Attachment A: Alternatives Information and Considerations

The following assumptions have been utilized in the preparation of the 2020-2029 forecasting related to possible changes to the FHC tax:

- Historical (2009-2017) averages have been utilized for most revenue and expenditure categories as the basis for predicting future trending. Exceptions to this methodology include:
  - Planning for 2020-2021 includes current balanced financial planning; 2022-2023 includes planned Capital Improvement Program items
  - Personnel increases beyond 2021 are included at 4.4% annually in the General Fund and 3.5% in the Transportation and Community Center funds, which would be inclusive of any salary adjustments, increased benefits costs and additional positions; the historical average increase for the three funds ranges from 3-6%

- Total sales tax revenue is projected to increase by:
  - 4% in 2020-2025 and 3% in 2026-2029

- Building use tax is projected to increase by 5% annually

- Where available, projections have been modified to reflect known current debt schedules

Utilizing these assumptions, staff prepared a 10-year projection for the General, Transportation and Community Center funds related to six possible alternatives (D-H) for possible changes to the FHC tax:

Attachment B	Baseline Financial Information – Option 1
Attachment C	Baseline With FHC Tax Removed – Not Recommended
Attachment D	Income-Qualified Rebate Program – Option 2
Attachment E	Phase-Out With 6.5 Mill Property Tax Increase – Option 3A
Attachment F	Phase-Out With 7 Mill Property Tax Increase – Option 3B
Attachment G	Phase-Out With No Alternative Revenue – Not Recommended

In Attachments E and F, the distribution for the proposed new property tax revenue has the same split among funds as sales tax presently does. This results in some imbalances over the planning period. Staff would recommend redistributing the percentages to minimize losses within the General Fund should this option move forward.

Based on the scenario planning, it is evident that a replacement revenue source would need to be approved in order to maintain current levels of service if there was a loss in FHC tax revenue.