

DRAFT

CITY OF SHORELINE

SHORELINE CITY COUNCIL

SUMMARY MINUTES OF WORKSHOP MEETING

Monday, September 16, 2002
6:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Jepsen, Deputy Mayor Grossman, Councilmembers Gustafson, Montgomery and Ransom

ABSENT: Councilmembers Chang and Hansen

1. CALL TO ORDER

The meeting was called to order at 6:30 p.m. by Mayor Jepsen, who presided.

2. FLAG SALUTE/ROLL CALL

Mayor Jepsen led the flag salute. Upon roll call by the City Clerk, Mayor Jepsen, Deputy Mayor Grossman and Councilmember Montgomery were present. Councilmembers Gustafson and Ransom arrived shortly thereafter.

3. CITY MANAGER'S REPORT AND FUTURE AGENDAS

City Manager Steve Burkett suggested cancellation of the October 7th workshop, noting consolidation of workshop items. He also noted that there will be no meeting on September 30th, as it is a fifth Monday.

- (a) Recap of Grant Application Presentation to Interagency Committee for Outdoor Recreation for Aurora Avenue Pedestrian Overcrossing

Mr. Burkett said the grant, which leverages the City's \$267,000 into over \$3 million in project funds, was the result of efforts by Wendy Barry, Bethany Wolbrecht-Dunn, Jay Clark, and Taki Oso. He noted that the grant money is not guaranteed until the state legislature appropriates the funds.

Bethany Wolbrecht-Dunn, Grants Manager, reviewed the presentation made by Wendy Barry, Parks, Recreation and Cultural Services Director, to the Interagency Committee for Outdoor Recreation (IAC) for funding of the overcrossing for the Interurban Trail. She explained the application process, which included a Powerpoint presentation before

the trails committee and experts. The application process required answers to 11 questions relating to need, project design, trail and community linkages, water access and views, scenic values, wildlife connectivity, project support, and cost efficiencies. Each question was scored based on a definite set of criteria. Shoreline's proposal was rated the highest of the 18 presentations made.

Councilmember Gustafson described the difficulty of obtaining grant funds from the IAC and thanked staff for their time and effort in achieving a first place ranking.

Councilmember Ransom concurred and asked if the \$3.3 million Interurban Trail bridge estimate could change due to lack of a formal design.

Ms. Wolbrecht-Dunn said the best estimate is \$3,634,292, a figure provided by the engineering firm working on the Interurban Trail Project. She noted the estimate reflects a potential budget shortfall of approximately \$250,000. Mr. Burkett assured Council that the City can build the bridge despite the potential budget deficit.

Mayor Jepsen commended staff for its ability to leverage funds on many occasions.

Upon motion by Deputy Mayor Grossman, seconded by Councilmember Montgomery and unanimously carried, Councilmembers Chang and Hansen were excused.

4. COUNCIL REPORTS

Councilmember Ransom mentioned problems with individuals taking down campaign signs. He said the public needs to be aware that it is not an individual's right to remove signs legitimately located in the public right-of-way.

Responding to Councilmember Ransom, Ian Sievers, City Attorney, said political signs have been allowed in the public right-of-way since the adoption of Title 20, although the current policy reflects some outdated code sections. He said the policy permits signs as long as they do not obstruct views for pedestrians or vehicles. He noted that the City is correcting code references in policy, but since campaign signs are legally permitted in the right-of way, it is unlawful for people to remove them.

Councilmember Montgomery encouraged participation in the Association of Washington Cities' "Walk Across Washington," which will cross the City of Shoreline on October 4th.

Mayor Jepsen reported on the Northend Mayors meeting. Discussion focused on the implications and opportunities of breaking away from Seattle in the Seashore Forum due to a growing frustration with a loss of bus hours to the Seattle segment. He then discussed the need to collaborate with King County in approaching the state legislature regarding the future of city and county funding and potential shortfalls. He reported that the AWC and the county will discuss the issue at the next Suburban Cities Association meeting.

5. WORKSHOP ITEMS**(a) 2003 Budget Development Update**

Mr. Burkett said the purpose of this item is to update Council on the proposed 2003 budget and financial planning through 2008. He noted that although the City has been able to balance the 2003 budget without increasing taxes, the recession and statewide revenue reductions may negatively impact the City's budget in future years.

Debra Tarry, Finance Director, reviewed the proposed budget adoption calendar, the status of the preliminary 2003 budget, the development of the 2003 base budget, outside factors that are impacting the City's budget, financial policy issues, possible service level changes, long-term financial projections (2003-2008), and other potential impacts on the 2003 budget. Her presentation included the following points:

- The preliminary contract for police services is \$200,000 less than originally anticipated due to changes in health insurance and labor cost stability. The contract only grows about 3% compared to the 2002 budget, which reflects the lowest growth rate since contract inception. This not only eliminates the 2003 budget deficit but creates \$45,000 in unbudgeted available resources.
- The following outside factors are anticipated to have a negative effect on revenues: I-747, which limits property tax growth to 1%; loss of I-695 backfill funds; decreased interest earnings resulting from interest rate reductions; stagnant sales tax growth; a slowdown in development activity; and stagnant or negative growth in state-shared revenues.
- In developing the 2003 budget, each department starts with a base budget allocation that eliminates end of year surpluses, one-time funding, projected cost savings, and capital equipment purchases.
- Adjustments are made in corresponding expenditures if grant revenue changes.
- Increases are allowed to the base budget to cover items such as utilities increases, new capital projects that may have utility impacts, contracts that have agreed-upon inflationary increases, personnel costs, and increases consistent with compensation policies/step increases.
- Based on a survey of comparable cities, the 2003 budget anticipates a 2% market adjustment tied to the Consumer Price Index.
- Health insurance premiums are expected to increase 17-18%, representing the largest increase in the 2003 budget.
- 2003 revenue projections predict property tax growth of 2% (1% anticipated levy increase, 1% new construction) and sales tax growth of 1%. The .5% growth in criminal justice sales tax did not meet projections for 2002.
- The negotiated franchise agreement with Ronald Wastewater District will result in \$350,000 in franchise revenue next year, helping to fill the gap left by the loss of I-695 backfill funding from the state.
- Gambling taxes are expected to remain flat at 2002 levels.
- Investment interest is expected to remain at 2002 levels.

DRAFT

- Council policy is to maintain adequate reserve levels and use conservative revenue projections.
- The City may recommend hiring a traffic engineer and staff support for the CIP in the 2003 budget. These costs can be funded without negatively impacting the operating budget. An increase in City Attorney staff and traffic enforcement are potential areas for service level increases.
- There are potential base budget reduction areas such as right-of-way landscape maintenance, subarea planning, the technology plan, park facilities, maintenance and vegetation control, and police canine services.
- Changes in the NERF program may effect service levels in park facilities, maintenance and vegetation control.
- Long-term revenue projections include the following: 2% annual growth in sales tax; 2% annual growth in criminal justice sales tax; 2% annual growth in utility taxes and franchise fees; 2% growth in state-shared revenues; 1-2% growth in parks fee revenue; 2% in permit revenue; and 1% in fuel tax.
- Long-term expenditure projections include the following: 4% growth in salaries/benefits; 3% growth in utility costs; 5% growth in police services contract; 4% growth in jail service costs; and 5% growth in property/liability insurance costs.
- Long-term expenditure assumptions include the following: 5% growth in King County Road Services contract; 5% growth in Parks Maintenance; 3% growth in Public Works Maintenance contracts; reduction in funding required for the Technology Plan; and 1% departmental savings.
- Long-term projections suggest that expenditures will begin outpacing revenues from 2005-2008. This is a long-term projected deficit that must be addressed.
- Factors that may impact the budget include Initiative 776, Referendum 51, timing of the economic recovery, and impacts on local services due to King County and/or State reductions.

Mr. Burkett said the projected ending fund balance for the 2002 General Fund will be around \$7 million. He stressed the importance of maintaining a "rainy day" fund and addressing the 2005 deficit problem through increased revenues, decreased expenditures, or a combination of both.

Councilmember Ransom asked whether staff had considered the opening of the Hollywood Casino in its analysis of gambling revenues. Ms. Tarry responded that she did not consider it because of her preference for conservative projections.

Mayor Jepsen asked for public comment.

(a) Elaine Phelps, Shoreline, opposed any reduction in services to the poor. She said cutting funds for the needy often means the difference between hope and desperation.

Councilmember Montgomery was encouraged by the budget reduction in the police services contract.

DRAFT

Councilmember Gustafson expressed appreciation for staff's efforts in creating a clear budget update. He expressed a preference for adequate reserve levels and conservative predictions and asked staff to clarify the anticipated 17% health insurance increases

Mr. Burkett said the City is very concerned about increases to health insurance, noting that projected health insurance cost increases total more than salary cost increases for 2003. He said although the problem is universal, the City plan is still the most cost-effective since AWC can use its pool of employers to leverage the best rates. He said the City will explore ways to reduce usage and/or minimize the impact.

Councilmember Gustafson asked if the additional revenues from the Ronald Wastewater District franchise fee represents additional costs to consumers.

Mr. Burkett said the district does not anticipate a rate increase. He explained that the City will receive an interlocal franchise fee of \$350,000 in addition to the \$200,000 in fees from former Seattle customers assumed by the Ronald Wastewater District. He said the City and the district agreed that assumption will occur in 15 years.

Councilmember Gustafson said the public should know the City will be receiving additional revenue but that no rate increase is anticipated. He then asked if the City was doing its best to generate investment income.

Ms. Tarry noted that the City currently invests within the State Investment Pool, but that investment policies should be diversified. Even with diversification, immediate improvement will be difficult given the low rate of return on long-term investments.

Responding to Councilmember Gustafson's question about why NERF costs should increase, Ms. Tarry said that NERF plans to consolidate its operation and run it from Seattle instead of Fircrest. She believed the NERF program will continue but was not exactly sure what changes would be implemented.

Councilmember Ransom expressed concern about the amount of federal and state funding for the Aurora Project, noting that such grants may be disappearing. He said Senator Murray previously mentioned some federal funding, but he heard no mention of additional funds coming this year for Aurora.

Mayor Jepsen said Senator Murray appropriated funds for the Interurban Trail; however, these funds are still subject to caucus approval.

Councilmember Ransom asked if there was anything in the federal budget designated for Highway 99. Mayor Jepsen believed there was no direct appropriation, but assumed the City would continue to pursue Intermodal Surface Transportation Efficiency Act (ISTEA) funding.

DRAFT

Mr. Burkett commented on the advantage of having Senator Murray as Chair of the Transportation Committee. He added that staff is comfortable with the proportion of projected grants for Phase 1 of the Aurora Corridor project, but the City will have to acquire more outside grants for Phases 2 and 3.

Responding to Councilmember Ransom, Mr. Burkett said that the Aurora Project would be negatively impacted if Referendum 51 passes, but it is competitive for need-based grants.

Councilmember Ransom noted another regional transportation funding measure that may be on a future ballot. Mayor Jepsen believed this would come forward no sooner than Spring 2003. He added that the issue before Council tonight is how much of the operating budget, if any, should be included in the Capital Improvement Plan (CIP) this year due to conservative budget projections.

Councilmember Ransom mentioned the large amount of money put into reserves each year, noting that deficits are not really deficits in terms of revenue against operating expenses. He said the main question is whether the City can maintain its large reserves and continue to fund all the necessary projects included in the CIP.

Responding to Ms. Phelp's comments, Deputy Mayor Grossman said Council should be particularly mindful of the impact of potential budget cuts on the poor. He said the City has not only done a good job in minimizing cuts but actually added money to fund human services last year. He asked whether hiring a traffic engineer is simply a trade-off of currently outsourced work, and whether it represents a potential savings to the City.

Mr. Burkett felt that a full-time staff person can respond to issues in a more timely and efficient manner than outsourced assistance.

Deputy Mayor Grossman noted that the City is not arbitrarily adding staff to the City workforce but is actually trading one kind of service for a more efficient kind. He said this is similar to the request to fund an assistant city attorney, in that currently outsourced work can be performed internally and with more direct control. In regard to CIP support staff, he expressed concern that the City may potentially hire permanent employees for only project-length needs.

Mr. Burkett said additional staff will only be hired for the duration of capital projects. Much of the future administrative support will go to two major projects, the Aurora Corridor and the Interurban Trail, and the CIP already provides for it.

Deputy Mayor Grossman expressed concern about proposed base budget reductions in the Technology Plan. He wondered if cuts could reduce the ability to provide necessary training, noting that some organizations do not get the benefits from training after investing in equipment and software.

Ms. Tarry said that two areas actually provide for training in the Technology Plan: \$30,000/year for training and technology oversight, and \$25,000/year for more direct technical training. She felt the City could accomplish its training needs with less than \$30,000/year. She also noted that the City is ready to undertake a document management project which will be less than originally budgeted.

Deputy Mayor Grossman asked about the difference between the levy rate and total amount of property tax the City can collect. He noted that property values are generally increasing, so he questioned which component reflects the 1% tax rate.

Ms. Tarry said the 1% is on the total levy collected, noting this year the levy rate dropped because the values exceeded the 1% limit. She anticipated that this will continue to occur.

Deputy Mayor Grossman asked about the proportion of health care costs to the total salary/benefits package. Ms. Tarry said health care costs comprise 10% of the total salary/benefits package. Deputy Mayor Grossman noted that taking care of employees requires a 2% increase each year. He then asked about the City's procedure for retiring and/or replacing equipment and software.

Ms. Tarry said the City sets aside money annually on a replacement cycle for equipment and pays annual maintenance fees for software. She noted that costs could increase if operating systems require new versions of software not covered by annual maintenance fees.

Councilmember Gustafson asked whether technology plans provide annual program updates. Ms. Tarry said they do provide program updates but the annual maintenance fee does not cover non-routine fixes like changes in operating systems, which generally require new software programs.

Deputy Mayor Grossman thanked staff for the presentation and expressed confidence in the information presented.

Ms. Tarry said staff felt confident with the numbers, noting this was the first year the financial system budget module was utilized.

Mayor Jepsen thanked staff for the budget report's high level of detail. He expressed support for the City's long-standing reserves policy and the use of conservative projections, noting that Shoreline has used conservative projections since its inception. He said the City has always done a good job in avoiding high levels of unsustainable expenditures.

Responding to Ms. Phelps's comments, Councilmember Ransom emphasized the importance of remembering those who rely on human services funding. He said that Council has always been concerned with human services, noting it was able to appropriate additional funds last year. He also expressed concern about the decreasing level of support from the county and state.

DRAFT

Councilmember Gustafson emphasized the need to maintain partnerships and cooperative efforts with state and federal legislators to explore grants and other funding options.

6. PUBLIC COMMENT

(a) Anthony Poland, Shoreline, said that previous budget statements regarding Initiative 695 were erroneous. He said budget losses were not due to I-695, which was overturned by the court system, but to state law which implemented \$30 license tabs. He reported on his attendance at the Richmond Beach Community Council monthly meeting, where several City officials and citizens discussed public beach access and Brightwater mitigation. He said there is general opposition to the rebuilding of the Appletree Lane bridge and a growing dissatisfaction with City government in all 13 neighborhoods.

(b) Richard Johnsen, Shoreline, said that Meridian Avenue N. between 167th and 170th has been a traffic hazard for many years due to street alignment problems. He said he filed several complaints with the Customer Response Team to get signage for hidden driveways, but has been told that such signs would not conform to code. He related the events involving a traffic accident near his home on Meridian Avenue, noting that Shoreline police did not respond to the accident for over three hours. He said the vehicle belonging to his neighbor, Gene Morgan, was badly damaged and that the officer on the scene did not seem very interested in the situation. He encouraged Council to take a look at the victim's vehicle.

Mayor Jepsen questioned Mr. Poland's perception of public opinion at the Richmond Beach Community Council meeting. He noted that the City Manager will follow up on the situation regarding Gene Morgan.

7. ADJOURNMENT

At 8:14 p.m., Mayor Jepsen declared the meeting adjourned.

Sharon Mattioli, CMC
City Clerk