

## Cliff Craig

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**Subject:** FW: Budget Issues  
**Attachments:** 2019\_Budget\_Policy\_Workshop.pptx

**From:** Cliff Craig

**Sent:** Tuesday, July 17, 2018 8:47 AM

**To:** Kevin Yamamoto <[KYamamoto@ci.puyallup.wa.us](mailto:KYamamoto@ci.puyallup.wa.us)>; #City Council <[City.Council@ci.puyallup.wa.us](mailto:City.Council@ci.puyallup.wa.us)>

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**Subject:** RE: Budget Issues

**Mr. Mayor, Deputy Mayor and Councilmembers,**

Attached is the current draft of the 2019 Budget Policy Presentation.

The issues we are focusing on are

1. A minor update to the budget stability policy, essentially to allocate 2/3 of Tier 3 to capital instead of 1/3 to capital and 1/3 to debt prepayment.
  - a. This reflects the facts that our interfund loans are paid off, and the remaining loans that could be easily prepaid are low cost loans from the state, below the rate of inflation.
2. Council direction on allocation of Tier 3 funds for the 2019 budget. My best estimate at this time, is that we will have between \$3M and \$4M to allocate toward capital funding.
3. Limited resources – this is just an acknowledgement that our resources are limited.
  - a. IF our citizens and Council are satisfied with our current level of services, our funding is adequate and can typically accommodate 1-3 new general fund positions per year.
  - b. IF however, Council and citizens desire more or better services, then additional funding would be required.
    - i. There is plenty of flexibility under Council authority to increase funding, IF that is what council wants to do.
    - ii. An analysis of “economic engine cities” is intended only to show that our tax rates are low relative to those major business centers.
4. Identification of any Council initiatives or priorities you would like to see incorporated into the City Manager’s Recommended budget.

Cliff

PH: 253-841-5478

***2019 Budget Policy  
Workshop***

***July 17, 2018***

# Overview

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- **Budget Stability policy – update Tier 3 Allocation**
- **Tier 3 priorities for 2019**
- **Limited Resources**
- **Other Council Priorities and Initiatives ?**

# Budget Stability Policy

## Update to Tier 3 Allocation

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- **Current Language :**
- **One third will be applied to increasing the cash balance each year until the Council target of 15% is achieved. One third will go toward paying down outstanding obligations and one third toward pre-funding the next year's capital improvement plan.** Capital improvement spending will be based on city revenues already received and available.
- **Proposed Language :**
- **One third will be applied to increasing the cash balance each year until the Council target of 15% is achieved. Two thirds will be applied toward pre-funding the next year's capital improvement plan.** Capital improvement spending will be based on city revenues already received and available.
- **Reason for proposal:** All interfund loans are paid off in 2018. The remaining loans that could easily be prepaid are low cost loans from the state, ranging from 0% - 2.42% interest, and are less than the expected inflation rate. It is probably more cost effective to use the excess on projects rather than debt at this time.
- **Policy Direction:** Is this change acceptable to Council ?

## **Tier 3 Priorities for 2019**

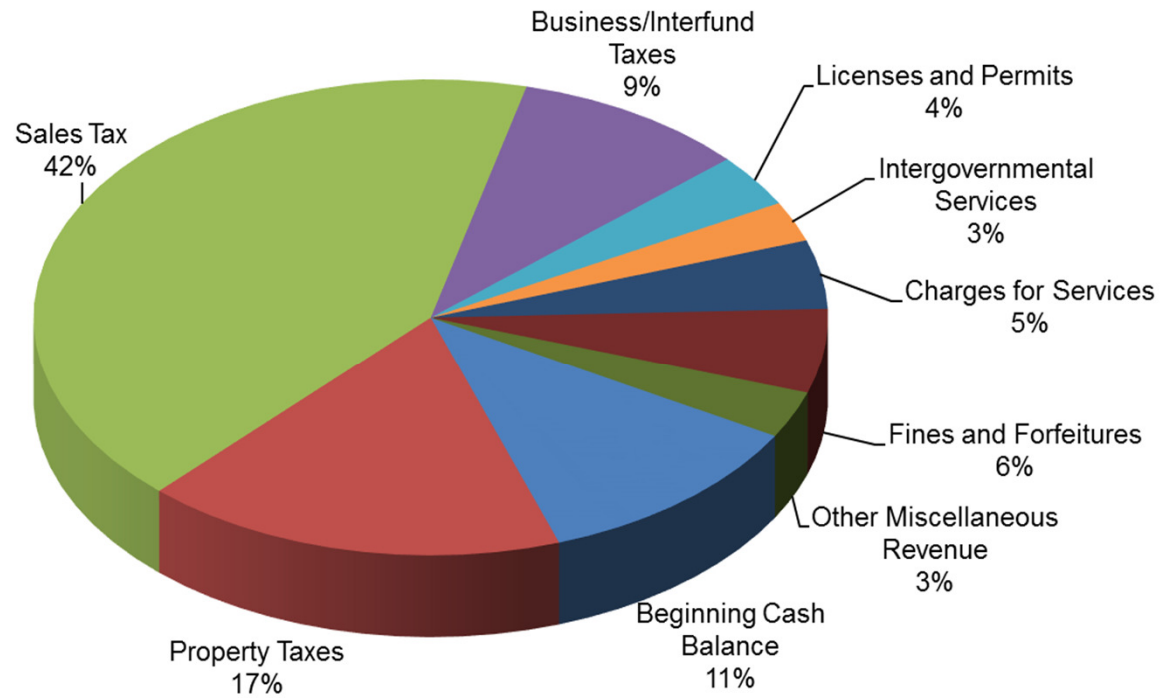
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- **Current estimates indicate that Tier 3 funding at year end 2018 will be between \$4.5M and \$6.0M. This would provide between \$3M and \$4M for capital projects, if Council chooses to accept the proposed revision to the Budget Stability Policy.**
- **If Council indicates their preference as to how this funding should be applied, it will help the City Manager to better identify appropriate projects consistent with Council priorities. These projects can then be proposed in the 2019 Recommended Budget, subject to Council adjustment prior to budget adoption.**
- **Example – Council may choose to split the capital portion evenly between Streets and Parks projects. Or allocate the first \$2M toward \_\_\_\_\_, and split the remainder. Or Council may propose any other options that seem appropriate.**
- **Policy direction: What is Council preference for allocating the Tier 3 capital funds for 2019 ?**

# Limited Resources: Revenues

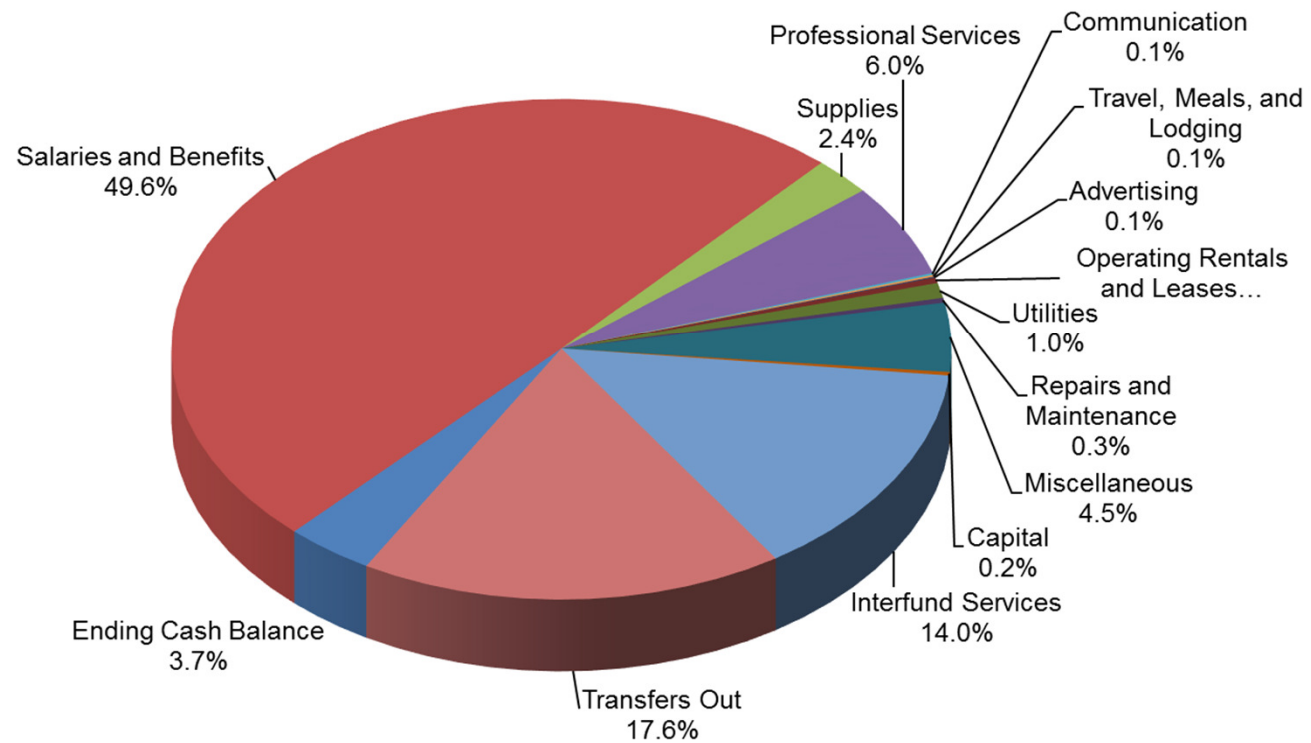
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2018 General Fund Sources - \$50.3M



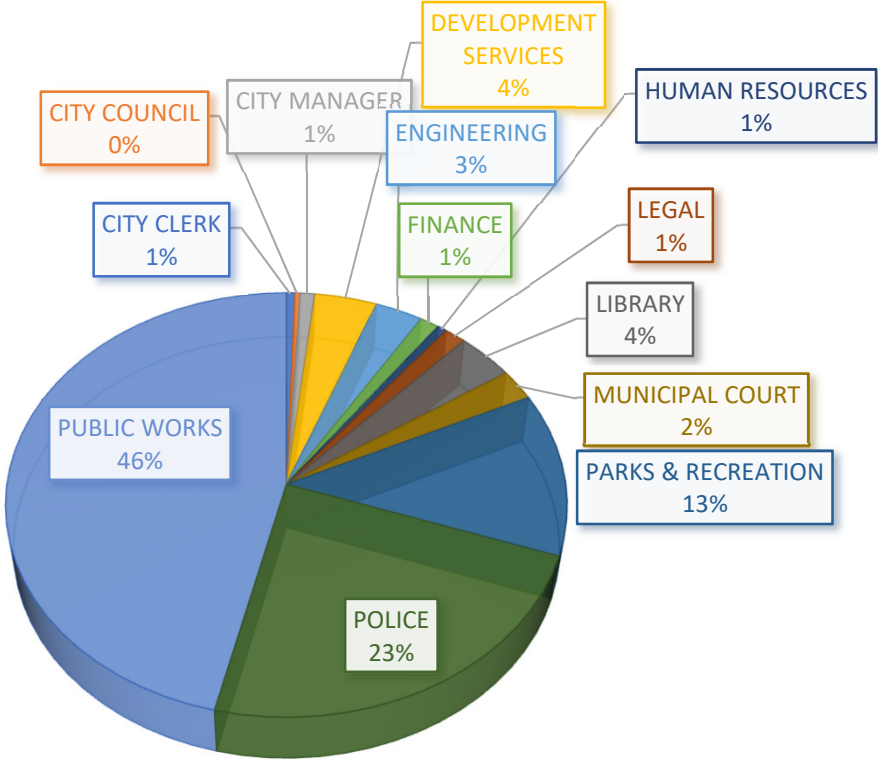
# Limited Resources Expenditures By Object

2018 General Fund Uses - \$50.3M



# Operating Expenditures By Department \$77.6M

## 2018 ADOPTED BUDGET

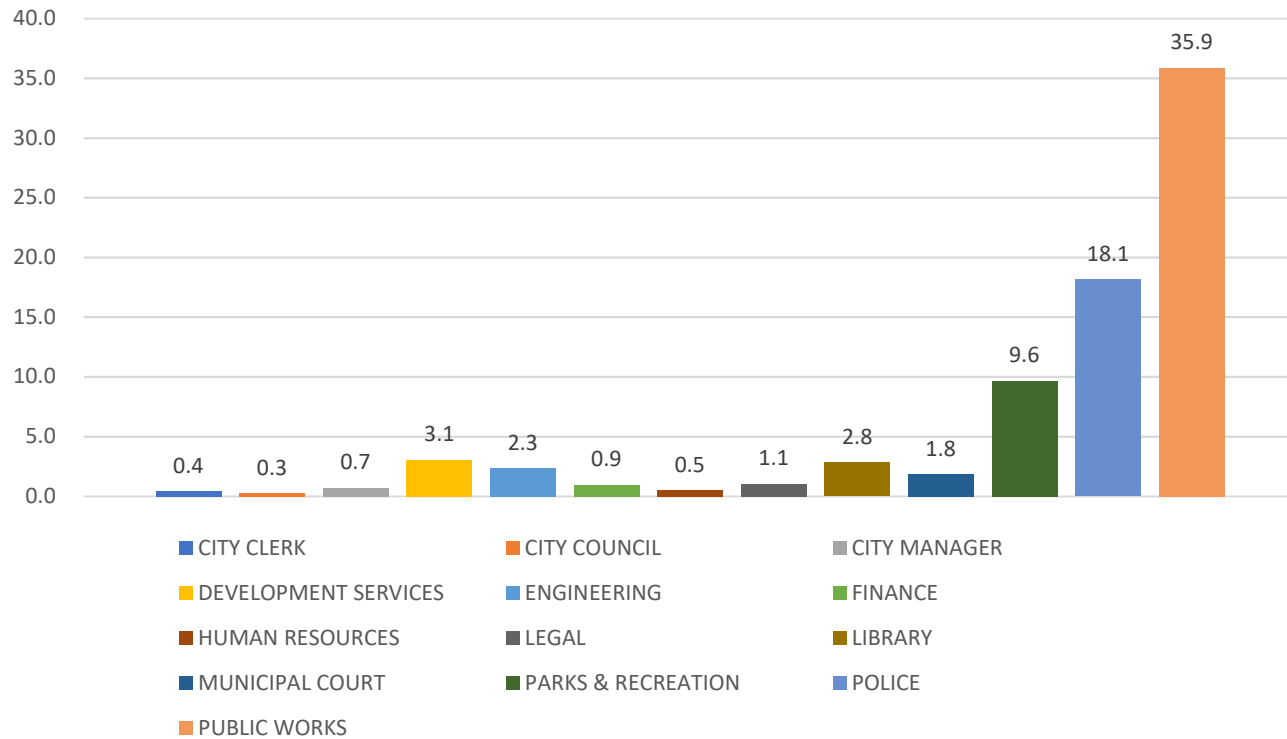


This chart excludes debt, capital and internal services to focus on operations



# Operating Expenditures By Department \$77.6M

2018 Adopted Budget



This chart excludes debt, capital and internal services to focus on operations

# **Underutilized Revenues**

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- **Underlying basic foundation concept:**
  - **City of Puyallup will live within our means.**
- **More or better services to our citizens requires funding sources**
- **These revenues have additional capacity**
  - **Property Tax - approximately \$3.2 million**
  - **Utility Tax - approximately \$4 million @ 6%**

# **Tax Revenues vs Economic Engine Cities**

## **Property Tax Comparison Issues**

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- Mix of services and taxing jurisdictions
- Puyallup Fire services are provided by Central Pierce
- Bellevue & Vancouver are in a Library District
- Vancouver, Tacoma and Seattle have a Parks District
- Adjusted by subtracting Fire Department budgets and adding rates for Library and Parks services
- 2016 data is used as it is the latest published data available for all

# Tax Revenues vs Economic Engine Cities Property Tax (2016)

	<b>Puyallup</b>	<b>Bellevue</b>	<b>Vancouver</b>	<b>Tacoma</b>	<b>Spokane</b>	<b>Seattle</b>
<b>Population</b>	<b>40,500</b>	<b>140,700</b>	<b>176,400</b>	<b>208,100</b>	<b>217,300</b>	<b>713,700</b>
<b>Taxes</b>	<b>8,906,748</b>	<b>41,566,340</b>	<b>44,861,474</b>	<b>58,711,883</b>	<b>61,947,461</b>	<b>452,703,874</b>
<b>+EMS</b>		<b>12,543,691</b>		<b>9,507,752</b>	<b>7,846,250</b>	<b>46,109,429</b>
<b>+Library</b>		<b>21,197,439</b>	<b>11,271,558</b>			
<b>+Parks</b>			<b>3,532,876</b>	<b>31,651,677</b>		
<b>Total Taxes</b>	<b>8,906,748</b>	<b>75,307,470</b>	<b>59,665,908</b>	<b>99,871,312</b>	<b>69,793,711</b>	<b>546,611,314</b>
<b>-Fire Dept</b>		<b>-48,399,883</b>	<b>-37,387,643</b>	<b>-64,217,422</b>	<b>-47,915,967</b>	<b>-183,722,154</b>
<b>Adjusted Taxes</b>	<b>8,906,748</b>	<b>26,907,587</b>	<b>22,278,265</b>	<b>35,653,890</b>	<b>21,877,744</b>	<b>362,889,160</b>
<b>Adjusted Rate/\$1,000</b>	<b>1.91</b>	<b>0.77</b>	<b>2.92</b>	<b>4.13</b>	<b>3.21</b>	<b>2.73</b>

# Tax Revenues vs Economic Engine Cities

## Utility and Sales Tax Rates

	<b>Puyallup</b>	<b>Bellevue</b>	<b>Vancouver</b>	<b>Tacoma</b>	<b>Spokane</b>	<b>Seattle</b>
<b>Phone</b>	<b>2.2%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>7.5%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>Electric</b>	<b>2.2%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>7.5%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>Gas</b>	<b>2.2%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>7.5%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>Cable</b>	<b>2.2%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>8.0%</b>	<b>6.0%</b>	<b>10.0%</b>
<b>Garbage</b>	<b>2.2%</b>	<b>4.5%</b>	<b>21.5%</b>	<b>8.0%</b>	<b>20.0%</b>	<b>11.50%</b>
<b>Water</b>	<b>8.0%</b>	<b>10.4%</b>	<b>21.5%</b>	<b>8.0%</b>	<b>20.0%</b>	<b>15.54%</b>
<b>Sewer</b>	<b>8.0%</b>	<b>5.0%</b>	<b>21.5%</b>	<b>8.0%</b>	<b>20.0%</b>	<b>12.00%</b>
<b>Storm</b>	<b>8.0%</b>	<b>No</b>	<b>21.5%</b>	<b>No</b>	<b>No</b>	<b>11.50%</b>
<b>Sales</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>

## Puyallup Projected Utility Taxes If Based on Other Local Rates

	<b>Puyallup</b>	<b>Bellevue</b>	<b>Vancouver</b>	<b>Tacoma</b>	<b>Spokane</b>	<b>Seattle</b>
<b>Phone</b>	<b>397,806</b>	<b>1,084,927</b>	<b>1,084,927</b>	<b>1,356,158</b>	<b>1,084,927</b>	<b>1,084,927</b>
<b>Electric</b>	<b>881,240</b>	<b>2,002,819</b>	<b>2,403,383</b>	<b>3,004,229</b>	<b>2,403,383</b>	<b>2,403,383</b>
<b>Gas</b>	<b>213,336</b>	<b>484,855</b>	<b>581,826</b>	<b>727,282</b>	<b>581,826</b>	<b>581,826</b>
<b>Cable</b>	<b>265,061</b>	<b>578,315</b>	<b>602,411</b>	<b>963,858</b>	<b>722,894</b>	<b>1,204,823</b>
<b>Garbage</b>	<b>222,299</b>	<b>454,703</b>	<b>2,172,470</b>	<b>803,361</b>	<b>2,020,902</b>	<b>1,162,019</b>
<b>Water</b>	<b>558,724</b>	<b>726,341</b>	<b>1,501,571</b>	<b>558,724</b>	<b>1,396,810</b>	<b>1,085,321</b>
<b>Sewer</b>	<b>874,297</b>	<b>546,436</b>	<b>2,349,674</b>	<b>874,297</b>	<b>2,185,743</b>	<b>1,311,446</b>
<b>Storm</b>	<b>390,498</b>	<b>0</b>	<b>1,049,463</b>	<b>0</b>	<b>0</b>	<b>561,341</b>
<b>Total</b>	<b>3,803,262</b>	<b>5,878,396</b>	<b>11,745,725</b>	<b>8,292,910</b>	<b>10,396,485</b>	<b>9,395,085</b>

# Tax Revenues vs Economic Engine Cities

## Business & Occupation Tax Rates

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	<b>Puyallup</b>	<b>Bellevue</b>	<b>Vancouver</b>	<b>Tacoma</b>	<b>Spokane</b>	<b>Seattle</b>
<b>Wholesaling</b>	<b>No</b>	<b>.1496%</b>	<b>No</b>	<b>.102%</b>	<b>No</b>	<b>.215%</b>
<b>Manufacturing</b>	<b>No</b>	<b>.1496%</b>	<b>No</b>	<b>.110%</b>	<b>No</b>	<b>.215%</b>
<b>Retailing</b>	<b>No</b>	<b>.1496%</b>	<b>No</b>	<b>.153%</b>	<b>No</b>	<b>.215%</b>
<b>Services</b>	<b>No</b>	<b>.1496%</b>	<b>No</b>	<b>.400%</b>	<b>No</b>	<b>.215%</b>
<b>Sq. footage / yr (for offices)</b>	<b>No</b>	<b>.7336</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

## Puyallup Projected B&O Taxes If Based on Other Local Rates

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	<b>Puyallup</b>	<b>Bellevue</b>	<b>Vancouver</b>	<b>Tacoma</b>	<b>Spokane</b>	<b>Seattle</b>
<b>Wholesaling</b>	<b>No</b>	<b>3,298,329</b>	<b>No</b>	<b>2,248,861</b>	<b>No</b>	<b>4,740,246</b>
<b>Manufacturing</b>	<b>No</b>	<b>3,572,640</b>	<b>No</b>	<b>2,626,941</b>	<b>No</b>	<b>5,134,476</b>
<b>Retailing</b>	<b>No</b>	<b>3,478,966</b>	<b>No</b>	<b>3,558,033</b>	<b>No</b>	<b>4,999,850</b>
<b>Services</b>	<b>No</b>	<b>3,622,950</b>	<b>No</b>	<b>9,687,031</b>	<b>No</b>	<b>10,050,295</b>
<b>Total</b>	<b>No</b>	<b>13,972,884</b>	<b>No</b>	<b>18,120,866</b>	<b>No</b>	<b>24,924,867</b>
<b>Sq. footage / yr (for offices)</b>	<b>No</b>	<b>Insufficient Data</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>



## Summary All Puyallup Projected Taxes If Based on Other Local Rates (2016)

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	<b>Puyallup</b>	<b>Bellevue</b>	<b>Vancouver</b>	<b>Tacoma</b>	<b>Spokane</b>	<b>Seattle</b>
<b>Property Tax</b>	<b>8,906,748</b>	<b>3,593,879</b>	<b>13,627,553</b>	<b>19,261,170</b>	<b>14,972,094</b>	<b>12,738,854</b>
<b>Sales Tax</b>	<b>19,569,181</b>	<b>19,569,181</b>	<b>19,569,181</b>	<b>19,569,181</b>	<b>19,569,181</b>	<b>19,569,181</b>
<b>Utility Tax</b>	<b>3,803,262</b>	<b>5,878,396</b>	<b>11,745,725</b>	<b>8,292,910</b>	<b>10,396,485</b>	<b>9,395,085</b>
<b>B&amp;O Tax</b>	<b>No</b>	<b>13,972,884</b>	<b>No</b>	<b>18,120,866</b>	<b>No</b>	<b>24,924,867</b>
<b>Total</b>	<b>32,279,192</b>	<b>43,014,340</b>	<b>44,942,459</b>	<b>65,244,127</b>	<b>44,937,760</b>	<b>66,627,987</b>
<b>Increase</b>		<b>10,735,149</b>	<b>12,663,268</b>	<b>32,964,936</b>	<b>12,658,568</b>	<b>34,348,796</b>

It appears that Economic Development does not necessarily reduce taxes.

# **Council Priorities & Initiatives**

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- **What other things would Council like us to address in developing the 2019 budget ?**

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End of Presentation