



AGENDA

SHORELINE CITY COUNCIL WORKSHOP DINNER MEETING

Monday, April 9, 2018
5:45 p.m.

Conference Room 303 · Shoreline City Hall
17500 Midvale Avenue North

TOPIC/GUESTS: Sidewalk Advisory Committee

SHORELINE CITY COUNCIL REGULAR MEETING

Monday, April 9, 2018
7:00 p.m.

Council Chamber · Shoreline City Hall
17500 Midvale Avenue North

	<u>Page</u>	<u>Estimated Time</u>
1. CALL TO ORDER		7:00
2. FLAG SALUTE/ROLL CALL		
3. REPORT OF THE CITY MANAGER		
4. COUNCIL REPORTS		
5. PUBLIC COMMENT		
<i>Members of the public may address the City Council on agenda items or any other topic for three minutes or less, depending on the number of people wishing to speak. The total public comment period will be no more than 30 minutes. If more than 10 people are signed up to speak, each speaker will be allocated 2 minutes. Please be advised that each speaker's testimony is being recorded. Speakers are asked to sign up prior to the start of the Public Comment period. Individuals wishing to speak to agenda items will be called to speak first, generally in the order in which they have signed. If time remains, the Presiding Officer will call individuals wishing to speak to topics not listed on the agenda generally in the order in which they have signed. If time is available, the Presiding Officer may call for additional unsigned speakers.</i>		
6. APPROVAL OF THE AGENDA		7:20
7. CONSENT CALENDAR		7:20
(a) Approving Minutes of Special Meeting of March 5, 2018	<u>7a1-1</u>	
Approving Minutes of Special Meeting of March 16-17, 2018	<u>7a2-1</u>	
(b) Approving Expenses and Payroll as of March 23, 2018 in the Amount of \$2,868,658.44	<u>7b-1</u>	
(c) Authorizing the City Manager to Enter into Amendment No. 1 to the Wastewater Utility Operating Services Agreement Between the City of Shoreline and Ronald Wastewater District	<u>7c-1</u>	
8. STUDY ITEMS		
(a) Discussing Ordinance No. 814 – Amending Ordinance No. 812 for Uncompleted 2017 Operating and Capital Projects and Increasing Appropriations in the 2018 Budget	<u>8a-1</u>	7:20
(b) Discussing Ordinance Nos. 815 - Amending the 2018 Budget, and 820 - Amending Shoreline Municipal Code Chapter 3.35	<u>8b-1</u>	7:40

Establishing a Park Impact Fees Fund and a Housing Trust Fund

(c) Discussing the 2017 Fourth Quarter and Year-End Financial Report 8c-1 8:00

9. ADJOURNMENT 8:20

The Council meeting is wheelchair accessible. Any person requiring a disability accommodation should contact the City Clerk's Office at 801-2231 in advance for more information. For TTY service, call 546-0457. For up-to-date information on future agendas, call 801-2236 or see the web page at www.shorelinewa.gov. Council meetings are shown on Comcast Cable Services Channel 21 and Verizon Cable Services Channel 37 on Tuesdays at 12 noon and 8 p.m., and Wednesday through Sunday at 6 a.m., 12 noon and 8 p.m. Online Council meetings can also be viewed on the City's Web site at <http://shorelinewa.gov>.

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING

Monday, March 5, 2018
5:30 p.m.

Conference Room 303 - Shoreline City Hall
17500 Midvale Avenue North

PRESENT: Mayor Hall, Deputy Mayor Salomon, Councilmembers McGlashan, Scully, Roberts, McConnell, and Chang

ABSENT: None

STAFF: Debbie Tarry, City Manager, John Norris, Assistant City Manager; Rob Beem, Community Services Manager; and Constance Perenyi, Neighborhoods Coordinator

GUESTS: Kate Beck, David Chen, Emily Dean, Katia Garcia, T.G. Guruprasad, Alyanna Mattson, Sully McGinnis, Chris Ode, Tien Peng, Frank Sanborn, Dan Short, Sidney Stong, Karen Thielke, Elvira Vojnikovic, Ruby Wishnietsky.

At 5:45 p.m., the meeting was called to order by Mayor Hall.

After a welcome by the Mayor, the City Council and participants in the Shoreline CityWise Project enjoyed dinner together and discussed their visions of the future. The Mayor then delivered remarks about the CityWise Project, and invited each participant to receive a completion certificate. Congratulations and a photo opportunity with Council Members concluded the meeting.

At 6:50 p.m. the meeting was adjourned.

Constance Perenyi, Neighborhoods Coordinator

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING
Annual Strategic Planning Workshop

Friday, March 16 and Saturday, March 17, 2018

March 16 - 8:30 a.m. **Brightwater Clean Water Treatment Facility**
22505 State Route 9 SE, Woodinville, WA 98072

PRESENT: Mayor Hall, Deputy Mayor Salomon, Councilmembers McGlashan, Scully, McConnell, Chang and Roberts

ABSENT: None

STAFF: Debbie Tarry, City Manager; John Norris, Assistant City Manager; Randy Witt, Public Works Director; Margaret King, City Attorney; Paula Itaoka, Human Resources Director; Rachael Markle, Planning and Community Development Director; Sara Lane, Administrative Services Director; Eric Friedli, Parks, Recreation and Cultural Services Director; Shawn Ledford, Shoreline Police Chief; Dan Eernisse, Economic Development Program Manager; and Carolyn Wurdeman, City Council Executive Assistant

GUESTS: Allegra Calder, Principal, BERK Consulting, Workshop Facilitator; Jamas Gwilliam, Business Attraction Panel Member; Holly Smith, Business Attraction Panel Member; Anne Marie Koehler, Business Attraction Panel Member; Joe Donahou, Business Attraction Panel Member; and Ken Batali, Business Attraction Panel Member

At 8:33 a.m. the Special Meeting was called to order. Mayor Hall provided a welcome to Council and staff. Mayor Hall also discussed the purpose of the workshop and provided his thoughts on the value of goal setting. Then, Mayor Hall turned the Workshop over to Facilitator Allegra Calder, who provided an overview of the Workshop and led the group through an introductory exercise.

Council then discussed the 2017 City Accomplishments. Assistant City Manager John Norris provided a brief overview of how staff put together the accomplishment list and provided some thoughts on key accomplishments from the staff perspective. Mr. Norris also stated how City staff were proud of all the work that was accomplished this year. Council also provided reflections on the accomplishments and thanked staff for all their efforts to achieve such a large volume of work in 2017.

The City Manager then began reviewing the current (2017-2019) City Council Goals and Work Plan and some of the performance measures that were also collected that correspond to the Goals. Council had a few questions regarding economic development performance measures, such as if the assessed valuation of new construction of commercial buildings is declining. Council also discussed a potential new performance measure for commercial activity, such as amount of retail sales tax collected by year. Staff confirmed that they would review performance measures going forward to provide the most helpful data to Council in regards to whether the City is achieving Council Goals.

The City Manager and Council also reviewed the staff proposed Goals and Action Steps for 2018-2020. Council held off on a discussion of Council Goal #1, as that was discussed later in the morning, and started with Council Goal #2. Council proposed a few changes to Action Step #1 of Goal #2, with a focus on advocacy for funding strategies and that the Action Step accommodate sidewalk maintenance in addition to new sidewalk construction. The Council was generally supportive of this suggestion. Council also asked a question about the priority environmental strategies Action Step in Goal #2, but felt that the current proposed Action Step language was sufficient.

Council asked whether there should be an Action Step in Goal #3 regarding development updates for the two Station Areas. Staff responded that periodic updates are already scheduled and Council felt comfortable not adding this as a specific Action Step. Council also asked staff to look at the increase in the number of new housing units in the Station Areas as a potential new performance measure. Also for Goal #3, Council asked staff about developing a parking management strategy, including residential parking zones, and adding this as an Action Step. Staff stated that they are currently working on developing a baseline study of parking now and that a parking management strategy is likely a couple years away. Council was fine not including this as an Action Step in this year's Work Plan.

Council also discussed an idea for a new Action Step focused on supporting individuals experiencing homelessness and opioid addiction. Specifically, this Action Step would focus on how the region, the City, and the City's partners are addressing these issues, and if there are any gaps in service that the City can help fill. Staff stated that they would work on coming up with proposed Action Step language for Council consideration. Council was generally supportive of adding this Action Step under Council Goal #5. There were no other proposed changes to Council Goal #4 or #5.

Following the discussion of Council Goals, Economic Development Manager Dan Eernisse discussed the City's Economic Development Strategic Plan, including accomplishments of the six-year Plan and potential themes of a plan update that staff will be working on this year. The proposed Plan will continue to focus on Place-Making, and include other themes such as neighborhood commercial centers and supporting home-based businesses. Council was in general support of the proposed Economic Development Strategic Plan direction. Staff will be bringing back the Plan for Council approval later in 2018.

Following this discussion, Mr. Eernisse and Ms. Calder welcomed and facilitated a panel discussion on business attraction, with a focus on neighborhood scale businesses and the retail and restaurant sectors. The Council and the panel had a robust discussion and Councilmembers asked many questions of the panel. Panel members discussed how the City can support development occurring in Shoreline and what business owners are looking for when making decisions to locate in a City. Some panel members also explained the realities of the restaurant business and the current retail landscape, and how that may affect business attraction strategies.

At the conclusion of the panel discussion, Council then began discussing Council Goal #1, which is focused on economic development. Staff explained that the proposed language to expand this Goal to also include ‘economic opportunities’ was included based on Council’s earlier direction. Council was supportive of the proposed Goal title and description. Council then discussed potential new Action Steps under the revised Goal #1, and agreed that moving the affordable housing Action Step under this Goal was a good idea. Council also discussed the idea of an Affordable Housing Levy as a way to generate funding for additional affordable housing, but was not interested in adding this as an Action Step at this time. Council also discussed using certain City properties/facilities to create retail/restaurant opportunities in Shoreline, but no specific Action Step was proposed for this.

Following the wrap-up of the proposed Council Goal discussion, Council and staff took a tour of the Brightwater Treatment Plant and discussed the use of reclaimed water in the region with King County Brightwater staff. Council and staff then wrapped up the day with feedback on the first day of the Workshop and reflections.

The first day of the Strategic Planning Workshop was adjourned at 4:00 pm.

March 17 – 8:30 a.m. **Council Chambers - Shoreline City Hall**
17500 Midvale Avenue North

PRESENT: Mayor Hall, Deputy Mayor Salomon, Councilmembers McGlashan, Scully, McConnell, Chang and Roberts

ABSENT: None

STAFF: Debbie Tarry, City Manager; John Norris, Assistant City Manager; Randy Witt, Public Works Director; Sara Lane, Administrative Services Director; and Eric Friedli, Parks, Recreation and Cultural Services Director

GUESTS: Allegra Calder, Principal, BERK Consulting (Workshop Facilitator)

At 8:35 a.m. the second day of the Special Meeting was called to order. This began with a review of the 2018 citizen satisfaction survey questions. Council provided direction to staff on the proposed survey questions and suggested removing the more in-depth questions regarding traffic congestion and delay. The Council also suggested some edits to the public safety questions.

Council, the City Manager and Assistant City Manager were then joined by Public Works Director Randy Witt, Administrative Services Director Sara Lane, and Parks, Recreation and Cultural Services Director Eric Friedli for a discussion of a potential sidewalk construction and maintenance ballot measure and a parks and community/aquatic center ballot measure. Council and staff had a robust discussion of these ballot measures focusing on their priorities and how these measures should be sequenced and potentially proposed to the community.

This discussion began with Ms. Lane presenting information about the potential ballot measures and some key discussion questions, including whether Council was interested in a property tax supported ballot measure for sidewalk construction in 2018. The majority of Councilmembers were not in support of this as they were concerned about the cost of a ballot measure to taxpayers and the timing of bringing this to the voters, given the pressure on property tax from other sources, especially with the increase in property taxes levied by the State Legislature in response to the McCleary decision. Councilmembers were also concerned that proceeding with a sidewalk property tax measure at this time could affect the ability to propose a property tax bond measure for development of a new community/aquatic center and park project development in the future. The Council also briefly discussed combining a parks and sidewalk measure into one ballot measure, but there was concern with this idea. Councilmember Chang was interested in staff looking at the sidewalk fee-in-lieu program to help fund the development of new sidewalk construction and was interested in looking at public-private partnerships or the formation of a Parks Foundation to help fund a community/aquatics facility with private dollars.

Council then began focusing on how to fund maintenance of existing sidewalks. This included a discussion on the use of sales and use tax, which would need to be approved by the voters, or use of an increase in the vehicle license fee. Council had varying opinions on these revenue sources to fund sidewalk maintenance, and potentially some construction of new sidewalks, and requested that staff bring these options back to Council when the Sidewalk Advisory Committee also brings their recommendations to Council later this spring. Councilmember Scully also requested that staff bring back the option to Council of funding new sidewalk development with a larger property tax measure, even if this does not have the current support of the full Council, as he would like the Council to formally discuss and vote on this option. Staff stated that they would bring this back along with other options for sidewalk maintenance funding. Staff also stated that they would provide a summary of the Council's ballot measure discussion with the Sidewalk Advisory Committee so that the Committee is aware of the discussion and the Council's current thinking, even though Council is still expecting a recommendation from the Committee.

Following the ballot measure discussion, Council reviewed the proposed changes to their Council Goals again to make sure that the proposed changes were captured accurately. Council did not have any concerns with staff proposed edits to the Goals, but a couple of Councilmembers did propose a few other ideas for potential Action Steps. Councilmember Chang asked about the idea of an Emergency Preparedness Action Step, and staff explained that there had been Goals and Action Steps devoted to emergency management and preparedness in the past, but as this program has become operationalized, staff did not feel it was necessary. Council agreed, but did request that a future Council dinner meeting be dedicated to the City's

Emergency Management Program so the Council could learn more about the program and how it is structured and operates.

Councilmember Chang also asked a question about how staff reports and Council agendas communicate key policy considerations for the public, and whether the public is able to glean these considerations from the currently produced Council meeting material. Council discussed this idea and felt that a Council Goal Action Step was not necessary. Staff did state that they could accommodate a change to the email notification about Council meetings to include which City department is responsible for various agenda items. Staff stated that they would also look to conduct a continuous improvement work project on the City's staff reports to see if they should be improved and streamlined. Council was supportive of this type of work effort.

Finally, Council also discussed Council Goal #1 again to determine if any additional Action Steps should be included in the goal or whether the shift in focus from solely economic development to economic climate and opportunities made sense. Mayor Hall also provided some context of why economic development had historically been such a high priority goal for the Council. Council did not suggest any new Action Steps under Council Goal #1 following this discussion, but did suggest that it would be helpful to draft a *Currents* article or other form of citizen communication that explains the reality that Shoreline's population is not growing, contrary to what many Shoreline residents may feel is happening in the community. Staff stated that they could work on an article of this nature.

The final agenda item that Council discussed was a series of policy questions generated by various Councilmembers. This began with a discussion of compostable and recycling collection for commercial/business accounts. Council was comfortable with staff's recommendation to not create a new regulation that would require this, but rather focus on education and incentives to achieve higher levels of commercial recycling and composting. Council also expressed their interest in working towards becoming a zero land fill City and adopting a proclamation in the future to that effect.

The Council next discussed the potential for City scholarships for Shoreline School District students receiving free and reduced lunch on potential shortened school days, and the Council was not interested in further exploring City scholarships for this purpose. The Council also discussed exploring regulations prohibiting plastic drinking straws/food service ware and, similar to the commercial account recycling/composting discussion, asked staff to focus on education and incentives to help restaurants and Shoreline businesses reduce their use of these plastic items voluntarily.

The Council then discussed having the City's prosecutor discontinue bail recommendations for certain non-violent criminal offenses, and Council had a robust discussion about the problem this creates for those defendants who cannot afford bail, while at the same time discussing the issue of directing prosecutorial discretion. The Council decided to not ask staff to continue to explore this, but rather asked that staff provide Council with a memo detailing how the prosecutor makes bail recommendations and include data regarding the bail decisions, such as the number of defendants released on their personal recognizance; the number of defendants who have failed to appear for a court proceeding, necessitating a warrant for their arrest; typical bail amounts by

case type; etc. Staff stated that they would be able to work with the City's prosecutor to provide this memo.

The final two policy discussions related to Council Operations, and specifically involved citizen congratulatory letters and City auction donations, such as a 'Mayor for Day' auction item. Following Council discussion of both of these operational questions, Council decided against instituting either of these ideas. Councilmember Roberts then brought up another operational issue regarding term limits for the City's Boards and Commissions because there are different term limit regulations for the Parks Board and the Planning Commission. The Parks Board has rules that provide term limits of three, four-year terms, while the Planning Commission has rules that provide term limits of two, four-year terms. The Council generally agreed that the term limit regulations should be consistent and that they should both be two, four-year terms. Staff stated that they would work to bring back a Code amendment to amend the Parks Board Code.

At the close of the City Policy Issues discussion, the Mayor thanked the Council and staff for a good Workshop. Ms. Calder also thanked the Council for their participation over the last two days.

The Special Meeting was adjourned at 1:05 pm.

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Approval of Expenses and Payroll as of March 23, 2018
DEPARTMENT:	Administrative Services
PRESENTED BY:	Sara S. Lane, Administrative Services Director

EXECUTIVE / COUNCIL SUMMARY

It is necessary for the Council to formally approve expenses at the City Council meetings. The following claims/expenses have been reviewed pursuant to Chapter 42.24 RCW (Revised Code of Washington) "Payment of claims for expenses, material, purchases-advancements."

RECOMMENDATION

Motion: I move to approve Payroll and Claims in the amount of \$2,868,658.44 specified in the following detail:

***Payroll and Benefits:**

Payroll Period	Payment Date	EFT Numbers (EF)	Payroll Checks (PR)	Benefit Checks (AP)	Amount Paid
2/11/18-2/24/18	3/2/2018	76939-77169	15458-15490	69673-69678	\$636,837.22
2/25/18-3/10/18	3/16/2018	77170-77387	15491-15503	69794-69799	\$623,353.90
					<u>\$1,260,191.12</u>

***Accounts Payable Claims:**

Expense Register Dated	Check Number (Begin)	Check Number (End)	Amount Paid
3/7/2018	69619	69640	\$246,312.58
3/7/2018	69641	69671	\$57,871.36
3/7/2018	69672	69672	\$1,978.14
3/15/2018	69679	69688	\$51,452.95
3/15/2018	69689	69700	\$58,088.08
3/21/2018	69701	69702	\$122,558.25
3/22/2018	69703	69723	\$106,918.86
3/22/2018	69724	69743	\$791,505.42
3/22/2018	69744	69768	\$38,292.70
3/22/2018	69769	69793	\$133,488.98
			<u>\$1,608,467.32</u>

Approved By: City Manager DT City Attorney MK

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Motion to Authorize the City Manager to Enter Into Amendment No. 1 to the Wastewater Utility Operating Services Agreement Between the City of Shoreline and Ronald Wastewater District
DEPARTMENT:	City Attorney's Office
PRESENTED BY:	Margaret King, City Attorney
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

On June 12, 2017, the City Council adopted a First Amendment to the 2002 Interlocal Operating Agreement (IOA) with the Ronald Wastewater District (Ronald) which allowed for a two year extension of the IOA, with an option for the City to extend for an additional two years. The First Amendment to the IOA also provided for a Wastewater Utility Operating Services Agreement between the City and District (Services Agreement), where the City would operate the utility on behalf of the District during the term of the First Amendment. On September 25, 2017 the Ronald Wastewater District Board of Commissioners adopted the Services Agreement, followed by the City Council on October 2, 2017.

After implementing the Services Agreement for several months, the City and Ronald determined that it would be more efficient for the Ronald Board of Commissioners to have control over its own technology, including its website, email, telephone and computer network support. The purpose of Amendment No. 1 to the Services Agreement is to make the necessary changes to Section 17, Records Management and Information Technology, and Section 18, Public Disclosure Act and Records Requests, to allow for the Ronald Board of Commissioners to take over their own technology functions and to set out the record keeping and public record responsibilities in relation to the shift of such services to the Board.

RESOURCE/FINANCIAL IMPACT:

This amendment is not anticipated to impact the wastewater budget except for those duties/responsibilities that were budgeted that will now shift to the Ronald Wastewater District Board. There is roughly \$800 in consultant costs needed to separate the District's technology systems from the City's, which staff has agreed that the City will pay for. This cost will be able to be paid for out of the existing 2018 budget. There is also roughly five hours of City staff time that would be needed to support the consultant's work.

RECOMMENDATION

Staff recommends that the City Council move to authorize the City Manager to enter into Amendment No. 1 to the Wastewater Utility Operating Services Agreement between the City of Shoreline and the Ronald Wastewater District.

Approved By: City Manager ***DT*** City Attorney ***MK***

BACKGROUND

On October 22, 2002 the City and the Ronald Wastewater District (Ronald) entered into a 15-year Interlocal Operating Agreement (IOA) for the provision of sanitary sewer services. At the end of this 15 year term, the mutual goal was for the City to fully assume the entirety of Ronald. However, continued litigation, as well as additional county administrative processes related to the assumption, have impacted the timing of the assumption as contemplated by the 2002 IOA, requiring an extension of the final assumption date so as to assure that the transition of the District to the City occurs in an orderly fashion.

On June 12, 2017, the City Council adopted a First Amendment to the 2002 IOA which allows for a two year extension of the agreement, with an option for the City to extend for an additional two years. The First Amendment also provided for a Wastewater Utility Operating Services Agreement between the City and District (Attachment A), where the City would operate the utility on behalf of the District during the term of the First Amendment. On September 25, 2017 the Ronald Wastewater District Board of Commissioners adopted the Services Agreement, followed by the City Council on October 2, 2017.

DISCUSSION

The Services Agreement provides, among other things, that the District will contract with the City for all administrative services and functions, including email, telephone, and computer network support. After implementing the Services Agreement for several months, however, the City and Ronald determined that it would be more efficient for the Ronald Board of Commissioners to have control over its own technology, including its website, email, telephone and computer network support. The purpose of Amendment No. 1 to the Services Agreement (Attachment B) is to make the necessary changes to Section 17, Records Management and Information Technology, and Section 18, Public Disclosure Act and Records Requests, to allow for the Ronald Board of Commissioners to take their own technology functions and to set out the record keeping and public record responsibilities in relation to the shift of such services to the Board.

Section 17, Records Management and Information Technology, is amended to acknowledge that the Board will be overseeing its website, email, telephone and computer network support functions and related public records retention. The amendment also provides that the City Manager may enter into subsequent Memorandum of Understandings and/or amendments to Section 17 to adjust and address future needs with respect to records management and technology.

Section 18, Public Disclosure Act and Records Requests, is amended to state that the District Board Administrator will take the lead role in responding to public records requests for the District Board's mail, email, website content, etc., and that the District will be responsible for compliance with the Public Disclosure Act for any and all public records that they are the custodian of.

If Amendment No. 1 is executed by the City and Ronald, City staff will work with the Ronald Board of Commissioners and their District Administrator to sever the City's network from the District. It will be the District's responsibility however to create their own computer network, website hosting system, and email and telephone system and manage and maintain these systems going forward.

RESOURCE/FINANCIAL IMPACT

This amendment is not anticipated to impact the wastewater budget except for those duties/responsibilities that were budgeted that will now shift to the Ronald Wastewater District Board. There is roughly \$800 in consultant costs needed to separate the District's technology systems from the City's, which staff has agreed that the City will pay for. This cost will be able to be paid for out of the existing 2018 budget. There is also roughly five hours of City staff time that would be needed to support the consultant's work.

RECOMMENDATION

Staff recommends that the City Council move to authorize the City Manager to enter into Amendment No. 1 to the Wastewater Utility Operating Services Agreement between the City of Shoreline and the Ronald Wastewater District.

ATTACHMENTS

Attachment A – Wastewater Utility Operating Services Agreement Between the City of Shoreline and Ronald Waster District

Attachment B – Amendment No. 1 to Wastewater Utility Operating Services Agreement



F-17

 Receiving # 8937
 (Obtain from City Clerk)

CONTRACT ROUTING FORM

DESCRIPTION	Originator: John Norris	Routed by: Jessica Simulcik Smith
	Department/Division: City Clerk's Department/CMO	Date: 10/20/2017
	Name of Consultant/Contractor: City of Shoreline	
	Contract Title: Operating Services Agreement between City of Shoreline and Ronald Wastewater District	

CONTRACT CONTENT	Type of Contract:	<input type="checkbox"/> (GR) Grants	<input checked="" type="checkbox"/> (I) Intergovernmental Agreement	<input type="checkbox"/> (L) Lease Agreement
		<input type="checkbox"/> (S) Purchase of Services	<input type="checkbox"/> (W) Public Works	<input checked="" type="checkbox"/> (O) Other
	Bid/RFP Number:			
	Effective Date: 10/23/2017		Completion Date: Expires 10/23/2019	
	Has the original boilerplate language been modified? <input type="radio"/> Yes <input type="radio"/> No			
	If yes, specify which sections have been modified:			
Description of services:				

FINANCIAL DETAILS	Total Amount of Contract:				(Amount Verification): \$ 0.00			
	Org Key - Obj #		Amount:		Org Key - Obj #		Amount:	
	J/L # - Task #				J/L # - Task #			
	Org Key - Obj #		Amount:		Org Key - Obj #		Amount:	
	J/L # - Task #				J/L # - Task #			
	Org Key - Obj #		Amount:		Org Key - Obj #		Amount:	
	J/L # - Task #				J/L # - Task #			
	Are there sufficient funds in the current budget to cover this contract? <input type="radio"/> Yes <input type="radio"/> No							
	Remarks:							

FORMS	For Public Works / Small Works Contracts:				For Service Contracts:			
	<input type="checkbox"/> Selection Form	<input type="checkbox"/> Business License	<input type="checkbox"/> Selection Form	<input type="checkbox"/> Business License				
	<input type="checkbox"/> Contractor Responsibility Form	<input type="checkbox"/> Certificate of Insurance	<input type="checkbox"/> Certificate of Insurance					
<input type="checkbox"/> Contract Bond/In Lieu of Form	<input type="checkbox"/> W-9 Form	<input type="checkbox"/> W-9 Form						

SIGNATURE	Authorization Level: City Manager			
	<input type="checkbox"/> 1. Project Manager	<input checked="" type="checkbox"/> 6. City Council (if required)	motion 10/2/2017	
	<input type="checkbox"/> 2. Risk Management/Budget/Grants	<input checked="" type="checkbox"/> 7. City Manager		
	<input checked="" type="checkbox"/> 3. City Attorney	<input checked="" type="checkbox"/> 8. City Clerk	JW 10/20/2017	
	<input checked="" type="checkbox"/> 4. Consultant/Contractor	<input type="checkbox"/> 9. Originating Department		
	<input type="checkbox"/> 5. Click to select or overwrite			

**WASTEWATER UTILITY OPERATING SERVICES AGREEMENT BETWEEN
THE CITY OF SHORELINE AND RONALD WASTEWATER DISTRICT**

THIS WASTEWATER UTILITY OPERATING SERVICES AGREEMENT ("Services Agreement" or the "Agreement") is made and entered into this 23rd day of October, 2017 by and between the City of Shoreline, a Washington Non-Charter Optional Municipal Code City (the "City" or "Shoreline") and Ronald Wastewater District, a special purpose municipal corporation (the "District" or "Ronald"). The City and the District are each a "Party" and are collectively the "Parties" to this Agreement.

WHEREAS, on October 22, 2002, the City and the District entered into an agreement entitled *Interlocal Operating Agreement Between the City of Shoreline and Ronald Wastewater District Relating to Sanitary Sewer Services Within Shoreline's City Limits* (the "2002 Interlocal Operating Agreement"); and

WHEREAS, the 2002 Interlocal Operating Agreement provided for 1) grant of franchise to Ronald for operation of a sewer system within the City's corporate limits, which franchise rights apply solely within Shoreline's city limits, 2) an orderly transition of the Wastewater Utility and City assumption of all District assets, liabilities and contractual obligations, and employees, including those within Snohomish County; and

WHEREAS, while the title and Section 3.2 of the 2002 Interlocal Operating Agreement refer to the City's assumption of Ronald within the City's corporate limits, other provisions of the 2002 Interlocal Operating Agreement refer to "properties not located in the District or the City," and the City and the District have always interpreted the 2002 Interlocal Operating Agreement as providing for the City's full assumption of all of Ronald's assets, liabilities and contractual obligations, and employees not only within the City's corporate limits but also within Snohomish County; and

WHEREAS, on June 22, 2017, the City and the District entered into an amended document entitled *First Amendment of Interlocal Operating Agreement Between the City of Shoreline and Ronald Wastewater District Relating to Sanitary Sewer Services Within Shoreline's City Limits* (the "First Amendment"); and

WHEREAS, the First Amendment is conditional on the City and the District negotiating and entering into a Wastewater Utility Operating Services Agreement that provides, among other things, for City operation and maintenance of the sanitary sewer system, use of District property, for City performance of certain administrative and financial functions, coordination of planning and projects, and for the District, by and through its Board of Commissioners, to continue to own and govern the Wastewater System and District assets; and

WHEREAS, the City and District are authorized under chapter 39.34 RCW, the Interlocal Cooperation Act, and RCW 35.13A.070 to contract for the coordinated exercise of powers and sharing of resources for the efficient delivery of services to their residents, and the governing bodies of both parties have approved the execution of this Agreement;

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated herein as is if fully set forth below, and the terms and provisions contained herein, the City and the District agree as follows:

Section 1. Purpose of Agreement and Definitions.

The purpose of this Services Agreement is to set forth the roles and responsibilities of the Parties regarding Shoreline's performance of services and functions in operating and maintaining the Wastewater System and the Wastewater Utility and provision of administrative and financial services and functions and Ronald's budgeting, reimbursement, and payment for the same. The context of the Agreement is that the District exercises legislative duties as the Parties work toward final assumption. In this Agreement, the following terms have the following meanings, whether singular or plural.

1.1 "2002 Interlocal Operating Agreement" means the *Interlocal Operating Agreement Between the City of Shoreline and Ronald Wastewater District Relating to Sanitary Sewer Services Within Shoreline's City Limits*, effective October 22, 2002.

1.2 "City" or "Shoreline" means the City of Shoreline, a non-charter optional municipal code city incorporated under the laws of the State of Washington.

1.3 "Designated Representative" means the person named by each Party's Service Agreement Manager to serve as the point of contact and to facilitate and coordinate communications, meetings, schedules, the exchange of information, and related tasks.

1.4 "District" or "Ronald" means the Ronald Wastewater District, a municipal corporation organized under Title 57 RCW and governed by its Board of Commissioners.

1.5 "Effective Date" means October 23, 2017, which is the date this Services Agreement enters into force and effect.

1.6 "Financial Administration" means the process of performing daily, weekly, and monthly reconciliations as appropriate to ensure proper booking of District revenues, making disbursements on behalf of District and transmitting disbursement requests to King County, and providing disbursement reports to the District for formal approval of the Board of Commissioners in a timely fashion.

1.7 "First Amendment" means a document entitled *First Amendment of Interlocal Operating Agreement Between the City of Shoreline and Ronald Wastewater District Relating to Sanitary Sewer Services Within Shoreline's City Limits*, dated June 22, 2017.

1.8 "GFC" means the District's General Facilities Charge, which is a capital charge for connecting to the Wastewater System.

1.9 "Major Action" means an action or approval by the Ronald Board of Commissioners as set forth in Section 4.2 of the First Amendment.

1.10 “Major Proactive Vehicle Maintenance or Repairs” means maintenance or repairs of Wastewater Utility vehicles and equipment that are identified in advance of the maintenance or repair needing to occur, and exceed the approved maintenance and repair budget for the vehicle or cost more than \$2,000 per incident.

1.11 “Major Reactive Vehicle Maintenance or Repairs” means maintenance or repairs of Wastewater Utility vehicles and equipment that are identified after the vehicle has already stopped operating properly, and exceed the approved maintenance and repair budget for the vehicle or cost more than \$2,000 per incident.

1.12 “Minor Vehicle Maintenance or Repairs” means maintenance or repairs of Wastewater Utility vehicles and equipment that are within the approved maintenance and repair budget for the vehicle and costing \$2,000 or less per incident.

1.13 “O&M” means operations and maintenance.

1.14 “Real Estate” means all real property owned in fee by Ronald and held as an asset of the Wastewater Utility.

1.15 “Ronald Service Area” means all the territory located within the corporate boundaries of Ronald Wastewater District, plus those areas lying outside of the corporate boundaries of the District where the District’s sanitary sewer system and appurtenances are now or may in the future be located or where the District is providing wastewater utility service to customers.

1.16 “Service Agreement Manager” means each Party’s identified lead with responsibility for administering and overseeing this Agreement.

1.17 “WCIA” means the Washington City Insurance Association, which currently provides insurance coverage, services, and products to the City.

1.18 “WSRMP” means the Water and Sewer Risk Management Pool, which currently provides insurance coverage, services, and products to the District.

1.19 “Wastewater System” means the District’s sanitary sewer collection and conveyance system, which is generally comprised of wastewater pipes, mains, pump stations, grinder pumps, storage facilities, manholes, and appurtenances thereto, not including any wastewater treatment facilities, together with all i) contractual and other rights for wastewater treatment and disposal, and ii) easements, access rights, and other real property interests (not including fee simple).

1.20 “Wastewater Utility” means the District enterprise that owns the Wastewater System and related assets; provides sanitary sewerage services in the Ronald Service Area, including maintenance and operation of the Wastewater System, customer billing, customer service, vendor contracting, and other functions; and levies and collects rates and charges.

Section 2. Exhibits to Agreement and Referenced Documents.

2.1 The following exhibits are attached to and incorporated into this Agreement.

Exhibit A: Ronald Contracts to be retained by the District.

Exhibit B: Ronald Contracts to be assigned to the City.

2.2 List of Referenced Documents in this Services Agreement:

District Comprehensive Code of Rules and Regulations Governing the Operation, Control and usage of the District's Sewage Collection Facilities

District Financial and Customer Service Policies

District Developer Extension Manual

District 2016 Operations and Maintenance Manual

District Service Area Map

District 2010 Comprehensive Sewer Plan

District Adopted Rate Schedule

Section 3. Term and Termination.

3.1 This Services Agreement will take effect on the Effective Date, and it will continue in force and effect for a period of two (2) years, unless terminated sooner pursuant to its terms or written agreement of the Parties.

3.2 The City, acting in its sole discretion at least two (2) months prior to the end of the two-year term of the Agreement, may extend this Service Agreement for an additional two (2) years by providing written notice to the District.

3.3 The Parties intend for this Services Agreement to be coextensive with the First Amendment. In the event that the City files a dissolution petition under section 4.8 of the 2002 Interlocal Operating Agreement or Section 6 of the First Amendment, then this Agreement will terminate on the date such a dissolution petition takes effect.

Section 4. Agreement Management and Communications.

4.1 This Agreement will be jointly managed and administered by the Parties' Services Agreement Managers:

Shoreline: the City Manager

Ronald: the President of the Board of Commissioners.

Ronald may change its Service Agreement Manager by action of the Board of Commissioners. The City and Ronald agree to work cooperatively with each other to achieve the mutually agreeable goals as set forth in this Agreement.

4.2 Within 30 days of this Agreement taking effect, each Services Agreement Manager will designate a Designated Representative and will provide notice to the other Party. The Parties intend for their Designated Representatives to serve as the initial point of contact, to handle communications, and to carry out a Party's business under this Agreement on a day-to-day basis and in the ordinary course, with elevation to the Services Agreement Manager as necessary and appropriate. An employee, independent contractor, or official may serve as a Designated Representative. At any time, a Party may change its Designated Representatives by providing notice to the other Party.

4.3 The Parties intend for all questions, requests, information transmission, and other communications to come from and go to their respective Designated Representatives. A Party's elected officials, staff, or agents will not engage directly with the other Party's officials, staff, or agents regarding operation of the Wastewater Utility or the Wastewater System, except through the Party's Designated Representative or Services Agreement Manager.

Section 5. Notices.

Unless otherwise provided herein, all notices and communications concerning this Agreement shall be in writing and addressed to the Designated Representative. Unless otherwise provided herein, all notices shall be either: (i) delivered in person, (ii) deposited postage prepaid in the certified mails of the United States, return receipt requested, (iii) delivered by a nationally recognized overnight or same-day courier service that obtains receipts, or (iv) delivered electronically to the other party's Designated Representative as listed herein.

Section 6. City and District Services Agreement Reporting and Engagement.

6.1 Each month, the City will provide the District Board of Commissioners two written reports with oral presentations by person(s) knowledgeable about the reports, as follows.

6.1.1 Wastewater Utility Financial Report. The Financial Report shall include an Assets, Liabilities, Revenues and Expenses Statement, a Cash Reconciliation Statement, a General Facilities Charge Recap, a Billing Adjustment Report, and a Voucher Report.

6.1.2 Wastewater Utility Operations and Maintenance Report. The O&M Report will outline levels of service provided and identify other maintenance and operational activities performed by the City. The O&M Report shall also include, as necessary and appropriate, information about budget, cost, repair, capital or other issues, including potential Major Actions.

6.1.3 The City will make best efforts to provide the Financial Report and the O&M Report to the District five (5) days before a District Board of Commissioners meeting at which the relevant subject is on the agenda. The Designated Representatives will coordinate meeting schedules and agendas and the respective reports.

6.2 On a quarterly basis at a regular District Board of Commissioners meeting, the City will provide an oral presentation with written update or summary materials regarding performance of services, operation of the Wastewater Utility, budget and financial administration, and other relevant topics.

Section 7. Wastewater Utility Services Provided by the City.

7.1 During the term of this Service Agreement, the District Board of Commissioners retains legislative authority over District assets and policy matters, including without limitation fixing and collecting rates and charges, holding and managing District property and assets, adopting and carrying out the District's comprehensive plan, changes to the District's Code of Rules and Regulations, and decisions on Major Actions.

7.2 During the term of this Service Agreement, the City will provide Wastewater Utility services on behalf of the District, including the following matters.

7.2.1 Operation and Maintenance of the Wastewater System. The City will operate, maintain, and repair the Wastewater System on behalf of the District in general conformance with Section 1 of the District's 2016 O&M Manual, including without limitation the following functions and tasks:

- a) Collection System
 - i. Manhole
 - ii. Grinder Pumps
 - iii. Lift Stations/Pump Stations
 - iv. Pipeline Cleaning and CCTV Inspection
 - v. Fats, Oils and Grease (F.O.G.) Program
 - vi. After hours and emergency response services.
- b) Planning and Development
 - i. Permit issuance
 - ii. Inspection of permitted work
 - iii. Mapping services (GIS)
 - iv. Recordable document creation
 - v. Certificate of Sewer Availability issuance
 - vi. Developer Extension Agreements. Utilizing the District's Developer Extension Manual, the following process will occur:

A. The City will develop a proposed extension agreement with the relevant developer(s) for District Board of Commissioners review; and

B. The District Board of Commissioners will take action to approve, deny, or otherwise dispose of any proposed extension agreement.

7.2.2 Wastewater Utility Billing and Customer Service. The City will perform the function of Wastewater Utility billing and customer service on behalf of the District. Specific functions include but are not limited to the following:

- a) The City will provide billing and customer support services for the Wastewater Utility on behalf of the District.
 - i. All billing will be based on the District's adopted schedule of rates and charges.
 - ii. The City will respond to all customer inquiries regarding rates and billing.
 - iii. The City will coordinate the delinquent collection process with the District's attorney.
- b) The City will maintain customer account information following District practices in place prior to this Agreement.

7.2.3 Financial Administration. The City will provide financial administration on behalf of the District. Specific functions include but are not limited to the following:

- a) The City will process payroll for the District Board of Commissioners and supporting staff, if any.
- b) The City will provide accounting support for the District Board of Commissioners and coordinate with the District's consulting accountant in the preparation and audit of the District Annual Financial Statement to ensure timely filing of financial statements.
- c) The City will coordinate with the State Auditor for the District's annual audit.

7.2.4 District Responsibilities in Financial Administration. During the term of this Services Agreement, the District retains control and responsibility of certain financial functions, including but not limited to the following:

- a) Continues as the fiduciary responsible for Wastewater Utility funds and the District's US Bank Account.

- b) Adopting an annual operating budget, in coordination with the City.
- c) Formal approval of the District's monthly voucher report monthly.
- d) The District maintains the direct relationship with King County, which will continue to serve as the Treasurer for the District.

Section 8. Wastewater Utility and Permit Payments.

8.1 In providing Wastewater Utility services, the City will accept, receive, and account for payments for sewer or wastewater rates, charges, or fees and other District revenues or incoming funds. The City will track and account separately for all Wastewater Utility payments and monies.

8.2 Specific streams of customer payments of Ronald rates and charges will be handled as follows:

8.2.1 Payments made online, through the Automated Clearing House ("ACH"), or by mail to Retail Lockbox will follow the current process and will be deposited directly in the District's US Bank Account or at King County Treasury.

8.2.2 Payments made for GFCs will be held by the City as a liability. The amounts will be separately accounted for and will be reconciled and credited against the District's quarterly payment, except for an individual GFC payment more than \$10,000. When a single GFC payment exceeds \$10,000, the City will transfer the payment amount to the District within 20 days of receipt.

8.2.3 Cash or check payments and wastewater permit payments made at City Hall will be held by the City as a liability. The amounts will be separately accounted for and will be reconciled and credited against the District's quarterly payment.

Section 9. Real Estate.

9.1 The District will continue to own all of its real property and improvements, including the District office and maintenance buildings, which are assets of the Wastewater Utility.

9.2 The City will use all District buildings for Wastewater Utility purposes. If the City uses some or all of a District property or building for other purposes, then the City will track, record, and account for such usage so as to keep the Wastewater Utility whole.

9.3 Routine Maintenance or Repairs

9.3.1 Routine maintenance or repairs of real property costing \$5,000 or less per incident will be a maintenance expense that the City will pay for and recover as a reimbursable service.

9.3.2 Routine maintenance or repairs of real property that are conducted will be communicated to the District as part of the Monthly Maintenance Report.

9.3.3 If the annual routine maintenance or repair budget is exceeded during the course of the year, the City will communicate with the District and follow the procedures herein for budget revision.

9.4 Non-Routine Maintenance or Repairs

9.4.1 Non-routine maintenance or repairs of real property costing \$5,000 or less will be performed by the City as a reimbursable service.

9.4.2 Maintenance or repairs of real property exceeding \$5,000 will be the responsibility of the District and would be paid for as a capital expenditure of the District. The City will coordinate with the District as needed to hire a contractor to complete the repair.

9.5 Emergency Maintenance or Repairs

9.5.1 If the City determines that emergency maintenance or repairs are needed that exceed the \$5,000 threshold, the City will commence repairs immediately and inform the District as soon as possible after the incident occurs.

Section 10. Wastewater System.

10.1 During the term of this Agreement, the District will continue to own the Wastewater System, which is an asset of the Wastewater Utility.

10.2 The City will undertake and perform all maintenance and repairs on the Wastewater System, except as expressly provided below.

10.2.1 Routine Maintenance or Repairs

- a) Routine maintenance or repairs of the Wastewater System costing \$10,000 or less per incident are a maintenance expense that the City would incur as a reimbursable service.
- b) Any routine maintenance or repairs of the Wastewater System that are undertaken will be communicated to the District as part of the Monthly Maintenance Report.

- c) If the annual routine maintenance or repair budget is exceeded during the course of the year, the City will communicate with the District and follow the procedures herein for budget amendment.

10.2.2 Non-routine Maintenance or Repairs

- a) Maintenance or repairs of the Wastewater System exceeding \$10,000 per incident will be identified by the City and communicated by the Designated Representative to the District as they occur.
- b) Maintenance or repairs of the Wastewater System exceeding \$10,000 are the responsibility of the District and will be paid for as a capital expenditure of the District. The City will coordinate with the District as needed to hire a contractor to complete the repair.

10.2.3 Emergency Maintenance or Repairs

- a) If the City determines that emergency repairs are needed that exceed the \$10,000 threshold, the City will commence repairs immediately and inform the District as soon as possible after the incident occurs.

Section 11. Vehicles and Equipment.

11.1 Ownership

11.1.1 All District vehicles, equipment, and personal property useful or necessary in operation of the Wastewater System will be transferred to the City from the District for Wastewater Utility use.

11.1.2 The City will own, use and maintain the vehicles and equipment as an asset of the Wastewater Utility. During the term of this Agreement, the vehicles will display the Ronald District logo.

11.2 Replacement

11.2.1 The District will fund the vehicle replacement costs of vehicles as they reach the end of their useful life.

11.3 Minor Vehicle Maintenance or Repairs

11.3.1 Minor Vehicle Maintenance or Repairs, if needed, will be the responsibility of the City.

11.3.2 If the annual Minor Vehicle Maintenance or Repair budget is exceeded during the course of the year, the City will communicate with the District and follow the procedures herein for a budget amendment.

11.4 Major Proactive Vehicle Maintenance or Repairs

11.4.1 The City will identify Major Proactive Vehicle Maintenance or Repairs that are needed and will communicate such needs and alternative solutions to the District.

11.4.2 Once communicated to the District, the District Board of Commissioners will review the proposed Major Proactive Vehicle Maintenance or Repairs and possible alternative solutions, and the Board of Commissioners will then decide whether to approve payment for the proposed maintenance or repair, to replace the vehicle altogether, or to adopt an alternative solution.

11.5 Major Reactive Vehicle Maintenance or Repairs

11.5.1 If Major Reactive Maintenance or Repairs are needed, the City will arrange for a rental/contract vehicle or equipment to temporarily replace the vehicle or equipment that is out of service and communicate to the District that a vehicle or equipment is currently not operable.

11.5.2 Once communicated to the District, the District Board of Commissioners will review the proposed Major Reactive Vehicle Maintenance or Repairs and possible alternative solutions, and the Board of Commissioners will then decide whether to approve payment for the proposed maintenance or repair, replace the vehicle altogether, or to adopt an alternative solution.

Section 12. Policies and Code Provisions.

12.1 The City will operate consistent with the District's Comprehensive Code of Rules and Regulations Governing the Operation, Control and usage of the District's Sewage Collection Facilities, the District's Developer Extension Manual, and the District's Customer Service Policies during the term of this Services Agreement.

12.2 The City will operate in general conformance with the District's 2016 Operations and Maintenance Manual during the term of this Services Agreement.

12.3 The City will operate the Wastewater Utility using the City's purchasing and procurement code and guidelines, unless Title 57 RCW requires otherwise.

12.4 The District will continue to follow District practices for procurement related to activities not covered under this Agreement (such as District professional service agreements, CIP, etc.).

Section 13. Regional Coordination and Mutual Aid.

The District is a signatory to or participant in mutual aid networks including the *Regional Coordination Framework for Disasters and Planned Events* (King County 2015), the *Regional Hazard Mitigation Plan* (King County 2014), and with regional wastewater utilities, and the District Wastewater Utility will continue to do so in coordination with the City under this Agreement.

Section 14. Existing Contracts.

The Parties will work together and cooperate to identify and review all existing contracts and agreements to which Ronald is a party and determine the appropriate disposition of contracts. The contracts listed in Exhibit A are to be retained by Ronald and managed by the District Board of Commissioners. The contracts listed in Exhibit B will be assigned or transferred to the City to be managed and performed under this Services Agreement, and the District will undertake to complete such contract assignment by December 1, 2017.

Section 15. Capital Improvement Plan and Engineering.

15.1 The District will continue to manage the Wastewater Utility's capital improvement plan ("CIP"). The District will manage capital projects, and the District intends to staff project management through the CHS Engineering contract. The District will be responsible for developing and adopting any amendments and updates to the CIP. The District will direct CHS Engineering to keep City engineering staff informed about District CIP projects, which the Designated Representatives will coordinate.

15.2 The District will have lead responsibility for funding all projects in the CIP. In the event bond financing is necessary and appropriate for improvements in the approved District CIP, the City will authorize, issue, and sell revenue bonds (the "City Bonds") and make a loan to the District to fund all or a portion of the CIP projects. The City Bonds will be payable from revenues of the District.

15.3 Prior to the date the City Bonds are issued, the City and the District will enter into an agreement regarding the loan and use of bond proceeds, the obligation of the District to pay debt service on the City Bonds during their term or until assumption occurs, and the tax requirements applicable to any tax-exempt City Bonds.

Section 16. Wastewater Comprehensive Plan.

16.1 The City will use the District's 2010 Comprehensive Sewer Plan.

16.2 The District will continue to work on and finalize the hydraulic analysis for the two Sound Transit station areas.

Section 17. Records Management and Information Technology.

17.1 The City will serve as custodian of all District and Wastewater Utility records and files and will maintain the same on behalf of the District.

17.2 The City will provide information technology support to the District, including email, telephone, and computer network support.

17.3 The City will maintain the District web site and will coordinate customer and public information content with the Ronald Board of Commissioners. The District web site will provide a link to the City's website or software for billing and payment.

Section 18. Public Disclosure Act and Records Requests.

In the event that either Party receives a request for public records relating to the Wastewater System, the Wastewater Utility, or the Ronald Wastewater District, the Parties agree that the City will take the lead role in responding to the request as a service task and responsibility. When a Party receives a public records request, the Party will promptly and without delay transmit the request to the Other Party's Designated Representative, and the Parties will coordinate and communicate in a timely manner to respond to the request. The City will be responsible for compliance with the Public Disclosure Act and liable for any non-compliance, except in the event that the District fails to timely transmit a request for public records or is otherwise at fault for non-compliance with the Public Disclosure Act.

Section 19. Services Agreement Budget and Reimbursement Payment.

19.1 District will reimburse the City for services based on the budgeted cost of operations. The District will pay the City 25% of the budgeted annual costs each quarter in advance.

19.2 The budget reimbursement for 2017 will cover the period October 23 to December 31, 2017 and will be equal to a prorated portion of the District's 2017 budget adjusted for any cyclical payments that are due during this time. For the 2017 budget period, the District will pay the budgeted amount to the City by October 23, 2017.

19.3 City Budget Adoption Process

19.3.1 The City will develop its Wastewater Operations Fund budget for 2018 in collaboration with the District through its Designated Representative with the intent to maintain budgeted costs as close to 2017 budget as possible.

19.3.2 The City will strive to maintain growth in maintenance and operations costs to less than the June-to-June percentage change of the consumer price index for the Seattle/Tacoma/Bremerton area ("CPI-U"). Personnel costs will grow consistent with City policy regarding cost of living adjustments ("COLA") and benefit increases.

19.3.3 The City will present a budget summary to the District Board of Commissioners prior to budget adoption in November. The summary will compare City proposed budgeted costs alone and including the projected District costs for the budgeted years being discussed so that the District can evaluate the total budget. An explanation will be provided if the maintenance and operation cost increases exceed the June-to-June percentage change of the CPI-U. A summary of salary and benefit changes will be provided (*i.e.* percentage increase for COLA and benefits or other changes that drove an overall increase).

19.4 City Budget Amendment Process

19.4.1 Budget amendments are not anticipated but may be necessary in the event that unanticipated costs are incurred in the operation of the Wastewater Utility.

19.4.2 The City will review any proposed amendments to the Wastewater Utility budget with the District Board of Commissioners prior to discussion and adoption.

19.4.3 In all proposed budget amendments, the City will provide adequate documentation to support the necessity of the amendment. In reviewing or acting on any proposed budget amendment, the District will take into consideration the explanation and reason(s) provided by the City to support the need for additional budget authority.

19.4.4 An individual budget amendment request exceeding \$5,000 requires approval by the District Board of Commissioners. An individual budget amendment request less than or equal to \$5,000 will be approved administratively by the City; provided, however, that approval by the District Board of Commissioners is required in the event such individual requests, in the aggregate, exceed \$50,000.00 in a calendar year.

19.4.5 All approved budget amendments will tracked and reported. Remaining quarterly payments will be recalculated to address the impacts of approved amendments.

19.5 Annual Reconciliation

The City will perform an annual reconciliation of direct operational costs comparing actual to budget following year end close. If the City has experienced any budget savings in direct operational costs the reconciliation will result in a credit adjustment (to the amount due to the city for the current year). This credit can be applied to a single quarter or spread over remaining quarters in the year at the discretion of the District Board of Commissioners.

Section 20. Insurance.

20.1 The City will carry liability coverage related to the operation of the Wastewater Utility and for use of property, and Equipment Damage.

20.2 District will maintain property coverage for District Property and liability relating to the actions of the District Board of Commissioners.

20.3 District will waive subrogation against the City only for damage covered by the District's property insurance.

20.4 For the purpose of avoiding any uninsured exposure for the District, the City expressly waives all immunity and limitation of liability under the Industrial Insurance Act, Title 51 RCW, for any claims for personal or bodily injury brought by a City employee against the District. This waiver was the result of mutual negotiations of the City and the District.

20.5 The City and District will coordinate insurance coverage to make sure that no gaps in coverage exist. Specifically, the City and the District will meet and confer in a timely fashion with the WSRMP and the WCIA to plan and obtain adequate insurance coverage for all necessary and appropriate Wastewater Utility and Wastewater System property, activities, events, and contingencies.

Section 21. Dispute Resolution.

21.1 The Parties agree to use their best efforts to resolve disputes arising out of or related to this Agreement using good faith negotiations by engaging in the following dispute resolution process should any such disputes arise. The Parties agree that cooperation and communication are essential to resolving issues efficiently.

21.2 Any disputes or questions of interpretation of this Agreement or the performance of either Party under this Agreement that may arise between Ronald and Shoreline will be governed under the dispute resolution provision in Section 11 of the 2002 Interlocal Operating Agreement. Either Party may refer a dispute to the dispute resolution process by providing written notice of such referral to the other Party's Designated Representative.

21.3 Before either Party may refer a dispute to arbitration under Section 11 of the 2002 Interlocal Operating Agreement or provide a notice of the same to the other Party, the Parties will seek to resolve the dispute at the lowest possible level by completing the following steps.

21.3.1 The District's Designated Representative and the City's Designated Representative shall meet to discuss and attempt to resolve the dispute in a timely manner. If they cannot resolve the dispute within ten (10) days, then the Parties' Designated Representatives will refer the dispute to the Parties' Services Agreement Managers.

21.3.2 The Services Agreement Managers will meet and confer and attempt to resolve the dispute. If the Services Agreement Managers cannot resolve the dispute within fourteen (14) days, then either Party may initiate arbitration.

Section 22. Hold Harmless and Indemnity.

Each Party agrees to hold harmless, indemnify, and defend the other Party, its officers, agents, and employees, from and against any and all claims, damages, losses or liability, injuries, or suits ("Claims") arising out of any willful misconduct or negligent act, error, or omission of the indemnifying Party, its officers, agents, or employees, in connection with the services required by this Agreement, *provided*, however, that the indemnifying Party's obligations to indemnify, defend and hold harmless i) shall not apply to Claims caused by or resulting from the sole willful misconduct or sole negligence of the other Party, its officers, agents or employees and ii) shall apply only to the extent of the negligence or willful misconduct of the indemnifying Party, its officers, agents, or employees.

Section 23. Miscellaneous.

23.1 This Agreement constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes any and all prior negotiations (oral and written), understandings, and agreements with respect hereto; *provided*, however, that this Agreement is entered pursuant to, and is intended to be construed and interpreted in harmony with, the 2002 Interlocal Operating Agreement and the First Amendment.

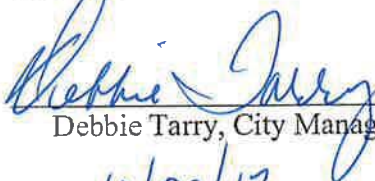
23.2 This Services Agreement is specific to the Parties and may not be assigned in whole or in part. This Agreement is made and entered into for the sole protection and benefit of the Parties. The Parties do not intend to create any third-party beneficiaries to this Agreement, and no other person will have any right of action based upon any provision of this Agreement.

23.3 Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken and all remaining provisions will continue to be valid and binding upon the Parties, who agree that the Agreement will be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

23.4 This Agreement will be construed and enforced in accordance with the laws of the State of Washington. Venue of any suit between the Parties arising out of this Agreement must be King County Superior Court.

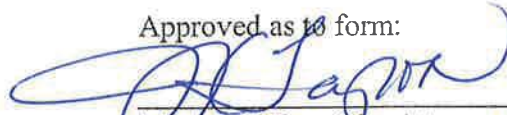

IN WITNESS WHEREOF, the authorized representatives of the Parties have duly executed this Agreement as of the date stated below.

CITY OF SHORELINE


Debbie Tarry, City Manager

Date: 10/20/17, 2017

Approved as to form:


Margaret King, City Attorney

Julie Taylor, Asst. City Attorney

RONALD WASTEWATER DISTRICT:


Gretchen A. Atkinson, President, Board of Commissioners

Date: Sept 25, 2017

Attest:


Chris J. Eggen, Secretary, Board of Commissioners

81190v11

Exhibit A
Contracts Retained by Ronald

UTILITY RELOCATION AGREEMENT, between Ronald Wastewater District and Sound Transit, January 10, 2017.

REGIONAL COORDINATION FRAMEWORK FOR DISASTERS AND PLANNED EVENTS (King County), 2015.

REGIONAL HAZARD MITIGATION PLAN (King County), 2014.

AGREEMENT BETWEEN RONALD WASTEWATER DISTRICT AND OLYMPIC VIEW WATER AND SEWER DISTRICT RELATING TO USE OF SEWER SYSTEM, December 14, 2005.

OPERATIONS AND MAINTENANCE AGREEMENT, between Ronald Wastewater District and the City of Lake Forest Park, March 13, 2003.

AGREEMENT TO TRANSFER WASTEWATER ASSETS AND SERVICE, between Ronald Wastewater District and the City of Lake Forest Park, December 30, 2002.

WASTEWATER FACILITIES USE AGREEMENT, between The City of Seattle acting by and through its Seattle Public Utilities and Ronald Wastewater District, October 1, 2001.

AGREEMENT BETWEEN THE TOWN OF WOODWAY AND SHORELINE WASTEWATER MANAGEMENT DISTRICT, a/k/a RONALD SEWER DISTRICT RELATING TO THE USE OF THE DISTRICT'S SEWERS, November 25, 1991.

AMENDMENT TO AGREEMENT FOR SEWAGE DISPOSAL, between Ronald Sewer District and King County METRO, October 2, 1992.

AGREEMENT FOR WASTEWATER TREATMENT, DISPOSAL AND TRANSPORT SERVICES BY AND AMONG THE CITY OF EDMONDS, THE CITY OF MOUNTLAKE TERRACE, OLYMPIC VIEW WATER AND SEWER DISTRICT, AND RONALD SEWER DISTRICT, May 16, 1988.

AGREEMENT FOR THE JOINT USE OF SEWAGE DISPOSAL FACILITIES, between City of Mountlake Terrace and Ronald Sewer District, October 4, 1971.

PUMPING STATION JOINT USE AGREEMENT RONALD SEWER DISTRICT, HIGHLANDS SEWER DISTRICT, between Ronald Sewer District and the Highlands Sewer District, June 21, 1971.

CONTRACT FOR CONNECTION AND USE OF SEWER; between Olympic View Water District and Ronald Sewer District, September 21, 1970.

Exhibit A (continued)
Contracts Retained by Ronald

CONTRACT FOR CONNECTION AND USE OF SEWER, between Olympic View Water District and Ronald Sewer District, September 9, 1968.

CHS ENGINEERS, LLC, Engineering services (Annual Contract).

CLIFTON LARSON ALLEN, LLP, Certified Public Accounting services (Annual Contract).

HENDRICKS-BENNETT, legal services (Annual Contract).

VAN NESS FELDMAN, legal services (Periodic Contract)

INTERLOCAL AGREEMENT WITH WATER AND SEWER RISK MANAGEMENT POOL, risk management and insurance (Annual Contract).

Exhibit B

Ronald Contracts to Assign to City

ACCELA/SPRINGBROOK maintenance contract regarding finance and utility billing software (Annual Contract).

DATABAR customer billing service agreement (month to month).

RETAIL LOCKBOX re receipt and deposit of utility billing payments (Annual Contract).

DOXO online bill viewing and paying service agreement (Annual Contract).

CUMMINS NORTHWEST re pump station generator maintenance (Annual Contract).

SHAW ELEVATOR re pump station elevator maintenance (Annual Contract).

NORTON CORROSION LIMITED re cathodic protection systems inspection (Bi-annual Contract).

Amendment No. 1 to Wastewater Utility Operating Services Agreement Between the City of Shoreline and Ronald Wastewater District

WHEREAS, on October 23, 2017, the City of Shoreline, a Washington Non-Charter Optional Municipal Code City (the “City” or “Shoreline”) and Ronald Wastewater District, a special purpose district formed pursuant to Title 57 RCW (the “District” or “Ronald”) entered into a Wastewater Utility Operating Services Agreement (“Services Agreement” or “Agreement”); and

WHEREAS, the City and District both believe that the Parties will be better served if the District takes over from the City the Information Technology responsibilities and related records management in relation to the District Board of Commissioners as set forth in Sections 17.1, 17.2 and 17.3 of the Agreement for the remainder of the term of the Agreement; and

WHEREAS, the Parties also desire to make additional changes with respect to the provisions related to Information Technology and related records management that provide an administrative process to make further adjustments to Section 17, Records Management and Information Technology and related adjustments to Section 18, Public Disclosure Act and Records Requests, to provide flexibility as needed during the Agreement.

NOW THEREFORE, the Parties agree to amend the above referenced Services Agreement as follows:

Section 1. Section 17, Records Management and Information Technology, of the Agreement shall be modified as follows:

17.1 The City will serve as custodian of all District and Wastewater Utility records and files and will maintain the same on behalf of the District. Notwithstanding the foregoing, the District Board Administrator will be the custodian of separate the Board’s own email, website content, telephone records, and records stored on its computer network.

17.2 ~~The City will provide information technology support to the District, including email, telephone, and computer network support.~~ The District will be responsible for its own information technology needs including email, website, telephone and computer network support.

17.3 ~~The City will maintain the District web site and will coordinate customer and public information content with the Ronald Board of Commissioners.~~ The District will maintain its own website. The District web site will provide a link to the City’s website or software for billing and payment. In addition, the District web site will

include a link to the following agreements with the City: the Services Agreement and any related amendments, the 2002 Interlocal Operating Agreement ("IOA"), the June 2016 First Amendment to the IOA, and the Franchise Agreement.

17.4 Future adjustments and amendments to the issues and provisions set out in Section 17 and Section 18 may be accomplished through a written Memorandum of Understanding (MOU) executed by the Shoreline City Manager and, if authorized by the District Board, the District Administrator.

Section 2. Section 18, Public Disclosure Act and Records Requests, of the Agreement shall be modified as follows:

Section 18. Public Disclosure Act and Records Requests.

In the event that either Party receives a request for public records relating to the Wastewater System, the Wastewater Utility, or the Ronald Wastewater District, the Parties agree that the City will take the lead role in responding to the request as a service task and responsibility. Notwithstanding the foregoing, the District Board Administrator will take the lead role in responding to requests for the District Board's own mail, email, website content, telephone records, and records stored on its computer network.

When a either Party receives a public records request for records they are not the custodian of, the Party will promptly and without delay transmit the request to the other Party's Designated Representative. The City will be responsible for the compliance with the Public Disclosure Act and liable for any non-compliance for the records it is a custodian of, except in the event that the District fails to timely transmit a request for public records or is otherwise at fault for non-compliance with the Public Disclosure Act; and the District will be responsible for the compliance with the Public Disclosure Act and liable for any non-compliance for the records it is the custodian of.

Section 3. The Parties agree and understand that the City will not charge for or be entitled to reimbursement for the Information Technology services performed by the District from the date the above responsibilities are transferred back to the District or the date of the execution of this Amendment, whichever occurs later going forward.

Section 4. Other than as set forth herein, no other provision of the Services Agreement is altered or modified by this Amendment.

Section 5. This Amendment is effective as of the date last signed below.

IN WITNESS WHEREOF, the undersigned authorized representatives of the Parties have duly executed this Amendment as of the date stated below.

RONALD WASTEWATER DISTRICT

CITY OF SHORELINE

By _____
Gretchen Atkinson, President
Board of Commissioners

By _____
Debbie Tarry, City Manager

DATED: _____, 2018.

DATED: _____, 2018.

Approved as to form:

Approved as to form:

Joseph P. Bennett, General Counsel
Ronald Wastewater District

Margaret King
Shoreline City Attorney

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussing Ordinance No. 814 - Amending the 2018 Budget for Uncompleted 2017 Operating and Capital Projects and Increasing Appropriations in the 2018 Budget		
DEPARTMENT:	Administrative Services		
PRESENTED BY:	Sara Lane, Administrative Services Director Rick Kirkwood, Budget Supervisor		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

Shoreline's budget is adopted on a calendar year basis. Any appropriations that are not expended lapse at the end of each year. Due to delays and other unanticipated issues, some operating programs and capital projects that were in progress in 2017 will actually be completed in 2018. This results in 2017 expenditures being less than projected and the 2017 ending fund balances being greater than projected. In order to provide adequate budget resources in 2018 to pay expenditures incurred or complete projects initiated in 2017, additional budget authorization is needed. This is accomplished by re-appropriating a portion of the 2017 ending fund balance for expenditures in 2018, commonly referred to as a carryover. In some cases there may be a grant or other dedicated revenue source associated with expenditures. Proposed Ordinance No. 814, which is attached to this staff report as Attachment A, re-appropriates \$10,815,328.

FINANCIAL IMPACT:

In total, proposed Ordinance No. 814 will amend the City's budget by increasing it \$10,815,328, which will bring the total 2018 budget to \$91,199,022. The amendment includes \$7,122,892 of revenue from grants and other funding sources, the transfer of \$280,999 between funds, and the use of \$3,411,437 in available fund balance. After including the preliminary results of 2017 and the proposed use of fund balance, the City's available 2018 fund balance for the affected funds is \$2.029 million more than that projected in the 2018 budget book.

RECOMMENDATION

No action is required by the City Council. This meeting will provide an opportunity for the City Council to ask specific questions and provide staff direction. Adoption of proposed Ordinance No. 814 is scheduled for April 23, 2018.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

Shoreline's budget is adopted on a calendar year basis. Any appropriations that are not expended lapse at the end of each year. In some cases, projects are initiated in one year, but cannot be completed until the following year. This is not always known when planning the next budget cycle and therefore the unexpended funds from one year become part of the fund balance carried into the next year. It is necessary to take the portion of the fund balance actually needed to complete the projects and re-appropriate those dollars for expenditure in the current year.

DISCUSSION

Proposed Ordinance No. 814 would re-appropriate \$10,815,328 from 2017 to 2018 for several operating programs and capital projects. Among other reasons, re-appropriations often happen for very large projects, projects started later in a calendar year, and projects that experience unforeseen delays. Only the amount necessary to complete the project is actually re-appropriated into the succeeding year. Although most projects are capital in nature, some of these expenditures relate to operations. Attachment B to this staff report provides a table that summarizes the re-appropriation requests by fund.

ALTERNATIVES ANALYZED

Alternative 1: Take no action

If the City Council chooses to not approve this amendment, either the expenditures incurred or projects initiated in 2017 could not be paid or completed without adversely impacting existing 2018 appropriations, which would need to be redirected toward the completion of projects already in progress. In the case of capital projects, there would not be sufficient budget authority to complete projects in the 2018 Capital Improvement Plan.

Alternative 2: Approve Ordinance No. 814 (Recommended)

Approval of proposed Ordinance No. 814 will provide the budget authority for the payment of expenditures incurred or completion of projects initiated in 2017 without adversely impacting existing 2018 appropriations. In addition, this amendment will result in accurately reflecting the anticipated expenditures in the City's operating and capital funds.

FINANCIAL IMPACT

Proposed Ordinance No. 814 totals \$10,815,328 and increases both revenues and expenditures. Resources for the amendment include \$7,122,892 of revenue from grants and other funding sources, the transfer of \$280,999 between funds, and the use of \$3,411,437 in available fund balance. The following table summarizes the impact of this budget amendment and the resulting 2018 appropriation for each of the affected funds.

Fund	2018 Current Budget (A)	Carryover Amount (B)	Amended 2018 Budget (C) (A + B)
General Fund	\$46,945,862	\$1,725,908	\$48,671,770
State Drug Enforcement Forfeiture Fund	18,243	399,897	418,140
Federal Drug Enforcement Forfeiture Fund	13,000	45,000	58,000
General Capital Fund	5,187,668	1,523,749	6,711,417
Roads Capital Fund	11,130,166	6,880,863	18,011,029
Surface Water Utility Fund	6,925,565	234,233	7,159,798
Equipment Replacement Fund	328,836	5,678	334,514
All Other Funds	9,834,354	0	9,834,354
Total	\$80,383,694	\$10,815,328	\$91,199,022

The table below summarizes the impact on available fund balance in each of the affected funds. The actual 2018 beginning fund balance is \$5.440 million more than that projected in the 2018 budget book. After the effect of this amendment, the City's 2018 adjusted fund balance is \$2.029 million more than projected.

Fund	Proj. 2018 Beg. Fund Balance (A)	Actual 2018 Beg. Fund Balance (B)	Total Carryover Request (C)	Total Resources Adjustment (D)	2018 Adj. Fund Balance (Adj. for Carryover) (E) (B - C + D)	Var. from Proj. 2018 Beg. Fund Balance (F) (E - A)
General Fund	\$11,393,659	\$13,987,450	\$1,725,908	\$516,097	\$12,777,639	\$1,383,980
State Drug Enforcement Forfeiture Fund	12,033	465,729	399,897	0	65,832	53,799
Federal Drug Enforcement Forfeiture Fund	22,426	69,543	45,000	0	24,543	2,117
General Capital Fund	1,991,622	2,099,479	1,523,749	1,653,897	2,229,627	238,005
Roads Capital Fund	4,766,651	6,468,370	6,880,863	5,189,000	4,776,507	9,856
Surface Water Utility Fund	1,798,398	2,212,758	234,233	44,897	2,023,422	225,024
Equipment Replacement Fund	3,253,765	3,375,339	5,678	0	3,369,661	115,896
Total	\$23,238,554	\$28,678,668	\$10,815,328	\$7,403,891	\$25,267,231	\$2,028,677

RECOMMENDATION

No action is required by the City Council. This meeting will provide an opportunity for the City Council to ask specific questions and provide staff direction. Adoption of proposed Ordinance No. 814 is scheduled for April 23, 2018.

ATTACHMENTS

- Attachment A: Proposed Ordinance No. 814
- Attachment B: 2018 Re-appropriations by Fund Detail

ORDINANCE NO. 814

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING ORDINANCE NO. 812 BY INCREASING THE APPROPRIATION IN THE GENERAL FUND, STATE DRUG ENFORCEMENT FORFEITURE FUND, FEDERAL DRUG ENFORCEMENT FORFEITURE FUND, GENERAL CAPITAL FUND, ROADS CAPITAL FUND, SURFACE WATER UTILITY FUND, AND EQUIPMENT REPLACEMENT FUND

WHEREAS, the 2018 Final Budget for the City of Shoreline was adopted by Ordinance No. 806 and amended by Ordinance No. 812; and

WHEREAS, various projects were included in the City's 2017 operating budget and were not completed during 2017; and

WHEREAS, the 2018–2023 Capital Improvement Plan was adopted in Ordinance No. 806; and

WHEREAS, the 2018 Final Budget has assumed completion of specific capital improvement projects in 2017; and

WHEREAS, some of these capital projects were not completed and need to be continued and completed in 2018; and

WHEREAS, due to these 2017 projects not being completed, the 2017 ending fund balance and the 2018 beginning fund balance for the General Fund, State Drug Enforcement Forfeiture Fund, Federal Drug Enforcement Forfeiture Fund, General Capital Fund, Roads Capital Fund, Surface Water Utility Fund, and Equipment Replacement Fund is greater than budgeted; and

WHEREAS, the City wishes to appropriate a portion of these greater-than-budgeted beginning fund balances in 2018 to complete 2017 work and to include additional projects that were unknown needs when the 2018 Final Budget was adopted; and

WHEREAS, the City of Shoreline is required by RCW 35A.33.00.075 to include all revenues and expenditures for each fund in the adopted budget; now therefore

THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:

Section 1. Amendment – 2018 Final Budget. The City hereby amends Section 1 of Ordinance No. 812, *Amendment – 2018 Final Budget*, by increasing the appropriation for the General Fund by \$1,725,908; for the State Drug Enforcement Forfeiture Fund by \$399,897; for the Federal Drug Enforcement Forfeiture Fund by \$45,000; for the General Capital Fund by \$1,523,749; for the Roads Capital Fund by \$6,880,863; for the Surface Water Utility Fund by

\$234,233; for the Equipment Replacement Fund by \$5,678; and, by increasing the Total Funds appropriation to \$91,199,022, as follows:

Fund	Current Appropriation	Revised Appropriation
General Fund	\$46,945,862	\$48,671,770
Street Fund	2,376,815	
Code Abatement Fund	130,000	
State Drug Enforcement Forfeiture Fund	18,243	418,140
Public Arts Fund	195,246	
Federal Drug Enforcement Forfeiture Fund	13,000	58,000
Property Tax Equalization Fund	0	
Federal Criminal Forfeiture Fund	0	
Transportation Impact Fees Fund	221,400	
Park Impact Fees Fund	50,000	
Revenue Stabilization Fund	0	
Unltd Tax GO Bond 2006	1,697,925	
Limited Tax GO Bond 2009	1,661,417	
Limited Tax GO Bond 2013	260,635	
General Capital Fund	5,187,668	6,711,417
City Facility-Major Maintenance Fund	153,213	
Roads Capital Fund	11,130,166	18,011,029
Surface Water Capital Fund	6,925,565	7,159,798
Wastewater Utility Fund	2,297,901	
Vehicle Operations/Maintenance Fund	772,302	
Equipment Replacement Fund	328,836	334,514
Unemployment Fund	17,500	
Total Funds	\$80,383,694	\$91,199,022

Section 2. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 3. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

Section 4. Effective Date. A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. The ordinance shall take effect and be in full force five days after passage and publication.

PASSED BY THE CITY COUNCIL ON APRIL 23, 2018

Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik Smith
City Clerk

Margaret King
City Attorney

Publication Date: , 2018
Effective Date: , 2018

Fund	Dept / Program	Project/Item	Carryover Amount	Carryover Revenue	Justification
General Fund					
General Fund Admin Key	Transfer to Roads Capital Fund for Trail Along the Rail		\$113,030		Complete project in 2018.
General Fund Admin Key	Transfer to Roads Capital Fund for 147th / 148th Non-Motorized Bridge		\$199,945		Complete project in 2018.
General Fund Admin Key	Transfer to Roads Capital Fund for 185th Corridor Study		\$140,691		Complete project in 2018.
General Fund Admin Key	Transfer to Roads Capital Fund for Westminster & 155th Improvements		\$273,436		Complete project in 2018.
General Fund Admin Key	Police Station at City Hall		(\$1,000,000)		Reduce Transfer from General Fund to support the Police Station at City Hall project per 2018-2023 CIP because this \$1,000,000 was transferred in 2017.
General Fund Admin Key	Police Station at City Hall		\$154,000		Increase Transfer from General Fund to support the Police Station at City Hall project; reimbursement will come from Remediation Mitigation Claims revenue when received.
CMO / City Manager's Office	Contiguous Improvement		\$29,623		Work continues in 2018.
CMO / Highland Plaza	Repair roof on the Jersey's Restaurant		\$5,377		Complete project in 2018.
ASD / Finance Operations	Microfilming of Payroll Records		\$9,703		Work continues in 2018.
ASD / IT Strategic Plan & Advsry Svc	Finance and HR System Replacement		\$974,379		Complete project in 2018.
ASD / IT Strategic Plan & Advsry Svc	Permit and Customer Service System		\$59,275		Complete project in 2018.
ASD / IT-Operations	SharePoint Phase II		\$7,094		Complete project in 2018.
ASD / IT - Equipment Replacement	Wi-Fi Installation		\$3,134		Complete project in 2018.
ASD / Web Development	Installation of projectors in Conference Room 222		\$11,482		Complete project in 2018.
Citywide / Non-Departmental	Ronald Wastewater Transition - Wastewater code development		\$14,856		Complete project in 2018.
Citywide / Non-Departmental	Ronald Wastewater Transition - Record Management Services		\$23,000		Complete project in 2018.
Police / Special Support	RADAR Program		\$401,368	\$401,368	Project continues in 2018.
CSD / Human Services	Minor Home Repair (CDBG funded program)		\$38,905	\$38,905	Project continues in 2018.
PRCS / Parks Operations	NPDES contractor repairs documented through Surface Water staff inspections in Cityworks.		\$18,800		Complete project in 2018.
PRCS / Teen & Youth Development Program	Raikes Foundation Teen Training		\$1,459		Use remainder of funding from the Raikes Foundation.
CMO / Economic Development	Port of Seattle Economic Development Partnership Program Grant		\$42,290	\$42,290	Complete three economic development projects: SeaSound Media Campus; Home-Based Business Support; Ridgecrest ROW Improvement Plan.
PCD / City Planning	Establish procedures for administering an Affordable Housing Program		\$19,040		Complete the development of the process, forms, and structure for an Affordable Housing Program.
PCD / City Planning	Update "forevergreen" sustainability indicator tracking website		\$14,953		Complete project in 2018.
PCD / Building and Inspections	Balance of one-time professional services appropriation provided through Ordinance No. 794 to complete structural and non-structural plan review on a backlog of permits.		\$34,291		Complete project in 2018.
PW / Administration	Point Wells Professional Services Support		\$26,000		Appropriations were not needed in 2017 but will be needed in 2018.
PW / Environmental Services	Waste Reduction and Recycling Grant		\$7,156	\$7,156	Support for recycling event.
PW / Environmental Services	Local Hazardous Waste Management Program Grant		\$26,378	\$26,378	City-wide Battery Recycling Program.
PW / Engineering	ADA Self Evaluation and Transition Plan for Rights-of-Way		\$9,054		Complete project in 2018.

Fund	Dept / Program	Project/Item	Carryover Amount	Carryover Revenue	Justification
General Fund (Continued)					
	PW / Engineering	Balance of one-time professional services appropriation provided through Ordinance No. 794 related to school district development review.	\$17,000		Complete project in 2018.
	PW / Traffic Services	Streetlight Master Plan	\$24,588		Develop a Streetlight Master Plan, including completing an inventory of existing street lighting, evaluation of needs, and creating a protocol for prioritization and implementation of future improvements. Project delayed into 2018.
	PW / Traffic Services	Consultant work related to development review that started in 2017 and not yet completed.	\$25,601		Complete project in 2018.
Total General Fund			\$1,725,908	\$516,097	
State Drug Enforcement Forfeiture Fund					
	Public Safety State Seizure Program	Transfer to the General Capital Fund for the Police Station at City Hall project	\$399,897		Transfer to support the Police Station at City Hall project per 2018-2023 CIP; transfer could not be made in 2017 because although monies were booked as receivable in 2017, funds were not received until January 2018.
Total State Drug Enforcement Forfeiture Fund			\$399,897	\$0	
Federal Drug Enforcement Forfeiture Fund					
	Federal Drug Enforcement Forfeiture	Purchase of two "Zero" Electric Motorcycles for Police Park Patrol	\$45,000		Complete purchase in 2018.
Total Federal Drug Enforcement Forfeiture Fund			\$45,000	\$0	
General Capital Fund					
	CIP	Police Station at City Hall	\$1,103,299	\$1,653,897	Complete project in 2018.
	CIP	City Maintenance Facility	\$261,960		Project continues in 2018.
	CIP	Parks Repair & Replacement	\$21,483		Complete Hamlin Yard Remodel project in 2018.
	CIP	Parks Repair & Replacement	\$10,007		Project continues in 2018.
	CIP	Turf and Lighting Repair Replacement	\$127,000		Project continues in 2018.
Total General Capital Fund			\$1,523,749	\$1,653,897	
Roads Capital Fund					
	CIP	Curb Ramps, Sidewalks, Gutters	\$17,020		Project continues in 2018.
	CIP	Traffic Safety Improvements	\$15,000		Consultant work related to development review started in 2017.

Fund	Dept / Program	Project/Item	Carryover Amount	Carryover Revenue	Justification
Roads Capital Fund (Continued)					
CIP		Traffic Safety Improvements	\$15,091		Develop a Streetlight Master Plan, including completing an inventory of existing street lighting, evaluation of needs, and creating a protocol for prioritization and implementation of future improvements. Project delayed into 2018.
CIP		Traffic Safety Improvements	\$80,000		Complete King County Work Order SH-650 to facilitate Richmond Beach Road Rechannalization project.
CIP		Traffic Safety Improvements	\$9,700		Complete King County Work Order SH-634.
CIP		Interurban / Burke-Gilman Trail Connectors	\$36,898	\$36,898	Complete project in 2018.
CIP		Bike System Implementation	\$4,788	\$15,339	Complete project in 2018.
CIP		Echo Lake Safe Route to School	\$16,322	\$35,582	Complete project in 2018.
CIP		Trail Along the Rail	\$198,030	\$113,030	Complete project in 2018; partially funded by contribution from the General Fund.
CIP		147th / 148th Non-Motorized Bridge	\$199,945	\$199,945	Complete project in 2018; wholly funded by contribution from the General Fund.
CIP		Traffic Signal Rehab	\$92,207		Complete King County Work Order SH-622.
CIP		145th Street - SR-99 to I-5	\$3,784,800	\$2,795,500	Project continues in 2018.
CIP		185th Corridor Study	\$140,691	\$140,691	Project continues in 2017; wholly funded by contribution from the General Fund.
CIP		Meridian Ave & N 155th Signal Improvement	\$68,270	\$1,595	Complete project in 2018.
CIP		Westminster & 155th Improvements	\$382,017	\$273,436	Complete project in 2018; partially funded by contribution from the General Fund.
CIP		145th & I5 Interchange	\$1,820,084	\$1,576,984	Project continues in 2018.
Total Roads Capital Fund			\$6,880,863	\$5,189,000	
Surface Water Utility Fund					
PW / Surface Water Mgmt		DOE Local Source Control Grant	\$44,897	\$44,897	Work continues in 2018.
PW / Surface Water Mgmt		2017 Catch Basin Replacements and Repairs at N 171st St. and N. 177th St.	\$12,246		Complete project in 2018.
CIP		25th Ave NE Flood Reduction Project	\$95,881		Project continues in 2018.
CIP		Boeing Creek Regional Stormwater Facility Study	\$81,209		Complete project in 2018.
Total Surface Water Utility Fund			\$234,233	\$44,897	
Equipment Replacement Fund					
Equipment Replacement-Vehicles/Heavy Equipment		To install a fender kit on VN#166.	\$2,426		Complete purchase in 2018.
Equipment Replacement-Vehicles/Heavy Equipment		Balance of add'l funds added to 2016 to purchase VN#134 (Heavy Duty multi-purpose vehicle w/ Hook & Go) replacement; funds will be used to pay for the top screen on a sander that was delivered in 2017.	\$812		Complete purchase in 2018.
Equipment Replacement-Vehicles/Heavy Equipment		Funds for VN#179 poly spreader.	\$2,440		Complete purchase in 2018.
Total Equipment Replacement Fund			\$5,678	\$0	
TOTAL CARRYOVER REQUESTS			\$10,815,328	\$7,403,891	

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Discussing Ordinance No. 815 - Amending the 2018 Budget (Ord. Nos. 806 & 812), and Ordinance No. 820 - Amending Shoreline Municipal Code Chapter 3.35 Establishing a Park Impact Fees Fund and a Housing Trust Fund

DEPARTMENT: Administrative Services

PRESENTED BY: Sara Lane, Administrative Services Director
Rick Kirkwood, Budget Supervisor

ACTION: ☐ Ordinance ☐ Resolution ☐ Motion
 ☒ Discussion ☐ Public Hearing

PROBLEM/ISSUE STATEMENT:

During the first quarter of 2018 staff identified several operating programs and capital projects that require additional funding due to unanticipated needs that were unknown in November 2017 at the time the 2018 Final Budget was adopted by the City Council through Ordinance No. 806. Staff is requesting that the 2018 budget be amended to provide funding for these programs and projects. Proposed Ordinance No. 815 (Attachment A) provides for this amendment.

The City has adopted a Park Impact Fee and is planning to adopt an Affordable Housing Fee in Lieu program. Proposed Ordinance No. 820 (Attachment B) presents language to amend Shoreline Municipal Code Chapter 3.35 to create two new funds, "Park Impact Fees Fund" (Fund 118) to account for the collection and use of park impact fees and "Housing Trust Fund" (Fund 119) to account for funds collected for the purpose of supporting affordable housing in Shoreline.

Tonight, Council is scheduled to discuss proposed Ordinance Nos. 815 and 820. These ordinances are scheduled to be brought back to Council on April 23, 2018 for adoption.

FINANCIAL IMPACT:

Adoption of proposed Ordinance No. 820 will not have a financial impact. Adoption of proposed Ordinance No. 815 impacts expenditures and resources, as follows:

- Increases 2018 appropriations for:
 - Various operating programs in the General Fund by \$741,908
 - General Capital Fund by \$318,000
 - Operating and CIP programs in the Surface Water Utility Fund by \$437,937
 - Equipment Replacement Fund by \$2,330
- Provides revenues of \$568,425 in the General Fund, comprised of \$543,355 one-time from a grant and \$25,070 ongoing from partnerships with other agencies
- Provides for the following transfers from the:

- General Fund of \$17,183 to the Unlimited Tax GO Bond 2006 Fund and \$118,000 to the General Capital Fund
- Street Fund of \$2,330 to the Equipment Replacement Fund
- Reduces \$17,183 of revenues in the Unlimited Tax GO Bond 2006 Fund
- Recognizes \$390,377 of revenues in the Surface Water Utility Fund, comprised of \$340,377 in Surface Water Fees in the Surface Water Utility Fund due to a correction to past accounting practice and \$50,000 one-time for a grant
- Uses available fund balance totaling \$173,483 in the General Fund, \$200,000 in the General Capital Fund, and \$47,560 in the Surface Water Utility Fund.

The net impact of Ordinance No. 815 is an increase in 2018 appropriations totaling \$1,500,175, revenues totaling \$941,579, and interfund transfers totaling \$137,513. Funding for this amendment will come from the use of \$421,043 in available fund balance. The adjusted 2018 fund balance for the affected funds, net of 2017 carryovers, is \$2.103 million more than that projected in the 2018 budget book. After the effect of these changes, the City's 2018 adjusted fund balance is \$1.682 million more than that projected.

The following programs in the operating and internal service fund budgets will be impacted by this amendment:

General Fund:

Dept. / Program	Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
General Fund Admin	\$0	\$0	\$0	\$135,183	---
ASD/ Facilities	\$0	\$0	\$12,205	\$0	---
Police/Special Support	\$0	\$0	\$456	\$0	---
PRCS/Parks Operations	\$0	\$0	\$1,278	\$0	---
PRCS/Aquatics	\$0	\$0	\$1,299	\$0	---
PRCS / Facilities/Rental	\$0	\$0	\$600	\$0	---
PRCS / General Recreation	\$25,070	\$0	37,754	\$0	---
PRCS / Teen & Youth Development Program	\$543,355	\$0	\$553,133	\$0	+0.075
Total	\$568,425	\$0	\$606,725	\$135,183	+0.075

Street Fund:

Dept. / Program	Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
Street Operations	\$0	\$0	(\$,2330)	\$2,330	---

Unlimited Tax GO Bond 2006 Fund:

Dept. / Program	Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
Unlimited Tax GO Bond 2006 Administration	(\$17,183)	\$17,183	\$0	\$0	---

Equipment Replacement Fund:

Dept. / Program	Revenues	Transfer In	Expenditures	Transfers Out	FTE Count Change
Equipment Replacement-Vehicles/Heavy Equipment	\$0	\$2,330	\$2,330	\$0	---

The following programs/projects in the CIP budget will be impacted by this amendment:

General Capital Fund:

Dept. / Program	Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
Police Station at City Hall	\$0	\$118,000	\$118,000	\$0	---
Aquatic-Community Center	\$0	\$0	\$200,000	\$0	---
Total	\$0	\$118,000	\$318,000	\$0	---

The following programs/projects in the utility budget will be impacted by this amendment:

Surface Water Utility Fund:

Dept. / Program	Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
Surface Water Management	\$390,377	\$0	\$407,937	\$0	---
Boeing Creek Regional Stormwater Facility Study	\$0	\$0	\$30,000	\$0	---
Total	\$390,337	\$0	\$437,937	\$0	---

RECOMMENDATION

No action is required by the City Council. This meeting will provide an opportunity for the City Council to ask specific questions and provide staff direction. Proposed Ordinance Nos. 815 and 820 are scheduled to be brought back to Council for adoption on April 23, 2018.

Approved By: City Manager ***DT*** City Attorney ***MK***

INTRODUCTION

During the first quarter of 2018 staff identified several operating programs and capital projects that require additional funding due to unanticipated needs that were unknown in November 2017 at the time the 2018 Final Budget was adopted by the City Council. Staff is requesting that the 2018 budget be amended to provide funding for these programs and projects. Proposed Ordinance No. 815 (Attachment A) provides for this amendment.

Proposed Ordinance No. 820 (Attachment B) presents language to amend Shoreline Municipal Code Chapter 3.35 to create two new funds, "Park Impact Fees Fund" (Fund 118) to account for the collection and use of park impact fees and "Housing Trust Fund" (Fund 119) to account for funds collected for the purpose of supporting affordable housing in Shoreline.

BACKGROUND

Proposed Ordinance No. 815: 2018 Budget Amendment

The detail of the proposed budget amendments is as follows:

General Fund:

Amendments Impacting Multiple Programs:

Janitorial Services:

Fund	Revenues	Expenditures	FTE Count Change
General Fund	\$0	\$7,306	---

The current 2018 appropriation for janitorial services will increase by a total of \$7,306. The 2018 budget for janitorial services totals \$323,980, an increase of \$40,088 over 2017. Appropriations in 2018 are comprised of \$310,588 appropriated in the General Fund, \$4,018 appropriated in the Street Fund, \$2,678 appropriated in the Surface Water Utility Fund, and \$6,696 appropriated in the Wastewater Utility Fund. The City's two janitorial service providers' contracts allow for prevailing wage increases. This budget amendment further increases the General Fund appropriations by \$7,306 in multiple programs.

Programs impacted by the janitorial increase will only briefly note the change below.

General Fund Admin Key:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$0	\$0	\$0	\$135,183	---

Transfers Out: The 2018 appropriation for this program will increase by a total of \$135,183. The increase includes a transfer to General Capital Fund of \$118,000 related to the Police Station at City Hall project and \$17,183 transfer to the Unlimited Tax GO Bond Fund (2006). Both transfers are explained further below.

ASD / Facilities:

Revenues	Expenditures	FTE Count Change
\$0	\$12,205	---

The 2018 appropriation for this program will increase by a total of \$12,205.

Existing Police Station Generator: Appropriations will increase by \$10,000 to retain the existing police station emergency generator for use in the distributed City Maintenance Facility Project. With the planned sale of the police station property, Facilities is requesting repurposing of the existing generator by disconnecting it for storage and reuse at a later date. This asset has an estimated 15-year remaining useful life and will provide a significant project savings. The funding request is estimated at \$10,000 and will vary based on the intended use of the police station property. For instance, if the new owner were to demolish the existing building, rewiring the building to the grid after generator removal would not be required, thereby reducing cost to the City.

Janitorial Services: Appropriations will increase by \$2,205 related to the janitorial services prevailing wages increase discussed above.

Police / Special Support:

Revenues	Expenditures	FTE Count Change
\$0	\$456	---

Janitorial Services: The 2018 appropriation for this program will increase by a total of \$456 related to the janitorial services prevailing wages increase discussed above.

Parks, Recreation and Cultural Services / Parks Operations:

Revenues	Expenditures	FTE Count Change
\$0	\$1,278	---

Janitorial Services: The 2018 appropriation for this program will increase by a total of \$1,278 related to the janitorial services prevailing wages increase discussed above.

Parks, Recreation and Cultural Services / Parks Aquatics:

Revenues	Expenditures	FTE Count Change
\$0	\$1,299	---

Janitorial Services: The 2018 appropriation for this program will increase by a total of \$1,299 related to the janitorial services prevailing wages increase discussed above

Parks, Recreation and Cultural Services / Facilities-Rentals:

Revenues	Expenditures	FTE Count Change
\$0	\$600	---

Telephone Purchase: The 2018 appropriation for this program will increase by a total of \$600 for a telephone for a workstation built at City Hall in 2017 where the Rental Coordinator as well as other extra help employees work.

Parks, Recreation and Cultural Services/ General Recreation:

Revenues	Expenditures	FTE Count Change
\$25,070	\$37,754	---

The 2018 appropriation for this program will increase by a total of \$37,754.

Food and Compostable Ware: Appropriations will increase by \$2,004 to increase our ability to offer healthier choices of food to recreation program participants and utilize compostable supplies in accordance with our Environmentally Preferred Purchasing Policy. Currently this program receives donations from local fast food restaurants that do not provide the healthy options that we would like to provide to our participants.

Choices Greenhouse Project: Appropriations will increase by \$9,049. In 2015, there was a donation for \$25,000 from the Libertee Group for the CHOICES program, a program for adults with developmental disabilities. A portion of the donation was used to purchase a greenhouse kit and materials for the greenhouse. The greenhouse was up and running in 2015. Some additional supplies were purchased in 2016 and 2017 leaving a balance of \$9,049 to support this program in 2018.

Dandylyon Drama: Appropriations will increase by \$20,750 supported by \$20,750 in revenue. The City of Shoreline is entering in an agreement with Dandylyon Drama to offer theater camps at Cromwell Amphitheater this summer. Dandylyon Drama will provide the instruction, some materials, staff, and structure for the camp. The camp is scheduled for three full day sessions for 15 kids. The direct contract with Dandylyon Drama will be \$15,750. The balance of the budget will provide \$5,000 for program supplies.

Nature Vision: Appropriations will increase by \$4,320 supported by \$4,320 in revenue. The City of Shoreline has entered an agreement with Nature Vision to provide an outdoor survival camp. This full day camp will take place outdoors at Hamlin and will utilize the trails, open spaces, and shelters in order to teach kids outdoor survival skills. Camp is scheduled for one full day session for 20 kids. The direct contract with Nature Vision will be \$4,320.

Janitorial Services: Appropriations of \$1,631 are related to the janitorial services prevailing wages increase discussed above.

Parks, Recreation and Cultural Services / Youth & Teen Development

Revenues	Expenditures	FTE Count Change
\$543,355	\$553,133	0.075

The 2018 appropriation for this program will increase by a total of \$553,133.

Youth Outreach Leadership Opportunities (YOLO) Program: Appropriations will increase by \$543,355 supported by \$543,355 in revenue, and the FTE count will temporarily increase by 0.075 for three years. King County Best Starts for Kids, a voter approved initiative led by Executive Constantine, will supply \$543,355 in grant funding to the City for a Youth Outreach Leadership and Opportunities (YOLO) project. The City's Youth and Teen Development Program, in partnership with the Center for Human Services, submitted a grant proposal to develop and implement the YOLO program. The YOLO program will provide much needed resources and opportunities at the City of Shoreline Teen Center and the Ballinger Homes King County Housing Authority complex with a focus on youth-led outreach efforts via employment opportunities for those youth. The proposal requires the temporary increase of the City's Recreation Supervisor by 0.075 FTE for the duration of the three-year grant.

Food and Compostable ware: Appropriations will increase by \$9,340 in order to increase our ability to offer healthier choices of food to recreation program participants and utilize compostable supplies in accordance with our Environmentally Preferred Purchasing Policy. Currently this program receives donations from local fast food restaurants that do not provide the healthy options that we would like to provide to our participants.

Janitorial Services: Appropriations of \$438 are related to the janitorial services prevailing wages increase discussed above.

Revenues:

General Fund revenues will be increased by \$571,255, as follows:

- Dandylyon Drama Camp: \$22,500
- Nature Vision Program: \$5,400
- KC Best Start for Kids Grant: \$543,355

Impact on the General Fund's Fund Balance:

Ordinance No. 815 proposes using \$173,483 of available fund balance to fund this amendment.

Street Fund:

Street Operations:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$0	\$0	(\$2,330)	\$2,330	---

The 2018 appropriation for this program will increase by a total of \$0.

Staff placed an order for a replacement of an existing pick-up in 2017. Part of the replacement was a spreader attachment for snow events, which was not received in 2017 and is being carried over to 2018. The cost of the spreader exceeds the original amount budgeted by \$2,330 which will be paid for by a transfer from the Street Fund to the Equipment Replacement Fund. A reduction of \$2,330 in existing 2018 appropriations in Street Operations repair and maintenance budget will offset the

overage, thereby resulting in a net \$0 impact on 2018 appropriations. Transfers between funds requires Council's approval.

Impact on the Street Fund's Fund Balance:

Ordinance No. 815 proposes a net zero impact on fund balance to fund this amendment.

Unlimited Tax GO Bond Fund:

Unlimited Tax GO Bond 2006 Administration:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
(\$17,183)	\$17,183	\$0	\$0	---

The 2018 appropriation for this program will increase by a total of \$0.

The 2018 adopted budget included revenue of \$1.698 million from the excess property tax levy that covers the debt service payments related to the 2006 General Obligation bonds issued to fund open space acquisitions and park improvements. In 2017, the Ballinger Commons property sold to the King County Housing Authority making the property exempt from property tax. When the King County Assessor applied the 2018 levy, it still applied it to the now-exempt property; however, no taxes are due, which will reduce the amount of revenue the City will receive from the excess property tax levy. As a result, the General Fund may need to transfer additional monies, estimated to total \$17,183, to the General Obligation Bond Fund (Fund 201) to cover the shortfall. The 2018 appropriation in the General Fund will be increased by \$17,183 to provide for this transfer.

Transfers In:

Unlimited Tax GO Bond Fund transfers in will be increased by \$17,183, as follows:

- Transfer from General Fund: \$17,183

Impact on the Unlimited Tax GO Bond 2006 Fund's Fund Balance:

Ordinance No. 815 proposes a net zero impact on fund balance to fund this amendment.

General Capital Fund:

Aquatic-Community Center:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$0	\$0	\$200,000	\$0	---

The 2018 appropriation for this program will increase by a total of \$200,000.

This phase of the Aquatic-Community Center project will advance the design of the proposed facility beyond the very general concept design put forth as part of the 2017 Parks, Recreation and Open Space (PROS) Plan. This advanced concept design will

consider the layout of the facility on a specific site allowing for a more refined concept design to be developed and an updated cost estimate.

Police Station at City Hall:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$0	\$118,000	\$118,000	\$0	---

The 2018 appropriation for this program will increase by a total of \$118,000 supported by a transfer in from the General Fund of \$118,000.

Construction for this project is 80% complete and the projected cost to complete has exceeded the current budget including contingency. A budget amendment of \$118,000 will fund all currently known costs and reserve approximately \$90,000 of contingency to complete the project. The requested amendment is equal to the cost of unanticipated remediation related to Grease Monkey operations. Due diligence prior to demolition did not reveal the violations and the City is seeking reimbursement from Grease Monkey. Reimbursement is unlikely to be received in 2018 and will be returned to the General Fund when received.

Transfers In:

General Capital Fund transfers in will be increased by \$118,000, as follows:

- Transfer from General Fund to Police Station at City Hall: \$118,000

Impact on the General Capital Fund's Fund Balance:

Ordinance No. 815 proposes using \$200,000 of available fund balance to fund this amendment.

Surface Water Utility Fund:

Surface Water Management:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$390,377	\$0	\$407,937	\$0	---

The 2018 appropriation for this program will increase by a total of \$407,937 and revenues will be recognized totaling \$390,377, comprised of \$340,377 in Surface Water Fees due to a correction to past accounting practice related to accounting for Utility Taxes and \$50,000 one-time for a grant.

Utility Taxes: Appropriations will increase by \$342,237 to recognize the Surface Water Utility's payment of the Utility Tax of 6% that was previously not recorded as either a revenue or expense in the Surface Water Fund. This change was identified and implemented in late 2017 after budget development and this amendment reflects the needed change for 2018. For 2018, it is anticipated that the Surface Water Utility will receive \$5,703,954 in revenue and be required to pay \$342,237 in Utility Tax to the General Fund.

Business & Occupation Taxes: Appropriations will increase by \$65,700 to recognize the Surface Water Utility's payment of the B&O Tax of 1.5% to the State. The City identified and corrected an error in our reporting to the State in 2017 after budget development. This amendment corrects that error. For 2018, it is anticipated the Surface Water Utility will receive \$5,703,954 in revenue and be required to pay \$85,559 in B&O Tax to the State Department of Revenue. The 2018 adopted budget included \$19,859 for B&O tax, thereby resulting in a net increase of \$65,700 included in this budget amendment.

Stormwater Capacity Grant: Appropriations will not increase as this amendment only recognizes receipt of \$50,000 in grant revenue. This is a two-year grant from the State of Washington to improve water quality by reducing pollutants discharged to state water bodies. The project will assist phase I and II permittees in implementation or management of municipal stormwater programs.

Boeing Creek Regional Stormwater Facility Study:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$0	\$0	\$30,000	\$0	---

The 2018 appropriation for this program will increase by a total of \$30,000.

An increase in 2018 appropriations is needed for the Boeing Creek Regional Stormwater Facility Study due to geotechnical investigations, which were additional work items to the original contract approved by Council on June 5, 2017 (staff report available here:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport060517-7c.pdf>). This work was cited as a possible outcome to the original analysis. Recent development of design alternative concepts has clarified the need for geotechnical explorations to determine shallow and deep soil infiltrative capacity at two preliminary locations, in order to reasonably assess regional stormwater facility feasibility. The contract with the service provider has already been amended to address the needed geotechnical investigations.

Revenues:

Surface Water Utility Fund revenues will be increased by \$390,377, as follows:

- Surface Water Fees: \$340,377
- Stormwater Capacity Grant: \$50,000

Impact on the Surface Water Utility Fund's Fund Balance:

Ordinance No. 815 proposes using \$47,560 of fund balance as a result of this amendment.

Equipment Replacement Fund:

Equipment Replacement-Vehicles/Heavy Equipment:

Revenues	Transfers In	Expenditures	Transfers Out	FTE Count Change
\$0	\$2,330	\$2,330	\$0	---

Staff placed an order for a replacement of an existing Streets Operations pick-up in 2017. Part of the replacement was a spreader attachment for snow events, which was not received in 2017 and was officially paid for in 2018. The total vehicle and equipment expenditures in the Equipment Replacement Fund was more than the original appropriation by \$2,330, thereby requiring the transfer of additional monies from the Street Fund to the Equipment Replacement Fund. A reduction of \$2,330 in existing 2018 appropriations in Street Operations repair and maintenance budget will offset the overage, thereby resulting in a net \$0 impact on the Streets Fund's 2018 appropriations. Transfers between funds requires Council's approval.

Transfers In:

Equipment Replacement Fund transfers in will be increased by \$2,330, as follows:

- Transfer from Street Fund: \$2,330

Impact on the Equipment Replacement Fund's Fund Balance:

Ordinance No. 815 proposes a net zero impact on fund balance to fund this amendment.

City of Shoreline Regular FTE Count:

As was noted above, the following changes will increase the number of approved FTEs for the City by 0.075 as shown in the table below:

- The temporary increase of the City's 0.825 FTE Recreation Supervisor I by 0.075 FTE for the duration of the grant (3 years from 2018 to 2021) to a total of 0.900 FTE.

City of Shoreline Regular FTE Count

Department	2018 Adopted	2018 Current	2018 Amended	Change between Current and Amended
City Manager	19.00	19.00	19.00	0.00
Community Services	8.78	8.78	8.78	0.00
City Attorney	3.00	3.00	3.00	0.00
Administrative Services	26.90	27.90	27.90	0.00
Human Resources	3.00	3.00	3.00	0.00
Police	0.00	0.00	0.00	0.00
Planning & Community Development	24.50	24.50	24.50	0.00
Parks, Recreation & Cultural Services	31.40	31.40	31.48	0.08 ^a
Public Works	31.14	31.14	31.14	0.00
Surface Water Utility	14.90	14.90	14.90	0.00
Wastewater Utility	14.13	14.13	14.13	0.00
Total FTE	176.75	177.75	177.83	0.08

Notes:

- a. Increase of 0.075 FTE has been rounded up for the purpose of this table.

Proposed Ordinance No. 820: Establishing a Park Impact Fees Fund and Housing Trust Fund

Proposed Ordinance No. 820 (Attachment B) presents language to amend Shoreline Municipal Code Chapter 3.35 to create two new funds, “Park Impact Fees Fund” (Fund 118) to account for the collection and use of park impact fees and “Housing Trust Fund” (Fund 119) to account for funds collected for the purpose of supporting affordable housing in Shoreline.

As authorized by Revised Code of Washington (RCW) 82.02.050, the City imposed an impact fee on development activity as part of the financing to plan and provide parks and recreation facilities that are adequate to accommodate growth. Impact fees for parks, open space, and recreation facilities, commonly referred to as Park Impact Fees, were adopted through Ordinance No. 786 (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport073117-8a.pdf>). Pursuant to RCW 82.02.070 and Shoreline Municipal Code (SMC) 3.70.100 the City must establish separate impact fee account for the parks, open space, and recreation impact fees collected pursuant to SMC 3.70. Proposed Ordinance No. 820 (Attachment B) presents language to amend Shoreline Municipal Code Chapter 3.35 to create a fund to be known as the “Park Impact Fees Fund” (Fund 118) to account for the collection and use of park impact fees.

On March 26, 2018 Council discussed adoption of Ordinance No. 817 to implement an Affordable Housing Fee in Lieu program (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2018/staffreport032618-9b.pdf>). Council directed staff to return the Ordinance for adoption on the consent agenda on April 16, 2018. Revenues from this fee will be used to further the goal of providing additional units of affordable housing, at deeper levels of affordability than required in market-rate developments. In order to increase transparency and more easily account for and track the collection and use of these revenues, staff are recommending the creation of a separate special revenue fund for this purpose. The fund will be available to track all revenues dedicated to the purpose of affordable housing.

FINANCIAL IMPACT

Adoption of proposed Ordinance No. 820 will not have a financial impact. Adoption of proposed Ordinance No. 815 impacts expenditures and resources, as follows:

- Increases 2018 appropriations for:
 - Various operating programs in the General Fund by \$741,908
 - General Capital Fund by \$318,000
 - Operating and CIP programs in the Surface Water Utility Fund by \$437,937
 - Equipment Replacement Fund by \$2,330
- Provides revenues of \$568,425 in the General Fund, comprised of \$543,355 one-time from a grant and \$25,070 ongoing from partnerships with other agencies
- Provides for the following transfers from the:
 - General Fund of \$17,183 to the Unlimited Tax GO Bond 2006 Fund and \$118,000 to the General Capital Fund

- Street Fund of \$2,330 to the Equipment Replacement Fund
- Reduces \$17,183 of revenues in the Unlimited Tax GO Bond 2006 Fund
- Recognizes \$390,377 of revenues in the Surface Water Utility Fund, comprised of \$340,377 in Surface Water Fees in the Surface Water Utility Fund due to a correction to past accounting practice and \$50,000 one-time for a grant
- Uses available fund balance totaling \$173,483 in the General Fund, \$200,000 in the General Capital Fund, and \$47,560 in the Surface Water Utility Fund.

The net impact of Ordinance No. 815 is an increase in 2018 appropriations totaling \$1,500,175, revenues totaling \$941,579, and interfund transfers totaling \$137,513. Funding for this amendment will come from the use of \$421,043 in available fund balance. The following table summarizes the impact of this budget amendment and the resulting 2018 appropriation for each of the affected funds.

Fund	2018 Current Budget (A)	Budget Amendment (B)	Amended 2018 Budget (C) (A + B)
General Fund	\$48,671,770	\$741,908	\$49,413,678
Street Fund	2,376,815	0	2,376,815
Unlimited Tax GO Bond 2006 Fund	1,697,925	0	1,697,925
General Capital Fund	6,711,417	318,000	7,029,417
Surface Water Utility Fund	7,159,798	437,937	7,597,735
Equipment Replacement Fund	334,514	2,330	336,844
All Other Funds	24,246,783	0	24,246,783
Total	\$91,199,022	\$1,500,175	\$92,699,197

The table below summarizes the impact on available fund balance in each of the affected funds. The adjusted 2018 fund balance for the affected funds, net of 2017 carryovers, is \$2.103 million more than that projected in the 2018 budget book. After the effect of these changes, the City's 2018 adjusted fund balance is \$1.682 million more than that projected.

Fund	Proj. 2018 Beg. Fund Balance (A)	Adj. 2018 Fund Balance (Adj. for Carryover) (B)	Total Amendment Request (C)	Total Resources Adjustment (D)	2018 Adj. Fund Balance (Adj. for Amendment) (E) (B - C + D)	Var. from Proj. 2018 Fund Balance (F) (E - A)
General Fund	\$11,393,659	\$12,777,639	\$741,908	\$568,425	\$12,604,156	\$1,210,497
Street Fund	853,662	996,276	0	0	996,276	142,614
Unlimited Tax GO Bond 2006 Fund	4,320	2,276	0	0	2,276	(2,044)
General Capital Fund	1,991,622	2,229,627	318,000	118,000	2,029,627	38,005
Surface Water Utility Fund	1,798,398	2,023,422	437,937	390,377	1,975,862	177,464
Equipment Replacement Fund	3,253,765	3,369,661	2,330	2,330	3,369,661	115,896
Total	\$19,295,426	\$21,398,900	\$1,500,175	\$1,079,132	\$20,977,857	\$1,682,431

RECOMMENDATION

No action is required by the City Council. This meeting will provide an opportunity for the City Council to ask specific questions and provide staff direction. Proposed Ordinance Nos. 815 and 820 are scheduled to be brought back to Council for adoption on April 23, 2018.

ATTACHMENTS

Attachment A: Proposed Ordinance No. 815

Attachment B: Proposed Ordinance No. 820

ORDINANCE NO. 815

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING THE 2018 FINAL BUDGET BY INCREASING THE APPROPRIATION IN THE GENERAL FUND, GENERAL CAPITAL FUND, SURFACE WATER UTILITY FUND, AND EQUIPMENT REPLACEMENT FUND; AND 2018 BUDGETED POSITIONS AND FTE LIST OF THE 2018 FINAL BUDGET.

WHEREAS, the 2018 Final Budget was adopted by Ordinance No. 806 and subsequently amended by Ordinance Nos. 812 and 814; and

WHEREAS, additional needs that were unknown at the time the 2018 Final Budget, as amended, was adopted have occurred; and

WHEREAS, the City of Shoreline is required by RCW 35A.33.075 to include all revenues and expenditures for each fund in the adopted budget and, therefore, the 2018 Final Budget, as amended, needs to be amended to reflect the increases and decreases to the City's funds; and

WHEREAS, additional staff is needed within the Parks, Recreation, and Cultural Services Department; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:

Section 1. Amendment – 2018 Final Budget. The City hereby amends the 2018 Final Budget, as adopted by Ordinance No. 806 and amended by Ordinance Nos. 812 and 814, by increasing the appropriation for the General Fund by \$741,908; for the General Capital Fund by \$318,000; Surface Water Utility Fund by \$437,937 and for the Equipment Replacement Fund by \$2,330; and by increasing the Total Funds appropriation to \$92,699,197, as follows:

Fund	Current Appropriation	Revised Appropriation
General Fund	\$48,671,770	\$49,413,678
Street Fund	2,376,815	
Code Abatement Fund	130,000	
State Drug Enforcement Forfeiture Fund	418,140	
Public Arts Fund	195,246	
Federal Drug Enforcement Forfeiture Fund	58,000	
Property Tax Equalization Fund	0	
Federal Criminal Forfeiture Fund	0	
Transportation Impact Fees Fund	221,400	
Park Impact Fees Fund	50,000	
Revenue Stabilization Fund	0	

Fund	Current Appropriation	Revised Appropriation
Unltd Tax GO Bond 2006	1,697,925	
Limited Tax GO Bond 2009	1,661,417	
Limited Tax GO Bond 2013	260,635	
General Capital Fund	6,711,417	7,029,417
City Facility-Major Maintenance Fund	153,213	
Roads Capital Fund	18,011,029	
Surface Water Capital Fund	7,159,798	7,597,735
Wastewater Utility Fund	2,297,901	
Vehicle Operations/Maintenance Fund	772,302	
Equipment Replacement Fund	334,514	336,844
Unemployment Fund	17,500	
Total Funds	\$91,199,022	\$92,699,197

Section 2. Amendment – City of Shoreline Regular FTE Count. The City of Shoreline hereby amends the 2018 Final Budget to increase the number of full-time equivalent employees (FTE) for the Parks, Recreation and Cultural Services Department from 31.40 to 31.48, and the total FTEs for the City from 177.75 to 177.83 FTEs. All reference to total FTEs by department and for the City within the 2018 Final Budget shall be amended to reflect this increase.

Section 3. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 4. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

Section 5. Effective Date. A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. The ordinance shall take effect and be in full force five days after passage and publication.

PASSED BY THE CITY COUNCIL ON APRIL 23, 2018

Mayor Will Hall

ATTEST:

Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:

Margaret King
City Attorney

Publication Date: , 2018
Effective Date: , 2018

ORDINANCE NO. 820

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
ADDING NEW SECTIONS TO CHAPTER 3.35 FUNDS OF THE
SHORELINE MUNICIPAL CODE TO CREATE A PARK IMPACT FEES
FUND AND A HOUSING TRUST FUND.**

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington, and planning pursuant to the Growth Management Act, Chapter 36.70A RCW; and

WHEREAS, on July 31, 2017, the Shoreline City Councils adopted Ordinance No. 786 authorizing the imposition of a park impact fee on new growth and development as provided in Chapter 82.02 RCW, effective January 1, 2018; and

WHEREAS, pursuant to RCW 82.02.070, impact fee receipts are to be retained in separate interest-bearing accounts for each type of public facility for which impact fees are collected; and

WHEREAS, the City needs to establish a Park Impact Fees Fund, a special revenue fund, to account for the collection and use of park impact fees in compliance with RCW 82.02.070;

WHEREAS, in 2015 and 2016, the City adopted the 145th Street Station Subarea Plan and the 185th Street Station Subarea Plan and development regulations to implement these Subarea Plans as provided by the Growth Management Act, chapter 36.70A RCW; and

WHEREAS, two of the zoning districts for these subareas, the MUR-70 and the MUR-45, mandate the provision of affordable housing; and

WHEREAS, via SMC 20.40.235 (B)(2) and 20.40.235(E)(1), the City may allow for a payment in lieu of constructing any fractional portion of the mandatory affordable housing units; and;

WHEREAS, the City needs to establish a Housing Trust Fund, a special revenue fund, to account for the collection and use of affordable housing fee in lieu;

**THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON DO ORDAIN AS FOLLOWS:**

Section 1. Amendment to Shoreline Municipal Code Chapter 3.35 Funds. Chapter 3.35 Funds is amended to add two new sections as follows:

3.35.118 Park Impact Fees fund. There is created a fund to be known as the “Park Impact Fees Fund” to account for the collection and use of park impact fees.

3.35.135 Housing Trust Fund. There is created a fund to be known as the “Housing Trust Fund” to account for the collection and use of revenues to be used to support affordable housing.

Section 2. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 3. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

Section 4. Publication and Effective Date. A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

PASSED BY THE CITY COUNCIL ON APRIL 23, 2018

Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik-Smith
City Clerk

Margaret King
City Attorney

Date of Publication: , 2018
Effective Date: , 2018

Council Meeting Date: April 9, 2018

Agenda Item: 8(c)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Discussing the 2017 Fourth Quarter and Year-End Financial Report
DEPARTMENT: Administrative Services
PRESENTED BY: Sara Lane, Administrative Services Director
Rick Kirkwood, Budget Supervisor
ACTION: ☐ Ordinance ☐ Resolution ☐ Motion
 ☒ Discussion ☐ Public Hearing

PROBLEM/ISSUE STATEMENT:

The 2017 Year-End Financial Report is attached to this staff report as Attachment A. This report summarizes the financial activities during 2017 for all City funds with detailed information provided on the General Fund, Street Fund, Surface Water Utility Fund, General Capital Fund and Roads Capital Fund. Additionally, the report includes the year end summary for the City's Transportation Impact fee collections and expenditures.

This report is provided to keep the Council informed of the financial issues and the financial position of the City.

RESOURCE/FINANCIAL IMPACT:

The table on page 2 of the 2017 Year-End Financial Report provides a summary of the financial results for all City funds for 2017.

RECOMMENDATION

No action is required by the Council. This item is provided for informational purposes.

ATTACHMENTS

Attachment A: 2017 Year-End Financial Report

Approved By: City Manager **DT** City Attorney **MK**



City of Shoreline

2017 YEAR END FINANCIAL REPORT

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	Compared to 2017 Budget	Compared to 2016 Actual	Reference
Property Tax Revenue	● WARNING ●	▲ POSITIVE ▲	Page 5
Sales Tax Revenue	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 6, 7
Utility Tax Revenue	▼ NEGATIVE ▼	▲ POSITIVE ▲	Page 11
Development Revenue	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 12, 13
Parks and Recreation Revenue	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 14
Investment Income	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 15, 24, 25
NON-GENERAL FUND REVENUES			
Surface Water Fees	▼ NEGATIVE ▼	▲ POSITIVE ▲	Page 19
Fuel Tax	▼ NEGATIVE ▼	◀ NEUTRAL ▶	Page 22
Real Estate Excise Tax	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 23

This report reflects revenue collections and expenditures through December 31, 2017. The above table reflects differences when compared to the current budget and prior year actual.

- General Fund receipts are 7.9% more than the year-ago level but 2.3% less than that budgeted. The table above shows a warning for Property Tax because the allowable levy is less than the projection used for the budget as the year-over-year assessed value growth was less than the 10% estimate provided by King County. Utility Tax and Franchise Fee receipts are more than the year-ago level by 1.6% but less than the current budget by 5.8% because of the continuing decline in telecommunications tax receipts. See pages 3-15 for details.
- General Fund expenditures are 6.7% more than the year-ago level but 15.4% less than budget. Including the re-appropriation requested by staff, expenditures totaled 88.1% of the current budget and 92.5% of the revised year-end estimate. See pages 16-17 for details.
- Surface Water Utility (SWM) Fund receipts are 1.7% more and expenditures are 14.6% more than the year-ago level. The City had previously omitted the 1.5% Business & Occupation (B&O) Tax submission to the State. The year-over-year increase reflects remittance of taxes owed for 2014 through 2017. A historical comparison excluding payment of B&O taxes in 2017 reveals operating expenditures are 8.0% more and capital project expenditures are 35.5% more than the year-ago level. See page 19 for details.
- Street Fund receipts and expenditures are more than the year-ago level. Fuel tax receipts are more than the year-ago level by 1.2% and less than budget by 5.1%. See page 22 for details.
- Real estate excise tax receipts, while exceeding 2017 budget and revised projections by 56.1% and 10.2%, respectively, are 46.7% more than the year-ago level, which was mainly attributable to the high number the selling of high value properties in 2017. See page 23 for details.

Key to revenue trend indicators:

▲ POSITIVE ▲ = Positive variance of >+2% compared to prior year actual.

◀ NEUTRAL ▶ = Variance of -1% to +2% compared to prior year actual.

● WARNING ● = Negative variance of -1% to -4% compared to prior year actual.

▼ NEGATIVE ▼ = Negative variance of >-4% compared to prior year actual.

CITY FINANCIAL OVERVIEW: Fourth Quarter Executive Summary

Revenues

Fund	2017 Current Budgeted Revenues	2017 4th Quarter Actual	2017 % of Current Budget	2016 Current Budgeted Revenues	2016 4th Quarter Actual	2016 % of Current Budget	2017 v. 2016 \$ Variance	2017 v. 2016 % Variance
General Fund	\$42,927,144	\$41,937,998	97.7%	\$38,566,758	\$38,875,351	100.8%	3,062,647	7.9%
Street Fund	\$1,521,225	\$1,453,454	95.5%	\$1,442,468	\$1,491,050	103.4%	-37,596	-2.5%
Code Abatement Fund	\$80,550	\$214,892	266.8%	\$80,550	\$30,215	37.5%	184,677	611.2%
State Drug Enforcement Fund	\$18,243	\$467,488	2562.6%	\$18,243	\$33,424	183.2%	434,064	1298.7%
Public Arts Fund	\$8,000	\$44,739	559.2%	\$6,500	\$221,786	3412.1%	-177,047	-79.8%
Federal Drug Enforcement Fund	\$13,200	\$2,317	17.6%	\$28,200	\$15,575	55.2%	-13,258	-85.1%
Property Tax Equalization Fund	\$0	\$0	0.0%	\$0	\$6,139	0.0%	-6,139	-100.0%
Federal Crime Forfeitures Fund	\$201,500	\$145,922	72.4%	\$978,500	\$9,706	1.0%	136,216	1403.4%
Transportation Impact Fee	\$200,000	\$1,004,387	502.2%	\$200,000	\$946,285	473.1%	58,102	6.1%
Unltd Tax GO Bond Fund	\$1,700,000	\$1,700,952	100.1%	\$1,700,000	\$9,283,963	546.1%	-7,583,011	-81.7%
Limited Tax GO Bond 2009 Fund	\$1,662,817	\$1,682,507	101.2%	\$1,663,417	\$1,657,952	99.7%	24,555	1.5%
Limited Tax GO Bond 2013 Fund	\$260,948	\$260,948	100.0%	\$260,948	\$260,438	99.8%	510	0.2%
General Capital Fund*	\$7,256,385	\$5,718,816	78.8%	\$3,334,865	\$3,418,999	102.5%	2,299,817	67.3%
City Facility-Major Maint. Fund*	\$124,044	\$124,888	100.7%	\$782,784	\$782,663	100.0%	-657,775	-84.0%
Roads Capital Fund*	\$11,696,387	\$5,900,083	50.4%	\$6,822,545	\$6,753,746	99.0%	-853,663	-12.6%
Surface Water Utility Fund*	\$4,184,519	\$4,308,638	103.0%	\$4,184,361	\$4,237,264	101.3%	71,374	1.7%
Wastewater Utility Fund	\$441,904	\$448,010	101.4%	\$0	\$0	0.0%	448,010	0.0%
Vehicle Operations/ Maint. Fund	\$438,123	\$450,321	102.8%	\$256,216	\$257,665	100.6%	192,656	74.8%
Equipment Replacement Fund	\$443,487	\$546,348	123.2%	\$531,738	\$603,993	113.6%	-57,645	-9.5%
Unemployment Fund	\$0	\$629	0.0%	\$0	\$385	0.0%	244	63.4%
Total Budgeted Revenue	\$73,178,476	\$66,413,336	90.8%	\$60,858,093	\$68,886,599	113.2%	-2,473,263	-3.6%
Budget Use of Fund Balance	\$16,725,379	\$0	0.0%	\$13,003,888	\$0	0.0%	0	0.0%
Total Budgeted Resources	\$89,903,855	\$66,413,336	73.9%	\$73,861,981	\$68,886,599	93.3%	-2,473,263	-3.6%

Expenditures

Fund	2017 Current Budgeted Expenditures	2017 4th Quarter Actual	2017 % of Current Budget	2016 Current Budgeted Expenditures	2016 4th Quarter Actual	2016 % of Current Budget	2017 v. 2016 \$ Variance	2017 v. 2016 % Variance
General Fund	\$48,303,300	\$40,820,696	84.5%	\$44,707,322	\$38,252,038	85.6%	\$2,568,657	6.7%
Street Fund	\$1,721,485	\$1,500,895	87.2%	\$1,713,773	\$1,508,989	88.1%	-\$8,094	-0.5%
Code Abatement Fund	\$100,000	\$4,000	4.0%	\$100,000	\$27,246	27.2%	-\$23,246	-85.3%
State Drug Enforcement Fund	\$613,940	\$209,591	34.1%	\$183,096	\$31,233	17.1%	\$178,358	571.1%
Public Arts Fund	\$96,203	\$75,836	78.8%	\$84,216	\$47,323	56.2%	\$28,513	60.3%
Federal Drug Enforcement Fund	\$300,397	\$242,397	80.7%	\$263,000	\$5,981	2.3%	\$236,416	3952.8%
Property Tax Equalization Fund	\$506,938	\$506,938	100.0%	\$691,313	\$691,313	100.0%	-\$184,375	-26.7%
Federal Crime Forfeitures Fund	\$1,038,818	\$984,740	94.8%	\$2,802,444	\$1,771,131	63.2%	-\$786,391	-44.4%
Transportation Impact Fee	\$221,400	\$0	0.0%	\$359,775	\$0	0.0%	\$0	0.0%
Unltd Tax GO Bond Fund	\$1,710,375	\$1,702,971	99.6%	\$1,710,375	\$9,304,875	544.0%	-\$7,601,904	-81.7%
Limited Tax GO Bond 2009 Fund	\$1,662,817	\$1,661,094	99.9%	\$1,663,417	\$1,661,867	99.9%	-\$773	0.0%
Limited Tax GO Bond 2013 Fund	\$260,948	\$260,545	99.8%	\$260,948	\$260,608	99.9%	-\$63	0.0%
General Capital Fund*	\$8,272,419	\$6,626,993	80.1%	\$3,889,399	\$3,365,020	86.5%	\$3,261,973	96.9%
City Facility-Major Maint. Fund*	\$103,931	\$103,929	100.0%	\$866,754	\$777,179	89.7%	-\$673,250	-86.6%
Roads Capital Fund*	\$12,812,122	\$5,314,099	41.5%	\$4,893,774	\$3,720,119	76.0%	\$1,593,980	42.8%
Surface Water Utility Fund*	\$5,850,151	\$5,559,910	95.0%	\$5,431,075	\$4,846,860	89.2%	\$713,050	14.7%
Wastewater Utility Fund	\$441,904	\$323,426	73.2%	\$0	\$0	0.0%	\$323,426	0.0%
Vehicle Operations/ Maint. Fund	\$453,123	\$426,215	94.1%	\$271,216	\$185,544	68.4%	\$240,671	129.7%
Equipment Replacement Fund	\$701,787	\$683,074	97.4%	\$504,319	\$182,346	36.2%	\$500,728	274.6%
Unemployment Fund	\$17,500	\$3,896	22.3%	\$17,500	\$2,300	13.1%	\$1,596	69.4%
Total Budgeted Expenditures	\$85,189,558	\$67,011,245	78.7%	\$70,413,716	\$66,641,972	94.6%	\$369,272	0.6%

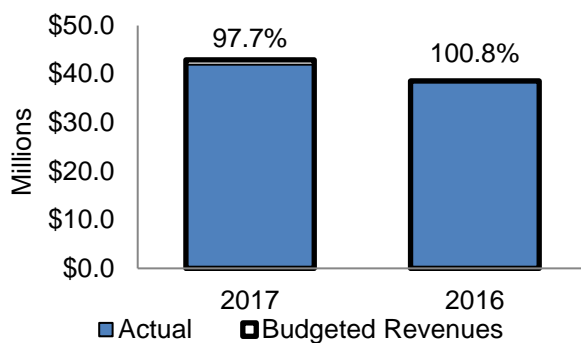
* CIP Funds "Current Budget" reflects the Revised Estimate presented in the 2018-2023 CIP

GENERAL FUND REVENUE DETAIL

General Fund Resource	2017 Current Budget	2017 Fourth Quarter Actual Revenue	2017 % of Current Budget Received	2016 Current Budget	2016 Fourth Quarter Actual Revenue	2016 % of Current Budget Received	2017 v. 2016 \$ Change	2017 v. 2016 % Change
Budgeted Fund Balance	\$7,176,024	\$0	0.0%	\$6,180,242	\$0	0.0%	\$0	0.0%
Property Tax	\$12,531,317	\$12,172,701	97.1%	\$10,860,481	\$10,815,204	99.6%	\$1,357,497	12.6%
Sales Tax	\$7,969,800	\$8,629,376	108.3%	\$7,747,700	\$8,189,742	105.7%	\$439,634	5.4%
Local Criminal Justice	\$1,476,779	\$1,524,609	103.2%	\$1,403,619	\$1,495,353	106.5%	\$29,256	2.0%
Utility Tax & Franchise Fee Revenue								
<i>Natural Gas</i>	\$906,500	\$876,548	96.7%	\$906,500	\$730,925	80.6%	\$145,623	19.9%
<i>Garbage</i>	\$559,360	\$536,343	95.9%	\$548,880	\$548,522	99.9%	-\$12,179	-2.2%
<i>Cable TV</i>	\$1,960,150	\$1,845,129	94.1%	\$1,903,020	\$1,880,875	98.8%	-\$35,746	-1.9%
<i>Telecommunications</i>	\$1,421,640	\$1,067,914	75.1%	\$1,421,640	\$1,176,088	82.7%	-\$108,174	-9.2%
<i>Storm Drainage</i>	\$272,449	\$249,735	91.7%	\$240,275	\$239,060	99.5%	\$10,675	4.5%
<i>Water</i>	\$800,510	\$949,698	118.6%	\$780,700	\$874,681	112.0%	\$75,017	8.6%
<i>Sewer</i>	\$884,800	\$886,000	100.1%	\$859,022	\$860,000	100.1%	\$26,000	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,805,409	\$6,411,367	94.2%	\$6,660,037	\$6,310,151	94.7%	\$101,216	1.6%
SCL Contract Payment	\$1,921,700	\$2,055,988	107.0%	\$1,838,980	\$1,925,632	104.7%	\$130,356	6.8%
Gambling Tax Revenue	\$1,587,425	\$1,582,022	99.7%	\$1,587,425	\$1,559,533	98.2%	\$22,489	1.4%
Development Revenue	\$2,412,675	\$2,846,127	118.0%	\$1,456,000	\$2,343,847	161.0%	\$502,280	21.4%
Park and Recreation Revenue	\$1,752,317	\$1,799,481	102.7%	\$1,494,998	\$1,647,840	110.2%	\$151,641	9.2%
Intergovernmental Revenue	\$2,496,401	\$1,531,598	61.4%	\$1,467,017	\$1,197,395	81.6%	\$334,203	27.9%
Grant Revenue	\$763,695	\$355,956	46.6%	\$844,749	\$389,094	46.1%	-\$33,138	-8.5%
Fines and Licenses	\$650,225	\$633,098	97.4%	\$642,072	\$581,670	90.6%	\$51,428	8.8%
Miscellaneous Revenue	\$813,493	\$683,691	84.0%	\$781,006	\$560,090	71.7%	\$123,601	22.1%
Interest Income	\$70,600	\$174,757	247.5%	\$70,600	\$147,727	209.2%	\$27,030	18.3%
Operating Transfers In	\$1,675,308	\$1,537,226	91.8%	\$1,712,074	\$1,712,073	100.0%	-\$174,847	-10.2%
Total General Fund Resources	\$50,103,168	\$41,937,998	83.7%	\$44,747,000	\$38,875,351	86.9%	\$3,062,647	7.9%
Total General Fund Revenue excl. Budgeted Fund Balance	\$42,927,144	\$41,937,998	97.7%	\$38,566,758	\$38,875,351	100.8%	\$3,062,647	7.9%

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE SUMMARY



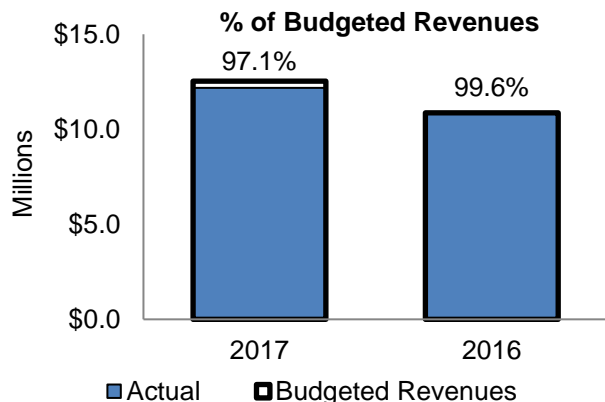
2017 Current Budget		\$50,103,168
2017 Budgeted Revenue		\$42,927,144
2017 Fourth Quarter Actual Revenue		\$41,937,998
2017 % of Budgeted Revenue Received		97.7%
2016 Budgeted Revenue		\$38,566,758
2016 Fourth Quarter Actual Revenue		\$38,875,351
2016 % of Budgeted Revenue Received		100.8%
2017 v. 2016 \$ Change		\$3,062,647
2017 v. 2016 % Change	↑	7.9%

The difference between 2017 Current Budget and 2017 Budgeted Revenues reflects the planned use of Fund Balance for one time investments as provided in the City's financial policies. General Fund revenue received in 2017 reflects a year-over-year increase of 7.9%. The following pages present a detailed analysis of various General Fund revenue sources. The following are highlights comparing 2017 to 2016 for the General Fund:

- Property tax receipts are 12.6% more than those for 2016, which is largely attributable to the successful passage of the Levy Lid Lift in November 2016.
- The Regional Transit Authority Tax increased the sales tax rate by 0.5% to 10.0% on April 1, 2017. The City's portion remained at 0.85%. Sales tax receipts, which reflect activity from December 2016 through November 2017, are more than the revised projection by 4.7% and 2016 collections by 5.4%. Receipts from the Construction and Retail Trade sectors are more than the year-ago level by 12.0% and 3.9%, respectively.
- The year-over-year change for Intergovernmental Revenue receipts is largely due to reimbursement from Sound Transit per the Expedited Permitting and Reimbursement agreement. The first bill to Sound Transit was paid in the fourth quarter of 2016 and the balance of the reimbursement is anticipated to be received in 2017 and 2018 as work on the project continues.
- Utility Tax and Franchise Fee receipts are more than the year-ago level by 1.6% but less than the revised projection by 4.8%. The year-over-year difference is largely attributable to the continued decline in the amount of telecommunications utility tax collected.
- The year-over-year increase of 21.4% in Development Revenue is attributable to increases in the average revenue per permit across the board. This is due to an increase in the valuations per permit as well as the result of Planning and Community Development's permitting and inspection fee cost recovery study which increased the fee for construction permits for projects with greater than \$1.0 million valuation in the building table increased from \$3.15 to \$4.00 per additional \$1,000 valuation.
- Parks and Recreation receipts are 9.2% more than the year-ago level. The year-over-year increase was anticipated and is attributable to the closure of the Shoreline Pool as major maintenance and improvements to extend its life were being performed in 2016.

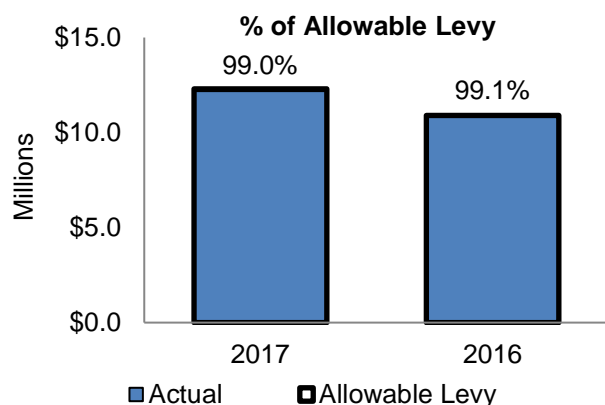
GENERAL FUND REVENUE ANALYSIS:

PROPERTY TAX



2017 Current Budget	\$12,531,317
2017 Fourth Quarter Actual Revenue	\$12,172,701
2017 % of Current Budget Received	97.1%
2016 Current Budget	\$10,860,481
2016 Fourth Quarter Actual Revenue	\$10,815,204
2016 % of Current Budget Received	99.6%
2017 v. 2016 \$ Change	\$1,357,497
2017 v. 2016 % Change	12.6%

The year-over-year increase of 12.6% is largely attributable to the successful passage of the Levy Lid Lift in November 2016.

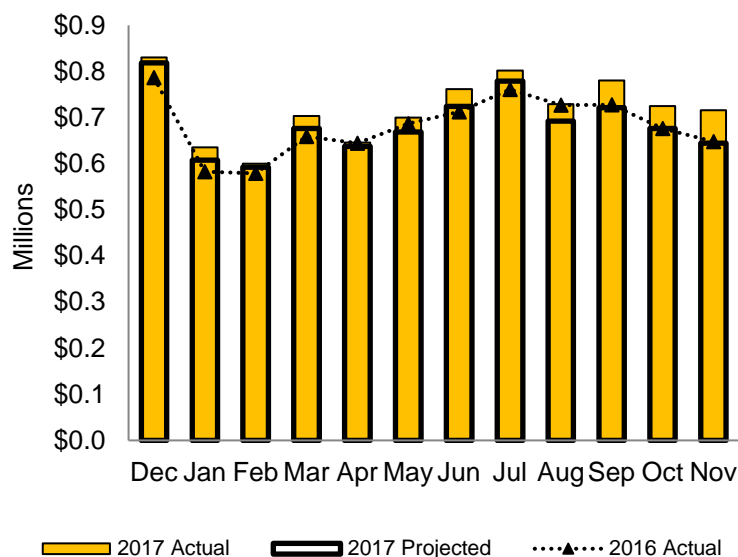


Property tax payments are due to King County in April and October. The County then must remit the City's portion resulting in the majority of collections occurring in the second and fourth quarters. Receipts for 2017 and 2016 as a percentage of the budgeted projection are 97.1% and 99.6%, respectively.

In terms of the allowable levy, which in many cases is different than the budgeted projection, 2017 collections are lower than the allowable amount due to an error by the King County Assessor's Office levying tax on City-owned properties. As a result, receipts for 2017 and 2016 are at 99.0% and 99.1%, respectively.

GENERAL FUND REVENUE ANALYSIS (continued):

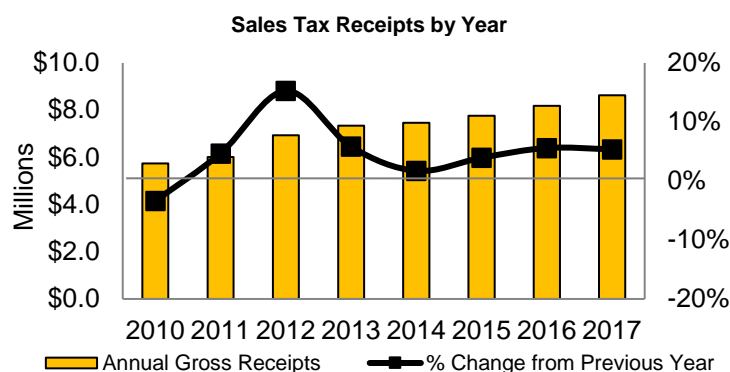
SALES TAX



2017 Current Budget		\$7,969,800
Sales tax revenue: December - November		
Sales Activity	2016	2017
December (Prior Year)	\$786,417	\$830,653
January	\$582,409	\$635,543
February	\$578,999	\$600,093
March	\$658,721	\$703,715
April	\$644,235	\$645,855
May	\$686,499	\$699,799
June	\$712,311	\$761,881
July	\$760,954	\$801,787
August	\$727,288	\$728,834
September	\$727,935	\$780,513
October	\$676,101	\$724,607
November	\$647,873	\$716,095
Year to date	\$8,189,740	\$8,629,376
\$ Change		\$439,636
% Change		↑ 5.4%

The tax rate for the first quarter of 2017 was 9.5%, with the City's portion accounting for 0.85% of the rate. The Regional Transit Authority Tax increased the sales tax rate by 0.5% to 10.0% on April 1, 2017 to expand and improve transit facilities in King, Pierce, and Snohomish Counties. The City's portion remained at 0.85%.

Sales Tax receipts, which reflect activity from December 2016 through November 2017 are more than the budget's year-to-date projection by 8.3%, the revised year-to-date projection by 4.7%, and 2016 collections by 5.4%. The following chart and table reflects a comparison of sales tax receipts by year:



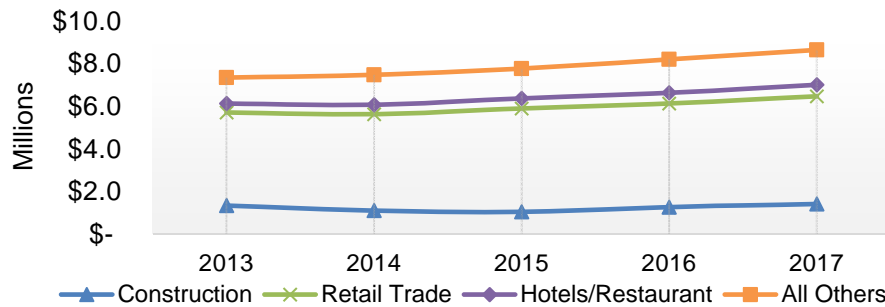
Year	Annual Revenue	% Change from Previous Year
2010	\$5,745,755	↓ -3.4%
2011	\$6,014,244	↑ 4.7%
2012	\$6,932,874	↑ 15.3%
2013	\$7,336,805	↑ 5.8%
2014	\$7,462,886	↑ 1.7%
2015	\$7,756,235	↑ 3.9%
2016	\$8,189,742	↑ 5.6%
2017	\$8,629,376	↑ 5.4%

The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of Construction; Retail Trade; Hotels and Restaurants; and All Others. The second table presents a breakdown of the Retail Trade category and highlights specific industry economic performance in comparison to previous years.

Receipts in the Retail Trade sector Food & Beverage Stores Retail category are \$19,499 less than the year-ago level. Receipts in 2016 were \$35,813 more than those for the same period in 2015 resulting from prior period corrections remitted with the receipts for December 2015. Taking this into account, receipts for 2017 are 5.8%, more than those for 2016, which is in line with the historical level of activity.

GENERAL FUND REVENUE ANALYSIS (continued):

Annual Sales Tax Revenue Comparison by Sector



SALES TAX BY PRIMARY CATEGORY: December – November

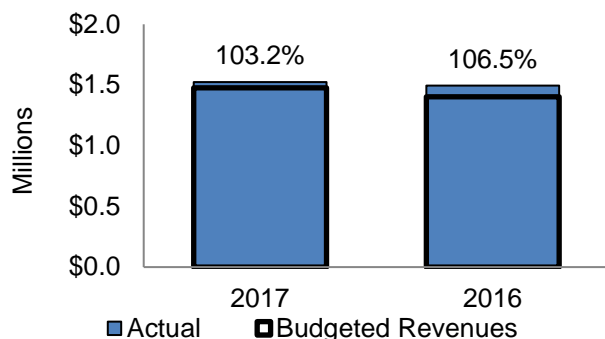
Sector	2013	2014	2015	2016	2017
Construction	\$1,326,775	\$1,088,201	\$1,029,064	\$1,250,022	\$1,399,914
\$ Change		-\$238,574	-\$59,137	\$220,958	\$149,892
% Change		↓ -18.0%	↓ -5.4%	↑ 21.5%	↑ 12.0%
Retail Trade	\$4,367,503	\$4,528,070	\$4,857,283	\$4,866,734	\$5,057,999
\$ Change		\$160,567	\$329,213	\$9,451	\$191,264
% Change		↑ 3.7%	↑ 7.3%	→ 0.2%	↑ 3.9%
Hotels/Restaurant	\$420,096	\$440,339	\$473,001	\$501,086	\$538,542
\$ Change		\$20,243	\$32,662	\$28,085	\$37,456
% Change		↑ 4.8%	↑ 7.4%	↑ 5.9%	↑ 7.5%
All Others	\$1,222,431	\$1,406,276	\$1,396,886	\$1,571,900	\$1,632,922
\$ Change		\$183,845	-\$9,390	\$175,014	\$61,022
% Change		↑ 15.0%	→ -0.7%	↑ 12.5%	↑ 3.9%
Total Revenue	\$7,336,805	\$7,462,886	\$7,756,235	\$8,189,742	\$8,629,376
\$ Change		\$268,489	\$293,349	\$433,507	\$439,634
% Change		↑ 4.7%	↑ 1.7%	↑ 3.9%	↑ 5.4%

SALES TAX BY RETAIL TRADE CATEGORY: December – November

Retail Trade	2014 Dec- Nov	2015 Dec- Nov	2015v.2014 \$ Change	2016 Dec- Nov	2016v.2015 \$ Change	2017 Dec- Nov	2017v.2016 \$ Change
Motor Veh. & Parts Dealer	\$1,236,501	\$1,350,157	\$113,656	\$1,383,558	\$33,401	\$1,406,119	\$22,560
Furn. & Home Furnishings	\$61,757	\$58,847	-\$2,910	\$65,877	\$7,030	\$71,996	\$6,119
Electronics and Appliances	\$102,349	\$111,503	\$9,154	\$105,294	-\$6,209	\$114,803	\$9,510
Building Material & Garden	\$662,018	\$787,425	\$125,407	\$773,383	-\$14,042	\$848,902	\$75,519
Food & Beverage Stores	\$253,519	\$263,631	\$10,112	\$315,552	\$51,921	\$296,053	-\$19,499
Health & Personal Care	\$167,514	\$211,545	\$44,031	\$231,800	\$20,255	\$247,638	\$15,838
Gasoline Stations	\$76,539	\$75,269	-\$1,270	\$73,372	-\$1,897	\$77,960	\$4,587
Clothing & Accessories	\$52,192	\$59,628	\$7,436	\$75,375	\$15,747	\$84,421	\$9,046
Sporting Goods, Hobby	\$82,463	\$84,163	\$1,700	\$78,834	-\$5,329	\$79,950	\$1,115
General Merch. Stores	\$1,144,543	\$1,142,571	\$10,028	\$1,282,598	\$141,973	\$1,304,339	\$21,742
Misc. Store Retailers	\$246,326	\$236,280	-\$10,046	\$245,312	\$9,032	\$268,982	\$23,670
Nonstore Retailers	\$172,349	\$194,265	\$21,916	\$235,779	\$41,514	\$256,836	\$21,057
Total Revenue	\$4,528,070	\$4,857,283	\$329,213	\$4,866,734	\$9,451	\$5,057,999	\$191,264

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

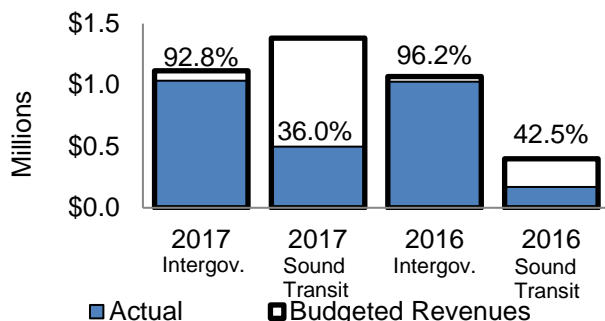


2017 Current Budget	\$1,476,779
2017 Fourth Quarter Actual Revenue	\$1,524,609
2017 % of Current Budget Received	103.2%
2016 Current Budget	\$1,403,619
2016 Fourth Quarter Actual Revenue	\$1,495,353
2016 % of Current Budget Received	106.5%
2017 v. 2016 \$ Change	\$29,256
2017 v. 2016 % Change	2.0%

Local Criminal Justice Sales Tax receipts are more than the year-ago level and revised projection by 2.0% and 0.2%, respectively.

The result for Local Criminal Justice Sales Tax receipts is not commensurate with the result for Sales Tax receipts because the distribution of Local Criminal Justice Sales Tax is based on the city's population and the amount of sales tax collected throughout all of King County. The Puget Sound Economic Forecaster estimated that retail sales throughout King County would increase year-over-year by 4.6%. Sales tax collected throughout King County was actually only 3.4% more than the year-ago level.

INTERGOVERNMENTAL REVENUE

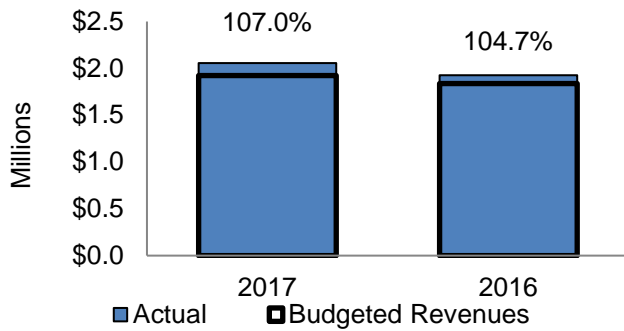


2017 Current Budget	\$2,496,401
2017 Fourth Quarter Actual Revenue	\$1,531,598
2017 % of Current Budget Received	61.4%
2016 Current Budget	\$1,467,017
2016 Fourth Quarter Actual Revenue	\$1,197,395
2016 % of Current Budget Received	81.6%
2017 v. 2016 \$ Change	\$334,203
2017 v. 2016 % Change	27.9%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, liquor board profits, and reimbursement from Sound Transit per the Expedited Permitting and Reimbursement Agreement. The first bill to Sound Transit was paid in the fourth quarter of 2016 and the balance of the reimbursement is anticipated to be received in 2017 and 2018 as work on the project continues. Work is billed as incurred so revenues match associated costs. Total receipts are 27.9% more than the year-ago level. Receipts from sources other than Sound Transit reimbursements are 0.7% less than the year-ago level. The under collection of sources other than Sound Transit reimbursements is largely attributable to the Port of Seattle Economic Development Partnership Program Grant, Waste Reduction and Recycling Grant, and Local Hazardous Waste Management Program Grant sources, work on which will continue in 2018.

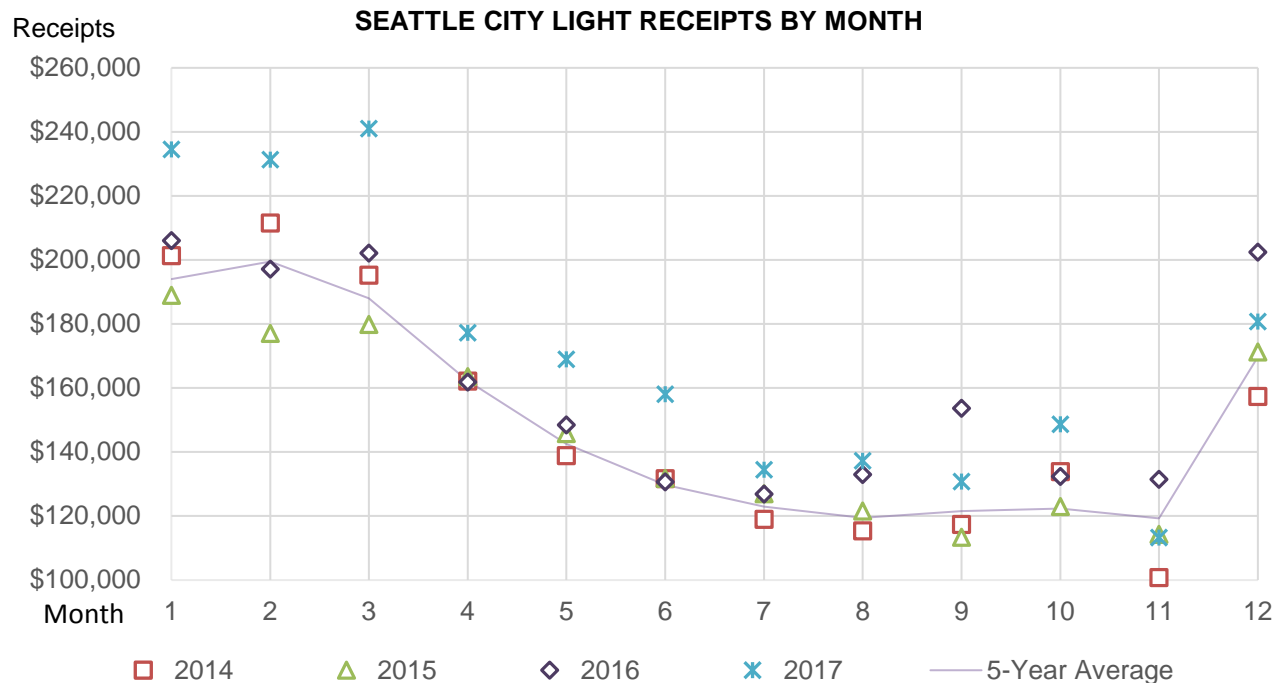
GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT



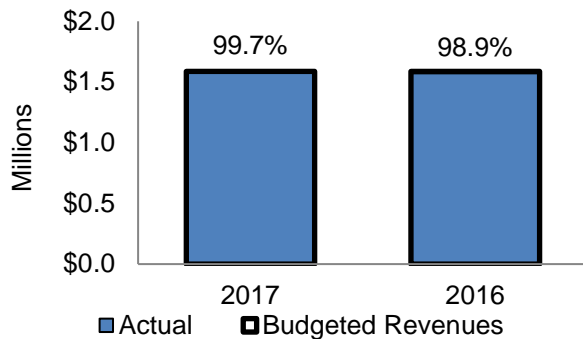
2017 Current Budget		\$1,921,700
2017 Fourth Quarter Actual Revenue		\$2,055,988
2017 % of Current Budget Received		107.0%
2016 Current Budget		\$1,838,980
2016 Fourth Quarter Actual Revenue		\$1,925,632
2016 % of Current Budget Received		104.7%
2017 v. 2016 \$ Change		\$130,356
2017 v. 2016 % Change		6.8%

The City's agreement with Seattle City Light imposes a six percent contract fee on total electrical revenues. Receipts are 6.8% more than the year-ago level, 7.0% more than the budget projection, and 1.8% less than the revised year-to-date projection. The chart below shows receipts for the last four years.



GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



2017 Current Budget	\$1,587,425
2017 Fourth Quarter Actual Revenue	\$1,582,022
2017 % of Current Budget Received	99.7%
2016 Current Budget	\$1,587,425
2016 Fourth Quarter Actual Revenue	\$1,570,218
2016 % of Current Budget Received	98.9%
2017 v. 2016 \$ Change	\$11,804
2017 v. 2016 % Change	0.8%

The tax on card rooms is levied at 10% of gross receipts above a one-time deduction of \$10,000 and 5% on gross receipts from pull-tabs.

Total gambling receipts, including late payment penalties, in the amount of \$1,582,022, are 0.8% more than 2016 collections of \$1,570,218.

Receipts attributable to taxes on gambling activity reported, in the amount of \$1,580,374, are 0.4% less than the year-ago level of \$1,587,425.

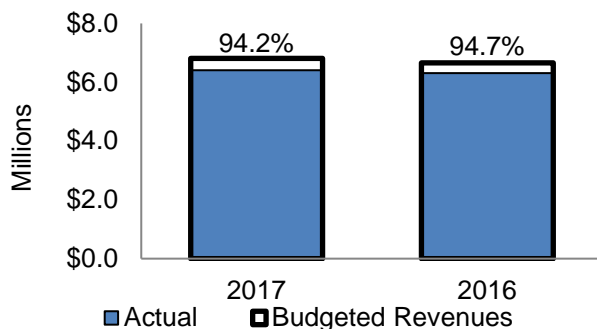
Receipts from pull-tab activity increased 2.9% year-over-year and card room activity increased 1.1%. The table to the right exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

Annual Activity

Year	Amount	% Change
2011	\$18,502,782	↑ 7.0%
2012	\$16,751,880	↓ -9.5%
2013	\$15,265,019	↓ -8.9%
2014	\$14,263,567	↓ -6.6%
2015	\$14,759,814	↑ 3.5%
2016	\$14,220,610	↓ -3.7%
2017	\$14,381,879	↑ 1.1%

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



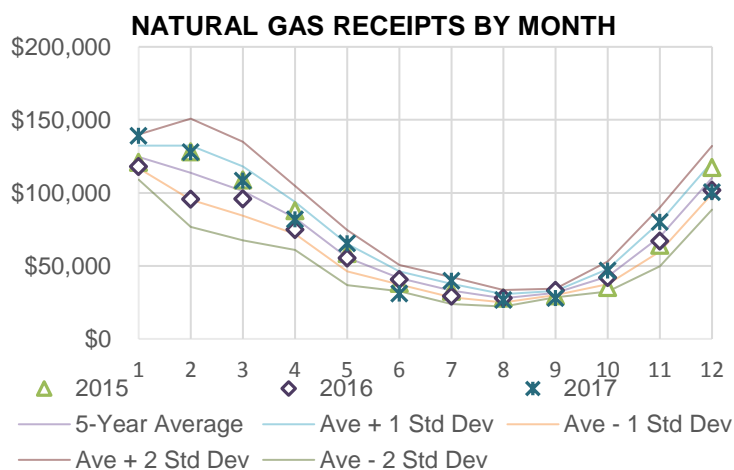
2017 Current Budget	\$6,805,409
2017 Fourth Quarter Actual Revenue	\$6,411,367
2017 % of Current Budget Received	94.2%
2016 Current Budget	\$6,660,037
2016 Fourth Quarter Actual Revenue	\$6,310,151
2016 % of Current Budget Received	94.7%
2017 v. 2016 \$ Change	\$101,216
2017 v. 2016 % Change	1.6%

Overall Utility Tax and Franchise Fee receipts are more than the year-ago level by 1.6% but 4.8% less than the revised budget projection.

Natural gas tax receipts are 19.9% more than the year-ago level. Receipts were significantly more for nine out of twelve months as compared to the same period last year.

Cable TV tax receipts are less than the year-ago level and budget projection by 1.9% and 5.9%, respectively.

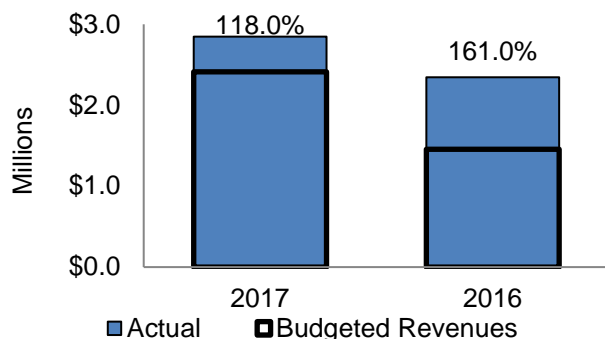
Telecommunications tax receipts are less than the year-ago level and revised year-to-date budget projection by 9.2% and 15.9%, respectively.



Revenue Source	2017 Current Budget	2017 Fourth Quarter Actual Revenue	2017 % of Current Budget Received	2016 Current Budget	2016 Fourth Quarter Actual Revenue	2016 % of Current Budget Received	2017 v. 2016 \$ Change	2017 v. 2016 % Change
Natural Gas	\$906,500	\$876,548	96.7%	\$906,500	\$730,925	80.6%	\$145,623	19.9%
Garbage	\$559,360	\$536,343	95.9%	\$548,880	\$548,522	99.9%	-\$12,179	-2.2%
Cable TV	\$1,960,150	\$1,845,129	94.1%	\$1,903,020	\$1,880,875	98.8%	-\$35,746	-1.9%
Telecommunications	\$1,421,640	\$1,067,914	75.1%	\$1,421,640	\$1,176,088	82.7%	-\$108,174	-9.2%
Storm Drainage	\$272,449	\$249,735	91.7%	\$240,275	\$239,060	99.5%	\$10,675	4.5%
Water	\$800,510	\$949,698	118.6%	\$780,700	\$874,681	112.0%	\$75,017	8.6%
Sewer	\$884,800	\$886,000	100.1%	\$859,022	\$860,000	100.1%	\$26,000	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,805,409	\$6,411,367	94.2%	\$6,660,037	\$6,310,151	94.7%	\$101,216	1.6%

GENERAL FUND REVENUE ANALYSIS (continued):

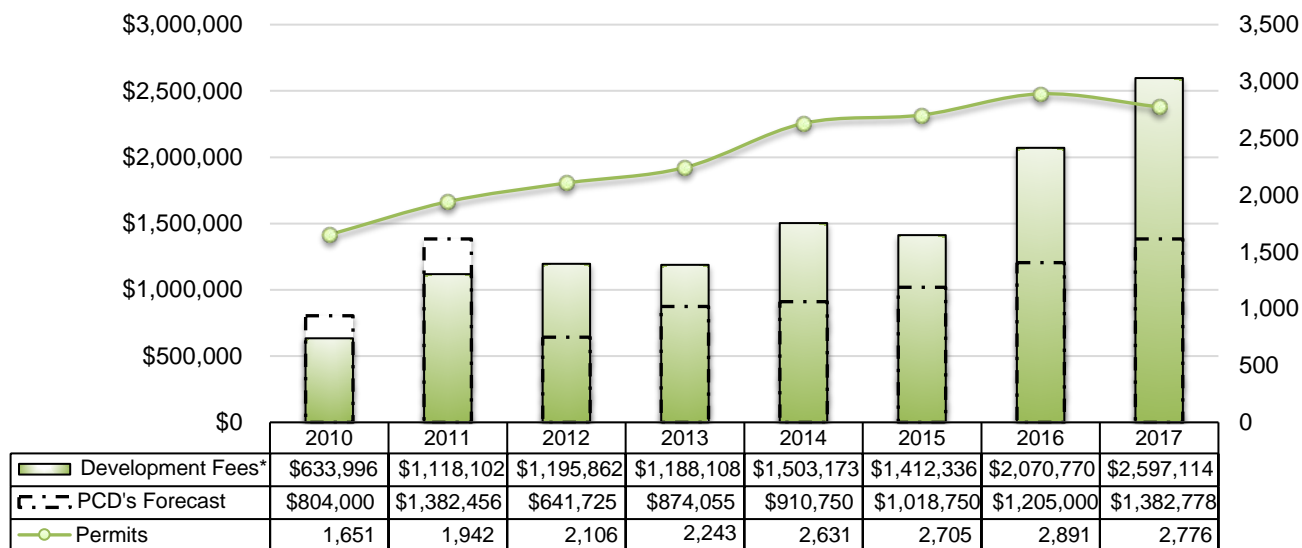
DEVELOPMENT REVENUE



2017 Current Budget	\$2,412,675
2017 Fourth Quarter Actual Revenue	\$2,846,127
2017 % of Current Budget Received	118.0%
2016 Current Budget	\$1,456,000
2016 Fourth Quarter Actual Revenue	\$2,343,847
2016 % of Current Budget Received	161.0%
2017 v. 2016 \$ Change	\$502,280
2017 v. 2016 % Change	↑ 21.4%

Development revenue receipts exhibited a year-over-year increase of \$502,280, or 21.4%. Excluding right-of-way permits, receipts are 87.8% more than Planning & Community Development's projection. The year-over-year growth in revenue is attributable to increases in the average revenue per permit across the board. This is due to an increase in the valuations per permit as well as the result of Planning and Community Development's permitting and inspection fee cost recovery study which increased the fee for construction permits for projects with greater than \$1.0 million valuation in the building table increased from \$3.15 to \$4.00 per additional \$1,000 valuation.

Development Fee Historical Comparison

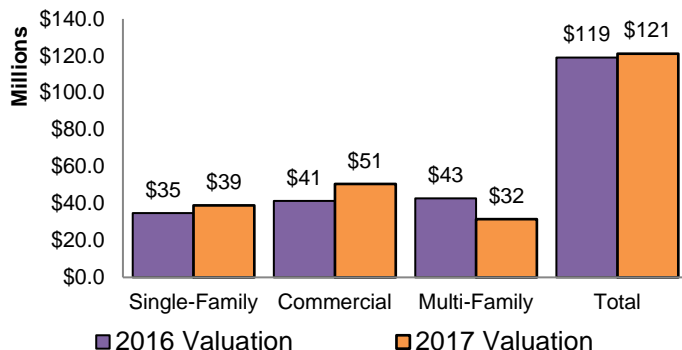


*Development fees exclude right-of-way permits.

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE (continued)

Valuation of Building Permits



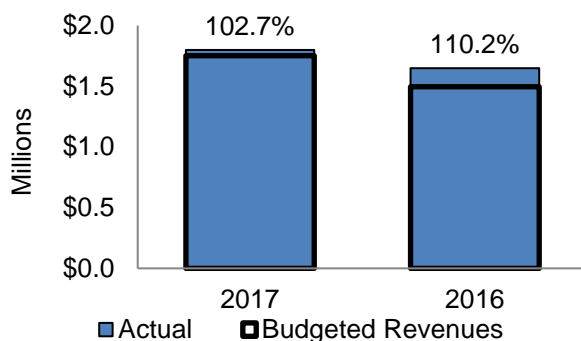
Local development activity in 2017 compared to that for 2016, in terms of the number of building permits pulled for new construction and remodels and valuation, saw an increase in single family construction (+5; +\$4.2 million). For commercial, the number of permits pulled decreased but the valuation increased (-12; -\$45.0 million).

Valuation of 367 building permits for new construction and remodels totals \$121.1 million and is comprised of 32.2% residential and 67.8% commercial / multi-family valuation. In 2016, valuation of 375 permits totaled \$119.0 million and was comprised of 29.2% residential and 70.8% commercial / multi-family construction.

PERMIT TYPE	2014	2015	2016	2017	# Change	% Change	2008-2017
Building Permits / Plan Check	527	519	662	620	(42)	-6.3%	
Mechanical	576	585	656	665	9	1.4%	
Fire Systems	119	79	110	100	(10)	-9.1%	
Land Use / SEPA Review	78	56	65	79	14	21.5%	
Plumbing	183	202	182	102	(80)	-44.0%	
Electrical	1,148	1,264	1,216	1,210	(6)	-0.5%	
Total	2,631	2,705	2,891	2,776	(115)	-4.0%	

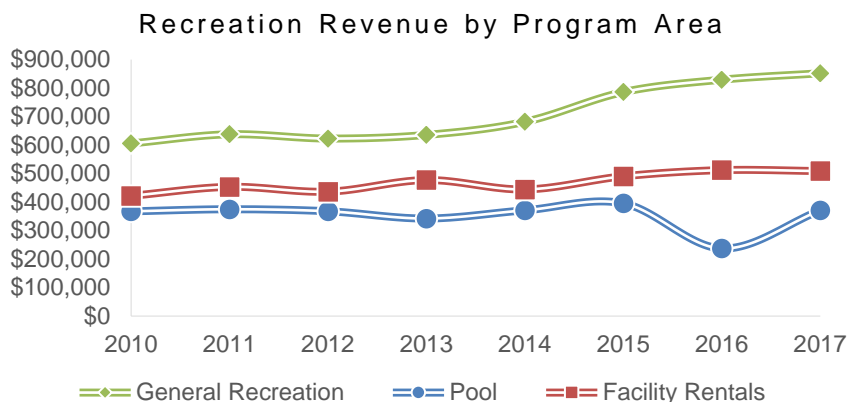
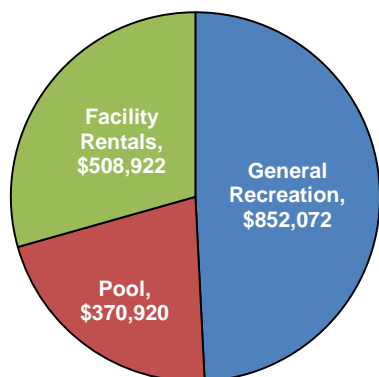
GENERAL FUND REVENUE ANALYSIS:

PARKS AND RECREATION REVENUE



2017 Current Budget		\$1,752,317
2017 Fourth Quarter Actual Revenue		\$1,799,481
2017 % of Current Budget Received		102.7%
2016 Current Budget		\$1,494,998
2016 Fourth Quarter Actual Revenue		\$1,647,840
2016 % of Current Budget Received		110.2%
2017 v. 2016 \$ Change		\$151,641
2017 v. 2016 % Change	↑	9.2%

Parks and Recreation revenue receipts are 9.2% more than the year-ago level. The year-over-year increase was anticipated and is attributable to the closure of the Shoreline Pool as major maintenance and improvements to extend its life were being performed in 2016.



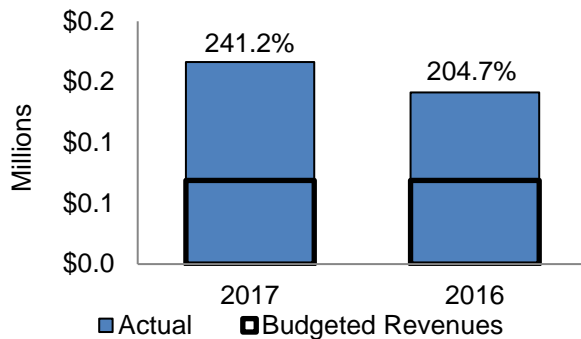
Annual Recreation Revenue by Program Area 2010 - 2017*

Year	Gen Rec		Pool	Pool % of Total	Facility Rentals	Facility Rental % of Total	Total Revenue
	General Recreation*	% of Total					
2010	\$605,810	43.4%	\$367,554	26.3%	\$421,965	30.2%	\$1,395,329
2011	\$637,929	43.5%	\$374,828	25.6%	\$453,393	30.9%	\$1,466,150
2012	\$622,996	43.6%	\$367,770	25.8%	\$436,651	30.6%	\$1,427,417
2013	\$635,767	43.7%	\$342,378	23.5%	\$477,255	32.8%	\$1,455,400
2014	\$681,718	45.5%	\$371,070	24.8%	\$444,438	29.7%	\$1,497,226
2015	\$786,083	47.0%	\$395,462	23.7%	\$490,506	29.3%	\$1,672,051
2016	\$829,494	52.5%	\$237,256	15.0%	\$512,092	32.4%	\$1,578,842
2017	\$852,072	49.2%	\$370,920	21.4%	\$508,922	29.4%	\$1,731,913

* Excludes non-program revenue such as cell tower rental fees and special event sponsorships.

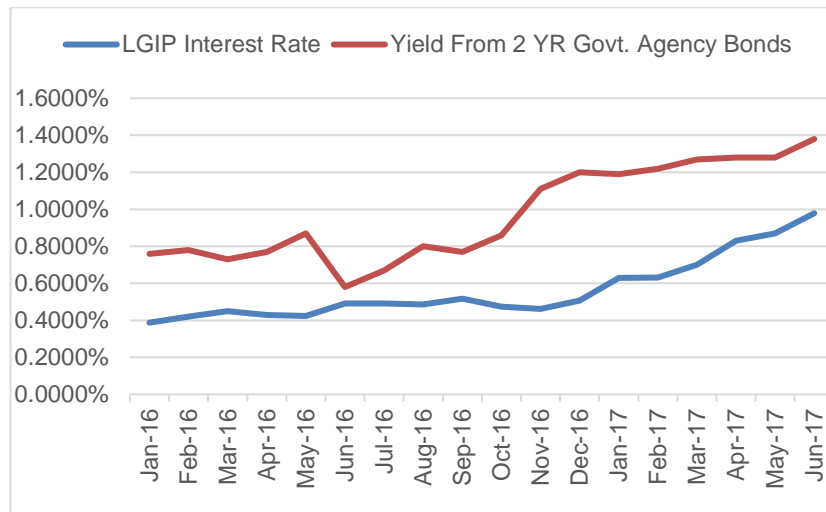
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2017 Current Budget		\$69,000
2017 Fourth Quarter Actual Revenue		\$166,443
2017 % of Current Budget Received		241.2%
2016 Current Budget		\$69,000
2016 Fourth Quarter Actual Revenue		\$141,271
2016 % of Current Budget Received		204.7%
2017 v. 2016 \$ Change		\$25,172
2017 v. 2016 % Change	↑	17.8%

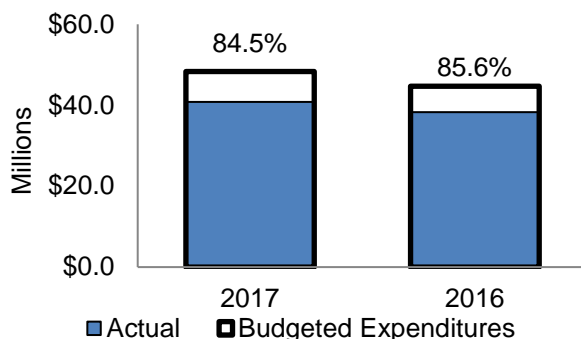
Investment earnings are more than the year-ago level by 17.8%. The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.



Month	LGIP Interest Rate	Bond Investment Yield
Jan-16	0.3874%	0.7600%
Feb-16	0.4201%	0.7800%
Mar-16	0.4488%	0.7300%
Apr-16	0.4287%	0.7700%
May-16	0.4242%	0.8700%
Jun-16	0.4907%	0.5800%
Jul-16	0.4912%	0.6700%
Aug-16	0.4851%	0.8000%
Sep-16	0.5167%	0.7700%
Oct-16	0.4736%	0.8600%
Nov-16	0.4621%	1.1100%
Dec-16	0.5067%	1.2000%
Jan-17	0.6303%	1.1900%
Feb-17	0.6312%	1.2200%
Mar-17	0.7010%	1.2700%
Apr-17	0.8299%	1.2800%
May-17	0.8694%	1.2800%
Jun-17	0.9786%	1.3800%
Jul-17	1.0733%	1.3400%
Aug-17	1.1107%	1.3300%
Sep-17	1.1290%	1.4700%
Oct-17	1.1385%	1.6000%
Nov-17	1.1573%	1.7800%
Dec-17	1.2740%	1.8900%
24 Mo. Ave.	0.7108%	1.1221%

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



2017 Current Budget	\$48,303,300
2017 Fourth Quarter Actual Expenditures	\$40,820,696
2017 % of Current Budget Expended	84.5%
2016 Current Budget	\$44,707,322
2016 Fourth Quarter Actual Expenditures	\$38,252,038
2016 % of Current Budget Expended	85.6%
2017 v. 2016 \$ Change	\$2,568,657
2017 v. 2016 % Change	6.7%

Departments spent \$37,245,796, or 86.2% of the Current Budget excluding transfers out. In dollars, this level is 6.0% more than the year-ago level but 8.7% less than the revised projection of \$40,784,666. Delays and other unanticipated issues resulted in 2017 expenditures being less than projected. Some operating programs and projects that were in progress in 2017 will be completed in 2018. Staff requested a re-appropriation of \$1,837,712 to pay expenditures incurred, or complete projects initiated, in 2017. Without these delays or with completion of these projects, departments would have spent 90.5% of the current budget excluding transfers out, which would have been 6.3% more than the year-ago level but 4.2% less than the revised projection.

The General Fund transferred \$3,456,002, or 67.6%, of its budgeted support to other funds. This level is \$156,366, or 4.7%, more than the year-ago level and 6.6% more than the revised projection. The revised projection included delays of the following General Fund transfers until 2018 per the 2018-2023 Capital Improvement Plan (CIP):

- General Capital Fund:
 - Police Station at City Hall: \$1,000,000 of \$1,782,796
- Roads Capital Fund:
 - Trail Along the Rail: \$100,000 of \$275,000
 - 147th/148th Non-Motorized Bridge: \$150,000 of \$350,000
 - 185th Corridor Study: \$406,814 of \$556,814
 - 160th & Greenwood/Innis Arden: \$105,000 of \$125,000
 - Westminster & 155th Improvements: \$0 of \$291,419

The transfer supporting the Police Station at City Hall project of \$1,000,000 that was delayed until 2018 was actually needed in 2017; therefore, that appropriation in 2018 will be reduced through staff's 2017 re-appropriation request. In addition, staff requested a re-appropriation for the remaining balance of the following transfers to be made in 2017 per the 2018-2023 CIP that were not made in 2017:

- Roads Capital Fund:
 - Trail Along the Rail: \$113,030 (64.6% of the remaining \$175,000)
 - 147th/148th Non-Motorized Bridge: \$199,945 (99.97% of the remaining \$200,000)
 - 185th Corridor Study: \$140,691 (93.8% of the remaining \$150,000)
 - 160th & Greenwood/Innis Arden: \$0 (% of the remaining \$25,000)
 - Westminster & 155th Improvements: \$273,436 (93.8% of the remaining \$291,419)

The year-over-year increase in Citywide is largely due to the transition costs consisting of the physical move of staff, purchase of new hardware, and preparation of various regulatory, guidance, and policy documents required for operation of the Ronald Wastewater District. Another significant item worth mentioning is that jail housing and work release day costs were 38% more in 2017 than those for 2016 given a 33% increase in the number of billed days. Costs were less than those for 2015 and 2014 by 3% and 12%, respectively, given increases in billed of 6% and 17%, respectively. The City has used 8,314 jail beds, or an average of 22.8 beds per day, at Yakima County Jail. Housing those inmates at Yakima rather than SCORE, less the 92 unused beds at SCORE, saved the City \$465,524. Please note that the table below does not reflect the discussion above due to the timing of billing.

EXPENDITURE ANALYSIS:

Total expenditures including transfers out, representing expenditure of 84.5% of the current budget are 6.7% more than the year-ago level but 7.5% less than the revised projection. Including the re-appropriation discussed above, total expenditures would have represented expenditure of 88.1% of the current budget and been 6.1% more than the year-ago level and 3.6% less than the revised projection.

Department	2017 Current Budget	2017 Fourth Quarter Actual Expenditures	2017 % of Current Budget Expended	2016 Current Budget	2016 Fourth Quarter Actual Expenditures	2016 % of Current Budget Expended	2017 v. 2016 \$ Change	2017 v. 2016 % Change
City Council	\$247,942	\$232,857	93.9%	\$231,968	\$221,571	95.5%	\$11,286	5.1%
City Manager's Office ¹	\$3,827,536	\$2,870,306	75.0%	\$2,793,451	\$2,492,017	89.2%	\$378,289	15.2%
City Attorney	\$825,590	\$826,688	100.1%	\$672,674	\$672,249	99.9%	\$154,439	23.0%
Community Services ²	\$1,641,211	\$1,573,771	95.9%	\$1,694,800	\$1,592,878	94.0%	-\$19,107	-1.2%
Administrative Services ³	\$5,862,899	\$4,312,425	73.6%	\$5,167,348	\$4,445,071	86.0%	-\$132,646	-3.0%
Citywide	\$2,307,160	\$1,109,809	48.1%	\$1,869,299	\$884,228	47.3%	\$225,581	25.5%
Human Resources	\$471,496	\$451,664	95.8%	\$454,488	\$458,345	100.8%	-\$6,681	-1.5%
Police	\$12,141,260	\$11,186,563	92.1%	\$11,951,743	\$11,198,365	93.7%	-\$11,803	-0.1%
Criminal Justice	\$3,068,384	\$2,841,598	92.6%	\$3,190,826	\$2,314,245	72.5%	\$527,353	22.8%
Parks	\$6,298,747	\$5,967,427	94.7%	\$5,756,010	\$5,290,516	91.9%	\$676,912	12.8%
Planning & Comm. Dev.	\$3,182,400	\$2,900,172	91.1%	\$2,976,763	\$2,694,418	90.5%	\$205,755	7.6%
Public Works	\$3,313,213	\$2,972,517	89.7%	\$3,063,586	\$2,886,734	94.2%	\$85,783	3.0%
Departmental Expenditures	\$43,187,838	\$37,245,796	86.2%	\$39,822,956	\$35,150,635	88.3%	\$2,095,161	6.0%
Operating Transfers Out	\$5,115,462	\$3,574,900	69.9%	\$4,884,366	\$3,101,403	63.5%	\$473,497	15.3%
Total Expenditures	\$48,303,300	\$40,820,696	84.5%	\$44,707,322	\$38,252,038	85.6%	\$2,568,657	6.7%

Department	2017 Current Budget	2017 Fourth Quarter Actual + Carryover Expenditures	2017 % of Current Budget Expended	2016 Current Budget	2016 Fourth Quarter Actual Expenditures	2016 % of Current Budget Expended	2017 v. 2016 \$ Change	2017 v. 2016 % Change
Departmental Expenditures	\$43,187,838	\$39,083,508	90.5%	\$39,822,956	\$36,783,190	92.4%	\$2,300,318	6.3%
Operating Transfers Out	\$5,115,462	\$3,456,002	67.6%	\$4,884,366	\$3,299,636	67.6%	\$156,366	4.7%
Total Expenditures	\$48,303,300	\$42,539,510	88.1%	\$44,707,322	\$40,082,826	89.7%	\$2,456,683	6.1%

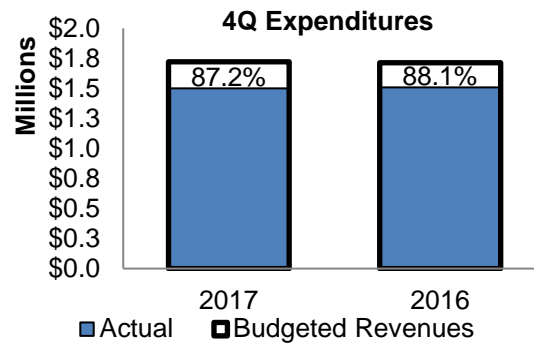
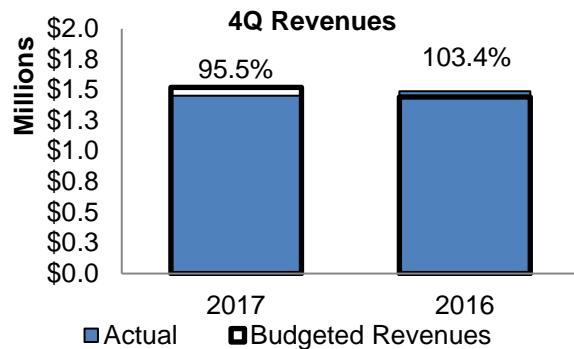
1. City Manager's Office includes City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management.

2. Community Services includes Neighborhoods, Customer Response Team, Emergency Management Planning, and Human Services.

3. Administrative Services includes Finance, Budget, Purchasing, Information Systems, and Fleet & Facilities.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND



	Revenue	Expenditures
2017 Budgeted Use of Fund Balance	\$200,260	N/A
2017 Budget	\$1,521,225	\$1,721,485
2017 Fourth Quarter Actual	\$1,453,454	\$1,500,895
2017 % of Current Budget*	95.5%	87.2%
2016 Current Budget	\$1,442,468	\$1,713,773
2016 Fourth Quarter Actual	\$1,491,050	\$1,508,989
2016 % of Current Budget*	103.4%	88.1%
2017 v. 2016 \$ Variance	-\$37,596	-\$8,094
2017 v. 2016 % Variance	-2.5%	-0.5%

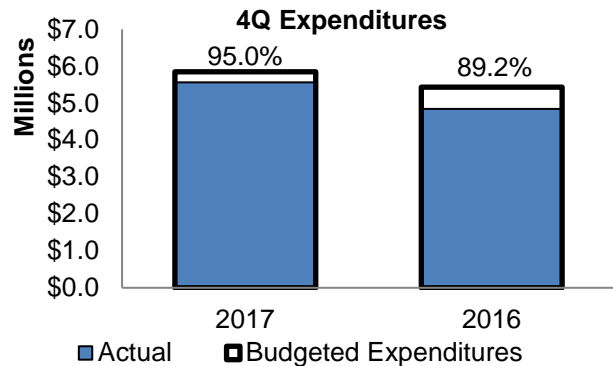
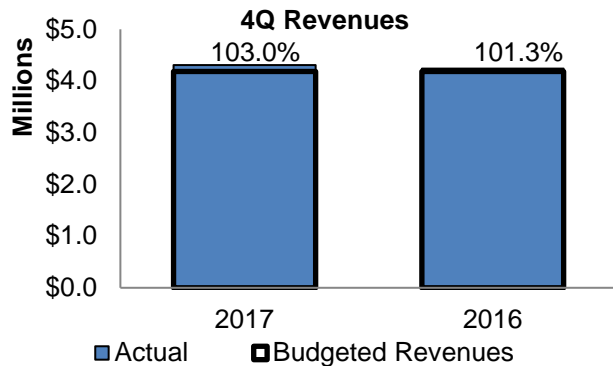
*Current Budget for Revenues is calculated by excluding Budgeted Use of Fund Balance.

Receipts, including transfers in, through December totaled \$1,453,454 and are \$37,596, or 2.5%, less than the year-ago level. This decrease is mainly attributable to a reduced need for a budget transfer for support from the General Fund in 2017, which occurred in full in 2016. Motor vehicle fuel tax revenue receipts for the fourth quarter of 2017 are \$1,190,925, 1.2%, more than the year-ago level. Fuel tax revenue receipts for 2016 ended 5.1% less the budget amount and ended 4.3% below 2017 revised projections.

Expenditures, including transfers out, through December totaled \$1,500,895 and are \$8,094, or 0.5%, less than the year-ago level.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

SURFACE WATER UTILITY FUND



	Revenue	Expenditure
2017 Budgeted Use of Fund Balance	\$1,544,629	N/A
2017 Budget	\$4,184,519	\$5,850,151
2017 Fourth Quarter Actual	\$4,308,638	\$5,559,910
2017 % of Current Budget*	103.0%	95.0%
2016 Current Budget	\$7,356,193	\$5,431,075
2016 Fourth Quarter Actual	\$4,237,264	\$4,846,860
2016 % of Current Budget*	101.3%	89.2%
2017 v. 2016 \$ Variance	\$71,374	\$713,050
2017 v. 2016 % Variance	1.7%	14.7%

*Current Budget for Revenues is calculated by excluding Budgeted Use of Fund Balance.

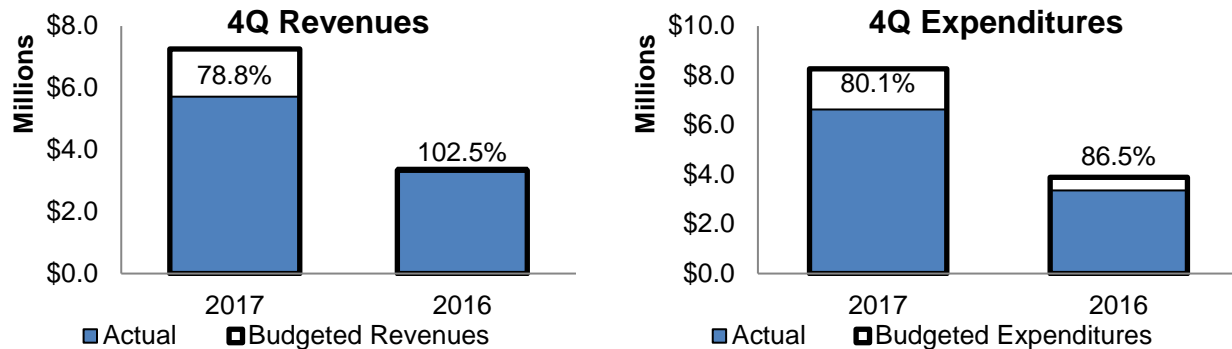
The Surface Water Utility Fund (SWM) includes on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Receipts through December, in the amount of \$4,308,638, are \$71,374 or 1.7%, more than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$4,183,085 and are \$202,576, or 5.1%, more than the year-ago level. Total receipts were 3.0% higher than revised year-end projections presented in the 2018-2023 Capital Improvement Plan (CIP).

Total expenditures, including transfers out, through December totaled \$5,559,910 and are \$713,050, or 14.7%, more than the year-ago level. Expenditure differences between the current year and previous year are impacted by the timing of construction schedules. Additionally, capital projects are \$575,623, or 35.5%, more than the year-ago level. Expenditure differences between the current year and previous year are impacted by the timing of construction schedules, which are addressed through the 2018-2023 CIP and re-appropriations requests. SWM Operations expenditures in 2017 total \$2,719,444, which was \$189,405, or 7.5% more than year-ago levels.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

GENERAL CAPITAL FUND



	Revenue	Expenditure
2017 Budgeted Use of Fund Balance	\$2,532,527	N/A
2017 Budget	\$7,256,385	\$8,272,419
2017 Fourth Quarter Actual	\$5,718,816	\$6,626,993
2017 % of Current Budget*	78.8%	80.1%
2016 Current Budget	\$3,334,865	\$3,889,399
2016 Fourth Quarter Actual	\$3,418,999	\$3,365,020
2016 % of Current Budget*	102.5%	86.5%
2017 v. 2016 \$ Variance	\$2,299,817	\$3,261,973
2017 v. 2016 % Variance	67.3%	96.9%

*Current Budget for Revenues is calculated by excluding Budgeted Use of Fund Balance.

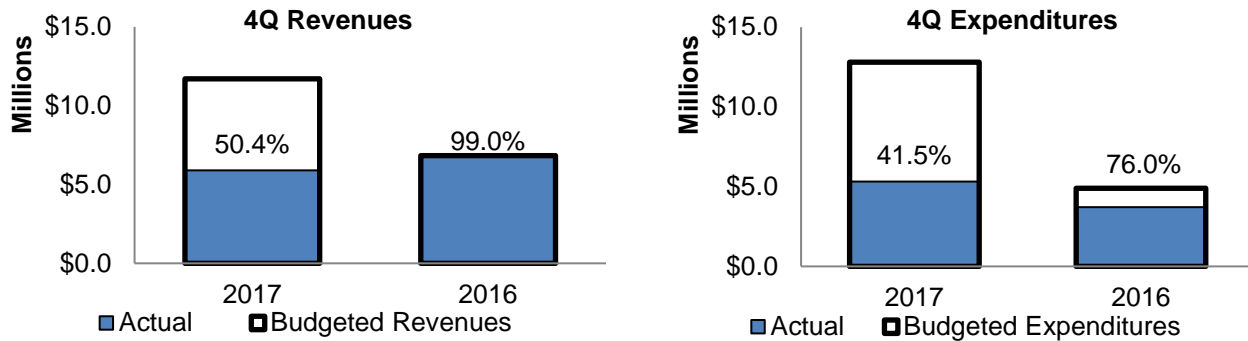
Receipts through December, in the amount of \$5,718,816, are \$2,299,817, or 67.3%, more than the year-ago level. This year-over-year change is mainly attributable to a budgeted transfer to the General Capital Fund from the General Fund for capital projects (e.g. Police Station at City Hall). Total receipts were 21.2% less than revised year end projections presented in the 2018-2023 Capital Improvement Plan (CIP).

Expenditures, including transfers out, through December, totaled \$6,626,993, and are \$3,261,973, or 96.9%, more than the same period in 2016. Total expenditures were 19.9% less than the revised projections presented in the 2018-2023 CIP.

Expenditures and revenues are impacted by the timing of construction schedules, which are addressed through the 2018-2023 CIP and re-appropriations requests.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

ROADS CAPITAL FUND



	Revenue	Expenditures
2017 Budgeted Use of Fund Balance	\$2,606,630	N/A
2017 Budget	\$11,696,387	\$12,812,122
2017 Fourth Quarter Actual	\$5,900,083	\$5,314,099
2017 % of Current Budget*	50.4%	41.5%
2016 Current Budget	\$6,822,545	\$4,893,774
2016 Fourth Quarter Actual	\$6,753,746	\$3,720,119
2016 % of Current Budget*	99.0%	76.0%
2017 v. 2016 \$ Variance	-\$853,663	\$1,593,980
2017 v. 2016 % Variance	-12.6%	42.8%

*Current Budget for Revenues is calculated by excluding Budgeted Use of Fund Balance

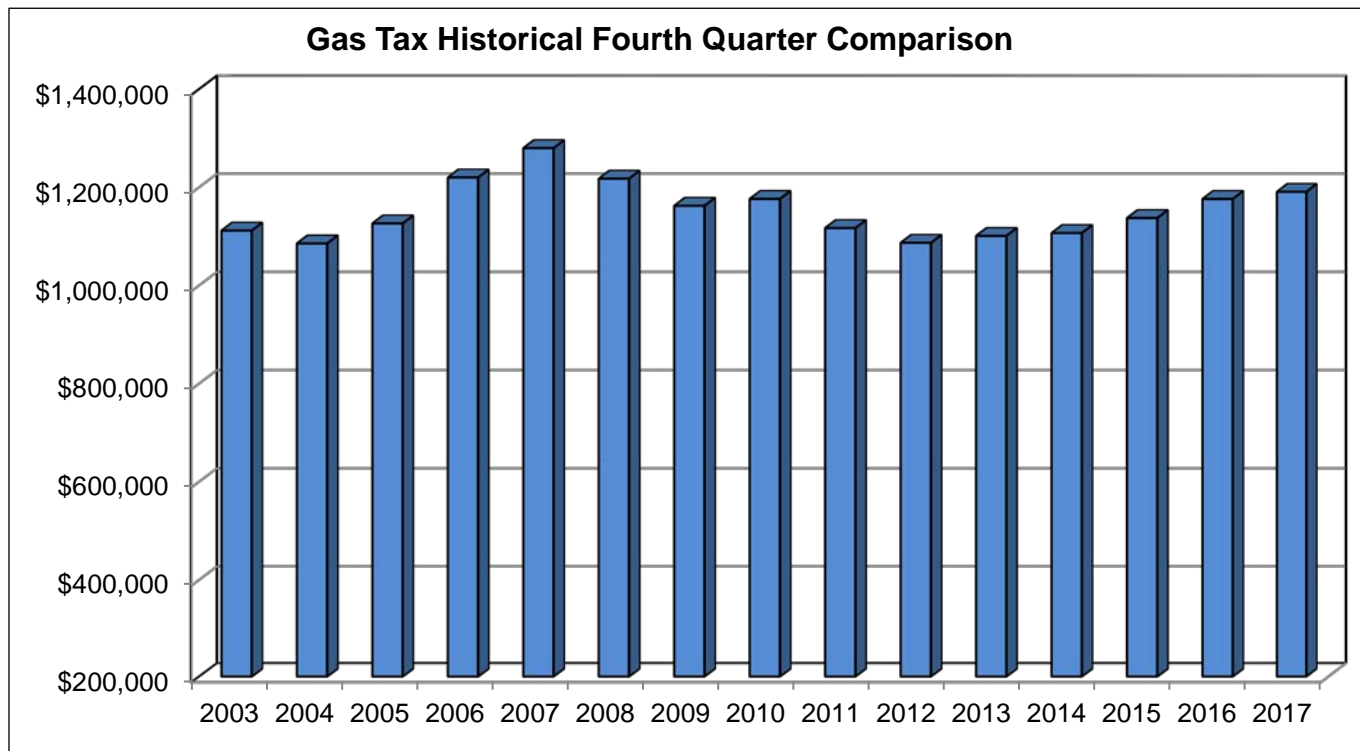
Receipts through December, in the amount of \$5,900,083, are \$853,663, or 12.6%, less than the year-ago level. Total receipts are 49.6% less than revised projections presented in the 2018-2023 Capital Improvement Plan (CIP).

Expenditures through December, in the amount of \$5,314,099, are \$1,593,980, or 42.8%, more than the year-ago level. Total expenditures are 58.5% less than revised projections presented in the 2018-2023 CIP.

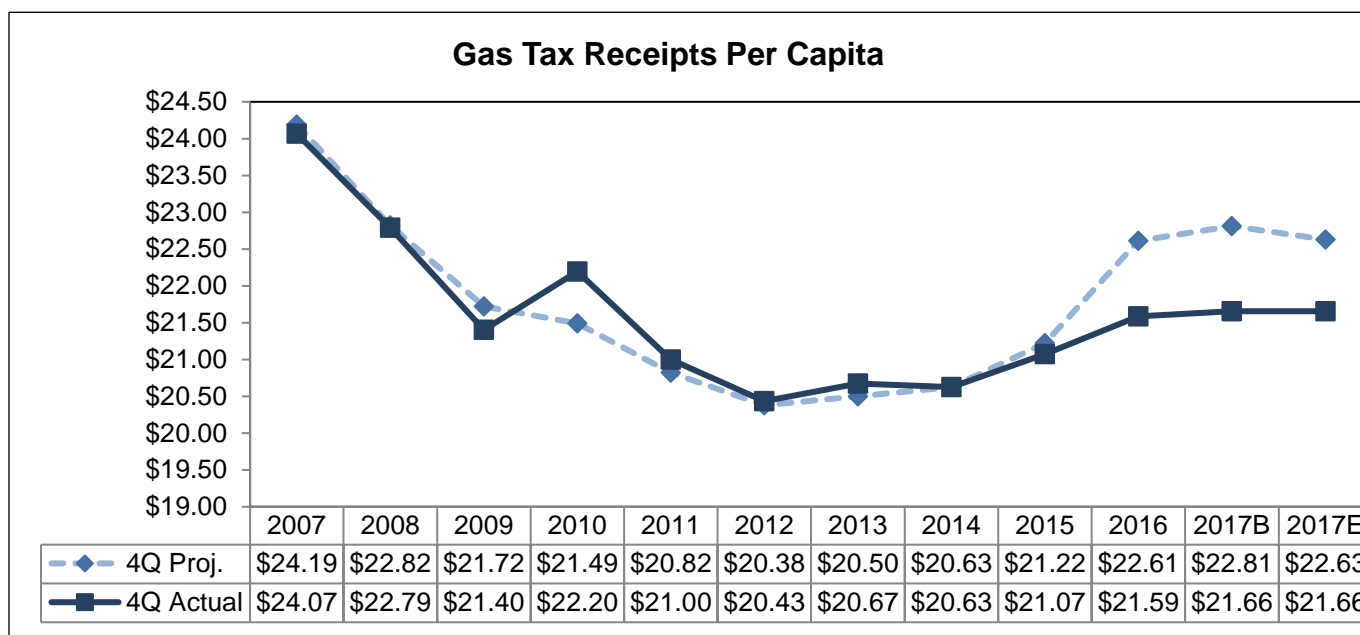
As with the other capital funds, expenditures and revenues are impacted by the timing of construction schedules, which are addressed through the 2018-2023 CIP and re-appropriations requests. Several projects, such as the 145th interchange and 145th Corridor, spent significantly less than was projected during the capital budget process. The funds are being carried over to keep the projects whole and the 2019-2024 CIP will better reflect the distribution of expenditures.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND FUEL TAX

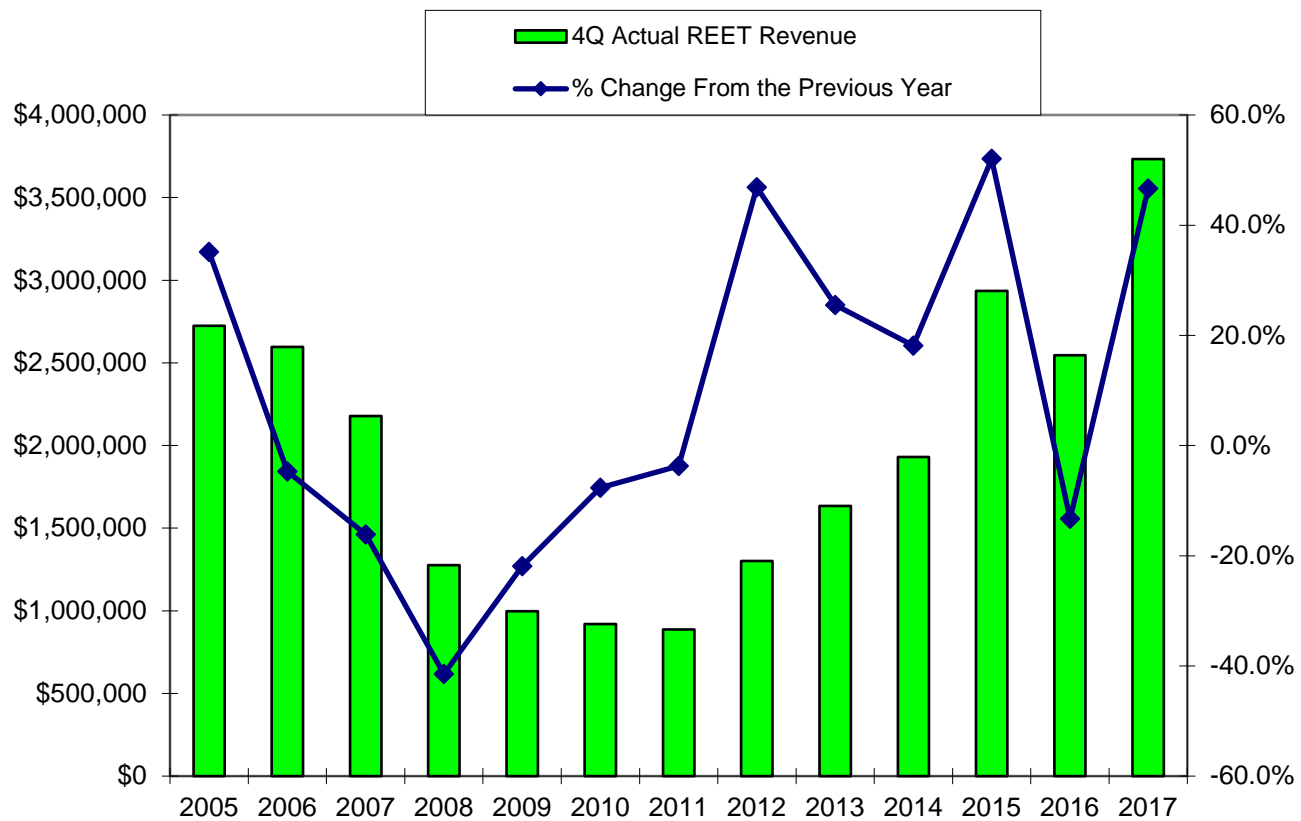


The Motor Vehicle Fuel Excise Tax, commonly referred to as Gas Tax, is levied by the State on a per gallon basis, distributed monthly on a per capita basis to the City of Shoreline, and placed in the Street Fund. As noted on the prior page, Fuel Tax revenue receipts through December totaled \$1,190,925 and are \$14,436, or 1.2%, more than the year-ago level.



OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

REAL ESTATE EXCISE TAX (REET)



Real Estate Excise Tax (REET) revenue receipts through December totaled \$3,733,225 and are \$1,187,735, or 46.7%, more than receipts for the same period in 2016. The increase is largely attributable to an increase number of transactions of properties over \$1 million.

REET collections collected 56.1% over the adopted budgeted amount for 2017 (split between the General Capital Fund and Roads Capital Fund).

INVESTMENT REPORT December 31, 2017

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the current yield to maturity of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of December 31, 2017, the City's investment portfolio, excluding the State Investment Pool had a current weighted average rate of return of 1.4916%. This is slightly better than the State Investment Pool's current rate of return of 1.2740%.

Total annual investment interest earnings through December 31, 2017 were \$322,506 which is 146% of total budgeted 2017 investment earnings of \$221,213. There are two reasons for the improved investment earnings: (1) the interest rate was going up slowly, the interest rate for the State Investment Pool was 1.274% on December 31, 2017 and it was 0.5067% on December 2016; and (2) the City has replaced its \$17.1M deposits in OpusBank with higher yield U.S. government instrumentality securities.

As of December 31, 2017, the City's investment portfolio had a fair value of nearly \$35.43 million. Approximately 71% of the investment portfolio was held in U.S. government instrumentality securities, and 29% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of December 31, 2017 was slightly over \$35.52 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances December 31, 2017

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 12/31/2017
FHLMC 1.25	313379DT3	PiperJaffray	06/21/17	06/08/18	5,205,000	5,204,480	1.2600%	-6,959	5,197,520
FHLMC 1.2	3134G3ZK9	Financial Northwestern	07/10/17	07/30/18	2,000,000	1,998,500	1.2716%	-4,196	1,994,304
FICO STRIP PRIN SER D-P	31771KAH0	Time Value Investment	09/29/15	08/03/18	1,500,000	1,456,388	1.0400%	28,104	1,484,492
FFCB 1.09	3133EFFL6	Time Value Investment	09/29/15	09/28/18	500,000	500,000	1.0900%	-2,584	497,416
FFCB 1.375	3133EFSW8	Alamo Capital	12/21/15	12/21/18	1,000,000	999,000	1.3750%	-4,308	994,692
FHLB 1.18	3134G8L80	PiperJaffray	11/10/17	02/19/19	2,000,000	1,988,820	1.6243%	-4,524	1,984,296
FNMA 1.250	3136G3EA9	Financial Northwestern	03/29/16	03/29/19	1,000,000	999,500	1.2500%	-7,773	991,727
FFCB 1.18	3133EGPD1	PiperJaffray	11/08/17	08/01/19	2,000,000	1,983,300	1.6712%	-8,392	1,974,908
FHLB 1.55	3130ACJ88	First Empire	11/02/17	09/27/19	2,000,000	1,996,626	1.6400%	-9,732	1,986,894
FNMA 1.250	3136G4AP8	PiperJaffray	12/31/16	09/30/19	2,000,000	2,000,000	1.2500%	-30,222	1,969,778
FHLMC 1.0	3134GBEB4	First Empire	03/31/17	03/27/20	1,000,000	999,700	1.7000%	-7,153	992,547
FHLMC 1.75	3134GBYR7	Multi-Bank Security	07/27/17	07/27/20	1,000,000	1,000,350	1.7145%	-8,828	991,522
FNMA 1.875	3136G4QF3	Time Value Investment	10/30/17	10/30/20	2,000,000	1,999,680	1.8805%	-16,760	1,982,920
FHLB 2	3030ACU36	Time Value Investment	12/11/17	12/11/20	1,000,000	997,684	2.0800%	-2,723	994,961
FHLB 2.125	3130ACZD9	Financial Northwestern	12/29/17	12/29/20	1,000,000	1,000,000	2.1250%	-1,695	998,305
Sub Total					25,205,000	25,124,027		-87,745	25,036,282
State Investment Pool						10,393,303	1.2740%		10,393,303
Total LGIP + Investments						\$35,517,330		-\$87,745	\$35,429,585

Current Average Maturity Excluding the State Investment Pool (days) 517

Current Weighted Average Yield to Maturity Excluding the State Pool 1.4916%

Current Yield to Maturity State Investment Pool 1.2740%

Basis Points in Excess (Below) Benchmark 22

Portfolio Diversification

Instrument Type	Percentage	Amount at Cost	Amount at Market Value	Broker	Percentage	Amount at Cost	Amount at Market Value
FFCB	9.8%	\$3,482,300	\$3,467,016	Alamo Capital	2.8%	\$999,000	\$994,692
FHLB	16.8%	5,983,130	5,964,456	Financial Northwestern	11.3%	3,998,000	3,984,336
FHLMC	25.9%	9,203,030	9,175,893	First Empire	8.4%	2,996,326	2,979,441
FNMA	14.0%	4,999,180	4,944,425	Time Value Investment	13.9%	4,953,752	4,959,789
FICO STRIP PRIN SER D-P	4.2%	1,456,388	1,484,492	PiperJaffray	31.5%	11,176,600	11,126,502
				Multi-Bank Security	2.8%	1,000,350	991,522
State Investment Pool	29.3%	10,393,303	10,393,303	State Investment Pool	29.3%	10,393,303	10,393,303
Total LGIP + Investments	100%	\$35,517,330	\$35,429,585	Total LGIP + Investments	100%	\$35,517,330	\$35,429,585

Investments by Fund

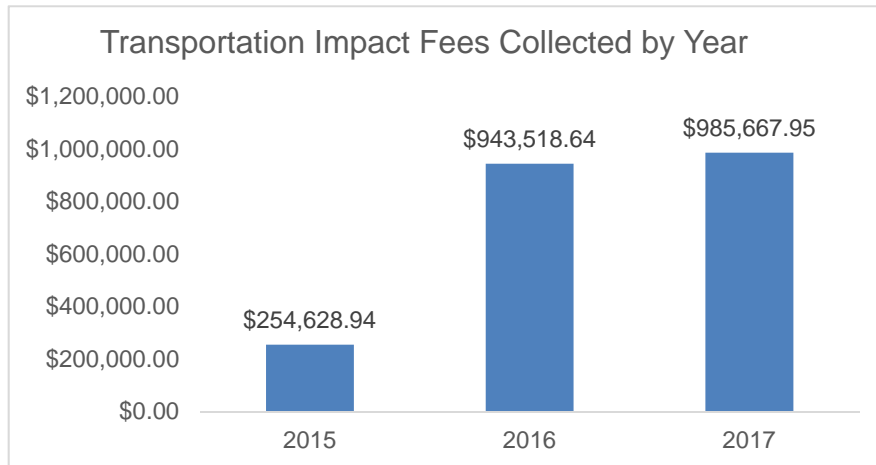
Fund	Investments at Cost as of 12/31/2017	LGIP State Investment Pool as of 12/31/2017	Total LGIP + Investments at Cost by Fund as of 12/31/2017	Unrecognized Gain/(Loss) as of 12/31/2017	Total Market Value of Investments by Fund as of 12/31/2017	2017 Budgeted Investment Earnings	2017 Actual Investment Earnings	Over/(Under) Budget
001 General	\$10,433,683	\$3,803,787	\$14,237,469	-\$36,439	\$14,201,030	\$69,000	\$166,443	\$97,443
101 Street	702,527	256,119	958,646	-2,454	956,193	2,500	8,793	6,293
107 Code Abatement	244,303	89,065	333,368	-853	332,515	550	4,344	3,794
108 Asset Seizure	0	0	0	0	0	0	1,518	1,518
109 Public Arts	207,111	75,506	282,616	-723	281,893	0	2,495	2,495
112 Federal Drug Enforcement	48,907	17,830	66,737	-171	66,566	200	2,317	2,117
116 Federal Criminal Forfeiture	0	0	0	0	0	1,500	5,297	3,797
117 Transportation Impact Mitigation	1,216,597	443,533	1,660,130	-4,249	1,655,881	0	17,419	17,419
190 Revenue Stabilization	3,641,241	1,327,480	4,968,721	-12,717	4,956,004	0	0	0
301 General Capital	869,684	1,550,946	2,420,630	-3,037	2,417,593	35,987	19,065	-16,922
312 City Facility-Major Maintenance	74,109	27,018	101,126	-259	100,867	12	856	844
330 Roads Capital	3,591,240	1,309,251	4,900,491	-12,542	4,887,949	61,690	43,131	-18,559
331 Transportation Benefit District	516,399	188,263	704,662	-1,804	702,858	0	5,515	5,515
401 Surface Water Utility	1,429,420	521,121	1,950,541	-4,992	1,945,548	41,774	21,367	-20,407
405 Wastewater Utility	246,038	89,698	335,735	-859	334,876	0	463	463
501 Vehicle Operations and Maintenance	223,066	81,323	304,389	-779	303,610	0	3,488	3,488
503 Equipment Replacement	1,628,811	593,812	2,222,623	-5,689	2,216,934	8,000	19,366	11,366
505 Unemployment	50,892	18,554	69,445	-178	69,268	0	629	629
Total Investments	\$25,124,027	\$10,393,303	\$35,517,330	-\$87,745	\$35,429,585	\$221,213	\$322,506	\$101,293

TRANSPORTATION IMPACT FEES (TIF) 2017 ANNUAL FINANCIAL REPORT

Chapter 3.80 of the City of Shoreline's municipal code establishes impact fees for transportation. The following annual report provides information and data on the amount of Transportation Impact fees collected, earned or received and the transportation improvements that were financed in whole or in part by these impact fees, as required by article 3.80.100.

1. Transportation Impact Fees Collected

In 2017, the City collected \$985,667.95 in Transportation Impact Fees. The table below depicts TIF revenue collections from 2015-2017.



2. Transportation Impact Fees Utilized

As of January 1, 2018 no Transportation Impact Fees have been utilized to finance any transportation improvements. The table below provides information on projects that are expected to be financed in whole or in part by Transportation Impact Fees in 2018.

Projects to be financed by TIF based on 2018-2023 CIP:

Growth Project	Estimated TIF Funding
N 175 th (Stone Way to I-5)	\$533,500

Additional TIF revenue will be used for Right of Way and Construction phases of the N 175th project. The 2019-2024 TIP and CIP will further program this revenue source.

TRANSPORTATION IMPACT FEES (TIF) 2017 ANNUAL FINANCIAL REPORT

3. Transportation Impact Fee Exemptions

The following table provides information on projects that have been exempted of all transportation impact fees.

Transportation Impact Fee Exemptions				
Permit #	Name	Year	Amount	Category
125831	Walgreens	2016	\$2,938.17	Pharmacy/drugstores
124972	Starbuck's Parcel 6	2016	\$129,083.64	Coffee/donut shop
125727	Dr. Spain	2016	\$19,417.92	Medical/dental office (medical office)
123511	Hopelink	2016	\$25,638.82	Community Based Human Services Agency
126458	City Hall Police Station	2017	\$65,725.00	General Office
SFR 17-0442	Michele Tucker Salon	2017	\$1,292.72	General Retail and Personal Services (includes shopping center)
COM17-0273	Hamlin Park Building Mod	2017	\$21,820.70	General Office
COM17-0587	One Cup Coffee Drive Through	2017	\$3,575.52	Coffee/donut shop
125711	Health Lab	2016	\$4,622.40	Light Industrial
COM17-0037	Ballinger Storage	2017	\$6,827.22	General Office
COM17-1604	Wilson Vet	2017	\$38,832.10	Medical Dental Office
COM17-1613	Dr Abano	2017	\$12,444.00	Medical Dental Office
		Total	\$332,218.21	

Per SMC 3.80.070 Exemptions, the amount of impact fees not collected from Community-Based Human Services Agencies and Business Exemptions shall be paid from public funds other than the impact fee account.

Summary of other public funds:

Growth Project	Source of other public funds	Amount
N175th (Stone Way to I-5)	STP- federal funds	\$3,546,500