City of Longview

1525 Broadway
Longview, WA 98632
www.ci.longview.wa.us

Agenda

City Council

Mayor Spencer Boudreau
Mayor Pro Tem Kalei LaFave
Council Member Ruth Kendall
Council Member Angie Wean
Council Member MaryAlice Wallis
Council Member Keith Young
Council Member Erik Halvorson

Tuesday, June 25, 2024	6:00 PM	2nd Floor, City Hall

NOTICE IS HEREBY GIVEN, in accordance with RCW Chapter 42.30, that the City Council of the City of Longview, Washington, will conduct a special meeting in the Longview City Hall Council Chamber, 1525 Broadway, Longview, on Tuesday, June 25, 2024 at 6:00 p.m. The topics of discussion follow. No final action will be made.

The City Hall is accessible for persons with disabilities. Special equipment to assist the hearing impaired is also available. Please contact the City Executive Office at 360.442.5004 48 hours in advance if you require special accommodations to attend the meeting. Please note - virtual attendees may comment verbally during public hearings only. Virtual attendees may also submit written comments to the Clerk's Office with the heading, "Public Comment for disbursement to the City Council".

https://us02web.zoom.us/j/82394132374

Telephone options (dial any of the following numbers):
1-253-215-8782
1-346-248-7799
1-408-638-0968
1-669-900-6833
1-301-715-8592
1-312-626-6799
1-646-876-9923

Webinar ID: ***823 9413 2374***

1. CALL TO ORDER
2. FLAG SALUTE
3. ROLL CALL

4. **WORKSHOP**

24-00502 CAPITAL PROJECT REQUESTS (TIME ESTIMATE 2 HOURS)

5. **ADJOURNMENT**

*** Any invocation that may be offered at the Council meeting shall be the voluntary offering of a private citizen, to and for the benefit of the Council. The views or beliefs expressed by the invocation speaker have not been previously reviewed or approved by the Council, and the Council does not endorse the religious beliefs or views of this, or any other speaker.**

City of Longview

Agenda Summary

CAPITAL PROJECT REQUESTS (TIME ESTIMATE 2 HOURS)

DATE: June 25, 2024

COUNCIL STRATEGIC INITIATIVE ADDRESSED:
Continue effective financial management

CITY ATTORNEY REVIEW: N/A

SUMMARY STATEMENT:
Presentation summarizing capital improvement program and project requests. An overview of the CIP Committee. Review and discussion of all capital improvement requests submitted for the 2025-2026 budget.

RECOMMENDED ACTION:
Review capital project request presentation and provide direction to staff for the 2025-2026 budget.

STAFF CONTACT:
Chris Collins, Public Works Director/ Assistant City Manager
Lisa Wolff, Fiscal Manager

Attachments:
1. CIP Budget Workshop Presentation 6.25.24

June 25, 2024
Council
Budget Workshop

2025-2026
Budget

CAPITAL

PROJECT REQUESTS

Introduction

Chris Collins – Assistant City Manager and Public Works Director

Agenda and Presentation

Capital Project Request Worksheets and Council Directives

Today's Agenda

1. Governmental Budgeting 101
2. Definition of Terms
3. Where does the money come from?
4. Fund Summaries and Balances
5. Options for Additional Revenue Sources
6. Expectations and Outcomes
7. CIP Committee Overview
8. Capital Project Request Worksheet and Council Directives (Capital Projects Fund and Building Replacement Fund)
9. Next Steps

Governmental Budgeting 101

The State of Washington's Budgeting, Accounting and Reporting System (BARS) manual defines a budget as "a legal document that forecasts the financial resources of a government and authorizes the spending of those resources for a fiscal period."

Governmental accounting is different from the private sector in that it uses a system of funds. Each has its own purpose and/or restrictions and has a self-balancing set of accounts where revenues equal expenditures. Governments are required to follow the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*.

There are three fund types; governmental, proprietary, and fiduciary. Governmental funds include the General Fund which most people are familiar with, as well as special revenue, debt service, capital projects, and permanent funds. We will be focusing on the Capital Projects Funds today.

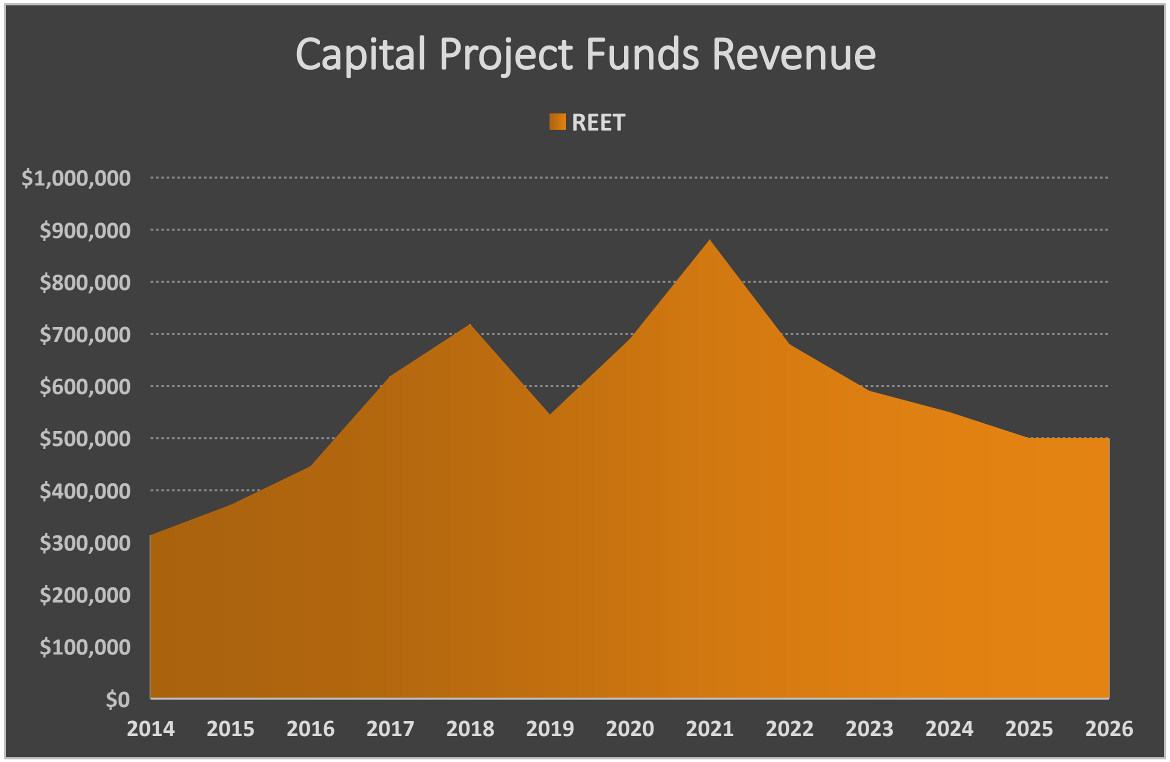
Definition of Terms

- **Revenue Sources** – Taxes (property, sales, business & occupation, utility, excise), Licenses & Permits, intergovernmental (grants, state shared revenues), charges for services, fines & penalties, and miscellaneous (investment interest, rents & leases, contributions)
- **Fund Balance** – Each fund has its own "checking account" with a beginning balance, revenues, expenses, and an ending balance
- **Capital Project Request** – a request to fund a capital project or equipment purchase ONE-TIME EXPENDITURES

Where does the money come from?

Capital Project Requests

- Separate funds where expenditures are restricted to governmental (non-utility) capital outlays – majority from Real Estate Excise Taxes (see REET chart below), with remaining from Motor Vehicle Excise Taxes, intergovernmental, and miscellaneous



Fund Balance Considerations for Capital Projects

Capital Projects Fund Summary

	2025	2026
Beginning Balance	$350,000	$705,120
Revenue:		
Real Estate Excise Tax	$500,000	$500,000
Motor Vehicle Excise Tax	3,500	3,500
Miscellaneous/Contributions	20,000	20,000
Total Revenues:	$523,500	$523,500
Expenditures:		
Re-occuring Projects: NPG, Playgrounds, ADA	120,000	120,000
2025-26 Debt Service	48,380	48,510
Total Expenditures:	$168,380	$168,510
Ending Fund Balance	$705,120	$1,060,110

Building Replacement Fund Summary

	2025	2026
Beginning Balance	$0	$215,000
Revenue:		
Anticipated Grant Funding	0	0
Miscellaneous Revenues	15,000	15,000
Transfer-In - General Fund	200,000	200,000
Total Revenues:	$215,000	$215,000
Expenditures:		
Total Expenditures:	$0	$0
Ending Fund Balance	$215,000	$430,000

Other Potential Governmental Revenue Sources

Councilmanic

- ❖ **Property Tax Revenue (Ad Valorem)**
  - Lesser of 1% or the national measure of the Implicit Price Deflator (IPD)
  - Longview's rate capped at $3.60 per $1,000 of assessed value (AV)
- ❖ **New Construction Property Tax Allowance**
  - State law permits a jurisdiction to increase its current year levy by multiplying the total value of last year's new construction by the previous year's tax rate
  - The City's 2024 allowance was $93,878 ($46,134,035 new construction x 2023 levy rate of $2.03)
- ❖ **Annexation and State-Assessed Value Increase Property Tax Allowances**
  - State law permits a jurisdiction to increase its current year levy by multiplying the total increase of any state-assessed values by the previous year's tax rate
  - State law permits a jurisdiction to increase its current year levy by multiplying the total increase in any annexed area AV by the previous year's tax rate
- ❖ **Banked Capacity**
  - The 1% property tax levy limit may be exceeded by using the banked capacity created in prior years by levying less than the maximum allowed
  - The City does not currently have any banked capacity from prior years

- ❖ Business & Occupation (B&O) Taxes
  - Imposed on businesses with annual taxable gross receipts of $20,000 and above
  - Currently 0.1% on most business activity, including manufacturing, retailing, wholesaling, and printing and publishing
  - 0.2% on services and transporting freight for hire

- ❖ Utility Taxes
  - Public and private utilities providing services within City boundaries as defined by local ordinance
  - Statute authorizes imposing on Public Utility Districts (PUDs) that operate works, plants, or facilities for the sale of electricity within the City per RCW 54.28.070
  - Can be levied on City's own utilities provided inside <u>and</u> outside the City limits
  - No restrictions on rates for water, sewer, solid waste, and stormwater utilities (currently 14.5%)
  - Rates on electric, gas, steam, cable, and telephone utilities are restricted to 6% without voter approval per RCW 35.21.870
  - Internet services are exempt per the federal Internet Tax Freedom Act moratorium which was made permanent in 2016

❖ General Business License Fees

- Required to legally conduct business within the City limits
- $50/year charged to recoup administrative costs

❖ Franchise Fees

- 10-20-year agreements between City and public or private utility provider to allow use of City's rights-of-way to deliver their services
- Cities can impose franchise fees on utility providers to recoup the costs of administering the franchise

❖ Cable TV Franchise Fees

- Cable TV franchise agreements are governed by federal law, not state, and are negotiated with the cable company – City may charge fees up to 5% of gross revenues/year, regardless of administrative costs per 47 U.S.C. §542(a) and (b)
- Cable TV franchise fee revenues are unrestricted and may be used for any lawful governmental purpose
- Currently, the City levies a 6% utility tax on the gross subscriber revenues of cable TV operators

Voter Approved

❖ Affordable Housing Levy

- Up to $0.50 per $1,000 of AV (in combination with the County) to finance affordable housing as defined in RCW 84.52.105
- Can be imposed up to 10 consecutive years
- City must declare an emergency with respect to affordable housing availability
- Requires an affordable housing finance plan consistent with the housing affordability strategy required under the National Affordable Housing Act (42 U.S.C. Sec. 12701)

❖ Emergency Medical Services (EMS) Levy

- Up to $0.50 per $1,000 of AV (in combination with the County) to provide for EMS per RCW 84.52.069
- Can be imposed for 6 years, 10 years, or permanently
- No jurisdiction may place an EMS levy on the ballot at the same time as a County-wide EMS levy
- If the County imposes a temporary 6-year or 10-year EMS levy below the $0.50 per $1,000 maximum, any subsequent temporary EMS levy approved by a taxing district within the County must expire at the same time as the County-wide levy

❖ Excess Levies (Operations & Maintenance)

- Special maintenance and operations, or “O&M,” levies are one-year levies that impose property taxes over and above the $5.90 and $10 constitutional property tax limits per RCW 84.52.052 and 84.52.054 and article VII, section 2(a) of the state constitution
- Best suited for temporary purposes, a one-time expense, or a funding emergency
- No restriction on rate or amount
- Requires 60% supermajority voter approval at any election

❖ General Obligation Bond Excess Levies

- Unlimited tax general obligation (G.O.) bonds for may be issued for capital purposes only per RCW 84.52.056 and article VII, section 2(b) of the state constitution
- Provides revenue automatically sized for repaying bond debt each year
- Requires 60% supermajority voter approval at any election, not to exceed twice per calendar year

❖ Levy Lid Lifts

- A single-year or multiple-year lid lift to exceed the 1% annual lid
- Cannot be used if levying the statutory maximum rate

❖ Retail Sales and Use Tax

- Local sales taxes on top of the 6.5% state rate
- Sales tax is Longview’s second-largest revenue source for the General Fund
- The current sales tax rate in Longview is 8.1%

❖ Transportation Benefit District Sales Tax

- Up to a 0.2% sales tax
- Revenues restricted to fund transportation improvement projects in accordance with chapter 36.73 RCW
- Limited to a 10-year period (may exceed 10 years if used to repay debt)
- Can go back to the voters for one additional 10-year period

❖ Public Safety Sales Tax

- Up to 0.1% (0.3% maximum when combined with the County) for public safety purposes per RCW 82.14.450
- Motor vehicle sales and the first 36 months of motor vehicle leases are exempt
- On April 1, 2017, the County imposed a 0.1% sales tax for emergency communications (911)

- **Utility Taxes**
  - A ballot measure is required to increase private utility tax above 6% for electric, gas, steam, or telephone utilities

Expectations and Outcomes

❖ Decision Points

- Sustain existing service levels
- Impose 1% property tax levy
- Provide inflationary cost-of-living increases for labor contracts
- Maintain seasonal/temporary employees
- Maintain Stage 2 of the Budget Model at a 15% minimum
- Creation of a contingency fund (raise minimum fund balance to 20%)
- Build a structurally balanced and sustainable budget
- Address deferred maintenance and deferred depreciation

❖ Workshop Outcomes

Statute requires the City to file a preliminary budget and budget message with City Council 60 days before the ensuing fiscal year (November 1). To meet this deadline, we request Council provide the following direction today:

- Capital Project Requests to include in the budget and present on at the August 13 council meeting

CIP Committee Overview

❖ Facilities CIP Committee Charter

- An internal committee was formed at the end of 2023 to evaluate city facility conditions and needs, develop project lists, prioritize projects, and identify potential funding sources and strategies to accomplish the city's long-range facilities planning goals. The committee presents recommendations during the city budget review process.

❖ CIP Program Policy

- The city's capital improvement policy was revised and updated effective January 1, 2024, to include the Facilities CIP Committee process and update applicable procedures.

❖ CIP Evaluation Guidelines & Scoring

- Capital Costs (3 points)
- Annual Costs (3 points)
- Health and Safety Effects (5 points)
- Community and Citizen Benefits (3 points)
- Environmental, Aesthetic, and Social Effects (3 points)
- Distributional Effects (3 points)
- Public Perception of Need (2 points)
- Feasibility of Implementation (2 points)
- Implication of Deferring the Project (5 points)
- Certainty of Information Supplied (2 points)
- Effect on Interjurisdictional Relationships (2 points)
- City Critical Objective (5 points)
- Nature of Investment (3 points)
- Significant Investment in Previous Years (3 points)
- Outside Funding Sources (3 points)
- Other (3 points)

Next Steps

- **Jun 27 – Budget Workshop:** Review PTA Salary Survey
- **Jul 9 – Regular Council Meeting:** Outside agency presentations
- **Jul 16 – Budget Workshop:** Review utility rates and utility CIP requests
- **Jul 23 – Regular Council Meeting:** Mid-year 2024 review
- **Jul 30 – Budget Workshop:** Review budget enhancement requests
- **Aug 13 – Regular Council Meeting:** General governmental CIP requests