
2018 BUDGET OVERVIEW

This budget section is preceded by the Mayor's Message, which is delivered to the City Council at the first budget hearing. The Mayor's Message is intended to be read in concert with this overview section.

2018 Financial Overview

Total City

The City's Operating Budget is comprised of 57 separate funds, each with a unique purpose. The budget funds day-to-day expenditures for a variety of services. Among these are police and fire protection, water and sewer services, transit, street maintenance, parks and the library, debt service, and support services. These basic services are funded by user fees, taxes, permits, grants, state-shared revenues and other charges. The budget can vary greatly from year to year depending on construction projects and equipment replacement schedules. As summarized below, the total City expenditure budget, excluding ending fund balances, increased by \$29.3 million between 2017 and 2018.

<u>Expenditure Budget</u>	<u>Adopted 2017</u>	<u>Adopted 2018</u>	<u>% Increase (Decrease)</u>
General Government	\$ 131,704,830	\$ 135,702,279	3.0%
Special Revenue Funds	34,450,262	37,399,892	8.6%
Debt Service	3,103,976	3,140,165	1.2%
Enterprise Funds	124,131,879	143,618,561	15.7%
Internal Service Funds	34,643,794	37,088,444	7.1%
Police & Fire Pension Funds	<u>3,510,709</u>	<u>3,901,669</u>	<u>11.1%</u>
Total Expenditure Budget	\$ 331,545,450	\$ 360,851,010	8.8%

The total City revenue budget increased \$21 million, excluding beginning fund balances, from \$322.9 million in 2017 to \$343.9 million in 2018. The City's ending fund balance is budgeted to decrease by \$12.4 million from \$204.1 million in 2017 to \$191.7 million in 2018.

Details on the revenue, expenditure, and fund balance changes for various funds can be found in the Financial Summary section of the budget.

General Government

The City's Five-Year Outlook functions as a key tool in the general government budget development process. As the budget develops, all changes are processed through the model to forecast the five-year impacts. The City maintains a fund balance policy that limits operating expenses to operating revenues and targets the General Government Fund balance at 20% of operating revenues.

At the beginning of the budget process, the model projected a \$6.4 million operating deficit for 2018. Subsequent revisions to the revenue forecast and expenditure budget eliminated the projected deficit, bringing 2018 operating expenditures in line with operating revenues.

The primary guidelines for the annual budget development were:

- Adhere to sound fiscal management practices
- Maintain, to the extent possible, the current level of public services

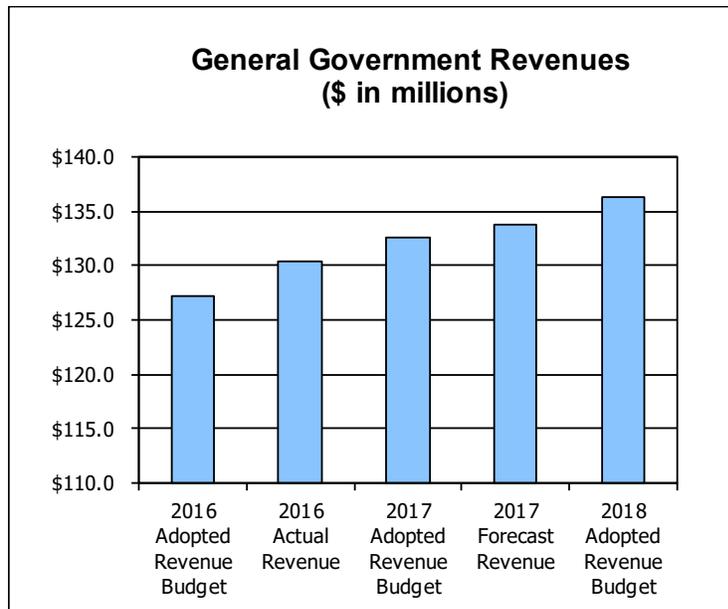
Key challenges facing the City for budget year 2018 included:

- Property tax growth limited to 1% of the base, plus adjustments for new construction and annexations
- Funding for capital projects and technology, many of which were deferred during the recession
- Increasing jail fees
- Increase in operating costs relating to the City's response to homelessness and the opioid epidemic

Major changes to the 2018 budget are listed below.

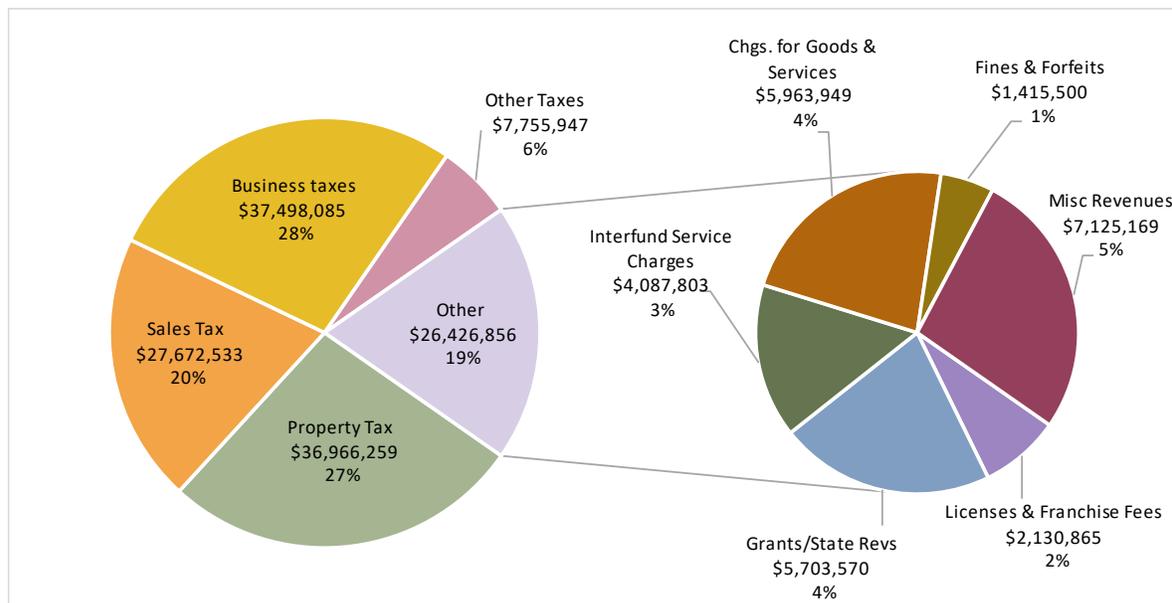
2018 General Government Budget Balancing	
2018 Estimated Annual Deficit as of 9/13/16	\$ (6,405,266)
Revenue forecast changes:	
Increase Property tax	164,750
Decrease B&O tax	(488,936)
Decrease Sales tax	(239,316)
Increase Utility taxes (natural gas, telephone, electric, cable, garbage)	792,091
Increase Construction Permits (building, electrical, etc.)	336,424
Increase Other Service Fees (recreation, engineering, planning, etc.)	1,179,892
Decrease State Shared revenues (gas tax, liquor tax & profits, etc.)	(160,054)
Decrease Fines, traffic and non-traffic infractions	(173,929)
Increase Transportation Benefit Dist. funds for overlay	800,000
Net all other revenue adjustments	11,299
Labor adjustments:	
Add Financial Analyst to Finance	(106,900)
Add Accounting Technician to Finance	(66,776)
Add Network Systems Analyst to Information Technology	(104,547)
Add Traffic Technician to Engineering	(97,050)
Add Park Ranger II to Parks	(75,855)
Add Utility Laborer to Streets	(61,487)
Add Office Assistant to Legal	(66,984)
Reduce slow roll assumption	(1,000,673)
COLA, step changes, longevity, overtime, and seasonal changes	(575,347)
Benefit adjustments (medical, dental, vision, retirement)	462,083
Net all other labor adjustments	(55,668)
Expenditure adjustments other than labor:	
Add funds for climate action	(75,000)
Add contribution to Snohomish County Health District	(109,383)
Add set aside for additional Public Facilities District support	(250,000)
Increase MVD (vehicle/equipment reserve) contribution	(200,000)
Increase Information Technology reserve contribution	(97,000)
Decrease Insurance reserve contribution	577,001
Increase Facilities Reserve contribution	(505,869)
Add funds for Police Officer lateral hiring incentive program	(135,000)
Eliminate across the board 2% M&O increase	152,594
Net all other expenditure adjustments	306,098
Prefund 2018 expenditures using 2016 carry forward	
Police & Fire LEOFF1 pension contributions	1,658,208
General Government's insurance reserves	3,000,000
MVD and Facilities reserve contributions	2,100,000
Increase Fund Balance to meet 20% requirement	(489,400)
Total Budget Changes:	<u>\$ 6,405,266</u>
Revised Annual Balance	<u>\$ -</u>

The 2018 general government revenue budget, excluding beginning fund balance, is \$136.3 million - a 1.9% increase over the 2017 year-end forecast based on the City's general economic outlook. No major revenue changes or rate increases were identified for the 2018 budget year.



Everett strives to maintain a diverse and stable revenue base to shelter public services from short-term fluctuations in any one revenue source. Current economic development activities are helping to move the City toward a more balanced revenue base. The graph below depicts the composition of the general government's 2018 revenue sources.

General Government Revenue Sources



Special Revenue Funds

The City has seventeen Special Revenue Funds which account for the proceeds of revenue sources that are restricted for specific expenditure purposes. These funds are related to General Government operations. Budget details can be found in the Special Revenue section of this document. Items of note include:

- The Hotel/Motel tax fund will make \$725,000 in grants and allocations available to support and promote tourism within the City--up from \$600,000 last year.
- The Criminal Justice Fund incorporated the Streets Initiative Flex Fund. The fund was created to account for charitable donations to be used to assist poor and infirm individuals who are working with the Community and Enforcement Team and/or the Chronic Utilizer Alternative Response Team.
- The Traffic Mitigation Fund has a \$4.69 million budget for 2018 to support transportation projects.
- The Transportation Benefit District Fund will experience its third full year of collections. This fund will provide \$2.0 million to support the City's annual overlay program, which represents a \$700,000 increase over 2017.

Enterprise Funds

The City has seven enterprise funds that are mainly self-supporting and expected to operate like private businesses. Items of note include:

Utilities (Water, Sewer and Surface Water Management): Overall, 2018 service revenues are projected to increase by 10% over the 2017 budget. City Council approved a four-year Utilities Rate Ordinance in February 2017. This increase reflects the cumulative effect of two-years of rate increases as no rate adjustments had been adopted at the time the 2017 budget was approved by Council.

Utilities estimates that expenses will increase by \$16 million in 2018. This increase includes a budgeted \$10.0 million bond issue as well as a \$1.4 million increase to labor and benefits, a \$1.0 million increase for outside services, and a nearly \$1.0 million increase in interfund service charges. The 2018 budget includes the addition of one full-time utility laborer in the Sewer/Drainage division.

The Utilities Department strives to preserve essential services for its customers and maintain regulatory compliance, while minimizing the cost of service.

Transit Fund: Everett Transit continues to operate with a very narrow revenue-to-expense margin. Reserves will be significantly depleted by the end of 2018 due to several capital projects, some of which were started in 2017. These include the remaining costs of a \$4 million property purchase for an 80-stall Park & Ride expansion, expansion of the operating base, and about \$600,000 for major repairs at Everett Station. Transit is also adding two fixed-route bus operators, one security officer, and a 0.5 FTE office assistant in 2018.

Everett Transit continues to monitor its fleet of fixed route and paratransit vehicles. Through a federal grant, Everett Transit is in the process of purchasing four electric buses with charging stations to be implemented in 2018. Transit will use accumulated federal grant dollars and a local match to replace three paratransit vans in 2018. Transit continues to pursue every available grant and was awarded a State grant to fund three additional electric buses to be delivered in 2019.

Transit coordinates services with sister agencies to facilitate regional travel for the residents of its service area, including support of the bus rapid transit (SWIFT) service along Evergreen Way within the City limits as well as the seamless fare service provided by One Regional Card for All (ORCA). Within the ORCA system, special pricing plans are available to employers, schools, and social service agencies to encourage commute trip reduction and improve the environmental footprint of the City

Golf Fund: A primary indicator of golf course financial performance is the difference between total revenue per round of golf and total expense per round of golf. Since 2008, the first full year of operations by Premier (a third-party contractor), revenue per round has increased from \$28.45 to a budgeted \$38.21 for 2018--an increase of 34.31%. The 2018 budget projects approximately 111,921 total rounds and \$4.27 million in revenue. The expense per round has increased from \$30.92 in 2008 to a budgeted 39.66 in 2018--an increase of 28.27%. Total expense is budgeted at approximately \$4.4 million for 2018.

Though revenue and expense growth have tracked in terms of percentage changes, expense growth increases in the last 8 years have reflected three primary cost drivers. They have been (and continue to be) the repayment of debt principal for loans secured 15 years ago to remodel Legion Memorial Golf Course, a ramping up of funds devoted to the replacement of capital equipment to maintain the courses, and continued increases in labor costs associated with wage growth and medical benefits for City employees. These increases have offset revenue increases generated from higher green fees. Compounding this situation has been the national and local decline of golf as a participant sport. The three-year moving average of total rounds played at Everett's courses peaked in the 2008-2010 time period when approximately 129,000 rounds were played. For the latest three-year period available (2014-2016), the average number of rounds was 111,405, a decline of 13.64%.

The adopted 2018 budget spends about \$163,295 in reserves. With forecasted expenses through 2021 exceeding forecasted revenue, staff will undertake a review of revenue growth and continue to seek additional cost containment strategies with the goal of becoming a sustainable financial operation. Some of these strategies could begin to be incorporated during the 2018 budget year. Others may be required to be deferred until 2019 or beyond.

Capital Expenditures

The total budgeted capital expenditures by major category for 2018 are listed below. Further detail can be found in the Capital Improvement Program section of this document.

2018 Budgeted Capital Expenditures

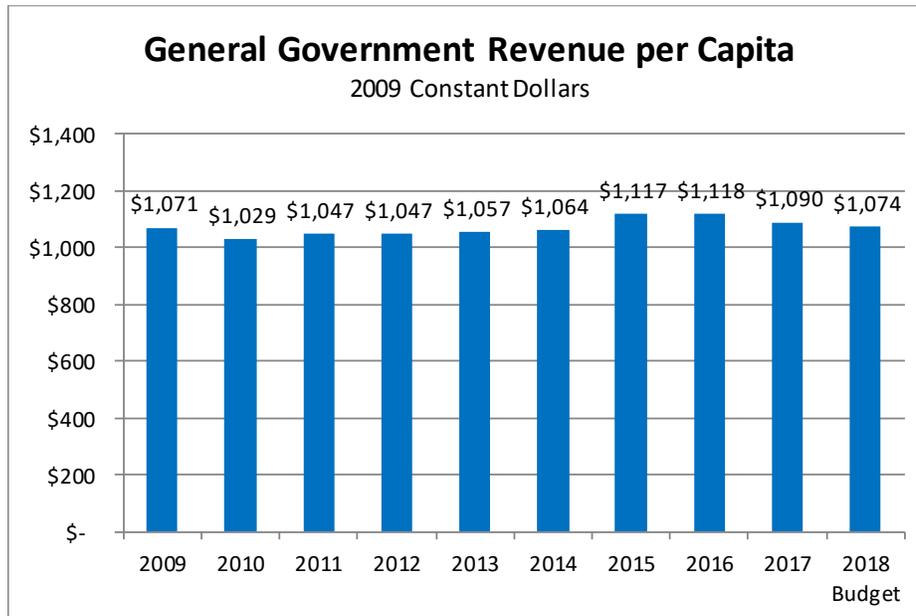
Category	Included in Operating Budget	Included in Capital Budget	Total	Percent of Total
General Government	\$ 6,846,589	\$ 1,290,925	\$ 8,137,514	8.7%
Transit	5,106,838	-	5,106,838	5.5%
Parks & Recreation	1,115,959	807,258	1,923,217	2.1%
Transportation	5,705,797	13,658,069	19,363,866	20.7%
Utilities	2,251,011	56,868,989	59,120,000	63.1%
TOTAL	\$ 21,026,194	\$ 72,625,241	\$ 93,651,435	

Economic Environment

Not unlike the rest of the nation, The Great Recession hit Everett's economy hard. The effects of the downturn had a protracted effect on the City's revenues that inhibited the pace of recovery. It was not until 2015 that income, at least on a nominal basis, finally exceeded pre-recession levels. The breakthrough was driven primarily by construction and aerospace activity.

While the recent improvement in general government revenue is encouraging, there is more to consider when thinking about funding public services. If we translate the revenues to constant dollars so that the impact of inflation is removed and present the results in a per capita format, the result shows that we still have substantially fewer resources available to serve our growing community. General government revenue per capita in constant dollars is shown in the following table. Adjusted for inflation and population growth, we see

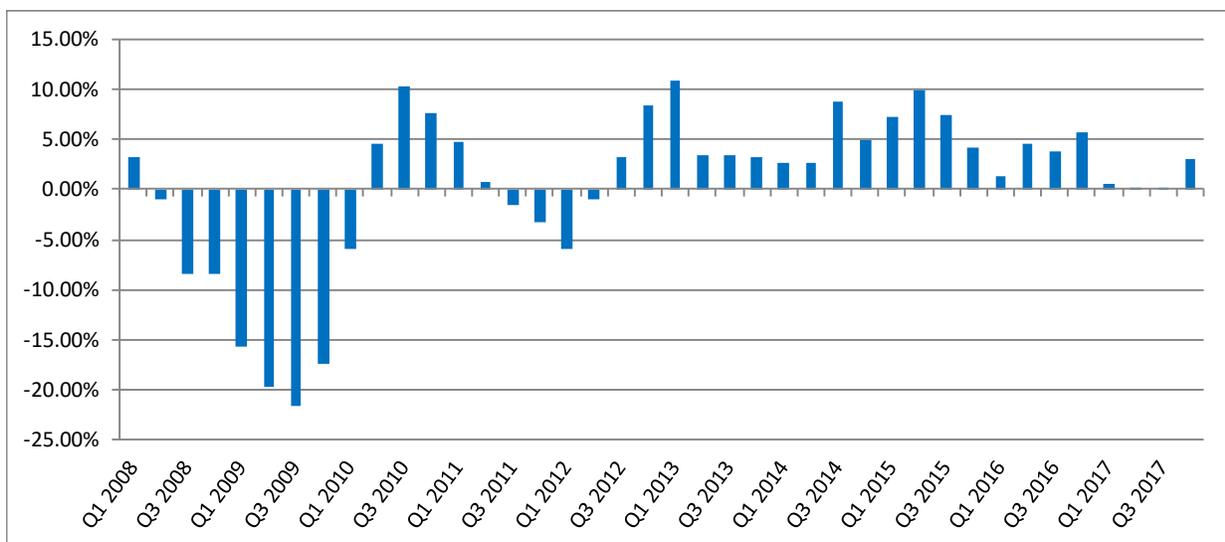
that real general government revenues peaked in 2016 and have been on a decline through the forecast for 2018.



The City’s three largest sources of tax revenue are property tax, sales tax, and business & occupation tax. Property taxes are limited to 1% annual growth in Washington State. Because the City’s regular levy rate is well under the legal limit, declining property values have not affected property tax revenues. In contrast, the struggling economy had a marked impact on sales tax revenues.

The City began to see noticeable declines in sales tax in mid-2008, after experiencing extraordinary growth in 2006 and 2007. The chart below shows sales tax revenues declined for eight consecutive quarters starting in June 2008. The trend began to turn around in April 2010 with increases every quarter for five quarters. However, another dip occurred in mid-2011 through much of 2012. Starting September 2012, activity began to increase again, with a return to positive performance in the last two quarters of 2012. Sales tax revenues are expected to grow by 3.3% in 2018 over the 2017 year-end estimate and at an average 1.6% over the next four years.

Sales Tax Annual Quarter over Prior Year Quarter % Change



The first chart below breaks out sales tax into major categories and shows variances in activity between 2016 and 2017. The largest percent gain was in the Information category while the largest dollar gain was in the Retail category. The biggest overall decline, both in terms of percentage and dollars, was in the Manufacturing category. The transportation equipment manufacturing subsector lead this underperformance. The Manufacturing category is expected to turn around in 2018 with a budgeted increase of 3.6%.

The City’s largest sales tax category is Retail Sales. The second chart breaks out the retail sales category to major subcategories. As shown, the Furniture, Motor Vehicles, and Nonstore Retailers had the strongest growth in 2017, averaging 10.2%. This trend is expected to continue in 2018. Overall, retail sales are expected to grow 4.7% in 2018, after experiencing a 3.4% growth rate in 2017.

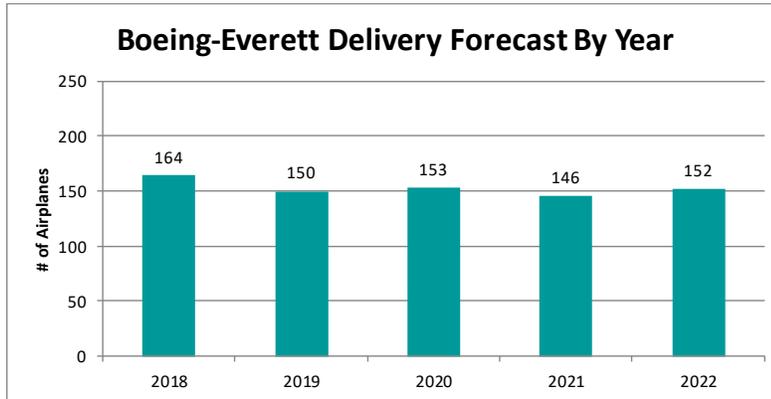
Total Sales Tax Revenue		
Category:	Category as % of Total Receipts	% Change 2016-2017
Retail	44.5%	3.4%
Construction	12.5%	5.8%
Food Services/Accomod.	9.6%	1.9%
Manufacturing	7.4%	-11.9%
Wholesale	6.5%	1.3%
Information	4.6%	7.4%
All Other Categories	14.9%	-4.6%
Total Sales Tax	100.0%	1.0%

Retail Sales Only		
Areas of Strength	Category as % of Total Receipts	% Change 2016-2017
Furniture	3.0%	11.3%
Motor Vehicles	36.9%	10.1%
Nonstore Retailers	4.0%	9.3%
Health/Personal Care	4.3%	1.7%
Clothing	4.3%	1.5%
Electronics	4.9%	1.1%
Food & Beverage Stores	5.1%	0.4%
Total Retail Sales Tax		
	97.0%	3.4%
Areas of Weakness		
Building/Garden	5.7%	-6.7%
Sporting Goods	3.1%	-4.4%
General Merchandise	20.1%	-1.8%
Gas Stations	2.5%	-1.5%
Misc Retailers	6.2%	-0.4%

The number of construction permits issued between 2016 and 2017 declined by 9%; however, the results among construction types were mixed in terms of value, with an overall net decrease of \$16 million or 8%.

City of Everett Local Housing Industry Indicators			
	2016	2017	Change
<u>City of Everett Construction:</u>			
Single Family Permits	185	261	41.1%
Single Family Valuation	\$ 44,801,013	\$ 61,119,455	36.4%
Duplex Permits (Units)	6	22	266.7%
Duplex Valuations	\$ 1,433,998	\$ 4,156,505	189.9%
Multi-Family Permits (Units)	39	11	-71.8%
Multi-Family Valuations	\$ 4,824,360	\$ 476,640	-90.1%
Commercial Permits	18	2	-88.9%
Commercial Valuations	\$ 29,621,088	\$ 51,872,299	75.1%
Residential Alterations	401	350	-12.7%
Residential Alterations Valuation	\$ 9,898,939	\$ 9,470,357	-4.3%
Commercial Alterations	429	336	-21.7%
Commercial Alterations Valuation	\$ 122,266,474	\$ 69,725,466	-43.0%
Sources: City of Everett Engineering Department			

The City's 2017 business and occupation tax, which is based on gross business receipts, came in 3.2% below 2016 receipts. Looking forward, B&O tax is expected decline in 2018 by 3% and then remain relatively flat over the next four years as aerospace activity levels off.



In 2013, Boeing initiated a nation-wide competition to select a site to build the new 777x. In response, the legislature voted in a tax incentive package and the Machinists Union approved an eight-year contract to position Washington State as the preferred location. Based on those actions, Boeing selected the Puget Sound as the preferred site for the 777x as well as its new composite wing facility, securing the presence of the aerospace industry and thousands of family wage jobs in this area for many years to come.

The December 2017 unemployment rate for Snohomish County was 4.0%, which was 0.9% lower than the statewide unemployment rate of 4.9%

Snohomish County Unemployment Rate (not seasonally-adjusted)	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	% Change 16-17
	5.3%	4.4%	4.7%	3.9%	4.0%	2.6%

Source: Washington State Employment Security Department

Monthly real estate excise tax (REET) receipts (0.5% of the value of real estate transactions) represent a vital funding source for park and road projects and debt service payments on the Everett Events Center. The following chart illustrates the impact of the Great Recession on REET revenues, beginning with a precipitous drop in 2008 that was followed by an additional large decline in 2009.

Collections began improving in 2011 and have continued to be strong through 2017, with revenues coming in 31% higher than originally budgeted. Based on indications that the housing market will remain steady but commercial sales will likely slow, 2018 collections are budgeted to decline by 13.2% from the 2017 year-end forecast.



City of Everett - Priorities and Current Initiatives

The City of Everett's current initiatives focus on keeping our City services strong while preparing for future opportunities.

1. Foundation of a Great Community

- Financial Health

The City continues to live within its means and is maintaining compliance with the fund balance policy. In the spring of 2014, the City underwent a comprehensive review of city businesses in an effort to bring our finances into structural balance for the long term. Several suggestions were developed and a number of them were implemented. This is an ongoing effort with work continuing into 2018.

Everett's general obligation and revenue debt ratings were reaffirmed by Standard & Poor's at AA+ in October 2014 and October 2016, respectively. This strong rating means Everett taxpayers likely will pay lower interest rates on bonds issued for capital improvements than they would have if the City held a lower credit rating.

The 2018 budget maintains the City's essential service levels; however, Administration continues to watch the changing dynamics of the economy and is prepared to make adjustments as necessary.

- Public Safety

Public Safety continues to be the number one priority in the City of Everett. Like cities across the state and country, in recent years the City's public safety efforts have focused on street-level social issues like homelessness, addiction, and mental illness. The City has taken a comprehensive approach to solving these issues.

In 2017, we made great strides in implementing the Safe Streets Plan--the City's response to the recommendations of the Community Streets Initiative Task force convened in 2014. The plan focuses on proven approaches to housing, enforcement and outreach, and diversion programs to create pathways for those on the street and to ensure the safety of our entire community. This plan included establishing a streets outreach unit in the police department in 2016 with five new dedicated police officers, two new embedded social workers; and a new prosecutor and a new director of health and safety.

In 2017, we continued the work crew program that provides an alternative to prosecution and jail-time for low-level offenders and to clean up areas affected by street populations. The program also provides skills training and connections to services and treatment.

All of these programs will continue into 2018 and may be modified as our knowledge base expands. In addition, we expect that Catholic Community Services will break ground soon on its new, permanent supportive housing apartments with on-site services and case management for 70 chronically homeless individuals, many of whom struggle extensively with mental illness and addiction. The City, Snohomish County, and Providence Hospital have committed to provide ongoing support for this new facility.

- Transportation

The City will make a \$19.4 million investment in streets in 2018. Projects include the Grand Avenue Park pedestrian bridge, which will connect the Grand Avenue Park bluff with our waterfront, and the Downtown Streetscape Phase 3 project, which is part of our continued efforts to improve the walkability of our neighborhoods.

- Water/Sewer Utilities

Over the next decade, the City will spend more than \$500 million to improve drinking water and wastewater systems to meet growth demands and regulatory requirements. The City

provides drinking water to more than 550,000 people in Everett and Snohomish County, and sewer service to more than 140,000 people in Everett and adjacent areas.

2. Investment and Redevelopment

- Large projects in the planning stages or underway in Everett include:
 - The Everett Community College expansion, which will conclude with a doubling of the campus size.
 - The residential development in the Riverfront - more than 200 homes have been completed with additional mixed-use construction to come.
 - The Farmer's Market and residential living project.
 - The Port of Everett's Waterfront Place development.
- Economic Development Focus
 - The fundamentals for a strong and increasingly diverse economy exist in Everett, including aerospace, Naval Station Everett, the health care community, the Port of Everett, and the SW Everett light industrial area.
 - Work to redevelop the old Kimberly-Clark waterfront property continues and is a critical piece of our effort to recreate the jobs that were lost when the mill closed in 2012.
- Higher Education
 - Bringing a four-year university to Everett has been in the forefront of our goals for this community. Groundbreaking for Everett University Center, to be run by Washington State University, occurred in the fall of 2015. The new four-story building was completed in 2017. The Center will offer a wide range of four-year and advanced degrees including electrical engineering, communications, hospitality, software engineering, and data analytics.
 - Everett will also benefit from the new WSU medical school, which will train doctors at Everett health care facilities to serve rural populations.
 - Everett Community College (EvCC) opened a major expansion of its Advanced Manufacturing and Technical Education Center in 2016, a 54,000 square foot facility offering state-of-the-art training and a pathway to family-wage jobs in aerospace and other manufacturing industries.
 - EvCC also completed a new 120-student housing project in 2016. Another 132-student housing project was completed in 2017.
- Commercial Air at Paine Field
 - In 2016, the commercial air terminal at Paine Field was approved. This amenity will be a benefit to business commuters and vacationers alike. Propeller Airports began construction of a new airport passenger terminal in 2017.
- Navy
 - Naval Station Everett (NSE) is the homeport for five US destroyers. Each carries a complement of more than 300 sailors. The aircraft carrier USS Nimitz remains scheduled to return to Everett in 2019. Everett is a key strategic location for the Navy and we continue to work with our congressional delegation to ensure that Naval Station Everett remains a valued asset for our country and our region.

3. Improving our Quality of Life

- Parks and Libraries
 - The first phase of a new three-acre park on city-owned property along the Snohomish River began in 2016, along with several other park improvement projects.

The south Everett library branch expansion will begin in 2018. The expansion will add 5,000 square feet to the branch, including new spaces for meeting, studying, and children's activities.

- **Community Events**

The City will continue popular community events such as Sorticulture, Music in the Parks, Jetty Island Days, and Cinema Under the Stars.

The City will also continue to support new and established artists and musicians through grants and annual arts awards.

Other Planning Processes

In addition to the five-year forecast budget model, the capital improvement plan, and the economic development plan, the City of Everett has numerous boards, commissions, and committees that play a role in helping plan for the City's future. These include, but are not limited to: Animal Control Board, Council of Neighborhoods, Cultural Commission, Historical Commission, Housing & Community Development Board, Housing Authority, Human Needs Advisory Committee, Library Board, Lodging Tax Advisory Board, Parks Commission, Planning Commission, Public Facilities District Board, Salary Commission, Senior Center Advisory Board, Transportation Advisory Committee, Tree Committee, Neighborhood Associations and various ad hoc committees. These groups serve in an advisory capacity to the City, and were created either by code or assignment.

In January 2017, a group of 22 community volunteers started its work to update the Vision 2025 report that was initially developed in 2005. The committee reviewed goals that have been achieved, identified what remains to be done, and established new action strategies that the City could pursue in a report delivered to Administration and City Council called Vision 2037. This plan will help to guide the City's direction for the future.

The Future – Principal Issues Facing the City

There are a number of issues facing the City of Everett that present significant challenges or opportunities as we look to future years. These include legislative changes, regulatory changes, world events, and economic factors. Examples include:

Public Disclosure

The volume of records requests and associated cost of compliance with the State of Washington's Open Public Records Act continues to skyrocket—placing an enormous strain on City resources. Responding to records requests and managing associated legal issues has required the City to increase staffing levels and reallocate resources from other essential public services.

Property Tax 1% limit

Initiative 747, which limits growth in property tax revenue to 1% per year, presents an ongoing budgetary challenge. Property tax is the largest single source of general government revenue—accounting for about one third. With growth in this key component held to a rate lower than the cost of service delivery, the City must increasingly rely on other more volatile sources of income to maintain service levels. As a result, the structural deficit will persist and future economic downturns will likely require difficult decisions regarding necessary service cuts.

B&O Tax Credit

In March 2010, the City amended the Business and Occupation tax ordinance by adding a tax credit for business employment base expansions that create 50 or more new jobs within four quarters. The taxpayer may claim a credit of one thousand dollars per new position, subject to a lifetime cap of \$500,000 per taxpayer. The added positions must remain filled for at least three years.

State of Washington/U.S. Government

The City receives various state-shared revenues including Streamlined Sales Tax Mitigation, Criminal Justice Assistance, Liquor Revolving Account, Liquor Excise Tax Account, and Motor Vehicle Fuel Tax; and various public safety operating program and capital grants. The state's budget constraints have resulted in reduced revenue sharing and fewer available grants for 2018.

The U.S government also provides grant funding for City programs, primarily in the areas of road construction, transit, and Community Housing Improvement Program (CHIP) funding. Like the state, the federal government has also cut back the number and size of grants it makes available to local jurisdictions.

Together, the reduction in state shared revenues and state and federal grants will force the City to rely more heavily on already strained local revenues to support operations and capital investments.