



FINANCE DEPARTMENT

DATE: August 6, 2016
FROM: Sheila Hillman *SH*
ITEM: 2017 Budget Request: Other Funding Issues

REQUEST

Consider approval of the Budget Committee Recommendations for the other funding issues

Please place this item on the August 15, 2016 City Commission meeting.

BACKGROUND INFORMATION

The Budget Committee also discussed the following issues during the development of the 201 budget:

- Over the last several years, the Budget Committee has provided an update on Sales Tax revenue. The 2015 actual revenue was \$17,436,203 which was above the 2014 revenue by \$198,189 for 1.1% increase. We have seen a decline in revenue for 2016 so the projected amount of \$17,000,000 was used in the five year projections. This level of funding continues to provide the match for the scheduled highway construction and improvement projects and the City street maintenance projects as well as the 25 mills for property tax relief and snow gate activities required by City ordinance for 2017 and 2018. Starting in 2019, however, the revenue is not sufficient to fund the projected expenditures. The shortfall would be \$8.6 million in 2019 and the deficit increases thereafter. Please note the Commission would never approve a funding plan with a deficit. The lack of federal funding has a major impact on Sales Tax and the City's ability to respond to growing demands for street improvements. This is not a new issue but continues to be a policy discussion for the Commission to either consider reductions in the subsidy for special assessments, street projects or identification of additional funds. Attached is the five year projected cash flow statement for Sales Tax that is used for budget discussions. This is provided for illustration purposes only since each year the Commission authorizes the level of funding from Sales Tax each year. The Budget Committee continues to recommend that the projected future funding deficit of highway construction and improvement projects be a policy discussion for the City Commission.

The Budget Committee is providing recommendations for the following funding issues:

- In 2009 the Commission dedicated 85% of the 2% Motel/Hotel Tax to the CVB with the balance of the funds for Event Center promotions and events. The Budget Committee recommends that the funding plan be continued for 2017 with the balance of the revenue to be used to fund events. The estimate for 2017 for is \$1,000,000 with \$850,000 for CVB and \$113,450 for the Event Center which includes \$20,000 designated for CVB events. The Budget Committee is also recommending that the funding of the designated funds be discussed with CVB in 2018.
- Since 2012, 25% of the car rental tax has been allocated to the Airport and 75% of the tax allocated for event funding at the Event Center. The Budget Committee recommends continuing the allocation in 2017. Based on revenue estimates for 2017, the allocation would be \$16,250 to the Airport and \$48,750 to the Event Center.
- The Budget Committee reviewed the operating budget and other budget requests for the Event Center. The recommended priority requests and CIP will be funded by projected Event Center operating revenue and the additional allocation from the tax revenue referenced above so no operating subsidy is recommended for 2017.
- The Budget Committee considered the reduced motor fuel tax revenue of \$1,264,291 for Roads & Streets in 2017. This is the key funding source for the Department so the decline has a major impact on the Department. The Budget Committee discussed the major impacts with Jeff Heinz and based on those discussion is recommending the following funding proposal for to help alleviate the impact to the level of services provided in 2017:

Continue to maintain 3 vacant positions	(188,418)
Delay the distributor replacement	(75,000)
Delay replacement of 2 sweepers	(378,000)
Fund social security and pension with the mill	(282,035)
Increase transfer from SW Disposal Fee	(200,000)

The Committee is also recommending that the conditions, terms and cost analysis of a lease option for the sweepers be reviewed. Sweepers with rear mounted dumps will also be considered to save on some labor time. If the leasing is recommended, \$122,000 in funding is recommended from the General Fund cash balance.

The proposed funding from the mill for employee benefits is reflected in the recommended mill levy for the General Fund. Currently Solid Waste Disposal transfers \$1 per ton of the solid waste tipping fee to assist in funding the associated maintenance of the streets. The proposal would increase the transfer to \$3 per ton. Streets will continue to monitor the level of service and update the Commission on any changes in service due to the vacant positions.

RECOMMENDED CITY COMMISSION ACTION

Commission policy discussion for Sales Tax Funding
Approve the Event Center from Hotel/Motel Tax
Approve the allocation of Car Rental Tax to Airport and Event Center for event funding
Approve the funding proposal for Roads & Streets

STAFF CONTACT INFORMATION

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**City of Bismarck
Sales Tax
Projected Cash Flow**

8/8/2016

	<u>Year 2016</u>	<u>Year 2017</u>	<u>Year 2018</u>	<u>Year 2019</u>	<u>Year 2020</u>	<u>Year 2021</u>
Beginning Cash Balance	11,204,545	5,177,468	2,799,592	946,584	(8,563,069)	(18,443,630)
Revenue:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1% Sales Tax	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
Interest	63,100	25,887	13,998	4,733	-	-
Total Revenue	<u>17,063,100</u>	<u>17,025,887</u>	<u>17,013,998</u>	<u>17,004,733</u>	<u>17,000,000</u>	<u>17,000,000</u>
Total Revenue Plus Cash Balance	28,267,645	22,203,355	19,813,590	17,951,317	8,436,931	(1,443,630)
Budgeted Expenditures:						
Economic Development	-	-	-	-	-	-
25 Mill Reduction & Administration	(8,155,924)	(8,846,208)	(9,288,518)	(9,752,944)	(10,240,592)	(10,752,621)
Audit Fees	(500)	(400)	(400)	(400)	(400)	(400)
Highway Construction	(5,110,000)	(1,164,000)	(2,964,000)	(9,900,000)	(9,250,000)	(13,750,000)
Commission Special Road Projects	(150,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Snow Gate Activities	(332,753)	(408,655)	(429,088)	(450,542)	(473,069)	(496,723)
Facility Rehab/Repair	-	-	-	-	-	-
Concrete Pavement Street Repairs & Maintenance	(426,000)	(192,500)	(165,000)	(220,000)	(220,000)	(220,000)
Rural Roadway Upgrades	(1,460,000)	(1,460,000)	(1,460,000)	(1,460,000)	(1,570,000)	(1,660,000)
Special Assessments: Hard Surface Streets	(2,117,500)	(2,843,500)	-	-	-	-
Special Assessments: Annual Street Maintenance	(1,130,000)	(2,667,500)	(2,585,000)	(2,447,500)	(1,842,500)	(1,677,500)
Special Assessments: Street with Subbase Drainage S	(4,207,500)	(1,771,000)	(1,925,000)	(2,233,000)	(3,234,000)	(1,848,000)
Total Budgeted Expenditures	<u>(23,090,177)</u>	<u>(19,403,763)</u>	<u>(18,867,006)</u>	<u>(26,514,386)</u>	<u>(26,880,561)</u>	<u>(30,455,244)</u>
Projected Ending Cash Balance	5,177,468	2,799,592	946,584	(8,563,069)	(18,443,630)	(31,898,874)

Assumptions:

2016 reflects budgeted expenditures and revenue adjusted to reflect projected based on YTD revenue

Sales Tax Revenue remains level of the projected 2016 revenue

Interest is based on .5% of the beginning cash balance starting in 2017

Economic Development reflect a reduction to "0" starting in 2012

25 Mill Reduction increases by 5% per year after 2018

Highway Construction reflects CIP for Street & Highways

Commission Special Road Projects is reduced to \$50,000 in 2017 and then remains stable at \$50,000

Snow Gate Activities for 2017 are based on 2017 budget and increase by 5% per year after 2017

Facility Rehab/Repair reflects "0" starting in 2011

Special Assessment Street funds reflect CIP through 2021