

City of Edgewood



Economic Development Consulting Services

Task 2a: Baseline Revenue and Expenditure Analysis

Task 3a & 3b: Market Assessment and Demand Analysis

Prepared by

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DRAFT Report

Overview: Economic Development Services Scope of Work

- Task 2: Analysis of baseline fiscal conditions
 - *2A. Analyze baseline City revenues and expenses (Feb 03)*
 - 2B. Assess potential fiscal impact of planned developments*

- Task 3: Market analysis
 - *3A. Define and assess market area (Feb 03)*
 - *3B. Determine development potential (Feb 03)*
 - 3C. Assess economic feasibility*

- Task 4: Prepare draft and final economic development implementation plan*

* These tasks to be completed in latter part of 2003, upon completion of Town Center alternatives

Purpose of Baseline Fiscal Assessment

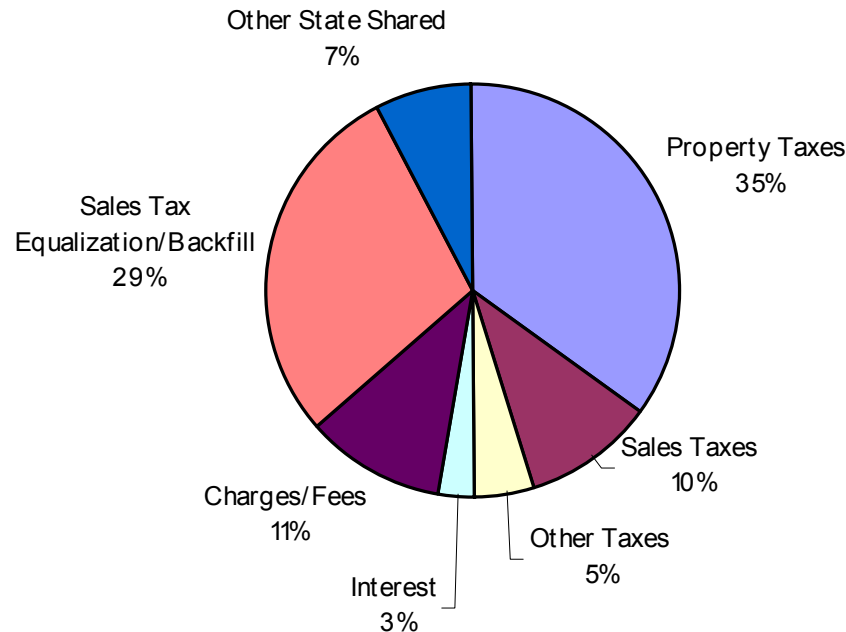
- Evaluate the City's future fiscal situation assuming continuation of current policies
- Identify the fiscal strategies available to the City
- Establish a baseline and common understanding within the City to proceed with master planning and economic development planning

General Fund

- Primary source of funds that are used to support basic City services
- Finances the operations of:
 - City Council and Manager
 - Finance Department
 - City Clerk
 - Legal Services
 - Human Resources
 - Central Services
 - Law enforcement Contract with Pierce County
 - Community Development
 - Parks Department
- If there is a surplus, can be transferred to the City Strategic Reserve Fund and other City Capital funds

Sources of General Fund Revenues: 1997-2003

- Between 1997-2003, the majority (64%) of City revenues derived from Property Taxes and Sales Tax Equalization



Sales Tax Equalization Revenues Historically Provided Significant Support To The City

- Between 1997 and 2003, Sales Tax Equalization and backfill funding from the State of Washington contributed \$5.9 million to the General Fund (29% of total revenues)
 - This contribution was a significant factor in building current fund balance and transfers to the Strategic Reserve Fund and Capital Funds

1997-2003 Summary

Operating Revenues	
Operating Revenues	\$14,457,220
Sales Tax Equalization/Backfill	<u>\$5,916,780</u>
Total Operating Revenues	\$20,374,000
Less: Operating Expenditures	\$14,118,540
Less: Transfers to Other Funds	<u>\$3,002,364</u>
Difference (Net change to fund balance)	\$3,253,096
Beginning Fund Balance @ 1997	\$259,544
Plus/(Minus) Difference	<u>\$3,253,096</u>
Ending Fund Balance @ 2003	\$3,512,640

Prudent Financial Management Has Established Healthy Fund Balance

	1997	1998	1999	2000	2001	2002	2003	1997-2003 % Change
Revenues								
Operating Revenues								
Property Taxes	905,892	947,419	981,373	1,025,433	1,060,595	1,107,751	1,081,800	19.4%
Sales Taxes	169,979	202,220	246,812	362,072	440,773	363,162	308,000	81.2%
Other Taxes	109,414	128,073	126,174	146,357	155,149	172,815	153,380	40.2%
Fees/Charges	36,826	92,504	298,698	489,263	494,592	353,031	389,757	958.4%
Interest	45,715	74,634	59,151	136,914	143,008	77,959	64,100	40.2%
Operating revenues	1,267,826	1,444,850	1,712,208	2,160,039	2,294,117	2,074,718	1,997,037	57.5%
SIs Tax Equaliz. and St. Shared Rev.								
Sales Tax Equalization	898,443	973,519	1,009,698	634,064	877,290	901,766	622,000	-30.8%
State Shared Revenues	276,500	321,865	312,531	191,862	144,511	146,851	112,305	-59.4%
Total	1,174,943	1,295,384	1,322,229	825,926	1,021,801	1,048,617	734,305	-37.5%
Total Revenues	2,442,769	2,740,234	3,034,437	2,985,965	3,315,918	3,123,335	2,731,342	11.8%
Expenses								
Total expenses	1,374,957	1,677,517	1,977,187	1,897,588	2,303,819	2,251,556	2,635,916	91.7%
Plus transfers to other funds	529,760	706,311	1,165,353	107,500	157,015	165,425	171,000	-67.7%
Operating Expenses	1,904,717	2,383,828	3,142,540	2,005,088	2,460,834	2,416,981	2,806,916	47.4%
Net Contribution to Fund Balance	538,052	356,406	(108,103)	980,877	855,084	706,354	(75,574)	
Cumulative Fund Balance	797,596	1,154,002	1,045,899	2,026,776	2,881,860	3,588,214	3,512,640	340.4%
Operating Revenues	52%	53%	56%	72%	69%	66%	73%	
STE/State Shared	48%	47%	44%	28%	31%	34%	27%	
Total Revenues	100%	100%	100%	100%	100%	100%	100%	

Other Funds Also in Healthy Position

Fund Title	Estimated Balance at end of 2003 (\$000s)	Description of major funding sources/fund activities
Street	\$350.1	To account for the ongoing costs of maintaining City streets. Funded by Motor Vehicle Fuel Taxes from the State of Washington, Local Vehicle Licensing Fees, and operating transfers from the General Fund (stopped in 1999). I-776 eliminated \$72,000/yr of Local Vehicle Licensing Fees, or about 26% of the Fund's revenues. Combined effects of discontinuing transfer from GF and I-776 will pose significant challenges to this fund in near future.
Strategic Reserve	\$940.6	To provide source of emergency resources for the City. Funded by annual transfers from the General Fund totalling \$800K through 2003. Transfers stopped starting 2004. No payments made to date from this fund.
Municipal Capital Reserve	\$823.8	To account for .25% Real Estate Excise Tax revenues, average about \$100K/year. Use of revenues limited to capital activities. No payments made to date from this fund
Capital Projects - Gen. Gov't	\$0.0	To account for general capital project expenditures. Funded by transfers from the General Fund (\$1.2M through 2003). All funds has been spent toward underground piping along 24th Street East and replacement of roof on historic barn. No transfers or expenses budgeted in 2004 and beyond.
Capital Projects - Parks	\$222.3	To account for parks capital project expenditures. Funded by annual transfers from the General Fund. Source of revenues are from 1/10 of 1% sales tax increase for local parks (Proposition 1), which total about \$52,000/year (ends 2009); and State Interagency Committee (IAC) for Outdoor Recreation Grants, totaled about \$61,000 as of 2003.
Capital Projects - TIB	\$0.0	To account for capital projects authorized from the Transportation Improvement Board and identified in City's six year Transportation Improvement Program. Funded by TIB grants, which totalled nearly \$1.0M through 2003 and transfers from the Street and Surface Water Funds.
Surface Water	\$949.7	To account for the receipt of surface water assessments that are imposed on each parcel in the City. Revenue from these assessments total approximately \$170K/year and is used to support annual expenses related to .60FTEs and related road maintenance and small projects.

Recent Initiatives Significantly Reduced The City's Revenues

- Initiative 695
 - Reduced motor vehicle excise tax to \$30; this funding was the source of sales tax equalization revenue for 178 (63%) of 279 cities in Washington State
 - Within Pierce County, 13 (54%) of 24 cities received STE funding
 - Between 1997-2003, STE totaled \$5.9 million (29%) of City's General Fund revenues

- Initiative 747
 - Limits property tax growth to 1%
 - Between 1997-2003, property taxes totaled \$7.1M (35%) of City's General Fund Revenues; Increased by average 3%/year or 19.4% during this period
 - Historically, Council has approved property tax increases up to the Implicit Price Deflator

General Fund Outlook 2004-12: Current Levels of Service Must Be Sustained by Reserves

- With loss of STE and limits on property taxes, reserves are being used to sustain current services
- By 2011, the current GF fund balance is forecasted to be exhausted
 - Assumes no new taxes; current service levels; sls tax transfer to Parks Capital only
 - City's \$1.1M in its Strategic Reserve Fund remains intact and can be used to extend current levels of service through 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004-2012 % Change
Revenues										
Operating Revenues										
Property Taxes	1,110,618	1,121,544	1,132,580	1,143,725	1,154,983	1,166,352	1,177,836	1,189,434	1,201,149	8.2%
Sales Taxes	323,400	342,157	365,082	389,907	413,302	436,447	460,015	484,856	511,038	58.0%
Other Taxes	154,720	158,892	164,196	170,138	175,772	181,299	112,726	114,300	115,914	-25.1%
Fees/Charges	410,058	429,790	452,907	477,317	501,793	526,979	552,866	580,378	609,330	48.6%
Interest	56,400	52,272	46,753	40,769	34,268	27,132	19,298	3,410	3,507	-93.8%
Operating revenues	2,055,196	2,104,655	2,161,517	2,221,856	2,280,117	2,338,210	2,322,741	2,372,379	2,440,938	18.8%
Sls Tax Equaliz. and St. Shared Rev.										
Sales Tax Equalization	0	0	0	0	0	0	0	0	0	0.0%
State Shared Revenues	102,730	103,532	104,744	106,278	107,731	109,099	110,271	111,349	112,438	9.4%
Total	102,730	103,532	104,744	106,278	107,731	109,099	110,271	111,349	112,438	9.4%
Total Revenues	2,157,926	2,208,187	2,266,261	2,328,134	2,387,848	2,447,308	2,433,012	2,483,728	2,553,375	18.3%
Expenses										
Total expenses	2,448,424	2,529,714	2,615,849	2,708,797	2,807,254	2,909,719	3,014,540	3,121,733	3,233,305	32.1%
Plus transfers to other funds	52,020	55,037	58,725	62,718	66,481	70,204	0	0	0	-100.0%
Operating Expenses	2,500,444	2,584,752	2,674,573	2,771,515	2,873,735	2,979,923	3,014,540	3,121,733	3,233,305	29.3%
Net Contribution to Fund Balance	(342,518)	(376,564)	(408,312)	(443,381)	(485,887)	(532,615)	(581,528)	(638,005)	(679,930)	
Cumulative Fund Balance	3,170,122	2,793,558	2,385,245	1,941,864	1,455,977	923,362	341,835	(296,170)	(976,100)	-130.8%
Operating Revenues	95%	95%	95%	95%	95%	96%	95%	96%	96%	
STE/State Shared	5%	5%	5%	5%	5%	4%	5%	4%	4%	
Total Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Other Funds Outlook: 2004-12

Fund Title	Estimated Balance at end of 2012 (\$000s)	Fiscal Outlook: 2004 - 2012
Street	-\$1,769.1	Elimination of local vehicle licensing fees and discontinuance of General Fund transfers is forecasted to exhaust all fund reserves by 2008 . Continuation of current policies will result in forecasted fund balance of -\$1.77M by 2012, unless new revenue sources are found or the transfer from the General Fund is reinstated. If I-776 ruled unconstitutional, projected fund balance in 2012 is -\$861K.
Strategic Reserve	\$1,132.5	Although transfers from the General Fund will be stopped beginning in 2004, this fund is in a healthy position and is forecasted to end 2012 with a fund balance of \$1.1 million as a result of interest earnings.
Municipal Capital Reserve	\$2,133.6	Fund balance is forecasted to continue to grow to \$2.1M by 2012 as a result of .25% REET tax revenue and interest earnings. City Council could consider raising REET tax rate to .50%, similar to most other jurisdictions. Additional .25% would generate about \$100K per year, or \$800K over the forecast period.
Capital Projects - Gen. Gov't	\$0.0	No activity is forecasted for this fund during the forecast period.
Capital Projects - Parks	\$201.0	Annual transfers from the General Fund as a result of 1/10 of 1% sales tax increase for local parks forecasted to continue. This transfer forecasted to total about \$52,000 in 2004 and grow to \$70,000 by 2009, at which point the tax sunsets. Expenses for fund expected to continue at current levels and total \$467,000 over forecast period, resulting in a projected fund balance of \$201K in 2012.
Capital Projects - TIB	\$0.0	Construction activity in 2004 include engineering design and construction of walkways from Meridian to Northwood Elementary and from Jovita to Hedden Elementary. No activity beyond 2004 is budgeted. No fund balance is forecasted to remain after 2004.
Surface Water	\$862.8	Storm drainage fees and investment interest expected to total nearly \$2.0 million over 8 year forecast period and will be offset against corresponding expenses to manage the City's surface water runoff/management projects and compliance with federal Endangered Species Act. Fund balance in 2012 forecasted to total almost \$900K.

Other Funds Outlook: 2003 v 2012

- With exception of Street Fund, all Other City funds forecasted to end 2012 in healthy position
 - Will need to identify funding source for Street Fund or re-evaluate current level of roadway maintenance services

Fund Title	Estimated Balance at end of 2003 (\$000s)	Estimated Balance at end of 2012 (\$000s)	Change	% Change
Street	\$350.1	-\$1,769.1	-\$2,119.2	-605%
Strategic Reserve	\$940.6	\$1,132.5	\$192.0	20%
Municipal Capital Reserve	\$823.8	\$2,133.6	\$1,309.8	159%
Capital Projects - Gen. Gov't	\$0.0	\$0.0	\$0.0	No change
Capital Projects - Parks	\$222.3	\$201.0	-\$21.3	-10%
Capital Projects - TIB	\$0.0	\$0.0	\$0.0	No change
Surface Water	\$949.7	\$862.8	-\$86.9	-9%

Inter-jurisdictional Comparison

- Prepared a analysis of taxation practices of comparable jurisdictions in Pierce County to:
 - Inform: To provide an overview of the relative taxation practices of other jurisdictions
 - Identify Options: To identify potential sources of tax revenues that the City may not be exercising now
 - Encourage Discussion: To support an informed discussion of options available to the City

Property Tax Rate and Annual Taxes Owed

- In 2002, Edgewood residents paid \$14.49 per \$1,000 assessed valuation
 - About \$2,900 per year for a \$200,000 home

	Tax Rate per \$1000AV	Annual Tax
Breakdown of Property Taxes - 2002		
State	\$2.92	\$584
County	\$1.68	\$336
Port	\$0.19	\$38
EMS	\$0.46	\$92
Subtotal - State, County, Ports	\$5.25	\$1,050
School*	\$6.01	\$1,202
City	\$1.57	\$314
Rural Library	\$0.50	\$100
Park	\$0.00	\$0
Fire	\$1.16	\$232
Subtotal - Local	\$3.23	\$646
Total	\$14.49	\$2,898

* School District #770 - Puyallup SD

Source: 2002 Pierce County Assessor's Office

Property Taxes Compared to Other Cities

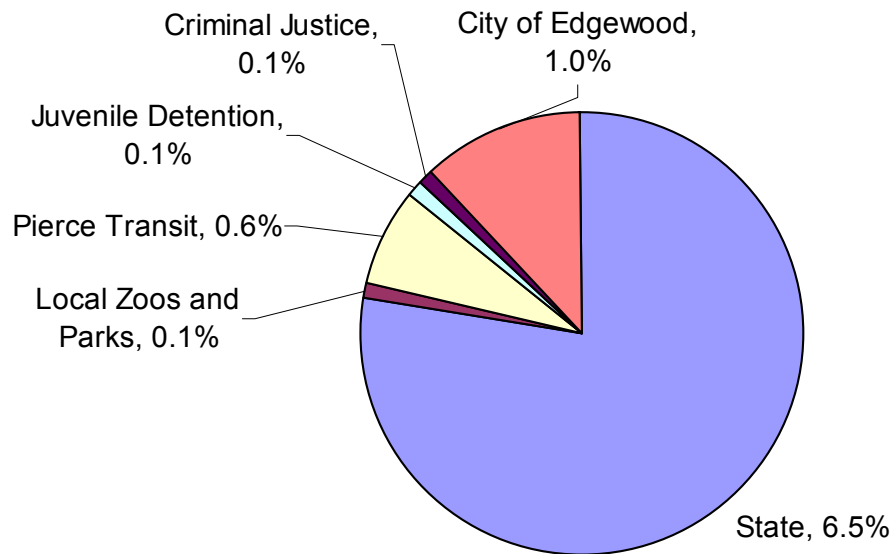
- Edgewood's tax rate and tax revenues per capita is reasonable compared to neighboring jurisdictions

	Edgewood	Milton	Fife	Tacoma	Bonney Lake	Fircrest
2002 Population	9,320	5,180	4,815	194,900	12,360	5,925
Property Taxes						
State	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92	\$2.92
County	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Port	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19
EMS	\$0.46	\$0.00	\$0.48	\$0.40	\$0.48	\$0.48
Subtotal - State, County, Ports	\$5.25	\$4.79	\$5.27	\$5.19	\$5.27	\$5.27
School	\$6.01	\$5.44	\$6.01	\$7.30	\$6.46	\$6.42
City	\$1.57	\$2.43	\$1.21	\$3.66	\$2.11	\$3.14
Rural Library	\$0.50	\$0.48	\$0.01		\$0.50	\$0.02
Park				\$0.98		
Fire	\$1.16		\$1.43		\$1.43	
Subtotal - Local	\$3.23	\$2.91	\$2.65	\$4.64	\$4.04	\$3.16
Total	\$14.49	\$13.14	\$13.93	\$17.13	\$15.77	\$14.85
2002 Assessed Valuation	\$704,213,733	\$391,619,423	\$997,828,705	\$11,587,717,038	\$710,119,969	\$387,299,785
Assessed Valuation/Capita	\$75,559	\$75,602	\$207,233	\$59,455	\$57,453	\$65,367
Local Property Tax Revenue	\$2,274,610	\$1,139,613	\$2,644,246	\$53,767,007	\$2,868,885	\$1,223,867
Property Tax Revenue/capita	\$244	\$220	\$549	\$276	\$232	\$207

Source: 2002 Pierce County Assessor's Office

Components of City's Sales Tax Rate

- Sales tax is a tax applied upon the sale of retail goods and services
- The sales tax rate in Edgewood is 8.8%, of which 1%* is remitted to the City of Edgewood



* Note: Effective City rate is .8415% after deductions for State Administrative Fee and Pierce County Share

Historical Taxable Sales

Firms and Taxable Sales

- Between 1997 and 2001, number of firms increased by 60% while taxable retail sales increased 125%
- Contracting, manufacturing and wholesaling constitute areas of most rapid growth
 - Rise in 2000 and 2001 due to school construction

	1997%	1997	1998	1999	2000	2001	2002 (3Q)	2002 (3Q)%	97-01 % Chg
Number of Firms									
Retail	20%	193	246	261	292	283	186	20%	47%
Services	17%	165	216	243	275	287	186	20%	74%
Contracting	37%	365	397	480	528	548	287	30%	50%
Manufacturing	4%	38	39	40	43	48	31	3%	26%
Transportation/Comm/Utilities	3%	30	49	54	60	71	58	6%	137%
Wholesaling	12%	115	143	162	168	202	119	13%	76%
Finance/Insurance/Real Estate	2%	16	17	21	27	36	26	3%	125%
Other	5%	53	59	74	77	82	57	6%	55%
Total	100%	975	1,166	1,335	1,470	1,557	950	100%	60%

	1997%	1997	1998	1999	2000	2001	2002 (3Q)	2002 (3Q)%	97-02 % Chg
Taxable Sales (\$000's)									
Retail	40%	\$7,722	\$9,031	\$11,798	\$12,627	\$13,090	\$10,013	35%	70%
Services	11%	\$2,214	\$2,679	\$3,090	\$3,233	\$4,296	\$3,235	11%	94%
Contracting	21%	\$4,018	\$4,359	\$6,304	\$20,237	\$17,771	\$7,598	26%	342%
Manufacturing	4%	\$841	\$886	\$720	\$695	\$955	\$644	2%	14%
Transportation/Comm/Utilities	6%	\$1,124	\$799	\$1,853	\$2,556	\$2,978	\$2,258	8%	165%
Wholesaling	8%	\$1,501	\$1,564	\$2,280	\$3,002	\$3,448	\$3,993	14%	130%
Finance/Insurance/Real Estate	1%	\$153	\$197	\$710	\$498	\$499	\$358	1%	226%
Other	10%	\$1,858	\$2,291	\$2,386	\$645	\$727	\$657	2%	-61%
Total	100%	\$19,431	\$21,806	\$29,141	\$43,493	\$43,764	\$28,756	100%	125%

Source: Washington State Dept of Revenue

Taxable Retail Sales/Capita Below Neighboring Jurisdictions

- Taxable retail sales for Edgewood showed greatest amount of growth between 1997 and 2001
 - However, taxable sales activity within Edgewood continues to be well below neighboring jurisdictions
 - Presents a opportunity to strategically grow the City's economic base through long-term economic development planning

	1997			2001			% Change		
	# Firms	Taxable Sls	TRS/Capita	# Firms	Taxable Sls	TRS/Capita	# Firms	Taxable Sls	TRS/Capita
Edgewood	975	19,431	2,193	1,557	43,764	4,747	60%	125%	116%
Fife	2,137	342,985	77,774	2,523	547,724	113,636	18%	60%	46%
Tacoma	14,372	2,885,537	15,261	13,986	3,572,641	18,368	-3%	24%	20%
Bonney Lake	1,881	92,263	10,130	2,259	133,281	13,355	20%	44%	32%
Milton	1,374	86,663	18,901	1,323	58,291	11,647	-4%	-33%	-38%
Fircrest	1,035	19,809	3,387	1,196	21,434	3,639	16%	8%	7%
King County	65,441	29,154,617	17,572	61,751	35,772,850	20,345	-6%	23%	16%
Pierce County	26,822	6,580,323	9,909	25,882	8,553,624	11,989	-4%	30%	21%

Source: Washington State Dept of Revenue

Utility Taxes and Franchise Fees

- State law authorizes Cities to levy a utility tax of up to 6% for telephone (including cellular), electricity, natural gas, and steam [RCW 35.21.870].
 - Rate can be exceeded by voter authorization
 - City currently does not assess a utility tax

- Franchise Fees
 - Franchise fees are charges levied on private utilities to recoup the costs of administering the franchise and the right to use public properties
 - Cable TV franchise fees are governed by federal law and are negotiated with the cable company. A maximum levy of up to 5% is allowed. City currently assesses a rate of 3.0%.

Utility Taxes* Potential Source of Revenue

- Edgewood currently does not levy utility taxes
 - Utility taxes levied by 18 (75%) of 24 cities in Pierce County
 - City is in an advantageous position of having the option to levy this tax as a potential source of revenue in the future
 - Annual revenue could total \$930,000, or \$100 per capita, based on experiences of Redmond and Snoqualmie

** Note: Utility Taxes are presented here for discussion only and should NOT be construed as a recommendation to implement*

	Edgewood	Milton	Fife	Tacoma	Bonney Lake	Fircrest	Statewide Average
2002 Population	9,320	5,180	4,815	194,900	12,360	5,925	
Utility Tax Rates							
Natural Gas	0.0%	5.0%	4.5%	6.0%	6.0%	6.0%	5.6%
Electricity	0.0%	6.0%	3.0%	6.0%	6.0%	6.0%	5.7%
Telephone	0.0%	5.8%	4.5%	6.0%	6.0%	6.0%	5.8%
Cellular Phone	0.0%	5.8%	0.0%	6.0%	6.0%	6.0%	5.8%
Water	0.0%	1.5%	4.5%	8.0%	8.0%	6.0%	7.5%
Sewer	0.0%	1.5%	4.5%	8.0%	8.0%	6.0%	7.5%
Storm	0.0%	0.0%	0.0%	8.0%	8.0%	6.0%	6.9%
Cable TV	0.0%	0.0%	0.0%	8.0%	6.5%	3.5%	5.5%
Cable TV Franchise Fee	0.0%	3.4%	3.4%	5.0%	0.0%	3.0%	4.3%
Garbage	0.0%	0.0%	0.0%	8.0%	6.0%	8.5%	6.9%
Garbage Franchise Fee	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%

Source: AWC 2002 Tax and User Fee Survey

Very Small Number Of Cities Do Not Levy a Utility Tax

Pierce County

Eatonville
Edgewood*
South Prairie
Carbonado; Ruston; Wilkeson – data not available

Total: 3 (13%) of 24 cities

Source: AWC 2002 Tax and User Fee Survey

King County

Beaux Arts Village
Medina
Newcastle
Sammamish
Tukwila
Covington; Hunts Point; Skykomish – data not available

Total: 5 (13%) of 39 cities

** Note: Utility Taxes are presented here for discussion only and should NOT be construed as a recommendation to implement*

Going Forward, City Faces Very Challenging Period

- Although City has been conservatively fiscally managed since its inception, with the passage of Initiatives 695 and 747, City's two largest revenue sources have been affected
 - Sales Tax Equalization (29% of 1997-2003 GF revenues)
 - State backfill funding has helped
 - 63% of Cities in Washington State affected; 54% in Pierce County alone
 - Property tax growth limited (35% of 1997-2003 GF revenues)
- City will face challenges in near future as GF expenses exceed GF revenues; Reserves must be used to sustain current service levels
 - At current "burn rate", 2003 reserves of \$3.5M will be depleted by 2011
- Street Fund reserves forecasted to be exhausted by 2008.
 - Continuation of current policies will result in deficit of \$1.6M by 2012
 - If I-776 ruled unconstitutional, deficit will be \$861K by 2012

City Strategic Reserves Can Sustain Current Services Through 2013 Without Tax Increases

- The City's Strategic Reserve Fund remains intact during forecast period
 - Upon exhaustion of GF reserves in 2011, Strategic Reserve Fund can sustain current services without raising taxes or cutting services through 2013

City Has Time To Strategize Its Options To Address Future Challenges

- Opportunity to stabilize City's finances by growing its tax base through economic development
 - Taxable sales per capita is currently below peers
 - Has available current taxing capacity if it is needed
 - Utilities are currently not taxed
 - Opportunity to initiate this tax in the event revenues are needed
 - Potential annual revenue of \$930,000
- The City should be commended for taking a proactive approach to strategic long-range financial and economic development planning

Appendix: Summary of Financial Assumptions

Comparison of General Fund forecast - average annual growth assumptions (2003 - 2012)

	<u>Forecasted - 2003-12</u>		<u>Notes on Berk assumptions</u>
	<u>Berk</u>	<u>City Staff</u>	
Revenues			
Property Taxes levy rate	1.00%	1.00%	Initiative 747 ceiling
Property taxes from new construction	18,000	18,000	Per City Staff
Sales taxes	5.89%	4.50%	Taxable retail sales - 10 year average; Puget Sound Forecaster
Gaming taxes	5.92%	4.50%	Personal income - 10 year average; Puget Sound Forecaster
Parks sales taxes	5.89%	2.00%	Taxable retail sales - 10 year average; Puget Sound Forecaster
Local criminal justice distributions	1.16%	2.00%	Population - 10 year average; Puget Sound Forecaster
Building permits	5.92%	7.50%	Personal income - 10 year average; Puget Sound Forecaster
Cable franchise fees	2.85%	1.00%	Inflation - 10 year average; Puget Sound Forecaster
Interest earnings	2.85%	2.00%	Inflation - 10 year average; Puget Sound Forecaster
Operating transfers	\$52,000	\$52,000	Consistent with the exception of a \$52,000 annual transfer to parks capital, no other transfers are assumed
Expenditures			
Salaries and Wages	4.50%	3.00%	Estimated annual cost of living and merit increases
Personnel Benefits	7.00%	3.00%	Estimated annual medical cost of living
Operating Supplies	2.85%	3.00%	Inflation - CPI - U
Services - General	2.85%	3.00%	Inflation - CPI - U
Services - Law Enforcement	5.00%	5.00%	Fixed at 5%
Services - Legal (Ogden/Murphy)	5.00%	3.00%	Fixed at 5%
Services - Animal Control	5.00%	3.00%	Fixed at 5%
Interfund Transfers - Parks CIP	2.90%	3.00%	Inflation
Interfund Transfers - Gen Gov CIP	n/a	n/a	No transfers
Interfund Transfers - Strategic Reserve	n/a	n/a	No transfers

Residential and Commercial Market Assessment and Demand Analysis

Prepared by Ravenhurst Development

Overview of Presentation

- Report is a work in progress.
- Data collection by interviews: City staff, property owners, real estate professionals, interested citizens.
- Business park analysis to follow in later meeting

Commercial Market Characteristics

- Market Area: geographically limited; 15,000-20,000 people.
- Milton and Edgewood commercial districts are inseparable
- Retail market healthy, office market very limited.
- Pierce County residential market very strong, but Edgewood not participating.
- Future development projection: no more than 10,000sf to 20,000sf per year.

Town Center Planning

- Distinct character – different than Meridian commercial, unique to community.
- Scale: four to six buildings, 8,000 to 12,000sf each, all single story.
- Some public buildings, some private development.
- Build-out could take eight to ten years.
- Retail portion will be hard to fill due to high rents.
- Significant public (City) investment will be necessary.
- Business community must share the vision and invest.

Economic Development Challenges

- Fear of Explosive Growth – unlikely except for residential.
- Restrictive Development Standards – may inhibit good development.
- Residential controls should protect rural character, commercial controls should produce healthy businesses.
- Perceptions of the business community – frustrated. Little investment will occur in this environment.
- Development as the budget salvation – unlikely within the community's capacity for change.
- Community objectives for the Town Center – necessary before the designer starts work.

Next Steps

- Market analysis and assessment of development potential
- Recommend initiation of economic development planning
- Fiscal assessment and economic feasibility of Town Center alternatives – in conjunction with master planning