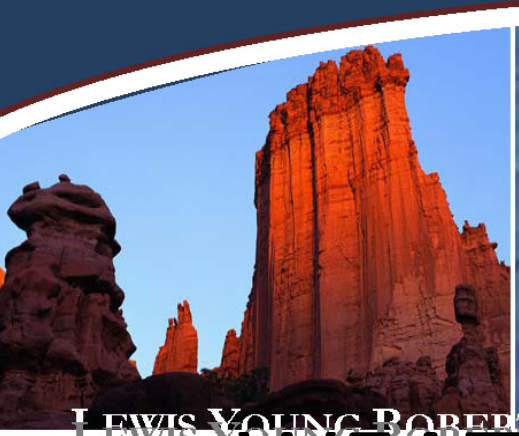


LEWIS YOUNG ROBERTSON & BURNINGHAM, INC.

WEATHERING THE ECONOMIC STORM AND COMING OUT STRONGER

Laura Lewis - Principal

Susie Becker - Vice President

Cody Deeter- Assistant Vice President

September 9, 2009

GOALS OF DISCUSSION

- **ADEQUACY OF MUNICIPAL REVENUE GENERATION**
- **FISCAL ACCOUNTABILITY THRU NEEDS PRIORITIZATION**
- **WORKING TOWARD REVENUE DIVERSIFICATION**

FEE REVENUE GENERATION AND STABILIZATION

- **DO WE HAVE BALANCE AND STABILITY IN OUR FEES**
  - ONE-TIME FEES
    - BUILDING AND DEVELOPMENT FEES
    - IMPACT FEES
  - ONGOING FEES
    - UTILITIES RATE FEES
    - BUSINESS LICENSE FEE
    - MISCELLANEOUS FEES
      - CEMETERY, RECREATION, ETC

EXAMPLE OF ONE TIME FEES: BUILDING AND DEVELOPMENT FEES

- Does the cost of providing these services vary from year to year?
- Planning Subdivision Review Fees
  - Subdivision DRC Plan
  - Preliminary Plat Processing Fee
  - Final Plat Processing Fee
- Engineering Review Fees
  - First, Second and Third Engineering Reviews
- General Plan/Zoning Amendments
- Site Plan
- Architectural Review
- Annexation
- Conditional Use Permit
- Administrative Determination
- Appeal Authority

DEVELOPMENT FEE METHODOLOGIES

Annual fluctuations in demand for development-related services.

a. Low-volume total cost recovery method: The purpose of this approach is to ensure a City's development fees adequately cover the City's costs in a low-volume year when there is a decline in the demand for development and subdivision services, but services must still be available to cover high demand years. Direct and indirect costs are recovered.

b. Actual cost recovery method: Covers only the actual average time spent on development services. This method assumes that during low-volume years, employees would be delegated to other projects during the "extra" time they would presumably have. Direct and indirect costs are recovered.

c. Minimum cost recovery method: Covers the actual average time spent on development services. Includes only actual direct costs.

EXAMPLE – SUBDIVISION DEVELOPMENT FEES

The time required for the engineering department to review development plans varies widely based on four main factors including:

1) plat size;
2) topography of plat;
3) plat features; and
4) proficiency and sophistication of the developer.

EXAMPLE – SUBDIVISION DEVELOPMENT FEES (CONT)

There are a variety of acceptable ways cities have chosen to charge developers to cover their subdivision planning and engineering review costs.

1. A flat fee covering a specified number of lots
2. A flat fee per plus a per lot fee
3. A percent of the development bond
4. A flat fee plus a percent of the development bond

EXAMPLE – SUBDIVISION DEVELOPMENT FEES (CO

Name (Fictitious)	# of Lots	Bond Amount	$1,985 + 1.5% of Bond	Per Lot Fee
Canterbury	6	$30,200	$2,438	$4,605
Forest Green	11	$141,900	$4,113	$5,580
Canyon Oaks	36	$179,000	$4,670	$9,155
The Valley	11	$314,400	$6,701	$5,670
Sunbrook Estates	23	$1,047,800	$17,702	$6,490
Gateway	39	$289,100	$6,321	$9,770
City View Acres	3	$87,000	$3,290	$2,415
Garden Green	9	$70,400	$3,041	$4,591
TOTAL			$48,276	$48,276

CHOOSE THE APPROACH THAT BEST MATCHES THE FEES CHARGED THAT BEST MATCHES THE FEES CHARGED IN YOUR COMMUNITY

EXAMPLE OF AN ONGOING FEE: BUSINESS LICENSE FEES

EXAMPLE OF AN ONGOING FEE: BUSINESS LICENSE FEES

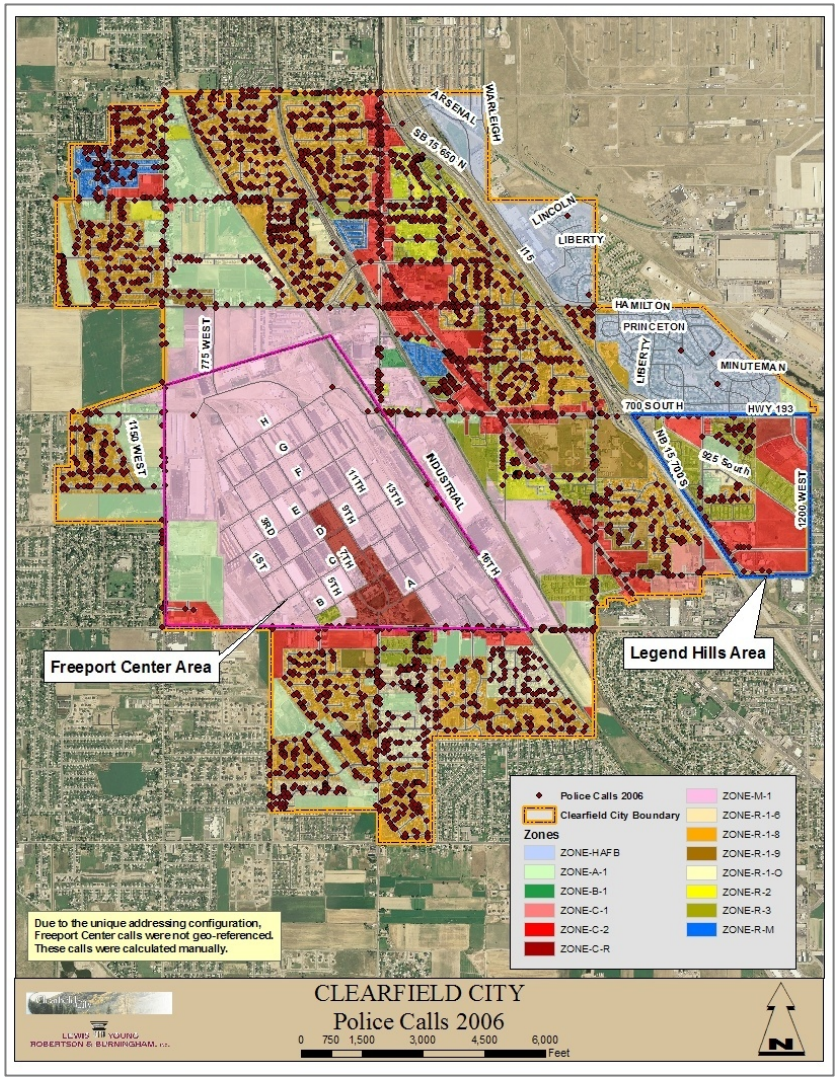
EXAMPLE OF BASIC REGULATORY COSTS

Commercial & Home Occupation	Cost Per Minute	Time/ Minutes	Fee
Business License Costs	$0.57	35	$19.95
Support Services (Deposits, etc.)	$0.56	25	$14.00
Police Review	$0.86	10	$8.60
Supplies/Compliance			$23.05
Total			**$65.60**

DISPROPORTIONATE REGULATORY

	Minutes	Cost Per Minute	Cost
Salon & Massage Therapist			
Business License	20	$0.57	$11.40
Pre-School & Day-Care			
Business License	20	$0.57	$11.40
Fire (Renewal)	45	$0.78	$35.10
Restaurants			
Fire	60	$0.78	$46.80
Big Box			
Fire	240	$0.78	$187.20
Hazardous Materials (Manufacturing, Automotive Repair, Gas Stations, etc.)			
Fire	90	$0.78	$70.20
Private Club			
Fire	60	$0.78	$46.80

CALLS FOR SERVICE



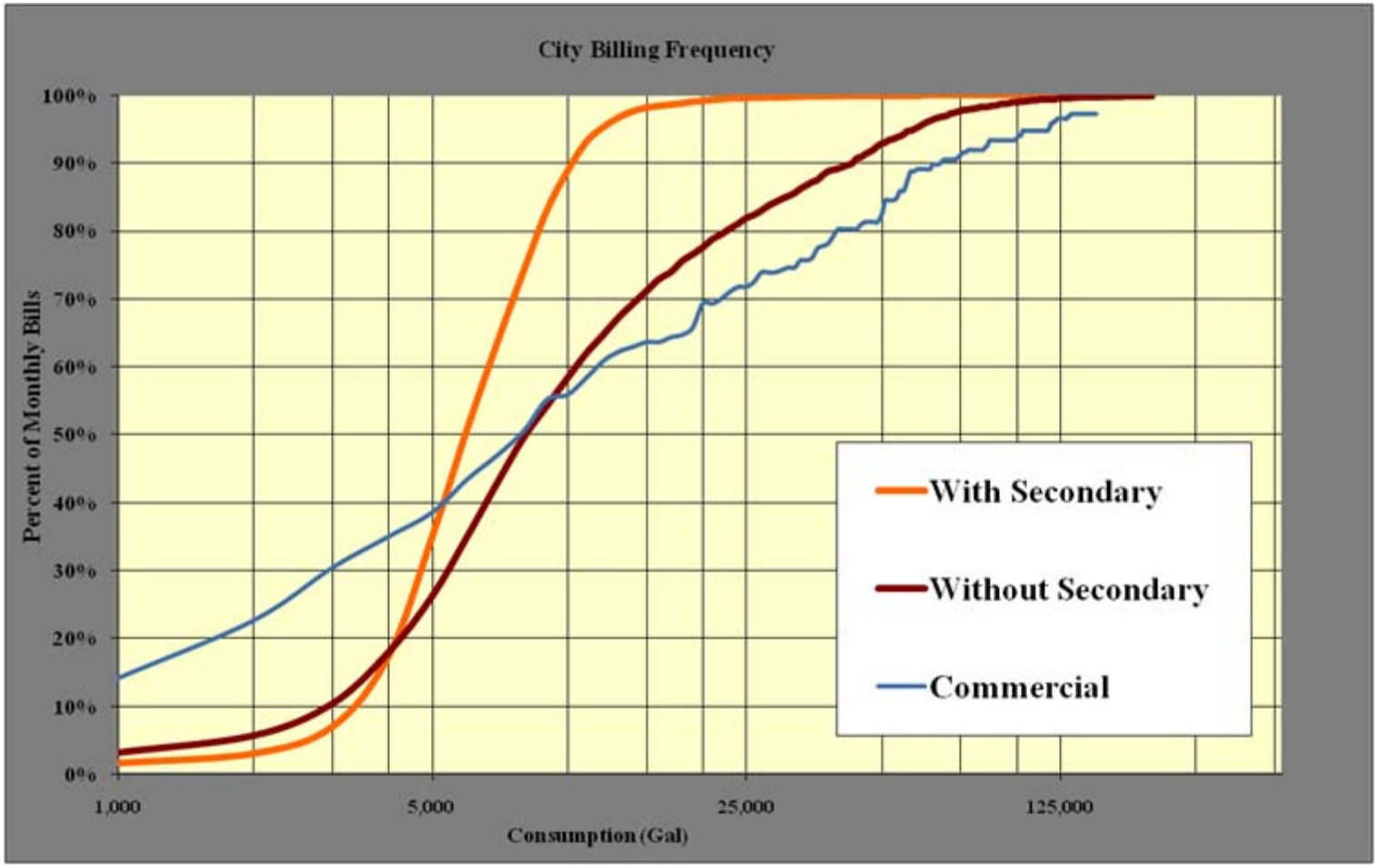
DISPROPORTIONATE CALLS FOR

DISPROPORTIONATE POLICE CALLS FOR SERVICE				
Category	"True" Police Disproportionate Above Base	Per Business Police Amount "True Cost"	Police Disproportionate Above Base (w/o outliers)	Per Business Police Amount "Maximum"
Professional/Business Services	(.2530)	NA	(.2530)	NA
Automotive	.4362	$60.48	.4362	$60.48
Contracted Services	(.4805)	NA	(.4805)	NA
Personal Services	(.1393)	NA	(.1393)	NA
Entertainment	(.0885)	NA	(.0885)	NA
Financial Services	2.6356	$365.45	2.6356	$365.45
Retail/Wholesale Sales	.0675	$9.35	.0675	$9.35
Family Services	.7070	$98.03	.1713	$23.75
Manufacturing/Transportation	1.5584	$216.09	1.0348	$143.48
Lounge/Bar/Private Club	35.6570	$4,944.20	1.4570	$202.03
Pawn Shops	9.4570	$1,311.31	9.4570	$1,311.31
Rental Units	2.5999	$360.50	1.6878	$234.03
Public Lodging	.2070	$28.71	.2070	$28.71/Unit
Temporary Licenses	(.4789)	NA	(.4789)	NA

ANOTHER ONGOING FEE:
UTILITY RATE STUDIES ISSUES TO CONSIDER

- Growth projections and sensitivity to growth
- Debt coverage ratios
- Adequate Cash Reserves
- Steady rates without sudden jumps
- Repair and replacement costs; aging infrastructure
- Conservation policies
- Demand by costumer classes; creation of tiers

USER DEMAND ANALYSIS



IMPACT FEES

- New noticing and certification requirements
- Increased public participation in the process
- 90-day waiting period after fee enactment

Be sure to consider…

- How capital facilities are financed
- Current services levels (LOS)
- Clear accounting system for expenditures of fees within the 6-year time frame allowed by law

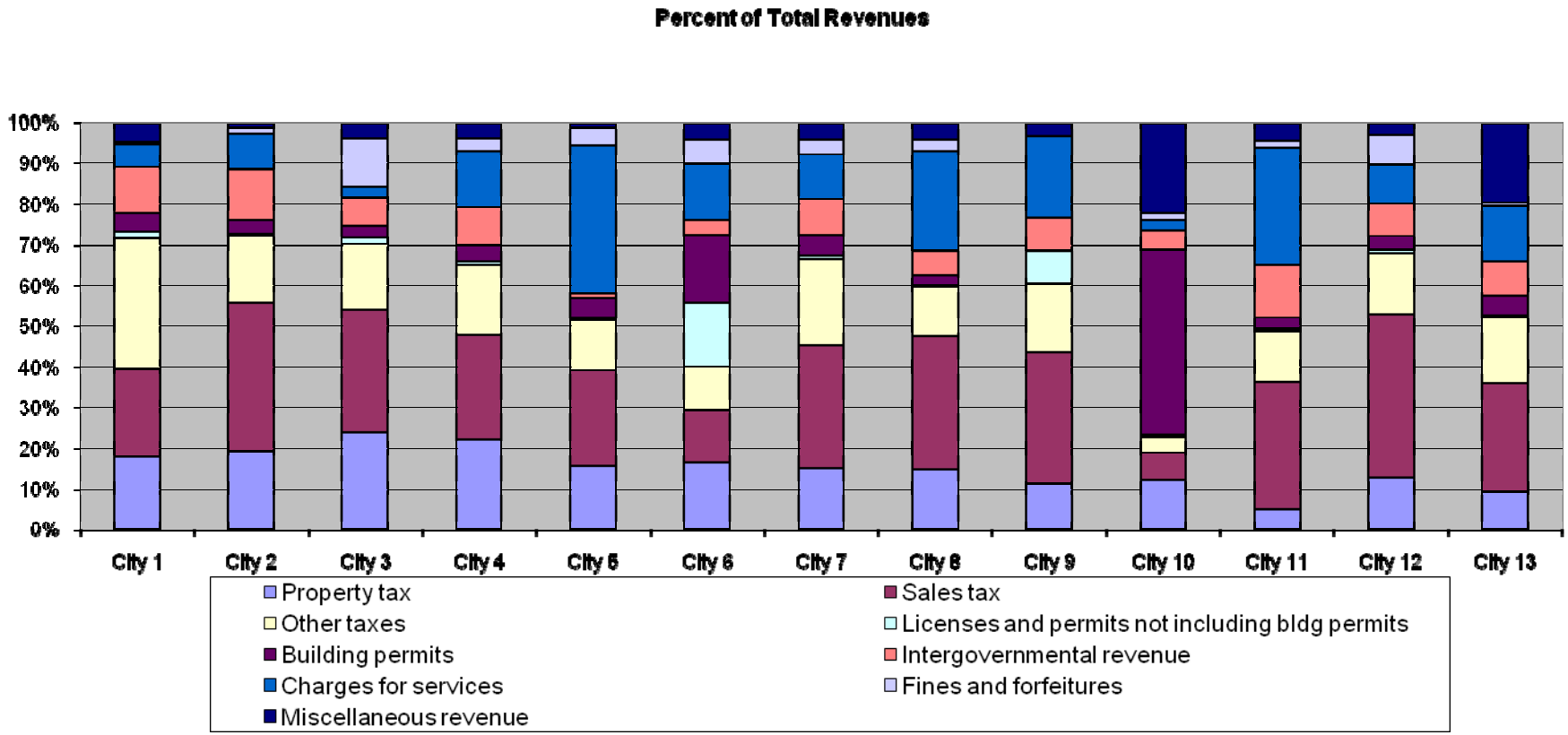
OTHER ONGOING REVENUES

- **TYPES OF TAXES IN YOUR JURISDICTION**
  - PROPERTY TAX
  - SALES TAX
  - FRANCHISE TAXES (ENERGY SALES & USE/TELECOM)
- **HOW TO INCREASE TAX REVENUE**
  - PROPERTY TAX – ENCOURAGE ECONOMIC DEVELOPMENT
  - PROPERTY TAX – RAISE RATES
  - SALES TAX – ENCOURAGE ECONOMIC DEVELOPMENT
  - FRANCHISE TAX – ENCOURAGE ECONOMIC DEVELOPMENT
  - FRANCHISE TAX – RAISE RATES IF NOT AT LIMIT

REVENUE DIVERSIFICATION SALES GAP

CATEGORY	LEAKAGE	CAPTURE RATES	SF SUPPORTED OUTSIDE THE CITY
Lumber & Other Building Materials	-$10,564,490	0%	-52,822
Family Clothing Stores	-$4,203,348	7%	-21,017
Furniture	-$3,262,716	52%	-16,314
Sporting Goods	-$2,801,522	6%	-14,008
Theme Restaurant with Liquor	-$2,251,738	15%	-11,259
Miscellaneous Amusement	-$2,210,263	17%	-11,051
Computer and Software Stores	-$2,111,847	16%	-10,559
Convenience Stores	-$1,994,195	60%	-9,971
Radio, TV & Electronic	-$1,564,247	4%	-7,821
All Other Eating Places without Liquor	-$1,367,357	8%	-6,837
Hobby, Toy & Game	-$1,321,554	2%	-6,608
Gift, Novelty & Souvenirs	-$1,199,380	17%	-5,997
Book Stores	-$1,027,029	7%	-5,135

REVENUE DIVERSIFICATION



How balanced are you?

FISCAL ACCOUNTABILITY THRU NEEDS PRIORITIZATION

- **DEFINE LEVELS OF SERVICE**
  - WHAT SERVICES SHOULD WE PROVIDE AND TO WHAT LEVEL
  - DEFINE COSTS ASSOCIATED WITH LEVELS OF SERVICE

- **DOCUMENTATION OF LEVELS OF SERVICE**
  - GENERAL LAND USE PLANS
  - SPECIFIC CAPITAL MASTER PLANS
  - GENERAL FISCAL PLAN

FISCAL ACCOUNTABILITY THRU NEEDS PRIORITIZATION

- **PRIORITIZE CAPITAL NEEDS**
  - USE A TIER SYSTEM TO DETERMINE LEVEL OF NEED AND TIMING
  - UPDATE ANNUALLY WITH BUDGET

TIMING

NEED	1-2 Years	3-5 Years	5+
Critical	Tier 1	Tier 2	Tier 3
Important	Tier 2	Tier 3	Tier 4
Desired	Tier 3	Tier 4	Tier 5

FIVE – TEN YEAR GENERAL FISCAL PLANS AND CAPITAL FACILITY FINANCE PLANS

- **DEFINE FISCAL PRIORITIES IN A GENERAL FISCAL PLAN**
  - TARGET LEVELS OF REVENUE DIVERSIFICATION
  - DEBT ISSUANCE POLICIES
  - TIMING OF UPDATING FEE STUDIES
  - FORMALIZE LEVEL OF SERVICE (IF NOT IN GENERAL PLAN)

FIVE – TEN YEAR GENERAL FISCAL PLANS AND CAPITAL FACILITY FINANCE PLANS

- **FISCAL MODELING OF CASH-FLOWS IN ALL FUNDS**
  - BASED UPON UPDATED FEES AND TAX REVENUE TARGETS
  - TIMING OF CAPITAL FACILITIES AND FUNDING SOURCES
    - PAY-AS-YOU-GO (CASH) VS. PAY-AS-YOU-USE (DEBT)
  - BASED UPON GROWTH SCENARIOS
  - UPDATED ANNUALLY ALONG WITH BUDGET
  - CAN BE DONE INTERNALLY OR EXTERNALLY

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue											
Taxes											
Property Tax	$ 2,340,242	$ 2,405,625	$ 2,492,816	$ 2,592,042	$ 2,690,912	$ 2,797,081	$ 2,882,506	$ 2,985,369	$ 3,082,814	$ 3,179,903	$ 3,276,636
Sales Tax	7,034,619	7,373,385	7,716,158	8,069,405	8,433,857	8,810,908	9,202,611	9,610,183	10,035,425	10,480,448	10,946,753
Franchise Tax	3,730,118	3,893,448	4,063,764	4,252,546	4,441,419	4,642,134	4,811,598	5,008,623	5,197,915	5,387,329	5,576,871
Total Taxes	**13,104,979**	**13,672,458**	**14,272,738**	**14,913,993**	**15,566,187**	**16,250,123**	**16,896,716**	**17,604,175**	**18,316,154**	**19,047,679**	**19,800,260**
Licenses & Permits	**922,731**	**966,204**	**1,011,171**	**1,059,251**	**1,109,229**	**1,161,689**	**1,216,261**	**1,273,345**	**1,333,173**	**1,395,753**	**1,461,233**
Intergovernmental											
Class C Roads	1,380,051	1,477,328	1,496,338	1,514,964	1,533,228	1,551,326	1,569,606	1,588,163	1,607,229	1,627,096	1,647,869
Other	470,434	495,944	512,976	539,541	564,196	592,171	607,700	632,048	656,345	680,156	703,700
Total Intergovernment	**1,850,485**	**1,973,272**	**2,009,314**	**2,054,504**	**2,097,424**	**2,143,497**	**2,177,306**	**2,220,211**	**2,263,574**	**2,307,252**	**2,351,569**
Charges for Services											
Admin Fees (Interfund)	1,783,671	1,848,439	1,913,208	1,977,977	2,042,745	2,107,514	2,172,283	2,237,051	2,301,820	2,366,589	2,431,357
Other	2,802,781	3,002,926	3,208,646	3,423,552	3,644,880	3,874,562	4,113,641	4,362,314	4,621,777	4,892,990	5,022,151
Total Service Charges	**4,586,452**	**4,851,365**	**5,121,854**	**5,401,529**	**5,687,625**	**5,982,076**	**6,285,924**	**6,599,366**	**6,923,596**	**7,259,578**	**7,453,508**
Fines	**29,699**	**27,824**	**26,463**	**25,962**	**20,841**	**21,958**	**22,809**	**24,061**	**26,554**	**25,130**	**24,623**
Misc	**423,921**	**442,681**	**412,801**	**384,121**	**362,482**	**368,813**	**375,877**	**365,775**	**360,084**	**383,099**	**387,965**
Total Revenue	**$20,918,266**	**$21,933,804**	**$22,854,341**	**$23,839,360**	**$24,843,789**	**$25,928,155**	**$26,974,893**	**$28,086,934**	**$29,223,136**	**$30,418,492**	**$31,479,158**
Expenditures											
General Government	**$ 4,328,107**	**$ 4,549,021**	**$ 4,769,936**	**$ 4,990,850**	**$ 5,211,764**	**$ 5,432,678**	**$ 5,653,593**	**$ 5,874,507**	**$ 6,095,421**	**$ 6,316,335**	**$ 6,537,250**
Public Safety											
Police Service	5,384,136	5,584,643	5,815,084	6,075,765	6,336,441	6,616,152	6,845,098	7,118,398	7,379,053	7,639,703	7,900,348
Fire	2,316,643	2,391,297	2,474,709	2,564,945	2,655,181	2,749,580	2,832,893	2,925,872	3,016,104	3,106,335	3,196,565
Ambulance	1,518,624	1,555,605	1,592,585	1,629,566	1,666,546	1,703,526	1,740,507	1,777,487	1,814,468	1,851,448	1,888,428
Total Public Safety	**9,219,403**	**9,531,545**	**9,882,379**	**10,270,276**	**10,658,168**	**11,069,258**	**11,418,497**	**11,821,758**	**12,209,624**	**12,597,486**	**12,985,341**
Public Works	**6,951,018**	**7,245,148**	**7,472,766**	**7,727,767**	**7,983,822**	**8,257,634**	**8,489,223**	**8,761,021**	**9,023,962**	**9,289,336**	**9,557,298**
Parks & Recreation	**3,138,927**	**3,322,601**	**3,506,275**	**3,689,948**	**3,873,622**	**4,057,296**	**4,240,970**	**4,424,644**	**4,608,318**	**4,791,992**	**4,975,666**
Capital Outlays	**250,507**	**-**	**250,000**	**110,000**	**100,000**	**3,390,000**	**-**	**-**	**-**	**-**	**-**
Debt Service	**2,171,185**	**2,116,606**	**2,588,264**	**2,107,009**	**2,042,731**	**2,027,697**	**2,094,975**	**1,878,640**	**1,900,048**	**1,814,513**	**1,815,983**
Total Expenditures	**$26,059,146**	**$26,764,920**	**$28,469,619**	**$28,895,851**	**$29,870,108**	**$34,234,564**	**$31,897,259**	**$32,760,569**	**$33,837,373**	**$34,809,662**	**$35,871,537**
Excess/(Deficit)	**($5,140,880)**	**($4,831,116)**	**($5,615,278)**	**($5,056,491)**	**($5,026,318)**	**($8,306,409)**	**($4,922,366)**	**($4,673,635)**	**($4,614,237)**	**($4,391,170)**	**($4,392,379)**
Interfund Transfer	**$5,140,880**	**$4,831,116**	**$5,615,278**	**$5,056,491**	**$5,026,318**	**$8,306,409**	**$4,922,366**	**$4,673,635**	**$4,614,237**	**$4,391,170**	**$4,392,379**

WEATHERING THE ECONOMIC STORM AND COMING OUT STRONGER

Laura Lewis – laura@lewisyoung.com

Susie Becker – susan@lewisyoung.com

Cody Deeter– cody@lewisyoung.com

Lewis Young Robertson & Burningham, Inc.

(801) 596-0700

(800) 531-1100