Special Town Council Workshop

November 1, 2021

9:00 AM

Virtual on Zoom and Swagit Platforms

NOTICE: THE VIDEO AND AUDIO FOR THIS MEETING ARE STREAMED TO THE PUBLIC VIA THE INTERNET AND MOBILE DEVICES WITH VIEWS THAT ENCOMPASS ALL AREAS, PARTICIPANTS AND AUDIENCE MEMBERS. PLEASE SILENCE ALL ELECTRONIC DEVICES DURING THE MEETING

I. ZOOM LINK FOR PUBLIC PARTICIPATION

A. To join, click the link or copy to your browser: https://us02web.zoom.us/j/87474323779?pwd=SlVWbFRoZ3phdWVFTmtIMXJrNThXZz09
If the link does not work, join at zoom.com with Webinar ID **874 7432 3779** Password: **83001**
or join by phone **1.669.900.9128** with Webinar ID **874 7432 3779** and Passcode **83001**

II. CALL TO ORDER AND ROLL CALL

III. WORKSHOP ITEMS

A. Future Funding of Local Government (3 Hours)

IV. ADJOURN

Please note that at any point during the meeting, the Mayor and Council may change the order of items listed on this agenda. In order to ensure that you are present at the time your item of interest is discussed, please join the meeting at the beginning to hear any changes to the schedule or agenda.

STAFF REPORT

Meeting Date:	November 1, 2021	Meeting Title:	Special Town Council Workshop
Submitting Department:	Administration	Presenter:	Larry Pardee
Agenda Item:	Future Funding of Local Government	Public Comment:	Yes

This staff report has not changed significantly from the October 11th report. Staff has revised Phases 4 and 5 (see italics) which will be the focus of the November 1, 2021, meeting.

Purpose & Policy Considerations.
The purpose of this item is for Council to give direction on a framework for moving forward with the Council Priority - Future Funding of Local Government initiative.

Requested Action.
The desired outcome is to continue to evaluate, receive direction, and take next steps towards securing more diversified funding for the Town of Jackson in order to bring the community closer to achieving the desired Quality of Life through health, safety, and welfare of our community.

Recommendations.
To direct staff to proceed with the Future Funding of Local Government initiative.

Background.
At Town Council's January 2021 Retreat, Council members suggested potential priorities for the next two years, which were then discussed and ranked by each member. Future Funding of Local Government was one of the Council's top priorities. The goal of this initiative is to develop a Future Funding of Local Government framework including the identification of desired funding sources and matching of desired expenditures for all Town and Joint programs and departments. This initiative will start with Town staff developing a short and long-term implementation plan laying out a Future Funding of Local Government strategy for the Town, then working with Teton County to produce a similar strategy for joint programs and areas.

The Town began the Future Funding of Local Government initiative with the previous Council, with the goal to gain a thorough understanding of how the Town is currently funded, how revenue is allocated, and options for increasing sustainable recurrent funding. Based upon that discussion, the previous Council identified an additional penny (7th cent) of Sales Tax as the preferred option for addressing revenue diversification and shortfalls in the Town budget. This tax proposal was put to the Teton County voters in November 2020 and failed (passing in the Town but not in the County). In January 2021, Council again identified the Future Funding of Local Government as a priority to continue to work on both at the Town's Retreat and the Joint Retreat with Teton County.

<u>Analysis</u>
<u>Goal and Desired Outcomes</u>
During the October 11th, 2021, Town Council Workshop, Council discussed a few alternatives to the goal statement and voted to support the new goal statement as follows:

> **To diversify and develop sustainable funding to meet the needs and desires of the community.**

Discussion Points: Does Council want to diversify, increase, and find new sustainable funding streams for the Town? Is the goal to increase revenue or could outcomes be achieved by reallocating existing revenue, shifting expenditures, or reducing levels of service? Is Council looking for sustainable sources of funding?

Next, staff has provided a draft framework for addressing the Future Funding of Local Government initiative. In order to assist Council in preparing for this discussion and facilitate the meeting, staff has identified "Discussion Points" throughout this report. This discussion will provide “initial” direction, and staff anticipates additional work at future meetings with more detailed drafts concluding with a final agreed upon framework.

Six-phase framework for moving forward with this initiative as follows:

- Phase 1 – Identification, review, and evaluation of historical, and current revenues
- Phase 2 – Identification, review, and evaluation of historical and current expenditures
- Phase 3 – Community Priorities Framework
- Phase 4 – Identification of Desired Future Expenditures
- Phase 5 – Identification/Matching of Funding Sources with Expenditures and Framework for Completing
- Phase 6 – Implementation Action Steps

Today’s Workshop

For today’s workshop, staff plans to work with Council starting with phase 5 funding sources and expenditures framework. Staff has continued to provide an overview of all phases in this report for Council to see all the phases of the proposed discussion and how they fit together.

Phase 1** - **Identification, review, and evaluation of historical, and current revenues - Discussed on September 13

Staff will review historical and current funding sources with Council, including a review of data trends, analysis of increases and decreases, if sources are sustainable or one time only, and who authorizes various sources of revenue. Staff has attached a Revenue Workbook for review prior to the workshop, but it is not expected. In addition, staff will discuss potential new revenues sources and review against the following criteria for initial consideration and evaluation:

Discussion Points: Does Council understand the source and collection method for current Town revenues? Does Council have additional criteria to consider when discussing potential new revenue? Does Council have any further new revenue sources they would like to consider?

Phase 2** - **Identification, review, and evaluation of historical and current expenditures -Discussed on September 13

Staff will review with Council historical and current expenditure trends including how expenses break down in terms of the Community Priorities framework (included below). Staff has attached an Expenditures Workbook for review prior to the meeting, but it is not expected.

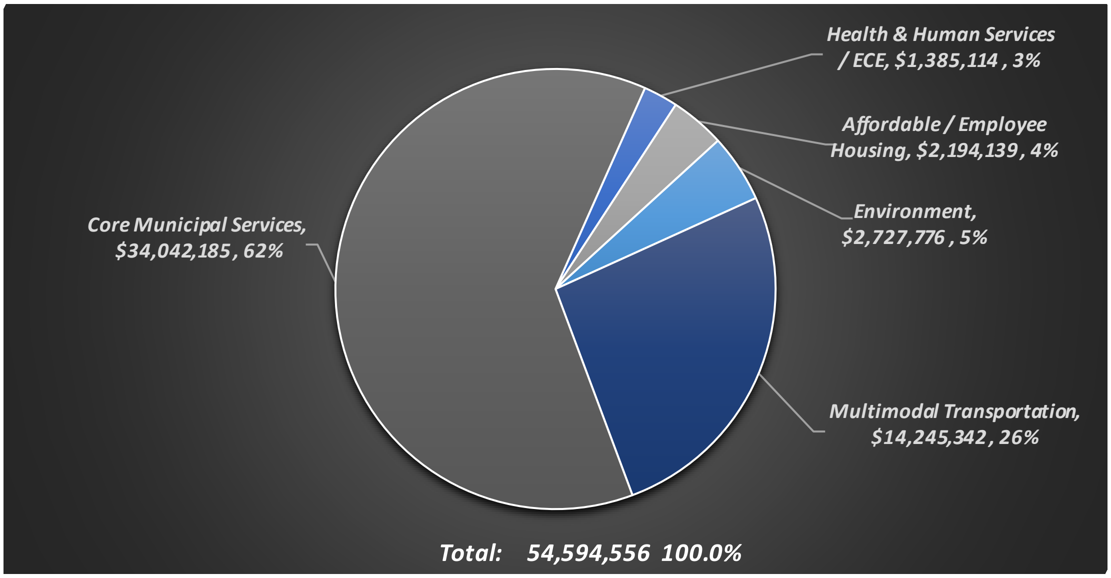
Staff will review all types of expenditures including services, programs, capital, contracts for service (health & human services), utilities, etc. and consider them through the following criteria:

Staff will also identify the current source(s) of funding for each expenditure to have Council better understand where and how all Town expenditures are currently being met.

***Discussion Points:** Does Council understand the Town’s historical and current expenditures? What questions does Council have regarding how the Town funds expenditures?*

Phase 3 – Community Priorities Framework - Discussed on September 13

During this phase, staff will review the proposed Community Priorities Framework to group expenditures and revenues into the community’s highest priorities for ease of comparison and discussion as follows:



The Town has tried a variety of different methods for grouping expenditures and funding in the past including the iceberg model (Programs, Planning & Potential), Comp Plan Common Values, Comp Plan Chapters, etc. It is staff's hope that the proposed Community Priority grouping utilizes the benefits from each of the previous versions to create a clear understandable summary of the Town's budget for Council and the community going forward. Staff have attached a Community Priorities Framework worksheet indicating what programs and services are included in each category should Council choose to review prior to the meeting.

Discussion Points: Does Council support the use of the Community Priorities Framework for budget discussions moving forward? Does Council have any changes to the programs or services provided in each category?

Phase 4 – Identification of Desired Future Expenditures – Discussed on October 11

During this phase, staff will assist Council in identifying where Council would like to expend resources in the future. This may include increasing or decreasing current levels of service and/or adding or eliminating program areas. This step will include an estimate of how much, if any, additional funding is desired, but will not identify where additional funding would come from, which will be part of Phase 5. Discussion here may include status quo and/or expansion of existing programs, and new areas for Town involvement. For example, the Comprehensive Plan calls for identifying dedicated funding sources for Housing, Transportation, and Open Space. Council could determine if these three Community Priorities should receive further dedicated funding and, if so, how much and for what. Staff is providing the following worksheet for consideration by Council regarding this phase:

Community Priorities Framework

	Health & Human Services / ECE	Affordable / Employee Housing	Environment	Multimodal Transportation	Core Municipal Services	Total
Current Approved LOS & $$$	$1,407,959 **3%**	$2,194,139 **5%**	$617,992 **2%**	$14,245,342 **35%**	$22,251,065 **55%**	**$40,716,497**
Future Desired LOS & $	**$3,280,944** **5%**	**$4,390,542** **7%**	**$883,916** **1%**	**$10,913,998** **18%**	**$40,590,825** **68%**	**$60,060,225**
5yr growth	133%	100%	43%	-23%	82%	48%
Annual growth	27%	20%	9%	-5%	16%	10%

Staff notes that the above table has been revised since the October staff report to exclude water, sewer, and fleet management programs. In addition, all department directors were asked to revise their requests for the next 5 years to include only what was needed to maintain current Levels of Service. The October staff report included department requests for increases in Level of Service and expansions of programs and/or services but those have been removed.

To begin this discussion, staff has drafted a 5-year budget projection to assist Council to think about potential changes to expenditures in the future in order to better align with Council's priorities while maintaining, or in some cases, increasing core services. Department directors identified potential future expenditures in the 5 Community Priority Framework categories based on the 39 Priority Driven Budget programs to maintain current Levels of Service only, as described above.

For each increase, staff identified the purpose of the expenditure, and why it was necessary to maintain the current level of service. <u>Staff notes that these projections have not been largely discussed or prioritized but are provided to give Council an estimate needed to maintain core services.</u> Moving forward, staff and Council will work to further develop the specific needs, priorities, and timing of these requests. In addition, it will be important to ensure that Council's top priorities are receiving the funding necessary to move them forward.

Discussion Points: *Does Council generally support the estimated increases in the 5 Community Priorities Framework categories? What categories should be increased or decreased and for what in order to establish a desired future expenditure target?*

Phase 5 – Identification/Matching of Funding Sources with Expenditures and Framework for Completing

During this Phase, the outcome of Phases 1 and 4 will be combined to identify the available and most appropriate type of funding for all desired expenditures. The criteria and evaluation completed during Phase 1 will be utilized to match the most appropriate funding sources with the desired expenditures through the Community Priorities Framework.

Staff has presented below two funding and expenditure scenarios. Scenario 1 represents the current LOS projected over 5 years with inflation adjustments only. Scenario 2 is staffs' estimate of the expenditures needed to increase community priority funding for Health and Human Services/ECE, Affordable/Employee Housing, Environment, and Multimodal Transportation as identified by staff. In addition, Scenario 2 includes staff's estimate of the required increase in core municipal services funding needed to maintain our current Level of Service. Staff notes that both scenarios presented indicate a budget deficit by year 2027. Based upon scenarios 1 and 2, Council will be asked at the meeting to develop a desired Scenario 3 to conclude the future funding of local government initiative. Through the development of a Council preferred Scenario 3, Council will determine how to address the projected budget deficit, set the desired future expenditures in each of the 5 community priority categories and identify the necessary revenues to support future expenditures.

Discussion Points: *What additional funding can be identified and/or how could existing funding be reallocated?*

	Projected FY2027 Budget		
	Scenario 1	Scenario 2	Scenario 3
Projected Revenues	47,340,387	47,182,989	
Health & Human Services / ECE	3,280,944	3,280,944	
Affordable / Employee Housing	2,877,061	4,390,542	
Environment	866,766	883,916	
Multimodal Transportation	10,546,976	10,913,998	
Core Municipal Services	34,581,573	40,590,825	
Budget Surplus (Deficit)	(4,812,932)	(12,877,236)	-
Fund Balance	16,628,217	(17,546,634)	

Note: Water, sewer, and fleet management programs have been excluded; fund balance represents, general fund, capital projects fund and special revenue funds, this falls below our target fund reserves.

Revenue / Funding Worksheet	How Much Revenue is generated	Is it Reoccurring or One Time	Who Needs to Authorize
Currently Allowed Revenues	**$ - Estimates**		
Sales & Use Tax 4 - cents	$ 10,757,562	Reoccurring	Town / County
Sales & Use Tax 5th - cent (split 50% General & 50% Capital)	$ 8,859,175	Reoccurring	Town / County
Lodging Tax 2%	$ 1,456,463	Reoccurring	TOJ/TC / Community
Property Tax .05 mill	$ 251,897	Reoccurring	Town
Fee's	$ 1,279,143	Reoccurring	Town
Development Exactions & Impact Fees	$ 156,800	Reoccurring	Town / County
START Revenues	$	Annual Grant	Federal
Federal and State - Sources and Programs	$	TBD	Federal / State
Total:	**$ 22,761,040**		
Allowed but currently not utilized			
Additional 1 - cent local option or SPET from sales & use tax	$ 8,859,175	Reoccurring	Town / County / Community
Additional Lodging Tax 2% - needs a vote	$ 1,456,463	Reoccurring	Community
Property Tax 7.5 mills	$ 3,778,451	Reoccurring	Town
Development Exactions & Impact Fees	$	Reoccurring	Town / County
Surface Water Drainage (Stormwater)	$	Reoccurring	Town
Bonding	$	One Time	Town / Community
Improvement & Service Districts & Special Districts	$	TBD	Town / Community
Downtown Managed (Paid) Parking	$ 504,000	Reoccurring	Town
Other -	$		
Total:	**$ 14,598,089**		
Currently not allowed and will need State Legislation			
Real Estate Transfer Tax	$ -	TBD	State of WY
Unearned Income Tax	$ -	TBD	State of WY
Other	$ -		State of WY
Total:	**$ -**		

Phase 6 – Implementation Action Steps

During this phase, based upon the outcome of the previous work, staff and Council will work to develop implementation action steps, and an associated timeline identifying parties responsible for implementation. It is staff's recommendation that the Town complete review of all Town programs and services prior to working with the County on joint departments and issues as follows:

- **Step 1: Town**
  Town Council completes the Future Funding of Local Government process described herein.
- **Step 2: Town and County**
  The Town and County work to complete a similar Future Funding of Local Government process for joint departments and areas similar to the one completed for the Town.

Schedule

Staff would like Council direction about the pace that Council would like to move this initiative forward, with a possible goal of completing it before the next budget cycle that begins in February.

In order to complete this initiative prior to next year's budget session, staff recommends a 6-month timeframe, with completion by February 2022. Based upon this, staff has identified the following meeting options for consideration:

1. Utilize thirty minutes to an hour from each monthly Town Council workshop to discuss
   a. Regular workshops - Dec 20 and Jan 17
2. Add an hour (start at 2:00) to each monthly workshop to discuss
   a. This option would only be utilized when the regular agenda (3:00 to 5:00) is full

3. Schedule Special Meetings on multiple days over a period of time (4-6 months)
    a. Special workshops – Dec 13 and Jan 10
4. Etc.

Staff anticipates some combination of the above meeting options may be necessary to complete the project in a timely manner.

Discussion Points: Is the proposed 6-month timeline for completion of this initiative realistic/desirable? What is the appropriate type(s) of meetings and schedule to ensure the desired goals of the initiative are achieved? Should completing discussions with Teton County occur during the proposed timeline or could that occur after?

Alternatives (Optional).

Comprehensive Plan & Priority Alignment.
To successfully implement the Comprehensive Plan, Council must set priorities, be strategic, and be disciplined. A critical component is prioritizing and identifying the necessary level of funding to address desired goals, policies, and strategies. As a result, this project is critical to the successful implementation of the Community Priorities and Comprehensive Plan. Specifically, dedicated funding sources are identified for open space, transportation, and housing. In addition, many of the programs and strategies called for in the Comp Plan come at an additional cost to the community that current funding levels cannot accommodate. Chapter 8 - Quality Community Service Provision calls for *"Timely, efficient and safe delivery of quality services and facilities in a fiscally responsible and coordinated manner."*

Fiscal Impact.
None at this time.

Staff Impact.
Staff resources have been added through the adoption of the FY22 Budget including a Community Engagement Specialist, Community Development Director and reorganization of the Town Manager, Assistant Town Manager and Planning Director jobs. The staff impact of preparing this information for the August 30 meeting is approximately 40 hours. Staff is expecting to spend an additional 600 combined hours in order to complete the initiative. Work on this initiative includes time primarily from the Finance Director and Town Manager with additional time spent by the Community Development Director, Assistant Town Manager and other Department Directors.

Attachments or Links.
None

Suggested Motion.
I move to direct staff to proceed with the Future Funding of Local Government initiative as described in this staff report, including any additional direction provided by Council at this meeting.