

**GENERAL FUND 2015-2016  
PROPERTY TAX AND THE BUDGET**

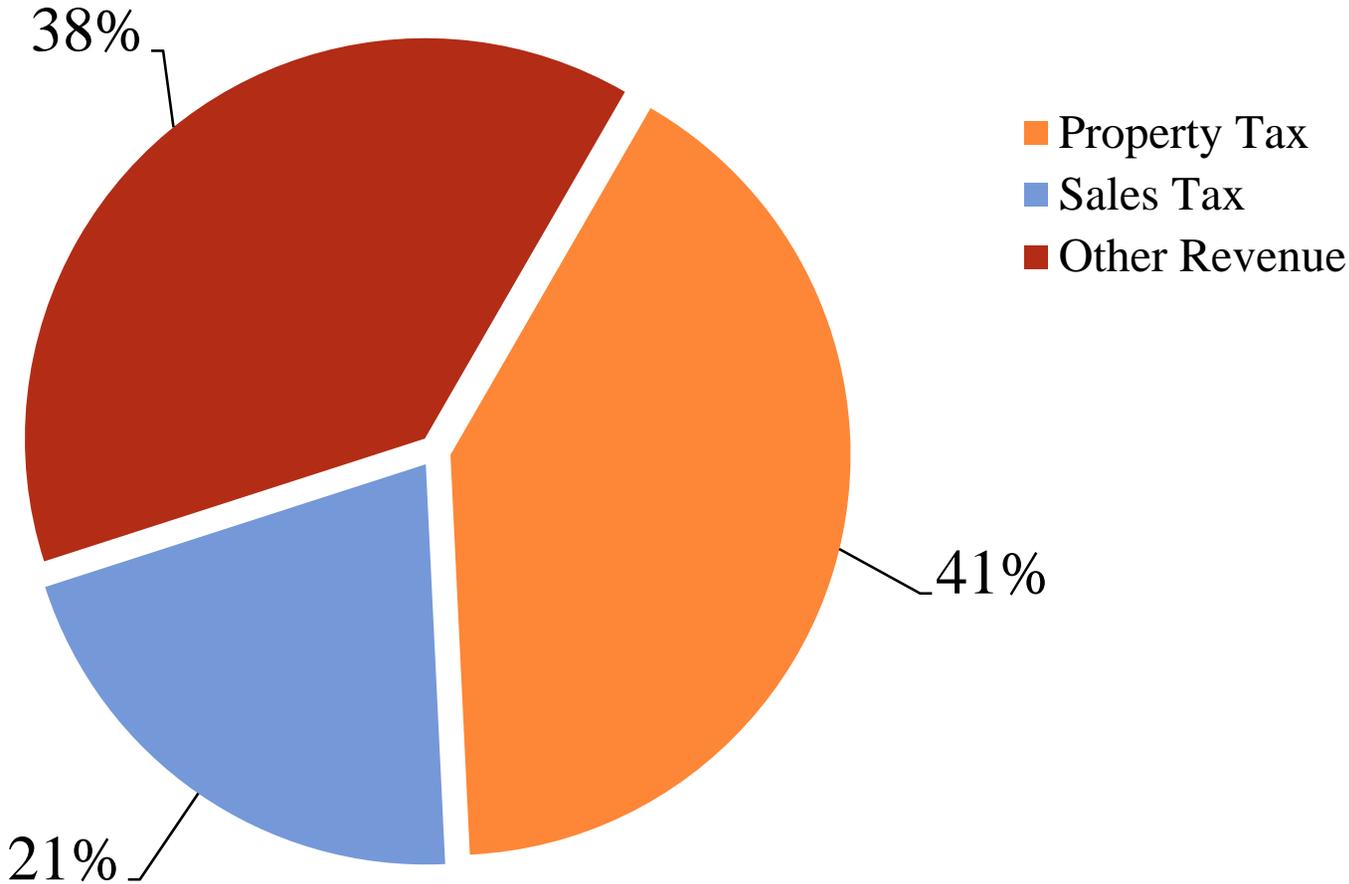
**Board of County Councilors  
January 12, 2016**



# 2015-2016 BUDGET CYCLE OVERVIEW

- The 2015-2016 budget was adopted December 2014, and took effect January 1, 2015.
- Supplemental budget amendments were made in May 2015.
- The “readopt” budget supplemental occurred in December 2015.
- The next budget supplemental will take place in April 2016; requests are due February 19, 2016.
- Final supplemental is scheduled for November 2016.

# 2015-16 GENERAL FUND REVENUE SOURCES



# GENERAL FUND REVENUES

- Property tax is stable, grows with new construction and possible one percent increase
- Sales tax is volatile, responsive to the economy
  - Subject to “leakage”.
  - Declined \$10 million in one budget cycle (2009-2010).
  - Sales tax revenue grew at 11% annual rate in 2015; long-term growth is typically 3-4% per year; December 2015 distributions only grew 4.5% over December 2014.
  - The additional sales tax revenue helped cover the cost of projects approved in the 2015 readopt.
- Other departmental revenues declined (Court fees, Corrections revenues).

## OUTLOOK FOR GENERAL FUND RESERVES

	Amount
Total Available Unassigned Fund Balance (As of January 1, 2015)	\$24,803,585
2015-2016 Forecasted Fund Balance Use	(\$1,273,788)
Expected Spring Supplemental Expenses	(\$500,000)
2016 Unassigned Ending Fund Balance	\$23,029,797
2 percent Property Tax Decrease	(\$1,166,397)
2016 Unassigned Ending Fund Balance with 2 percent Property Tax Decrease	\$21,863,400*
*Variance from fund balance policy	(\$1,136,660)

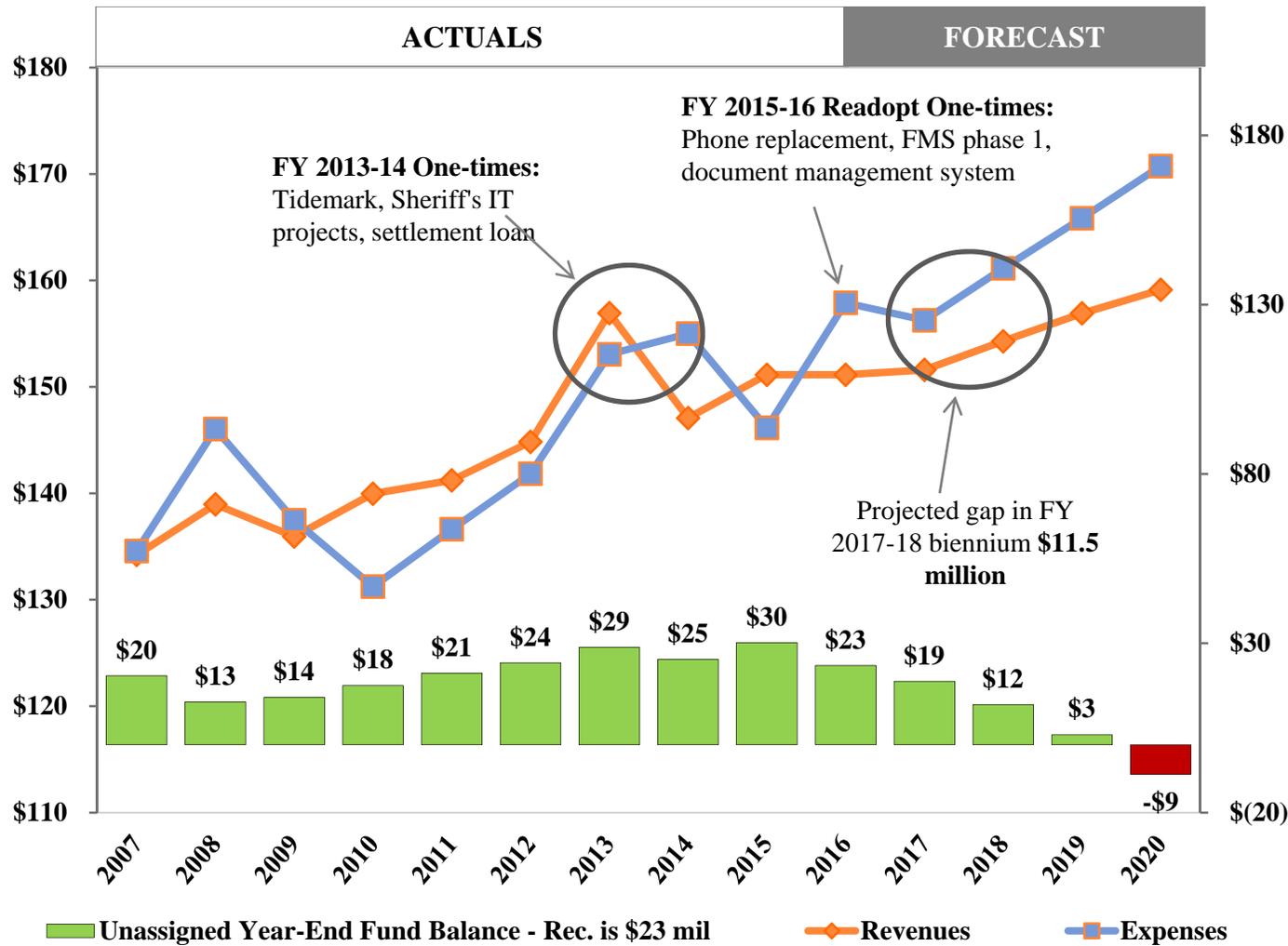
## 2017-2018 BUDGET CHALLENGES

- Restore General Fund subsidies eliminated to balance the 2015-2016 budget
- Labor cost-driven expense growth rate exceeds revenue growth rate
- Departmental revenues declined
- New requirements for reporting and tracking eligible expenses may necessitate a reduction in the Road Fund diversion
- \$1.5 million annual lawsuit settlement commitment continues until 2020 (total settlement cost was \$10.5 million)

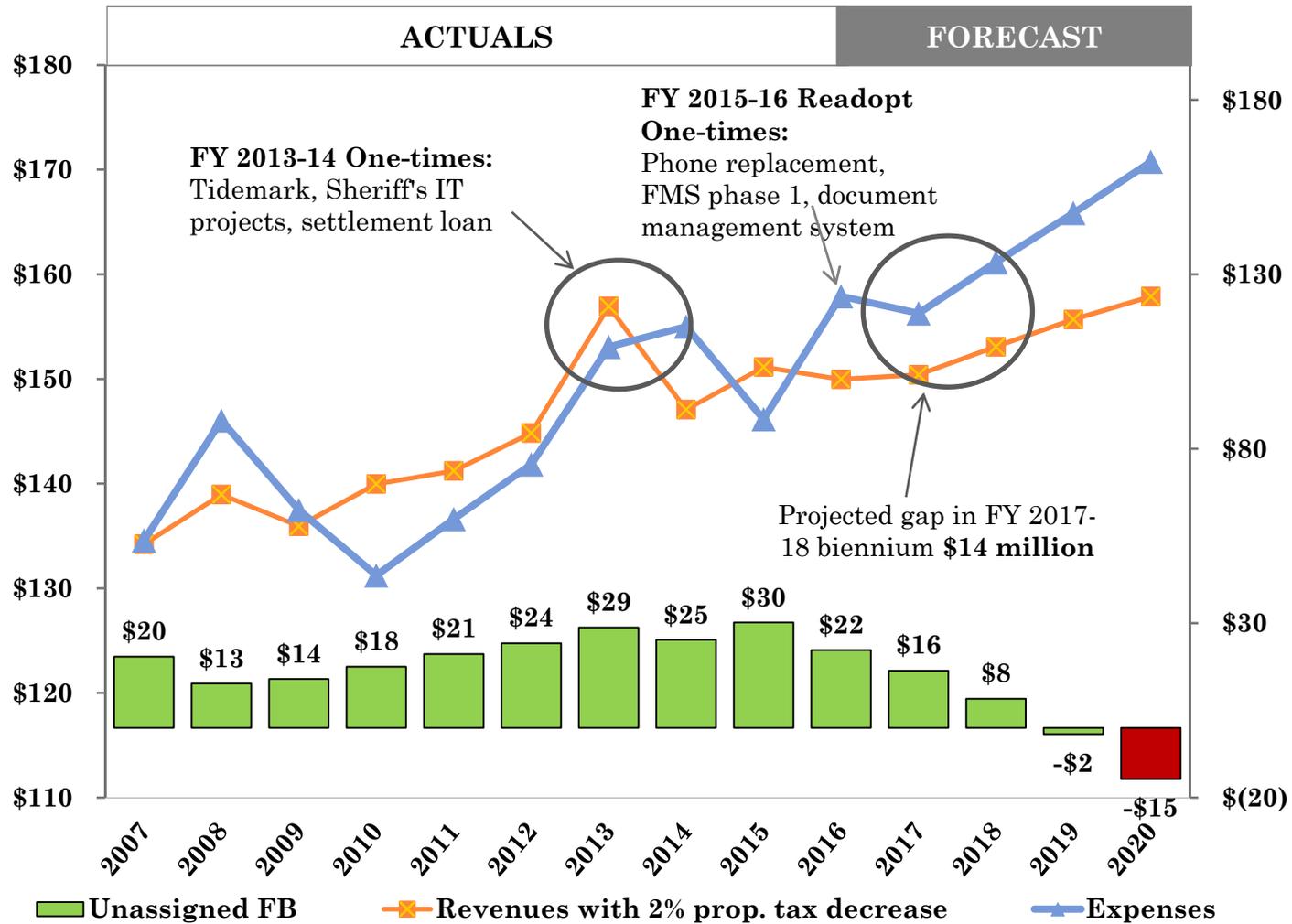
## 2017-2018 BUDGET FORECAST

- Current forecast projects a significant shortfall.
- It is common for forecasts to project deficits; every budget cycle, the Board had to take action to resolve the shortfall.
- In 2015-2016, the shortfall was mitigated by reducing one time subsidies to funds outside the General Fund who could sustain operations through accrued reserves.
- Past solutions included debt diversion to real estate excise tax funds, reductions in workforce and departmental budgets, increasing the Road Fund diversion, pay and hiring freezes, as well as pre-spending savings.

# GENERAL FUND FORECAST WITHOUT 2% PROPERTY TAX REDUCTION



# GENERAL FUND FORECAST WITH 2% PROPERTY TAX REDUCTION



# OUTSTANDING LIABILITIES AND RISKS

## Not Included In Forecast for 2017-2018 Budget

General Fund parks maintenance liability = \$1.5 million per biennium ongoing.

Oracle/FMS replacement or upgrade = at least \$3 - 5 million in 2017-2018 one-time (only the investigative phase was funded in 2015-2016).

Significant unmet needs still exist in staffing levels (e.g. Sheriff's Office) and infrastructure (e.g. central precinct, jail space, parks capital repairs).

Inmate medical & food services contractual increases.

Forecast does not assume recession in next 3 years. Revenue loss could be significant, particularly sales tax.

# GENERAL FUND PROPERTY TAX LEVY HISTORY

Collection Year	Levy Increase	Resolution passed?
2006	1 percent	Yes
2007	1 percent	Yes
2008	1 percent	Yes
2009	1 percent	Yes
2010	1 percent	Yes
2011	1 percent	Yes (dedicated to public health)
2012	0 percent	Yes (1 percent “banked”)
2013	0 percent	Yes (1 percent “banked”)
2014	0 percent	Yes (1 percent “banked”)
2015	0 percent	No (levy certification letter only)

## IMPACT OF FOREGONE ONE PERCENT INCREASES (TAXPAYER SAVINGS AND FOREGONE COUNTY REVENUE)

Collection Year	Amount
2012	\$549,874
2013	\$1,110,638
2014	\$1,683,861
2015	\$2,302,097
<b>Total</b>	<b>\$5,646,468</b>

# GENERAL FUND PROPERTY TAX OPTIONS

Option	2016 revenue impact (over or under budgeted amount)	Annual impact on property tax for median priced home
2% reduction	\$(1,166,397)	\$(6.86)
0% change	\$0	\$0
1% increase	\$583,199	\$3.43
1% increase over highest lawful levy (uses “banked capacity”)	\$1,663,328	\$9.78

# GENERAL FUND PROPERTY TAX OPTIONS

	2% reduction	No change (current budget forecast)
2015 levy (starting point for 2016 calculation)	\$58,319,851	\$58,319,851
2016 change	\$(1,166,397)	\$0
Add new construction, admin refund and state utility ( <i>already included in budget forecast</i> )	\$1,154,144	\$1,154,144
<b>Total levy</b>	<b>\$58,307,598</b>	<b>\$59,473,995</b>
<b>Difference from budget forecast</b>	<b>\$(1,166,397)</b>	<b>\$0</b>

## SUMMARY

- Property tax is the most stable major tax revenue in the General Fund.
- The forecast for the 2017-2018 budget cycle will likely require the Board to take action to mitigate the budget shortfall.
- There are significant risks and liabilities to be considered that are not included in the 2017-2018 forecast.