

INFORMATIONAL MEMORANDUM

Tukwila Metropolitan Park District

TO: Tukwila Pool MPD Board President

FROM: Peggy McCarthy, Interim Finance Director

DATE: December 7, 2011

SUBJECT: Tukwila Metropolitan Park District (MPD) 5 Year Financial Plan

ISSUE

Consider for acceptance or modification the 5-year financial planning model and associated financial policies.

BACKGROUND

At the November 14th meeting, the Board of Commissioners was presented with a 5-year and two 20-year financial projections. The models and the financial assumptions used to develop them were discussed and certain decisions were made. The 5-year financial planning model presented with this draft is extracted from the 20-year plan, scenario 2, and incorporates the financial decisions. The financial policies and budget assumptions reflected in the draft financial planning model follow:

GENERAL

1. All assumptions and estimates shall be conservative in nature.

REVENUE

2. Property tax will be increased each year by 1% to reflect estimated additional tax from new construction.
3. Property tax will be increased each year by an additional 1% to reflect the levy increase allowed by the state; the levy increase will be requested each year through the King County Assessor's department.
4. Property tax will be estimated based on the District's assessed valuation on October 8, 2011 of \$4,646,655,692, reduced by 4%.
5. Projected pool operating revenues will be increased by 1% per year.
6. Pool fees will be reviewed on an annual basis.
7. Bridge loan proceeds will be drawn and reflected in an amount sufficient to fund the proposed expenditures and to cover the working capital reserve.
8. Operating revenues will be reduced in 2012 and 2013 to reflect pool closure in October, November and December of 2012 for capital improvements and possible continued closure in early 2013 should project delays occur.

EXPENDITURES

9. A fund balance threshold (working capital reserve) equal to 15% of annual expenditures will be maintained.
10. A capital improvement reserve will be established and funded at \$30,000 per year.

11. Salaries and benefits for City pool staff working directly for the MPD will be based on the City's adopted budget for 2011 and 2012 and will then be accelerated at 4% per year.
12. Salaries reflect elimination of a ¾ position for an Aquatic Program Assistant.
13. Extra labor is reduced from the 2011 City budget level since actual costs in 2011 have been lower.
14. Operating expenditures will be accelerated at 4% per year.
15. Utility costs will be reduced in 2013 and thereafter to reflect the cost savings derived from the essential capital improvements.
16. The cost for City administrative services will be estimated at the maximum allowable fee of \$7,500 per month; the fee will be charged each month to the MPD by the City then, after the close of each fiscal year, the maximum fee will be compared with actual costs of staff services for the year, as reported in project accounting. If the costs are less than the maximum fee, the difference will be refunded to the MPD. If the costs are more than the maximum fee, no adjustment will be made.
17. Operating loan debt service will be based on the loan terms with repayment beginning in June 2013.
18. Bond repayment will be based on a 2013 bond issue of \$1.35 million with a repayment term of 15 years; annual debt service shall be based on estimates provided by the City's bond underwriters, Seattle Northwest Securities.

DISCUSSION

Expenditures begin to exceed revenue in 2014 indicating that, unless costs are contained or revenues expanded, the District will not be able to financially support a bond issue of \$1.35 million to fund capital improvements. The model is based on conservative assumptions and the assessed property value on which the property tax estimate is based has increased 2.3 % over the past two months (\$4,646,655,692 on October 8, 2011 to \$4,752,606,030 on November 22, 2011), suggesting that actual tax revenue may exceed projections.

At the end of the five-year period, fund balance totals \$264,492 which is \$122,972 more than the prescribed threshold of 15% of expenditures. Although the fund balance begins to decline in 2014, the financial structure presented in the model is sufficient to sustain the District for the 5 year planning period and for several years thereafter.

The model was developed in October 2011 and is based on estimates, conservative assumptions and information available at that time. The effect of changing an assumption can have a significant impact on the results. For instance, if the most recent assessed property valuation were used to estimate 2013 tax revenue, the tax revenue would increase by \$44,000 for 2013 and by \$180,000 for the 5 year period; ending fund balance would build throughout the 5 year planning period to \$445,000 at the end of the period. To remain relevant, the model will be updated periodically as new and more current information becomes available.

RECOMMENDATION

The Board is being asked to consider the financial planning model and the financial policies for acceptance or modification. The Board will be asked to approve a financial planning model at a future Board meeting.

ATTACHMENTS

-Proposed Financial Planning Model 2012-2016

2011 AND 2012 BUDGET
2012-2016 FINANCIAL PLANNING MODEL

Tukwila Metropolitan Park District

CITY Annual Budget CITY Actual 1/1 - 9/13 ---- MPD Budget ----

----- 5 Year Planning Model -----

	2011	2011	2011	2012	2013	2014	2015	2016	TOTAL
REVENUES									
18 BEGINNING FUND BALANCE				30,771	164,885	302,466	298,925	286,678	
1 PROGRAMS	157,000	131,654	35,000	128,570	140,000	158,570	160,156	161,757	784,053
2 RENTALS	48,000	28,731	9,615	29,000	40,000	48,480	48,965	49,454	225,514
3 BRIDGE LOAN			191,294	870,640	38,066				1,100,000
GENERAL FUND contribution	323,169	213,728							
4 TAX REVENUE					669,118	682,501	696,151	710,074	2,757,844
5a TOTAL REVENUE			235,909	1,028,210	887,184	889,551	905,271	921,286	4,867,411
5 REVENUE & BEG FUND BAL	\$ 528,169	\$ 379,113	\$ 235,909	\$ 1,058,981	\$ 1,052,069	\$ 1,192,017	\$ 1,204,197	\$ 1,207,963	\$ 4,867,411
EXPENDITURES									
<i>Administration</i>									
7a CITY Overhead			26,475	90,000	93,600	97,344	101,238	105,287	513,944
7b MPD Attorney			1,500	5,000	5,200	5,408	5,624	5,849	28,582
7c INSURANCE (WCIA)			5,000	5,000	5,200	5,408	5,624	5,849	32,082
7d School Lease			10,950	10,950	10,950	10,950	10,950	11,498	66,248
7 Total Administration			43,925	110,950	114,950	119,110	123,436	128,484	640,855
<i>Capital & Debt Service</i>									
8 BRIDGE LOAN \$1.1M (2% 10 years)					121,458	121,458	121,458	121,458	485,832
9 CIP Life-Cycle Replacement				250,000					250,000
10 CIP RESERVE				30,000	30,000	30,000	30,000	30,000	150,000
11 BOND PAYMENT \$1.35M (4% 15 years)						120,000	120,000	120,000	360,000
Total Capital & Debt Service				280,000	151,458	271,458	271,458	271,458	1,245,832
<i>Operations</i>									
12a FT SALARIES	172,392	119,673	42,640	133,068	138,391	143,926	149,683	155,671	763,379
12b EXTRA LABOR	120,000	73,433	35,000	113,000	117,520	122,221	127,110	132,194	647,044
12c OVERTIME	500	99	100	500	520	541	562	585	2,808
12 SALARIES & WAGES	292,892	193,205	77,740	246,568	256,431	266,688	277,355	288,450	1,413,232
13a FICA	22,155	14,735	6,347	19,436	20,213	21,022	21,863	22,737	111,619
13b PERS	16,045	8,766	3,936	13,638	14,184	14,751	15,341	15,955	77,804
13c IND. INSURANCE	2,848	9,400	3,927	11,782	12,253	12,743	13,253	13,783	67,742
13d MED/DENTAL/LIFE/VISION	1,517	1,239	5,578	6,458	6,716	6,985	7,264	7,555	40,557
13e SELF-INSURED MED. & DENTAL	35,420	30,079	8,646	27,493	28,593	29,736	30,926	32,163	157,557
13 PERSONNEL BENEFITS	77,985	64,219	28,434	78,807	81,959	85,238	88,647	92,193	455,278
14a OFFICE & OPER. SUPPLIES	9,000	3,483	5,516	9,360	9,734	10,124	10,529	10,950	56,213
14b CHEMICALS	5,000	2,730	2,270	5,200	5,408	5,624	5,849	6,083	30,435
14c CENTRAL SUPPLIES	468	219	250	487	506	526	547	569	2,886
14 SUPPLIES	14,468	6,432	8,036	15,047	15,649	16,275	16,926	17,603	89,534
15a PROFESSIONAL SERVICES	300	-	300	300	312	324	337	351	1,925
15b COMMUNICATION	4,000	1,588	2,411	4,000	4,160	4,326	4,499	4,679	24,076
15c TRAVEL	400	-	400	400	416	433	450	468	2,567
15d ADVERTISING	400	95	304	400	416	433	450	468	2,471
15e OPERATING RENTALS & LEASES	500	-	500	500	520	541	562	585	3,208
15f PUBLIC UTILITY SERVICES ^(b)	110,000	96,493	31,507	128,000	93,120	96,845	100,719	104,747	554,938
15g REPAIRS & MAINTENANCE	25,000	13,419	11,581	25,000	26,000	27,040	28,122	29,246	146,989
15h MISCELLANEOUS	2,224	2,552	-	2,224	2,313	2,405	2,502	2,602	12,046
15i CREDIT CARD CHARGES		1,109		1,900	1,900	1,976	2,055	2,137	9,968
15 OTHER SERVICES & CHARGES	142,824	115,257	47,003	162,724	129,157	134,323	139,696	145,284	758,187
Total Operations	528,169	379,112	161,213	503,146	483,196	502,523	522,624	543,529	2,716,232
16 TOTAL EXPENDITURES	528,169	379,113	205,138	894,096	749,604	893,091	917,519	943,471	4,602,919
17 FUND BALANCE THRESHOLD -- 15% Total Expenditures			30,771	134,114	112,441	133,964	137,628	141,521	141,521
18 ENDING FUND BALANCE			-	30,771	190,025	164,962	149,050	122,972	122,972
19 EXPENDITURES & ENDING FUND BAL	\$ 528,169	\$ 379,113	\$ 235,909	\$ 1,058,981	\$ 1,052,069	\$ 1,192,017	\$ 1,204,197	\$ 1,207,963	\$ 4,867,411
SUMMARY									
5 TOTAL REVENUE & BEG FUND BAL			\$ 235,909	\$ 1,058,981	\$ 1,052,069	\$ 1,192,017	\$ 1,204,197	\$ 1,207,963	\$ 4,867,411
16 TOTAL EXPENDITURES			205,138	894,096	749,604	893,091	917,519	943,471	4,602,919
18 ENDING FUND BALANCE			\$ 30,771	\$ 164,885	\$ 302,466	\$ 298,925	\$ 286,678	\$ 264,492	\$ 264,492

