

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	2009 Proposed Budget Department Presentations
DEPARTMENT:	City Manager
PRESENTED BY:	Robert Olander, City Manager

PROBLEM/ISSUE STATEMENT: The City Manager presented the 2009 Proposed Budget to the City Council on October 13, 2008. Tonight's agenda includes the review of department's 2009 budget requests. The proposed 2009 budget has been made available to the public and is available at the City Hall, Shoreline Police Station, Neighborhood Police Centers, Shoreline Library and Richmond Beach Library. In addition the November issue of "Currents" is a special 2009 Budget issue that is being sent to all City residents.

The focus of the departmental presentations will be on any significant changes between the department's 2008 budget and the 2009 proposed budget. This will serve to expedite the budget review process and make the best use of the Council meeting time. The department review schedule is listed below:

October 20	October 27
City Council	Planning & Development Services
City Manager	Public Works
Community Services	
City Clerk	
City Attorney	
Finance	
Human Resources	
Police	
Criminal Justice (Jail & Court)	
Parks, Recreation & Cultural Services	

Tonight we plan to complete department reviews through the Parks, Recreation & Cultural Services Department. Future budget workshops are planned for October 27 and November 3. Attachment A to this staff report is a suggested schedule for topics that will be covered at each of these workshops. Public hearings on the budget will be held on October 27th and November 17th. The hearing on November 17th will have special emphasis on revenue sources and the 2009 property tax levy. The budget is scheduled for adoption on November 24.

FINANCIAL IMPACT: The 2009 Proposed Budget totals \$104,077,571.

RECOMMENDATION

No action is required by the City Council. Department presentations will be for informational purposes and provide an opportunity for Council to ask specific questions regarding proposed department budgets.

Approved By: City Manager  City Attorney ____

ATTACHMENTS:

Attachment A: Proposed Budget Review Schedule

INTRODUCTION

Department presentations will focus on any substantial changes from 2008 to 2009. These presentations will not be lengthy, but will provide the City Council an opportunity to ask questions regarding the 2009 budget.

The budget continues to reflect the priorities of the City Council and supports the Council's 2008-2009 goals. The 2009 budget does not contain any new on-going programs or increased service levels beyond those to provide maintenance to completed capital projects such as Richmond Beach Saltwater Beach Park, Pump Station Park, City Hall and Aurora Avenue or assumed services such as street lights.

DISCUSSION

The 2009 proposed budget is the overall plan for allocating City resources to the programs necessary to keep the community safe, enhance the quality of life, and maintain and develop the City's infrastructure. The proposed budget totals \$104,077,571. The 2009 proposed budget is \$1.1 million or 1% more than the current 2008 Budget.

The most significant changes from 2008 included in the 2009 proposed budget include:

- *Property Tax:* The projected 2009 property tax levy rate is \$0.98 per \$1,000 assessed valuation. This is a 3.9% reduction from the 2008 tax rate of \$1.02. The budgeted property tax revenue is \$7,406,509, a 2.35% increase compared to the 2008 budget, but only a 1.7% increase compared to the final 2008 property tax levy assessed by King County. This increase represents a 1% increase in the property tax levy from 2008 to 2009 and an additional 0.7% increase related to anticipated new construction of \$47.6 million.
- *Salary & Benefit Changes of Existing Positions:*
 - Market salary adjustments and budgeted step increases. The budget includes an overall 5.22% market adjustment for all regular personnel classifications (\$523,109) and anticipated step increases for eligible employees (\$96,638). The market adjustment is 90% of the June CPI-U for the Seattle-Tacoma-Bremerton index which was 5.8%, in accord with the City's compensation policies; the 2009 proposed budget includes an additional \$30,000 as a contingency to implement the 2009 salary survey. The City's compensation policy establishes salary ranges that are set at the median of the City's comparable organizations. As was approved in 2005, the City reviews one-third of the City's classifications annually, ensuring that all classifications are reviewed once every three years.
 - Health benefit costs are projected to increase by \$129,884, 7.97%. Final rates for the City's health benefits will be made available in early October. Preliminarily it appears that the final rates are going to be slightly lower than those used in calculating the 2009 proposed budget costs. Once the final rates are determined, staff will review to see if the 2009 budget should be adjusted.

- Increases in the employer contribution to the City's Social Security program, and Medicare will increase by \$47,410 as a result of the market adjustment and anticipated salary step increases.
 - The Washington State Public Employees Retirement System (PERS) employer contribution rate went from 6.13% to 8.31% effective July 1, 2008. On July 1, 2009, the rate will go to 8.0%. These rate changes are part of the adopted rate changes approved by the State Legislature to meet the actuarial funding requirement for the retirement system. The 2009 budget reflects increased retirement contribution costs of \$130,306, a 19% increase when compared to the 2008 budget.
- *2009 position changes resulted in net budget reductions of \$30,480 for salaries and wages. These changes included:*
 - The proposed budget reflects the Assistant Planning & Development Services Director as a 0.9 FTE and an Associate Planner position as 0.6 FTE. These positions have been working under reduced hours for two years, although the budget reflected the positions as each being full-time.
 - Two positions within the Public Works Department that have been recommended for reclassification. The Public Works Administrative Manager position is being eliminated. The person currently filling this position will become the Fleet, Facilities, and Property Management Supervisor. The person currently filling the Fleet & Facilities position will become the Construction Inspector Supervisor, which is a new position. The Construction Inspector Supervisor position will be funded through the capital budget and right-of-way fees. Currently many of the capital projects include funding for inspection services through contract services. Some of these dollars will be used to fund the new inspection position. As a result of this change, the General Fund salaries and benefits budget was reduced by \$98,321.
- *Police Contract:* Overall, the City's cost for police services is projected to increase by \$700,000 (7.94%) when comparing the estimated 2009 cost to the City's 2008 budget. This change is primarily related to the anticipated increases in wages and benefits for police and support service personnel. The union contract for deputies expired on December 31, 2007. It is anticipated that the settlement of that contract will result in higher than anticipated wages and benefits for 2008 and 2009. The final costs of the contract will not be known until the King County budget is adopted. There is a very strong possibility that some of the planned budget reductions at the County level may have a positive impact on our 2009 assessment for support services such as the 911 dispatch services, fraud unit, and major crime investigations. As we progress through the 2009 budget process we will monitor the impact that the King County budget may have on the police contract.
- *Jail:* The City's 2009 jail costs are expected to remain flat at \$1.3 million as compared to the 2008 budget. In 2007 we started experiencing a downward trend in jail usage and anticipate that 2008 actual costs will be closer to \$1.15 million. Although this is the case, because of current economic conditions and as

a result of changes from the King County Prosecutor of raising the misdemeanor level from \$500 to \$1,000 for property and theft crimes we are anticipating that 2009 costs will approximate \$1.3 million. The King County change is estimated to cost the City of Shoreline \$72,000 in 2009.

- *Budgeted Contingency Expenditures:* The 2009 operating budget includes the required budget and insurance deductible contingencies. Per the City's financial policies, these contingencies total \$805,000 and are funded by allocating a portion of the existing General Fund fund balance. Other budgeted contingencies include a contingency for implementation of the 2008 salary survey (\$30,000), acquisition of a vehicle for the new Construction Inspector Supervisor (\$30,000), and monies for the move into the new City Hall (\$78,000).
- *Liability and Property Insurance Assessment:* The City's liability and property insurance assessment will decrease by \$16,300 from 2008 to 2009. This is approximately a 3.5% decrease. The City's insurance assessment is determined by a combination of five year loss rate and worker hours. The year 2002 had substantial losses for the City related to two specific cases involving the death and injury of individuals crossing City streets. In determining the 2009 assessments the year 2002 was no longer part of the City's five year loss history. As such the City's loss history was greatly improved, resulting in lower assessment charges for 2009.
- *One Time Expenditures:* The 2009 General Fund budget includes \$178,750 in one-time resource allocations. The one-time expenditures provide funding for the following:

<u>Department</u>	<u>Item</u>	<u>Budget</u>
Community Services	Senior Center	\$ 18,000
Community Services	Human and Youth Services Policy Plans	40,000
Community Services	Council of Neighborhoods Conference	3,750
Planning & Development Services	Development of Design Review Process	25,000
Public Works	Vehicle for Construction Inspector Supervisor	30,000
Finance	Phase II of Financial Software Upgrade	62,000
Total		<u>\$ 178,750</u>

- *Multi-Year Obligations:* The 2009 budget includes funding for both the operation of the Kruckeberg Garden and for a contract with the Shoreline YMCA.
 - *Kruckeberg Garden:* The 2009 budget includes \$40,000 that is part of a three year funding package for the Kruckeberg Garden transition plan. As part of the 2006 Bond Issue funding was provided for the acquisition of the Kruckeberg Botanical Gardens. During negotiations for the property, a long-term operational plan for the Gardens was approved between the City and the Kruckeberg Botanical Garden Foundation. The agreement requires that both the City and the Foundation contribute \$100,000 towards the cost of operating the Garden through 2010, with the goal that the Foundation will have developed a business plan that fully supports the on-going operating costs of the garden by 2011. The 2008 City contribution was \$40,000. In 2010 the amount will drop to \$20,000. The

City's long-term projections do not include funding for the operations of Kruckeberg Garden beyond 2010.

- YMCA: In 2007 the City Council authorized \$80,000 for a service contract between the City and YMCA for a two year period, once the new YMCA was operational. It is anticipated that \$10,000 will be spent in 2008, \$40,000 in 2009, and \$30,000 in 2010.
- *Telephone Utility Charges:* In 2008 the City installed and implemented a new telephone system. As a result of the changes made with the system the 2009 telephone fees are approximately \$107,000 less than those budgeted in 2008.
- *Fee Changes:* The 2009 budget reflects the policy adopted by the City Council in 2000 to adjust development and recreation fees by the CPI-U for Seattle which is estimated at 5.8%. In addition to this adjustment the City has increased the annual recreation scholarship funding from \$35,000 to \$45,000 in 2009. The 2009 fee schedule also includes a proposed \$6, 5%, annual increase in the City's surface water utility rate, bringing the annual residential rate to \$130. This rate adjustment was included in the surface water master plan adopted by the City Council in 2005. In 2009 the City will conduct a rate review process to identify any rate adjustments that will be needed over the next few years.
- *Capital Programs:* The City's 2009 capital budget reflects the first year of the City's adopted 2009-2014 capital improvement program (CIP).

In addition to the major changes identified above, the City Council will have an opportunity to review each of the City's department budgets. The department review schedule is listed below.

October 20	October 27
City Council	Planning & Development Services
City Manager	Public Works
Community Services	
City Clerk	
City Attorney	
Finance	
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Police	
Criminal Justice (Jail & Court)	
Parks, Recreation & Cultural Services	

SUMMARY

The 2009 proposed budget is balanced and totals nearly \$104.1 million. The City Council will have three workshops to review the proposed budget. The public will have an opportunity to speak to the Council about the budget at each of the Council meetings as part of either public comment or during the two formal public hearings held on October 27 and November 3. The City Council is scheduled to adopt the 2009 budget on November 24.

RECOMMENDATION

No action is required by the City Council. Department presentations will be for informational purposes and provide an opportunity for Council to ask specific questions regarding proposed department budgets.

ATTACHMENT A

2009 Proposed Budget Review Schedule

<u>October 20</u>	<u>October 27</u>	<u>November 3</u>
City Council	Planning & Development Services	Salary Schedule
City Manager	Public Works	Fee Schedule
Community Services	Follow-up from October 20	Follow-up from October 27
City Clerk		
City Attorney		
Finance		
Human Resources		
Police		
Criminal Justice (Jail & Court)		
Parks, Recreation & Cultural Services		