

FY 2004 and 2005 2YB

Mayor's Budget Recommendations and Review of Department Requests

City Council Budget Workshops

June 16 and 17, 23 and 24, 2003

Budget Workshops

- General Budget Background Information
- Department Presentations
(June 16, 17, 23)
- Issue and Decision Point Discussions
(June 23 and 24)
- Mayor's Specific Budget Recommendations
(June 24)



FY 2004 &
2005 2YB

City Council

Decisions and Assignments

- Department Presentations – recommendations and issues
- Issue/subject Presentations – recommendations and opportunities
- Suggest action on each of Mayor's specific recommendations by motion action

* Motion actions on decisions and assignments for follow-up *



FY 2004 &
2005 2YB

Budget Development

- Electronic system and paper documents
- Robust data base reports
- Budget teams – department heads
- City Council liaisons – more detailed review
- Mayor's recommendations - specific



FY 2004 &
2005 2YB

Issues and Decisions

February and March 2003

- Balancing target?
- Employee compensation – medical?
- Line item review of spending?
- Zero increase targets
- Loss of Bus operating grant
- Corporate property tax valuation suits
- Debt funding?
- Status of Police, libraries and fire projects?
- Need for cuts?
- Union contracts?
- Contract agencies and dues agencies?
- Federal mandates?
- The State of Idaho?



FY 2004 &
2005 2YB

Mayor Terteling-Payne's Budget Recommendations

- Structurally balanced (FY 2006 – 2009)
- Reserves are funded at policy levels
- Debt projects are delayed to 2006
- Fire ladder company delayed to 2006 or until \$977 is available in annual budget
- \$1.2 million in one time money in 2YB
- Decision points to be decided



Six Year Financial Plan

Update to June 16, 2003
Mayor's Recommended
Budget

Six Year Financial Plan

update to June 2003

- Financial/budgetary policies
- Economic update
- Revenue Manual update
- Six Year cost and revenue projections
- Budget development guidelines
- Debt strategy



FY 2004 &
2005 2YB

Financial Policy Updates

Approved March 4, 2003

- Use of excess Electric Franchise Fees
- Phasing to achieve the 5% Cash Flow account
- Use of Contingency Accounts
- Modification of the electronic Budget
- Achieving Structural Balance



FY 2004 &
2005 2YB

Structural Balance

Both in bottom line and in “types”

Base Revenues

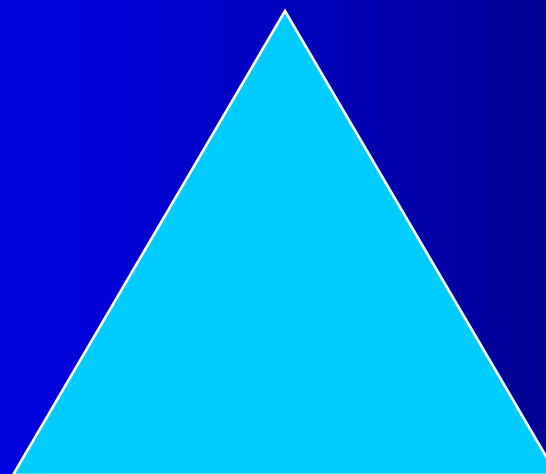
One time Revenues

Cyclical Revenues

Base Costs

One time Costs

Cyclical Costs



FY 2004 &
2005 2YB

Financial Policy Updates

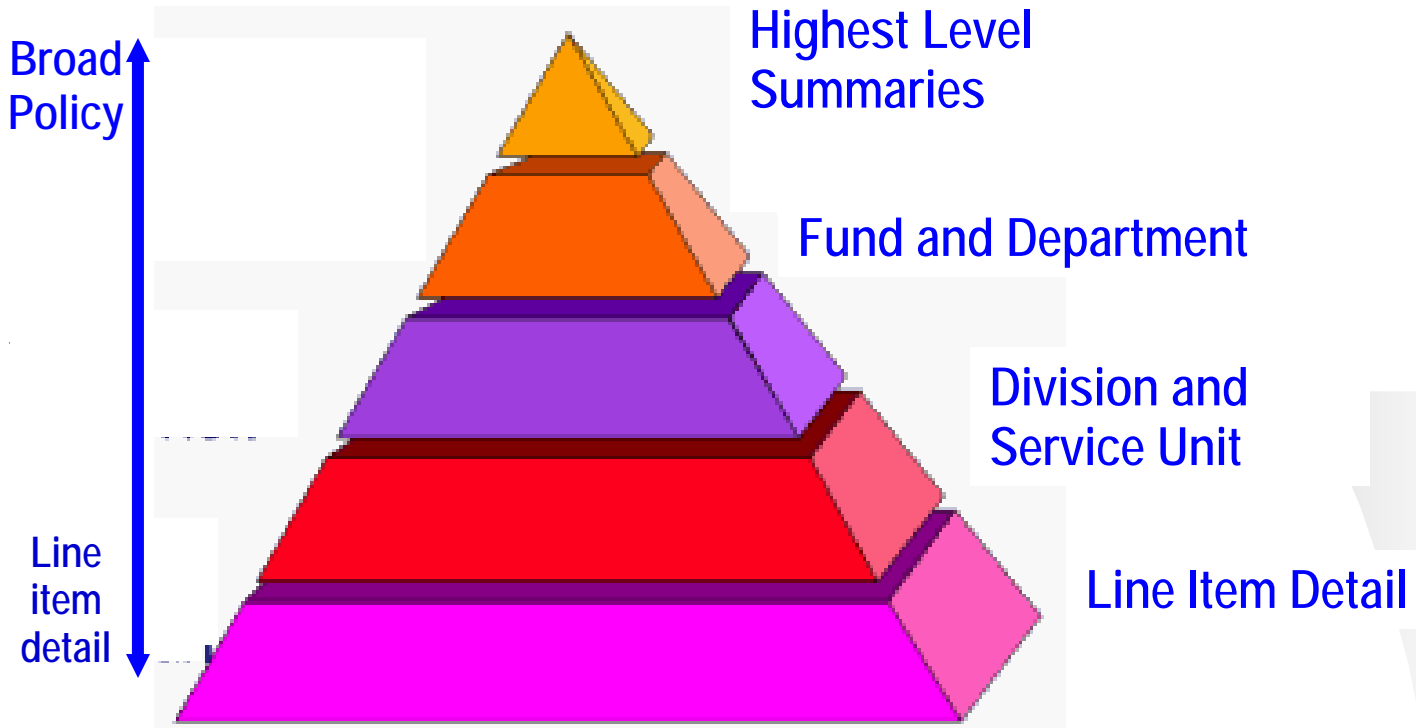
Approved May 6, 2003

- Budget Authority for Departments
- Chart of Accounts standards
- DFM Fiduciary Duty Responsibilities
- Quarterly Reports standards
- Rebudgeting at Year End standards
- Revenue Neutral Projects standards



FY 2004 &
2005 2YB

Budget Data Base reports and analysis



FY 2004 & 2005 2YB

Example: General Fund Travel/Training

	2001	2002	2003	2004	2005
Travel	383.9	395.0	432.5	340.6	342.2
Training	249.2	189.6	212.5	207.0	204.3
City wide training	182.0	127.3	62.4	25.0	25.0
Process Improvement training	9.0	5.6	26.1	-	-
Total General Fund	824.1	717.5	733.5	572.6	571.5
Change from 03 adopted				(160.9)	(162.0)



FY 2004 &
2005 2YB

Economic Update

- John Church in February 2003 workshop:

“Most economists agree that [the recovery] will get into full swing in the last two quarter of 2003... unless...”

- War with Iraq
- Micron layoffs
- Other economic disruptions



Economic Update

- War with Iraq
- Micron layoffs
- Further corporate downsizing
 - Hiring freezes
 - Job, Salary and benefits cuts (“what happened to my paycheck?”)
- “Jobless recovery”



Is the recession over?

- Typically production increases, people go back to work, and then consumer and corporate spending lift the economy
- This time around, spending remained strong during the recession... unemployment remains very high



FY 2004 &
2005 2YB

Implications on Boise

- Uncertainty about the recovery locally
- Time for “forward looking caution”
- Boise’s strengths continue
- Efforts by major employers to reduce costs will continue
- Proceed conservatively fiscally

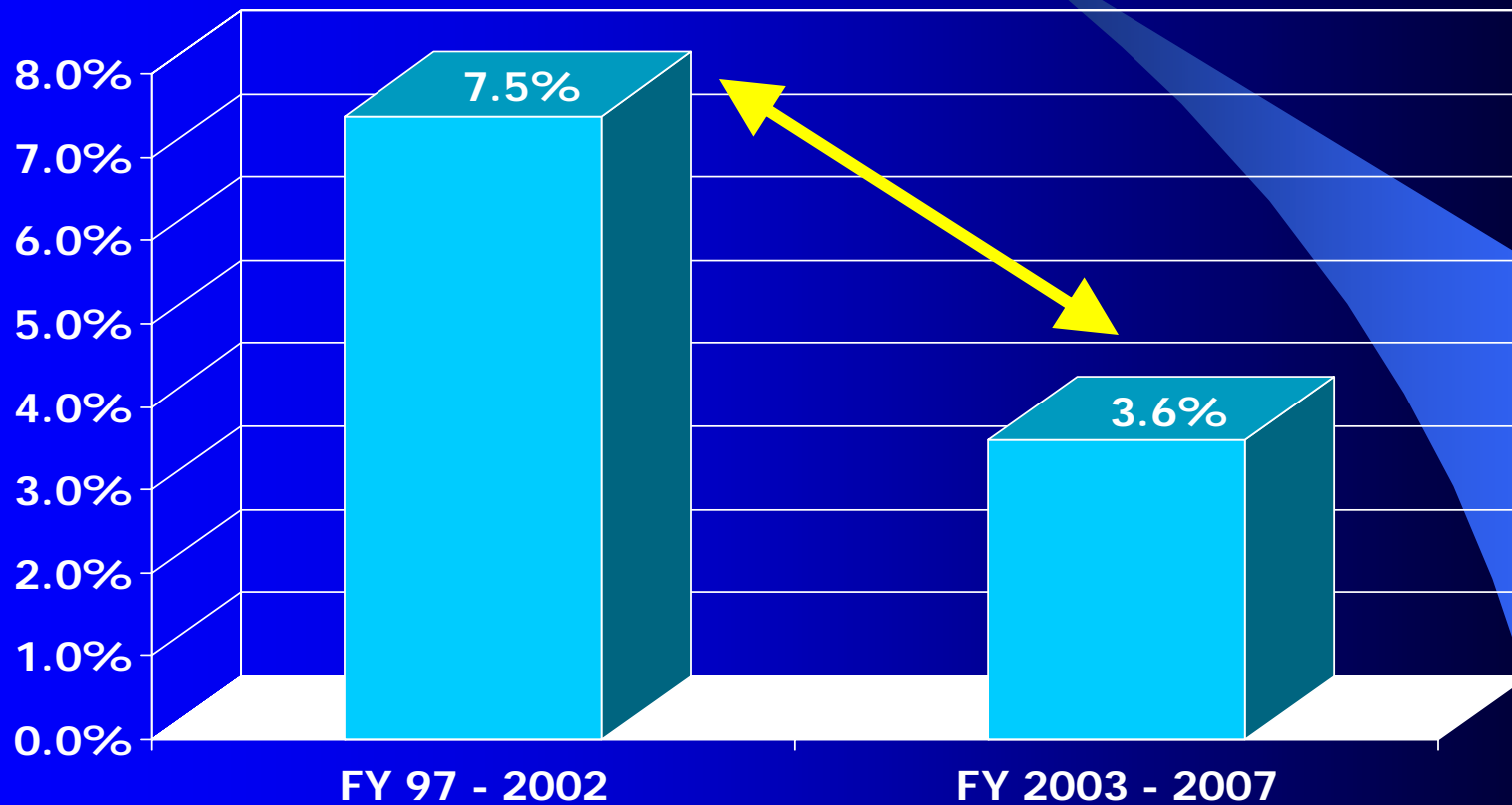


FY 2004 &
2005 2YB

Revenue Manual update

Changes since March 2003
Mayor's Recommended
Budget

Revenue growth



FY 2004 &
2005 2YB

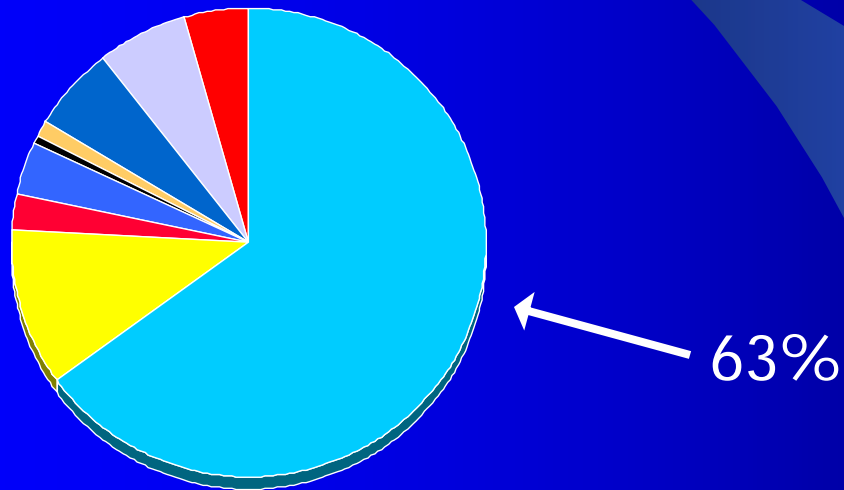
- Review of property tax
 - 63 % of General Fund resources
- Review of the “lesser eight”
 - 34 % of General Fund resources



FY 2004 &
2005 2YB

Revenue update highlights

Property Tax Heather Mink



Property Tax Issues

- Trend of increased numbers of Commercial valuation appeals
 - Qwest property tax appeal
 - Boise business?
- HB 302 – Burden of proof shift to the County Assessor
- HB 453 – Capital investment income tax credits shifted to property tax
- Judgment Levy decision



FY 2004 &
2005 2YB

Property Tax Projections

- Judgment levy = one time \$ in 2003 and shift of burden to other taxpayers
- New construction roll – key increase: valuation of \$224 million (slightly below estimate)
- Annexation revenue (“Enclave” annexation not included in base projections – pending decision by City Council



FY 2004 &
2005 2YB

Decision Point re Property Tax

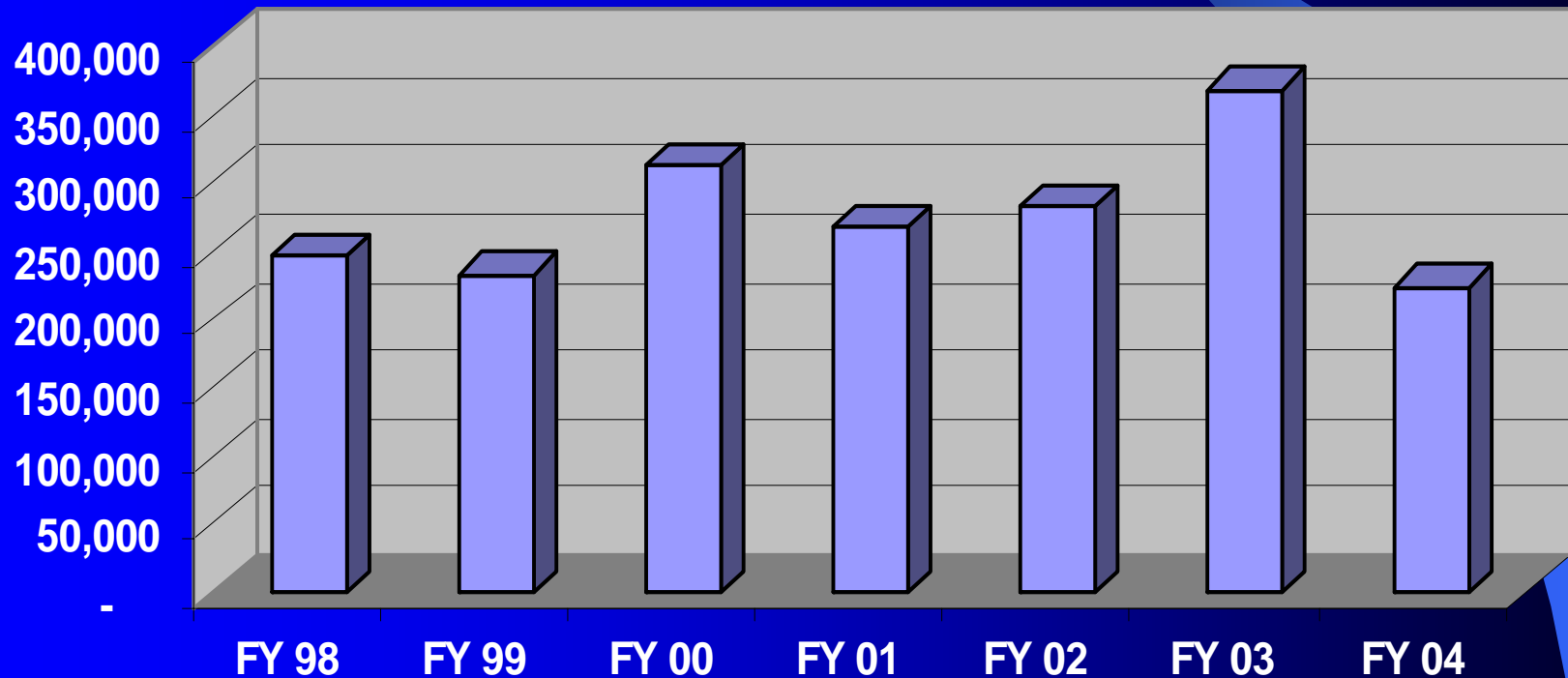
- Authorize a judgment Levy to recover lost FY 2003 property taxes? (Micron law suit)
 - City could levy in 2004 or later
 - Loss of the money in 03 – one time
 - Notice required of levy in Preliminary Approved Budget (could be noted as a contingency TBD)
 - Decision deadline is the 2004 tax levy date: September 4, 2003



FY 2004 &
2005 2YB

New Construction Roll

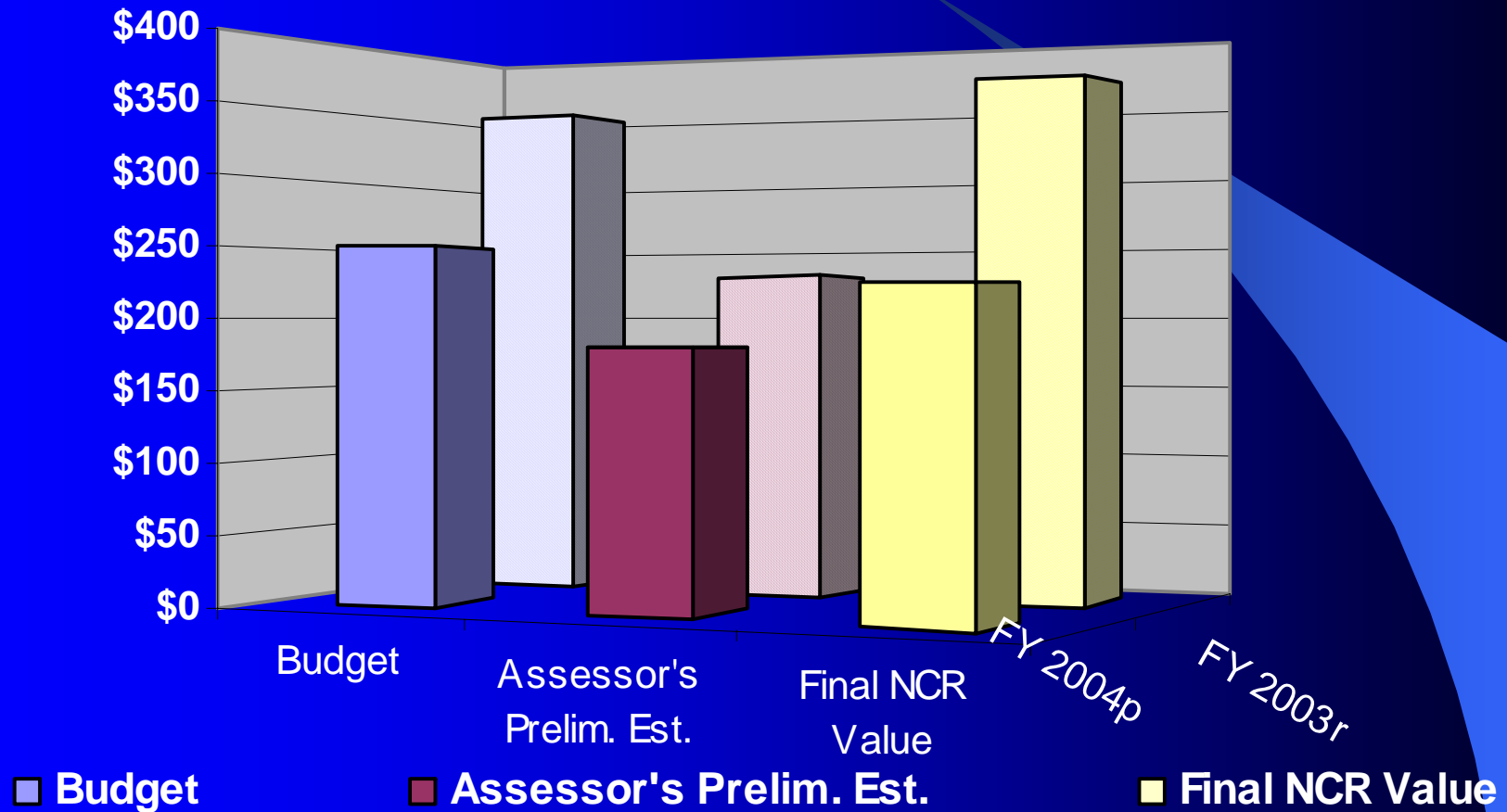
New Construction Roll Value (000s)
7-Year History



FY 2004 &
2005 2YB

New Construction Roll

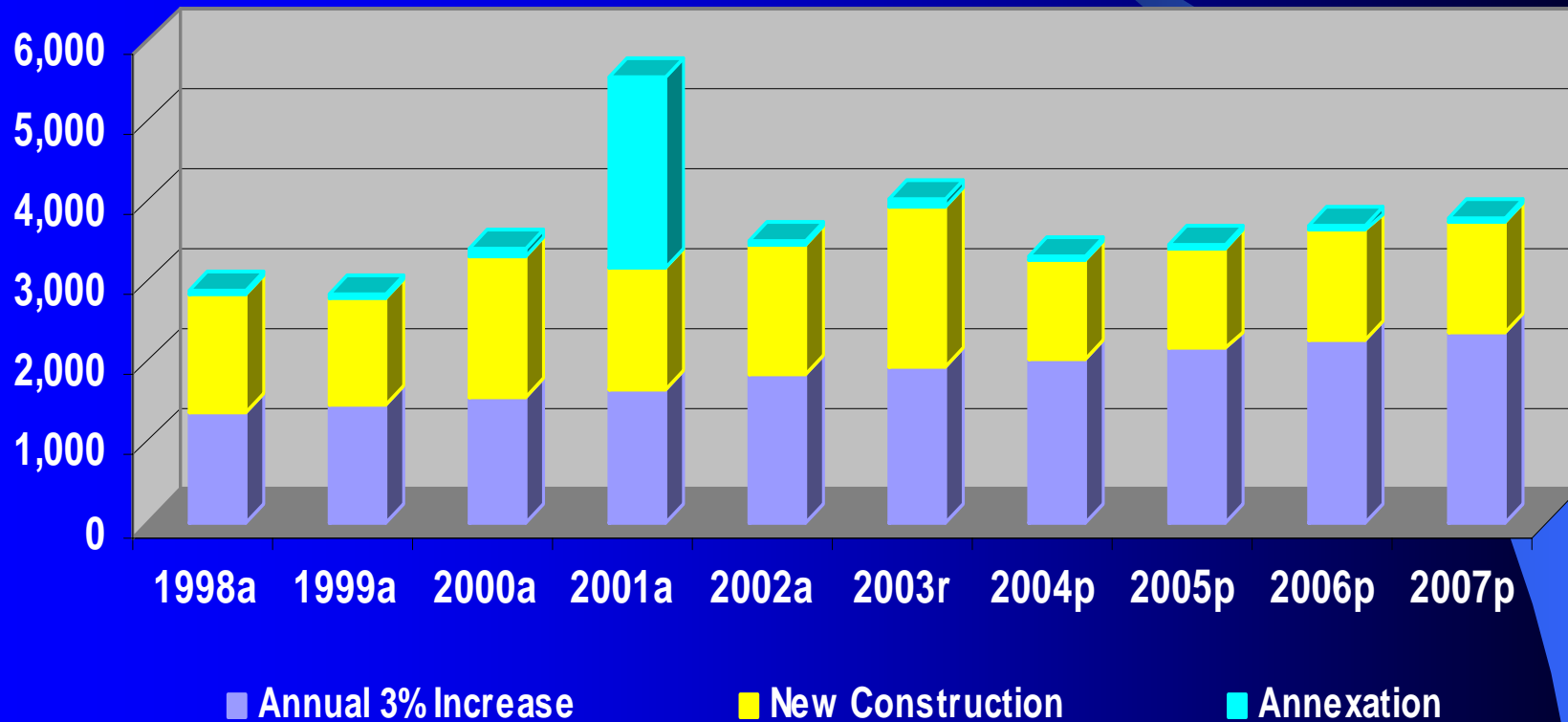
New Construction Roll Value (millions)



FY 2004 &
2005 2YB

Property Tax Increase

Property Tax \$ Increase (000s)



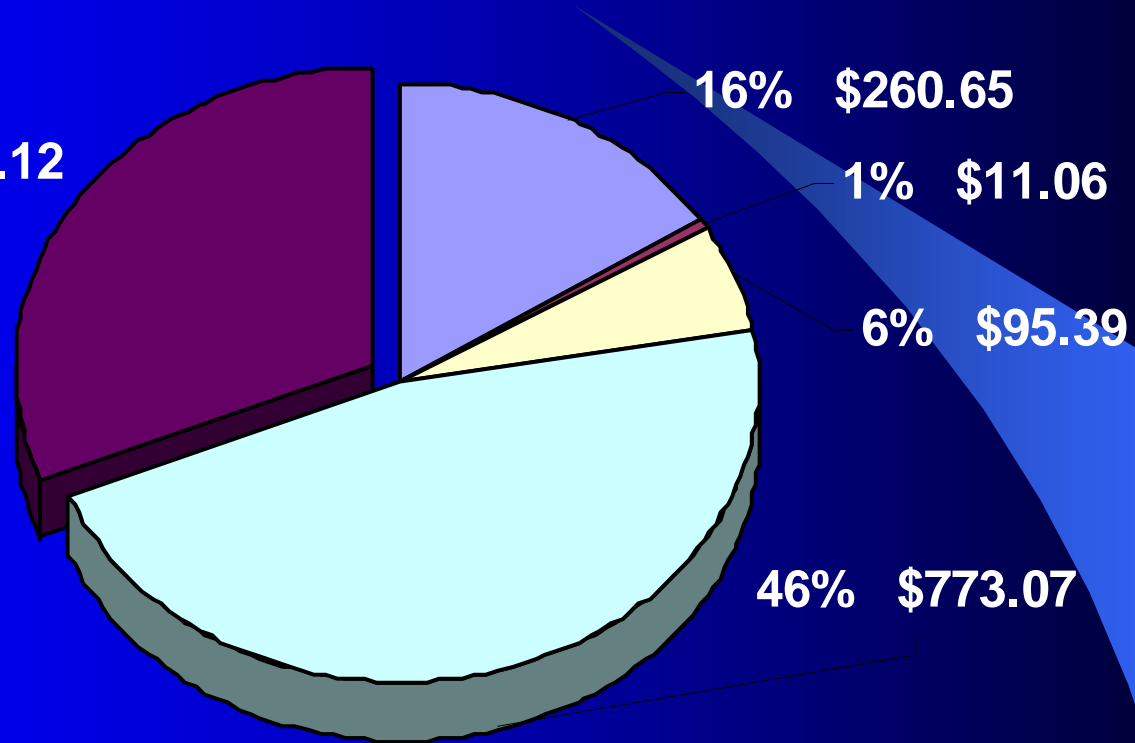
FY 2004 &
2005 2YB

Code Area 01 Tax Rates

FY 2004 - Code Area 01

Boise City

31% \$515.12



■ Ada County

■ EMS

■ ACHD

■ School District #1

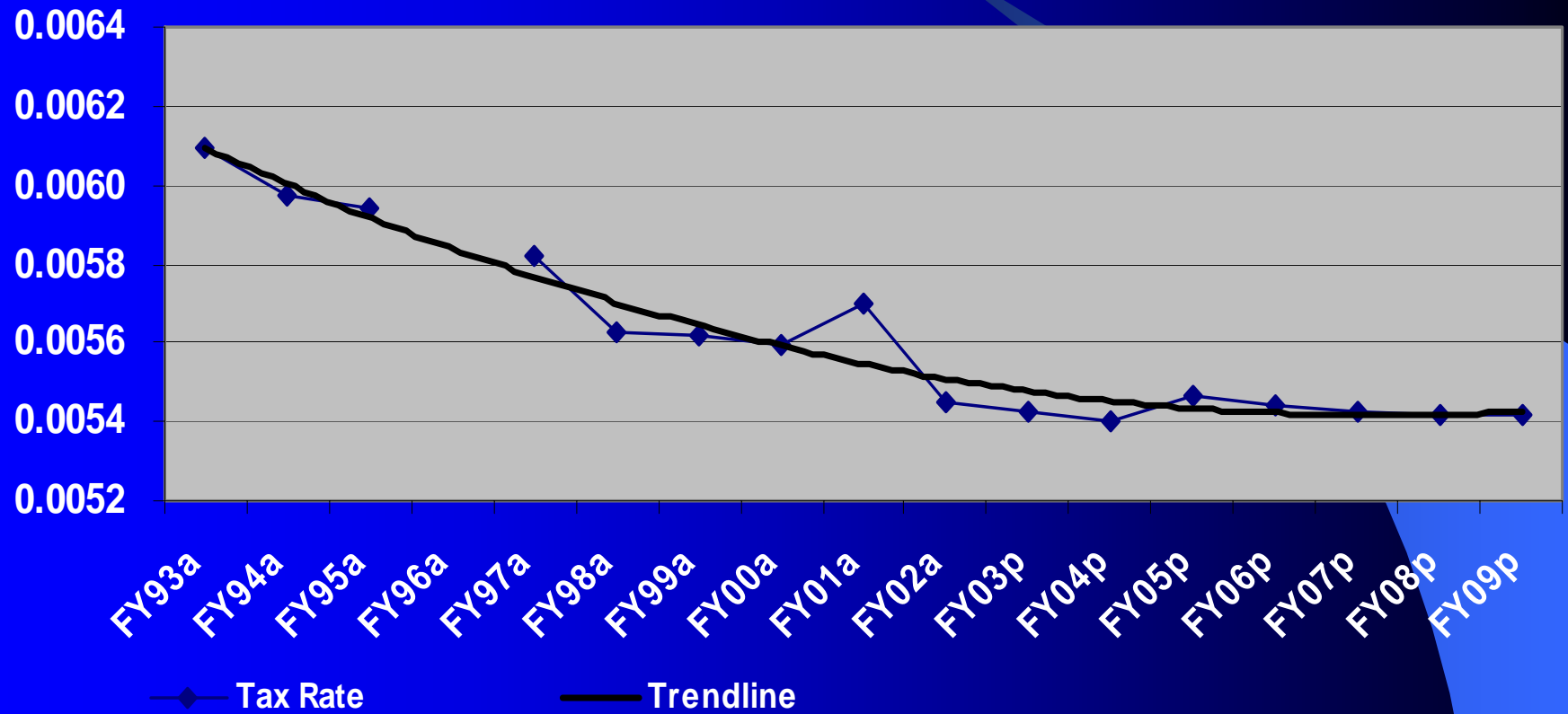
■ Boise City



FY 2004 &
2005 2YB

Tax amounts for a typical \$145,000 home (projected)

Boise City Property Tax Rate



FY 2004 &
2005 2YB

Average Homeowner's Property Taxes



Average Market Value of Residential	\$145,000
- less homeowner's exemption	(\$50,000)
Average Taxable Value	\$95,000

	FY 2003	FY 2004	FY 2004 + JL
Boise City Tax Rate	0.005422287	0.005400107	0.005400107
Foothills Tax Rate	0.00038965		
Micron Judgment Levy Rate			0.000172657
Total Tax Rate	0.005811937	0.005400107	0.005572764
Estimated Property Taxes			
Boise City	\$515.12	\$513.01	\$513.01
Foothills	\$37.02		
Judgment Levy			\$16.40
Total Property Taxes	\$552.13	\$513.01	\$529.41
		-7%	-4%



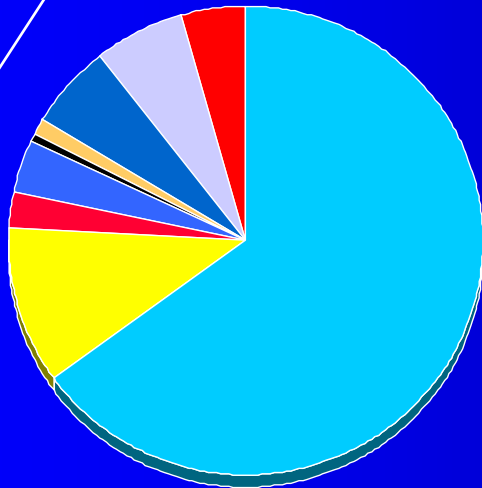
FY 2004 &
2005 2YB

Revenue update highlights

"The Lesser 8"

Tonya Wallace

34%



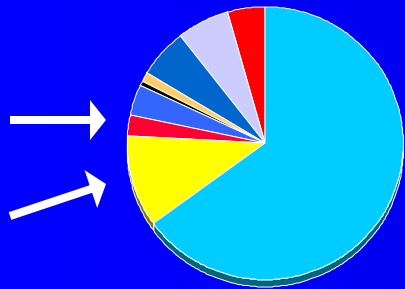
Revenue update highlights

- Sales Tax

- 10 % of General Fund revenue portfolio
- Sales tax revenue remains solid (4.7 % growth)
- 1% sales tax rate increase does not benefit Boise
- Cities escaped challenge in 2003 legislature

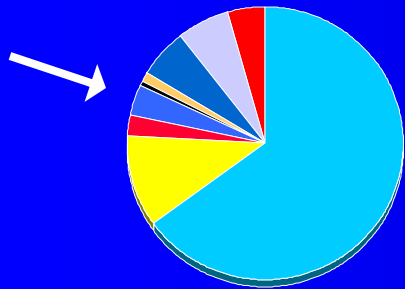
- Fines & Forfeitures

- 2.6 % of General Fund revenue portfolio
- Tickets/arrests growing
- Proceeds to Boise reduced by 11 % 2001 to 2002
- Projected to remain flat – lag ticket increases
- Proposed future study



Revenue update highlights

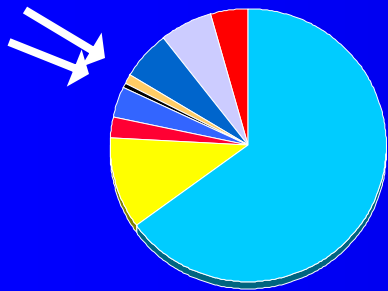
- Franchise Fees
 - 3.4 % of General Fund revenue portfolio
 - Excess rates being eliminated: gas and electric
 - Projections back to 2001 level
 - FCC ruling on cable services.
 - Gas franchise agreement renewal in FY 2006 (loss of \$890 annual base revenue)



FY 2004 &
2005 2YB

Revenue update highlights

- Interest Income
 - ½ % of GF revenue portfolio
 - Recovery anticipated in FY 2005 or earlier



- Liquor Tax
 - 1.1 % of General Fund revenue portfolio
 - No change from March projections

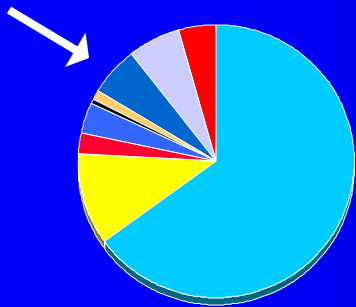


FY 2004 &
2005 2YB

Revenue update highlights

- User Fees

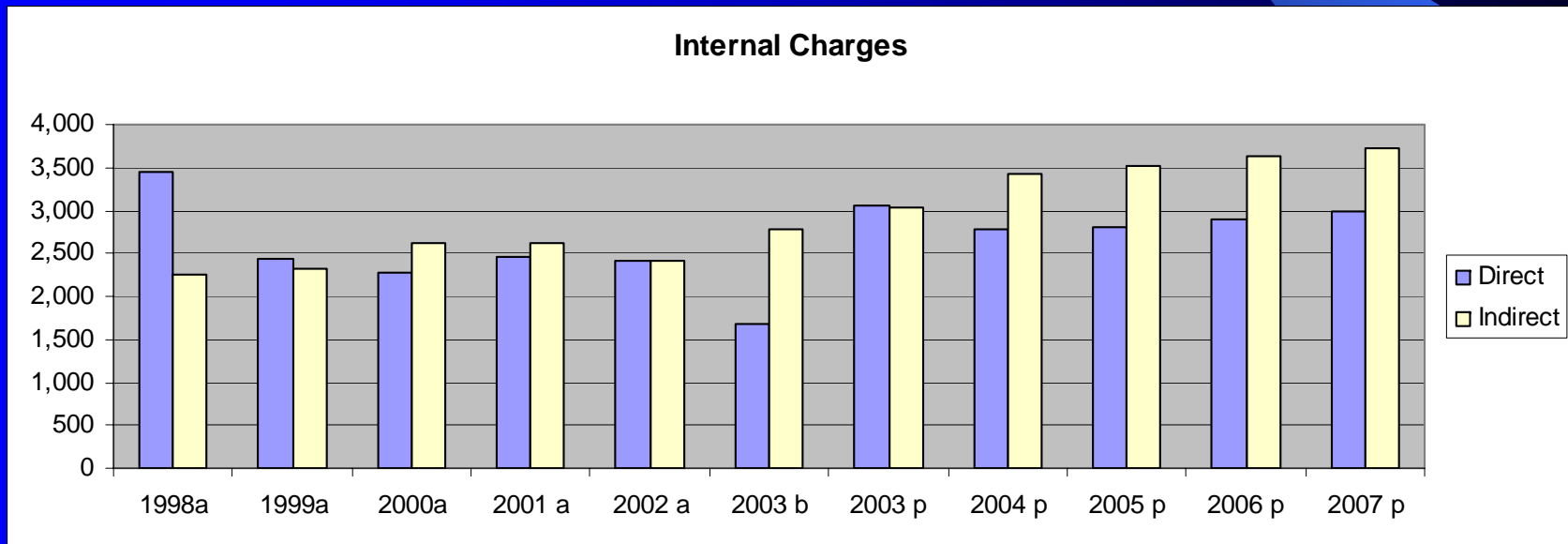
- 5.7 % of General Fund revenue portfolio
- Ultra conservative proposed amounts (department projections since February)
- \$342,000 less in FY 2004
- \$485,000 less in FY 2005
- Impact of the economy
- Swim fees: change in habits



FY 2004 &
2005 2YB

Internal Charges

- 5.8 % of General Fund revenue portfolio
- Statistical changes in the Indirect Plan
- Increased use of services by billed departments

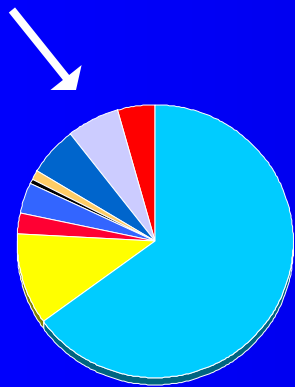


FY 2004 &
2005 2YB

Revenue update highlights

- User Fees

- 5.7 % of General Fund revenue portfolio
- Ultra conservative proposed amounts (department projections since February)
- \$342,000 less in FY 2004
- \$485,000 less in FY 2005
- Impact of the economy
- Swim fees: change in habits

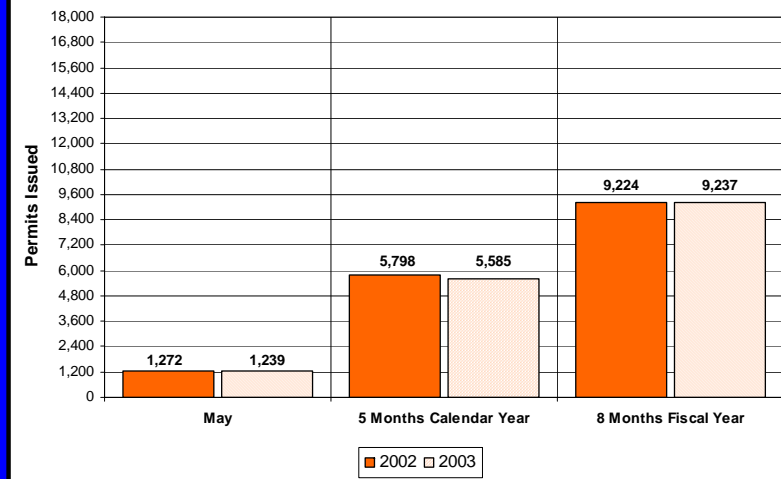


FY 2004 &
2005 2YB

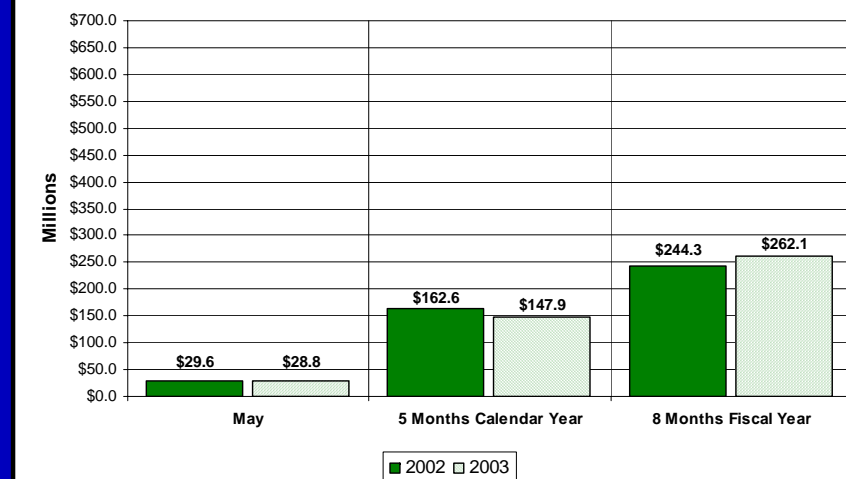
Development Revenue

- 4 % of General Fund revenue portfolio
- Down from 8 % in 2001
- Down \$1 million from 2003 budget
- Projected flat in the 2YB

May Comparison Permits Issued



May Construction Report



FY 2004 &
2005 2YB

Six Year Projections

- The community is growing - need for services indicators
- Cyclical revenue “bonus” is gone from the projections (development fees)
- Base spending must reflect base resources – 3.5 %
- Debt funded projects are a key to balancing the 2YB



FY 2004 &
2005 2YB

FY 2003 EOY Projected (000s)

General Fund unallocated savings	\$1,005,818
Capital Fund Morris Hill park	\$445,000
Department management target (allocated to balance)	\$850,000



FY 2004 &
2005 2YB

FY 2003 EOY Projection

- Will be balanced with savings
- Could achieve additional savings
- “Micron” judgment levy - \$2.3 million loss in FY 2003 property tax revenue
 - \$164 thousand is foothills levy money



Boise City 6 Year Projections: Decision points to balance the 2YB

June 13, 2003 (Mayor's Proposed Budget)	FY 2001a	FY 2002a	FY 2003p	FY 2004	FY 2005	FY 2006	FY 2007
Property tax	61,425	64,049	68,256	71,572	75,014	78,684	82,458
Decision point 1: Judgment levy							
Sales tax	10,378	11,153	11,353	11,637	11,936	12,354	12,786
Fines and forfeitures	3,272	2,899	3,308	2,973	2,977	3,010	3,043
Franchise fees (operating)	3,968	4,072	3,822	3,856	3,899	3,221	3,046
Decision point 2: Water Franchise Fee 1 % increase				Included in Decision point 6			
Interest income	1,080	546	550	570	710	724	739
Liquor Tax subvention	1,359	1,438	1,383	1,442	1,480	1,520	1,561
External user fees	6,081	6,351	6,627	6,483	6,545	6,741	6,943
Internal charges	5,073	4,829	6,073	6,534	6,639	6,839	7,044
Development fees	8,426	5,436	5,922	4,000	4,001	5,271	5,271
Other	4,733	4,568	4,144	2,934	2,251	2,755	2,713
Total General Fund Revenues	105,795	105,341	111,438	112,000	116,444	121,119	125,604
(increase over the prior year)	13.5%	-0.4%	5.8%	1.4%	3.1%	4.0%	3.7%

Boise City 6 Year Projections: Decision points to balance the 2YB

June 13, 2003 (Mayor's Proposed Budget)	FY 2001a	FY 2002a	FY 2003p	FY 2004	FY 2005	FY 2006	FY 2007
Decision point 1: Judgment levy							
Decision point 2: Water Franchise Fee 1 % increase				Included in Decision point 6			
Total General Fund Revenues	105,795	105,341	111,438	112,969	116,444	121,119	125,604
(increase over the prior year)	13.5%	-0.4%	5.8%	1.4%	3.1%	4.0%	3.7%
Costs							
Base Salary costs	47,758	51,657	55,193	56,194	56,205	57,405	57,405
Medical insurance costs (2003 costs)	6,015	6,667	8,038	8,430	8,412	8,412	8,412
Other benefits (base costs)	10,569	12,340	12,891	13,112	13,391	13,628	13,628
All Human Resources costs	64,342	70,664	76,122	77,736	78,698	79,445	79,445
Decision point 3: Compensation increase @ 15 % medical increase annually				948	2,353	3,491	5,178
M & O	31,955	28,993	28,657	25,149	24,878	25,376	25,883
Debt	4,339	2,524	4,872	5,122	5,599	5,602	5,602
BUS City subsidy	2,829	3,073	2,725	2,709	2,709	2,709	2,709
Decision point 4: BUS federal grant replacement				547	757		
Equipment	3,693	3,685	3,224	3,102	2,893	3,369	3,369
Decision point 5: Fire Equipment Bubble				357			
Decision point 6: Workload and service changes - NET	11,240	2,810		1,323	1,091	991	1,291
Decision point 7: Other Mayor recommendations				(45)	(34)		
Total General Fund costs	118,398	111,749	115,608	117,434	118,944	120,882	123,577
(increase over the prior year)	13.6%	-5.6%	3.5%	3.4%	1.3%	1.6%	2.2%
End of Year Operating Result	(12,603)	(6,408)	(4,170)	(4,464)	(2,501)	237	2,027
Capital (tax supported) Fund							
Electric Franchise Fees and Interest				1,275	1,305	1,331	1,358
Other Revenues	3693	3685	3224	5,291	5,278	5,385	5,494
Projects and all costs	11,357	3,731	3,224	6,566	6,583	6,716	6,852
End of Year Capital Result	7,664	46	0	0	0	0	0
End of Year Result (use of f/b)	(4,939)	(6,362)	(4,170)	(4,464)	(2,501)	237	2,027
Balancing actions in 2003 (February 18, 2003)			4,157				
5 % Cash Flow designation (Keep at 3.9 %)				340			
Decision point 8: Use 2YB one time money to reach 5 %					1,367	97	135
Decision point 9: Risk and Workers Comp reserves				200			
-			(13)	(5,004)	(3,868)	140	1,892
Delay police, library and fire projects							
Unallocated Funds				46	1,182	140	1,892
Unallocated total in 2YB					1,228		

Budget Guidelines

Approved March 4, 2003

- 98% personnel budgeting
- M&O and equipment targets
- Capital improvement projects
- Non-discretionary accounts
- Replacement & promotion pool for Police, Fire, and Legal



FY 2004 &
2005 2YB

Mayor Terteling-Payne's Budget Recommendations

- Structurally balanced (FY 2006 – 2009)
- Reserves are funded at policy levels
- Debt projects are delayed to 2006
- Fire ladder company delayed to 2006 or until \$977 is available in annual budget
- \$1.2 million in one time money in 2YB
- Decision points to be decided



Add 1 % Water Franchise Fee

- Public Works proposal
- Approval by City Council resolution
- 1 % available in 2004
- 1 % additional available two years later
- 1 % would produce about \$280,000
- City now funds ground water protection with general tax funds (pp 746, 752 and 762)



FY 2004 &
2005 2YB

Limit Compensation in order to balance the 2YB

- 15 % medical insurance increase = about 2.5 % of salary and benefits
- Fire contract extends to 2006
- Committee studying ways to protect medical benefit and contain costs
- Single largest impact on budget



FY 2004 &
2005 2YB

Fund Federal Bus Grant loss

- ValleyRide has pruned and tightened
- Shortfall is lower than March projections
 - \$547,000 in 04 and
 - \$757,000 in 05
- Funded in Mayor's Budget Recommendations through 2YB (only)
 - With proposed rate increase
 - "One time money" to bridge to 06



FY 2004 &
2005 2YB

Fund Fire “Equipment Bubble”

- Department Head(s) priority
- Vestige of current 2YB budget shortfall
- Fire tightened to \$357,000
- Consistent with City wide equipment replacement budget guidelines for all departments



FY 2004 &
2005 2YB

“BBAs” and other Changes

- See Mayor’s budget recommendations detailed “specific recommendations”
- Funded amounts for BBAs shown on schedule (page B – 3 to 7 revised)
- Meet service workload needs



Reserves

- 5 % "cash flow and debt service flexibility account" completed in 05 (one year early)
- Risk reserve at 90 % target
- Workers compensation on path



Delay of debt funded projects to cover shortfall

● Library branch operations	\$1.40
● Fire ladder company	.98
● Police facility M & O	.17
● Debt service total	<u>2.50</u>
Gain from delay in 04 & 05	\$5.05



Recommended allocation of One time money

- Hollandale cooperative fire station (Interagency agreement) \$683k
- Buy down Aquatics Center and other taxable debt (free up base money) \$1.5m
- Institutional Network \$1.6m
- Early hiring of the 3rd fire ladder truck company \$977k



FY 2004 &
2005 2YB

Projected tight budgets in 6 year planning window

- Without changes in revenue portfolio, Boise will have a tight (tighter?) budget in 06 than in 04/05 2YB
- Compensation increases are not included in 06 and 07
- Only \$140,000 unallocated in 06 (0.1% - essentially rounding error)

