast
July 23, 2012
(Dollars in Thousands)

The Capital Projects Reserve Fund was established to accumulate a portion of the monies from the City's property taxes for a new Senior and Community Center.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
Capital Project Reserve	Beginning Fund Balance	\$ 791	\$ 1,203	\$ 638	\$ 538	\$ 445	\$ 352	\$ 296	\$ 287
	Revenue								
	Property tax	\$ 1,133	\$ 664	\$ 674	\$ 681	\$ 681	\$ 688	\$ 695	\$ 702
	Interest	1	1	1	1	1	1	1	1
	Revenue Total	\$ 1,134	\$ 665	\$ 675	\$ 682	\$ 682	\$ 689	\$ 696	\$ 703
	Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Transfers to Debt Service and CIP Funds	\$ 722	\$ 1,230	\$ 775	\$ 775	\$ 775	\$ 745	\$ 705	\$ 675
	Discretionary available / (deficit) fund balance	\$ 1,203	\$ 638	\$ 538	\$ 445	\$ 352	\$ 296	\$ 287	\$ 315

City of Burien
Debt Service Fund
2013 through 2018 Financial Forecast
July 23, 2012
(Dollars in Thousands)

The Debt Service Fund accumulates funds through transfers from other City funds in an amount sufficient to pay principal and interest on the City's outstanding bonds and Public Works Trust Fund Loans.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
Debt Service	Beginning Fund Balance	\$ 14	\$ 90	\$ 80	\$ 66	\$ 52	\$ 50	\$ 50	\$ 50
	Revenue								
	Fees for service	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 163	\$ 158
	LID assessments	98	116	116	116	116	116	116	116
	Interest	-	-	-	-	-	-	-	-
	Revenue Total	\$ 265	\$ 283	\$ 283	\$ 283	\$ 283	\$ 283	\$ 279	\$ 274
	Transfers in								
	Public Works Reserve	\$ 909	\$ 703	\$ 675	\$ 675	\$ 690	\$ 725	\$ 760	\$ 800
	General (SCORE)	-	177	215	214	214	214	214	213
	Street and TBD (Overlay)	547	302	735	735	736	734	732	728
	Capital Projects Reserve	501	1,230	775	775	775	745	705	675
	Transfers in Total	\$ 1,957	\$ 2,412	\$ 2,400	\$ 2,399	\$ 2,415	\$ 2,418	\$ 2,411	\$ 2,416
	Expense								
	Debt service payments	\$ 2,180	\$ 2,705	\$ 2,697	\$ 2,696	\$ 2,700	\$ 2,701	\$ 2,690	\$ 2,691
Expense Total	\$ 2,180	\$ 2,705	\$ 2,697	\$ 2,696	\$ 2,700	\$ 2,701	\$ 2,690	\$ 2,691	
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Sources/(Uses) - Refunded Debt	\$ 34	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Discretionary available / (deficit) fund balance	\$ 90	\$ 80	\$ 66	\$ 52	\$ 50	\$ 50	\$ 50	\$ 49	

City of Burien
Equipment Replacement Reserve Fund
 2013 through 2018 Financial Forecast
 July 23, 2012
 (Dollars in Thousands)

The Equipment Replacement Reserve Fund provides monies for the orderly replacement of City assets with a value over \$1,000 and an estimated service life of three or more years.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
Equipment Replacement Reserve	Beginning Fund Balance	\$ 298	\$ 384	\$ 414	\$ 494	\$ 564	\$ 629	\$ 682	\$ 724
	Revenue								
	Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Revenue Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Transfers from General, Street & SWM	\$ 220	\$ 230	\$ 280	\$ 280	\$ 285	\$ 285	\$ 285	\$ 290
	Expense								
	Equipment	\$ 134	\$ 200	\$ 200	\$ 210	\$ 221	\$ 232	\$ 243	\$ 255
	Expense Total	\$ 134	\$ 200	\$ 200	\$ 210	\$ 221	\$ 232	\$ 243	\$ 255
	Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Discretionary available / (deficit) fund balance	\$ 384	\$ 414	\$ 494	\$ 564	\$ 629	\$ 682	\$ 724	\$ 759

City of Burien
Public Works Reserve Fund
 2013 through 2018 Financial Forecast
 July 23, 2012
 (Dollars in Thousands)

The Public Works Reserve Fund is utilized to accumulate monies for Capital Improvement Program projects. All monies collected in the fund are transferred to the Debt Service Fund.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
Public Works Reserve	Beginning Fund Balance	\$ 409	\$ 186	\$ 151	\$ 144	\$ 137	\$ 141	\$ 144	\$ 147
	Revenue								
	Real Estate Excise Tax	\$ 668	\$ 650	\$ 650	\$ 650	\$ 676	\$ 710	\$ 745	\$ 783
	Fees for service	18	18	17	17	17	17	17	17
	Miscellaneous	-	-	1	1	1	1	1	1
	Revenue Total	\$ 686	\$ 668	\$ 668	\$ 668	\$ 694	\$ 728	\$ 763	\$ 801
	Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Transfers to Debt Service	\$ 909	\$ 703	\$ 675	\$ 675	\$ 690	\$ 725	\$ 760	\$ 800
	Discretionary available / (deficit) fund balance	\$ 186	\$ 151	\$ 144	\$ 137	\$ 141	\$ 144	\$ 147	\$ 148

City of Burien
LID Guaranty Fund
2013 through 2018 Financial Forecast
July 23, 2012
(Dollars in Thousands)

The Local Improvement District Guaranty Fund is required by State law to maintain a balance of not less than 10% of the outstanding Local Improvement District bonds. Monies in the fund were provided through a loan from the Street Fund; any monies in excess of the needs of the Local Improvement District Guaranty Fund are returned to the Street Fund.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
LID Guaranty	Beginning Fund Balance	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165
	Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Ending Fund Balance	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165

City of Burien
Art in Public Places Fund
2013 through 2018 Financial Forecast
July 23, 2012
(Dollars in Thousands)

The Art in Public Places Fund accounts for contributions, donations and commissions on sales of art displayed in public places. It also receives on an annual basis from the City's Capital Improvement Program an amount equal to 1% of the construction contract costs for City owned buildings and parks.

Fund		2011 Actual	2012 Budget	2013 Est.	2014 Est.	2015 Est.	2016 Est.	2017 Est.	2018 Est.
Art in Public Places	Beginning Fund Balance	\$ 52	\$ 45	\$ 42	\$ 42	\$ 42	\$ 42	\$ 41	\$ 40
	Revenue								
	Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Revenue Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Transfers from Parks CIP	\$ -	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
	Expense Total	\$ 7	\$ 8	\$ 5	\$ 5	\$ 5	\$ 5	\$ 6	\$ 6
	Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Discretionary available / (deficit) fund balance	\$ 45	\$ 42	\$ 42	\$ 42	\$ 42	\$ 42	\$ 41	\$ 40	



2013-18 Financial Forecast

Finance Department
July 23, 2012

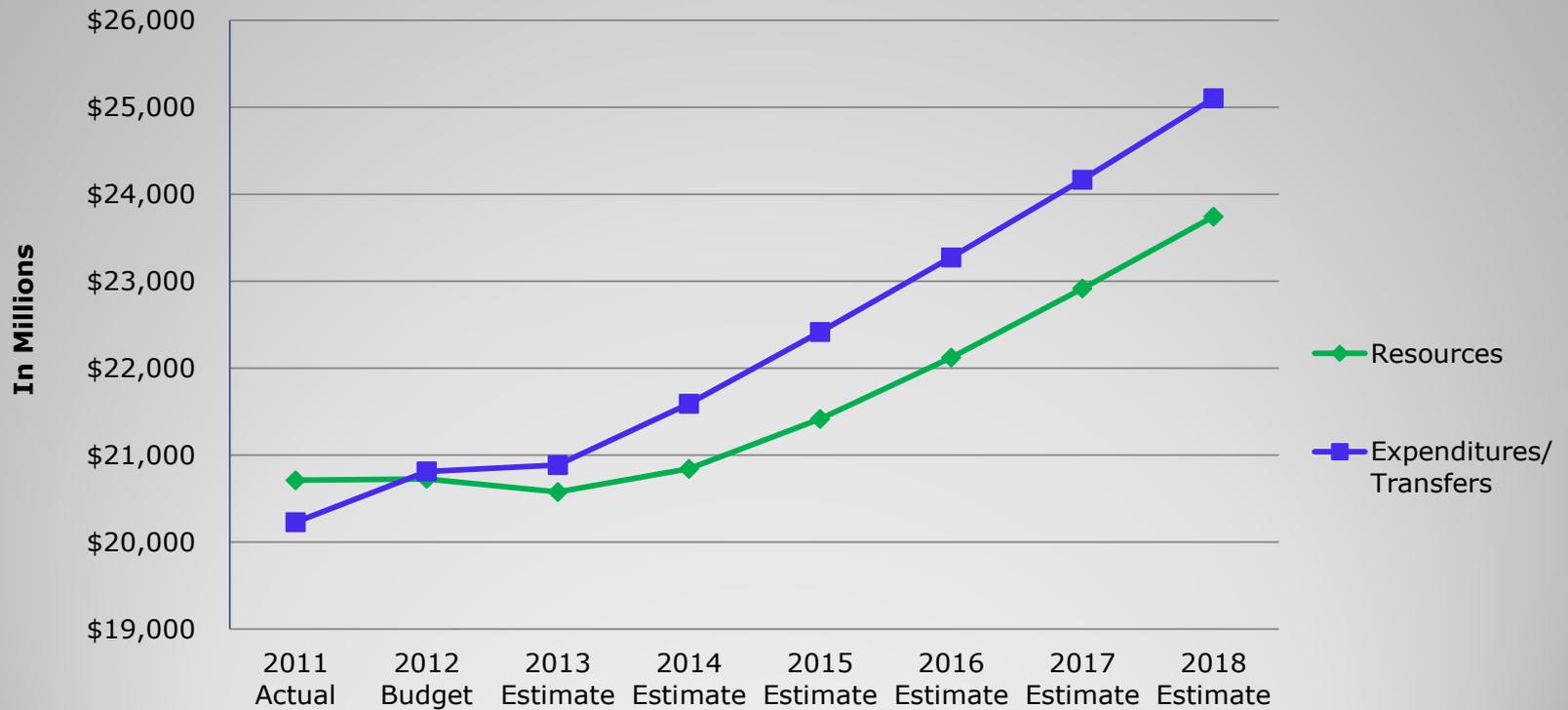


Forecasting Topics

1. Six-year financial planning tool
2. These are forecasts – not recommended budgets
3. Assumes current service levels
4. These estimates will continue to be refined and updated as more data is received
5. These estimates are conservative: revenues tend to be understated and expenditures tend to be overstated



General Fund Forecast





General Fund Forecast Property Taxes

- In 2012, the City lost 8.8% in assessed valuation causing the City to hit its property tax cap of \$1.60 per \$1,000 in assessed valuation (AV)
- As a result of hitting the cap, the City lost \$467,000 in property tax revenues 2012
- Based on known assessed valuations, staff is projecting another 4.5% AV loss in 2013 – this will result in another \$300,000 property tax loss
- **If assessed valuation starts growing at 2% per year in 2015, the City will return to 2011 property tax revenues in 2020**

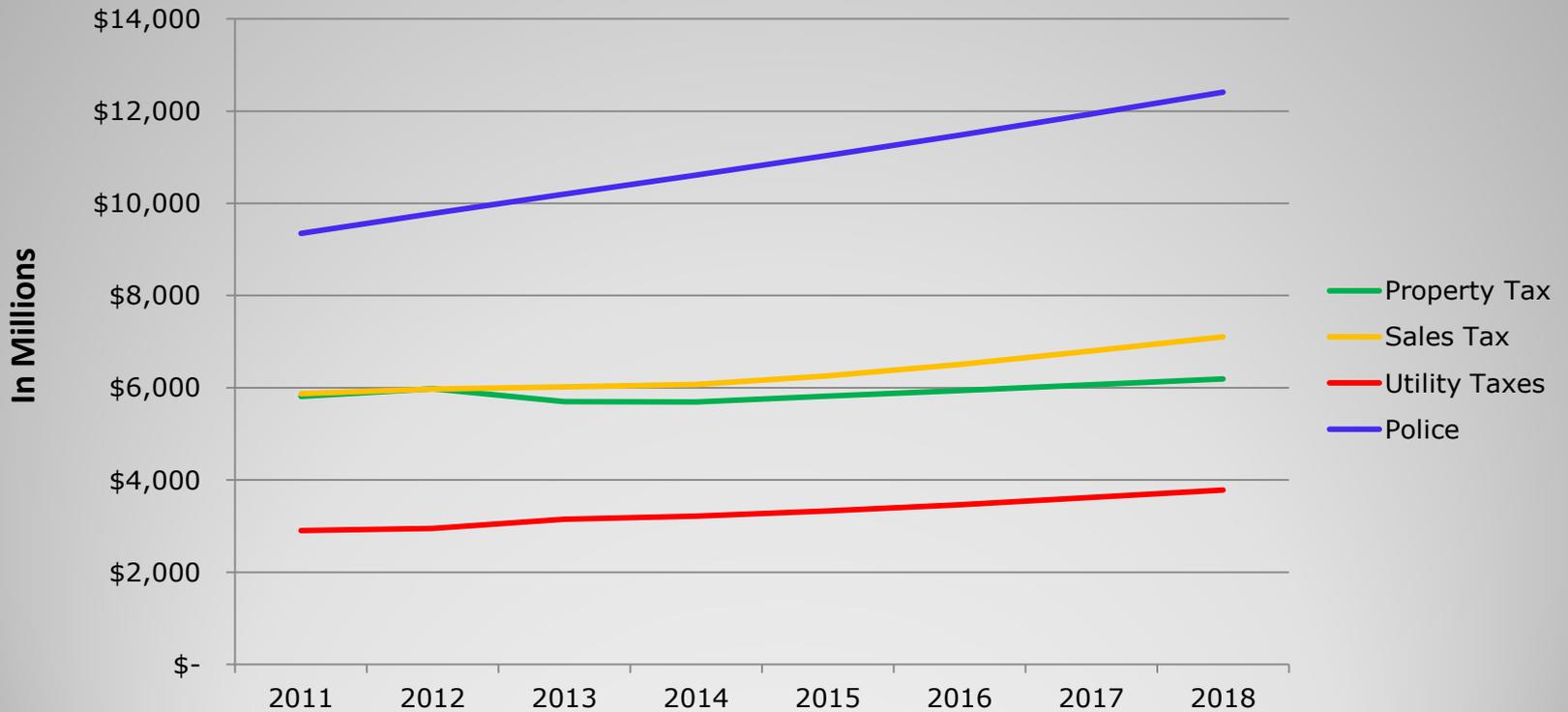


General Fund Forecast Property Taxes continued

- If the City's assessed valuation (AV) had continued to grow rather than decline, the City would have collected an additional \$5.5 million in property taxes from 2013 through 2018 (General Fund portion is \$2.5 million)
- This forecast assumes the Council will levy the maximum banked capacity each year until property tax levels return to 2011 – this means that if AV grows by 2%, Council will levy a 2% property tax increase
- **Based on these assumptions, the City will return to 2011 property tax revenues in 2020**



General Fund Forecast Major Tax Revenues vs. Police Cost



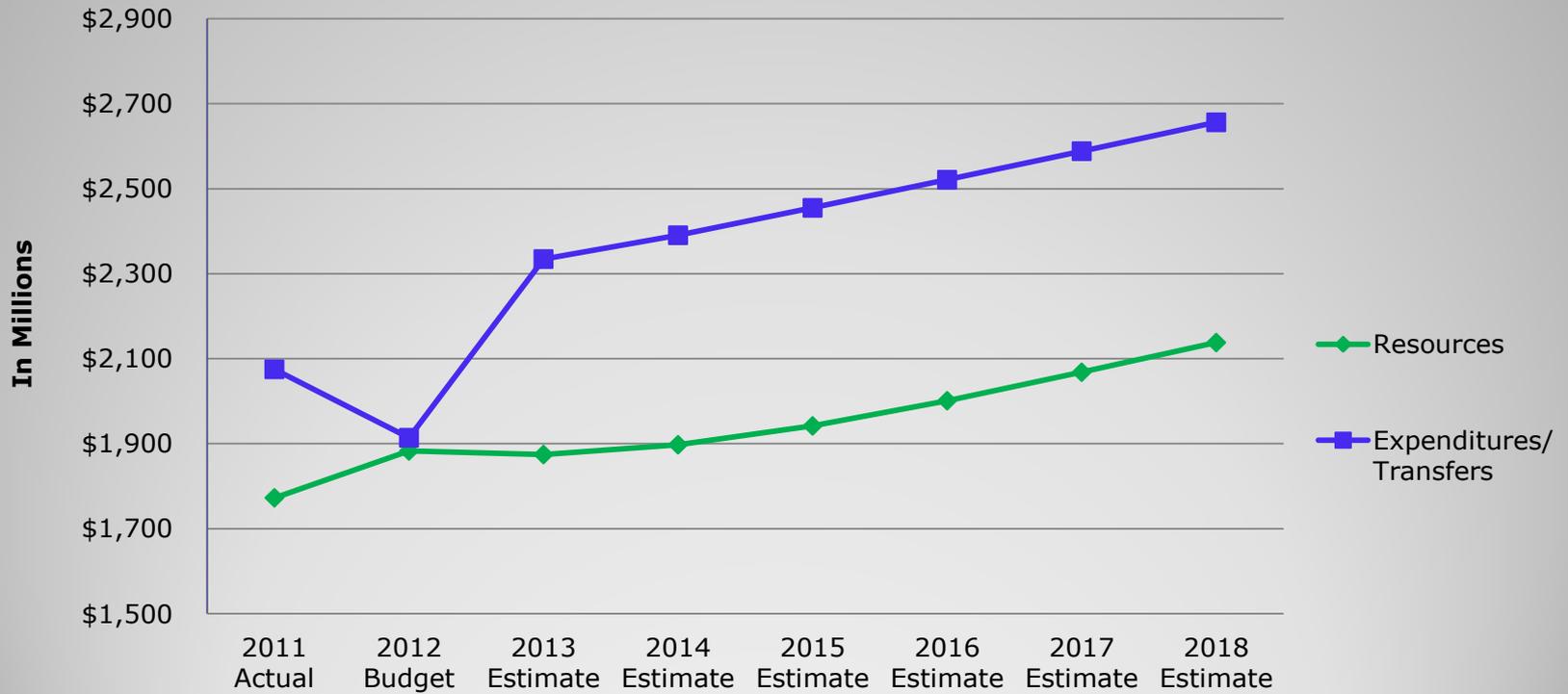


General Fund Projections

- Forecast includes elimination of funding for 1 vacant Planner position
- Assumes full economic recovery by 2018



Street Fund Forecast





Street Fund Forecast

- Ordinances 513 and 536 moved franchise fees and utility taxes from the Street Fund to the General Fund
 - 513 – Cable franchise fees and solid waste utility taxes in 2009
 - 536 – Seattle City Light franchise fees in 2010
- During this time the Street Fund also became responsible for 50% of the debt service for the overlay bonds
- The 2012 budget was adjusted to eliminate the transfer to the Debt Service Fund (overlay bonds) in order to maintain a positive fund balance



Revenue Options General Fund

- Implement 6% franchise fee on distribution portion of Seattle City Light rates = \$1 million per year
 - Requires 1 year notice to Seattle City Light
- Increase electric utility tax from 3% to 6% = \$90,000 per year (affects Puget Sound Energy customers)
- Increase B&O Tax rates from .05%– State maximum without voter approval is .2%
 - Increase to .1% = \$563,000 per year
 - Increase to .15% = \$845,000 per year
 - Increase to .2% = \$1,689,000 per year

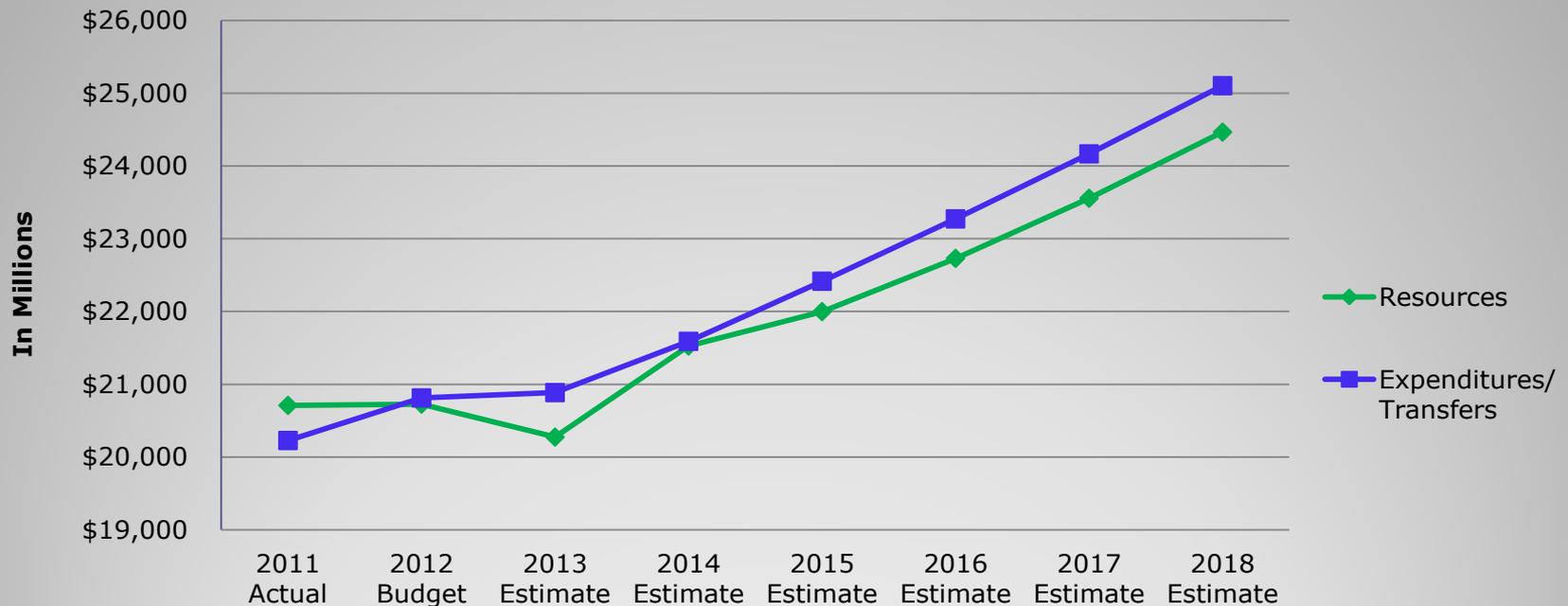


Revenue Options Street Fund

- Implement remaining \$10 vehicle license fee (TBD) = \$300,000 per year
- Transfer Solid Waste Utility Tax from General Fund = \$393,000 per year
- Increase Parking Tax from \$1 to \$3 per transaction = \$100,000 additional per year (current tax is \$50,000 per year)
- Increase Business License Fees – current fees range from \$30-\$175 annually
 - Doubling fees = \$290,000 annually



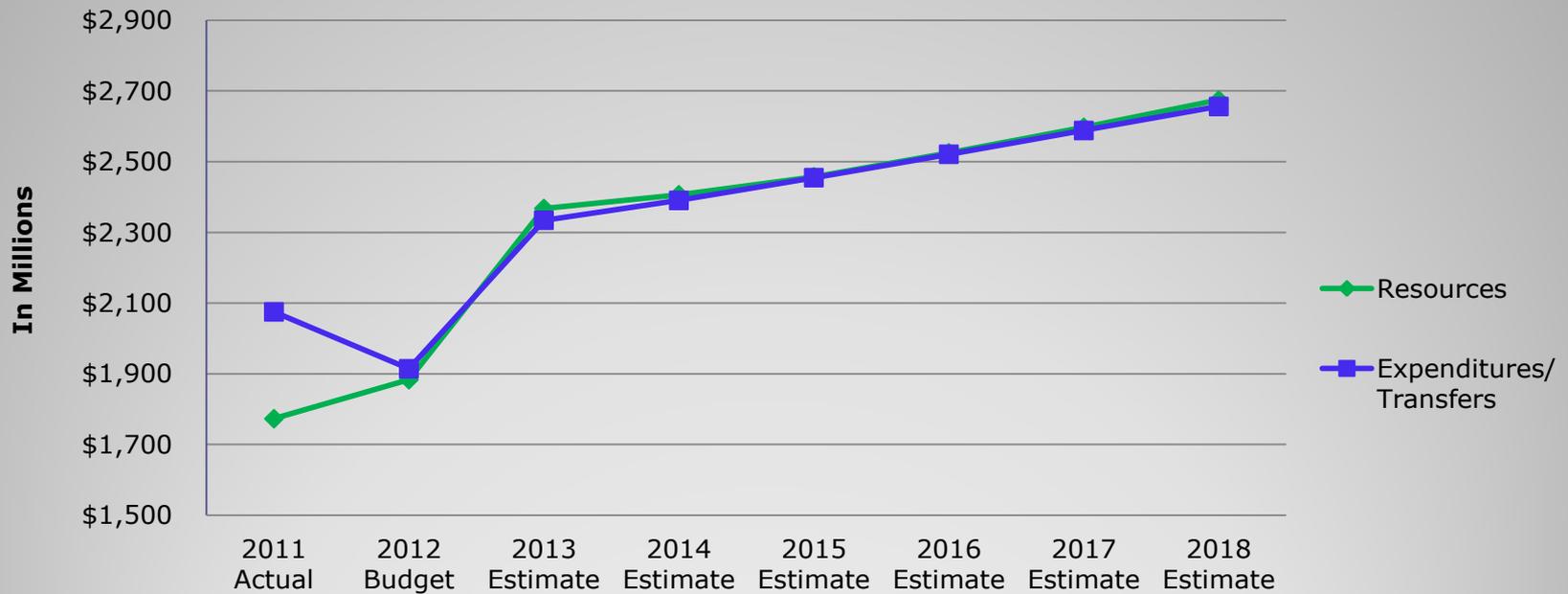
General Fund Forecast – Alternative Scenario



- Assumes Solid Waste Utility Tax is transferred to the Street Fund (2013)
- Assumes Electric Utility Tax is increased from 3% to 6% (2013)
- Assumes 6% franchise fee is implemented on distribution portion of Seattle City Light rate (2014)



Street Fund Forecast – Alternative Scenario



- Assumes Solid Waste Utility Tax is transferred from the General Fund (2013)
- Assumes Parking Tax is increased to \$3 per transaction (2013)



Surface Water Management Fund

- Drainage Master Plan recommends SWM rate increase due to federal NPDES requirements that take effect in 2013 (current residential SWM rate = \$120.68 per year)
 - Option 1 - Single rate increase
 - 2013 - \$150.85 per year (25%)
 - **Option 2 – Two-step rate increase**
 - **2013 - \$135.16 per year (12%)**
 - **2015 - \$151.38 per year (12%)**
 - Option 3 – Two-step rate increase (enhanced capital program)
 - 2013 - \$138.78 (15%)
 - 2015 - \$159.60 (15%)



Recommendations

- General Fund
 - Implement 6% franchise fee on distribution portion of Seattle City Light rates = \$1 million per year
 - Requires 1 year notice to Seattle City Light
 - Increase electric utility tax from 3% to 6% = \$90,000 per year
- Street Fund
 - Transfer Solid Waste Utility Tax from General Fund = \$393,000 per year
 - Increase Parking Tax from \$1 to \$3 per transaction = \$100,000 additional per year (current tax is \$50,000 per year)
- Surface Water Management Fund
 - Option 2 – Two-step rate increase (12% in 2013 and 12% in 2015)



Recommendations Impact to Average Household

- Seattle City Light franchise fee increase - \$2.95 per month
- Electric Utility Tax Increase - \$2.25 per month (PSE customers only)
- SWM rate increase – Option 2
 - 2013 - \$1.21 per month
 - 2015 - \$1.35 per month
 - Cumulative total = \$2.56 per month



Recommendations Impact to Average Household

- Total monthly impact per average household
 - Seattle City Light customers
 - 2013 increase = \$1.21 (SWM rate)
 - 2014 increase = \$2.95 (SCL franchise fee)
 - 2015 increase = \$1.35 (SWM rate)
 - Cumulative increase = \$5.51
 - Puget Sound Energy customers
 - 2013 increase = \$3.46 (SWM rate/utility tax)
 - 2015 increase = \$1.35 (SWM rate)
 - Cumulative increase = \$4.81



Next Steps

Action	Timeline
Schedule follow-up discussion	August 6 if desired
Financial Policies Discussion	August 6
1 st Public Hearing on Budget	August 6
Preliminary Operating Budget Presentation	October 1
Preliminary CIP Budget Presentation	October 15
Human Services Funding Discussion	October 15
Budget Study Session	October 22
Budget Ordinance/Property Tax Levy Discussions	November 5
Budget Ordinance/Property Tax Levy Adoption	November 15



Questions?

Economic Development Discussion

City Council Study Session

July 23, 2012

Discussion Items

Part 1:

Strategic Economic Development Plan

Part 2:

Landscape Conservation and
Landscape Infrastructure
Program/NERA

Strategic Plan

2012

Scoping, Budget Request

RFQ, Selection

2013

Plan preparation

Plan recommendations and reporting

Strategic Plan

- Possible scope items
 - Market Analysis/Attributes
 - Business recruitment/retention
 - Redevelopment opportunities
 - Town Square/Downtown
 - NERA
 - 1st Avenue
 - Branding/Marketing
 - Economic Development Partnerships

Branding/Marketing

- Branding Effort
 - Unified, Tiered, Individual
- Market Identification
 - Target Audience
 - Messaging
- Outreach Implementation
 - Materials development
 - Placement

Current Partnerships

- Discover Burien - \$98,184
 - Marketing, Recruiting & Events - \$58,204
 - Team Clean Sweep - \$39,980
- SWKC Chamber - \$22,000
 - Regional Chamber of Commerce, 4th of July Parade
- SKCEDI, SBDC - \$10,000
 - Regional Small Business Development Center
- SKCEDI, BAP - \$3,000
 - Regional Business Attraction Program

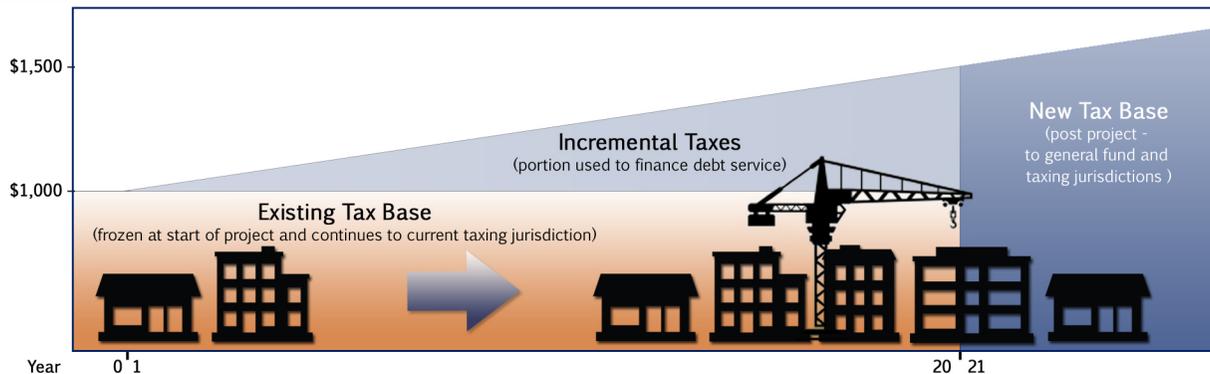
Examples from Other Cities

- Renton
 - Staff 3.25 FTE : 2012 Budget \$764K; \$265K LTAC
- Federal Way
 - Staff 1 FTE : 2012 Budget \$202K; \$161K LTAC
- Seatac
 - Staff 1 FTE : 2012 Budget \$175K; \$725K LTAC
- Tukwila
 - Staff 1 FTE : 2012 Budget \$164K; \$385K LTAC

Tax Increment Finance

Tax Increment Finance (TIF) is a mechanism for capturing the future tax benefits of real estate improvements, in order to pay for the present cost of those improvements. TIF is generally used to channel funding toward improvements in distressed or underdeveloped areas where development would not otherwise occur, and is typically used to address blight, promote neighborhood stability and inspire district-oriented development.

The TIF process is relatively straightforward. In most cases, first set the TIF district's geographic boundaries, and then, second, establish the initial assessed value of the land in the district. An analysis of current tax revenue from property tax, sales tax, and other taxes should be conducted to benchmark the current tax level.



TIF uses the increased property or sales taxes (increment) generated by new development to finance costs related to the development, such as public infrastructure, land acquisition, demolition, and planning. The life of a district can be anywhere from 10-40 years, or enough time to pay back the costs or bonds issued to fund the improvements.

Bondholders are repaid from the incremental tax revenues as further value is added to the development, primarily by private developer partners.

The tax increment from a TIF district is created without raising taxes, and also without dipping into the base tax revenues present at the time of adoption. The increment thus becomes a repayment stream for debt used to finance some aspects of what is driving the increase.

Building Community Buy-In for TIF

The successful use of TIF requires a thoughtful public policy framework that engages the public and alleviates potential concerns. The key elements of this public policy are:

- **Identifying Stakeholders and Partners**
Groups that must be engaged as part of the TIF process include governmental jurisdictions, school districts, transportation authorities, police/fire departments, civic organizations, religious institutions, neighborhood groups, and business leaders.
- **Marketing to Constituencies**
Successful communications plans for TIF projects include education about the tool, identification of benefits for stakeholders, and transparency for both the operation and financing of the TIF project or district.

Model TIF Projects

Easton Town Center - Columbus, OH

This large mixed-use, retail, office and commercial development used TIF bonds to finance the construction of parking structures. The project uses a 30-year TIF with 100% of "non-school" revenues available for the project. This reduced the amount of funding available for the TIF by 66%, but helped gain public buy-in for the project.

Menomonee Valley Industrial Center - Milwaukee, WI

This \$16M TIF district financed infrastructure improvements and environmental upgrades necessary to create conditions for an \$80M private development plan.

Atlantic Station - Atlanta, GA

This project transformed a 138-acre site formerly holding an industrial fabrication facility into a mixed-use residential, retail, entertainment and office development. The project has used \$210M in tax-exempt TIF bond proceeds to finance environmental clean-up costs and infrastructure improvements.

City Market at O Street - Washington, DC

TIF financed the redevelopment of an underused market into a mixed-use development that includes a hotel, retail, condos and affordable senior housing. \$32M in net TIF bond proceeds contributed towards the total \$219M Phase One costs. The bonds will be repaid through real property tax increments generated from the City Market at O Street TIF Area.

QUICK FACT

- 49 states, the District of Columbia,
- and the Virgin Islands have statutes
- authorizing the use of TIF.

More Resources at www.cdfa.net

- CDFA Tax Increment Finance Resource Center
- CDFA Intro Tax Increment Finance Course
- CDFA TIF Best Practices Reference Guide
- CDFA TIF State-By-State Map
- CDFA Advanced Tax Increment Finance Course
- CDFA Advanced TIF Reference Guide

