

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2010 Proposed Budget Department Presentations
DEPARTMENT: City Manager
PRESENTED BY: Robert Olander, City Manager

PROBLEM/ISSUE STATEMENT: The City Manager presented the 2010 proposed budget to the City Council on October 12, 2009. Tonight's agenda includes the review of department's 2010 budget requests. The proposed 2010 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 2010 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 2009 budget and the 2010 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 19	October 26
City Council	Public Works
City Manager	Capital Funds
Community Services	
City Clerk	
City Attorney	
Finance	
Human Resources	
Police	
Criminal Justice (Jail & Court)	
Parks, Recreation & Cultural Services	
Planning & Development Services	

Tonight we plan to complete department reviews through the Planning & Development Services Department. Future budget workshops are planned for October 26 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 26th and November 2nd. The hearing on November 2nd will have special emphasis on revenue sources and the 2010 property tax levy. The budget is scheduled for adoption on November 23.

FINANCIAL IMPACT: The 2010 Proposed Budget totals \$84,101,780.

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 2009 to 2010. These presentations will not be lengthy, but will provide the City Council an opportunity to ask questions regarding the 2010 budget.

The budget continues to reflect the priorities of the City Council and supports the Council's 2009-2010 goals. The 2010 budget does not contain any new on-going programs or increased service levels.

DISCUSSION

The 2010 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 \$84,101,780. The 2010 proposed budget is \$38.7 million or 31.5% less than the current 2009 Budget.

The most significant changes from 2009 included in the 2010 proposed budget include:

- *Salary & Benefit Changes of Existing Positions:*
 - Market salary adjustments and budgeted step increases. The 2010 budget does not include a market adjustment or cost of living adjustment (COLA) for regular City employees. The current level of inflation does not support a COLA per the City's compensation policies. The 2010 budget includes anticipated step increases for eligible employees (\$84,150). It also includes an additional \$27,500 as a contingency to implement the 2010 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. During 2008 staff is completing a salary survey on classifications 1 through 43, along with a few other positions that are linked to positions within these classifications. At the time we finalized the proposed 2010 budget, the final recommendation for changes to salary classifications from the survey data had not been finalized. Although this is the case staff has estimated that the implementation costs will be in the neighborhood of \$27,500. During the budget process we will be determining the final amount and will present the City Council with the changes to the City's salary schedule.
 - Extra-help in the City's recreation and aquatic programs has increased by \$15,000 compared to the 2009 budget. This is primarily related to the required personnel level to provide programs and \$0.25 hourly increases for returning personnel. In 2010 this level of funding will be off-set by anticipated revenue increases. In addition to this increase, \$10,000 of extra-help has been budgeted to support projects to coordinate art displays and projects in various City facilities and along the Interurban Trail.
 - Health benefit costs are projected to increase by \$84,000, 5.1%.

- Increases in the employer contribution to the City's Social Security program, and Medicare will increase by \$13,657 as a result of the anticipated salary step increases.
 - The Washington State Public Employees Retirement System (PERS) employer contribution rate went from 8.31% to 5.31% effective July 1, 2009. These rate changes are part of the adopted rate changes approved by the State Legislature to help balance the State's budget for the 2009-2011 biennium. In order to fully fund retirements in the future the State's actuarial studies show that the retirement contribution rate will need to double to 11.52% by 2014. The City's cost will go up substantially as these increases are implemented in the future. The 2010 budget reflects decreased retirement contribution costs of \$286,794, a 35% decrease when compared to the 2009 budget.
 - *2010 position changes include the following:*
 - The Customer Service Representative (CRT) lead position and an Administrative Assistant position in the Planning and Development Services department have been eliminated in the proposed 2010 budget. Both positions became vacant in 2009 and I am not recommending that either position be filled in light of the City's long-term financial projections.
 - An Administrative Assistant position in the Police Department has been eliminated as a City position. This position became vacant in 2009, and for operational ease the position will be filled through the King County police contract. In order to make the change budget neutral the position is an 0.8 FTE under the police contract. The elimination of the position results in the salary and benefit budget being reduced, but it is off-set with an increase in intergovernmental contract costs, resulting in a \$0 net effect to the City's budget.
 - ◆ *Police Contract:* The projected 2010 contract with King County for police services is nearly \$9.7 million. Overall, the City's cost for police services is projected to increase by \$509,000 (5.5%) in 2010 when compared to the 2009 budget. Part of the increase is attributed to the change in the Administrative Assistant position discussed previously. This change equals approximately \$75,000. The remaining \$434,000 is primarily related to increased personnel costs for police and support service personnel. In 2008 King County settled the union agreement with deputies that awarded 5% annual salary increases through 2012.
- The contract with King County provides that the Sheriff's Office give an estimate of the 2010 costs by September 2009, and then reconcile this cost with the budget adopted by the County in March of 2010. Whichever cost is less is the amount that the City will actually pay via contract charges in 2010. As a result of this process, it is not unusual that the City's budget may be slightly different from the actual annual contract with King County.
- ◆ *Jail:* City's 2010 jail costs are projected to be slightly lower than the 2009 budget of \$1.3 million. 2009 projected actual jail costs are projected at \$1.08 million. The 2010 jail budget if proposed at \$1.15 million or nearly \$150,000 less than what was

budgeted in 2009. The decrease in projected jail costs reflect the downward trend in jail usage that that City has experienced since the peak in 2006. Staff has worked with the Court to implement alternative sentencing such as home detention that have helped lower the City's jail costs.

- ◆ *Budgeted Contingency Expenditures:* The 2010 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 2010 salary survey (\$27,500), projected increases in the City's health benefit costs (\$84,000), and \$459,000 for a possible reduction in gambling tax rate for card rooms. The City Council will discuss in January 2010 whether to lower the card room gambling tax rate from 10% to 7% during the construction of the Aurora Ave. N. improvements. If the City Council does not lower the tax rate these monies will be transferred to the Roads Capital Fund per the Council's policy of allocating an amount equal to 30% of the gambling taxes for one-time costs.
- ◆ *Liability and Property Insurance Assessment:* The City's liability and property insurance assessment is projected to remain flat between 2009 and 2010 even with the addition of the new City Hall to the insurance schedule. The City will increase its property insurance deductible to \$25,000 in 2010 which resulted in a \$25,000 reduction in the City's projected assessment. The City budgets \$255,000 in insurance contingency that can be used if the City experiences major losses. The City's insurance assessment is determined by a combination of 5 year loss rate and worker hours.
- ◆ *One Time Expenditures:* The 2010 General Fund budget includes \$141,432 in one-time resource allocations. The one-time expenditures provide funding for the following:

<u>Department</u>	<u>Item</u>	<u>Budget</u>
Public Works - Facilities	Facilities Management services Support	30,000
Public Works - Street Operations	1 Ton Truck with Snow Plow, Sander & Delcing Tanks	109,632
Total		\$139,632

- ◆ *Multi-Year Obligations:* The 2010 budget includes funding for both the operation of the Kruckeberg Gardens, additional funding for the Shoreline/Lake Forest Park Senior Center and for a contract with the Shoreline YMCA.
 - *Kruckeberg Garden:* The 2010 budget includes \$28,686 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 2009 City contribution is projected to be \$40,000 and the 2008 contribution was

\$38,000. The City's long-term projections do not include funding for the operations of Kruckeberg Garden beyond 2010.

- *Senior Center*: In setting the 2009 budget the City Council authorized an additional \$18,000 in annual funding for the Senior Center for 2009 and 2010. The 2010 budget includes the second payment. The City's long-term budget forecasts do not include this payment 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. Through 2009 the City anticipates spending approximately \$50,000 and the final \$30,000 is included in the 2010 budget.
- ◆ *Use of Operating Reserves*: The budgeted use of operating reserves (fund balance) in 2010 includes the allocation of \$805,000 of the general fund fund balance for budget and insurance deductible contingencies, as per the City's reserve policies, the use of \$113,000 one-time for the City Hall debt service payment if the City's first quarter real estate excise taxes are less than \$663,000 (current budget projection is \$550,000), and \$139,632 for one-time expenditures discussed later in this letter.
 - ◆ *City Hall Debt Service Costs*: The 2010 budget includes \$1.27 million in debt service costs for the new City Hall. The City will be making the debt service payments with a combination of previously budgeted general fund monies for lease of the City Hall and Annex buildings (\$610,000) and \$663,000 of real estate excise tax (REET). The City Council had authorized staff to use up to \$750,000 of REET towards the City's debt service costs for City Hall. The 2010 budget does not include any anticipated lease revenue from the vacant space in the new City Hall.

The 2010 budget includes net lease revenues of \$45,000 from leased space in the Kimm building. This revenue is being allocated to the General Capital Fund to help cover the cost of the Kimm Property that was purchased in December 2005.

- ◆ *Property Tax Levy*: I am proposing that the City Council assess the same property tax levy in 2010 as that assessed in 2009. This is basically a 0% increase to city property owners for the City's portion of the property taxes. More information regarding the proposed property tax levy can be found in the Executive Summary section of the budget.
- ◆ *Fee Changes*: The 2010 budget reflects the policy adopted by the City Council in 2000 to adjust development and recreation fees by the CPI-U for Seattle. As a result of the CPI being a negative 0.7% no increases in fees are proposed in the 2010 budget.
- ◆ *Capital Programs*: The City's 2010 capital budget reflects the first year of the City's adopted 2010-2015 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 19	October 26
City Council	Public Works
City Manager	Capital Funds
Community Services	
City Clerk	
City Attorney	
Finance	
Human Resources	
Police	
Criminal Justice (Jail & Court)	
Parks, Recreation & Cultural Services	
Planning & Development Services	

SUMMARY

The 2009 proposed budget is balanced and totals nearly \$84.1 million. The City Council will have four 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 26 and November 2. The City Council is scheduled to adopt the 2010 budget on November 23.

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

October 19	October 26	November 2
City Council	Public Works	Salary Schedule
City Manager	Capital - 2010	Fee Schedule
Community Services	Follow-Up from October 19	Follow Up from October 26
City Clerk		
City Attorney		
Finance		November 9 – No Meeting
Human Resources		November 16 – Final Discussion
Police		November 23 – Budget Adoption
Criminal Justice (Jail & Court)		
Parks		
Planning & Development		