

OPERATING AND CAPITAL FUNDING SITUATION ASSESSMENT

CITY OPERATING COSTS AND REVENUES

This analysis describes how the City's fiscal future might look based on the current state of the City, recent historical trends, and likely future growth and development if no significant changes are made to the City's tax and service delivery policies. In that sense it is a no-action scenario indicating what would happen if the City took no measures to more actively manage potential changes in its financial position.

Given Washington State's tax structure, cities across the state face a structural challenge in which their costs are increasing at a faster pace than their revenues. Therefore, the forecast for any city in the State would likely indicate that at some point in the future the city's expenses will exceed its revenues. The important questions are not *whether* this will happen, but *when*, with more fiscally healthy cities not facing this challenge for some period of time, and *what measures a city will take* to balance its revenues and expenditures.

This analysis includes two separate projections to account for the uncertainty around the future development of the Tukwila South Project, which will significantly impact the City once it develops.

1. **Baseline Outlook.** This look-ahead presents the baseline outlook for the City, estimating how its core operating costs and revenues will likely evolve from its existing base. This baseline forecast does not include development of the Tukwila South Project, but does include other prospective changes coming up for Tukwila:
 - a. **Two upcoming annexations**, including one small area that only includes about 15 homes, which will be done through an interlocal agreement, and a slightly larger annexation in the North Highline area that will encompass approximately 135 acres of both residential and industrial land. While these annexations are not certain, they will have minimal impacts on the City's future fiscal situation whether or not they occur.
 - b. **Development of Tukwila Village.** The Tukwila Village Project is on schedule to be developed within the next few years, with the first phase open by the end of

2014 and the second phase open by the end of 2015. The baseline outlook includes the projected cost and revenue impacts of this project.

2. **Impacts of the Tukwila South Project.** This look-ahead estimates how the planned buildout of the Tukwila South Project would change the City’s core operating costs and revenues over time. Given the uncertainty surrounding the timing of this development, this analysis presents a few different development scenarios. This analysis is based on the 2008 study conducted for Segale Properties, and has been updated to current dollars and to reflect changes in the City’s tax policies.

Additional notes:

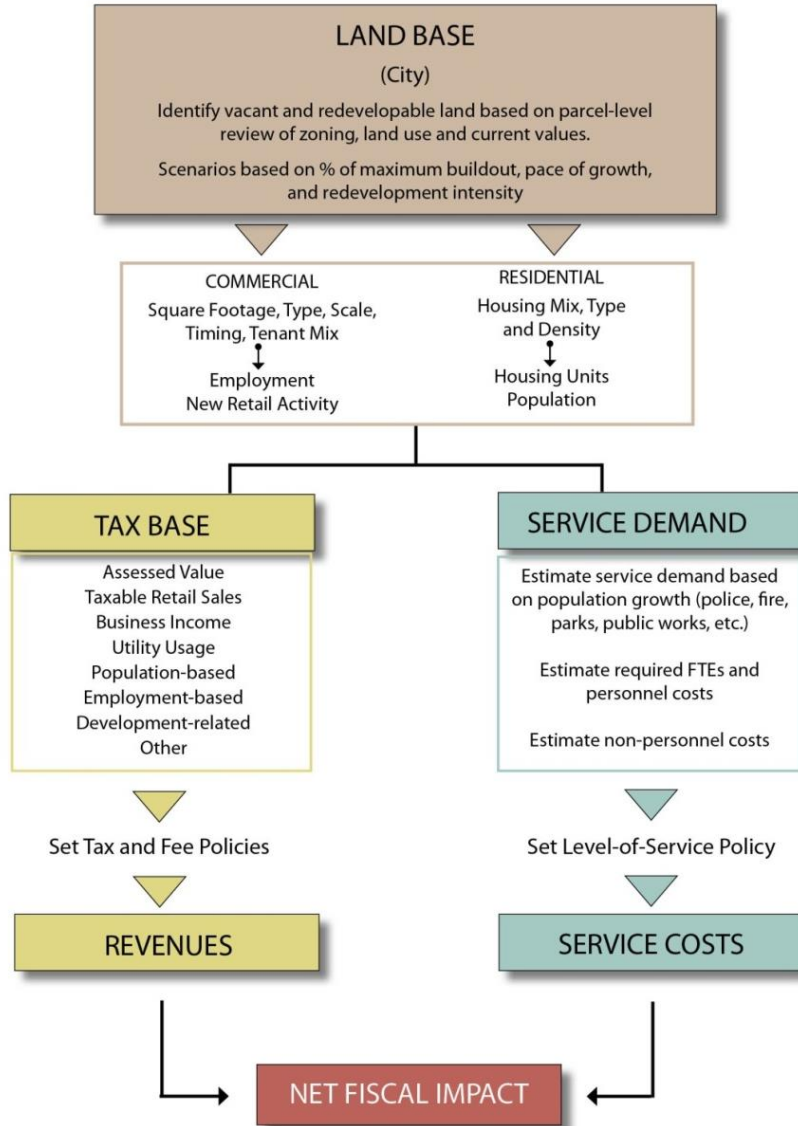
The fiscal analysis is based on 2012 budgeted expenditures, revenues, and tax and fee structures, as provided by the City’s Finance Department.

This section isolates Tukwila’s core operating costs and revenues – the components of the City’s budget that are funded through general tax and fee revenues through the General Fund. This analysis does not include utility enterprise funds, and funds for capital are analyzed separately beginning on page 11.

FISCAL BALANCE FRAMEWORK

A city’s long-term fiscal sustainability challenge is to balance land use, fiscal policies, and effective delivery of municipal services. The graphic in **Figure 1** represents our approach to land-based fiscal analysis. Factors in the land base such as population, employment, and commercial activity drive both the demand for services and the tax base in the model.

FIGURE 1 DESCRIPTION OF OUR LAND-BASED FISCAL ANALYSIS APPROACH



BASELINE OUTLOOK

Note: The projections in this section include prospective small annexations and development of Tukwila Village. They do not include impacts from possible development of the Tukwila South Project, which are addressed beginning on page 11.

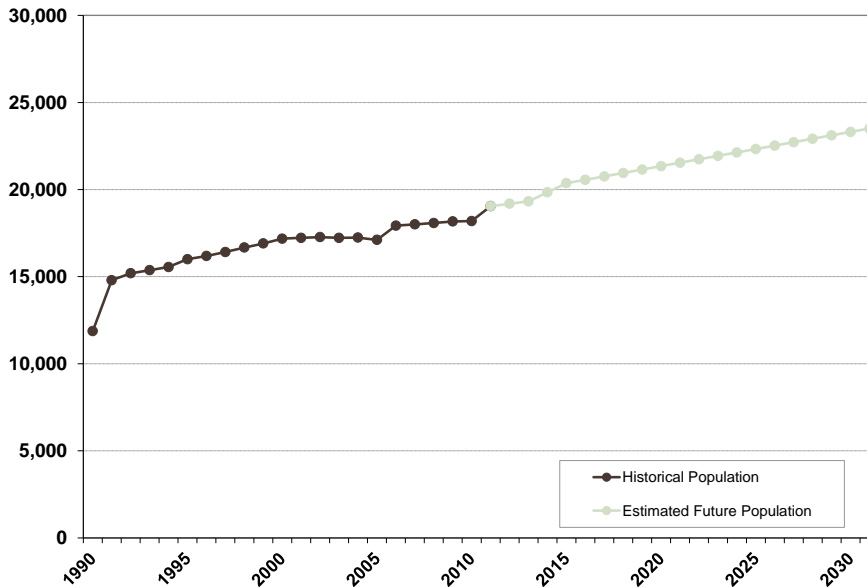
Below, we describe the following key assumptions that drive the model:

- Baseline Population and Employment Growth
- Baseline Development Assumptions
- Baseline Budget Assumptions

BASELINE POPULATION AND EMPLOYMENT GROWTH

The population growth rate serves as a primary driver for revenue and cost estimates for the City going forward. The employment growth rate, in combination with the population growth rate, drives revenues related to business licenses and utility taxes, among other drivers. Population and employment growth rates in the model are based on development assumptions and are similar to Puget Sound Regional Council's (PSRC) estimated population growth for the City from 2010-30.

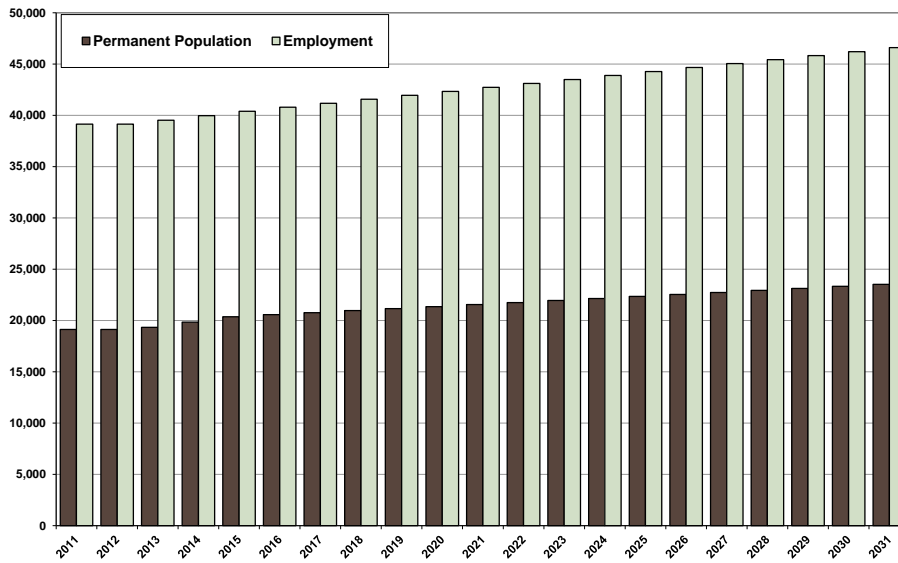
FIGURE 1 – HISTORICAL AND PROJECTED BASELINE POPULATION



Source: Washington State Office of Financial Management, 2012; and BERK, 2012.

- Since 1990, the City of Tukwila's annual average population growth (without annexations) was about 0.9%.
- Development and growth assumptions yield an estimated average annual growth rate of about 1.1% for the 20-year period from 2012-31.
- Estimated employment growth over the next 20 years is also estimated to average about 1.0% per year.

FIGURE 2 – PROJECTED BASELINE POPULATION AND EMPLOYMENT



Source: BERK, 2012.

BASELINE DEVELOPMENT ASSUMPTIONS

Buildout assumptions have been chosen to calibrate with PSRC’s population and employment forecasts as well as historic development trends and permit activity in the City of Tukwila. The model allows the flexibility to test the fiscal impact of alternative development assumptions, including more or less total development, type of development, and timing of development if the City would like to understand how different scenarios would impact its future fiscal situation.

- Development capacity assumptions are based on the King County Buildable Lands Report, last updated in 2007:
- Residential unit capacity is estimated directly in the report.
- Commercial capacity is estimated as land area, which is converted to building capacity using Floor to Area ratios (FAR) of 0.33 for commercial and 0.57 for industrial. These FAR are based on realized FAR from 1996-2005.

Figure 3 and **Figure 4** summarize the development projections being used for the baseline fiscal analysis.

- By 2033, the analysis assumes that about 95% of single-family (SF) housing capacity and 50% of multi-family (MF) housing capacity will be developed. This results in an average of slightly over 50 units per year of each type.
- By 2033, this analysis assumes that about 70% of available commercial capacity and 80% of available industrial capacity will be developed, resulting in 66,000 new square feet of commercial space per year and about 225,000 new square feet of industrial space annually.

FIGURE 3 – BASELINE HOUSING UNIT CAPACITY AND ASSUMED PACE OF DEVELOPMENT
 (EXCLUDING POTENTIAL DEVELOPMENT OF TUKWILA SOUTH)

	Total HU Capacity	% Buildout at 2033	HU Added through 2033	Avg Units per Year*
Baseline Forecasts				
SF Housing Units	1,200	95%	1,100	50
MF Housing Units	1,600	50%	800	55

* MF Housing Units per Year includes development of Tukwila Village apartments.

Source: King County Buildable Lands Report, 2007; and BERK analysis, 2012.

FIGURE 4 – BASELINE COMMERCIAL AND INDUSTRIAL BUILDING CAPACITY AND ASSUMED PACE OF DEVELOPMENT
 (EXCLUDING POTENTIAL DEVELOPMENT OF TUKWILA SOUTH)

	Total Capacity (SF)	% Buildout at 2033	SF Added through 2033	Avg SF per Year	% Distribution (commercial)
Baseline Commercial					
Retail	1,414,000	70%	990,000	45,000	70%
Office	505,000	70%	353,000	17,000	25%
Other Commercial	101,000	70%	71,000	3,000	5%
Total Commercial	2,020,000	70%	1,414,000	66,000	100%
Baseline Industrial					
Industrial	6,173,000	80%	4,939,000	224,000	N/A

Source: King County Buildable Lands Report, 2007; and BERK analysis, 2012.

2012 BUDGET SOURCES AND USES

Figure 5 summarizes the City’s budgeted 2012 General Fund revenues and expenditures. The Baseline Projections on the following page are based on these 2012 budget numbers and projected forward using estimated future population, employment, and commercial activity and the City’s current tax structure.

FIGURE 5 – SUMMARY OF 2012 BUDGETED GENERAL FUND REVENUES AND EXPENDITURES
 (MILLIONS OF DOLLARS)

REVENUES

EXPENDITURES

Revenue Source	2012 Budget Amount	Expenditures by Department	2012 Budget Amount
Property Tax	13.87	City Council	0.27
Retail Sales and Use Tax	14.41	Mayor's Office	2.52
State Sales Tax Mitigation	1.20	Human Resources	0.57
Natural Gas Use Tax	0.28	Finance	1.60
Criminal Justice Sales Tax	0.36	Legal	0.54
Utility Taxes	6.36	Parks & Recreation	2.53
Admissions Tax	0.65	Community Development	2.68
Other Taxes (excise, penalties, etc.)	2.64	Court	0.99
Total Taxes	39.78	Police	14.06
Business Licenses and Permits	2.78	Fire	10.23
Building Permits and Fees	1.10	Information Technology	1.15
Total Licenses & Permits	3.88	Public Works	3.61
General Government	0.06	Parks Maintenance	0.94
Security	0.51	PW Street Maintenance	2.68
Engineering Services	0.06	Non-Departmental	8.00
Transportation	0.16	TOTAL EXPENDITURES	52.39
Plan Check and Review Fees	0.86		
Culture and Rec Fees	0.61		
Total Charges for Service	2.26		
Fines and Penalties	0.21		
Intergovernmental	2.86		
Miscellaneous	1.90		
Transfers-In	1.87		
TOTAL REVENUES AND TRANSFERS	52.77		

Source: City of Tukwila 2011-2012 Adopted Budget; BERK, 2012.

BASELINE PROJECTIONS OF REVENUES AND EXPENDITURES

FIGURE 6
 CITY CORE REVENUES
 OVER TIME
 (IN 2012 DOLLARS)

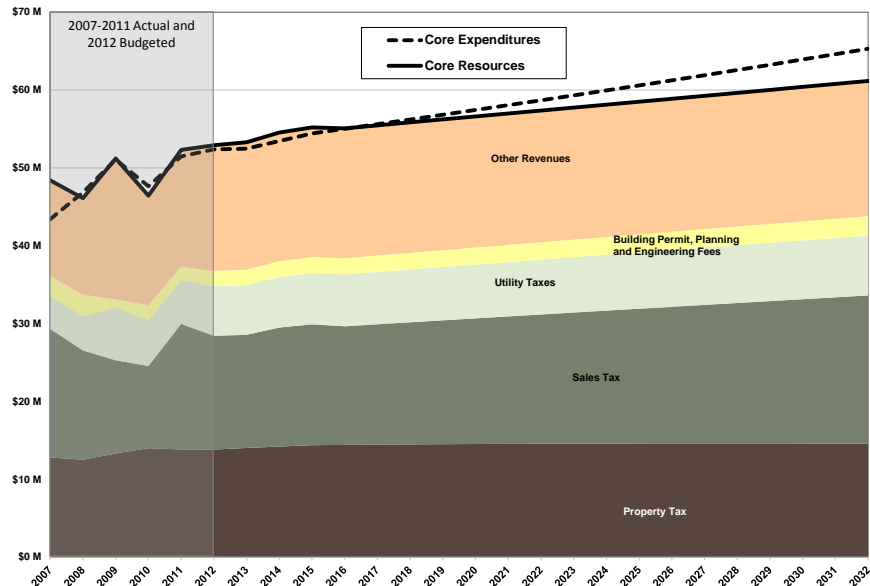
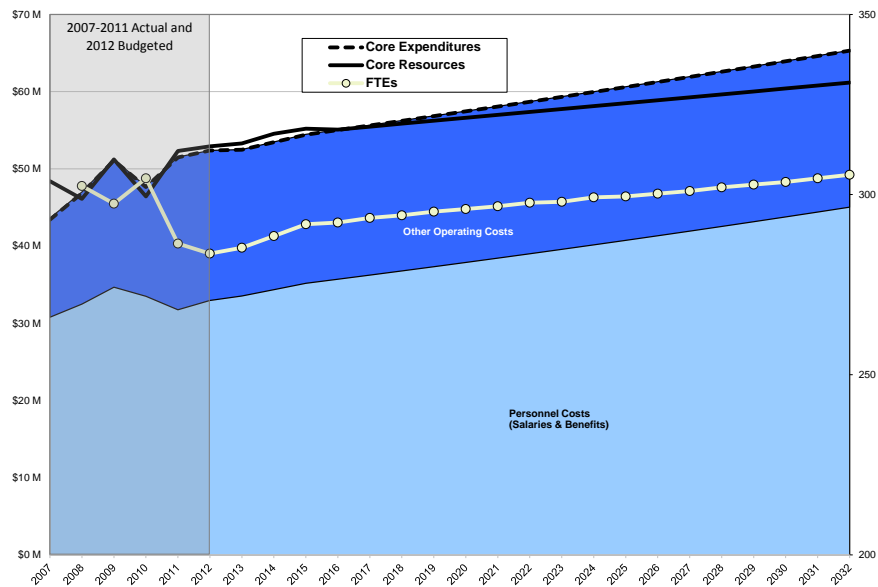


FIGURE 7
 CITY CORE EXPENSES
 OVER TIME
 (IN 2012 DOLLARS)



- From 2007-11, General Fund revenues grew by just less than 2.0% annually when adjusted for inflation.
 - Sales tax revenue declined from 2007-10, but increased in 2011 and is expected to grow going forward.
 - Sales tax revenue has been impacted over the last few years by destination-based sales tax policies (sales tax streamlining), the economic recession, and changes in exemptions at the state level. Sales tax mitigation from the move to destination-based sales tax began at the end of 2008.
 - The City helped make up for losses in sales tax and other revenues affected by the recession by raising existing utility taxes and instituting interfund utility taxes.

Without these increases in utility taxes, revenue growth would have only been about 1.4%

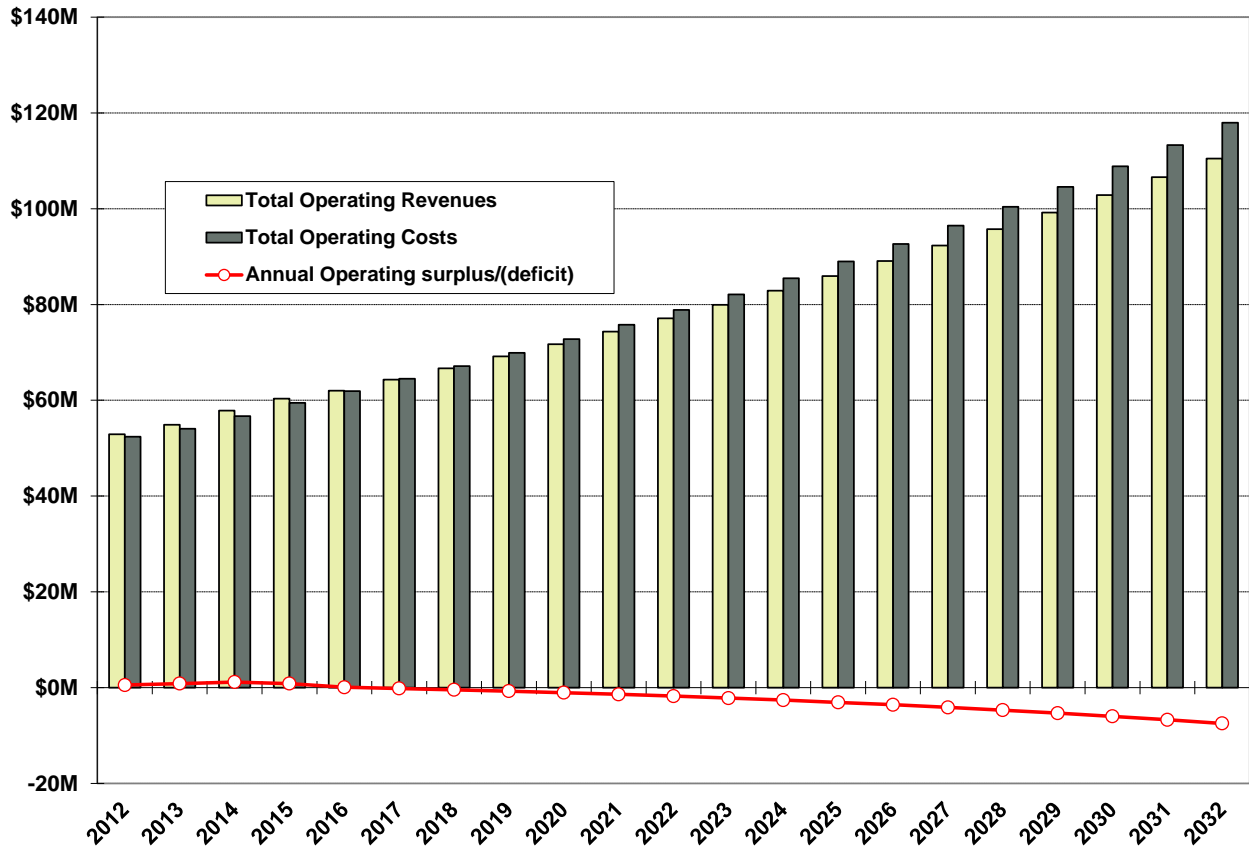
- Going forward, property taxes will continue to be limited by Initiative 747, which restricts growth to 1% plus the addition of new construction.
- There will likely be a one-time bump in sales tax from new construction for Tukwila Village in 2014-15.
- The City's personnel costs going forward are estimated to grow slightly faster than the rate of inflation. The City is in a relatively good position compared to other cities; since it is self-insured it can help control the cost of rapidly increasing healthcare that has seen benefit rates skyrocket in recent years in most cities.

NET BASELINE PROJECTIONS

Assuming no changes in fiscal policies, Tukwila is expected to face budget deficits in the coming years. This finding is consistent with most other cities in Washington State, and is related to a structural imbalance between the way that costs and revenues are able to grow. Much of this imbalance is related to the limits of Initiative 747, which caps growth in property tax revenues at 1% per year, plus revenue from new construction.

With this major revenue source capped at 1% increase per year, and with costs that tend to escalate at levels at least equivalent to inflation, cities across the state are facing the reality of costs that grow faster than their revenues. To address this challenge, local governments must make tough choices involving either increases in revenues, cuts in costs, or both to maintain fiscal balance. **Figure 8** shows the future outlook for Tukwila.

FIGURE 8 NET FISCAL BASELINE (IN YEAR OF EXPENDITURE DOLLARS)



Note: revenues and costs do not include beginning or ending General Fund balance.

- Core operating cost growth is estimated to outpace revenue growth over the long-term, resulting in a deficit within the next five years if the City does not make changes to revenue policy or levels of service.
- From 2007-11, core revenues increased at about 5.0% per year. Future projections estimate annual revenue growth of about 3.75%.
- From 2007-11, core expenditures increased by about 7.5% per year. Future projections estimate annual cost growth of about 4.1%.

TUKWILA SOUTH IMPACTS

The Tukwila South Project will encompass about 500 acres of land along the Green River at the south end of the City. The project is likely to add about 10 million square feet of occupied space, including a mix of office space, residential, retail, and hotel. The development timeline for Tukwila South is currently uncertain due to many factors, including:

- Length of time it will take to complete the cut and fill process and infrastructure improvements that will make the site ready for build.
- The state of the economy: how quickly the economy recovers will dictate when there will be new demand for large-scale development.
- Potential FEMA regulations that will reduce the total buildable area of the Tukwila South site as it relates to the Green River flood plain.

A project of this magnitude will significantly alter the tax base and cost structure of the City, and increase population and employment projections.

FISCAL IMPACT OF DEVELOPMENT

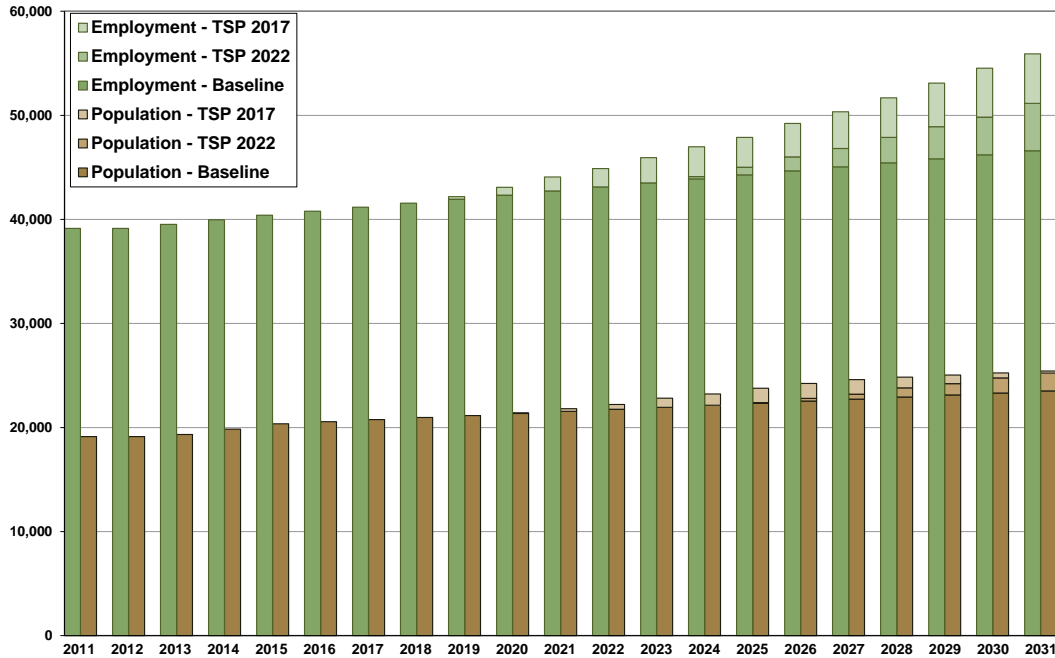
A full analysis of the impacts of Tukwila South was not within the purview of the strategic planning process. Instead, this analysis provides an update of a thorough cost and revenue analysis completed by BERK for Segale Properties in 2005, with updates in 2008.

Key assumptions include:

- The project will include about 10.3 million square feet (sf) of development, including 8.6 million sf of commercial space and 1.7 million sf of residential.
 - Commercial development will include research and office space, retail, restaurants, and hotels.
 - Residential development will include condominiums and apartments.
- At full buildout, the project would support about 3,200 additional residents and 23,000 additional jobs.
- This analysis presents two scenarios: one where development begins five years from now (2017) and one where it begins ten years from now (2022) to provide a range of impacts that this project could have on the City.
 - Phasing assumptions used in the original analysis assume a full development timeline of approximately 30 years once construction begins, with development spread fairly evenly over the first 20 years and then slowing down for the final 10.

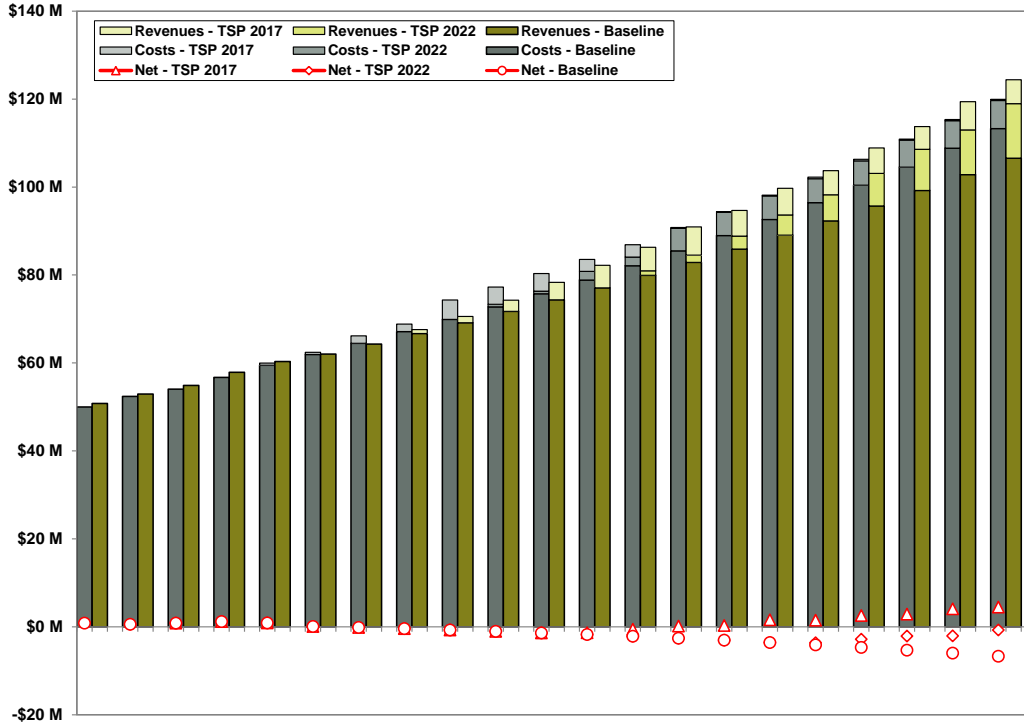
To support the strategic planning process, this analysis summarizes the potential revenue and cost findings from the previous Tukwila South study, updated for 2012 dollars and for a more realistic timeline.

**FIGURE 9 – ESTIMATED FUTURE POPULATION AND EMPLOYMENT
 (ASSUMING TUKWILA SOUTH BEGINS CONSTRUCTION IN 2017)**



- If Tukwila South construction began in 2017, it would add approximately 2,000 new residents and 9,500 new jobs by 2031.
- If Tukwila South construction began in 2022, it would add approximately 1,700 new residents and 4,500 new jobs by 2031.

FIGURE 10 – ESTIMATED NET FISCAL IMPACT INCLUDING TUKWILA SOUTH



Source: City of Tukwila, 2008; BERK, 2012.

- In the long-term, the revenues from Tukwila South will outweigh the operating costs to the City and provide a net operating surplus.
 - While there will be larger start-up costs at the beginning of the project that will not be fully covered by increased taxes, the Developer Agreement will require the developer to pay the City to mitigate any deficits, thus rendering the short-term impact neutral.
 - The project will begin to have a net benefit to the City’s operating costs and revenues about 5 years after construction starts.
- The project may also generate capital costs to the City. These costs could be covered by the additional Real Estate Excise Tax generated from property sales within the development, as well as bonding against future revenue increases.

FISCAL POLICY OPTIONS

This baseline estimates the City’s future fiscal health under a “no action” scenario. In reality, the City has many choices and policy levers at its disposal to balance expenditures and revenues that fall in the following broad categories:.

- Revenue-focused strategies
 - Economic development.
 - Taxes, fees, and other revenue-generating tools.

- Cost-focused strategies
 - Increased efficiency of operations (cost containment).
 - Strategies to keep personnel cost growth in line with inflation over time.
 - Decreases in level of service.

In addition to these options, the City has many options to reprioritize spending by shifting General Fund resources among the uses shown in **Figure 6**.

CAPITAL FACILITY FUNDING ASSESSMENT

INTRODUCTION

The purpose of this assessment is to describe how the City of Tukwila currently funds its capital program by looking at the revenues and expenditures on capital projects for the 2013-2018 six-year Capital Improvement Plan (CIP). One of the goals of the Facilities Needs Assessment and Feasibility Study is to develop a shared understanding of how the City's facility needs fit within broader capital needs over the next 20 years and to identify potential funding scenarios that would ensure the priority facility projects can be funded in a timely manner. This document begins that conversation by providing an understanding of what tools the City has available to fund its capital facilities, and the costs, revenues, and unmet need over the adopted 6-year CIP planning period.

REVENUE SOURCES

This section describes the funding sources used by the City to pay for capital projects. Some revenues are specific to certain types of infrastructure, while others can be used on any type of capital expense.

TRANSPORTATION RESTRICTED REVENUE SOURCES

- **State Motor Vehicle Fuel Tax.** Counties and cities receive a portion of the State Motor Vehicle Fuel Tax (MVFT) based on a reimbursement formula. These funds are collected from people who purchase gas and are presumably users of the road system, and are used to pay for improvements that benefit those users.
- **State Grants.** Grants are an important funding source for transportation capital projects; however, these funds are distributed in a competitive process making it difficult to determine future grant funding levels. State grants are primarily funded with the state-levied portion of the MVFT, which is paid by anyone purchasing fuel in the state. Availability of state grants for transportation is limited, as there are more requests for grants than there are available funds in any given year. Additionally, MVFT revenues are trending downward per capita over time.

Federal Grants. Federal transportation grants are funded through the federal portion of the fuel excise tax. The federal gas tax rate has fluctuated between \$0.183 and \$0.184 per gallon since 1994. The majority of these funds are deposited into the Highway Trust Fund and disbursed to the states through the Highway and Mass Transit Accounts. The pool of contributors is nationwide, and the grants are distributed nationwide. This means that each year all states contribute to grant revenues, but depending on their grant awards may receive more or less in funding than they contributed.

- **Traffic Impact Fees.** Impact fees are a financing tool that requires new development to pay a portion of the costs associated with infrastructure improvements that are “reasonably related” to that development. The GMA allows agencies to develop and implement a transportation impact fee program to help fund some of the costs of transportation facilities needed to accommodate growth. State law (Chapter 82.02 RCW) requires that impact fees be related to improvements to serve new developments and not existing deficiencies; assessed proportional to the impacts of new developments; allocated for improvements that reasonably benefit new development; and spent on facilities identified in the Capital Facilities Plan.

Legally, financing for improvements that will serve the new development must provide a balance between impact fees and other sources of public funds, and the fees must be structured in a manner that ensures that funds collected do not exceed a proportionate share of the costs of improvements reasonably related to new development.

- **Parking Taxes.** Cities can choose to levy a commercial parking tax within their boundaries on businesses that operate parking lots in which fees are charged for parking. This tax can either be charged as a percentage against gross proceeds or as a flat fee per vehicle. The City of Tukwila charges 5% of the gross revenues generated by commercial parking charges, charged and remitted by the parking business operator.

PARKS AND RECREATION RESTRICTED REVENUES

- **King County Open Space and Trails Levy.** King County levies a property tax that only funds park- and trail-related capital improvements. The five-cent Open Space and Trails Levy supports open space acquisition and protection and regional trail development in King County and for the cities within King County. The 1 cent portion for cities is distributed based on population and assessed value.
- **Park Impact Fees.** As per the discussion on transportation impact fees, park impact fees are a financing tool that requires new development to pay a portion of the costs associated with infrastructure improvements that are “reasonably related” to that development. The impact fee must be related to improvements to serve new development and not existing deficiencies; assessed proportional to the impacts of new development; allocated for improvements that reasonably benefit new development; and spent on facilities identified in the Capital Facilities Plan.

FIRE RESTRICTED REVENUES

- **Fire Impact Fees.** Impact fees for fire are charged based on new commercial and residential development and are collected from the fee payer at the time the permit is issued. Fire impact fees follow the same laws as traffic and parks impact fees, which must provide a balance between impact fees and other sources of public funds, and the fees must be structured in a manner that ensures that funds collected do not exceed a proportionate share of the costs of improvements reasonably related to new development.

GENERAL PURPOSE REVENUES FOR CAPITAL FUNDING

- **Real Estate Excise Tax.** Real Estate Excise Tax (REET) revenues are levied in two portions and must be expended on capital projects. Since the REET is based on the total value of real estate transactions in a given year, the amount of REET revenues a city receives can vary substantially from year to year based on the normal fluctuations in the real estate market. During years when the real estate market is active, revenues are high, and during softer real estate markets, revenues are lower.

According to Washington State law, the first 0.25% of property value may be used for the general purpose of financing capital improvements, and the second 0.25% may be used for only those capital projects listed in a comprehensive plan. The City of Tukwila puts further restrictions on REET revenues. The first 0.25% is dedicated to parks and open space land acquisition, while the second 0.25% is dedicated for arterial streets.

- **General Fund Transfers.** Most general fund revenues are also available to pay for capital projects, if chosen to do so by the city. The primary general fund revenues include property tax, sales tax, and utility tax. General fund revenues are used to pay debt service on capital projects for bonds and public works trust fund loans, as well as other miscellaneous capital expenses as needed.
- **General Obligation Bonds.** The City, by special election or council decision, may issue general obligation bonds to finance almost any project of general benefit to the City. General obligation bonds generally have the highest bond ratings and carry the lowest rate of interest of all types of bonds available to the City because they are backed by the good faith of the entire City's assets. There are two type of GO Bonds a City can use:
 - Voted GO Bonds must be approved by a vote of the City's residents, and are paid off by new assessments levied annually against all privately owned properties within the City. This type of bond issue is usually reserved for municipal improvements that are of general benefit to the public, such as arterial streets, bridges, lighting, municipal buildings, firefighting equipment, and parks. Inasmuch as the money is raised by assessment levied on property values, the business community also provides a fair share of the funds to pay off such bonds.
 - Non-voted Bonds, also known as councilmanic bonds, must be repaid from existing resources, as there is no dedicated source of new revenue for debt service. These bonds can be issued by the City Council without going out to residents for a public vote.
- **Public Works Trust Fund Loans.** The Public Works Trust Fund (PWTF) is a state program funded by the Public Works Assistance Account (PWAA). The PWAA is funded by water and sewer utilities taxes, solid waste collection taxes, REET, and local repayments (principal and interest). Cities can apply for low-interest loans from the PWTF for public works projects such as utility and transportation infrastructure.

ENTERPRISE FUND REVENUES

- **Surface Water, Water, and Sewer Utility Charges and Connection Fees.** The City's enterprise funds, which include utility operations, are self-supported through user charges. These enterprise funds are operated like a private business, so fees are set

at a level that allows the City to meet both its operations and capital needs through user charges. Revenues are generated by charges for service. Costs and revenues for these funds are not analyzed in this assessment, as the enterprise funds operate as a closed financial system.

- **Golf User Charges.** The golf enterprise fund accounts for operation, maintenance, debt service, and improvements of the municipal golf facility. Specific revenue sources include green fees, merchandise sales, power cart rentals, and concession proceeds. Golf costs and revenue are not analyzed in this assessment, as the enterprise funds operate as a closed financial system.

2013-2018 SIX-YEAR CAPITAL FACILITY FUNDING

Figure 11 summarizes the City of Tukwila’s currently adopted six-year Capital Improvement Program (CIP) as well as capital needs identified beyond the six-year planning period. The City has identified approximately \$69.5 million in capital projects for completion over the next six years and approximately \$263.3 million in total identified capital project needs.

FIGURE 11 SUMMARY OF SIX-YEAR CAPITAL EXPENDITURES AND REVENUES (2013-2018)
 (NOT INCLUDING ENTERPRISE FUNDS. IN \$000’S)

	2013-18 6-Year Total	Beyond 6 Years	Total Identified Cost	Percent of Total
Capital Expenditures				
Residential Streets	6,091	7,509	13,600	5%
Bridges & Arterial Streets	55,644	82,659	138,303	53%
Parks & Recreation	5,019	34,629	39,648	15%
Facilities	580	52,250	52,830	20%
General Improvements	2,200	200	2,400	1%
Fire Improvements	0	16,480	16,480	6%
Total Expenditures	69,534	193,727	263,261	100%
Funding Sources				
City Operating Revenue	14,029	83,056	97,085	37%
Grant	37,616	24,613	62,229	24%
Impact Fees	1,650	16,681	18,331	7%
Loans/Bonds	5,000	60,600	65,600	25%
Mitigation	1,050	1,877	2,927	1%
MVFT	2,566	396	2,962	1%
Other	5,291	5,970	11,261	4%
Parking Tax	787	127	914	0%
REET	1,545	407	1,952	1%
Total Funding	69,534	193,727	263,261	100%

Source: City of Tukwila, 2013; and BERK, 2013.

SUMMARY OF CAPITAL EXPENDITURES

- Transportation projects comprise the largest portion of total capital needs, with residential, bridges, & arterial streets making up approximately 58% of total identified costs.
- Facilities is the next largest portion, at about 20% of total capital project costs. Parks and recreation comprises about 15% of total identified capital needs.
- General Improvements and Fire Improvements make up a smaller portion of overall capital costs. All major improvements to fire facilities are currently planned to occur beyond the six-year period.

SUMMARY OF FUNDING SOURCES

- The majority of funds for the six-year CIP (54%) are planned to come from grants, which primarily support transportation and parks and recreation projects. Over the longer term, grants are estimated to provide approximately 24% of total capital funding for identified projects.
- City operating revenues are programmed to pay for approximately 20% of capital projects over the six-year planning period and about 37% of costs for all identified projects. These revenues come from general fund revenues such as sales tax, utility tax, and property tax that aren't needed for general City operating expenses.
- The City plans to use financing, including loans and bonds, for only about 7% of project costs over the next six years, but rely more heavily on these sources, especially bonds, beyond six years. The largest bonds proposed are for Fire Station 51 relocation and for City facilities. If these are councilmanic (non-voted) bonds, which do not generate additional revenue from an accompanying property tax levy, then these bonds will represent a commitment of future general fund or general capital revenues to pay debt service.
- "Other" funding sources include donations and contributions, developer contributions, and sale of existing property.

RELATIONSHIP TO FACILITIES PLAN

FUTURE FINANCING IMPLICATIONS

The analysis of the CIP shows that the City has identified many projects beyond what it is able to pay for over the next six years given the City's revenue projections and operating expenditures. These projects total approximately \$193.7 million, and while funding sources are identified in the CIP, the mix in funding sources between the six-year programmed projects and the longer-term projects shows the uncertainty in the long-term funding picture.

- About 43% of projects beyond six years are estimated to be funded by city operating revenues, compared to 20% for near-term projects. Allocating this much discretionary funding to capital could be difficult given the operating projections included in the previous chapter. With operating costs increasing faster than

operating revenues, the general fund budget will be squeezed over time solely by the need to support general operations.

- The City plans to support approximately 31% of long-term projects with loans and bonds, including \$46.3 million in bonds for city facilities and \$11.9 million in bonds for relocating Fire Station 51.
- The City is projecting a reduced reliance on grants (13% beyond six years, compared to 54% in the next six years), as grants are a very unpredictable funding source. Grants are applied for and awarded on a project-by-project basis, and are most commonly used in transportation and parks and recreation projects. Garnering additional grants to support transportation needs would free up general capital and operating revenues for use on other capital projects.