

Exhibit C.

Projected Revenues, Operating Expenditures, and Capital Expenditures

Exhibit C includes three tables and a budget discussion on the following pages:

- 1) Budget projections for the existing city (without annexation);
- 2) Budget projections for the annexation territory;
- 3) Budget projections for the existing city and annexation territory combined.

**CITY OF SOLDOTNA
OPERATING BUDGET PROJECTIONS FOR EXISTING CITY LIMITS
(WITHOUT ANNEXATION)**

	<u>FY20 Budget</u>	<u>FY21 Estimate</u>	<u>FY22 Estimate</u>	<u>FY23 Estimate</u>
<u>Operating Revenues</u>				
Property Taxes (0.5 mills) ¹	\$ 315,000	\$ 324,450	\$ 334,184	\$ 344,209
Sales Taxes (3%) ²	7,905,000	8,063,100	8,224,362	8,388,849
Intergovernmental	466,527	466,527	466,527	466,527
Licenses & Permits	89,250	89,250	89,250	89,250
Traffic Fines	85,000	85,000	85,000	85,000
Investment Earnings	358,500	358,500	358,500	358,500
Soldotna Regional Sports Complex	364,425	364,425	364,425	364,425
Campgrounds	360,000	360,000	360,000	360,000
Parks	22,500	22,500	22,500	22,500
Community Schools	12,000	12,000	12,000	12,000
Library Revenues	22,000	22,000	22,000	22,000
Other	18,900	18,900	18,900	18,900
Charges to Other Funds	28,000	28,000	28,000	28,000
Total Operating Revenues	\$ 10,047,102	\$ 10,214,652	\$ 10,385,648	\$ 10,560,160
<u>Operating Expenditures</u> ³				
General Government	\$ (5,082,949)	\$ (5,184,608)	\$ (5,288,300)	\$ (5,394,066)
Public Safety	(2,733,436)	(2,788,105)	(2,843,867)	(2,900,744)
Public Works	(2,620,091)	(2,672,493)	(2,725,943)	(2,780,462)
Transfer to Debt Service Fund ⁴	(173,024)	(169,879)	(171,526)	(167,926)
Total Operating Expenditures	\$ (10,609,500)	\$ (10,815,085)	\$ (11,029,636)	\$ (11,243,197)
Projected Lapse - 8% ⁵	848,760	865,207	882,371	899,456
Projected Operating Expenditures	\$ (9,760,740)	\$ (9,949,878)	\$ (10,147,265)	\$ (10,343,742)
Revenues Over (Under) Expenditures				
From Operations	\$ 286,362	\$ 264,774	\$ 238,383	\$ 216,419

¹ Property tax revenues projected to increase 3% per year, based on the average historical increase in assessed property values.

² Sales tax revenue projected to increase 2%/yr, based on conservative estimate of typical growth due to economic development.

³ Operating expenditures projected to increase 2%/yr, based on historical past increases.

⁴ Debt service is on general obligation bonds issued for expansion of the Soldotna Public Library. \$1,670,000 was outstanding at June 30, 2019. The City has the option to call the bonds on August 1, 2020.

⁵ Projected lapse: based on 5 year average of actual expenditures.

**CITY OF SOLDOTNA
OPERATING BUDGET PROJECTIONS FOR THE ANNEXATION TERRITORY**

	<u>FY20 Estimate</u>	<u>FY21 Estimate</u>	<u>FY22 Estimate</u>	<u>FY23 Estimate</u>
Operating Revenues ¹				
Property Taxes (0.5 mills)	\$ 26,762	\$ 27,565	\$ 28,392	\$ 29,244
Sales Taxes (3%)	712,276	726,521	741,052	755,873
Total Operating Revenues	\$ 739,038	\$ 754,086	\$ 769,444	\$ 785,116
 Operating Expenditures ²				
General Government	\$ (56,800)	\$ (57,936)	\$ (59,095)	\$ (60,277)
Public Safety	(88,100)	(89,862)	(91,659)	(93,492)
Public Works	(187,600)	(191,352)	(195,179)	(199,083)
Total Operating Expenditures	\$ (332,500)	\$ (339,150)	\$ (345,933)	\$ (352,852)
Projected Lapse - 8%	26,600	27,132	27,675	28,228
Projected Operating Expenditures	\$ (305,900)	\$ (312,018)	\$ (318,258)	\$ (324,624)
 Revenues Over (Under) Expenditures				
From Operations	\$ 433,138	\$ 442,068	\$ 451,185	\$ 460,493

Escalation factors for proposed annexation territories were applied at the same rates as for the City's current boundaries.

¹ FY20 property tax revenues were based on taxable assessed values provided by the Kenai Peninsula Borough at the current mill rate of .50 mills. An escalation factor was then applied annually. FY19 sales tax revenues were based on actual figures for that year provided by the Kenai Peninsula Borough with an escalation factor then applied annually.

² Expenditure estimates are based on the first year's data (2015) included in the 'Analysis of the Fiscal Effects of Annexation', as modified to remove study areas which were evaluated but not included in this petition. An escalation factor was then applied annually.

CITY OF SOLDOTNA
OPERATING BUDGET PROJECTIONS FOR EXISTING CITY LIMITS COMBINED WITH ANNEXATION TERRITORY

	FY20 Budget	FY21 Estimate	FY22 Estimate	FY23 Estimate
<u>Operating Revenues</u>				
Property Taxes (0.5 mills)	\$ 341,762	\$ 352,015	\$ 362,576	\$ 373,453
Sales Taxes (3%)	8,617,276	8,789,621	8,965,414	9,144,722
Intergovernmental	466,527	466,527	466,527	466,527
Licenses & Permits	89,250	89,250	89,250	89,250
Traffic Fines	85,000	85,000	85,000	85,000
Investment Earnings	358,500	358,500	358,500	358,500
Soldotna Regional Sports Complex	364,425	364,425	364,425	364,425
Campgrounds	360,000	360,000	360,000	360,000
Parks	22,500	22,500	22,500	22,500
Community Schools	12,000	12,000	12,000	12,000
Library Revenues	22,000	22,000	22,000	22,000
Other	18,900	18,900	18,900	18,900
Charges to Other Funds	28,000	28,000	28,000	28,000
Total Operating Revenues	<u>\$ 10,786,140</u>	<u>\$ 10,968,738</u>	<u>\$ 11,155,091</u>	<u>\$ 11,345,277</u>
<u>Operating Expenditures</u>				
General Government	\$ (5,139,749)	\$ (5,242,544)	\$ (5,347,395)	\$ (5,454,343)
Public Safety	(2,821,536)	(2,877,967)	(2,935,526)	(2,994,237)
Public Works	(2,807,691)	(2,863,845)	(2,921,122)	(2,979,544)
Transfer to Debt Service Fund	(173,024)	(169,879)	(171,526)	(167,926)
Total Operating Expenditures	<u>\$ (10,942,000)</u>	<u>\$ (11,154,235)</u>	<u>\$ (11,375,569)</u>	<u>\$ (11,596,049)</u>
Projected Lapse - 8%	875,360	892,339	910,045	927,684
Projected Operating Expenditures	<u>\$ (10,066,640)</u>	<u>\$ (10,261,896)</u>	<u>\$ (10,465,523)</u>	<u>\$ (10,668,365)</u>
Revenues Over (Under) Expenditures				
From Operations	<u>\$ 719,500</u>	<u>\$ 706,842</u>	<u>\$ 689,568</u>	<u>\$ 676,911</u>

Operating Budget Discussion

The budget projections on the previous pages show that after annexation, projected operating revenues will exceed expenditures in the City of Soldotna plus the annexation territory, for the current fiscal year and moving forward.

Capital Budget Discussion

In addition to operating expenditures, the City also appropriates funds for an annual capital budget. The amount varies from year to year, depending on the City's infrastructure needs and available funding from the City and other granting agencies (State/Federal). The City's capital budget was \$735,000 in FY20.

The table below shows the impact of operating plus capital activities, after annexation, on the City's General Fund fund balance, which was \$17,858,166 at the beginning of FY20. The City of Soldotna's current fund balance reserve policy indicates that it should maintain a minimum of \$5,000,000 of fund balance to ensure that ongoing operations of the City are not interrupted by unforeseen events (Council Resolution 2015-023, adopted April 22, 2015).

Because the City currently has a healthy fund balance, which exceeds the minimum recommended, the City will be able to continue investing in capital projects at the current level, or an increased level, by responsibly drawing down existing fund balance. In consultation with the Kenai Peninsula Borough (KPB) Road Department staff, there are no pending projects identified in the territory proposed for annexation. Therefore, the City has not assumed any increase in annual capital expenditures. However, after annexation and an evaluation of needs, if the City determines that additional capital expenditures are necessary, there is sufficient fund balance to make those investments.

Conclusion

The table below shows the expected budgetary impact on the City of Soldotna (both in terms of operating and capital activities), after annexation.

	<u>FY20 Budget</u>	<u>FY21 Estimate</u>	<u>FY22 Estimate</u>	<u>FY23 Estimate</u>
Operating Revenues	\$ 10,786,140	\$ 10,968,738	\$ 11,155,091	\$ 11,345,277
Operating Expenditures	(10,066,640)	(10,261,896)	(10,465,523)	(10,668,365)
Capital Expenditures	<u>(735,500)</u>	<u>(735,500)</u>	<u>(735,500)</u>	<u>(735,500)</u>
Revenues Over (Under) Expenditures	\$ (16,000)	\$ (28,658)	\$ (45,932)	\$ (58,588)
Projected Beginning Fund Balance	<u>\$ 17,858,166</u>	<u>\$ 17,842,166</u>	<u>\$ 17,813,508</u>	<u>\$ 17,767,576</u>
Projected Ending Fund Balance	<u>\$ 17,842,166</u>	<u>\$ 17,813,508</u>	<u>\$ 17,767,576</u>	<u>\$ 17,708,988</u>