
2016 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.

2016 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 decreased by \$32.8 million between 2015 and 2016.

<u>Expenditure Budget</u>	<u>Adopted 2015</u>	<u>Adopted 2016</u>	<u>% Increase (Decrease)</u>
General Government	\$ 122,919,380	\$ 127,226,443	3.5%
Special Revenue Funds	26,373,275	33,842,423	28.3%
Debt Service	2,904,515	3,160,575	8.8%
Enterprise Funds	168,512,137	121,843,525	-27.7%
Internal Service Funds	31,537,620	33,134,618	5.1%
Police & Fire Pension Funds	<u>5,303,810</u>	<u>5,557,459</u>	4.8%
Total Expenditure Budget	\$ 357,550,737	\$ 324,765,043	-9.2%

The total City revenue budget decreased \$36.7 million, excluding beginning fund balances, from \$351.3 million in 2015 to \$314.6 million in 2016. The City's ending fund balance is budgeted to increase by \$14.6 million from \$160.4 million in 2015 to \$175 million in 2016.

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 \$5.8 million operating deficit for 2016. Subsequent revisions to the revenue forecast and expenditure budget eliminated the projected deficit, bringing 2016 operating expenditures in line with operating revenues.

The primary guidelines for the annual budget development were:

- Adhere to sound fiscal management practices
- Do not add new programs without new offsetting revenue or an equal reduction elsewhere in the budget
- Maintain, to the extent possible, the current level of public services

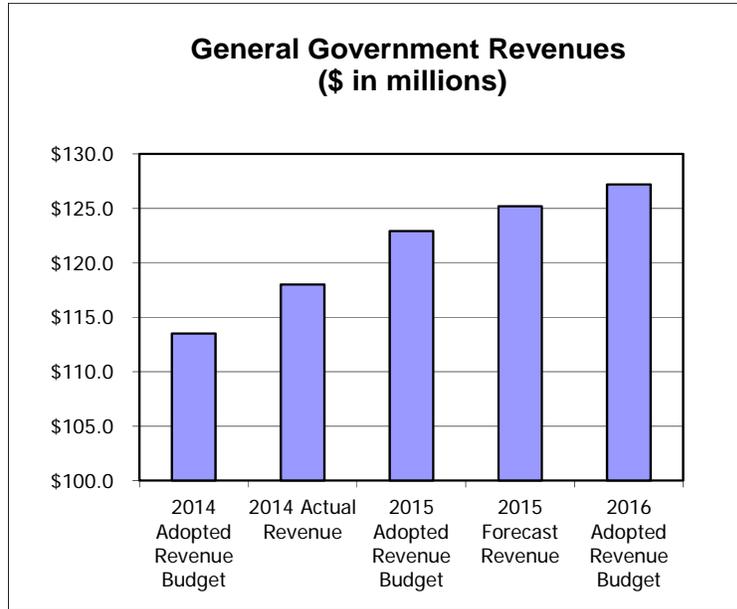
Key challenges facing the City for budget year 2016 included:

- Property tax growth limited to 1% of the base, plus adjustments for new construction and annexations
- Funding the new capital improvement program (CIP 1) that will focus on major repairs and maintenance of existing general government structures, some of which had been deferred during the recession
- Funding the new Community Streets Initiative program, which is designed to create a safer, more vibrant community for all of our residents, including those living on the streets

Major changes to balance the 2016 budget are listed below.

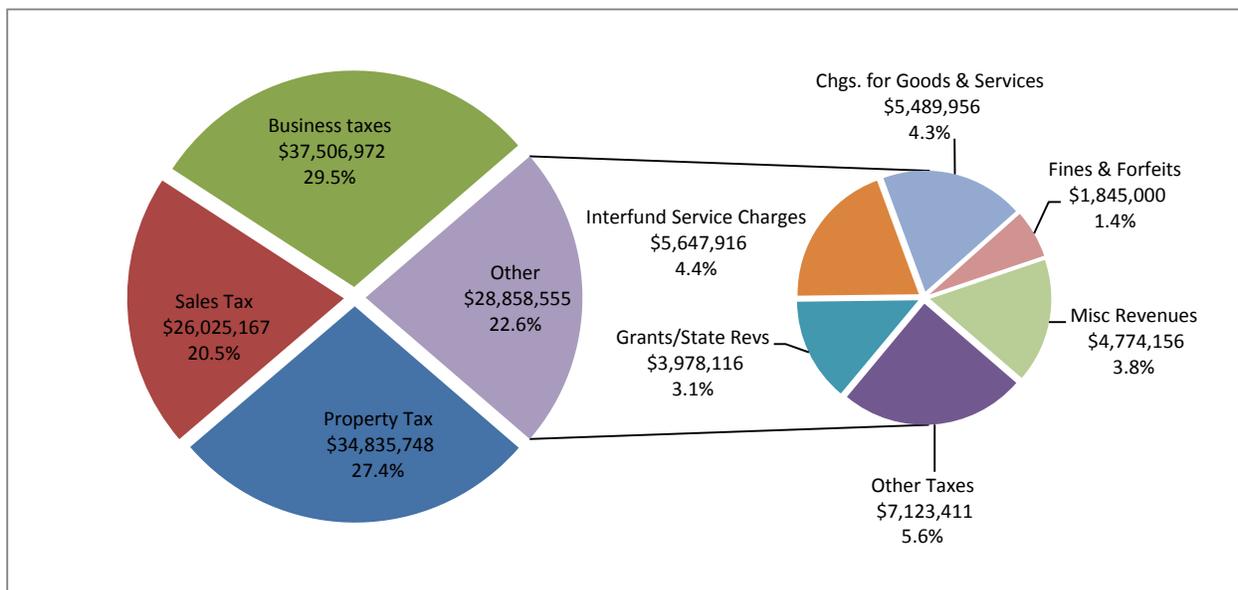
2016 Budget Balancing	
2016 Estimated Annual Deficit as of 12/01/14	\$ (5,775,469)
BUDGET CHANGES:	
Revenue adjustments:	
Increase sales tax forecast	809,518
Decrease utility tax forecast (natural gas, telephone, electric, cable, garbage)	(1,763,848)
Increase Utility and Transit Fund payments in lieu of tax (PILOT) forecast	594,571
Increase construction permits forecast (building, electrical, etc.)	489,915
Increase other service fees forecast (recreation, engineering, planning, etc.)	622,137
Increase state shared revenue forecast (gas tax, liquor tax & profits, etc.)	498,761
Reduce Cost Allocation revenue for service to Everett Station	(875,456)
All other revenue adjustments	(204,098)
Labor adjustments:	
Add Development Technician position to Engineering	(101,210)
Eliminate Real Property Manager position from Facilities	153,547
Transfer 10 FTEs from Facilities to Transit (Everett Station Svcs)	785,512
Add Network Systems Analyst position to Information Technology Dept.	(106,716)
Add Labor Relations Negotiator position to Labor Relations Dept.	(120,550)
Add Administrative Assistant position to Administration Dept.	(75,790)
COLA, step changes, longevity, overtime, and seasonal changes	(695,172)
Reduce cost of benefits forecast (medical, dental, vision, retirement)	1,739,091
Incorporate 10% Premium share for AFSCME, EPOA, and EPMA	697,535
All other labor adjustments (net)	68,759
Expenditure adjustments other than labor:	
Add set aside for Streets Initiative program	(1,000,000)
Increase Human Needs funding for Streets Initiative	(105,800)
Add contribution to new Capital Improvement Program (CIP 1)	(1,665,000)
Reduce general fund contribution for annual street overlay	400,000
Reduce Facilities Reserve contribution	500,000
Reduce Jail Fee budget	161,138
Reduce SNOPAC and SERS annual fee estimate	217,767
All other expenditure adjustments (net)	(87,907)
Prefund 2016 expenditures using 2014 under expenditures:	
Reduce 2016 contribution to LEOFF1 pensions based on pre-funding	2,838,765
Reduce 2016 contribution to insurance reserves based on pre-funding	2,000,000
Total Budget Changes:	<u>\$ 5,775,469</u>
Revised Annual Balance	<u>\$ -</u>

The 2016 general government revenue budget, excluding beginning fund balance, is \$127.2 million - a 1.7% increase over the 2015 year-end forecast. Major changes for 2016 include the 2% rate increase to the cable and garbage tax per the plan set forth in the 2014 Structural Deficit review. The rate for these taxes increases from 2% in 2015 to 4% in 2016



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 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 \$150,000 in grants available to support and promote tourism within the City for the fourth year in a row.
- The EMS Division should be fully staffed by the end of 2016. The department has been averaging approximately nine vacancies. The department will also purchase a new medic unit, two power lift stretchers, and three bipap ventilators.
- The Criminal Justice Fund will provide \$100,000 to fund the Police property room storage project.
- The Traffic Mitigation Fund has a \$4.1 million budget to support transportation projects.
- The Transportation Benefit District Fund will experience its first full year of collections. This fund will provide \$1.2 million to support the City's annual overlay program, up from \$600,000 in 2015.
- The Community Development Block Grant and Community Housing Improvement Program funds will provide approximately \$650,000 for low barrier housing in support of the Community Streets Initiative.

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, service revenues are projected to increase by approximately 11% for 2016. The increase is necessary to address the City's capital replacement and improvement programs and to finance inflation-based cost increases in operations and maintenance. The estimated impact to the average residential customer is approximately \$10.03 per month for water, filtration, sewer, and surface water combined. However, even with this increase the utility's rates still compare favorably to those of other utilities in the region.

Utilities is estimating an expense decrease of \$49 million for 2016. This decrease is primarily due to a budgeted bond issue in 2015 of \$60 million. There is no budgeted bond issue for 2016. This decrease is partially offset by increases to labor of \$0.6 million, a \$1.8 million increase in Repairs and Maintenance to continue the Backwater Valve Rebate program, a \$0.5 million increase in Miscellaneous expenses to reflect an estimated increase in ending fund balance, and a \$0.8 million increase in interfund charges. The 2016 budget includes a net increase of one full time employee. Staffing changes include the elimination of a grant-funded Associate Engineer position, the elimination of an Assistant Planner position through attrition, and the addition of a Water Plant Maintenance Supervisor.

The Utility 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 budget margin. 2015 expenses are anticipated to come in under budget by 9.5%. The 2016 expense budget is \$4.4 million higher than the 2015 year-end estimate. \$2.8 million of this increase is in capital outlay for the possible land acquisition, design and preliminary construction of a new operations base. Approximately \$800,000 of the expense increase is due to the transfer of 10 FTEs from the Facilities department to the Transit fund for Everett Station security and facility maintenance services.

Everett Transit continues to monitor its fleet of fixed route and paratransit vehicles. With very little new grant dollars on the horizon, Everett Transit will need to take measures to ensure that its aging fleet remains

operational. In 2016 Transit will purchase three paratransit replacement vehicles with local funds. With the passage of a new federal transportation bill, new grant opportunities are expected to be available for application by third quarter 2016. Transit will aggressively pursue every applicable grant.

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 through Business Accounts aimed at encouraging commute trip reduction and improving 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 \$36.55 for 2016--an increase of 28.5%. The 2016 budget projects approximately 114,900 total rounds and \$4,199,000 in revenue. The expense per round has increased from \$30.92 in 2008 to a budgeted \$39.21 in 2016--an increase of 27.8%. Total expense is budgeted at approximately \$4,504,000 for 2016.

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 golf (which began in 2010), 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 due to 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 a total of approximately 129,000 rounds were played. For the latest three year period available (2012-2014), the three year average is 114,000, a decline of 11.6% in this four year period.

The adopted 2016 budget spends about \$305,000 in reserves. With forecasted expenses through 2021 exceeding forecasted revenue, staff will undertake a review of revenue growth and cost containment strategies with the goal of becoming a sustainable financial operation. Some of these strategies could begin to be incorporated during the 2016 budget year. Others may need to wait until 2017 or beyond.

Capital Expenditures

The total budgeted capital expenditures by major category for 2016 are listed below. Further detail can be found in the Capital Improvement Program section of this document.

2016 Budgeted Capital Expenditures

Category	Included in Operating Budget	Included in Capital Budget	Total	Percent of Total
General Government	\$ 7,704,910	\$ 1,042,207	\$ 8,747,117	13.4%
Transit	3,238,895	-	3,238,895	5.0%
Parks & Recreation	1,095,071	1,370,950	2,466,021	3.8%
Transportation	5,250,422	12,075,323	17,325,745	26.6%
Utilities	2,380,000	31,060,000	33,440,000	51.3%
TOTAL	\$ 19,669,298	\$ 45,548,480	\$ 65,217,778	

Economic Environment

The national and local economy declined severely from 2008 through 2009. Everett is still feeling the impact on the local economy. Although it has been determined that the national recession ended in June 2009, local economists believe that our region's economy didn't bottom out until early 2010. Since then, we have seen improvement in some areas, but further decline in others. We expect similar performance in 2016.

The December 2015 unemployment rate for Snohomish County was 5.0%. According to the Washington State Employment Security Department, 2014 employment growth at the statewide level was the highest in 17 years. Employment is expected to grow at a decreasing rate throughout 2016.

Snohomish County Unemployment Rate (not seasonally-adjusted)	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015	% Change 14-15
	8.2%	6.1%	5.2%	4.6%	5.0%	8.7%

Source: Washington State Employment Security Department

Construction permitting was up in both volume and value in 2015 compared to 2014. As shown in the table below, the single family, duplex and commercial sectors did especially well, reflecting the issuance of permits for Boeing's new 777x wing facility, Providence Hospital's surgical department expansion, and a new Courtyard by Marriot hotel, among others.

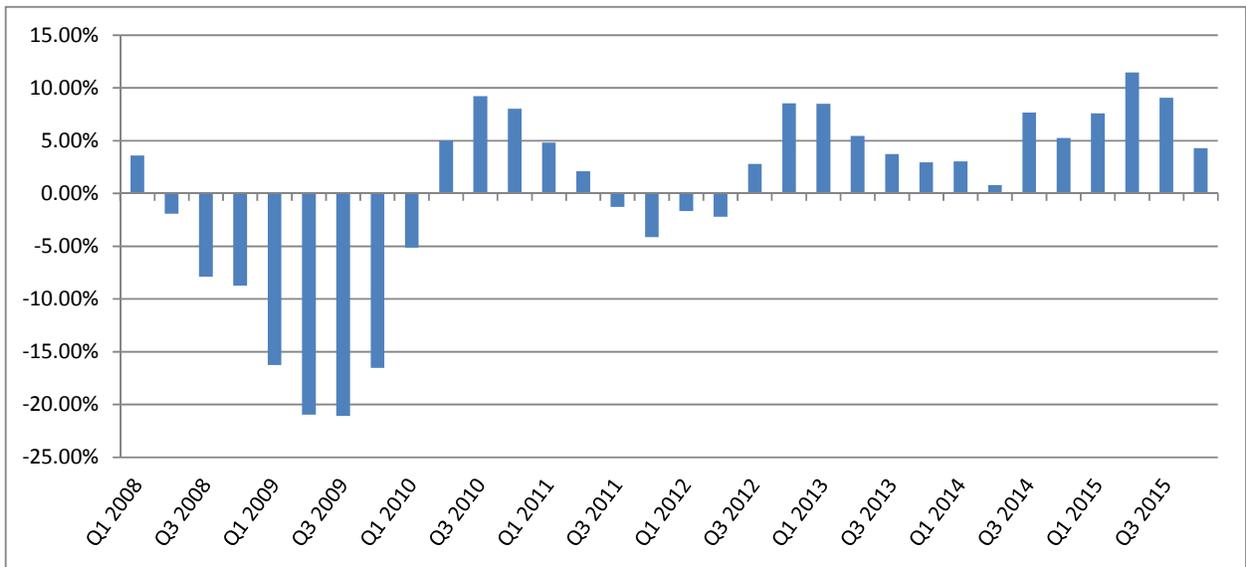
City of Everett Local Housing Industry Indicators			
	<u>2014</u>	<u>2015</u>	<u>Change</u>
City of Everett Construction:			
Single Family Permits	144	169	17.4%
Single Family Valuation	\$ 28,499,677	\$ 34,603,276	21.4%
Duplex Permits (Units)	4	19	375.0%
Duplex Valuations	\$ 444,375	\$ 4,301,250	867.9%
Multi-Family Permits (Units)	108	120	11.1%
Multi-Family Valuations	\$ 5,144,528	\$ 4,097,112	-20.4%
Commercial Permits	13	15	15.4%
Commercial Valuations	\$ 216,223,295	\$ 60,860,502	-71.9%
Residential Alterations	329	335	1.8%
Residential Alterations Valuation	\$ 4,257,639	\$ 7,262,972	70.6%
Commercial Alterations	336	415	23.5%
Commercial Alterations Valuation	\$ 50,784,667	\$ 112,648,298	121.8%

Sources: City of Everett Engineering Department

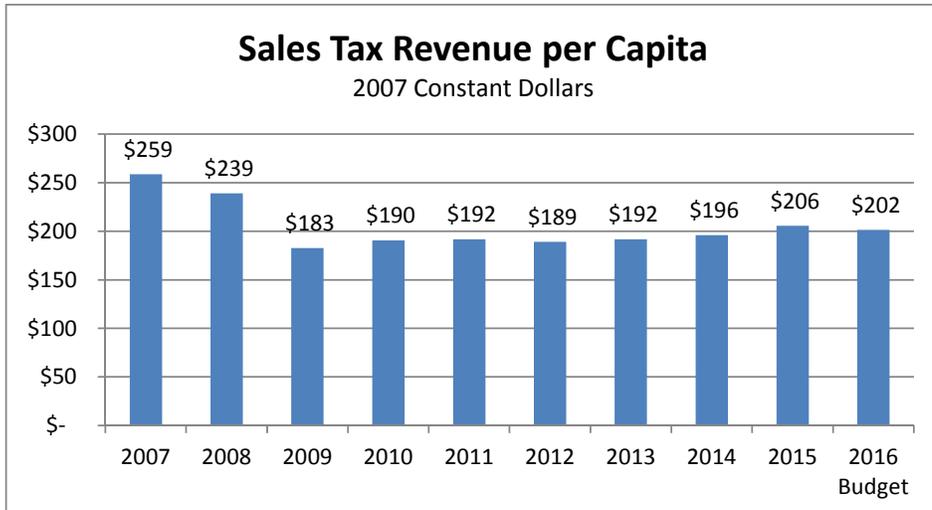
The City's three largest sources of tax revenue are property tax, sales tax, and business & occupation tax. Property taxes are limited to 1% annual growth in Washington State. Because the City's regular levy rate is well under the legal limit, declining property values have not affected property tax 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. As shown in the chart below, sales tax revenues declined for eight consecutive quarters starting in June 2008. This trend began to turn around, beginning 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 0.5% in 2016 over the 2015 year-end estimate and at 3.0% over the next four years.

Sales Tax Annual Quarter over Prior Year Quarter % Change



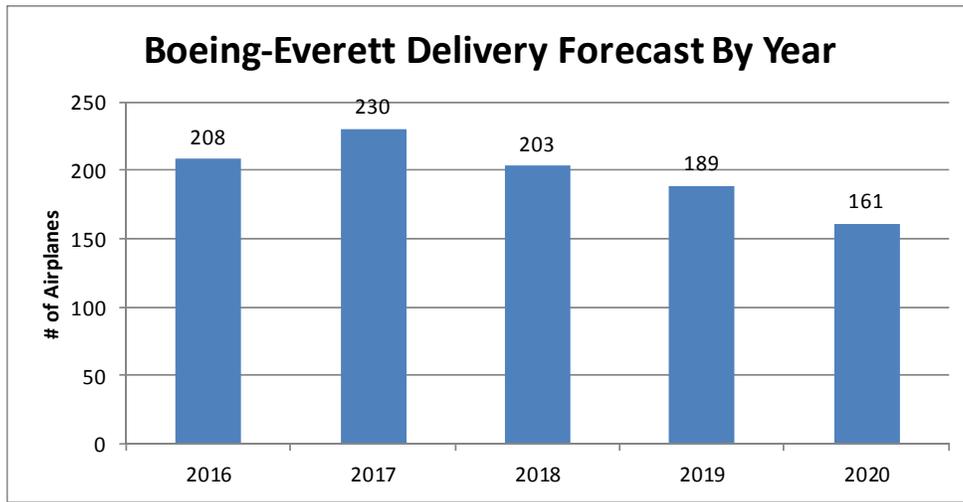
Sales tax revenue per capita is shown in the chart below with annual sales tax revenue translated into constant dollars so that the impact of inflation is removed. The substantial decrease between 2007 and 2009 severely impacted the City's ability to fund public services. Adjusted for inflation and population growth, we expect that real taxable retail sales may not fully recover for several more years.



The chart below breaks out sales tax into major categories and shows variances in activity between 2014 and 2015. The largest gain came in the Construction category. Based on current permit activity, 2016 construction related sales tax is expected to increase approximately 9% over the 2015 year-end estimate. The City's largest category, Retail Sales, is expected to remain fairly flat in 2016, after experiencing a healthy growth rate of 4.4% in 2015.

Sales Tax Revenue		
	Category as % of	% Change
Category:	<u>Total Receipts</u>	<u>2014-2015</u>
Retail	43.5%	4.4%
Manufacturing	10.2%	-9.4%
Food Services/Accomod.	9.3%	8.1%
Construction	11.9%	51.9%
Wholesale	6.4%	3.8%
Information	4.0%	-4.3%
All Other Categories	14.6%	13.9%
Total Sales Tax	100.0%	8.0%
Retail Sales:		
<u>Areas of Strength</u>		
Building/Garden	6.6%	21.6%
Health/Personal Care	3.7%	18.3%
Furniture	2.8%	14.9%
Nonstore Retailers	3.6%	11.2%
Electronics	4.9%	9.9%
Gas Stations	2.6%	5.9%
Clothing	4.2%	4.0%
General Merchandise	23.1%	2.6%
Motor Vehicles	32.0%	2.1%
Sporting Goods	3.5%	1.2%
Food & Beverage Stores	5.7%	0.6%
<u>Areas of Weakness</u>		
Misc Retailers	7.3%	-3.6%
Total Retail Sales Tax	100.0%	4.4%

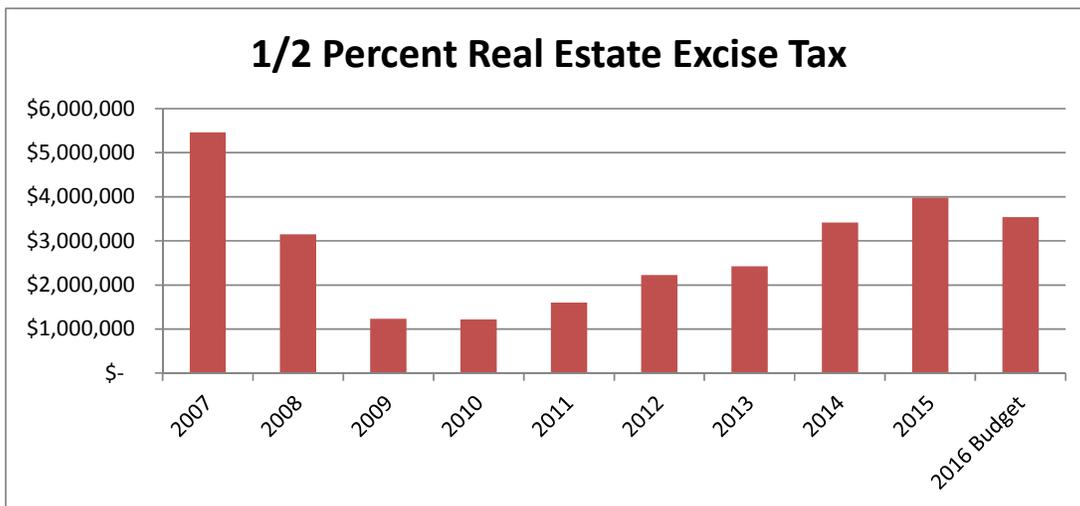
The City's 2015 business and occupation tax, which is based on gross business receipts, came in 11.9% over 2014 receipts as a result of an increase in audit recoveries and the economic recovery. Looking forward, 2016 B&O tax is expected to fairly flat over the year-end forecast as growth in aerospace 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.

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 continued strong through 2015 with revenues coming in 19% higher than originally budgeted. The large increase in 2015 was due, in part, to large commercial sales. Based on indications that the housing market will remain steady but commercial sales will likely slow, 2016 collections are budgeted to decline by 11% from the 2015 year-end estimate.



City of Everett - 2016 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 have already been implemented. This is an ongoing effort with work continuing into 2016.

Everett's general obligation and revenue debt rating were reaffirmed by Standard & Poor's at AA+ in October 2014 and October 2015, 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 2016 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**

As part of the comprehensive budget review noted above, the City hired an outside consultant in 2015 to perform an in-depth review of the Fire department to ensure resources and staffing practices are appropriately aligned with the types of calls and requests for service we receive. The first phase of the study is complete. City Council and Administration are currently reviewing the study and considering options.

The Community Streets Initiative effort, started in 2015, continues strong in 2016. The 2016 budget includes over \$2.0 million in new funds towards this effort. In addition to low barrier housing, the City is establishing a streets outreach unit with five new dedicated police officers, two new embedded social workers, and a new prosecutor. The city is also expanding the successful alternative sentencing and diversion programs.

- **Transportation**

The City will make a \$17.3 million investment in streets in 2016. Projects include the annual overlay program, the 41st Street to West Marine View Drive freight mobility project, and the Grand Avenue Park pedestrian bridge.

- **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 Farmer's Market and residential living project.

Boeing's 777x and composite wing facilities.

The new Marriott Courtyard Hotel on surplus City property.

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.

Residential construction began in the Riverfront area in 2015 - more than 200 homes are expected to be completed by the end of 2016.

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 the North Puget Sound University Center, run by Washington State University (WSU), occurred last fall. The new building is scheduled to open to students in 2017.

Everett Community College is currently constructing new housing for 120 students. This facility is expected to open in the fall of 2016.

Just as important as the physical spaces are the career paths that we are helping to create for students in Everett. WSU has added degrees in electrical engineering, communications and hospitality, and is establishing the new Joint Center for Deployment and Research in Earth-Abundant materials, a collaborative partnership with the University of Washington and the Pacific Northwest National Laboratory.

Everett will also benefit from the new WSU medical school, which will train doctors at Everett health care facilities to serve rural populations.

- **Commercial Air at Paine Field**

The City supports the development of commercial flights at Paine Field. A 2008 study showed that the City could attract more and larger high-tech businesses if commercial air service were more convenient. The study also said that regularly scheduled passenger flights could stimulate tourism and other economic development in the region. Commercial air at Paine Field is slated to become a reality in 2016.

- **Navy**

Naval Station Everett (NSE) is the homeport for the USS Nimitz and a number of other classes of ships. The base currently has approximately 6,000 employees. We will welcome three Navy destroyers, along with more than 300 new sailors, to Everett in 2016. 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**

Phase one of the Henry M. Jackson Park renovation will be completed in 2016, updating the west four acres of the park with a new playground, restrooms, shelter, walking and jogging paths, community gardens, and a central gathering plaza.

The first phase of a new three acre park on city-owned property along the Snohomish River will begin in 2016. This phase includes a new parking lot, restroom facilities, trail connections, and a playground. The new park is part of the City's commitment to the development of the Riverfront District.

- **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 our annual arts awards.

Other Planning Processes

In addition to the five-year outlook 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 to 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 mainly have an advisory role to the City, and were created either by code or assignment.

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 is skyrocketing—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 as it is significantly lower than the rate of increase in the cost of delivering essential public services to the community. 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, 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 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 grants and some capital grants. The state's budget constraints have resulted in reduced revenue sharing and fewer available grants for 2016.

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 had to 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, and ultimately make difficult decisions regarding the City's ability to maintain current service levels.

BLANK PAGE