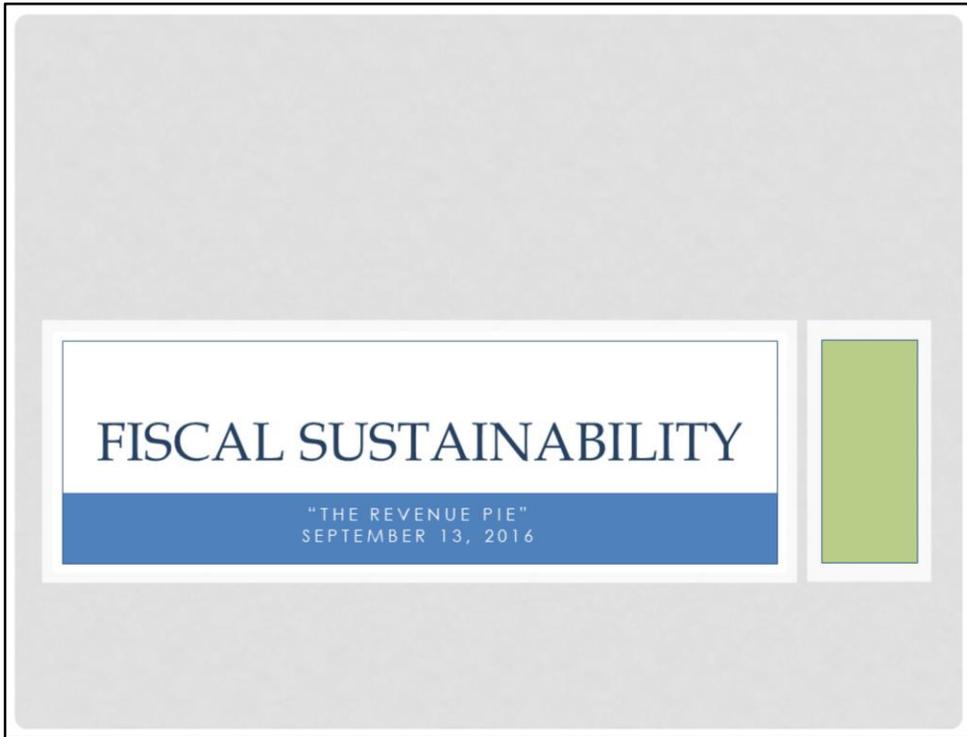


# Attachment #1.



# FISCAL SUSTAINABILITY

- Wikipedia Definition:
  - **Fiscal sustainability**, or **public finance sustainability**, is the ability of a government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures.

## RECAP

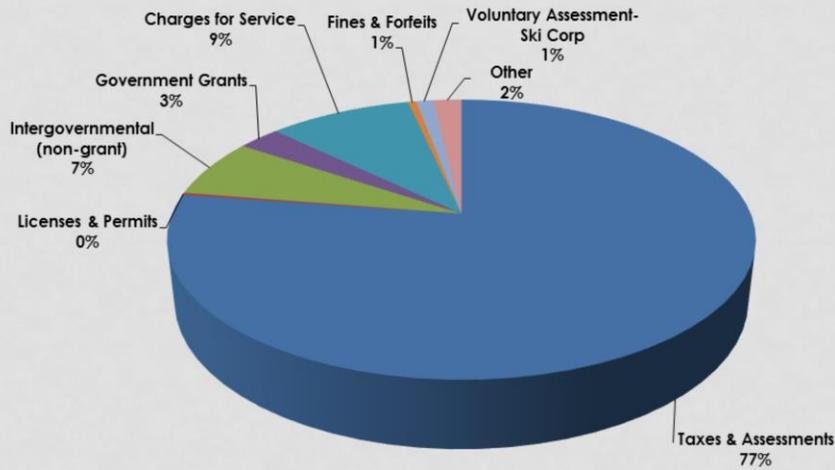
- April 12, 2016
  - Big picture overview
    - Previous studies & reports
    - Revenue sources
    - Capital projects
    - Sales tax breakdown
    - Potential revenue vs. expenditure growth
  - Growth in City services provided (past and future)
- July 19, 2016
  - Asset Management
- September 13, 2016
  - The revenue pie

## CITY TAXING HISTORY

- Prior to 1978 – Property Tax = 9.57 mills & 2% Sales Tax
- 1979 to Current – No Property Tax & 4% Sales Tax
- 1986 to Current – 1% Accommodations Tax
  - Earmarked based on original ballot language and “2A”
- 1993 to Current – Increase City Sales Tax to 4.5%
  - .5% dedicated for educational purposes
  - Renewed in 1996, 1999, 2008.
  - Sunsets December 31<sup>st</sup>, 2019
- 2002 to Current - Excise Tax – 1.2% of estimated construction costs
  - Earmarked for capital
- 2011 to 2016 - .25% Sales Tax
  - Earmarked for LMD Air Service

- In addition to sales tax, the City receives vehicle use tax and building use tax equal to the same rate as the sales tax.
- These are all considered City taxes.
- 2% LMD Accommodations tax is collected by the State

## THE REVENUE PIE

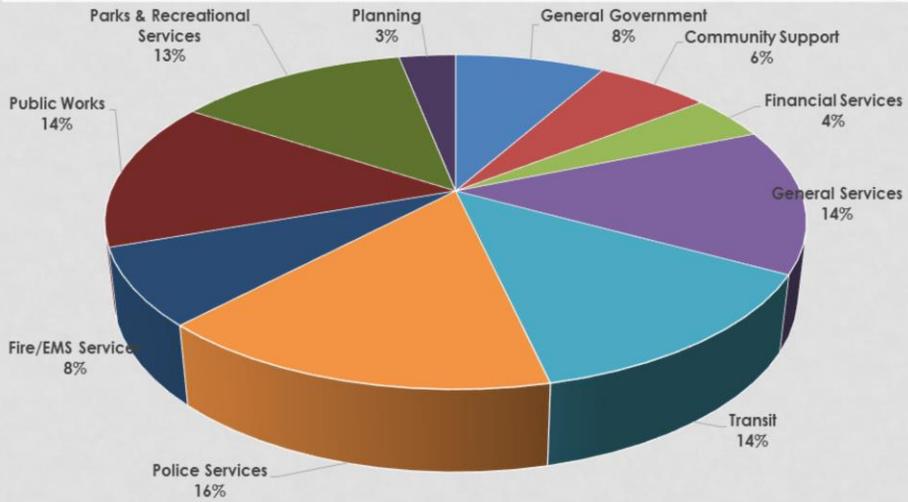


- General Fund only
- 2015 Actual Collections
- Intergovernmental (non-grant) = Fire district, highway users tax, County Road & Bridge, Severance & Mineral Lease

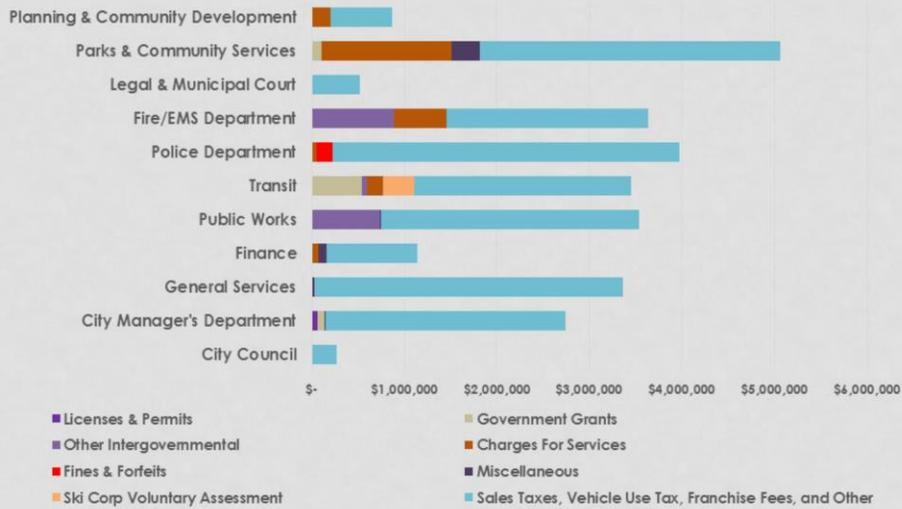
## WHAT DOES THIS PIE PAY FOR?

- General Fund Operating
  - General Government
  - Community Support
  - Transportation Services
  - Public Works
  - Police Services
  - Fire/EMS Services
  - Legal & Municipal Court
  - Parks & Community Services
  - Community Development/Planning
  - Debt Service
  - Transfers –
    - Approx. \$1M/year in Capital
    - Airport expenses that exceed airport revenue

# THE EXPENDITURE PIE



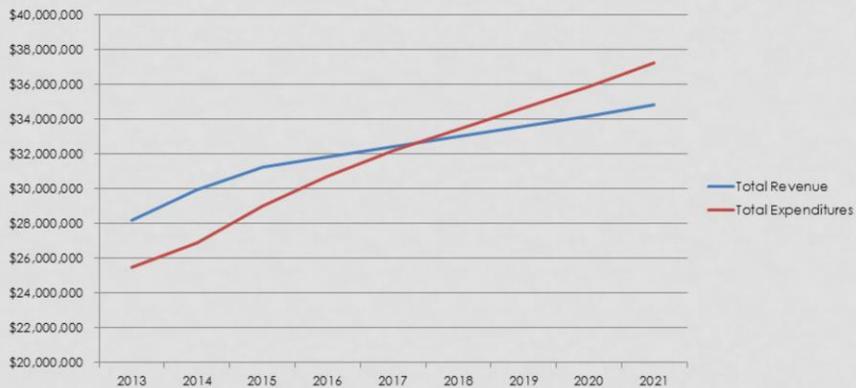
## HOW IS EACH DEPARTMENT FUNDED?



- Based on 2016 budget
- City Manager's Department includes community support, chamber marketing & special events, City Clerk's Office & Intergovernmental Services
- Within the next couple years we expect the transit operating grant to potentially be reduced by 50%

## 5 YEAR FORECAST

2013-2021 Projected General Fund Revenues & Expenditures



2018 first negative year = (\$400k)

### **ASSUMPTIONS 2017-2021 Annual Increase**

**Revenue** Taxes & Assessments 2%

Licenses & Permits 1%

Intergovernmental 1%

Charges for Services 1%

Fines & Forfeits 1%

Other Income 1%

Overhead 2%

Transfers from general fund 2%

### **Expenditures**

Personnel 4%

Operating 4%

Debt Current Debt Schedule + \$300k/year for downtown improvements

Operating Transfer 2%

## NEXT STEPS TO ENSURING FISCAL SUSTAINABILITY EXPENDITURES

- Discuss a Council policy to not expand City services without corresponding revenue
- Invest in improving efficiencies within the City
- Manage community expectations
  - Service level expectations, and
  - Offered services expectations
- Invest in current City infrastructure prior to expanding
  - Engineer assessment in 2017

All of these items have been discussion topics in our 2017 budget process and will be part of the discussion with Council.

## NEXT STEPS TO ENSURING FISCAL SUSTAINABILITY HOW DO WE “GROW THE PIE”?

- Increase user fees
  - Align fees to reflect the cost of providing the service
- Public/Private partnerships
  - Partner with key beneficiaries of services
- Increase governmental grants for operations
  - Provide short term fixes, but is not sustainable
  - Future opportunities are unlikely
- Increase licenses & permit fees
  - Align fees to reflect the cost of providing the service
- Increase fines & forfeits
  - Enforcement of current ordinances
- Increase Taxes & Assessments
  - Growing sales tax by growing events and tourism grows cost of providing services

- Grow the pie instead of reducing services and allowing infrastructure to fail.
- Contracted in September 2016 with a firm to complete a user fee study for all fees except utility fees, golf fees, and airport fees.
- Partnerships not only for capital costs, but for on-going operations
- The revenue pie does grow on an annual basis with increased sales tax, however that growth comes with a cost that is often greater than the growth.