

2004 Proposed Budget

October 20, 2003

Presented by City Manager

Steve Burkett

Key Events in 2004 Budget Development Process

- ***Council Planning Retreat (April)***
 - Preliminary 2004-2009 Revenue & Expenditure Forecast
- ***2004-2009 Capital Improvement Plan Adoption (July)***
 - 2004 Plan incorporated into 2004 budget
- ***Department Budget Development (June-August)***
- ***Update 2004-2009 Revenue & Expenditure Forecast (September)***
- ***Proposed Budget Development (Sept. - Oct.)***
- ***Presentation of Proposed 2004 City Budget to City Council***

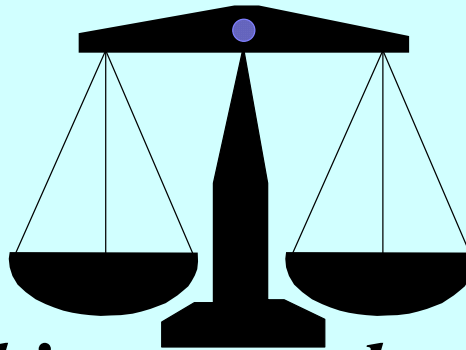
2004 Budget Review and Adoption Schedule

- ***Budget Transmittal - October 20***
- ***Budget Workshops***
 - Departmental Presentations - October 27
 - Workshops - November 3, 10, 17
- ***Public Hearings***
 - Budget - October 27 & November 10
 - Revenue Sources & Property Tax - November 10
- ***Adoption***
 - 2004 Property Tax Levy - November 24
 - 2004 Budget - November 24

Guiding Principles in the 2004 Proposed Budget

- ***Long-Term Financial Condition***

- Based on what we know today, make commitments that can be maintained for the long-term
- Limiting the City's dependence on unstable revenue sources
- Use on-going resources to fund on-going expenditures
- Maintain reserve to provide for long-term financial stability

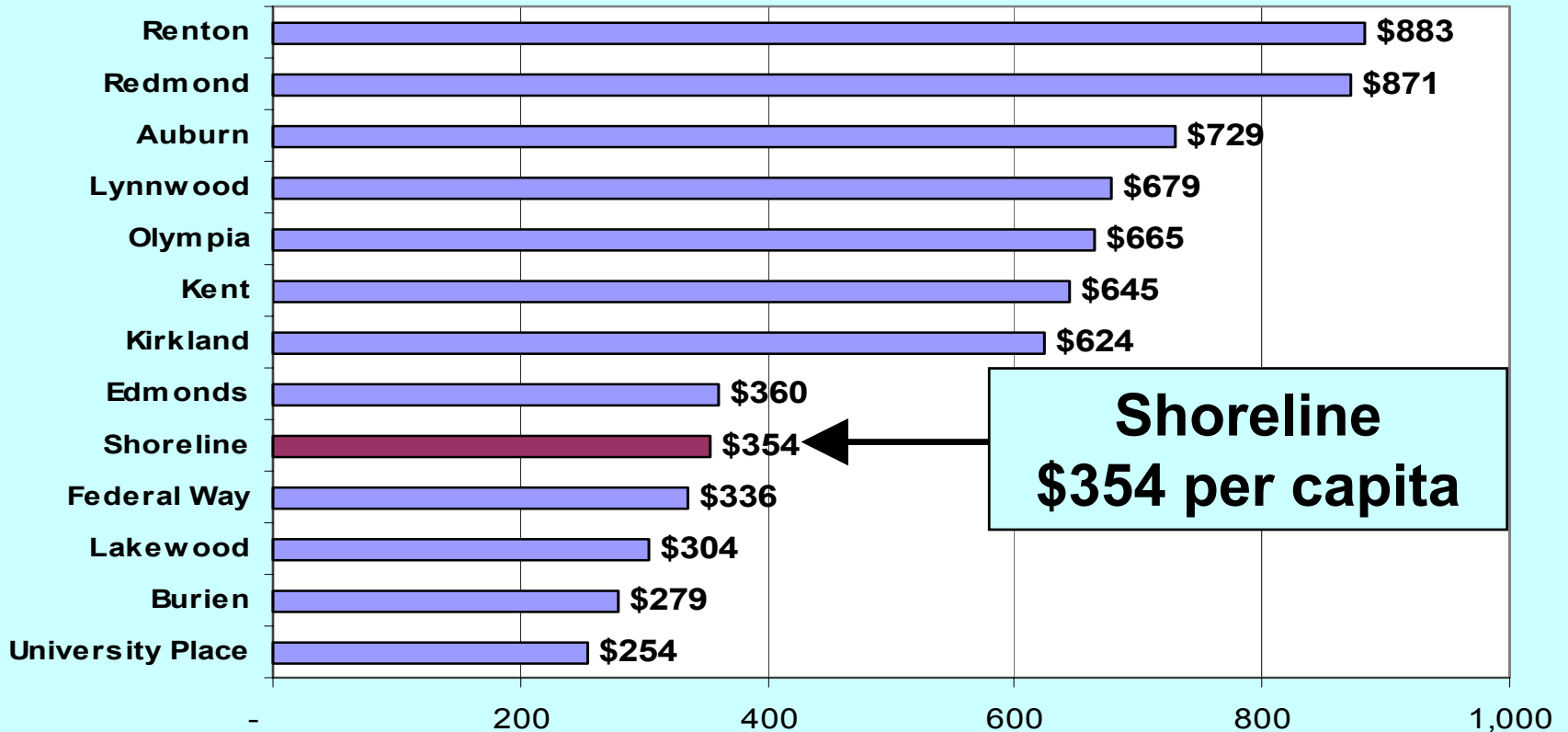


- ***Maintain and improve the City's parks, roads, and drainage systems***

2004 Budget Limitations

Fiscal Capacity Constraints

2001 Tax Per Capita
(Property, Sales, B&O, Utility & Franchise, Gambling)



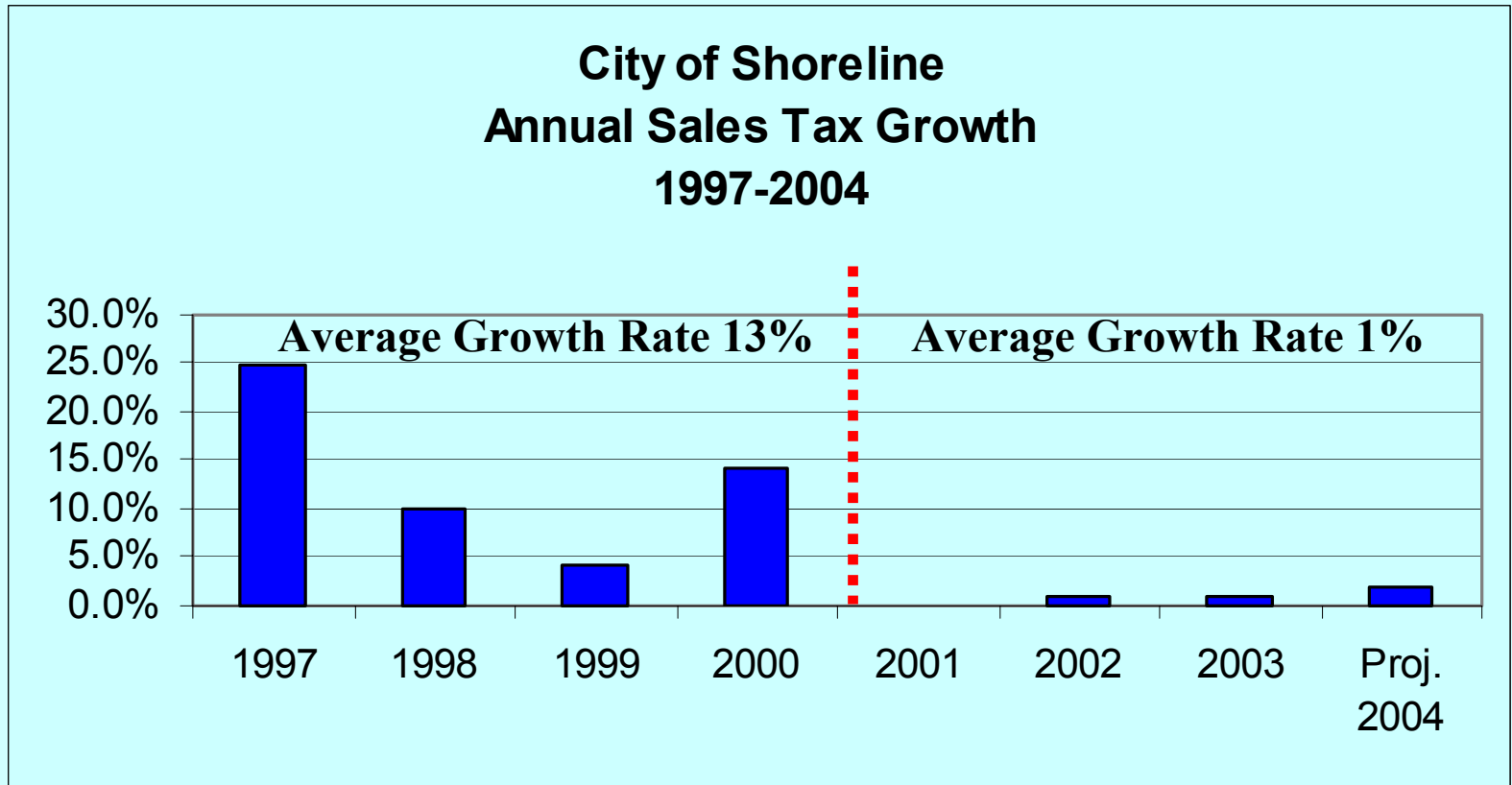
2004 Budget Challenges

- ***Current Economic Conditions***

- Indications that the national economy is emerging from recession
- Economists believe we have seen the worst
- Agreement that Puget Sound economic recovery will lag
 - ***Sales tax return to more normal growth pattern in 2004***
 - ***Employment will not return to pre-recession peak until after 2005***
 - ***Housing starts negative or minimal growth over next few years***

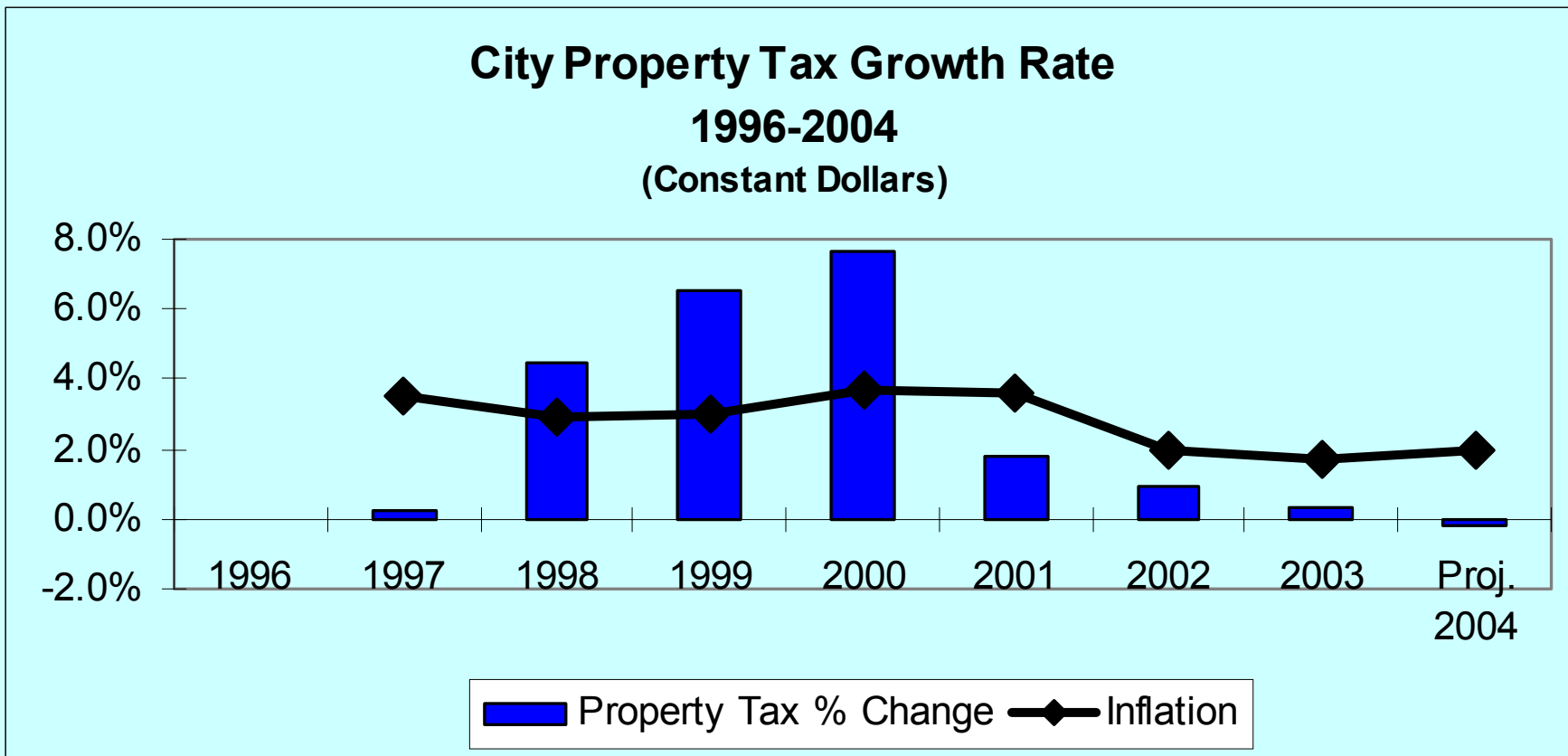
Economic Impacts on Sales Tax

- *2004 Projection - \$5.3 Million*
- *Sales Tax Receipts Primarily related to the consumption of basic goods.*



2004 Budget Challenges

Impacts of Slower Development Activity & I-747



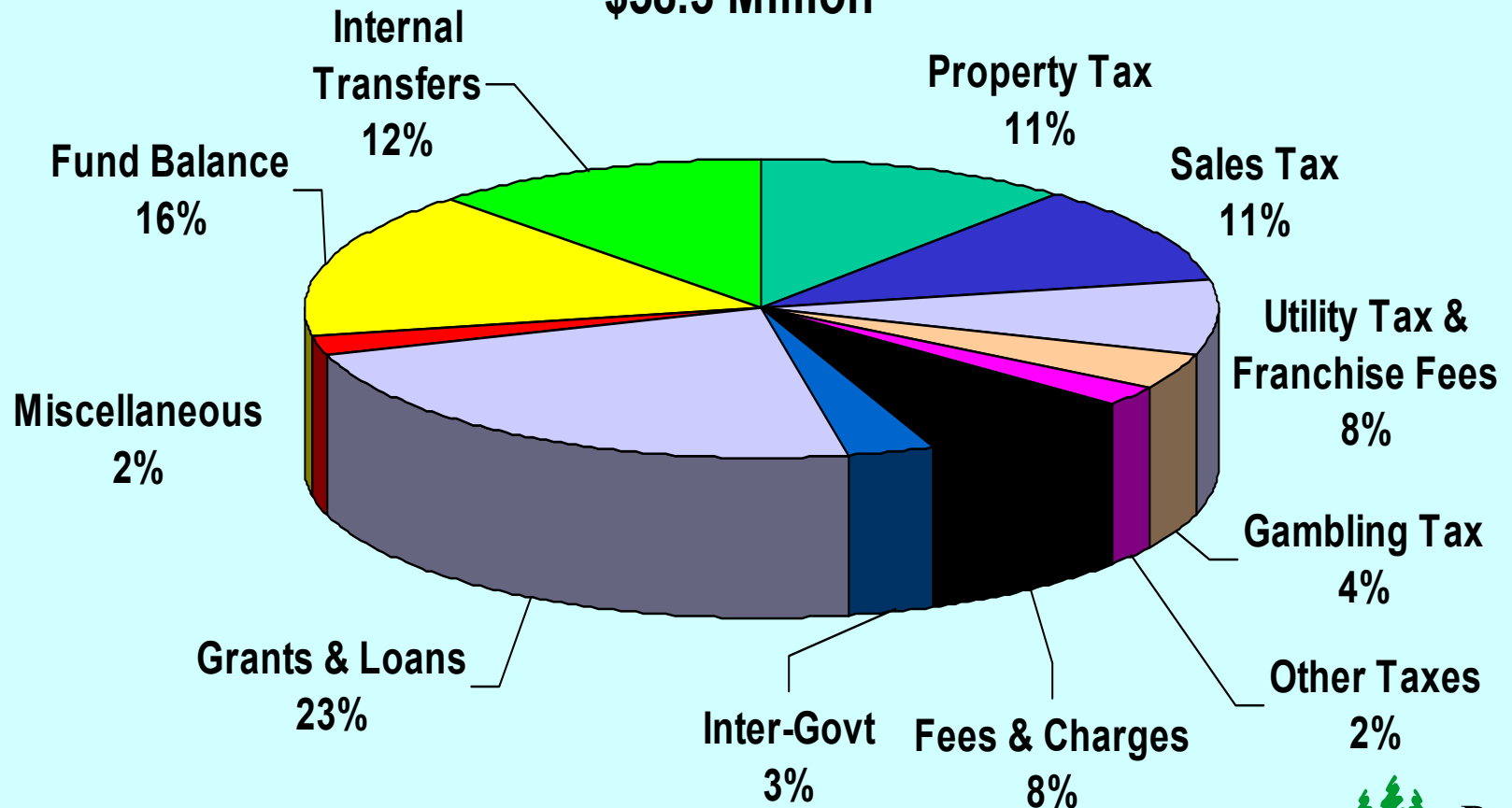
2004 Budget Highlights

- *City's Current Financial Position is Excellent*
- *Balanced and totals \$58.3 Million*
- *Conservative Revenue Projections*
- *Reduced Projected Expenditures in the Areas of:*
 - Health Insurance Benefits
 - Jail
 - Janitorial
- *Increased Right-of-Way Maintenance Services*
- *Proposed 2004 Budget Compared to 2003 Budget*

<i>Operating Funds</i>	<i>Capital Funds</i>
<i>• \$31.4 Million</i>	<i>\$26.7 Million</i>
<i>• 14% Less Than 2003</i>	<i>83% Greater Than 2003</i>

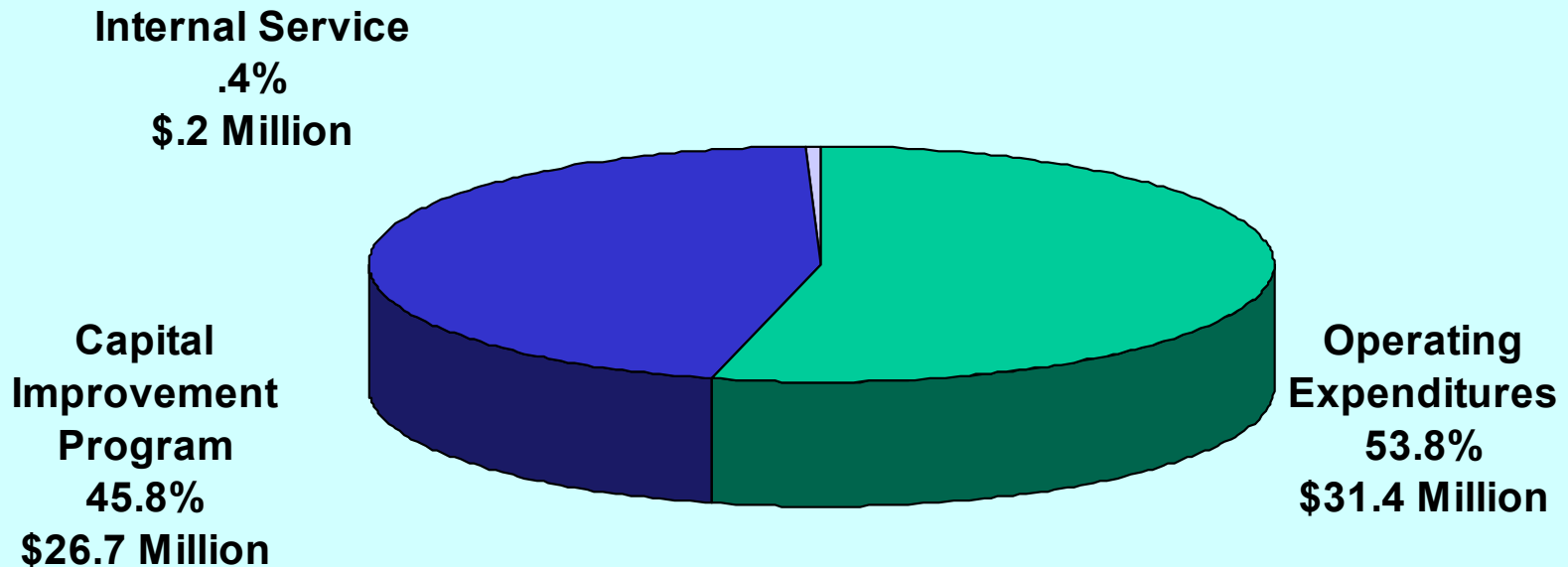
Where Will The Money Come From?

2004 City Resources By Category
\$58.3 Million



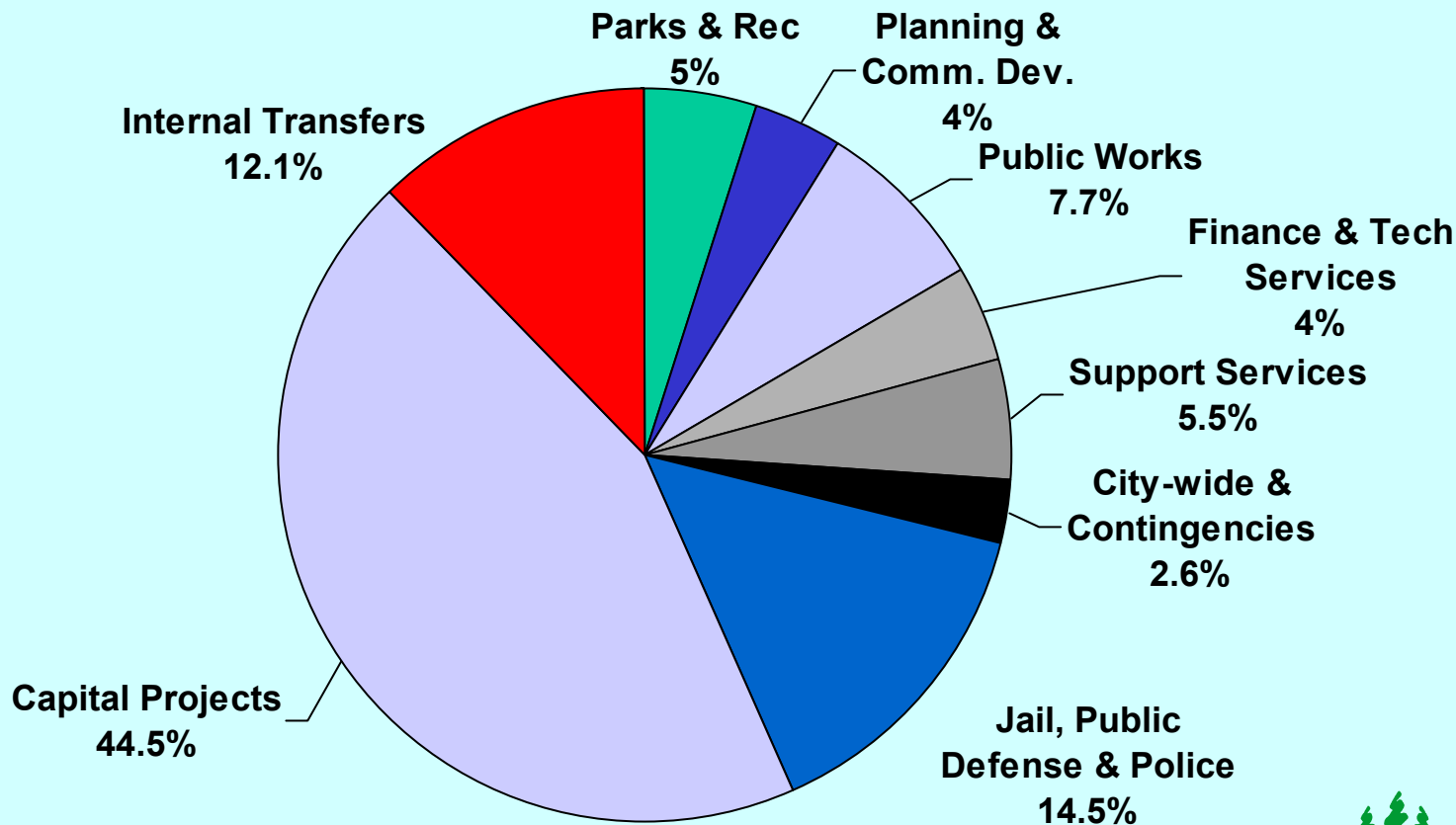
Where Will the Money Go?

2004 City Expenditures by Category \$58.3 Million



How Shoreline Spends Its Resources

2004 Proposed Budget

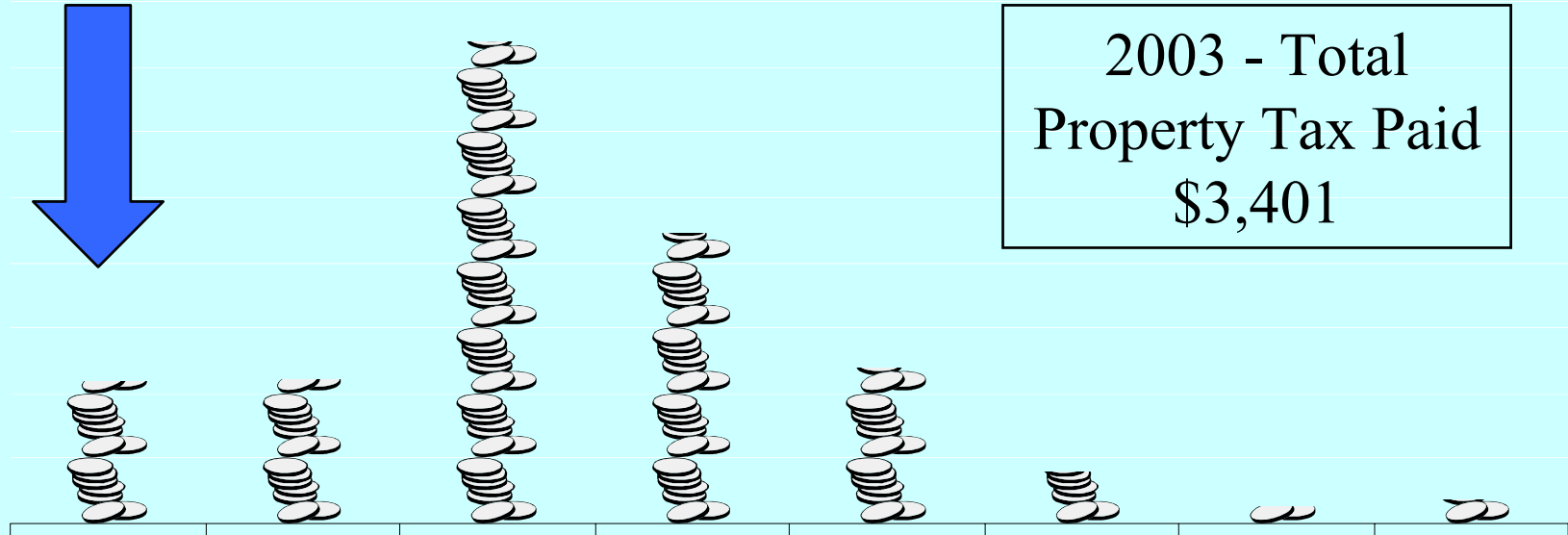
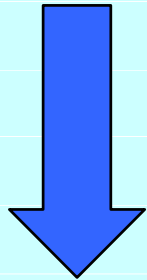


Property Tax

- *Largest Source of Operating Revenue (\$6.7 Million)*
- *2004 Proposed Budget Includes a 1% Levy Increase*
- *Preliminary 2004 Tax Rate of \$1.30 per \$1,000 Valuation*
 - 3.7% Decrease from 2003 Property Tax Rate

How Much Property Tax Does a Shoreline Property Owner Pay and Where Does It Go?

2003 - Total
Property Tax Paid
\$3,401



	City	King County	Local Schools	State Schools	Fire District	Library District	Port	EMS
Rate	10.4%	10.4%	35.4%	22.3%	13.4%	4.2%	2%	1.9%
Rate	\$1.35	\$1.35	\$4.60	\$2.90	\$1.73	\$0.55	\$0.26	\$0.24
Annual Tax on Home Value of \$262,000	\$354	\$354	\$1,206	\$759	\$454	\$143	\$68	\$63

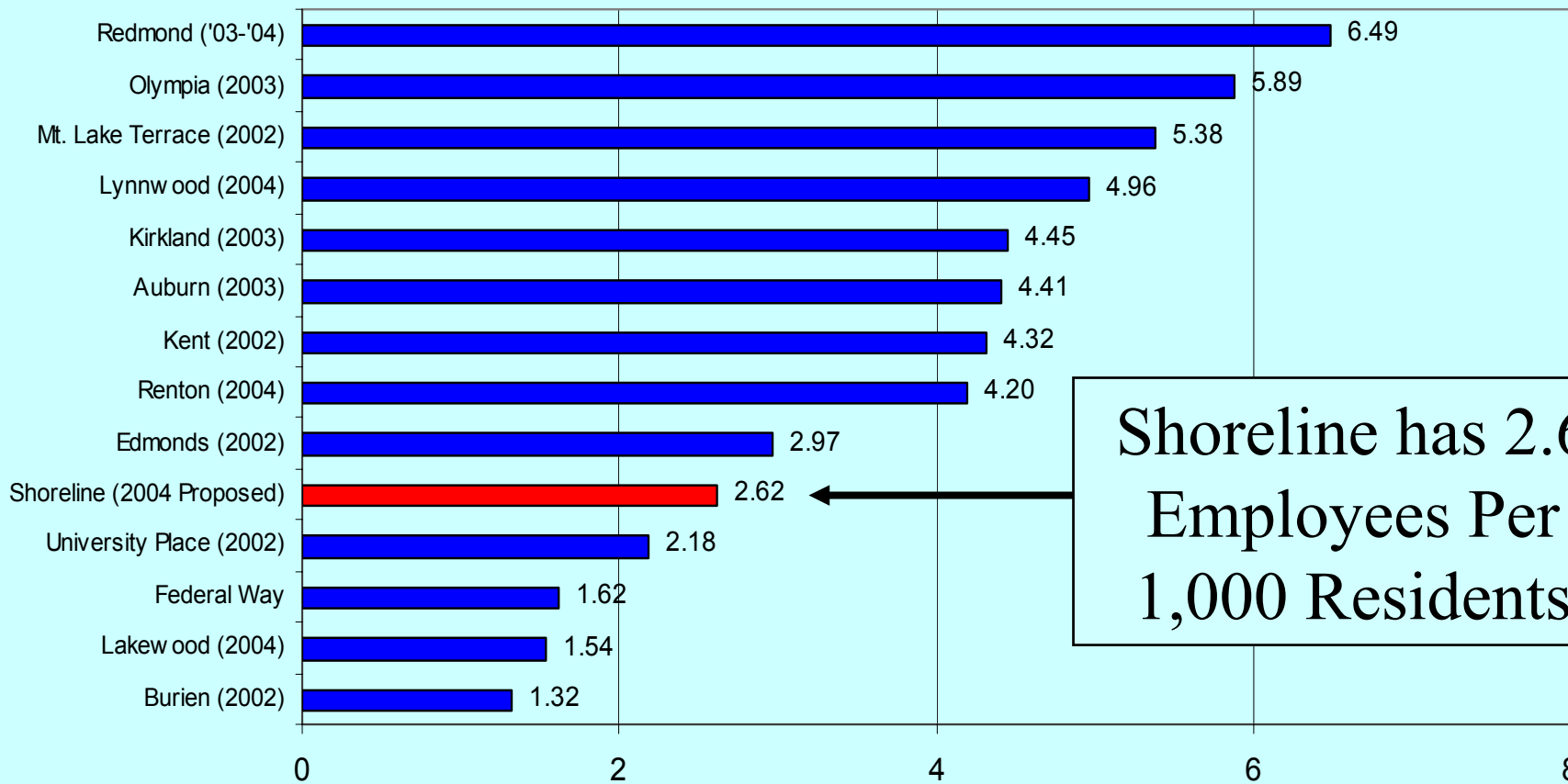
Major Budget Changes

- **Personnel Costs - \$346,000 Increase (1% Operating Budget)**
 - **New Positions - Budget Impact \$0**
 - *Administrative Assistant - City Attorney*
 - *Project Manager (CIP)*
 - *Project Assistant (CIP)*
 - **Compensation Policy - Budget Impact \$316,000**
 - *Market Adjustment (1.2%), Health Benefit Increases, Merit Increases, L&I & Retirement Contribution Rate Increase*
 - **Health Benefit Policy Recommendation**
 - *Contains Health Benefit Costs for Current Employee to Level to Less Than 8%, while Medical Premiums are Increasing by 26%*
 - *Based on Current Employee Census Contains Future Cost Increases*

Comparison of City Staffing Levels

(Excludes Police, Fire, Utilities, Special Business Enterprises)

Employees Per Thousand Population



Shoreline has 2.6
Employees Per
1,000 Residents

Major Operating Budget Changes

- ***Jail - \$105,000 Decrease***
- ***Police - \$207,000 Increase (3%)***
 - Expiration of the School Resource Officer COPS Grant
 - Salary & Benefit Increases (6.2%)
 - Operation & Maintenance Cost Increases of the Regional Emergency Communications Center
 - Increase Traffic Deputies by 1 (No Net Budget Impact)
- ***Liability & Property Insurance - \$70,000 Increase***
- ***Right-of-Way Maintenance Service Level Increase - \$30,000***

One-Time Budget Allocations

- ***Pavement Preservation Program -\$200,000***
 - Reinstated reduced funding for 2004
 - Reduction result of the passage of I-776
- ***New Position Start-Up Costs - \$26,000***

Major Budgeted Contingencies

- ***Operational Contingency - \$250,000***
 - Traditionally have not used
- ***Insurance Deductible (Property) - \$205,000***
- ***PERS Anticipated Future Increases - \$70,000***
- ***Regional Emergency Communications Center Equipment Funding - \$85,000***
- ***Reserved for Wedge Redevelopment - \$55,000***

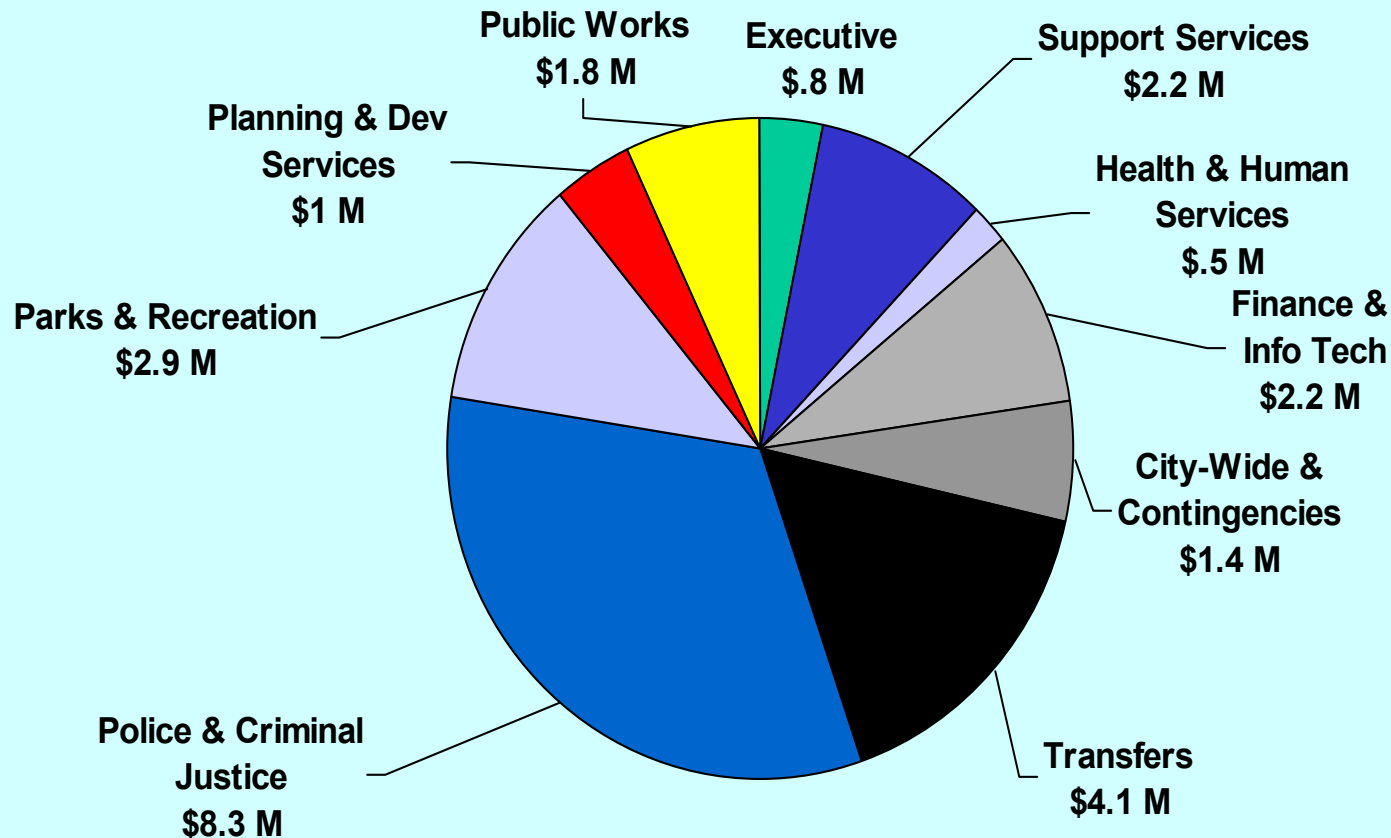
Recommended Fee Adjustments

- ***Land Use & Non-Building Permit Fees***
 - Inflationary Adjustment
 - Hourly Rate increased from \$121 to \$122

- ***Recreation Fees***
 - Market Adjustment
 - Conversion to Hourly Rates for Rentals
 - Eliminate 2 Hour Minimum on Many Rentals
 - Combine Janitorial & Rental Fee

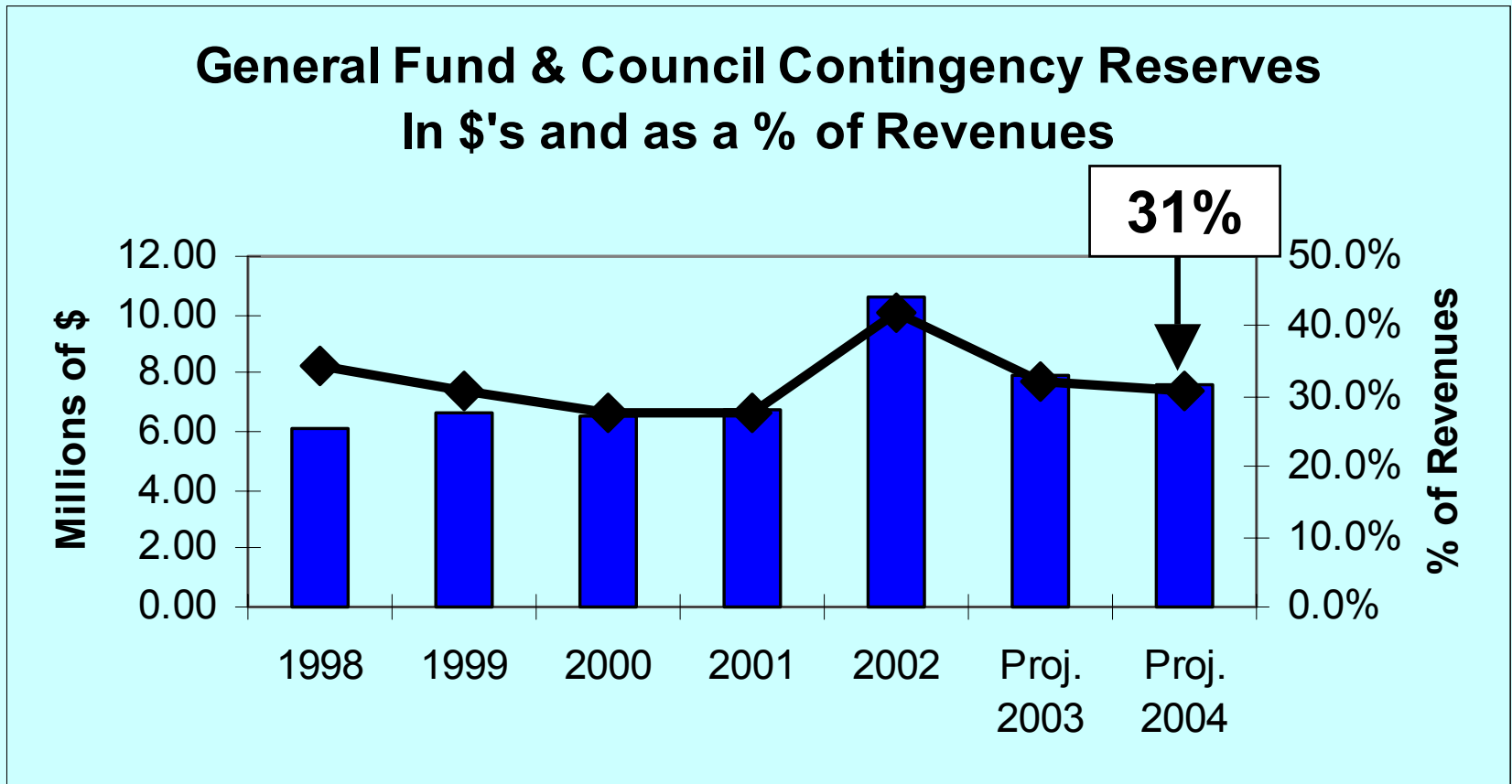
City's General Fund

- *2004 Total Expenditures \$25.2 Million*
- *\$3.3 Million (12%) Decrease from Amended 2003 Budget*
 - 2003 Budget Includes \$3.6 Million of One-Time Expenditures



General Fund Reserves

Reserve Policy Minimum of 10%

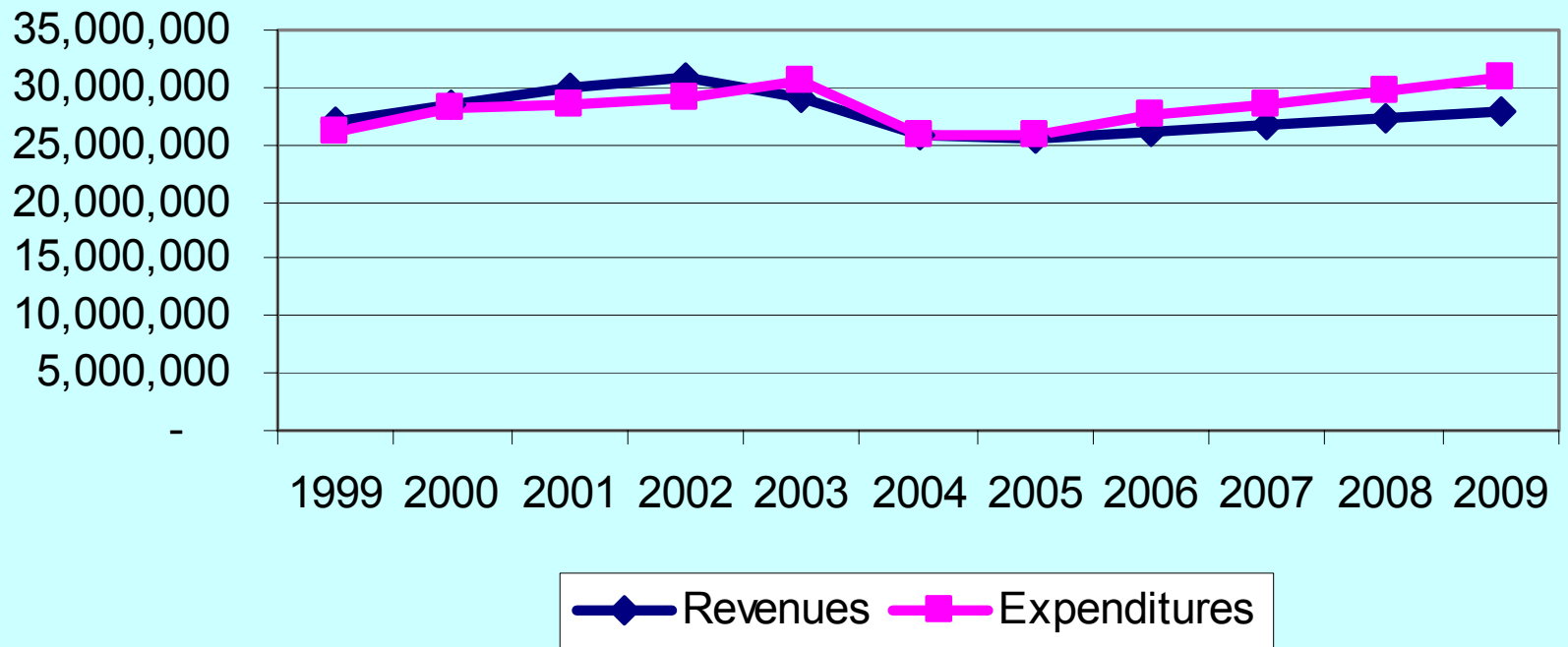


2004 Outstanding Issues

- ***Initiative 776***
 - Still Waiting for Court Decision
 - \$485,000 of Street Maintenance Revenues

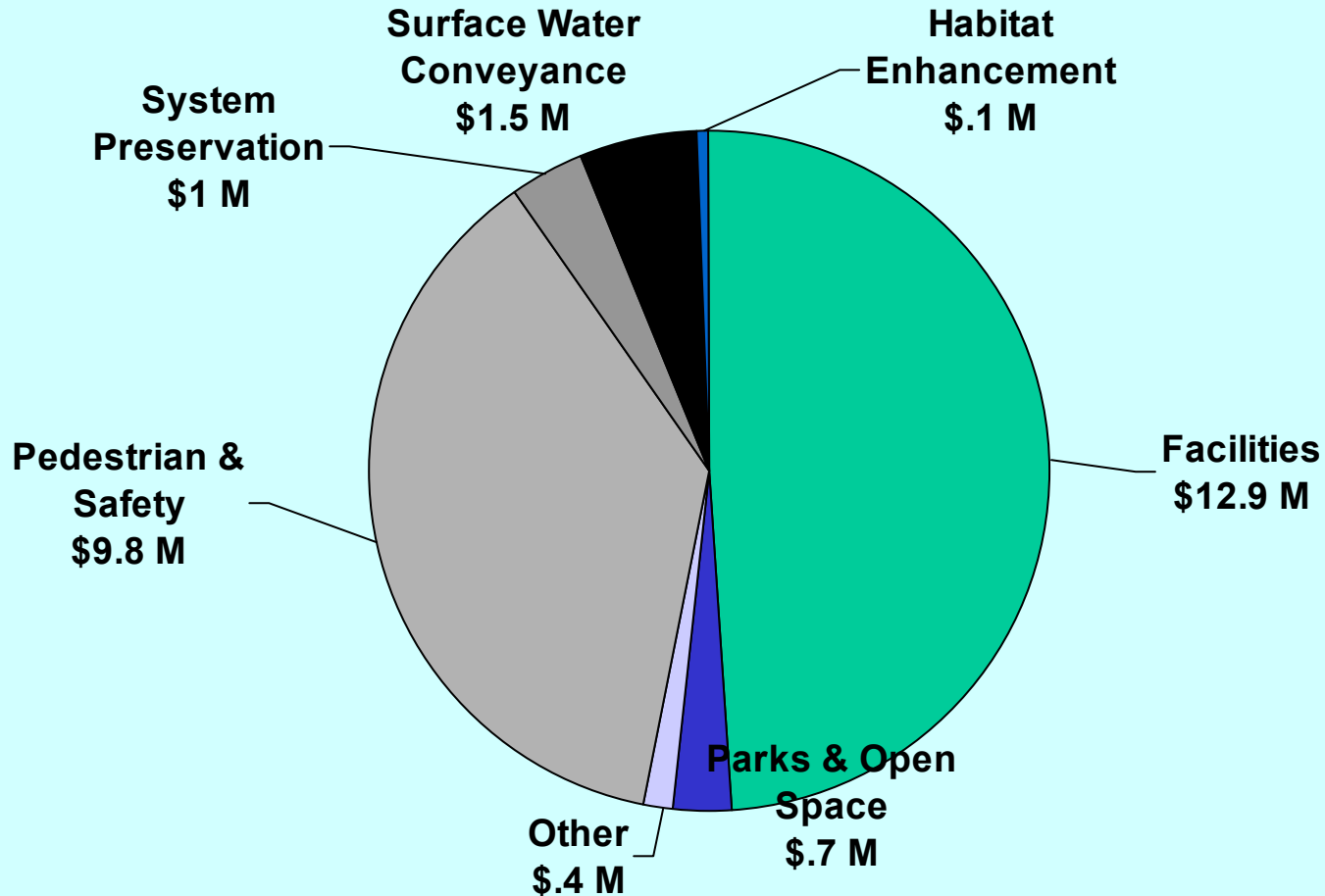
Long-Term Financial Forecast

**City Operating Budget Six Year Forecast
10 Year Operating Budget Comparison**



2004 Capital Expenditures

\$26.3 Million



2004 Major Capital Projects

- *Facilities & Parks*

- City Hall - \$12.7 Million
- Spartan Gym - \$117,000
- City Gateways - \$103,000
- Parks Open Space & Acquisition - \$200,000
- Saltwater Park Pedestrian Bridge Replacement Study
- Paramount Picnic Shelter

2004 Major Capital Projects

- *Transportation*

- Interurban Trail - \$1.7 Million
- Aurora Avenue 145th to 165th - \$2.7 Million
- Annual Pavement Preservation, Pedestrian, Curb Ramp, & Sidewalk Program - \$900,000
- 15th Avenue - \$3.3 Million
- Interurban Trail Pedestrian Crossing - \$384,000
- Neighborhood Traffic Safety Program - \$160,000
- Transportation Master Plan - \$109,000

2004 Major Capital Projects

- ***Surface Water Projects***

- Ronald Bog Drainage Improvements - \$297,000
- Small Projects - \$175,000
- 3rd Avenue NW Drainage Improvements - \$702,000
- Surface Water Comprehensive Plan - \$109,000

Conclusion

- ***The 2004 Proposed Budget:***
 - Maintains a Focus on a Strong Long-Term Financial Position
 - *Takes into account the City's Fiscal Capacity Constraints*
 - *Balanced the Budget Through Cost Containment*
 - *Maintains Reserves within Policy Guidelines*
 - Provides adequate resources to maintain and improve the City's parks, roads, and drainage systems
 - Conservative Revenue Projections and Modest Service Level Changes
 - *Will Need to Continue Monitoring Future Economic Conditions*