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

Thursday, September 19, 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/workshop in the Longview City Hall Council Chamber, 1525 Broadway, Longview, on Thursday, September 19, 2024 at 6:00 p.m. The topics of discussion follow. Final disposition shall be taken on no other matter.

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 by contacting the Clerk's Office to register prior to the hearing date. 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. INVOCATION*/FLAG SALUTE

3. <u>ROLL CALL</u>

4. <u>WORKSHOP</u>

24-00851 BALANCING THE BUDGET (TIME ESTIMATE: 2 HOURS)

<u>RECOMMENDED ACTION:</u>
REVIEW BALANCING THE BUDGET PRESENTATION AND PROVIDE STAFF DIRECTION FOR BALANCING THE 2025 AND 2026 BUDGET.

5. <u>ADJOURNMENT</u>

*** 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.**

NEXT REGULAR COUNCIL MEETINGS:

THURSDAY, SEPTEMBER 26, 2024 – 6:00 P.M.

City of Longview

Agenda Summary

BALANCING THE BUDGET (TIME ESTIMATE: 2 HOURS)

RECOMMENDED ACTION:
REVIEW BALANCING THE BUDGET PRESENTATION AND PROVIDE STAFF DIRECTION FOR BALANCING THE 2025 AND 2026 BUDGET.

COUNCIL INITIATIVE ADDRESSED:
Continue effective financial management,

CITY ATTORNEY REVIEW: N/A

SUMMARY STATEMENT
Presentation detailing the financial outlook for the 2025 and 2026 preliminary baseline budget, revenue options, and budget balancing plan.

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

Attachments:
1. Budget Balancing Workshop

Balancing Budget Workshop

September 19, 2024

The City of Longview Washington

AGENDA

01
INTRODUCTION
Goals/objectives, expectations and current situation.

02
BUDGET PROCESS OVERVIEW
Budget Prioritization, Guiding Principles, budget projections and historical context.

03
THE PROPOSED PLAN
Departmental and non-departmental reductions, ARPA and added revenue.

04
LONG TERM REVENUE PLAN
Additional revenue source options.

05
SUMMARY AND NEXT STEPS
Budget Balancing Plan for 2025-26 biennium and beyond.

GOALS, OBJECTIVES & EXPECTATIONS

Update Council on Current Budget Situation

Provide a comprehensive overview of the city's financial status, highlighting key challenges and opportunities.

Discuss Staff Recommendations

Present and explain staff recommendations for the budget, emphasizing departmental alignment with the city's strategic priorities.

Obtain Council Direction

Gather feedback and guidance from council members to inform the budget process and ensure alignment with community goals.

Focus on Strategic Priorities

Concentrate on high-level budget priorities and policy direction rather than specific departments and departmental details or line items.

Collaborative Problem-Solving

Encourage open dialogue to generate creative solutions for balancing the budget while minimizing negative impacts on the community.

Current Situation

- Currently the city is facing a General Fund preliminary funding deficit of 8 million dollars in 2025 and 11.3 million dollars in 2026.
- The deficit in 2026 along with a projected diminished fund balance places the city in Stage 4 of the budget model.
- Stage 4 requires immediate action to correct the issue.
- No one singular action or decision has led us to this point. This situation has been building for decades, and it will take all of us working collectively to correct the problem.

02

Budget Process Overview

- Budget Prioritization
- Guiding Principles
- Budget projections
- Historical context

Four Stages of Budget Prioritization

Stage 1

Revenues are greater than expenditures and ending fund balance is projected to be greater than 15%.

In this scenario, surplus revenues are distributed to appropriate reserve funds and new programs may be considered that are in line with the Council's strategic initiatives.

Stage 2

Expenditures exceed revenues and ending fund balance is projected to be greater than 15%.

This scenario is a basic status quo budget where all core services and non-mandated programs are maintained through existing revenues and the use of reserves.

Stage 3

Expenditures exceed revenues and projected ending fund balance is greater than 8% but less than 15%.

The adopted budget provides for all core services with reductions in non-mandated programs as approved by Council. Council will consider revenue enhancement proposals such as bond levies, tax increases and new revenues.

Stage 4

Expenditures exceed revenues and projected ending fund balance is less than 8%.

Further reductions in non-mandated programs are necessary. Possible core service reductions may be called for. Council will consider revenue enhancement proposals such as bond levies, tax increases and new revenues.

Guiding Principles for Application of Budget Model

Commitment to efficiency: All stages – City services are adjusted to obtain the greatest efficiency.

Seek revenue enhancement: TBD, Utility Tax, B&O tax, etc.

Allocation of expenditures to appropriate fund: All funds pay their fair share.

Full cost recovery (Stages 3 & 4): "Pay ourselves first" (i.e. CDBG/HOME, Enterprise Funds)

Reduction of services (Stages 3 & 4): Least impacted areas first.

Sustain or enhance communications: City will issue a "state of fiscal emergency" declaration at Stage 4.

No subsidized events: City will not subsidize community events during Stage 4.

Preserve positions/services: Preserve positions when possible.

Consider the possibility of layoffs, vacancies, or position reductions: During Stage 4 the City will accept potential operations impacts.

Reduce travel costs: During Stage 4 City Council and staff will reduce or eliminate city subsidized travel.

Initiate other measures: Immediately implement measures as they are identified and agreed upon to address budget crisis at hand.

Budget Projections

2024 Ending Fund Balance

General Fund Summary	2024 Budget	2024 Projected
Revenue	$45,832,300	$48,960,870
Expenditures	($48,298,54)	($50,561,220)
Beginning Cash Required to Balance	($2,466,240)	($1,600,350)
Fund Balance Calculation		
Beginning Fund Balance	$18,545,000	$22,908,270
Beginning Cash Required to Balance	($2,466,240)	($1,600,350)
Ending Fund Balance	$16,078,760	$21,307,920
% of Ending Fund Balance	**33.29%**	**42.15%**

Budget Projections

2025-2026 Preliminary Budget

General Fund Summary	2025 Budget	2026 Budget
Revenue	$46,457,058	$46,294,907
Expenditures	($54,815,119)	($58,013,799)
Beginning Cash Required to Balance	($8,358,061)	($11,718,892)
Fund Balance Calculation		
Beginning Fund Balance	$21,307,920	$12,949,859
Beginning Cash Required to Balance	($8,358,061)	($11,718,892)
Ending Fund Balance	$12,949,859	$1,230,967
% of Ending Fund Balance	**23.63%**	**2.13%**

How did we get here

- **Initiative 747**
- **Unrealized revenue**
- **Double digit liability insurance premium hikes every year**
- **Inflation**
- **Many factors aligned to cause this issue, this is not the cause of one, individual, group or action.**

03 The Proposed Plan

- Departmental reductions
- Non-departmental reductions
- ARPA
- Added revenue

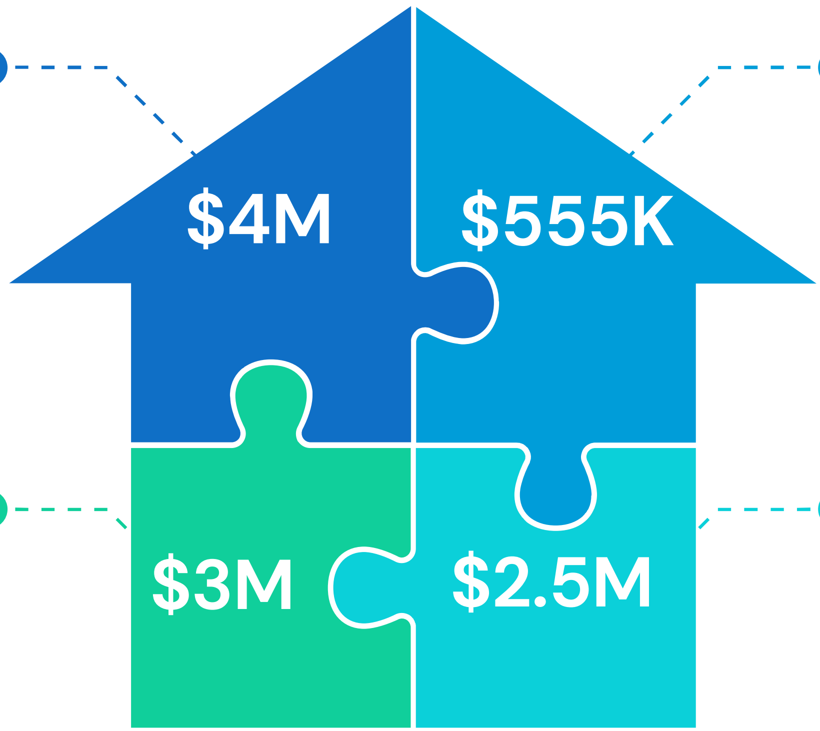
It’s going to take us all

Departmental reductions

- Every department city-wide is looking to collectively reduce and streamline.

Non-departmental reductions

- Freeze vacation cashout
- Reduction in Insurance Reserve



ARPA

- Place ARPA funds into general fund.
- Reduce the police reductions by $400,000 in 2025 and $400,000 2026.
- Utilize the rest to offset the funding deficit while revenue sources are implemented.

Increased Revenue

- Sale of Property/ Assets
- Recover Credit Card Fees
- Increase and redefine Business and Operating Tax

Increased Revenue

	Category	MFG	Retail	Wholesale	All Categories Total Adjusted Revenue Increase
		Income Tax Rate .001 to .002			
Business & Operating Tax Analysis	Increase in Revenue based on average revenue 2021-2023	$197,000	$1,355,000	$590,000	**$2,142,000**
	(Lost Revenue at $50K Threshold) Adjusted Increase in Revenue	($150) $196,850	($6,300) $1,348,700	($2,000) $588,000	**$2,123,850**
	(Lost Revenue at $100K Threshold) Adjusted Increase in Revenue	($500) $196,500	($16,000) $1,339,000	($5,000) $585,000	**$2,100,500**

In 2023, there were 1,360 filers with gross income above the $20k threshold. There were 751 filers below the $20k threshold, not including $0.00 filers.

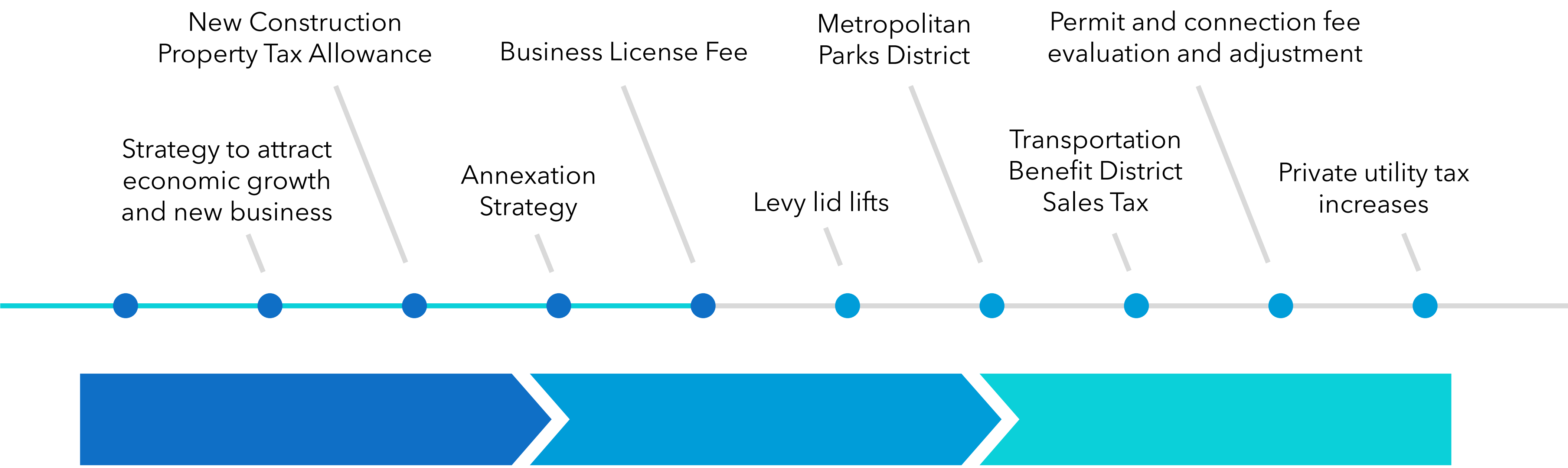
	Category	Revenue Dropoff	# of Filers	% of Total	Adjusted Revenue Increase
Increase Filing Threshold to $50,000	All Categories	($8,450)	398	29.26%	**$2,123,850**
	Manufacturing & Wholesale	($2,150)	75	5.51%	
	Manufacturing & Retail	($6,450)	207	15.22%	
	Retail & Wholesale	($8,300)	268	19.71%	
Increase Filing Threshold to $100,000	All Categories	($21,500)	663	48.75%	**$2,100,500**
	Manufacturing & Wholesale	($5,500)	123	9.04%	
	Manufacturing & Retail	($16,500)	354	26.03%	
	Retail & Wholesale	($21,000)	451	33.16%	

04

Long Term Revenue Plan

Long Term Revenue Plan

Establish a plan within the first quarter of 2025



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Summary and Next Steps

Balanced Budget Plan

Staff recommendations

- ❑ Increase B&O to $100k threshold
- ❑ Increase B&O rate to .002 for all sections
- ❑ Add Finance Director
- ❑ Move ARPA and lessen Police reductions/reduce deficit in general fund
- ❑ Seek additional funding sourced based on established plan
- ❑ Recover Credit Card fees

	2025	2026
Funding Deficit	$8,039,060	$11,399,892
Total Reductions	$4,411,169	$4,411,169
Total Additional Revenue	$2,500,500	$2,500,500
Deficit with reductions	$3,627,891	$6,988,723
Deficit with reductions/revenues	$1,127,391	$4,488,223

Questions & Discussion

The City of Longview Washington